



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

Economic Affairs Interim Committee

60th Montana Legislature

SENATE MEMBERS

ROY BROWN
KEN HANSEN
FRANK SMITH
DONALD STEINBEISSER

HOUSE MEMBERS

SCOTT MENDENHALL
MIKE MILBURN
MICHELE REINHART
BILL THOMAS

COMMITTEE STAFF

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

MINUTES

Date: June 15, 2007

Room 137, State Capitol Building
Helena, Montana

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.

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To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

COMMITTEE MEMBERS PRESENT

SEN. KEN HANSEN
SEN. FRANK SMITH
SEN. DONALD STEINBEISSER
REP. SCOTT MENDENHALL
REP. MIKE MILBURN
REP. BILL THOMAS

COMMITTEE MEMBERS ABSENT

SEN. ROY BROWN
REP. MICHELE REINHART

STAFF PRESENT

ANDREW GEIGER, Lead Staff
BART CAMPBELL, Staff Attorney
CYNTHIA A. PETERSON, Acting Secretary

Visitors List & Agenda

Visitors' list (Attachment 1)

Agenda (Attachment 2)

COMMITTEE ACTION

- The Economic Affairs Interim Committee (EAIC) voted to accept proxies.
- Rep. Mendenhall was elected as Chairman of the EAIC.
- Sen. Hansen was elected Vice Chairman of the EAIC.
- Sen. Hansen and Rep. Milburn were appointed to serve on the Rail Service Competition Council.
- Rep. Milburn and Rep. Thomas were appointed to serve as legislative liaison's to the Board of Directors of the State Compensation Insurance Fund.
- Chairman Mendenhall appointed Rep. Thomas, Rep. Mendenhall, Rep. Reinhart and Sen. Steinbeisser as members of the HJR 48 joint subcommittee.
- The EAIC voted to send a letter to Legislative Council requesting SJR 15 also be considered by the HJR 48 joint subcommittee.

CALL TO ORDER AND ROLL CALL

Sen. Smith called the EAIC meeting to order at 1:15 p.m., in Room 137, State Capitol Building. The secretary noted the roll (Attachment 3).

INTRODUCTION OF MEMBERS AND STAFF

Sen. Smith introduced the EAIC members and staff.

REVIEW STATUTORY DUTIES, BUDGET, AND COMPENSATION/TRAVEL EXPENSES

Andrew Geiger, Lead Staff, introduced Karen Berger, who reviewed the procedures and information regarding the EAIC budget and the time and travel reimbursement procedure. The EAIC's budget is estimated at \$31,574 for the interim. Ms. Berger explained this amount is estimated prior to studies being assigned, so there could be changes to the budget in the interim. Ms. Berger requested that perceived shortfalls in the budget be identified early in the interim, so the shortfall can be addressed with the Legislative Council. Ms. Berger recommended the EAIC members review Mont. Code Ann. § § 2-18-501 and -502 regarding meal reimbursement. Ms. Berger emphasized that legislator travel days to/from meetings can also be claimed as salary days for the EAIC members. Ms. Berger asked the EAIC members to inform her of any mitigating factors that may have affected their travel claim. Ms. Berger emphasized the importance of attaching a lodging receipt to the claim and the need to sign the form in ink.

• Questions from the Committee

Sen. Smith inquired about the reimbursement procedure for committee members attending two committee meetings in one day. Ms. Berger explained both reimbursement forms would be reviewed together and the per diem could be split in whatever manner the legislator deems appropriate.

REVIEW AGENDA, MEETING FORMAT

Mr. Geiger stated he was pleased to be staffing the EAIC and summarized the EAIC's purpose. Mr. Geiger explained the EAIC has oversight of the Governor's Office of Economic Opportunity, the Department of Commerce, and the Department of Livestock. Presentations will also be

given in subsequent meetings by the Department of Agriculture, the Department of Labor and Industry, and the State Auditor's Office.

