IMPACT
Partnerships that Work
MEDA Montana Economic Developers Association

January 2017
A Brief History of the 2019 Economic Development Programs and Other Key Tools Designed to Intentionally Build and Sustain Montana’s Vibrant Economy

In 1999, Governor Marc Racicot’s Jobs & Income Initiative and the Vision 2005 Initiative, the product of strategic planning meetings conducted all across Montana in 1997 and 1998, led the Legislature to pass HB 260 creating and/or eight economic development programs designed to intentionally build and sustain Montana’s vibrant economy. Through the united efforts of visionary leadership and a large coalition of partners, the following programs were initiated and funded or already existed and had their funding expanded:

- Montana Growth Through Agriculture,
- Montana Cooperative Development Center,
- Montana Board of Research and Commercialization Technology,
- Small Business Development Centers,
- Montana Technology Innovation Partnership (formerly SBIR),
- Certified Regional Development Corporations (previously Certified Communities program),
- Montana Manufacturing Extension Center, and
- The Office of Trade and International Relations Bureau.

The 2009 Legislature extended the sunset on these eight economic development programs from June 30, 2010 to June 30, 2019. These eight programs comprise the “2019 Economic Development Programs” featured in the is booklet.

- Small Business Development Centers
- Small Business Innovation Research
- Office of Trade and International Relations Bureau
- Montana Manufacturing Extension Center
- Research and Commercialization
- Certified Regional Development Corporations
- Growth Through Agriculture
- Cooperative Development Centers

The 2011, the 2013, and the 2015 Legislatures have continued to support these intentional economic development efforts through level funding for all of the eight of these programs from June, 2010 to June, 2019 except for:

- The Growth Through Agriculture Program which was reduced from $1.25 million per year to $625,000 per year, and
- The Research and Commercialization Program which was scheduled to increase from $1.275 million per year to $3.65 million per year in FY2014 but was capped at the original amount during the 2013 Legislative Session.

In addition to these “2019 Economic Development Programs” key four “One-Time-Only Programs”, essential for the continues growth and development of Montana’s vibrant economy were funded by the 2013 Legislature. These programs have added vital support for the original eight programs and are often used to supplement the efforts of those programs. These “One-Time-Only Programs” include:

- Primary Sector Workforce Training Grant Program
- Indian Country Economic Development (ICED) Program
- Incumbent Worker Training Grant Program
- Food and Agriculture Development Centers

This report demonstrates the success of these programs, how they work together, and are how they are, indeed, making a positive “IMPACT through Partnerships that Work” for Montana.
CERTIFIED REGIONAL DEVELOPMENT CORPORATIONS

The Certified Regional Development Corporations Program…

<table>
<thead>
<tr>
<th>Calendar Year 2012—2015</th>
<th>Current Funding Level</th>
<th>Additional Dollars Leveraged</th>
<th>Number of Jobs Created and/or Retained</th>
<th>Businesses Assisted</th>
<th>Number of Loans</th>
<th>Total of Loans Provided</th>
</tr>
</thead>
</table>

About:
- Encourages a regional approach to economic development.
- Facilitates efficient delivery of economic development programs.
- Supports regional planning and capacity building.
- Provides administrative, professional, and technical assistance to businesses and local governments, and
- Helps local officials and communities, and Census designated places pool limited resources, achieve economies of scale, build organizational skills and professional expertise, and foster regional collaboration.

Need for Program:
The Certified Regional Development Corporations Program is needed to…
- Assist local businesses on a regional basis.
- Provide loans to local businesses.
- Leverage private investments.
- Create and retain jobs locally.

Goals and Measurements:
The Certified Regional Development Corporations Program will continue to…
- Encourage a regional approach to economic development.
- Facilitate the efficient regional delivery of economic development programs.
- Support regional planning and capacity building.
- Combine state and local fund leveraging and increased financial capacity for local governments to obtain professional economic development services, assist local businesses, and expand local economies.

The Certified Regional Development Corporations will measure its success by tracking and reporting…
- The number of and total dollar amount of business loans provided.
- The total amount of private investment leveraged.
- The total number of jobs created and retained.
- The amount of assistance provided to local governments and businesses.
- The total amount of federal dollars managed.

Risks if Program is Not Continued:
Failing to fund the CRDC Program would…
- Keep most local governments and communities from continuing their access to professional economic development services due to limited local financial capacities.
- Make the provision of economic development services to local governments and businesses much more difficult, and
- Create major obstacles to the effective and efficient delivery of funds for development loans to local businesses.
- Loss of Federal EPA Brownfields funds (in SMDC’s case this is over $2 million in RLF cleanup funds that will be lost).
- Loss of Federal funding that supports economic development programs as CRDC funds leverages these federal funds.
The Montana Technology Innovation Partnership...
- Offers no-cost, high-level, confidential, and individualized coaching services to candidate companies seeking to apply for federal SBIR and STTR funding.
- Offers no-cost technical assistance for companies wanting to understand intellectual property rights.
- Helps Tech-based Montana companies compete more successfully for a larger share of the multi-billion dollars available from the Federal government to small technology firms.
- Coordinates with other programs serving small businesses, thereby avoiding duplication of services and resources.

Need for Program:
The Montana Technology Innovation Partnership is necessary for...
- Helping companies access the critical, early-stage capital essential for growing innovation into commercial success.
- Allowing companies to verify the feasibility of new technology; practicing and refining it.
- Allowing companies not required to repay either SBIR or STTR funds to spend more on jobs creation and wages.
- Helping businesses to access new money through federal programs without requiring matching funds of any kind.

MTIP offers guidance in
- Identification of potential R & D funding;
- Understanding complex proposal requirements and development;
- Understanding and planning patent and intellectual property strategies;
- Understanding federal grants, contracts and governmental accounting; and
- Developing a realistic commercialization approach.

