

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By Chairman Gary Spaeth, on January 19,
1989, at 8:00 a.m.

ROLL CALL

Members Present: All members present.

Members Excused: None

Members Absent: None

Staff Present: Carl Schweitzer, LFA
Evan McKinney, LFA
Jane Hamman, OBPP
Donna Grace, Committee Secretary

HEARING ON DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

List of Proponents and Group they Represent

Representative Vernon Westlake, District #76
Ed Steinmetz, Water Court
Jo Brunner, Montana Water Resources Assoc.
Dave Darby, DNRC
Gary Fritz, DNRC
Andy Poole, Department of Commerce
John Maloney, Department of Commerce
Barry Roos, Department of Commerce
Matthew Cohn, Department of Commerce
Jerry Hoover, Montana Health Facilities Authority
Ms. Mary Munger, Mont. Health Facilities Auth.
Dalyce Flynn, Mont. Health Facilities Auth.
Dave Lewis, Board of Investments

List of Opponents and Group they Represent

None.

HEARING ON DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

Centralized Services 23:A (001)

De-earmarking Centralized Services Federal Indirect Account.

Mr. Schweitzer stated that this subject had been discussed in the Appropriations Committee to some extent. The legislature passed a law requiring the Department of Administration to look at all special revenue accounts, analyze them and find those where the law does not restrict the use of fund balances. This is one of the accounts that was identified. This is a federal indirect account where the department collects money in the centralized services division to operate that division from all the other divisions that have federal money. The legislative finance committee has recommended that where these funds exist, the special account should be eliminated and the funds deposited directly into the general fund and the general funds will then be used to offset what would have been a special revenue account.

Executive Action:

MOTION: Senator Jenkins made a motion that the Centralized Services Federal Indirect Account be de-earmarked and in the future the funds will be deposited directly into the general fund.

VOTE: MOTION PASSED. All voted in favor of the motion.

Water Adjudication (091)

Representative Vernon Westlake, House District 76 again addressed the committee regarding the Water Adjudication process. He urged the committee to consider the possibilities of speeding up the examination of existing water rights, thus speeding the adjudication process of Montana water rights. Representative Westlake's comments are contained in Exhibit 1. He suggested that one place to obtain funds would be under the new state water plan.

Mr. Ed Steinmetz, representing Judge Leslie of the Water Court, stated that there were a large number of decrees that came out between 1982 and 1985. Since 1985 litigation has prevented the issuance of any further decrees; however, that matter has been cleared up.

Jo Brunner, Montana Water Resources Association, stated that they would agree with Rep. Westlake on the need for more funding for water storage facilities. Water storage facilities may not solve all of the instream flow problems but she believed that over a length of time it will provide a solution to those problems. Another concern is that the time length for a feasibility of storage versus the cost is not really a

rational time frame. It would be very difficult to say that it would pay for itself in ten, fifteen or even twenty years because most irrigation districts and facilities already built are taking 80 to 100 years to pay off and what they bring into the communities and what they provide in flood control and instream flow and irrigation cannot be set into a ten or twenty year time period.

Mr. Darby stated that the current budget submitted to the committee is a very conservative budget and it would be very difficult for the department to reallocate funds. Some programs in the program would have to be dropped in order to initiate the water planning programs suggested by Rep. Westlake. Unless the committee wants to make a decision to drop a program, he did not see the ability to find this money within the department's budget without eliminating a high priority of the Governor. The other alternative would be to look at new money. Essentially, that would be a restoration of funds that were cut during the last session and the administration is looking to the legislature to make a recommendation. Given the tight budget, Mr. Darby said he was not in a position to recommend spending more.

Chairman Spaeth asked Mr. Darby to furnish the committee with a list of priorities within the division so that if funds were to be reallocated, the committee would know where the priorities were.

Mr. Fritz stated that his division had put together some funding options for water adjudication and he furnished copies of the proposals to the committee (Exhibit 2). Option 1, at a cost of \$300,000 per year would provide a partial restoration to the adjudication program and would be used to increase claims examination activity. Under this program approximately 7,950 claims per year could be examined.

The second option, at a cost of \$500,000 per year would provide for full restoration of the water adjudication project and would provide for examination of approximately 9,750 claims per year.

Chairman Spaeth asked Mr. Schweitzer to look into funding sources that might be available. The executive recommendation was that this program not be funded at this time.

Representative Westlake stated that he was not recommending that the program curtail the off stream storage investigation part of the state water plan. He

supports that issue. He encouraged the division to examine all parts of the state water plan.

HEARING ON DEPARTMENT OF COMMERCE

Opening Statement 23:B (550)

Andy Poole, Acting Director of the Department of Commerce, presented an overview of the duties and responsibilities of the Department. He stated that the Department of Commerce has four major objectives which have been delegated to it by the legislature which include Economic Development and Promotion, Technical and Financial Assistance to Local Governments, Business Regulation, and Gambling. Mr. Poole presented copies of the "Report to the 51st Legislature - Montana Department of Commerce" to Committee Members. Exhibit 3. An outline of Mr. Poole's comments are attached as Exhibit 4.

Business Assistance Division

Mr. John Maloney, Acting Administrator of the Business Assistance Division presented the testimony in regard to this Division, assisted by other department personnel who have good technical knowledge in the areas they will present. An outline of each program in the Business Assistance Division is included in Exhibit 5.

Barry Roose, Finance Officer, in answer to a question stated that they receive 4 to 5 calls per day from every area of the state as well as out of state from individuals considering starting a business in Montana.

Mr. McKinney, the LFA analyst responsible for the Department of Commerce budget, handed out copies of his analysis of the Business Assistance Division, Exhibit 6.

Pacific Rim Program (597)

Matthew Cohn, Director of the Pacific Rim Trade Program, stated that the intent of the program was to promote trade, investment and travel between the nations of the Pacific Rim and Montana. He stated that given our location, transportation system and the type of products offered, a substantial amount of trade between Montana and the Orient should be possible. Mr. Cohn gave an overview of the entire program and answered questions directed to him by committee members.

Executive Action:

Issue No. 1. Mr. McKinney stated that the LFA budget represents the approximate level authorized for this program for fiscal year 1989, while the executive budget represents the department's current budget for operation of the program. Mr. McKinney stated the difference is \$183,203 in 1990 and \$186,186 in 1991. Fiscal 1988 was the start-up year and it was difficult to determine what the current level actually was.

Jane Hamman stated that what the executive budget does is look at the actual costs and considered them to be current level. Ms. Hamman indicated the strong support of the Governor for continuation of the program. \$51,590 in general funds were spent in 1988 and when the program was put together there was a commitment of accommodation tax and some money from the Growth through Agriculture program. Some of those funds are no longer available.

Mr. McKinney said the Legislature did not specifically appropriate any general funds for Pacific Rim. The funds were available through the Business Assistance program. Wheat research funds and Growth through Agriculture funds did not become available as expected and general funds were used.

Representative Swift questioned whether general funds should be continued for use on this program.

Ms. Hamman stated that \$134,000 of accommodation tax each year is what the executive was projecting in terms of planning related to tourism and \$150,000 of coal tax through the Growth through Agriculture program.

Chairman Spaeth asked Mr. Cohn what the situation would be if the committee voted to go with the LFA recommendation in this matter. Mr. Cohn responded that the program might as well be discontinued because it would be impossible considering the cost of doing business in Japan to carry on the program with the reduced amount of funding.

MOTION: Senator Jergeson made a motion that the executive budget be approved.

Discussion followed. Mr. Cohn remarked that office rent alone is \$6,500 per month and related costs are extremely high. Ms. Hamman stated that she wished to point out that it is not the position of the executive office that there will be a disproportionate increase

in the general fund in the future. As tourism begins to pay off there will be growth in the accommodations tax and in other resources as well to support this high priority program on a one-third, one-third, one-third basis.

VOTE: The Chairman called for a roll call vote. MOTION FAILED. Spaeth, Swift, Devlin and Jenkins voted no. Kimberley, Iverson and Jergeson voted yes.

Senator Devlin stated that he wasn't sure the state could afford so many offices. He suggested that perhaps it would be possible for the Division to re-examine the budget together with the LFA and the budget office and look for funding from some other source.

Chairman Spaeth instructed the LFA and the OBPP to meet with the people from the Pacific Rim program to re-examine the budget. The matter will be reconsidered at a later date.

Testimony continued relative to the Business Assistance Division, discussing the Small Business Development Center. The Department of Commerce was authorized during the 1987 session to enter into an agreement with the SBA to develop the Small Business Development Center. The center is now in full operation. It is funded 50% by the Commerce Department and 50% by the SBA. They provide specialized consulting, training and information to small business people in Montana.

Mr. Maloney also discussed the Growth through Agriculture program which was also established by the 1987 legislature. It has a three-point program to encourage rural economic development through innovations in the state's agricultural sector: The Seed Capital Component, the Incubator Program for Agriculture, and the Agricultural Market Development Program. The Incubator and Marketing projects have moved forward. The Seed Capital Component, however, has been delayed by an adverse ruling by the Montana Supreme Court (White Decision).

Senator Jergeson commented that there is an economic development plan in the conservation districts division, the extension service has one, and they are scattered "all over the place". He asked if there was any ongoing effort to try to coordinate all of these programs. Mr. Maloney said his division did cooperate with all the various arms of economic development. He stated that information is available from his department on all of the programs in the state together

with the name of the person to contact.

Executive Action:

Business Assistance 24:B (055)

Issue No. 1 and 2. The LFA budget included \$6,592 in advertising expenses that are not included in the executive budget and also includes \$12,767 in contracted services for "Made In Montana" billboard and radio advertising that is not covered in the executive.

MOTION: Senator Jergeson made a motion that the executive recommendation be adopted.

VOTE: MOTION PASSED. All present voted in favor.

Growth Through Agriculture

Issue No. 1. The LFA budget includes \$204,000 in contracted services for a contract with the Department of Agriculture for marketing services. The executive budget does not include this authority but recommends that the general appropriations act include language authorizing the department to make grants to other state agencies as approved by the Montana Agriculture Development Council.

MOTION: Senator Jergeson made a motion that the executive recommendation be adopted.

VOTE: MOTION PASSED. All present voted yes.

Representative Bardanouve, Chairman of the Appropriations Committee, entered the meeting at this point and announced that Chief Justice Turnage had issued an opinion this morning which would affect the operation of the committee on issues having to do with the RIT money. The decision is, in part, "the argument of trust funds allocated towards operation of these programs is in violation of . . . is without merit. In each case the state has shown the funds were expended for operation of programs related to improvement of total environment or rectifying damages thereto. The allegation of trust funds to these programs does not constitute an expenditure for general operation of state agencies in violation of . . . Consequently, we hold that the use of these funds for programs related to improvement of total environment does not violate the respondent's fiduciary duties toward the trust."

