

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
52nd LEGISLATURE - REGULAR SESSION**

**SUBCOMMITTEE ON NATURAL RESOURCES**

**Call to Order:** By Chairman Kimberley, on February 14, 1991, at  
8:00 a.m.

**ROLL CALL**

**Members Present:**

Rep. Berv Kimberley, Chair (D)  
Sen. Esther Bengtson, Vice Chair (D)  
Sen. Gerry Devlin (R)  
Rep. Ed Grady (R)  
Rep. Jerry Nisbet (D)  
Sen. Cecil Weeding (D)

**Staff Present:** Roger Lloyd, Associate Fiscal Analyst (LFA)  
Carl Schweitzer, Budget Analyst (OBPP)  
Bill Mandeville, Budget Analyst (OBPP)  
Theda Rossberg, Secretary

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

**CHERRY CREEK DAM UPDATE**

**EXHIBIT 1.**

**SEN. DEVLIN** stated the proposal is to continue the funding into the next biennium. **EXHIBIT 1** The money is going into the Field Services Division rather than the Administration Division. The proposal is for an extension of the same moneys, \$50,000 of the general license, local donations of \$50,000, and Dengell-Johnson for \$50,000 for a total of \$150,000.

**Motion/Vote:** **SEN. DEVLIN** moved to adopt the extension. **MOTION CARRIED UNANIMOUSLY.**

**HEARING ON DEPARTMENT OF FISH, WILDLIFE AND PARKS**

**K. L. COOL, DIRECTOR DEPARTMENT OF FISH, WILDLIFE AND PARKS (FWP),** requested broader language relative to a MOD that was approved in FWP Administration Division for a paralegal. The committee approved one FTE and the discussion, at least the intent of the committee based on Mr. Cool's comments, was to allow hiring a paralegal. Since that time discussions with the Attorney General's office, the legal staff in FWP as well as the Governor's legal section indicate that the Department would be better served by an attorney, probably an intern who would spend one or two years and provide both that individual background and

provide the opportunity for the Department to involve itself with a trained professional. MR. COOL requested the intent be changed to allow FWP to hire an attorney. There would be no additional money needed. The ability to find a paralegal who can do the type of work needed is very difficult.

**EXHIBIT 3 - February 8, 1991 Minutes.**

**Motion/Vote:** SEN. DEVLIN moved to approve the hiring of either a paralegal or a beginning attorney. MOTION CARRIED UNANIMOUSLY.

**HEARING ON INTERAGENCY SUPPORT, EXPANSION MODS**

CHAIRMAN KIMBERLEY stated, there were some questions regarding the funding of the state library by General License account.

REP. NESBIT inquired, if \$50,000 General License account money would replace some RIT money that had been there before.

ROGER LLOYD stated, he understood the MOD is for \$25,000 each year from the General License account and is to replace General Fund dollars that are supporting the enerus system in the state libraries. However, that is not true. That program is supported currently with grants (RIT grant funds). Discussion was centered around use of General License account dollars (hunting and fishing license dollars) in the state library outside the Fish, Wildlife and Parks Department.

CARL SCHWEITZER stated, that what it is doing is saving RIT money by using General Licensing money. The library has been funded out of the grant (water development, reclamation and development, renewable resources).

SEN. BENGTON inquired if this money would finance an expansion, and why it is called an expansion.

Mr. Lloyd stated, that this is an expansion within Fish, Wildlife and Parks, but the extra \$25,000 will replace RIT funding so that the program in the library will not be expanding with this amount of money. Currently FWP pays \$25,000; this is an additional \$25,000 from the FWP.

Mr. Schweitzer said, that in looking for a more stable source of funding, the executive has recommended two things: an additional \$25,000 from FWP, and to line item RIT money to direct to the library instead of needing to request a grant.

SEN. DEVLIN asked, is 50/50, half RIT plus the half to be approved by this committee to be added to the portion already approved. Mr. Schweitzer said, the library is already getting \$25,000. When the LFA current level was approved \$25,000 General License money was approved for the library. This proposal would add another \$25,000 General License money to make \$50,000 each year.

**SEN. BENGTON** asked, who are the constituents for the General License account, and what direct benefits will sportsmen and hunters receive?

**Mr. Schweitzer** said, the geographic information system will be utilizing enerus for the data base. When sportsmen access the information system, they will be accessing the enerus system.

Tape No. 1;A;11.20

**Motion/Vote:** REP. NESBIT moved to reconsider the expansion MOD. MOTION CARRIED WITH SEN. DEVLIN VOTING NO.

**Motion/Vote:** REP. GRADY moved to accept the executive budget for \$25,000 a year interagency support. MOTION CARRIED WITH SEN. DEVLIN VOTING NO.

**HEARING ON UPPER CLARK FORK TROUT RECOVERY MOD, UNDER FISHERIES**

**Mr. Cool** said, the request for \$5 million of study moneys and legal assistance for the Upper Clark Fork Trout Recovery MOD under Fisheries is supported by the Governor and Department of Health.

**Mr. Lloyd** said, when they heard the Fisheries modifications on the Clark River, it was decided to put that on hold because it was related to the Governor's proposed legislation dealing with the lawsuit on the Clark Fork involving ARCO and the MOD was dependent on what happened on this legislation. So far that legislation has not been introduced. Mr. Peterson stated this would not be an ongoing position.

**Mr. Cool** stated, the Clark Fork River Investigation, is 25% General License, the remainder is Federal funds.

**Mr. Schweitzer** stated, the Executive recommendation is for \$2 million of General Fund that will be in the Governor's budget for the natural resource damage assessment on the Clark Fork River. Executive action has not been taken by the General Government Subcommittee, although potentially it may cost \$8 million to do the damage assessment on the Clark Fork and the Governor found \$2 million to finance it. The MOD would be part of the funding so that fisheries information could be gathered to assess damages to the fisheries. All of this money could be paid back by ARCO. We are making a loan on which interest will be paid when the Natural Resource Damage Assessment lawsuit is settled. Anything that was paid through the lawsuit would go into the accounts from which the money was taken.

**SEN. BENGTON** asked, how long has work been going on, on the Clark Fork problem?

**Mr. Schweitzer** stated, a court order demands that within a year or two all initial studies must be done.

**CHAIRMAN KIMBERLEY** asked, would it be the wish of FWP that the committee act on the proposal now.

**Mr. Cool** said, it might strengthen the opportunity for very important action to take place.

**Mr. Lloyd** said, two days ago the Appropriations Committee met and approved \$170,000 supplemental for the Department of Health for 1991 for the same sort of thing. A second thing to keep in mind is that new legislation is being passed which will revert interest on hunting and fishing license dollars from General Fund where it is currently deposited to General License account. Therefore, the General Fund is being reduced by approximately \$170,000 because of the loss of interest to the General License account. This will replace General Fund with General License account money reversing the same flow. General License account will not see any relief from the influx of this interest money as it will replace General Fund money.

**SEN. BENGSTON** asked, is it in the form of a bill that interest go to the General License account? **Mr. Cool** said, it is, and it had passed both houses.

**REP. GRADY** asked, is this money to study the problem, but wouldn't do anything to solve the problem?

**Mr. Lloyd** stated \$2 million in the General Fund is to help defend the state lawsuit against ARCO. It is not for any remedial action or cleanup on the Clark Fork, but basically to compensate for the loss of any economic activities that the state incurred because of the damage. The cleanup is handled by EPA and is a separate suit. ARCO will pay something above \$2 million in compensation for the lost economic activities, but I was told was \$8 million.

**EXHIBIT 3 - February 11, 1991 Minutes.**

**Motion/Vote:** **SEN. DEVLIN** moved to approve the MOD as a line item in the bill. **MOTION CARRIED UNANIMOUSLY.**

#### DISCUSSION ON HATCHERIES

**SEN. WEEDING** asked, what action was taken on the fish hatchery bill? **Mr. Lloyd** said, **REP. NISBET** moved to approve the MOD for increased costs at the newly constructed fish hatcheries and for additional cost of fish food, and it passed unanimously. The committee also passed the one-time-only MOD for \$24,000 for salmon eggs for Flathead Lake.

Tape No. 1;A;2900

HEARING ON THE BUDGET, MONTANA PROMOTIONS DIVISION, DEPT OF  
COMMERCE

**SANDRA GUEDES, ADMINISTRATOR MONTANA PROMOTIONS DIVISION, DEPARTMENT OF COMMERCE,** testified regarding an additional FTE, to be in charge of the Industry Development program. There is a need for coordination of efforts to allow the maximum use of the resources of Department of Commerce, other agencies both state and federal, and the private sector.

(NOTE: Tape 1A & B intermittently blank)

**SEN. WEEDING** asked if the Aeronautics Division will be short when the FTE moves up to Department of Transportation? **Mr. Mandeville** said, the Executive Budget included it in the Department of Transportation. The Aeronautics Division is funded through aviation fuel taxes. In the Department of Transportation, the fiscal note, there is a reduction in the appropriation for this FTE. The fiscal note shows the reduction of one FTE which was transferred from the Aeronautics Division to the Montana Promotions Bureau.

**CAROLYN DOERING, MANAGEMENT SERVICES DIVISION, DEPARTMENT OF COMMERCE,** addressed concern about the FTE in Aeronautics which will cause a reduction in the appropriation level for the Aeronautics Division. The position had been used for licensing. That position will be filled by combining two part time positions.

**Mr. Mandeville** stated. the Aeronautics Division has compliance officers to inspect airports, the highway department also has engineers who have background in that area so there will be some efficiencies there. Highways have the Motor Tax Fuel Division, and Gross Weight Vehicles which is involved in licensings and permits, so there are services which can be used in the Aeronautics Division.

**Mr. Lloyd** stated, the LFA recognizes that it is within the authority of a department to transfer FTE positions from one division to another. The Fiscal Note says there will be savings when the Department of Transportation is created. One of the savings is one FTE which will not be needed due to management efficiency when aeronautics is moved. One FTE transferred within the agency but when the Division moves there will be another FTE that will be saved due to management efficiency.

**SEN. WEEDING** asked did we save FTEs or did the other agencies just pick them up?

**Ms. Doering** stated, as I understand the bill, the Department of Transportation savings is because of the transfer from the Department of Revenue. The Department of Commerce has not said that by the transfer of the Aeronautics Division and Transportation Division to the new Department of Transportation

that Department of Commerce would realize any savings.

Tape 1;B;2310

**STATUTORY APPROPRIATION:**

**Ms. Gueddes** stated that statutory appropriation allows us to operate in a way that would generate a far greater amount of revenue for the state than if we were not allowed statutory appropriation. We are requesting legislative approval to spend a certain amount of funds based on projections. Actual collections may come in higher or lower than projected. The cooperative ads with the Province of Alberta have generated over \$6 million with an investment of \$120,000. That rate of return in investment far exceeds anything possible if the money were just sitting for two years waiting for the next legislature to give approval to use the money. Therefore, my request is to leave it as it is currently structured because that is where the state as a whole will receive the most benefit.

**CHAIRMAN KIMBERLEY** asked, if the bed tax is statutorily appropriated, if so why is this issue here? **Ms. Gueddes** answered that Issue #1 was an oversight and is a matter of housecleaning. The language "statutory appropriations" should have appeared in two different places and it only appeared in one. That is being corrected. Concerning issue #2, LFA is suggesting because the last session removed statutory appropriations from so many programs, perhaps the committee would remove statutory appropriations from this program and change the way funds are appropriated.

**SEN. BENGTON** asked, if the committee does not act on the appropriation of funds, will funds then be statutorily appropriated, and will the legislature not need to appropriate the necessary operating expenses? Is it correct to say, the legislature will not have the authority to appropriate any of the motel tax?

**Mr. Lloyd** said, he believes it is safe for this committee to not be concerned that statutory appropriations is not on the list. That is an oversight and will be fixed. The main issue is the second one, if the committee chooses not to limit the statutory appropriation, the statute will read that after certain expenses are taken out, the remaining money is statutorily appropriated to the Department of Commerce. Another option which has been used by other statutory appropriations is, certain expenses are not statutorily appropriated (particularly operating and administrative expenses). If the committee chooses not to address that or put language in, nothing has to be changed.

**CHAIRMAN KIMBERLEY** asked, if nothing is done with issue #2, there is a secondary thing to consider: if the funds are already statutorily appropriated to the Department of Commerce, why should the legislature appropriate them again?

Ms. Gueddes stated, the suggestion that the Department get an exact appropriation by the legislature for the operating expenses, would cripple our ability to use any increase in funds most effectively. There is no need to add any language, because if increases do come in they are applied toward expanded promotions along the lines of the plan already discussed.

**EXHIBIT 8 February 13, 1991 Minutes.**

**MONTANA PROMOTIONS DIVISION MODS:** ROGER LLOYD stated the MOD would provide the authority to expend the revenue as more revenue comes in.

CHAIRMAN KIMBERLEY asked, does part of the money come from private sectors and part from promotions? Ms. Gueddes stated, that is correct. It is projected, approximately \$350,000 will be collected in funds from the private sector and from other agencies, other than bed tax funds. That amount has been added into that bottom line.

Mr. Mandeville said, the Montana Promotions budget includes both the accommodations tax and private earnings. The current level includes the private funds. The budget modification includes just accommodations tax. The LFA and Executive Budgets have different revenue estimates. When the LFA updated the revenue estimates, it was found there would be \$1 million more, so there is a modification which appropriates that additional revenue projected by the LFA. These are revenue projections, so if there is less money than is indicated here, then the agency will have to adjust their budgets accordingly. If there is more money, then they have statutory appropriation to receive and appropriate that additional money.

REP. GRADY said if he understands that right, all promotion money and private money is in the LFA which includes \$350,000 in private funds.

Mr. Lloyd stated, the current level contains \$352,000 of private funds, which go into projects with United Airlines or some other corporation in developing advertising and TV promotions, with private parties.

REP. GRADY asked, is that amount is increasing? Ms. Gueddes said, we expect an increase in the next fiscal year as more opportunities occur for private sector participation. Regarding issue #2, the division can be most effective if allowed to use the funds as in the past.

Tape 1;B;40.09

**EXECUTIVE ACTION ON PROMOTIONS DIVISION BUDGET**

**EXHIBIT 8 - February 13, 1991 Minutes.**

**Motion/Vote:** SEN. WEEDING moved to accept the LFA budget recommendation. MOTION CARRIED UNANIMOUSLY.

**Motion/Vote:** SEN. BENGTON moved to accept the executive recommendation on personal services. MOTION CARRIED UNANIMOUSLY.

**Motion/Vote:** SEN. BENGTON moved to accept the executive recommendation on statutory appropriation, adding to the LFA base \$474,000. MOTION CARRIED UNANIMOUSLY.

**Motion/Vote:** SEN. BENGTON moved to accept the additional spending authority of the Montana Promotion Division. MOTION CARRIED UNANIMOUSLY.

### INVESTMENT DIVISION

#### **EXHIBIT 2 & 3 - Testimony**

**DAVE LEWIS, EXECUTIVE DIRECTOR OF THE BOARD OF INVESTMENTS,** gave an overview of this division.

Mr. Lewis stated, about \$7 million in loans have been closed and activity is continuing. The same time the program came out, the federal government through Farmers Home was allowing borrowers to buy mortgages, saving 50 or 60 cents on the dollar if the mortgage was paid within a certain time period. Under our program, a person could sell us his CRP contract, take that money to Farmers Home to pay off the mortgage at 50 cents on the dollar. It was an attractive program for people as an alternative form of financing. The bonds which were backed by the contracts were sold to some of the most conservative funds in the midwest. The underwriters placed them with Mennonite pension funds, and other people who understood agriculture. As long as the contracts are in compliance, the federal government will pay us. There must be a reserve retained for each contract of two and a half percent. A contractor, Joan Westernaught, of Bozeman, is hired to do compliance monitoring. If there is a problem, it is taken care of from the reserve and is then charged back against the contract.

**Exhibit 4** The performance last quarter exceeded dramatically what other funds were able to do. R. V. Kuhns surveyed some state funds and compared them in the exhibit. Montana's total portfolio return is well above the average, a few funds are running above Montana on returns. The bond portfolio performance was the top performing portfolio of all that were surveyed, reflecting the ability of the staff to do a good job on that portfolio. The equities portfolio is at 17.6 rate of return compared to some less well performing. The percentage of the portfolio in bonds is very high, in the 60% to 65% range. The yield on bonds has been under the stock market yield. Montana is very low in equities, that is the amount of stock equity overall exposure we have in the funds. A large percentage of portfolios are in bonds, a smaller chunk in equities. Until Jim Penner came in as Investment Officer three years ago, stock purchases were way behind and the overall performance suffered. The Division has done a good job, costs are in line, the portfolio is growing rapidly up to \$3.5 billion with projections being \$5 billion by

1994. More actively managed portfolios mean higher yields. Higher yields on retirement funds mean more benefits can come out of earnings rather than employee or employer contribution.

**Exhibit 5** This exhibit shows the total funds under management from 1981. The stock portfolio was up \$100 million in the last 90 days. The bigger the portfolio, the more responsibility we have for diversification and doing a better job of keeping performance up.

**Jim Penner, Board of Investment Officer** referred to **Exhibit 6** which shows the growth of funds from the 1981 base and growth in the employee staffing level. Two additional assistant portfolio manager level staff persons are being requested, at a proposed \$40,000 salary plus benefits of about \$8,000 each. The additional staff is needed for both fiscal 1992 and 1993. This request is not in either the Executive or the LFA budgets. Assets topped \$3 billion in 1989, and will pass \$4 billion probably sometime early 1992, and in 1994 a \$5 billion portfolio is expected. Investment income from that this year will be about \$335 million.

\$96,000 in salaries and benefits for fiscal 92 and 93 are being requested for those assistant portfolio managers. **DAVE LEWIS** explained the Board of Investment requested these additional investment officers last spring. The Board was particularly concerned that the position be exempt to attempt to hold the kind of people needed to run a portfolio of this size. The positions originally were tied to a piece of legislation that has since been turned down by the Administration, therefore the funding for these positions is not in the budget request.

**REP. GRADY** asked, if the interest went to the general fund after the administrative costs were paid, where would the money come from to pay for the added positions? **Mr. Lewis** answered, new persons would be charged to MontComp earnings, that's all retirement funds. Another cost center called Alternative Equities would be created, again using retirement funds. This would not involve the General Fund in either case. The General Fund revenue generated by Investments Divisions comes from the Coal Trust and the Treasurers Fund. There would be no increased cost there unless some of the time was charged to one of those particular funds.

