MONTANA
Department of Commerce

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2011 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
- Board of Research and Commercialization Technology
- MT Capital Investment Board
- Regional Development Bureau
- Census & Economic Information Center
- Trade & International Relations Bureau
- Small Business Development Center Bureau

Montana Promotion Division
- Film Office
- Marketing
- Tourism Development
- Electronic Marketing
- Industry Services and Operations

Energy Promotion & Development Division

Community Development Division
- Coal Board
- Hard Rock Mining Impact Board
- Treasure State Endowment Program
- Community Development Block Grant Program

Montana Facility Finance Authority

Housing Division
- Board of Housing
- Housing Assistance Bureau

Board of Investments

Montana Heritage Commission

Director's Office/Management Services Division
- Director's Office
- Management Services Division
- 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:

The Business Resources Division is comprised of a variety of programs aimed at improving, enhancing, and diversifying Montana's economic and business climate. Working closely with the private sector, the Governor's Office, the Legislature, economic and community development partners, other department divisions, state agencies, and federal and private programs; the division strives to enhance the economic base of Montana through business creation, expansion, and retention efforts.

Business Resources Division responsibilities are mandated primarily in Title 30, Chapter 16; Title 17, Chapter 6; and Title 90, Chapter 1 and 10, MCA.

Mission:

The mission of the Business Resources Division is to deliver information, technical assistance, and financial resources to communities and businesses in Montana resulting in the development and prosperity of our state.

Research & Commercialization:

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.

Goals and Objectives:

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

- Supporting production agriculture projects;
- 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	FY 2008 Cumulative	Plan FY 2009 Cumulative	Plan FY 2010 Cumulative	Plan FY 2011 Cumulative
Total MBRCT state funds awarded	$ 33.4M	$ 36.9M	$ 40.4M	$ 43.9M
Matching funds leveraged by MBRCT state funds	$ 38.9M	$ 40.4M	$ 41.9M	$ 43.4M
Additional follow-on funding generated by Montana projects receiving MBRCT grants after the award	$ 181M	$ 191M	$ 201M	$ 211M
Total payroll expenditures resulting from MBRCT state funds, matching funds and follow-on funding	$ 101M	$ 107M	$ 113M	$ 119M
MBRCT grant awards for production agriculture	$ 8.4M	$ 9.1M	$ 9.8M	$ 10.5M

PERFORMANCE	FY 2008 Cumulative	Plan FY 2009 Cumulative	Plan FY 2010 Cumulative	Plan FY 2011 Cumulative
MBRCT grant awards for clean coal/renewable resource projects	$ 1.0M	$ 2.1M	$ 3.1M	$ 4.2M

MT Capital Investment Board:

The Montana Equity Capital Investment Act was passed during the 2005 legislature and created the Montana Capital Investment Board which is administratively attached to the Department of Commerce. The Board was given the authority to provide up to $60.00 Million in contingent, deferred tax credits to enable a contracted Fund of Funds Manager to promote equity capital investments in Montana by investing in other regional and national venture capital funds. Investments in Montana companies is encouraged but not required by the Act.

The 2005 Legislature did not provide the necessary appropriation to appoint the board and implement the program so an appropriation request was successfully made to the 2007 legislature for the implementation of the program.

Prior to the appointment of the Montana Capital Investment Board by the Governor in the fall of 2007, the Budget Director received an opinion from the Dorsey/Whitney law firm stating that the Act may be unconstitutional in light of other opinions handed down by the Supreme Court on economic development finance legislation. Upon the request of a legislative committee, the Legislative Counsel wrote a contrary opinion saying that the Act was constitutional.

The Board has been performing its due diligence since their appointment and has investigated similar programs in five other states. The Board has embarked on the preparation of the necessary processes and documents necessary to proceed in implementing the program. One consequence of performing this due diligence is that the Board has learned from experts in this field that the Montana Act would probably not be able to raise the funds necessary to implement the Act without resolving the constitutional issue that has been raised.

The Board is in the process of seeking a resolution to the constitutionality issue.

Regional Development Bureau:

Montana Finance Information Center:

The Montana Finance Center provides summary information for the most significant financing resources available from state, federal, and local institutions. The Montana Finance Information Center website is organized as much as possible by source and point of application. Preference for organizational purposes is given to the actual level that provides funding to businesses and local governments. The web address for the Finance Information Center is http://www.mtfinanceonline.com/.

The Finance Information Center has responded directly to numerous email requests for information and has developed dozens of specific finance option summaries for business proposals, including business recruitment activities conducted by the Governor's Office. As additional credible sources of finance and technical assistance are discovered, they are included within the resources of the website.

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	Actual FY 2008	Projected FY 2009	Plan FY 2010	Plan FY 2011
Finance Information Center Average Visits per month	1,700	1,700	1,700	1,700
Finance Information Center Average Views per month	5,000	5,000	5,000	5,000

Regional Development Officers:

There are five Regional Development Officer's (RDO) assigned to a regional area as a representative of the Montana Department of Commerce. The RDOs live in their regions and are a resource to businesses, local development corporations and communities in the area. The program serves as an access point to all relevant Commerce Department resources, and all other relevant business and community development resources. A primary purpose of the program is to provide technical assistance to businesses for the purpose of obtaining financing from Department programs for start-ups, expansions, business locations from out of state, and retention.

Goals and Objectives:

- Ensure that all areas of Montana have reasonably equal access to funding and technical assistance resources, especially the Community Development Block Grant (CDBG) Fund, the Big Sky Economic Development Trust Fund, Workforce Training programs, WIRED, Indian Country Economic Development, etc.
- Develop close and effective working relationships with businesses and the resources that benefit them in their efforts to grow and create new employment in Montana.
- Improve the capacity of local development efforts through technical assistance and fund raising. This includes close involvement with the Certified Regional Development Corporations program.
- Work closely with the Governor's Office of Economic Development and other state agencies involved in economic development, such as the Department of Agriculture.

The focus defined in the guidelines of most Regional Development Bureau technical assistance and finance programs is to assist value-adding businesses, such as manufacturers. Regional Development Officers facilitate, coordinate, and expedite business projects that apply to Department programs for financing by working with the businesses and Certified Regional Development Corporations and lead local development corporations in the regions they serve.

PERFORMANCE	Actual FY 2008	Projected FY 2009	Plan FY 2010	Plan FY 2011
Projected Jobs Created and Retained by businesses receiving assistance from Regional Development Bureau programs with RDO involvement	1,586	1,400	1,250	1,250

PERFORMANCE	Actual FY 2008	Projected FY 2009	Plan FY 2010	Plan FY 2011
Total financing of all projects from Regional Development Bureau programs involving assistance from Regional Development Officers	$19.24 million	$18 million	$16 million	$16 million
Total leveraged funds for all projects involving assistance from Regional Development Officers	$180.8 million	$125 million	$115 million	$115 million

NOTE: Projections based on expected reductions in WIRED funding and fewer funds awarded for WTG in FY 2009 due to commitments made in FY 2008. Leverage is not predictable but always has exceeded minimum requirements extensively. Job projections are more predictable due to cost per job limitations. Numbers have been adjusted to eliminate double counting of jobs for projects funded by more than one program in the Regional Development Bureau as much as possible. The total numbers shown above are less than totaling the key programs below for that reason.

Community Development Block Grant (CDBG) Program:

The Montana Department of Commerce receives approximately $2.1 million each year from the federal Department of Housing and Urban Development for economic development activities. These funds are administered by the Business Resources Division 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.

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 the community.

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:

- Increasing 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 12 dollars in match for every 1 dollar of CDBG-ED funding;
- Creating permanent year-round jobs principally for low and moderate income Montanans through loans and grants for business retentions and expansions, up to 150 jobs a year;
- Allowing local communities to identify their own needs and develop their own initiatives by providing funding for planning and technical assistance activities, up to 6 planning grants a year;

- Assisting new and expanding businesses with employee training needs, up to 3 assisted businesses a year.

PERFORMANCE	Actual FY 2006	Actual FY 2007	Actual FY 2008 *	Plan FY 2009	Plan FY 2010	Plan FY 2011
CDBG - Jobs Created and Retained by businesses receiving assistance from Community Development Block Grant Program (CDBG)	1,029	132.5	203	200	200	200
CDBG - # of Planning Grants provided by the Community Development Block Grant Program (CDBG)	10	4	6	6	6	6
CDBG funds provided to local governments for private sector loans	$2,522,000	$1,972,700	$2,147,926	$2,100,000	$2,100,000	$2,100,000
CDBG - Total Project Investment by companies receiving CDBG funding	$ 76,816,839	$ 27,694,225	$12,603,521	$25,000,000	$25,000,000	$25,000,000
CDBG Leverage of other funds	30:1	14:1	6:1	11:01	12:01	12:01

* Through 07/2008

Indian Country Economic Development Funds:

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 in state funding 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.

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 up to 100 jobs from tribal businesses a year;
- Fund activities that may train up to 150 employees a year;
- Provide at least 1 dollar from outside funding for every 2 dollar of ICED grants.

PERFORMANCE	Actual FY 2006	Actual FY 2007	Actual FY 2008	Plan FY 2009	Plan FY 2010	Plan FY 2011
ICED - Total funding provided to Indian Nations from ICED program	$ 500,000	$ 798,548	$ 800,000	$ 800,000	$ 800,000	$ 800,000

PERFORMANCE	Actual FY 2006	Actual FY 2007	Actual FY 2008	Plan FY 2009	Plan FY 2010	Plan FY 2011
ICED - Jobs created, retained, or trained	523	17	152	100	100	100
ICED –Amount of Matching Funds	$ 2,741,909	$ 3,328,956	$ 3,171,610	$ 1,500,000	$ 1,500,000	$ 1,500,000
Leverage of ICED funds	5:1	4:1	4:1	2:1	2:1	2:1

New Worker Training Grant Program:

The **Primary Sector Workforce Training Grant (WTG)** program is a state-funded program that was moved from the Governor's Office to the Department of Commerce during the 59th Legislature and is an essential component of Governor Schweitzer's economic development plans for Montana. There is currently almost $4 million available annually for this program. This program is targeted to businesses that are creating net new jobs that pay at least the lower of the current county average wage or the state current average wage.

