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## Economic Affairs Interim Committee

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### 65th Montana Legislature

#### SENATE MEMBERS

GORDON VANCE--Chair  
EDWARD BUTTREY  
TOM FACEY  
LEA WHITFORD

#### HOUSE MEMBERS

NATE MCCONNELL--Vice Chair  
MARK NOLAND  
VINCE RICCI  
SHARON STEWART-PEREGOY

#### COMMITTEE STAFF

PATRICIA MURDO, Lead Staff  
JAMESON WALKER, Staff Attorney  
FONG HOM, Secretary

# MINUTES LOG

February 7, 2018  
Room 137, Capitol Building  
Helena, Montana

**Please note:** This document is a Minutes Log and provides a notation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video record of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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### **COMMITTEE MEMBERS PRESENT**

SEN. GORDON VANCE, Chair  
REP. NATE MCCONNELL, Vice Chair

SEN. EDWARD BUTTREY  
SEN. LEA WHITFORD

REP. MARK NOLAND  
REP. VINCE RICCI  
REP. SHARON STEWART-PEREGOY (by phone)

### **COMMITTEE MEMBERS EXCUSED**

SEN. TOM FACEY

### **STAFF PRESENT**

PATRICIA MURDO, Lead Staff  
JAMESON WALKER, Staff Attorney  
FONG HOM, Secretary

## VISITORS' LIST ([Attachment 1](#))

## AGENDA ([Attachment 2](#))

### COMMITTEE ACTIONS

At its February 7th meeting, the Economic Affairs Interim Committee voted:

- to send a letter to the U.S. Department of Agriculture's inspector general to act on a request by Montana's congressional delegation for an external investigation of federal meat inspector actions in Montana. The committee's letter asked for an apology, at a minimum, if wrongdoing is found.
- to request a committee bill to fix concerns about auctioned licenses and clarifications about no gambling for auctioned liquor or beer and wine licenses allowed under Senate Bill 5 from the 2017 Special Session.
- to send a letter to the Department of Revenue regarding committee concerns about liquor or beer and wine licenses being issued under SB 5 after an auction but before rules were adopted.

### CALL TO ORDER/ROLL CALL - Sen. Gordon Vance, presiding officer

00:00:07 Sen. Gordon Vance called the meeting to order at 10:05 a.m. The secretary called roll. Sen. Tom Facey and Rep. Sharon Stewart-Peregoy were excused.  
([Attachment 3](#))

### ADMINISTRATIVE UPDATES - Sen. Vance and Pat Murdo, committee staff

00:00:54 Pat Murdo gave an overview of the agenda.

### AGENCY MONITORING: DIVISION OF BANKING AND FINANCIAL INSTITUTIONS

#### Reports on Issues of Major Importance - Melanie Hall, Commissioner

00:05:37 Ms. Hall ([Exhibit 1](#))

#### Committee Questions of Ms. Hall

00:10:24 Rep. Vince Ricci asked about federal versus private share insurance.

#### Update on Legislative Impacts from Budget

00:11:06 Ms. Hall

Public Comment - None.

### AGENCY MONITORING: DEPARTMENT OF LIVESTOCK

#### Comparison of Federal/State Inspections and Regulations - Ron Eckle, Chief of the Federal State Audit Branch, Office of Investigations and Enforcement and Audit, Food Safety & Inspection Services, USDA

00:14:03 Mr. Eckle gave a presentation on the Office's oversight of State, Meat, and Poultry Inspection Programs.

### Committee Questions of Mr. Eckle

- 00:32:40 Rep. Nate McConnell asked Mr. Eckle if he had read the article in the *Montana Standard* regarding the inspections at Riley's Meats in Butte. He asked how Mr. Eckle would have handled things differently.
- 00:35:31 Rep. McConnell asked if Mr. Eckle's agency had issued or admitted that the FSIS was engaged in willful or intentional acts to intimidate or otherwise coerce or torment a party and asked if he thought it would be appropriate to issue an apology.
- 00:36:41 Sen. Ed Buttrey asked about any plans submitted by the state with regard to inspections of beef jerky manufacturers. He asked when the state would have another onsite review.
- 00:40:26 Sen. Buttrey asked Mr. Eckle to provide information on Component #8, Civil Rights, of the nine review components that are done by FSIS. **(See material sent after the meeting, Attachment 4)**
- 00:41:48 Sen. Buttrey requested that Mr. Eckle provide data that insures that civil rights are being met.
- 00:42:24 Rep. Noland asked about the status of Montana's beef jerky industry inspections.
- 00:44:13 Rep. Noland asked about obtaining the Jerky Compliance Guidelines. **(See material sent after the meeting, Attachment 5)**
- 00:45:26 Rep. Ricci asked if Mr. Eckle's inspectors who do the onsite review have meat processing experience.

