

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

NATURAL RESOURCES KEY INDUSTRY NETWORK (KIN) MEETING

January 12, 2015

Helena

KIN Members Present

Loren Rose, Co-Chair
Mike Newton
Rick Nelson
Ryan Palma
Nancy Schlepp
Chuck Buus
Paul McKenzie

Todd Myers, Co-Chair
Greg Gannon
David Brown
Paul McKenzie
Jeff Chaffee
David Brown

Public/ Staff

Jim Molloy, Governor's Office
Pam Bucy, Commissioner Montana Department of Labor and Industry
John Rogers, Director Governor's Office of Economic Development
Meg O'Leary, Director Montana Department of Commerce
Mary Craigle, Montana Department of Commerce
Tom Kaiserski, Montana Department of Commerce
Michaela Wolfinger, Montana Department of Commerce
Ray Beck, Deputy Director, Dept. of Natural Resources & Conservation
Todd O'Hare, Cloud Peak Energy
Peggy Trenk, Treasure State Resource Industry Association
Lee Baerlocher, Montana Department of Revenue
Erik Rose, Office of the Commissioner of Higher Education

10AM Introductions and welcome remarks from Co-chairs Todd Myers and Loren Rose and Governor's Policy Advisor Jim Molloy:

Todd provided a word about safety noting that Cloud Peak Energy begins all its meetings this way. His safety message extolled that 2015 had a record low fatality number in the natural resource industry sector.

Jim Molloy provided a thank you to the KIN for its Main Street participation and further discussed the process of the KIN's recommendations to the Governor. Jim then discussed the Governor's initial response to the letter sent to him by the KIN following the November KIN meeting. The Governor will be following-up with a formal written response and Jim provided the following initial comments:

- The Governor announced in Colstrip the formation of the Clean Power Plan (CPP) Advisory Council, an action which the KIN had recommended - the council will begin its work in February.
- The Governor supports litigation from Attorney General Fox's office that is seeking to clarify the CPP as proposed by the EPA.
- Regarding federal coal leasing, the Governor supports regulatory amendments that will achieve a fair return on royalty payments.
- The Governor is urging the US Forest Service to take action on the issue of forest management reform.
- The Governor supports the WGA's efforts to make more timber available and increase enhanced oil recovery from federal lands.

10:20AM Mary Craige provided a Main Street update presentation, available on the Main Street Montana Project website (<http://mainstreetmontanaproject.com/KINs/NaturalResources>).

10:30AM Commissioner Pam Bucy delivered a presentation on workforce statistics and the Montana Department of Labor and Industry workforce development and apprenticeship programs. She noted that Montana continues to have low unemployment numbers compared to the nation. She also described the new, more data driven, position between MT Department of Labor and the Montana University System. Understanding what data is used and needed is necessary to help industry sectors and education work together to create a better workforce. The question she is trying to answer is "How we can marry in demand occupations and make them a priority"?

- Montana Department of Labor and Industry is embarking on developing and tracing high demand occupations and has been working on regional data projects to collect and analyze the information to do so.

Commissioner Bucy continued her presentation focusing on apprenticeships and work-based learning. She stressed that Montana must get training to scale because training is the answer and it's a partnership. An example of this is the new and expanding apprenticeships and training in the healthcare sector. Unlike other states, Montana doesn't have huge industry sectors to drive training so partnerships are essential between industry, the education system, and the job service. Montana Department of Labor and Industry is now focusing on starting an IT networking training program.

Questions and Comments from the audience:

- Todd Myers asked how DLI determines what jobs are needed and when? Pam responded that DLI follows a specific methodology required by the federal Bureau of Labor Statistics that is always ground-checked by OCHI with surveys of industry and conversations such as talking to the KINs.
- When looking at job demands, what kind of jobs? What kind of wage scale are you looking at? Pam responded that when looking at wage data, they prioritize on these jobs and credentials that move wages forward.