ELECTION OF COMMITTEE'S PRESIDING OFFICER AND VICE-PRESIDING OFFICER

Sen. Hansen moved that proxies be accepted. The motion carried unanimously by voice vote

Rep. Milburn nominated Rep. Mendenhall as Chairman of the EAIC.

Sen. Hansen nominated Sen. Steinbeisser as Chairman of the EAIC.

The vote for Chairman tied 4-4 by roll call vote. Bart Campbell, Legislative Services Staff Attorney, clarified the EAIC could break the tie any way it decides.

Rep. Milburn suggested each nominee could give a brief statement regarding why they want to be Chairman of the EAIC.

Sen. Steinbeisser deferred his interest in the chairmanship to Rep. Mendenhall, who stated he has no problem with Sen. Steinbeisser being Chairman of the EAIC, but stated he also was very interested in chairing the EAIC.

Rep. Mendenhall was elected as Chairman of the EAIC 5-3 by roll call vote. Rep. Mendenhall assumed the chair.

Rep. Thomas nominated Sen. Hansen as Vice Chairman of the EAIC. There being no further nominations, Rep. Thomas moved a unanimous ballot be cast for Sen. Hansen. The motion carried unanimously by voice vote.

APPOINTMENT BY THE PRESIDING OFFICER OF TWO MEMBERS TO THE RAIL SERVICE COMPETITION COUNCIL AND TWO MEMBERS TO SERVE AS LEGISLATIVE LIAISON TO THE BOARD OF DIRECTORS OF THE STATE COMPENSATION INSURANCE FUND

Chairman Mendenhall solicited statements from interested EAIC members, and Sen. Hansen expressed his interest in remaining on the Rail Service Competition Council. Sen. Hansen was appointed to the Rail Service Competition Council without objection.

Rep. Milburn stated he would like to remain as liaison to the Board of Directors of the State Compensation Insurance Fund. Chairman Mendenhall appointed Rep. Milburn to serve on Rail Service Competition Council. Rep. Milburn will also remain as the liaison to the Board of Directors of the State Compensation Insurance Fund. Sen. Steinbeisser expressed his desire to serve as the liaison to the Board of Directors of the State Compensation Insurance Fund. Sen. Hansen recommended Rep. Thomas be appointed as liaison to the Board of Directors of the State Compensation Insurance Fund.

Chairman Mendenhall reappointed Rep. Milburn and appointed Rep. Thomas as liaisons to the Board of Directors of the State Compensation Insurance Fund.

UPDATE ON RULES PROCEDURES

Bart Campbell, Staff Attorney, explained the statutory requirements assigned to the EAIC. Mr. Campbell identified rule review as always being an agenda item. Mr. Campbell explained how legislators can be placed on an agency's mailing list, so they can see all proposed rules.

Mr. Campbell suggested agenda items should be limited to proposed rules that are controversial. Mr. Campbell reviewed the changes required by SB 71, which requires when an agency sends out notice that they are going to amend, adopt, or implement a rule that implements legislation, the agency must provide in the rule the date on which they actually sent a communication to the legislation's primary sponsor that they were going to begin the rule-making process.

(Tape 1; Side B)

Mr. Campbell cautioned that the filing of the proposed notice could be ineffective if the date is omitted or the sponsor is not contacted.

Chairman Mendenhall agreed with Mr. Campbell's suggestion of limiting the EAIC's agenda to reviewing only controversial rules.