PERFORMANCE	Actual FY 2008	Plan FY 2009	Plan FY 2010	Plan FY 2011
Jobs projected to be created by companies receiving workforce training funds from the New Worker Training Program (WTG)	1120	470	770	770
Funding provided to Montana businesses for hiring and training new workers under the New Worker Training Program (WTG)	$5,223,538*	$2,350,000*	$ 3,850,000	$ 3,850,000
Funds leveraged from other sources for projects funded by the New Worker Training Program (WTG)	$98,676,041	$23,500,000	$38,500,000	$38,500,000
Projected new tax revenue to the State general fund annually as a result of the New Worker Training Program (WTG) projects funded	$ 3,106,040	$ 1,400,000	$ 2,200,000	$ 2,200,000

* Includes FY 2008 contracts funded with FY 2009 funds

Workforce Innovation in Regional Economic Development Program (WIRED):

In January 2006, the US Department of Labor announced that the application from Governor Schweitzer for Montana's WIRED proposal was one of 13 approved out of over 90 applications nationwide. Montana's WIRED proposal focused on the development of the bio-product industry in 32 counties of Eastern Montana and six Indian Reservations. The Department of Commerce is managing a component of the WIRED grant program under contract with the Montana Department of Labor and industry. The Commerce WIRED program has grant funds available for customized worker training to businesses working with universities, colleges, high schools, and other training providers on specialized bio-product training and curriculum development. The program will also provide grants for WIRED eligible job training programs or projects that will enhance and expand the bio-product industry in the WIRED region.

PERFORMANCE	Actual FY 2008	Plan FY 2009	Plan FY 2010*	Plan FY 2011
Funding provided to Montana businesses for hiring and training new and incumbent workers under the Workforce Innovation in Regional Economic Development Program (WIRED)	$ 1,662,253	$ 590,000	$ -	$ -
Funds leveraged from other sources for projects funded by the Workforce Innovation in Regional Economic Development Program (WIRED)	$ 3,211,455	$ 590,000	$ -	$ -
Projected trainees as a result of a grant from the Workforce Innovation in Regional Economic Development Program (WIRED)	182	60		

* Program funding scheduled to end FY 2010

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, 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.

On July 1, 2005, initial funding was transferred from the coal severance tax permanent fund to the Big Sky Economic Development Fund (BSTF). In addition a portion of the total coal severance taxes collected annually is deposited into the BSTF. Earnings (interest only, not principal) from the BSTF is available for financial assistance to local governments and economic development organizations through application to the Department of Commerce.

The BSTF program is statutorily designed to provide financial assistance in the following two categories:

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

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

PERFORMANCE	Actual FY 2008	Plan FY 2009	Plan FY 2010	Plan FY 2011
BSTF - $ awarded to support economic development projects	$ 1,422,500	$ 1,400,000	$ 1,520,000	$ 1,660,000
BSTF – $ awarded to support economic development planning projects	$ 433,211	$ 465,000	$ 500,000	$ 550,000
BSTF - New Jobs Created by companies receiving financial assistance from the BSTF	239	225	245	265
BSTF - Funds leveraged from other sources for projects funded by the BSTF	$105,806,398	$50,000,000	$60,000,000	$65,000,000

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.

Goals and Objectives:

- Encourage a regional approach to economic development that facilitates the efficient delivery of economic development programs by supporting regional capacity building.
- Work towards including the counties in Montana that are not currently part of a CRDC.
- Receive and evaluate CRDC annual reports for compliance with contracts.
- Implement the Treasure Communities Program.
- Survey CRDC's to receive input on the implementation of the Treasure Community program.
- Work with CRDC's 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.
- Evaluate and make recommendations for improvement in the CRDC program.
- Collaborate with the Governor's appointed Economic Development Advisory Council by proposing meeting agenda items, participating in research and analysis where needed and requested, and implementing suggestions made by the Council with the approval of Department of Commerce executive management.

PERFORMANCE	Actual FY 2008	Plan FY 2009	Plan FY 2010	Plan FY 2011
Number of CRDCs certified	12	12	12	12
Number of Counties served by a CRDC (56 total)	54	56	56	56

Montana Microbusiness Finance Program:

Montana's Microbusiness Development Corporations (MBDCs) provide financing and technical assistance to help a business get started or to expand. The Department of Commerce loans money to the MBDCs who in turn loan out 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 employees and less than $1,000,000 in annual revenues. To qualify for a loan the business needs 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 bank, the interest rates charged on the loans are slightly higher than bank rates.

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	Actual FY 2008	Plan FY 2009	Plan FY 2010	Plan FY 2011
MBDC - Dollar Amount of New Loans provided by MBDCs.	$ 827, 700	$ 1,000,000	$ 1,150,000	$1,300,000
MBDC - Jobs Created and Retained by businesses receiving financial assistance from MBDCs.	47	67	87	110

Census and Economic Information Center (CEIC):

The Census and Economic Information Center (CEIC) provides demographic and economic data and analysis, GIS support, technical assistance and training. CEIC provides access, education (in the form of workshops and presentations), and analysis of demographic and economic data as well as other federal and state statistical information. CEIC assists Montana businesses and communities, schools and government agencies to access and use this information for decision making. CEIC's special library collection contains historical and current census documents in print and electronic format. CEIC's comprehensive web site, http://ceic.mt.gov/, allows clients to research and collect data in an easily accessible, accurate, and timely manner.

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, and is a member of the U.S. Bureau of Economic Analysis (BEA) User Group. As such, CEIC has been the official repository of Montana Census 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 twenty-eight member statewide affiliate network.

CEIC has a long history of cooperation with the U.S. Census Bureau and has assisted in the last three decennial censuses and other censuses conducted throughout the decades. CEIC staff organizes and participate in informational and technical training sessions conducted by the Census Bureau in Montana. Staff have been instrumental in urging local and tribal governments to participate in Census geography programs leading up the 2010 Census by blanketing the state with informational flyers, sending multiple email reminders, making follow-up phone calls, speaking at conferences, and facilitating contact between local and tribal governments when issues have arisen. CEIC staff will continue to offer technical assistance to these governments and act as a liaison for all decennial census programs to ensure that the 2010 Census in Montana is a complete and accurate census.

Goals and Objectives:

- **Participation in the U.S. Census Bureau's 2010 Census Programs**
  - Local Update to Census Addressing (LUCA) – develops the Bureau's Master Address File;
  - Boundary and Annexation Survey (BAS) – determines the inventory of legally defined entities and correct names, legal descriptions and boundaries of counties, places and American Indian Reservations;
  - School District Review Program - allows the state to review school district boundaries and report updates and corrections to the Bureau. CEIC staff work in conjunction with the Office of Public Instruction (OPI);
  - Voting District/Block Boundary Suggestion Project (VTD/BBSP) – submit block boundary suggestions for inclusion in the 2010 Census block tabulations and submit mapped boundaries of county voting precincts during Phase 2 of the Redistricting Data Program. CEIC staff work in conjunction with the Montana Legislative Service Division;
  - Participant Statistical Areas Program (PSAP) – allows input from local governments to establish critical census geography such as block groups, census tracts, census county divisions, and census designated places (CDPs);
  - Tribal Statistical Areas Program (TSAP) – allows input from tribal governments to establish tribal census tracts, tribal block groups, CDPs, and tribal subdivisions; and
  - Boundary Validation Program – allows local officials a final opportunity to review the boundary of their jurisdiction before the 2010 Census data tabulation.

- **2010 Census Planning Activities**
  - Developing promotional and "grass roots" campaign strategies;
  - Creating, coordinating, and working closely with a state-wide Complete Count Committee;
  - Working with the Bureau to establish and maintain a planning database for hard to enumerate areas in the state;
  - Establishing contacts and coordinating with 56 counties, 129 Incorporated cities/towns, eight tribal governments, and local Complete Count Committees to ensure high response rates and reduce minority undercount;
  - Establishing contacts and supporting community leaders, churches, civic organizations, educational institutions, state agencies, the Governor's Office, the

media, non-profit organizations and CEIC's state-wide network of data users and supporters in promotion of the Census;
- Partnering with Bureau geography staff to lay the framework for all 2010 Census tabulations;
- Conducting workshops throughout the state as well as provide presentations/speeches to a variety of conferences and organizations;
- Working closely with the media utilizing print, TV, radio, internet, and any other outlets to ensure significant coverage to reach Montana citizens; and
- Coordinating with the U.S. Census Bureau and reporting to the Governor on the development of all census activities in the state.

- **Provide client research services**

  - Locating and providing data and information related to Montana's population, economics, businesses and other characteristics of the state;
  - Assisting clients in understanding data and data resources including analysis of data and data trends, workshops and training in accessing and using data from a variety of state and federal resources;
  - Interpreting and explaining significance of and relationship between the various economic statistics;
  - Preparing economic studies using economic tools, theories and modeling software to assist decision makers; and
  - Providing technical assistance and training in using CEIC data.

- **Increase data and information awaren ess and accessibility via Internet, E-mail, and personal contact**
  - Providing continuous access to the full range of Montana demographic and economic data via CEIC's web site http://ceic.mt.gov/;
  - Providing in-depth analytical *Data Highlights* of new or revised Montana data as statistics are released by federal agencies;
  - Allowing clients to retrieve pre-formatted tables of data and to retrieve the raw data for their analytical needs;
  - Allowing clients to search geographically, examine the spatial relationship among the data, and graphically visualize the tabular information;
  - Allowing clients to access spatial data analytical tools and applications to integrate data from various sources; and
  - Designing and implementing an interactive data and mapping application within the CEIC's current website which will allow clients to access detailed economic and demographic data and to create interactive custom queries, reports, maps. This access will greatly increase the ability to integrate data from the Census Bureau, other federal agencies and state statistics. This integration will also enhance CEIC's ability to answer client inquiries and serve Commerce staff when detailed data analysis is required.

- **Provide geographic information system (GIS) capabilities**
  - Assisting clients to identify, acquire, and use data in a GIS;
  - Providing a clearinghouse of data from the U.S. Census Bureau and other agencies;
  - Providing technical assistance and workshops to develop GIS applications related to demographic and socioeconomic needs; and
  - Creating demographic, economic and administrative maps for clients and Commerce staff who do not have GIS capabilities.

- **Provide specific training in availability and use of economic, demographic and spatial data to State Data Center Affiliate Network, other state agency employees, Commerce staff, the media, various economic organizations and interest groups, and the general public.**
  - Developing a more informed and stronger state network of State Data Center Affiliates;
  - Developing a state employee labor force with better skills to access and utilize demographic and economic data in their everyday work; and
  - Developing a more knowledgeable public with improved skills to find, manage and utilize new data products and resources available to them from state and federal agencies.

PERFORMANCE	Actual FY 2008	Projected FY 2009	Plan FY 2010	Plan FY 2011
CEIC - Number of persons attending various census training events conducted by CEIC staff	857	900	1,000	1,200
CEIC - Customer data requests processed	1,046	1,200	1,300	1,400

Trade and International Relations Bureau:

The Bureau provides information and 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. It also offers a wholesale trade show assistance program. Overseas trade offices are maintained in Taipei, Taiwan and Kumamoto, Japan to promote agriculture, tourism, value-added products, and higher education opportunities to markets in East Asia. The Bureau also serves as the protocol and international liaison for the Governor's Office and the Department of Commerce.

Goals and Objectives:

- Provide technical export and marketing assistance and training for Montana companies.
- Maintain Montana's trade representative offices in Kumamoto, Japan and Taipei, Taiwan to promote Montana tourism, education, cultural exchanges and provide business assistance for Montana exporters.
- Provide logistical support in organizing international trade and diplomatic missions.
- 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, Republic of China on Taiwan.
- Coordinate annual meetings between Montana, Alberta, and Saskatchewan government officials and business leaders to foster greater 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 Travel Montana.
- Coordinate the export of value-added agricultural products worldwide with the Montana Department of Agriculture.

