

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON NATURAL RESOURCES AND COMMERCE

Call to Order: By **CHAIRMAN RICK RIPLEY**, on January 7, 2005 at
8:00 A.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Rep. Rick Ripley, Chairman (R)
Sen. Gregory D. Barkus (R)
Sen. Ken (Kim) Hansen (D)
Sen. Bob Hawks (D)
Rep. Walter McNutt (R)
Rep. John L. Musgrove (D)

Members Excused: Rep. Rosalie (Rosie) Buzzas (D)

Members Absent: None.

Staff Present: Britt Nelson, Committee Secretary
Shane Sierer, Legislative Branch
Doug Schmitz, OBPP Representative

Please Note. These are summary minutes. Testimony and discussion
are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: Department of Commerce
HB 2, 1/6/2005

Executive Action:

**Hearing for the Department of Commerce; Business Resources
Division**

CHAIRMAN RIPLEY addressed the subject of proxy votes on amendments. He related that the Committee will accept proxy votes for the occasions when there are amendment votes. He then referenced a handout provided by Barbara Smith which showed historical data of the Coal Tax Shared Revenue Fund.

EXHIBIT(jnh05a01)

He also referenced a flow chart given by the Legislative Fiscal Department (LFD), which was provided for the committee members to use as a reference.

EXHIBIT(jnh05a02)

Tony Preite, handed out a schedule for the Department of Commerce's presentations. He then introduced Andy Poole, the Administrator of the Business Resources Division.

EXHIBIT(jnh05a03)

Andy Poole, the Administrator of the Business Resources Division, provided a packet handout. The mission of the Business Resource Division is to deliver information, technical assistance, and financial resources to communities and businesses in Montana, resulting in the development and prosperity of our state. **Andy Poole** went over the organization of the division as is laid out in the packet, page two. His presentation was based on the programs and how customers look for services. He focused on two basic categories; technical assistance and finance. He proceeded to work his way through the packet handed out at the beginning of his presentation. The first section covered resource delivery, which is contained within the Certified Regional Development Corporations (CRDC's) section. **Andy Poole** discussed the goals, focus and qualifications for certification. (Pages 1-4)

{Tape: 1; Side: A; Approx. Time Counter: 6.2 - 13.9}

EXHIBIT(jnh05a04)

The next segment that he referenced was the finance section of the Business Resource Division. Under the Finance-Debt section he covered the programs; Commerce Loan Fund, the Community Development Block Grants (CDBG's) and the Montana Micro-business

Finance Program, citing their objectives and results. The research and development section of finance concentrated on the Board of Research and Commercialization Technology. **Andy Poole** relayed the program goals, the requirements to be funded and the results. The Finance Workforce Training was then addressed. He introduced the Workforce Investment Act Funds and its specifics. (Pages 5-9)

{Tape: 1; Side: A; Approx. Time Counter: 13.9 - 38}

EXHIBIT(jnh05a05)

Andy Poole then discussed the final section of his presentation, technical assistance. The finance aspect of technical assistance contained the Regional Development Officers, whose duty is to facilitate, coordinate, and expedite business projects by working with others in the regions they serve. The next topic was business management which encompassed Small Business Development Centers and NxLevel Training. The research and development section of technical assistance covered Small Business Innovation Research (SBIR). **Andy Poole** then talked about the export trade including the Trade and International Relations Bureau, the Technical Assistance for Montana Exporters Program, State of Montana Overseas Trade Representative Offices, and the Made in Montana Program. The last section **Andy Poole** covered was the economic and demographic information programs. This focused on the Census and Economic Information Center (CEIC). (Pages 10- 18)

{Tape: 1; Side: A; Approx. Time Counter: 39 - 51.5}{Tape: 1; Side: B; Approx. Time Counter: 1 - 25.2}

EXHIBIT(jnh05a06)

Questions from Committee Members and Responses

REP. MUSGROVE asked how much cooperation and coordination exists between the Business Resource Division and congressional groups as far as the export and trade programs were concerned.

Andy Poole responded that it depended on the situation. They assist congressional members when they can and when they are called upon to help.

SEN. BARKUS asked whether the committee members would be considered clients in regard to the census web-page.