**REP. GRADY** asked, how much effect would there be on retirement if funds were taken from that area. **DAVE LEWIS** said the objective would be to generate more money by getting involved in other areas to earn more money by adding the new staff.

#### **EXHIBIT 7 - Budget.**

**ROGER LLOYD** presented the comparison of the Executive Budget and the LFA Budget. The Executive Budget for FY92 is \$74,073 over the LFA, and in FY93 the Executive Budget is \$29,929 under LFA. The LFA based their budget on per diem actually spent in 1990.

The Executive Budget includes approximately \$900 more for per diem. The remaining differences are due to two different bases. Not mentioned in the agencies overview is a request for an additional FTE for a bonding specialist. This position would be shared 50/50 with the Health Facilities Authority Program which we will be hearing shortly and the position will be showing up in their budget also. This budget modification is for one FTE and approximately \$22,500 each year. There were salary increases totalling approximately \$13,800 for four of the six exempt positions. This amount was not included in personal services in either the LFA or Executive Budget. The agency does have appropriation authority to move funding from operations to personal services.

**DAVE LEWIS** said the Department of Investments has collocated with the Health Facilities Authority. That operation was moved because they issue bonds for health facilities, Investments Division issues bonds for local governments and some industrial revenue bonding, and the two are able to share support staff.

Per Diem is paid the board members when they attend board meetings. Each year the number of meetings varies. The Board consolidated the November/December meeting and cut the meetings to eleven. Last year there were only ten meetings. Each Board member gets \$100 per diem for each of the meetings, there are nine board members. The budget in the past was for twelve meetings. The Budget Base Difference is related to the CRP program, a reserve to assure compliance with ASCS. The Investments Division has to have appropriation authority to pay the bills from the reserve. Last year \$20,000 was spent, this year perhaps \$50,000 will be spent on contract compliance. Because of the growth of Health Facilities/Board of Investment activity, one position is requested back.

**REP. GRADY** stated it was said that none of the salaries would come out of the General Fund, most would come out of the retirement funds. Could there be more of a breakdown? **DAVE LEWIS** said it would depend on what particular type of investment these people handle. One area they might impact might be the coal trust.

**Mr. Penner** said, if there were two additional positions approved, one of those positions would be for an equity assistant manager. There are no equities in the permanent coal trust fund, so there is no general fund money there. The other individual would be to provide some relief in the bonds or the fixed income fund. The permanent coal trust is always growing, so there is growth in the expense fund available. There will be no growth in the expenses charged to the General Fund because of these two additional positions.

**REP. GRADY** asked, why when there is no effect on the General Fund, this issue is in this committee.

Mr. Schweitzer stated, that as Mr. Lewis outlined earlier, the original way of obtaining two additional positions was through statutory language creating the exempt positions. When final decisions were made on the Governors budget relative to merit-based pay, all requests for exempt positions were removed, and were not put back in the Governor's budget. J

Mr. Penner stated, that the positions would not be exempt because a statute is needed for exempt positions. These would be classified positions.

#### EXECUTIVE ACTION ON INVESTMENT DIVISION

Motion/Vote: SEN. DEVLIN moved to accept the Executive Budget.  
MOTION CARRIED UNANIMOUSLY.

Motion/Vote: REP. NISBET moved to approve the MOD. MOTION  
CARRIED UNANIMOUSLY.

#### HEARING ON HEALTH FACILITIES AUTHORITY

##### EXHIBIT 8

JERRY HOOVER, HEALTH FACILITIES AUTHORITY (the Authority), gave an overview of this program.

Budget Overview. In 1992 and 1993 the executive based budget is 19 percent less than what was approved in 1990 and 1991. That has been the effect of the cost reduction in this program. If the MOD for the additional bond program specialist half in the Board of Investment and half in the Authority is approved, the budget is 11 percent less than the last biennium appropriation. The base difference between the executive and the legislative budget is that \$11,000 for the bond program specialist and the difference in contracted services with the Board of Investments. For the first six months after relocation, the services of the Board of Investments were not utilized as readily as they are now. In calendar year 1990, a little over \$22,000 was spent for the contracted services compared to \$19,000 in FY 90. The calendar year will be a better representation of what contracted costs with Board of Investments will be on an annual basis. The volume of loans since relocation has increased 35 percent. The annual program inquiries for financial advisory services has increased 71 percent. A loan portfolio increase of 18 percent is predicted in the next biennium. To sustain the quality and to meet required activity, the Authority encourages the committee to consider the Executive budget and the MOD.

##### EXHIBIT 9 - Budget

Mr. Lloyd reviewed the differences between the LFA and the Executive Budget for the Health Facilities Authority. In FY 92, there is no difference in FTEs, however, the Executive is \$18,307 greater than the LFA. In FY 93, the difference is \$12,339. Per diem is reflected actual expenditure on the LFA, whereas the Executive increased it by \$750 each year. The shared funding of

the bond program specialist position is paid out of the Board of Investments, and the Authority contracts services from the position.

**JERRY HOOVER** said, regarding per diem, The Board of Investment meets on demand when there is enough business to bring people in from various parts of the state. In FY 90, \$2600 was budgeted and \$1850 was spent.

**SEN. DEVLIN** asked if the bond specialist position was to be shared by the Authority and Board of Investments, why the Board of Investments budget showed expense of \$22,560, but only \$11,280 shows on the Authority budget?

**BILL MANDEVILLE** responded that the position will belong to the Board of Investment. That position's cost will be \$22,560, funded through the fees that the Board of Investments collects. The Authority is requesting \$11,280 in additional contracted services so it can pay the Board of Investment those fees. The \$11,280 is the source of the proprietary fees the Board of Investments receives to pay for the position.

**SEN. DEVLIN** stated, we are really looking at \$33,000 a year for this additional FTE, instead of \$22,000.

**Ms. Doering** stated, the position is budgeted in the Board of Investment. When they bill the Authority for part of the salary it is reimbursed to the Board of Investment, which will revert the amount of the appropriation equal to half that salary.

**SEN. DEVLIN** said, he understands that any money paid from the \$11,280 goes to the Board of Investments and whatever is left reverts back.

**SEN. WEEDING** asked, if 50 percent is proprietary, shouldn't it all be proprietary?

**MR. POOL** answered yes, all the funds of the Authority are proprietary.

**CHAIRMAN KIMBERLEY** asked, why does it say 50 percent is proprietary. **MR. POOL** said, the sentence contains the total amount, and says the Authority will fund 50 percent in the proprietary account.

**EXECUTIVE ACTION**  
**HEALTH FACILITIES AUTHORITY**

**REP. NISBET** moved to approve the Executive budget. **MOTION CARRIED UNANIMOUSLY.**

HEARING ON THE OFFICE OF RESEARCH AND INFORMATION SERVICES**EXHIBIT 10**

**JAN CLACK**, ADMINISTRATIVE OFFICER, OFFICE OF RESEARCH AND INFORMATION SERVICES/CENSUS AND ECONOMIC INFORMATION CENTER, gave an overview of this division.

**EXHIBIT 11 - Budget Review.**

Mr. Lloyd reviewed the budget with the committee.

**ALENE GORECKI**, ADMINISTRATIVE ASSISTANT OFFICE OF RESEARCH AND INFORMATION SERVICES said, the Department is requesting the second modification be dropped for the federal fund replacement money because of the census activity and amount of money in the first modification will be sufficient for the needs. The differences between the LFA and the Executive budget are based on actual 1990 and appropriated 1991. It is difficult to make a comparison between those two years because approximately \$45,000, was provided in FY 91 to begin the census.

**JAN CLACK** spoke regarding number 2, Personal Services. A quarter time position does not qualify for insurance, but a half time position becomes eligible for full insurance benefits. That is the \$1800 difference.

**SEN. DEVLIN** asked, throughout all the departments of the state, are there many halves that are receiving full insurance? **JAN CLACK** said yes, a half or over is eligible for insurance benefits.

**BILL MANDEVILLE** said it appears there is a difference of \$2,651 in FY 92 and \$2,051 in FY 93. This difference is smaller than the difference in contracted services. The difference in contracted services is \$7,087 in 1992 and \$6,213 in 1993. The contracted services is for an economist to help analyze the data which is an expense not seen in FY 90. The difference in supplies and materials is about \$3,693 in each fiscal year.

**SEN. WEEDING** asked if the supplement of \$40,000 last session to start the census was spent in contracted services, equipment and such? **JAN CLACK** said no, it was for partial equipment to get geared up in 1991, and a part time computer programmer.

**SEN. WEEDING** said the money has been spent the past year and the department is asking for a continuation. **JAN CLACK** said that is correct. If the modification related to the automation of the census is not approved, the state and its citizens stand to lose much more money than this reflects. Data cannot be processed without these extra funds, and extra personnel and expertise to do this work.

**SEN. DEVLIN** stated a lot of this work would be done for the

reapportionment committee even though they manage one part of your service. **JAN CLACK** said the agency does not directly deal with the reapportionment committee.

**SEN. DEVLIN** asked if the reapportionment committee will be making a larger demand on the agency for information? **JAN CLACK** said that reapportionment will be doing their own project. The agency responsibilities are with the program with the Census Bureau. The agency will be processing the data that comes in electronic form not usable to most people for a whole spectrum of data user including the state, local and federal governments. The actual dealings with the reapportionment committee are limited.

**SEN. NISBET** stated, his understanding is that as a result of the 1990 census, data is processed as it is turned over by the Census Bureau, and therefore this position is basically needed only during this peak period. After 1993, the position will probably not be needed. **JAN CLACK** said that is what is anticipated. It is anticipated these two years 1992 and 1993 will be most expensive. The figure on the chart shows a decline in our budget, but the number is not firm as it cannot be anticipated what it will be in 1994.

**CHAIRMAN KIMBERLEY** asked if this would be better labeled a one-time-only, rather than a program expansion? **JAN CLACK** said she did not feel qualified to answer. **ALENE GORECKI** said, it could be labeled that way. In FY 94 a request will have to be presented for the current level budget. There should be a decline until the end of the decade when it will go up again.

**ROGER LLOYD** said, the department receives the data in electronic form and it does require processing. The Census Bureau does not process the data. If the committee wants to make this position a one-time only this biennium, the request could be made to include that language in the bill.

**JAN CLACK** brought along a few census maps for 1990 to further illustrate some of the agency's responsibilities.

**SEN. BENGTON** inquired what the cost of a map for her area would be. **JAN CLACK** replied, for Yellowstone County there are 80 maps, and the tentative cost is \$2.00 per map sheet. The map contains details of the area including political boundaries and census boundaries. The entire nation has been broken down into blocks. Detailed information can be obtained about any one of those blocks.

**BILL MANDEVILLE** gave as an example of one use of the data; applications for housing loans. There are small city block grants that use block information to determine if a particular area within a city or county qualifies as a recipient of those loans. In Miles City, for example, it is used extensively for their housing authority to establish the boundaries of an area that is eligible for housing authority assistance. Data is used

extensively by small and large cities, and counties.

**SEN. WEEDING** asked if there is other data other than what was collected by census people on the map? **JAN CLACK** said yes, there are landmark and topographical information, natural rivers and streams, railroads, roads, and natural geographic features such as valleys and ridges.

**EXECUTIVE ACTION**  
**OFFICE OF RESEARCH AND INFORMATION SERVICES**

**Motion/Vote:** **SEN. BENGTON** moved to accept the executive budget down to the MODS. **MOTION CARRIED UNANIMOUSLY.**

**Motion/Vote:** **SEN. BENGTON** moved to accept the MODs specifying a review of the language for a one-time appropriation on #1 MOD in two years. **MOTION CARRIED UNANIMOUSLY.**

**HEARING ON BUSINESS DEVELOPMENT DIVISION**

**EXHIBIT 12**

**BOB HEFFNER, CHIEF ADMINISTRATOR FOR ECONOMIC DEVELOPMENT, AND ADMINISTRATOR FOR BUSINESS DEVELOPMENT DIVISION,** reviewed this division and the budget with the committee.

There are 25,000 businesses in the whole state. Evan McKinney will give figures on who the Division worked with and what they say the Division did. No matter how well the Division does its job, it cannot guarantee the success of every company in Montana.

**CHAIRMAN KIMBERLEY** asked, how intensive was the recruitment program for business coming into Montana? **MR. HEFFNER** replied, the Division has handled about 600 prospects a year. Most of the emphasis in the program goes on assistance to businesses that are already in Montana, keeping those businesses here, and helping them to expand. Most economic growth comes from within.

**CHAIRMAN KIMBERLEY** said, there is always talk about added value. In my district in the Yellowstone Valley sugar beets are raised, and there is a sugar factory to process the beets. Why isn't there the ability to recruit some other business into Billings, like a candy factory or someone that would make use of that final product? **MR. HEFFNER** replied that is the sort of thing that should be, and is, pursued usually in connection with the local development organization.

**CHAIRMAN KIMBERLEY** asked how would he go about doing the recruitment? **MR. HEFFNER** suggested he contact Billings Forward, an organization that works primarily in the area of business recruitment.

REP. GRADY said it sounds like there is a major effort by the Division to help small business stay in business.

EVAN MCKINNEY, SMALL BUSINESS DEVELOPMENT CENTER, presented the activity level of each area and the impact it has on the income and employment level of small businesses in the state along with an overview of the some of the types of business worked with. See EXHIBIT 12.

REP. GRADY said after four years, 50 percent of the new businesses survived. Is that the number of years generally used? BOB HEFFNER said the Division study measure every year after four years, there are figures of those who survive for one, two, three or four years. The national study which was used for comparison was four years. The figure everybody quotes is 80 percent of all new businesses are gone in four years. In that study, if the name changed, business sold, transferred or was altered in any way, it was counted as gone.

BUSINESS DEVELOPMENT DIVISION OF DEPARTMENT OF COMMERCE BUDGET

EXHIBIT 13.

ROGER LLOYD reviewed the budget with the committee.

CHAIRMAN KIMBERLEY told Mr. Heffner that the committee would start with his presentation in the morning.

ADJOURNMENT

Adjournment: 11:50 A.M.

  
\_\_\_\_\_  
REP. BEV. KIMBERLEY, Chair

  
\_\_\_\_\_  
THEDA ROSSBERG, Secretary

BK/tr

**HOUSE OF REPRESENTATIVES**  
**NATURAL RESOURCES SUBCOMMITTEE**

**ROLL CALL**

**DATE** 2-14-01

<b>NAME</b>	<b>PRESENT</b>	<b>ABSENT</b>	<b>EXCUSED</b>
SEN. ESTHER BENGTON, VICE-CHAIR			
REP. ED GRADY	✓		
REP. JERRY NISBET	✓		
SEN. GERRY DEVLIN	✓		
SEN. CECIL WEEDING	✓		
REP. "BERV" KIMBERLY, CHAIRMAN	✓		

2-14-91  
Exhibit 1  
Nat. Res. Sub

### Cherry Creek

The 1989 Legislature authorized FWP to spend funds on a feasibility study for the construction of a reservoir on Cherry Creek near Miles City. The following funds were appropriated:

General License Account	\$50,000
Donations from the local community	\$50,000
Federal	
FWP -- Dingell Johnson	\$50,000
BLM	<u>\$150,000</u>
Total	\$300,000

The department will not spend any of the funds by June 30, 1991. At that time the appropriation will expire.

The department recommends continuing the Cherry Creek appropriation forwarded into FY92/93 with a biennial appropriation in the Field Services Division. The budget should be lowered to \$150,000, and used for the similar purpose of feasibility/design work at the site. The funding would come from the following sources:

General License Account	\$50,000 -
Local Donations	\$50,000 -
Federal -- Dingell Johnson	<u>\$50,000 -</u>
Total	\$150,000 -

2-17-91  
 Erb L.  
 Nat. Res. Div.

6501 75 00000

**BOARD OF INVESTMENTS**

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	26.00	26.00	26.00	26.00	.00
Personal Services	946,597	981,735	1,011,396	1,011,136	4.89%
Operating Expenses	427,221	595,997	567,724	591,440	13.29%
Equipment	<u>13,449</u>	<u>12,000</u>	<u>36,000</u>	<u>12,000</u>	<u>88.61%</u>
Total Program	\$1,387,267	\$1,589,732	\$1,615,120	\$1,614,576	8.49%
<u>Fund Sources</u>					
Proprietary Fund	<u>1,387,267</u>	<u>1,589,732</u>	<u>1,615,120</u>	<u>1,614,576</u>	<u>8.49%</u>
Total Funds	\$1,387,267	\$1,589,732	\$1,615,120	\$1,614,576	8.49%

**Program Description**

The Board of Investments and its staff manage the unified investment program for public funds, required under Article VIII, Section 13. The program manages four investment portfolios: The Fixed Income portfolio of over \$2 billion is the largest of the portfolios managed, consisting of the long-term debt held by the board. The Equity portfolio consists of common stock worth over \$300 million. The Short Term Investment Pool (STIP) portfolio consists of nearly \$700 million in securities with maturities of less than one year. The Residential Loan and Commercial Loan portfolio consists of over \$150 million of Montana residential and commercial loans. The board is also responsible for administration of several different programs which issue bonds for the purpose of assisting local governments, cities, and school districts, or providing funds to improve the state's economy. Programs administered by the board include the Economic Development Bond programs (Stand Alone and Pooled), Montana Conservation Reserve Payment Enhancement program, In-state Investment program, Municipal Consolidation Finance Act, and the Montana Cash Anticipation Finance program.

The Board of Investments, a nine-member board appointed by the Governor, directs the investment of state funds in accordance with state laws and the constitution. The board is adminis-

tratively attached to the Department of Commerce.

**Current Level Budget**

The division's current level budget increases 8.5 percent over the 1991 biennium, due to increases in personal services, operating expenses, and equipment. Personal services increase 4.9 percent primarily because the board gave salary increases in fiscal 1990 to exempt staff that exceeded the 2.5 percent authorized by the 1989 legislature. These raises increase the personal services budgets for both fiscal years 1992 and 1993 by approximately \$22,000.

Operating expenses for both fiscal years of the 1993 biennium are based on fiscal 1990 actual expenditures with four exceptions. Contracted services are increased by \$152,000 in fiscal 1992 and \$174,700 in fiscal 1993 to provide for the management of the portfolio of the Conservation Reserve Program (CRP). This program provides its own source of revenue. Investments by the board in the CRP program were authorized by House Bill 717 of the 1989 legislative session. House Bill 100 appropriated \$250,000 each fiscal year for this program and required the board to make a report concerning its expenditures to the 1991 legislature. Audit costs decrease approximately \$10,000 per fiscal year. Indirect cost paid to the Directors/Management Services program are at the agency request level and increase

2-14-91

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## BOARD OF INVESTMENTS

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approximately \$5,000. Travel costs are reduced approximately \$6,800 per fiscal year to reflect the agency request.