Export Technical Assistance:

Technical export assistance is provided to Montana companies by the Bureau's International Trade Officer. The Trade 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.

Goals and Objectives:

- To provide technical assistance, research and training for Montana companies seeking to enter, or expand, export markets.
- To conduct export workshops in Montana communities for training company employees in export compliance, documentation, etc.
- To compile annual reports on Montana's export commodities, values, and destinations.
- To maintain current information on export and import regulations.
- To maintain an export information website www.exportmontana.com .

Montana Marketing Technical Assistance Partnership (M^2TAP):

The M^2TAP is offered through a joint venture of the University of Montana, Montana Department of Commerce, the Montana Economic Developers Association (MEDA), and the Montana Manufacturing Extension Center (MMEC). The M^2TAP offers a start-up or expanding Montana small business 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). Eligible Expenses:

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.

Made In Montana Trade Show, Internet, and Label 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 image on their products. Since the inception of the program in 1984, over 30 million Made in Montana & Grown in Montana labels have been sold.

Goals and Objectives:

- Assist with the coordination of an annual state-wide Made in Montana Food and Gift Trade 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 label on their products.
- Maintain an internet based Montana products directory with links to Montana companies' web-sites and work toward allowing MIM companies to update their company information via the internet. www.madeinmontanausa.com.
- Help consumers and companies to identify products produced in Montana that is 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 Offices:

The Department of Commerce is responsible for maintaining the State of Montana's trade representative offices in Taiwan and Japan. The office located in Taiwan at the Taipei World Trade Center is responsible for trade relations in the greater China area and is referred to as the Montana Asia Pacific Trade Office. The 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. The Trade Office Representatives work on an ongoing basis to promote and support the sales of Montana products.

Goals and Objectives:

- To promote Montana as an international tourism destination.
- To help Montana companies successfully pursue trade opportunities in East Asia.
- To promote Montana's value-added agriculture industry.
- To promote Montana's higher education study opportunities for international students.
- To provide logistical support for business, cultural, and government missions between Montana, Japan and Taiwan.

- To maintain Chinese and Japanese language websites that provides Montana information and trade opportunities www.montana-chinese.org & www.bigskyjapan.com.

Goals and Objectives:

PERFORMANCE	Actual FY 2008	Plan FY 2009	Plan FY 2010	Plan FY 2011
Trade/Export counseling sessions	896	800	800	800
Marketing Assistance - # of companies provided strategic marketing assistance	7	12	15	15
Marketing Assistance Workshops	9	10	10	10
Trade Shows attended by Montana companies participating in the Trade Show program	17	20	20	20
Total number of "Made in Montana" On-Line Products Directory company listings	879	1,000	1,200	1,400
Total # of Montana companies participating and using the Made in Montana label on their products	2,130	2,200	2,300	2,400
Trade Shows in Asia	9	15	15	15
Montana Seminars in Asia	36	20	20	20
Chinese & Japanese Media advertising value	$2,224,710	$2,500,000	$2,500,000	$2,500,000

Small Business Development Center Bureau:

Small Business Development Centers (SBDC's):

The Small Business Development Center 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. With the Lead Center located in Helena, and sub-centers based in 10 major Montana communities hosted by local economic development organizations, the Montana SBDC delivery system is designed to reach the state's entire population with its services and programs.

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	Actual CY 2007	Plan CY 2008	Plan CY 2009	Plan CY 2010	Plan CY 2011
SBDC - Small business clients provided counseling	1,041	1,300	1,300	1,300	1,300
SBDC - Total number of counseling hours provided to small businesses	5,762	5,700	5700	5700	5700
SBDC – Total # of Training Participants	2,443	3,000	3,000	3,000	3,000
SBDC - # jobs created by businesses receiving counseling	414	500	450	450	450
SBDC - # jobs retained by businesses receiving counseling	583	500	500	500	500
SBDC - $$ borrowed by small businesses from lenders after counseling	$49,000,000	$ 45,000,000	$52,000,000	$52,000,000	$52,000,000

Montana Technology Innovation Partnership Program (MTIP):

The Montana Technology Innovation Partnership Program 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 help build the short-term benefits of technology research and development into the long-term rewards of commercialization.

Goals and Objectives:

- Increase the knowledge base of tech-based clients pursuing state and federal grants. Up to 255 hours of one-on-one counseling/coaching will be set aside for one-on-one counseling annually.
- Increase the quality of proposals being submitted by offering proposal development and review services.
- Maintain the number of Phase 1 awards at 23 through coaching provided by MTIP contracted consultants.
- Increase the number of Phase 2 awards from seven to ten. This increase will be enhanced because of MTIP coaching provided.
- Conduct one Innovators Roundtable seminar in rural Montana.
- Conduct one SBIR/STTR general seminar and 2 advanced-level seminars.
- Work with one organization's annual conference and embed one MTIP seminar.
- Provide up to 250 hours of SBIR counseling in calendar year 2008-2009.
- Convene and facilitate four meetings of the State Technology Partnership Committee annually.

- Maintain the list serve of 576 subscribers. Increase the subscription numbers to 650.

PERFORMANCE	Actual 2007	Plan CY 2008	Plan CY 2009	Plan CY 2010	Plan CY 2011
Total # of companies receiving MTIP technical assistance	58	75	80	80	80
Total Number of New Clients Generated.	31	35	40	40	40
Total # of Phase I SBIR Awards	19	23	25	25	25
Total Number of Phase II SBIR Awards	7	9	11	11	11
Total Number of Phase I STTR Awards	2	3	4	4	4
Total Number of Phase II STTR Awards	0	2	2	2	2

The Entrepreneur Development Program:

The Entrepreneur Development Program is funded through the general fund and grants from the State Tribal Economic Development Commission (STEDC). The goal of the program is to provide business planning courses to entrepreneurs starting a business and business owners who are growing and professionalizing their business. The program is a state/community partnership that includes local organizations that host the SBDC, community chambers of commerce and community colleges. The program develops successful business owners by giving them the professional marketing, operational and financial tools they need to maximize their business success. The program supplements business counseling and workshops with a comprehensive adult learning environment developed around a 13 week program that includes guest speakers from the business community, instructors with business experience, and a curriculum specifically designed to develop business planning skills and a business plan. The program utilizes the Kauffman Foundation *FastTrac* courses and *Indianpreneurship, A Native American Journey into Business* curriculum. The program is very focused on developing Indian owned private sector business through classroom training, workshops, technical assistance and counseling. The program has a small equity fund that through a granting process provides the Indian business owner the equity required to start or grow his business.

Goals and Objectives:

- Provide a business-planning course in Montana communities that builds the professional management skills of Montana entrepreneurs and small business owners.
- Develop classroom training with the community-based organization that has the greatest capacity to deliver services for the business owners and entrepreneurs in their region.
- Expand Native American business ownership on the seven Indian Reservations of Montana and the Little Shell Tribe.
- Partner, network and collaborate with Federal, State, and community organizations, especially the State Tribal Economic Development Commission (STEDC), the Montana Indian Business Alliance (MIBA) and the Small Business Development Centers (SBDC) to develop the capacity of organizations mentoring business owners and entrepreneurs in the Reservation communities.
- Through the Montana Indian Equity Fund provide a maximum grant of $7,875 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.
- Continue to provide business management classroom training to organizations that serve specific populations including veterans, dislocated workers, people with disabilities, and other people in need who are seeking self-employment as a path to economic self-sufficiency.

PERFORMANCE	FY 2007	Plan FY 2008	Plan FY 2009	Plan FY 2010	Plan FY 2011
Training Sites	14	16	16	16	16
Training Participants	265	275	275	275	275
Indian Equity Grants	9	8	8	8	8

Montana Main Street Program:

Following the National Trust for Historic Preservation's model, the Montana Main Street program is a historic preservation-based economic development program that has been used nationwide to spark life into traditional downtown commercial districts. In order to do this, the program encourages participating communities to use their unique assets – distinctive architecture, pedestrian-friendly atmosphere, local ownership, and personal service – to rebuild their downtowns. To do so, Main Street focuses on four major areas, known as the Four Points: Organization, design, promotion, and economic restructuring.

The Montana Main Street program consists of three levels of membership:

- Full designation. (Note: There are currently 7 designated communities. In the table below, the statistics are solely for the 7 designated communities and not the affiliates.) Designated communities have a population greater than 5,000 residents and must hire at least a part-time paid executive director to manage the local Main Street program. They receive on-site technical assistance and consulting services.

- Temporary affiliate status. Introduced in July 2008, temporary affiliate status is for communities with populations between 2,000 and 5,000. They do not have to hire a paid director during the first three years and do not receive the same level of services as fully designated communities. After the three-year period is over, they must apply for full designation.

- Permanent affiliate status. Permanent affiliate status is for communities with fewer than 2,000 residents. The purpose of the affiliate program is to provide educational information and networking opportunities to communities that lack the resources to become fully designated.

To participate in Main Street, communities must apply during an annual application cycle. The deadline is July 1 every year.

Goals and Objectives:

- Implement the comprehensive, incremental Main Street Four-Point Approach to revitalization in designated communities.
- Provide training, facilitation consulting services, and specialized services tailored to each community's needs.
- Serve as a resource for material and technical assistance for affiliates.

- Coordinate with the Department of Commerce divisions and other agencies to maximize available resources to Main Street communities.

PERFORMANCE	Actual 2007	Actual FY 2008	Plan FY 2009	Plan FY 2010	Plan FY 2011
# of designated and affiliate communities	11	14	18	21	23
Net new jobs	106	110	115	120	125
Net new businesses	45	50	55	60	65
$ value of public improvements	$3 million	$1 million	$1.25 million	$1.5 million	$1.75 million
$ value of building improvements	$1 million	$1 million	$1.25 million	$1.5 million	$1.75 million
$ value of promotions	$500,000	$500,000	$600,000	$700,000	$800,000
# of volunteer hours	5,353 hours	5,500	6,000	6,500	7,000

Montana Promotion Division:

The Montana Promotion Division strives to strengthen Montana's economy through increased visitor travel, visitor expenditures, and film production, in the state. The Division focuses on attracting high value, low impact 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, 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 infrastructure grants and oversees expenditures of six regional non-profit corporations and the eleven qualified convention and visitors bureaus.

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 and meeting and convention travel marketing, development and distribution of literature, 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 infrastructure and event grants and oversee expenditures of six regional non-profit corporations and the eleven specific cities and resort area districts.

In working to align the program's key goals with the statewide Montana Tourism and Recreation Strategic Plan for 2008-2012, the Montana Promotion Division has identified four specific priorities that it is currently focusing on program-wide. These priorities include: increasing four-season tourism revenue statewide through effective marketing and promotions, focusing on high-value, low-impact visitors; creating and leveraging public/private marketing partnerships to expand Montana's reach to its audience; enhancing tracking and reporting of results from advertising and promotion efforts; and increasing the capacity of Montana communities to be more competitive in tourism through partnerships, outreach and education.