Andy Poole responded in the affirmative. He elaborated that the public in general would be considered clients.

SEN. BARKUS continued asking what the default rate was due to the high risk of the various programs.

Andy Poole answered that on page six of the handout there was an example, where of the 78 projects that had been funded by the CDBG, 67 of them are still in existence. The reason is that many of the projects fill a gap that exists with the bank. He also explained that due diligence and credit analysis are in place, which reduces some of the risk.

SEN. BARKUS followed up, asking if the CDBG Program was representative of the other programs.

Andy Poole explained that it was. He continued to talk about the Micro-business Finance Program, which has a default rate of about fifteen to twenty percent.

SEN. BARKUS continued his questioning and asked Mr. Poole about the revolving loan of the Board of Investments and how it works.

Andy Poole responded that he was not sure how many loans they have purchased. The Board of Investments purchases loans of locally-owned corporations. Local Development Organizations put together part of their portfolios and sell them to the Board of Investments. It works fairly well and several organizations have taken advantage of it.

SEN. HANSEN asked about the Montana Micro-business Finance Program, Page 7. **SEN. HANSEN** cited that there were 836 loans to small businesses since 1992, that there was a fifteen percent default rate, and the total amount of loans for 2004. **SEN. HANSEN** then requested a closer figure of loans per year and wondered if the fifteen percent was the total default rate.

Andy Poole said that he would be able to provide the committee members with the quarterly reports since he was not certain of the exact numbers.

SEN. HANSEN followed up by asking how often the 2.75% interest rate changed and who changed it.

Andy Poole replied that it is something that is changed based on an Economic Development Business Council which reviews the rate that is charged for interest and determines if it is appropriate for generating the money needed to run the program. He also provided the fact that the previous rate had been 3.25%.

{Tape: 1; Side: B; Approx. Time Counter: 25.2 - 39.6}

SEN. HAWKS wondered if the relationship with the regional development areas was one of those who are successful on their own and don't participate as much with state moneys or funding as others and how the funds are allocated. He mentioned the success of the Gallatin Development Corporation as an example.

Andy Poole responded that the Regional Development Corporations fund their partnerships with local development corporations. Bozeman specifically has the Rocky Mountain RC&D, the Gallatin Development Corporation and the Livingston Development Corporation which offer several programs. He also said that the CDBG loans lent in the Bozeman area revolve through the Gallatin Development Corporation. He thinks that it is well coordinated.

SEN. HAWKS continued by asking whether there were procedures in place that would restrict the money allocated on some sort of rational basis.

Andy Poole answered that there is a certain amount of funding that the state needs to provide for the programs to work. An example of allocations was the Certified Regional Board Appropriations Program which was allocated \$425,000. The Economic Development Advisory Council decided that there should be a minimum amount given to CRDC of \$25,000 -- regardless of population or territory. The remainder was distributed based on population and the number of counties and communities that were served by the area as well as a council with members appointed by the Governor.

{Tape: 1; Side: B; Approx. Time Counter: 39.6 - 50.5}

CHAIRMAN RIPLEY asked Mr. Poole if the quarterly report would show how much money each senate location has been lent, how much they used and how much they haven't of the \$4.5 million.

Andy Poole replied that it would.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 1.3}

Andy Poole introduced the next speaker, Mr. Barrett.

Mr. Barrett, Chief Business Officer from the Governors Office of Economic Opportunity, supports the appropriations for The Department of Commerce, in particular the Business Development Division. He feels that the Business Development Division is particularly important from his offices perspective. He wanted to stress that economic development happens at the local level. However, the partnership with both his office and the Department

of Commerce is needed for the locals to be successful. The Department also has a strong contact with his office. He wanted to address SEN. BARKUS concerning the bill that he sponsored and passed last session. He wanted to point out that the secondary aspect of the bill had not been implemented because they were still working out the specifics. However, the Intermediary Lending Portion has worked well and he has managed to get a loan from them and was leveraged \$750,000 of federal money into a million dollar Revolving Loan Fund. The Beartooth RC&D as well as a couple others have also utilized the bill.