The equipment budget is for computer equipment, printer, and software. Funding for the program is from two proprietary fund accounts. One receives revenue from the Industrial Bond account and from the CRP program. The other receives administrative costs deducted from earnings on the funds invested by the board.

### Issue

#### Salary Increases for Exempt Staff

In fiscal 1991, the board again gave salary increases to the exempt positions that exceeded the 2.5 percent authorized by the 1989 legislature. The LFA current level includes these salaries at 2.5 percent over the fiscal 1990 salaries, which is approximately \$16,000

(includes benefits) less than the positions are currently being paid.

### Executive Budget Modification

#### Additional FTE BOI/HFA

The Executive Budget includes \$45,069 of proprietary funds and 1.0 FTE for the biennium to hire a bond program specialist to provide the technical program support for bonding programs within the Board of Investments (BOI) and the Health Facility Authority (HFA). In July 1989, the HFA co-located its offices with the BOI and eliminated 2.0 FTE by contracting with the BOI for clerical, accounting, and program support services. The additional FTE is requested to handle the increased bonding workload generated by the Intermediate Term Capital program, Conservation Reserve Payment Enhancement program, and the HFA Pooled Loan program.

2-14-91  
 Exhibit 3  
 Net. Pers. Inc.

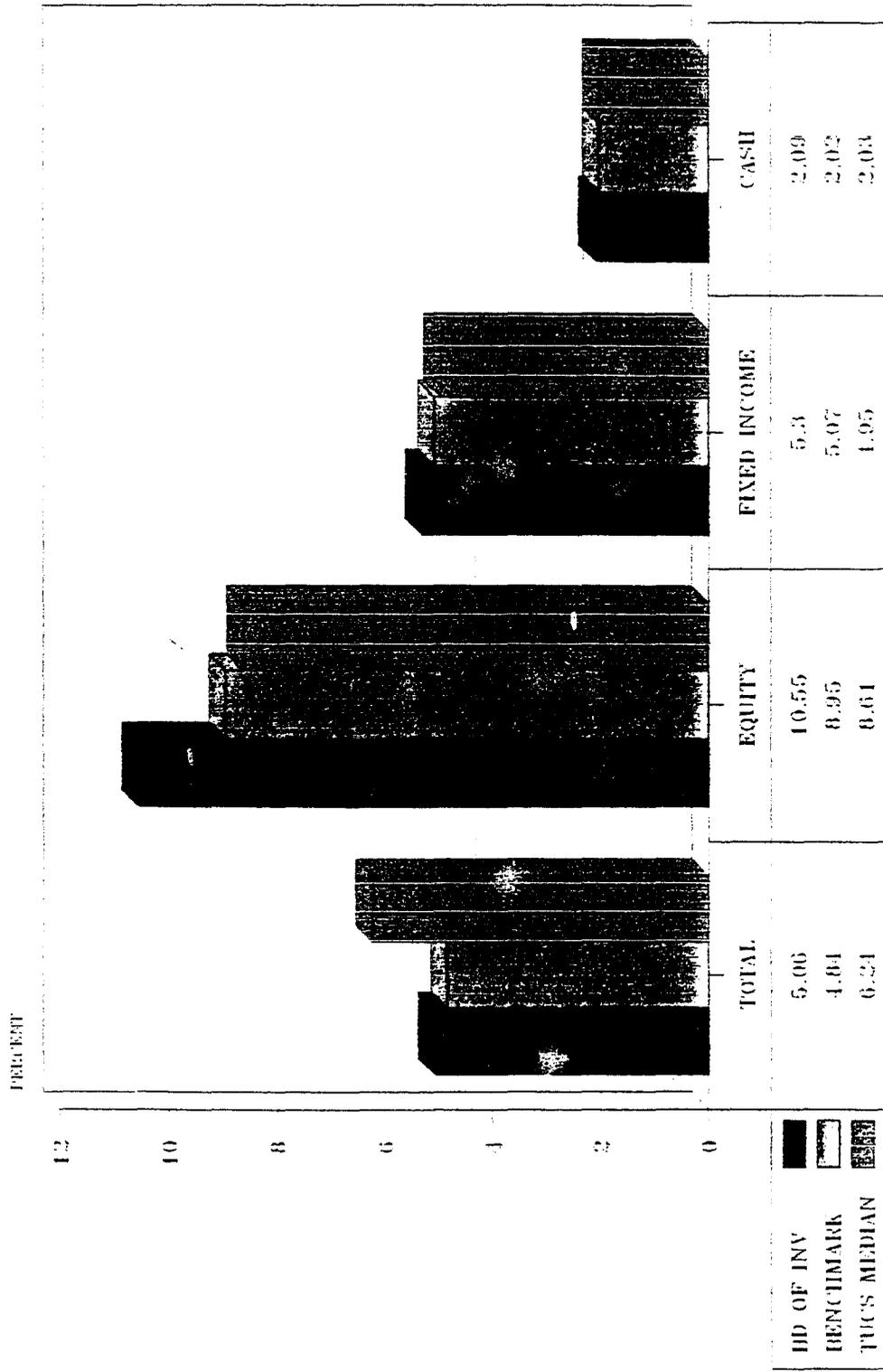
BOARD OF INVESTMENTS  
 COST ANALYSIS FY 1991

APPROPRIATION		COST CENTER TOTAL
BOND SALES	\$115,059	\$115,059
CRP	250,000	250,000
INVESTMENTS	1,224,673	412,654
		288,425 * *
		273,514 *
		281,280 * * *
		-31,200
TOTAL	\$1,589,732	\$1,589,732

PORTFOLIO	SEPTEMBER 30, 1990 PORTFOLIO VALUE	MANAGEMENT COST IN BASIS POINTS
FIXED INCOME	\$2,038,455,727 *	0.013% MONTANA 0.230% GREENWICH
MONTCOMP	\$366,853,004 * *	0.079% MONTANA 0.386% GREENWICH
MORTGAGES & LOANS	\$162,218,579 * * *	0.173% MONTANA 0.230% GREENWICH
SHORT TERM	\$643,836,531	0.064% MONTANA 0.100% BRINSON
AVERAGE.....		0.038% MONTANA 0.259% GREENWICH

Exhibit 4  
 Nat. Rev. Acc.

# FUND PERFORMANCE BY ASSET CLASS QUARTER ENDING DECEMBER 31, 1990



CHASE CONSULTING GROUP

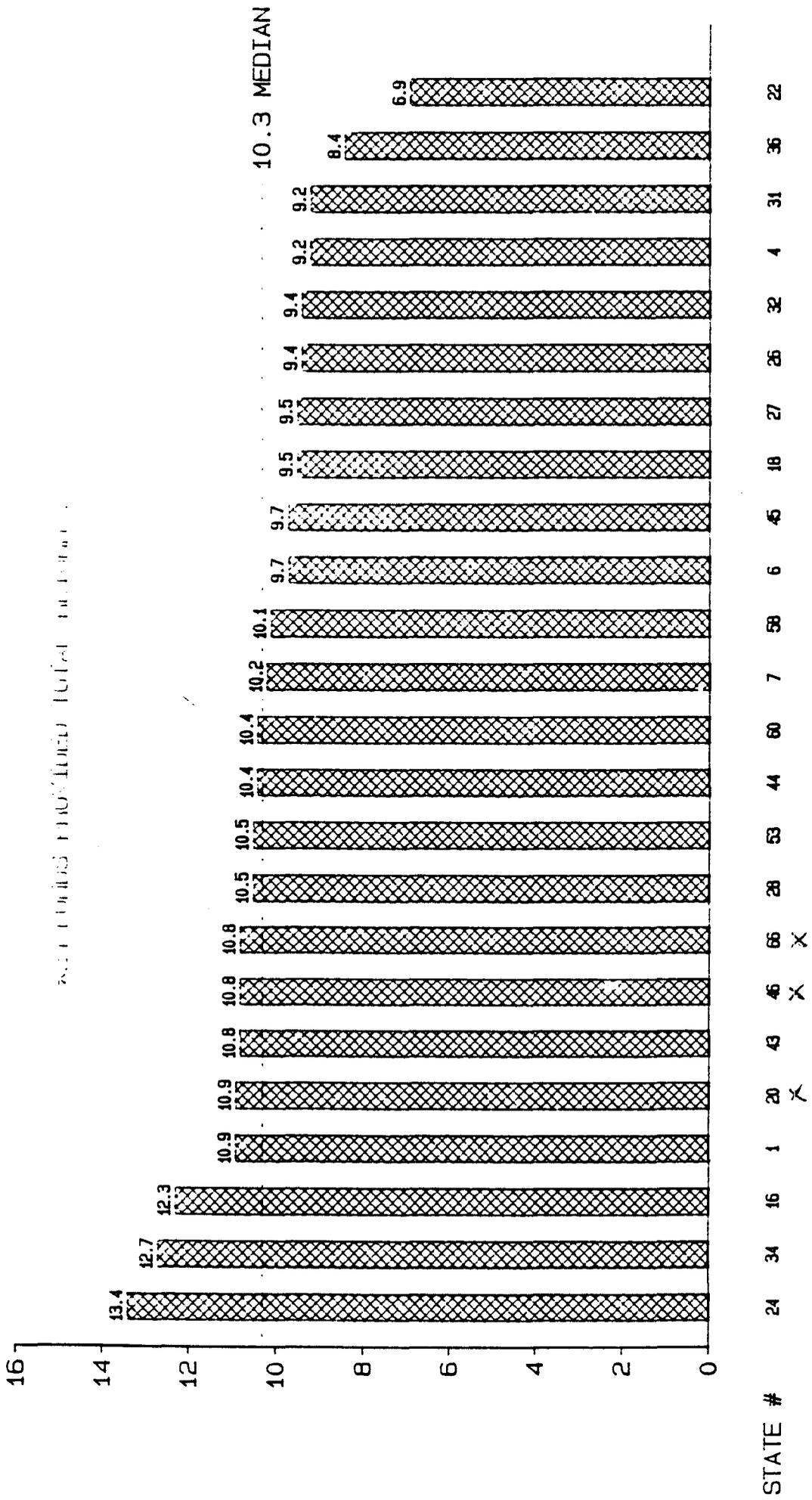
7  
DATE 2-1-91  
HB Nat. Ret. Act

**R.V. KUHNS AND ASSOCIATES, INC. WOULD LIKE TO THANK THE FOLLOWING STATE FUNDS FOR THEIR PROMPT RESPONSE TO OUR 1990 SURVEY. YOUR CONTINUED SUPPORT OF OUR RESEARCH EFFORTS IS GREATLY APPRECIATED.**

- Arizona State Retirement System
- California Public Employees' Retirement System
- California State Teachers' Retirement System
- Colorado Public Employees' Retirement System
- Iowa Public Employees' Retirement System
- Kentucky Retirement Systems
- Teachers' Retirement System of the State of Kentucky
- Louisiana School Employees' Retirement System
- Missouri State Employees' Retirement System
- Montana Miscellaneous Fund
- Montana Public Employees' Retirement Fund
- Montana Teachers' Retirement Fund
- Nevada Public Employees' Retirement System
- New Mexico Educational Retirement Board
- Oklahoma Firefighters' Pension and Retirement System
- Oklahoma Law Enforcement Retirement System
- Oklahoma Police Pension and Retirement System
- Oklahoma Public Employees' Retirement System
- Oklahoma Teachers' Retirement System
- Pennsylvania State Employees' Retirement System
- South Carolina Retirement Systems
- Utah Retirement Systems
- The Vermont State Retirement System
- Wyoming Retirement System

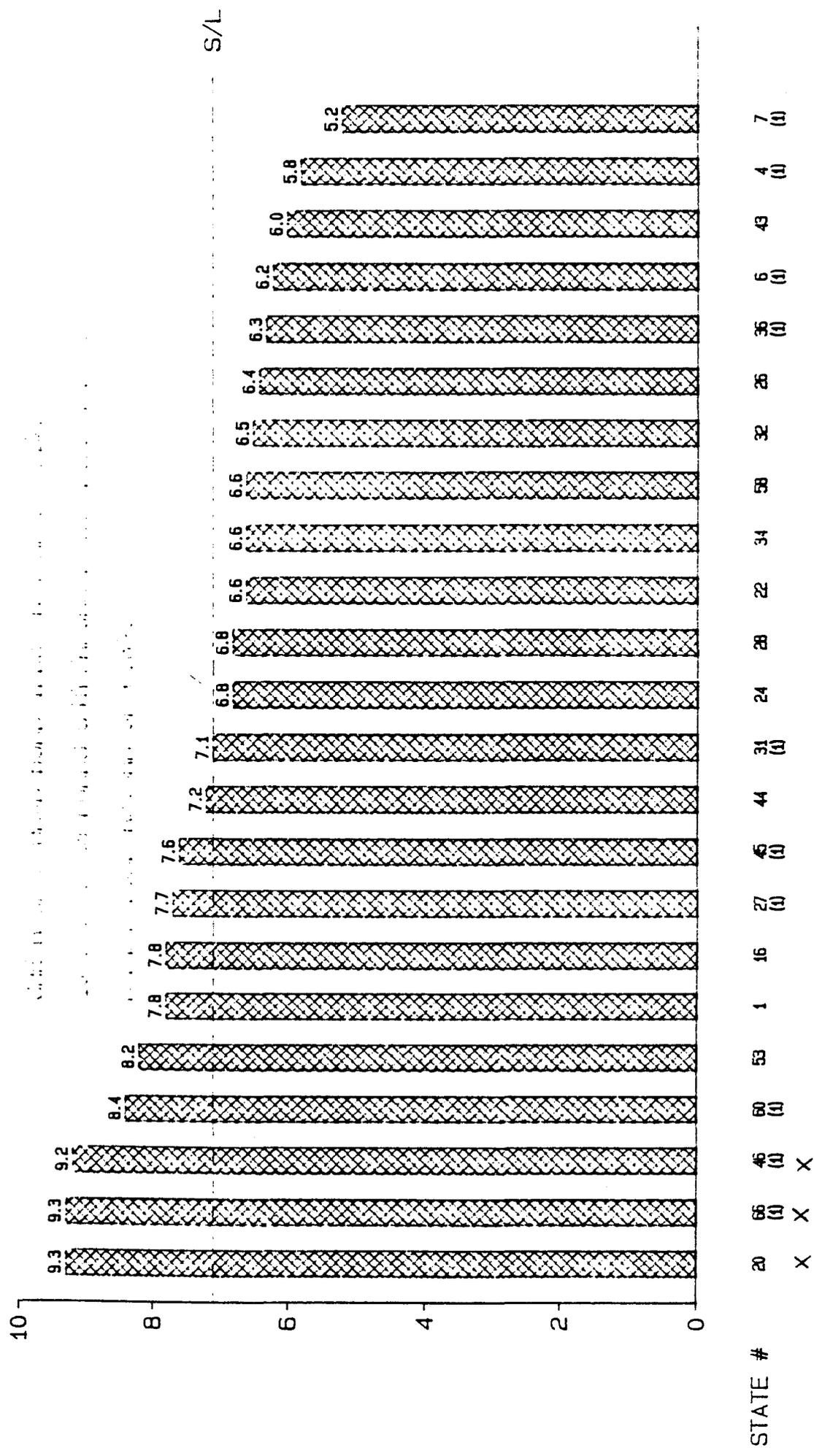
EXHIBIT 2-14-91  
 DATE 2-14-91  
 18

**TOTAL PORTFOLIO**  
 RETURN BY STATE  
 FOR FISCAL YEAR ENDING 6/30/90



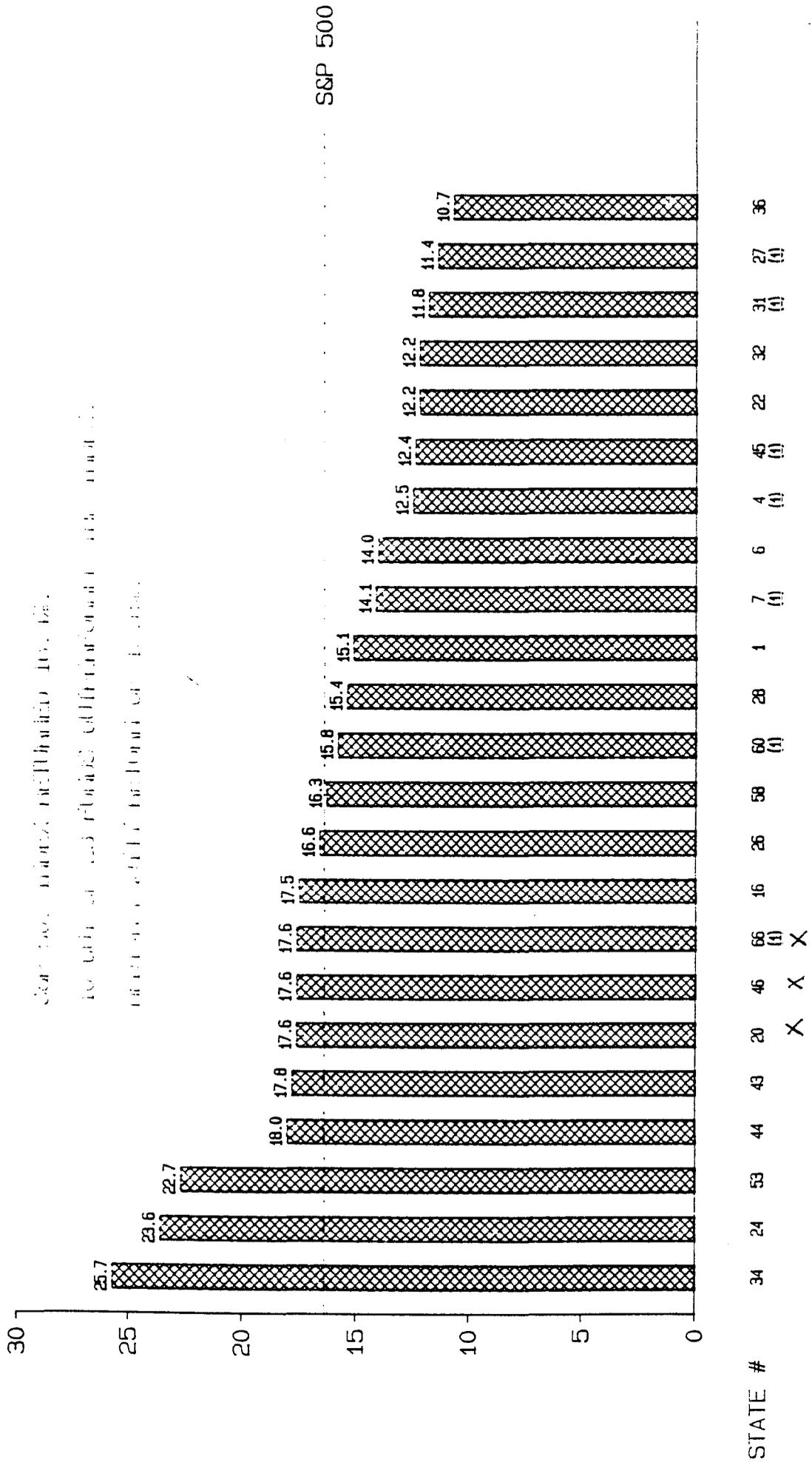
4  
 LAHI 2-14-91  
 DATE 2-14-91  
 BY Net. Prod. Sub