Tourism Promotion (Travel Montana):

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 marketing campaigns and promotions that define the state's unique attributes and set it apart from competing destinations. Campaigns are designed to create awareness for Montana, generate an interest in visiting and influence travel intention. Specific goals of this program are to: use paid advertising and strategic promotional partnerships to increase consumer awareness of Montana as a travel destination; implement a Montana branding initiative to ensure and encourage marketing consistency across numerous public and private platforms; increase qualified consumer inquiries; increase the number of inquiries that convert to visitors; and increase shoulder season visitation across the state.

Overseas Marketing:

Travel Montana 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 and Norway. 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 representatives in Taipei, Taiwan, and Kumamoto, Japan, to promote Montana as a vacation destination to tour operators and media in those countries.

Group Marketing:

Montana's 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.

Meetings and Conventions Marketing:

Montana's meeting and convention program works closely with the states eleven convention and visitor bureaus and convention properties to market the state as a destination for meetings and groups of any size.

Publications:

Travel Montana publications provide attractive and factual coverage of Montana's year-round recreational opportunities and attractions to visitors of all ages. They are often a potential visitor's first impression at what Montana has to offer and play an important part in the vacation planning process of travelers. In addition, the publications are used as the fulfillment component to our consumer marketing efforts. Providing accurate, reader-friendly information, the guides are easy to use and visually portray Montana at its best. The publications also present Montana businesses with affordable opportunities to advertise through its consumer guides.

Public Relations:

The Public Relations program works with both domestic and international travel trade media (print, web, and broadcast) to communicate Montana's enormously diverse tourism stories. The program serves as a clearinghouse for information, as well as provides logistical and financial assistance to the media producing articles and/or programming on Montana. In addition, the program maintains and continually augments an extensive library of photo images of the state for a variety of publicity and marketing purposes. The program also provides outreach to the tourism regions and convention and visitors bureaus in regard to their publicity efforts.

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 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.

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 Indian Nations in their tourism efforts; helping create cultural tourism partnerships and products statewide; and providing customer service and tourism education training programs.

Electronic Marketing:

This program uses progressive technologies to create state-of-the-art information systems. These systems are designed to complement the existing tourism marketing efforts. They have proven to be a cost-effective way to disseminate timely information to visitors and residents and will continue to play a crucial role in Travel Montana's marketing efforts. The Travel Montana website provides the most comprehensive and up-to-date information on sites, services and events available in Montana. The Electronic Marketing program manages or hosts twenty-eight websites offering tourism, recreation and film location information to Internet users.

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.

Operations:

Operations supports the fulfillment of the inquiries received via Travel Montana's marketing efforts with publications, emails and customer interaction via a call center. This fulfillment utilizes a contact center as well as mailroom functions.

Film Promotion (Montana Film Office):

The Montana Film Office promotes the state as a location for feature films, commercials, documentaries, television programs and still photography 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.

Energy Promotion and Development Division:

The Energy Promotion and Development (EPD) Division facilitates the promotion, planning, development, economic analysis, and coordination of energy facilities that impact Montana.

Presently seven states, all located in the western US, have created infrastructure authorities. These include the Colorado Clean Energy Authority, the Idaho Energy Resources Authority, the Kansas Electric Transmission Authority, the New Mexico Renewable Energy Transmission Authority, the North Dakota Transmission Authority, the South Dakota Energy Infrastructure Authority and the Wyoming Infrastructure Authority. The Montana EPD has joined these other states in a recently formed infrastructure association and is participating in meetings to share information and lessons learned on how to get energy infrastructure developed in each respective state.

The purpose of all of these authorities is to help get critical infrastructure projects built such as power transmission lines to move largely renewable energy resources from remote intermountain and upper Great Plains regions to growing load centers in the west. Building large infrastructure projects has become more and more difficult and creation of entities such as the EPD or the other infrastructure authorities in the West is a response to this difficult challenge. There are many transmission projects being proposed throughout the west and all face difficult environmental and financial challenges such that these 8 western states have seen the need to create dedicated agencies to help support these efforts.

The 2009 biennium funding for EPD contained in HB 2 is from "one time only" (OTO) funds. Clearly from the outset of the creation of the EPD there has been the recognition that no task as large and complex as developing important and often large scale energy infrastructure, with which the EPD is tasked to facilitate, could be accomplished in just two years. Many of these projects are big, costing in the $billions and they may take 5 to 7 years to be completed; however EPD has plowed the ground, prepared the seed bed and now the projects are set to start growing. The state needs to continue funding the EPD so that it can continue to facilitate new projects and nurture existing projects to completion.

Mission:

The Division's mission centers around promoting and developing additional energy distribution capacity so that potential jobs become actual jobs and Montana's tax base is further enhanced for the benefit of its citizens. Increased distribution capacity also paves the way for clean, green energy creation and utilization. We will work to facilitate the promotion and development of energy infrastructure that will allow the responsible development of Montana's abundant energy resources including wind, bio-fuels, geothermal, biomass and clean coal gasification, liquefaction and power production which use carbon sequestration technologies when possible.

With the ever-expanding industry of renewable energies, along with the abundant resources found within our borders, it is our vision that the state of Montana will meet or exceed national Renewable Portfolio Standards by creating an atmosphere that encourages long-term, sustaining projects that will provide renewable energy well into the future for all Montanans. Recognizing the important role that coal based energies hold in our portfolio, we envision diverse energy development including clean coal technologies that not only strive to reduce our carbon footprint, but also lessen our dependence on foreign oil supplies.

Goals and Objectives:

The EPD has already developed an impressive list of projects that we are effectively pushing ahead. These include 5 major transmission projects (Montana Alberta Tie Line, Mountain States Transmission Intertie, Colstrip 500 kV upgrades, the Northern Lights HVDC transmission line and the Havre to Rainbow rebuild), TransCanada's Keystone XL 36" oil and Pathfinder/Bison natural gas pipeline projects, the Enbridge oil pipeline upgrades serving Eastern Montana oil fields, coordination of the Section 368 Federal Transmission Corridors comments, as well as facilitating a wide array of energy generation projects ranging from advanced coal projects such as the Many Stars CTL project on the Crow Reservation and the Malmstrom CTL project to tracking over 50 wind energy projects totaling over 5000 MW of power production in the state. The EPD participated in a geothermal fact finding trip to Iceland in 2008, a country that provides 30% of its electricity from geothermal energy resources and which is ready to export to Montana its knowledge and financing expertise.

The EPD Division will have two primary goals over the upcoming biennium: 1) Facilitate the construction of new or expanded energy transport infrastructure (pipelines and transmission lines) that will enable the development of Montana's vast portfolio of renewable and conventional and or advanced technology / clean coal resources. 2) Facilitate the construction of new or expanded energy production facilities that will be built and that will energize or otherwise utilize the capacity of the energy transport infrastructure that the division will help to be constructed in the state. The facilities could include electricity generation plants using various energy forms such as wind, coal, natural gas and geothermal as well as refineries that process various feed stocks such as biomass, coal and petroleum to produce various fuels such as liquid transportation fuels.

The objectives that we will seek to attain in order to achieve those goals include the following:

1. Facilitate the construction of at least one new transmission or pipeline that will be in service by the end of FY 2011.
2. Facilitate the final permitting of at least one new transmission or pipeline in the next biennium that will be in addition to the facility noted in objective 1,
3. Facilitate the construction of at least one new or expanded energy production facility that will be in service by the end of FY 2011.
4. Facilitate the final permitting of at least one new or expanded energy production facility in the next biennium that will be in addition to the facility noted in objective 1.

Community Development Division:

The original enabling legislation for the Department of Commerce was the Planning and Economic Development Act of 1967. Supporting sound community planning and local economic development have been parallel missions for the department ever since. The missions of the Community Development Division (CDD) are primarily mandated in Title 90, Chapter 1 and Chapter 6, MCA; and federal authorizations 24 CFR 570, subpart 1; and 42 USC 5301.

The CDD administers three programs directly:

- The Community Technical Assistance Program (CTAP)
- The Community Development Block Grant Program (CDBG), and
- The Treasure State Endowment Program (TSEP).

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

- the Montana Coal Board, and
- the Montana Hard Rock Mining Impact Board.

Overall, the five programs of the CDD seek to assure viable, sustainable communities and the provision of cost-effective and efficient community services and facilities by encouraging well-planned community growth and development. The efforts of the division are consistent with sustainability, efficiency, and effectiveness. In particular, three of the CDD programs provide grants that:

- help to ensure that safe, clean, and drinkable water is available, wastewater systems do not pollute and degrade the waters of the State, and bridges provide safe transportation,
- help to ensure that community-based services are both safe and efficient, and, in many cases, more energy efficient,
- help to ensure that affordable housing is available for low and moderate income families,
- provide well paying construction jobs through the millions of dollars involved in improvements to local infrastructure,

- facilitate economic development by assuring adequate infrastructure to support growth, and
- strengthen government-to-government relationships with tribes because of the funding and technical assistance provided to them.

Each of the five programs has a specific mission and goals and objectives, based on its legislative history, as described below.

Community Technical Assistance Program (CTAP):

CTAP provided assistance in community planning, subdivision regulation, zoning, and capital improvements planning from 1967 until 2003. In 2003, the Legislature, faced with a $300 million general fund deficit, cut CTAP from the budget.

In response to requests from local governments, the administration proposed to re-establish CTAP during the 2007 Legislature. CTAP received 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. The Legislature responded by establishing a 2.00 FTE for CTAP: a program manager (senior planner) and an attorney.

Mission:

Section 90-1-103, MCA, sets out the community development mission of the department:

- provide technical assistance to county and municipal governments and their planning boards, community development groups, and similar agencies created for the purposes of aiding and encouraging the orderly, productive, and coordinated development of the communities of the state;
- assist in the solution of community development problems and implementation of community plans;
- provide information on available federal and state financial and technical assistance; and
- pay 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.

Goals and Objectives:

CTAP will:

- 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.
- Sponsor regional workshops to provide education and training throughout the state.
- 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.
- Expand 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.

- Assist with the coordination of statewide planning initiatives such as the DNRC Taskforce on Wildland-Urban Interface Standards and the Governor's Task Force on Riparian Protection.
- Enhance CTAP website to provide clients with access to more "self-service" educational information and resources, such as model documents and 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.
- Expand outreach and assistance to the Indian tribes and rural communities of the State by making them aware of CTAP services and capabilities.
- Update CTAP publications such as the Model Subdivision Regulations, Growth Policy Resource Book, and Planning Board Members Handbook to ensure that 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.

