

A G E N D A

Interim Committee on Rural Economic Development Issues

Wednesday, August 31, 2005

9:00 a.m.

University of Northern Colorado
University Center in the Panorama Room
2045 10th Avenue, (970-351-2007)
Greeley, Colorado

SUMMARY FOLLOWS AGENDA

- 9:00 a.m. – Call to Order, and Opening Comments
- Representative Mary Hodge, Chair
- 9:15 a.m. – Rural Economic Incentives In Other States
- Doug Farquhar, NCSL
- 9:45 a.m. – Ethanol Production In Colorado and Federal Energy Legislation
- Patty Stulp, Ethanol Management Company
- 10:15 a.m. – Corn and Ethanol Production Issues
- John Cevette, Colorado Corngrowers Association
 - Trent Bushner, Colorado Corngrowers Association
- 10:45 p.m. – Break**
- 11:00 a.m. – Economic and Rural Health Care Issues
- Kay Norton, President of the University of Northern Colorado
 - Dr. Robbyn Wacker, University of Northern Colorado
- 11:30 a.m. – Rural Health Care and Employee Retention Issues
- Bob Wilson, Columbine Healthcare Systems
 - Sue Carparelli, Colorado Center for Nursing Excellence
- 12:00 p.m. – Lunch** - President Kay Norton, University of Northern Colorado
- 1:30 p.m. – Economic Development in Northeast Colorado
- Lucille Mantelli, Eastman Kodak
- 2:00 p.m. – Rural Economies in Northeast Colorado
- Jon Becker, Morgan County Economic Development Corporation
- 2:30 p.m. – Economic Development in Northeast Colorado
- Sandra Solin, Northern Colorado Legislative Alliance

3:00 p.m. – Public Testimony

3:30 p.m. – Committee Discussion on Legislation
• Representative Mary Hodge, Chair

4:00 p.m. – Adjourn

Final
STAFF SUMMARY OF MEETING

RURAL ISSUES

Date: 08/31/2005

ATTENDANCE

Time: **09:17 AM to 04:15 PM**

Entz X
Fitz-Gerald X

Place: University of Northern
Colorado, University Center
in the Panorama Room

Gallegos E

This Meeting was called to order by
Representative Hodge

Gardner *

Kester E

Klein E

McKinley E

This Report was prepared by
Ron Kirk

Rose E

Shaffer *

Whitefeather E

Isgar E

Hodge X

X = Present, E = Excused, A = Absent, * = Present after roll call

09:17 AM -- Call To Order

Representative Hodge, Chair, called the meeting to order and welcomed the public to the event. Representative Hodge explained that the committee was created by HJR 05-1055 to consider economic issues facing rural Colorado such as economic development, retention of employees, and access to technology. The committee members introduced themselves and commented on the committee's previous meetings. Staff present were Natalie Mullis and Ron Kirk, Legislative Council Staff, and Karen Epps, Office of Legislative Legal Services.

09:22 AM -- Presentation by NCSL

Mr. Doug Farquhar, National Conference of State Legislators, distributed a presentation handout (Attachment A), a NCSL publication entitled "Meeting the Challenges of Rural America, A Report from the Rural

Development Task Force" (Attachment B), and a NCSL Legislbrief entitled "Rural Development Legislation" (Attachment C).

Mr. Farquhar began his presentation by discussing the changing public policies that affect rural economic growth. For example, globalization creates a new imperative for the rural economy because rural communities have held that they can produce products more cheaply than urban producers. Globalization is changing this economic principle for rural America because other countries are producing, exporting, and selling these products at a lower, more competitive cost.

Mr. Farquhar continued to discuss factors that affect rural economies. Rural areas are losing citizens as they move from rural communities to population centers for better jobs, to attend colleges, or gain access to services that are not readily available in rural communities.

