

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA



GREG GIANFORTE
GOVERNOR

PO BOX 200802
HELENA, MONTANA 59620-0802

October 20, 2021

Acting Chair Mary Caferro, Legislative Finance Committee
Members of the Legislative Finance Committee
Amy Carlson, Legislative Fiscal Analyst

Section 26 (3) of HB 632 allows the Office of Budget and Program Planning (OBPP) to present proposals for use of "revenue replacement funds" to the Legislative Finance Committee for review and comment. In addition, Section 26 (6) of HB 632 allows the OBPP to identify proposed changes to proposed uses of ARPA Section 602 funds to be of an urgent nature.

The OBPP hereby notifies the Legislative Finance Committee of three proposed uses of "revenue replacement" funds and categorized the request to be of an urgent nature. In accordance with HB 632, OBPP requests that the LFC to convene a meeting as soon as possible to review the proposals. The proposals will also be presented at the October 27th meeting of the Business Stabilization, Transformation, and Workforce Development Advisory Commission (EWAC).

The proposed uses are as follows:

1. Allocation of \$2,315,000 state fiscal recovery funds for use by the Office of the Public Defender and the Department of Justice to address the backlog of cases in the court system and assist the City of Billings and Yellowstone County with the significant rise in drug and violent crime in Yellowstone County. [See attached]
2. Allocation of \$4,350,000 to launch a recruitment effort to attract out-of-state health care workers to move to Montana and help with the significant shortage of health care workers in the state. This funding will come from the reallocation of excess funds remaining from the Return-to-Work Bonus program operated by the Department of Labor and Industry. [See attached]
3. Allocation of any additional excess funds remaining from the Department of Labor and Industry Return-to-Work Bonus program to the Business Innovation program. Funds for the Business Innovation program were previously recommended for revenue replacement funding at the September Legislative Finance Committee. This proposal will be presented at the November meeting of the EWAC.

Your prompt attention to this request is greatly appreciated as we work to get ARPA funding available to the citizens and businesses of Montana.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan Osmundson".

Ryan Osmundson
Budget Director

Memorandum

TO: Economic Transformation and Stabilization, and Workforce Development
Advisory Commission

FROM: Budget Director Ryan Osmundson, Director Osterman, Director Esau

DATE: October 27, 2021

SUBJECT: Reallocation of Unused Return to Work Bonus Funds

Overview: At its May 4, 2021 meeting, the Advisory Commission Recommended and Governor Gianforte approved a \$15 million allocation to offer Montanans returning to the workforce a \$1,200 hiring bonus. The program was implemented and is in effect for individuals who attain employment through October 31, 2021. As of October 19, 2021, a total of \$2,125,200 has been distributed through the program. There have been 5,690 applications received, 1,038 applications denied, 1,771 applications approved, leaving 2,881 applications still in-process.

Although the exact amount of funds remaining is currently not determined, this proposal seeks to reallocate any remaining funds from the program for two purposes. There is \$4,350,000 proposed to address the shortage of health care workers in the state by targeting specific outreach to out-of-state health care workers and offering reimbursement for moving and relocation expenses for out-of-state health care workers who relocate to Montana and accept employment with a Montana health care facility. This proposal is recommended to the commission at this October 27th meeting. In addition, the remainder of the unused hiring bonus funds are recommended to be allocated to the Business Innovation program which will be presented for recommendation at the November advisory commission meeting.

Allocation Request and Deadlines: \$4,350,000 of unused Return-to-Work Bonus Funds to the Department of Commerce (\$350,000) and the Department of Labor and Industry (\$4,000,000) for the recruitment and employment of out-of-state health care workers. In addition, the remainder of unused Return-to-Work Bonus funds to the Business Innovation Program which will be presented at the November 2021 meeting of this advisory commission. The funds are proposed to be allocated from the amount appropriated under Section 12 of HB 632, to be obligated by December 31, 2024 and spent by December 31, 2026.

Structure: The Department of Commerce will use the funds to conduct a public outreach campaign targeted to out-of-state health care workers.

The Department of Labor and Industry will use the funds to reimburse local health care facilities for the moving and relocation costs paid to out-of-state health care workers employed by Montana health care facilities.

Eligibility: The Departments of Commerce and Labor and Industry will be the recipient of these funds for the purposes set forth in this project proposal. The Office of Budget and Program Planning plans to seek review and comment from the Legislative Finance Committee to categorize the funding as “revenue replacement funds” and the provision of services under this proposal fit under the eligibility category of “provision of government services.” The

Departments of Commerce and Labor and Industry certify that this program is an eligible use under the American Rescue Plan Act and all applicable guidance.