REVIEW OF LEGISLATIVE COUNCIL ASSIGNED STUDIES--Pat Murdo and Andrew Geiger

- **HJR 48, Pat Murdo**

Ms. Murdo reviewed HJR 48 and SJR 13, and submitted background information regarding financing and affordability of healthcare in Montana (EXHIBIT 1). Ms. Murdo explained that Legislative Council has suggested a joint subcommittee be formed with the Children, Family, Health & Human Services Interim Committee (CFHHS). Ms. Murdo cited a need to observe what other states are doing and suggested having people make presentations at the first meeting of the joint subcommittee. Ms. Murdo directed the EAIC members to a letter from Rep. MacLaren explaining he attended a meeting of the Heritage Foundation to discuss health insurance exchanges (EXHIBIT 2). Rep. MacLaren pointed out in his letter that affordability is one of the benefits of having a health insurance exchange. Ms. Murdo also submitted an Executive Summary from the Commonwealth Fund on Health System Performance (EXHIBIT 3). Ms. Murdo spoke about Rep. MacLaren's suggestion of hiring a consultant, but Ms. Murdo suggested much of the data already exists and could be gathered by Legislative Services Division staff. Ms. Murdo identified the scope of HJR 48 as broad and stated Rep. MacLaren did not want to limit the scope of the study, but is definitely interested in the health insurance exchange. Ms. Murdo stated the draft work plan includes the creation of universal portable health insurance coverage. Ms. Murdo also suggested the EAIC would need to look at the issue of mandatory health insurance coverage. Ms. Murdo referenced mandatory motor vehicle liability insurance and how that mandate has not worked well in Montana. Ms. Murdo urged the EAIC to decide what "mandatory" would include. Ms. Murdo referred the EAIC to Exhibit 3 and Montana's ranking on access and quality dimensions and noted access to healthcare was identified as a major issue in Montana. Ms. Murdo hoped the EAIC and/or the subcommittee would develop clear goals since the study is very broad.

- **SJR 13, Pat Murdo**

Ms. Murdo then discussed SJR 13, which has had a vocal constituency. Ms. Murdo submitted copies of various written correspondence that she has received regarding SJR 13 (EXHIBIT 4), as well as a summary of various constituent ideas (EXHIBIT 5). Ms. Murdo identified some of the suggestions as achievable. In addition, one of the University of Montana professors had volunteered the time of a graduate student to conduct research. Ms. Murdo explained that one

of the main points of the group at the University of Montana is that more food processing plants in Montana would boost the economy, value added, and would improve local food security and sustainability for Montana.

- **HJR 39, Andrew Geiger**

Mr. Geiger directed the EAIC to his Preliminary Analysis for HJR 39 (EXHIBIT 6). Mr. Geiger pointed out the legislation surmises Montana is not competitive with other states in the high-tech and biotech areas. Mr. Geiger cited difficulties in finding a number stating how many jobs were created and the impact those jobs had on Montana's economy. Mr. Geiger submitted a copy of a publication entitled "Montana Invests" (EXHIBIT 7). Mr. Geiger suggested the study represents an excellent opportunity for the Legislature and the University to communicate. Mr. Geiger recalled hearing that young people are leaving Montana, and thought it would be good to have numbers giving details. Mr. Geiger suggested hearing from economic experts and the University and faculty in order to compile a final report.

- **HJR 28, Andrew Geiger**

Mr. Geiger explained HJR 28 looks at business infrastructure. Mr. Geiger stated there was substantial data available on this issue, and that the data could be compiled by Legislative Services Division staff. Mr. Geiger suggested working with the Chamber of Commerce to conduct a survey of Montana businesses.

Public Comment on HJR 48

Erin McGowan, State Auditor's Office, offered technical support to the EAIC regarding HJR 48.

Jerome Anderson, Montana Orthopedic Association and Yellowstone Physicians Associates, believed a joint committee structure would make sense in handling the issues in HJR 48 and SJR 15 since both studies will study the economic effects on healthcare, consumers, and the delivery of healthcare in Montana. Mr. Anderson thought it would be logical to form a joint subcommittee on these two issues.

Frank Cote, America's Health Insurance Plans, offered his assistance to the EAIC.

Sheryl Wood, Associate Director, Montana Association of Counties (MACo), offered MACo's assistance to the EAIC.