Mr. Farquhar commented that from a legislative perspective, in many states, urban lawmakers made most of the policy decisions that affect rural communities because there are more urban than rural legislators. Some states are creating rural caucuses to help equalize the urban/rural decision-making balance to allow more participation by rural lawmakers. As an example, Maryland's rural legislative caucuses are looking at some statewide health care policy changes that would force large businesses with over 8,000 employees to provide health care to employees. The reasoning is that if the employer does not provide health care coverage, the cost of health care is shifted to the state in terms of enlarging Medicaid patient loads. Mr. Farquhar commented on several other states that are looking at similar legislation and commented that ensuring adequate health care in rural communities is vital for economic growth.

Mr. Farquhar discussed incentives that other states are providing to stimulate rural regional economies. Some states are providing tax credits for rural "micro" businesses, or establishing programs that provide capital to businesses in terms of revolving loan or grant programs. Some states not only focus on incentives for agriculture, but also look at providing incentives for the forest, hunting, and natural resources industries.

The committee briefly discussed water issues that are unique to Colorado and affect rural economic development. Mr. Farquhar commented that water is an issue that impacts rural economic development in many states.

Mr. Farquhar discussed other factors that affect rural economies such as fuel prices or, as in Colorado, high housing prices. High fuel prices affect production and supply prices and high housing prices affect where workers live relative to where they work.

The committee and Mr. Farquhar closed the discussion by talking about a number of incentives that Colorado offers rural businesses and whether other states have similar incentives.

10:03 AM -- Presentation by the Ethanol Management Company

Ms. Patti Stulp, Ethanol Management Company, began by discussing the petroleum market and the role that corn can play in ethanol gasoline blends. Ms. Stulp commented the ethanol industry is changing and distributed a packet of materials on the industry (Attachment D). Ms. Stulp commented on ethanol production in the United States and Colorado. Currently, there are 91 operating ethanol plants and 18 plants under construction in the United States that produce nearly 4 billion gallons annually. In Colorado, there are plants proposed in Evans, Windsor, and Yuma. If these plants are built and are online, nearly 200 million gallons of ethanol will be produced annually. Ms. Stulp mentioned that ethanol plants are being constructed in many other states.

Ms. Stulp briefly discussed the commodity prices for corn and commented on the federal tax credit for ethanol that is making blended gasolines with ethanol more competitive.

Ms. Stulp and the committee discussed some of the incentives that other states provide for ethanol producers.

The committee discussed the potential for ethanol blends to reduce the pump price of gasoline in Colorado.

Ms. Stulp briefly discussed the federal energy bill for 2005 and commented on the federal producers credit under Section 45 of the Internal Revenue Code. She briefly explained the federal producers credit that applies to biodiesel and ethanol producers. The committee questioned whether most vehicles produced by U.S. auto-manufacturers can use an E-15 ethanol-gasoline blend. Ms. Stulp responded saying General Motors gave 40 states an E-85 vehicle to make the point that vehicles that can use the E-15 blend are available to the consumer.

Ms. Stulp discussed the 1970s "Nickel Bill" that reduced the per gallon tax rate for gasoline by 5 cents when mixed with ethanol and commented on the history of ethanol legislation in Colorado. Ms. Stulp closed by commenting on the advantages of using ethanol-blended gasoline in Colorado. Generally, ethanol-blended gas burns more cleanly, is more efficient, and results in less air pollution for Denver.

11:03 AM -- Break

11:17 AM -- Presentation by The Colorado Cornrowers Association

Mr. Trent Bushner, Colorado Cornrowers Association, commented on the availability of ethanol-blended gasoline in Colorado and distributed a handout on his testimony (Attachment E), and a fuel-guide for E-85 vehicles (Attachment F). Currently in Yuma, one service station offers a \$2.70 regular gas blend and a E-85 ethanol blend. Mr. Bushner noted that 30 U.S. vehicle models run on an E-85 blend. The ethanol industry has been built by corn producers and can make the United States less dependent on foreign oil.