**BONDS ONLY**  
 RETURN BY STATE  
 FOR FISCAL YEAR ENDING 6/30/90



(1) INCLUDES CASH & EQUIVALENTS

**EQUITIES ONLY**  
 RETURN BY STATE  
 FOR FISCAL YEAR ENDING 6/30/90



(1) INCLUDES CASH & EQUIVALENTS

# COMMITMENT TO BONDS

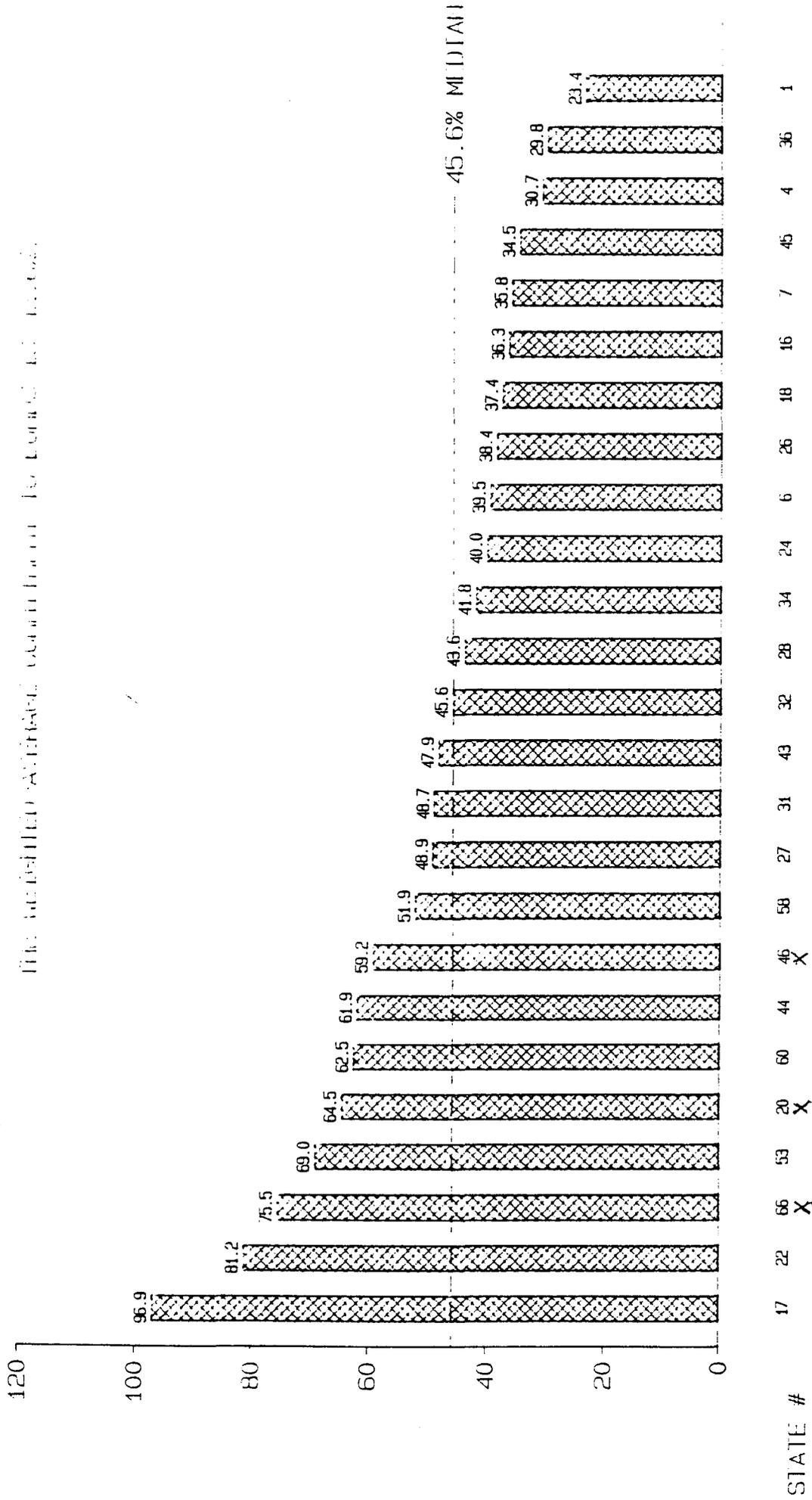
## BOND ALLOCATION BY STATE

CAPITAL

DATE

HB

2-14-91  
 Mr. Rod

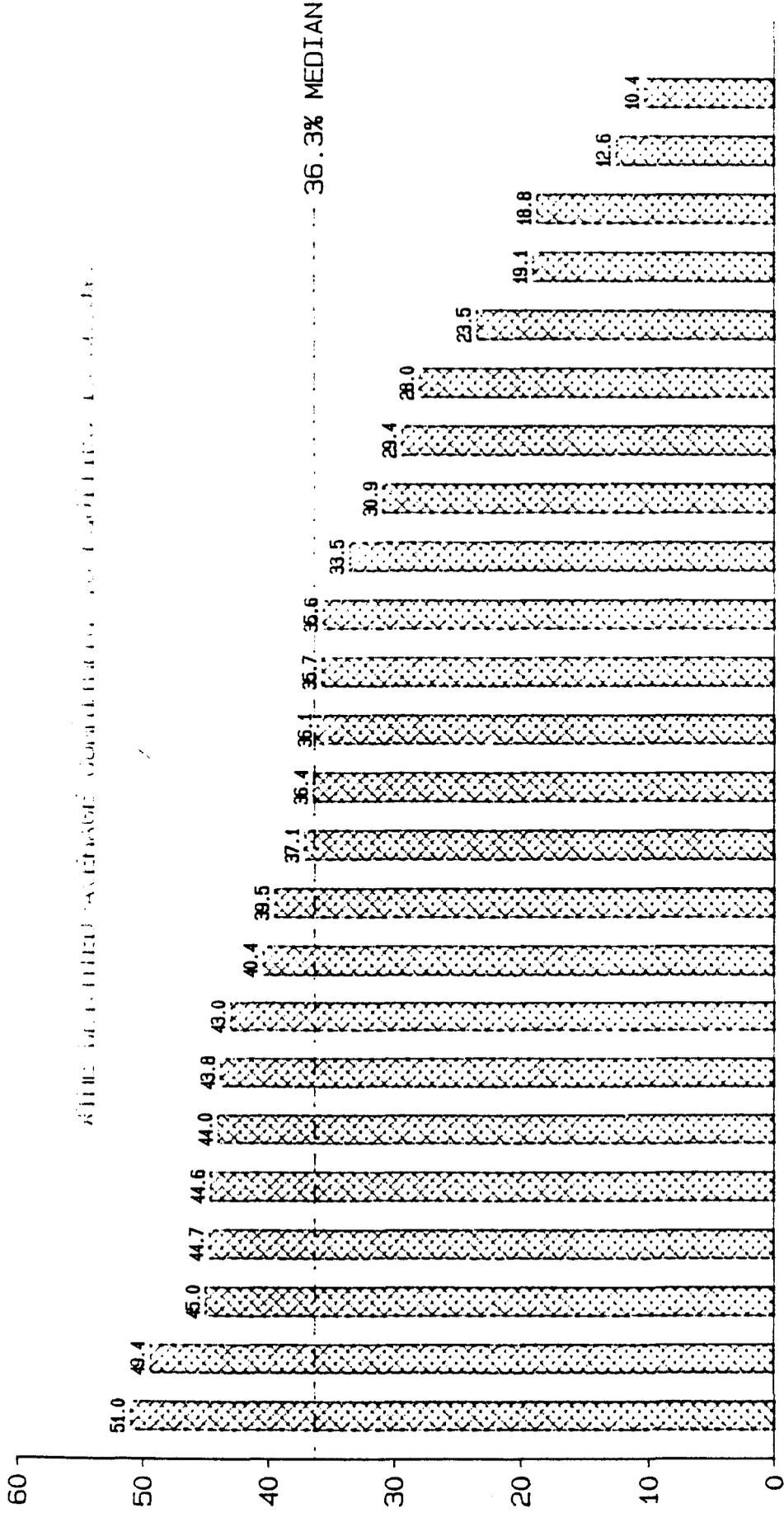


# COMMITMENT TO EQUITIES

## EQUITY ALLOCATION BY STATE

EXHIBIT 4

DATE 2-14-91



STATE #

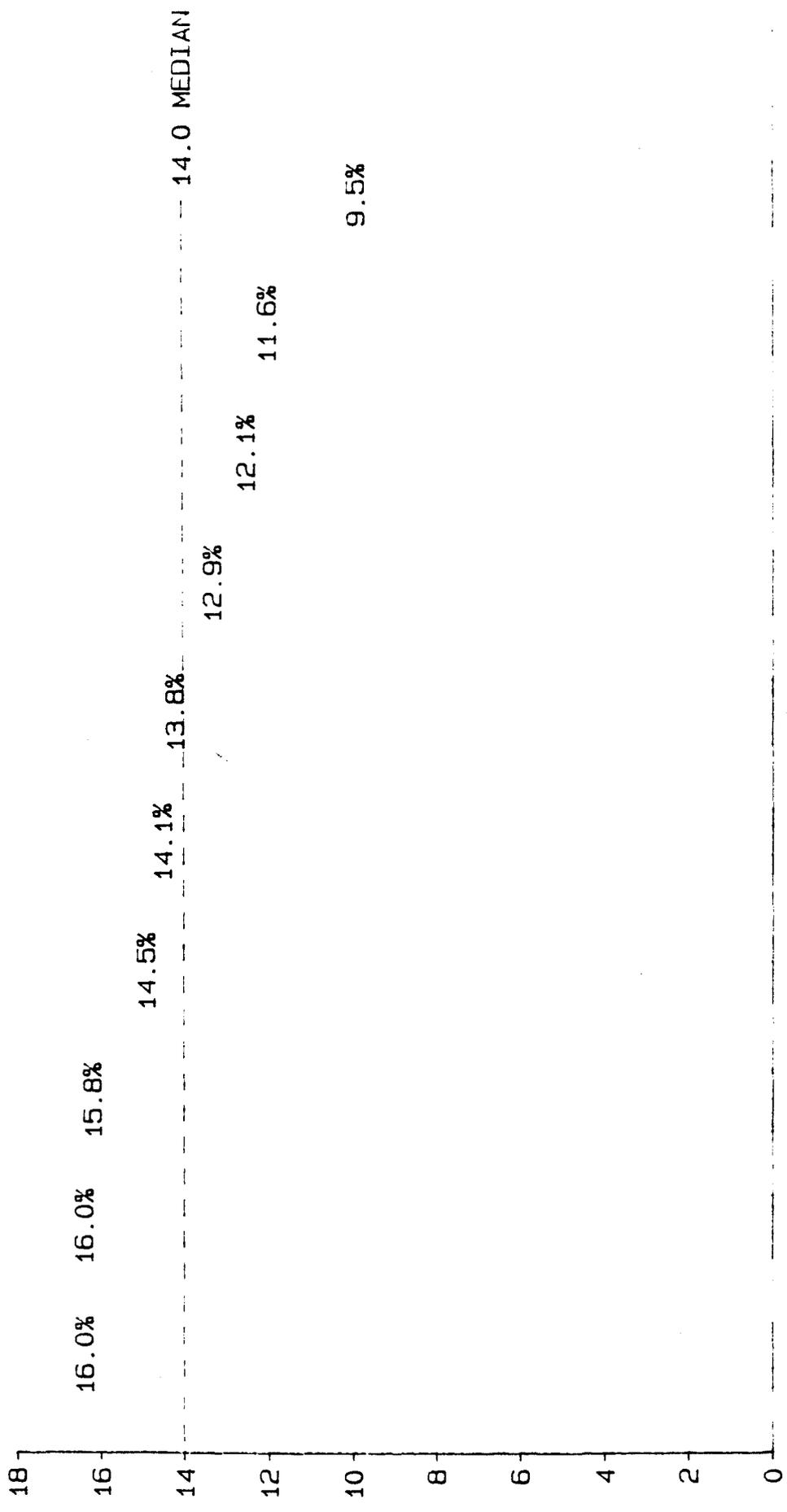
18 34 24 1 4 16 7 43 32 45 27 31 36 26 28 6 58 60 44 53 46 20 66 22

# 10-YEAR ANNUALIZED RETURNS

BY STATE  
FOR PERIOD ENDING 6/30/90

DATE 2-14-91  
 (IB) PER. RET. NO.

STATE OF CALIFORNIA PUBLIC EMPLOYERS' RETIREMENT SYSTEM



STATE #

20 X  
66 X  
46 X  
1  
36  
7  
31  
6  
17 (1)

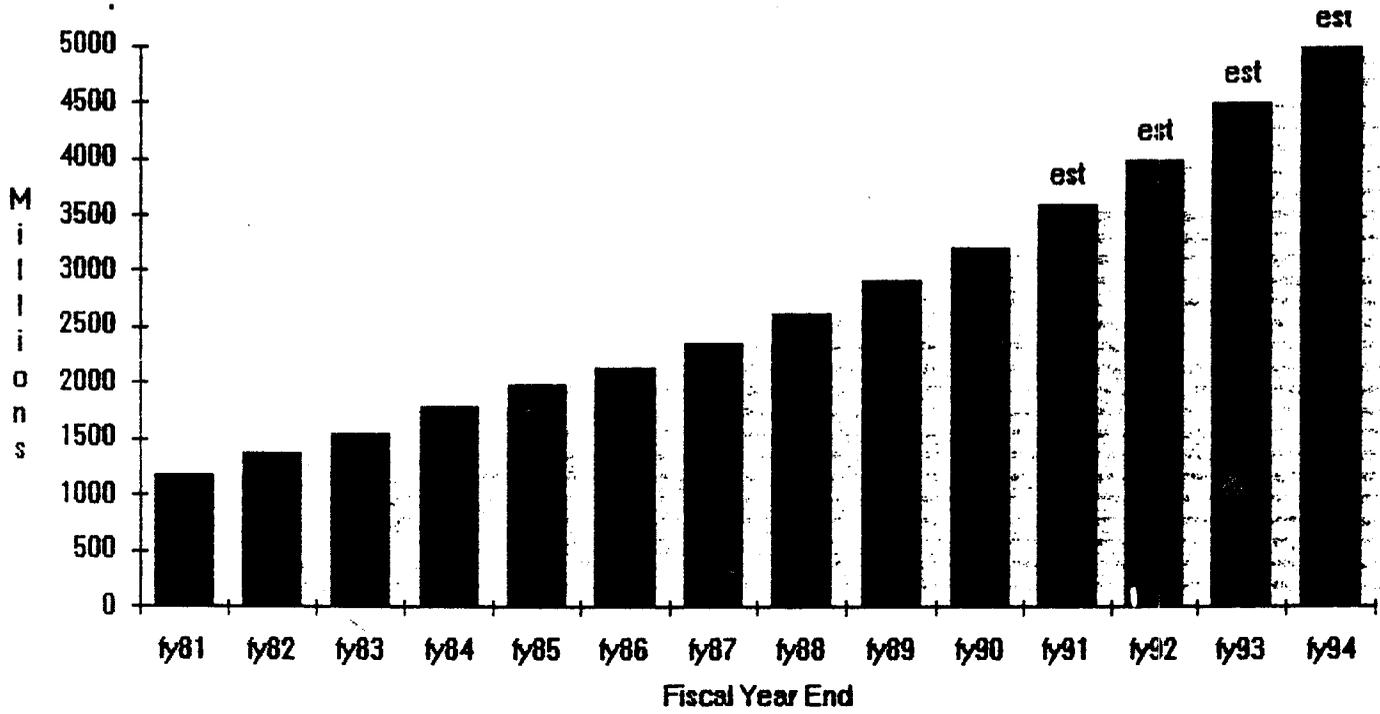
(1) FIXED INCOME FUND



OTHER STATE RETURNS

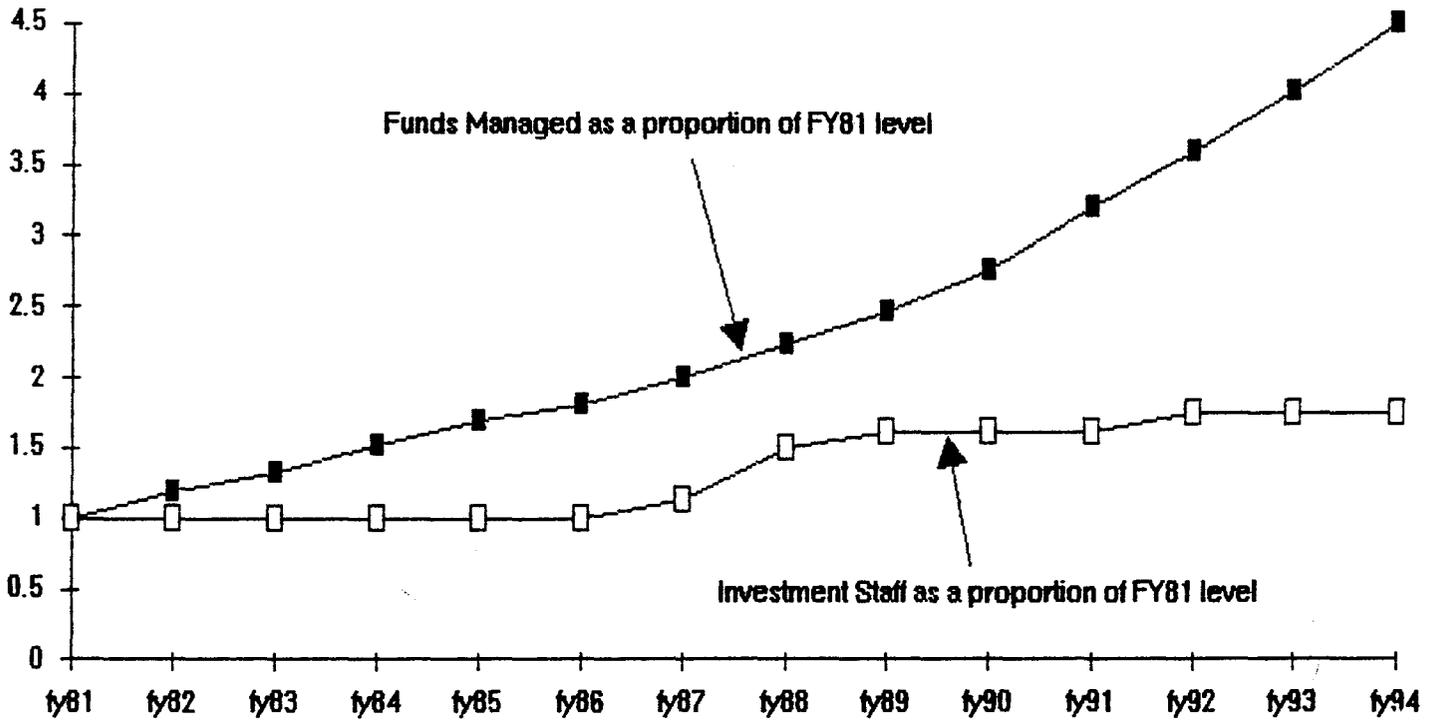
2-14-11  
Exhibit 5  
par. Res. Dev.

