



## **Economic Affairs Interim Committee**

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### **60th Montana Legislature**

#### **SENATE MEMBERS**

KEN HANSEN--Vice Chair  
ROY BROWN  
FRANK SMITH  
DONALD STEINBEISSER

#### **HOUSE MEMBERS**

SCOTT MENDENHALL--Chair  
MIKE MILBURN  
MICHELE REINHART  
BILL THOMAS

#### **COMMITTEE STAFF**

ANDREW GEIGER, Lead Staff  
BART CAMPBELL, Staff Attorney  
CLAUDIA (CJ) JOHNSON, Secretary

### **MINUTES**

Date: November 08, 2007

Miles City Veterans Affairs Facility  
Miles City Montana

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.**

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#### **COMMITTEE MEMBERS PRESENT**

REP. SCOTT MENDENHALL, Chair  
SEN. KEN HANSEN, Vice Chair  
SEN. FRANK SMITH  
SEN. DONALD STEINBEISSER  
REP. MIKE MILBURN  
REP. BILL THOMAS

#### **COMMITTEE MEMBERS EXCUSED**

SEN. ROY BROWN  
REP. MICHELE REINHART

#### **STAFF PRESENT**

ANDREW GEIGER, Lead Staff  
BART CAMPBELL, Staff Attorney  
CLAUDIA (CJ) JOHNSON, Secretary

#### **Agenda/Visitors**

Visitors' list, Attachment #1.  
Agenda, Attachment #2.

## **COMMITTEE ACTION:**

- The Economic Affairs Committee traveled and met at the Miles City Veterans Affair Facility.
- The committee and panelist discussed SJR 13, Value-Added Agriculture.
- The committee voted to accept the Work Plan dates; and
- The committee voted to adopt the minutes for June 16, August 17, and September 20, 2007.

## **CALL TO ORDER AND ROLL CALL**

**REP. SCOTT MENDENHALL** called the Economic Affairs Committee to order at 8:15 a.m. **REP. MENDENHALL** welcomed the committee members and thanked the public for their attendance here in Miles City. The secretary noted the role. (See Attachment #3) **SEN ROY BROWN** and **REP. MICHELE REINHART** were absent. (See Attachment #4)

**SEN. HANSEN** introduced the panel members and thanked them and the people of Miles City for their participation and assistance at the hearing today.

### **The panelists include:**

Bruce Smith, Glendive Extension Agent  
Neva Hassanein, U of M Professor  
Jessica Babcock, Grow Montana  
Gene Buxcel, Dawson County Economic Development Council  
Bruce Bainbridge, Dawson County Community College  
Anheuser-Busch Representative (wasn't able to attend)

**REP. MENDENHALL** talked about the importance of the committee holding meetings throughout the state to visit with the people. He asked the audience to introduce themselves.

John Halbert, Miles City Star (newspaper)  
Mike Carlson, Eastern Plains R C & D, Inc. Sidney  
Gene Buxcel, Dawson County Economic Development  
Jim Atchison, Southeastern Montana Development  
John Laney, Miles City Chamber of Commerce  
Nicole J. Jones, Mid-Rivers Communications  
Carol Hudson, Miles City Community College  
Bruce Bainbridge, Dawson Community College  
Penny Zimmerman, Representing Sen. John Tester  
Ron DeYong, Director, Montana Department of Agriculture

## **SJR 13 - Study Value-Added Agriculture in Eastern Montana**

**REP. MENDENHALL** gave background information on the SJR 13 study, and informed the committee members and the public that today's meeting will be on value-added agriculture.

REP. MENDENHALL said the value-added agriculture discussion will be speaking to the issue in Montana generally with a special focus on initiatives and issues in the southeastern region of the state. He said the topics will include Farm-to Market initiatives, Farm-to-College initiatives, best practices from other states, large-scale value-added agriculture, and public/private interactions. He introduced Neva Hassanein, Associate Professor, Environmental Studies Program, University of Montana (U of M), Missoula, will start the panel discussion.

Neva Hassanein gave a presentation on a rural Montana project called, "Grow Montana." Ms. Hassanein talked about the process of the food grown in Montana and its distribution through the Farm-to-College Program. There are over 1000 schools throughout the United States in the beginning process of this program along with many hospitals also going to rural foods (grown in their own state/county).