Mr. Bushner commented on a proposed \$40 million ethanol plant in Northeast Colorado and the related economic benefits. Once in production, the plant would result in a \$100 million gain in spending for local governments in the region. In one new plant, about 40 new jobs would be created which pay at around \$45 per hour. About 600 indirect or secondary jobs would be created in the regional economy and about \$1.2 million in new tax revenues would be added to local government coffers.

Mr. Bushner commented that the cornrowers need alternatives to allow their corn-growing operations to remain viable. Value-added production is the key to offsetting low market prices for corn. Mr. Bushner briefly discussed incentives that other states provide for value-added products. In Minnesota, loan guarantees were used to fund the construction of an ethanol plant. The plant is privately-owned by investors.

Mr. Bushner closed by saying that the purchase of Colorado corn is important to rural economies in the state. We are asking the General Assembly to partner with Colorado cornrowers to provide loan guarantees to farmers so that they can participate in the ethanol industry.

The committee discussed legislation that would provide for a statewide mandate that an ethanol-blend gasoline be offered in filling stations where the blend is available. Also, the committee discussed potential legislation that would create a loan guarantee fund program for the construction of ethanol plants.

11:50 AM -- Presentation by The University of Northern Colorado

Ms. Kay Norton, President of the University of Northern Colorado, distributed a handout on Colorado's nursing shortage and commented on a number of "choke points" in the nursing supply line. One concern is that there is a significant shortage of Masters and PhD faculty to teach nursing courses at the university level. Ms. Norton commented that the university is turning away hundreds of students because the school does not have the instructors to teach the classes.

To address the instructor-shortage, the university has developed an online PhD Program in nursing education. The advantage of the online program is that it does not pull nurses away from their positions at other facilities. They can continue their teaching while contributing to the economy or rural areas of Colorado.

Ms. Norton commented that another concern is the access to health care in rural environments. Technology is one of the key factors that can improve access to health care. The third choke point is clinical placement. The University of Northern Colorado is working with the Center for Nursing Excellence to promote more opportunities for clinical placement.

Ms. Norton commented on the low salaries that nurse educators receive when compared to practicing RNs. Ms. Norton pointed out that over time, nursing educators salaries are adjusting to market forces so they are slowly increasing.

Ms. Norton said that in regard to funding, the school has two revenue streams: tuition and state funding. During the last three years, the college has become more reliant on tuition. Ms. Norton closed by commenting on the concerns surrounding tuition and dwindling state funding for higher education.

12:10 PM

Dr. Robbyn Wacker, University of Northern Colorado, briefly commented that the university is trying to stay on top of the nursing shortage issues and needs of the profession. Dr. Wacker reiterated that lagging nursing instructor salaries in Colorado are an issue and closed by talking about the role of nurses in rural regions.

The committee briefly discussed the nursing instructor shortage and the concern about competitive wages.

12:30 PM -- Lunch by the University of Northern Colorado

01:28 PM -- Presentation by Columbine Health Systems

Mr. Bob Wilson, Columbine Health Systems (long-term care center), distributed a handout on his facility (Attachment G). Mr. Wilson mentioned that he has been in the long-term profession for over 35 years and commented to the challenges the industry faces. One of the significant concerns for the long-term health industry is the nursing shortage and the struggle to hire and retain nurses. In California the shortage was estimated at 140,000 and the state tried to mandate that more patients be cared for by fewer nurses. The mandate has since been rescinded.

To address the nursing shortage, Mr. Wilson commented that private enterprises are available to partner with nursing educators to help train more nurses. As an example, in one of Mr. Wilson's facilities, there is a training center and computer lab to assist nurses in training exercises.

Mr. Wilson mentioned that the wave of the future is electronic medical records. This technology will save nurses a lot of time as they will no longer have to manually chart patient medical records. He mentioned that Mr. Newt Gingrich and Ms. Hillary Clinton are engaged in a partnership effort to push nationwide electronic medical records. Mr. Wilson closed by commenting on nursing concerns such as RN salaries and clinical placement issues.