### Investment Funds Under Management



2-14-91  
Exhibit 6  
Nat. Res. Serv.

### Funds Managed and Staff Relative to FY81



6501 DEPARTMENT OF COMMERCE  
75 INVESTMENTS DIVISION  
00000

DATE : 01/08/91  
TIME : 21/29/24  
CURRENT LEVEL COMPARISONS

*Exhibit 7*  
*Mr. Res. Dir.*

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	26.00	26.00	26.00	.00	26.00	26.00	.00
Personal Services	946,597	1,012,337	1,011,596	941	1,012,075	1,011,136	939
Operating Expenses	427,221	640,856	567,724	73,132	560,572	591,440	30,868
Equipment	13,449	36,000	36,000	0	12,000	12,000	0
Total Expend.	\$1,387,267	\$1,689,193	\$1,615,120	\$74,073	\$1,584,647	\$1,614,576	\$29,929
<u>Fund Sources</u>							
Proprietary Fund	1,387,267	1,689,193	1,615,120	74,073	1,584,647	1,614,576	29,929
Total Funds	\$1,387,267	\$1,689,193	\$1,615,120	\$74,073	\$1,584,647	\$1,614,576	\$29,929

CURRENT LEVEL ISSUES:

DOC - Investments

NON-ACTION ITEMS

- A. Inflation
- B. Audit
- C. Network Fees

PER DIEM - The LFA reflects actual fiscal 1990 expenditures (Proprietary)

BUDGET BASE DIFFERENCES (Proprietary)

TOTAL CURRENT LEVEL

EXECUTIVE BUDGET MODIFICATION:

FTE	1992	1993
	1.00	1.00

ADDITIONAL FTE BOARD OF INVESTMENTS/HEALTH FACILITIES AUTHORITY (Proprietary)

EXEMPT POSITIONS SALARY INCREASE: Personal services in both the LFA and Executive Budget do not reflect increases given by the board to four exempt positions in upper management. These increases amount to approximately \$13,800 per year. Excess authority in operations may be used to fund the difference.

*Approved* 48,000  
93 96,000

--Executive Over (Under) LFA--  
FY 92 (2,869)  
FY 93 (\$47,988)  
(\$500)  
\$941  
\$20,430  
\$74,073  
(\$29,929)

\$22,509

APR 7 - 2/13/91  
MONTANA

MONTANA PROMOTION BUDGET  
Based on SBAS Fiscal Year End Reports  
(Actual Expenditures)

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
1000 Personal Services	289,412.22	353,365.84	408,336.45	382,592.54
2000 Operating Expenses	1,190,460.87	2,615,985.88	2,600,373.79	3,405,526.28
3000 Equipment & Intangible Assets	3,148.10	74,367.66	5,701.50	17,266.12
5000 Local Assistance		<u>783,225.30</u>	<u>855,755.45</u>	<u>1,356,087.00</u>
TOTAL	1,483,021.19	3,826,944.68	3,870,167.19	5,161,471.94

Exhibit 8  
Mar. 22, 1990

**MONTANA HEALTH FACILITY AUTHORITY**  
DEPARTMENT OF COMMERCE



STAN STEPHENS, GOVERNOR

CAPITOL STATION

**STATE OF MONTANA**

(406) 444-5435

FAX (406) 449-6579

HELENA, MONTANA 59620

**MONTANA HEALTH FACILITY AUTHORITY  
PROGRAM OVERVIEW**

MISSION: \* Health care cost containment by issuance of low cost tax exempt and taxable revenue bonds.

AUTHORITY: \* Established by the 1983 Legislature.  
\* Seven board members appointed by governor for four year terms.  
\* Bond issuance cap: \$150 million per biennium.  
\* Cumulative bond issuance: \$157,224,000

FACILITY ELIGIBILITY:

\* Any non-profit, 501(c)(3) health care facility.

PROJECT ELIGIBILITY: Finance or refinance:

- \* New building construction;
- \* Acquisition or renovation of buildings; and,
- \* Equipment purchases.
- \* Does not finance operating expenses.

ACTIVITY: \* Loan portfolio includes 61 loans for 47 borrowers.  
\* Borrowing rates have ranged from two to six percent below refinanced mortgage rates.  
\* Daily consultation with health care managers on capital finance issues.

INTEREST RATE PERFORMANCE:

<u>Year</u>	<u>Borrower's Averaged Annual Rate<sup>1</sup></u>	<u>Prime Rate +2 percent</u>	<u>Rate Difference</u>
1989	7.39	13.00	5.61
1990	7.90	12.00	4.10

<sup>1</sup> Variable rate for 1985 Pooled Loan Program includes letter of credit fees.

12/90

Board of Directors:

Mary D. Munger, Chairman, Helena

Kent Brubaker  
Terry

Dalyce K. Flynn  
Townsend

Gregory L. Hanson  
Missoula

Sandy Johnson  
Fairfield

Dr. Bud Little  
Helena

John Solheim  
Glendive

## MONTANA HEALTH FACILITY AUTHORITY PROGRAM OVERVIEW

### Montana Health Facility Authority - Mission

The Montana Health Facility Authority (the "Authority"), a seven member board appointed by the Governor, was established by the 1983 Legislature with health care accessibility and cost containment as its purpose. This is being achieved by providing alternative tax exempt or taxable capital financing for eligible health facilities, at borrowing rates below other financing options.

### Bonding Authority

The Authority may presently issue bonds up to \$150 million during any biennium. Since inception the Authority has issued bonds totaling \$157,224,000.

### Program Overview

The Authority makes loans to eligible non-profit health facilities, either public or private, authorized to provide or operate a health facility in Montana.

Eligible projects include financing and refinancing new construction, renovation and acquisition of buildings, and equipment purchases. Eligible projects do not include operating expenses.

A project may include one or more capital activities undertaken jointly by several facilities.

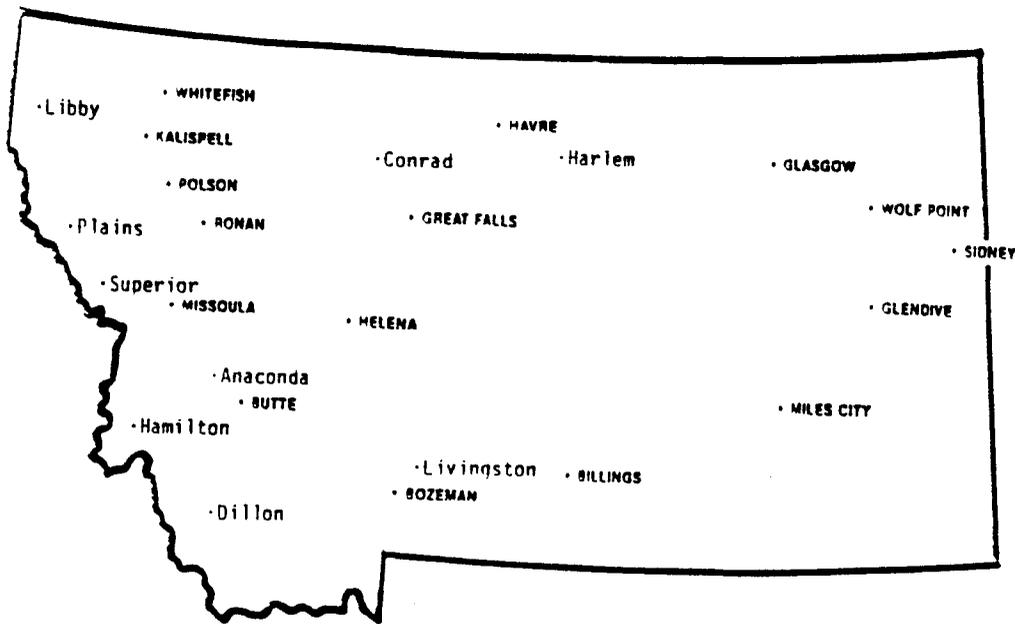
The Authority meets its administrative costs through the collection of fees both at the time of financing and in some cases annually for the term of the debt.

### Accomplishments

Through December 1990 the Authority has loaned bond proceeds to 47 separate borrowers through 61 loans without any defaults. Borrowing rates are usually two to six percent below alternative taxable borrowing rates. In many instances the Authority provides health facilities access to otherwise unattainable tax exempt municipal markets and the commensurate low interest rates.

The Authority provides objective financial assistance to health facility managers who are formulating capital plans.

Ex. 8  
 2-14-91  
 Nat. Res. Serv.



## LOCATION OF MHFA FINANCINGS

### ANACONDA

AWARE, Inc.

### BILLINGS

Billings Deaconess Hospital

Northern Rockies Regional Cancer Treatment Center

Residential Support Services

Rimrock Foundation

Special Training for Exceptional People

Special Transportation, Inc.

### BOZEMAN

Bozeman Deaconess Foundation

REACH, Inc.

### BUTTE

Butte Sheltered Workshop, Inc.

### CONRAD

Northern Gateway Enterprises, Inc.

### DILLON

Mental Health Services, Inc.

### GLASGOW

Frances Mahon Deaconess Hospital

### GLENDIVE

Glendive Community Hospital

### GREAT FALLS

Columbus Hospital

Golden Triangle Community Mental Health Center

Montana Deaconess Medical Center

Region II Child and Family Services

### HAMILTON

Ravalli Services Corp.

### HARLEM

Blaine County Activities Center

### HAVRE

Havre Day Activity Center, Inc.

Northern Montana Hospital

### HELENA

Montana Children's Home and Hospital

Shodair Hospital

Southwest Montana Mental Health Center, dba  
 Mental Health Services, Inc.

St. Peter's Community Hospital

Tri-County Developmental Disabilities

West-Mont Habilitation Services, Inc.

West-Mont Home Health Services, Inc.

### KALISPELL

Northwest Healthcare Corporation

### LIBBY

St. Johns Lutheran Hospital

### LIVINGSTON

Counterpoint, Inc.

### MILES CITY

Developmental/Educational Assistance Program

Eastern Montana Community Mental Health Center

Holy Rosary Hospital

### MISSOULA

Opportunity Industries, Inc.

Missoula Community Hospital

Missoula Developmental Services Corp.

St. Patrick Hospital

Western Montana Regional Community  
 Mental Health Center

### PLAINS

Little Bitterroot Special Services

### POLSON

St. Joseph Hospital, Inc.

### RONAN

Mission Mountain Services

St. Luke Community Hospital and Nursing Home

### SIDNEY

Community Memorial Hospital

### SUPERIOR

Mineral County Hospital

### WHITEFISH

North Valley Hospital

### WOLF POINT

Faith Lutheran Retirement Home

## LOCATION OF MHFA FINANCIAL ADVISORY SERVICES

The following health facilities have used the Authority in a financial advisory capacity for preliminary feasibility studies, development or achievement of capital financing options:

### Anaconda

Anaconda Community Hospital

### Billings

St. Vincent's Hospital  
St. John's Nursing Home  
REM of Montana

### Chester

Liberty County Nursing Home

### Conrad

Horizon Lodge  
Pondera Medical Center

### Great Falls

Rocky Mountain Treatment  
Center  
Providence

### Hamilton

Marcus Daly Hospital

### Kalispell

Flathead Chemical Dependency  
Clinic

### Lewistown

Central Montana Hospital and  
Nursing Home

### Livingston

Livingston Memorial Hospital

### Miles City

Custer County Nursing Home  
Eastern Montana Industries

### Missoula

American Red Cross  
Big Bear Resources

### Townsend

Broadwater Health Center



2-14-91  
 Cab-18  
 Nat. Res. Dev.

CENSUS & ECONOMIC INFORMATION

65016100.000

	Fiscal 1990 Actual	Fiscal 1991 Appropriated	Base	Fiscal 1992 Incr/Decr	Recommended	Base	Fiscal 1993 Incr/Decr	Recommended
Full Time Equivalent Employees	7.33	6.83	7.83	.00	7.83	7.83	.00	7.83
Personal Services	155,734.88	192,666	233,561	-3,056	230,505	233,149	-3,042	230,107
Operating Expenses	43,085.31	84,170	64,138	80,753	144,891	63,057	68,583	131,640
Equipment	3,200.00	14,000	14,000	-48	13,952	14,000	0	14,000
<b>Total Agency Costs</b>	<b>\$202,020.19</b>	<b>\$290,836</b>	<b>\$311,699</b>	<b>\$77,649</b>	<b>\$389,348</b>	<b>\$310,206</b>	<b>\$65,541</b>	<b>\$375,747</b>
General Fund	202,020.19	290,836	311,699	77,649	389,348	310,206	65,541	375,747
<b>Total Funding Costs</b>	<b>\$202,020.19</b>	<b>\$290,836</b>	<b>\$311,699</b>	<b>\$77,649</b>	<b>\$389,348</b>	<b>\$310,206</b>	<b>\$65,541</b>	<b>\$375,747</b>

Overview

The "information age"--that overworked yet accurate phrase--describes a world where information often is the most valuable commodity we can possess. The Office of Research & Information Services (ORIS) and the Census and Economic Information Center (CEIC) serve the economic development efforts of both the Department of Commerce and Montana's general economic community by providing a central and accessible information source.

The office is an information gateway for a variety of public and private individuals, agencies, and businesses seeking comprehensive economic and demographic information. In its special-collections library, the office maintains documents addressing the economy of the state (historical as well as current) including statistical reports from other Montana governmental agencies. The office monitors the Montana economy, conducts specific economic projects, distributes economic, demographic and business information, maintains and presents information on the department's economic development programs, and supports the department's research, informational, business development and promotional activities.

Through such activities the office seeks to provide a comprehensive economic information resource for public and private users for economic development planning and implementation.

The office's connections in the "greater statistical community" are with the U.S. Department of Commerce, especially the Bureau of the Census and the Bureau of Economic Analysis (BEA), with the CEIC being the primary data distributor within the state. Membership in the State Data Center program and the Business and Industry Data Center program, both operated by the U.S. Census Bureau, provides the CEIC with sources of federal data (print and non-print), and information and professional expertise central to economic development and policy concerns that otherwise would not be available in the state.

As the lead agency in the Montana State Data Center program, the CEIC receives, programs, reproduces and distributes the data and maps collected in the 1990 Census.

**Performance Indicators**

	FY90 <u>Actual</u>	FY91 <u>Enacted</u>	FY92 <u>Base</u>	FY93 <u>Base</u>
Grants Reviewed	30	30	30	30
Grants Awarded	14	14	14	14
Projects Monitored	35	35	35	35
Projects in Progress	70	70	70	70
Workshops	12	12	12	12
Publications Distrib.	600	600	600	600

**Increase or Decrease from Base**

**Current Level Adjustments**

The Department transferred a .5 FTE to the Section 8 Housing Bureau to better utilize staff resources.  
 FY92 - (\$13,563)      FY93 - (\$13,537)

Operating expenses have increased due to adjustments in Division recharges and Department fixed costs.  
 FY92 - \$5,659      FY93 - \$5,628

The Department requests an increase by \$2,144,268 in federal grant expenditures associated with the Community Development Block Grant Program. The amount of unexpended funds in each state's letter-of-credit in the state CDBG Program was examined by the U.S. Department of Housing and Urban Development (HUD). Many states, including Montana, had excessive amounts of unexpended funds. HUD has mandated that states implement timely CDBG projects. This has resulted in an increase in the timeliness of CDBG project grant expenditures. CDBG grants are funded 100% with federal funds.

FY92 - \$2,144,268      FY93 - \$2,144,268

The CDBG's general fund increases during the biennium to meet federal matching requirements for administrative costs. An offsetting decrease in general fund is realized in the Science and Technology Alliance program.  
 FY92 - \$6,189      FY93 - \$8,116

located across the state. With general information available at multiple locations throughout the state, the office can ensure quick, efficient responses to routine information requests such as questions on the population of Montana, its counties, cities and towns. All affiliates receive reference materials, and within budget and time constraints the office also provides both formal and informal training in the use of Census Bureau and other agencies' products and services.

Throughout the past several years, the CEIC has answered an average of 3,400 data requests per year. These requests arrive via mail, telephone and in person, by such varied users as academics, business representatives, consultants, libraries, media representatives, all levels of government, and the general public. They include in and out-of-state and international requests.

Because the CEIC library follows the ethics and state laws guaranteeing confidentiality for library users, past explanations of the types of use and users were delivered in generic terms only. In order to provide the office, the Census Bureau and the Legislature with a more detailed understanding of users and end use of information requested, beginning in December 1989, a brief survey has been included with all mailed data request responses. The survey asks if the office may use the requestor's name, and if the data user will indicate the "end use" of the data requested (i.e., business start-up, city or town economic development project, feasibility of foreign trade opportunity, etc.). The survey has yielded a 43 percent return rate, with 85 percent granting permission to use names and/or end use of data.

Survey examples include an AT&T planner in Chicago analyzing areas in the state that might be suitable for a "Point of Presence" by the company, the Miles City hospital using demographic statistics in a grant application for a medical campus, Montana Power Company passing on information to a California company interested in Montana economic development, and a Columbus planner using information in a federal grant proposal through the U.S.D.A. for rural development. The remaining users and uses are as varied as the examples.