### Meat Inspection Concerns - Livestock Board Subcommittee Update

John Scully, Board of Livestock member

Brian Engle, Pioneer Meats, Representative of meat processors

- 00:48:02 Mr. Scully provided an update on the activities of the Livestock Board Subcommittee.
- 00:51:39 Mr. Scully discussed the Appeals Guideline **(Exhibit 2)**; Proposed Amendment to ARM 32.2.102 **(Exhibit 3)**; and the Montana Department of Livestock Meat and Poultry Inspection Food Recall Information and Procedures **(Exhibit 4)**. Mr.
- 00:56:52 Scully discussed the budget and the funding mechanisms of the Department of Livestock.
- 01:01:32 Brian Engle reported on his participation in the Board of Livestock's meeting.

### Public Comment

- 01:05:12 Shane Flowers, Project Meats, Billings, commented on the temporary shutdown of the jerky industry in Montana.

### Committee Questions

- 01:07:18 Rep. Vince Ricci asked Mr. Engle about the lack of communication with the Board of Livestock subcommittee and whether Mr. Engle feels that the subcommittee should continue.
- 01:08:40 Rep. Ricci asked Mike Honeycutt, Executive Officer, Board of Livestock, if he thinks that the subcommittee should continue.
- 01:09:55 Rep. Ricci asked Mr. Honeycutt if his inspectors have actual meat processing experience working in a processing plant.
- 01:12:00 Rep. Noland asked Mr. Honeycutt about the Department of Livestock's zero-

- based budget.
- 01:12:56 Sen. Lea Whitford asked Mr. Engle about a policy for the meat inspectors and processing plants.
- 01:14:05 Sen. Whitford asked Mr. Scully how the Board of Livestock will proceed with what its subcommittee had created.
- 01:16:55 Sen. Whitford asked Mr. Scully how the people in the industry find out what is going on with the subcommittee and the Board.
- 01:18:11 Sen. Ed Buttrey asked Mr. Scully about the changes to the rules dealing with the grievance and appeal process.
- 01:20:36 Sen. Buttrey asked Mr. Scully if the Food Safety & Inspection Services has to confirm the changes to the process before they are implemented.
- 01:22:07 Sen. Buttrey said that before the Department of Livestock implements the rulemaking change, they should get something in writing from the Food Safety & Inspection Services as to its agreement.

**New Proposals for Slaughterhouses and Impact on Meat Inspectors - Mike Honeycutt, Executive Officer, Montana Department of Livestock**

- 01:23:25 Mr. Honeycutt gave a presentation on new livestock-related economic opportunities in the state of Montana. He noted that the state inspects only the products that will stay within the state of Montana.
- 01:25:12 Mr. Honeycutt discussed a processing project that is led by a company called Friesen Foods, an Alberta-based Canadian company. The proposed processing facility will be called the Madison Food Park and will be located outside of Great Falls.
- 01:30:42 Mr. Honeycutt gave a presentation on the Memorandum of Agreement that has been signed by the Montana Stockgrowers Association and JD.com, a Chinese company that intends to import Montana beef from cooperators with the Montana Stockgrowers Association to China.

**Committee Questions of Mr. Honeycutt**

- 01:34:40 Sen. Vance asked about the opposition to the Madison Food Park project.
- 01:36:35 Sen. Whitford asked if the state is prepared to bring beef in from neighboring states if Montana is overextended, and, if so, what would that process look like.
- 01:38:44 Sen. Vance asked Errol Rice, Executive Vice President, Montana Stockgrowers Association, to comment on Mr. Honeycutt's presentation.
- 01:38:59 Mr. Rice said Montana ranchers currently ship 1.2 million head of feeder cattle out of the state to the midwest. The project with China would mean establishing a specialty-fed beef program in Montana.
- 01:41:02 Sen. Whitford asked Mr. Rice about partnerships with people that are identified as stockgrowers and how the Montana Stockgrowers Association plans to promote the partnerships.