Mr. Jerry Hoover explained the duties and responsibilities of the Montana Health Facilities Authority of which he is the Administrator. Mr. Hoover passed out a fact sheet covering activities of the Authority since it was established in 1983 (Exhibit 7). Ms. Mary Munger and Ms. Dalcyce Flynn, members of the Board of Directors, appeared in support of the Authority's budget. There were no budget issues to be considered in relation to this division. However, Mr. Hoover explained that there is a bill presently before the legislature that would provide for a biennial audit rather than annual. Adoption of this bill would provide for an approximate \$2,000 reduction in the current budget. Chairman Spaeth said the bill would be tracked and, if it should pass, a change will be made in the budget to reflect the reduction.

Board of Investments (270)

Mr. Dave Lewis, Administrator of the Board of Investments, presented an overview of the activities of the Board. Statistics relating to this division are outlined in Exhibit 8. He stated that the Board, by constitution, manages and invests all state funds. At the end of the last fiscal year \$2.6 billion in state funds were being managed. No general funds are used in the management and operation of this department.

Mr. Lewis responded to questions from committee members relative to state investments.

Executive Action:

Issue No. 1. The executive budget includes 1.00 FTE that was excluded from the LFA budget because the position was transferred to the Division during the 1989 biennium.

MOTION: Senator Jergeson made a motion that the executive recommendation be accepted.

VOTE: MOTION PASSED. All present voted yes.

Issue No. 2. The executive budget includes \$24,000 more for equipment than is included in the LFA budget. Ms. Hamman stated that the additional funds were specifically for multi-user computers and specialized software which is required for analysts and portfolio managers. Mr. Lewis stated that more had been accomplished in his office this year than had been anticipated and they could get by without these additional funds as requested in the executive budget.

MOTION: Senator Jergeson made a motion that the LFA recommendation be accepted.

VOTE: MOTION PASSED. All present voted yes.

Ms. Hamman stated that Mr. Lewis had indicated that the use of designated commissions is being phased out and she questioned the need for language in the general appropriations act to continue the authority. Chairman Spaeth instructed Mr. McKinney and Ms. Hamman to develop language to be included in the appropriations bill.

Announcements/Discussion: Montana Travel Promotion will be on the agenda at 8:00 a.m., tomorrow morning. The Pacific Rim will be considered again on Monday, January 23.

ADJOURNMENT

Adjournment At: 12:00 noon.


REP. GARY SPAETH, Chairman

GS/dg

1826.mina

DAILY ROLL CALL

NATURAL RESOURCES

SUBCOMMITTEE

DATE January, 19, 1989

NAME	PRESENT	ABSENT	EXCUSED
Representative Spaeth	✓		
Senator Devlin	✓		
Representative Kimberley	✓		
Representative Iverson	✓		
Representative Swift	✓		
Senator Jenkins	✓		
Senator Jergeson	✓		

January 18, 1989

NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE:

Rep. Gary Spaeth, Chairman:
Sen. Gerry Devlin, Vice Chairman:

Mr. Chairman and Members of the Committee:

I am Vernon Westlake, Rep. of H.D. 76, and I appreciate this opportunity to discuss with you the funding for the examination of water rights in the DNRC Budget.

I am here this morning to reply to your request for recommendations as to possible items in the water resources budget that could be considered for reallocation.

I don't have figures, in general, my recommendations are the committee examine the request for funding the state water plan as a possibility for redistribution to increase the line and item for existing water right adjudication examination. We heard from the public loud and clear that the plan should be investigating off stream storage possibilities and that should require minimal request allocation.

I believe another possibility for the committee to consider would be "why the budget request for new water right examination is much larger than the request for examination of the existing water rights for adjudication?"

Again, I urge the committee to consider the possibilities that I have suggested they may provide a solution to more funding for the examination of existing water rights, thus speeding the adjudication process of Montana water rights.

Thank you.

Gary Fritz

CLAIMS EXAMINED TO DATE

January 18, 1989

	Total Claims	Verified	Examined	Unexamined
Final Decrees	15,398	15,398		
Preliminary Decrees	9,930	9,930		
Temporary Preliminary Decrees	57,830	57,830		
Verification completed	11,990	11,990		
Examination in progress	25,699		3,277	22,422
Unscheduled	<u>95,624</u>			<u>95,424</u>
TOTAL	216,471	95,148	<u>3,277</u>	118,046

ADJUDICATION RESTORATION

Option 1: \$300,000

A partial restoration of \$300,000 to the adjudication program would be used to increase claim examination activity. Restoring \$300,000 to the program would enable some increased claim examination activity to be concentrated in areas mandated by statute to have high priority or where a history of heavy traffic into the field offices has been observed. A projected cost breakdown of the \$300,000 restoration is identified below.

Personal Services per year	\$217,500
Operating Expenses per year	64,500
Equipment per year	<u>18,000</u>
Total cost per year	\$300,000

Claim examination using the funds under Option 1 would concentrate additional staff in fewer than four drainages to maximize the efficiency of work teams. Small examination teams of one or two staff do not appear to be the most effective approach to meaningful progress. Claims examination may be performed in offices that are physically separate from the existing field offices in order to reduce the number of interruptions that might otherwise be expected. A sharing of aerial photos, USGS topography maps and other materials would be expected to the maximum extent possible. The peripheral responsibilities included as part of adjudication such as transfers processing, centralized records updating and post-decree assistance would be handled by the existing adjudication staff.

<u>Number of Claims Examined per Year</u>	
Existing FTE: (13)	3900 claims/yr
Additional FTE: (9)	<u>4050 claims/yr</u>
Total Claims examined: (22 FTE)	7950 claims/yr

Option 2: \$500,000

A full restoration of the \$500,000 to the adjudication program as appropriated during the 1986-87 biennium would be used to increase claim examination activity. Restoring \$500,000 to the program would enable significant claim examination activity to be concentrated in areas mandated by statute to have high priority or have a history of heavy traffic into the field offices. A projected cost breakdown of the \$500,000 restoration is identified below.

Total Personal Services per year	\$369,150
Operating Expenses per year	105,850
Total equipment per year	<u>25,000</u>
Total cost per year	\$500,000

Claim examination using funds under Option 2 would concentrate additional staff in fewer than five drainages to maximize the efficiency of staff teams. Small examination teams of one or two staff do not appear to be the most effective approach to meaningful progress. Claims examination may be performed in offices that are physically separate from the existing field offices in order to reduce the number of interruptions that might otherwise be expected. A sharing of aerial photos, USGS topography maps and other materials would be expected to the maximum extent possible. The peripheral responsibilities included as part of adjudication such as transfers processing, centralized records updating and post-decree assistance would be handled by the existing adjudication staff.

<u>Number of Claims Examined per Year</u>	
Existing FTE: (13)	3900 claims/yr.
Additional FTE: (13)	<u>5850 claims/yr</u>
Total Claims examined: (26 FTE)	9750 claims/yr

**Report
to the
51st
Legislature
Minnesota
Department
of Commerce
January 1989**

TENTATIVE SCHEDULE - DEPARTMENT OF COMMERCE

Thursday, January 19

Business Assistance
Health Facilities Authority
Board of Investments

John Maloney
Jerry Hoover
Dave Lewis

Friday, January 20

Montana Promotion
Montana Science and Technology Alliance
Office of Research and Information Services

John Wilson
Steve Huntington
Sandy Courtnage

Monday, January 23

Transportation
Local Government Assistance

William Fogarty
Newell Anderson

Tuesday, January 24

Board of Housing
Aeronautics
Indian Affairs

Richard Kain
Mike Ferguson
Louie Clayborn

Wednesday, January 25

Financial Institutions
Board of Horse Racing
Video Gaming
Lottery

Fred Flanders
Gary Koeplin
John Willems
Diana Dowling

Thursday, January 26

Business Regulation

James Kembel

Friday, January 27

Management Services/Director
(Any discussions remaining)

Carolyn Doering

51st Legislative Session

Budget Summary Presentation

January 1989

Andy Poole - Interim Director

OPENING REMARKS

Mr. Chairman --- Members of the subcommittee

Introductions

My name is Andy Poole -- I am currently the Interim Director of the Department of Commerce.

There are two other people I would like to introduce at this time who will be assisting me during this hearing process

Carolyn Doering - Management Services Division Administrator

Tom Clinch - Budget Officer

Overview

I would like to start by presenting an overview of the department and then I will ask the administrators to discuss their programs in greater detail.

The Department of Commerce has four major objectives which have been delegated to it by the legislature. These include;

- 1. Economic Development and Promotion

2. Technical and Financial Assistance to Local Governments

3. Business Regulation

4. Gambling

1. Programs included under Economic Development and Promotion include

- Business Assistance Division
- Board of Investments
- Science and Technology Alliance
- Montana Promotion Division
- Health Facilities Authority
- Office of Research and Information Services

2. Programs which provide assistance to local governments include

- * - Transportation Division
- * - Local Government Assistance Division
 - Board of Housing
 - Aeronautics Division
 - Indian Affairs Coordinator

3. Programs which perform business regulation functions include

- Business Regulation Division
- Financial Institutions Division

4. Gambling programs include

- Board of Horse Racing
- Video Gambling Control
- Montana State Lottery

We would like to present the Department of Commerce budget in a manner

which presents each of these four main objectives which the department is responsible for.

Finally we will present the budgets for the

- Directors Office
- Management Services Division

As you can see -- the Department of Commerce has important responsibilities across many functions impacting a large number of businesses, local governments, and individuals.

FTE RECONCILIATION

The last legislative session saw the transfer to or creation of several programs within the Department of Commerce;

- Board of Investments
 - Transferred from DoA to Commerce - 18 FTE
 - government reorganization to provide better service
 - merged with the Economic Development Board
Office of Development Finance.
- Montana State Lottery
 - Created by referendum before the 50th legislature - 35 FTE
- Video Gaming Control
 - Transferred from Department of Revenue to Commerce - 10 FTE

- Science and Technology seed capital program
 - required a 3/4 vote in the legislature to pledge 16MM in Coal Tax money to the retirement of bonds used to finance business start-ups.
- SBDC - created within the Business Assistance Division during the last session
 - Glasgow
 - Helena
 - Kalispell

Finally

- Pacific Rim Trade Office
 - established in Tokyo on May 30, 1988.
 - Montana became the 37th state to do so.

CLOSE

With that I will end my remarks and begin the presentation for the Economic Development and Promotion programs within the department. This phase of the department presentation should take today and tomorrow.

With that -- We will begin with the Business Assistance Division

STATE OF MONTANA
DEPARTMENT OF COMMERCE
BUSINESS ASSISTANCE DIVISION

JANUARY, 1989

THE MONTANA CERTIFIED COMMUNITIES PROGRAM

The Certified Communities program is a statewide economic development effort designed to educate and stimulate local development organizations including economic development corporations and Chambers of Commerce to exercise optimal influence over their economic environment. The requirements for state certification include:

- development of a local economic information center
- preparation of a statistical community profile
- conducting a comprehensive inventory and catalog of vacant buildings and commercial property
- identification of all existing businesses
- construction, administration and analysis of a business attitude survey
- development of visual and written promotional materials for response to business location inquiries
- development of a five year strategic plan and one year action plan with specific objectives, deadlines, and responsible personnel

Certified Community candidates are given multiple on-site instruction sessions totaling approximately 20 hours in the fundamentals of business retention, physical and market expansion for existing businesses, new business development and techniques for business recruitment. Upon completion of instructional sessions and required task assignments, a simulated prospect location visit is utilized to evaluate community preparedness. It generally requires 300-500 hours of collective community labor to complete the process. Most communities are able to achieve certification standards within a 12 month period. State certification is effective for three years.