Ms. Hassanein said that only about 15 percent of the food currently prepared in Montana schools is purchased locally in Montana. She discussed the opportunities to link rural communities to the suburbs in Montana who spend \$33 million a year on food. She said it is a small market, but it is a stepping stone bringing producers and processors to work together. She explained the value-added agriculture that includes businesses in the food area that are currently in place and are able to provide food to the MUS cafeterias. Students support this program because they want to support Montana. She said that U of M spends approximately \$3 million a year on food. The U of M has set a goal this year to raise the percentage of food consumed at U of M from the local areas and/or Montana.

Ms. Hassanein talked about the food vendors located throughout the state, and said that most of these vendors in the Farm-to-College program are located in eastern Montana. She distributed a handout on U of M Farm-to-College Partners. (**EXHIBIT 1**) The handout shows the different regions in Montana that contribute to this program.

Ms. Hassanein addressed Montola, an oil made from Montana grain, and she discussed how it has been distributed throughout the state. (see Exhibit 1). Ms. Hassanein stated that Montola is higher in monounsaturated fat than olive oil and lower in saturated fat than either canola or olive oil. It is especially good for products that require a long shelf life. The Montolas are also well suited to the specialty birdseed market because of their white hull and long shelf life.

In a report written by Dr. Jerry Bergman, Director of both the Montana State University Eastern Agriculture Research Center in Sidney, the North Dakota State University Williston Research Extension Center in Williston, and founder of Montola, states that Montola 2004 can be used as a food-oil and a base oil in pharmaceuticals, nutraceuticals and beauty care products.

"Nutraceutical" is a cross of the words "nutritional" and "pharmaceutical" and refers to a food product used for a specific health purpose.

Ms. Hassanein talked about Wheat Montana and the Office of Public Instruction's (OPI) involvement in the Farm-to-College program. She said that Montana's universities and colleges offer the greatest short-term opportunities for local growers and food processors seeking to enter Montana's public institutional market. The public institutions are an excellent stepping-stone for Montana food suppliers seeking to enter larger wholesale and retail markets.

Ms. Hassanein distributed handouts on "Unlocking the Food Buying Potential of Montana's

Public Institutions towards a Montana-based Food Economy". (**EXHIBIT 2**) She talked about Montana pushing forward in the production of meat and dairy products, vegetables and fruits, and other commodities for distribution to the institutions and schools.

Ms. Hassanein discussed the chart on the back of Exhibit 2 that was developed by Drs. Fraser McLeay and Nicola Barron through Kiwi TB Inc., a company based in Missoula, Montana. The chart shows the opportunities for supplying institutions with food produced and developed in Montana. Ms. Hassanein said that institutional buying doesn't work in Montana, and the better way to go is the Farm-to-Market direct buying because it keeps money in the state. She said the whole concept on value-added agriculture is about keeping urban and rural areas together. She closed exclaiming her excitement on what this committee is discussing here at today's hearing.

Jessica Babcock, Graduate Research Assistant for Grow Montana Policy Project, U of M. Ms. Babcock distributed a handout on "Preliminary Analysis of Interviews with Key Stakeholders", a study on SJR 13, the redevelopment of the Montana food processing industry. (**EXHIBIT 3**) She said that SJR 13 identifies 15 categories of key stakeholders to consult for input on how to improve food processing Montana. Ms. Babcock talked about the interviewees who had identified and had a common response on the barriers to redeveloping food processing in Montana and their possible solutions. She addressed and identified a number of the barriers and the suggestions for solutions.

- I.. Perceived barriers to value-added food processing in Montana: Promote research and training in the University System and other appropriate agencies
- II. Perceived needs and opportunities related to overcoming barriers, and eight subtopics on its solutions. Establish food-processing centers throughout the state to meet regional processing needs.
- III. Programs and resources to explore here and in other states that effectively support value-added food processing

Ms. Babcock distributed a handout explaining tax credits on value-added products in the various states outside of Montana. (**EXHIBIT 4**)

Ms. Babcock distributed a handout on recommendations regarding Montana food processing and distribution which was generated at the Governor's Food and Agriculture Summit that took place on March 22-23, 2007, in Helena, Montana. (**EXHIBIT 5**) She explained each of the seven action steps that are solutions to overcoming the barriers and identified the opportunities associated with Montana's food and agriculture system.

