

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By **CHAIRMAN ROGER DEBRUYCKER**, on February 3, 1995, at 8:00 a.m. in Room 312-2 of the State Capital.

ROLL CALL

Members Present Natural Resources Subcommittee:

Rep. Roger Debruycker, Chairman (R)
Sen. Thomas F. Keating, Vice Chairman (R)
Sen. Judy H. Jacobson (D)
Sen. Loren Jenkins (R)
Rep. John Johnson (D)
Rep. William R. Wiseman (R)

Members Excused: none

Members Absent: none

Staff Present: Roger Lloyd, Legislative Fiscal Analyst
Florine Smith, Office of Budget & Program Planning

Members Present Education Subcommittee:

Rep. Royal C. Johnson, Chairman (R)
Sen. Daryl Toews, Vice Chairman (R)
Rep. Don Holland (R)
Rep. Mike Kadas (D)
Sen. Arnie A. Mohl (R)

Members Excused: **SEN. GREG JERGESON**

Members Absent: None

Staff Present: Sandy Whitney, Legislative Fiscal Analyst
Amy Carlson, Office of Budget & Program Planning
Curtis Nichols, Office of Budget & Program Planning
Paula Clawson, Committee Secretary

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

Committee Business Summary:

Hearing: Department of Commerce
- Montana Science and Technology Alliance
Executive Action: none

HEARING ON DEPARTMENT OF COMMERCE
MONTANA SCIENCE AND TECHNOLOGY ALLIANCE

{Tape: 1; Side: A}

Roger Lloyd, Legislative Fiscal Analyst, presented an overview of the Montana Science and Technology Alliance (MSTA) budget. MSTa is requesting an approximately \$16,000 increase for FY96 and \$14,000 increase for FY97. The funding for this program is state special revenue which is derived from loan paybacks and interest on investments from Coal Trust funds. The funding formula changed substantially for MSTa in the last session due to the passage of HB394. The program now can spend earnings received from its loans and it requires that the university system repay at least \$250,000 a year on their research and development loans. Any cost that is not covered by the state special revenue fund can be reimbursed by the Board of Investments.

{Tape: 1; Side: A; Approx. Counter: 75}

Linda Reed, Economic Development Policy Advisor, Governor's Office, said MSTa should be considered as an integral part of the overall economic plan for the state of Montana. Government is not going to create any businesses or jobs, this is the function of the private sector. Government's role is to create and effective and competitive environment. Because private funds for business expansion doesn't exist in Montana, businesses need to turn to the state for help in such areas as stimulating the growth of diversified businesses; investing in public infrastructure and training workers. Montana state government should retool the economy now so tools of the work force and businesses can converge. **EXHIBIT 1**

{Tape: 1; Side: A; Approx. Counter: 390}

Dick Crofts, Deputy Commissioner for Academic Affairs, Commissioner of Higher Education Office, spoke to the contributions that the state's universities make to Montana's research and development (R&D) efforts. **EXHIBIT 2** The major reason for R&D programs at the universities is that they are a significant part of the education of Montana students, undergraduate as well as graduate.

External agencies, through sponsored grants, are increasingly turning to the universities to conduct R&D projects, which is a mark of sophistication and maturity in the programs. Sponsored programs are equivalent to a \$51 million business in the Montana economy. About \$33 million of these dollars are paid in salaries to faculty, technicians, support personal, and students. In FY94 student salaries and stipends were almost \$7.75 million. The State of Montana is seriously lacking in an industrial R&D base and therefore must rely on the universities to provide technology transfer and business assistance that forms the roots of economic development. Many believe that the expansion of R&D and the

building of a research infrastructure is the single most important piece of economic development for Montana's future.

The Experimental Program to Stimulate Competitive Research (EPSCoR) program is a federally funded family of merit based programs designed to enhance science and technology related research, education and industrial capabilities of states that have traditionally received little federal R&D spending. Montana has been extremely successful in the competitive grant process, as well as in the outcomes of these programs in terms of their contribution to business and industry. The purpose of EPSCoR is to be a partnership between the state and its universities. The mechanism used in the past to secure state matching dollars has been loans to the university system. The \$4.4 million of loans for the FY94/95 biennium provided part of the match for grants from federal agencies which in total has reaped the benefits of almost \$18.5 million. Montana is the only EPSCoR state that makes loans which universities are required to repay. In several other states part of their dollars have come from trust funds similar to those found in Montana.

{Tape: 1; Side: B}

Programs already approved for the next biennium will require a match of \$4.8 million and will secure \$7 million federal dollars for building successful R&D programs. These funds provide the best way to accomplish so much so quickly in building R&D activities in Montana. The mission of the Montana University System (MUS) is not to be a vehicle for economic development, however MUS can perform the research and development which is important for Montana's future. MUS has contributed over \$2 million cash in the last biennium to R&D while the state has contributed \$4.2 million as a loan. The state should be willing to invest in the future of R&D in Montana, not loan to it. Because of the EPSCoR and sponsored programs, infrastructure is being built in Montana at a rapid pace. Students are graduating with the skills needed by the high tech firms that will be the base of future successful development of the Montana economy. The subcommittee is asked to give positive consideration for the legislation which will provide an investment to Montana's future in research and development.

{Tape: 1; Side: B; Approx. Counter: 140}

REP. EMILY SWANSON told the subcommittee she was sponsoring HB526 to generally revise funding to research and development efforts. Research and development is very important to Montana, but \$13 million in funding from the permanent trust is not comfortable. HB526 provides for different mechanisms for funding R&D, ultimately leading to a way to build self-sufficiency for the R&D centers to eventually be able to have their own money for matching grants. This legislation would build some money on the part of the R&D centers but also provide them with funds during that building period. The bill asks for a commitment from the

state for a certain time period and a certain number of dollars for that entire period. Projects are encouraged that have the highest potential for commercialization, which will increase the state's economic development package and be the emphasis to which the legislature is committed.