Risks if Program is Not Continued:
Failing to renew funding for the Partnership would result in...
- The loss of MTIP support to the increasingly important technology based business community.
- The possible loss of about $10 million annually in federal SBIR and STTR funds presently coming into the state.
- The loss of commercialization success arising from funded technologies which means the loss of more higher-paying jobs for Montana workers and the loss of increased tax base for Montana.
Yellowstone Scientific Instruments
Big Sky, Montana
Richard Clarke, Founder and President

Nearly 88,000 people die from alcohol-related causes annually, making alcohol the fourth leading preventable cause of death in the United States (Stahre, et. al. 2014). With so many lives at stake, the National Institutes of Health (NIH) Small Business Innovation Research (SBIR) program provided funding to Yellowstone Scientific Instruments (YSI) of Big Sky, Montana, to develop, test and evaluate a portable blood, urine and saliva biomarker testing system that delivers results faster and less expensively than any system available on the market today. A biomarker is a measurable indicator of a biological state, such as the presence of alcohol byproducts. Understanding the biochemical substances present in the body can help healthcare providers understand the history of alcohol consumption and thereby, develop an appropriate treatment plan. In contrast to traditional more expensive testing, the body fluid sample for the YSI system requires no preparation and the test strips, also invented by YSI, are disposable.

MTIP expert guidance and technical writing support assisted the company in attracting nearly $1 million through the federal SBIR program. YSI further leveraged SBIR awards to secure funding through the State of Montana Matching Funds program. YSI’s effective biomarkers analysis tool represents a powerful means for early diagnosis and treatment of alcohol dependent/abuse patients. YSI’s biomarker detector is just one of many successful innovations enabled by the NIH and Small Business Innovation Research programs. See more information about YSI at www.yellowstonescientific.com.

Advanced Microcavity Sensors, LLC
Bozeman, Montana
Dr. Russell Barbour, PhD

Russell Barbour hopes his novel skin cancer detection technology will revolutionize the way physicians diagnose and treat skin cancer. Barbour’s invention, focused in the field of hyperspectral imaging, aims to create applications in many important industries for identifying and characterizing materials and tissues through their unique spectral (color) characteristics. Though there is a strong demand for robust high-performance spectral imaging sensors in other fields such as geographical imaging and chemical analysis, Barbour is using his recent SBIR Phase I funding to investigate key components, subsystems, and fabrication to determine feasibility of his approach. Among many uses, his imaging system can detect the white light that is reflected from the skin or mole’s surface. The system utilizes a dense array of state-of-the-art microcavity filters to spatially and spectrally analyze the sample area. For skin cancer detection, the basic idea is that melanin in the skin reflects different frequencies of light which allows the system to build up an accurate spectral/spatial profile of the area selected.

Figure 1: An early prototype of the technology with input laser, optomechanical coupling and ruggedized housing.
Barbour’s innovative solution gained the attention of the National Science Foundation (NSF). So much so, that he was awarded an SBIR Phase I grant for $150k. Leveraging those funds, Barbour won an additional $30k in Stage 1 funding from the Montana Matching Funds program and $129k from the Montana Board of Research and Commercialization Technology (MBRCT). Barbour plans to apply for NSF SBIR Phase II funding through NSF and Stage 2 Montana SBIR/STTR Matching Funds program this winter in hopes of winning an additional $780k to continue research and product development. Barbour received proposal development assistance from MTIP in his applications for NSF and MBRCT funding.

**GeneSearch, Inc.**
Paul Taylor, Founder and President
Bozeman, Montana

When the U.S. patent office grants your patent in less than a year, stating there is no relevant prior art to consider, you know your invention is something completely new and the patent is strong. Paul Taylor’s Embryo Cradle is one such invention. The Cradle was originally invented to permit the removal of water solution from early llama embryos so they could be frozen successfully for international shipment. The device is a co-axial embryo microinjection tool, with the injection pipette presented from inside the holding pipette. The tip of the device gets a firm vacuum grip on the surface and holds it tight while the injection pipette is advanced. Through that needle, fluids can be extracted and/or injected, or embryonic cells can be collected for DNA analysis. In 2012, GeneSearch was awarded its first Phase I SBIR by the Office of Research Infrastructure Programs (ORIP) of the National Institutes of Health (NIH), to further the development of the instrument and perform tests on different kinds of animal embryos at different stages of development up to the time of implantation in the uterus. The Phase I project, deemed to be “high priority” by NIH, was funded at $327k, about three times the usual amount of a Phase I award. Since that time, the company has won five more NIH SBIR and STTR grants totaling almost $3 million.

Leveraging SBIR funding, the company has received $90k from the Montana Matching Funds program.

GeneSearch received assistance from MTIP on their first Phase II NIH SBIR proposal. Of special importance in that effort was the complex and lengthy Commercialization Plan required for submission. MTIP counselors provided insight and guidance on developing the Plan on issues concerning intellectual property, market opportunity, and the finance and revenue model. Now GeneSearch is expecting approval of a rare Phase IIB SBIR project, for additional funding of $1M/yr for three more years of development, negotiating commercial licensing agreements and is in talks with several potential buyers of the company.
MONTANA SMALL BUSINESS DEVELOPMENT CENTER PROGRAM

About:
- Our expert business consultants provide free and confidential one-on-one advising, trainings, and resources to start-ups and existing businesses through a network of 10 statewide offices. We are a nationally accredited organization.
- We offer customized consulting in the areas of financial analysis, business & strategic planning, business management, market plan & research assistance, entrepreneurial development, and more.

Need for Program:
- According to the 2016 Kauffman Index, Montana ranks as the state with the highest level of startup activity, four years in a row. We provide the professional support and direction that ensures these small businesses survive and become profitable.
- According to the SBA Office of Advocacy, 97.4% of Montana’s businesses are considered “small businesses,” and employ 67.4% of the private workforce. Without our services, Montana’s businesses would have to seek counsel from fee-based experts, often with money they don’t have. The repercussions could mean laying off employees, closing altogether, or never launching at all.
- 85% of small businesses that receive support and guidance remain in business after the first three years, versus the national success rate of 20% during that same period without assistance. We are there to guarantee their success.

Program Goals:
- Maximize our state budget, funded at the same level since 2000, without underserving Montana’s entrepreneurial community.
- Increase program counseling capacity by hiring more advisors. Currently there are 115,054 small businesses in Montana; the SBDC serves ~1,000 clients annually with only 11 advisors.
- Improve the survivability of Montana’s small businesses through entrepreneurial education.