Bruce Smith, Glendive Extension Agent, opened by stating that Montana raises the best food in the U.S., but as citizens "we don't have access to it without having to go directly to that person." He gave statistics on the percentages of the profit that is received by the farmers in Montana. He said that 70 percent of the profits go to the middleman in Montana, and the farmers receive only 15 percent.

Mr. Smith talked about his experiences when he managed the food business for Pillsbury, the largest manufacturing company in Twin Falls, Idaho that produced french fries.

Mr. Smith:

- A processing plant in Glendive that produces Montana food for Montanans.

- Looking at building food centers throughout Montana because of the disconnect between urban and rural.
- Get the citizens of Montana involved.
- Getting involved with North Dakota, moving food back and forth between the two states. More pressure and wholesome foods increased. He said "if we could go back to producing like we did back in the 70s, it would bring in approximately another \$1 billion into Montana."
- Look at food innovation centers, and bring more into the system and show Helena that "we can produce more food manufactured in Montana."

Mr. Smith said they are looking at a Farm-to-Table project. He talked about installing a cooperative manager, a go-between the farmer and manufactured foods. These co-op managers will be able to answer questions. He said there will be about 4 to 5 of these managers who would be centrally located.. He said "it makes sense, it is logical, and if we start creating a team work effort between rural and urban, we can provide economic development, such as jobs."

Mr. Smith discussed the mobile animal processing idea stating that one of the problems with mobile units is that there is an incentive for the Department of Agriculture to deny certifying a mobile unit because they are charged with making sure that no one gets sick from a Montana product and if the mobile unit is not out there no one will get sick..

Gene Buxcel Dawson County Economic Development Council, talked about the needs in Montana and bringing in capital to start businesses. He said it is the perception that Montana is not business friendly, because Montana has issues with permitting.

Mr. Buxcel addressed programs offered by the Montana Department of Commerce, but added there are not enough programs. He said there is one important issue, and that is the \$20,000 business exemption tax, and he stated that Montana needs to do away with it. He talked about some of the programs that North Dakota offers tax credits on.

Mr. Buxcel discussed medium size businesses, and the need for incentives to keep these people in Montana instead of on the stock market. Mr. Buxcel talked about:

- 1) EB 5, a Federal Immigration Program. If they (the immigrates) have money they can have a business in Montana; and
- 2) Eastern Montana Oil companies are short on people to operate processing plants, and
- 3) A shortage on housing.

Mr. Buxcel closed stating there needs to be incentives for Montanans to invest in Montana.

Bruce Bainbridge, Dawson County Community College, Agriculture Economist told the committee he was raised in a small farm town out of Denver, Colorado. He talked about a friend of his that lives in Boulder Colorado that developed a spice called Celestial Seasonings, and now this friend is now a multi-millionaire. He discussed:

- 1) the extra value-added agriculture in regards to the parts of a cow, such as; stripping tendons which are sold to China and are deep fat fried for "Cackels"; and
- 2) the shortage of good workers that don't do drugs, alcohol, etc., and a shortage of housing. He talked about jobs that keep employees interested.

Mr. Bainbridge said that Montana needs to develop or find products to sell out of the country, such as China who has 4.5 billion people. He gave an example stating that if every person in China had one Big Mac a week, it would use all of our beef, if every Chinese had one Big Mac every day it would devastate our beef industry.

### **QUESTIONS FROM THE COMMITTEE:**

SEN. HANSEN asked Jessica Babcock about the trend that she and Neva Hassanein talked about being removed from fast foods, and why haven't there been any studies on health issues like obesity. Ms. Hassanein responded about the K-12 programs throughout the country, and the price of school meals being only \$2 per meal. This program has to provide food and labor for the school lunch programs.

SEN. HANSEN on follow-up, has there been anything done with Red Cross and its correlation with these food programs. She responded stating they are working closely with food nutritionists in developing food programs for schools. She talked about a forum that took place in Bozeman where over 60 people attended, and most of these were mothers who are concerned about their children's health.

SEN. HANSEN asked about establishing cooperative programs that allow participants to increase their capacity by sharing ideas. Jessica Babcock referred to her handout Exhibit 3, on page 4, where they share bar-coding (UPC) ability, liability insurance, labeling, and ability to fund large orders. She reiterated comments from Chris Ageson, Governor's Office of Economic Development who stated "that one of the key goals down the stretch will be implementation of the cooperative model. Montana tends to have a go-it-alone attitude, which amplifies problems. If Montana could pool its knowledge and resources, Montana would be much better off."