{Tape: 1; Side: B; Approx. Counter: 244}

Jon Noel, Director, Department of Commerce, explained how the State of Montana works with the MSTA program. The constitution of the State of Montana prohibits any state agency from investing in the stock of private corporations, with the exception of the Board of Investments for certain retirement accounts.

Normally a venture capital company doing what MSTA does, which is to identify an early stage developing company that has high potential for growth, would make an investment in the form of purchasing stock in the company. The State of Montana has to purchase a convertible debenture, which is a loan that is convertible into the common stock of the company on the basis of a predetermined formula, where one dollar debenture purchases x-percentage of stock with the interest deferred. This is in essence an equity investment. To other investors the MSTA investment looks exactly like equity. The interest is deferred, there are no periodic repayments of principle, and in a normal seven-year investment there is generally a 10.5% disbursement. The concept is that within that seven year period the company will become successful enough to make a public offering of their stock at a price that is some multiple of the conversion price in our debenture. An alternative to the public offering of stock would be that a larger corporation would buy the company, also at a value that is a multiple of our stock. In our portfolio currently, three to four companies (out of ten) have the potential to succeed by going public. Other companies probably will not go public, but have the potential to repay the loan, some with interest, some not. Some companies will fail - that is the nature of venture capital.

MSTA is a valuable program in that it assists in establishing businesses in Montana that otherwise would not be here. There have been at least three attempts to start small business investment companies in Montana but none have been able to get the equity to get it going. Montana doesn't have other alternatives, so MSTA is really pertinent. The \$250,000 loan repayment by the universities is used to support the administration of MSTA. Loans to the university system are probably not an appropriate vehicle for funding R&D, and if this repayment money were not being spent to pay for MSTA administration it would be going into the general fund, therefore even though MSTA is not technically supported by general fund, "you could say it's done with mirrors." MSTA has a small budget for a very important part of Montana's economic development tools, and since the last biennium have scaled back the staff by

two FTE's. The subcommittee is urged to accept the MSTA budget as presented.

{Tape: 1; Side: B; Approx. Counter: 631}

Will Brooke, Attorney and MSTA Board Member, told the committee that when he first joined the MSTA board he wasn't sure philosophically that the State of Montana should be in the business of joint ventures with business. Through work on the MSTA Board it has become clear that getting venture capital in Montana is difficult and state support is necessary for these developing businesses. MSTA has become more scaled back and efficient with an ultimate goal of getting the State of Montana out of the venture capital business by creating enough "critical mass" funds to operate without state support.

{Tape: 1; Side: B; Approx. Counter: 789}

Rebecca Mahurin, Montana-State University Faculty and MSTA Chairperson, said the MSTA board is committed to support of both research and development and venture capital funding. Many companies have benefited from research activities which MSTA has supported and from the venture capital function of MSTA. MSTA supported companies and projects have created between 400-500 jobs in the state of Montana. MSTA is building a continuum of companies and job creation that is important to the future of Montana. **EXHIBIT 3**

{Tape: 1; Side: B; Approx. Counter: 910; Comments: Continue on Tape 2, Side A}

Loren Smith, Owner - Prairie Kraft Specialties and MSTA Board Member, testified that the mission of MSTA is to make good loans, not just give money away. The MSTA board has is composed of a very good cross section of business interests and has brought a lot of money to the state in terms of created jobs.

{Tape: 2; Side: A; Approx. Counter: 40}

Rick Hill, Owner - R.A. Hill & Company and MSTA Board Member, said that the State of Montana probably should not operate a venture capital fund, but should invest funds in a venture capital pool that's targeted at helping developing businesses in Montana attract venture capital. Early in its inception, MSTA solicited investments from approximately 40-50 major venture capital programs throughout the company. Only one company responded positively with a small, short-term investment. There isn't interest outside of the state in supporting venture capital in Montana. Because MSTA is the only vehicle for venture capital in Montana, the State needs to continue to support it. Ultimately the infrastructure to build private sources of R&D funding in Montana should be encouraged so over time State support will not be needed.

{Tape: 2; Side: A; Approx. Counter: 125}

Kent Kerby, Dean, College of Business - Montana State University-Billings, spoke to the Montana Business Connections (MBC) program. MBC produces cooperative activities with universities to support small businesses by assisting as broker of consultants for businesses who can't afford consultants. MBC is cost effective for businesses in that the initial consultation fee is \$250, while the services of a student team working for a semester (if valued as five students at minimum wage for ten hours each per week) provides a value of \$3,187.50. Also, if after initial consultation, MBC recommends to the entrepreneur that the business proposition not be pursued, the \$250 fee is much less costly than a failed business. MBC is one of the best programs MSTC provides in Montana.

{Tape: 2; Side: A; Approx. Counter: 340}

REP. MIKE KADAS asked why there is no interest outside of Montana to fund venture capital in Montana. **Mr. Hill** said, as speculation, that Montana is a small market and the harsh weather and distance from other markets makes it a poor place to invest. Also venture capitalists tend to invest where there is a "synergy" of companies working on similar areas so knowledge is building on knowledge. There is no incentive to make the effort to invest in Montana when it is easier to invest elsewhere.

