

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

Call to Order: By CHAIRMAN STEVE BENEDICT, on January 14, 1993,
at 9:00 A.M.

ROLL CALL

Members Present:

Rep. Steve Benedict, Chair (R)
Rep. Sonny Hanson, Vice Chair (R)
Rep. Bob Bachini (D)
Rep. Joe Barnett (R)
Rep. Ray Brandewie (R)
Rep. Vicki Cocchiarella (D)
Rep. Fritz Daily (D)
Rep. Tim Dowell (D)
Rep. Alvin Ellis (R)
Rep. Stella Jean Hansen (D)
Rep. Jack Herron (R)
Rep. Dick Knox (R)
Rep. Don Larson (D)
Rep. Norm Mills (R)
Rep. Bob Pavlovich (D)
Rep. Bruce Simon (R)
Rep. Carley Tuss (R)
Rep. Doug Wagner (R)

Members Excused: NONE

Members Absent: NONE

Staff Present: Paul Verdon, Legislative Council
Claudia Johnson, Committee Secretary

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

Committee Business Summary:

Hearing: HB 120
Executive Action: HB 120

HEARING ON HB 120

Opening Statement by Sponsor:

REP. GARY MASON, House District 63, Ravalli, said HB 120 is an
act to clarify the permissible purposes of rural electric and

telephone cooperatives. This bill will allow these rural cooperatives to continue economic activity and adds two lines on page 2, line 1 and 2, "(3) for purposes allowable under federal authorization, including rural economic development activities".

Proponents' Testimony:

Jay Downen, General Manager of Rural Electric and Telephone Associations, Great Falls, said these cooperatives serve about 85% of the geographic land mass of Montana and 300,000 rural Montanans. In 1935/36 the federal government came up with some boiler plate language that from that day on governed the conduct and authority of electric and telephone cooperatives, and most of that language still exists in the statutes today. Since the cooperatives were created 55 years ago they have provided a variety of community development activities for people in rural areas. The cooperatives received word from a law firm about 1½ years ago stating that the statutes do not authorize them to engage in rural economic activity providing jobs, loans, grants to small businesses on main street. HB 120 will help clean up this act so the jobs and development can continue. He said that some sewer projects and infrastructures have been placed on hold until this issue can be cleared. **SEE EXHIBIT 1**

Ron Ostberg, Director of Sun River Cooperative of Fairfield, MT, and President of the Montana Electric Cooperative of Great Falls, said the federal rural economic development program that was established by Congress in 1987 has the potential to pursue and assist with economic development projects in rural Montana. The cooperatives were used as a vehicle for the program because of the business structure. The cooperatives are owned and operated by their members, people that are serviced by these cooperatives. He said Montana needs this economic development in order to diversify some of the local economies. He said there are dozens of other projects that would create jobs that add value to the local products and make the communities more attractive and livable. But as the Montana law is currently written, it appears to be an obstacle to further rural economic development efforts. Legal opinion has called into question whether the word "economic development" is permissible under current statute. HB 120 would eliminate the cloud of uncertainty hanging over the participation of Montana cooperatives in rural economic development. He said at the present time there is \$12.5 million in federal loan funds available and another possibility of \$10 million in grant funds that could be available by mid March.

Opponents' Testimony:

None

Questions From Committee Members and Responses:

Rep. Sonny Hanson asked about the language on page 2, line 1 "for the purpose allowable under federal authorization" if this phrase

includes any state laws that Montana has that may have restricted the cooperatives in past agreements between them and private companies, and by the inclusion are the cooperatives circumventing the existing laws on the state of Montana? **Jay Downen** said HB 120 refers only to allowing the cooperatives to participate in loans, grants and business activities. The territorial integrity laws in Montana provide for protection of service areas of both investor-owned utilities and rural cooperatives.