Risks if Program is Not Continued:
- Failing to increase and/or renew funding would ensure the failure of ~1,000 developing and potential successful businesses per year that cannot get the free access guidance and support they need.
- The Montana economy will lose potential jobs and revenue created by businesses not starting due to a lack of resources.
After retiring from the Air Force, Thad and Heidi Reiste returned to Great Falls and bought a local coffee shop. They purchased the recipes and equipment, relocated downtown and re-branded, all with the hope that their business would be more than just a coffee shop, but a food experience.

The couple came to the Great Falls Regional SBDC for help in business planning, financial analysis, and marketing assistance. Jason Nitschke, their Business Advisor, provided the tools they needed for success and continues to analyze their financial statements quarterly, discuss staffing issues and strategize their marketing approach.

Since its inception, Electric City Coffee has created six jobs, and has been a part of the revitalization of downtown Great Falls. Thad & Heidi have become regular participants in the Transitioning Service Member program offered at Malmstrom Air Force Base, speaking to Boots to Business attendees. Their success is now our success!

“I would recommend the SBDC to be involved in your new business. They have been with us every step of the way.”

-Thad Reiste, ECC Owner

“Thad & Heidi are entrepreneurs that realize they don’t have the answer to every question, so they lean on us.”

-Jason Nitschke, Great Falls Regional Director
The Montana Manufacturing Extension Center assists Montana’s 2,841 manufacturers and R&D firms in adopting new manufacturing technologies and accelerating the growth of company-specific product technologies with growth, innovation, and profit enhancement services specifically designed for small manufacturing and R&D businesses.

- Provides information, training, decision support, and implementation assistance to Montana’s manufacturers in all industries from value-added agriculture and job shops to advanced technology and alternative energy companies.
- Provides professional services regionally with five remotely located engineers and business advisors to provide growth, innovation, and profit enhancement services to Montana manufacturers and R&D firms statewide.

Need for Program:
The Montana Manufacturing Extension Center is essential to the continued...

- Development of a diverse manufacturing base able to withstand nation-wide economic swings.
- Improvement of Montana’s manufacturing competitiveness, increased export activity, and increased sales and profits.
- Creation of more and better manufacturing jobs, that pay 17% higher than average wages, and create 2.5 jobs in other related sectors of Montana’s economy.
- Increases in the State’s tax base from manufacturing revenues and employee income tax which account for 20% of that base.

Program Goals and Measurements:
The Montana Manufacturing Extension Center will continue to...

- Provide training, growth, innovation and profit enhancement services to Montana’s manufacturers and R&D firms.
- Increase the number of clients served in rural counties.
- Increase the number of very small clients served (less than 20 employees).

The MMEC will measure its success by tracking and reporting...

- Increased and retained sales figures.
- Increased and retained jobs.
- Capital investments made in Montana-based manufacturing.
- Cash freed up for expansion through cost savings to Montana’s manufacturers.
- Clients served, projects completed, and counties served.

*This information is collected and reported quarterly using an independent survey methodology developed and administered by the National Institute of Standards and Technology.

Risks if Program is Not Continued:
Failing to renew funding for the Montana Manufacturing Extension Center would result in...

- The loss of matching federal funds presently leveraged through the MMEC.
- Loss of support services which help to make Montana’s manufacturers more successfully competitive.
SUCCESS STORIES—PARTNERSHIPS THAT WORK

MMEC works with growing Montana manufacturing and R&D firms to develop and commercialize their technologies in order to grow their companies.

Alamon Telco, Kalispell, MT

⇒ ISSUE: Alamon Telco developed new technology that performs non-destructive testing on telephone poles. This technology can quickly determine the integrity of installed telephone poles. Alamon Telco was unable to find testing drill bits for this technology that were small enough and that provided accurate enough results.

⇒ MMEC assisted Alamon Telco in researching, identifying and developing new testing drill bits that are less expensive and provide more accurate results.

⇒ RESULTS: Successful product launch with the following results:
  ⇒ $4,900,000 in new sales
  ⇒ $1,900,000 in retained sales
  ⇒ 30 jobs created
  ⇒ 15 jobs retained
  ⇒ $5,023,335 in capital investment
  ⇒ $761,280 in cost savings and avoidance

View MMEC Success Stories at www.montana.edu/mmec

MMEC has worked with nearly 1200 of the 2,841 manufacturers in Montana.
The Montana Cooperative Development Center (MCDC)…

- Promotes and develops cooperatives to meet the economic and community needs of rural Montana
- Assists individuals and groups applying the cooperative model to new business enterprises
- Helps save small town grocery stores and café’s by converting to locally-owned consumer cooperatives
- Proactively seeks co-op solutions to poor rural housing conditions, food shortages and unemployment

Need for Program:

- State funding provides the essential match to annual federal grants that support basic Center operations. Sponsorships and other funds can directly assist new co-op businesses that strengthen local economies.
- The co-op business model is a proven way to retain essential businesses in small rural communities when privately-held operations are no longer possible. A co-op store can help anchor a community long-term.
- Specialized training for governing boards and co-op managers is difficult to obtain through other means.

Program Goals and Measurements:

- Improve economic conditions across rural Montana through cooperative development
  - Consult with clients interested in forming co-ops and assist in evaluating the business prospects
  - If favorable, form and guide steering committees through Montana’s co-op incorporation process
  - Give special attention to co-op formation requests from our seven Indian reservations
- Advance the co-op model to help rural families secure the basics: food, shelter and reliable employment
  - Respond to requests for assistance from small communities where the only food store might close
  - Assist with forming agricultural marketing co-ops to better promote and distribute Montana local foods
  - Serve as the statewide resource for community leaders who are piloting the new housing co-op model
  - Explore where worker cooperatives might create new jobs in IT professions and other industry sectors
  - Pilot “Opportunity Development Cooperatives” to enhance local investment in rural communities

The Montana Cooperative Development Center is annually evaluated by USDA Rural Development in meeting predetermined performance metrics. These measures include: individuals/groups served; businesses assisted; co-ops assisted; new co-ops formed; and jobs created and retained.

