



MONTANA

DEPARTMENT OF COMMERCE



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2017 Biennium Goals & Objectives

Department of Commerce:

The Department of Commerce strives to enhance the economic prosperity for all Montanans. The Department works with our customers (economic and community development organizations, businesses, communities, governmental entities, elected officials, and the **public**) to **diversify and expand the state's** economic base through business creation, expansion, and retention and improvement of our infrastructure, housing and facilities.

The Department is composed of nine major divisions as follows:

Business Resources Division

- Technical Assistance
Small Business Development Center Bureau
Trade and International Relations Bureau
- Information
Census and Economic Information Center
State Tribal Economic Development Commission
Montana Finance Information Center
- Finance
Board of Research & Commercialization Technology
Regional Development Bureau

Montana Promotion Division

- Marketing
- Sales and Constituent Services
- Industry Services and Operations
- Film Marketing and Promotion

Community Development Division

- Community Development Block Grant Program
- Community Technical Assistance Program
- HOME Investment Partnership Program (HOME)
- Quality Schools Grant Program
- Treasure State Endowment Program
- Coal Board
- Hard Rock Mining Impact Board

Montana Facility Finance Authority

Housing Division

- Board of Housing

Board of Investments

Board of Horse Racing

Montana Heritage Commission

Director's Office

- Offices of Accounting and Budget; Legal Affairs, Human Resources, Information Technology, and Public Information
- Montana Council on Developmental Disabilities

The Department is mandated in 2-15-18, MCA.

Mission:

The Department of Commerce through its employees, community partners, public outreach, and media contacts enhances economic prosperity in Montana; fosters community lead diversification and sustainability of a growing economy; maintains and improves our infrastructure, housing and facilities; **and promotes and enhances Montana's positive national and international image.**

"The Department of Commerce will enhance and sustain a healthy economy so Montana businesses, communities, and people can prosper."

Goals and Objectives:

- Work to improve the state's economy through business creation, expansion, retention, and diversification of the state's economic base.
- **Provide direct technical assistance and training for Montana's entrepreneurs, businesses, and their employees** in partnership with communities, counties, and local and regional development groups.
- Enhance the growth of the Montana economy through the promotion of tourism development, promoting and protecting historic sites, and the marketing of Montana as a travel and filmmaking destination.
- Promote access to new markets, both foreign and domestic, for Montana goods and services.
- Provide financing for homeownership and rental assistance opportunities for Montana families.
- Develop and improve public infrastructure and housing opportunities for the state's citizens by providing grants and technical assistance to Montana communities and counties.
- Prudently manage the investments of state and local government funds.
- Provide fair and equal treatment of our fellow employees and our customers.

Business Resources Division:

Our Montana economy is dependent on business people who take risks to create job opportunities for themselves and other Montanans. Because we all depend on private enterprise, Governors and Legislatures alike have seen the importance of supporting business development and expansion through the delivery of public resources.

The Business Resources Division is comprised of programs aimed at improving and diversifying **Montana's** economy. We work closely with the private sector, local communities, economic development organizations, and state and federal government agencies to improve the economy of Montana through business creation, expansion, retention, and recruitment efforts.

Business Resources Division responsibilities are mandated primarily in Title 15, Chapter 35, Section 108; Title 17, Chapter 6, Part 4; Title 39, Chapter 11; and Title 90, Chapters 1 and 3, MCA.

Funded projects can be reviewed at <http://svc.mt.gov/doc/publicreporting>.

Mission:

The mission of the Business Resources Division is to provide the tools to create good jobs, build strong communities, and grow Montana's economy.

FINANCE ASSISTANCE BUREAU:

The Finance Assistance Bureau works closely with Montana businesses, local and regional economic development organizations, communities and counties, and tribal governments to provide financing for economic development projects, infrastructure projects that support business development, and workforce training for basic sector companies to grow their employment base in Montana.

The financial resources provided through the bureau are intended to fill gaps in financing packages that either prevents economic development and job creation projects from getting off the ground or, to fill gaps that delay or impede development from occurring.

PROGRAMS

Certified Regional Development Corporations

This program provides statutory funding for up to 12 regional economic development organizations (Certified Regional Development Corporations (CRDCs)) on a matching grant basis of \$1 state dollar for every local \$1. Website: <http://businessresources.mt.gov/crdc>.

Goals and Objectives:

- Encourage a regional approach to economic development facilitating the efficient delivery of economic development programs by supporting regional capacity building.
- Work toward including Montana counties that are not currently part of the CRDC program (Lincoln, Flathead, Missoula, Ravalli and Richland).
- Review and evaluate CRDC performance for contract compliance.
- Partner with CRDCs to enhance and build their capacity to serve their constituent counties, communities and citizens in the areas of technical assistance, finance, regional planning, and grant administration.
- Continuously evaluate the CRDC program and make recommendations for improvement.

- Collaborate with the Governor-appointed Economic Development Advisory Council (EDAC) by providing research and analysis where needed and requested.

Performance Indicators:

Performance	Actual FY 2013	Actual FY 2014	Plan FY 2015	Plan FY 2016	Plan FY 2017
Certified CRDCs	11	11	11	12	12
Counties Served	51	51	51	53	53

Montana MicroBusiness Finance Program

Montana's MicroBusiness Development Corporations (MBDCs) provide financing and technical assistance to help businesses get started or expand. The Montana Department of Commerce loans money to the MBDCs who in turn loan the money at a slightly higher interest rate. The MBDCs make loans up to \$100,000 for working capital, equipment, or other fixed assets for qualified micro-businesses. A qualified micro-business must be a Montana-based business that has ten or fewer than ten full-time equivalent employees and less than \$1,000,000 in gross annual revenues. To qualify for a loan the businesses need to meet local lending criteria. Since the intent of the program is to finance business projects that would not otherwise be able to obtain financing from sources such as their local banks, the interest rates charged on the loans are slightly higher than bank rates.

Website: <http://businessresources.mt.gov/MBFP>.

Goals and Objectives:

- Increase awareness of the availability of micro-loan funds through marketing efforts at the local and state level.
- Cultivate effective working relationships between MBDC staff and other resources, to assist Montana businesses in obtaining financing.
- Ensure that the state funds are actively revolving through more effective local loan fund administration and reallocation of un-loaned funds.
- Improve the capacity of the MBDCs to provide loans and technical assistance.
- Improve the capacity of the MBDCs to underwrite and service their microloan portfolios.
- Improve the capacity of the MBDCs to provide training and technical assistance to their customers.
- Encourage the development and growth of Montana micro-businesses by supporting the provision of financing services.

Performance Indicators:

PERFORMANCE	Actual FY 2013	Plan FY 2014	Plan FY 2015	Plan FY 2016	Plan FY 2017
MBDC - Dollar Amount of Outstanding Loans to MBDCs.	\$ 3,958,356	\$4,200,000	\$4,650,000	\$4,650,000	\$4,650,000
MBDC - Jobs Created and Retained by Businesses Receiving Loans from MBDCs.	78	105	115	125	125

Montana Distressed Wood Products Revolving Loan Fund Programs

The Montana Distressed Wood Products Revolving Loan Fund (MT WP RLF) is comprised of three different funding sources that were used to implement the distressed wood products loan program in order to come up with enough resource to make the program meaningful in trying to keep a viable wood products industry in Montana. Website: <http://wprlf.mt.gov>.

- \$7.5 million was appropriated by the Montana Legislature for this permanent revolving loan fund program.
- \$2.7 million was granted to the Montana Department of Commerce by the Economic Development Administration.
- \$1.5 million in Community Development Block Grant funds from ARRA was used to supplement this revolving loan fund for wood products companies (see the CDBG-ED program).

EDA WP RLF

In June 2009, the U.S. Department of Commerce, Economic Development Administration (EDA) awarded \$2.7 million in American Recovery and Reinvestment Act (ARRA) funds to the Montana Department of Commerce to establish a wood products industry revolving loan fund (RLF). The 2009 Montana Legislature allocated \$2.7 million of Montana Reinvestment Act (MRA) funding to match the EDA investment to establish the EDA WPIRS Program. Of the total \$5.4 million, \$5 million was budgeted to provide loans and \$400,000 was budgeted to provide for the administration costs of the ongoing RLF program.

Goals and Objectives:

- Provide low interest loans to individuals and businesses within the wood products industry.
- Within the wood products industry, focus to assist with the retention of existing businesses, restoring lost jobs, and helping to create additional jobs through expanded product lines and developments.
- Loan repayments to be returned to the EDA WP RLF for re-lending to individuals and businesses within the wood products industry.

Performance Indicators:

EDA WP RLF Performance	Actual FY 2013	Actual FY 2014	Plan FY 2015	Plan FY 2016	Plan FY 2017
Number of EDA WP RLF Loans Funded	1	0	2	1	2
Amount of EDA WP RLF Loans Funded	\$650,000	\$0	\$800,000	\$500,000	\$800,000
Amount of EDA WP RLF Loan Repayments	\$586,809	\$567,683	\$571,048	\$572,613	\$532,464

STATE WP RLF

The 2009 Montana Legislature, in addition to the \$2.7 million allocated to establish the EDA WP RLF Program, allocated an additional \$4.8 million of Montana Reinvestment Act (MRA) funding to establish a State funded wood products industry revolving loan fund (STATE WP RLF). The full \$4.8 million was budgeted to provide loans.

Goals and Objectives:

- Provide low interest loans to individuals, including private contractors, and small businesses that are part of the critical, primary wood processing infrastructure and have suffered economic hardships.
- Loan repayments and any interest generated to be used as revolving loans for the wood products industry.

Performance Indicators:

State WP RLF Performance	Actual FY 2013	Actual FY 2014	Plan FY 2015	Plan FY 2016	Plan FY 2017
Number of State WP RLF Loans Funded	1	0	4	2	1
Amount of State WP RLF Loans Funded	\$520,000	\$0	\$1,200,000	\$600,000	\$400,000
Amount of State WP RLF Loan Repayments	\$1,213,265	\$433,633	\$301,250	\$365,167	\$298,834

EDA and State WP RLF Performances	Actual FY 2013	Plan FY 2014	Plan FY 2015	Plan FY 2016	Plan FY 2017
Number of Jobs Retained	14	20	60	25	20
Number of Jobs Created with WP RLF Funds	16	15	40	30	40
Amount of Private/Public Leveraged Funds	\$2,453,355	\$0	\$2,800,000	\$1,600,000	\$2,000,000

Montana State Small Business Credit Initiative

The Montana State Small Business Credit Initiative (MT SSBCI) Program was created in State Fiscal Year 2012 using funds received from the U.S. Treasury Department as part of the Small Business Jobs Act of 2010 (the "Act"). The Act created the State Small Business Credit Initiative to strengthen state programs that support lending to small businesses and small manufacturers.

Montana will be using \$12.2 million to create a new loan participation program with the intent to generate at least \$10 in new small business lending for every \$1 received in Federal funds. The goal is to leverage this initial funding into over \$122 million in new lending within Montana.

The MT SSBCI funds will assist new Montana businesses entering the market and those existing businesses that need additional borrowings to expand or stabilize their business. Lender loans eligible for MT SSBCI participation include, but are not limited to, real estate, equipment, working capital, lines of credit, and non-speculative new businesses. Website: <http://mtssbci.mt.gov>.

Goals and Objectives:

- To create and retain jobs and increase economic activity in the state of Montana. To create or retain an average of one job for every \$11,600 in MT SSBCI funds loaned through participating lenders.
- To leverage additional funds at a ratio of 10:1 for a total goal of \$122 million in new lending statewide.
- Create additional revolving loan capacity in participating Montana Certified Development Financial Institutions and Economic Development Organizations for additional re-lending in their regions.

Performance Indicators:

MT SSBCI Performance	Actual FY 2012	Actual FY 2013	Actual FY 2014*	Plan FY 2015*	Plan FY 2016*
Number of MT SSBCI Loans Funded	31	14	5	0	0
Amount of MT SSBCI Loans Funded	\$7,701,111	\$3,075,207	\$1,528,150	\$0	\$0
Amount of MT SSBCI Private Leveraged Funds	\$39,539,216	\$36,310,452	\$34,094,952	\$0	\$0

* As of April 2014, all available MT SSBCI loan funds are committed.

Community Development Block Grant – Economic Development Program

The Department allocates approximately 1/3 of the Community Development Block Grant funding from the U.S. Department of Housing and Urban Development for economic development activities. These funds are administered by the Business Resources Division through the Community Development Block Grant – Economic Development (CDBG-ED) program and distributed to communities, primarily for loans to businesses to stimulate economic development activities that create or retain jobs. More than half of the awarded funds must benefit individuals from low and moderate-income families. The program assists businesses by providing flexible interest rates and loan terms to complement conventional bank financing and other federal and state finance programs. The program also provides funding for infrastructure in support of businesses and grants for job training. Loan repayments are normally retained locally to re-lend to other businesses in the community. Website: <http://cdbged.mt.gov>.

The program accepts applications for funding on a continuous open cycle. Projects are selected for funding with consideration of overall feasibility, long-range economic impact, and number of jobs that would be made available to low and moderate income persons.

In 2009 the CDBG-ED program also received funding from the American Recovery and Reinvestment Act to develop a revolving loan fund for Montana distressed wood product and timber related industries. The program made five loans and most have terms for deferrals. Loan repayments from the wood product awards are deposited into the CDBG-ED account as program income and made available to any eligible applicant for any eligible CDBG-ED activity.

Goals and Objectives:

Based on years of public comment, enforcement of federal program objectives, and various studies conducted through the years for the program **and economic development the program's objectives** for assisting business development in Montana are to:

- Increase viable economic development projects that promote investment of private capital, by assisting businesses and communities in achieving economic prosperity using program resources to leverage other private and public resources, up to 6 dollars or more in match for every 1 dollar of CDBG-ED funding.
- Create permanent year-round jobs principally for low and moderate income Montanans through loans and grants for business retentions and expansions, up to 150 or more jobs a year.
- Allow local communities to identify their own needs and develop their own initiatives by providing funding for planning and technical assistance activities, up to 6 or more planning grants a year.
- Assist new and expanding businesses with employee training needs, up to 3 or more assisted businesses a year.

Performance Indicators:

PERFORMANCE	Actual Program Year 2013	Program Year 2014	Program Year 2015	Program Year 2016	Program Year 2017
CDBG - Jobs Created and Retained	166	150	150	150	150
CDBG - # of Planning Grants provided	8	6	6	6	6

PERFORMANCE	Actual Program Year 2013	Program Year 2014	Program Year 2015	Program Year 2016	Program Year 2017
CDBG funds provided to local governments for private sector loans/grants	1,912,960	1,900,000	1,900,000	1,900,000	1,900,000
CDBG - Total Project Investment by companies	4,472,100	11,400,000	11,400,000	11,400,000	11,400,000
CDBG Leverage of other funds	2:1	6:1	6:1	6:1	6:1

Primary Sector Workforce Training Grant Program (One Time Only Funding)

In 2005, the Montana Legislature passed the **Primary Sector Business Workforce Training Grant Act** to encourage the creation and retention of good-paying jobs in primary sector businesses. The program provides an incentive for out-of-state companies to locate to Montana and for Montana companies to expand their operations. The program provides training for Montana citizens enabling them to increase their skills and standard of living. Companies with 50% or more of their sales from outside Montana are eligible to apply for the program and they must pay each eligible worker a wage that meets or exceeds the lesser of 170% of Montana's current minimum wage or the current average weekly wage of the county in which the business is located (wages can include provided benefits). Website: <http://wtg.mt.gov>.

Performance Indicators:

PERFORMANCE	Actual FY 2013	Actual FY 2014	Plan FY 2015	Plan FY 2016*	Plan FY 2017*
Jobs projected to be provided training	167	93	75	420	420
Awards provided to Montana businesses	\$ 826,021	\$704,750	\$379,000	\$2,100,000	\$2,100,000
Funds leveraged from other sources	\$12,743,688	\$4,344,754	\$3,658,980	\$15,000,000	\$15,000,000

*Based on \$5 million request in funding for the biennium.

Big Sky Economic Development Trust Fund

The legislative purpose of the Big Sky Economic Development Fund is to:

- Create good-paying jobs for Montana residents,
- Promote long-term, stable economic growth in Montana,
- Encourage local economic development organizations,
- Create partnerships between the state, local governments, tribal governments, and local economic development organizations that are interested in pursuing these same economic development goals,
- Retain or expand existing businesses,

- Provide a better life for future generations through greater economic growth and prosperity in Montana, and
- Encourage workforce development, including workforce training and job creation, in High-Poverty Counties by providing targeted assistance.

The Big Sky Economic Development Fund is a sub-trust fund within the Coal Severance Tax Trust Fund. Investment earnings (interest only; not principal) from the Big Sky Economic Development Fund are appropriated to the Montana Department of Commerce to provide financial assistance to local and tribal governments and economic development organizations. The program is statutorily designed to provide financial assistance in the following two categories:

Category I: 75% of BSTF earnings shall be awarded to local and tribal governments in the form of grants and loans for economic development job creation projects.

Category II: 25% of BSTF earnings shall be awarded to, Certified Regional Development Corporations and other eligible economic development organizations and tribal governments in the form of grants and loans for economic development planning.

Website: <http://bstf.mt.gov>.