- Ryan Palma asked the rhetorical question “when will the NR industry get some promotion from state officials as an industry that pays well and trains well.” Pam responded that the natural resource industry does bring a lot of value to the MT economy, including high paying jobs and high quality industry training for its workforce that does set a good example for others. She noted that the data is clear that companies that create / fund apprenticeships have much higher employee retention rates.
- Nancy Schlepp noted that it is difficult for small communities to keep workers. What can these communities do to keep their workers? Pam noted that DLI is looking at streamlining health curriculums and using more on the job training apprenticeships for existing workers.

11AM Erik Rose with the Commissioner’s Office of Higher Education spoke to the KIN on some of the highlights and roadblocks that higher education in Montana has been facing in regards to working with industry to create the workforce they need. There is a big difference between what has been happening in two year and technical programs versus four year, Masters, and PhD programs. Two year institutions are more directly aligned with industry. Four year programs have not been as responsive and liberal arts programs have seen decreasing enrollment. While overall post-secondary education enrollment is down, workforce training programs have seen an increase. Montana and the U.S. will see some areas of low demand in current higher educational offerings if current trends continue.

- Students are looking more and more at what comes after higher education.
- How can the system incorporate a larger variety of skills, including more technical skills, into 4 year programs? Main opponents of faster changes to educational programs to accommodate industry have come from 4 year institutions.
- Brain drain theory (graduates leaving the state after their education is finished) is not as true as suspected as Montana does lose graduates, but not at an unusually high rate and it acquires some workforce from out-of-state.
- The Office of the Commissioner of High Education is looking at creating more on ramps and off ramps into higher educational programs and using prior learning assessments as a way to earn credits/credentials.

Erik Rose used Montana Tech as an example of how to successfully adjust to industry changes. Overall Tech’s enrollment is up with majors flowing with industry trends; mining and petroleum engineering is currently down while other engineering degrees are up. More of the students coming to Montana from out-of-state enroll in engineering schools. Erik mentioned that lower community college enrollment is not necessarily a bad thing as more openings are available. At this time 66% of two year school students drop out before graduation. In response MUS is putting an emphasis on providing credentials or certificates for whatever level the student has attained. Erik noted that DLI has received \$52 million in federal grants in the last three years – one of the highest per capita in the nation. The Rev Up grant workforce navigator tool for manufacturing /welding has been very successful. Dual credit enrollment programs at high schools are producing many graduates that have a 2 year college degree by the time they graduate high school. Kirk mentioned that Dr. Kirk Lacey was recently hired to coordinate DLI /

MUS workforce training programs and he is currently looking at all programs over the next 5 years for improving programs.

Questions and Comments from the Audience:

- David Brown commented that there is a need to create training programs that will allow workers in the commodities industries to move more easily to other jobs when a particular industry experiences downturns and does not need the workforce.
- Chuck Buus commented that a good way for DLI to survey what types of training is needed is to look at job announcement. Pam noted that and also mentioned that DLI needs industry input on what credentials have meaning to them and what industry credentials they would like to see incorporated into the system.

11:30PM Director Meg O'Leary of The Montana Department of Commerce addressed the KIN, describing what the Department is doing to help market Montana businesses and what the Department can do to assist KIN members. Director O'Leary sees the Department being the example for Montana businesses for marketing and promotion with the goal of creating great prosperity in the communities of Montana.

- Commerce is looking at an Industry by industry strategy for promotion.
- Examples of Commerce Programs:
 - Board of Research and Commercialization
 - Montana Technology Innovation Partnership
 - Wood Products Revolving Loan Fund
 - Voices of Montana Tourism
 - International Trade Bureau, includes trade missions
- Promoting Montana is a balance of the quality of life and developing of our natural resources.
- Montana's natural resources industries conduct best practices and we want to tout that quality work.

Meg closed offering to help the natural resources market the things they do – she cited as an example working with industry setting up tours of hydroelectric dams.

12PM John Rogers gave an update to the KIN on the work coming out of the Governor's Office of Economic Development. They are currently forming the Financial Services KIN and doing background work and information gathering to give the KIN good footing to hit the ground running. Some of the work Rogers will address with the Financial Services KIN will be identifying gaps in the financial services industry as well as giving the Financial Services KIN input from the other KINs.

