



PO BOX 201706
Helena, MT 59620-1706
(406) 444-3064
FAX (406) 444-3036

ECONOMIC AFFAIRS INTERIM COMMITTEE

67th Montana Legislature

SENATE MEMBERS

Jason Ellsworth
Nate McConnell
Frank Smith
Gordon Vance

HOUSE MEMBERS

Derek Harvey
Joshua Kassmier
Mark Noland
Vince Ricci
Sharon Stewart-Peregoy
Katie Sullivan

COMMITTEE STAFF

Patricia Murdo - Research Analyst
Jameson Walker - Attorney
Fong Hom - Secretary

MINUTES LOG

February 12, 2020
Room 137, State Capitol Building
Helena, Montana

Please note: This document is a Minutes Log and provides annotation 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 recording 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 the 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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ROLL CALL

Members Present:

Rep. Vince Ricci, Vice Chair
Sen. Jason Ellsworth
Rep. Derek Harvey
Rep. Joshua Kassmier
Rep. Mark Noland
Sen. Frank Smith
Rep. Katie Sullivan
Sen. Gordon Vance

Members Excused:

Sen. Nate McConnell
Rep. Sharon Stewart-Peregoy

Staff Present:

Patricia Murdo, Research Analyst
Jameson Walker, Attorney
Fong Hom, Secretary

VISITORS' LIST (Attachment 1)
AGENDA (Attachment 2)

COMMITTEE ACTION

At its Feb. 12-13 meeting, the Economic Affairs Interim Committee:

- Voted for a committee bill based on SB 239 with an added requirement for mapping information;
- Voted 8-2 to file a formal objection to a proposed rule defining prosthetic devices in workers' compensation;
- Voted to make available a letter of support for broadband providers in Montana who are applying for U.S. Department of Agriculture rural development grants;
- Requested additional information on grant revenues and distributions for the study on the lodging facility use tax;
- Requested additional information on Department of Revenue alcohol rules that were withdrawn and on other states' use of auctions;
- Requested options under consideration by the Department of Revenue for liquor warehouse;
- Requested information on how workers' compensation rates were developed for firefighters' presumptive disease coverage; and
- Agreed to finish up work on the study of challenges faced by those with criminal convictions who apply for occupational licenses, in particular by getting more information on record expungement, especially of juvenile records, on the longevity of traffic offense information, and a draft of a final report.

CALL TO ORDER/ROLL CALL

09:03:20 Rep. Vince Ricci, Vice Presiding Officer, called the meeting to order at 9:03 a.m. The committee secretary called roll. Rep. Sharon Stewart Peregoy and Sen. Nate McConnell were excused.

ASSIGNED DUTIES - MONITORING AGENCIES

Introduction

09:04:30 Pat Murdo, Research staff, gave an overview of the agenda items and the agency monitoring. (Exhibit 1)

Department of Agriculture

09:06:30 Ben Thomas, Director (Exhibit 2)

Committee Questions of Mr. Thomas

09:15:52 Rep. Noland asked about potential depletion of the nutrients in the soil and the nutrients having to be put back in the soil.

09:19:03 Rep. Noland asked about the hemp process.

09:22:02 Rep. Noland asked if there is a huge interest in the agriculture industry looking at wanting to grow hemp.

09:24:49 Sen. Smith asked if the Department of Agriculture is working with law enforcement on the hemp industry.

09:25:35 Rep. Noland asked how many entities have inquired about growing hemp.

Department of Commerce

- 09:27:26 Tara Rice, Director (**Exhibit 3**)
- 09:30:27 Jennifer Olson, Administrator of the Community Development Division, gave an update on two programs: Delivering Local Services Program and the Montana Historic Preservation Grant Program.
- 09:34:27 Bruce Brensdal, Administrator of the Housing Division, gave a presentation on the Montana Housing Division.
- 09:37:12 Jennifer Pelej, Administrator of Montana Office of Tourism and Business Development, discussed tourism activities in Montana. She distributed and discussed the pie chart in the document "2018 Economic Impact". (**Exhibit 4**)