Risks if Program is Not Continued:

- Would threaten the only statewide resource that is dedicated to developing new cooperative businesses
- Would limit the educational, training and networking opportunities for members of existing co-ops
- Would minimize the prospects for cooperative, private sector solutions to chronic challenges with entry-level housing, local food distribution, and rural employment.
SUCCESS STORIES—PARTNERSHIPS THAT WORK

Recently Incorporated Co-ops Assisted by MCDC

Artitudes Co-op Gallery (Havre)

Hamilton Farmers’ Market Co-op

Big Flat Grocery Cooperative (Turner)

Loyal to Local Multi-Farm Co-op

Bigfork Farmers’ Market Co-op

Montana Midwives Co-op (Kalispell)

BudWood Cooperative (Hamilton)

Mountain Brook Craft Co-op (Bigfork)

Clay Works! Ceramics Co-op (Hamilton)

North 40 Bar & Café Co-op (Whitewater)

Farm to Table Cooperative (Glendive)

Simple Yoga & Wellness Studio (Hamilton)

Fresh Start Grocery Co-op (Geraldine)

“This House of Books” Co-op (Billings)
Montana Board of Research a Commercialization Technology (MBRCT)…

- Provides a predictable and stable source of funding for research and commercialization projects.
- Expands and strengthens research efforts for the state’s basic industries helping to increase their impact on the state’s economy.
- Expands research efforts into areas beyond the scope of the state’s basic industries diversifying and strengthening the state’s economic security through the creation of technology-based operations and long-term quality jobs.

Need for Program:
Research has become an important industry in Montana, but competition for funding is keen.

- Sponsored research in Montana exceeds $100 million annually and MBRCT funding plays an important role in the efforts of companies and the MUS to obtain research funding
- Companies can apply directly to MBRCT for funding
- Most of the MUS research projects sponsored through the MBRCT directly involve Montana companies resulting in a university research-technology transfer-company commercialization model that has proven very successful in expanding economic development in the state.
- MBRCT funds are used by MUS research infrastructure projects to demonstrate the state’s commitment to the development of effective research efforts leveraging millions of additional federal dollars.
- Many of the MBRCT funded research and commercialization projects have resulted in the sale of new products by Montana companies.

Program Goals and Measurements:
The MBRCT program will continue to…

- Provide a predictable and stable funding source for research and commercialization projects.
- Expand and strengthen research and commercialization efforts for the state’s industries increasing their positive impact on the state’s economy.

The MBRCT will measure its success by tracking and reporting…

- The total matching funds leveraged by research and commercialization state funds. (at least 25% of total project costs).
- Additional funds obtained by Montana projects after receiving MBRCT funds, known as follow-on funding.
- Commercialization successes.

Risks if Program is Not Continued:
Failing to renew funding for the MBRCT would result in…

- Lost capacity to compete effectively for research and commercialization funds from public and private funding sources.
- Lost ability by the MUS and other research and commercialization facilities to help Montana-based companies to develop new products and to compete nationally and internationally for revenues.
- Direct losses to state tax revenues through reduced tax-base, in long-term jobs, and of leveraged research and commercialization dollars presently brought into the state by MBRCT efforts.
- Reduction of the ability of Montana to compete in the technology marketplace.
MONTANA BOARD OF RESEARCH AND COMMERCIALIZATION TECHNOLOGY

SUCCESS STORIES—PARTNERSHIPS THAT WORK

MBRCT is a valued partner in Montana Molecular’s success in Developing A New Generation of Live Cell Assays
Anne Marie Quinn—Montana Molecular—Bozeman
Five Grants Totaling $504,664
Matching Funds Leveraged: $343,537
Follow-On Funding: $2,371,928

“Funding from the MBRCT contributed to the development of the fluorescent assay products...and helped Montana Molecular attract additional funding to advance these technologies to market. These products are manufactured in Bozeman and shipped internationally to pharmaceutical and biotech companies as well as basic research labs in university and nonprofit institutions.”...Anne Marie Quinn, Montana Molecular

Montana Molecular is a life science company based in Bozeman, developing next generation fluorescent technologies for drug discovery and basic research. In 2014, the company began manufacturing and distributing its proprietary assay products to pharmaceutical companies, government and university labs. The Montana Board of Research and Commercialization Technology (MBRCT) is a valued partner in Montana Molecular’s success, having awarded five grants totaling $504,664 since the company was founded in 2006.

The first grant, entitled “New Fluorescent Biosensors for Drug Discovery”, provided seed funds to support early research and development in the nascent field of genetically-encoded fluorescent molecules for measuring signals in living cells. As a result, the company produced prototypes that became the basis for a new patent application and seven of the products currently on the market. With the results from MBRCT funding, Montana Molecular attracted over $500,000 in additional funding to develop products used today in drug discovery for diabetes and neurologic diseases.

Development of new products at Montana Molecular is ongoing, and is currently funded by the National Institutes of Health and the National Science Foundation. These agencies support research applications from all 50 states in a process that is highly competitive and far from certain. Nationwide, only about 15-20% of the most outstanding applications are funded. A grant from MBRCT in 2011 entitled “An Integrated Platform for Cell-Based Drug Discovery” was essential in bridging a gap in outside funds. MBRCT helped Montana Molecular remain in operation and the company subsequently was awarded over $1.2M in new revenue that resulted in six new high tech jobs for Montana workers.

One of the biggest challenges for new life science companies is raising funds for activities related to technology commercialization. In other states, these activities are often funded by private investment. However, in Montana, venture investment in life science companies is extremely rare. In 2014, a grant from the MBRCT entitled “Package and Commercialize the First of a New Generation of Live Cell Assays for Drug Discovery” provided seed funds to create internships for recent Montana State University life science graduates. Four interns, all raised in Montana, received training and mentorship while each participated in projects directly related to packaging and commercializing new products. Two interns were hired as full time employees of Montana Molecular, another took an opportunity in the laboratory of the Montana Department of Livestock after her internship. Funds from this grant were also allocated to the McLaughlin Institute in Great Falls to produce a knock-in mouse to be used in screening new drugs for heart disease, representing a new and different path to commercialization for the company.