CTAP Performance Indicators:

PERFORMANCE	Actual FY 2008	Estimated FY 2009	Proposed FY 2010	Proposed FY 2011
Clients Assisted	388	600	700	700
Workshops & Meetings	71	100	125	125
Publications	1200	1000	500	500
Clients Utilizing Training Library	0	50	100	100
Clients for GIS Mapping Services	12	30	50	50

Community Development Block Grant (CDBG) Program:

Montana's Community Development Block Grant (CDBG) Program 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.

Mission:

Under federal law, the primary mission 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."

Goals and Objectives:

Under federal law, the principal objectives of the CDBG program include:

- 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 is 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.
- The alleviation of physical and economic distress through the stimulation of private investment and community revitalization in areas with population out migration or a stagnating or declining tax base.
- The conservation of the Nation's scarce energy resources, improvement of energy efficiency, and the provision of alternative and renewable energy sources of supply.

Program Summary:

In 1981, the Legislature directed the department of to administer the CDBG program and adopt administrative rules to implement the program (90-1-103, MCA (1) (e). Montana receives annual allocations of CDBG funds based on a statutory formula and the amount budgeted by Congress for the program. The department revises the administrative rules for the program annually for each federal fiscal year funding allocation after soliciting public comment.

The Montana CDBG program provides funding for four categories of community projects:

1. economic development
2. public facilities
3. housing and neighborhood renewal
4. planning

The department sets aside one-third of grant funds for economic development projects, which are administered by the Business Services Division. The balance of the funds is set aside for public facilities, housing, and planning projects administered by the CDD. All projects funded by CDBG must principally benefit low and moderate income persons. Under federal law, eligible applicants are limited to general purpose local governments: towns and cities under 50,000 population, and counties.

<u>Public facilities projects</u> can fund conventional community facilities such as water, sewer, and solid waste. Projects can also include public facilities designed to principally serve low and moderate income persons such as Head Start centers, mental health centers, childcare centers for low income children, senior centers, group homes for abused children, and hospitals or nursing homes.

<u>Housing and neighborhood renewal projects</u> can include the rehabilitation of substandard homes within a community (including making energy conservation improvements to residences) or new construction of housing units for low and moderate income persons. Housing grants can also be made to local governments to provide down payment assistance for housing purchase by low and moderate income families.

Planning projects can assist local governments in the planning or studies necessary to develop a CDBG project, or to prepare or update a local growth policy, a housing plan, preliminary engineering or architectural study, or a capital improvements plan.

The CDD conducts three formal grant competitions each year: a spring grant competition for planning grants, a summer grant competition for public facilities, and a fall grant competition for housing projects. The department director awards grants in order of the scores assigned under the ranking criteria adopted for each grant category.

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

Funding Source:

The CDBG program is funded with federal funds allocated through the U.S. Department of Housing and Urban Development (HUD) although state general funds provide a required share of the administrative costs for the program equal to three percent of the annual CDBG allocation. Congress has proposed a $4 billion budget for FFY 2009, which, if approved, would provide approximately $8 million for the state CDBG program.

President Bush signed the Housing and Economic Recovery Act of 2008 on July 30, 2008. A portion of the act sets aside federal funds for assistance to states and local governments to provide assistance to the owners of foreclosed properties and for the redevelopment of abandoned and foreclosed residential properties. At this time, it appears that Montana may receive approximately $21.7 million in CDBG funds under the act.

CDBG Performance Indicators:

PERFORMANCE	Actual FY 2006	Actual FY 2007	Actual FY 2008	Estimated FY 2009	Requested FY 2010	Requested FY 2011
Applications Reviewed						
Public Facilities	17	17	17	20	20	20
Housing	8	5	5	5	5	5
Planning	22	23	17	20	20	20
PERFORMANCE	Actual FY 2006	Actual FY 2007	Actual FY 2008	Estimated FY 2009	Requested FY 2010	Requested FY 2011
Grants Awarded						
Public Facilities	8	8	10	10	10	10
Housing	4	3	3	3	3	3
Planning	21	21	15	15	15	15

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, including site acquisition, preparation, or monitoring, and bridges. TSEP was authorized by Montana voters through the passage of Legislative Referendum 110 in June 1992 (90-6-701, MCA).

Mission:

As set out in 90-6-702, MCA, 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:

As set out in 90-6-710, MCA, the objectives of the TSEP are to assist local governments in funding 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.

Program Summary:

Construction Projects – Applications Received and Reviewed:

- Applications for funding local government public facility construction projects are accepted by the program in even-numbered years.
- The program received 65 applications in FY 2008, with half of their review and evaluation occurring in FY 2008 and the remainder in FY 2009. These 65 applicants are competing for funds that will become available during the 2011 biennium.
- The TSE fund grows each year, which in turn provides more funds each biennium for award to construction projects. The department estimates that a similar number of applications would be received and reviewed in FY 2010 and 2011 as a result of growth and the additional need for new centralized water and wastewater systems, aging infrastructure needing to be replaced, and new federal and state standards and regulations that require that improvements be made.

Construction Projects – Awards:

- Construction projects are authorized for funding every other year by the Legislature.
- Fifty-six projects were awarded matching grants by the 2007 Legislature.
  - The reason that there are almost twice as many awards than what had been previously estimated is that the 2007 Legislature decided to award grants to all but one of the 57 local governments that applied in 2006.
  - In order to fund all of these projects, the department was directed by the Legislature to obtain a loan at the end of the 2009 biennium to make up the balance needed that the TSEP interest earnings alone cannot fund.
- The estimated 30 new projects that would potentially be funded from the 2011 biennium interest earnings assumes that approximately $17 million would be available.
  - The amount that is ultimately available will be greatly impacted by the size of the loan that the department obtains to fund all of the 2009 biennium projects and the time period over which the loan is repaid.

Active Construction Projects:

- The estimated number of construction projects for FY 2009 is based on 106 active construction projects at the end of FY 2008, less approximately 35 that are estimated to be conditionally closed during FY 2009.
- The estimated number of construction projects for FY 2010 is based on 30 new construction projects being awarded TSEP funds by the 2009 Legislature and approximately 29 existing projects being conditionally closed during FY 2010.

Preliminary Engineering Grants:

- The 2007 Legislature appropriated $600,000 for the 2009 biennium to the department for the purpose of providing communities with matching grants for preliminary engineering work. A preliminary engineering report is required as part of the application for a construction project grant.
- The department awarded 42 grants totaling $600,000 during the 2009 biennium, and all but eight of the 42 studies were completed as of the end of FY 2008.
- Of the 65 grant applications for construction projects received in FY 2008, 42 of the applicants also received a TSEP grant in the recent past to help fund their preliminary engineering study.
- The estimated number of studies that would be funded during the 2011 biennium assumes that $600,000 would be appropriated and that each of the 40 communities applying would request the maximum amount allowed. Potentially, a few more communities could be awarded grants if some applicants request or use less than $15,000.

Emergency Grants:

- The 2007 Legislature appropriated $100,000 for the 2009 biennium to the department for the purpose of awarding grants to local governments for emergency public facility projects that cannot wait for legislative approval.
- Three emergency projects were funded as of the end of FY 2008.
- With $48,200 remaining, at least two more projects should be able to be funded, since the maximum amount awarded has never exceeded $30,000.

Funding Source:

TSEP is funded by interest earnings from the Treasure State Endowment (TSE) Fund, a sub-fund within the coal tax trust fund. Fifty percent of the coal severance taxes that go into the coal tax trust fund are to be transferred to the TSE fund for a 23-year period, which began in 1993.

TSEP Performance Indicators:

PERFORMANCE	Actual FY 2006	Actual FY 2007	Actual FY 2008	Estimated FY 2009	Requested FY 2010	Requested FY 2011
Construction Applications Received and Reviewed	57	0	65	0	65	0
Construction Grants Awarded by Legislature	0	56	0	30	0	32
Active Construction Projects	74	67	106	71	72	60
Preliminary Engineering Grants Awarded	43	0	42	0	42	0
Emergency Grants Awarded	0	5	3	3	3	3

Coal Board:

Mission:

The Coal Board was created by the Legislature in 1975, at the same time as Montana's coal severance tax (90-6-201, MCA). The mission of the board is to assist local governmental units "in meeting the local impact of coal development or a major decline in coal mining or in the operation of coal-using energy complexes by enabling them to adequately provide governmental services and facilities that are needed as a direct consequence of an increase or decrease in coal development or in the consumption of coal by a coal-using energy complex."

Goals and Objectives:

This seven-member board, appointed by the Governor, 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. The objective of the coal board is to award grants that are consistent with five statutory funding criteria:

1. the basis of 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. how the request reasonably fits into an overall plan for the orderly management of the existing or contemplated growth or decline problems.

Program Summary:

During the FY 2008-2009 biennium, the board was appropriated $2,000,000 for coal impact grants. Historically, the number of grant requests typically far exceeds the amount of available funding. In FY 2008, the board awarded $1,167,217 for 23 grants to coal impacted areas in Montana. The projects funded included county growth policies, school facility plans, hospital and health care center renovations and equipment, volunteer fire and sheriff department equipment, preliminary engineering studies for a community water system, and a preliminary architectural study for an elderly care facility.

Montana mines produced 43 million tons of coal in 2007.

The board anticipates an increase in future demand for local impact grants due to increased activity involving coal mining and energy generation development as demonstrated by new projects including the following:

- A Montana-Dakota Utilities subsidiary, Rocky Mountain Power Inc., constructed the 110-megawatt coal-fired generating plant at Hardin, which began operating in April 2006.
- In July 2008, new investors acquired 80 percent of the Bull Mountain mine near Roundup who plan a substantial increase in coal production to 13-14 million tons annually. The purchase includes the necessary permits and rights-of-way to build a railroad to connect the mine with existing rail lines at Broadview.
- The Southern Montana Electric G & T (SMEGT) Co-op has proposed a 250-megawatt coal-fired power plant 8 miles east of Great Falls near Highwood. The $470 million plant would use about 1.1 million tons of Montana coal annually. DEQ has awarded an air quality permit to the project. The project intends to begin construction by the end of November.
- The U.S. Air Force has proposed a "coal-to-liquid fuels" plant at Malmstrom Air Force Base near Great Falls. The $1-4 billion plant would consume approximately 20,000 tons of coal and 10 million gallons of water each day.

Funding Source:

The board is funded from the oil, gas, and coal natural resource account established by the 2005 Legislature through HB 758.

Coal Board Performance Indicators:

PERFORMANCE	Actual FY 2006	Actual FY 2007	Actual FY 2008	Estimated FY 2009	Requested FY 2010	Requested FY 2011
Pre-Applications	15	18	26	22	30	25
Full Applications	22	20	28	16	24	18
Grants Awarded	20	21	23	6	20	10
Board Meetings	4	4	4	4	4	4
Conference Calls	0	2	2	2	2	2

Hard Rock Mining Impact Board:

Mission:

The Montana Hard Rock Mining Impact (HRMI) Board was created by the Legislature in 1981. The mission of the board and the purpose of HRMI and Property Tax Base Sharing Act (PTBS) acts are to mitigate the local government service, facility and fiscal impacts from new large-scale hard-rock mineral developments in Montana.