Performance Indicators:

PERFORMANCE	Actual FY 2013	Actual FY 2014	Plan FY 2015	Plan FY 2016	Plan FY 2017
\$ Awarded for Economic Development Projects	\$ 3,354,030	\$ 2,341,633	\$ 2,600,000	\$ 3,000,000	\$ 3,000,000
\$ Awarded for Economic Development Planning Projects	\$ 893,657	\$ 496,165	\$ 900,000	\$ 900,000	\$ 900,000
Projected New Jobs Created	487	360	450	500	500
Funds leveraged	\$36,288,208	\$ 73,896,585	\$ 30,000,000	\$ 35,000,000	\$ 35,000,000

Indian Country Economic Development Funds (One Time Only Funding)

Funding for the Indian Country Economic Development (ICED) program has been made available to the Montana Department of Commerce since October 2005. The Montana Legislature has appropriated \$800,000 each year of the current biennium for support of tribal business development projects, workforce training projects, entrepreneurial trainings, feasibility studies, and other types of economic development projects. Each tribe can apply for up to \$70,000 in grant funding to further economic development efforts on tribal reservations. Plans for FY 2016-2017 are to increase the amount of funds provided to Indian nations to \$75,000 per tribal nation. Website: <http://iced.mt.gov>.

Goals and Objectives:

The program's objectives for assisting business tribal development in Montana are to provide support for tribal economic sustainability and growth, efficient use of public funds, and effective administration to:

- Allow all Montana tribes access to annual funding for business development.
- Fund activities that will lead to the creation or retention of 80 jobs from tribal businesses a year.
- Fund activities that may train up to 150 employees or potential business owners a year.
- Provide at least 1 dollar from outside funding for every 2 dollar of ICED grants.

Performance Indicators:

PERFORMANCE	Actual FY 2013	Plan FY 2014*	Plan FY 2015	Plan FY 2016	Plan FY 2017
ICED - Funding provided to Indian Nations	\$ 800,000	\$ 800,000	\$ 800,000	\$1,000,000	\$1,000,000
ICED - Jobs created, retained, or trained	239	83	100	125	125
ICED –Amount of Matching Funds	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	2,000,000	2,000,000
MIEF – Businesses supported	45	20	20	25	25
Leverage of ICED funds	2:1	2:1	2:1	2:1	2:1

* FY 2014 contracts are still open.

Montana Board of Research and Commercialization Technology

The Montana Board of Research and Commercialization Technology (MBRCT) was created by the 1999 Montana Legislature to provide a predictable and stable source of funding for research and commercialization projects.

The board has the statutory authority to make grants to research and commercialization centers if the projects to be funded:

- Have potential to diversify or add value to a traditional basic industry of the state economy.
- Show promise for enhancing technology-based sectors or commercial development of discoveries.
- Employ or take advantage of existing research and commercialization strengths.
- Have a realistic and achievable project design.
- Employ an innovative technology.
- Are located in the state.
- Have a qualified research team.
- Have scientific merit based on peer review.
- Include research opportunities for students.

Website: <http://businessresources.mt.gov/MBRCT>.

Goals and Objectives:

Award authorized funds to research and commercialization projects with significant potential to improve the state's economy by:

- Supporting projects that address renewable energy and clean coal technologies;
- Supporting projects that have the involvement of private companies;
- **Supporting projects that enhance the state's research infrastructure;**
- Supporting projects that show a clear path to commercialization in Montana; and
- Providing oversight management of awarded grants.

Performance Indicators:

PERFORMANCE	FY 2013 Actual Cumulative	Plan FY 2014 Cumulative	Plan FY 2015 Cumulative	Plan FY 2016 Cumulative	Plan FY 2017 Cumulative
Total MBRCT state funds awarded (includes HB611 Food & Ag development program \$195,000/year effective July 1, 2011)	\$ 39.3M	\$ 40.1M	\$ 40.9M	\$ 41.7M	\$ 42.4M
Matching funds leveraged by MBRCT state funds	\$ 44.5M	\$ 45.4M	\$ 46.4M	\$ 47.3M	\$ 48.2M
Additional follow-on funding generated by Montana projects receiving MBRCT grants after the award	\$332.3M	\$332.0M	\$383.5M	\$409.1M	\$434.7M
MBRCT grant awards 30% clean coal/renewable resource statutory requirement	\$ 2.3M	\$ 2.5M	\$ 2.8M	\$ 3M	\$ 3.2M

TECHNICAL ASSISTANCE:

Small Business Development Center Bureau

The Bureau includes programs that provide statewide business assistance services that include training and one-on-one business consulting to entrepreneurs, start-ups and existing small businesses at little to no cost. The programs are supported through federal, state, and local collaborations, in addition to the Montana University System and private sector.

Website: <http://sfdc.mt.gov>.

PROGRAMS

Small Business Development Center (SBDC) Program

The Small Business Development Center (SBDC) program is designed to help start-up and existing businesses prosper by providing information and assistance through no-cost confidential, quality one-on-one counseling and training. The program is funded by a grant under a Cooperative Agreement with the Small Business Administration (SBA) and matched with state and local funds. The Montana SBDC delivery system is designed **to reach the state’s entire population with its services and programs.** The administrative office is located in Helena and ten service centers are based in major Montana communities hosted by local economic development organizations.

Goals and Objectives:

- **The SBDC will serve the state’s business needs, both start-ups** and existing, through training and counseling via ten statewide offices, Billings, Butte, Bozeman, Colstrip, Great Falls, Havre, Helena, Kalispell, Missoula and Wolf Point. It is expected that the program must continue to emphasize more group trainings for individuals interested in starting a business in order to provide more in-depth and longer-term one-on-one counseling to existing businesses and start-ups.
- **The Montana SBDC program’s two** primary services are providing individualized counseling and group training in the areas of business plan preparation, starting a business, financial analysis, market research & analysis, loan packaging, accounting, promotion and selling, and general business management skills.
- In order to receive SBA grant funding, the SBDC network must meet ASBDC accreditation standards of quality. Business advisors participate in a certified training program and maintain this core level of skills through annual professional development.

Performance Indicators:

PERFORMANCE	Actual FFY 2012/13	Plan FFY 2013/14	Plan FFY 2014/15	Plan FFY 2015/16	Plan FFY 2016/17
SBDC - clients provided counseling	927	1,000	1,000	1,000	1,000
SBDC - counseling hours provided to small businesses	5,586	5,500	5,500	5,500	5,500
SBDC – Training Participants	1,331	1,500	1,500	1,500	1,500
SBDC - # jobs created by businesses receiving counseling	352	400	400	400	400
SBDC - # jobs retained by businesses receiving counseling	447	450	450	450	450
SBDC - \$\$ borrowed by small businesses from lenders after counseling	\$31,635,576	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000

Montana Technology Innovation Partnership

The Montana Technology Innovation Partnership Program (MTIP) is a Montana Department of Commerce initiative created to promote technology commercialization as a viable economic development strategy for the State of Montana. Its mission is to build the short-term benefits of technology research and development into the long-term rewards of commercialization.

MTIP services

- To provide unique educational opportunities that specifically target Montana technology interests.
- To deliver results-oriented, commercialization-driven services to Montana's innovators and economic development service providers.
- To emphasize commercialization as the ultimate success in technology and research development.
- To provide rapid-access to appropriate innovation, business, financial, and university resources throughout the state and the nation.
- To complement, not duplicate, the services of other providers.

Goals and Objectives:

- Increase the knowledge of tech-based clients pursuing state and federal grants.
- Provide webinar based training sessions to Small Business Development Business Advisors.
- Facilitate three State Technology Partnership Committee (STPC) Meetings annually.
- Contact, educate, and integrate other economic development service providers.
- Maintain social media outreach and networking opportunities.
- Publish three MTIP newsletters annually.
- Publish federal agency guides, specifically NIH, NSF.
- Publish two guidebooks (a proposal writing for beginners and intellectual property for beginners).
- Provide at least eight clients (targeting women and Native Americans) with an intensive service package designed to offer additional assistance in grant writing, protecting intellectual property and writing award winning SBIR/STTR proposals. Packages are designed to build basic skills for R&D nonprofessional researchers.

Measures for MTIP success are generally delayed two or more years due to the lengthy and complex process of the SBIR/STTR programs. There is often a four year lag from the time a company begins to write their first SBIR/STTR proposal, complete Phase I, complete Phase II and finally commercialize the technology.

Performance Indicators:

PERFORMANCE	Actual 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Counseling sessions	399	410	420	420	420
New SBIR/STTR clients	62	90	95	95	95
Counseling hours	316	470	480	480	480
Phase I awards MTIP clients (*2013 data not available at time of report)	24**	26	28	28	28
Phase II awards MTIP clients (*2013 data not available at time of report)	10*	11	12	12	12

SBIR/STTR AWARD FUNDING TO MONTANA (in millions of dollars)									
	2004	2005	2006	2007	2008	2009	2010	2011	Total
Phase I	\$3.0	\$2.5	\$5.0	\$3.2	\$2.6	\$2.2	\$1.6	\$2.2	\$22.3
Phase II	\$5.3	\$5.6	\$6.6	\$5.6	\$6.8	\$6.4	\$12.0	\$13.2	\$61.5
Total	\$8.3	\$8.1	\$11.6	\$8.8	\$9.4	\$8.6	\$13.6	\$15.4	\$83.8

Source: MTIP survey of all SBIR/STTR awards databases

The Entrepreneur Development Program

The Entrepreneur Development Program is currently focused on developing Native American private sector business ownership. The Program provides business planning support through workshops and technical assistance provided by organizations supporting Native American entrepreneurs starting a business and owners who are growing and professionalizing their organizations. The program is a State and community partnership that includes Small Business Development Center hosts, Native American community development corporations and the Native American colleges. The program goal is to develop successful business owners by providing them access to professional marketing and the operational and financial tools they need to maximize their business success.

The Department has developed and implemented the Montana Indian Equity Fund that provides a grant, modeled on a commercial loan application, to Native American business owners to assist them in starting and growing a business. The Department integrates the grant process with local tribal community development corporations, tribal community colleges and community based commercial lenders who provide counseling and technical assistance. The Department funds many of these organizations through the Montana Indian Entrepreneur Program. These tribal organizations provide an array of services including classroom education, workshops and one-on-one counseling. The Indian Equity Fund review process engages local community lenders and leaders in reviewing applications.

In FY 2016 and FY 2017 the program will expand its Indian Entrepreneur Program with the goal of further professionalizing Native American business assistance providers and lenders. This will include a structured training process that will include best practices in lending, coaching and consulting, and assisting with the processing of loans. Additional goals included the strengthening of the **Native American CDFI's and the increase of access to capital for Native American business owners, especially those businesses that have employees.**

Website: <http://entrepreneur.mt.gov/indianequityfund.mcp>.

Goals and Objectives:

- Provide business-planning workshops and technical assistance in Montana communities that build the professional management skills of Montana entrepreneurs and small business owners.
- Develop the organizational capacity of tribal community-based organizations to provide business technical assistance in Native American communities.
- Expand Native American business ownership on the seven Indian Reservations, for members of the Little Shell Tribe of Chippewa, and Native Americans living throughout Montana.
- Partner, network and collaborate with Federal, State, and community organizations, especially the State Tribal Economic Development Commission (STEDC), the Montana Indian Business Alliance (MIBA), community banks and the Small Business Development Centers (SBDC) to develop the capacity of organizations mentoring business owners and provide increased intensive services to entrepreneurs in the Reservation communities.

- Through the Montana Indian Equity Fund provide a maximum grant of \$14,000 to individual private sector Indian business owners to use as equity to start or grow their business. The grant requires a one to one match in the form of either a loan or collateral.

Performance Indicators:

PERFORMANCE	Actual FY2013	Actual FY2014	Plan FY2015	Plan FY2016	Plan FY2017
Indian Equity Fund Grants	18	13	14	18	18
Indian Equity Funds	\$126,000	\$112,000	\$112,000	\$112,000	\$112,000
Loan Match	\$129,766	\$137,000	\$200,000	\$240,000	\$240,000
Training and Technical Assistance Sites	17	19	21	30	30
Training and TA Participants	199	223	200	300	300

Trade and International Relations Bureau

The Bureau provides information, technical and marketing assistance to help Montanans pursue business opportunities, both domestically and worldwide. Export trade and marketing specialists provide consultation and training for companies to successfully compete in new markets. The Bureau highlights Montana made products via an Online Products Directory as well as a Made in Montana marketing initiative to identify and promote Montana products through the use of identifying labels. The Bureau maintains the **state’s Japan Trade Representative Office to promote agriculture, tourism, value-added products, and higher education opportunities.** The Bureau also serves as the protocol and international **liaison for the Governor’s Office and the Department of Commerce.**

Website: <http://businessresources.mt.gov/TIR>.

Goals and Objectives:

- Maintain a Made in Montana marketing program.
- Provide domestic and export marketing assistance and training for Montana companies.
- **Maintain Montana’s Japan Trade Representative Office, as well as virtual offices in China, Korea and Taiwan** to promote Montana tourism, education, cultural exchanges, and provide business assistance for Montana exporters.
- Coordinate cultural, **education, government, and business exchanges with Montana’s sister-states Guangxi Zhuang Autonomous Region, People’s Republic of China; Kumamoto Prefecture, Japan; and Taiwan Province, Taiwan.**
- Coordinate annual meetings between Montana, Alberta, and Saskatchewan government officials and business leaders to foster greater US Canada cross-border understanding and cooperation.
- Serve as the protocol liaison for the State of Montana in coordinating meetings for representatives of foreign diplomatic offices and trade organizations with Montana officials.
- Coordinate tourism promotions in East Asia with Montana Office of Promotions.
- Coordinate the export of value-added agricultural products worldwide with the Montana Department of Agriculture.

PROGRAMS

Export Technical Assistance

Technical export assistance is provided to Montana companies by the Bureau's Export Trade Officer. The Export Officer provides Montana companies with information and training to address issues such as export regulation and compliance, methods of shipment, methods of payment, market research, response to trade leads, and follow-up communication with overseas clients. This export assistance provides valuable expertise for Montana companies to pursue new export markets. Failure to be in compliance with US export regulations and export/import protocols can cause cargo delays and loss of revenues, as well as subjecting companies and employees to possible fines and imprisonment.

Website: <http://www.exportmontana.com>.

Goals and Objectives:

- Provide technical assistance, research and training for Montana companies seeking to enter, or expand, export markets.
- **Compile annual reports on Montana's** export commodities, values, and destinations.
- Maintain current information on export and import regulations.
- Maintain an export information website www.exportmontana.com.

Market Development Assistance through the Business –To-Business Marketing Program

The B2B program offers start-up or expanding Montana small businesses a marketing specialist who will assist them in performing strategic marketing analyses, and, using these results, create a strategic "business-to-business" marketing plan for a mutually selected product or product line.

Goals and Objectives:

The program is intended to assist Montana companies having the following characteristics.

- Potential to generate new monies in Montana
- Potential to create and retain Montana jobs
- Current resources of staff and/or funding to conduct the marketing analysis and follow-through with the new marketing plan
- High probability of success in the present economy

Trade Show Assistance Program

This program assists Montana based companies in exploring new domestic and international wholesale markets by encouraging first-time exhibition at trade shows outside of the state. It is not only for companies new to trade show exhibition, but can also be useful for established companies who are looking to exhibit at a show that they have never been to before. It is not intended for a company to use for a trade show at which it has previously or currently exhibits.

The assistance comes in the form of fifty (50) percent reimbursement of qualified and approved expenses for trade show exhibition up to a maximum of \$3,000 (including bonus amounts).

Goals and Objectives:

To provide assistance to Montana companies having the following characteristics:

- Private-sector, Montana based company providing a Montana based product/service or adding value to a product in Montana.
- **Exhibiting at a “business-to-business” (non-consumer) trade show** outside of the state of Montana (USA or international).
- First-time participation in the specified show.

Montana International Marketing Assistance Program (STEP GRANT)

This program provides grants for Montana eligible small businesses to enter or expand into international markets. Funding is provided jointly by the US Small Business Administration through the State Trade and Export Promotion Grant and the Montana Department of Commerce. Grants are available for international trade show attendance, translation projects, research, and other assistance from the US **Commercial Service. Funds are also used for projects that enhance the bureau’s ability to deliver export and marketing technical services** including trade missions, industry outreach, and special projects.

Goals and Objectives:

- Increase the number of Montana small businesses that export.
- Increase the value of annual exports by Montana small businesses.

Made In Montana Trade Show and Logo Program

The Made in Montana (MIM) program is designed to provide a unique identity to value-added products made and/or grown in Montana through the application of labels to Montana products. The program encourages businesses that meet the program requirements to utilize the trademarked images on their products and in appropriate advertising. Website: <http://madeinmontanausa.com/aboutus.aspx>.

Goals and Objectives:

- Assist with the coordination of an annual state-wide Made in Montana Show.
- Evaluate training opportunities and provide effective training to MIM companies to better enable them to succeed in profitably producing and marketing their products.
- Continue to identify and assist Montana companies who choose to use the Made in Montana logo on their products.
- **Maintain an internet based Montana products directory with links to Montana companies’ websites www.madeinmontanausa.com.**
- Help consumers and companies to identify products produced in Montana that are available to meet their needs.
- Maintain a cooperative agreement with a private sector printer to produce and sell Made/Grown in Montana label products.

Overseas Trade Office

The Montana Department of Commerce is responsible for maintaining the State of Montana’s Japan Trade Representative Office. The Montana Japan Trade Representative Office is located in Montana’s sister-state, Kumamoto Prefecture. As part of a reciprocity agreement, the Kumamoto government provides Montana with rent-free office space and subsidized government housing for the Montana Trade Representative. Website: <http://businessresources.mt.gov/TIR/tradeoffices.mcp>.

Goals and Objectives:

- Promote Montana as an international tourism destination.