REP. KADAS asked, given limited funds, where is it most important to spend available dollars. **Mr. Hill** said that while R&D is very important, it requires a long term commitment of revenue. The most important place to use funds for more immediate results is in venture capital projects which may be able to more quickly have a competitive return rate to the State.

REP. KADAS asked if the State should demand a return on investments for venture capital. **Mr. Hill** thinks that state dollars should be primarily focused on applied research where there is real commercial potential and that the revenue stream that comes off of that has to be recaptured or recycled with the R&D programs. But even if that happens, it is still a long term process to go from research to commercial realization.

REP. KADAS asked what pay-back and terms the legislature should have with respect to the revenue stream from R&D commercialization. **Mr. Hill** said the current 5% payback set up in the original bill is "ridiculously low." Often R&D technology is sold as a licensing agreement with a very small royalty and the 5% payback comes from this very small figure. In some situations it could take 100-150 years for that revenue stream to repay. Repayment potential should be set up so revenues are sufficient to fund the ongoing R&D programs.

{Tape: 2; Side: B; Approx. Counter: 179}

REP. ROYAL JOHNSON asked what kind of payback has been arranged for the \$500,000 loan to the McLaughlin Research Group. **Mr. Noel** said the payback agreement is 2.5 times plus 5% of profits of commercialization starting at the end of 1995. The 2.5 times payback is obligatory even if the project is not commercialized.

REP. JOHNSON asked where the report to the MSTA Board from the interim director/consultant contracted for five months in late 1993 had been distributed and what recommendations from the report were followed or rejected. **Mr. Noel** explained that there was not a requirement for a written report, the interim director generated the report on his own. The interim director was hired to assess the MSTA program in a broad sense and particularly assess staffing that would be required. The interim director made a number of recommendations including a recommendation the Board did not agree with to hire a part-time facilitator rather than a full-time Executive Director for MSTA. **Ms. Mahurin** said the board was disappointed in the analysis provided by the interim director. The interim director did not access all sources, including past and present MSTA board members and elected members of the legislature who were both proponents and opponents of MSTA. The report also contained some material from other sources that was not credited. The MSTA board notified the interim director that they would not publish the report and asked the interim director to notify the Board if he chose to publish and/or distribute the report.

REP. JOHNSON said he wanted to make it clear that he is supportive of all R&D that can be done in Montana but it seems MSTA has veered off the course of R&D programs. **REP. JOHNSON** asked if MSTA works with the other economic development programs in the Department of Commerce to better combine programs. **Ms. Mahurin** said there is movement towards integrating some of the programs and Department of Commerce staff attend all MSTA board meetings. There is also current consideration of physically moving the MSTA office into the Department of Commerce building, so there will be one-on-one daily contact with the other economic development programs staff.

REP. JOHNSON asked **Ann Wells, Executive Director, MSTA**, if, as a venture capitalist professional, she would be inclined to invest in Montana if she were out-of-state. **Ms. Wells** responded that she would be likely to make investments in her own area and not look to Montana, which is perceived as being more difficult than other places for venture capital investments.

SEN. THOMAS KEATING asked **Mr. Smith** how he financed the start-up of his business and what obstacles he ran into while starting the business. **Mr. Smith** answered that his business, providing small cabin units for commercial campgrounds, began slowly with small loans from banks. The largest obstacle has been government

regulations and bureaucracy in areas such as paper work for payroll; water quality issues; and solid waste disposal programs.

{Tape: 2; Side: B; Approx. Counter: 880; Comments: Continue on Tape 3; Side 1}

SEN. KEATING commented that when MSTA started "the only reason I voted for it was because it was a transfer of money from the alternate energy account, which was a statutory appropriation from the Coal Tax, to the MSTA account because I thought the money would be put to better use." MSTA has grown away from its purpose to support science and technology development to help business growth in the state so it will help the economy and provide jobs, into an investment business whereby MSTA is giving business loans that in all likelihood will be a grant. "I don't see any businesses being set up, I don't see any jobs, I don't see any ripple effect for service organizations and now we're into asking for a return on our investment in the form of dollar income from think tanks. I just don't see any meat and potatoes out there with regards to manufacturing and companies building primarily because people are reluctant to do business in Montana." Venture capital probably would come from out-of-state if the business climate in Montana were inviting, but the regulation, taxation and cost of doing business in Montana is discouraging to small businesses. As policy makers the legislature has established that bureaucracy and regulations that inhibit investment and opportunity in Montana.

CHAIRMAN DEBRUYCKER asked where the Montana University System gets the cash funds it uses to support R&D at the universities. **Dr. Crofts** replied that the funds, approximately \$2.1 million in the last biennium, come from a variety of source but primarily from indirect costs recovered from federal grants.

CHAIRMAN DEBRUYCKER commented that since university funding and state funding are basically tied together, the \$4.4 million state funding for R&D can be looked at as \$6.5 million.

ADJOURNMENT

Adjournment: This meeting adjourned at 10:10 AM.