Mr. Barrett carried on and mentioned some of the things that were going to be occurring with the Department of Commerce relative to Governor Schweitzer's initiatives. One was the Work Force Training Program, which REP. LINDEEN passed last session as HB 564. This program created a mechanism through which the Board Of Investments would lend money to the Governor's Office of Economic Development enabling the creation of jobs. There are five companies under contract currently. However, the Governor feels that the Governor's Office is not the place to administer and run programs. There is going to be a bill submitted by REP. LINDEEN to clean up the funding mechanism for the program and to transfer the administration of the program into the Department of Commerce, where it can operate side-by-side with The Work Force Investment Fund. He also brought up the Made In Montana Program, Mr. Barrett wanted to stress how important the program was and that the funding request was to restore and improve the program after it was reduced during the last session. He noted that the Governor's budget, including the Made In Montana Program, was officially released on this day.

Mr. Barrett followed this with discussion of two new programs being proposed that would go to the Department of Commerce. The first is the Economic Development Trust Fund, which is similar to the Treasure State Endowment. This particular bill would aggregate in the Coal Tax Trust Fund, an internal trust. It would capture 25% of the revenue flowing into the Trust and gather them for twenty years. It would be started with \$20 Million from the Trust. It will generate \$3 million for the Department of Commerce in the next biennium, 75% of which will be used for job creation. The bill has to pass; but assuming that the bill does pass, the funds will be available to the Department. The second program is the Indian Development Initiative which would be \$500,000 a year. This would be administered by the Department of Commerce working with Mr. Barrett's office and the Coordinator of Indian Affairs. They would also work with the Tribal Economic Development Advisory Council and the transitional Economic Advisory Council. Reservation issues must be addressed in order to affect Montana's

average salary income and property rates in Montana. The money provided would not spread very far but the program would be helpful. The Promotions Division will have a new program also which is a new tax incentive for the film industry to stimulate film activity in Montana. He urged the committee to give positive consideration to the programs both old and new.

{Tape: 2; Side: A; Approx. Time Counter: 1.3 - 13.8}

Questions from the Committee and Responses

CHAIRMAN RIPLEY asked if the Committee would receive the Governor's budget on this day or by the following Monday.

Mr. Barrett commented that the official budget was released on that day and he would assume that they would receive it soon.

CHAIRMAN RIPLEY wanted to know if Mr. Barrett had the bill numbers.

Mr. Barrett responded that the ones which had bills, the Film Tax Credit, the Trust Fund, and the Work Force Training, were still LC's (drafted bills) so they would have bill numbers soon.

SEN. BARKUS asked where the references to the Made In Montana Program were in the decision packages.

Mr. Barrett responded that the program would be part of the budget submitted on this day. The references in the packet are just referring to it as an ongoing program.

CHAIRMAN RIPLEY requested Mr. Barrett explain how the budget was going to be submitted.

Mr. Barrett responded that this was something CHAIRMAN RIPLEY might want to ask his staffers as he was unsure of how the budget was distributed.

Doug Schmitz answered CHAIRMAN RIPLEY'S question, saying that they have copies, which have been distributed to the staffers and he would bring the Committee copies on the following Monday.

SEN. BARKUS wanted to know where the Decision Packages for the Budget were.

Shane Sierer told the committee that he would be organizing the Decision Packages for the Budget.

{Tape: 2; Side: A; Approx. Time Counter: 13.8 - 19.2}

Proponents

Paul Tuss, Executive Director of the Bear Paw Economic Development Corporation, based out of Havre, which is a five-town tourism division. He wanted to encourage the committee's support of the package placed in front of them. He feels that the regionalization of economic development is the only way to advance Montana's economic development agenda. He thinks that his organization is a broad umbrella for everything that occurs in their five-town region with respect to the Certified Regional Development Corporation Programs, CDBG Programs, Micro-business Finance Program, and the Small Business Development Center Program. He thinks a big part of the difference they make in northern Montana is because of the partnerships that exist.

Jim Davison, Executive Director of Anaconda Local Development and Chairman of the Butte Headwaters Regional Certified Development Corporation, wanted to testify that without the local development corporations partnered with the regional corporations there would not be as many successes. Economic development happens because of the people who are provided through these programs. The resources from the Department of Commerce is essential to the continuation and success of the programs.