Mr. Cote added that Blue Cross Blue Shield is collaborating with other organizations to conduct a Healthcare symposium on October 29-30, 2007, at Carroll College.

Dick Brown, President, Montana Hospital Association, offered to share data with the EAIC.

Don Allen, Montana Association of Insurance and Financial Advisors, offered assistance to the EAIC.

Mike Foster, St. Vincent Healthcare in Billings, commented on HJR 48 and the use of consultants, and suggested utilizing the services of the University of Montana and Dr. Steve Seninger, an economist who focuses on healthcare. Mr. Foster believed Dr. Seninger collected

data to determine the rate of uninsured in Montana. Mr. Foster believed Dr. Seninger has recently retired, but now has a replacement. Mr. Foster also suggested utilizing the services of the new healthcare economist.

- **Public Comment on SJR 13**

Nancy Matheson, National Center for Appropriate Applied Technology, believed the study held great potential for ramping up food production in Montana. Ms. Matheson explained how Montana lost almost all of its internal food processing infrastructure. Ms. Matheson believed that the demand already exists and is growing, and that Montana needs to determine how to meet the demand.

(Tape 2; Side A)

Neva Hassanein, a professor at the University of Montana, believed development of local food systems would have a number of economic benefits to Montana. Ms. Hassanein developed Montana's Farm to College program, which was launched in 2003. Ms. Hassanein submitted an executive summary of the program (EXHIBIT 8), and stated she would be willing to provide the assistance of a graduate student.

Crissie McMullan, a project researcher for Grow Montana, a project of the National Center for Appropriate Applied Technology, stated they have conducted substantial research regarding the need for value-added food processing in Montana and the economic development opportunities it would create. Ms. McMullan believed priority should be given to item No. 4 in SJR 13 to identify public and private program recommendations and policies appropriate to Montana to support value-added food production since it would keep money circulating in Montana's communities. Ms. McMullan submitted a copy of *Grow Montana's Food System Fact Sheet* (EXHIBIT 9) and a copy of *Unlocking the Food Buying Potential of Montana's Public Institutions* (EXHIBIT 10).

Jan Tusick, Lake County Community Development Corp., Mission Mountain Food Enterprise Center, offered her assistance to the EAIC with this challenging issue.

- **Public Comment on HJR 28**

Margaret Morgan, All-Tel Communications and Montana Information Technology Alliance, offered her technological expertise and suggested this was an opportunity to look deeper into the issue. Ms. Morgan believed technology should be part of any business infrastructure.

Jon Bennion, Montana Chamber of Commerce, offered any information the EAIC thought would be useful and also offered to conduct a survey.

- **Public Comment on HJR 39**

Tyler Trevor, Associate Commissioner, Montana University System, offered support for the study. Mr. Trevor stated the Office of the Commissioner of Higher Education recently developed a data link with the Department of Labor which could be used to track Montana University System graduates into the work force.

BREAK

AREAS OF INTEREST TO THE COMMITTEE

Sen. Hansen asked Ms. Murdo to explain why all the letters regarding SJR 13 are from the western part of Montana. Ms. Murdo stated it was her understanding that the people involved in the Growth through Ag program were oriented around the University of Montana. Ms. Murdo explained they were not trying to limit the study to public institutions, and SJR 13 was meant to address the whole state. Ms. Murdo explained the goal was to have more production closer to consumption, and that SJR 13 was intended to address value-added food production all over Montana.

Sen. Hansen recalled Ms. Hassanein's reference to the Salish Kootenai College and asked if other tribal colleges were included in the group. Ms. Murdo stated the program is growing gradually and will be reaching out.

Chairman Mendenhall stated he would like the EAIC to determine whether HJR 48 and SJR 15 should be addressed in a joint subcommittee. Chairman Mendenhall believed it would make more sense to have a joint subcommittee address both studies.

Sen. Hansen solicited comments from the audience as to whether they would like to see a joint subcommittee formed to address the studies.