- Assist Montana companies to successfully pursue trade opportunities in East Asia.
- **Promote Montana’s value**-added agriculture industry.
- **Promote Montana’s higher education study opportunities for international students.**
- Provide logistical support for business, cultural, and government missions between Montana and East Asia.
- Maintain Japanese and Korean language websites that provide Montana travel and industry information.

www.bigskyjapan.com www.bigskykorea.com

Performance Indicators:

PERFORMANCE	Plan FY 2013	Plan FY 2014	Plan FY 2015	Plan FY 2016	Plan FY 2017
Total annual Montana exports	\$2.60 Billion	\$2.70 Billion	\$2.80 Billion	\$2.90 Billion	\$3.0 Billion
B2B Marketing Assistance – Total number of companies provided strategic marketing assistance	15	15	15	15	15
Marketing Consultations- company site visit	40	40	40	40	40
Trade Show Assistance Program - Montana companies participating in out-of-state/country tradeshows	20	20	20	20	20
Made in Montana Program- Total number of registered participants	2,400	2,500	2,600	2,700	2,800
Made in Montana Program – Total number of registered participants	1,900	2,000	2,200	2,300	2,400
Industry, Travel, and Education tradeshows participated in Asia	15	15	15	15	15
Montana Seminars conducted in Asia	40	40	40	40	40
Japanese media advertising value	\$2.5 Million	\$2.5 Million	\$2.5 Million	\$2.5 Million	\$2.5 Million

Industry Development

Industry Development conducts analysis of industry sectors and prepares and delivers written materials and oral communications (includes marketing materials, financial and situational analysis, support documents and participates in and organizes meetings/conferences). The goal of this work is to provide

strategic guidance to Department of Commerce leadership and to market and promote Montana's business attributes so as to attract investment, create good paying jobs and increase tax base.

Mission:

To provide strategic information, analysis, and facilitate development to foster economic growth in **Montana's top industries** by attracting investment in Montana that will result in the creation of good paying jobs.

Goals and Objectives:

- **Provide key information and analysis to support Montana's leading industries and economic development organizations to foster economic development in the state.**

Identify Montana's fastest growing economic sectors on a biannual basis.

Conduct industry and market analysis on identified industries.

Produce and disseminate timely information on the status of important national and regional industry issues that are important to Montana.

Assess Montana's current assets supporting identified industries.

Deliver findings to industry businesses and economic development organizations.

- **Facilitate project development in Montana's leading industries.**

Act as the state's sustained economic development entity.

Facilitate public/private meetings to streamline permitting and project development.

Direct private industry to state financial and technical resources to facilitate project development.

Conduct follow-up activities identified in our industry analysis documents including: identifying and contacting sources of funding, preparing funding packages, and referring developers to MDOC as well as other state and federal financing programs, amongst others.

- Promote Montana as a business worthy environment to attract future investment capital to the state.

Promote the state's business environment and assets through various marketing avenues.

Provide and encourage open access of state government to private industry.

Report on business development successes to the public and within industry.

Performance Indicators:

- Tracking industry developments

The bureau will maintain an archive of communications and developments it has conducted with private industry in regards to economic development projects.

Project Summary Forms will track the bureau's historic and ongoing involvement in

project developments and be made available to the executive and legislative branches.

Completed projects will be highlighted, the **bureau's involvement in development noted**, and a brief economic impact analysis of the project completed.

- Requesting private industry critique

The bureau will request a review of its products and services consumed by private industry at the beginning of the fiscal year prior to a legislative session.

A list of private companies requested by the bureau to critique performance will be made available to the executive and legislative branches.

Correspondence received will be archived and made available to the executive and legislative branches.

The bureau will review and address the critiques of the products and services provided to industry to better serve Montana businesses, the Department and the economy.

INFORMATION:

Census and Economic Information Center

The Census and Economic Information Center (CEIC) provides demographic and economic data and analysis, GIS support, technical assistance, and training. CEIC is also the Montana partner in the State Data Center (SDC) Program acting as the central depository of information on significant characteristics of the state, its people, economy, land, and physical characteristics from both state and federal sources.

CEIC experts assist individuals, organizations, communities, and businesses in planning for the future by turning quality data into knowledge. To this end, CEIC experts provide economic analysis, GIS support, technical assistance, and training to users across the state.

CEIC's comprehensive web site, <http://ceic.mt.gov/> allows clients access to data, presentation, tools, and maps. The pages are organized both by topic and by geography for ease of use.

Background

Since 1978, CEIC has been the State of Montana's lead agency in the U.S. Census Bureau's federal-state cooperative State Data Center (SDC) and Business/Industry Data Center (BIDC) programs. CEIC is also a member of the U.S. Bureau of Economic Analysis (BEA) User Group. As such, CEIC has been an official distributor and repository of Montana data for thirty years. CEIC's responsibilities to the SDC/BIDC program, under the Memorandum of Agreement between the U.S. Census Bureau and the State of Montana, include the coordination of a 56 member affiliate network. This network includes all the states, U.S. territories and the District of Columbia and more than 1,600+ SDC affiliate organizations. Affiliates volunteer their time and resources to support this valuable partnership and receive no federal monetary support.

CEIC has a long history of partnership with the U.S. Census Bureau and has assisted in the last five decennial censuses and helped with the other 100+ census surveys conducted annually by the Bureau.

New Memorandum of Agreement with the U.S. Census Bureau

In 2012, the Census Bureau and state data centers conducted strategic planning and established goals, objectives and metrics for the program going forward. The seven goals are:

- PROGRAM MANAGEMENT GOAL: Manage the SDC Program as a productive and efficient partnership between the Census Bureau and the SDC Network.
- DATA DISSEMINATION GOAL: Improve knowledge of, access to and usage of data by local stakeholders.
- LOCAL EXPERT GOAL: Be the recognized local expert in data analysis, technical assistance, and custom product development.
- PROMOTION GOAL: Encourage use of and cooperation with Census Bureau products and programs.

- TRAINING AND EDUCATION GOAL: Provide instruction to ensure Census Bureau data are used innovatively, effectively and appropriately.
- ASSISTANCE with CENSUS PROGRAMS GOAL: Enhance the quality of Census Bureau surveys and products.
- BUILD A THRIVING NETWORK GOAL: Capitalize on the long-term partnership between the SDCs and the Census Bureau to accomplish common goals and objectives

These seven goals form the basis for the updated Memorandum of Agreement and the objectives and metrics on which performance is measured.

Goals and Objectives:

- **Enhance the CEIC website to provide access to federal and state commerce, business, and population data.**

To better serve our clients, CEIC launched a completely new website in 2013. The site provides automatically updated information from the most current release for all types of federal and state information including the American Community Survey (ACS), Census of Agriculture, Current Population Survey, US Bureau of Economic Analysis, Bureau of Labor Statistics and other data and statistics compiled by CEIC. An active search tool was added allowing data users to get trend information at the County and State levels from various sources included the U.S. Census, Bureau of Labor Statistics, Veteran Affairs, and state specific data sets. New features, tables, and tools continue to be added.

CEIC also made population projections by county available including additional scenarios for the Bakken region.

- **Education and Training in the U.S. Census Bureau's Programs**

Training and education is one of the seven goals for an SDC. CEIC staff organizes and conducts informational and technical training sessions in Montana. Some of these trainings are conducted jointly by CEIC staff and Census Bureau experts. Programs include the **Data User's Conference** in fall, the Boundary and Annexation Survey (BAS) Trainings, GIS trainings and workshops, and ongoing monthly tools and testing for the U.S. Census Bureau.

- **Participation in U.S. Census Bureau Programs**

CEIC are the local experts in a number of Census Bureau programs. As the SDC goal states, the **center's programs enhance the quality of Census Bureau surveys and products by including local feedback.** These efforts include the Boundary Validation Program, the Voting District/Block Boundary Suggestion Project that we work on with Legislative staff, the Local Update to Census Addressing (LUCA), and the Participant Statistical Areas Program (PSAP).

- **Enhance network of CEIC partners**

One of the goals of the SDC program is for each SDC member to be productive, efficient partner with the Census Bureau. An additional goal is for each SDC to capitalize on the 34 year relationship with the Census Bureau to build a thriving network and work together to accomplish common objectives.

To achieve both these goals, CEIC has and will continue to perform these initiatives:

- Conduct training and hold a fall conference to develop a more informed and stronger network of State Data Center Affiliates. Work within Commerce and other agencies to improve the skills of state employees to access and utilize demographic and economic data in their everyday work. Look for ways to share data to increase knowledge and improve planning such as combining property data from the Montana Department of Revenue with census block data.

- Provide quarterly updates to the Census Bureau on stakeholder activities.
- **Prepare value added products specific to Montana geography from the Census Bureau data as necessary and appropriate.**
- **Provide assistance and technical support to local stakeholders.**
- Provide monthly or more frequently as needed updates on Census Bureau data and developments to local stakeholders.
- Encourage local stakeholders to use products and participate in campaigns promoted by the Census Bureau.
- Participate in the SDC annual meeting, steering committee meetings, and at least one alternative format meeting (webinar, conference call, Ideal scale etc.) monthly.
- Promote participation and feedback for Census Bureau product and tool development when collaboration is warranted.
- Collaborate and share best practices within the SDC network through SDC Clearinghouse/SDC Listserv.
- Complete the SDC annual report documenting activities
- Ensure a signed Memorandum of Agreement is in place between the U.S. Census Bureau and Montana for the SDC program at all times.
- Develop Analysis and Publications for Program Administration for the Department of Commerce.
- CEIC staff provides economic and statistical services to many areas of the Department of Commerce.
- Provide data and analysis for program administration of other State of Montana Departments. CEIC staff also provides services to other areas in state government on an annual basis.
- Increase Data and Information Awareness and Accessibility via Internet, E-mail, and Personal Contact.

- **Website**

Continue enhancements to the **interactive data and mapping application within the CEIC's** website. Enhancements allow **CEIC's** staff to answer additional inquiries electronically and provide more staff time for detailed analysis.

Continue to add to areas of the CEIC website that gives data users the ability to retrieve pre-formatted tables of data and raw data for their analytical needs. Support tools with instructions so clients can produce customized tables and graphics.

Continue to add to the growing map gallery data users use to search geographically, examine the spatial relationship among the data, and graphically visualize the tabular information.

- **Other Data Products and Outreach**

Work with the Census Bureau on key press releases.

Provide a monthly article in the MEDA newsletter.

Provide data release notifications via the listserv.

Provide clients access to spatial data analytical tools and applications to integrate data from various sources.

Ensure continuous access to the full range of Montana demographic and economic data via **CEIC's web site** <http://ceic.mt.gov/>.

Provide training information via the learning center on our website including short informational videos on census topics and other materials.

- **Provide Client Research Services**

Locate and provide data and information related to Montana's population, economics, businesses, and other characteristics of the state.

Assist clients in understanding data and data resources. Topics include analysis of data and data trends, accessing and using data from a variety of state and federal resources, and the use of various statistical methods and software tools.

Interpret and explain significance of and relationship between the various economic statistics.

Prepare economic studies using economic tools, theories and modeling software to assist decision makers.

- **Provide Workshops and Training**

Conduct workshops throughout the state as well as provide presentations to a variety of conferences and organizations.

Provide specific training in availability and use of economic, demographic, and spatial data to State Data Center Affiliate Network, Commerce staff, other state agency employees, the media, various economic organizations and interest groups, and the public.

Offer technical assistance and training on other data.

Conduct training on the new website capabilities.

NOTE: With the adoption of a new Memorandum of Agreement with the Census Bureau, the metrics for the program were revised and have been incorporated as CEIC measures.

Performance Indicators:

PERFORMANCE	Actual FY 2013	Projected FY 2014	Plan FY 2015	Plan FY 2016	Plan FY 2017
CEIC - Customer data requests processed	417	400	400	400	400
CEIC - Number of persons attending presentations, educational and training events conducted by CEIC staff	300	200	200	200	200
CEIC- value added products and informational reports developed and published (including webpages in .net format)	159	100	100	100	100
CEIC- participation in Census initiatives and activities including survey programs, product and tool development	40	20	20	20	20

NOTE: CEIC metrics are cyclical in nature with peaks every 10 years due to the Decennial Census.

State-Tribal Economic Development Commission

The State Tribal Economic Development Commission (STEDC) is charged with assisting, promoting, encouraging, developing, and advancing economic prosperity and employment on Indian reservations in Montana. Representation on the Commission comes from each of the seven federally recognized tribal governments and from the state recognized Little Shell Tribe, the Director of Indian Affairs, the Governor's Office of Economic Development and the Montana Department of Commerce.

Website: <http://tribal.mt.gov>.

Goals and Objectives:

- Work with the tribal governments and the State of Montana to support, develop, and grow Indian-owned private sector businesses on Montana Indian reservations and in urban centers.
- Work with tribal governments and the State of Montana to support, develop, and grow tribal government-owned businesses on Montana Indian reservations and elsewhere.
- Continue to provide the Montana Department of Commerce information and advice on investments of economic development funding in Indian Country.
- Consult with each member Nation of the State-Tribal Economic Development Commission and the State of Montana on avenues to improve the economic well-being of Indian citizens and businesses. Discuss and share best practices in economic development that have been implemented by tribal governments in Montana.
- Provide a venue for Indian people and tribal governments to learn about State of Montana resources that are available for projects and activities in Indian Country.
- Manage and/or administer state-funded programming that grows tribal economies, strengthens Indian communities, supports workforce development and increases Indian employment.
- Conclude the administration of and analyze the success of the Montana Indian Language Project Pilot Program (MILP). This program as authorized by SB 342 during the 63rd legislature, allows Montana Indian governments to apply for funds to preserve their native languages. This program runs through June 30, 2015 and all activities must be completed by September 15, 2014.

Montana Finance Information Center

The Montana Finance Information Center provides summary information for the most significant financing resources available from state, federal, and local institutions. The web address for the Finance Information Center is <http://www.mtfinanceonline.com/>.

Goals and Objectives:

- Continue to update and keep current the finance and technical assistance information on the website.
- Continue to research information that would be useful to include in the website.

Performance Indicators:

PERFORMANCE	Actual FY 2013	Projected FY 2014	Projected FY 2015	Projected FY 2016	Projected FY 2017
Website visits per year – new visitor	2,267	2,000	2,000	2,000	2,000

PERFORMANCE	Actual FY 2013	Projected FY 2014	Projected FY 2015	Projected FY 2016	Projected FY 2017
Website visits per year – returning visitor	295	300	300	300	300
Website hits per year	76,992	80,000	80,000	80,000	80,000

Montana Promotion Division (Montana Office of Tourism):

The Montana Promotion Division **strives to strengthen Montana’s economy through increased visitor travel, visitor expenditures, and film production, in the state.** The Division is responsible for implementing and promoting a positive brand image for Montana as a vacation destination and works to ensure brand consistency amongst its marketing and promotional efforts. The Division focuses on **attracting high value, low impact geotraveler visitors who contribute to Montana’s economic and social prosperity while respecting and appreciating Montana’s authentic natural and cultural assets.** **This program goal is accomplished through various marketing efforts, networking with the state’s public and private sector tourism and recreation industry and agencies, along with education and development assistance.** The Division works to project a positive image of the state through consumer advertising, electronic marketing, public relations efforts, international and domestic group travel marketing, printing and distribution of literature, staffing support and training of professional travel counselors, assisting in the development of tourism infrastructure and marketing to motion picture and television production companies. The Division provides training and assistance to the Montana tourism industry, administers, and distributes event marketing and infrastructure grants and oversees expenditures of six regional non-profit corporations and the fifteen qualified convention and visitors bureaus. The Division also works to develop and administer brand outreach to encourage cooperation and support of the Montana Promotion Division **brand strategy within the state’s tourism suppliers and partners** by educating people on the brand platforms of:

- More spectacular, unspoiled nature than anywhere else in the lower 48
- Vibrant and charming small towns that serve as gateways to natural wonders
- Breathtaking experiences by day, relaxing hospitality at night.

The Montana Promotion Division is primarily funded by the statutorily appropriated lodging facility use tax.

Montana Promotion Division responsibilities are mandated primarily in Title 15, Chapter 65, and Title 2, Chapter 15, MCA.

Mission:

To strengthen Montana’s economy through the promotion of the state as a vacation destination and film location; by maximizing the combined talents and abilities of its staff: and with guidance from the Governor’s Tourism Advisory Council: the Montana Promotion Division strives to promote a quality experience to visitors while encouraging preservation of Montana’s environment and quality of life.

Goals and Objectives:

The Division is funded primarily by the statutorily appropriated 4% lodging facility use tax. With this funding and in support of our mission, the Division works to project a positive image of the state and influence quality travel through consumer advertising, electronic marketing, public relations efforts,

international, domestic group travel marketing, development and distribution of literature, staffing support and training of professional travel counselors, and marketing to motion picture and television production companies. In addition, bed tax monies are also used to provide training and assistance to the Montana tourism industry, administer and distribute event marketing and infrastructure grants and oversee expenditures of six regional non-profit corporations and the twelve specific cities and resort area districts.

In order to be both strategic and accountable in their marketing initiatives, the Montana Promotion Division has currently outlined the following Division goals:

- Increase awareness of the brand among the target audience
- **Move Montana into the target audience's consideration set**
- Support Montana Tourism entities in increasing their revenues
- Market Montana as a competitive, creative, and viable filming location

Note: Measurable objectives are identified on an annual basis and included in the Division Annual Marketing Plan.

In working to align the program's key goals with the statewide Montana Tourism and Recreation Strategic Plan for 2013-2017, the Montana Promotion Division has specified the following eight strategic objectives to currently focus on program-wide.

- **Commit to the "Geotraveler" by bringing the concept to life with** our industry partners, regions and other stakeholders
- Set vision, goals and objectives from within
- Build a more rewarding working environment by being dedicated to getting more out of ourselves and our team
- Redefine the opportunities to attract international visitors
- **Test a "borderless" approach to promoting Montana by breaking down geographic and political boundaries one step at a time**
- Build an actionable Roadmap for the redevelopment of visitmt.com to ultimately be the most informative and visitor friendly destination website in the world
- Measure and improve customer service across all MTOT activities
- Measure success and monitor progress to guide in setting and meeting expectations

Montana Office of Tourism Bureaus:

Marketing:

Consumer Marketing:

The Consumer Marketing program is responsible for promoting the state as a vacation destination to domestic travelers, ensuring that the significant economic benefit from out-of-state visitors continues to grow. The program develops advertising and promotional campaigns to positively and uniquely brand Montana, differentiate the state as a travel destination, and increase tourism from domestic and Canadian travelers. Campaigns are designed to create awareness for Montana, generate an interest in visiting, and influence travel intention. Nationwide tourism trends, statistics from the Institute of Tourism and Recreation Research (ITRR) at the University of Montana, syndicated research, and the results of contracted research studies help determine the overall marketing strategy and target audience as well as measure the success of its marketing efforts. Specific goals of this program are to: **Create demand for Montana as premiere global travel destination; increase internal and external collaboration to better capitalize on Montana's marketing efforts and convert travel interest into action; and create and**

implement a strategy to capture more repeat visitation and push repeat visitors to lesser-traveled parts and lesser-traveled seasons of the state.

