



Economic Affairs Interim Committee

60th Montana Legislature

SENATE MEMBERS

KEN HANSEN--Vice Chair
ROY BROWN
FRANK SMITH
DONALD STEINBEISSER

HOUSE MEMBERS

SCOTT MENDENHALL--Chair
MIKE MILBURN
MICHELE REINHART
BILL THOMAS

COMMITTEE STAFF

ANDREW GEIGER, Lead Staff
BART CAMPBELL, Staff Attorney
DAWN FIELD, Secretary

MINUTES

Thursday, September 20, 2007
Room 335

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.**

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

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COMMITTEE MEMBERS PRESENT

REP. SCOTT MENDENHALL, Chair
REP. MIKE MILBURN
REP. MICHELE REINHART
REP. BILL THOMAS

SEN. KEN HANSEN, Vice Chair
SEN. ROY BROWN
SEN. DONALD STEINBEISSER

COMMITTEE MEMBERS EXCUSED

SEN. FRANK SMITH

STAFF PRESENT

ANDREW GEIGER, Lead Staff
PAT MURDO, Research Analyst for HJR 48 and SJR 13, LSD
CJ JOHNSON, Secretary

Agenda & Visitor's List

Agenda, Attachment #1.
Visitor's list, Attachment #2.

COMMITTEE ACTION:

Teleconference call:

Discussion of the Work Plan for the 2007-2008 biennium:

- HJR 28 - a study of business infrastructure in Montana as it relates to economic development initiatives,
- HJR 39 - a study on the economic benefits of pursuing commercialization projects with existing research units within the Montana University System (MUS),
- HJR 48 - a study of health insurance reform and publicly funded health care programs; and
- SJR 13 - a study to evaluate methods and recommend ways to add value to Montana agricultural products through redevelopment of a food processing industry.
- The committee voted and approved the Work Plan for use at future meetings.

CALL TO ORDER AND ROLL CALL:

00:00:02 SEN. HANSEN called the teleconference meeting of the Economic Affairs Interim Committee (EAIC) to order at 12:00 p.m.

SEN. HANSEN welcomed the committee members via the teleconference and asked them to identify themselves. The secretary noted the roll, SEN. SMITH was excused (Attachment #3).

SEN. Hansen asked the visitors and staff to identify themselves, and thanked them for attending the informational meeting. The visitors in attendance are:

00:00:18 Frank Cote, America's Health Insurance Plans

00:00:23 Riley Johnson, National Federation of Independent Business (NFIB)

00:00:28 Pat Melby, Montana Medical Association (MMA)

00:00:39 Margaret Morgan, Alltel Communications and Montana Information Technology Association (MITA)

00:00:24 Erin McGowan-Fincham, State Auditor's Office

00:00:45 Pat Murdo, Legislative Services Division, Research Analyst

00:00:57 Andrew Geiger, Lead Staff, Legislative Services Division

00:01:05 REP. SCOTT MENDENHALL, Chairman, joined the teleconference from a cafe on the Oregon coast.

00:02:45 CHAIRMAN MENDENHALL announced that today's meeting is to discuss and approve the committee's work study during the interim.

00:03:01 REP. MICHELE REINHART joined the teleconference.

00:03:10 CHAIRMAN MENDENHALL asked Andrew Geiger, Lead Staff, to guide the committee members through the Work Plan.

Discussion of the Work Plan for the 2007-2008 biennium:

00:03:16 Andrew Geiger, LSD, commented that the committee has the benefit of former members returning to the interim committee who will bring a lot of knowledge with them. Mr. Geiger distributed and explained the Work Study Plan.

Exhibit 1

Mr. Geiger said there are four areas of study that have been assigned to this committee. He will go through each study individually, and then the committee members can ask questions. He stated that it is his sense of the committee members to vote on each study separately, and the members agreed. The four areas of study are:

- HJR 28 - a study of business infrastructure in Montana as it relates to economic development initiatives,
- HJR 39 - a study on the economic benefits of pursuing commercialization projects with existing research units within the Montana University System,
- HJR 48 - a study of health insurance reform and publicly funded health care programs; and
- SJR 13 - a study to evaluate methods and recommend ways to add value to Montana agricultural products through redevelopment of a food processing industry.

HJR 28 Study of State Business Infrastructure:

00:04:08. Mr. Geiger directed the members to page 5 of the Work Plan (see Exhibit 1), and stated that HJR 28 is a resolution to study business infrastructure. He said that it is the staff's recommendation that a white paper study be done. He said an economic development discussion will be done in subsequent meetings to

show how Montana compares with other states, and to examine the advantages and disadvantages about doing business in a large state.