- **Public Comment**

Jerome Anderson, Montana Orthopedic Association and Yellowstone Physicians' Associates, stated he was interested in seeing the two subjects combined and addressed in one subcommittee. Mr. Anderson believed it was apparent that the issues are complimentary.

Mark Taylor, General Counsel for the Montana Hospital Association, provided historical information and explained how the two studies took completely different paths through the legislative process. Mr. Taylor depicted the two issues as completely different and believed that combining the studies together would blur the legislative intent. Mr. Taylor urged the EAIC to allow the studies to be evaluated on their own merit.

Chairman Mendenhall clarified the two studies would not be combined into one study; rather, a joint subcommittee would be formed to work on both issues separately.

Claudia Clifford, Advocacy Director, AARP Montana, expressed concern as to whether one subcommittee would spend the amount of time necessary to address both studies.

Mike Foster, Sisters of Charity Hospitals (St. Vincent in Billings, St. James in Butte, and Holy Rosary in Miles City), agreed with Ms. Clifford that the two study resolutions would require a substantial amount of time in order to address the issues contemplated in the resolutions.

AGENCY PRESENTATIONS

Evan Barrett, Chief Business Officer, Governor's Office of Economic Development, provided a packet of information on economic development (EXHIBIT 11) and reviewed the information with the EAIC. Mr. Barrett stated his office would like to report at each EAIC meeting and would be glad to share information.

(Tape 2; Side B)

Mr. Barrett identified work force issues as challenging due to the low unemployment rate.

Tony Preite, Director, Montana Department of Commerce

Tony Preite, Director, Montana Department of Commerce, provided a chart depicting the structure of the Montana Department of Commerce and reviewed the programs with the EAIC (EXHIBIT 12). Director Preite introduced Andy Poole, Deputy Director, Department of Commerce.

Andy Poole, Deputy Director, Department of Commerce, reviewed the legislative and budget changes that occurred within the Department of Commerce during the last legislative session.

Mr. Poole explained that Work Force Training dollars were modified from \$1.4 million to \$4 million per year. Indian Economic Development was increased from \$500,000 to \$800,000 per year. The Main Street Program was also continued into the next biennium at \$125,000 per year. The Main Street communities include Butte, Stevensville, Libby, Anaconda, Polson, and Red Lodge. The Department of Commerce is also working with the smaller communities of White Sulphur Springs, Sheridan, and West Yellowstone. The Community Technical Assistance Program was re-instituted. The Treasure State Endowment Program will be able to fund all projects. The sunset provision was removed on the State Tribal Economic Commission and a representative from the Governor's Office on Economic Development was added to the Commission. Thirty percent of the Board of Research and Commercialization funding was set aside for projects to enhance clean coal, research, and commercialization and to enhance renewable resource research. New legislation now allows for more than 25 percent of the coal tax trust fund to be invested in Montana. The Big Sky and Big Screen Act provides better incentives for filming in Montana. A new Energy Promotion Program provides for four FTEs to promote energy development in Montana. Mr. Poole submitted a pamphlet on the Business Resources Division (EXHIBIT 13).

- **Questions from the Committee**

Rep. Thomas asked Mr. Poole to explain Director Preite's reference to the Business Network Directory. Mr. Poole explained the reference was alluding to an undisclosed major production that will be filmed in Montana.

Rep. Milburn inquired whether there were any plans to expand Work Force Training grant money. Mr. Poole responded the statute requires the money to be used for the primary sector.

George Harris, Administrator, Centralized Services Division, Montana Department of Livestock

Mr. Harris spoke about Montana's Meat Inspection Program and the difficulties that program has incurred because of stringent state and federal inspection requirements. Mr. Harris explained the federal funding did not come through to match the state appropriation. Mr. Harris stated the lack of the federal match did not result in any plants being denied the ability to come on line. Mr. Harris stated the Department of Livestock is strained with economic development issues which has a large impact on economic development in Montana. Mr. Harris stated there

would be substantially more economic activity in the horse-racing industry.