Goals and Objectives:

- To assist local government units in meeting the initial financial impact of large-scale mineral development.
- To mitigate the long-term local government service, facility and fiscal impacts from new large-scale hard-rock mineral developments in Montana.
- To adjudicate disputes between affected entities.

Program Summary:

This five-member board, appointed by the Governor, administers the Hard-Rock Mining Impact Act (HRMI) (90-6-301, MCA) and the companion PTBS (90-1-401, MCA) and provides technical assistance with metal mines license tax distributions. The board provides technical assistance, analysis, and mitigation and mediation services to local governments and hard rock mine developers where potentially adverse public fiscal impacts from large-scale development are identified. Mine developers and affected local governments prepare and implement impact plans intended to ensure that local government services and facilities are available when and where they are needed as a result of new mineral developments, 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. When necessary, the board adjudicates disputes between affected entities.

Several Montana hard rock mines have impact plans approved by the board under the HRMI Act, including:

- the Montana Tunnels Mine in Jefferson County,
- the Stillwater Mining Company Stillwater Mine in Stillwater County,
- the Stillwater Mining Company Stillwater East Boulder Mine in Sweet Grass County, and
- the proposed Montanore Mine in Sanders County (with mine facilities in Lincoln County).

Funding Source:

The HRMI board is funded by a 2.5% allocation of the metalliferous mines license tax.

Hard Rock Performance Indicators:

PERFORMANCE	Actual FY 2006	Actual FY 2007	Actual FY 2008	Estimated FY 2009	Estimated FY 2010	Estimated FY 2011
Board Meetings	3	2	2	2	3	3
Conference Calls	1	2	2	2	1	1

Facility Finance Authority:

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. 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 which provide for and maintain access to the broadest range of low-cost capital financings as possible for eligible non-profit private and public institutions, which will promote affordable access to and availability of services for the consumer.

Goals and Objectives:

To develop and implement effective financing plans for under served borrowers by pursuing financing options for Critical Access Hospitals and "bank eligibility."

To maintain and improve current financing programs while developing new funding options.

To provide resources for the advancement of tax-exempt financing on a national level by serving on committees of national organizations and meeting with congressional representatives.

Facility Finance Authority HB 576 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. 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.

Customers include health care and related facilities, entities serving persons with development and/or mental disabilities, and prerelease/methamphetamine treatment centers.

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

HB 576 Revenues, Expenses, and Fund Equity:

Revenue Description:

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 application and annual administrative fee assessments are contingent upon its business volume. Customer volume is assumed to be at the current level throughout the 2011 biennium.

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

	FY 2008	%
521135	$ 1,583.00	0.273%
521136	$ 323,009.51	55.647%
521137	$ 85,583.54	14.744%
521190	$ 31,121.77	5.362%
522110	$ 2,387.75	0.411%
530025	$ 17,433.56	3.003%
538006	$ 116,004.46	19.985%
531644	$ 3,336.15	0.575%
Totals:	$ 580,459.74	100.000%

Expense Description:

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 2008	%
FTE	3	
Personal Services	$ 153,131.00	40.769%
Operating Expenses	$ 184,079.00	49.009%
Grants	$ 38,396.00	10.222%
Transfers	$ -	0.000%
Totals:	$ 375,606.00	100.000%

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.

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.

Working Capital Discussion:

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 $907,155) to assure that the Authority can financially operate between legislative sessions.

Fund Equity and Reserved Fund Balance:

The Total Fund Equity requirement for the 2011 biennium ($13,805,340) is derived from the following Authority Program Reserve mandates:

A. Biennium Working Capital Reserve; $900,334
B. Capital Reserve Account (Loan Loss Reserve); $11,778,034
C. Facility Direct Loan Program Reserve; $1,126,972

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.

Housing Division:

The Housing Division established on July 1, 1995, consolidated housing programs within the Department of Commerce into one division. The division includes the Housing and Urban Development (HUD) HOME Investment Partnerships program, the HUD Tenant Based and Project Based 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 91, and 92; 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 decent, safe, and sanitary 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:

- Expand coordination of housing activities within the Housing Division, and 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 and expand involvement of Housing Division personnel in the Housing Coordinating Team, a group of organizations 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 rather than passing them along to another person or agency if at all possible.
- 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. Under the Housing Act the Board does not receive appropriations from the State's general fund and is completely self-supporting. Substantially all of the funds for the Board's operations and programs are provided by the private sector through the sale of tax-exempt bonds. 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 8Housing 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 four 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.

Board of Housing Goals & 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 recycle 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.
- Review opportunities for preservation of federally financed housing, and work with HUD on restructuring of multifamily properties when appropriate.
- Explore ways aimed at lowering the cost of housing including The Plan Book and The Governor's House Program.
- 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.

Housing Assistance Bureau:

The Housing Assistance Bureau consists of four programs; the U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnerships (HOME) program; the 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); and the Manufactured Home Renovation (MHR) program.

HOME Investment Partnerships Program (HOME):

HOME provides grant funds to eligible local government entities and Community Housing Development Organizations for assistance in financing new construction or rehabilitation of individual homes or rental units, tenant based rental assistance, and other eligible activities. Grants are awarded through a competitive process once each year. HOME also includes the president's American Dream Downpayment Initiative (ADDI) homeownership program. HOME staff also coordinates completion of the Montana Consolidated Plan, a five year planning document, with annual updates, required by the HUD in order to receive federal funds for many state programs.

The HOME program is funded in HB 2 by an annual categorical federal grant from HUD (100% federal funds). Beginning FY2006, organizations prequalified by the Montana HOME program can access funds for homebuyer assistance and homeowner rehabilitation on a noncompetitive basis (referred to as the Single-Family Pilot Program). Other eligible activities are distributed using a competitive process to successful local governments and Community Housing Development Organizations (CHDOs) with an allowed amount being held back at the state level to administer the program.

HOME Program Goals & Objectives / Performance Indicators:

- Continue restructuring and streamlining HOME Program grant application and administration policies and procedures to expand program accessibility for Montana's cities, towns, counties, and Community Housing Development Organizations (CHDOs).
- 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 affordable housing programs in the state to ensure the efficient use of scarce resources. Other affordable housing programs include the programs of the Montana Board of Housing, USDA-Rural Development, the Montana Homeownership Network and Montana Home Choice Coalition.

Consolidated Plan:

Continue to simplify and streamline annual updates facilitating continued federal participation and enhancing usability of the plan for the average citizen.

HOME Program Performance Indicators:

Indicator	Actual FY2007	Actual FY2008*	Estimated FY2009	Requested FY2010	Requested FY2011
Applications Reviewed ($)					
Single-Family Pilot Program ($ available)	2,048,507	1,597,797	1,645,731	1,695,103	1,745,956
Multifamily ($ competitive) 1st round	1,338,051	1,619,911	2,801,508	2,885,554	2,972,120
Multifamily ($competitive) 2nd round	1,150,000	pending-			
Totals:	$ 4,536,558	$3,217,708	4,447,239	4,580,657	4,718,076
Grants Awarded ($)					
Single-Family Pilot Program	2,048,507	1,597,797	1,645,731	1,695,103	1,745,956
Multifamily (competitive)	2,091,912	1,119,911	2,299,709	2,368,700	2,439,761
Multifamily (competitive) remaining		1,112,816			
Totals:	$ 4,140,419	$3,830,524	3,945,440	4,063,803	4,185,717

*A second round is planned for 2008 but has not been completed to date.

HUD Section 8 Housing:

Project Based Section 8 Contract Administration (PBS8):

The 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 program provides 4,268 units of rental housing in 100 projects, for low income and elderly families in the state.

Tenant Based Section 8 Contract Administration (TBS8):

TBS8 provides over 4,100 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.

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

Section 8 Housing Goals & Objectives:

- Continue to provide 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 to support the Family Self Sufficiency Program to make FSS services available to clients on a full statewide basis, enabling more low-income clients to become independent of government assistance.
- Continue and expand contract administration of Section 8 project based contracts currently administered by HUD.
- 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.

Montana's Manufactured Home Replacement (MHR) Program:

This Program originally proposed that $3 million from the 2007 session would fund a revolving loan fund to finance the replacement of substandard manufactured homes with newer, energy-efficient manufactured homes. In addition, there would be 1 ongoing FTE funded separately. The special session reduced the loan fund amount to $354,886 but retained the 1 ongoing FTE that is funded separately from the loan fund itself.

The division discussed the most effective approach to this program considering the significant decrease in funding. It was agreed that at this level of funding an ongoing program could not be established since so few units could be financed. However, a pilot program to establish the merits of an ongoing program has been undertaken because the issues associated with older manufactured homes continue to be a major problem in our communities and are getting worse with each passing year. The division's actions moving forward are as follows:

- Hire the FTE approved in the legislation. This position has been developed to address the various issues associated with the manufactured housing stock in Montana including:
    - Expand the initial research conducted by the Missoula and Billings Human Resource Councils. Identify more specifically the issues in each area and identify possible candidates that would likely use a financing product as proposed.
    - Reach out to communities as a resource as they struggle with manufactured housing issues in their areas.
    - Identify other partnerships to assist in financing these units to demonstrate the amount of other funding that can be leveraged. The Weatherization Assistance Program, administered by the Montana Department of Public Health and Human Services, has already agreed to provide weatherization funds as grants to cover costs associated with disposing of substandard housing and with placing replacement housing.
    - Design legislative alternatives for the next session that would address this issue in a proactive way.
- Identify opportunities and design a financing package to develop a pilot project that the loan funds can be used for. This would demonstrate how an ongoing program would function and how it would leverage other funding to serve as many households as possible. These financing packages will be brought together to suit the needs of the actual households to be served by the pilot program.

The single change to the original proposal as listed below is that only 15 to 20 households will be provided loan funds through the pilot program, due to the drastic decrease in funds made available.

MHR Goals & Objectives:

- To develop a program to permanently remove dilapidated pre-HUD Code (1976) owner occupied manufactured housing from Montana's housing stock and provide financing for safe, decent, energy efficient, and affordable replacement housing.
- To initially target 15 to 20 owners of manufactured homes throughout the state for affordable removal and replacement home financing.
- To replace or convert depreciating manufactured homes classified as personal property to real estate assets with appreciating values.
- To reduce energy consumption and costs for these targeted households.
- Remove continuing community blight by permanently removing the re-circulating dilapidated manufactured homes from the housing stock.

Housing Division:

Board of Housing HB 576 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 four enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed.

