

Montana Growth Fund Program Guidelines

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Montana Growth Fund (HB881) Guidelines

The Montana Department of Commerce (“MDOC”) has created the Montana Growth Fund. The Program exists within the Big Sky Economic Development Program authorized by §§ 90-1-201, MCA, et seq.

Purpose:

The purpose of the Montana Growth Fund program is to assist in economic development for Montana that will: (a) create good-paying jobs for Montana residents; (b) promote long-term, stable economic growth in Montana; (c) retain or expand existing businesses; (d) provide a better life for future generations through greater economic growth and prosperity in Montana; and (e) encourage workforce development.

Definitions:

The Montana Growth Fund Program Guidelines incorporate by reference the definitions adopted by Montana Code Annotated § 90-1-201(2), as well as the following:

Authorized Representatives: Economic development organizations and preferred lenders acting on behalf of businesses.

Basic Sector Company: A business engaged in activity in the state that produces goods and services for which 50% or more of the gross revenues are derived from out-of-state sources, or a business engaged in activity in-state that produces goods and services for which 50% or more will be purchased by in-state residents in lieu of like or similar goods and services that would otherwise be purchased from out-of-state sources.

Commitment Letter: The written document, originated by MDOC, specifies the terms and conditions under which MDOC will participate in a specific loan.

Cost Estimate for MGFLP: Cost estimates for the Montana Growth Fund Loan Program (MGFLP) should specify all sources and uses of funds for the entire project. Expenses and an explanation of how costs are derived should be included (for example, quotes from contractors, purchase orders, project cost breakdown, if needed.)

Cost Estimate for MGFGP: Cost estimate for the Montana Growth Fund Grant Program (MGFGP) should specify all sources and uses of funds for the entire project. Expenses and an explanation of how costs are derived should be included (for example, quotes from contractors, purchase orders, project cost breakdown, etc.).

Eligible Business: A for-profit or nonprofit business, cooperative or tribally owned business that is engaged in business activities in the state that will provide a significant positive economic impact to the community, region, or state.

Participation Loan: Any loan where the Preferred Lender/borrower and MDOC have agreed to participate in a loan and collateral security.

Participation Loan Certificate: The certificate provided by MDOC and executed by the Preferred Lender that is accepted in writing by both parties. The Participation Loan Certificate sets forth the amount of the Participation Loan, as well as the Preferred Lender’s and MDOC’s respective shares thereof, according to the terms of the Commitment Letter.

MDOC: The Montana Department of Commerce.

Preferred Lender: A financial institution, including private equity, an economic development organization that manages revolving loan funds, or a Community Development Financial Institution (“CDFI”) that has an executed lender loan servicing agreement supplied by MDOC.

Review Committee: An internal division committee comprised of Commerce Business MT Division team members to review applications and ranking factors.

Rural: To determine if your project is in a rural area for Montana Growth Fund programs, please visit: https://tableau.mt.gov/#/site/DOC/views/BUSMT_RURAL_HUB_COMMUNITIES/CombinedCriteriaMap?embed=n&iid=1&origin=card_share_link to view the MGF map of rural locations.

Urban: To determine if your project is in an urban area for Montana Growth Fund programs, please visit: <https://mtdoc.maps.arcgis.com/apps/dashboards/7b4600d34a374a5da62e19359fdbfc4e>

Program Overview:

The Montana Growth Fund program has two components: (i) Participation Loans, including low-interest loans and forgivable loans; and (ii) Grants.

- i. The Montana Growth Fund Loan Participation Program (“MGFLP”) is designed to accelerate the growth of new business opportunities, encourage the creation of high-paying jobs, and diversify the state’s economy by providing low interest participation loans with a preferred lender and/or forgivable loans.
- ii. The Montana Growth Fund Grant Program (“MGFGP”) may provide matching funds to assist with projects that would provide a significant economic benefit to a community.

Loans and grants issued by the Program may not be used for a project that would result in the transfer or relocation of jobs from one part of the state to another part of the state. See § 90-1-203(1), MCA.

Montana Growth Fund Loan Participation Program (“MGFLP”)

Eligibility:

The Montana Growth Fund Loan Participation Program (“MGFLP”) is available to eligible businesses, including both existing businesses and businesses seeking to expand in the state. The eligible business must have employees and a projected growth of revenue or employment. The funding and project term are negotiated based upon the quantity and quality of jobs created, state/regional economic impact, and project location.

Eligible businesses must comply with all applicable state, federal, and local laws and are excluded from receiving funds if they are on the federal or state [debarment list](#).

Participation Loan:

Low Interest Participation Loan: This type of loan is intended to purchase a portion of a loan originated by a Preferred Lender to an Eligible Business. The maximum participation of MGFLP is fifty percent (50%) of the total loan amount, not to exceed a maximum participation amount of \$1,000,000, subject to available funding. MDOC ultimately determines the participation balance of the loan and reserves the right to recommend a reduced amount or term.