02:08 PM -- Presentation by The Colorado Center for Nursing Excellence

Ms. Sue Carparelli, Colorado Center for Nursing Excellence, distributed a packet of materials on the Center

for Nursing Excellence (Attachment H). Ms. Carparelli also distributed a handout on the nursing shortage (Attachment I). She began by discussing the number of Coloradans that work in the health care industry and noted that 25 percent are RNs. Health care will create more jobs than any other industry in Colorado. Ms. Carparelli said that over 7,300 jobs will be unfilled each year in the next decade because of the health care worker shortage. These shortages affect the quality and access of health care in rural communities. Ms. Carparelli continued to discuss the health care worker shortage and mentioned a number of statistics that work to increase the shortage.

Ms. Carparelli pointed out that the demand for health care is increasing because of an aging population. When looking at the makeup of the nurse population, the average age is 47 and only 7 percent of all nurses are under the age of 30. All of these factors will only work to make the shortage more severe in the future.

Ms. Carparelli commented that any solutions to the nursing or clinical education shortages must be long-term and specific to each community. Many of these changes will need to be innovative. Policies must ensure that more educational opportunities become more accessible for nurses in all communities.

The committee briefly discussed the paperwork that bogs down nurses by increasing their workloads. The discussion closed with committee comments on the use of electronic medical records and the nursing shortage.

02:15 PM -- Presentation by Eastman Kodak

Ms. Lucille Mantelli, Eastman Kodak, commented on the economic impact of the Eastman Kodak facility on the Windsor community. Eastman Kodak established a facility in Colorado because of its sales west of the Mississippi. Colorado had the land, water, major airport facility, a good transportation infrastructure, a very good higher education and K-12 system, and great government cooperation. Because of changing industry trends toward digital photography, the Windsor facility has closed one of its ten buildings and has less acreage that it initially did when it located in Colorado. Ms. Mantelli commented that Kodak's annual payroll with benefits exceeds \$100 million. For every position that Kodak offers, an additional 25 jobs are indirectly created.

Ms. Mantelli briefly commented on the investment the company made in Colorado and the \$4 million in annual taxes that the company pays to state and local governments. Local tax incentives were beneficial to Kodak in expanding the facilities. For example, Weld County continues to have business incentive agreements with Kodak. However, the state no longer participates.

Ms. Mantelli said the challenges the company faces are to reduce costs to remain competitive especially in the administrative area. Continued reductions have been necessary as consumers convert to digital technology and become less reliant on film. Nationwide, this trend has resulted in five plants closing over the past five years.

Ms. Mantelli mentioned that in order to continue to cut costs and remain competitive, the state needs to find a solution to phasing out the business personal property tax. Ms. Mantelli closed by discussing the burden the tax places on the Eastman Kodak company. The tax places an unfair burden on capital-intensive facilities like Kodak. Ms. Mantelli encouraged the General Assembly to incorporate "dynamic modeling" into the fiscal note process. Dynamic modeling would show the long-term secondary and indirect benefits from the phase out of the business personal property tax. These benefits would offset and exceed the initial cost to the state and local governments of the phase out of the business personal property tax.

The committee briefly discussed the business personal property tax and how it compared to similar taxes in other states. Senator Shaffer commented on the need for legislation that would phase out the business personal property tax on a regional basis and use property or sales tax base sharing to offset the cost to state and local governments.

02:35 PM -- Presentation by The Morgan County Economic Development Corporation

Mr. Jon Becker, Morgan County Economic Development Corporation, commented on economic development policies in Northeast Colorado. The economy in Northeast Colorado is very dependent upon agricultural-based businesses. One concern is that when the region looks at incentives that may lure manufacturing businesses to the region, water becomes a problem. Of 30 businesses that would have relocated to Northeast regions of Colorado, 26 were unable to do so because sufficient water was not available. The businesses that did not locate in Colorado because of the water issue would have added an additional 1,600 jobs to the region.

Mr. Becker commented that ethanol is a niche that meets the needs of Northeast Colorado but water is still needed for ethanol production. Farmers are organizing their efforts but realize that water is the most valuable resource there is to the agricultural community.