Digital Marketing:

The Digital Marketing program uses current and emerging digital technologies to create immersive and compelling online content, such as the visitmt.com and getlostmt.com web sites as well as 'apps' for smart phones and tablets.

This content is designed to complement the tourism marketing efforts in traditional media (print, TV, radio and location based) by creating demand for the Montana tourism product with web video and other experiential content. Digital **Marketing's projects also provide Montana consumers** and industry partners with comprehensive and recommendable content; allowing the consumer to become inspired or plan travel, in advance of, or during their Montana vacation.

This content has proven to be a cost-effective way to disseminate timely and valuable information to visitors and our Montana marketing partners. Digital Marketing makes the database of tourism content available to tourism partners, who utilize it on their own website via web feeds.

As communication technologies continue to grow and evolve, Digital Marketing will continue to play a key **role in keeping the Montana Promotion Division's marketing efforts at the leading edge, continually connect with our consumers and increasing consumer's intent to travel to Montana.**

Additionally the Division's technology grant program helps to diversify and enhance the digital capabilities of the Montana tourism industry partners.

Public Relations:

The Public Relations program works with local, regional, national and international travel journalists **(print, web, broadcast and social/interactive) to communicate Montana's diverse tourism stories. The program proactively solicits Montana coverage and also serves as a clearinghouse and customer service conduit for inbound media inquiries. PR opportunities are vetted and serviced with both logistical and (when qualified) financial assistance, which generates millions of dollars worth of articles and programming highlighting our state as a travel destination. In addition, the PR & Media Relations program maintains and continually augments an extensive photo library of Montana images for a variety of publicity and marketing purposes. The program also provides outreach and support to our tourism regions and CVB's to further their publicity efforts.**

Publications:

The Montana Office of Tourism publications provide flavorful and factual coverage of Montana's year-round recreation and attractions to visitors of all ages. These free guides contain gorgeous photos and easy-to-read information helping our visitor further their sense of discovery for planning their vacation in Montana. They give the local story with depth and perspective portraying Montana at its best.

The guides have been designed to be used in conjunction with the Montana Office of Tourism's website, www.visitmt.com. Consumers can use the printed guides, supplemented by www.visitmt.com and www.wintermt.com to create fun-filled itineraries on where to go, how to get there, where to stay and what to do for a very personal experience.

Social Media:

The Social Media program is responsible for promoting Montana as a vacation destination to the social media world, by supporting the overall vision and direction of the consumer marketing program. The overall objectives are to use social media to build awareness of Montana as a global travel destination, rally and engage with social followings on all channels and to track consideration of booking a trip to Montana. The program develops a strategy that aligns tactics to the objectives for each specific social media channel to achieve success. The state of Montana is on the following channels: [Facebook](#), [Twitter](#), [Instagram](#) & [Tumblr](#).

Overseas Marketing:

The Overseas Marketing program promotes Montana as a destination to the international travel trade, with a particular emphasis on Germany, the UK, France, Belgium, the Netherlands, Italy, Japan, Taiwan, Sweden, Denmark, Norway and Australia. The program involves working with key tour operators, tour wholesalers, travel agencies and the media to establish new Montana itineraries for groups and Foreign Independent Travelers (FITs), while assisting Montana businesses in their marketing efforts overseas. The goal of this program is to increase the number of overseas visitors and overnight stays, as well as to **increase the inclusion of the Montana tourism product in tour operator's brochures.**

The program also works with the Commerce Department's Trade Office representative in Kumamoto, Japan to promote Montana as a vacation destination to Japanese tour operators and media.

Group Marketing:

The Domestic Group Travel program promotes Montana's group tour and travel opportunities by marketing directly to group tour operators throughout the United States and Canada. Montana is promoted as a tour destination, as well as a viable stopover on tour itineraries. The major goals of this program are to: provide tour operators with the tools to build a successful Montana tour itinerary; generate more awareness of statewide group tour products; and create top of mind awareness of Montana as a group tour destination.

Sales and Constituent Services:

Brand Awareness and Outreach:

Brand awareness and outreach efforts are currently in the form of workshops entitled "Coming Together to Expand Montana's Tourism Story", which educates our tourism partners and constituents around the state on the Montana Brand (see MTOT synopsis above) and how they can implement it in their marketing efforts. Brand Books, which serve as a guide on how to utilize the brand components, are distributed at the workshops and to our partners. In addition, Montana Office of Tourism's efforts in bringing 10.5 million visitors to the state, and the role our partners play to reach those visitors is reviewed in detail.

Future outreach efforts will include more workshops, improved Montana Brand presence on our industry website travelmontana.org, and webinars on topics requested by workshop participants and our partners.

Tourism Development and Education:

The Tourism Development and Education efforts are focused on helping the state's communities and businesses utilize tourism as a tool to improve the local, regional and state economy while protecting or improving the quality of life for Montana's residents. The components of the Tourism Development and Education programs include: statewide tourism infrastructure improvements grants and technical

assistance; assisting Montana's communities, private and public sector entities and the Indian Nations of Montana in their tourism efforts; helping create cultural tourism partnerships and products statewide; and providing customer service and tourism education training programs.

Visitor Information Systems:

The Visitor Information System (VIS) program is a component of an integrated and comprehensive tourism marketing strategy. Upon arriving in and traveling through Montana via highway, air, or rail, travelers need an integrated, strategic system of information from a variety of sources for a successful **vacation experience. This program supports Montana's state-sponsored Visitor Information Centers** located in gateway communities throughout the state and also provides financial and technical assistance **through a specialized grant program for creating special events as part of a community or region's** economic development efforts. **The program's key goal is to work with Montana's state, federal, local and tribal partners to create a system of visitor information dissemination and promote the system through travel web sites, visitor guides and partners.**

Industry Services and Operations:

Industry Services:

Industry Services supports nonprofit tourism organizations and private-sector businesses to enhance and strengthen marketing efforts that increase business, as well as provide opportunities for the industry to unite and work together. Industry services provides training and assistance as well as oversees the distribution of the lodging facility use tax funds to the six regional non-profit corporations and the twelve qualified convention and visitors bureaus. It also provides project management assistance to the rest of the division.

Operations:

Operations supports the mission of Montana Promotions by providing front desk services to all programs, direct customer service, financial oversight, and fulfillment of the inquiries received via Montana **Promotion Division's** marketing efforts with publications, emails and customer interaction via a call center. The front desk also processes direct requests for commercial publication orders, and tracks visitation numbers to popular sites. Our fulfillment process utilizes a contact center and provides mailroom services to distribute our publications expeditiously.

Public Information:

The Public Information program is responsible for developing outreach and public information programs to communicate the Montana Promotion Division's **and the Montana tourism industry's initiatives** and activities in order to educate and encourage community cooperation, support and understanding of the industry.

Film Marketing & Promotion:

The Montana Film Office promotes the state as a location for feature films, commercials, documentaries, television programs and other multimedia projects by providing information, scouting, and support services to the motion picture industry – including producers, directors, location managers and studio executives. The Montana Film Office also administers and markets the Big Sky on the Big Screen Act, **Montana's film production incentive program.**

Film Marketing & Promotion:

The Montana Film Office promotes the state as a location for feature films, commercials, documentaries, television programs and other multimedia projects by providing information, scouting, and support services to the motion picture industry – including filmmakers, producers, directors, location managers **and studio executives. The Montana Film Office also administers and markets Montana’s film production incentive programs.**

Festivals and Workforce Development:

The Montana Film office supports in-state film festivals and production workforce development programs through both financial and logistical means. Festival support operations allow Montana communities to create film-friendly events and activities that attract both filmmakers and film fans to cities across the state. The funds provide festival coordinators and support staff critical dollars to increase market reach and impact, optimize festival programs and locations, and attract larger name films and filmmakers to experience Montana production communities. Workforce development programs create and support infrastructure that, in turn, supports new media and moving image productions seeking to use Montana as a filming location. The programs provide production support staff with the skills and logistical knowledge needed to work with production entities, keep production communities up-to-date on current industry techniques and styles, and establish firm, professional ties to the industry on a world-wide scale.

Public Relations:

The Montana Film Office works to provide production-related access and information to media outlets on both an in-state and national level. These efforts create relationships between Montana and the production communities within and major industry influencers. By proactively soliciting coverage of Montana film projects, festivals, development opportunities, and incentives, PR opportunities generate thousands of dollars of coverage and millions of impressions on visitors and industry and tourism partners. In addition, the program serves as the public information clearing house for film office initiatives, programs, and incentives in order to further public understanding and cooperation in supporting the Montana production Industry.

Location Scouting and Production Support:

The film office acts as the liaison between all on-the-ground productions in-state and other entities such as the National Forest Service, departments of Montana government, city and county entities, and private landowners. The film office then assists in discovering and securing the most appropriate Montana **locations for a given production’s required shots. This service allows production industries both, in-** and out-of-state, access to professional level scouting and production services, enhancing the image and dependability of the Montana production community at large.

Incentives:

The Montana Film Office facilitates the state film incentives program and further develops innovative, cost-effective programs for securing economically advantageous and professional productions to produce projects in Montana. The film office seeks to educate both in-state and out-of-state production professionals on the financial incentives to produce film and media projects in Montana. The program operates as oversight for all funding and support requests by projects in the state and oversees the proper spending of all authorized funds.

Community Development Division:

The missions of the Community Development Division (CDD) are set forth in Title 90, Chapters 1 and 6, MCA. CDD is funded primarily through federal funds and state-special revenue account grant programs with additional direct appropriations provided in HB 2.

The CDD administers five programs directly:

- Community Development Block Grant Program (CDBG);

- Community Technical Assistance Program (CTAP);
- HOME Investment Partnerships Program (HOME);
- Quality Schools Grant Program; and
- Treasure State Endowment Program (TSEP).

Two citizen boards, appointed by the Governor, are attached to CDD for administrative purposes. The division provides office facilities, staff, and administrative support for the two boards:

- Montana Coal Board; and
- Montana Hard Rock Mining Impact Board.

Each of the seven programs has a specific mission and goals and objectives, based on its legislative history, as described below. To meet the mission, goals, and objectives of the programs, Division, and Department, **and to support the Governor’s overarching mission and long-term agenda**, Division staff always strive to meet the following mission pillars:

- Help build resilient communities through planning and financial resources;
- Empower local leaders by providing technical and financial resources;
- Provide awareness and training on planning best practices;
- Make the cost of facilities more affordable and within easier reach of Montana communities;
- Support those communities in all stages of planning, implementation, and long-term maintenance of resources;
- Facilitate a comprehensive sense of place for communities and help them adopt a process to accomplish those goals; and
- Promote local community self-sufficiency in the distribution of grants.

Community Development Block Grant Program:

Montana’s Community Development Block Grant Program (CDBG) is a federally-funded competitive grant program designed to help communities of less than 50,000 in population with their greatest community development needs. The program was established by the federal Housing and Community Development Act of 1974 and is administered by the U.S. Department of Housing and Urban Development (HUD).

The Department of Commerce administers **Montana’s state CDBG program** and is authorized to adopt implementing administrative rules (Section 90-1-103(1)(e), MCA.) All projects funded by CDBG must principally benefit persons of low to moderate income (LMI). Under current federal law, eligible applicants are limited to municipalities with a population under 50,000 and counties.

Three categories of CDBG grants are administered by CDD:

- 1) Public Facilities. CDBG funds conventional public infrastructure projects, such as water, sewer, and solid waste, in Montana communities where a majority of the residents are LMI. In communities without a majority of residents are not LMI, CDBG can help the community pay hook-up fees for documented households that are LMI. CDBG can also fund community facilities designed to principally serve persons of LMI, such as food banks, Head Start centers, mental health centers, senior centers, group homes for abused children, and hospitals or nursing homes.
- 2) Housing and Neighborhood Renewal. CDBG funds projects focused on providing housing to persons of LMI or targeted at renewing blighted neighborhoods. Potential projects include acquiring land or providing infrastructure for new housing units, providing down payment assistance for housing purchases, demolishing blighted structures, and rehabilitating existing residences to sustain decent, safe, and affordable housing.

- 3) Planning. CDBG can assist local governments prepare or update land use planning documents such as growth policies, zoning ordinances, housing plans, or capital improvements plans, as well as the preliminary engineering or architectural studies necessary for a future public facility or housing project.

CDD currently conducts two formal CDBG grant competitions annually: a spring grant competition for housing and public facilities grants, and a fall grant competition for planning projects. Eligible applicants can now access funds for homebuyer rehabilitation or new construction on a noncompetitive basis to provide households that are at or below 80 percent of the area median income. Interest in this noncompetitive housing program is expected to grow in the 2017 biennium. CDD staff scores each application under the criteria adopted for each category, and recommends awards to the Department Director.

CDD expects continued demand for CDBG funds in the 2017 biennium for projects that address the impacts of recent population growth in Eastern Montana related to oil and gas development in the Bakken region. This growth has already increased the need for land use planning, public infrastructure improvements, affordable housing, and community services in the eastern portion of the state. During the 2015 biennium, the state CDBG program funded the following projects in communities hit hard with rapid growth due to oil and gas development:

- Wastewater improvement projects in Bainville, Winnett, and the unincorporated community of Savage in Richland County;
- Senior housing rehabilitation project in Glendive;
- Capital improvements plan, needs assessment, and growth policy in Bainville;
- Preliminary architectural report for a medical center expansion in Culbertson;
- Zoning ordinance for Froid;
- Hydrogeologic evaluation and engineering report for Sidney;
- Floodplain study for Miles City and Custer County;
- Housing plan for Glasgow, housing marketing study for Sheridan County;
- Growth policy update for Jordan;
- Preliminary engineering reports for the wastewater systems in Westby and Flaxville; and
- Preliminary architectural reports for new Dawson County and Custer County jail facilities, and a feasibility study for a new Roosevelt County jail facility.

In addition, technical assistance funds from CDBG helped the state-funded Community Technical Assistance Program (CTAP) provide expanded training and additional templates for community planning efforts in eastern Montana communities impacted by oil and gas development and related population growth.

CDBG staff is responsible for ensuring that federal and state laws and regulations are complied with during the implementation of funded projects, and devotes extensive time assisting local governments in administering their projects.

Mission:

Under federal law, **the primary objective of the CDBG program is “the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.”** Under state law, CDD is charged with administering the Montana CDBG Public Facilities and Housing Programs and adopting implementing rules.

Goals and Objectives:

Under federal law, CDBG program funds are for the support of community development activities that are directed towards the following specific objectives:

- The elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income;
- The elimination of conditions that are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities;
- The conservation and expansion of the nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income;
- The expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;
- A more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers;
- The reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial de-concentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods;
- The restoration and preservation of properties of special value for historic, architectural, or esthetic reasons;
- The alleviation of physical and economic distress through the stimulation of private investment and community revitalization in areas with population outmigration or a stagnating or declining tax base; and
- The conservation of the Nation's scarce energy resources, improvement of energy efficiency, and the provision of alternative and renewable energy sources of supply.

Funding Source:

The Montana CDBG program is funded with federal funds allocated annually through the U.S. Department of Housing and Urban Development (HUD) based on a statutory formula and the amount budgeted by Congress. State general funds provide the federally required share of the administrative costs for CDBG, equal to three percent of the annual federal CDBG allocation. For FFY 2014, the State of Montana received an allocation of \$5,847,967 for its CDBG programs.

Performance Indicators:

PERFORMANCE	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017
Public Facilities Applications Reviewed	8	16	7	10	15	10
Housing Applications Reviewed	4	2	4	5	5	5
Planning Applications Reviewed	14	21	21	25	25	25
Public Facilities Grants Awarded	5	10	5	5	8	5

PERFORMANCE	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017
Housing Grants Awarded	2	2	6	6	8	8
Planning Grants Awarded	5	15	20	20	20	20
Active Grants	26	44	56	55	55	55

Community Technical Assistance Program (CTAP):

CTAP provides technical assistance to encourage the planning and sustainable development of Montana communities by working with local governments, planning departments, private developers, non-profit organizations and the public. CTAP brings a statewide and national problem-solving perspective to every community, because it stays abreast of how other local governments, the private sector, and the courts **are handling specific planning issues. CTAP enjoys broad support from the Legislature’s Education and Local Government Interim Committee, the Montana Association of Counties, the League of Cities and Towns, the Montana Association of Planners, the Montana Association of Realtors, the Montana Building Industry Association, the Montana Economic Developers Association, and the Montana Smart Growth Coalition.** CTAP consists of a program manager (senior planner) and an attorney.

The assistance provided by CTAP involves helping local government officials, developers, and the public with land use planning in Montana. Such assistance includes sharing professional knowledge, conducting **workshops, and providing “model” documents and publications and research materials.** Some of the more common topics that CTAP provides assistance on are as follows:

- Growth policy development and implementation;
- Subdivision regulations development and administration;
- Exemptions from subdivision review and the use of Certificates of Survey and deeds;
- Zoning regulations development and administration; and
- Making decisions on land use, affording due process and ethics.

