

**Manufacturing Key Industry Network (KIN) Meeting Minutes
May 27, 2015**

Location: Simms Fishing Products - Bozeman, Montana

Prepared by: Janice Wannebo, Mary Craigle

KIN Member Attendees: K.C. Walsh, Co-Chair
Bert Robbins, Co-Chair (phone)
Mike Robbins, Co-Chair
Jim Haider
Doug Hein
Ken Johnson
Jim Markel
Spencer Williams
Bryan Wood

KIN Liaison Staff: Tom Kaiserski, Program Manager, Industry Development Program, Dept. of Commerce (DOC)
Mary Craigle, Bureau Chief, Census & Economic Information Center, DOC
Janice Wannebo, Program Assistant, Industry Development Program, DOC
Julie Walker, Graphic Designer/Outreach Associate, Montana Office of Tourism, DOC

Governor's Office: Jim Molloy, Senior Policy Advisory, Governor's Office
John Rogers, Chief Business Development Officer, Governor's Office of Economic Development

Guests: Craig Wilkins, Energy KIN Member
Paddy Fleming, Interim Director, Montana Manufacturing Extension Center

Tom Kaiserski began the meeting at 8:12 a.m. by thanking K.C. Walsh for hosting the KIN meeting at Simms Fishing Products and the dinner at Riverside. With this being the third meeting, one more meeting is anticipated in the fall. KIN members introduced themselves followed by a brief review of the agenda.

KIN Status Report

Kaiserski reported the Status Report is a "draft" reference document in chronological order of what the Manufacturing KIN has accomplished to date. This document was sent electronically to all KIN members prior to the meeting. Once KIN members have reviewed for content and accuracy, the document will be finalized.

KIN Action Items

Kaiserski distributed the Main Street Montana Project – KIN Action Items document dated 5/20/2015 which narrows down the key action items to do and list the deliverables accomplished by this KIN.

Legislative Update

Jim Molloy reported that, overall, Governor Bullock believes the people of Montana received a fairly well balanced budget out of the 2015 session with government spending growth limited to around inflation. Towards the end of the session, the Governor negotiated to ensure a \$300,000 million ending fund balance. Molloy mentioned the following bills and their status following the Legislative session conclusion:

- SB 416, the Infrastructure bill, did not pass which was a big disappointment; however, on the “upside,” Montana is one of the states in the country with a track record of maintaining sound fiscal policies.
- Tax cut bills were mainly tabled or vetoed.
- HB213 which was the business equipment tax reduction, never made it to the Governor’s desk because it failed in the legislative process. Currently, the tax rate is slightly under 3% as set by the Legislature with a \$100,000 threshold.
- The Health Care (HELP) Act expanding coverage the Affordable Care Act passed in a way that works people out of the system. All Montanans are eligible for expanded coverage. The bill is connected with the Department of Labor’s Workforce Development office offering recipients help finding work and getting new job skills or education.
- A tax credit passed providing a pollution control equipment tax credit.
- HB277, the Apprenticeship Tax Credit bill was defeated.
- Pre-school legislation under HB2 failed which was another big disappointment; however, the Governor’s Office is looking forward to future opportunities. The bill would have provided \$37 million for state-funded pre-school in Montana and was one of Bullock’s major initiatives. The decision was budget-driven and the vote to reject preschool funding wasn’t a statement on the merits of the program. K.C. Walsh asked how to prepare for the 2017 Legislature since this issue is important for both employers and businesses. Walsh indicated Simms Fishing would be interested in providing support on this initiative.

Molloy said legislators met with Governor Bullock at the end of the Legislative Session and asked to talk in the interim on how to approach legislation approved federal grant funds for high poverty specific schools (16 schools total).

Montana Manufacturing Extension Center (MMEC)

Paddy Fleming reported MMEC received approximately \$512,000 for the next biennium (\$325,000/per year) which was based on the number of manufacturers including \$100,000 in additional restricted funding for an engineering consultant and related operating costs. They plan to hire a Billings engineer by mid-July 2015. Fleming thanked everyone for their letters of support and testimony during the session which helped tremendously.

Manufacturing KIN Action Plan

Mary Craige distributed a handout entitled “KIN ACTION ITEMS” for the Manufacturing KIN outlining topics for consideration. The four action item areas are: 1) workforce; 2) business incentives/tax policy; 3) transportation; 4) access to capital.

The handout lists the top KIN priorities and identifies a number of action items that would help to address the priority areas. This meeting, KIN members will look at short-term (12/15), post 2015, and 2017 legislative initiatives – some in concert with other key industry networks.

To date, the Manufacturing KIN objectives accomplished include:

1. Workforce
 - a. MMEC funding
 - b. Montana Precision Products/SeaCast success with REV-UP

2. Tax Climate
 - a. MT Tax Incentive Summary and Webinar

Workforce Summit

Julie Walker, Project Coordinator discussed the upcoming Workforce Summit scheduled for October 11 & 12, 2015 at the MSU Campus in Bozeman. As part of the summit, DLI will be distributing a template to all KIN members for gauging workforce needs. A second survey will be sent to KIN members asking their input and ideas for the Workforce Summit.