Committee Questions

- 09:51:52 Sen. Vance asked for a definition of "affordable housing".
- 09:52:52 Sen. Ellsworth asked Ms. Pelej questions about the tax revenue generated from the lodging facility use tax.
- 09:57:56 Rep. Harvey asked Ms. Pelej if breweries and alcohol manufacturers are a driving factor on tourism.
- 09:59:43 Rep. Noland asked Ms. Olson for information on how to apply for grants.
- 10:01:45 Rep. Noland asked Ms. Olson to explain her comment about legislators deciding who receives funding.
- 10:03:28 Rep. Noland asked Mr. Brensdal if the coal severance funds expire in the future, does he have a plan to continue the related housing programs.
- 10:05:22 Rep. Noland asked Ms. Pelej about the Office of Tourism's budget, the amount of money that office requested from the Legislature, and what amount did the Legislature give.

The Department of Labor and Industry Prosthetic Rule Change

- 10:13:20 Sen. Ellsworth discussed the rule change on prosthetic devices.

Motion

- 10:13:25 Sen. Ellsworth moved that the Economic Affairs Interim Committee make a formal objection under 2-4-406, MCA, effective February 13, 2020. The proposal maintains that the department has exceeded its statutory authority under 2-4-405, MCA.

Committee Discussion

- 10:13:39 Jameson Walker, staff attorney, gave an overview of the process of objecting to rulemaking.
- 10:16:53 Rep. Ricci asked Sen. Ellsworth to contact the Department of Labor and Industry for a follow up on the objection.
- 10:18:08 Rep. Harvey commented on the need to do what is right for workers. He said he will support the motion.

Public Comment on the Motion

None.

Vote

10:18:15 The motion passed on a voice vote, 8-2, with Sen. McConnell and Rep. Stewart Peregoy voting no by proxy, and Rep. Kassmier voting yes by proxy.

ASSIGNED STUDIES - SJR 24: LODGING FACILITY USE TAX

Overview of Grant-Making Process

10:21:56 Ms. Murdo discussed the SJ 24: Lodging Facility Use Tax Study. [\(Exhibit 5\)](#)

Committee Questions

10:44:59 Sen. Smith asked about grants distributed to Havre and Livingston.

Overview of Industry-Specific Interest and Recommendations

10:47:14 Matt Sease, Montana Lodging and Hospitality Association, discussed how lodging facilities collect the lodging facility use tax.

Committee Questions

10:54:21 Sen. Ellsworth asked Mr. Sease to elaborate on his statement that there are other forms of revenue that the state could generate.

Panel Discussion on Ways to Improve Current Process

10:55:47 Katie Grice, Chair of the Tourism Advisory Council and director of sales at Big Sky Resort [\(Exhibit 6\)](#)

11:06:40 Racene Friede, Executive Director, Glacier County Region [\(Exhibit 7\)](#)

11:18:17 Gayle Fisher, Executive Director, Central Montana Region

11:22:10 Marysue Costello, West Yellowstone Chamber of Commerce

11:28:40 John Laney, Executive Director, Miles City Chamber of Commerce

11:34:33 Heather Sobrepena, Department of Commerce, Indian Country Region [\(Exhibit 8\)](#)

Public Comment on the SJR 24 Study

11:47:10 Rhonda Fitzgerald, Whitefish, Montana

Committee Discussion

11:51:20 Rep. Noland said he would like to continue to get information on tourism spending and distribution.

11:52:50 Sen. Smith commented on the book from Indian Country.

11:53:26 Rep. Ricci said he liked the idea of a blind review for grant reviews.

- 11:55:11 Rep. Noland asked commented on the amount of money involved.
- 11:55:28 Sen. Vance said he would like to see more on the process of making grants.
- 11:56:04 Rep. Harvey asked for a breakdown of the different categories receiving the grants.

LUNCH (reconvened at 1:15 p.m.)

PUBLIC COMMENT

None.

ASSIGNED DUTIES - MONITORING AGENCIES

Department of Revenue, Division of Alcoholic Beverage Control

- 13:19:04 Becky Schlauch, Administrator, Division of Alcoholic Beverage Control, Department of Revenue

Public Comment

None.

- 13:25:26 Rep. Ricci asked Ms. Schlauch to address the rules that they had proposed and then withdrew.

