

Memorandum

TO: Economic Transformation, Stabilization & Workforce Development Commission
FROM: Liane Taylor, Division Administrator, Business MT
DATE: May 23, 2022
SUBJECT: Reallocation of American Rescue Plan Act – Workforce Training Grant funds to Automation Program

Overview:

Repeatedly, businesses have stated how hard it is to find workforce, thus businesses are having to become more productive and efficient with their current workforce. The American Rescue Plan Act – Automation Program would assist Montana businesses, who are seeking to adopt or integrate smart technologies into their existing operations. This program is not designed to reduce the number of jobs but instead a reduction of manual labor by updating or replacing production equipment.

Montana's manufacturers face the biggest challenge to their survival since the high interest rates of the late 70's and early 80's. They simply can't find enough employees. They are in a heated battle with retail, construction, healthcare, agriculture, mining, transportation, government, and every other economic sector for employees. Some, or all of these sectors will be losers in this battle as there simply are not enough employees to meet the economy's needs. This labor shortage is expected to last for many years. According to the Bureau of Business and Economic Research at the University of Montana, every manufacturing job in Montana creates another 2.63 jobs elsewhere in the economy.

Jobs that are physically demanding, dull or dirty are those that have the highest turnover. Examples of these types of jobs include stacking 50 lb. bags of copper oxide on pallets, standing on a bread production line and pushing each loaf down the conveyor because the conveyor isn't automated, hand-stacking 2x8's in bunks off the green chain in a lumber mill, hand feeding the beer packaging line with empty aluminum cans or stacking 50 lb. bags of barley onto pallets. All these jobs currently exist in Montana's manufacturers despite automation being readily available to address each of these issues.

These no-interest loans will be the catalyst for many of Montana's manufacturers to begin to modernize. With each back-breaking job that is automated, technicians are needed to maintain and operate these machines. These technician jobs will demand higher pay than the back-breaking jobs that were automated.

Several other states have implemented similar programs including Iowa, South Dakota and Utah. Companies that invest in automation are the ones that will be able to compete and to stay in business. Those that do not invest will go out of business and those jobs will be lost forever.

This program is geared towards job retention and upskilling of workforce at the same time.

Although the Department does not have a specific program targeted to automation, the Department does have programs that provide funding to businesses for equipment purchases and upgrades. Current staff within the Department will manage the program.

The Department is proposing to contract with Montana Manufacturing Extension Center, who is a statewide manufacturing outreach and assistance center that provides solutions to help Montana manufacturers grow, innovate and enhance their businesses. They would assist the business in completing the capital investment justification report.

Allocation Request and Deadlines:

The Montana Department of Commerce is requesting the reallocation of \$6 million of American Rescue Plan Act – Workforce Training Grant program funds to create the American Rescue Plan Act –Automation Program.

Montana businesses that are seeking to adopt or integrate smart technologies into their existing operations in the state would be eligible to apply.

Applications will be open until all funds have been allocated. The maximum loan would be up to five hundred thousand dollars (\$500,000).

Structure:

Once the State receives an application for funding, the State will then contract with Montana Manufacturing Extension Center to do an inspection and assist the business in completing a capital investment justification. The capital investment justification will identify the equipment to be added, updated and/or replaced, the cost of the equipment and identify the annual savings and/or costs. Additionally, the capital investment justification will demonstrate the pay-back period and Return on Investment.

To qualify for the program, the capital investment justification report must show at least a twenty percent (30%) Return on Investment with a pay-back period of less than five (5) years. Businesses could receive up to a 50% loan of the purchase price of the automation equipment but not to exceed five hundred thousand dollars (\$500,000).

Businesses may also request an additional five thousand dollars (\$5,000) in training funds to train existing employees on the new equipment. To receive the funds, the business would need to provide training records of those employees receiving the training on the new equipment.

Eligibility:

The Montana business must be in good standing with the Montana Secretary of State or Tribal Government and operated in Montana for at least three years prior to the application. The

business must derive a minimum of fifty-one percent (51%) of their revenue from the sale of manufactured goods.

Businesses are excluded from receiving funds if they are on the federal or state debarment lists or engaging in a business activity that is federally excluded.

Application and Verification:

Applications to the American Rescue Plan Act – Automation Program would be received via Submittable. Staff will review the applications for eligibility and completeness. Montana Manufacturing Extension Center will be contract with to assist the business in completing the capital investment justification report.

Equity:

The program will require dollar for dollar (\$1:\$1) match investment by the company.

Performance Metrics:

To qualify for the program, the capital investment justification report must show at least a twenty percent (30%) Return on Investment with a pay-back period less than 5 years (5) years.

Recommendation:

Reallocate \$6 million of American Rescue Plan Act – Workforce Training Grant Program funds to develop the American Rescue Plan Act – Automation Program which will provide loans up to fifty percent (50%) of the purchase price but not to exceed five hundred thousand dollars (\$500,000) to Montana manufacturing businesses to adopt or integrate smart technologies.