To improve data access, staff both attend and provide

training workshops in the use of the data. Participants generally include state and local government users, network affiliates, and educational institution users.

The office is the state's central depository of all Census data. As the lead agency for the State Data Center program, the CEIC must process the 1990 decennial census tapes when they become available, and provide appropriate support services necessary to distribute the data, which includes providing Census maps.

Census tapes require programming by a skilled mainframe programmer. The maps will be received on about 1,500 map sheets drawn on an electrostatic plotter, and must be reproduced and distributed to anyone requesting them.

The general fund was deemed an appropriate funding source to develop the 1980 Census data. The office received approval from the 1989 Legislature to hire a half-time computer programmer and a half-time clerk beginning January 1, 1991, to start the necessary computer programming and census information distribution.

### Base Funding

This program is funded entirely by the General Fund.

Under base funding it should be noted that the office experienced a 53 percent decrease in its operating budget from fiscal 1989 to fiscal 1990. Personal services were fully funded by the 1989 Legislature, but the office's operating budget was reduced significantly because of the loss of long-standing federal funds. Replacement of operating funds were not requested by the department during the 51st Legislative Session because of known vacancy savings. A legislative decision at the end of the session not to allow personal service transfers into operating, however, left the office with insufficient funds.

In addition to this situation, the office has also experienced unanticipated 1990 Census responsibilities and expenses. In response to the operating shortfall, the office made some one-time adjustments, such as allowing no training or travel, not purchasing reference books, not renewing subscriptions, and not reprinting County Profiles

EA / D  
2-14-91

## Goals

Support the department in its research, policy development, business development, informational and promotional activities.

Provide timely, accurate and affordable service in the use and distribution of information to users.

Provide staff skilled in the use and interpretation of the data available.

Improve access to and expand use of U.S. Census Bureau, the Bureau of Economic Analysis and other information sources maintained in the office's special library.

Receive, program, reproduce and distribute data and maps collected in the 1990 Census.

## Authorization

Title 90-1-109, MCA

"State Census and Economic Information Center. The Department of Commerce shall, in cooperation with other state, federal, and local agencies, establish and maintain a central depository of information, including computer-retrievable files, concerning the significant characteristics of the state, its people, economy, land, and physical characteristics. The department shall analyze and disseminate such information to state, federal and local agencies and to the general public."

## Base Program

The office supports the department in its research, policy development, business development and promotional activities with its research, writing and editing. The office's routine publication responsibility includes the department's quarterly newsletter *Inside*, the department's biennial *Report to the Legislature*, and the 57-volume *Montana County Profiles*. Past staffing patterns permitted the biennial publication of *Economic Conditions in Montana*, last produced for 1988. The office also manages the

production of the Montana Ambassadors' Annual Report, and routinely updates its promotional brochure. The office also takes its annual turn in producing the national State Data Center Steering Committee's newsletter.

The office reviews and edits department news releases for the Director's Office prior to distribution to ensure continuity of policy and to maintain an information clearinghouse function within the department. In the past year the office answered a variety of trade magazine and survey requests such as those from the business site selection survey magazine, *Conway Data, Inc.*, the Grant Thornton General Manufacturing Climates study, the study done by Inc. magazine, and a world atlas project by *National Geographic*.

During the 51st Legislative Session (1989), the office provided bill status/tracking services for the department.

In order to provide timely, accurate and affordable service, the staff must be familiar with data, its uses and limitations, and all holdings must be organized as efficiently as possible. Cataloguing holdings is an important and ongoing office function. An index of publications is available on the department's computer system for the first time. The first phase of a data file inventory project (catalogue of machine-readable data files) has been completed.

The office secures data for dissemination, prepares BEA and other data for distribution and use, informs users as to the strengths and limitations of a given data series to be used, and screens data series for users. The office provides library technical services and support, provides map maintenance and reproduction and storage, and provides online access to economic data through U.S. Department of Commerce electronic bulletin boards.

In addition, the office multiplies its effectiveness and statewide outreach by supporting an affiliate network as outlined within the state's Joint Statistical Agreement with the U.S. Census Bureau. This network's purpose is to make economic and demographic data readily available to business and government users and to the general public. The affiliates are libraries, local development organizations, chambers of commerce and trade organizations

### Increase or Decrease from Base

#### Current Level Adjustments

The department has eliminated one FTE and transferred funds into contracted services for a savings of approximately \$8,000. This position provided economic and demographic research and analysis for the Department, other state agencies and also served as an advisor to both public and private entities. The Department needs the ability to assist with and provide economic research when requested. The Department has incorporated this service under contracted services starting in FY 91.

FY92 Pers. Serv.	(\$33,119)	FY93 Pers. Serv.	(\$33,036)
Operating	25,000	Operating	25,000

#### Program Enhancements

##### 90 Census

The office is responsible for providing public access to census data. Only 20% of the data received from the U.S. Bureau of Census (BOC) is printed. The remainder of the census data is available on machine readable data files, both magnetic computer tapes and compact disk read only memory (CD-ROM). The office programs the data files to create reports to provide ready access. The office also provides access to the census maps, which for the 1990 census will be about 1,300 map sheets. The executive budget recommends 1.00 FTE and general fund of \$64,264 in FY 92 and \$53,264 in FY 93 to program the census data, provide specialized assistance in accessing the data, reproducing maps, and purchase computer equipment necessary to ensure access to the 1990 census data.

FY92 - \$64,264	FY93 - \$53,466
-----------------	-----------------

##### Loss of Federal Funding

Due to the elimination of federal funding over the past two biennia that funded current level costs, the executive budget adds \$20,000 general fund each year of the 1993 biennium for continuation of services.

FY92 - \$20,000	FY93 - \$20,000
-----------------	-----------------

*Exhibit 10  
2-14-91  
Mar. Pers. Adv.*

even though the need and demand existed.

Concurrent to the operating budget deficit, the office experienced a 21 percent increase in its business users and an overall data user increase of 25 percent.

**Performance Indicators**

	<u>FY90 Actual</u>	<u>FY91 Enacted</u>	<u>FY92 Base</u>	<u>FY93 Base</u>
Publications	65	7	65	65
News releases, speeches, magazine stories, surveys	67	67	67	67
SDC/BIDC Annual Meeting Advisory Council	1 1	1 2	1 2	1 2
Training/data (days Affiliates Census (general public) Local review	3 4	2 1 2	2 2 ---	2 2 ---
Data programming/processing in person months	N/A	6	9	12
1990 Census data BEA (county) Economic Census County Profiles	1 1	1 1 2	1 0 5	1 0 2
Cataloguing (titles)	500	500	500	500
Data File Inventory	200	100	100	100
Data Requests	3,400	3,400	3,400	3,400
Special data projects	25	25	25	25
Joint Statistical Agreement with U.S. Census Bureau Annual Report Annual Work Plan	1 1	1 1	1 1	1 1

Exhibit 10  
Mar. 4, 1991

MONTANA DEPARTMENT OF COMMERCE

OFFICE OF RESEARCH & INFORMATION SERVICES / CENSUS & ECONOMIC INFORMATION CENTER

Reference Services Provided	FY 1989	FY 1990	FY 1991	July 1990	Aug. 1990	Sept. 1990	Oct. 1990	Nov. 1990	Dec. 1990	6 Mo. Total	Jan. 1991
Mall	491	205	95	10	12	7	9	12	11	61	34
Phone	2,262	1,926	1,383	131	167	119	173	161	107	858	525
Person	426	278	137	23	18	14	11	16	10	92	45
Total	3,179	2,409	1,615	164	197	140	193	189	128	1,011	604
Academic	165	181	82	8	4	16	15	14	5	62	20
Business/Occupation	754	691	309	42	63	48	52	50	37	292	97
Consultant	157	179	153	19	26	6	13	14	17	95	58
Government, U.S.	76	79	64	6	7	9	7	4	1	34	30
Government, State	731	478	387	43	42	32	51	56	28	252	135
Government, Local	183	139	194	10	14	7	11	9	6	57	137
International	5	13	6				3	2	1	6	
Libraries	55	94	69	14	6	4	3	4	4	35	34
Media	42	56	54	2	9	5	10	5	6	37	17
Miscellaneous	1,011	499	217	20	26	13	28	31	23	141	76
Total	3,179	2,409	1,615	164	197	140	193	189	128	1,011	604
0-9 min	1,470	1,020	645	68	75	61	81	76	66	427	418
10-19 min	1,049	847	511	67	72	52	76	65	41	377	134
20-60 min	519	469	216	25	40	23	32	36	13	169	47
60+ min	141	73	43	4	10	4	4	11	5	39	5
Total	3,179	2,409	1,615	164	197	140	193	189	128	1,011	604
Census maps	34	25	15	4	2			7		13	2
Computer processing	3	1	2			1	1			2	
Diskette	22	19	10	2	3	2		1		8	2
Fax transmission	33	75	62		7	5	7	3	4	26	36
Microfiche	25	48	19	3	7	1		3	1	15	3
Online Search	6		1								
Photocopying	1,440	898	704	35	80	51	62	64	39	331	373
Printed reports	384	448	142	4	13	18	32	31	15	113	29
Basic Reference	214	133	85	11	13	12	7	19	7	69	16
Business Reference	211	217	88	10	19	14	16	8	5	72	16
Class assignment	32	34	12	1	1	1	2	3	2	10	2
Demographic	654	808	911	76	89	63	72	94	59	453	458
Economic development	94	128	21	4	5	3	4	3	1	20	1
Economic, general	414	693	361	42	47	37	75	42	34	277	84
Grant application	13	10	9		1			1	2	4	5
Miscellaneous	58	112	19	3	5	1	3	14	6	18	1
Program administration	62	97	63	12	12	7	7		4	56	7
Questionnaire	11	12									
Relocation, business	13	8	7		3		2			6	1
Relocation, personal	479	157	39	5	2	2	5	5	7	26	19
Total	5,175	3,999	2,115	164	197	140	193	189	128	1,011	604

U.S. BUREAU OF THE CENSUS & U.S. BUREAU OF ECONOMIC ANALYSIS  
generate data - 20% print, 80% electronic *types*  
distribute to: *or*  
*discs*



OFFICE OF RESEARCH & INFORMATION SERVICES  
CENSUS & ECONOMIC INFORMATION CENTER  
processes electronic data for publication, distribution



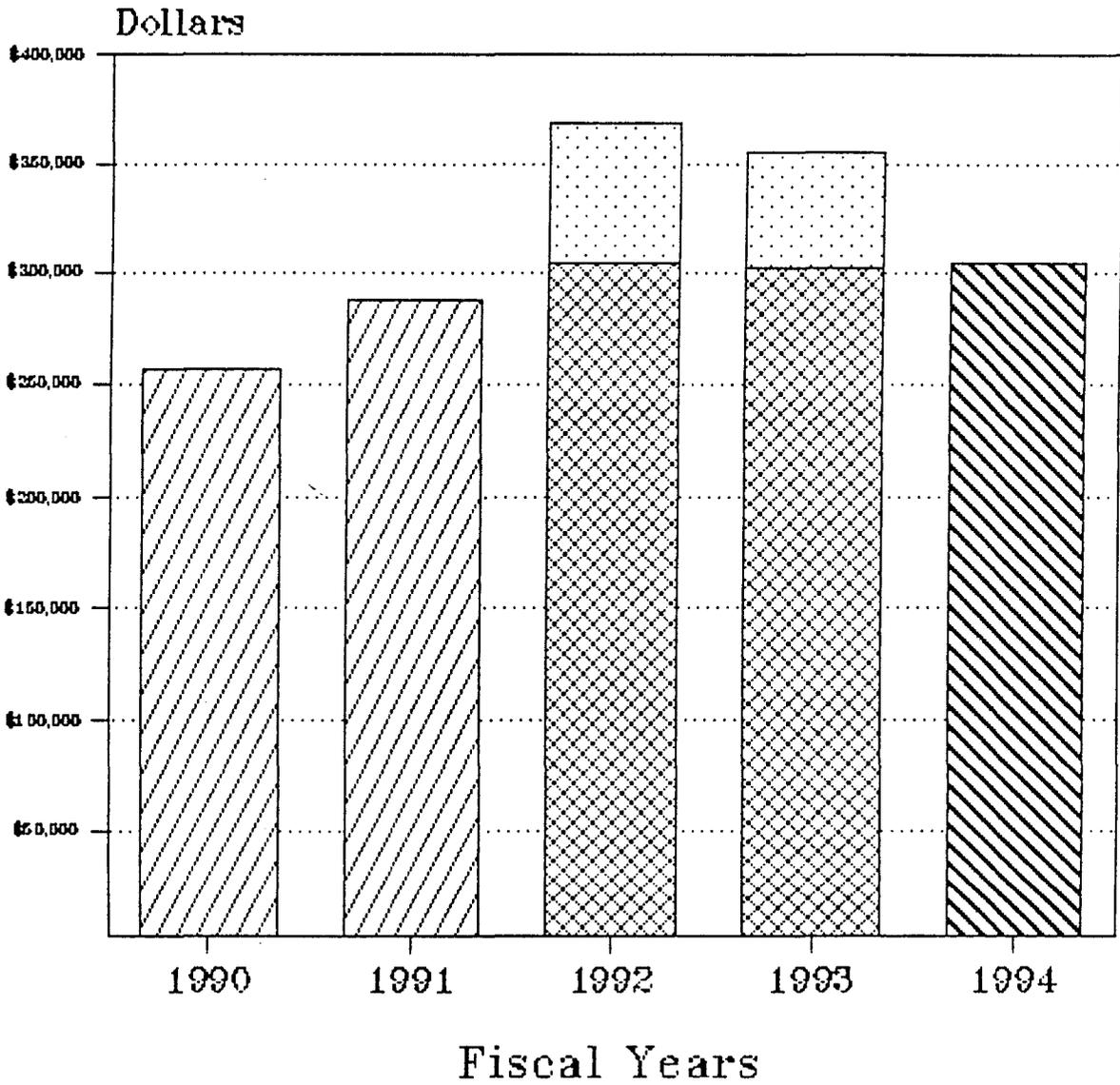
DATA USED BY/FOR:

- : legislative redistricting
- : school boards/districts
- : power companies
- : disaster/emergency services
- : grants for water/sewer projects
- : revenue estimating
- : fund raising
- : hospitals
- : Superfund/waste programs
- : needs of retired/elderly
- : armed forces recruitment
- : CDBG awards
- : writers and historians
- : businesses of all types/sizes - start-up, expansion, relocation
- : state, local, federal agencies
- : higher education systems
- : telecommunications companies
- : infrastructure planning/development
- : transportation planning
- : environmental impact statements
- : workforce characteristics
- : health care delivery systems
- : resort area designations
- : day care programs
- : "niche" marketing of goods/services
- : state promotion/recruitment efforts
- : news media
- : grant programs for "at risk" populations

... and more ...

Ex. 10  
2-14-91  
War. Prod. Div.

### BUDGETS FOR OFFICE OF RESEARCH & INFORMATION SERVICES Montana Department of Commerce



- Approp. '90, '91
- OBPP
- OBPP w/Modif.
- 1994 Estimate

6501 DEPARTMENT OF COMMERCE  
61 OFFICE OF RES. & INFO SERVICES  
00000

DATE : 01/08/91  
TIME : 21/29/24  
CURRENT LEVEL COMPARISONS

2-14-91  
Exp - 11  
Nat. Res. Div.

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	6.83	6.83	6.83	.00	6.83	6.83	.00
Personal Services	155,737	200,442	198,642	1,800	200,113	198,313	1,800
Operating Expenses	43,090	90,690	77,271	13,419	88,168	76,154	12,014
Equipment	3,200	13,952	9,752	4,200	14,000	0	14,000
Total Expend.	\$202,027	\$305,084	\$285,665	\$19,419	\$302,281	\$274,467	\$27,814
<b>Fund Sources</b>							
General Fund	202,027	305,084	285,665	19,419	302,281	274,467	27,814
Total Funds	\$202,027	\$305,084	\$285,665	\$19,419	\$302,281	\$274,467	\$27,814

DOC - O.R.I.S.

---Executive Over (Under) LFA--  
FY 92

(\$981)  
\$471  
\$1,279

\$1,800  
\$16,850  
\$19,419

(\$1,291)  
(\$403)  
\$1,279

\$1,800  
\$26,429  
\$27,814

\$53,466  
\$20,000  
\$73,466

PERSONAL SERVICES (General Fund)  
A. The Executive Budget consolidates two .25 FTE into a .5 FTE position (#61021),  
necessitating full insurance  
*Dunston memo E.B. 2 x 3 - Uam*

BUDGET BASE DIFFERENCES (General Fund)

TOTAL CURRENT LEVEL

CUTIVE BUDGET MODIFICATIONS FOR PROGRAM EXPANSION:

AUTOMATION OF CENSUS DATA (General Fund)  
FEDERAL FUND REPLACEMENT (General Fund)

TOTAL MODIFICATIONS

FTE 1992 1993

1.00 1.00  
0.00 0.00  
0.00 0.00

1.00 1.00  
0.00 0.00  
0.00 0.00

2-14-91

12:

Testimony  
for P.S. Law.

BUSINESS DEVELOPMENT DIVISION -- Business Assistance  
Presentation (45 MINUTES)  
Joint Budget Committee, Feb 14, 1991

A. INTRODUCTION:

I'm Bob Heffner, Chief administrator for Economic Development, and Administrator for Business Development Division. The group of agencies reporting to me--CEIC, Business Development Division itself, and the International Trade Office (formerly titled the Pacific Rim program), make up the lead organization for economic development within the Department of Commerce.

Because this programs are highly visible--they receive a lot of press attention, particularly bus. assistance and International Trade; and economic development is always a key political issue -- for this reason we'll be giving you a fairly thorough program description, which should take about 45 minutes in all.

[SLIDE 1]

There are 3 separate budget areas for the Business Development group and the 3 parts of the program related to these budgets will be presented separately today.

First, Business Development Division has recently been reorganized to include the Department's Office of Research and Information Services (ORIS), and Census and Economic Information Center (CEIC) -- ORIS / CEIC for short. ORIS / CEIC houses the Division's library, databases and research capability; and is the Division's main provider of small business, industrial and census **information**. You have just completed reviewing that program and its budget with Jan Clack. For management purposes, ORIS is part of BDD. For budget and appropriation, it's been shown completely separately.