- **Questions from the Committee**

Sen. Hansen asked Mr. Harris to elaborate on his reference to the diagnostic lab in Bozeman being stressed and whether the stress was a result of brucellosis and trich outbreaks. Mr. Harris clarified that by stressed he was referring to the loss of funding.

Sen. Steinbeisser requested an update on brucellosis in Montana. Mr. Harris explained the tests have come back negative, but that testing requirements have put a strain on the Department of Livestock. Mr. Harris depicted the brucellosis situation as tense and emotionally draining. Sen. Steinbeisser commented that the problem is there are too many bison in Yellowstone National Park. Mr. Harris identified the brucellosis issue as being very tense and sensitive, and stated he believes the partners are working very well together.

PUBLIC COMMENT

There was no further public comment offered.

AREAS OF INTEREST TO THE COMMITTEE

Mr. Geiger submitted a list of subjects for the EAIC's consideration and urged the EAIC members to contact him with their areas of interest (EXHIBIT 14).

(Tape 3; Side A)

Chairman Mendenhall identified workers' compensation and the ability of employers to find and retain qualified workers as key issues.

APPOINTMENT OF SUBCOMMITTEE FOR HJR 48

Mr. Geiger explained the EAIC should send a letter to Legislative Council recommending membership for the HJR 48 subcommittee.

Rep. Thomas moved that Chairman Mendenhall be authorized to appoint a subcommittee of four to work with CFHHS to address HJR 48.

Rep. Milburn recalled concern about the time involved in the subcommittee. Mr. Geiger agreed there is no separate subcommittee budget, and one-half of the subcommittee's budget will come out of each interim committee's budget. Mr. Geiger agreed having members serve on the subcommittee could result in less meeting time for the EAIC.

Rep. Thomas's motion carried unanimously by voice vote. Chairman Mendenhall appointed Rep. Thomas, Rep. Mendenhall, Rep. Reinhart and Sen. Steinbeisser as members of the HJR 48 joint subcommittee.

Ms. Murdo explained that staff was recommending the same joint subcommittee members address SJR 15 since the interested persons would be the same for both subcommittees. Ms. Murdo identified concern that the two studies could be confused.

Chairman Mendenhall noted SJR 15 has economic-oriented issues and wondered if it would be

appropriate for the EAIC to bring that perspective.

Sen. Thomas moved the EAIC send a letter to Legislative Council requesting SJR 15 also be considered by the joint subcommittee.

Sen. Thomas's motion carried unanimously by voice vote.

- **Future Meeting Schedule**

Chairman Mendenhall suggested business casual would be appropriate for meetings. Chairman Mendenhall also suggested moving EAIC meetings around the state and recommended the EAIC not hold its meetings in Helena. Chairman Mendenhall would like to see the EAIC meet in the agricultural areas of Montana. Sen. Hansen agreed and stated he also believes the EAIC should go out to the public.

Rep. Thomas agreed and moved that the next meeting be held in Sidney, Montana.

Rep. Milburn expressed concern about staff. Mr. Geiger clarified Legislative Services Division staff is willing to travel, but cautioned there could be small budgetary concerns. Mr. Campbell added interim committees traveling throughout Montana is very successful and well-received.

Sen. Hansen suggested coordinating with the State-Tribal Relations Interim Committee to save money. Chairman Mendenhall encouraged EAIC members to share rides whenever possible.

Rep. Milburn commented many interested citizens may not be willing to travel to Helena for meetings.

Rep. Thomas withdrew his motion.

Sen. Smith informed the EAIC that the next State-Tribal Relations meeting will be held at the Crow Reservation in October. Mr. Geiger stated he would coordinate with the committee members to determine convenient dates.

ADJOURNMENT

There being no further business to come before the EAIC, the meeting adjourned at 4:47 p.m.

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