ROGER DEBRUYCKER, CHAIRMAN



PAULA CLAWSON, SECRETARY

RD/pc

[THIS MEETING WAS RECORDED ON THREE 60-MINUTE TAPES]

EDUCATION

Joint Appropriations Subcommittee

ROLL CALL

DATE 2/3/95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Royal Johnson, Chairman	✓		
Rep. Mike Kadas	✓		
Rep. Don Holland	✓		
Sen. Daryl Toews	✓		
Sen. Greg Jergeson			✓
Sen. Arnie Mohl	✓		

LOAN & GRANT PROGRAMS

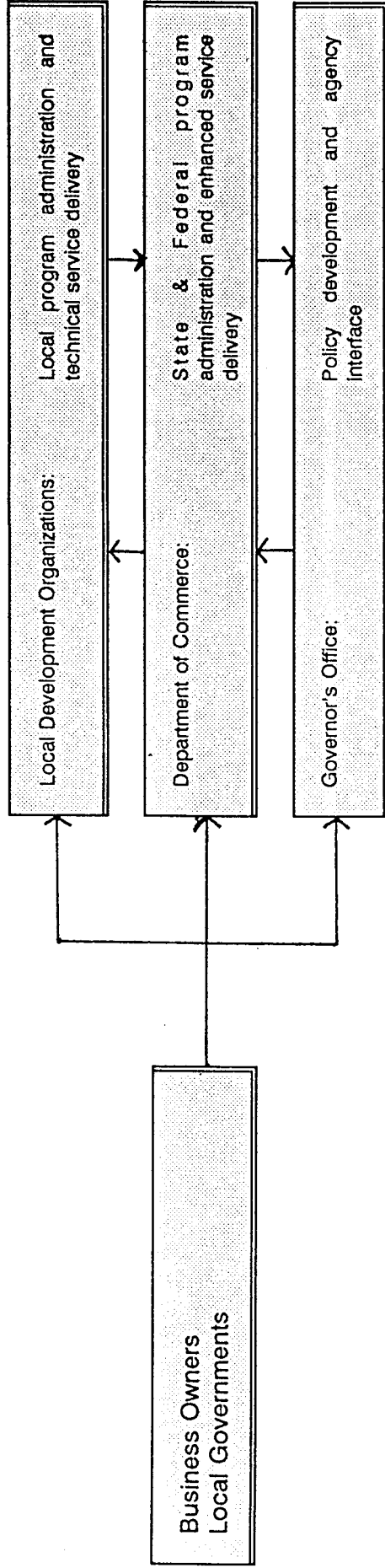
EXHIBIT 2-3-95
 DATE 2-3-95
 SB SB

	Dept. of Commerce	State Agencies	Federal Agencies	Private Sector	Use
Private Sector Support	Board of Housing (L)			Private Capital	Single & Multi-family housing
	Board of Investment (L)		SBA 7(a) (guaranty), SBA 504 (L)	Banks	Business Loans
	Job Investment Act (L)		SBA 7(a) (guaranty), SBA 504 (L)	Banks	Business Loans
			CDBG - Economic Development (L) (Admin - Dept. of Commerce)	Local Development Funds	
	Microbusiness (L)			Local Development Funds Banks	Small Business Start-up & Expansion
	MSTA - R&D (L)		Nat'l Science Foundation (G)	Private Capital	Business Loans & University Business Loans
	MSTA - Seed Capital (L)				
		Dept. of Nat'l Resources Renewable Resources (G&L) Rangeland Improvement (L)			Irrigation/Water Systems Rangeland Development
		Dept. of Agriculture Growth Thru Ag (L) Rural Assistance (L)			Business Loans Start-up Farm Loans
Public Sector Support	Treasure State Endowment (G&L)	Dept. Nat'l Resources Renewal Resources (G&L)	CDBG - Water & Sewer (G) (Admin - Dept of Commerce)	Community Bonding Capacity Local Development Funds	Water & Sewer
	Board of Investment Interpact (L)				Interim Water & Sewer
		Dept of Health - Revolving Fund (L)	Partial Federal Funding		Water Pollution Control Systems
	County Land Planning (G)				Land Use Planning
			CDBG - Housing (G) (Admin - Dept of Commerce) HOME (G) (Admin - Dept of Commerce)	Local Development Funds Local Development Funds	Low/Moderate Housing
	Travel Montana (G)				Tourism Planning/Infrastructure
	Montana Health Care Authority (L)			Private Capital	Health Care Facilities
	Local Impact Assistance (G&L)				Impacts of Coal Mining
	Hard Rock Mining Impacts (G)				Impacts of Mine/Smelter Closures
		Dept. of Nat'l Resources Reclamation & Development (G) Dept. of Transportation Aeronautical Grants & Loans Community Airport Assist (G)			Mineral Reclamation
Public Sector Support					Local Airport Expansion & Improvement Airport Planning

Programs funded or administered by State Agencies which provide loans or grants to private businesses or communities for the purpose of infrastructure development.

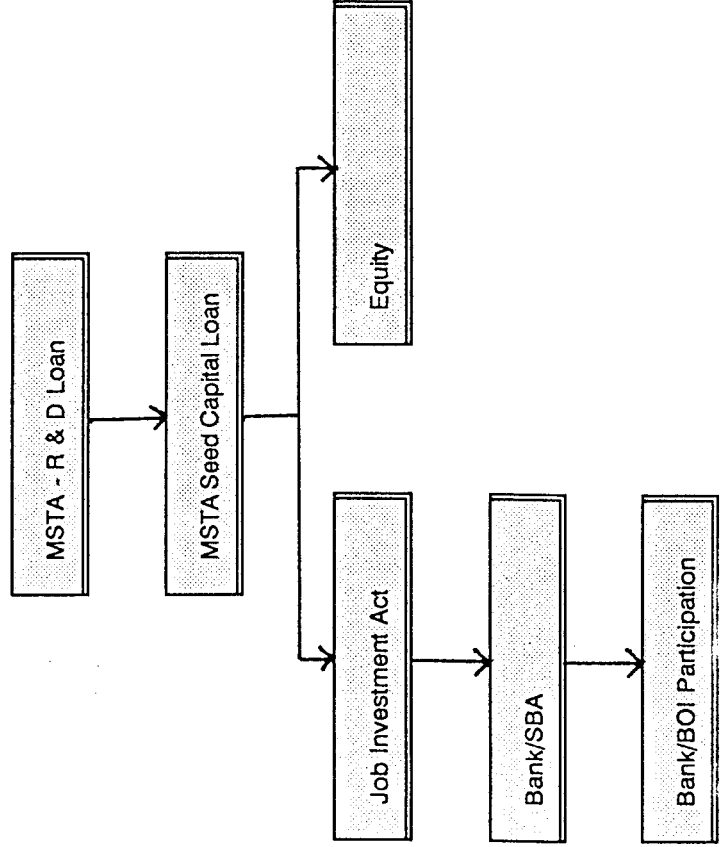
Not included are private loan and grant sources nor programs primarily offered exclusively by Federal Agencies such as Farm Home (now Rural Economic and Community Development, RECD) or U.S. Dept. of Trans.