{Tape: 2; Side: A; Approx. Time Counter: 19.2 - 28.9}

Tony Preite wanted to say that the two proponents gave the committee an excellent example of the Multi-County Organization Districts. Mr. Tuss provided the view of Multi-County Organization Districts and Mr. Davidson provided the view point of local development corporations. He wanted to say that the \$425,000 is a good beginning but there is a need for the additional funds in order to keep the Programs operational and usable. He then introduced Jeff Tiberi as the next speaker for the Department of Commerce.

{Tape: 2; Side: A; Approx. Time Counter: 28.9 - 33.5}

Jeff Tiberi, Executive Director of the Montana Heritage Commission, passed out a blue folder with handouts inside.

EXHIBIT(jnh05a07)

Jeff Tiberi conducted a Power Point Presentation of the Montana Heritage Commission which is a fourteen-member board appointed by the Governor, President of the Senate, and Speaker of the House.

It has been in existence since 1997 and was created to oversee the Virginia and Nevada City Projects. They are administratively attached to the Department of Commerce. Their biggest project is Virginia City, a small town which is the last remaining territorial capitol in the northern Rockies. By law the Heritage Commission must acquire and manage properties with two criteria; 1) They have to be historically significant, and 2) They have to show the ability to become economically self-supporting. Their mission statement is to preserve the buildings that they have for future generations and to have economic activity that will allow for those buildings to remain. There are currently three properties that they manage; Virginia City, Nevada City, and Reeder's Alley. He described each property, the attractions, buildings, and some of the history.

Jeff Tiberi described a variety of the Heritage Commission's duties. These included artifact care, dealing with preservation issues, education and interpretation, income, infrastructure care, maintenance, marketing, railroads, visitors, and volunteer coordination -- all of which he expanded upon during the course of the presentation. He also covered the main sources of income in his Power Point Presentation, covering what they earn at the sites, concessions, rentals, and grants.

{Tape: 2; Side: A; Approx. Time Counter: 33.5 - 51}

Jeff Tiberi sees the historical sites as a factory. He makes this comparison because the historical sites create jobs, save history, are sustainable, and produce memories. They would like to see Virginia City turned into a world class destination because it has so much potential. If it were able to reach this potential, it would have no choice but to bring along the communities around it.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 7}

Questions from the Committee and Responses

REP. MUSGROVE wanted to know how the organizational shift two years ago has helped or hindered the Commission.

Jeff Tiberi answered that two years ago they made the change from the Montana Historical Society to the Department of Commerce because it was becoming a drain on the Historical Society and because the Historical Society was the smallest agency in State government and they weren't able to offer the services that were needed. It has been much easier to get things done since the

switch and they have access to a great lawyer. Overall he feels that the switch has worked out well for the Commission.

SEN. MUSGROVE followed up by asking about the coordination that had to be put into place with the Commission in Helena and someone in Virginia City and whether that situation had been rectified.

Jeff Tiberi responded that it had been fixed by the hiring of a site manager, who has had a lot of experience with business management and preservation issues. He lives on-site and is enabling them to move on with a number of projects.

SEN. BARKUS wished to know what was done with the buildings in the winter.

Jeff Tiberi answered that they used to shut down the sites and cover the windows with blinds. However, they wanted to increase the tourist season so the blinds are left up and the items exposed have to be moved around. They are trying to coat windows with a UV protective layer, although that makes it hard to see through the windows. Many windows have plywood over them and are fixed during the winter.

SEN. BARKUS asked if all roofs were in good shape.

Jeff Tiberi replied that not all of the roofs were in good order but the majority of the important ones are. The roofs that need to be fixed might be leased for the long term and some are in such bad shape that they are just going to let them go.

{Tape: 2; Side: B; Approx. Time Counter: 7 - 11.8}

Tony Preite closed saying if there were anymore questions he would be happy to answer them.

***{Tape: 2; Side: B; Approx. Time Counter: 11.8 - 12.9; Comments:
End of Hearing}***

ADJOURNMENT

Adjournment: 9:45 A.M.

REP. RICK RIPLEY, Chairman

BRITT NELSON, Secretary

RR/BN

Additional Exhibits:

EXHIBIT ([jnh05aad0.PDF](#))