- 00:05:12 Mr. Geiger commented that at the first EAIC meeting, he had recommended that rather than just be fully staffed with white paper, that the Committee conduct a survey of businesses to get their input. In public testimony, the Chamber of Commerce stated they would like to partner with the committee, because they have a system in place that would be of no cost to the committee, and it would be a big return on businesses throughout the state on what their needs would be. Mr. Geiger said he has been meeting with the Chamber of Commerce, and he will assist them with the survey.
- 00:05:35 REP. MENDENHALL asked the members if they had any questions on HJR 28. There was no response from the members.
- 00:05:54 CHAIRMAN MENDENHALL asked Mr. Geiger if the Chamber of Commerce will be surveying only the Chamber's members? Mr. Geiger said that a lot of businesses are not affiliated with the local Chamber of Commerce. He said the survey needs diversity, and that businesses on both sides will participate. The Chamber of Commerce will start with their members first, then they will expand to the non-affiliated businesses as needed to finish the project.
- 00:07:14 CHAIRMAN MENDENHALL commented that the Chamber of Commerce is a great organization and represents a lot of businesses. He felt they are not the accurate cross section of all businesses in Montana. He said the Committee needs to make sure when discussing this issue they include all representation, and the Chamber of Commerce has also expressed this same sentiment.
- 00:07:51 SEN. BROWN asked Riley Johnson, NFIB, if businesses like his that are not connected with the Chamber of Commerce, if they could organize other businesses like the NFIB, to participate in the survey. Mr. Johnson replied that he is willing to get together with Mr. Geiger to determine how this will fit with the NFIB membership, and how to access the NFIB membership.
- 00:09:16 CHAIRMAN MENDENHALL asked the committee members if they had any comments. There was no comment.
- 00:09:26 CHAIRMAN MENDENHALL informed the committee members that they can do a blanket approval of the Work Plan after they take comments from the public that is present. Mr. Geiger reiterated that after all four Work Plans are discussed the committee will do one blanket vote to approve all four studies.

HJR 39 Economic Development through University Research:

- 00:10:26 Mr. Geiger opened on HJR 39, page 6 (see Exhibit 1), stating this resolution will be a larger scope of study for the committee, because more stakeholders are involved. He said this study begins at the University level, but will branch out onto the business level. He informed the committee that HJR 39 was introduced by Rep. Erickson, who worked closely with Professor Walter Hill, Ph.D., of the

Division of Biological Sciences at the University of Montana (U of M) in Missoula. Professor Hill is very interested in partnering with the Committee on this resolution.

00:10:55

Mr. Geiger said this research will provide information on commercialization and employment for high tech businesses with a low environmental impact and an immediate market potential. The U of M and Montana State University (MSU) campuses will not preclude other campuses. This plan envisions two tracts:

- 1). **Public Hearings**, that will be conducted by university officials; and
- 2). **Staff Research**, to study the resolution which specifically states that the Montana University System (MUS) is not as competitive as universities in other states. He said that some of the preliminary information shows that a University professor involved in large scale research usually funds the operation with grant money to hire graduate students and purchase equipment. He said in some cases the universities even pay portions of the faculty salaries. Universities provide the basic infrastructure for large scale operations. The study resolution states that the MUS is not as competitive as elsewhere, but Mr. Geiger felt there is a way to track some of those numbers. He said that the members who were present at the organizational meeting saw that the MUS has done an excellent job of looking at the economic impact when looking at out-of-state dollars at each campus and throughout the entire system statewide . He said this study will be more specific to numbers and reflect the status of research facilities versus other state universities that would be comparable to Montana. It will be more difficult for the committee members to determine those numbers, but they will need to make the effort. Mr. Geiger said the committee will need to hear from the university officials and the administration, and also the front line research people in the MUS. With Rep. Erickson's economic background, and Professor Hill's knowledge, they will be excellent resources to the committee in developing a list. In addition, there will be a number of economic development officials over which the committee has oversight, and will seek out local economic development personnel, and out-of-state officials who are able to speak to this type of research.

00:14:26

REP. MENDENHALL asked the committee members if they had any questions. There was none.

00:14:31

REP. REINHART asked Mr. Geiger if the committee has determined where and when to have hearings outside of Helena, and what will be the times. Mr. Geiger replied that he has followed the Work Plan from the 2005 interim committee, and has set tentative dates taken from that schedule. He said that one of the committee dates will be held in one of the large university towns, but they can also be held at other locations so there will be a strong balance. The committee can decide at each meeting where to hold the next meeting based on what the agenda will be.