INTERRELATIONSHIP OF PROGRAM USERS AND PROVIDERS



CONTINUUM OF LOAN PRODUCTS PRIVATE SECTOR SUPPORT

TECHNOLOGY COMPANY



TRADITIONAL MANUFACTURING OR SERVICE COMPANY

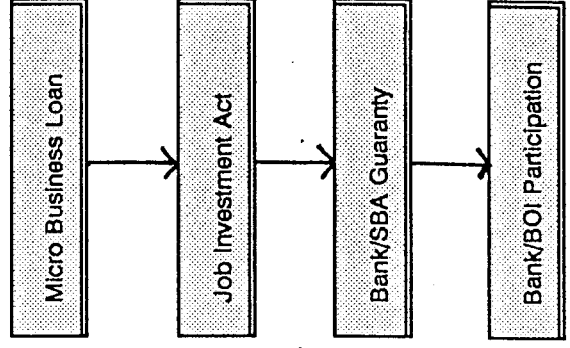


EXHIBIT 1

DATE 2-3-95

LOAN AND GRANT PROGRAMS
ADMINISTERED
by
MONTANA STATE AGENCIES

February 3, 1995

PRIVATE SECTOR SUPPORT

Department of Commerce Programs

Board of Housing

Finances mortgages for low-income and first time home buyers through the sale of tax exempt bonds. The program is entirely self funded.

Board of Investments

Using Montana Coal Severance Tax Trust Funds, the Board buys loan participations in the guaranteed portion of federally guaranteed loans and the first mortgage position of SBA 504 loans. In addition, the Board purchases up to 80% participations in qualifying bank loans. Participations up to \$12.4 million are available.

Job Investment Act

A proposed loan program which will work with private equity and bank loans to finance working capital and asset acquisition for expanding businesses. Maximum loan amount is 50% of the financing need up to \$500 thousand. Funds will come from investment authority over \$8 million of the Montana Coal Severance Tax Trust Fund.

Microbusiness Finance

An appropriation of \$3.25 million from the Permanent Coal Tax Trust Fund matched with private funds of \$875 thousand was loaned to twelve non-profit micro business development corporations to make loans of no more than \$20 thousand to companies employing less than 10 and recognizing no more than \$500 thousand in annual gross revenue. Businesses of this size create 80% of Montana's wage and salary jobs. Lending decisions are made by local boards and technical assistance is offered by the local micro business development corporation. The Department of Commerce certifies the local micro business development corporation and provides ongoing performance monitoring.

A proposal to the 54th Legislature will ask that the loan

thousand and loans are limited to the capacity of the borrower. Funds are generated through the collection of taxes on mineral extraction and ground water assessment taxes.

Rangeland Improvement Loan Program

Loans for farmers and ranchers for rangeland development and improvement as part of a conservation program. Loans are limited to \$35,000.

Department of Agriculture

Growth through Agriculture

Loans are available to support commercialization of new agricultural products, market development, and foreign trade activities. Program funds are made available from the coal severance tax.

Rural Assistance Loan Program

Loans to beginning farmers and ranchers to purchase livestock, equipment, real property, or finance operating needs. Loans are limited to \$25 thousand.

PUBLIC SECTOR SUPPORT

Department of Commerce Programs

Treasure State Endowment

Using the interest earned on an endowment building with approximately 50% of the proceeds to the Montana Permanent Coal Severance Tax Trust, this program provides gap financing (primarily through grants) for water, sewer, and bridge projects at community levels. Maximum grants are \$500 thousand.

Board of Investment - Inter-cap Loans

Using investment authority over the Montana Coal Severance Tax Trust Fund, the Board makes interim loans to communities for equipment, repair or expansion of water and sewer systems. The maximum loan is \$500 thousand.

County Land Planning

Using one half of one percent of the coal tax revenue to county governments, the Department makes grants to counties for land use planning purposes.

Department of Natural Resources

Renewable Resource Grant and Loan Program

Grants of up to \$100 thousand, grant/loan combinations of up to \$200 thousand and loans based on the ability to pay are made to local governments to finance water and sewer systems, dam rehabilitation, irrigation and other programs designed to conserve, develop, or manage renewable resources. Program funds are generated through the collection of taxes on mineral extraction and ground water assessment taxes.

Reclamation Development

Grants are made to communities for reclamation projects necessary as a result of mining and exploration. Grants are limited to \$300 thousand.