- The Montana Business Navigator was launched in January 2016 and can be found at <https://business.mt.gov/navigator>
- Governor's Office of Economic Development has a workforce and business recruitment website at <http://choosemontana.com>

12:15PM Lunch

12:45 PM KIN White Board Sessions

The Natural Resources KIN had previously determined 5 breakout groups/topics to work on. The KIN reviewed the groups and their action items.

Breakout Group #1 Education

There is a need to balance quality of life with development of natural resources. The Industry has an opportunity to identify common ground with conservation groups.

Actions

- Opportunity for the KIN to take the lead to have a bigger discussion on industry and its impacts including outreach to environmental groups.
- There is an opportunity to key in on the higher level of sophistication and conservation measures within today's natural resource industry sector, which could help with worker attraction and market the industry in a positive manner. The industry can showcase what it does for Montana and for Montana communities; as well as the sector's place and contribution in the global and Montana economies.
- This industry sector sets the standard worldwide for best practices and the public needs to be made aware. Conduct public relations that we are the top, world class, at everything we do in this sector.
- The KIN and Industry as a whole can show Montana it is good steward of its natural resources, and have a balanced approach.

Breakout Group #2 Regulatory/ State Relations

Kin members pointed out the tax revenues from the sector have a significant impact to Montana and thought the tax treatment of the natural resources relative to other sectors should be reviewed.

Action

- Review the taxes and economic impact to the state and the tax treatment of the natural resource sector

The natural resources industry has an opportunity to discuss, educate, collaborate, and come up a level on the climate change issue. The discussion on natural resources and climate change needs be broadened and include more stakeholders.

Actions

- Use the Clean Power Advisory Council is an avenue for collaboration and a way for the industry to be heard.
- The KIN would like a review of MEPA and be involved in the decision process of possible changes.

- The KIN needs to be part of the conversation in regional discussions affecting the industry including those among Western Governors Association.

Appointments of boards are an issue. The Health and Wellness KIN has had this issue as well and made a recommendation to the Governor to review the process and appointments.

Actions

- Have the KIN make their own recommendation to the Governor to review and be involved in the boards and council appointment process.

Breakout Group #3 Markets

The industry needs to be promoted more. Media problems have been taking up too much time and it is necessary to be proactive and focus on positive promotion.

Actions

- Industry should and can use marketing as part of its recruitment process
- KIN would like to meet with Tourism KIN

Exchange rates and infrastructure are an issue (not a whole lot we can do about it). Can more be done to export and find new markets? Are the natural resource fields utilizing Individualized apprenticeship program?

*What apprenticeship programs are available-get more info to the KIN

Breakout Group #4 Infrastructure/ Innovation

The Natural Resources KIN has the opportunity to lead the way in enhanced oil recovery. The KIN would like to see Montana host a carbon capture sequestration project as well as generate more secondary manufacturing.

Actions

- The KIN can work to identify funding and methods that have been successful to increase infrastructure and innovation.
- The KIN and industry can partner with higher education systems to foster innovation.
- The Natural Resources KIN can interact and collaborate with the Transportation KIN for better efficiencies /cost saving in transporting.
- The KIN can make sure have representation on innovation boards.
- Need to work to develop in-state supply chains

Breakout Group #5 Raw Materials

The natural resources industry needs more access to timber. The KIN would like a continuation of what the governor has been doing.

Actions

- KIN can write letters to elected officials to encourage them to support the industry in gaining more access to raw materials.

- Need to address federal land leasing issues.
- There are opportunities with Federal Farm bill funding.

*Ask commerce for map on raw materials/ what is the work outlook?

1:45 Next Steps

- Schedule next and final meeting for recommendations
- Write up final report
- Co-chairs will present the final recommendations to Governor
- Governor's office will take recommendations and send them out to the agencies for feasibility, policy and budget implications.

Actions before next meeting:

- Have more info on the proposed infrastructure authority
- Have info on apprenticeships available to this natural resource sector companies
- Have Commerce provide map on raw materials
- Create a recommendation outline
- Schedule interact opportunity with the Tourism KIN

2PM Adjourn