



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
CLAUDIA (CJ) JOHNSON, Secretary
LISA JACKSON, Staff Attorney for HJR48
PAT MURDO, Staff for HJR48 & SJR13

MINUTES

Wednesday
May 7, 2008

UM-University Center - Rm. 330-331
Missoula, Montana

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. **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.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

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

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

COMMITTEE MEMBERS EXCUSED

SEN. ROY BROWN
SEN. KEN (Kim) HANSEN, Vice Chair
SEN. DONALD STEINBEISSER

STAFF PRESENT

ANDREW GEIGER, Lead Staff
BART CAMPBELL, Staff Attorney
CLAUDIA (CJ) JOHNSON, Secretary
SUE O'CONNELL, Lead Staff for CFHHS Interim Committee
LISA JACKSON, Staff Attorney for HJR48
PAT MURDO, Research Analyst for HJR48 & SJR13

Visitors/Agenda

Visitors' list, Attachment #1.
Agenda, Attachment #2

COMMITTEE ACTION

- ▶ Tour of the University of Montana Campus, Missoula (May 7)
- ▶ Tour of the Mission Mountain Food Enterprise Center, Ronan (May 8)

CALL TO ORDER AND ROLL CALL

9:30 a.m. REP. MENDENHALL opened the EAIC meeting at 9:30 a.m. He welcomed everyone to the meeting at the University of Montana (UM), Missoula. He talked about why the EAIC is meeting in Missoula and described the EAIC as a committee that works on economic and business related issues between regular legislative sessions. He said it is a bipartisan committee of senators and representatives from both sides of the isle. He thanked UM President George Dennison and his staff for hosting the committee and putting the format together, specifically thanking Bill Johnston, the Executive Director of the Alumni Association, for his part in organizing the UM tour for the committee. Mr. Johnston had distributed an informational packet before the meeting of the various programs the committee would be viewing during the tour and information about the UM campus. **Exhibit 1**

REP. MENDENHALL talked about university research and commercialization and said it is part of an interim study that has been assigned to the EAIC and that will be a topic for the next several meetings. He said there is a lot going on in research at the University Systems across the state. He noted several people in attendance from Montana State University (MSU), Bozeman, and said that the two universities will be working together involving high technology research.

The secretary noted the role. Attachment #3 SEN. STEINBEISSER, SEN. HANSEN, and REP. THOMAS are excused.

Opening remarks University Center (UC) 330-331

10:05 UM President Dennison, welcomed the committee to the campus and talked about the development of higher education as well as the instructional and the research sides of education. He talked about his trips abroad and the wonderful higher education system they have in China and Japan. He said the need is great to bring the engines (Universities) together with businesses to contribute to national competitiveness. He said that universities and legislators need to make every effort so that Montana has a good return on graduates in businesses and research. He said there is a decline in college enrollment around the state. He talked about MonTech, a lab that the committee will be viewing on its tour where products are developed and introduced to the public. He thanked the legislature for its study and awareness about education.

President Dennison introduced Representative Ron Erickson, Professor Emeritus, and Emeritus Professor Walt Hill.

10:10 Representative Erickson opened with remarks about his arrival at UM 53 years ago as an associate professor in chemistry. He talked about how he received grants back in 1965 and was able to hire undergraduates to do research. He gave an overview of his work in the economic development arena. He thanked Professor Hill for getting this study started and said that both he, a Democrat, and Professor Hill, a Republican, started looking at the issue of sufficient state funding to ensure the University system can be competitive when recruiting top faculty. He said it is the individual faculty who compete for research funding, and explained that this funding is very competitive in nature. He explained to the committee how research and development can occur and how it can lead to major businesses. He discussed the models for high tech and biotech, and how they have developed around major university campuses.

10:15 Professor Emeritus Hill provided background information about the campus and his experiences when he started teaching at the UM campus. **Exhibit 2** Professor Hill gave an overview of his accomplishments, stating that he raised over \$11 million in research grants over the years and raised funds that UM was able to use for the Experimental Program to Stimulate Research (EPSCoR), a program through the Department of Energy that supports basic research and includes a broad range of science and technology. He used seed funds from this program to leverage new positions and provide startup monies to bring in excellent researchers.