Application and Verification: On recommendation and approval of this program proposal, the Office of Budget and Program Planning will make these funds available to the Department of Commerce and Labor and Industry in the amounts set forth for each agency in this program proposal for funds spent or obligated through December 31, 2024.

Performance Metrics: The Department of Commerce and Labor and Industry will provide statistics regarding the number of health care workers recruited and retained as a result of this proposal

Recommendation:

Allocate \$4,350,000 for use by the Departments of Commerce and Labor and Industry to recruit out-of-state health care workers for employment at Montana Health Care Facilities. Allocate all remaining funds from the Return-to-Work Bonus Program to the Business Innovation Program. The allocations are recommended contingent on the funds be authorized under the eligibility framework of "Revenue Replacement Funds".

TO: Economic Transformation and Stabilization, and Workforce Development
Advisory Commission
FROM: Commissioner Esau, Director Osterman, and Budget Director Osmundson
DATE: October 20, 2021
RE: Montana Health Care Workforce Recruitment Initiative

Overview: Montana is facing an acute workforce shortage across all sectors. Employers statewide have increased wages, enhanced benefits, and offered a myriad of incentives to retain existing employees and attract new hires but many still struggle to fill critical positions. Although the number of Montanans receiving unemployment insurance benefits has dropped by more than 90% since Governor Gianforte took office and the state's unemployment rate hit a 14-year low of 3.5% in August 2021, thousands of jobs remain unfilled.

The health care sector's workforce shortage is particularly pronounced, as the COVID-19 pandemic has resulted in longer shifts, employee burnout, and high turnover rates, especially for front-line skilled caregiver positions. Montana has long struggled to attract and retain health care providers, who in turn provide citizens access to basic high-quality health care services. The pandemic, as well as growing demand for health care from an increasingly aging population, rapid population growth, and an aging health care workforce, has exacerbated this longstanding issue.

Pre-pandemic projections from Montana's Department of Labor and Industry (DLI) indicated the need to fill thousands of health care sector jobs statewide. Specifically, DLI estimated a need for more than 2,100 new Registered Nurses, Nurse Practitioners, and Licensed Practical and Vocational Nurses next year alone and over 10,000 health care positions in Montana by the end of 2022 – a projection that ultimately understates current providers' immediate need for more clinical staff due to the pandemic.

As robust competition for qualified health care providers continues to exist nationally, Montana needs to design and implement an effective long-term strategy to recruit and retain health care sector employees. As an innovative solution, the Gianforte administration seeks recommendation to establish a health care workforce recruitment program to be jointly administered by DLI and the Department of Commerce. Specifically, the program aims to stabilize the statewide health care system and address increasing demand for services by establishing a relocation incentive program to complement existing public and private health care entity recruitment efforts.

Eligible employers ("employers") will receive grants to include (as an itemized *Governor's Health Care Workforce Relocation Assistance Reimbursement*) as part of a recruitment offer for a qualifying health care provider who commits to permanently relocating to Montana and remains employed for twelve consecutive months. **On a one-time basis**, employers can offer employees up to \$12,500 plus 35% of the total reimbursement amount – **which equates to nearly \$17,000** – to offset expected payroll tax deductions **for actual qualifying moving and relocation expenses** incurred by the

employee.

Allocation Request and Deadlines: \$4,000,000 to DLI to fund an employer-based incentive program that will reimburse up to \$12,500, plus 35% of the total reimbursement amount to offset expected payroll taxes, on a one-time basis for the actual qualifying moving and relocation expenses of eligible health care providers, as well as \$350,000 to the Department of Commerce for marketing and targeted outreach costs associated with the program. Pursuant to federal guidance, grants would need to be obligated no later than 12/31/24 and spent no later than 12/31/26.

Funds will be redirected to this effort from the unspent portion of the allocation made to DLI for the Return-to-Work Bonus Program, recommended by the Commission and approved by the Governor in May 2021.

Structure: Employers must provide qualifying health services, medical treatment, nursing, rehabilitative, or preventive care to individuals and must employ health care providers – defined as a person who is licensed, certified, or otherwise authorized by the laws of Montana to provide health care in the ordinary course of business or practice of a profession – on a full or part-time (>20 hours per week) basis.