During the 2015 biennium, CTAP staff provided extensive technical assistance to Eastern Montana communities experiencing rapid oil and gas development. Building upon the specialized technical assistance provided to these Eastern Montana communities beginning in January 2012, CTAP has continued to utilize planning consultants to assist communities in planning for the rapid growth presently occurring in the Bakken region. Since 2012, CTAP has conducted multiple interactive workshops in Glendive, Sidney, and Glasgow focused on subdivision and exemption review, interim zoning and conditional use permit ordinance preparation and adoption, public meeting and public notice requirements, annexation policies, water and sanitation review, buildings for lease or rent, and other topics as requested. Due to the development of natural resources in eastern and north central Montana, combined with ongoing assistance provided to western Montana communities, CTAP anticipates a continued and growing need for technical assistance beyond what is currently being provided and has contracted for continued professional planning and engineering services to provide the necessary level of assistance.

During the 2015 biennium, CTAP staff was also actively involved in developing model regulations and application materials and providing training and assistance with the local adoption and implementation of buildings for lease or rent regulations. These regulations were required as a result of the passage of SB 324 during the 2013 Legislative session, which removed rent or lease of structures from the Montana Subdivision and Platting Act and provided a new process for local review and permitting of buildings for lease or rent. CTAP staff continues to assist local government, the private sector, members of the public,

and legislators with understanding and implementation of land use laws and best planning practices in Montana.

Mission:

Section 90-1-103, MCA, sets out the community technical assistance functions of the department:

- Cooperate with and provide technical assistance to county and municipal governments and similar agencies created for the purposes of aiding and encouraging the orderly, productive, and coordinated development of the communities of the state;
- Assist the governor in coordinating the activities of state agencies that have an impact on the solution of community development problems and implementation of community plans;
- Serve as a clearinghouse for information, data, and other materials that may be helpful or necessary to local governments to discharge their responsibilities and provide information on available federal and state financial and technical assistance;
- Carry out studies and analyses of the problems faced by communities within the state and develop those recommendations for administrative or legislative action as appear necessary, paying particular attention to the planning and financing of public facilities and to the problems of metropolitan, suburban, and other areas in which economic and population factors are rapidly changing; and
- Develop and publish examples of subdivision regulations that provide incentives for and remove disincentives to cluster development.

Goals and Objectives:

- Meet needs and priorities of clients by monitoring trends and periodically surveying clientele to determine their priorities for technical assistance;
- Maintain a quality level of service in providing basic assistance to clients, i.e. prompt and thorough responses to phone calls and e-mails;
- Expand and enhance educational outreach to clients by providing more opportunities for training and workshops to be conducted throughout the state;
- Sponsor and attend local and regional workshops throughout the state in an effort to provide education and training opportunities to a broad range of clients;
- Conduct site-specific workshops to provide education and training for entities such as county commissions and municipal councils, planning board members, professional planning staff, realtors, developers, and interested citizens;
- Maintain and enhance the CTAP digital library in order to cost effectively provide training to clients through electronic media such as CD-ROMs containing PowerPoint presentations with simultaneous audio. Continue to grow and promote the CTAP traditional resource library to provide expanded resource options available to clients;
- Assist with the coordination of statewide planning initiatives, legislative studies related to land use planning, and other related tasks, as directed;
- **Enhance the CTAP website to provide clients access to more "self-service" educational information and resources, such as model documents and topic-specific training materials;**
- Encourage and assist local governments in the use of geographic information system (GIS) mapping capabilities to produce maps for documents, such as local growth policies and capital facilities plans. Utilize *CommunityViz* and *Esri* software in the creation of maps, data analysis, and resource documents for local governments;
- Expand outreach and assistance to tribal governments and tribal planning organizations in Montana;
- Update CTAP publications to ensure they comply with statutory changes and provide guidance on the best practices available;
- Continue to log and respond to client contacts and specific requests for assistance.

Funding Source:

CTAP is funded with state general funds.

Performance Indicators:

PERFORMANCE	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017
Clients Assisted	256 Phone 216 Email	482 Phone 350 Email	365 Phone 420 Email	400 Phone 450 Email	400 Phone 475 Email	400 Phone 500 Email
Training Workshops & Presentations	20	15	17	20	25	25
Publications Printed	800	0	1600	300	2000	300
Clients Utilizing Training Library	13	2	5	7	10	12
Clients for GIS Mapping	32	2	8	12	15	17

HOME Investment Partnerships Program (HOME):

HOME provides federal grant funds to eligible local government entities who apply on behalf of Public Housing Authorities, Community Housing Development Organizations, and other non-profit organizations to help finance the new construction or rehabilitation of individual homes or rental units and other eligible activities for Montanans of low to very low income. HOME program staff consists of a program manager and two project specialists.

Eligible applicants can access funds for homebuyer assistance on a noncompetitive basis (referred to as the Single-Family Noncompetitive Program). Other eligible activities are distributed using a competitive process to provide HOME funds to local governments entities and their housing partners.

Mission:

As set forth in Subpart A, Title III of the Cranston-Gonzalez National Affordable Housing Act, the purpose of the HOME Investment Partnerships Program is to increase the number of families served with decent, safe, sanitary, and affordable housing and expand the long-term supply of affordable housing. This mission fits within the Department functions to survey and investigate housing needs in Montana, maintain and disseminate information on housing assistance programs, and promote research and development in matters relating to, or affecting the provision of decent, safe, and sanitary housing in a suitable living environment. (Section 90-1-106, MCA.)

Goals and Objectives:

- Continue restructuring and streamlining HOME Program grant application and administration policies and procedures to expand program accessibility for Montana's communities;

- Continuously improve HOME project screening, technical assistance efforts, and project monitoring to ensure that high quality, long lasting affordable housing investments are made in Montana;
- Continue to provide technical assistance to rural portions of the state by HOME Program personnel and through technical assistance contracts;
- Continue cooperation with other federal, state and local affordable housing programs in the state to ensure the efficient use of scarce resources; and
- Provide on-going training for grantees, property management, and developers.

Funding Source:

The Montana HOME program is funded with federal funds allocated annually through the U.S. Department of Housing and Urban Development (HUD) based on a statutory formula and the amount budgeted by Congress. For FFY 2014, the State of Montana received an allocation of \$3,017,000 for the HOME program.

Performance Indicators:

Performance Indicator	Actual FY2012	Actual FY2013	Actual FY2014	Estimated FY2015	Estimated FY 2016	Estimated FY 2017
Applications Reviewed (Units Provided)						
Multifamily Construction and Rehab	39	47	38	40	40	40
Down Payment Assistance	49	54	40	48	48	48
Grants Awarded (Units Provided)						
Multifamily Construction and Rehab	39	47	38	40	40	40
Down Payment Assistance	49	54	40	48	48	48

Quality Schools Grants Program:

The Quality Schools Grant Program is a competitive grant program created to provide infrastructure grants, matching planning grants, and emergency grants to public school districts in Montana for the construction of a school facility, major repairs or deferred maintenance to an existing school facility, major improvements or enhancements to an existing school facility; or information technology infrastructure, including installations, upgrades, or improvements to an existing school facility or facilities.

The Program receives applications for school facility projects the summer prior to each legislative session. The Department received 66 applications for school facility projects for the 2015 biennium; 30 projects were awarded grants. The Department has received applications for 2017 biennium funds and is currently in the process of reviewing and ranking those applications for recommended funding by the 2015 Legislature.

The Quality Schools Program also provides grants for planning for future school facility projects, and emergency grant funds to address immediate public health and safety problems at school facilities.

Mission:

As set forth in Section 90-6-802, MCA, the purpose of the Quality Schools Grant Program is to enhance the quality of life and protect the health, safety, and welfare of Montana's public school students; ensure the successful delivery of an educational system that meets the accreditation standards provided for in Section 20-7-111, MCA; extend the life of Montana's existing public school facilities; promote energy conservation and reduction; integrate technology into Montana's education framework to support student educational needs for the 21st century; and promote fiscal responsibility by considering both long-term and short-term needs of the public school district, the local community, and the state.

Goals & Objectives:

Under state law, the principal objectives of Quality Schools, in order of priority, are to:

- Solve urgent and serious public health or safety problems, or enable public school districts to meet state or federal health or safety standards;
- Address deferred maintenance by repairing or replacing existing building components that are inoperable or difficult to service or that lack minimum integrity;
- **Enhance public school districts' ability to offer specific services related to the requirements of the accreditation standards provided for in Section 20-7-111, MCA;**
- Provide long-term cost-effective benefits through energy-efficient design;
- Incorporate long-term, cost-effective benefits to school facilities, including the technology needs of school facilities; and
- Enhance educational opportunities for students.

In ranking the project applications, the Department is statutorily directed to give preference to school facility projects involving repairs to existing facilities over projects involving construction of new facilities.

Funding Source:

Quality Schools is funded by timber harvest on common school trust lands, (an amount equal to the income attributable to the difference between the average sale value of 18 million board feet and the total income produced from the annual timber harvest on common school trust lands during the fiscal year (§ 20-9-516, MCA) and riverbed rental payments (95% of the rental income received from these leases goes into the account; the remaining 5% goes into the school permanent fund).

Performance Indicators:

PERFORMANCE	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017
Project Applications Reviewed	0	66	0	50	0	60
Planning Applications Reviewed	45	0	47	0	45	0
Emergency Applications Reviewed	6	5	2	4	5	5
Project Applications Awarded	0	35	0	35	0	35

PERFORMANCE	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017
Planning Grants Awarded	28	0	44	0	40	0
Emergency Grants Awarded	6	5	1	3	4	4
Active Grants	54	85	76	80	75	80

Treasure State Endowment Program:

The Treasure State Endowment Program (TSEP) is a state-funded grant program created to help local governments fund infrastructure projects, defined by statute as drinking water systems, wastewater treatment, sanitary sewer or storm sewer systems, solid waste disposal and separation systems, and bridges. TSEP was authorized by Montana voters through the passage of Legislative Referendum 110 in June 1992 (Sections 90-6-701, *et seq.*, MCA).

TSEP receives applications for infrastructure projects the spring prior to each legislative session. In May 2014, TSEP received 51 infrastructure project applications for 2017 biennium funds. The Department is currently in the process of reviewing and ranking those applications for recommended funding by the 2015 Legislature.

TSEP also provides grants for planning for future infrastructure projects, and emergency grant funds to address immediate urgent public health and safety problems.

Mission:

The mission of TSEP is to assist local governments in funding infrastructure projects that will:

- create jobs for Montana residents;
- promote economic growth in Montana by helping to finance the necessary infrastructure;
- encourage local public facility improvements;
- create a partnership between the state and local governments to make necessary public projects affordable;
- support long-term, stable economic growth in Montana;
- protect future generations from undue fiscal burdens caused by financing necessary public works;
- coordinate and improve infrastructure financing by federal, state, local government, and private sources; and
- enhance the quality of life and protect the health, safety, and welfare of Montana citizens.

Goals and Objectives:

Under state law, the principal objectives of TSEP, in order of priority, are to fund infrastructure projects that:

- solve urgent and serious public health or safety problems, or that enable local governments to meet state or federal health or safety standards;
- reflect greater need for financial assistance than other projects;
- incorporate appropriate, cost-effective technical design and that provide thorough, long-term

solutions to community public facility needs;

- reflect substantial past efforts to ensure sound, effective, long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources;
- enable local governments to obtain funds from sources other than the funds provided under this part;
- provide long-term, full-time job opportunities for Montanans, that provide public facilities necessary for the expansion of a business that has a high potential for financial success, or that maintain the tax base or that encourage expansion of the tax base; and
- are high local priorities and have strong community support.

Funding Source:

TSEP is funded by interest earnings on the state Treasure State Endowment Fund (TSEF), a sub-fund of the coal tax trust fund. Half of all coal severance tax revenues that flow into the coal tax trust fund are transferred into the TSEF until FY 2021.

Performance Indicators:

PERFORMANCE	Actual FY 2012	Actual FY 2013	Actual FY 2014	Actual*/Estimated FY 2015	Estimated FY 2016	Estimated FY 2017
Project Applications Reviewed	0	66	0	51*	0	60
Planning Applications Reviewed	61	0	66	0	60	0
Emergency Applications Reviewed	0	3	4	2	3	3
Project Grants Awarded	0	64	0	35	0	38
Planning Grants Awarded	61	0	64	0	60	0
Emergency Grants Awarded	0	2	4	2	3	3
Active Projects	140	135	168	179	140	168

Coal Board:

The Montana Coal Board provides financial assistance in the form of grants to enable local jurisdictions to adequately provide for the expansion of public services or facilities needed as a direct consequence of coal development activities, including coal mines or coal-using energy complexes, or resulting from a major decline in those activities. The Coal Board consists of seven members, appointed by the Governor, and funds applications for grants from cities, towns, counties, or school districts, or any other local or state governmental unit or agency, or the governing body of a federally recognized Indian tribe. CDD staff provides administrative support to the Coal Board.

During the 2015 biennium, projects funded included water and wastewater system improvements, road repairs and equipment, community growth policies, school facility planning and improvements, hospital and health care center renovations and equipment, fire and sheriff department equipment, and preliminary engineering studies.

Mission:

The statutory mission of the Coal Board, as set forth in 90-6-201, MCA, is to assist local governmental units that have been required to expand the provision of public services as a consequence of large-scale development of coal mines and coal-using energy complexes or as a consequence of a major decline in coal mining or in the operation of coal-using energy complexes, to assist in the construction and reconstruction of designated portions of highways that serve the area affected by the large-scale development, to support county land planning, and to support public schools throughout the state.

Goals and Objectives:

The objective of the Coal Board is to award grants that are consistent with five statutory funding criteria:

1. need;
2. degree of severity of impact from an increase or decrease in coal development or in the consumption of coal by a coal-using energy complex;
3. availability of funds;
4. the degree of local effort in meeting these needs; and
5. the need for community planning before the full impact is realized, and how the proposed project reasonably fits into an overall plan for the orderly management of the existing or contemplated growth or decline problems.

Funding Source:

The Coal Board is funded from coal severance taxes deposited into the Coal Natural Resource Account.

Performance Indicators:

PERFORMANCE	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017
Applications Received/Reviewed	49	36	27	35	35	35
Grants Awarded	45	17	18	15	15	15
Active Grants	42	36	51	40	25	35
Coal Board Meetings	4	4	6	6	5	5

Hard Rock Mining Impact Board:

The five-member Hard Rock Mining Impact Board (HRMB), appointed by the Governor and administratively attached to the Department, administers the Hard-Rock Mining Impact Act (HRMI) (Sections 90-6-301, *et seq.*, MCA) and the companion Property Tax Base Sharing Act (PTBS) (Sections 90-6-401, *et seq.*, MCA). Montana law requires mine developers and affected local governments to prepare and implement impact plans intended to ensure that services and facilities are available to impacted communities without imposing additional costs on existing local taxpayers. Mine developers pay new capital and net operating costs through prepaid property taxes with a subsequent tax credit, grants, or facility impact bonds.

The Board and its CDD staff provide technical assistance with metal mines license tax distributions, including analysis, mitigation, and mediation services to local governments and hard rock mine developers where potentially adverse public fiscal impacts from large-scale development are identified. When necessary, the HRMB adjudicates disputes between affected entities and mine developers.

Mission:

The mission of the HRMB is to mitigate the local government service, facility, and fiscal impacts from new large-scale hard-rock mineral developments in Montana.

Goals and Objectives:

- Provide technical assistance as hard-rock mining impact plans are being developed;
- Assist local government units in meeting the initial financial impact of large-scale mineral development;
- Mitigate the long-term local government service, facility, and fiscal impacts from new large-scale hard-rock mineral developments in Montana; and
- Adjudicate disputes between affected entities.

Funding Source:

The HRMB is funded by a 2.5% allocation of the state metalliferous mines license tax.

Performance Indicators:

PERFORMANCE	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017
Responses to Technical Assistance Requests	8	8	10	10	8	8
Impact Plans Reviewed	0	0	0	1	0	0
Impact Plans Approved	0	0	0	1	1	0
Board Meetings	0	0	2	3	4	4
Disputes Adjudicated	0	0	0	1	0	0

Facility Finance Authority:

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities contain future health care costs by offering debt financing at low-cost, tax-exempt interest rates for capital construction and improvements. The legislature extended eligible facilities to include community pre-release centers and for-profit manufacturing facilities. Cost savings are shared with consumers in the form of lower fees.

The Facility Finance Authority is funded entirely by proprietary funds (enterprise accounting entities 06012 and 06015) with revenues collected from interest, fees, and charges from participating institutions. There are no direct appropriations provided in HB 2.

The Authority is primarily mandated in Title 90, Chapter 7 and Title 2, Chapter 15, MCA.

Mission:

To develop and maintain statewide financing programs that provide for and maintain access to the broadest range of low-cost capital financings for eligible non-profit private and public institutions as well as for-profit small manufacturing facilities.

Goals and Objectives:

- Maintain and enhance access to the broadest range of financing alternatives for client base
- Work with congressional delegation and national association to preserve tax-exempt bonds
- Increase awareness of financing opportunities for small manufacturing facilities by identifying stakeholders and marketing program
- Continue to streamline internal processes in order to ensure efficiency and sustainability for all operational aspects of the Authority
- Manage the assets of the Authority in the most effective manner to enhance the ability to provide financing for projects at small hospitals

Keep current with the ever-changing tax-exempt municipal finance arena as well as health care reform and its impacts on tax-exempt financings and profitability of non-profit hospitals

**06012 HFA Loan Program – Facility Finance Authority
06015 Facilities Finance Authority – Facility Finance Authority***Program Description:*

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates for buildings and capital equipment. The legislature extended eligible facilities to include community pre-release centers and for-profit manufacturing facilities. Cost savings are shared with consumers in the form of lower fees.

The ability to issue Industrial Development Revenue Bonds for small manufacturing facilities was added in the 61st Legislative Session, effective July 1, 2009.