Professor Hill said UM:

- ▶ lacks space for research infrastructure;
- ▶ lacks core facilities;
- ▶ does not have enough people to run the facilities, in other words, no stable [funding] lines to attract people to come, and
- ▶ lack of funds for biotech, a clean industry.

He said there can be \$3 to \$4 return into the state's economy for every \$1 that is invested in research. Professor Hill closed stating the need for more investment into Montana's economy. He said the state needs to take a long-range view of what is needed. He said Montana needs to commit \$10 million for infrastructure for the next 10 years for each university then ask at the end of the 10 years "how are we doing?" He said there's only one problem in biotech and other high tech companies, which is: "it takes time." A 10-year window provides this but it could take longer. He said the state should spend more money on education to keep children here for the future.

10:25 Dan Dwyer, UM Vice President of Research and Development, gave a power point presentation, and an overview on how university research programs create Montana jobs. **Exhibit 3.** The following topics were discussed:

- 1) Economic engines for Montana.
- 2) Research universities as economic engines.

- train students for employment;
 - bring in federal dollars;
 - create research jobs, and
 - produce new products
- 3) National Science Foundation (NSF) and the National Institutes of Health (NIH), invest in universities
 - 4) UM Research and Development (R&D) programs fuel the economic engine
 - 5) Engines put people to work at UM:
 - 50% federal dollars spent on payroll;
 - student support;
 - contractor hiring; and
 - purchase of half the equipment and supplies from Montana suppliers.
 - 6) Economic Engine Output:
 - qualified workforce,
 - commercialization of new technologies, and
 - spin-off companies.

Questions from Committee Members:

- 10:36 REP. REINHART asked Professor Hill if he had \$10 million, how would it be spent and how could the state justify that expenditure? Professor Hill responded that money could be spent to finish buildings already being built that lack the dollars to be finished. He said it costs to retain research facilities. Federal grants provide indirect costs and a portion of that money is used to maintain research facilities. He said the university would take excess cash to compete and bring in professors, for example a neurologist. He talked about UM having to put all its resources together to come up with \$250,000 to retain a neurologist but emphasized they cannot compete with other states.
- 10:40 SEN. BROWN asked if the EPSCoR programs require state matching funds. Professor Hill said at the beginning the state didn't have funds for this program. So they had to borrow from the Coal Tax Trust Fund and had to pay some of that back. He said yes, currently the program does require state matching funds.
- 10:42 REP. MENDENHALL asked someone to explain EPSCoR. Professor Hill responded stating that EPSCoR was built by the National Science Foundation, and Montana was one of its first charter members. The east coast, Texas, and California receive 95% of EPSCoR research dollars. He said the design of EPSCoR was to boost states' research productivity and competitiveness and said it works well in the major states. He talked about UM's use of these funds to bring new faculty members to the campus.
- 10:44 REP. MENDENHALL asked Professor Dwyer to give the committee his

perspective on the difference between a statutory and a regulatory environment comparing Montana as a place for research and development at the university level to Texas, North Carolina, California, and others. He asked Professor Dwyer to explain how he has been involved with federal research dollars comparing per capita dollars for Montana vs. other states, and he asked if these states allow the universities to have an equity stake in the spinoff businesses that they funded. REP. MENDENHALL asked if these states learned things that Montana can use. Professor Dwyer replied yes, there are a number of states that have made major investments, such as the University of Florida that developed gatorade, and has made the university millions of dollars. He talked about MSU research that has helped support their labs.