As part of its routine recruitment and hiring efforts, and upon identification of a qualifying health care provider willing to relocate to Montana and agree to full or part-time (>20 hours per week) employment, an employer would seek pre-approval from DLI, within program criteria, to offer reimbursement for actual qualifying moving and relocation expenses to the potential hire. Within one week following an employee's start date, the employer would complete attestation of employment, provide details regarding actual qualifying moving and relocation expenses, and receive grant funds to allocate to the employee no later than one month following the start date. One year following the start date, employers would be required to prove the health care provider's continuous employment. Specifically,

- **DLI will:**

- Design, implement, and administer the grant program for employers, including conducting verification of required documentation to prove the continuous employment and actual qualifying moving and relocation expenses of eligible health care providers for purposes of one-time reimbursement and coordinating with participating employers to disburse funds to eligible recipients.
- Define actual qualifying moving and relocation expenses for purposes of the program and ensure that households with multiple health care providers are only eligible to receive one reimbursement.
- As part of grant conditions, ensure that employers:
 - Report fund utilization and other information and metrics, as determined by the Department, on a frequent basis;
 - Do not conflate or bundle awards made under the program with other relocation, recruitment, or retention bonuses offered by the

employer (for example, ensure that reimbursements are itemized as the *Governor's Health Care Workforce Relocation Assistance Reimbursement* on paychecks); and

- Conduct health care provider eligibility verification processes as defined by the Department.
 - Report quarterly the amount of funds disbursed, as well as the number of providers who received reimbursements and their places of employment.
 - Provide technical assistance to employers and participating health care providers regarding occupational licensing and associated practice requirements.
 - Agree to grant-related audits as appropriate.
- **Department of Commerce will:**
- Facilitate a strategic marketing campaign and targeted outreach to out-of-state health care providers, including by leveraging the Department's existing Come Home Montana campaign where applicable.
 - Provide marketing-related technical assistance to employers as they use the initiative to bolster their hiring and recruitment efforts.

Eligibility: Health care providers eligible to receive reimbursement under the program must:

- a. Be a qualifying health care provider per program guidance;
- b. Permanently reside outside of the state of Montana as of 11/1/2021;
- c. Permanently relocate to Montana, incur actual qualifying moving and relocation expenses, and begin full or part-time employment (>20 hours per week) with an eligible employer;
- d. Maintain continuous employment with the employer for a minimum of one year or be subject to recovery of funds.

Application and Verification: Upon approval of this program proposal, the Office of Budget and Program Planning will make these funds available to DLI and the Department of Commerce in the amount set forth for each agency.

Equity: To address health care disparities, especially amongst particular racial, ethnic, and geographic populations underserved by the health care system, DLI will ensure the equitable and appropriate distribution of grants to employers that serve rural and frontier communities, Indian reservations, and other Health Professional Shortage Areas. The Department of Commerce will adjust elements of its strategic marketing campaign and targeted outreach accordingly.

Performance Metrics: DLI will report on a quarterly basis the number and types of health care providers who have received reimbursement payments through the program. The Department of Commerce will report on a quarterly basis related marketing metrics including reach, impressions, and digital engagement.

Recommendation: Allocate \$4,000,000 to DLI to fund an employer-based incentive program that will reimburse up to \$12,500, plus 35% of the total reimbursement amount to offset expected payroll taxes, on a one-time basis for the actual qualifying moving and relocation expenses of eligible health care providers. Allocate \$350,000 to the Department of Commerce for marketing and targeted outreach costs associated with the program. Both allocations of funds are recommended to be allocated from the amount appropriated under Section 12 of HB 632. A recommendation for both allocations is contingent on the funds being authorized under the eligibility framework of “Revenue Replacement Funds”.

Memorandum

TO: Economic Transformation and Stabilization, and Workforce Development
Advisory Commission

FROM: Attorney General Knudsen, Budget Director Ryan Osmundson, Director
Osterman

DATE: October 27, 2021

SUBJECT: Addressing Significant Violent Crime Increase to Economically Stabilize Billings

Overview: Billings is experiencing economic instability related to an increase in COVID-related crime, including violent crime. More prosecutors and criminal defense attorneys are needed to reduce the number of unfilled cases and case backlogs, and more law enforcement is needed on the streets to address the crime increase and enhance economic stability. The state proposes to dedicate resources to the issue for state expenses in collaboration with both the City of Billings and Yellowstone County dedicating resources at the local level.

Violent crime has significantly increased as a result of the pandemic. Project Safe Neighborhoods data gathered from the Billings Police Department (BPD) shows that after a few early static months at the start of COVID, beginning in June 2020 through August 2021, violent crime reported by the BPD increased almost 40 percent when compared with the previous 12 months. For example, Partner or Family Member Assault charges increased 48% from 2019 to 2020 to 114 cases, and Strangulation charges increased 35% from 2019 to 2020 to 142 cases.