SEN. SMITH asked about the Farm-to-School program. Ms. Hassanein responded and referred to her handout, Exhibit 2, on the findings of Dr. Fraser, stating it is hard to get people to change their habits. She talked about Missoula who currently has the Farm-to-School program where kids take trips to farms, and gave an e.g., of kids eating carrots at the farm and went back to school and ate carrots for lunch.

REP. MENDENHALL asked Ms. Babcock if she will be doing more interviews with other states. She responded not at this time, and stated that the other states would probably give the same reply. REP. MENDENHALL asked how many meat producers did she interview out of the 18 key stakeholders. She responded about three or four were meat producers.

REP. MENDENHALL talked about item B #2 on page 2, Exhibit 3, and meat packing plants that haven't made a go of it. He asked "how do you be efficient enough to compete with other states on major markets." Ms. Babcock said this is where some of those barriers she mentioned in previous testimony come into place. Mr. Bainbridge was asked to respond and he stated that they are looking at a model on meat packing plants in New Zealand. He said that New Zealand's model style is more efficient and safer on the food side. One of Montana's problem is not having a system in place and he gave an example of New Zealand's processing unit that is mobile. REP. MENDENHALL said the 2005 Legislature passed a bill for a mobile processing unit, but nothing has happened in the development of these plants, and he commented that there is a

disconnect between the people that could do this. Mr. Bainbridge talked about a mobile processing plant on the San Juan Islands in Washington State.

Ms. Hassanein responded to REP. MENDENHALL'S question about legislation that was passed in the 2005 Legislature. She said that legislation was added to inspect the product, not the production side of it.

Bruce Bainbridge commented that the consumers are spoiled, and need tax incentives to encourage small entrepreneurs to open businesses in Montana, and not "box" stores, such as; Walmart, Albertson, Safeway, etc.

REP. MENDENHALL asked Bruce Smith about the Farm-to-Table cooperatives. From a policy standpoint, he has heard there is a difference in creating coops between North Dakota and Montana. Mr. Smith said it has become easier due to a former Legislator, Linda Nelson, who passed a bill about 12 years ago. Mr. Smith said he was told not to create a business in North Dakota, because he wouldn't be able to get the product back into Montana. He discussed the LLC model, stating that businesses from out-of-state are closing due to transportation issues, such as; clothing stores, Wendys, etc.

REP. MENDENHALL asked Mr. Smith how to get these co-op people in place. Mr. Smith said they are looking at U of M and Mission Mountain Market sharing a community kitchen. He discussed developing 4 to 5 cooperatives in Montana. He said they are sending their ideas to Washington and Oregon. These co-ops will be placed in areas throughout the state, such as:

- Glendive
- Missoula, U of M
- Havre, Northern Montana College, U of M
- Helena College of Technology, U of M
- Billings College of Technology, U of M

Mr. Smith stated there is less incentives for Montanans to do this. Meat purchased in a chain store in Montana is not from Montana.

REP. THOMAS and Bruce Smith talked about developing a dry product that water is added to, but then three separate state Departments have to give their approval.

REP. THOMAS asked if Montana needs a "one stop shop" where people can call one place to get this information. REP. THOMAS asked Mr. Geiger if he could get three to four Departments together for a one stop shop. Mr. Geiger responded stating that staff could talk to the agencies and Bruce Smith to gather information for legislation. He will keep this on the agenda for future meetings.

Ron DeYoung, Director, Department of Agriculture. opened his discussion by talking about products (food) being developed in Ronan and Glendive, so the whole state will be covered from corner to corner. Mr. DeYoung laid out what he said were the Administration's priorities in the area of agriculture, emphasizing that no matter what the changes to Montana's economy are, that agriculture will always be the number one sector. He cited food processing and distribution, as

well as infrastructure and emerging markets as a way to keep locally produced food in local markets. To aid this food system outreach is needed, meaning specifically education and research benefiting producers in the state. He said that food security is also an important issue, to not only protect Montana consumers, but as an important part of maintaining Montana as a brand name for high quality and safe agricultural products. As a last priority he cited farm viability and land use policies.