MEMBER ISSUES - REVISION TO ALCOHOL CODE

Overview of Alcohol Laws in Selected States

- 13:28:07 Jameson Walker, staff attorney, discussed the Selected State Alcohol Laws ([Exhibit 9](#)) and the Options for Revising Alcohol Laws ([Exhibit 10](#)).

Committee Questions

- 13:57:08 Rep. Noland asked about the last slide in Mr. Walker's presentation.

Update from Stakeholders' Group

- 13:58:16 Darryl James, facilitator for the Montana Alcohol Coalition ([Exhibit 11](#))

Committee Questions of Mr. James

- 14:17:37 Sen. Ellsworth asked about the term "hockey wall."
- 14:18:44 Sen. Vance asked about the light reform.
- 14:20:54 Rep. Noland asked about the growth in sales of alcohol.
- 14:22:57 Rep. Noland asked if Mr. James could explain why they are building more warehouses but at the same time, not selling more liquor.
- 14:24:16 Rep. Sullivan asked about the light reform option 2.
- 14:27:37 Sen. Ellsworth asked about the growth in the sale of hard liquor and the issue of building more warehouses.

- 14:29:43 Sen. Ellsworth asked Ms. Schlauch about developing an automated system and what that structure would look like on all the different levels.
- 14:30:11 Sen. Smith asked about beer sales and beer prices.
- 14:30:44 Rep. Ricci asked if brewers are manufacturers or retailers. He also asked about retailer licenses and if gambling drives the price of those retail licenses.
- 14:33:04 Rep. Noland asked Mr. James to readdress the cross-tier idea and how the light reform operates.
- 14:34:33 Rep. Noland asked Mr. James to elaborate on the light reform.
- 14:35:33 Sen. Vance asked if Ms. Schlauch has provided the information that Sen. Ellsworth had requested and if someone would answer Sen. Smith's question.
- 14:36:00 Mr. James answered Sen. Smith's question on sales of beer.
- 14:36:47 Sen. Smith elaborated on the difference between prices and supply regarding beer.
- 14:38:02 Ms. Schlauch answered Sen. Ellsworth's question on the increase in the number of cases of liquor sold.
- 14:38:36 Sen. Ellsworth asked if the facilities had been changed or updated from 10 years ago.
- 14:39:26 Ms. Murdo provided a list of breweries that have relationships with family-related affiliates. [\(Exhibit 12\)](#)

WORK SESSION ON ALCOHOL LAW CHANGES

Proposals, Discussion of Options

- 14:40:48 Ms. Murdo gave background information on the Coalition's proposals. [\(Exhibit 13\)](#)
- 14:41:38 Sen. Ellsworth asked for more information on alcohol bills introduced, including bill history for research purposes.

Public Comment

- 14:43:20 Matt Leow, Executive Director, Montana Brewers Association, clarified the concern of his group regarding a previous stacking bill, not the light reform.
- 14:44:52 Mark Lewis, Bozeman, said that any changes that are done will affect his agency liquor store. He also noted the coalition's efforts to work through issues.

Committee Discussion

- 14:48:29 Sen. Ellsworth discussed developing an organizational chart that shows the introduction of a bill and what happens to the bill.
- 14:50:34 Rep. Noland asked if there is a way to reduce the high costs of licenses.
- 14:54:56 Rep. Ricci asked about keeping the existing licenses from appreciating in value.

15:00:56 Rep. Noland discussed increasing taxes on spirits and other alcohol beverages.

15:02:31 Sen. Vance said he would like to see more information on the light reform.

15:04:18 Rep. Ricci asked when the next EAIC meeting is.

15:05:04 Rep. Ricci asked if the committee would like Mr. James to report on the activities of the Coalition's meeting.

15:05:26 Sen. Ellsworth said he would encourage the Coalition to provide to the committee any information they might have on a timely basis.

15:06:09 Sen. Vance discussed having the information from the Coalition earlier so that the committee could review it and have questions.

15:07:02 Ms. Murdo discussed the committee's upcoming tour of the Liquor Warehouse.

RECESS

14:33:13 Rep. Ricci recessed the meeting at 3:07 p.m., to reconvene at 8:00 a.m. on February 13, 2020.