

Agency Proposal for Legislation for the 2017 Legislative Session

AGENCY NAME: COMMERCE - Revise Wood Products Revolving Loan Fund

CONTACT/TITLE: Sean Becker, Division Administrator

PHONE: (406) 841-2707 FAX: (406) 841-2731 E-MAIL: <mailto:SeanBecker@mt.gov>

1. What is the problem or issue?

The 61st Legislature (2009) passed HB 669 to create a revolving loan fund to assist Montana's wood products industry. \$7.5 million was appropriated via HB 645 to implement the program. Original legislation allowed loan repayments and any interest generated from loan repayments to be used as revolving loans for the wood products industry or for primary sector businesses statewide and these revolved loans would not be subject to the provisions within that section of HB 669.

The 63rd Legislature (2013) passed HB 388 limiting the loan repayments and any interest generated from loan repayments to the wood products industry only (removing the ability for loans to be made to statewide primary sector businesses). This change also caused the revolved loans to once again be subject to the provisions within the section of the original HB 669. This renewed the requirement that loans must be made to individuals or small businesses that are part of the critical, primary wood-processing infrastructure and have suffered economic hardships, thereby not allowing the program to lend to new or expanding wood products industry businesses.

2. What do you want the legislation to do?

The 61st Legislature (2009) passed HB 669 to create a revolving loan fund to assist Montana's wood products industry as a whole. The fund provides loans to individuals or small businesses that are part of the critical, primary wood-processing infrastructure and have suffered economic hardships.

A total of \$7.5 million in funding was appropriated during that same legislative session via HB 645 to implement the program. \$4.8 million was used to create the State-funded Wood Products Revolving Loan Fund (WP RLF) Program and \$2.7 million was used as match to obtain an additional \$2.7 million from the U.S. Department of Commerce, Economic Development Administration (EDA) to create the federally-funded EDA WP RLF. Since the inception of the program, loan repayments and

interest generated from loan repayments have been used to make additional loans for the same purpose.

The Montana Department of Commerce (Department) would like to expand the WP RLF to allow individuals or small businesses that are part of Montana's critical wood products and timber related industry, even if they have not suffered economic hardships, to apply for funding by removing the requirement of "distress".

While over the years, most inquiries to the WP RLF Program have been from businesses suffering economic hardships, some inquiries have been received by either new wood products industry businesses or existing wood products industry businesses looking to expand. Unfortunately, the WP RLF Program due to statutory requirements has had to tell these businesses that they were not eligible to apply to the program.

The Department remains committed to maintaining the existence and resiliency of Montana's critical wood products industry and strongly believes that by making this change, it can help build capacity within the industry during times of both contraction and expansion.

3. If possible, please list the MCA (Montana Code Annotated) sections that would need to be amended.

90-1-501, 90-1-503, AND 90-1-504, MCA

4. If the proposed change requires additional funding, what funding sources do you propose (e.g., an increase in or both)?

There is no fiscal impact since the proposed changes are entirely programmatic and unrelated to funding.

5. Has similar legislation been requested in the past, been introduced in another state, or provided as a model act? If so, please provide a citation, reference, or point of contact.

No.