Crime, including violent crime, has increased as a result of the pandemic, in part because court backlogs have resulted in criminal defendants being in pretrial or pre-revocation hearing status longer, resulting in more defendants being released pretrial or pre-revocation hearing because of jail occupancy limits and because defendants are released into the community for a longer time. In addition, in part because of COVID-related recruitment and retention issues, and because of the need to focus on case backlogs at the Yellowstone County Attorney's Office (YCAO), more suspects remain uncharged in the community.

Per data from the Montana Supreme Court, the on-time case processing rate for District 13 which includes Yellowstone County fell from 73% in 2019 to 72% in 2020 to 66% in 2021. In addition, the criminal case clearance rate for District 13 fell from 122.5% for the twelve months ending March 31, 2020 to 103.25% for the next twelve months after COVID began, and the abuse and neglect case clearance rate fell from 130.5% to 90.5%. Per data from the Office of the Public Defender (OPD), working cases open in OPD Region 9, which includes Yellowstone County, increased from 7,789 in mid-2020 to 9,687 in mid-2021. In 2020, information from the YCAO shows that it brought charges against 1,722 defendants, a 13.8% increase over 2019. Charges in 2021 are on pace to go down, however, the number of unfilled cases has increased.

Information from the Yellowstone County Sheriff's Office shows that before and after the onset of COVID, except for a brief period in 2020 when the district judges ordered a COVID-related release of prisoners, the jail population in Yellowstone County has remained fairly constant. However, because there are more defendants awaiting trial or revocation hearing, and because

there are more uncharged suspects, there are more criminal suspects and defendants on the streets in Billings.

Those who have already committed a crime are more likely to commit another crime. A 2017 Study by the U. S. Sentencing Commission showed that there is a 34 percent to 80 percent chance that a person who has committed at least one crime will be rearrested for another crime, depending on the number, recency and severity of previous crime(s) committed. For example, information from the YCAO shows that in Yellowstone County, during June through August of 2020 (in the early stages of COVID), 99 suspects for new crimes, with at least 159 charged but unresolved previous crimes or supervision violations, were presented by law enforcement to the YCAO for prosecution. During June through August of 2021, however, after the COVID-related case backlog had increased, 147 suspects for new crimes released pending trial or revocation hearing for at least one prior crime or supervision violation, were presented to the YCAO for prosecution. That is almost a 49 percent increase over the same period in 2020. Those suspects were pending trial or revocation hearing on at least 276 prior crimes or violations, which is an increase of almost 74 percent over the same period in 2020.

The increase in crime, including violent crime, has caused economic de-stabilization in Billings. A National Police Services Survey between October 19, 2020 and December 2, 2020 reported that only 31% of 3,000 households in Billings felt safe in downtown Billings at night compared to 74% who felt safe in their neighborhood at night. In a Billings Chamber of Commerce survey between April 27, 2021 and May 13, 2021, 89% of businesses responded that their business was impacted by public safety issues and concerns, and 53% were impacted moderately or greatly.

As outlined in the attached letters, Billings businessowners have been adversely impacted by the surge in crime and violence. For example, Mike Nelson, General Manager of the Northern Hotel, notes that necessary private security has resulted in “extra expense through our Downtown Association”; that “in our nearly nine years we have had employees robbed, beaten, and even sexually assaulted on their way to work”; and that related employee turnover “is a major expense, one which depending on the position can [cost] tens of thousands of dollars.”

Allocation Request and Deadlines: \$1,500,000 to the OPD and \$815,000 to the Montana Department of Justice from the amount appropriated under Section 12 of HB 632, to be obligated by December 31, 2024 and spent by December 31, 2026.

Structure: The OPD will use the funds to hire public defenders and contract defense attorneys to help address the case backlog in Yellowstone County. OPD will address backlogs in misdemeanor cases by hiring contract defense attorneys, while addressing backlogs associated with felonies and abuse and neglect cases through the freed up and newly employed public defenders.

The Department of Justice will use the funds to hire three new agents in the Division of Criminal Investigation to help address drugs and violent crime in Yellowstone County.

In addition, Yellowstone County will use \$1M of local funds to help address these problems from the county perspective. The City of Billings will also use \$1M local funds to help address these problems from the city perspective.

Eligibility: The Department of Justice and OPD will be the recipient of these funds for the purposes set forth in this project proposal. The Office of Budget and Program Planning plans to seek review and comment from the Legislative Finance Committee to categorize the funding as “revenue replacement funds” and the provision of services under this proposal fit under the eligibility category of “provision of government services.” The Departments of Justice and Commerce, the OPD, and the Office of Budget and Program Planning certify that this program is an eligible use under the American Rescue Plan Act and all applicable guidance.