Match for MGFLP: The Montana Growth Fund Loan Program must include a match. That match can be either private concurrent financing, cash injection by business, or any private investment to secure the loan.

The Participation Loan balance of a MGFLP funded loan will generally have an interest rate of 4.00%, but not less than 1.00%. Lower interest rates may be negotiated based on proposed job creation and the Loan Committee's perception of risk and return.

Eligible Businesses that receive MGFLP loan funds may use those funds for any purpose allowed by § 90-1-204(2)(b), MCA, including: (i) reduction in the interest rate of a commercial loan for the expansion of a Basic Sector Company; (ii) relocation expenses for a Basic Sector Company; (iii) rental assistance or lease buy-downs for a relocation or expansion project for a Basic Sector Company; (iv) short-term working capital loans; (v) workforce activities or job creation; and (vi) expansion of infrastructure for site-readiness.

The MGFLP will not participate in a refinance of existing debt, unless the project includes an expansion component.

Forgivable Loan: This loan type is a performance-based economic development tool that allows for a partial refund of up to 10% of the initial principal balance of the loan as a result of a meaningful project generating the minimum required capital investment and net new jobs based on rural or urban location. Only net new jobs that are reported to the State of Montana are eligible. Rural projects will receive greater incentives.

The minimum number of net new jobs required to be created for a Rural community is ten (10), in conjunction with a minimum capital investment of \$5M over the twenty-four (24) month period following the initial loan execution.

The minimum number of net new jobs required to be created for an urban community is twenty-five (25), in conjunction with a minimum capital investment of \$20M over the twenty-four (24) month period following the initial loan execution.

For jobs paying more than the private annual wage, job credits will be increased proportionately for each twenty-five percent (25%) increment above the Private Annual Wage to a maximum of two jobs.

A nonperforming loan will not be considered for forgiveness.

Application Process:

Inquiry. The Eligible Business, or its Authorized Representative, may engage a MDOC representative to complete an initial screening process. The screening process will assist the Eligible Business in determining whether to proceed with an application. The Eligible Business, in consultation with MDOC's representative, then may decide when to proceed with an application depending on the project timeline, known project details, or other factors associated with the project. Application materials submitted to MDOC may be subject to the public's right to know (Article II, § 9 of the Montana Constitution) as well as Montana's Public Records Act (§§ 2-6-1001, et seq.).

After the Eligible Business's determination to proceed with an application, the Eligible Business, or its Authorized Representative, will begin an application.

An application may be completed by the Eligible Business or an Authorized Representative of the business. An application must detail the following:

- I. Preferred Lender information.
- II. Preliminary Cost Estimate:
 - a. Credit underwriting and loan approval from the participating Preferred Lender will be collected before the final application review.
- III. Amount of the proposed capital investment and concurrent private financing.
- IV. Identification of matching funds; and
- V. Number of jobs to be created or retained.

MDOC will complete a review of each submitted application. The review will consider many economic factors, as outlined in the ranking criteria. Following review, MDOC may:

- I. Request additional information or action from the borrower or preferred lender to obtain the necessary information to approve or reject the application.
- II. Approve the application and provide a Commitment Letter/Participation Loan Certificate to the business entity and preferred lender; or
- III. Reject the application.

Ranking Factors. MDOC has established the following ranking criteria to be considered when reviewing MGFLP applications:

- I. Rural, as defined above;
- II. Childcare creation;
- III. Increase to tax base;
- IV. Expansion of an existing business;
- V. A manufacturing business that will replace previously imported goods; and
- VI. Job creation.

Review. The Review Committee makes funding recommendations to MDOC's Director, who will make the final funding decision.

Receipt of an application does not imply a commitment for funding from MDOC. The Review Committee will review the applications for eligibility and suitability with state and program requirements.

Applications must be completed online through the ServiceNow application platform located at <https://montana.servicenowservices.com/mtgl>.

Applicants will be required to create an Okta profile, which requires a valid email account. Okta is located at <https://okta.loginmt.com>.

The ServiceNow application portal is open year-round. Review of applications is subject to the availability of funding.

Montana Growth Fund Grant Program

Purpose:

The Montana Growth Fund Grant Program (“MGFGP”) is intended to assist Eligible Businesses in deploying shovel-ready projects, i.e., planning is more or less complete, approval permits are in place, and construction crews can begin once sufficient funding is secured. Additionally, funds may be awarded to applicants applying for federal funding and in need of matching funds. The project must have a significant economic impact to a community. The applicant must clearly articulate the impacts in their application.