The long-term objective of the Certified Communities program is to establish an active network of local development organizations statewide that will respond professionally and consistently to local economic development concerns and opportunities. The network of Certified Communities will receive out-of-state location inquiries forwarded by the State Commerce Department, and serve as the initial intake mechanism for referral of new business clients to the state's Small Business Development Center. Technical assistance in marketing, finance, business recruitment, international trade and federal contracting is available to Certified Communities from the Montana Department of Commerce.

ANACONDA	CUT BANK	BIG TIMBER/SWEET GRASS COUNTY
Anaconda Local Development Corp.	Cut Bank Chamber of Commerce	Sweet Grass County Opportunities
BILLINGS	DEER LODGE	BRIDGER
Billings Chamber of Commerce	Powell County Economic Dev. Corp.	Bridger Development Corp.
BOZEMAN	LAUREL	CHOTEAU
Gallatin Development Corporation	Laurel Economic Development Corp.	Choteau Certified Communities Organ.
BUTTE	LEWISTOWN/FERGUS COUNTY	COLUMBUS
Butte Local Development Corporation	Heartland Econ. Resource Council	Columbus Chamber of Commerce
CHESTER	MALTA/PHILLIPS COUNTY	DILLON/BEAVERHEAD COUNTY
Liberty County Development Corp.	Phillips County Econ. Growth Cou.	Beaverhead Development Corp.
COLUMBIA FALLS	MILES CITY	FORT BENTON
Columbia Falls Chamber of Commerce	Miles City Area Chamber of Comm.	Fort Benton Econ. Dev. Organization
FORT PECK RESERVATION	MISSOULA CITY/COUNTY	HARLOWTON/WHEATLAND COUNTY
Ft. Peck Tribal Exec. Board	Missoula Economic Dev. Corp.	Wheatland Co. Econ. Dev. Corp.
GLASGOW/VALLEY COUNTY	SHELBY	LIBBY
Valley County Development Council	Shelby Development Corp.	LINCOLN Co. Econ. Dev. Council
GLENDIVE	TOWNSEND/BROADWATER COUNTY	LIVINGSTON
Glendive Forward	Broadwater County Dev. Corp.	Park County Econ. Dev. Corp.
GREAT FALLS		POLSON
Great Falls Area Chamber of Commerce		Polson Community Dev. Agency
HARDIN		RONAN
Hardin Chamber of Commerce & Ag		Central Lake County Comm. Dev. Corp.
HAVRE		SIDNEY/RICHLAND COUNTY
Bear Paw Development Corporation		Greater Richland Co. Econ. Dev. Corp.
HELENA		THREE FORKS
Helena Area Econ. Dev. Corp.		Three Forks Econ. Dev. Council
KALISPELL		WOLF POINT
Kalispell Development Corporation		Wolf Point Chamber of Commerce & Ag
RED LODGE		
Red Lodge Area Chamber of Commerce		
SUPERIOR/ALBERTON/MINERAL COUNTY		
Mineral County Econ. Dev. Corp.		
WHITEFISH		
Whitefish Community Development Corp.		

Original certification requires approximately 20 hours of on-site instruction by Dept. of Commerce staff, including a 4-6 hours proficiency examination. Approximately 300-500 hours of work by communities is required to complete certification standards. Priorities:

1. Business retention
2. Business expansion (physical & market)
3. Internal business development
4. Business recruitment
5. Strategic planning

* All 1986 communities must meet recertification criteria in 1989

Communities in process of achieving certification standards in 1989:

Belgrade
Blackfeet Reservation
Eureka
Forsyth
Hamilton
Lincoln
Sanders County
Whitehall

Shelby receives certification

Natalie Fisher
Shelby Correspondent
It's official. Shelby is a "Certified City."
The designation culminates a year's work by a committee headed by Mayor Irene Gottfried, combining efforts of the city and Shelby Development Corporation.
As a Certified City, Shelby will have lists of businesses looking to relocate. These businesses have contacted the Department of Commerce in Helena, which forwards their names to Certified Cities. Then it is up to the

individual city to contact the business and interest it in locating there. The first packet Shelby received contained names of 63 businesses, out of state and within. Businesses which receive Shelby's information may then come and "see for themselves." They will be met by members of the "host committee," whose job it is to answer prospects' questions, including those regarding tax rates, available locations, railroad schedules or housing in the area.
A "data center" has been established at City Hall. This compilation of information is available to all interested parties and has answers to questions about Shelby's tax incentive for new business, maps of water and sewer systems, banking information,

literature from the Small Business Administration, a Helena state directory, a foundation grant book and more.
Last week, "ambassadors" came to town to give the host committee its trial run. Jerry L. Tavegia from the Department of Commerce and Ronald M. Harmon, a businessman from Havre, pretended to be representing a Canadian business, considering locating here. They had sent a letter about their business and now came to get answers and to see the city.
Committee members Irene Gottfried, Dr. Larry Boudierud, Chuck Turner and Don Fisher gave them a tour of the city in the morning. Lunch followed, with a slide presentation about Shelby by Anne Wicus, and then a meeting at

City Hall, when the committee was grilled about Montana in general and Shelby in particular.
Both ambassadors said they were impressed with the work done by the committee and the information available from the members.
"What we are basically doing is trying to simulate what can be anticipated so that if there are going to be a weak areas, it is better to let them show up now than when you get a genuine situation," Tavegia said. "There are only nine communities that are completing certification out of 25 that started this year."
"I think you have the basic mechanics in place to take care of any business interest that might come your way. I think that you are in very fine shape to receive the real thing. As much work as you have done, you are just at the starting gate now." He told the committee to "keep your momentum up" to avoid losing the program.
"The best thing you can do for Shelby," he said, "is to pay real close attention to those businesses that are here. You will get your most mileage from retaining what you have got, expanding those businesses that are here, trying to identify those areas of your economy

Dillon already benefit from state certification

DILLON — The Certified Communities designation recently bestowed on Dillon by the Montana Department of Commerce is a milestone in Beaverhead County's continual quest for economic development, however members of the Beaverhead Development Council gained almost as much from the process of qualifying as they did from the designation itself, according to executive director Chuck Swysgood.
In April the board applied for the designation and began the arduous process, which included formulating an economic development plan, putting a promotional video together, and locating mock business in the community.
The corporation's ability to handle inquiries of industries seeking information on possible location sites has markedly increased as a result of the experience members gained while working on the project, he said.
Recent completion of airport improvements, and the inter-state assets to the community that will contribute to future economic growth, Swysgood said.
The Certified Communities designation means that Dillon has met certain criteria of the state Department of Commerce as a "limited economic development community." The department will forward communications from all the businesses that have expressed an interest in locating in Montana, and Beaverhead County will have an opportunity to attract those businesses, he said.
The designation will also help the development corporation in quest for Community Development Block Grants, Swysgood said.
The group has already applied for seven grants, some of which may be awarded in December, he said.

Program to help Sidney clarify economic goals

"You've heard a lot about the Montana Certified Communities program over the last few months. On Nov. 3, at a special ceremony in Helena, Richland County will officially be certified. But what will this certification mean for Richland County, more specifically, what will it do for you?
By completing all of the components of the Certified Communities Program, the Greater Richland County Economic Development Corporation has been able to educate themselves about what needs to be done here in terms of economic development. The certification process has forced us to look at our weaknesses as well as our strengths. And as we attract new members to our organization, we'll work on correcting some of the weaknesses and build on some of the strengths together as a team.
Our chairman, George Swensson, views the certification process this way: It plugs us into the economic development pipeline that connects with the State Dept. of Commerce, and it helps us speed in terms of our own economic development.
The only visible symbol of our certification will be a road sign which will be erected, declaring Richland County a "Certified Community." But many of the components we've completed for certification, although not highly visible, will become valuable tools within our organization.
Our five-year strategic plan, for example, will guide us as to what we plan to accomplish. Our one-year plan will set a time limit on certain projects we need to address within the

next 12 months.
The certification process has also forced us to take inventory of what resources we have available for business owners or for individuals hoping to start a new business here. We've created a data center at our office specifically for this purpose, and we welcome questions from anyone. Sharing these resources and connecting you with the proper entities is one way we can directly help you.
We've also taken inventory of available commercial property and building sites throughout the county. This list of property goes on file with the Montana Dept. of Commerce. Business prospect inquiries for this area are then channeled through the Dept. of Commerce to the GRCEDC. Having this real estate information on file at a state level enhances our chances of attracting new businesses here and utilizing some of our idle commercial property.
The community self-analysis and skill development that the certification process has provided will not only be a foundation for a successful business attraction program, but also for business retention.
One of our requirements is to form a business retention team that will visit with existing businesses to provide input and help find the answers to any questions they may have.
It is my hope that certification will reach far beyond the road sign or certificate hanging on the wall — that it will reach each business entity, either directly or indirectly, and enhance our potential for growth in Richland County.

PCEDC practices luring industry to town

By AL KNAUBEN
Enterprise Staff Writer
Oct. 21 is final exam day for the Park County Economic Development Corp.
The development corporation — in its bid to join the Certified Communities Program — will be tested on the facts and figures on the area which it has assembled, on its presentation and poise, and its ability to sell the community during a state Commerce Department exercise slated for later this month.
"We're prepared, we think," said Rod Siring, development corporation president, following the organization's Tuesday night meeting.
He has assembled the community information and a team of about eight people from which roughly five will be selected to act as the host team for the Certified Communities Program exercise.
The decision on which people used in the exercise will be determined by a letter from the state Commerce Department that the development corporation will receive about one week prior to the exercise.
Jerry Tavegia, with the Certified Communities Program at the state Commerce Department, said

Wednesday that the development corporation will receive a letter containing biographical information on the "business" that will visit Livingston for the exercise.
Tavegia and perhaps two or three other people will join him in playing the role of a prospective business, giving the host team about four hours to sell them on the advantages of moving to Livingston.
Included in the biographical information — which provides a preview of what the business is seeking — will be any siting requirements that the business may have, monetary requirements such as loans needed for equipment purchases, and the number of employees to be hired.
Tavegia said he tries to tailor the financial requirements — which may range from "rather minimal" to \$27 million — to the community's ability to accommodate the need.
"It will be as realistic as I can make it," he said of the overall exercise.
The host team will be subjected to 20 or 30 questions regarding both general and specific information on the community and what it has to offer a business considering a move to the area.

"I will just start in on the tough questions," he added with a chuckle.
If he is able to identify problems in a community prior to the exercise, he will also inquire about them — just as would any prospective business considering a move to the community.
Results of the exercise are given to the host team. Immediately, he said, letting the community know if it will participate in the Nov. 3 graduation exercise in which the community joins the ranks of the Certified Communities Program.
Tavegia anticipates that the host team will provide about a one-hour tour of the community, which may include a visit of specific sites that could meet the business' needs.
During the brief time in which the host team will have to promote its community, Tavegia said "anything that can happen usually does."
Last year a host team couldn't find the key to building that was to be shown during the exercise. After waiting one-half hour for the key to be located, the team had to use a flashlight when it inspected the building. No one had thought to ensure that the electricity was on in the vacant building.