The committee briefly discussed the general infrastructure of Northeast Colorado and the average wage that migrant workers earn. The committee discussed re-using water as it floats down the waterways.

Mr. Becker closed by informing the committee of the widespread use of meth in rural communities and the impact the usage has on lowering property values in Northeast Colorado.

02:57 PM -- Presentation by the Northern Colorado Legislative Alliance

Ms. Sandra Solin, Northern Colorado Legislative Alliance, distributed a packet of materials on the alliance (Attachment J). Ms. Solin commented on Northeastern Colorado's economy and talked about the 2,100 jobs that were lost from 2001 through 2003. Ms. Solin commented on the regional bankruptcy rate and importance of transportation funding. Ms. Solin pointed out that in regard to transportation funding, Larimer and Weld Counties are proposing to form a rural transportation district.

Ms. Solin continued to discuss the importance of water issues to rural economies in Northeastern Colorado and commented on the value that water conservation districts bring to rural regions of Colorado.

Ms. Solin commented that there are few incentives local communities can use to lure businesses to Colorado. Enterprise zone benefits are some of the few state incentives that attract businesses to the state. Ms. Solin talked about the concerns that state and local government officials have about enterprise zone programs. But clearly, these programs work and are the only state incentives available for businesses in some regions of the state. Ms. Solin commented on the value of keeping the program.

Ms. Solin commented on the business personal property tax, saying that it is an anti-jobs policy and Colorado is one of a few states that has a tax on personal property. She said that the alliance did a \$15,000 study that looked at the elimination of the business personal property tax. She said that a conclusion that its elimination would more than pay for itself in the long-run was confounded by the Gallagher Amendment. She noted that the alliance believes that a targeted approach for business personal property tax relief is appropriate, and that the alliance thought that the solutions proposed in House Bills 05-1049, 05-1253, and 05-1154 were supported by the alliance.

03:24 PM -- Public Testimony

Mr. Sean Conway, Chief-of-Staff, U.S. Senator Wayne Allard, commented that Senator Allard has opposed new unfunded state mandates and has worked hard on the highway and energy legislation that will do a lot for the state of Colorado.

The committee and Mr. Conway briefly discussed the federal tracking-system for Canadian beef and the cross-boarder U.S-Canadian issues that relate to the beef industry.

Representative Gardner closed the discussion by asking Mr. Conway whether Senator Allard would host a rural government summit in Colorado. Mr. Conway said that he would.

03:45 PM -- Public Testimony

Mr. John Wolf, Rocky Mountain Farmers Union, commented on the importance of renewable energy to rural economies in eastern Colorado. Mr. Wolf also commented on the concerns farmers and others are having with irrigation ditches and the lack of water for agricultural uses. Many farmers are selling off their water to land developers because the money helps them maintain their farming operations. Mr. Wolf closed by pointing out the health-related concerns that stem from dead animal carcasses being dumped at landfills which would have gone to rendering facilities if the facilities were still operating.

03:56 PM -- Public Testimony

Mr. Mack McGraw, a staff member of Senator Ken Salazar, commented that the Senator has been following the committee's activities and offered informational assistance that the committee may need in the future.

04:03 PM -- Committee Discussion on Legislation

Representative Hodge, Chair, asked the committee members to discuss bill requests. Senator Entz commented on a bill request that would require a 10 percent ethanol-blend of gasoline be made available statewide during the entire year. The requirement would apply if the blend is available. The legislation should also add a requirement for B10 biodiesel wherever diesel is sold in the state.

Senator Shaffer commented on the need for a bill that would allow for the re-use of gray-water rather than letting this water run down stream.

Representative Hodge commented on the need for legislation that would provide loan guarantees for value-added production. Representative Hodge asked what is involved financially in guaranteeing loans for ethanol production plants. Representative Gardner asked whether the cost of a program could be estimated before the committee finalize such a measure.

Senator Fitz-Gerald closed the discussion by commenting on legislation that would provide a producer's credit for biodiesel.

04:15 PM

Adjourn.