The Facility Finance Authority is funded entirely by proprietary funds (enterprise accounting entities 06012 and 06015) with revenues collected from interest, fees, and charges to participating institutions. There are no direct appropriations provided in HB 2.

The Authority is primarily mandated in Title 90, Chapter 7 and Title 2, Chapter 15, MCA.

Revenues & Expenses:

The Facility Finance Authority is funded entirely by proprietary funds (enterprise accounting entities 06012 and 06015) with revenues collected from interest, fees, and charges to participating institutions. There are no direct appropriations provided in HB 2.

The Authority application and annual administrative fee assessments are contingent upon its business volume. Customer volume is assumed to be at the current level throughout the 2017 biennium.

Authority revenues are primarily recorded in the following SABHRS revenue codes:

Revenue Code	FY 2014	%
521135	\$22,946	4.22%
521136	\$322,813	59.37%
521137	\$134,576	24.75%
521190	\$17,657	3.25%
522110	\$60	0.01%
530025	\$5,120	0.94%
531626	\$0	0.00%
531644	\$6	0.00%
538006	\$40,592	7.46%
Totals:	\$543,771	100.00%

The major cost drivers within the Facilities Finance Authority are personal services, operating expenses, grants, and expenditures related to the periodic replacement of computer equipment. The major cost drivers for the Authority can best be represented in the following table:

	FY 2014	%
FTE	3.00	
Personal Services	\$178,086	45.20%
Operating Expenses	\$140,039	35.55%
Grants	\$57,000	14.47%
Transfers	\$18,833	4.78%
Totals:	\$393,959	100.00%

There is little uncertainty in forecasting future costs of major cost drivers, unless the Authority were to become involved in litigation related to the issuance and maintenance of bonds or had to write-off defaulted loans.

For the purposes of this analysis, it is assumed the Authority's **ongoing work and customer levels remain constant**. Non-typical and one time only expenses, if any, are subtracted from any proposed budgets. Personal services expenditures fund 3.00 FTE and Board Member Per Diem.

Rate(s) and Rate Explanation:

The Facilities Finance Authority is funded by an enterprise fund; accounting entities 06012 and 06015; and Authority customers are outside of state government. The fee structure that is proposed does not materially vary from that proposed in the last session.

Please see the 2017 Biennium Report on Internal Service and Enterprise for specific rate tables.

Projected Fund Balance, Including Cash Fluctuations:

The Total Fund Equity requirement for the 2017 biennium (\$14,719,971) is derived from the following Authority Program Reserve mandates:

- A. Biennium Working Capital Reserve; \$1,155,124
- B. Capital Reserve Account (Loan Loss Reserve); \$11,615,345
- C. Facility Direct Loan Program Reserve; \$1,949,502

Working Capital and Fees Commensurate Analysis:

The 60 day Working Capital Calculation is not reasonably applicable to the Authority because national bond rating agencies, national bond insurers, and institutional investors expect the Authority to reserve **two years' operating capital (approximately \$1,155,124) to assure that the Authority can financially operate between legislative sessions.**

Housing Division:

The Housing Division includes the Housing and Urban Development (HUD) Section 8 Housing programs, and the Board of Housing and its programs.

Housing Division responsibilities are mandated primarily in Title 2, Chapter 15; Title 90, Chapter 1, and Chapter 6, MCA;; 24 CFR 5, 792, 813, 887, 982, **and 984; and the Governor's Executive Order 27-81.**

Mission:

To provide mechanisms that enable Montanans to own or rent, safe and affordable housing that is within their financial capability.

Goals and Objectives:

In order to fulfill its mission the Housing Division is committed to achieving the following goals and objectives:

- Lead the coordination of housing activities with other housing providers, both private and governmental, to ensure maximum possible high quality development and maintenance of housing stock within the state, while minimizing use of resources and duplication of services.
- Continue to provide support of Housing Division personnel in the Housing Coordinating Team, a group of organizations statewide interested in housing related matters that meets to discuss issues related to housing and coordination of programs.
- Provide exemplary customer service by resolving questions for our customers and leveraging our relationships with other agencies and partners.
- Incorporate energy efficiency and green components in our programs wherever reasonable.

Board of Housing:

The Montana Housing Act of 1975 created the Montana Board of Housing. The Board is an agency of the State and operates within the Department of Commerce for administrative purposes. The powers of the Board are vested in a seven member Board, appointed by the Governor, subject to the confirmation of the State Senate. The Board provides policy direction to the agency staff, authorizes bond issues, approves development financing and evaluates Board of Housing Programs. These programs include the Regular Bond Homeownership Program, Special Set-Aside Homeownership Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program, Housing Montana Fund and the Reverse Annuity Mortgage (RAM) Program.

The Board of Housing is funded by five enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed. Under the Montana Housing Act of 1975, the Board does not receive any general fund, and is completely self-supporting.

Goals and Objectives:

- Continue automation of functions to improve operations. Continue to look at new ways of operating to improve efficiency and timeliness.
- Manage the assets of the Board in the most effective manner to enhance the ability to provide housing finance for lower income Montanans. Use any program earnings to re-invest into new mortgages or call bonds.
- Continuously review programs to determine if they are meeting the needs of the population they are intended to serve. Continue to change program requirements based on current conditions.
- Support cooperative efforts to provide homebuyer education and foreclosure prevention counseling to all parts of the state.
- Provide education and outreach to the citizens of Montana and the Board's customers and servicers through public appearances, workshops, print media, and other means as appropriate.
- Provide training to lenders and realtors, as well as work with non-profits to provide rental counseling, homebuyer education, foreclosure prevention and post purchase education.
- Explore methods of financing multifamily rental housing.
- Provide on-going training for property management, owners, and developers
- Provide oversight through compliance site visits and file audits
- Explore avenues for more efficient use of Low Income Housing Tax Credit Dollars
- Review opportunities for preservation of federally financed housing, and work with HUD and USDA RD on restructuring of multifamily properties when appropriate.
- Explore ways aimed at lowering the cost of housing.
- Explore ways to meet the needs of populations that are not currently being served.
- Promote the use of the funds within the Housing Montana Fund (HMF).
- Use Internet web page to provide updated information to persons interested in Board activities and programs.
- Timely and Accurate Financial Reporting.
- Timely and Accurate Payments to Bondholders.
- Timely and Substantive Compliance with Bond Indentures and Applicable Laws and Regulations.

Housing Assistance Bureau:

The Housing Assistance Bureau consists of three programs; the U.S. Department of Housing and Urban Development (HUD) Project Based Section 8 Housing Contract Administration (PBS8) program; the HUD Tenant Based Section 8 Housing Choice Vouchers and Moderate Rehabilitation programs Contract Administration (TBS8).

Goals and Objectives:

- Continue cooperation with other federal, state and local affordable housing programs in the state to ensure the efficient use of scarce resources.
- Provide on-going training for grantees, property management, and developers

HUD Section 8 Housing:

Project Based Section 8 Contract Administration (PBS8):

The PBS8 Program is the HUD contract administrator for low-income rental properties throughout the state. The program provides rental assistance to projects at fixed locations. Landlords perform

administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The Project Based Program renews rent contracts to project owners as they expire. Contract Managers prepare special damage claims, annual rent increases, respond to emergencies, check compliance for fair housing and waiting lists, on-site management reviews, follow-up to physical inspections, review of management decisions, and budget assistance to local property owners. The program provides approximately 4,200 units of rental housing in 93 projects, for low income and elderly families throughout the state.

Tenant Based Section 8 Contract Administration (TBS8):

TBS8 provides over 3,500 rent assisted units for very low income families (including elderly and disabled) to ensure they have safe and affordable housing, using the HUD Section 8 Housing Choice Vouchers and Moderate Rehabilitation programs. The program operates on a first come, first serve basis statewide, through a network of field agencies the department contracts for administration of local operations in the program. Leases are entered on the open rental market between tenants and private landlords. The program makes a subsidy payment to the property owner on behalf of the tenant. Payments are based on applicable unit rent limits and tenants generally pay 30% of their income towards rent and utilities.

Both Section 8 Housing programs are funded by enterprise funds with revenues derived under HUD performance based Annual Contribution Contracts.

Goals and Objectives:

- Provide housing through various Section 8 Housing programs and improve high quality Section 8 Housing Program services using contracted local field agencies to provide local contact for landlords and tenants enrolled in MDOC Section 8 Housing programs.
- Expand comprehensive centralized field agent training sessions to ensure field agent competency in all matters related to Section 8 Programs, and address problems associated with service delivery. Provide specialized training in areas identified as being high need for field agents and staff.
- Expand field review of local field agent operations to better monitor performance and to provide additional on-site training for field agents related to programmatic requirements, including inspections of rental units occupied by Section 8 tenants.
- Continue contract administration of Section 8 project based contracts currently administered by HUD and explore the possibility of administering other HUD contracts
- Expand the provision of housing opportunities for low income Montanans by applying for additional assistance as it becomes available from federal sources.
- Expand the availability of low income Montanans to enter homeownership using the special provisions of the Housing Choice Voucher Homeownership program.

Housing Division:

06030 BOH Financial Programs – Housing Division - Board of Housing

06031 Housing Trust Fund - Housing Division - Board of Housing

06032 BOH Loan Servicing - Housing Division - Board of Housing

06078 Affordable Housing Revolving - Housing Division - Board of Housing

06079 Revolving Loan – TANF - Housing Division - Board of Housing

Program Description:

The Montana Housing Act of 1975 created the Montana Board of Housing (Board). The Board is an agency of the State and operates within the Department of Commerce for administrative purposes. The

Board of Housing is primarily mandated in Title 2, Chapter 15; and Title 90, Chapter 1, and Chapter 6, MCA. The powers of the Board are vested in a seven member Board, appointed by the Governor, subject to the confirmation of the State Senate. The Board provides direction to the agency staff for its programs that include the Homeownership Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program, Housing Montana Fund and the Reverse Annuity Mortgage (RAM) Program. The Board of Housing is funded by enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed.

There have not been any significant program, service, or customer base changes since the last session.

Revenues & Expenses:

Mortgage & Investment Income:

The Board's income is primarily from Mortgage and Investment income. Mortgage Income is the interest people pay on Board loans and is limited by the Internal Revenue Service as a condition of using tax-free bonds as a financing source. Mortgage income is also controlled by the national financial markets which set both mortgage rates and bond financing rates. Investment income comes from interest earned on investing reserves the Board is required to hold and bond and program moneys not yet used to buy mortgages or pay bondholders. Both future Mortgage Income and Investment Income for the Board depend on the interest rate environment which is determined by the national financial markets.

Other Income:

The Board charges the Board of Investments for managing its mortgage loans and for loan cancellations, extensions, or for reviewing certain loan applications.

Board of Housing revenues (accounting entities 06030, 06031, 06032, 06078, and 06079) are primarily recorded using the following SABHRS revenue codes:

Revenue Code	FY 2014	%
521022	\$450	0.00%
522017	\$124	0.00%
525130	\$39,614	0.14%
526001	\$1,490,090	5.15%
526062	\$834,295	2.88%
530014	\$228,745	0.79%
530025	\$871	0.00%
531626	\$0	0.00%
531644	\$1	0.00%
538040	(\$75,433)	-0.26%
538041*	\$23,988,123	82.94%
538042	\$1,504,729	5.20%
538046	\$4,220	0.01%
546001	\$255	0.00%
582804	\$750,000	2.59%
584001	\$9,642	0.03%
584010	\$18,071	0.06%
599001	\$126,846	0.44%

Revenue Code	FY 2014	%
Totals:	\$28,920,645	100.00%

* Investment Income includes Government Accounting Standards Board (GASB) market value adjustment. GASB 31 requires that long-term investments be valued at market and any changes since the previous year be added or subtracted from Investment Income. Since no actual gain or loss occurs, this adjustment artificially affects the Investment Income amount presented.

Bond Debt, Loan Servicing and Operations:

The Board issues (sells) bonds each year to purchase new mortgages. Once the bonds are sold, the Board must repay the bondholders by making interest and principal payments. The Board is required to use Mortgage and Investment Income to pay bondholders, buy mortgages or pay operating costs. **Bond Debt payments are the Board's greatest expense.**

The remaining expenses are for Loan Servicing and Operations. As shown in the following table, greater than half of Servicing and Operations expenses pay for professional services to banks, mortgage companies and other professionals for issuing bonds, selling mortgages, collecting the monthly mortgage **payments, legal services and paying bondholders.** The remaining expenses pay for the Board's staff and staff operations including purchasing and recording mortgage loans, recording repayments and prepayments, investing funds, issuing and redeeming bonds, operating all loan programs and bookkeeping for over 7,500 mortgages, 300 investment accounts, and 28 bond series.

	FY 2014	%
FTE	30.00	
Personal Services	\$1,674,445	5.89%
Operating Expenses	\$2,513,358	8.84%
Debt Service	\$24,233,410	85.27%
Total:	\$28,421,213	100.00%

The Board currently operates with a staff of 30.00 people in 30.00 Full Time Equivalent (FTE) positions. Fiscal Year (FY) 2014 Servicing and Operations expenses are for SABHRS Funds 06030, 06031, 06032, 06078, and 06079.

Rate(s) and Rate Explanation:

The Board recovers its costs from charging application and compliance fees for the Low Income Tax Credit Program and from charging a spread on our loan programs. The Board draws funds for its budget from the amounts available within the indentures. The amount of the approved budget, less any cash on hand, is withdrawn from the Indenture and is allocated among the various Indentures. Any income the Board earns is used to fund special programs that meet the needs of Montana families that are not being met by our regular programs. These funds are pledged to the bondholders.

Please see the 2017 Biennium Report on Internal Service and Enterprise for specific rate tables.

Projected Fund Balance, Including Cash Fluctuations:

As stated in the Board's financial statements, Note 1, Fund Accounting: Net Assets – Restricted for Bondholders represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following are restrictions on the Restricted Net Assets: Special trust funds and accounts within the indenture are pledged as collateral for the bonds under the individual program indentures; Reserve requirements on cash and investments; Mortgage loans receivable are also pledged as security for holders of the bonds; Certain indentures require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture.

The Trust Indentures entered into by the Board requires all mortgages, and all moneys and investments within the indentures are legally restricted to uses provided for in the indentures and fund balance associated with the indentures as legally required to be reserved for those uses.

The Board's budgeted monies (those projected to be needed for the fiscal year's operations) are drawn down from the indentures during the fiscal year. These funds are legally pledged to the trust indentures from which they were drawn and any associated fund balance is reserved for the program from which the budgeted funds were withdrawn.

Working Capital and Fees Commensurate Analysis:

The Board recovers its costs by charging application and compliance fees for the Low Income Tax Credit Program and from charging a spread on our loan programs. Any income the Board earns is used to fund special programs that meet the needs of Montana families that are not being met by our current programs. These funds are pledged to the bondholders.

Loan Program Charges:

The Board earns the bulk of its income from the spread between the interest yield on the Single Family Mortgage loans and the yield on the bonds. The IRS allows the Board to earn 1 1/2% on Pre 1980 Single Family Programs, 1 1/8% on the Post 1980 Single Family Programs and 1 1/2 % on Multifamily Programs. According to tax law certain costs must be included in the amount that the Board can earn including origination points, operating expenses and servicing fees. It is also necessary that the Board not earn the full spread in order to offer lower mortgage rates.

The Board also charges cancellation, extension, and late fees.

Low Income Housing Tax Credit Charges:

The Board receives a tax credit allocation, annually. The Board charges 5% of the amount of tax credit reserved. The Board is also required to monitor the Projects that receive tax credits to determine if the projects are in compliance with tax credit regulations. The Board charges \$40 per unit for compliance fees.

Other Loan Programs:

Housing Montana Fund: The interest that will be charged on HRLA loan will range from 2% - 6%.
Reverse Annuity Mortgage Loans (RAM) Charges: The loans accrue interest at 5%.

Payment of Bond Debt:

Principal and interest, on the Multifamily and Single Family Bond issues, is due on each February 1, June 1, August 1, and December 1.

Investments:

All debt service reserve funds and mortgage reserve funds that must be held as security for the bondholders are invested in long-term securities, repurchase agreements or guaranteed investment contracts. Under the Multifamily Program, the funds are invested to the next debt service date or to a loan purchase date.

Other Mortgage Purchases:

The Board purchases Reverse Annuity Mortgages (RAM). The RAM loans are not repaid until the borrower dies or sells their home. These amounts are assets of the Board and the interest is accrued monthly, but we may not receive the principal and interest repayments for many years.

The Board also purchases out of the Housing Montana Fund. These loans can be due on sale or amortizing. These amounts are assets of the Board and the interest is accrued monthly.

06074 Section 8 Project Based – Housing Division – PB Section 8

Program Description:

The Project Based Section 8 (PBS8) program is the HUD contract administrator for low-income rental properties HUD subsidizes throughout the state. The program provides rental assistance to projects at fixed locations instead of the tenants. Landlords perform administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The Project Based Program renews rent contracts to project owners as they expire. Contract Managers prepare special damage claims, annual rent increases, respond to emergencies, check compliance for fair housing and waiting lists, on-site management reviews, follow-up to physical inspections, review of management decisions, and budget assistance to local property owners.

The Project Based Section 8 program is funded by enterprise accounting entity 06074 with revenues derived from a performance based Annual Contribution Contract with HUD. There are no direct appropriations provided in HB 2; the Project Based Section 8 program is completely self-supporting.

The Section 8 Housing programs are primarily mandated in 24 CFR Parts 5, 8, 35, 792, 813, 880, 882, 883, 887, 888, 891, 903, 982, 984 and 985 of the Code of Federal Regulations Section 8 Housing authorization and the Governor's Executive Order 27-81 Authorization of Section 8 Housing.

There has not been any significant program, service, or customer base change since the last session.