Report to the Legislature

Business Recruitment Program
Business Assistance Division
Montana Department of Commerce
January 6, 1989

Business Recruitment

This activity is designed to complement the business retention and expansion functions of the Department as well as those being pursued by local development organizations. While most business growth will occur in existing companies and startups from within the state, recruitment from outside Montana is an important source of ideas and capital for value-added processes and diversification opportunities.

The recruitment effort focuses on two principal areas: providing timely, quality responses to essentially unsolicited leads, and; presenting professional relocation or expansion proposals to specifically targeted companies in selected industries. Lead response is largely an information-gathering and referral process; leads are provided with complete, current information specific to their business, and referred to local communities capable of meeting expansion or relocation needs. Targeted recruitment involves preparing detailed proposals for firms with a high probability for success and that fill an identified gap in the Montana economy.

The recruitment office also provides substantial support services to local development organizations during prospect qualification and location negotiations. In some cases, the prospect may request detailed information similar to that which is prepared for a targeted recruitment proposal. The recruitment officer will compile and organize this material for use by several communities, rather than having each community expend its resources duplicating the process.

Since January, 1987, the division has worked with well over 500 firms from all 50 states and the District of Columbia, five Canadian provinces, and nine other foreign countries. To date, 31 companies have either relocated or expanded to Montana, investing over \$7.7 million, and creating 435 current jobs with an annual payroll over \$9.6 million. A number of these firms indicate that they plan to expand within the near future. Several other projects are pending, representing additional major investments and operations. A summary of the program activities is presented below.

Total number of prospects worked by the
recruitment program

553

Status of Prospects:

Active	136
Inactive	362
Pending	22
Expansion	19
Retention	2
Start-up	6
Location	6
<u>TOTAL</u>	<u>553</u>

Sources of Prospects:

Direct Letter	93
Telephone	142
*Business Facilities	83
*Expansion Management	21
*Plants, Sites, and Parks	32
*Plant Location	4
Wall Street Journal ad campaign '86	10

These figures will not add to TOTAL above. Other leads came from a variety of source, including the Montana Ambassadors, newspaper and magazine articles, personal contacts, other government agencies, citizen referrals, etc. Sources highlighted by "*" are magazines dedicated to the business relocation industry. Each publication offers a referral service for readers interested in more information about a particular area or program.

Impacts

The impact of the recruitment program is difficult to measure. Many of the prospects who receive initial materials or guidance do not require more than basic information, thus never report whether they have proceeded with location or expansion plans.

The known projects summarized above represent a portion of the program's effects. Based on estimated contribution rates to various state funds, the program has helped to generate the following annual revenue flows:

State Personal Income Tax	\$312,000
Workers' Compensation Fund	\$480,000
Unemployment Trust Fund	\$307,200

TOTAL Estimated Revenue	\$1,099,200
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(Excluding corporate income tax collections)

Additionally, several of the prospects currently identified as "pending" appear certain to occur. Some are involved in permitting processes; others are finalizing financial packages; still others have simply not yet announced their decision to locate or expand in Montana.

Examples

The following are general descriptions of selected projects that are operating, which received some assistance from the recruitment program.

- A small agricultural feed plant in Southwestern Montana expanded with financial packaging of an SBA loan. The company created three jobs with capital investment of over \$100,000.

- An existing grain company in Northeastern Montana was purchased and will expand with job training and financial packaging assistance coordinated by the program. Twelve new jobs will be created over a two year period, with approximately \$250,000 in new capital investment.

- A gold mine in Southcentral Montana opened, which will create 100 new jobs, with \$2.5 million invested. Program assistance was not extensive on this project.

- A small tool manufacturing company in Southwestern Montana was purchased by another party, and five jobs were retained. The initial owner received technical assistance from the program in developing the business.

- An auto service shop opened in Northwestern Montana, employing five people, with over \$50,000 in capital investment. The company received financial packaging assistance and business planning information from the program.

DEPARTMENT OF COMMERCE
Business Assistance Division
Finance Assistance Activity Report

Our existing network of field contacts from university staff, local economic development professional, lenders, professionals, related agencies and referrals from formerly assisted clients bring in more inquiries for assistance than can be adequately addressed. Requests involve questions about availability of funds and requirements to access these funds. Once the inquirer is informed as to potential funds availability, the nature of the money (debt vs equity) and the requirements to access these funds a strategy is formulated between our staff of two, which serves the state, and the client and their staff.

The aforementioned example can involve many variations. Seldom are "deals" as clean as what I've outlined because our assistance is rarely sought for gold plated (well organized and capitalized) companies. Typical circumstances are an undercapitalized, poorly prepared entrepreneur who has already been turned down by at least one lender. Basically we are often likened to the pinch hitter who steps up to bat with a full count (two strikes, and three balls) against him.

Despite these circumstances the following is a discussion of some success stories involving our assistance.

Quad 5 Ranch, in Golden Valley county two miles from Ryegate approached Montana's Science and Technology Alliance (MSTA) about potential interaction with their program. Steve Huntington, executive director, recognizing correctly, that from the information Herm Wessel was able to provide, something could be done on a debt basis vs equity basis with MSTA.

In May of 1988, our staff and Mr. Wessel met to discuss the possibilities of debt financing with various programs. We outlined a plan employing bank financing and a community development block grant. Our staff, in conjunction with Mr. Wessel, compiled a grant sponsored by Golden Valley County to be lent to Quad 5 to expand their blood extraction production to the "high tech" New England states' biological laboratories. A true niche market uncovered and captured by Mr. Wessel and his staff.

The grant to Golden Valley was approved in December, 1988, allowing Quad 5 to retain and increase employment to 22 full-time staff. A significant accomplishment in a county of 1,100 people.

Herm Wessel
Quad 5 Ranch
Ryegate, MT 59074
568-2234/568-2516
245-4171

Ted Eckland, County Commissioner
Golden Valley County
Ryegate, MT 59074
568-2231

Mountain Meadows Products, Inc. of Lewistown was encountering difficulty in obtaining financing for start-up and expansion of their business. This scenario was relayed to us by Elly Walkowiak, Fergus County Planner. The timing and circumstances were right for a community development block grant. This was relayed to Gary Turco through Ms. Walkowiak. Our staff, because of both Ms. Walkowiak and Mr. Turco's competence, advised them how to proceed with the block grant process and periodically reviewed the progress. Simultaneously we worked with the Development Corporation of Montana, to match the bank financing required to complete the project.

Today Mountain Meadows is operating from their Lewistown headquarters and selling product through most major grocery store chains in western America. This created eight new jobs directly to Fergus County.

Elly Walkowiak, Director
Fergus County Planning
Fergus Courthouse
Lewistown, MT 59457
538-9046

Gary Turco
Mountain Meadow Products, Inc.
1000 Commercial Avenue
Lewistown, MT 59457
538-2906

Butler Creek Corporation in Belgrade was one of the first recipients of an economic development community development block grant. Prior to the grant receipt they were operating in Jackson

Hole, Wyoming. They were located to Belgrade with finance assistance in 1985. Subsequent to that we've continued a dialogue with them. This past fall we utilized our personnel computer software and hardware to help corporate president Brad Heckerman complete a leverage buyout of a California-based competitor. While no state loan funds were employed in this buyout, Mr. Herckerman insists he would not have been able to accomplish this buyout without our assistance. He estimates gross receipts will increase 70% and staff additions will be at least 10 new employees.

Brad Heckerman
Butler Creek Corporation
290 Arden Drive
Belgrade, MT 59714
388-1356

Cindy Owings Design (COD) of Bozeman manufactures high fashion, high quality wool coats to fashion boutiques from coast to coast. Ms. Owings was contacted by our staff in the fall of 1986, in response to a newspaper article citing the unavailability of money for women-owned businesses. Our initial meeting determined she was working by herself designing, sewing and marketing her coats with one part-time staff person. Assistance was provided in helping her construct a business plan, and presenting it to her banker to obtain an operating line of credit.

Today "COD" employs 18 people full-time, manufactures 325 coats a month, and is in the process of licensing her designs for international production. We are continuing to provide COD with periodic financial advice to help them manage their rapid growth. The staff and principals cite interaction with the Business Assistance Program as invaluable to their success. COD coats will be used in a January 1989 airing of the Cosby Show.

Cindy Owings or Michael Holton
"COD"
P.O. Box 4496
Bozeman, MT 59715
587-9050

Dave Hanson of Norwest Bank in Kalispell contacted our staff regarding a client's SBA loan application. Intermountain Biomedical Services, Inc. of Kalispell had made application through Norwest for participation on a SBA loan guarantee.

IBS, Inc., under contract with western U.S. hospitals, monitors the radiology equipment calibration as required. To expand their services they needed to acquire a new piece of equipment, increase their line of credit and attend expensive training.

Upon reviewing the application, staff recommended various alternatives which were acted on by Steve Russell and William

Garrett of IBS which allowed them to obtain the financing, equipment education and double their optimistic sales projections for 1988.

Dave Hanson, V.P.
Northwest Bank Kalispell
201 1st Avenue E
Box 88
Kalispell, MT 59901
755-5082

Steve Russell
William Garrett
IBS, Inc.
136 1st Street West
Kalispell, MT 59901
752-8101

Approximately 780 telephone inquiries for information and assistance were received by the finance officers in the last year. In addition, they have offered technical assistance in financial planning, loan packaging and financial analysis to over 160 clients in 1988.

BUSINESS LICENSING--SMALL BUSINESS ADVOCATE

Through an interview process with each inquirer it is determined which, if any, licenses or permits are needed to meet the state requirements for each particular business. Most questions can be answered immediately, others require some research with a follow-up call. Often, however, conversations reveal the need for other licenses such as those required by city/county government or inspections for some health department licenses.

A typical convenient store such as 7/11 or Midi-Mart can require up to 10 or 11 different licenses or registrations:

--retail license	Dept. of Revenue, Misc. Tax Div.
--petroleum license	Dept. of Commerce, Weights & Measures
--food license	Dept. of Health
--cigarette license	Dept. of Revenue, Misc. Tax Div.
--beer & wine license	Dept. of Revenue, Liquor Div.
--name registration	Secretary of State
--workers comp	Dept. of Labor
--unemployment ins.	Dept. of Labor
--withholding tax	Dept. of Revenue
--federal ID	Internal Revenue Service

Prior to the establishment of this office, an individual would be required to contact each of these entities separately (if they knew what was required) to obtain the necessary information to become licensed. Now, ONE TOLL-FREE PHONE CALL will suffice.

Most individuals are unaware of the particular requirements of their planned business venture. Therefore, the staff person acts as an advocate to assist in answering questions, complaints or problems in dealing with local, state and federal bureaucracies.

Business Licensing Center/Small Business Advocate
page 2 of 2

The staff person also monitors, by way of inquires, the "Start-a-Business Center", sending information to participating center currently in place in 36 public libraries and 18 Chambers of Commerce throughout the state. This program serves as an outreach service with over 1800 packets sent out each year.