- 00:16:05 Mr. Geiger discussed the Work Plan for the schedule on page 2 (see Exhibit 1). He said that at a later time the committee may have access to some of the numbers needed, and the committee can make some preliminary announcements to generate public discussion.
- 00:17:02 CHAIRMAN MENDENHALL said that he had participated on a committee back east where universities worked together on commercializing research on an equity stake on some of the ventures, and he asked if this study will touch on this same type of research or will the committee's research be smaller than that. Mr. Geiger replied that the type of research the committee needs to be involved in will probably be about the same. He said that the public hearings will allow committee members to hear from the stakeholders. On the staff side, they can begin doing some research separate from the meetings to obtain some of the numbers. Mr. Geiger thought that Duke University in North Carolina was involved, and another state that has been involved in the resolution in a previous legislation was the University of Colorado. The Boulder Campus is an example of a good place to live with highly skilled residents, because University staff are able to demand high salaries. He said that Montana has MonTEC, which is doing research that is still in the incubator.
- 00:20:17 CHAIRMAN MENDENHALL asked Mr. Geiger who will be taking the lead on the university standpoint of these meetings. Mr. Geiger said that the office of the Commissioner of Higher Education is in strong support of the study and the committee's work, and have offered their assistance. He has spoken with Tyler Trevor, head of the Research, Technology, and Communication Office (RTCO), at the MUS, who is gathering material and doing research as part of the office mission statement and will share this information with the committee. The RTCO will also assist the committee in navigating the university structure, making sure that the staff side will continue briefing the administration.

HJR 48 Reforming Health Care Financing:

- 00:23:02 Pat Murdo, LSD, presented HJR 48. She explained that HJR 48 has 12 study areas. Part of the study is on the Massachusetts Health Care Reform, which took three years to put together, and she informed this committee they have 10 to 11 months to come up with a finished product. Ms. Murdo discussed Expanding Coverage that includes: 1) private health insurance; 2) expanded public programs; and 3) direct care. She informed the committee that the first two programs are part of the Massachusetts study. The direct care study was an issue that was brought before the Legislature from the Heritage Foundation regarding the Indian Health Clinics and Indian Health Centers and how they could be incorporated into this study. She talked about health care cost contributors that involve: a) technology, b) uncompensated costs, c) cost of educating providers who have to pay off their school loans; d) the cost of malpractice insurance; and e) in Montana, limited competition. She distributed a handout on Medicaid and Medicare and discussed how the costs are shifting to various payers. She talked about competition and market approaches, and what is needed for a health care market: 1) an informed public, 2) competition among providers, and 3) competition among insurers. **Exhibit 2**

Ms. Murdo discussed access and delivery of health care informing the committee that this is also a part of the SJR 15 study. She said there are many competitors emerging, such as: hospitals that own physician clinics and physicians in independent practice, which is a part of the old style model. She said the newer models include a lot of physician clinics with hospitals as employers, and the adjunct services, which can affect the cost of health care. If there is competition the insurance companies can lower the costs or it can adversely increase the costs, because everyone is buying technology, which means that patients are referred to other resources in order to use that technology.

- 00:27:45 Ms. Murdo talked about the cost transparency, and how other states are using this for people who are searching to have operations or some type of medical procedure to determine which place is the least expensive. She stated that the committee may be interested in looking at this as a statute.
- 00:29:48 Ms. Murdo discussed portability reflected in the Massachusetts Health Insurance Exchange. She said that Montana has a portability plan as represented by the Montana Contractor's Association Trust. This allows the members to carry their insurance through that Trust as long as they are a member no matter who they are working for. She said there are some issues at the federal level. One of those is the effort for associations to sell insurance across borders, which Congress would have to approve.
- 00:30:19 Ms. Murdo informed the Committee that there are personal responsibility proposals for the State Employee Health Plan, which doesn't require legislation for quitting smoking and lowering cholesterol for example, and could be used to lower an insurance premium.
- Ms. Murdo discussed provider availability, health plans, access shortfalls, and poverty issues. She asked the committee if they want to cover all of these issues or just parts of them.
- 00:33:01 SEN. BROWN had to leave the teleconference, and informed the chairman that he is leaving his proxy with SEN. STEINBEISSER. (see Attachment #5)
- 00:33:20 SEN. HANSEN asked Ms. Murdo how many of the topics that were presented will be overlapped. He stated that the first four topics are very important. Ms. Murdo replied that on the diagram she had previously mailed out to the members, that study area (1) incorporates study areas (2), (3), (4), and (8). She said that the committee can look at the Massachusetts Plan, and how other states are preceding with coverage. The Massachusetts Plan has expanded the Medicaid and CHIP programs.
- 00:34:55 Ms. Murdo talked about study areas 11 and 12 being outside the bounds of the health care financing study. These issues are workforce planning and medical educational funding. She said that study area 9 is about costs and not expanding coverage. Study area 5 is part of the Massachusetts Plan to mandate, and could also be incorporated into study area 1. She said that study

area 7, public employee program involves the Department of Administration. She reiterated if study area 1 is researched in depth, that it would include study areas 2 through 10.

00:40:07 SEN. HANSEN asked if it is correct that study areas 11 and 12 are the areas that don't fit. Ms. Murdo replied yes.