Revenues & Expenses:

The Project Based Section 8 program is funded by enterprise accounting entity 06074 with revenues derived from a performance based Annual Contribution Contract with HUD. There are no direct appropriations provided in HB 2; the Project Based Section 8 program is completely self-supporting.

Project Based Section 8 Housing revenues (accounting entity 06074) are primarily recorded in the following SABHRS revenue codes:

Revenue Code	FY 2014	%
522017	\$24	0.00%
530025	\$5,138	0.03%
531626	(\$0)	0.00%
531644	\$6	0.00%
538006	\$6,778	0.03%
594109	\$955,599	4.88%
594111	\$18,608,267	95.06%
Total:	\$19,575,812	100.00%

Major cost drivers for the Project Based Section 8 program, accounting entity 06074, can best be represented in the following table:

	FY 2014	%
FTE	9.83	
Personal Services	\$568,732	2.93%
Operating Expenses	\$252,752	1.30%
Benefits and Claims	\$18,614,555	95.77%
Total:	\$19,436,038	100.00%

Non-typical and one time only expenses, if any, are subtracted from proposed budgets.

Rate(s) and Rate Explanation:

The Project Based Section 8 Contract Administration is funded through a performance based contract with HUD, based on a 5 year renewable RFP. Retained earnings are to be used for operations of this program. Funding for rents is paid by HUD, based on actual contracts negotiated between the department and the individual owners of the projects, set up on a procedure dictated by HUD.

Please see the 2017 Biennium Report on Internal Service and Enterprise for specific rate tables.

Projected Fund Balance, Including Cash Fluctuations:

Fund equity remaining in the accounts is reserved for use on the Section 8 Housing programs. This was enacted in HUD PIH Notices 2003-23 and 2004-07, and is also found in 24 CFR 982.152(b), Also see the working capital discussion.

Working Capital and Fees Commensurate Analysis:

Revenues are generated in the Project Based Section 8 Contract Administration under a HUD performance based contract using 17 Incentive Based Performance Standards which are calculated by HUD monthly, quarterly, and annually. Revenues generated are required to be used for contract administration. Rental Assistance payments are made based on contracts negotiated by the PBS8 staff, and tenant income data. Payments are paid and reimbursed monthly by HUD, based on actual program benefits paid to owners.

06075 HUD Section 8 Housing program – Housing Division – Tenant Based Section 8
06085 HUD Section 8 Mod Rehab - Housing Division – Tenant Based Section 8

Program Description:

Tenant Based Section 8 (TBS8) provides rent assisted units for very low income families (including elderly and disabled) to ensure they have decent, safe, and sanitary housing, using the HUD Section 8 Housing Choice Vouchers and Moderate Rehabilitation programs. The program operates on a first come, first serve basis statewide, through a network of field agencies the department contracts with for administration of local operations in the program. Leases are entered on the open rental market between tenants and private landlords. The program makes a subsidy payment to the property owner on behalf of the tenant. Payments are based on applicable unit rent limits and tenants generally pay 30% of their income towards rent and utilities.

The Tenant Based Section 8 program is funded by enterprise accounting entities 06075 and 06085 with revenues derived from a performance based Annual Contribution Contract with HUD. There are no direct appropriations provided in HB 2; the Tenant Based Section 8 program is completely self-supporting.

The Section 8 Housing programs are primarily mandated in 24 CFR Parts 5, 8, 35, 792, 813, 880, 882, 883, 887, 888, 891, 903, 982, 984 and 985 of the Code of Federal Regulations Section 8 Housing authorization and the Governor's Executive Order 27-81 Authorization of Section 8 Housing.

There has not been any significant program, service, or customer base change since the last session.

Revenues & Expenses:

The Tenant Based Section 8 program is funded by enterprise accounting entities 06075 and 06085 with revenues derived from a performance based Annual Contribution Contract with HUD. There are no direct appropriations provided in HB 2; the Tenant Based Section 8 program is completely self-supporting.

Tenant Based Section 8 Housing revenues (accounting entities 06075 and 06085) are primarily recorded in the following SABHRS revenue codes:

Revenue Code	FY 2014	%
530025	\$7,391	0.04%
531626	(\$1)	0.00%
531644	\$9	0.00%
594108	\$101,297	0.49%
594110	\$19,547	0.09%
594112	\$18,582,703	89.93%
594116	\$157,850	0.76%
594117	\$164,882	0.80%
594118	\$186,040	0.90%
594119	\$256,730	1.24%
594121	\$53,450	0.26%
594122	\$26,663	0.13%
594124	\$109,386	0.53%
594125	\$280,619	1.36%
594126	\$342,208	1.66%

Revenue Code	FY 2014	%
594127	\$41,406	0.20%
594128	\$332,412	1.61%
Total:	\$20,662,594	100.00%

Major cost drivers for the Tenant Based Section 8 program, accounting entities 06075 and 06085, can best be represented in the following table:

	FY 2014	%
FTE	11.50	
Personal Services	\$644,637	3.25%
Operating Expenses	\$1,751,862	8.83%
Benefits and Claims	\$17,437,961	87.92%
Total:	\$19,834,460	100.00%

Non-typical and one time only expenses, if any, are subtracted from proposed budgets.

Rate(s) and Rate Explanation:

Fund revenues are derived from competitively awarded performance based Annual Contribution Contracts with HUD, and the program is completely self-supporting. The Department is the only statewide housing **authority in Montana and specifically budgeted for in HUD's ongoing appropriation** for Tenant Based Section 8.

Please see the 2017 Biennium Report on Internal Service and Enterprise for specific rate tables.

Projected Fund Balance, Including Cash Fluctuations:

Fund equity remaining in the accounts is reserved for use on the Section 8 Housing programs. This was enacted in HUD PIH Notices 2003-23 and 2004-07, and is also found in 24 CFR 982.152(b), Also see the working capital discussion.

Working Capital and Fees Commensurate Analysis:

Revenues for the Tenant Based Section 8 program are generated per unit for each rental unit under lease each month. Revenues are used to pay for contract administration of the program. HUD regulations do not allow the PHA to earn new reserve balances after 2003, and old reserve balances are committed to paying program administration costs only and HUD may require their use to pay rental subsidies in the future. Retained earnings are used to supplement interest earnings and older operating reserves in paying for contract administration costs that exceed current revenues. Rental subsidies are paid and reimbursed by HUD. The PHA is not allowed to retain any funds for other than the payment of rents under the program.

Board of Investments:

Article VIII, Section 13 of the Montana Constitution created the Unified Investment Program, which includes all state agency funds. The Board **of Investments (the "Board")**, by law, invests the Unified

Investment Program. Local governments may also invest with the Board. To facilitate management of the Unified Investment Program, the Board created seven investment pools, which operate like mutual funds. Investments not managed in pools are included in All Other Funds.

1. Retirement Funds Bond Pool
2. Trust Funds Investment Pool
3. Short Term Investment Pool
4. Montana Domestic Equity Pool
5. Montana International Equity Pool
6. Montana Private Equity Pool
7. Montana Real Estate Pool
8. All Other Funds – investments not managed in pools are included in All Other Funds

The Board issues a **“consolidated” financial statement for** the seven investment pools and All Other Funds that provides a comprehensive view of total pool and All Other Funds assets.

In addition to the Board’s investment responsibilities, it is charged with creating solutions to financial issues facing new and expanding businesses in the state of Montana. To accomplish this goal, the Board administers a number of different loan programs that can be specifically tailored to meet an individual business's or local government's needs. The In-State Investment Program consists of commercial loans funded by the Coal Tax Trust and low interest loans for first time home buying Montana Veterans.

The Board also issues tax-exempt bonds and lends the proceeds to eligible government agencies for a variety of purposes.

The Board of Investments is funded with both enterprise and internal service type proprietary funds, and no direct appropriations are provided in HB 2.

Boards of Investments’ responsibilities are mandated primarily in Article VIII, Section 13 of the Montana Constitution, Title 2, Chapter 15, and Title 17, Chapters 5 and 6, MCA.

Goals and Objectives:

To provide prudent investment management of state and local government funds; work with financial institutions, state **agencies, and local governments to enhance and expand Montana’s economy and assist** new and expanding Montana businesses; and to lend low-interest funds to eligible governments for a variety of projects.

To meet these challenges, the Board of Investments is committed to employing proven, long-term investment strategies and finding creative solutions to financial issues facing government entities and new and expanding businesses in the state.

The Board of Investments is also committed to transparency. Its website, <http://www.investmentmt.com/default.mcpX>, has been and will continue to be a source of specific and quantifiable information addressing many areas, including:

- Board Meetings;
- Annual Reports;
- Policies;
- Holdings;
- Program Descriptions;
- Performance Measures; and
- Portal to Access Programs.

Board of Investments Program Description:

Unified Investment Program:

The Board of Investments manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Section 2-15-1808 created the Board of Investments and Section 17-6-201 gave the Board sole authority to invest state funds. The Board also invests local government funds at their discretion. The Board currently manages an investment portfolio with a market value of approximately \$15.9 billion. The Board manages the portfolio under the "prudent expert principle."

To provide for diversification and reduced risk, the Board manages several investment pools in which funds of similar types are invested. The Legislative Auditor audits the Board annually. The Board consists of nine members appointed by the Governor. The Board also has two non-voting legislative liaisons, from different political parties; one appointed by the President of the Senate and one appointed by the Speaker of the House.

In-State Investments:

Section 17-6-305, MCA authorizes the Board to invest 25 percent of the Permanent Coal Tax Trust Fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the Trust Fund in participation with financial institutions. The Board lends Trust Fund monies to local governments to fund infrastructure that will serve job-creating businesses locating in the government's jurisdiction and lends low-interest monies to value-added type businesses creating jobs. The Board also provides low interest loans for first-time home buying Montana Veterans.

The Board purchases Montana residential mortgages with pension funds as part of the In-State Investment Program.

INTERCAP Program:

The Board sells tax-exempt bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to 15 years, and short-term loans to finance cash flow deficits or bridge financing are also available.

The INTERCAP and In-State Investment Programs were created in fiscal year 1984 as part of the "Build Montana" program.

The Board of Investments is funded by two proprietary fund types. Accounting entity 06014, an enterprise fund, funds the INTERCAP or Bond Programs. Accounting entity 06527, an internal service fund, funds the Investment Programs.

The Board of Investments' responsibilities are mandated primarily in Article VIII, Section 13 of the Montana Constitution, Title 2, Chapter 15, and Title 17, Chapters 5 and 6, MCA.

Board of Investments' customers include: state agencies, the university system, local governments, financial institutions, and local economic development organizations.

There has been no significant change in the services provided by the Board of Investments from those provided in the last biennium, although the investment portfolio continues to grow in size and complexity.

06014 Industrial Revenue Bond I-95 – Board of Investments

Revenues & Expenses:

Nearly all Bond Program revenues (accounting entity 06014, an enterprise fund) are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270 day fund balance is required to provide adequate funding for the Bond Program between draws. Remaining revenues are **received monthly from the Board’s contract with the Montana Facility Finance Authority.**

The Board of Investments does not receive any direct appropriations.

Bond Program revenues (accounting entity 06014) are primarily recorded in the following SABHRS revenue codes:

Revenue Code	FY 2014	%
530008	\$26,716	3.22%
530010	\$14,736	1.78%
530014	\$13,210	1.59%
530025	\$970	0.12%
530029	(\$1,162)	-0.14%
530030	(\$7,326)	-0.88%
531626	(\$0)	0.00%
531644	\$1	0.00%
538043	\$762,538	92.04%
582920	\$18,833	2.27%
Total:	\$828,515	100.00%

The major cost drivers within the Board of Investments are personal services, operating expenses and expenditures related to the periodic replacement of computer equipment. Additionally, over \$2.032 million was disbursed from accounting entity 06014 in FY 2014 via a statutory appropriation for debt **service requirements related to the state’s bonding activity.** FY 2014 base year expenditures, for accounting entity 06014 are as follows:

	FY 2014	%
FTE	4.00	
Personal Services	\$371,864	14.56%
Operating Expenses	\$149,095	5.84%
Debt Service	\$2,032,896	79.60%
Total:	\$2,553,856	100.00%

There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is **assumed the Division's workload and customer levels will remain constant, although investment portfolios will continue to grow in size.**

Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Board of Investments is authorized 32.00 FTE (approximately 28.00 funded from accounting entity 06527, and approximately 4.00 funded from accounting entity 06014) and personal services expenditures include Board Member Per Diem.

Rate(s) and Rate Explanation:

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures similar to what occurs in HB 2 and setting the fee at that level. This process has worked very well since the passage of HB 576 in 1995 and this methodology is continued in the 2017 biennium because it provides an easy comparison with historical financial activity.

Please see the 2017 Biennium Report on Internal Service and Enterprise for specific rate tables.

Projected Fund Balance, Including Cash Fluctuations:

At the proposed rates the Board projects a 2017 biennium ending fund balance of approximately \$5,128,858 as shown on the Internal Service and Enterprise Funds report.

Working Capital and Fees Commensurate Analysis:

Revenues for accounting entity 06014 are typically received on an annual basis, so a substantial working capital balance is required to provide adequate funding for the Bond Program between draws.

06527 Investment Division - Board of Investments

Revenues & Expenses:

Nearly all Investment Program revenues (accounting entity 06527, an internal service fund) are generated from charges to each account that the Board invests. The revenue objective of the Investment Program is to fairly assess the costs of operations while maintaining a reasonable and prudent 60 day working capital reserve.

The Board of Investments does not receive any direct appropriations.

FY 2014 base year funding, by fund type for the Investment Program, accounting entity 06527 is as follows:

Fund	FY 2014	%
General Fund	\$213,151	4.13%
State Special	\$59,605	1.15%
Federal Special	\$7,204	0.14%
Proprietary	\$321,040	6.22%
Expendable Trust	\$130,553	2.53%
Non Expendable Trust	\$4,256,788	82.43%

Fund	FY 2014	%
Local Government	\$100,597	1.95%
University	\$69,639	1.35%
Debt Service	\$5,671	0.11%
Misc.	\$12	0.00%
Total:	\$5,164,260	100.00%

Customer expenditure codes are not available because many customers are outside of state government and therefore do not record their financial activity on SABHRS.

Investment Program revenues (accounting entity 06527) are primarily recorded in the following SABHRS revenue code:

Revenue Code	FY 2014	%
521055	\$5,164,248	100.00%
522017	\$12	0.00%
Total:	\$5,164,260	100.00%

The major cost drivers within the Board of Investments are personal services, operating expenses and expenditures related to the periodic replacement of computer equipment.

FY 2014 base year expenditures, for accounting entity 06527 are as follows:

	FY 2014	%
FTE	28.00	
Personal Services	\$2,871,926	56.34%
Operating Expenses	\$2,225,196	43.66%
Total:	\$5,097,122	100.00%

Please note that accounting entity 06527 also pays for 1.00 FTE in the Treasurers' Office in the Department of Administration through a direct appropriation in HB 2.

There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is **assumed the Division's workload and customer levels will remain constant**, although investment portfolios will continue to grow in size.

Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Board of Investments is authorized 32.00 FTE (approximately 28.00 funded from accounting entity 06527, and approximately 4.00 funded from accounting entity 06014) and personal services expenditures include Board Member Per Diem.

Rate(s) and Rate Explanation:

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures similar to what occurs in HB 2 and setting the fee at that level. This process has worked very well since the passage of HB 576 in 1995 and this methodology is continued in the 2017 biennium because it provides an easy comparison with historical financial activity.

Changes in Level of Fees and Charges:

	Approved FYE 12	Approved FY 13	Approved FY 14	Approved FY 15	Budgeted FY 16	Budgeted FY 17
BOI Administrative Fee	\$4,831,041	\$4,831,041	\$5,109,144	\$5,234,796	\$6,031,846	\$6,031,846

Allocation Methodology: The revenue objective of the Board of Investments is to assess the costs of operations to each portfolio the Board invests while attempting to maintain a reasonable and prudent 60 day working capital reserve.

Projected Fund Balance, Including Cash Fluctuations:

At the proposed rates the Board projects a 2017 biennium ending fund balance of approximately \$659,869 as shown on the Internal Service and Enterprise Funds report.

Working Capital and Fees Commensurate Analysis:

Revenues for accounting entity 06527 are assessed on a monthly basis; since collections lag by at least one month the Board must maintain a nominal 60 day working capital reserve to meet ongoing operational expenses.

At the proposed rates, the Board projects a fiscal year end 2017 ending working capital reserve of approximately 60 days for accounting entity 06527. All interest earnings on the working capital reserve are distributed to the state general fund.

	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Working Capital Analysis						
Current Assets	\$1,376,792	\$931,546	\$1,045,037	\$591,226	\$689,439	\$821,011
Less Current Liabilities	(\$271,023)	(\$443,011)	(\$453,811)	\$98,213	\$131,572	\$157,969
Working Capital (WC)	\$1,105,769	\$488,535	\$591,226	\$689,439	\$821,011	\$978,980
Cash Required for Fund Operations						
60 Days Operations Expense	\$737,813	\$795,973	\$849,520	\$856,097	\$983,379	\$978,980
Difference	\$367,956	(\$307,438)	(\$258,294)	(\$166,658)	(\$162,368)	\$0

Significant Present Law:

The Board of Investments accounting entity 06527 has one decision package which effects portfolio assessments.

Administrative Costs Adjustments:

The 06527 cost of this decision package is \$179,752 in FY 2016 and \$236,444 in FY 2017. Items requested include adjustments for overtime, per diem, consulting and professional services, legal fees, data network services non DOA, minor equipment, travel, rent adjustments, indirect cost adjustments; and the removal of office equipment. It is estimated that this decision package would impact assessments as follows:

	FY 2016	FY 2017
Requested Fee Assessment	\$6,031,846	\$6,031,846
Decision Package Amount	\$179,752	\$236,444
Variance:	\$5,852,094	\$5,795,402

Montana Board of Horse Racing:

The Board of Horse Racing program is responsible for:

1. Regulating the live, simulcast and advance deposit wagering horse racing industry;
2. Ensuring compliance by approximately 1,200 licensees with state laws and board rules;
3. Licensing all racing personnel, establishing race dates for various communities, and establishing veterinary practices and standards in connection with horse racing meets;
4. Auditing, supervising and conducting investigations related to the pari-mutuel racing system in Montana. The program work is mandated in Title 2, Chapter 15, and Title 23, Chapter 4, MCA.