Mr. DeYoung said food processing incubators are an important way to add value to Montana's agriculture, citing efforts in Missoula and Ronan, with new ones being developed in the eastern part of the state. He said recent efforts have seen large institutions (schools, universities, hospitals), buying local foods. This type of approach makes the dollar go further in the state and gives the producer a better return than going to an out-of-state buying source.

Mr. DeYoung addressed several local development organizations who are important because they find buyers and suppliers in the state, specifically the Certified Regional Development Centers, five of which are bio-product innovations centers, and the Small Business Development Centers, a program through the federal Small Business Administration, which partners with the Montana Department of Commerce. He said this tie-in with the economic development units and the Montana Department of Commerce is important because many local producers need the same exact skills as small business owners, mainly understanding the finances of a balance sheet, cash flow statement, income statement, researching potential markets, marketing, and understanding permitting and regulation.

On the research and education level, Mr. DeYoung said local producers can connect to universities through learning by doing programs. He talked about future efforts should be made in food processing courses to develop food technologists to serve in certifying food processing operations at the state level.

Evan Barrett, Governor's Office on Economic Development, talked about the Certified City programs that have now become development regional centers and are receiving revolving loans. Mr. Barrett talked about the Legislative Advisory Council, and the loans for value-added agriculture. He said under the Board of Investments, the Legislature has included value-added loans to be received starting with 2 percent monies, then the market rate goes to a 15 year loan after 5 years.

Dan Archer Heavy Equipment instructor at the Miles City Community College, talked about the students he has enrolled in the heavy equipment class that he teaches. The committee members asked questions of Mr. Archer. REP. MENDENHALL asked if students receive heavy equipment certificates. Mr. Archer said yes. Various companies will take the students in for field training and train them on their equipment, and they usually hire that student. He said the course is two semesters which includes their field training.

SEN. SMITH asked when do the students take the drug test. Mr. Archer responded that they will take the test just before they are hired.

REP. THOMAS asked if this training course can be expanded into diesel. Mr. Archer said that diesel cost a lot more, and they need good instructors. He commented that diesel equipment is



going to computer chips. The committee discussed the need for equipment operators here in Montana and the demand for operators with CDLs (commercial driver's license) are in high demand.

John Lane, Chamber of Commerce, Miles City, and former instructor at Pine Hills, discussed the different products that have been stocked at Pine Hills during the different reigns of US Presidents.

REP. MENDENHALL asked Rep. Thomas and Rep. Milburn to give an update on their role as liaisons to the State Fund Board.

REP. THOMAS said that it is important to remember that they are not voting members and to keep the legislative and executive functions separate. REP. THOMAS then reported on worker's compensation work training session that he and REP. MILBURN attended. He said the old fund would be solvent through 2013, but, he said it looks like it won't make it that long. He said that REP. MILBURN and himself will report back to the committee when they have more information. He said that the new fund has approximately \$195 million, and they are trying to hold the rates down. They talked about an investment, and how the cost of expenses should be met by the premium, or showing a profit. REP. THOMAS talked about the Finance Committee, and said that Sen. Wanzenried is working to advocate more legislative oversight. There is no state monies involved except for the old fund, which is approximately \$182 million. The committee talked about the Board of Investment Directors managing the operation.

REP. MENDENHALL talked about the reserve, and how they are required to pay the claims. He asked about the old fund and the deficit. REP. MILBURN responded that medical costs continue to go up, and longevity isn't known.

REP. THOMAS said there is a court case that could be used against the state and could use up those funds. There is a proposal for an actuarial to come in to determine how much funds need to be in the account. He said that Montana is second highest in nation in Worker's Compensation cases because of the logging industry. He said the premiums didn't cover the cost of investments, and the reserve is holding down the rates and the cost of insurance. If this is reduced, there will be an increase in premiums, and the reason why it has been suggested that the money come from the old fund.

SEN. STEINBEISSER asked about the lawsuit and where did it originate. REP. THOMAS said it is a combination of various claims from people filing suits against the state. It is estimated that the lawsuit is over \$150 million. REP. MILBURN said he figures there will be a lump payment of \$300 million if the lawsuit goes through. REP. MILBURN talked about worker's compensation claims in Montana are above the national average, and stated that even a couple of life-long injuries can drive costs way up.