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

Revenue Description: Mortgage & Investment Income

The Board's income is primarily from Mortgage and Investment income. Mortgage Income is the interest people pay on Board loans used to purchases their homes 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. 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, 06078, and 06079) are primarily recorded using the following SABHRS revenue codes:

	FY 2008	%
512033	$ 846.03	0.001%
525130	$ 36,040.00	0.059%
526062	$ 247,264.37	0.406%
530014	$ 1,145,528.50	1.882%
530025	$ 47,402.19	0.078%
531644	$ 1,527.02	0.003%
538040	$ (295,625.95)	-0.486%
538041*	$ 49,789,379.04	81.782%
538042	$ 9,662,602.33	15.871%
538046	$ 5,055.79	0.008%
584001	$ 5,393.52	0.009%
584010	$ 896.77	0.001%
599001	$ 234,382.40	0.385%
Totals:	$ 60,880,692.01	100.000%

* 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.

Expenses Description: 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 11,000 mortgages, 300 investment accounts, and 31 bond series.

	FY 2008	%
FTE	21.50	
Personal Services	$ 1,116,986.71	2.072%
Operating Expenses	$ 1,734,699.00	9.452%
Debt Service	$ 51,059,987.00	87.759%
Total:	$ 53,911,672.71	100.000%

*The Board currently operates with a staff of 21.50 people in 21.50 Full Time Equivalent (FTE) positions. Fiscal Year (FY) 2008 Servicing and Operations expenses are for SABHRS Funds 06030, 06031, 06078, and 06079.

Working Capital Discussion:

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. 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.

<u>Loan Program Charges</u>:
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 ½% on Pre 1980 Single Family Programs, 1 1/8% on the Post 1980 Single Family Programs and 1 ½% 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 a cancellation, extension and late fees. These fees are capitalized and are amortized as income over the life of the loans, as required by GAAP.

<u>Low Income Housing Tax Credit Charges</u>:
The Board receives approximately $2.1 million dollars of tax credit allocation, annually. The Board charges 4 1/2% 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 $25 per unit for compliance fees.
<u>Other Loan Programs</u>:
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%.

<u>Payment of Bond Debt</u>:
Principal and interest, on the Multifamily and Single Family Bond issues, is due on each February 1, June 1, August 1, and December 1.

<u>Investments</u>:
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.

<u>Other Mortgage Purchases</u>:
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.

Fund Equity and Reserved Fund Balance:

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 is legally required to be reserved for those uses.

In addition to the legal requirements mentioned above, the Board commits funds to various projects and programs throughout the year. The Board has set aside over $200 million of first mortgage funds for special programs. In FY 2006, the Board originated approximately $ 28.5 million of loans under this program to households with an average income of $ 28,200, which is below 60% of the median income of the state. As of the end of FY 2006, the Board had $21,329,479 in outstanding Recycled Mortgage Program commitments.

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.

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.

Section 8 Housing HB 576 Program Description:

Project Based Section 8 Contract Administration (PBS8):

The 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.

Tenant Based Section 8 Contract Administration (TBS8):

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 entity 06075 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; however the federal government has proposed maintaining the levels of funding for the Housing Choice Vouchers program with only a minor increase effectively allowing the program to serve fewer families with rising costs for rent and utilities.

Section 8 Housing HB 576 Revenues, Expenses, and Fund Equity:

Revenue Description:

Both Section 8 Housing programs are funded entirely by enterprise funds; Project Based Section 8 with accounting entity 06074; and Tenant Based Section 8 with accounting entity 06075. There are no direct appropriations provided in HB 2. Both funds revenues are derived from performance based Annual Contribution Contracts with HUD, and both programs are completely self-supporting.

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

	FY 2008	%
512033	$ 295.63	0.002%
526091	$ 37,700.00	0.206%
530025	$ 62,484.49	0.342%
531626	$ -	0.000%
531644	$ 2,012.88	0.011%
538006	$ 21,273.98	0.116%
594109	$ 935,895.00	5.124%
594111	$ 17,205,294.24	94.198%
Total:	$ 18,264,956.22	100.000%

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

	FY 2008	%
512033	$ 514.91	0.003%
530025	$ 284,175.73	1.597%
531644	$ 9,154.45	0.051%
538006	$ 589.75	0.003%
594108	$ 94,055.77	0.529%
594110	$ 21,308.94	0.120%
594112	$ 15,634,106.06	87.875%
594116	$ 135,628.12	0.762%
594117	$ 121,544.17	0.683%
594118	$ 300,492.61	1.689%
594119	$ 113,043.83	0.635%
594120	$ (406.62)	-0.002%
594121	$ 117,267.19	0.659%
594122	$ 38,563.42	0.217%
594124	$ 112,327.86	0.631%
594125	$ 224,190.82	1.260%
594126	$ 288,663.12	1.623%
594127	$ 22,687.70	0.128%
594128	$ 273,312.97	1.536%
Total:	$ 17,791,220.80	100.000%

Expense Description:

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

	FY 2008	%
FTE	7	
Personal Services	$ 405,249.00	1.905%
Operating Expenses	$ 217,029.70	1.118%
Benefits and Claims	$ 17,227,916.24	96.977%
Total:	$ 17,850,194.94	100.000%

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

	FY 2008	%
FTE	12	
Personal Services	$ 523,082.00	2.748%
Operating Expenses	$ 433,446.87	1.865%
Grants	$ 1,305,395.48	7.654%
Benefits and Claims	$ 15,609,672.65	87.733%
Total:	$ 17,871,597.00	100.000%

Working Capital Discussion:

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, and are paid and reimbursed monthly by HUD, based on actual program benefits paid to owners.

Revenues for the TBS8 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.

Fund Equity and Reserved Fund Balance:

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 working capital discussion above.

Rate Explanation:

Both funds revenues are derived from competitively awarded performance based Annual Contribution Contracts with HUD, and both programs are completely self-supporting.

There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the Section 8 programs workload and customer level will remain constant.

The Project Based Section 8 Contract Administration is funded through a performance based contract with HUD, based on a 5 year renewable RFP. We are entering the seventh year, and expect HUD to extend our contract in future years, as we have obtained an outstanding review score in most years we have administered the program. Administrative costs are paid as a fixed percent of the HUD fair market rent, currently 2%, with a provision for another 1% awarded for superior performance, or 1% removed for failure to perform. The amounts received are based in 17 different Incentive Based Performance Standards, each of which is evaluated by HUD.

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 107 individual owners of the projects, set up on a procedure dictated by HUD.

Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Project Based Section 8 program is authorized 7.00 FTE and the Tenant Based Section 8 program is authorized 12.00 FTE; for a total 19.00 FTE.

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 Bond Pool
3. Short Term Investment Pool
4. Montana Domestic Stock 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

Historically, the Board has issued a separate financial statement for each investment pool. For Fiscal 2007, the Board issued a "consolidated" financial statement for all seven investment pools. The consolidated statement is more user-friendly and provides a more comprehensive view of total pool assets. Investments not managed in pools are included in an All Other Funds financial statement.
The In-State Investment Program consists of Montana residential mortgages purchased by the states two large pension funds and commercial loans funded by the Coal Tax Trust. The Board also issues tax-exempt bonds and lends the proceeds to eligible government agencies for a variety of purposes.

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

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.

Mission:

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.

Board of Investments HB 576 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 $13 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. The Board also lends low-interest monies funded from the Trust Fund to value-added type businesses creating jobs. Throughout Fiscal 2008, the Board purchased 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.

Board of Investment 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.

HB 576 Revenues, Expenses, and Fund Equity:

Revenue Description:

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 Boards contract with the Montana Facility Finance Authority.

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 2008 base year funding, by fund type for the Investment Program, accounting entity 06527 is as follows:

	FY 2008	%
General Fund	$ 155,440.26	3.390%
State Special	$ 72,295.05	1.576%
Federal Special	$ 3,835.89	0.084%
Proprietary	$ 308,660.92	6.731%
Expendable Trust	$ 107,169.00	2.337%
Non Expendable Trust	$ 3,749,549.60	81.764%
Local Government	$ 132,948.47	2.899%
University	$ 45,773.50	0.998%
Debt Service	$ 10,143.31	0.221%
Total:	$ 4,585,816.00	100.000%

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

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

	FY 2008	%
525130	$ 33,321.47	0.731%
530008	$ 214,512.54	4.707%
530010	$ 649,568.23	14.253%
530014	$ 147,098.42	3.228%
530025	$ 9,971.57	0.219%
530029	$ 26,446.00	0.580%
530030	$ (3,624.19)	-0.080%
531644	$ 321.22	0.007%
538043	$ 3,425,901.00	76.360%
Total:	$ 4,503,516.26	100.00%

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

	FY 2008	%
521055	$ 4,585,816.00	100.000%

Expense Description:

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 $4.105 million was disbursed from accounting entity 06014 in FY 2008 via a statutory appropriation for debt service requirements related to the state's bonding activity.

FY 2008 base year expenditures, for accounting entity 06014 are as follows:

	FY 2008	%
FTE	4	
Personal Services	$ 297,247.00	6.53%
Operating Expenses	$ 149,548.00	3.28%
Debt Service	$ 4,105,985.00	90.19%
Total:	$ 4,552,780.00	100.00%

FY 2008 base year expenditures, for accounting entity 06527 are as follows:

	FY 2008	%
FTE	30	
Personal Services	$ 2,359,279.00	52.32%
Operating Expenses	$ 2,042,537.00	47.68%
Total:	$ 4,401,816.00	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 34.00 FTE (approximately 30.00 funded from accounting entity 06527, and 4.00 funded from accounting entity 06014) and personal services expenditures include Board Member Per Diem.

Working Capital Discussion:

Revenues for accounting entity 06014 are typically received on an annual basis, so a 270 day fund balance is required to provide adequate funding for the Bond Program between draws.

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.

Fund Equity and Reserved Fund Balance:

At the proposed rates, the Department projects a fiscal year end 2011 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.

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 and this methodology is continued in the 2011 biennium because it provides an easy comparison with historical financial activity.

Significant Present Law:

The Board of Investments accounting entity 06527 has three decision packages which effect portfolio assessments.

Fixed Income Analytics Systems:

The Board manages a $4.5 billion fixed income portfolio that includes all the state's major trusts, pensions, and the State Fund. The Board has never had access to a fixed-income analytics system that permits a drill down to the security level to provide the type of information needed to assist in managing the portfolios. The Board has hired a new fixed income portfolio manager and plans to subscribe to an analytical system sometime in the fall of 2008. The annualized costs should be built into the 2011 biennium budget. Estimated annualized cost for this is $150,000 per year.

	FY 2010	FY 2011
Requested-Fee Assessment	$ 5,069,728	$ 5,069,728
Decision Package Amount	$ 150,000	$ 150,000
Variance:	$ 4,919,728	$ 4,919,728

Administrative Costs:

The total cost of this decision package is $183,829 in FY 2010 and $209,717 in FY 2011 and is funded from accounting entity 06527. Items requested include adjustments for overtime, Per Diem, rent adjustments, and indirect cost adjustments. The proposal would also provide for annualizing the costs of consulting and professional services fees.