Application and Verification: On approval of this program proposal, the Office of Budget and Program Planning will make these funds available to the Department of Justice and OPD in annual amounts to total the amount set forth for each agency in this program proposal for funds spent or obligated through December 31, 2024.

Equity: American Indians and Alaska Natives have been disproportionately impacted by the pandemic-related surge in crime. Despite American Indians and Alaska Natives comprising approximately 4.9 percent of Yellowstone County’s population, they accounted for 21 percent of crime victims in 2019; 20 percent of victims in 2020; and 20 percent of victims as of September 30, 2021, according to data provided by the BPD. Data provided by BPD also demonstrates that crime against American Indians and Alaska Natives increased by 37 percent between 2019 and 2020 and is on track to meet or exceed this percentage increase for 2021. Crime suspects are also disproportionately American Indian or Alaska Native, as evidenced by BPD data that demonstrates this population constituted 39 percent of charges in 2020.

Performance Metrics: The Department of Justice will report the violent crime rate annually in Billings from data tracked by the BPD. The OPD will track criminal felony, abuse and neglect, and criminal misdemeanor backlogs over the period these funds are allocated.

Recommendation:

Allocate \$1,500,000 to OPD to hire employee or contract defense attorneys to address cases in Yellowstone County. Allocate \$815,000 to the Montana Department of Justice to hire criminal agents to help address drug and violent crime in Yellowstone County. Both allocations of state fiscal recovery funds are recommended to be allocated from the amount appropriated under Section 12 of HB 632. Both state fiscal recovery allocations shall be contingent on the funds be authorized under the eligibility framework of “Revenue Replacement Funds” in consultation with the Legislative Finance Committee. In addition, the allocation of funds to the Department of Justice is contingent on the documented commitment of \$1 million of additional criminal justice local funding by the City of Billings and on the documented commitment of \$1 million additional criminal justice local funding by Yellowstone County.



Billings Industrial Revitalization District

1413 4th ave. N, Billings, MT. 59101

www.billingsbird.com

406-272-4321

Senator Mark Blasdel
Chair, Economic Transformation and Stabilization and Workforce Advisory Commission
PO Box 1493
Kalispell, MT 59903

Dear Senator Mark Blasdel,

I was asked to write a letter in representation of the business and property owners in the East Billings Urban Renewal District. This neighborhood has been a historical economic engine for the City of Billings and therefore the state of Montana for decades. We have legacy business that are being passed to 2nd generation ownership and flagship stores for well-known Montana companies such as Shipton's Big R and Western Ranch Supply. This district employs thousands of people from Yellowstone County has a diversity of business including automotive, recycling, manufacturing, agriculture, and home services.

Property damage, theft, vandalism and violent crime in this neighborhood has stretched the resources of our city recently. The local economy has been taxed as businesses spend resources on additional insurance, measures to curb crime, and replacement of staff who are fed up with situations such as being accosted when returning to their cars after working a long day. Needless to say, you walk into any of these local businesses, and they continue to operate and produce necessary goods for the local and surrounding communities.

The City of Billings must turn the corner on addressing violent crime in this community. A few months ago, a group of local property owners banded together to purchase and demolish the Lazy KT Motel. This location was a top crime center in our city for years. One of the participating property owners was on the verge of losing a tenant who leased 30,000 square feet because of his building receiving consistent damage from bullets from incidents at the Lazy KT. The same owner, who has invested in an extensive video security system, had another tenant attacked during a walk back to his vehicle after-hours a few weeks ago. Four blocks away, Shipton's Big R has its original store. In July, Shipton's had a break-in where thousands of dollars of merchandise, including guns, were stolen.

These challenges are not new to the neighborhood hence the reason it was identified as an area that needed efforts to eliminate blight. But the quantity and intensity of crime has been exacerbated by the economic, mental, and emotional stresses of COVID-19. You look at the Billings Food Bank lines every week in our district and you can see first-hand the incredible need that exists in our communities as vehicles stretch for blocks multiple days a week. We must identify ways to curb crime where there is opportunity, but the city needs more robust response measures so that organized and violent criminals are taken off the streets.

Please accept this letter in representation of the 60+ business and property owners in East Billings. We hope that additional support will help our community to take proactive steps to curb crime in Billings.

Sincerely,

Zack Terakedis
Director

East Billings Urban Renewal District



Billings Industrial Revitalization District

1413 4th ave. N, Billings, MT. 59101

www.billingsbird.com

406-272-4321

East Billings Urban Renewal District Business and Property Owners

Name

Business/Property Address

Matt McDonnell

BSCC 315 N. 15th St.