**Public Comment**

- 01:42:55 Brian Engle, Pioneer Meats, discussed the Board of Livestock's budget that is \$240,000 short. He voiced concern that the shortfall would cost the state its meat inspection program.
- 01:46:17 John Scully, Board of Livestock member, said that as chair of a Board of Livestock finance committee, he has been looking at ways to handle the general

fund impacts that the department is facing.

### **Update on Congressional Delegation Letter to Inspector General**

- 01:48:32 Rep. McConnell discussed the letter from Montana's Congressional Delegation to Phyllis K. Fong, Inspector General, U.S. Department of Agriculture (**Exhibit 5**) and the response from the Economic Affairs Interim Committee (**Exhibit 6**). Sen.
- 01:50:46 Vance requested that staff redraft the letter to Inspector General Fong for the committee's review.
- 01:51:25 Sen. Buttrey asked if there will be a request for an apology or some sort of corrective action in the letter.

**LUNCH** (reconvened at 1:02 p.m.)

### **Update on Congressional Delegation Letter to Inspector General** (continued)

- 02:57:05 Sen. Vance discussed the revised letter to Inspector General Fong. (**Exhibit 7**)

**PUBLIC COMMENT** on any item not on the agenda but relevant to the EAIC - None.

### **SJR 20 UNEMPLOYMENT STUDY**

#### **Tribal Resource Officers - Job Service Interactions** (**Exhibit 8**)

- Scott Eychner - Administrator, Workforce Services Division, Department of Labor and Industry  
Blackfeet Manpower Representatives: George Kipp IV, Marla Knopfle, Liz Gobert, Monica Butterfly (*by WebEx*)  
Janet Camel, Planning Director, Confederated Salish and Kootenai Tribes (*by phone*)  
Doreen Bell and Jacob Rider, Fort Belknap Reservation (*by phone*)
- 03:03:08 Scott Eychner gave a presentation on how the Workforce Services Division interacts with tribal nations in terms of workforce development efforts and provided a summary of the possibility of mobile units being used to provide services across the state.
- 03:15:31 George Kipp gave a presentation on Blackfeet Manpower's one-stop job services. He introduced the other members of the Blackfeet Manpower team: Liz Gobert, Monica Butterfly, and Marla Knopfle.
- 03:20:37 Janet Camel gave a presentation on the activities of the Confederated Salish and Kootenai Tribes regarding job training, employment availability, grants for internships, mobile units, and the barriers that are preventing Native Americans from finding employment.
- 03:28:58 Doreen Bell, director of the Public Law 102-477 programs at the Fort Belknap Reservation, gave a presentation on the 477 programs.
- 03:36:00 Jacob Rider, Job Placement Officer, at Fort Belknap, outlined job placement activities and barriers.

#### **Questions from the Committee**

- 03:41:57 Sen. Whitford asked Mr. Eychner about the impacts at the state level since

several job service offices have been closed.

03:46:20 Sen. Whitford asked Mr. Eychner about the potential for mobile units and asked who makes the decision on whether those mobile units are going to be purchased.

03:47:23 Sen. Whitford referred to Mr. Eychner's statement about the layoffs on the Crow Reservation and described the importance of training and the resources necessary to get back into the job force. She asked about layoffs in the Columbia Falls area.

03:49:21 Sen. Whitford asked, regarding the coal mines in eastern Montana and the possibility of what could be happening in the future for that particular industry, if Mr. Eychner has considered something for that area as well.

03:50:49 Rep. McConnell asked the presenters about the apprenticeship programs that are being instituted and whether or not their communities have seen an increase in apprenticeship programs and what the state's role should be in creating a program that would help in terms of an apprenticeship program.

03:52:00 Marla Knopfle

03:52:28 Janet Camel

03:52:54 Rep. McConnell asked Ms. Camel to provide more information on the apprenticeship programs.

03:53:23 Doreen Bell

03:54:46 Rep. McConnell asked Jason Smith to discuss the apprenticeship program through the Governor's Office.