It is estimated that this decision package would impact assessments as follows:

	FY 2010	FY 2011
Requested-Fee Assessment	$ 5,069,728	$ 5,069,728
Decision Package Amount	$ 183,829	$ 193,765
Variance:	$ 4,885,899	$ 4,875,963

New Proposals:

Fixed Cost Workers Compensation Management Program:

Department of Administration Workers Compensation Management Program was funded as OTO for the 2009 biennium

It is estimated that this decision package would impact assessments as follows:

	FY 2010	FY 2011
Requested-Fee Assessment	$ 5,069,728	$ 5,069,728
Decision Package Amount	$ 1,025	$ 889
Variance:	$ 5,068,703	$ 5,068,839

Montana Heritage Commission:

The 1997 Montana Legislature established the Montana Heritage Preservation and Development Commission to acquire and manage historic properties for the State of Montana. This legislation also approved the purchase of nearly 250 buildings, 160 acres of land, hundreds of thousands of artifacts, and, by association, much of the legend and lore surrounding the old mining towns of Virginia City and Nevada City. These towns were the first properties to be managed by the Montana Heritage Commission (MHC). Historic Reeder's Alley in Helena was approved for acquisition, through a private donation, by the Montana Board of Land Commissioners on November 19, 2001. The Pioneer Cabin at the base of Reeder's Alley, was later acquired through private donation from the Last Chance Gulch Restoration Association and was approved by the Land Board June 19, 2006.

MHC's responsibility to manage and preserve these historic properties encompasses historic preservation, archaeology, maintenance, education and interpretation, collections management, visitor services, volunteer coordination, and marketing. Specific efforts of these program areas include:

- Improvements to building structure, stabilization.
- Archaeological research and mitigation anytime ground is disturbed to conduct preservation.
- Protection of the historic integrity of properties and view shed.
- Conservation of valuable artifacts.
- Assessing both real and personal properties for potential sale or deaccession.
- Serving as a resource for education professionals and public. The sites serve as a natural living laboratory—no comparable learning site exists in the world that encompasses all of the program areas managed by MHC. The development and expansion of the Virginia City Institute is a major focus to emphasize the educational aspects of the project in the future.
- Maintenance and improvements to infrastructure—restrooms, water, sewer and electrical upgrades, safety, security, fire protection, weed control, parking, signing, and road maintenance.
- Improvements to and efforts to bring additional local housing for students, workers, and visitors.
- Marketing and promoting the sites for potential visitors, students and educators to Virginia City, Nevada City and Reeder's Alley.
- Seeking public and private funding support through grants, donations, appropriations and foundation development efforts.
- Recruiting thousands of volunteer work hours annually to increase efficiency of operations and stretch limited funds.
- Managing private leases for 25 private concessionaires, supporting approximately 150 local jobs; including two theaters, three liquor leases, saloons, hotels, restaurants, historic tours, gold panning, ghost tours, an old-time photo gallery, stagecoach, horseback riding, and gift stores.
- Managing our own MHC gift store, railroad, visitor center, and open air museum.

Montana Heritage Commission responsibilities are mandated primarily in Title 17, Chapter 7, and Title 22, Chapter 3, MCA.

Mission:

Manage, develop and operate Heritage Commission properties by preserving, stabilizing, rehabilitating, interpreting and exhibiting buildings and artifacts; overseeing and encouraging profitable commercial enterprises while creating and maintaining credible relationships with all stakeholders and partners, and protecting these historic resources for the educational benefit and enjoyment of all.

Guiding Principals:

As the Commission, we believe:

- In saving history through education and the preservation 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.

Vision:

We envision vibrant world-class historic sites, with many recorded visitors, buildings preserved, and artifacts conserved and displayed. When appropriate, workers are in period costume, period food is in evidence, all with the availability of hands-on activities contributing to the heritage experience. Accommodations and services are available to meet the needs of visitors.

Director's Office/Management Services Division:

The Director's Office/Management Services Division consists of three programs:

The 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 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.

Management Services Division:

The Management Services Division (MSD) 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 provided by the Management Services Division include budgeting, accounting, fiscal management, internal controls, contracting, purchasing, asset management, information technology, human resources, payroll, benefits, training and assistance with the implementation of and compliance with policies, rules, regulations and statutes.

Virtually every division, bureau, and program in the agency uses the MSD services. Division staff act as administrative contacts for the agency. The "central services" aspect of the Division 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.

Management Services and the Director's Office analyze, 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 to achieve those objectives.
The Director's Office/Management Services Division responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.

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.

In 2003, the 58th Montana Legislature transferred the Developmental Disabilities Planning and Advisory Council (DDPAC) from the Department of Public Health and Human Services to the Department of Commerce with the provision the State could contract with a nonprofit corporation for the purposes of carrying out the responsibilities delegated to the DDPAC. In January 2004 the Department entered into a contract with the Montana Council on Developmental Disabilities (MCDD) as a nonprofit corporation. The Department of Commerce remains the cognizant state agency with the Federal Department of Health and Human Services; disbursing (pass through) federal funds to the MCDD under the terms and conditions of the contract. The MCDD program is funded entirely in HB 2 with federal special revenue and more information is available at the MCDD website, http://www.mtcdd.org/.

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

Directors Office / Management Services 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 Department programs and staff.

Goals and Objectives:

The Director's Office/Management Services Division 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.

Management Services Division / Performance Indicators:

GOAL	OBJECTIVE	CURRENT STATUS
Maintain department wide fiscal responsibility	Ensure polices, procedures, internal controls, and guidance are distributed to departmental divisions, bureaus, and programs.	Policies, procedures, internal controls, and guidance distributed on an ongoing basis.
Provide accounting and fiscal support to divisions, bureaus, and programs in accordance with generally accepted accounting principals and in compliance with state and federal laws and regulations.	Ensure bills are paid within 10 working days of receipt by the Management Services Division. Ensure expenditures are documented and allowable in accordance with state and federal requirements.	Bills are being paid in 10 working days or less. Expenditures are allowable and funds expended according to requirements.
Oversee and coordinate department-wide budget preparation and submission, provide committee testimony, prepare fiscal notes, and monitor the legislative process.	Meet deadlines for budget and fiscal note submission. Keep administrators informed of legislative actions, update bill tracking lists on a daily basis during legislative session.	Deadlines currently being met.
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 currently being met.
Provide a comprehensive value-based human resources service to departmental staff, supervisors, and administrators in support of the agencies mission.	Ensure HR polices, procedures, and guidelines are current and distributed appropriately.	Polices, 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.	Ensure that each state employee receives an annual performance appraisal. Ensure there is equitable pay for like positions within departmental divisions, bureaus, and programs.	Departmental staff have annual performance appraisals based on job tasks and behavioral competencies. Pay rates are based on employee profiles and are equitable throughout the department.

GOAL	OBJECTIVE	CURRENT STATUS
Provide and maintain IT solutions that meet the unique requirements of the Department's customers and staff.	Work within the IT Strategic planning cycle to ensure objectives align with the Department and state enterprise objectives. IT solutions are procured and managed within the state's policies and guidelines.	The 2008 Commerce IT Strategic Plan was prepared and submitted to DOA. Activities are being performed as defined within the plan, and unusual or unforeseen IT needs are being addressed as they become apparent.
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.	When possible use Montana Interactive (MI) or use subscription based E-Government solutions and software to provide E-government services.

Director's Office – Management Services HB 576 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 current 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 Management Services Division provides effective and efficient internal support to Department of Commerce staff, programs, bureaus, division and administratively attached boards in a positive customer service manner. Services provided by the Management Services Division include budgeting, accounting and fiscal management, internal controls, contracting, purchasing, asset management, information technology, human resources, payroll, benefits, training and assistance with the implementation of policies, rules, regulations and statutes.

The Director's Office and the Management Services Division are funded through an internal service fund; accounting entity 06542.

The Director's Office/Management Services Division 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.

HB 576 Revenues, Expenses, and Fund Equity:

Revenue Description:

The Director's Office/Management Services Division; 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/Management Services Division 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/Management Services Division includes:

Board of Research & Commercialization Technology
Business Resources Division
Montana Promotion Division
Energy Promotion and Development Division
Community Development Division
Montana Facility Finance Authority
Housing Division
Board of Investments
Montana Heritage Preservation and Development Commission
Montana Council on Developmental Disabilities

The revenue objective of the Director's Office/Management Services Division 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 2008 base year funding, by fund type is as follows:

	FY 2008	FY 2008
Fund	Amount	%
General Fund	$ 290,708.41	19.215%
State Special	$ 438,931.39	29.012%
Federal Special	$ 97,634.98	6.453%
Capital Projects	$ 40,624.37	2.685%
Proprietary	$ 643,298.25	42.520%
Misc Reimbursement	$ 1,716.85	0.113%
Total:	**$ 1,512,914.25**	**100.000%**

Customer expenditures are primarily recorded in SABHRS expenditure code 62827; while Director's Office/Management Services Division revenues are primarily recorded in the following SABHRS revenue codes:

	FY 2008	FY 2008
Revenue Code	Amount	%
520702	$ 1,288,447.79	85.163%
522017	$ 16.85	0.001%
525045	$ 25,000.00	1.652%
584002	$ 197,749.61	13.071%
585005	$ 1,700.00	0.112%
Total:	**$ 1,512,914.25**	**100.000%**

Expense Description:

The major cost drivers within the Director's Office/Management Services Division 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:

	FY 2008	FY 2008
Item	Amount	%
FTE	17.00	
Personal Services	$ 1,140,336.03	78.983%
Operating Expenses	$ 303,430.34	21.017%
Total:	**$ 1,443,766.37**	**100.000%**

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 the divisions 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 divisions future cost projections before calculating the indirect rate. The proposed indirect cost rate will fund 17.00 FTE in the 2011 biennium.

Working Capital Discussion:

The division's 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 division's working capital objective is to recover the costs necessary to fund the division's ongoing operations. The division needs to maintain a nominal 60 day working capital reserve to meet ongoing operational costs.

Fund Equity and Reserved Fund Balance:

At the proposed rates, the Department projects a fiscal year end 2011 ending working capital reserve of approximately 60 days. All interest earnings on the working capital reserve are distributed to the state general fund.

Rate Explanation:

The division 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, not including the Director's Office/ Management Services Division.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the division 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 divisions indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the division 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 division 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 division cannot impose a rate higher than what has been approved by the Legislature. However, the annually calculated federal rate may be slightly lower.

Significant Present Law:

The only present law adjustments are for software and software maintenance and administrative costs; such as overtime and annual rent increases.

The impact of these Present Law proposals on the requested rate is minimal.

Software and Software Maintenance:

	FY 2010	FY 2011
2011 Biennium Requested Rate	12.950%	12.950%
2011 Biennium Rate W/O Software	12.900%	00.000%
Variance:	00.050%	12.950%

Administrative Costs:

	FY 2010	FY 2011
2011 Biennium Requested Rate	12.950%	12.950%
2011 Biennium Rate W/O Admin Costs	12.920%	12.920%
Variance:	00.030%	00.030%

New Proposals:

There are no new proposals.