Rep. Larson asked **Jay Downen** what kind of economic activities do investor-owned utilities participate in and are they governed by state regulations. **Mr. Downen** said the investor-owned utilities recognize a strong duty as monopoly enterprises. Montana Power and U.S. West are examples of excellent programs of utilities for economic development in Montana.

Rep. Simon asked **Jay Downen** how they defined rural economic activity. **Mr. Downen** referred to exhibit 1. He said no matter what community that comes to them and asks for a loan or grant they will try to comply. **Rep. Simon** asked if there was a deficit in the economic development activities in this section of law that could guide the legislators. **Paul Verdon, Legislative Council** said he could not find anything in the MCA code, and asked **Mr. Downen** if he could reply. **Mr. Downen** said the statute that **Mr. Verdon** referred to is the enhancement of the rural areas through the provision of electric and telephone service. **Mr. Downen** said this enhancement is to be locally construed as paraphrased in the statute, i.e., when a farmer/rancher approaches the cooperative and asks for some assistance the board will usually consider this request in a yes or no manner.

Rep. Mills said under definition, federal law has changed from time to time by definition and not by law, and asked if that language could be taken out. **Jay Downen** said what had been proposed as language initially was changed by the legislative council who felt the language for purposes allowable under federal authorization gave a more complete description of the activities since the 1987 federal law under which they were providing dwellings specific about credit of monies being applied to the rural areas. He said there is a strict criteria by the REA before any of the loans or grants can be made. These loans and grants can only be used for specific purposes, i.e., they cannot be used for construction of plants that would create a duplicate facility and must be used to build a business development in rural Montana.

Closing by Sponsor:

Rep. Mason closed stating that the rural electric and telephone cooperatives have improved the standard of living of the communities in the rural areas by a considerable amount. He asked the committee to pass this legislation so they can continue to assist the members in the communities.

EXECUTIVE ACTION ON HB 120

Motion: REP. DAILY MOVED HB 120 DO PASS.

Discussion: None

Motion/Vote: Question was called. Voice vote was taken. Motion CARRIED unanimously.

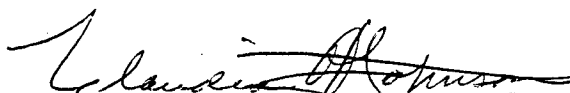
Vote: HB 120 DO PASS. Motion CARRIED 18 - 0

ADJOURNMENT

Adjournment: 9:40 a.m.



STEVE BENEDICT, Chair



CLAUDIA A JOHNSON, Secretary

SB/cj

HOUSE OF REPRESENTATIVES
53RD LEGISLATURE - 1993
BUSINESS AND ECONOMIC DEVELOPMENT COMMITTEE

ROLL CALL

DATE 1-14-93

| NAME | PRESENT | ABSENT | EXCUSED |
|----------------------------------|---------|--------|---------|
| REP. ALVIN ELLIS | ✓ | | |
| REP. DICK KNOX | ✓ | | |
| REP. NORM MILLS | ✓ | | |
| REP. JOE BARNETT | ✓ | | |
| REP. RAY BRANDEWIE | ✓ | | |
| REP. JACK HERRON | ✓ | | |
| REP. TIM DOWELL | ✓ | | |
| REP. CARLEY TUSS | ✓ | | |
| REP. STELLA JEAN HANSEN | ✓ | | |
| REP. BOB PAVLOVICH | ✓ | | |
| REP. VICKI COCCHIARELLA | ✓ | | |
| REP. FRITZ DAILY | ✓ | | |
| REP. BOB BACHINI | ✓ | | |
| REP. DON LARSON | ✓ | | |
| REP. BRUCE SIMON | ✓ | | |
| REP. DOUG WAGNER | ✓ | | |
| REP. SONNY HANSON, VICE CHAIRMAN | ✓ | | |
| REP. STEVE BENEDICT, CHAIRMAN | ✓ | | |
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HR:1993

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HOUSE STANDING COMMITTEE REPORT

January 14, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Business and Economic Development report that House Bill 120 (first reading copy -- white) do pass .