Department of Transportation

Aeronautical Grants and Loans

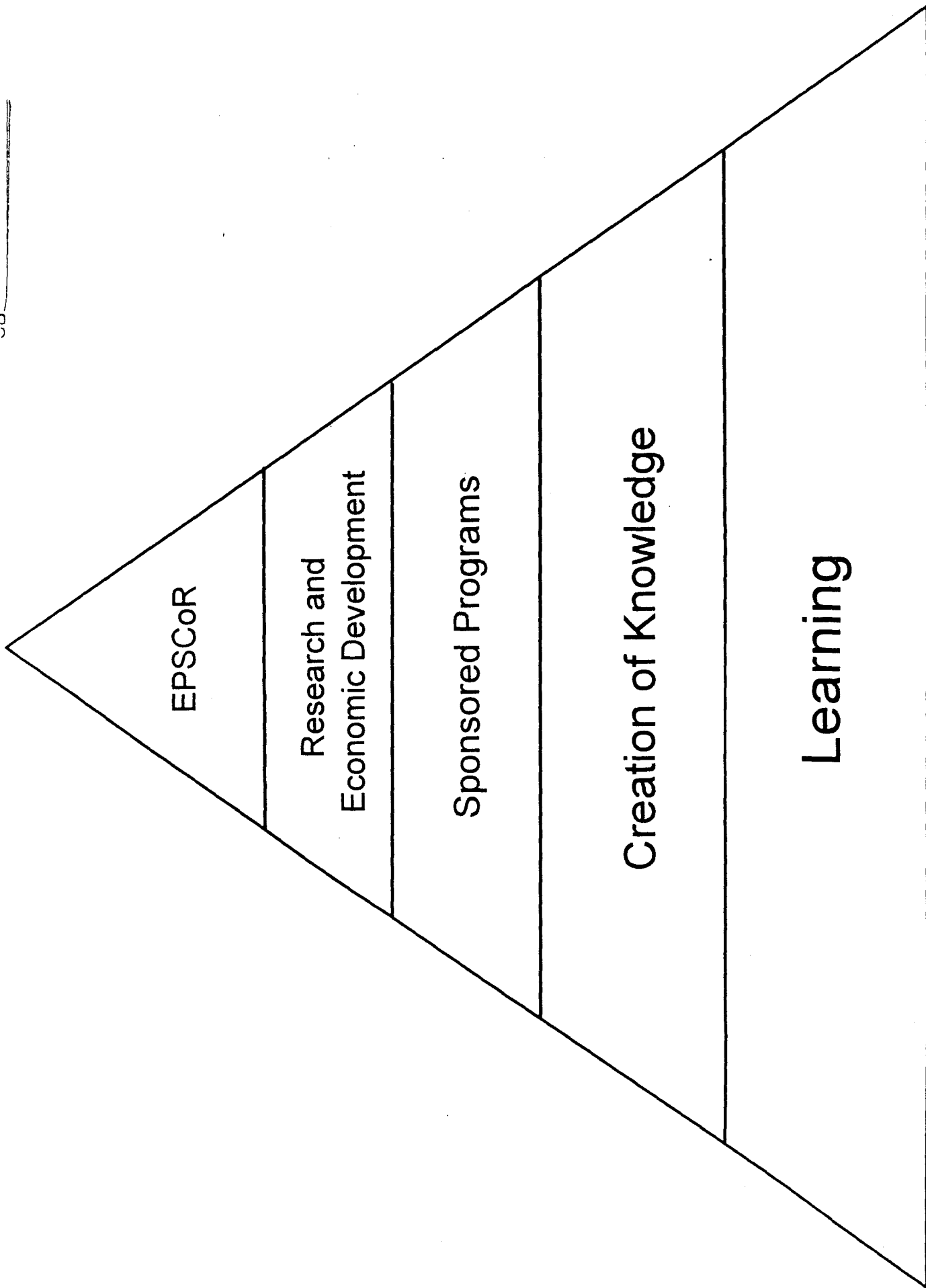
Loans or grants are available to local governments for airport development and safety enhancement. Program funds are generated from taxes on aviation fuel.

Community Airport Assistance

Engineering grants to assist owners develop designs for, construct, maintain, and operate airports.

