

MINUTES OF THE MEETING
SUBCOMMITTEE AGENCY 1

February 25, 1977
8:00 A.M.
Room 225
State Capitol Bldg.

ECONOMIC DEVELOPMENT

The meeting was called to order by Chairman Bradley, with the following members present: Representative Bradley, Representative Marks, Senator Stephens and Senator Thomas.

Representative Bradley said she wanted to complete the decisions on the Economic Development Budget.

Mr. Flynn told the committee he knew they were tired of all the changes in Economic Development but he had some more information for them. It seems there are some more federal economical development funds available to the State of Montana. It is to be used on public works projects in local communities. These funds have been available for three years. The state has to match, 1-3, and the money has to come out of the general fund. It is about \$800,000, with about \$300,000 of that committed to Dr. Plunkett in Butte. He said last fall it was decided not to let the program have general funds.

This past weekend the governor was in Denver regarding the situation facing the western states. The requirements for spending the funds have been alleviated and the money is more flexible now. We can now use the federal funds from Denver for things other than just public works projects. We have four to five hundred thousand available now and I understand there will be another \$200,000 added next year.

He passed out a sheet on the economic development functions and went over it with the committee. He said if they are going to spend the federal funds we must get authority from the legislature and not by asking for a budget amendment later on.

Senator Thomas asked what would we use this money for, contracted services, or what?

Mr. Flynn said they did not anticipate hiring more people. Hopefully we would have \$100,000 general fund money in the contracted service account. We understand these federal funds can be used for anything in the area of economic development.

Representative Marks said it seems like the emphasis here is to try to get federal funds. We haven't justified yet what these 5 FTE positions are going to be in the personal services area. What type of people are we going to have?

Mr. Flynn said he was under the impression from the last meeting, that the questionable area was the \$100,000 for contract services.

Representative Marks said Representative Bradley and he went to the Governor's office and asked about these 5 positions. We got no response and still don't know what they are going to be doing, the type of people, etc. We should address this before we talk about grants and federal funds.

Mr. Flynn said the sheets he just handed out should have some of the information. One of the people will be a market specialist. He could be involved with #1 on attached sheet, helping existing industries in Montana to grow and prosper by assisting them with markets, financing, transportation, taxes, etc.

Representative Bradley asked what would transportation be about?

Mr. Flynn replied first of all, we would not be dealing with the rails, airlines, etc. in Montana. We would be finding out what transportation might be available that people don't know about, such as the Port of Butte.

Senator Stephens then went over the hand out sheet and said he did not see any great value to new businesses (referring to number 5) in preparing, publishing, and distributing materials and reviewing plans to determine if it is compatible with state government. We don't need Department of Community Affairs to come in to review it. We are right back into the middle of DCA and I don't think DCA is the department that is going to do anything great. I would rather see you take half of the money and give some to the council of economic advisors or someone on that order.

Mr. Flynn said that item #5 is to know what is going on type of thing, in Montana. It is an information gathering thing to answer that type of thing.

Senator Stephens then went over item #1 - help existing industries in Montana to grow and prosper by assisting them with markets, financing, transportation, etc. and the tax thing. He felt a businessman would know where to go for this type of information and for taxes would certainly use his own accountant. I don't see where DCA could help at all. Also, on finance and transportation, I feel the business man should know this information without coming to Department of Community Affairs. I think it would be a waste of their time.

Mr. Flynn mentioned there were a lot of business men in Montana without the background or capability of Senator Stephens and would not know where to go to get this information or help. To assume that all business men in the State of Montana are as capable as you are is wrong.

Representative Marks said on this match you spoke of earlier indicating about 4 to 5 thousand dollars, a 3-1 match, it would require some money to start this thing. I wonder after talking to the governor the other day, if we put in \$100,000 of state money, there would be enough resources there to completely fund what you propose.

Mr. Flynn said the thing I don't know about is how much of this money could be used for staff, telephone, etc.

Representative Marks said of that amount you have approximately \$100,000 on staff and benefits, that would leave you about \$35,000 left. On a 3-1 match, there would be another \$150,000 more. That comes up to your total budget. As long as you have in your staff the people you indicate as technical people, would you be able to pay these technical people out of this?

Mr. Flynn said I don't think we can pay the staff out of that money. It is not for use for in-house operations.

Representative Marks said, if not, can you take the \$28,000 and hire a director and contract the 4 positions to someone with the capabilities?

Mr. Flynn said I suppose that would be possible. We want to stick with the original federal fund appropriation so we can come up with more spending authority if we need it. We even contacted Denver to see about using that money for a loan basis.

Representative Bradley asked about #7 - how many abandoned facilities do we have?

Mr. Flynn said Glasgow Airbase is one; a pea canning factory in Redlodge is another. They went out of business last spring, and the local people are concerned about the loss of jobs and also the place to sell the peas raised in that area. With the building standing empty they need the technical assistance, money, etc. to find another use for the factory.

Representative Marks asked about the facilities such as Twin Bridges. Mr. Flynn responded yes, they are included. We have tried to pursue this.

Senator Stephens then asked how he would feel about the following proposal - - Would you have any objection if the Council of Economic Advisory selected this top man, subject to the approval of the governor, and if so, could you use the federal funds to contract with this group? Would they be able to take that money and spend it? We have a Council of Economic Advisors, all private citizens. I would want to see them have the authority to hire the top director. Could they be the party that the contract is made with? Give them the authority and the money to go out and economically develop the state.

Mr. Flynn said you would give the \$100,000 general fund money to the governor's office who would give it to the Council of Economic Advisors and they would contract whoever they want out of that money? I don't know if this could be done or if the governor would be agreeable to this or not; I believe he would not be in favor of that.

Senator Stephens said in giving them the authority, they would be more than just advisors.

Mr. Flynn said he understood what you are talking about. I can discuss it but that will mean more of a time lag and I know you are in a hurry to get this over with.

Senator Thomas said I think the committee is very concerned with the delivery system. We are interested in having someone accountable. In what you are talking about, there is no way we can guarantee results. The delivery system is what gets results.

Mr. Flynn said in having it in the governor's office there will be no more excuses for not getting the job done. I would not want to say that if we follow this pattern, we would not end up with 50 jobs. I don't want to get into that type of commitment. Maybe we haven't done as good a job explaining it as we should have.

Representative Marks said he had one observation. To him, these five staff people, at least three of them should be in the business world and for a long time. There are many individuals not employed in this state who really know how to operate a successful business. I think you could find competent resource people in the working business man, not in the bureaucracy. I am intrigued with Senator Stephens' proposal. I have to say I am not impressed with what I have heard today.

Representative Bradley said we are in no position to make a decision as yet. She asked Mr. Flynn for the information requested early in the week and asked to have it by Wednesday, at least.

The meeting was adjourned until 8:00 a.m. Thursday morning, March 3.

Dorothy Bradley
Dorothy Bradley, Chairman

Nina Kosmas, Sec.