Grants from the Montana Board of Research and Commercialization have contributed to the successful growth of Montana Molecular in three important ways: 1) providing early seed capital for prototype development. 2) bridging the “Valley of Death” funding gap 3) Investing in new product development powered by recent Montana State graduates and the McLaughlin Research Institute.

Small grants from the Montana Board of Research and Commercialization have contributed to the successful growth of Montana Molecular in three important ways: 1) providing early seed capital for prototype development. 2) bridging the “Valley of Death” funding gap 3) Investing in new product development powered by recent Montana State graduates and the McLaughlin Research Institute.
Worker Training Grant Program
Primary Sector Workforce Training
Performance Measurements 2012-2016

<table>
<thead>
<tr>
<th>Total $ Awarded Fiscal Years 2012-2016</th>
<th>Total Businesses Assisted</th>
<th>Montana Workers to be Trained*</th>
<th>Leveraged Funds Invested in Projects</th>
<th>Annual Estimated Return to State General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,626,892</td>
<td>27</td>
<td>735</td>
<td>$34,992,682</td>
<td>$2,685,780</td>
</tr>
</tbody>
</table>

Worker Training Program...
- Provides grant funds to existing and new Montana businesses for new worker training.
- Designed to encourage job creation and business expansion in primary sector businesses.

Need for Program: Montana continues to struggle with low wages and under-trained workers. The Worker Training Grant Program is needed to…
- Provide an essential incentive for new businesses to locate to Montana. State-supported worker training programs are among the incentives most important to expanding or relocating businesses.
- Provide existing businesses with essential support for new worker training that allows them to expand their business in Montana without needing to leave the State.

Program Goals and Measurements: The Worker Training Program will continue to…
- Attract new businesses to Montana by providing state support for new worker training as a major incentive to relocation.
- Assist new and existing businesses to create new jobs that pay a minimum of 170% of the state’s minimum wage or the county average wage thereby raising wages across Montana.
- Measure its success by tracking and reporting…
  - The creation of eligible new jobs and the hiring of employees for those jobs.
  - The salaries of trainees and changes to salaries through the project.
  - Summaries of the training program as planned and as delivered.
  - Amount expended for each trainee.
  - Amount of investment by the businesses. Between 2012 to 2016, the companies provided $9.64 of matching funds for each $1 provided by the program.

Risks if program is not funded:
Failing to renew funding for the Worker Program would result in…
- The loss of an essential incentive for new businesses to relocate to Montana. In the past five years, the WTG Program awarded over $1 million as an incentive to attract five new businesses to Montana, resulting in over $13 million investment by the businesses, and creating over 210 good-paying jobs.
- The loss of support for new worker training programs.
- The loss of a competitive recruitment and retention tool. All the surrounding states have various training program, putting Montana at a significant disadvantage for expanded jobs and businesses.

Impact of Reduced Funding Level for FY 12-16
FY12—100% of the $1,000,000 appropriation was awarded to project within nine months of the fiscal year.
FY13—80% of the $1,000,000 appropriation was awarded to projects within the first month of the fiscal year.
FY14/15 — 100% of the biennium appropriation was awarded to projects within 10 months of the biennium.
FY16 — Senate Bill 163 created a Special Revenue account, which allowed the program to reallocate unused funds at the end of a contract period. For FY 16, $723,443.76 were reallocated. Because of the Special Revenue Account, the program was able to award over $1 million within the first nine months of the fiscal year.
Transco Railcar Repair, Inc.
The Montana Department of Commerce awarded a $275,000 Primary Sector Workforce Training Grant (WTG) to Transco Railcar Repair, Inc. of Miles City to train 55 workers in the company. Transco Railcar Repair is an independent and privately-owned provider of freight car repair, modification and rebuilding services to the rail transportation industry.

Transco Railcar Repair is located in Miles City and is an important component of this communities business and economic activity. They are currently looking at expansion of some of their services and working with local community leaders, economic development and Miles City Community College to develop a workforce training program for both existing and new employees in Miles City. Transco Railcar Repair offers a variety of services, including general modifications and repairs, wreck repairs unit train repairs, Rule 88 rebuilds, multi-level rack rebuilds, tank car cleaning and repair, Class 1 work and running repairs.

Transco Railcar Repair’s Miles City facility is one of a very few full service railcar repair facilities located in the northwestern regions of the United States. Its’ multiple capabilities and its’ unique proximity to one of the main routes on the BNSF Railroad in the mountain west region makes it an ideal location for many of its customers for railcar maintenance and repair requirements. The Miles City facility has storage capability of 1,000 car and has the ability to take unit trains (railcar consisting of 130 cars).

With changing rules and regulations as it pertains to railcar safety, Transco Railcar Repair is proposing to increase its operation’s labor by 40 new permanent jobs which would enable them to upgrade and turn railcars quicker for their customers. Thus enabling them to process more work and accept more business from their customers on a more frequent basis. To reach this goal, they recognized the need for training and skill development. To that end, they partnered with Miles City Community College to develop a training program for their soft skill training needs. Now employees are provided a 40 hour initial training session, which includes soft skill training, before they are integrated into their workforce.