Research in MUS

EXHIBIT 2
DATE 2-3-95
SB _____

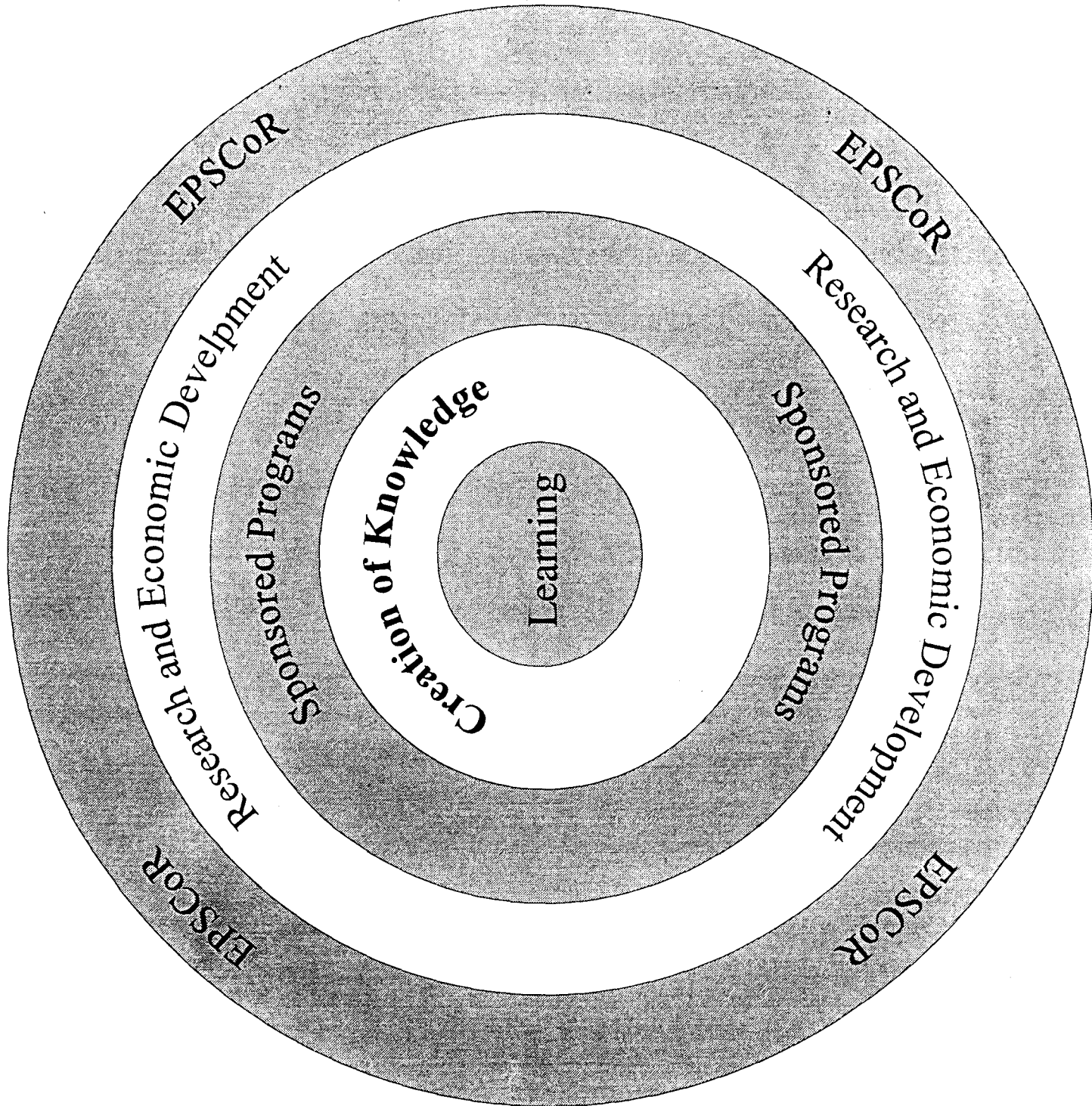


**MONTANA UNIVERSITY SYSTEM
GRANTS AND CONTRACTS EXPENDITURES - FY 94
BY MAJOR CATEGORY**

<u>CATEGORY</u>	<u>EXPENDITURE</u>
Faculty and Professional Salaries	\$ 17,410,905
Classified Salaries	\$ 7,928,498
Student Support (Salaries, Stipends, Fees)	\$ 7,728,712
Supplies and Operations	\$ 14,062,770
Equipment	\$ 4,280,905
Total	<u>\$ 51,411,790</u>

EXHIBIT 2
DATE 2-3-95

Research in MUS



State Loans for Grants' Matching

1994-1995 Biennium

EPSCoR

<u>Federal Agency</u>	<u>Loan Amount</u>	<u>Grant Award</u>	<u>MUS</u>	<u>Private</u>	<u>Total</u>
NSF/ESI	\$ 300,000	\$ 160,000	\$ -----	\$ 160,000	\$ 620,000
NASA	50,000	1,000,000	300,000	483,641	1,833,641
DOE	450,000	890,407	440,408	88,936	1,869,751
DOD	-----	1,082,907	-----	50,821	1,133,728
DOD Graduate Traineeships	-----	250,000	170,500	-----	420,500
NSF	2,500,000	2,500,000	617,000	-----	5,617,000
NIH	100,000	100,000	-----	-----	200,000

Centers

<u>Federal Agency</u>	<u>Loan Amount</u>	<u>Grant Award</u>	<u>MUS</u>	<u>Private</u>	<u>Total</u>
Engineering Research Center	\$ 400,000	\$ 2,992,775	\$ 600,000	\$ 1,900,000	\$ 5,892,775
Montana Entrepreneurship Center	350,000	-----	-----	200,000	550,000
Center for Advanced Minerals Processing	250,000	-----	-----	75,000	325,000
TOTALS	\$ 4,400,000	\$ 8,976,089	\$ 2,127,908	\$ 2,958,398	\$ 18,462,395

E X H I B I T I V

How EPSCoR States Make Their Matches

	<u>Primary</u>	<u>Secondary</u>	<u>Other</u>
Alabama	State Appropriations General Fund	Research Institute (trust fund)	Universities
Arkansas	State Appropriations General Fund	Universities	Stripper Wells
Idaho	State Appropriations General Fund	Universities	Industry
Kansas*	State Economic Development Initiative Fund (from lottery, pari-mutual, alcohol sales)		
Kentucky*	State Appropriations General Fund	Universities	
Louisiana	Trust Fund (Oil and Gas Settlement)		
Maine*	State Appropriations General Fund		
Mississippi	Commissioner of Higher Ed Appropriated "Enhancement" monies		
Nebraska	State Appropriation General Fund	Universities	Private Sector
Nevada	Legislative (earmarked estate tax)	Universities	
North Dakota	Legislature Line item budget		
Oklahoma	Legislature (from "Rainy Day Fund")		
South Carolina	State Appropriation	Universities	
South Dakota	South Dakota Future's Fund	Universities	
Vermont	University	Legislature	Private Sector
West Virginia	State Appropriation	University	
Wyoming*	State Appropriation	University	Private Sector

EXHIBIT 2

DATE 2-3-95

*In these four states, the Legislative Appropriations go to an entity similar to MSTA.