- 10:50 REP. MENDENHALL asked Professor Dwyer about mechanisms that would fund spinoff businesses. Professor Dwyer said they have a limited revenue flow in terms of licensing this type of technology. He informed the committee that universities patent newly developed products and then license the products to a company.
- 10:52 REP. MENDENHALL asked about the federal budget deficit and the outlook for continued federal funding for the National Science Foundation (NSF) and the National Institutes of Health (NIH). Professor Dwyer said that NIH has been "flat funded", and with inflation it has seen a decrease the last several years. He said the rapid growth that took place a decade ago has slowed down, and NIH is seeing a slow down. He said in regard to NSF that Congress is talking about building its budget for the health area and physical sciences, which Montana is falling behind on. He said there are opportunities for growth because it is all on a competitive basis. He said it is important that Montana make investments in the physical sciences area so the universities can make a competitive run at the money. Professor Hill interjected stating that funding for NIH and NSF fell from 30% to 10% in the last couple of years. He said on the positive side that the presidential candidates are all declaring their desire to see an increase in funds for this type of research.
- 10:53 Commissioner Sheila Stearns, Montana University System (MUS), gave a brief overview of MUS research. She referenced the work of the 2001 Legislature and recognized former Representative Dave Brown from Butte who promoted funds for university infrastructure. She said the committee would be touring the UM pharmacy school, which formerly faced funding problems in the legislature but was able to pull through and obtain the funding. She said in 1992 she spent two months in Washington D.C. , half in Senator Conrad Burn's office, and half in Senator Max Baucus's office to request grants and to learn how Montana can be more competitive. She talked about leverage and being competitive in research. Commissioner Stearns introduced Tyler Trevor and Brad Eldridge.
- 11:00 Brad Eldridge, MUS Coordinator of Institutional Information & Research, gave a power point presentation on university research and economic development. Included were discussion of knowledge spillovers, the impact of research on the economy with the greatest impact in a university's home region, and the importance

of R & D innovations.

Mr. Eldridge described the link between university research and economic development. He talked about the universities spinning off businesses and how their licenses help diversify Montana's economic base. For fiscal year 2007, he said, 115 patents were issued based on university research. There are currently 154 active business licenses, 96 of which are in Montana. He said this allows Montana's economy to become less volatile and less dependent on just one or two key industries. He said that one of the Board of Regent's strategic goals is to promote economic development by increasing access and increasing efficiency in the University system. He said this will be accomplished by the enhancement of the university graduate programs.

Summary Points:

- Funds for high tech and university research come primarily from the federal government, having a greater economic impact since they are from outside the state's economy.
- Montana received \$172 million in research dollars for fiscal year 2007, 66% of which came from the federal level.
- Research expenditures are expected to reach \$240 million by 2010.
- Montana is below the regional average for research funding in total dollars, but above the regional average when adjusted for inflation.
- Montana has far fewer graduate students than comparable states in the region.
- The trend of college graduates moving out-of-state is reversing. New information from the Census Bureau (American Community Survey) shows a net in-migration of college educated individuals.

11:17 a.m. REP. MENDENHALL recessed the committee at 11:30 a.m. to go on the tour of the UM campus.

TOUR - UM Campus

Staff Note: the following tour involved a series of highlights of research by faculty in their labs. These minutes do not attempt to properly record the specific components of the research given the specialized and technical nature, but rather to highlight the overview of how the research fits into commercialization, economic development, and the future employment and entrepreneurial activity of University students.

11:21 Tony Rudbach, Ph.D., MBA, directed the committee on a tour of McGill Hall.

11:30 The first stop was at the lab of Professor Brent Ruby, Work, Physics, Exercise, and Metabolism (WPEM). Professor Ruby introduced his group and Dr. Dusty Slivka who presented some of the history of WPEM. They talked about the bicycle marathon/project the team will be doing this summer experimenting with energy, muscle tissue, and blood levels while they ride through Death Valley. He said the group will be doing an endurance project on their bicycles, 900 miles in 9 days, and 2,100 miles in 21 days. Professor Rudy explained that he relies on both undergraduate, graduate students and post-doctorate students to do the core of the research. He explained that post-doctorates are individuals who have completed their doctorate and are interested in continuing on in a research capacity to build their professional vitae. Professor Rudy explained his collaboration with the military, saying he has a representative from the air force and his research is focused on stress and conditioning on the human body, specifically in high altitude situations. He said the Department of Defense is interested in this type of research given high altitude combat locations such as Afghanistan.