The Business Licensing Center responds by mail to approximately 1500 requests per year. There are an additional 1200 requests for requirements and general information.

MONTANA DEPARTMENT OF COMMERCE
Business Assistance Division
Marketing Department
Gene Marcille & Jim Burns

A. History of Marketing Department:

1. Start up 1983 as part of Business Assistance Division
The Business Assistance Division was commissioned under the "Build Montana" economic development effort.

B. Objective:

1. Provide comprehensive services to new and/or existing Montana companies and businesses considering locating in Montana.

C. Goals:

1. To focus on the development and expansion of outlets for products manufactured or processed in Montana.
2. To serve as the primary promotional entity for "Made in Montana" products.
3. To council Montana companies on available outlets for products and service.
4. Provide direct assistance to Montana companies seeking patents on trademarks.
5. Coordinate marketing activities with industry associations and local development organizations.

D. Program Implementation:

1. Developed extensive advertising/promotional program to extol the benefits of acquiring products and services that are produced in Montana.
 - a. "Made in Montana" labeling program
 - b. Radio & TV. commercial productions
 - c. Statewide billboard program
 - d. Establishment of "Made in Montana" sections in retail outlets
 - e. Participate in regional, national and international trade shows by exhibiting products that are manufactured in Montana.

2. Develop a public relations training program to assist Montana manufacturers in the development of marketing skills.
 - a. Prepare and present an annual series of marketing seminars
 - b. Search out speaking engagement to promote the "Made in Montana" concept
 - c. Meet with local development agencies throughout Montana to solicit their involvement in Montana product promotion
3. Individual Counseling
 - a. Assist in developing marketing plans and sales strategies
 - b. Analyze known competition through market testing
 - c. Identify marketing consultants and manufacturing representatives
 - d. Consult and advise on federal and state procurement

E. Results of Program Implementation:

1. "Made in Montana" labeling program: The "Made in Montana" project was developed to be an awareness program bringing to the foreground the fact that the State of Montana has a broad range of highly skilled manufacturers. The "Made in Montana" label now appears on over 2000 products that are produced within the state. Radio, TV., print media and billboard companies have all cooperated to make the "Made in Montana" program a measured success.



1,800 companies now use the logo
12,000,000 labels have been sold

2. Radio/television and print media: The marketing department of the Department of Commerce has received outstanding cooperation from the Montana Broadcasters Association and most of the radio and television stations in Montana. They provide public service time to air the promotional materials provided by the Department of Commerce. Public service space is also provided by most newspapers in Montana. It is estimated that the dollar value of the public service time and space provided by the Montana media for the Buy Montana product promotion exceeds \$1,000,000.00.
3. Statewide billboard program: The "Made in Montana" program undertook an extensive outdoor (billboard) advertising program for both the tourist and Christmas

season. Through the cooperation of Myhre Advertising, 100 billboards with a total commercial value of \$37,969.00 appeared in the following areas:

24 boards - Helena area
32 boards - Billings area
32 boards - Great Falls area
12 boards - Missoula area

The Department of Commerce production cost for the statewide saturation was \$11,765.00.

4. "Made in Montana" sections establishment in Montana retail outlets: As a result of the extensive promotional activities for the "Made in Montana" program; the retail merchants of Montana have capitalized on the program by acquiring Montana products and setting up "Made in Montana" sections in their stores. The marketing department of the Department of Commerce has served as a sourcing agency for many of these stores. The Montana Retail Association has cooperated in this endeavor. Major chain stores such as Hennessys, Shopco, Buttreys, etc. also serve as outlets for "Made in Montana" products.
5. Trade shows: It is a known fact that the most cost effective marketing program must include participation in trade shows. The program developed by the Department of Commerce, marketing department, has assisted Montana manufacturing firms in obtaining exhibit space in the following national and international trade shows:

National Builders Show	(2)	16 companies
National Food & Wine Show	(3)	20 companies
National Gift Show	(2)	24 companies
National Construction Show	(1)	6 companies
U.S. Expo-Edmonton, Alberta	(1)	7 companies
U.S.A. Fair-Naygoga, Japan	(1)	9 companies
International Food Show	(1)	7 companies
National Christmas Show	(1)	24 companies

In addition to the national and international trade shows, the Department of Commerce, marketing department, has presented five instate shows targeting the Montana merchants. These shows were held in Billings, Helena, Butte, Whitefish and West Yellowstone.

Note: Because of the nature of trade shows and the long-term relationships developed with merchants outside of Montana, it is impossible to place a dollar amount in sales generated. An example, however, would be the results of the Gift and Jewelry show held at the Denver Merchandise Mart, Denver, Colorado. The Department of Commerce, marketing department, has participated in two separate occasions in this national show.

February 1988 estimated sales \$125,000.00
August 1988 estimated sales \$200,000.00

Companies from the following communities participated: Columbia Falls, Kalispell, Billings, Lewistown, Helena, Miles City, Glendive, Wolf Point, Butte, Bozeman, Missoula.

6. Public relations training program: As the "Made in Montana" program developed it became quite evident that most manufacturers in Montana, although capable of producing quality products, many of them lacked the basic marketing skills. A series of seminars were developed by the marketing department and presented throughout Montana. Miles City, Glasgow, Lewistown, Missoula, Kalispell and Butte were the communities selected. Approximately 90% of Montana companies participated. As a result of these seminars on marketing another series is scheduled for the Spring of 1989.

NEW INDUSTRY DEVELOPMENT

During February of 1989, the Department of Commerce will be sponsoring a group of Montana gem and jewelry producers to an international show in Tucson, Arizona. These producers include a number of businesses involved in the emerging sapphire industry in Montana. The primary purpose of this event is to expose the Montana sapphires and related products to the world market.

This show is expected to give the Montana sapphire producers the exposure necessary to help them compete in the international market place. Currently, the industry is very underdeveloped but has tremendous potential.

In 1987, the small country of Thailand exported \$170 million in cut sapphires and employed over 100,000 gem cutters. Montana has significant deposits of high quality sapphires that could be developed into a similar "value added" industry. The support of the Department of Commerce will be a significant factor in the growth of this natural resource.

INDIVIDUAL COUNSELLING

The major emphasis of the Marketing Department is individual counselling of Montana businesses regarding product development and marketing. Although the following is not all-inclusive it is an indication of the client response to the Business Assistance Division Marketing Department availability:

July 1, 1988 - November 15, 1988:	In-office appointments:	83
	Travel appointments:	64
	Out of office meetings:	42
	Incoming phone calls:	425
	Overnight travel days:	57
	Day trips:	46
	Speaking engagements:	7

DEPARTMENT OF COMMERCE



STAN STEPHENS, GOVERNOR

1424 9TH AVENUE

STATE OF MONTANA

(406) 444-3494

HELENA, MONTANA 59620-0401

PACIFIC RIM TRADE PROGRAM FOR THE STATE OF MONTANA

The state of Montana has embarked on an ambitious program to promote trade, investment and travel between the nations of the Pacific Rim and Montana. It is felt that given our location, transportation system, and type of products offered, we should be able to generate a substantial amount of trade between Montana and the Orient.

Both economist and scholars are dubbing the 21st century as "the century of the Pacific Rim". The growth of the world, both in terms of economy and population has switched to this area.

Montana's economy has historically been based on extractive businesses in which the resources of our state have been developed by out of state concerns, who then process or add value to it outside of our state. This has resulted in an economy that has no real manufacturing base or diversity, and is subject to the ups and downs of international and domestic trade over which we have no control. These boom and bust cycles result in an unstable business environment. In order to break this cycle, Montana needs to develop a more diversified economic base. We feel that by developing our contacts and investigating potential markets in Asia, we can help the state in this effort.

To that end, we are pursuing four areas that will lay the foundation for future growth. They are:

Agriculture

Agricultural products account for over 30% of the total economic base of our state. It also is the only suitable use for much of our land area. We are presently investigating areas in which we can ship Montana raised products (outside of wheat and barley, which is already sold in great quantities) to Asia. We are paying particular attention to products that lend themselves to low-tech processing, which will allow us to take these products a step beyond the growing stage, and will result in more jobs in the rural areas.

Tourism

The natural beauty of our state, while well known to us, is virtually unknown in Asia. Presently, Japan accounts for the largest number of tourist to the U.S. of any nation. (Over 2.8 million visitors in 1987). These numbers are projected to increase dramatically over the next few years. We have embarked on a systematic program to increase the number of Asian visitors who vacation to Montana. U.S. government statistics reveal that the average Japanese tourist spends over \$200 per day while in the U.S. To get these people to spend their money here would be a major boon for the state.

Product Export

At this time, Montana has very few manufacturers of items that are suitable for export. A main task of our Asian offices is to identify product niches that we can fill either with existing Montana products, or with new products within our manufacturing capabilities. This will be a very time consuming process, in which the real payback for us will be 5-10 years from now. But it must not be ignored. We need to develop a manufacturing base if we truly intend to diversify our economy.

Overseas investment in Montana

With the balance of trade deficit being what it is, a large percentage of capital is now located overseas (especially in Asia). Scarcity of capital has always been a problem for our state. By identifying areas that are suitable for joint ventures and investments, we believe that we can tap into the available Asian capital investment base in order to create opportunities for growth and jobs in Montana. We feel this is very important because it creates a tie between our state and the markets in which we would like to sell our products. Also, investment capital is a very precious commodity of which we have very little. Asian businesses are looking for good investments. We will be working with them to identify areas that will be profitable for both parties.

Obviously, these are very ambitious goals. We know this will be a long term effort. But with the opening of our international offices, Montana has taken a major step in shaping its own future; one in which the people of our state can enjoy all the beauty and pleasures we have to offer, and still participate in the economic and cultural growth that is so necessary for our state to remain a worthwhile place in which to live.