EPSCoR STATES

Ratio State Dollars to Federal EPSCoR Dollars

(in millions of dollars)

<u>EPSCoR State</u>	<u>State Dollars</u>	<u>Federal Dollars</u>	<u>Ratio</u>
Oklahoma	40.0	8.7	4.6
Alabama	41.5	9.8	4.23
Louisiana	30.7	8.1	3.79
Kentucky	26.8	10.4	2.58
North Dakota	22.9	9.0	2.54
Mississippi	18.0	8.7	2.07
South Dakota	10.9	6.7	1.63
Nevada	11.0	8.2	1.34
Maine	12.9	9.7	1.33
Wyoming	8.7	7.1	1.23
Idaho	10.4	8.6	1.21
South Carolina	14.1	11.9	1.18
Puerto Rico	7.9	6.7	1.18
Vermont	7.4	8.3	0.89
Nebraska	4.2	4.8	0.88
Arkansas	9.1	10.5	0.87
Kansas	4.9	5.8	0.84
MONTANA	9.8	12.1	0.81

**MONTANA UNIVERSITY SYSTEM
GRANTS MATCHING FY 96-97**

EXHIBIT 2
DATE 2-3-95
1

I. MATCHES FOR FEDERAL GRANTS FOR FY 96 AND 97 FOR PROGRAMS
ALREADY FUNDED FOR NEXT BIENNIUM

(Figures are for the biennium. Figures are X \$1,000) (All are statewide programs.)

PROGRAM AND AGENCY	AGENCY FUNDS	MATCH REQUIRED
1. NSF SI EPSCoR (funded for 5 years)	\$2,900	\$2,900
2. NASA EPSCoR (funded for 5 years)	\$1,000	\$1,000
3. NASA Space Grant (funded for 5 years)	\$ 340	\$ 240
4. NSF Tchr Collab STEP (funded for 5 years)	\$2,400	\$ 400
5. Montana AHEC (Area Health Education Center)	\$ 150	\$ 150
6. NASA JOVE	\$ 50	\$ 50
7. Office of Rural Health	\$ 150	\$ 150
TOTAL	\$6,990	\$4,890

II. EPSCoR PROGRAM OPPORTUNITIES - MATCHES ANTICIPATED

PROGRAM AND AGENCY	AGENCY FUNDS	MATCH REQUIRED
1. NSF ESI EPSCoR	\$1,000	\$1,000
2. DOE EPSCoR (assumes 5 states funded)	\$2,500	\$2,100
3. NIH EPSCoR (assumes 8 states funded)	\$ 225	\$ 60
4. EPA EPSCoR (assumes 4 states funded)	\$ 500	\$ 250
5. DOD EPSCoR (assumes each state funded)	\$2,000	\$1,000
6. USDA EPSCoR (assumes each state funded)	\$1,000	\$ 200
TOTAL	\$7,225	\$4,610

III. CENTERS AND PROGRAMS
 MATCH and BASE FUNDING FOR FY 96 AND 97

1.	Engineering Research Center (funded by NSF for 4 years at \$6.1 million) (most of match made by industry)	\$ 800
2.	Montana Entrepreneurship Center	\$ 800
3.	Center for Biotechnology	\$ 600
4.	Center for Advanced Minerals Processing	\$ 400
5.	Advanced Materials/Optical Sciences Center (match for industry and federal grants)	\$ 600
6.	MUS Water Resources Center (match for federal assistance grant)	\$ 300
	TOTAL	\$3,500

TOTAL FOR I. THROUGH III.	\$13,000
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EXHIBIT 2
DATE 2-3-95**BUSINESS/INDUSTRY PRESENTERS**Presenter

Penny Copps
U.S. West Communications

John Murphy
Montana Power Company

Craig Rawlings, President
Safe Shop Tools

George Torp, President
Purity Systems, Inc.

Judy Gobert, Native American Graduate Student
in microbiology/biochemistry
(hometown: Missoula, MT)

Larry Johnson, CEO
ILX Lightwave

Dan Biggerstaff, General Manager
Western Plant Breeders

Gail Abercrombie
Executive Director
Montana Petroleum Assn.

Don Peoples, President & CEO
Montana Technology Companies - Butte

Randy Equall, PHD Student
MSU Physics
(hometown: Worden, MT)

Faculty Partner

John Balsam, Director
Montana Business Connection

Jerry Bromenshenk, Research Professor
Biological Sciences

John Balsam, Director
Montana Business Connection

Vernon Grund, Professor
Pharmaceutical Sciences

Tom North
Division of Biological Sciences

John Carlsten, Regents Professor
MSU Physics

Tom McCoy
MSU Dean of Agriculture

Bill Costerton, Director
MSU Center for Biofilm Engineering
and Joe Figueira, Associate Dean
Research and Graduate Studies
(Montana TECH of UM)

Bill Costerton, Director
MSU Center for Biofilm Engineering
and Joe Figueira (Montana TECH of UM)

John Carlsten, Regents Professor
MSU Physics

EXHIBIT 3
DATE 2-3-95
SB

Montana Science & Technology Alliance 1995 Biennial Report

The original of this document is stored at
the Historical Society at 225 North Roberts
Street, Helena, MT 59620-1201. The phone
number is 444-2694.

(report)

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VISITORS REGISTER

Environment/Natural Resources

SUB-COMMITTEE

DATE 2/3/95

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NAME AND ADDRESS	REPRESENTING	Support	Oppose
Bob Swanson, Bozeman	Self	X	
Becky Schubert, Bozeman	MSTA	X	
Dave Kruger	Mont. B. Co. executives	X	
Pete Joseph	MFT		
Kirk Hill	MSTA	✓	
Mark Peterson	MAES		
John Pomroy	MSTA	X	

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