03:55:00 Jason Smith, Governor's Office of Indian Affairs, commented on the grant that the Governor's Office received for apprenticeship programs with money going to five tribal colleges.

03:57:20 Sen. Buttrey said that the SJR 20 Study is about more than looking at the amount of money that the state and federal governments and other programs provide in Indian Country. The study is looking at gathering data to see what the results are and figuring out what to do differently. Sen. Buttrey asked Mr. Eychner about the successful creation of jobs on tribal lands, what percentage of those jobs were actually on the tribal lands, and how many are leaving the tribal areas and finding jobs in the nontribal areas.

03:58:45 Sen. Buttrey asked Mr. Eychner if there was a way to track how much money was going into the tribal areas for economic development.

03:59:23 Sen. Buttrey asked Mr. Eychner if the Department of Labor and Industry has done any analysis of the impacts from closing the job service offices around the state as a result of the budget cuts.

04:00:30 Sen. Buttrey asked Mr. Eychner to whom the job service funding is distributed and asked if the money has to go to a publicly owned agency or if the money can go to the private sector that is doing the workforce development.

04:01:25 Sen. Buttrey explained that he is trying to determine whether the private sector has an incentive to create jobs. He also noted the Department's efforts in keeping kids in college, and asked whether that effort was taking funding away from the high school level.

04:02:37 Sen. Buttrey commented on the idea of mobile job service labs. He said that the Department of Labor and Industry is having success in finding public space that is free where people can receive help. He said he is not sure that the mobile units would attract people in all types of weather in Montana.

- 04:04:22 Sen. Whitford asked the participants to list some of the things that they feel are the most important after listening to the comments and presentations from the state agency and from the state itself.
- 04:06:57 Marla Knopfle
- 04:12:19 Liz Gobert
- 04:16:57 Janet Camel
- 04:18:28 Doreen Bell
- 04:20:55 Sen. Whitford said that she would ask that the agencies and the state legislature continue to work with the partners throughout the state to help close the gap so that training can be offered to everyone.
- 04:22:31 Rep. Noland asked about the unemployment rates at Fort Belknap and on the Flathead Reservation for comparison purposes.
- 04:27:02 Sen. Whitford asked the Department of Labor and Industry to return and describe workforce data and how the unemployment rate is determined.
- 04:28:38 Sen. Vance asked Ms. Murdo to put the unemployment rate discussion at a future meeting.
- 04:28:52 Rep. McConnell requested more data on where the jobs are and if there are apprenticeship programs that are tied to what is available or possible in a tribal setting. He asked the participants to describe the need for apprenticeship programs.
- 04:30:15 Sen. Vance asked the participants to develop a list of deficiencies in terms of training that the committee can use.

**BREAK** (reconvened at 2:45 p.m.)

#### **Discussion on Inspector General Fong letter**

- 04:40:41 Sen. Vance discussed the revised committee letter to Inspector General Fong. **(Exhibit 7)**
- 04:40:50 Sen. Buttrey suggested that in the third paragraph where the sentence starts with, "Further, if a wrongdoing is documented, the committee thinks an apology...", to put in "at a minimum is in order." And at the end, where it says, "...along with a request for an apology..." insert "at a minimum if allegations are substantiated."
- 04:42:40 Rep. Noland asked about sending a copy of the letter to the Congressional delegation.
- 04:43:09 Sen. Vance agrees with Rep. Noland. He asked if Sen. Whitford is okay with this process.
- 04:43:22 Sen. Whitford said yes, and that it is the committee's duty to bring these things to light on behalf of not only their constituents but on behalf of the state of Montana.
- 04:44:26 Rep. McConnell approved the changes proposed by Sen. Buttrey.

#### **Motion**

- 04:44:44 Rep. McConnell moved to adopt the revised letter to send to Inspector General Fong.

#### **Vote**

- 04:45:06 The motion passed unanimously by voice vote.

**Update on Implementation of Liquor Auctions allowed under Senate Bill 5 - Dan Whyte, Department of Revenue**

04:45:51 Mr. Whyte provided an update on the implementation of Senate Bill 5.  
**(Exhibit 9)**

**Committee Questions of Mr. Whyte**

04:49:40 Sen. Buttrey asked for verification that the Department of Revenue is following the intent of the law that none of these licenses will include gaming.