KIN Action Items regarding Workforce

1. Workforce “needs” template from DLI
2. Survey on Workforce Summit content
3. REV UP, Pathways, and Dual Credit information from Mathew Springer/MUS
4. Potential 2017 Legislation
5. Profile Apprenticeship / Internships successes – e.g. SeaCast

John Rogers stated Montana dual-enrollment expansion has exposed students at a younger age looking at career development. In the past, existing outreach waited until it was too late to get students involved. As an example, the College of Great Falls has dual enrollment with high schools and twelve (12) students have completed the coursework prior to their actual graduation. The students are working after hours to get the training and are doing it without student loans. The Department of Labor & Industry (DLI) and the Montana University System (MUS) are working on alignment issues and employee recruitment programs. Dr. Kirk Lacy has been hired to coordinate efforts between DLI and MUS. It was decided the KIN would conduct a follow-up call on career issues and dual enrollment (including John Rogers/Paddy Fleming) with possible recommendations from this KIN. Information on the Rev-UP, Dual Enrollment, and the Pathways programs will also be distributed.

KIN Action Items regarding Career awareness – Manufacturing jobs / opportunities as entrepreneurs

- Dual enrollment (presentation)
- Pathways (presentation)
- “Come back to Montana” recruitment – Governor’s Office of Economic Development (GOED)
- Programs for entrepreneurs
- Management/leadership training

KIN timeline for work

The KIN is working on completing activities and providing Governor Recommendations by December 2015. At the next meeting the KIN will discuss if there is post December 2015 work the KIN will work on – possibly with the manufacturing council and the Montana Chamber. At the next meeting, the KIN will also discuss bills to draft or support for the 2017 Legislative Session

The following was discussed as a timeline for getting legislation prepared:

June 2015 – start discussion



Summer 2016 – “working” model



Fall 2016 –Final bill draft

KIN Action Items regarding Tax Policy/Business Incentives

Tax Incentives – Webinar and Handout complete

Remaining items

- Scenario of siting a manufacturing plant in other states – tax impacts
- Communication of ideas to other KINS, manufacturers not in KIN
- Non-tax incentives webinar
- Disincentives of MT relative to other areas – e.g. Worker’s comp, capital gains

Other Tax Incentive Activities

- TEDD work (Department of Commerce)
- Investment credit (new capital assets)
- Business equipment tax
- Best practices of capital investments – California (relative to Montana)

KIN Action Items Business Climate

- Communication of campaign to Come Home Montana
- Input ideas to Commerce management
 - Cross KIN work in conjunction with Commerce/GOED

New Commerce Research Bureau

- Assist with information in targeting and attracting industries
- “Tweaks” to industries competitiveness

Before Next Meeting

Workforce:

- a. Career awareness/issues call
- b. Workforce summit survey
- c. Workforce “needs” template
- d. REV UP, Pathways, and Dual Credit information – state will distribute information on this grant

Business Tax:

- a. Finish tax incentive work (capital gains/regional impacts)
- b. Non-tax incentives webinar

- c. Dis-incentives

Transportation Logistics:

- a. Explore grant to fund portal study (inform other KINs)
- b. Issues summary
- c. Logistics platform design

Wrap Up Recommendations:

- a. Homework

Next Meeting

Workforce:

- a. Presentations Pathways, dual enrollment, REV-UP
- b. Results of career call
- c. Update on Workforce Summit

Tax: Business Incentives

- a. Non-tax incentives discussion
- b. Dis-incentives
- c. Update on Commerce reorganization

Logistics:

- a. Discuss findings on money to fund study; next steps
- b. Issues identified

Wrap-up/Recommendation:

- a. Facilitate consensus from homework results
- b. Final report – creation, format, delivery
- c. Post December 2015
- d. 2017 Legislation

Jim Molloy indicated the KIN process is predicated on a beginning and an end and looks for a recommendation from this KIN in the next few months. If the recommendation is a legislative issue then would need the specifics prior to summer of 2016. It is best to engage the Department of Revenue and Governor's Office as early as possible on proposed legislation. Manufacturing growth is a priority for Governor Bullock. The KIN has discussed a change in personal property tax targeted towards manufacturing as an option.

Molloy also reported that the Transportation KIN is beginning to form and will meet in mid-July 2015. One of the tasks for the Transportation KIN will be looking at how the state might facilitate a transportation portal to assist with transportation coordination and sharing of ideas for the benefit of all business. Beyond networking, there is no formal training on transportation logistics. Interstate commerce is a federal issue and the state can't do much. It was suggested to form a "logistics" sub-committee that could investigate and report back to the KIN members on this issue. Kaiserski suggested working with MMEC and their local development organization (include the Western Transportation Group at MSU) to apply for a Big Sky Trust Fund grant to design a transportation logistics platform and identify needed software.

The meeting ended at 11:55 a.m. A tour of Simms Fishing Products followed lunch.