DEPARTMENT OF COMMERCE



STAN STEPHENS, GOVERNOR

1424 9TH AVENUE

STATE OF MONTANA

(406) 444-3494

HELENA, MONTANA 59620-0401

PACIFIC RIM TRADE PROGRAM FOR THE STATE OF MONTANA DESCRIPTION OF ACTIVITIES

OVERSEAS

Montana maintains a trade office in Tokyo, Japan, and a products showroom in Taipei, Taiwan. Both are staffed by nationals who are under contract with the state. Directed by the office in Helena, and under the guidelines set forth by the Department of Commerce, their job is to:

1. Assist Montana businesses to identify markets, investigate and help locate potential business partners, and help with any problems and hurdles that are common in international trade. (75%)
2. Maintain contact and good relations with national and local governments. (5%)
3. Promote the interests of our state in the local medias. (5%)
4. Assist Montana businessmen and government officials when they are overseas. (5%)
5. Maintain daily contact with Helena by fax to follow up on leads, opportunities, problems, etc. (10%)

MONTANA OFFICE

1. Assist Montana citizens and businesses through phone calls, personal counseling, visits, speeches, workshops, etc. (65%)
2. Accompany foreign business and government officials when they visit the state. Make arrangements and appointments, and act as interpreter when appropriate. (15%)
3. Travel to the overseas offices to initiate and follow up on trade opportunities, meet with business leaders, and explore new product and trade leads found by our overseas staff. (5%)
4. Maintain daily contact with overseas offices by fax to follow up on leads, opportunities, problems, etc. (10%)
5. Work with Kumamoto prefecture on projects/problems related to the sister-state relationship. (5%)

DEPARTMENT OF COMMERCE



STAN STEPHENS, GOVERNOR

1424 9TH AVENUE

STATE OF MONTANA

(406) 444-3494

HELENA, MONTANA 59620-0100

PACIFIC RIM TRADE PROGRAM FOR THE STATE OF MONTANA FACTS AND FIGURES FROM JULY 1, 1988

Major Trade Opportunities Created (Highlights)

1. **BEEF:** Hanwa Trading Co. (5 Billion Dollars-worldwide sales) has given sample order for Montana beef, which is the first of its kind for the state. Test marketing will occur in Japan of Montana Certified Beef. Company is interested in packing plant in our state.
2. **COAL:** Have identified companies interested in purchasing a total of over 2.6 million tons of coal annually. Montana companies are already in contact with them.
3. **LUMBER:** Have identified major companies interested in direct purchases from Montana mills. Bids have already begun. Further discussions are centered on windows, doors, trim, furniture and other value added products.
4. **HAY:** Have identified a market in Japan and Taiwan of over 600,000 Tons of hay cubes per year (\$75 Million market). Assisting Montana producers and farmers to supply the needs of this market, identify major purchasers, government regulations, etc.
5. **HOGS:** Have initiated contacts with Nippon Ham Co. (\$4.3 Billion-worldwide sales) which is interested in locating a 10,000 head per day slaughter facility somewhere in the Pacific Northwest. Contact came from Tokyo office.
6. **TOURISM:** Co-ordinated and arranged for 23 pages of coverage in Northwest Airlines and Japan Air in-flight magazines. Readership is 1.2 million. Cost of same space as ads would have been \$328,200. Tour groups are already contacting our Japan office as a result of this coverage.
7. **INVESTMENT:** Assisted the University of Montana in obtaining a \$800,000 grant from Kumamoto for a full time Japanese language professor at UM.
8. **PRODUCTS:** Assisted Montana log home manufacturers to expand their market in Japan, and successfully enter the Taiwanese market.

CONTACTS/OPPORTUNITIES CREATED

AGRICULTURE: Markets for barley, safflowers, medicinal herbs, flowers, chickens, sheep, horses, jerky, beer, jams, etc.

TOURISM: Solidified distribution/sales system in Japan. Helped Montana operators promote their product. Began to work with major Taiwanese tour operators.

PRODUCTS: Found new or additional markets for log homes, lumber, windows, doors, furniture, herbal medicines, medical technologies, billard tables, sapphires, talc, gold, silver, jewelry, Montana crafts, art, pet food, fly fishing equipment, etc.

INVESTMENTS: Presently working on 3 different joint venture or investments from Asia with both the private sector and the university system.

MEDIA: A major exhibition of Montana art was held in Tokyo and Kumamoto to introduce our state to the Japanese, and creating cultural and trade opportunities. 87 different articles have appeared in newspapers/magazines and 4 T.V. programs about Montana have been shown in Japan and Taiwan. To purchase similar exposure cost hundreds of thousands of dollars.

VISITORS: Over 200 foreign government and business officials have visited Montana. Orders have been placed for hay, furniture, log homes, beef, medicinal herbs, etc. Exchange programs have been strengthened, and new opportunities discussed.

SERVICES TO MONTANA CITIZENS: This office has fielded nearly 500 inquires by phone on opportunities/problems in Asia. We have accompanied foreign buyers to 37 different Montana business, serving as co-ordinator and translator. 4 educational seminars on International trade have been held (125+ participants), and speeches were given to 5 public service organizations. An International Trade show was organized in co-operation with the prefecture of Kumamoto, attended by 30 Montana business concerns.

MONTANA SMALL BUSINESS DEVELOPMENT CENTER Program Overview

The Small Business Development Center (SBDC) is a unit of the Business Assistance Division, jointly funded--50% each--by the Montana Department of Commerce and the U.S. Small Business Administration. In FY 1989, in addition to its 50% funding from the SBA, the SBDC expects to draw on \$94,000 in contributions and awards from local governments, other federal agencies and the private sector. Total state funding for the SBDC in FY 1989 is \$147,813.

The mission of the Small Business Development center is to provide management training, consulting and information to small businesses, in the areas of finance, marketing, international trade, business information systems and government contracting.

The SBDC opened in June 1988 with two offices, a program center in Helena and an Eastern Montana Subcenter at Dawson Community College in Glendive. In October 1988 we added a Northwest Montana Subcenter, operated under contract by Flathead Valley Community College in Kalispell. Staffing includes a director and a half-time secretary, with consulting specialists in finance, international trade and data/information systems, at Helena; a second finance officer and an agri-business marketing officer at Glendive; and a subcenter director, specializing in management training programs, at Kalispell.

The SBDC extends and coordinates the activities of its two sponsors, Business Assistance Division and the SBA. With its offices in Glendive and Kalispell, the SBDC has a distinctly rural focus, giving the state's business assistance programs a real presence in eastern and northwestern Montana.

Our consulting officers are "circuit riders," spending a minimum of three days per week on the road, traveling throughout the state to meet clients in their own communities.

Our management training program, also, is statewide, with thirty-one seminars in fourteen different communities planned for the first three months of 1989. [See training calendar, attached]. Examples of management problems we can help with are as follows:

Finance. Record-keeping, manufacturing cost accounting, financial analysis, credit analysis, financing proposals.

Marketing. Industry studies, market identification, finding agents and distributors, getting into trade shows.

International Trade. Customs and tariffs information, foreign market information, foreign product specifications.

Government Contracting. Getting on bidders lists, military product specifications, record-keeping and quality control.

Data/Information Systems. Online data searches, choosing business computer systems, using personal computer software for records, control and financial management.

SBDC PERFORMANCE

The SBDC maintains detailed records of individual client consulting and group management training. Full written reports are submitted quarterly to the Department and the SBA, including counseling and training statistics and a narrative description of other program activities.

Counseling and Training Summary 1st Six Months of Operation (June - December 1988)

COUNSELING

	Clients	Hours	Hours/Client
A. Significant Contacts (more than one hour of direct counseling)	249	1,270	5.1
B. Brief Contacts (referrals, information)	484	145	0.3
C. Total Contacts	733	1,415	

TRAINING

Seminars	Attendance	Hours/Seminar
30	695	6.5

Total Business Contacts, Counseling and Training: 2,100

Major Ongoing Project. The SBDC is directing a series of studies (timber supply study, prefeasibility, and business plan/finance proposal) for a proposed employee buyout of the Champion lumber mill at Missoula. If feasible, the buyout will prevent the announced plant closure and save 200 industrial jobs. The SBDC has assembled \$89,000 in funding commitments for this project from local, private and federal sources. Status: Timber supply study complete, and favorable; prefeasibility study under way, to be complete February 20; business plan/finance proposal to be complete April 22.

EXAMPLES of SBDC ASSISTANCE
to MONTANA BUSINESSES
(from third quarter, 1988)

- a. In spring of 1988, a fertilizer plant in Eastern Montana shut down, citing shortage of liquid sulphur, a critical input, as the immediate cause. The SBDC Glendive Marketing Office worked with the local Chamber of Commerce, and consulted with Billings Forward, to help identify alternative sources of sulphur available at a competitive rate and on long-term contract. When interest was expressed by a Seattle-based firm, the SBDC was able to provide information--utilizing the Business Assistance Division Relocation Office--on Montana business costs, taxes and incentives, a list of sulphur sources and in introduction to local banks and public lenders. The Seattle company has announced tentative plans for a spring 1989 reopening and upgrading of the plant, with an expected work force of 20 full-time employees--a significant economic impact in a sparsely populated rural area.

- b. In August and September of 1988, SBDC Finance Officer Gary Faulkner helped to avert the forced closure of a meat-packing plant on Montana's northern High Line. The owner had exhausted funds previously made available from a Community Development Block Grant, and further drawdowns of funds were being withheld by the city pending a management report demonstrating detailed planning on the part of the owner to take control of inventory and costs, and reverse declining cash flow. In cooperation with a marketing officer from the Business Assistance Division, the SBDC officer prepared an analysis specifying the cost accounting, inventory and labor coding, pricing and marketing steps needed to put the firm on a sound footing. As a result of a presentation based on this management and marketing plan, the owner was able to obtain a \$10,000 bridge loan from a bank, and subsequent release of an additional \$94,500 in CDBG funds from the city. A certain closure of the plant was averted, saving 13 full-time jobs and avoiding default on CDBG funds previously expended.

- c. In September 1988, the Glendive Finance Officer held numerous meeting with a retail grocery store in a nearby town aimed at negotiating a loan package with a local lending institution to reduce monthly debt service and allow the business to remain profitable. Historical business and personal financial data were analyzed, and all concerns of the lender were addressed in a proposal resulting in an approved loan package. The reduction in monthly costs has assured the survival of a small but cornerstone enterprise in the community, employing four staff in addition to the two owners.

DEPARTMENT OF COMMERCE



STAN STEPHENS, GOVERNOR

1424 9TH AVENUE

STATE OF MONTANA

(406) 444-3494

HELENA, MONTANA 59620-0401

Update: January 10, 1989

MONTANA SMALL BUSINESS DEVELOPMENT CENTER

BUSINESS TRAINING CALENDAR

4th Quarter, 1988

<u>Date</u>	<u>Topic</u>	<u>Location</u>	<u>Contact</u>	<u>Phone</u>
<u>1st Quarter, 1989</u>				
1/5	export management IV	Bozeman	John	444-4780*
1/12- 14	national trade show - outdoor equipment	Dallas, TX	Gene M Gary M	444-3923 365-2377
1/14	the basics of word perfect	Kalispell	Tom	752-5222
1/18- 3/1	computer basics for management - American Management Association	Kalispell	Tom	752-5222
1/19	export management V	Bozeman	John	444-4780*
1/25	radio: advertising for for the small business	Outlaw Inn Kalispell	Tom	752-5222
1/28	forecasting for the entrepreneur	Kalispell	Tom	752-5222
2/1	advertising in a small community - print and radio advertising	Libby	Tom	752-5222
2/2	market research & planning	Hardin	Gary M	365-2377
2/2	export management VI	Bozeman	John	444-4780*

*for detailed information on export management series, please contact Ann Keenan, International Business Program, MSU, 994-6396