00:40:44 CHAIRMAN MENDENHALL asked the committee if they can give Ms. Murdo some direction. REP. REINHART responded that she would like to have legislation advanced to address important health care issues.

00:43:08 REP. MILBURN addressed his concerns stating that he didn't feel the committee will be able to do a thorough job of these issues before the next session. He added that he met with Governor Romney of Massachusetts, who developed the Massachusetts Plan, stated the Massachusetts plan was changed several times through the three years. REP. MILBURN stated the issue is important, because every state is different, but he felt the committee could look at Massachusetts' original plan to see what was changed, and what would be more of a benefit.

00:44:38 CHAIRMAN MENDENHALL commented if the committee can give general direction to Ms. Murdo and the subcommittee, that maybe the subcommittee can refine and prioritize more among these 12 study areas.

00:45:27 Ms. Murdo stated that the Heritage Foundation, who worked with Governor Romney, is willing to come in to give support.

00:46:28 CHAIRMAN MENDENHALL commented that the committee can focus on the first item, study area 1, which incorporates study areas 2 through 10, and have draft legislation come out of this. He said with the committee having statewide meetings during this interim, there will also be an outreach on the educational component, and asked if the committee agreed with him. The committee members responded and they all agreed.

SJR 32 Value-added Agriculture:

00:50:05 Pat Murdo discussed page 16, (see Exhibit 1), regarding SJR 13. She informed the Committee this is a study of value-added agriculture. She referred to page 17, which shows the study schedule. She said the current farm bill has the option of approving interstate transportation of beef processed. She informed Sen. Steinbeisser this is the issue that had developed during the farm-to-market discussion he was involved in. She stated if the farm bill has not been approved by Congress before the next committee, the committee may want to write a letter to the Montana Congressional Delegates in support of this legislation.

00:52:14 CHAIRMAN MENDENHALL asked the committee members if they had any input.

00:52:19 REP. REINHART responded saying there is a lot of exciting work going on in Montana with the Farm-to-School, and the Farm-to-Market programs. She

expressed her interest to include these issues as the committee travels around the state and look at some of these good examples.

- 00:53:08 SEN. STEINBEISSER expressed his views, and said there is work to be done.
- 00:53:25 REP. MILBURN agreed, and felt the committee meetings are going in the right direction, especially going outside of Helena to meet.
- 00:53:54 CHAIRMAN MENDENHALL asked Ms. Murdo about the meeting in Miles City, and having meetings on the hi-line, and if these panel discussions can occur at these places of interest. Ms. Murdo replied yes. She said there is a meat processing plant in Miles City, and other places of interest that have farm-to-market activities in eastern Montana. She commented that she has contacted a university student who has offered to help with this, and this person will also be able to attend the meeting.
- 00:55:02 Mr. Geiger informed the committee that he had attended the Governor's Economic Development Advisory Council this past week, and some of the economic development people from southeastern Montana expressed excitement about the Miles City meeting and other places of interest.
- 00:55:40 CHAIRMAN MENDENHALL asked Mr. Geiger if there could be an expo and have experts from other states attend, such as North Dakota with an emphasis on agriculture. Mr. Geiger said that SEN. BLACK was on a Department of Natural Resources and Conservation (DNRC) committee that discussed reduction in irrigation rates, and North Dakota was one of those in attendance.
- 00:56:59 CHAIRMAN MENDENHALL opened the hearing for public input.
- 00:57:17 Margaret Morgan representing Alltel Communications and MITA, voiced her concern on the HJR 28 study, and felt it would be the same old study on communications. She said the current infrastructure of communication is copper wire. She said with all the advances with wireless, broadband, satellite, etc., and the businesses that bring expanded broadband into towns and cities are businesses that are not from Montana, they work in Idaho, North Dakota, etc., and she hoped the committee would be interested in trying to figure out how to bring this technology into the rural areas. She is willing to talk to staff, and she hopes they will be able to incorporate these new and innovative ideas that would not come out of a normal study.
- 01:00:19 Mr. Geiger informed the committee there is a recommendation that came out that would fit Ms. Morgan's suggestion. He said if the committee is willing to compromise as part of the research, the staff is willing to work with Ms. Morgan and other stakeholders to incorporate this into the Committee's study.
- 01:01:17 CHAIRMAN MENDENHALL asked if there is any input from the public or committee members for HJR 38 and SJR 13. There was no comment.

01:02:03 **Vote:** **REP. THOMAS** made the **motion** to approve the overall Work Plan that was discussed today. **VOICE VOTE** was taken via the teleconference. The **Motion** was approved unanimously. **SEN. BROWN** voted aye by proxy. **SEN. SMITH** was excused. Attachment #5

01:04:42 REP. MENDENHALL adjourned the meeting at 1:10 p.m.