The Board of Horse Racing is funded with state special revenue derived from a 1 percent tax on gross receipts from pari-mutuel betting. For live racing and simulcast facilities, the tax is the greater of 1 percent of gross betting receipts or the actual cost to the board for regulating the meet.

Mission:

To ensure the integrity of the **state's horse racing industry, live, simulcast and advance deposit wagering**, through customer oriented regulation and monitoring of compliance with the Montana State Board of Horse Racing Laws and Rules.

Goals and Objectives:

To monitor and regulate the horse racing industry in Montana; to allow the racing industry, live, simulcast and advance deposit wagering, to grow and perform at a level which would be beneficial to all racing interests in the State of Montana while at the same time providing and promoting public confidence. **Economic impacts include Montana's agricultural sector, county fairgrounds, and the communities** (lodging, meals, supplies, feed, etc.) in which race meets are held as well as the race horse breeding industry.

Montana Heritage Commission:

The Montana Heritage Commission (MHC) takes pride in managing some of the most valuable and fascinating historic sites in Montana--Virginia City, Nevada City, and Reeder's Alley and the Pioneer Cabin in Helena.

In 1997, the Montana Legislature purchased Virginia City and Nevada City from the Bovey family. Our goal is to promote and preserve these sites while encouraging Montanans, out-of-state visitors, and future generations to become excited about the rich history of this great state. Virginia City and Nevada City represent authentic and tangible examples of the greatest gold strike in the Rocky Mountain West. Virginia City was the site of our first active territorial capital and the MHC offices now occupy the original Montana Legislative Offices.

MHC has two primary missions. The first is to operate and maintain the Virginia City, Nevada City, and **Reeder's Alley properties and income**-producing assets and artifacts with a goal of financial self-sufficiency. The second is to preserve the Virginia City and Nevada City artifacts and non-income producing assets (e.g., historical or cultural assets). The current value of all Virginia City, Nevada City, **and Reeder's Alley assets, including land, buildings, and artifacts, is estimated to be \$41 million**. MHC can move toward self-sufficiency primarily by increasing the number of visitors to its sites and by improving and expanding the visitor experiences at these sites.

Highlights:

- According to Montana Office of Tourism, 2013 Traffic Counts, Virginia and Nevada City was **Montana's number one state owned attraction. (401,736)**
- Over 1.2 Million historical artifacts are housed in 248 historic buildings.
- Local, state and national partnerships help ensure the highest level of expertise, skills and resources available to help achieve goals.
- Volunteers log over 20,000 hours every year in Virginia and Nevada City. This level of volunteer service equates to hundreds of people who give their time for the living history program, archeology field work, guided tours, collections care and management, and restoration work on railroad equipment.

- Marketing programs such as Family Pass and Stay and Play packages and experienced-based activities such as tours, reenactments, Alder Gulch Shortline railroad, and gold panning contribute to increasing revenue streams.
- Educational outreach programs continue to increase with an estimated 5,000 students visiting between May 2013 and June 2104.

Mission:

The Montana Heritage Commission preserves and manages historic resources in Virginia City, Nevada City and Reeder's Alley and promotes the appreciation of history through quality visitor experiences.

As the Commission, we believe:

- In saving history through education and the stewardship of buildings and collections.
- That by working together with organizations who share our mission, and with membership and **"friends" groups, we can better preserve important parts of Montana's past.**
- That through education and interpretation, augmented by hands-on experiences, visitors can learn the value of preserving their heritage, and bring the past alive.
- That heritage resources and private enterprise complement each other.
- That development shall take into account the historic nature of the communities.
- That Heritage Commission properties shall continue to be a living and authentic historic experience.
- **That sustainable funding is critical to the success of the Commission's mission.**
- That heritage properties are precious public assets and that the public shares responsibility for supporting them.
- That the decision to include additional heritage properties under the umbrella of our commission, must be based on sound economic analysis, addressing the ability of the commission to fiscally manage the responsibility.

Strategic Priorities:

- (1) Preserve: Establish a more effective system to ensure proper allocation of resources, preservation and maintenance prioritization, and cataloging of Historic buildings and artifacts.
- (2) Sustain: Establish a financial sustainability plan that represents balanced reliance on State and Federal appropriations, private funding, and revenue generation in support of achieving long-term sustainability.
- (3) Promote: Expand marketing and promotional efforts to strengthen image and identity of the historic resources managed by The Montana Heritage Commission.
- (4) Experience: Enhance visitor's physical experience by providing engaging, memorable, and a **unique understanding of where Montana's history began.**
- (5) Partner: Broaden local, state, and federal support and understanding of the important **contribution heritage makes to Montana's economy, cultural identity and sense of historic community.**
- (6) Manage: Build the management and strategic capacity of the Commission, Board, Management and Staff to support effective and efficient administrative functioning.

Director's Office:

The Director's Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. The office provides executive, administrative, legal, and policy direction along with offering problem-solving guidance. The office keeps abreast of department related issues and acts in a public relations and informational capacity to ensure the public is informed of the important services provided by the

Department. The office works closely with economic and community development organizations, businesses, communities, governmental entities, elected official and the public to diversify and expand **the state's economic base. The office acts as the liaison with private** business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, **individuals, other governmental agencies, and the Governor's Office.**

The Director's Office also provides effective and efficient internal support to Department of Commerce staff, programs, bureaus, divisions and administratively attached boards in a positive customer service oriented manner. Services are provided by the Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

Every division, bureau, and program in the agency uses the support services in the Director's Office in some capacity. Staff act as the administrative contacts for the agency and the "central services" aspect enhances the overall effectiveness and efficiency of the agency by standardizing business processes and employing best practices in as many areas of the agency as possible, while keeping the costs to supported programs as low as possible.

The Director's Office analyzes, with department managers, the statutory, administrative, and programmatic objectives of their programs to develop performance measures where appropriate that maximize the benefits of the services provided to the citizens of Montana while minimizing the resources required achieving those objectives.

The Director's Office responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.

Mission:

To provide leadership in the department's mission of economic and community development and to provide effective, efficient, friendly, and sustainable internal support to the Departments programs and staff.

Goals and Objectives:

The Director's Office is committed to achieving the following goals and objectives:

Providing effective leadership to the State of Montana and its citizens in the areas of economic development and community development.

Provide quality management, communication and leadership support to the department's programs and customers while assuring the legislature, the public, and management that the department is in compliance with applicable laws, rules, policies, and internal controls.

Assist program managers with statutory, administrative, and program objectives and develop measures of success where appropriate that maximize the benefits of the services provided to the citizens of Montana while minimizing the resources required to achieve those objectives.

Encourage a work environment that analyzes, develops, and implements work processes that increases government efficiency, effectiveness, and sustainability; including empowering staff to remedy problems at the earliest point.

Promote teamwork by encouraging, assisting, and respecting others.

Performance Indicators:

GOAL	OBJECTIVE	CURRENT STATUS
Maintain department wide fiscal responsibility	Ensure policies, procedures, internal controls, and guidance are distributed to departmental divisions, bureaus, and programs.	Policies, procedures, internal controls, and guidance are distributed on an ongoing basis.
Provide accounting and fiscal support to divisions, bureaus, and programs in accordance with generally accepted accounting principles and in compliance with state and federal laws and regulations.	<p>Ensure bills are paid within 10 working days of receipt by the Director's Office.</p> <p>Ensure expenditures are documented and allowable in accordance with state and federal requirements.</p>	<p>Bills are being paid within 10 working days or less.</p> <p>Expenditures are allowable and funds are expended according to requirements.</p>
Oversee and coordinate department-wide budget preparation and submission, provide committee testimony, prepare fiscal notes, and monitor the legislative process.	<p>Meet deadlines for budget and fiscal note submission.</p> <p>Keep administrators informed of legislative actions, update bill tracking lists on a daily basis during legislative session.</p>	<p>Deadlines are being met.</p> <p>Administrators are informed.</p>
Provide assistance and training to divisions, bureaus, and programs in monitoring budgets for compliance with legislative intent and state and federal mandates.	Ensure division, bureau, and program compliance with state and federal fiscal year end requirements and deadlines.	Fiscal year end requirements and deadlines are being met.
Provide a comprehensive value-based human resources service to departmental staff, supervisors, and administrators in support of the agencies mission.	Ensure HR policies, procedures, and guidelines are current and distributed appropriately.	Policies, procedures, and guidelines are reviewed, updated, and distributed on an ongoing basis.
Provide recruitment and selection, delegated classification authority, discipline handling, and personnel policy services in a caring and supportive manner, encompassing current best practices and in compliance with federal and state laws, rules and regulations.	<p>Ensure that each state employee receives an annual performance appraisal.</p> <p>Ensure there is similar pay for like positions within departmental divisions, bureaus, and programs.</p>	<p>Department staff has annual performance appraisals based on job tasks and behavioral competencies.</p> <p>Pay rates are based on employee profiles throughout the department.</p>
Provide and maintain IT solutions that meet the unique requirements of the Department's customers and staff.	<p>Work within the IT Strategic planning cycle to ensure objectives align with the Department and state enterprise objectives.</p> <p>IT solutions are procured and managed within the state's policies and guidelines.</p>	<p>The Department will enhance E-Government services to better serve our customers.</p> <p>When possible use Montana Interactive (MI), subscription based E-Government solutions or commercially available software to provide E-government Services.</p>

GOAL	OBJECTIVE	CURRENT STATUS
The Department will enhance E-Government services to better serve our customers.	Increase awareness of E-Government opportunities and move more functions to an E-Government platform.	Identify, procure and implement technology that provides timely, cost effective and efficient solutions for our programs and clientele while maintaining compliance with related State policies and the security of our sensitive data and resources. Delivery of solutions will focus on the mobile work force and citizenry.

The Montana Council on Developmental Disabilities (MCDD):

The Montana Council on Developmental Disabilities is a citizen based advocacy group. Its members, appointed by the Governor work to provide increased independence, integration and productivity for persons with developmental disabilities.

The Council administers federal funds in three major areas; 1) assistance in the provision of comprehensive services to persons with developmental disabilities; 2) assistance to the state in appropriate planning activities; and 3) contracting with public and private agencies to establish model programs, demonstrate innovative habilitation techniques and to train professional and paraprofessional personnel in providing services to persons with developmental disabilities.

MCDD responsibilities are mandated primarily in Title 53, Chapter 20, MCA.

06542 Commerce Centralized Services - Director's Office

Program Description:

The Director's Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. The office provides executive, administrative, legal, and policy direction along with offering problem-solving guidance. The office keeps abreast of department related issues and acts in a public relations and informational capacity to ensure a positive image of the Department. The office works closely with economic and community development organizations, businesses, communities, governmental entities, elected official and the public to diversify and expand the state's economic base. The office acts as the liaison with private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, other governmental agencies, and the Governor's Office.

The Director's Office also provides effective and efficient internal support to Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. Services are provided by the Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

The Director's Office is funded through an internal service fund; accounting entity 06542. The Director's Office responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.

Customers are all divisions, bureaus, programs, and employees of the Department of Commerce. Use of these services is mandated by agency policies and procedures; there are no alternative sources for these

services; although the department may contract for legal services from time to time whenever it is most appropriate and cost effective to do so.

There has not been any significant program, service, or customer base change since the last session.

Revenues & Expenses:

The Director’s Office is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the divisions indirect cost plan. Indirect costs are allocated to supported programs based upon federally calculated, and legislatively approved indirect cost rates applied to actual personal services expenditures.

The Director’s Office provides all of the services listed in the program description to all department divisions, bureaus, programs, and employees.

The customer base for the Director’s Office includes:

- Business Resources Division
- Montana Promotion Division
- Community Development Division
- Montana Facility Finance Authority
- Housing Division
- Board of Investments
- Board of Horse Racing
- Montana Heritage Preservation and Development Commission
- Montana Council on Developmental Disabilities

The revenue objective of the Director’s Office is to maintain the lowest possible indirect charge to supported divisions, bureaus, and programs, while maintaining a nominal 60 day working capital reserve. The department has historically used this methodology in calculating indirect rates because the federal government requires the same methodology to be used when charging indirect costs to federally funded programs.

FY 2014 base year funding, by fund type is as follows:

Fund	FY 2014	FY 2014 %
General Fund	\$348,215	17.84%
State Special	\$544,331	27.88%
Federal Special	\$334,973	17.16%
Capital Projects	\$0	0.00%
Proprietary	\$724,325	37.10%
Misc.	\$259	0.01%
Total:	\$1,952,103	100.00%

Customer expenditures are primarily recorded in SABHRS expenditure code 62827; while **Director’s Office** revenues are primarily recorded in the following SABHRS revenue codes:

Revenue Code	FY 2014	FY 2014 %
520702	\$1,616,871	82.83%

Revenue Code	FY 2014	FY 2014 %
522017	\$12	0.00%
522060	\$247	0.01%
584002	\$334,973	17.16%
Total:	\$1,952,103	100.00%

The **major cost drivers within the Director's Office are personal services, operating expenses and expenditures related to the periodic replacement of the agencies computer equipment.** The major cost drivers for the division can best be represented in the following table:

Item	FY 2014	FY 2014 %
FTE	19.00	
Personal Services	\$1,526,464	84.94%
Operating Expenses	\$270,618	15.06%
Total:	\$1,797,082	100.00%

Factors that contribute to uncertainty in forecasting expenses involve potential legislative actions since the cost of providing centralized support services is directly related to the number and complexity of the agencies divisions, bureaus, and programs; and the number of agency staff served. As agency services and programs increase, or decrease; management needs to remain cognizant of staffing requirements and indirect cost rates and make the necessary adjustments when needed.

For the purposes of this analysis, it is assumed the agencies divisions, bureaus, programs, and staff remain constant. Non-typical and one-time-only expenses are subtracted out of the future cost projections before calculating the indirect rate. The proposed indirect cost rate will fund 19.00 FTE in the 2017 biennium.

Rate(s) and Rate Explanation:

The Director's Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the Director's Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. **The difference is then carried forward into the following year's rate.**

The indirect cost rate is determined based on guidelines prescribed by the federal government. **Additionally, the Director's Office complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible.** In order to comply with this statute, the Director's Office has requested a rate that may vary slightly from the annually calculated federal rate. The rate approved by the Legislature is considered a cap; therefore, the department cannot impose a rate higher than what has been approved by the Legislature. However, the annually calculated federal rate may be slightly lower.

Requested Rates for Internal Service Funds Fee/Rate Information						
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:						
State Programs						
Indirect Cost Rate	12.95%	12.95%	14.65%	14.65%	14.10%	14.10%
Federal Programs						
Indirect Cost Rate	12.95%	12.95%	14.65%	14.65%	14.10%	14.10%

Allocation **Methodology:** Indirect costs for the Director’s Office are allocated to supported programs via a federally calculated indirect cost plan for federally funded programs, and a legislatively approved rate for state funded programs. Indirect cost rates are charged to supported programs based upon actual personal services expenditures.

Authority: Federally calculated indirect cost plan for federally funded programs, and legislatively approved rate for state funded programs. FY 2016 and FY 2017 federally approved rate is an estimated rate.

Changes in Level of Fees and Charges:

As described in the table above the requested rates are .55% lower than those approved for the 2015 biennium.

Projected Fund Balance, Including Cash Fluctuations:

At the proposed rates the Department projects a 2017 biennium ending fund balance of approximately \$247,597 as shown on the Internal Service and Enterprise Funds report.

Working Capital and Fees Commensurate Analysis:

The Director’s Office indirect cost rate is calculated by dividing projected annual expenses, plus a nominal 60 day working capital reserve, by the projected actual personal services expenses of supported divisions, bureaus, and programs. Federally funded programs are allocated indirect costs by an annually calculated indirect cost rate, while state funded programs are allocated indirect costs via a legislatively approved indirect cost rate.

The working capital objective is to recover the costs necessary to fund ongoing operations. A nominal 60 day working capital reserve is needed to meet ongoing operational costs. At the proposed rates, the department projects a fiscal year end 2017 ending working capital reserve of approximately 60 days. All interest earnings on the working capital reserve are distributed to the state general fund. The following table best describes the working capital and fees commensurate analysis:

	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Working Capital Analysis						
Current Assets	\$ 557,307	\$ 462,644	\$ 656,713	\$ 483,776	\$ 399,733	\$ 368,477
Less Current Liabilities	\$ (190,100)	\$ (146,004)	\$ (172,937)	\$ (84,043)	\$ (31,256)	\$ (24,855)
Working Capital (WC)	\$ 367,207	\$ 316,640	\$ 483,776	\$ 399,733	\$ 368,477	\$ 343,622
Cash Required for Fund Operations						
60 Days Operations Expense	\$ 260,307	\$ 292,167	\$ 299,514	\$ 314,681	\$ 344,098	\$ 343,014
Difference	\$ 106,900	\$ 24,473	\$ 184,262	\$ 85,052	\$ 24,379	\$ 608

Significant Present Law:

Administrative Costs Adjustments:

The only present law adjustment is for administrative costs; such as overtime, FY 2016 costs associated with the Pacific Northwest Economic Region (PNWER) annual summit in Big Sky, Montana, and annual rent expenses.

The impact of this present law proposal on the requested rate is minimal.

	FY 2016	FY 2017
2017 Biennium Requested Rate	14.10%	14.10%
2017 Biennium Rate W/O Admin Costs	14.03%	14.03%
Variance:	-0.07%	-0.07%