The Montana Census and Economic Information Center (CEIC) completed a cost benefit analysis of the WTG award to determine the potential payback to the state’s General Fund through the WTG grant investment. Based on CEIC analysis, the State of Montana’s return on its investment of $275,000 of WTG funds equated to $196,524 annually; thus the payback of the WTG investment to Transco Railcar Repair was less than two years.
The Indian Country Economic Development (ICED) Program provides funding for:

1. **Tribal Business Planning Grant Program** ($224,000/year; $28,000/tribal government) for business planning activities resulting in tangible deliverables (i.e. ordinances, codes, business planning, study, and analysis documents) including:
   - Business plan development
   - Match funding
   - STED Commission Indian Equity Fund match

2. **Indian Equity Fund (IEF) Small Business Grant Program** ($320,000/year; up to $14,000/award) for start-up and expansions of tribal member-owned businesses

3. **Native American Business Advisor (NABA) Grant Program** ($134,000/year; $15,000/organization) for:
   - Business counseling services
   - Commercial Loan application assistance
   - Association of Accredited Small Business Consultants (AASBC) membership and accreditation

Need for Program: Montana’s Reservations continue to struggle with high unemployment and underemployment, along with low wages. The Indian Economic Development Program is needed to develop and promote sustainable economies in Indian Country by:

- Providing necessary resources to existing Tribal businesses to help them expand operations and facilities, train and employ new workers, and thrive.
- Providing necessary resources to encourage the development of new Tribal businesses creating new job opportunities, and improving the overall economies of Montana’s Reservations.
- Encouraging entrepreneurship and private business opportunities in tribal communities that have a persistent lack of access to affordable credit and capital.
- Providing business skills training to the growing numbers of entrepreneurs and small businesses who are a significant part of Montana’s rural economy.

Program Goals: The Indian Economic Development Program will continue to...

- Increase opportunities for dollars to circulate and multiply within the economy on reservations,
- Fund priority business planning projects identified by the Tribal Governments that will allow the Tribal Governments to deploy comprehensive business planning strategies and activities that will provide sustainable revenue and employment opportunities and greater wages to their citizens,
- Fund individual start-up or businesses expansion with small grants and technical assistance to develop the private sector economy on the reservations in Montana and with the Little Shell tribe, and
- Provide funding for entrepreneurial training and technical assistance to tribal members so that they have a better chance of success in starting and growing their own businesses.

Program Measurements: The success of the ICED program investment is measured by tracking and reporting:

- # of jobs created, retained, or trained
- Amount of matching funds
- # of projects meeting/exceeded proposed goals
- # of small businesses started or expanded
- Leverage ratio with other funds
- # of participants using NABA technical assistance

Risks if program is not funded: Failing to renew funding for the Indian Economic Development Program would result in...

- The loss of support for new business and existing development on Montana’s Reservations that have begun to show results in improving the economies of tribal communities.
- Continuing issues with high under-employment, unemployment, poverty, and lack of economic opportunities on Montana’s Reservations.
Since 2011, the Confederated Salish & Kootenai Tribes have funded a total of 29 businesses. As of summer 2014, 26 of those businesses are still operational. While many of these businesses are owner-operator businesses, they’ve create a total of 78 jobs.

The Little Shell Tribe has successfully established and expanded their Tribal Visitor Center at the base of Hill 57 in Great Falls Montana to host community events and house their unique historical experience as a state-recognized tribe. Additionally, the Little Shell purchased a 27,000 square foot office building to generate revenue for a tribe that receives no federal treaty-based support.

The Blackfeet Tribe will be investing 2015 ICED funds into tribal recreation property development to upgrade their RV parks and campgrounds to capture tourism revenue associated with Glacier National Park opportunities. These funds will help develop capacity, management infrastructure, and marketing of the unique Blackfeet experience.

The Crow Tribe has successfully leveraged their Indian Entrepreneur training opportunities through the Apsaalooke Nation Revolving Loan Fund staff. One-on-one technical assistance, business planning courses, and financial literacy courses. The staff has recently started facilitating a Crow Native Days business market to encourage local native producers to sell their goods during high traffic events. Over 1,000 instances of training and technical assistance have resulted from the combined efforts of the Indian Entrepreneur training and partnering economic development organizations.

The Fort Belknap Indian Community has built upon its character as an agriculturally-rich reservation. Its developments of a meat packing facility, smoked meat producer, restaurateur, food and livestock co-operative have developed the value of locally produced foods through value chain development.

Fort Peck Tribes have developed their rail spur opportunities through the tribal corporation, Bison Rail LLC. Bison Rail will act as the leaseholder and landlord of the rail spur under an agreement with Burlington Northern Santa Fe (BNSF). 80 feet of track was rebuilt in the west switch. West Electronics, another tribal corporation, will conduct the transload and warehouse operations when the spur rehabilitation is complete. Once fully rehabilited, this rail spur area will provide multiple revenue stream opportunities.
The Office of Trade and International Relations….

Helps Montana small- to medium-sized manufacturers and service providers achieve their business expansion and export goals in order to diversify their customer base and increase their sales via:

- Providing one-on-one technical assistance for international market development and export compliance;
- Providing business-to-business marketing funding through the Trade Show Assistance Program and Montana International Marketing Assistance Grant Program (through the SBA STEP Grant);
- Maintaining an overseas office for promoting Montana’s agriculture, tourism, and education to Asian markets;
- Coordinating Montana Pavilions at domestic and international trade shows, as well as international trade missions, in order to facilitate Montana businesses’ entry and expansion into new markets; and
- Serves as an international liaison for the Governor’s Office and the Montana Department of Commerce.

Need for Program:

Expanding domestic and international markets is critical to building Montana’s economy.

- The opportunities abound:
  - More than 95% of the world’s consumers and 70% of the world’s buying power exists outside the borders of the U.S.
  - Companies that export are better able to ride out fluctuations in the USA economy and are more likely to stay in business.
  - Research shows companies grow and innovate more quickly as a result of exporting.
- The threats are imminent:
  - Increasing competition from other states, regions and countries promoting their products and commodities worldwide necessitate a facilitated international marketing effort on behalf of the State of Montana.
  - Assistance with export compliance is critical to helping business to ensure conformity with international regulations and to expand their exports.
- The results are in: commodity exports from Montana totaled $541 million in 2000 and grew to $1.4 billion by 2015.

Program Goals and Measurements:

The Office of Trade and International Relations continues to…

- Assist Montana small businesses to successfully compete in domestic and global marketplaces.
- Provide information to ensure company compliance with US export regulations.
- Promote Montana internationally as a premier tourist destination, as well as a source for investment and educational opportunities.

The work of the Office of Trade and International Relations measures its success by tracking and reporting…

- Overseas sales of Montana products annually.
- Trade show and international marketing assistance provided to Montana companies annually.