Next, in the presentation that immediately follows, Evan McKinney, the Small Business Development Center Director and I are going to report on the bulk of the Division's management consulting and training programs, including the federally-funded Small Business Development Center (a program for counseling and training small business), the CDBG program (which uses federal dollars to make loans to small businesses), the procurement technical assistance, or government contracting program (also federally funded, by the Defense Logistics Agency), and the Division's business licensing and community development services.

This group of programs is titled 51000, "Business Assistance," in your budget materials.

Finally, and also having a separate budget, is the International Trade Office (formerly spoken of as the Pacific Rim program), which operates the State's overseas trade offices in

12  
~~2-14-91~~

Japan and Taiwan. We will be proposing an expansion of the International Trade Office to include assistance with export to Canada and the rest of the world, in addition to the Pacific Rim. Matthew Cohn, Director of the International Trade Office, will present this part of the program and its budget and budget issues to you tomorrow morning. This part of the program is titled "51650 -- Pacific Rim" in your budget materials.

"Pacific Rim" and Business Assistance summed together make up the "51 - Business Development Division" shown in your budget materials. But, just for clarity, we are going to deal with them separately: 51000, Business Assistance now; and "51650 - International Trade" tomorrow.

B. BODY.

So we'll turn now to the program presentation on the business assistance function of business development division.

Our mission, our purpose, is to promote jobs and income growth in Montana. We do this by providing management consulting, management training, and management information for small businesses.

We provide consulting, training and information to small businesses in the areas of **Finance, Marketing, Business Location, Data Management, Community Development, Business Licensing, and Government Contracting.**

I am going to lead off by discussing:

1. the need for the kind of work we do
2. **how we serve** this need:
  - what resources we use (our programs, personnel and offices)
  - exactly what these programs do
    - some functions & accomplishments of each

Evan McKinney will continue the Business Assistance presentation, by discussing:

3. how much we do (overall activity measures); and
4. the **results** of what we do:
  - how much is produced for MT businesses and the MT economy;
  - some examples of companies we have worked with, and how BDD played a part in their success

We are here to sell you a program. We want to make clear why MT needs this program; what the program does; how much of it we do; and what the ultimate results of the program are, so far as it is possible to measure them.

EXHIBIT 1-5  
DATE 2-26-91  
BY Mr. Prater

C. NEED FOR BUSINESS DEVELOPMENT [SLIDE 2]

1. We assist small business with consulting, training and information--as a means, and a sensible and effective means, of helping to revitalize this state's economy.

Why small business? because

2. In Montana, most business is small business

-Dun & Bradstreet: 82.5% of all firms have less than 10 employees. 80% gross less than \$500,000/yr.

That's our main clientele.  
-the 80% or more that are too small to afford specialized management, or high-priced consultants

3. Small business is not only the largest part of the economy, it is the most productive in job creation. In Montana, almost all net job growth comes from very small business.

\*\*\*\*\*

[David Birch, 1986 report for MT Power:

[SLIDE 3]

Net Job Generation, 1981-1985]

	Net Jobs Created/(Lost)
Entire Economy, '81 -'85:	2,286
-By Employment Size	
0 - 19	6,191
all others	(3,905)
-By Ownership Type	
local independent	3,688
all others	(1,402)
-By Age	
0 - 4	20,240
all others	(18,043)

\*\*\*\*\*

It is fair to say that in Montana, virtually all net new jobs are produced by companies that are SMALL, LOCAL, and YOUNG

-- and that these kinds of companies deserve priority attention in economic development.

DATE 2-14-91

4. SO: small business makes up most of the economy; small businesses generate most of the jobs. So they're important. Do they need help?

Yes, they do. Our own DOLI figures show that **only 48% of new, small companies survive their first 4 years in business.** Small business is not only extremely productive in terms of jobs; it is also extremely volatile, and vulnerable. It's easy to understand why.

Small businesses have very little in the way of specialized management, and typically not in position to pay for needed assistance. One person wears all the hats. Don't have boards of directors (experienced advice); don't have CFO; don't have market specialists, don't have foreign trade experts; **don't have good access to capital markets**; sometimes they don't even have accountants.

THIS NEED DEFINES BDD'S ROLE

5. we are the specialized management consultants and trainers (and overseas trade offices, and defense contracting experts) for companies too small to afford their own. Apart, many MT companies can't afford these kinds of experts. Together they can.

6. It is our job to provide information that companies need to make good decisions. And consulting, & advice they sometimes need to avoid bad decisions. Difficulty of measurement: some of the most useful things we ever do are in helping people to avoid doing something wrong--not creating jobs, but preventing jobs lost; not making loans, but in avoiding additional, unnecessary debt that might eventually lead to a bankruptcy. Hard to measure, but it matters.

7. No matter how well we do our job, we cannot guarantee the success of every company in Montana. Obviously, with a staff of 15 and 41,000 firms, we can't even look at everyone's problems all of the time. But even if we could:

-some ideas are not good

{SLIDES 4 & 5}

-some companies will go into the market with poor ideas, poor management, insufficient resources and they will fail. They have the right to do that, and no one can stop them.

-Some will succeed beyond anyone's wildest dreams, and contrary to the best predictions of well-meaning experts & consultants, and no one can stop them either. To some extent, if you take away the right to fail, you take away the right to succeed. Therefore we can't, and don't try to, impose ourselves on the market, or on anyone in it.

DATE 2-14-91  
#8 Par. Dev. Dev

For those who seek our services, and who use our advice, -we can, however, contribute, and in many cases (some of which we'll show you) we know we have contributed tremendously to the success of certain companies. The national and world economy have their influence, other agencies and programs may help, and we have our influence; but the ultimate responsibility, and most of the credit for a business success, must always go to the business itself and the people who work in that business.

D. TO SERVE THIS NEED, we maintain offices around the state, and our when clients can't come in, our officers travel to meet with businesses in their own communities

[SLIDE--REGIONAL OFFICES]

We started with offices in Helena and Glendive, expanded to Flathead Valley Comm Coll in Kalispell, then to Bozeman. When our government procurement program came along, we set up specialty centers in Butte-Bozeman region, and Great Falls.

In the future, we anticipate having a subcenter in each of these eight regions: adding centers in **Billings, Great Falls, Missoula, Butte and Havre**, in approximate order of priority.

[SLIDE -- FVCC]

These are organized as partnerships, with DOC passing on the Federal dollars from SBA (about \$30,00), and the local partner matching the federal dollars with cash and in-kind totaling about \$30,000--about \$60,000 per one-person office.

E. So that's the need we serve, and our office network. Next, going to discuss WHAT EACH OF OUR ASSISTANCE PROGRAMS DOES, AND SOME ACCOMPLISHMENTS.

[SLIDE]

Specifically, going to discuss our Finance, CDBG, Marketing, Business Location, Data Management, Community Development, and Business Licensing and Government Contracting programs.

# BUSINESS DEVELOPMENT DIVISION

## DEPARTMENT OF COMMERCE

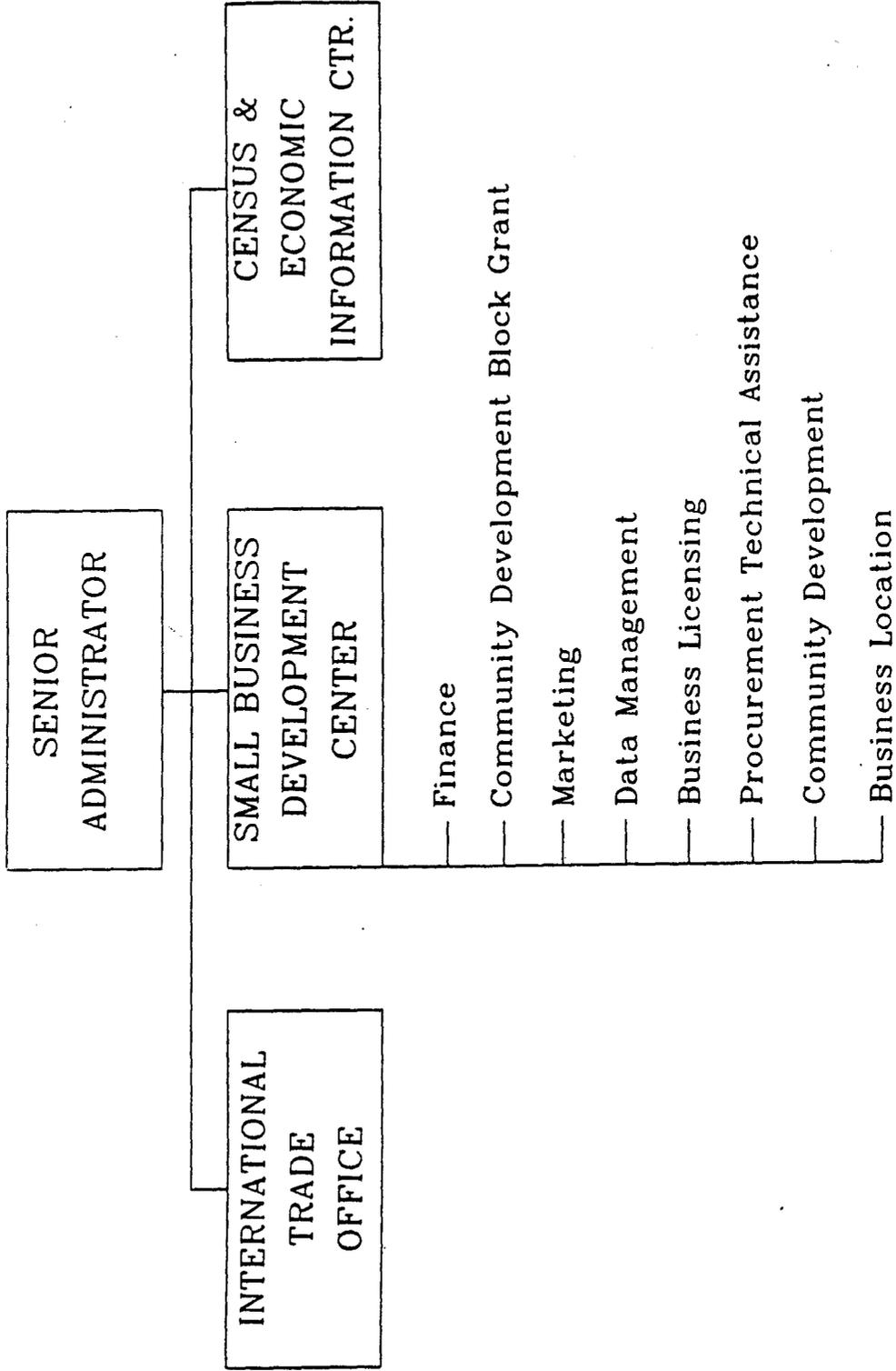


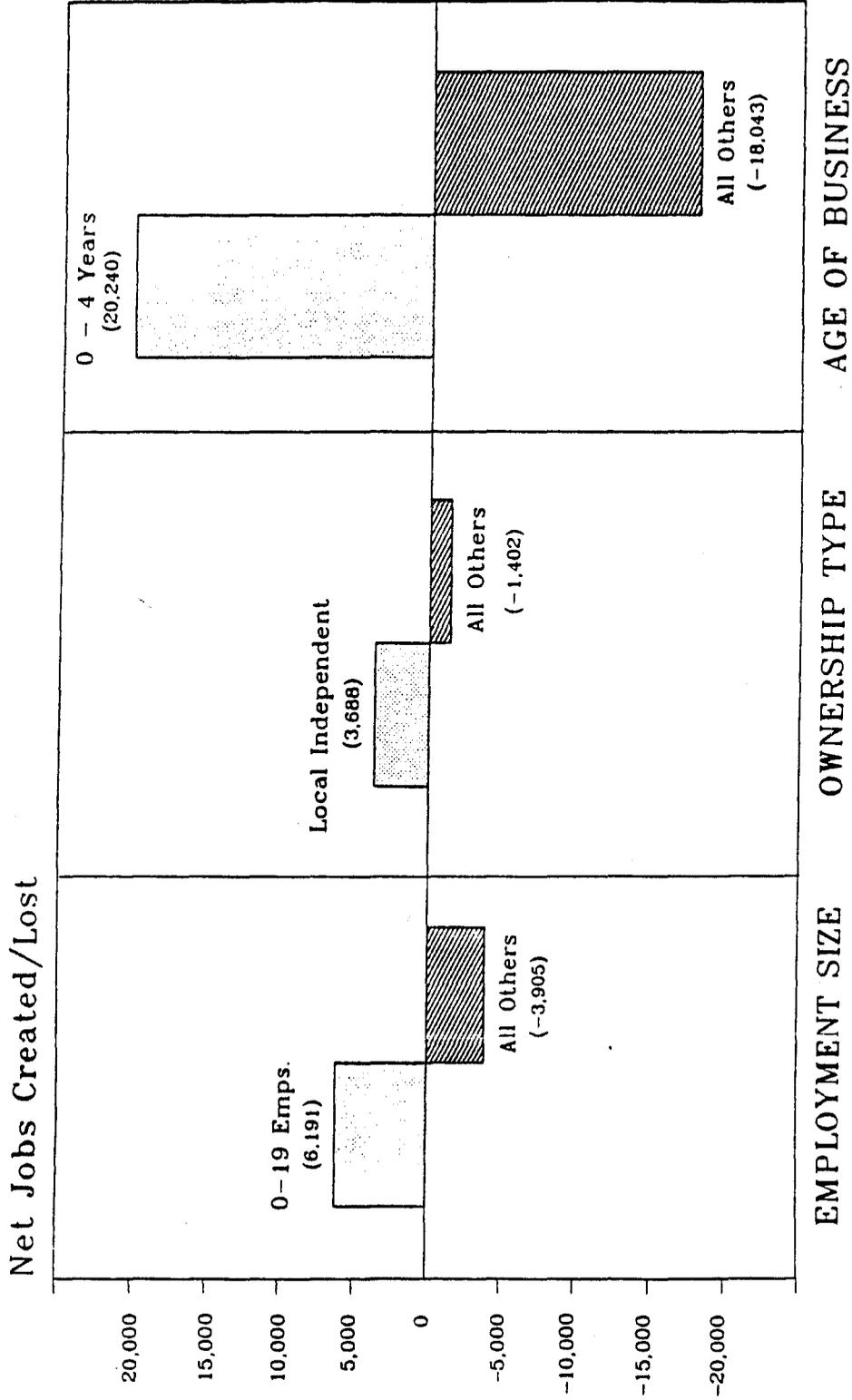
EXHIBIT 12  
DATE 2-14-91  
FB

2-14-41  
Par. 407. Sec.

### NEED FOR BUSINESS DEVELOPMENT

1. Most Montana business is small business
2. Almost all net job growth in Montana comes from very small business
3. Most small business owners do not get needed management assistance

# NEW JOB GENERATION IN MONTANA 1981 - 1985

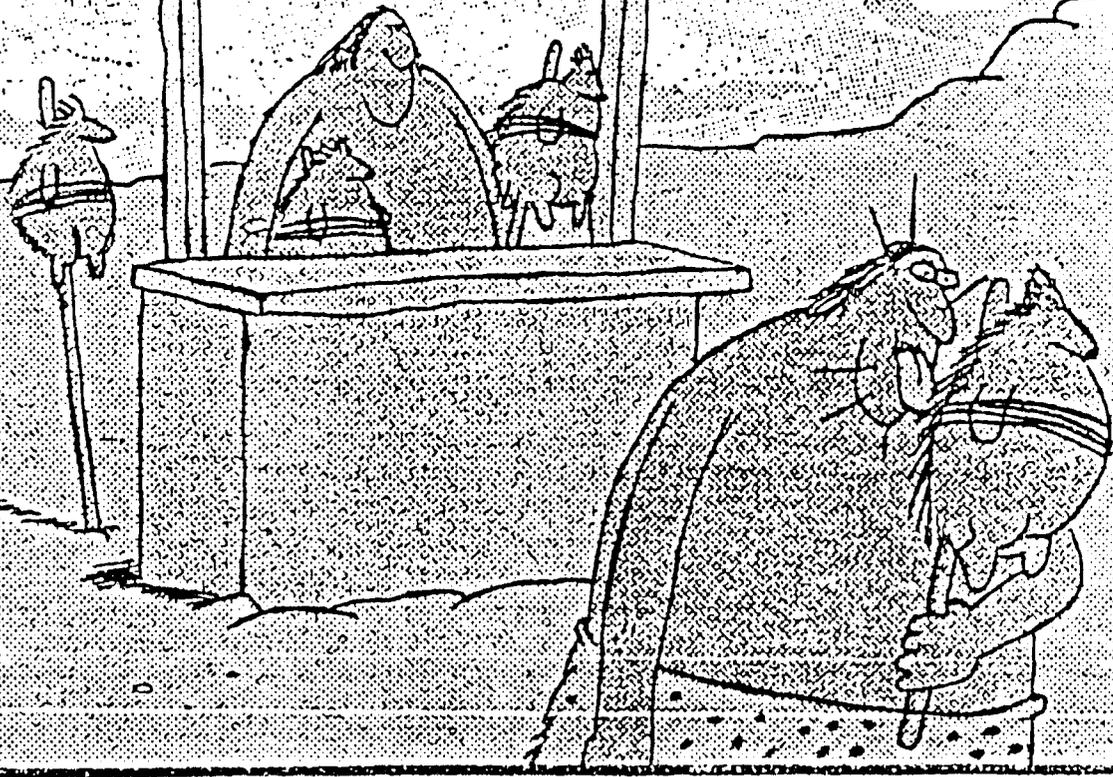


Source: David Birch, 1986.

\* Net Job Growth In Montana, '81-'85: 2,286

DATE 2-24-91  
HB

POPKUPINE  
ON-A-STICK



Early business failures



EXHIBIT 12  
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FUNCTIONAL AREAS OF ASSISTANCE

1. Finance
2. Community Development Block Grants
3. Marketing
4. Data Management
5. Business Licensing
6. Procurement Technical Assistance
7. Community Development
8. Business Location

FINANCE PROGRAM

(D. Rasmussen, G. Faulkner)

CONSULTING/TRAINING SERVICES

- financial analysis
- business planning
- loan proposals
- loan packaging

FAST program: - income statement & ratio analysis  
- working capital (receivables, inventory)  
vs need for finance

Work with public lenders  
(BOI, SBA, EDA, CDBG, Sci & Tech, Growth thru Ag)

as well as all private lenders and equity investors

RESULTS

FY 1989 and 1st half 1990:

- \* \$16.5 million in total loans packaged
- \* \$ 8.2 million in public finance (CDBG, SBA guarantees, etc)
- \* \$ 8.3 million in private finance leveraged
- \* 1.01 to one private/public leverage ratio.