Brad Warneke

221 N 15th St

David Puhis

Mitchell Appliances 201 N. 15th St.

Kelly O'Connor

1501 2nd Ave N.

Red oak

1415 1st Ave N.

Martin Cornell

49 N 15th Street #2

Map Cannon

216 N 14th Street

[Signature]

711 17th St.

Mary Ann Swain

PO Box 31292 Blgs. 59107



BIG SKY ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

Senator Mark Blasdel
Chair, Economic Transformation & Stabilization and Workforce Development Advisory Commission
1301 East 6th Street
Helena, MT 59601

Dear Senator Blasdel:

Community safety and economic health go hand in hand. In fact, one of the top questions we are asked by prospective companies – outside of property & workforce availability – is, “Is this a safe community?”

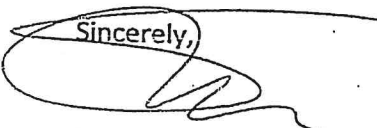
When businesses and individuals alike are looking to move to Billings, they expect that a town of our size in a state of our size will offer them a safe community. It has long been an anecdote that in Montana we don't lock our doors, and in the winter, you'll find cars on, unlocked, and running, in the grocery store parking lot. That is quickly becoming a thing of the past in Billings as we face higher and higher crime rates.

To understand the volume of crime, I will use a property we all know, the DoubleTree Hotel (formerly the Sheraton/Crown Plaza) in downtown Billings. In a half mile radius around that property, there were 96 crime incidents in just a seven-day period (October 7th – October 13th). That building is in the heart of our central business district and is just one illustrative example of the prevalence of safety challenges we face throughout our community that have only been exacerbated by Covid-19.

Our State, City, and County are in this public safety challenge together. We are tied together through significant State and local safety, corrections, and judicial infrastructure, and we are tied economically. The Billings metropolitan statistical area represents 22% of the State's GDP. When Billings does well, so does the state – and the converse is also true. We're asking for your continued partnership to ensure a strong future and, to do so, we need public safety support.

Your consideration is greatly appreciated.

Sincerely,


Steve Arveschoug
Executive Director
Big Sky Economic Development

CC: Scott Osterman, DOC
BSED Board of Directors
Mayor Bill Cole

GRANITE TOWER
222 NORTH 32ND ST. SUITE 200
BILLINGS, MT 59101-1548

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BIGSKYECONOMICDEVELOPMENT.ORG

N O R T H E R N



H O T E L

October 4, 2021

Senator Mark Blasdel,
Chair, Economic Transformation & Stabilization and Work Force Development Advisory Commission
Post Office Box 1493
Kalispell, MT 59903

Honorable Senator Blasdel,

I have been asked to write you in regard to the problems and expense that arise in operating a business in the heart of Montana's largest city. I own and operate the only four-star business hotel in the state: Northern Hotel. We are located at the intersection of First Avenue and Broadway in downtown Billings. I regard that to be the premier address in town, and hope that my customers do as well.

The Northern has been in business since 1902, and my brother Chris and I have owned the building since 2009. It was closed then, and required an investment of about thirty million dollars to renovate. We have seen success since our reopening in 2013, and hope to celebrate our ninth anniversary this coming March. Although business has been good here, and we are happy to be doing business in our home town, it has not been without challenges and even tragedies that came along with our location.

I am referring to the steady rise in crime in our neighborhood over the last several years. Since opening, we have experienced extra expense through our Downtown Association: the group has added and paid for two extra police officers dedicated to the downtown area. My hotel has added a full time security person along with assistants to secure our late night shift. We have a security service patrol our parking garage, in addition to which we supplement their patrols with our employees. We station employees at the doors after dark to limit access to our building.

Regardless of those actions, we all have become personally familiar with crime, violence and the aftermath of both. We have lost employees to the results of crime: in our nearly nine years we have had employees robbed, beaten and even sexually assaulted on their way to work. These folks have not been able to keep coming back to my hotel – so we have lost good people. In the past eighteen months alone, I have attended two criminal trials of people accused (and convicted) of violent crimes committed on the Northern's personnel. As a matter of fact, I was a victim in one of those trials – that one ended in a prison sentence of ten years.