On September 1st of each year, MDOC will allocate up to ten percent (10%) of the Montana Growth Fund unencumbered funds to grants. The maximum award for a grant is \$100,000. Awards will be limited by the availability of funds.

Eligibility:

Funds are available to Eligible Businesses with matching funds. Eligible Businesses must comply with all applicable state, federal, and local laws. Non-profits can apply on behalf of a community if the proposed project has a clearly established economic goal and return.

Otherwise, applicants are excluded from receiving funds if:

- I. They are on the federal or state debarment list; or
- II. Their projects can be funded through other grant programs, such as the Montana Community Development Block Grant and/or Department of Agriculture Growth Through Agriculture, unless they can provide documentation that they are not eligible for the other federal or state grants.

Application Process:

Receipt of Application. Once submitted, each application is assessed for completeness and clarity by MDOC. Applications that are incomplete or lack clarity can be opened for editing by the applicant. MDOC coordinates the application review and ranking timeline. MDOC may contact the applicant to discuss any concerns or questions or to request additional information or documentation. MDOC may require additional information from the applicant to clarify the information presented in the application. Site visits by MDOC may be made to the proposed project area for the purpose of verifying or further evaluating the information contained in the application. Application materials submitted to MDOC may be subject to the public’s right to know (Article II, § 9 of the Montana Constitution) as well as Montana’s Public Records Act (§§ 2-6-1001, et seq.).

Review. The Review Committee makes funding recommendations to MDOC's Director, who will make the final funding decision.

Receipt of an application does not imply a commitment for funding from MDOC. A Review Committee will review the applications for eligibility and suitability with state and program requirements.

Match for MGFGP: Montana Growth Fund Grant Program must include a match. Applicants must provide a breakdown of the match source and match amount. Projects that can demonstrate the best use of matches to achieve the greatest economic benefits will be ranked higher.

Ranking Factors. MDOC has established the following ranking criteria to be considered when reviewing MGFGP applications:

- I. Rural, as defined above;
- II. Project applications that demonstrate the greatest economic impact;
- III. Being a competitive grant, each application will be evaluated for its strengths and weaknesses in comparison to other applications. Examples of review criteria include, but are not limited to:
 - a) How well does the applicant define the scope, budget, and objectives of the project? Is it clear from the application how the grant funds will be used and what the applicant hopes to accomplish? How does the applicant intend to promote the project to the public, specifically where and how will marketing and promotion be undertaken, and will it be featured on a website? Does the applicant provide a detailed budget/Cost Estimate with reasonable Cost Estimates and well-defined matching funds in line with the requirements?
 - b) What challenges must be mitigated to ensure the project's success? Has the applicant appropriately considered the factors necessary for a successful outcome?
 - c) How will the project positively impact the community? Will the project have the support of the local community?
 - d) How well does the project align with and support the state's greater economic development plans? Will the project create any new jobs? How will the state ensure new positions are filled and associated wages are sustainable?

Applications must be completed online through the ServiceNow platform located at <https://montana.servicenowservices.com/mtgl>

Authorized Representative and/or business applicants will be required to create an Okta profile, which requires a valid email account. Okta is located at <https://okta.loginmt.com/>

The ServiceNow application portal is open year-round. The review of applications is subject to the availability of funding.

Grant Notification and Contract:

Applications will be reviewed by MDOC. Applicants will be contacted if additional information is required by MDOC, or if the grant is not funded, or it is being forwarded to MDOC's Director for final approval. This process can take anywhere from 30 to 90 days. If an applicant is approved for funding, the contracting process will be initiated by MDOC.

Types of Uses:

Eligible Businesses that receive MGFGP grant funds may use those funds for any purpose allowed by § 90-1-204(2)(b), MCA, especially ones that assist Eligible Businesses in deploying shovel-ready projects, including: (i) a grant for relocation expenses for a basic sector company; (ii) rental assistance or lease buy-downs for a relocation or expansion project for a basic sector company; (iii) workforce activities or job creation; and (iv) planning projects that would provide significant economic benefit or require matching funds to be considered.

Reporting Requirements:

I. Annual Reports.

Unless otherwise specified by MDOC, MGFGP recipients may be required to submit annual progress reports to MDOC in the format required by MDOC.

II. Project Completion and Closeout Reporting.

Upon self-reported completion of the project, or by the deadline of the contract, whichever occurs first, MDOC may email the grantee a final Project Completion and Closeout Form. MGFGP must complete the forms required by MDOC.

Any document prepared with public funds may be subject to the public's right to know (Article II, § 9 of the Montana Constitution) as well as Montana's Public Records Act (§§ 2-6-1001, et seq.).

ADMINISTRATIVE FEES:

Administrative Fees, up to one percent (1%) of the award, may be considered by MDOC.