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COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
(CDBG)

SERVICES

- Approx. \$2.5 million federal dollars per year.
- Grants up to \$300,000 each to local govts.
- This money re-lent to specific business projects.
- Loans, not grants, to businesses.
- Low interest loans, with deferrals.
- Main criterion: low to mod income job creation.
- Moved from Loc Govt Assist, to associate with expert Finance Officers, & appears as a budget issue.

RESULTS

FY 90, 1/2 FY 91:

- \* 10 projects
- \* \$2.2 Million CDBG + \$5.6 Million private =
- \* \$7.8 Million total leveraged by program.
- \* Will create/retain 202 FTE jobs.

LOCATIONS / PROJECTS

Bozeman (2):	Lattice Materials; CVR Oak Designs
Bridger:	Yellowstone Furniture
Chinook (2):	Bear Paw Livestock; Sweet Medical Center
Dillon:	Centennial Foods (waxy hulless barley)
Havre:	Vita Rich Dairy
Jordan:	Garfield County Feeds
Phillipsburg:	Montana Silver Springs
Stevensville:	Stevi Machine

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MARKETING

SERVICES

- Market analysis & information
- Market strategy & planning
- Made in Montana: labels and advertising
- Trade shows
  - \* training
  - \* organizing
  - \* attending

RESULTS (FY 1990 - 1/2 FY 1991)

- 14 shows
- 162 Montana companies
- \$1.2 million in actual sales (so far)
  - \* \$27,000 cost to Dept. of Commerce
  - \* \$53,000 cost to companies
  - \* \$44 in sales for every \$1 of DOC expense

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DATE 2-14-91  
Name: [Signature]

DATA MANAGEMENT

SERVICES

Business Information System

- \* Free on-line source for business and economic information
- \* Serves local development organizations and private businesses
- \* Sample of information available
  - o Federal & state procurement opportunities
  - o Community and state profiles
  - o State-wide business training calendar
  - o Lists of economic assistance resources
  - o U.S. Census Bureau statistics (as released)
  - o Bureau of Economic Analysis statistics
  - o Montana Manufacturers Directory

Business Services

- \* Consulting on computer systems and software for small business
- \* Respond to research and information requests

RESULTS--Business Information System

- \* Served over 200 clients
- \* Logged over 1000 calls
- \* Clients downloaded over 900 information files

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BUSINESS LICENSING

SERVICES

Licensing

- \* One-stop information on all state business licensing requirements
- \* Business advocacy (regulations)

Ambassadors

- \* Staff to private business leaders group
- \* Functions:
  - conferences
  - recruitment
  - foreign visitor hosting

ACTIVITY

1990 brief contacts (required a mailing):	3,240
significant cases:	11
1989 brief contacts:	1,479

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PROCUREMENT TECHNICAL ASSISTANCE  
(GOVERNMENT CONTRACTING)

Greg DePuydt, Ralph Steckman, Karl Dehn

SERVICES

- New program, federal grant of \$114,000, matched by local and private donations, in operation since March 1990.

-3 professional staff, plus secretary

-Helena, Butte\Bozeman (southwest), GT Falls (Highline)

-Functions: assist MT firms to locate, bid, and perform on government contracts, with emphasis on defense but service on all federal, as well as state.

-Similar to overseas trade program, in that dealing w/ federal govt is in many ways like dealing with a foreign country: sheer size, own customs, own language.

-Example: Pro-Tech CBD bid-matching system

RESULTS

Performance Indicators (March through Oct, 1990)

Technical Assistance Counseling	275
Bid-match actions	122,403
Bidders list applications	842
Prime contract awards	95 *
Prime contract value	\$ 52 million *
Subcontract awards	50 *
Subcontract award value	\$ 8.7 million *

\*These indicate contract awards won by clients. Awards are not necessarily attributable to PTA assistance.

\*\*\*\*\*

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COMMUNITY DEVELOPMENT  
(Certified Community Program)

SERVICES

Community Development Planning

- \* Inventory resources, business
- \* Identify goals
- \* Strategy and action plan
- \* Recruitment training
- \* Retention and expansion training

ACTIVITY

56 training sessions

510 participants

New Communities: Forsyth, Belgrade, Bitterroot Valley

Recertified: 25 communities

Columbus: \$6.6 million relocation, 32 jobs  
(in a city of 1,500)  
-Stillwater Mining Company smelter  
-County Administrator credits Certified  
Communities for preparedness

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48 Year 2000

BUSINESS LOCATION

SERVICES

- Targeted recruitment
- Response to location inquiries
- Distribution of leads to communities
- Help with proposals, response to leads

RESULTS (FY 1990, 1/2 FY 1991)

- 622 prospects
- 12 companies relocated or started
- 476 new jobs
- \$26.3 million in capital investment
- Average response time
  - \* 1989, 3.59 days
  - \* 1990, 2.26 days

THE ODDS (per SBA data)

- 500 industrial relocations per year
- 30,000 local development organizations in pursuit
- 60 : 1 against

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## ACTIVITIES

### Counseling:

	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>
Brief	1,375	4,779
In-depth	401	971

### Business Training:

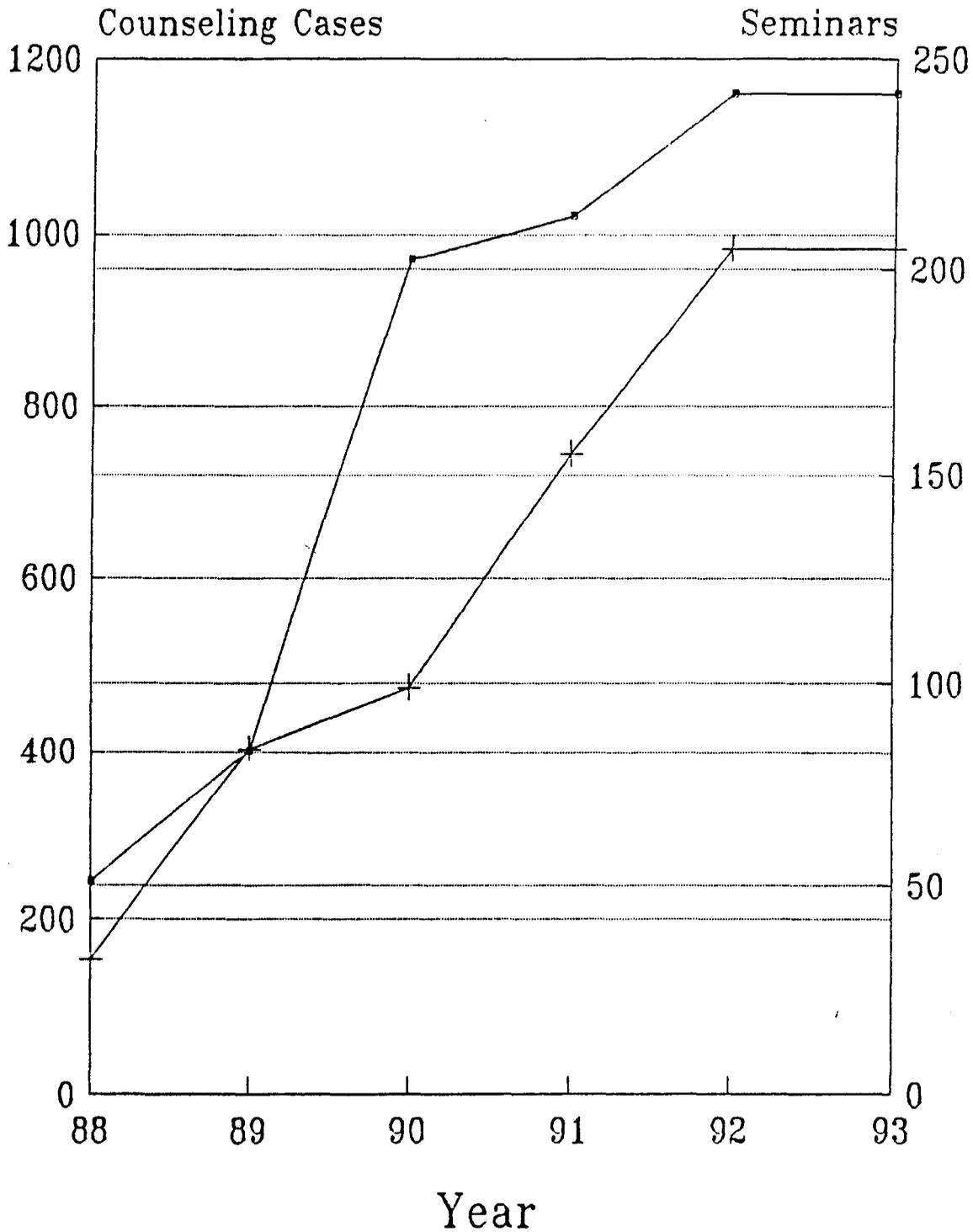
Seminars	84	99
Training Hrs	10,764	13,584

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# SBDC Activity



—●— Counseling Cases      —+— Seminars

(91 - 93 projected)

**Independent Studies of  
Small Business Development Center  
program**

- 1. U.S. General Accounting Office**
- 2. University of Houston**
- 3. MSU Survey & Research Center**

"A high percentage of clients were satisfied with SBDC program counseling; were willing to use the program in the future, and were willing to recommend the program to others."

"Most SBDC clients were satisfied with the kinds of counseling assistance they received..."

"Most clients who received SBDC counseling believed that the assistance they received was useful in meeting their business-related needs."

-- U.S. General Accounting Office

**"The population of long-term clients is projected to have generated federal and state revenues over sixteen times greater than the cost of their counseling."**

**-- University of Houston**

**"Sales and employment growth for SBDC clients exceeded that of non-clients."**

**-- University of Houston**

**1. Sales for SBDC clients exceeded that of non-clients in 30 of 30 states surveyed.**

**2. Employment levels for SBDC clients exceeded that of non-clients in 28 of 30 states surveyed.**

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# **Impact of Montana SBDC Counseling Efforts**

## **MSU Survey & Research Center**

**November, 1990**

- 1. Most Montana SBDC clients considered the services they received to be beneficial.**
  
- 2. Over half of clients took direct action as a result of SBDC assistance.**

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# Impact of Montana SBDC Counseling Efforts

## MSU Survey & Research Center

November, 1990

(continued)

### 3. Sales and employment of Montana SBDC clients increased:

<u>Year</u>	<u>Full Time Employees</u>	<u>Gross Revenues</u>
1987	3.29	\$290,371
1988	3.79	\$344,753
1989	4.74	\$929,110
1990	5.75	\$844,469

\* Average per business

4. Sixty-nine percent of clients say SBDC counseling was a factor in their success.

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## Impact of Montana SBDC Counseling Efforts

### MSU Survey & Research Center

November, 1990

(continued)

5. Annual gross dollar revenue change attributable to assistance received from the Montana SBDC averaged \$11,080 per client.

6. Based on study results, it is estimated that in calendar year 1990 SBDC counseling will generate from \$2.7 million to \$3.8 million in increased sales for Montana firms.

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BUDGET ISSUES

A. CURRENT LEVEL

As indicated by the LFA, this agency is willing to accept the LFA budget, given the "Funding Technical Adjustment" shown under "Current Level Issues: DOC - Business Development," which adds \$62,489 to the LFA general fund budget (and subtracts a like amount from the Small Business Development Center federal fund source).

B. MODIFICATIONS

- 4 budget issues have to do with BUSINESS ASSISTANCE PROGRAM
- (2 more having to do with INTERNATIONAL TRADE, will be dealt with in that presentation)
- Of the four issues regarding business assistance, all of them are requests for authority to spend increased funds we expect to take in from other sources.

The four issues are:

- (1) Small Business Development Centers (75K/100K in 92/93)
- (2) Business Dev. Division (Private Business Assistance Income)  
--increase of \$35,000 per year, each year.
- (3) Defense Logistics Agency Contract--\$164,266 in federal (114K) and private donations (50K), each year.
- (4) EDA/CDBG revolving loan fund-- approx 170K each year, 33K in operating, 137K in grants.

**(1) SBDC.** We've been offered **\$75K additional** in FY 92 and **\$100K additional** in FY 93, to expand our network of SBDC subcenters and increase our level of client service.

This money requires a 1:1 match, which we expect to be provided by local partners in the cities where we establish new centers. We've had preliminary discussions with Billings and Missoula, and expect to be looking at Great Falls and Butte as possible locations for added centers.

This will double the size of our subcenter network, and add about 50% to the amount of counseling & training we do, at no cost to the state.

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(2) **BDD-private business assistance income.** We have begun to publish the Montana Manufacturer's Directory on an annual basis, rather than once every 3 - 4 years. We are charging \$20 for the directory to cover the costs of annual publication, and expect to take in and expend \$35,000 per year in this activity. [about 1,750 directories per year]. Any excess of income over costs would go into our trade show program.

(3) **DLA. [\$164,000/yr; 4.0 FTE]** Federal dollars, to encourage federal and especially defense contracting by Montana companies. Will support 3 full-time professionals, and a secretary. To help Montana companies locate, bid on and perform on federal contracts.

\$50,000 of the required match to the DLA's \$114,000 is provided by local partners in the towns where we locate offices, and by contributions from private companies (US WEST, MT Power).

(4) **EDA/CDBG Revolving Loan Fund [170K/yr; 1.0 FTE.]**  
Have received \$840K from EDA, as part of a loan package to Centennial Foods in Dillion, matched with \$300,000 of CDBG funds to create a revolving loan pool of \$1,140,000. This pool will be administered at the state level, to make loans to businesses throughout the state, similar to the CDBG program, except not dependent on getting new federal funds every year.

First repayments from Centennial will come in in this biennium (total of \$170,000 per year). We need to establish an administrative assistant position to operate this loan fund. We expect to spend \$32,00 per year on administration, and to put the remaining \$137K per year out in loans.

As the amount of loan repayments grows, the cost of administration will remain fixed--and will become a smaller part of the total program over time.

6501 DEPARTMENT OF COMMERCE  
51 BUSINESS DEVELOPMENT DIVISION  
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DATE : 01/08/91  
TIME : 21/29/24  
CURRENT LEVEL COMPARISONS

*Pat. Dev. Sub*

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	15.00	16.00	16.00	.00	16.00	16.00	.00
Personal Services	509,020	544,283	544,283	0	544,396	544,396	0
Operating Expenses	715,012	895,837	736,235	159,602	895,442	737,500	157,942
Equipment	21,805	1,250	1,250	0	1,250	1,250	0
Grants	1,303,768	1,955,650	1,955,650	0	1,955,650	1,955,650	0
<b>Total Expend.</b>	<b>\$2,549,605</b>	<b>\$3,397,020</b>	<b>\$3,237,418</b>	<b>\$159,602</b>	<b>\$3,396,738</b>	<b>\$3,238,796</b>	<b>\$157,942</b>
<b>Fund Sources</b>							
General Fund	677,881	778,181	618,579	159,602	777,899	619,957	157,942
State Revenue Fund	324,308	348,333	348,333	0	348,333	348,333	0
Federal Revenue Fund	1,547,416	2,270,506	2,270,506	0	2,270,506	2,270,506	0
<b>Total Funds</b>	<b>\$2,549,605</b>	<b>\$3,397,020</b>	<b>\$3,237,418</b>	<b>\$159,602</b>	<b>\$3,396,738</b>	<b>\$3,238,796</b>	<b>\$157,942</b>

REN. LEVEL ISSUES: DOC - Business Development

IMISS ASSISTANCE PROGRAM

- NON-ACTION ITEMS
- A. Inflation
- B. Audit
- C. Network Fees

BUDGET BASE DIFFERENCES - Agency indicates that the LFA is sufficient *not known.*

JRRENT LEVEL

	--Executive Over (Under) LFA--	
	FY 92	FY 93
	-----	-----
	(\$1,496)	\$673
	\$1,426	(\$1,220)
	\$4,493	\$4,493
	\$70,103	\$70,103
	\$74,526	\$74,049

FUNDING TECHNICAL ADJUSTMENT: Both the LFA and the Executive Budget use a higher revenue estimate for the federal Small Business Development Centers grant than the department will receive. Information indicates the grant will be \$221,000 instead of the estimated \$283,489. As a result of the anticipated greater grant amount of \$283,489, general fund was reduced by the difference. If the LFA is adopted for this program, general fund needs to be increased by \$62,489 per year to \$597,606. General fund expenditures in fiscal 1990 were \$579,052. Vacancy savings in fiscal 1990 generated less general fund expenditures than the amount budgeted.

IFIC RIM

- NON-ACTION ITEMS
- A. Inflation
- B. Audit
- C. Network Fees

*Not of fa - known.*

EXHIBITIONS

BUDGET BASE DIFFERENCES - (General Fund)

JRRENT LEVEL

AL CURRENT LEVEL

	\$1,394	\$1,514
	\$702	(\$601)
	\$374	\$374
	\$45,000	\$45,000
	\$37,606	\$37,606
	\$85,076	\$83,893
	\$159,602	\$157,942
	=====	=====

CUTTIVE BUDGET MODIFICATIONS FOR PROGRAM EXPANSION:

- BUSINESS DEVELOPMENT DIVISION (State Special Revenue) *not known*
- DEFENSE LOGISTICS AGENCY CONTRACT (Federal Revenue) *not known*
- EDAY/CDBG REVOLVING LOAN (Federal Revenue) *willing - known*
- INTERNATIONAL AFFAIRS COORDINATOR (73% General Fund, 27% State Special) *not approx known*
- CANADIAN TRADE OFFICE (21% General Fund, 79% State Special) *not approx known*

TOTAL MODIFICATIONS

	\$494,114	\$495,039
	=====	=====

ITIONS ABOVE THE EXECUTIVE BUDGET

INCREASED FEDERAL FUNDING FOR THE SMALL BUSINESS DEVELOPMENT CENTER PROGRAM *not known*

	\$75,000	\$100,000
	=====	=====

FTE

1992	1993
0.00	0.00
4.00	4.00
1.00	1.00
1.00	1.00
1.00	1.00
7.00	7.00
=====	=====

HOUSE OF REPRESENTATIVES

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VISITOR'S REGISTER

Natural Resources SUBCOMMITTEE DATE 2-14-91

DEPARTMENT \_\_\_\_\_ DIVISION \_\_\_\_\_

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NAME	REPRESENTING
Jim Penner	BoI I
Diane Lewis	BoI I
Bob Heffner	BDD/DDC
JERRY HOOPER	Health Facilities Authority
JAN CLACK	OFFICE OF RESEARCH & DEV.
HUEDE GORECKI	" " " " "
Evan McInney	SBDC