2/4	beginners guide to electronic spreadsheets	Kalispell	Tom	752-5222
2/7	credit and collections	Fort Peck	Rod	365-2377
2/9	Entrepreneur: Yes I Am - No I'm Not	Kalispell	Tom	752-5222
2/10	rural development forum	Helena	Bob	444-4780
2/11	financial analysis & mgmt. using personal computer	Kalispell	Tom	752-5222
2/16	export management II	Bozeman	John	444-4780*
2/16	plan for success: your business plan	Libby	Tom	752-5222
2/23	selling to the government	Missoula	Gary F	444-4780
2/27	financial analysis & mgmt. using personal computer	Libby	Tom	752-5222
2/28- 3/7	personal strategies for for managing stress - American Management Association	Kalispell	Tom	752-5222
3/2	export management II	Bozeman	John	444-4780*
3/4	introduction to data operating systems	Kalispell	Tom	752-5222
3/9	selling to the government	Great Falls	Gary F	444-4780
3/14	"Fire Me and I'll Leave"	Lewistown	Rod	365-2377
3/16	selling to the government	Helena	Gary F	444-4780
3/16	export management	Bozeman	John	444-4780*
3/20- 21	financial analysis mgmt. using personal computer	Havre	Tom	752-5222

*for detailed information on the export management series, please contact Ann Keenan, International Business Program, MSU, 994-6396

3/23	financial analysis & mgmt. using personal computer	Glendive	Tom	752-5222
3/24	financial analysis & mgmt. using personal computer	Billings	Tom	752-5222
3/25	financial analysis & mgmt. using personal computer	Miles City	Tom	752-5222
3/29	international trade	Billings	John	444-4780

2nd Quarter, 1989

4/1	financial analysis & mgmt. using personal computer	Helena	Tom	752-5222
4/8	financial analysis & mgmt. using personal computer	Missoula	Tom	752-5222
4/14	financial analysis & mgmt. using personal computer	Kalispell	Tom	752-5222
5/6	financial analysis & mgmt. using personal computer	Great Falls	Tom	752-5222
5/13	financial analysis & mgmt. using personal computer	Libby	Tom	752-5222
5/17- 18	financial analysis & mgmt. using personal computer	Butte	Tom	752-5222
6/6- 7	financial analysis & mgmt. using personal computer	Kalispell	Tom	752-5222
6/12	financial analysis & mgmt. using personal computer	Billings	Tom	752-5222
6/13- 14	financial analysis & mgmt. using personal computer	Bozeman	Tom	752-5222

General Information on SBDC Conferences and Seminars

Brochures and Announcements

Brochures providing specific information -- times, locations fees, topics and speakers -- on conferences and seminars are generally mailed about three weeks prior to the event. As a rule, mailings are sent to Chambers of Commerce, SCORE Chapters and local development organizations in the area where the event will be held, as well as to businesses and individuals listed in the Department of Commerce Manufacturers Directory, the Consumer Products Buyers Directory, and the SBDC mailing list for training events.

Mailing List

To be placed on the SBDC list for training events in your area, write the Montana SBDC, Department of Commerce, 1424 9th Avenue, Helena, MT 59620, ATTN: Karen Elliott; or call Karen at (406) 444-4780.

Further Information

Persons seeking early information, or information not available in these announcements, should call the contact officer listed beside each event in the calendar:

Helena Office: (406) 444-4780 Department of Commerce
1424 9th Avenue
Helena, MT 59620

Bob Heffner, program director
Gary Faulkner, finance officer
John Maloney, international trade officer

Glendive Office: (406) 365-2377 Dawson Community College
Box 421
Glendive, MT 59330

Rod Jorgensen, finance officer
Gary Mariegard, marketing officer

Kalispell Office: (406) 752-5222 Flathead Valley Community
College
#1 First Street East
Kalispell, MT 59901

Tom Jay, acting director

SBDC officers travel frequently throughout the state to assist client businesses. If you're unable to reach the officer you need on the first try, please leave your number. Officers check in daily to take messages, and will respond promptly to your call.

AGENCY: DEPARTMENT OF COMMERCE

PROGRAM: BUSINESS ASSISTANCE

LEGISLATIVE ACTION

BUDGET ITEM	Fiscal 1990		Fiscal 1991		Difference
	Executive	LFA	Executive	LFA	
FTE	14.00	14.00	14.00	14.00	0.00
Personal Services	\$422,926	\$421,086	\$423,256	\$421,411	\$1,845
Operating Expenses	419,865	423,257	416,605	433,873	(17,268)
Equipment	7,175	7,175	1,250	1,250	0
Non-Operating	5,000	5,000	0	0	0
TOTAL EXPENSES	\$854,966	\$856,518	\$841,111	\$856,534	(\$15,423)
FUNDING					
General Fund	\$534,716	\$536,268	\$525,861	\$541,284	(\$15,423)
State Special Rev	10,000	10,000	10,000	10,000	0
Federal & Other	310,250	310,250	305,250	305,250	0
TOTAL FUNDING	\$854,966	\$856,518	\$841,111	\$856,534	(\$15,423)

	FTE	Gen Fund	Total Funds
Issue 1. The LFA budget includes \$6,592 in advertising expenses that are not included in the executive budget.	0.00	6,592	6,592
Issue 2. The LFA budget includes \$12,767 in contracted services for "Made in Montana" billboard and radio advertising that is not included in the executive budget.	0.00	12,767	12,767

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: GROWTH THROUGH AG

BUDGET ITEM	Executive	Fiscal 1990 LFA	Difference	Executive	Fiscal 1991 LFA	Difference
FTE	2.00	2.00	0.00	2.00	2.00	0.00
Personal Services	\$46,547	\$46,347	\$200	\$46,572	\$46,372	\$200
Operating Expenses	20,889	125,679	(104,790)	20,502	125,431	(104,929)
Equipment	0	0	0	0	0	0
Non-Operating	282,564	177,943	104,621	232,926	128,278	104,648
TOTAL EXPENSES	\$350,000	\$349,969	\$31	\$300,000	\$300,081	(\$81)
FUNDING						
State Special Rev	\$350,000	\$349,969	\$31	\$300,000	\$300,081	(\$81)
TOTAL FUNDING	\$350,000	\$349,969	\$31	\$300,000	\$300,081	(\$81)

FTE	Gen Fund	Total Funds
0.00	0	204,000

Issue 1. The LFA budget includes \$204,000 in contracted services for a contract with the Department of Agriculture for marketing services. The executive budget does not include this authority, but recommends that the general appropriations act include language authorizing the department to make grants to other state agencies as approved by the Montana Agriculture Development Council.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: PACIFIC RIM

BUDGET ITEM	Fiscal 1990		Fiscal 1991		Difference
	Executive	LFA	Executive	LFA	
FTE	1.00	1.00	1.00	1.00	0.00
Personal Services	\$35,745	\$21,710	\$35,770	\$21,726	\$14,044
Operating Expenses	444,609	275,441	444,584	272,442	172,142
Equipment	0	0	0	0	0
TOTAL EXPENSES	\$480,354	\$297,151	\$480,354	\$294,168	\$186,186
FUNDING					
General Fund	\$171,338	\$0	\$171,338	\$0	\$171,338
State Special Rev	284,016	190,717	284,016	189,723	94,293
Other	25,000	106,434	25,000	104,445	(79,445)
TOTAL FUNDING	\$480,354	\$297,151	\$480,354	\$294,168	\$186,186

Issue 1. The LFA budget represents the approximate level authorized for this program for fiscal year 1989, while the executive budget represents the department's current budget for operation of the program.

Issue 2. In the LFA budget the funding for the program compares to the funding approved by the 1987 legislature, and includes no general fund. The executive budget includes general fund support.

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: MT HEALTH FACILITIES AUTHORITY

BUDGET ITEM	Executive	Fiscal 1990 LFA	Difference	Executive	Fiscal 1991 LFA	Difference
FTE	3.00	3.00	0.00	3.00	3.00	0.00
Personal Services	\$83,987	\$83,987	\$0	\$84,270	\$84,270	\$0
Operating Expenses	51,141	50,697	444	50,633	50,189	444
TOTAL EXPENSES	<u>\$135,128</u>	<u>\$134,684</u>	<u>\$444</u>	<u>\$134,903</u>	<u>\$134,459</u>	<u>\$444</u>
FUNDING						
Other Revenue	\$135,128	\$134,684	\$444	\$134,903	\$134,459	\$444
TOTAL FUNDING	<u>\$135,128</u>	<u>\$134,684</u>	<u>\$444</u>	<u>\$134,903</u>	<u>\$134,459</u>	<u>\$444</u>

AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: BOARD OF INVESTMENTS

BUDGET ITEM	Fiscal 1990		Fiscal 1991	
	Executive	Difference	Executive	Difference
FTE	26.00	1.00	26.00	1.00
Personal Services	\$905,352	\$31,064	\$906,841	\$30,984
Operating Expenses	348,776	(265)	342,427	(229)
Equipment	24,000	12,000	24,000	12,000
Non-Operating	0	0	0	0
TOTAL EXPENSES	\$1,278,128	\$42,799	\$1,273,268	\$42,755
FUNDING				
General Fund	\$0	\$0	\$0	\$0
Other Revenue	1,278,128	42,799	1,273,268	42,755
TOTAL FUNDING	\$1,278,128	\$42,799	\$1,273,268	\$42,755

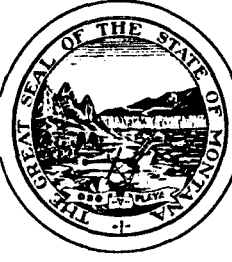
BUDGET ITEM	Fiscal 1990		Fiscal 1991	
	Executive	Difference	Executive	Difference
FTE	25.00	1.00	25.00	1.00
Personal Services	\$874,288	\$31,064	\$875,857	\$30,984
Operating Expenses	349,041	(265)	342,656	(229)
Equipment	12,000	12,000	12,000	12,000
Non-Operating	0	0	0	0
TOTAL EXPENSES	\$1,235,329	\$42,799	\$1,230,513	\$42,755
FUNDING				
General Fund	\$0	\$0	\$0	\$0
Other Revenue	1,235,329	42,799	1,230,513	42,755
TOTAL FUNDING	\$1,235,329	\$42,799	\$1,230,513	\$42,755

BUDGET ITEM	FTE	Gen Fund	Total Funds
Issue 1. The executive budget includes 1.00 FTE that was excluded from the LFA budget because the position was transferred to the Division during the 1989 biennium.	1.00	0	62,045
Issue 2. The executive budget includes \$24,000 more for equipment than is included in the LFA budget.	0.00	0	24,000

Hoover

MONTANA HEALTH FACILITY AUTHORITY

DEPARTMENT OF COMMERCE



TED SCHWINDEN, GOVERNOR

1520 EAST SIXTH AVENUE

STATE OF MONTANA

(406) 444-5435
FAX (406) 444-5439

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 legislature in 1983.
*Seven board members appointed by governor for 4 year terms.
*Bond issuance cap: 150 million per biennium.
*Present bond issuance: \$127,526,000

FACILITY ELIGIBILITY:
Financing or refinancing:
*New building construction.
*Acquisition or renovation of buildings.
*Equipment purchases.
*Does not finance operating expenses.