REP. THOMAS said he will discuss the three buildings proposed for State Fund at the next meeting. He talked about the Board of Investments financing the building and then will pay rent to themselves if they can build down by Great Northern.

Mike Carlson, Coordinator for the RC&D, gave a powerpoint presentation on the development

of wind energy. **(EXHIBIT 6)** He informed the committee there is a lot of support for RC&D here in eastern Montana.

Working lunch (provided for committee members). Mike Carlson continued his discussion on green power and answered questions from the committee members.

Evan Barrett commented there is approximately 116,000 mega watts (MW) in Montana compared to only 6,000 MW in California. Mr. Barrett talked about Northwestern wind tunnels and natural gas. He discussed a wind farm called Northern Lights in Kalispell, and talked about natural gas and being able to turn it off and on. Many companies are looking at wind on wind in the peaks and valleys, and using very little natural gas.

### **Economic Development at the Local Level Fitting the Pieces Together:**

A panel discussion involving local economic development organizations, local elected officials, and business leaders on how their organizations fit into the economic development puzzle. Areas for consideration will include the role of community and infrastructure development in economic development, the balance of economic growth with economic sustainability, the public/private relationship, state initiatives, and competitiveness with other states.

### **Panelists Presentation:**

Joe Whalen, Miles City Mayor, distributed a handout that addressed funding the flood abatement in Miles City. **(EXHIBIT 7)** He identified problems at the federal and the state level with a comprehensive solution to solve the mitigation issues. He discussed: 1) Goals and Objectives, 2) Situational analysis, 3) How did we get here?, 4) Task Force recommendations/values, and 5) A list of six Task Force Recommendations for Study.

Mr. Whalen talked about unfunded state mandates, especially regulation on waste water treatment programs that Miles City has to comply with due to legislative mandates. Mr. Whalen also addressed the human rights issues they have in Miles City.

Jack Nesbit, Chairman, Custer County Commissioner. Mr. Nesbit addressed the committee by asking the members if they are interested in \$3 a gallon for gas or \$1.50 for ethanol. He had various samples on the table and explained the use of each one. He had: 1) corn, 2) wheat, 3) coal, 4) ethanol, and 5) distiller feed for cattle. He talked about MTBE, an ethanol additive put in gas. He has proposed to build a \$50 million ethanol plant in Miles City and it's impact. He talked about how it will affect all the cities in Montana, and the dollars it will generate. He said this ethanol plant will be a regional plant for everyone.

Mike Carlson, Eastern Plains RC&D, distributed a magazine on MON DAK, Ag Frontier 2003, Northwest North Dakota and Northeast Montana Irrigation Atlas. **(EXHIBIT 8)** He talked about bringing new dairies to eastern Montana. He gave statistics on the North Dakota dairy operations, and how they were offered a buy down that contributed to the Dairy Coalition to bring in dairies. He closed by informing the committee that Anheuser Bush is attracted to Sidney, Montana, for its products.

Jim Atchison, Executive Director, Southeastern Montana Development Corporation, distributed a handout. **(EXHIBIT 9)** He talked about the Southeastern Montana Development Corporation (SEMDC), and the relationship with the Montana Cooperative Development Center (MCDC) providing Technical Assistance to cooperative businesses in eastern Montana and gave an example of selling stocks at Colstrip (business). Mr. Atchison talked about removing two sunset clauses that are critical to economic development in eastern Montana.

John Laney, Chamber of Commerce, Miles City, said that things are good in Miles City. He informed the committee that the young people are coming back. He said that three new businesses have opened in the past year, two dentists who are former high school grads, and an attorney also a former high school grad. He talked about these businesses impacting the city in a right way. There is a lot opportunity here in eastern Montana. He discussed a data center to be located in Miles City if the Legislature appropriates it.

Jack Nesbit, Chairmen, Custer County Commissioner, said there is a lot of interest in the Miles City area to broaden the economic base for stable jobs. He commented that Miles City has been involved with Jim Atchison, for Southeast MT Development Corp.

Mr. Nesbit discussed the deterioration of the roads, and the 51 bridges that are in need of repair. He said there are only eight people in the transportation area and two of those are in the administrative field. He said that Miles City tried to put a tax on fuel, and at that time the price of a gallon of gas went up over \$3, and no one wanted to vote for the tax.