Signed: _____


Steve Benedict, Chair

RURAL ECONOMIC DEVELOPMENT LEGISLATION

Bill Summary:

HB 120 would clarify Montana rural electric and telephone cooperative law by amending it to include economic development activity as a permissible purpose of incorporation.

Bill Rationale:

- Recent legal opinion has called into question whether economic development work by cooperatives is permissible under Montana law because it is not specifically authorized.
- Without specific authorization, cooperatives are hesitant to pursue dozens of economic development projects across Montana.
- Clarification would put Montana law in line with a major federal rural economic development program created for utilization by electric and telephone cooperatives.
- Assures continued activity by electric and telephone cooperatives in creating jobs, adding value to local products and making our communities more attractive and liveable.
- Puts Montana cooperatives on par with the rest of the country.

MECA and MTA Member Systems Initiate Economic Development

By Mack McConnell

Rural Montana, like much of rural America, is experiencing a steady decline in population. Along with that out migration comes economic deterioration which has hurt some rural communities and decimated others. But some Montana communities have been able to stem that tide of economic troubles and have even turned it around.

Instrumental in those efforts to improve the economy and way of life in rural Montana communities are its electric and telephone cooperatives and independent systems. The following are examples of what Montana Electric Cooperatives' Association (MECA) and Montana Telephone Association (MTA) member systems have done to help rejuvenate their communities' economies:

ELECTRIC COOPERATIVES

Fall River Electric Ashlon, Idaho

As a community service, Fall River Electric Cooperative donated \$2,500 to the West Yellowstone School in West Yellowstone to help purchase satellite equipment. With the money donated by Fall River Electric and other businesses, a satellite dish, television set, VCR and other equipment were purchased and installed to expand the students' and teachers' access to educational programming.

Fergus Electric Lewistown

Fergus Electric Cooperative has provided engineering and in-kind assistance to promote economic development in its service area. Fergus Electric has worked with the local economic development committee on a proposal for a local straw products business, Stramit International. Another proposal calls for a new fish farm. Also, a significant economic impact is expected on the Roundup community when the large, new Meridian coal mine becomes fully operational.

Flathead Electric Kalispell

Flathead Electric Cooperative is very active in economic development through participation in the Chamber of Commerce and as members of the Flathead Economic Development Council (FEDC). FEDC has a full time director and Co-op General Manager Warren McConkey is a member of the FEDC Board of Directors.

Flathead Electric has secured two "cushion of credit" loans: One is for an infrastructure improvement to help establish the Evergreen Sewer system. The other is to Timberline-Northwest, manufacturers of clamping tools for fire hose and gas line applications. Other "cushion of credit" loans are in the works.

Technicians for Mid-Rivers Telephone Cooperative hook up fiber optic cable to Dawson Community College in Glendive, helping to create an interactive television network.



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CIT Nemont Area Supervisor Sam Moore oversees a network of teleservicing agents by computer and telephone.



the community; Establishment of revolving fund to help new and established businesses; Working to get full time director for the development corporation.

Park Electric's staff has participated in various projects, one in particular was the Certified Cities. The staff did a county-wide survey for that project.

Plant Supervisor Doug Hardy served as coordinator between Basin Electric Cooperative and the local development corporation in the federal contracts bidding project.

Sheridan Electric Medicine Lake

Sheridan Electric is active in the 16-county Eastern Plains Resource Conservation and Development District (RC&D). Sheridan is also active in support of the Eastern Plains Micro-Business Alliance. The cooperative has applied for a \$100,000 grant from REA which would be used with for the operation of the marketing alliance.

Valley Electric Glasgow

Valley Electric Cooperative has taken positive steps to further rural economic development. It has worked closely with Two Rivers Development, a regional organization committed to preserving and enhancing the economy of Eastern Montana. Several employees and directors are directly involved with the organization.