Risks if Program is Not Continued:

Failing to renew funding for the Program would result in the…

- Loss of competitive advantage for Montana businesses in domestic and international markets.
- Inability to assist Montana business to develop and grow new markets.

<table>
<thead>
<tr>
<th>Current Level Funding</th>
<th>Commodity Exports</th>
<th>International Missions Supported</th>
<th>Leveraged Assets</th>
<th>Businesses Assisted</th>
<th>Jobs Created / Retained</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300,000/yr.</td>
<td>$7.1 Billion</td>
<td>57</td>
<td>$93.8 Million</td>
<td>1,139</td>
<td>647</td>
</tr>
</tbody>
</table>

These statistics do not include education, tourism, agricultural or service numbers.
MONTANA INTERNATIONAL MARKETING ASSISTANCE PROGRAM
Summary of Montana’s Participation

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL FEDERAL FUNDING</td>
<td>$307,849</td>
<td>$247,523</td>
<td>$344,603</td>
<td>$347,688</td>
<td>$364,969</td>
<td>$1,612,632</td>
</tr>
<tr>
<td>COMMERCE MATCH</td>
<td>$117,993</td>
<td>$82,508</td>
<td>$114,868</td>
<td>$115,896</td>
<td>$121,656</td>
<td>$552,921</td>
</tr>
<tr>
<td>TOTAL SUPPORT</td>
<td>$425,842</td>
<td>$330,031</td>
<td>$459,471</td>
<td>$463,584</td>
<td>$486,625</td>
<td>$2,165,553</td>
</tr>
</tbody>
</table>

RESULTS - $201.9 million* Company Reported Sales-to-Date for 2012-2016  Results will increase as final figures are reported.

ACTIVITIES - 314

Eligible small businesses participated in one or more of four different activities:

1. **International Trade Show Exhibition**: 50/50 cost share up to $8,000
2. **Language Translation Services & Production Fees**: 50/50 cost share up to $3,000
3. **Market Access & Research** through the US Commercial Service: 25/75 cost share up to $1,200
4. **Participation in Montana Pavilion** at trade shows 2011 through 2016 - Commerce purchased booth space and invited 6-8 companies per show to exhibit.

**COMPANIES ASSISTED – 150**

**MARKETS REACHED – 70**

*The number of companies assisted is lower than the number of awards given because a company was eligible for more than one award per year.

**LANGUAGE TRANSLATION PROJECTS – 27**

<table>
<thead>
<tr>
<th>Language</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Arabic</td>
<td>Japanese</td>
</tr>
<tr>
<td>Chinese</td>
<td>Korean</td>
</tr>
<tr>
<td>Czech</td>
<td>Norwegian</td>
</tr>
<tr>
<td>Dutch</td>
<td>Polish</td>
</tr>
<tr>
<td>Finnish</td>
<td>Russian</td>
</tr>
<tr>
<td>French</td>
<td>Spanish</td>
</tr>
<tr>
<td>German</td>
<td>Swedish</td>
</tr>
<tr>
<td>Italian</td>
<td></td>
</tr>
</tbody>
</table>

**TOP 10 MARKETS REACHED**

<table>
<thead>
<tr>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>United Kingdom</td>
</tr>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>Mexico</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>India</td>
</tr>
<tr>
<td>Singapore</td>
</tr>
</tbody>
</table>
**FOOD AND AGRICULTURE DEVELOPMENT CENTERS**  
**SUCCESS STORIES—PARTNERSHIPS THAT WORK**

<table>
<thead>
<tr>
<th>Current Level Funding</th>
<th>Return on Investment dollars (Private Match Dollars)</th>
<th>Capital Infusion Dollars</th>
<th>Businesses Assisted</th>
<th>Jobs Created/Retained</th>
<th>New products introduced to Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300,000/yr</td>
<td>$8.00</td>
<td>$2.4 million</td>
<td>175</td>
<td>136</td>
<td>52</td>
</tr>
</tbody>
</table>

*Statistics from 2012 – 2016*

The Food & Agriculture Development Center Program, authorized by the 2009 Montana Legislature, is a statewide network of four development centers located in Joliet, Havre, Butte and Ronan. The centers operate as a statewide network serving community-based businesses throughout Montana.

**Mission:** To help Montanans innovate and grow businesses that produce and commercialize food, agricultural and renewable energy products and processes - creating wealth and jobs in our communities and on our farms and ranches.

The network provides training, coaching and technical assistance, including:
- Product development, testing and analysis—including UPC codes & nutritional labeling
- Regulatory compliance training
- Food processing
- Business planning and development
- Market research
- Business networking
- Access to financing
- Cooperative development

**Failure to renew funding for the Montana Food and Agriculture Development Network would...**
- Slow development of Montana’s growing food manufacturing sector, for which this program provides unique and necessary services
- Make small business’s ability to comply with the new Food Safety Modernization Act requirements more difficult
- Inhibit the start-up of new food, farm-based energy, and other value-added ag-businesses
- Increase the likelihood of failure for those entrepreneurs in the food and energy sectors that would otherwise lack access to affordable facilities, training and other tailored assistance that the Food and Ag Centers uniquely provide.
Bausch Potatoes—Whitehall, MT
- Butte FADC—Headwaters RC&D—assisted with financing and grant funding for value-added potato products—hash browns, fries, etc.
- Results: 1 FT, 1 PT job, Increased sales

Headframe Spirits—Butte, MT
- Butte FADC—Headwaters RC&D—assisted with finance packaging and grant application
- Results: 26 jobs, largest distilled spirits manufacturer in Montana

Kracklin’ Kamut Snacks—Big Sandy, MT
- Havre FADC—Bear Paw Development Corporation—assisted with business planning, financial projections and grant application to purchase equipment
- Results: Successful business start-up, expanding markets into retail stores

Western Montana Growers Cooperative—Western Montana
- Ronan FADC—Mission Mountain Food Enterprise Center—partner in Farm to School program providing food processing services
- Results: 48% increase in produce processed from 2013-2014, $97,266.00 of local product sold to regional institutions in FY 2015
- Video: https://youtu.be/KzaCSN1cD3c

Becky’s Berries—Absarokee, MT
- Joliet FADC—Beartooth RC&D—Assisted with USDA grant funding for marketing
- Results: New processing facility, increased sales

Red Lodge Ales—Red Lodge, MT
- Joliet FADC—Beartooth RC&D—assisted with federal USDA Energy Grant application
- Results: Successful facility construction, additional business growth
The Montana Growth through Agriculture Program...