Mr. Nesbit addressed the committee and asked them how can they help us. He talked about unfunded mandates, and stated that the best thing that came out of the last legislation is the coal trust allocations. He said they were able to purchase equipment so they can keep the roads repaired. Mr. Nesbit said that eastern Montana needs the legislature's support for coal, which also keeps the trains running in eastern Montana

#### **QUESTIONS FROM THE COMMITTEE:**

SEN. HANSEN asked Joe Whalen, Mayor, about where the money came from for the upgrade to the waste water treatment program. Mr. Whalen replied they had received a grant. He talked about the League of Montana City and Towns also helping.

SEN. SMITH talked about a report from the EPA. He and Butch Krutzfeldt, Montana Feed and Fuel, discussed the samples he had presented to the committee earlier. He also informed the committee that it takes 2.9 bushels of grain for one gallon of ethanol. He talked about BTUs for gasoline, and said that per 1 BTU, 1/10th of that is received back.

SEN. STEINBEISSER commented that he uses distiller grain in his feed lot, and his cattle came out of the feed lot two weeks early compared to everyone else.

#### **Public Comment:**

Jerry Anderson, Mid-Rivers Communications in Circle, said that Mid-Rivers is the largest provider and owner for TV, internet, and telephone in eastern Montana. He talked about the

costs to put up cell phone towers, and how Mid-Rivers serves 21 counties.

Evan Barrett, Governors' Office on Economic Development discussed:

- ethanol plants
- capital for value-added products
- affordable housing unit, and
- Jim Atchison, on Housing.

Mr. Barrett talked about the programs that will be sunseting shortly. He discussed the impact aid from the Coal Board. He said the Governor vetoed three bills that used coal board money. He talked about counties making decisions that will make sense on how much money is needed for economic growth, and how to handle the problem of waste water.

Bruce Ingraham, Ingraham Environmental Inc., Asbestos Contractor, Miles City, distributed a handout on the impact of asbestos. (**EXHIBIT 10**) He talked about Montana being 99 percent non-compliant on regulations on the demolition and renovation of buildings, and gave an example of non-compliance in Missoula.

Andy Poole, Deputy Director, Department of Commerce, distributed information showing the various programs and assistance that is offered by the Department. (**EXHIBIT 11**) He discussed the centers that provide assistance, such as; 1) Microbusiness Development Centers, 2) Entrepreneur Development Centers, 3) Small Business Development Centers, 4) Board of Research and Commercialization Technology, 5) Census and Economic Information Center, 6) International and Trade Relations, 7) Small Business Innovation Research (SBIR), and Technology Transfer Research (STTR) Funding. Mr. Poole talked about the different programs that are available for the communities. He listed several examples like the Community Development Block Grant, and the Treasure State Endowment Program (TSEP). He talked about the Housing Division Programs that are offered, such as; 1) HOME, 2) Section 8 Housing, and 3) Board of Housing. Mr. Poole distributed a map that shows the certified regional development corporation regions, e.g., Bear Paw Development Corporation, Beartooth Resource Conservation and Development, Rocky Mountain Resource Conservation & Development and explained the programs provided in each of those districts.

REP. MENDENHALL thanked the panel members for their input, information, and for attending the meeting today.

Bart Campbell, Legislative Staff Attorney, distributed a handout on the rules review for the EAIC, and explained each one. (**EXHIBIT 12**) He reiterated how this committee oversees the various Departments assigned to this interim committee, and he discussed the adoption of rules.

Andrew Geiger directed the committee members to page 2 of the Work Plan (see Attachment 5) regarding the meeting dates. He and the members discussed a date and location for the next meeting.

**MOTION:**

**Vote:** REP. THOMAS made the motion to accept the Work Plan dates. The question was

called. Motion carried **unanimously** by voice vote. **SEN. BROWN** voted aye by proxy. (See Attachment 4) **REP. REINHART** was absent.

**Vote:** **REP. THOMAS** made the motion to adopt the minutes for June 16, August 17, and September 20, 2007. **Motion** carried **unanimously** by voice vote. **SEN. BROWN** voted by aye by proxy. (See Attachment 4) **REP. REINHART** was absent.

**REP. MENDENHALL** adjourned the Economic Affairs Committee at 4:15 p.m.

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