There are times when the Northern Hotel has high profile visitors. It isn't uncommon for us to host

LIFESTYLE

Preferred
HOTELS & RESORTS

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NorthernHotel.com

entertainers, politicians, dignitaries, a Supreme Court Justice and two U.S. Vice Presidents. Because of the high incidence of transients around our neighborhood, we will work with the police department here to increase patrols during their stay – nothing could be worse than for a high profile person leaving Montana to tell the world how bad crime is here. We've been lucky so far, at least to a certain extent.

Take a look at a recent trend in reviews of the Northern:

"NOT SAFE. Do not stay here if you have anything valuable in your car. My car was broken into in their parking garage..." Donna Leibelt, Google Review

"...drunks and beggars near the entrance... the hotel should have a continental breakfast minimum and security so the drunks don't accost the guests for a cigarette." Slide Out Shelves LLC, Google Review

Both of these reviews can be seen on Google. I'm pretty sure that the Northern is not the only business in Billings to have these things mentioned in social media.

What I am getting to here, Senator, is that there is a large cost to doing business in Billings. The employees that this hotel has lost paid a price, and the hotel has paid a price too. Employee turnover is a major expense, one which depending on the position can be tens of thousands of dollars per job. Additional employees for security, additional funds to help pay for extra police, additional patrols in our parking garage, additional hardware for locks, cameras, additional labor expense for security consciousness training – after a while it adds up to some pretty serious money.

The cost of imprisoning a person in Montana is around \$30,000 per year. The sentences handed out for just the crimes to myself and my employees in the past eighteen months will be over a million dollars. Anecdotally, the city and our citizens are starting to pay a price in reduced visitorship – after all reviews like those above will eventually cause a toll. The State of Montana will also pay a price in lost revenue.

Tourism is a very important industry, and not just to the Northern. The Institute for Tourism and Recreation Research reported that Yellowstone County brought to the state over \$492 million in 2019. The top two things that tourists spend their money on when here are gasoline and hotel rooms – both of those are a large source of tax revenue for Montana.

I have tried to make the argument that there is a personal and an economic cost to crime. Put yourself in the place of a business owner who has to answer this question every day: do I want to earn a living in a business where my employees have to risk their lives? After all, we're just hoteliers, restaurateurs, store-keepers and the like. Put yourself in the place of the person looking for a job. Or, put yourself in the place of the person reading the review above – and asking themselves if they really want to visit our state...

I am sure you have heard that our detention center is overcrowded, and that is true. A large number of those folks languish there while they are waiting for a Public Defender to be assigned. While this is just one of a lot of reasons for the overcrowding, ultimately it's part of a greater problem we are seeing. The COVID epidemic has helped fuel an incredible rise in our city's crime rate. Our justice system has, as a result bogged down under the huge case load. Further, because there is no room for new cases, our police are hamstrung.

I am in no way advocating an "arrest our way out of this problem" strategy. What I am saying though, is that adequate funding of our Public Defender system will start to alleviate the logjam we are seeing. If you have an opportunity to help us, I ask that you do so.

We have to do what we can to stop the crime wave in our city. There just isn't any choice in the matter. Also, there just isn't one solution for our problem. We need your help in this fight to get things started.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Nelson", with a stylized, cursive script.

Mike Nelson
Northern Hotel



RECEIVED

OCT - 6 2021

Mayor

Honorable Senator Mark Blasdel
Chair, Economic Transformation & Stabilization and Workforce Development Advisory Commission
1301 E. 6th St.
Helena, MT 59601

Dear Senator Blasdel,

The Billings Chamber of Commerce prioritized public safety over two years ago as our membership continued to face problems related to public safety in Billings. Among other things, we implemented a crime prevention program to educate and empower member businesses. But nothing could have prepared our businesses for the manner in which Covid-19 would exacerbate the situation.

One cannot ignore the role that the Covid-19 pandemic played in this current crime wave. Mandatory business closures meant that business owners and customers were no longer present to provide passive surveillance—a key component of crime prevention—to city streets. Meanwhile, hundreds of people suddenly found themselves out of a job, and research suggests that higher unemployment leads to higher incidents of crime. Near the start of the pandemic, the criminal justice system in Billings, in effect, briefly shut down, creating a backlog the courts are still working to sort out. Worst of all, limited capacity at the Yellowstone County Jail meant that even multiple offenders often escaped accountability and became more brazen. We hear our police officers sarcastically refer to their work as, “catch-and-release policing.”

Recent data shows that our businesses are feeling the effects. This Spring, the Billings Chamber surveyed its membership on the public safety impact to their business. Of the 260 Billings Chamber member survey respondents, a majority (54%) indicated their business was moderately or greatly impacted by public safety issues. Only 10% indicated they were not impacted. Looking at the stats from the Billings Police Department's 2020 Annual Report, it's no surprise that so many businesses are indicating they've been negatively affected. According to the BPD report, compared to 2019, Billings saw a 350% increase in homicides, a 33% increase in robberies, a 52% increase in aggravated assaults, and a 26% increase in burglaries.