- Strengthens and diversifies Montana’s agricultural industry
- Assists with the development and growth of agricultural businesses working to commercialize and market new agricultural products and processes.
- Provides grants and loans to individuals, businesses and organizations, public and private agencies and organizations, educational institutions, and local governments.
- Creates incentive for innovation—new crops, new processes and new food products.

Need for Program:
The Growth through Agriculture Program is needed to…

- Support Montana’s agricultural industry to access financial assistance for the development and expansion of innovative products and processes, and the establishment of new markets.
- Provides both loans and grants to agricultural businesses.
- Provides a pathway exclusive to agriculture for innovating, experimenting and expanding products and processes.
- Provide access to marketing and business assistance for existing agricultural businesses seeking to expand.

Program Goals and Measurements:
The Growth through Agriculture Program will continue to…

- Establish partnerships between state government and commercial agricultural businesses to develop and expand new markets.
- Develop markets for both new and existing agricultural products, create new jobs, and expand economic opportunities.

The Growth through Agriculture Program measures its success by tracking and reporting…

- The total number of awards, additional funds leveraged and jobs created.

Risks if Program is Not Continued:
Failing to fund the Growth through Agriculture Program would…

- Decrease start-up and expansion of food and agriculture businesses
- Significantly decrease the technical and financial assistance available to individuals, businesses and organizations working to develop and effectively market innovative agriculture based enterprises and products.

The total number of awards, additional funds leveraged and jobs created.

<table>
<thead>
<tr>
<th>State Fiscal Years 2012—2016 Funding</th>
<th>Funds Awarded</th>
<th>Projects Funded</th>
<th>Leveraged Funds</th>
<th>Annual Return on Investment</th>
<th>Jobs Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>$625,000/yr</td>
<td>$2,600,000</td>
<td>172</td>
<td>$5,800,000</td>
<td>2:1</td>
<td>222</td>
</tr>
</tbody>
</table>

Agriculture is the state’s largest industry and as such, requires specific, targeted opportunities for expansion.
Below is a list of some of the successful businesses that have grown and expanded as a result of utilizing Growth Through Agriculture program funding.

- Becky’s Berries – Absarokee
- Western Montana Growers Cooperative – Arlee
- Chalet Market Incorporated – Belgrade
- Montana Horizons Food Co LLC – Big Sandy
- Trevino’s Tortillas LLC – Billings
- Gallatin Valley Botanicals Incorporated – Bozeman
- Headframe Spirits Incorporated – Butte
- Bear Paw Meats LLC – Chinook & Havre
- Robarr LLC – Conrad
- Dell Center/L&S Meat Processing – Dell
- Great Harvest Bread Company – Dillon
- Montana Flour and Grains – Fort Benton
- Triple Divide Spirits – Helena
- Kalispell Kreamery – Kalispell
- Botanie Natural Soap (made with MT Safflower oil) – Missoula
- Tongue River Vineyard and Winery LLC – Miles City
- Powder River Meat Company LLC – Terry
- Britz Hops Project – Whitefish

More details on these and other projects funded by the Growth Through Agriculture program can be found at [http://agr.mt.gov/agr/Programs/Development/GrantsLoans/GTA/](http://agr.mt.gov/agr/Programs/Development/GrantsLoans/GTA/). Scroll to the bottom of the page and click on links to Growth Through Agriculture projects funded by Fiscal Year.
Incumbent Worker Training Program
Statistics from July 1, 2015 - November 11, 2016

The Incumbent Worker Training Program

- Provides grant funding to help small businesses purchase short-term skills-based training or certified education for their existing permanent employees.
- Offers up to $1,000 (part-time) and $2,000 (full-time) for each employee each year.
- Helps businesses remain competitive in their industry, community, or the economy.
- Helps preserve existing jobs for Montana residents through customized training.
- Upgrades the skills of employees, helping them to be more efficient and valuable.
- Is for small businesses employing 20 or fewer workers in any one location, and 50 or fewer workers statewide.
- Is operated by the Montana Department of Labor and Industry.

Testimonials

- *McCall Homes* has gone from producing 5 homes a year to 50 homes a year by utilizing LEAN processes. Their customers and vendors have never been happier!
- *Okamoto Arbor-Care* has grown their business from $100,000 to $400,000 a year by helping their employee become a certified arborist.
- *Flathead Animal Clinic* has increased their annual income by over $30,000 when they trained employees to use new state-of-the-art ultrasound diagnostics and digital dental imaging equipment.
- *Nova Café* expanded their facility, increased revenue 10%, and improved efficiency in service and customer experience when they utilized training for baristas and social media marketing.
- 99.8% of employees who received grant funded training experienced wage growth in the next year, an average of $769 per quarter!

Goals and Measurements

- The number of applications approved
- The number of workers trained
- The portion of the available funding which was granted

Risks if Program not Funded

Failing to fund the Incumbent Worker Training program could...

- Leave small businesses struggling to fund training needed to enhance the job skills of their employees.
- Jeopardize the ability of small businesses to remain competitive in today's markets.
- Slow wage growth of employees working for small businesses.

<table>
<thead>
<tr>
<th>State Fiscal Year</th>
<th>Current Level Funding</th>
<th>Total Amount Granted</th>
<th>Percent Granted</th>
<th>Number of Applications Approved</th>
<th>Number of Workers Trained</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFY17* In first 4 months</td>
<td>$541,496</td>
<td>$301,140</td>
<td>56%</td>
<td>116</td>
<td>260</td>
</tr>
<tr>
<td>SFY16</td>
<td>$541,496</td>
<td>$503,827</td>
<td>93%</td>
<td>259</td>
<td>440</td>
</tr>
</tbody>
</table>

Montana Department of Labor/MT Dept. of Commerce