

Montana Department of Commerce
Primary Sector Workforce Training Grant Program
(MCA 39-11)

History: - The 59th Montana Legislature passed House Bill 270 (HB 270), a workforce-training act created to provide funding to meet the training needs of employees working in expanding primary sector industries in Montana. Governor Schweitzer signed HB 270 into law on April 28, 2005.

Decision Making - A seven-member Statutory Grant Review Committee (MCA 39-11-201), consisting of both public and private members, makes the actual grant award decisions.

Funding - During the current biennium, a total of \$2.8 million was appropriated for Workforce Training Grants. The Department of Commerce is requesting a total of \$8 million in the upcoming biennium for Workforce Training Grants.

Business Eligibility -

- Primary sector business
- Create at least 10 new jobs in Montana;
- Pay trainees at least the average wage for the area (state or county -- whichever is lowest). Benefits may be included - (current \$14.03 per hour)
- Have a need for education or training for the new employees; and
- Demonstrate that the business expansion is financially feasible.

Grant Award Ceiling and Thresholds

- The maximum grant award is \$5,000 for each new job.
- Business must create at least 10 new jobs.

Match Requirements

- \$1 for every \$3 awarded.

Eligible Costs

- All necessary and incidental costs of providing workforce training and education directed to the new jobs are eligible for a grant.

Applications for funding must include

- Business Plan, Financial Statements for three previous years, Projections for two coming years, Hiring and Training Plan

Clawback

- Company is required to sign a contract specifying terms of the grant and repayment requirements should the company fail to maintain the jobs, wage levels or training specified in the grant application.

Reporting

- Required six-month progress reports to the Department until the goals contained in the plan have been achieved. Payment occurs only after documenting the creation of eligible jobs, the hiring for those jobs, and after incurring eligible training expenses



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SUMMARY SHEET FOR COST BENEFIT ANALYSIS

Company	Commerce\$\$	Other Funds	Compensation	TAXES PER YEAR			TOTAL TAXES
				Individual	Corporate	County	
DirecTV	\$2,865,000	\$18,197,000	\$58,902,945	\$2,540,074	\$286,335	\$300,000	\$3,126,409
Elkhorn Treatment*	\$75,000	\$5,484,337	\$4,445,292	\$184,128	\$ -	\$12,000	\$196,128
PrintingForLess.com	\$125,000	\$6,461,092	\$5,041,952	\$200,165	\$21,870	\$75,000	\$297,035
Avmax	\$205,000	\$2,588,425	\$8,788,683	\$348,911	\$17,000	\$166,401	\$532,312
Summitt**	\$400,000	\$21,858,678	\$6,670,428	\$264,816	\$110,000		\$374,816
TOTAL	\$3,670,000			\$3,538,094	\$435,205	\$553,401	\$4,526,700

NOTE: The total amount of taxes would be received once the projects become operational and fully staffed.

Elkhorn Treatment* = As a nonprofit, Elkhorn Treatment Center is exempt from corporate and property taxes.
 Summitt** = Due to confidentiality issues, state and county taxes are reported as a lump sum.

AVMAX: BENEFITS TO MONTANA:

Once the AvMax Heavy Maintenance Repair and Avionics Operations center is completed and fully staffed at 98 workers, another 55 jobs will be supported due to its operation. All of these jobs include benefits. In addition, an estimated 44 jobs were needed to complete the renovation of the World War II hangar.

During the renovation phase, over \$1 million was potentially paid out as employee compensation. The potential individual income taxes paid would total over \$41,000. Once the Maintenance Center becomes operational and fully staffed, nearly \$8 million in salaries will be paid. Potential annual individual income taxes paid would total nearly \$308,000

Phase	Employees	Compensation	Income Taxes
Construction	44	\$1,035,815	\$41,122
Operation	98 + 55	\$7,752,868	\$307,789
TOTAL	197	\$8,788,683	\$348,911

In total, the Montana Department of Commerce provided AvMax with \$205,000 in training assistance through the Worker Training Grant program. In addition to the individual incomes taxes the State of Montana will receive, an estimated \$17,000 will be paid in corporate

Tax Amount ret	Invested Return 8%	20% Tax	Retained Earnings
\$ 3,670,000.00	\$ 293,600.00	\$ 58,720.00	\$ 234,880.00
\$ 3,904,880.00	\$ 312,390.40	\$ 62,478.08	\$ 249,912.32
\$ 4,154,792.32	\$ 332,383.39	\$ 66,476.68	\$ 265,906.71
\$ 4,420,699.03	\$ 353,655.92	\$ 70,731.18	\$ 282,924.74
\$ 4,703,623.77	\$ 376,289.90	\$ 75,257.98	\$ 301,031.92
\$ 5,004,655.69	\$ 400,372.45	\$ 80,074.49	\$ 320,297.96
\$ 5,324,953.65	\$ 425,996.29	\$ 85,199.26	\$ 340,797.03
\$ 5,665,750.69	\$ 453,260.05	\$ 90,652.01	\$ 362,608.04
\$ 6,028,358.73	\$ 482,268.70	\$ 96,453.74	\$ 385,814.96
\$ 6,414,173.69	\$ 513,133.90	\$ 102,626.78	\$ 410,507.12
	\$	\$ 788,670.20	

I have cost the tax payers 1 million in taxes and I have grown the economy approximately 3 million

Invest the Taxes with leverage	Tax (assume 3% growth)	Net Taxes Pd
\$ 3,670,000.00	\$ 4,526,000.00	\$ 856,000.00
	\$ 4,661,780.00	\$ 4,661,780.00
	\$ 4,801,633.40	\$ 4,801,633.40
	\$ 4,945,682.40	\$ 4,945,682.40
	\$ 5,094,052.87	\$ 5,094,052.87
	\$ 5,246,874.46	\$ 5,246,874.46
	\$ 5,404,280.69	\$ 5,404,280.69
	\$ 5,566,409.11	\$ 5,566,409.11
	\$ 5,733,401.39	\$ 5,733,401.39
	\$ 5,905,403.43	\$ 5,905,403.43
		\$ 48,215,517.76

In my leveraged investment scenario I had an alternative source pay in 48 million in taxes in 10 years, This was after we subtracted the original investment.

Plus, the economy was expanded millions of dollars due to the additional payroll
 If we assume that the total taxes collected are approximately 20% of economy
 Then the economy was impacted to the tune of \$ 241,077,588.82

So, by not having the vision to invest, I help create approximately a 3 million dollar growth and cost the original taxpayer 1 million dollars more in taxes over 10 years.

By investing, I come up with 48 ^{million} ~~times~~ in new tax dollars and I grow the economy 240 million dollars

~~As a result of this investment, the economy grows by 240 million dollars and the taxpayer pays 1 million dollars more in taxes over 10 years.~~

Amazing what a little leverage does

Representative Jones:

You had asked me what the administrative costs were for the Big Sky Economic Development Trust Fund and the Primary Sector Workforce Training Program were. The following information is intended to respond to that request. Please let me know if you need any additional information.

Big Sky Economic Development Trust Fund:

Estimated interest available for grants/Administration (FY07):	\$1,581,000
Estimated administrative costs for the program FY07:	\$88,000

Primary Sector Workforce Training Grant Program:

General Fund available for FY07:	\$1,400,000
Estimated administrative expenses FY2007:	\$100,000


Andy Poole
January 31, 2007