Vigilante Electric Dillon

Vigilante Electric Cooperative has participated in two economic development projects to date. A \$50,000 loan application was made about a year ago on behalf of Centennial Foods, which is building and operating a waxy barley plant near Dillon. Vigilante was just recently informed that the loan has been approved. The plant will eventually provide about 18 new jobs.

Vigilante Electric also participated in the relocation and upgrading of a small custom cutting sawmill from Horse

(Continued on Page 14)

Lincoln Electric Eureka

Lincoln Electric Cooperative has been informed of the approval of a Rural Electrification Administration \$70,000 zero interest loan. The loan will be used by the town of Eureka to help offset construction costs of a new storm sewer project that is being completed as part of the Highway 93 reconstruction through the town. Lincoln Electric, which is guaranteeing the loan, will be repaid by the town using gas tax revenues.

Lower Yellowstone REA Sidney

Lower Yellowstone REA is active in the Greater Richland County Economic Development Corporation. Lower Yellowstone Trustee G.B. Schmierer and Manager of Member Services Kelly Knaff are members of that corporation's board of directors. The group has just hired a full time executive director. Through the group's efforts, the offices of the Small Business Development Center and the Eastern Plains RC&D were established in Sidney. Lower Yellowstone is also helping businesses obtain development loans. With these loans, the businesses

could expand and add a total of six positions to their work forces.

McCone Electric Circle

In March of this year, McCone Electric Cooperative received notification that REA has approved a loan request for a rural economic development loan in the amount of \$50,000. The zero-interest loan will be used to construct an on-site medical assistance facility at the McCone County Nursing Home.

Park Electric Livingston

Park Electric Cooperative General Manager Rod Siring has served on the Park County Economic Development Corporation Board of Directors for the past six years. He served as chairman in 1989-1990. Accomplishments of that organization include: Certified Cities designation; Numerous business schools for local and prospective businesses; Federal contracts network before the Montana Commerce Department audit program; Forest Service grant for value-added product with Brand S. Lumber Company; Working on local theater auditorium for

ECONOMIC DEVELOPMENT*(Continued from Page 13)*

Prairie 30 miles southwest of Dillon to a location just south of Dillon.

**Yellowstone Valley Electric
Huntley**

For several years, Yellowstone Valley Electric Cooperative has worked with organizations in bringing them together for rural economic development meetings. Guest speakers were featured and grant information was presented. Several groups have been formed that are working on various grants. When any of the groups needs assistance, Yellowstone Valley Electric is there to lend a helping hand.

The cooperative purchased satellite dishes for four high schools in the area, opening doors to new educational opportunities. Communities will also be able to use the equipment for in-service training of volunteer firemen, emergency medical technicians, senior citizens and members of service organizations. The cooperative has, for the past several years, provided electrical service for the Zoo Grass Festival. Proceeds from the festival go to the Zoo Montana project.

MTA MEMBER SYSTEMS**Mid-Rivers Telephone
Circle**

Telecommunications is helping students on Montana's eastern border thanks in large part to the efforts of Mid-Rivers Telephone Cooperative. An interactive TV (ITV) network linking high schools in Ekalaka, Baker, Plevna and Terry began operating at the beginning of the 1991-1992 school term. The students share foreign language teachers and classes for Spanish and German instruction. More ITV classes will be offered next year. The system uses fiber optic telephone cable that was installed by Mid Rivers Telephone in 1989.

This winter, ITV was also used for emergency medical technicians instructions and school administrators meetings. Miles Community College in Miles City and Dawson Community College in Glendive are establishing an ITV system that will be able to interconnect with the high school ITV system.

**Nemont Telephone
Scobey**

This year Nemont Telephone Cooperative has joined three other

telephone companies in Idaho, Wyoming and Utah and Service Development Systems in Salt Lake City, Utah to form a new company, CIT Communications. The teleservicing company employs rural people in their homes as teleservice agents. Each agent is equipped with a computer, a modem and a headset. Specialized software facilitates the gathering, recording and compilation of data. The cooperative benefits by expanding the use of its existing network and switching facilities, increasing local and long distance calling traffic and providing a greater assurance of long-term survivability and growth.