04:51:06 Sen. Buttrey asked if the Department of Revenue is working with the banking industry to make sure that the licenses are bankable.

04:54:21 Sen. Buttrey said that throughout Senate Bill 5, it says the Department shall publish the availability of no more than one new license a year until the quota has been reached. He asked Mr. Whyte to verify that the Department is looking at one new license per calendar year and not one per fiscal year.

04:55:53 Sen. Buttrey asked if the public has had a chance to comment on the rules and whether Mr. Whyte knows if the rules will be released prior to running the first competitive bidding process.

04:57:12 Sen. Buttrey asked Jameson Walker, Committee Attorney, about the section that says that the Department may adopt rules to implement this section. He asked if the rules are proposed but not yet released, is the department able to go forward with the action?

05:00:17 Sen. Buttrey asked Mr. Whyte to respond to Mr. Walker's rulemaking assessment and asked Mr. Whyte if he thinks it is a good idea for the Department of Revenue to move forward with the bidding process prior to the rules being released.

05:02:25 Sen. Buttrey requested that a committee bill be created with the intent to clarify concerns within Senate Bill 5 and to incorporate some changes related to sections of law that revert back to the old law on January 1, 2024.

05:03:50 Rep. McConnell said he would support a cleanup bill as described by Sen. Buttrey.

**Motion**

05:04:37 Sen. Buttrey moved for a committee bill for the purpose of clarification and fixing some of the issues within Senate Bill 5 from the November 2017 Special Session.

**Discussion**

05:04:59 Rep. Ricci requested that Sen. Buttrey be involved in the creation of the committee bill.

**Vote**

05:05:32 The motion passed unanimously by voice vote.

05:05:40 Sen. Vance requested that the Economic Affairs Interim Committee send a letter to the Department of Revenue stating committee concerns with the Department's rulemaking process.

### **Public Comment on Senate Bill 5**

05:06:40 John Iverson, Montana Tavern Association

05:14:10 Sen. Vance asked staff to draft a letter to the Department of Revenue regarding concerns about the rulemaking process for Senate Bill 5 from the November 2017 Special Session.

### **Rule Review - Jameson Walker, staff attorney**

05:14:55 Mr. Walker ([Exhibit 10](#))

### **Reports from Liaisons**

#### **State Fund**

05:16:17 Rep. Ricci gave an update on the transfer of money from the Montana State Fund to the general fund. He also reported on his attendance at a presentation in Bozeman by the Montana State Fund on safety.

05:17:55 Sen. Vance commented on the State Fund safety presentation.

#### **Rail Service Competition Council**

05:18:48 Rep. Ricci said he did not attend the meeting.

#### **HB 661 Study of State Labs**

05:19:17 Sen. Vance said the meeting was cancelled, and he provided information on the next meeting.

05:21:05 Ms. Murdo referred the committee to a Brucellosis Audit and the document from the Legislative Audit Division regarding Performance Audit Follow-Up (18SP-03): Montana Veterinary Diagnostic Laboratory (orig. 15P-04) ([Exhibit 11](#)). Neither audit was discussed.

#### **HJR 20 Study of Health Care Pricing Transparency**

05:21:27 Sen. Buttrey reported on the HJR 20 Subcommittee's activities.

### **Directions to staff**

05:23:31 The committee discussed the next meeting dates for April and June.

05:25:58 Ms. Murdo asked for a discussion on the draft letter to the Department of Revenue.

05:27:25 Sen. Buttrey asked that the letter include references that the committee appreciated the testimony given by Department staff confirming that only licenses subject to this process will not include gaming. He asked if the letter should request that the Department not proceed until the rules are released.

05:31:28 Rep. McConnell said that the bids were out now, and if the Department stops the bidding process, that could be problematic. He noted that the comment period under MAPA is a process and takes time.

05:33:10 Discussion was held regarding the content of the letter to the Department.

### **Motion**

05:46:48 Rep. Noland moved to approve the letter to the Department of Revenue as drafted.

**Vote**

05:46:55 The motion passed unanimously by voice vote.

**ADJOURNMENT**

05:47:23 With no further business before the committee, Sen. Vance adjourned the meeting at 3:52 p.m., to reconvene as a subcommittee at 8:00 a.m. on Feb. 8, 2018, for the SJR 27 Study on Montana State Fund.

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