Anecdotally, we hear from business owners across the city how offenders are impacting the bottom line. One hotelier paid time off and offered counseling for an employee who saved a man's life by plugging gunshot wounds with his fingers. Downtown businesses deal with transients who frighten potential shoppers. West End shopkeepers face vandalism, the East Billings Industrial Revitalization District deals with significant theft issues, and a bar owner in the Heights fears taking out the trash after closing time. This level of crime increases the cost of doing business while simultaneously encouraging customers to go elsewhere. Businesses have invested in access control, surveillance systems, and other security measures to improve safety. Billings residents can tell of relatives who prefer to shop online or go to another town, rather than come to Billings. Our businesses are experiencing a terrible workforce shortage which will only be exacerbated by a high crime rate. Safety and the economy are intrinsically linked, and in both arenas, Billings needs relief.

Daniel J. Brooks
Business Advocacy Director
Billings Chamber of Commerce

City Council Work Session

Date: 10/18/2021
Title: Violent Crime Reduction Partnership
Presented by: Chris Kukulski, City Administrator
Department: Finance
Presentation: Yes

RECOMMENDATION

During the October 25 City Council meeting the Council will be asked to adopt a resolution of intention to partner with Yellowstone County and the State of Montana to invest funds locally to combat increases in violent crime in our community. The work session this evening will provide City Council with an update on the potential program and the desired outcomes of this partnership.

BACKGROUND (Consistency with Adopted Plans and Policies, if applicable)

Attorney General Knudsen and former Budget Director Kurt Alme's offices recently met with representatives from the City and County to positively impact the surge in violent crime in Billings. This goal will be accomplished by freeing up space in the jail to house criminals and to fight violent crimes tied to drugs and domestic violence. The idea is to have each of the three entities commit to increasing resources to accomplish these priorities. We have discussed a partnership investing a total of \$4,000,000 to assist victims and hold criminals accountable to reduce violent crime in Billings over the next three years. Yellowstone County and the City will each commit \$1,000,000 of investment to match \$2,000,000 from the State over the next three years. This program is being implemented with one-time money, and the commitment is expected to end after three years. The State will be making their request to a legislative sub-committee in late October. We believe it is beneficial to make our local commitment prior to the October 27 hearing.

The City is coordinating with the Attorney General and Governor's offices, Yellowstone County Attorney Twito, Sheriff Linder and the County Commissioners to prioritize freeing up jail space and preventing and prosecuting violent crimes connected to drug and domestic violence with these one-time additional resources. We plan to create teams of city, county and state personnel to collaboratively address these two key areas of violent crime. The City can accomplish its commitment by adding one (1) major case agent, one (1) prosecutor and one (1) victim witness specialist for an estimated cost of approx. \$1.14M over three years. In addition to the areas identified above, the State will increase its capacity to provide public defenders so that criminal cases can be adjudicated through the criminal justice system. This last step is critical to freeing up space at the jail.

The City's resolution of intention, as well as support from the County will be presented along with the State's funding request to the legislative ARPA Commission on 10/27/2021. If approved by the commission and the Governor, the State, County, and City will begin implementing investments to reduce violent crime in our community as soon as possible.

ALTERNATIVES

No Council decision will be made at this meeting. Council will be asked at the regular City Council Meeting on 10/25/2021 to approve a resolution of intention to support this investment of funds

FISCAL EFFECTS

The anticipated costs to the City of Billings over the next 3 years is approximately \$1.14M. If voters approve the 2021 Public Safety Mill Levy, much of the additional resources identified in that levy will be used to kickstart this program and no new funding will be needed, as the goals are identical.

If the levy is not approved, City staff will ask City Council to use either ARPA funds or cash reserves to fund this program for 3 years.

Fiscal Year	2nd half 2022	2023	2024	1st half 2025	Total
Major Case Agent (Detective)	55,976	115,311	118,770	61,166	351,223
Prosecutor	67,065	138,153	142,297	73,283	420,798
Victim Witness Specialist	46,209	95,191	98,046	50,494	289,940
Total Salary & Benefit Costs	169,250	348,654	359,114	184,943	1,061,961
O&M	12,895	22,000	22,000	22,000	78,895
Total Costs	\$ 182,145	\$ 370,654	\$ 381,114	\$ 206,943	\$ 1,140,856

Attachments

DRAFT Resolution