Nemont Telephone has been supportive of the Eastern Plains RC&D which coordinates economic development activities in a 16-county area. Nemont Telephone was also instrumental in the forming of the Eastern Montana Micro Business Alliance. The alliance serves the same area as Eastern Montana RC&D and will work with that organization. The alliance will join forces with similar organizations in North and South Dakota to find markets for regionally produced products. Rural electric and telephone cooperatives have agreed to help with the bid process used to find producers to manufacture products developed by the alliance.

**Ronan Telephone
Ronan**

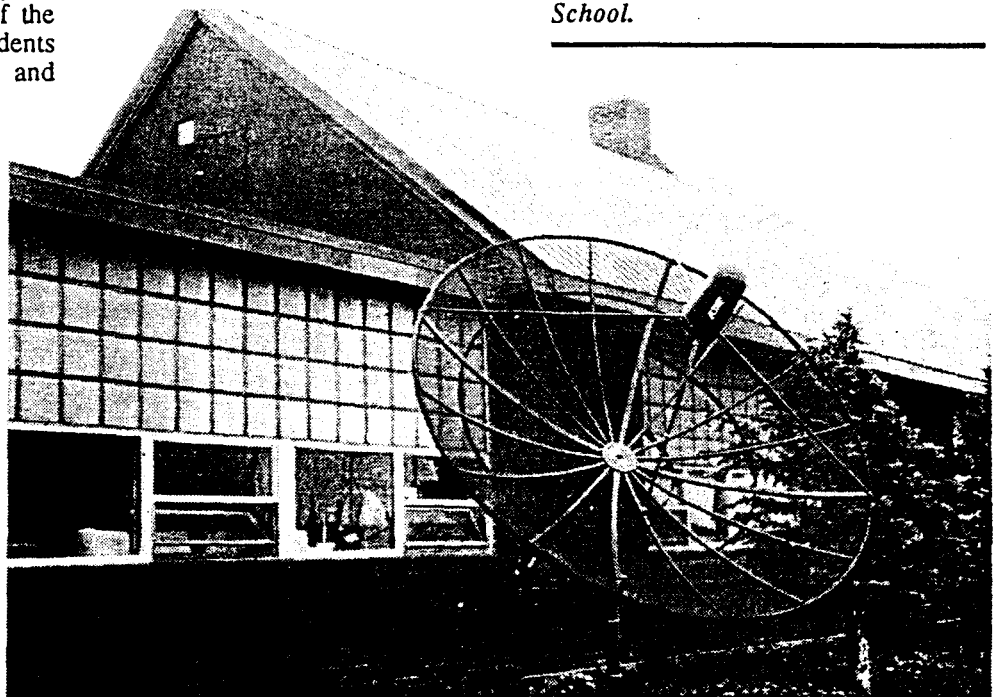
Ronan Telephone Company has been active in two areas of economic development in the Mission Valley. 1. It helped to get Montana Certified Community status for Ronan and the Central Mission Valley, and was a founder of the Central Mission Valley Community Development

Corporation. 2. The company provided assistance over the past five years to Salish Kootenai College in developing SKC-TV, a network of low-power UHF television transmitters and a studio facility for SKC to provide public broadcasting system broadcasts to the Flathead Indian Reservation.

**Valley Rural Telephone
Glasgow**

Valley Rural Telephone Cooperative, its directors and staff, have been directly involved in the Two Rivers Development, a group dedicated to the improvement of Eastern Montana's Economy. Valley Rural also created a subsidiary, Computel Inc., which employs one part-time and four full-time employees. Computel Inc. offers Radio Shack products and varied services including two-way radio marketing, mobile telephone service and computer hardware and software. It is also a sales agent for CommNet 2000 cellular service. The business generates over \$500,000 annually for the local economy. Valley Rural is also refurbishing a portion of one of its warehouses to provide space for a new local business. Valley Rural works closely with small and large enterprises and is currently exploring the possibility of participating in the Rural Electric Administration's loan and grant program for rural economic development.