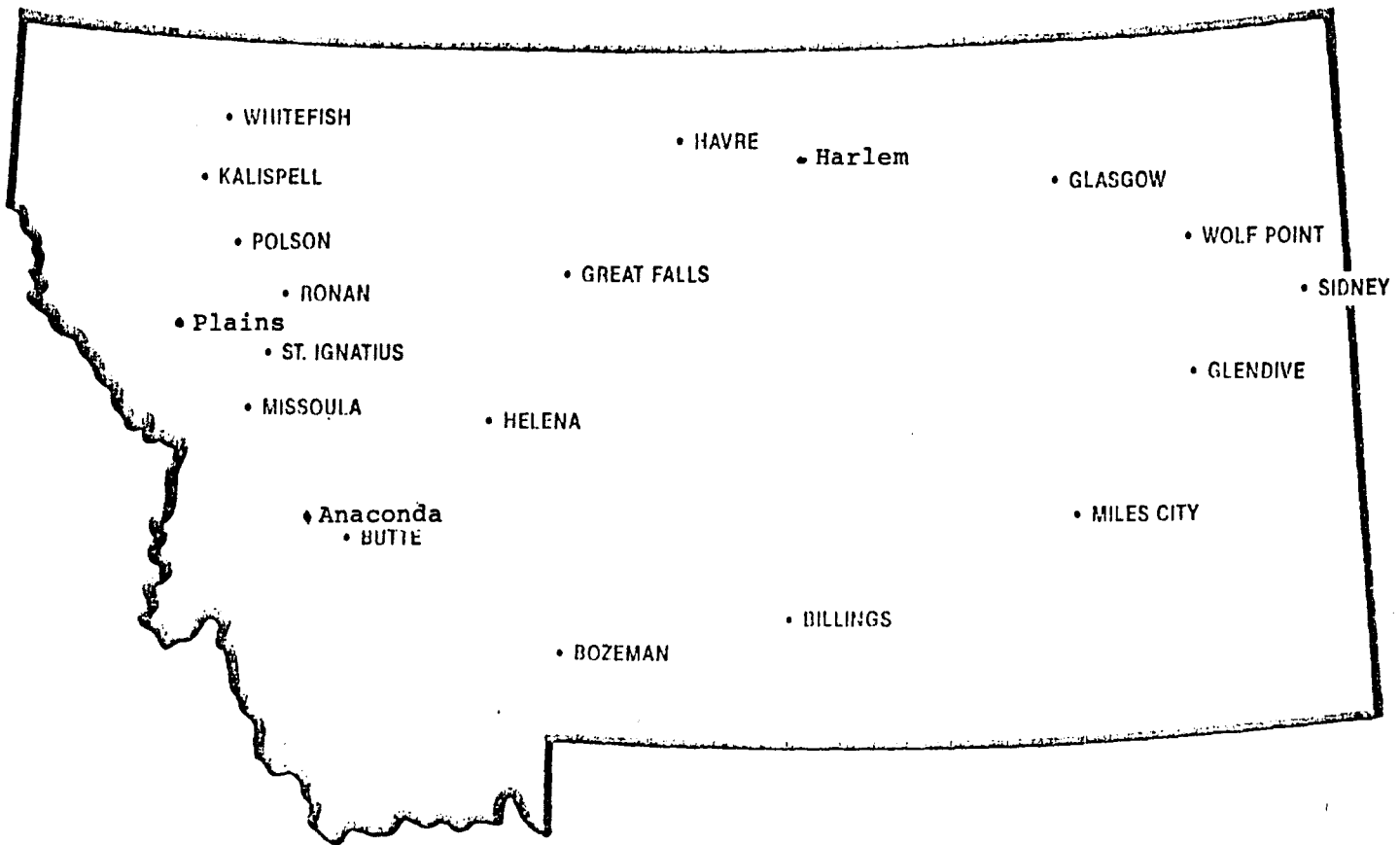
ACTIVITY: *35 separate borrowers
*Borrowing rates ranged from 2-6.2% below refinanced mortgage rates.
*Daily consultation with health care managers on financial, legal and management issues.

INTEREST RATE PERFORMANCE

<u>Year</u>	<u>Borrower's Rate Average Year</u>	<u>Prime Rate +2%</u>	<u>Rate Difference</u>
1985	7.63	12.25	4.62
1986	6.76	10.50	3.74
1987	7.22	10.50	3.28
1988	7.93	11.50	3.57

Board of Directors:

Mary D. Munger, Chairman Helena	Sidney K. Brubaker Terry	Dr. Bud Little Helena
Charles V. Shewey, V. Chairman Bozeman	Dalyce K. Flynn Townsend	Gregory L. Hanson Missoula



LOCATION OF MHFA FINANCINGS

BILLINGS

Billings Deaconess Hospital
Northern Rockies Regional Cancer Treatment Center
Rimrock Foundation

BOZEMAN

Bozeman Deaconess Foundation (2)

BUTTE

Butte Sheltered Workshop, Inc.

GLASGOW

Frances Mahon Deaconess Hospital

GLENDIVE

Glendive Community Hospital

GREAT FALLS

Golden Triangle Community Mental Health Center
Montana Deaconess Medical Center
Sisters of Charity of Providence of Montana, dba
Columbus Hospital

HAVRE

Havre Day Activity Center, Inc.
Northern Montana Hospital

HELENA

Southwest Montana Mental Health Center, dba
Mental Health Services, Inc.
St. Peter's Community Hospital (2)
West Mont Rehabilitation Services, Inc. (2)
West Mont Home Health Services, Inc.
Montana Children's Home and Hospital

KALISPELL

Northwest Healthcare Corporation

MILES CITY

Holy Rosary Hospital

MISSOULA

Missoula Community Hospital (2)
Sisters of Charity of Providence of Montana
dba St. Patrick Hospital

POLSON

St. Joseph Hospital, Inc. (2)

RONAN

St. Luke Community Hospital
and
Nursing Home

SIDNEY

Community Memorial Hospital (2)

ST. IGNATIUS

Mission Valley Hospital

WHITEFISH

North Valley Hospital

WOLF POINT

Faith Lutheran Retirement Home

Dave Lewis

8

MONTANA BOARD OF INVESTMENTS

FACT SHEET

FUND STATISTICS	1971	1981	1988	% Change 1971-1988
Assets Managed (Bil.)	\$.3	\$ 1.1	\$ 2.6	767%
Assets Transacted - Repos (Bil.)	\$.0	\$ 8.7	\$ 15.8	100%
Assets Transacted - Other (Bil.)	\$.6	\$ 1.6	\$ 3.7	517%
Income Earned (Mil.)	\$ 20	\$ 110	\$ 239	1,095%

PROGRAM COST ANALYSIS

In FY88 the cost of investment management and accounting services for each portfolio was as follows:

Portfolio	Market Value (Bil.)	Cost of Management & Accounting	Cost/Basis Points*	
			Montana	National
Fixed Income	\$ 2.39	\$ 619,948	2.6	12.0
Equities	\$.25	\$ 339,550	13.0	24.0
Mortgages & Loans	\$.15	\$ 310,547	20.0	n/a

* National Costs per S.E.I. Median 1988. Cost for mortgages and loans are not available for other national funds. S.E.I. does not include accounting costs.

PERFORMANCE (1979-1988)

Common Stock	17.7%
Bonds	11.9%
Inflation	6.2%

MONTANA INVESTMENTS

Mortgages & Loans	\$ 148.0
Montana CDs	7.3
Loan Commitments	7.9
Total	<u>\$ 163.2</u> (Mil.)

PROGRAM OBJECTIVES AND PERFORMANCE GOALS

1. Manage funds held for the beneficiaries as required by the prudent expert rule, the legislature, and the Montana Constitution.

Performance Measurements

STIP

Achieve an annualized rate of return at least 70 basis points greater than the average of the first 91 day treasury bill auction for each calendar quarter.

MONTCOMP

Achieve an annualized time weighted total rate of return exceeding the S.E.I. median return.

FIXED INCOME

Achieve annualized time weighted total rate of return exceeding the Shearson Lehman Corp. Index¹ in up markets (declining interest rates) and within 2 percentage points in down markets (rising interest rates) assuming the availability of hedging alternatives to mitigate severe market declines.

MORTGAGES

Achieve a delinquency rate lower than a comparable regional delinquency rate while maintaining or increasing the number of services.

COAL TAX LOANS

Submit all loans meeting policy requirements to Board for consideration while maintaining or increasing the number of services.

BOND PROGRAMS

Provide funds for local governments at a lesser cost than bank certificate of deposit rates assuring continuous availability of funds.

Estimated Volumes (Millions)

	<u>FY 90</u>	<u>FY 91</u>
STIP	650	670
Montcomp	300	350
Fixed Income	1600	1700

1. Montana's average maturity significantly exceeds that of the Shearson Lehman Corp. Index.

FY 89 Budget Projections

Commercial Economic Development Loans

Low loan demand and low loan/deposit ratios @ banks have reduced the need for BOI \$.

	<u>1988(E)</u>	<u>1989(P)</u>
No. applications received	24	24
Application fees	\$4,400	\$4,800
No. applications approved	20	20
Dollar volume	\$7,314,000	\$6,500,000
No. applications funded	18	18
Dollar volume	\$6,000,400	\$6,000,000
Application fees	3,900	4,080
Misc. fees	26,760	10,500
Total	<u>\$ 30,660</u> =====	<u>\$ 14,580</u> =====

FY 89 Bond Programs

Federal tax law changes have caused very limited inquiry to industrial development bond (IDB) needs. Therefore no income is projected under IDB.

FY 89 MCAF & INTERCAP & Other Muni

	<u>Bond Issue Size</u>	<u>Issue Fees</u>
MCAF	\$20 million	100,000
INTERCAP	5 million	35,000
Irrigation District	5 million	40,000
	<u>\$30 million</u> ===	<u>\$175,000</u> =====

Mortgage Program

	<u>1988(E)</u>	<u>1989(P)</u>
Mortgage Commitments	\$24,833,900	\$27,317,300
Commitment Fees	\$124,170	\$136,587

Administrative Costs

Administrative costs should not exceed those of the bottom 10 percent of public funds or 7 basis points for investment management and accounting. This means 90 percent of the public funds in the U.S. have higher costs than Montana.

Lewis

SOFT DOLLAR BILLINGS FOR SYSTEMS DEVELOPMENT
AND HARDWARE IN CALENDAR YEAR 1986-87-88

<u>Year</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>Total</u>
<u>Amount</u>	<u>\$130,647</u>	<u>\$292,944</u>	<u>\$46,592</u>	<u>\$470,182</u>

<u>Project Detail</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>Total</u>
Administrative Requests	-	700	1,528	2,228
Development Contract	24,000	264,000	-	288,000
Maintenance	-	11,758	43,737	55,495
TPMS Acceptance Test	8,890	-	-	8,890
Consultation-Boeing	52,709	800	-	53,509
Pricing Interface	1,710	25	-	1,735
Network	350	1,344	308	2,002
Consulting	1,575	-	-	1,575
Quote System Maintenance	2,473	5,852	908	9,233
F.Y. Supplement	10,325	-	-	10,325
Program Develop STIP	6,315	-	-	6,315
Hardware	<u>22,300</u>	<u>8,464</u>	<u>111</u>	<u>30,875</u>
	<u>130,647</u>	<u>292,943</u>	<u>46,592</u>	<u>470,182</u>