This satellite dish and other equipment purchased with money donated by Fall River Electric Cooperative and other businesses has expanded the educational horizons of students at West Yellowstone School.



ADDITIONAL ECONOMIC DEVELOPMENT ACTIVITIES
SPONSORED BY
MONTANA'S RURAL ELECTRIC AND TELEPHONE COOPERATIVES
AND
INDEPENDENT TELEPHONE SYSTEMS

Glacier Electric Cooperative, Cut Bank

- Funds 51 percent of the annual budget of Cut Bank's economical development organization, Glacier Action and Development Now (GAIN). GAIN has established a dialysis center in Browning, is marketing Glacier County and Cut Bank to more than 200 businesses looking to expand or relocate and brought a McDonald's restaurant to Cut Bank in 1992.
- Assisted with Cut Bank Villas, a low-income, elderly housing project.
- Participated in a feasibility study for a regional recycling center to be located in Cut Bank.
- Working with the Blackfeet Tribal Council and local oil and gas interests to establish wind energy resources and/or a co-generation facility powered by ethanol or another clean fuel source.

Missoula Electric Cooperative, Missoula

- Secured a zero-interest loan from the Rural Electrification Administration in the amount of \$100,000 to help fund a community golf course in Seeley Lake. This course is being developed as part of the effort to transfer the Seeley Lake area's dependency on the timber industry to tourism, recreation and retirement services.

Yellowstone Valley Electric Cooperative, Huntley

- Presently assisting the economic development efforts of:
 - Local Fire Districts
 - Huntley and Shepherd sewer and water districts
 - Small businesses
 - Possible golf course
 - Telecommunications efforts with Nemont Telephone Cooperative

FACT SHEET ON FEDERAL REA LOAN AND GRANT PROGRAM

- Established in 1987 by Congress as an amendment to the Rural Electrification Act of 1936.
- REA provides zero-interest loans and grants to rural electric and telephone cooperatives for relending to projects promoting rural economic development and job creation.
- Funds are taken from a Cushion of Credits Payment Program, which was created through funds voluntarily deposited by cooperatives wishing to build up an interest-bearing "cushion of credit" with the federal government.
 - Loans are made through funds directly allocated by the Congress. Amount currently available for loans now totals \$12.5 million.
 - Grants are made from the difference between interest earnings by the cooperatives and cost of money to the federal government as well as interest from loan repayments. Grant funds currently total \$10 million. Grant funds are expected to become available by sometime in March.
- Local cooperatives may use the proceeds of these loans and grants to fund such diverse projects as business incubators, business expansion, industrial development parks, and new businesses.
- Under the program, rural cooperatives submit project proposals to the REA Administrator.
 - REA then compares the competitive proposals, based on such criteria as supplemental funds, job creation, sponsorship, location, and other economic and demographic factors.
- Loans and grants range in size from \$10,000 to \$100,000.

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

BUSINESS & EC. COMMITTEE BILL NO HB 120

DATE JAN. 17, 1993 SPONSOR(S) GARY MASON

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| NAME AND ADDRESS | REPRESENTING | SUPPORT | OPPOSE |
|-------------------------------|------------------------------|---------|--------|
| Ron Ostberg Fairfield, Mt. | MECA Mont Electric Coop Assn | ✓ | |
| JAY DOWNEN | Rural Elec and Tel Co-ops | ✓ | |
| Darryl Wrenn | Rural Elec & Tel Co-ops | ✓ | |
| John W. Miller | MECA - MTELEC. Coop. Assn. | ✓ | |
| Ray Calabrese | Missoula Elec CO-OP | ✓ | |
| Lucille Mills | Billings | | ✓ |
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PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS
ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.