Depart for Skaggs Building

12:00 p.m. Professor Hill presented background information on his research in the area of chemistry. (See booklet in exhibit 1 that provides background information on the various labs and studies that are presented by the following presenters.)

12:15 Sack lunch @ Skaggs - SB169

Dr. Rudbach spoke on his history in biomedical research and at a research facility now owned by GlaxoSmithKline(GSK). He said his research in Hamilton developed vaccines that are used throughout the world. He explained how GSK came to acquire the existing pharmaceutical operation in Hamilton. He said he is working within the University system to develop a workforce that can meet industry needs. He said a research university needs to be located in geographic proximity to attract a company of this size to a rural county.

Dr. David Opitz, Visual Learning System (VLS),talked about a company called Overwatch. He discussed working with venture capital on a Small Business Investment Research-NASA grant and with GIS, Global Integrated Systems. He showed a video from a MSNBC show that featured his research. The show commented on how even in rural states a university campus and the transmittal of intellectual property through electronic means can allow a state with a small

population to get the attention of international markets.

1:15

College of Health Professions and Biomedical Sciences

- Dean David Forbes, explained how the different labs coordinate with one another, saying that raw research at the front end with graduate students is fed into professors' labs who are working on more specific research with products as outcomes.
- Dr. Vernon Grund, Chairman of the Department of Biomedical and Pharmaceutical Sciences, showed the committee the units where graduate students work and explained how professors and graduate students interact. He noted that Rep. Milburn's daughter had worked with him and how this had led to her employment in a related research field.
- Dr. Richard Bridges explained the details of his specific research and noted that collaboration between and among universities leads to an economic benefit for all parties. He said he and a colleague were looking at how to start a business using the results of their organic chemistry research and that as they pursued grant opportunities they coordinated to maximize the benefit to both (state) universities.
- Dr. John Gerdes, Translational Medicine, described using imaging agents with a live brain to develop:
 - useful models on how drugs interact with each other; and
 - studies of depression, and
 - Post Traumatic Stress Disorder (PTSD).

Dr. Gerdes showed the committee and assembled group some imagery photos of brains injured from Improvised Explosive Devices (IEDs), and explained how his research was focused on how to better treat these injuries. He explained how research publications allow other researchers to fit together applicable components in their own research and craft conclusions.

2:30

A bio-bus fueled with biodiesel and operates through the UM program took the committee and official party to MonTec.

2:45

Prior to entering MonTec the committee members viewed a demonstration by Brian Kerns of BioMax, a full sized semi-truck parked outside the MonTec facilities. The technology turns wood chips and construction waste into gasoline and related fuels. The entire system was developed and currently operates through grants to explore the feasibility of commercial use in areas of high construction activity and in logging operations.

3:00

Bill Johnston, Executive Director of Alumni, UM, explained the development of MonTec as a laboratory for economic development. **Exhibit 4** The idea is to provide space for start-up companies using new technology. Research nationally has found that by putting entrepreneurs in one facility they collaborate on their endeavors and share information about financial resources and outside opportunities.

- 3:15 Paul Miller, Sustainable Systems, MonTec, addressed the committee in the MonTec Boardroom. **Exhibit 5** He explained how his research as a doctoral student led directly into his company that turns Montana grains and seeds into oil products for use in cooking. He explained about how he contracts with Montana farmers for the grains he needs for the oil pressing process. He showed photographs of his facility in Culbertson and explained the challenges of a small operation such as his in the large food oil market. He was asked from an unidentified member of the audience if he had taken business classes since he sounded more like an MBA grad than a scientist. He said that the business end he had learned on the job rather than through academic means.
- 3:45 Chuck Eubank, Aquilavision, talked about how his operation has developed technology that deals with offender monitoring. In addition to the traditional "bracelets" used for house arrest and other restrictive court orderings, they are working on technology that would send off a signal to law enforcement dispatch when a person is within a certain proximity of an individual who may have a restraining order against them. He said this is a cost savings to jurisdictions because it prevents more lengthy incarcerations and costs for victim services, etc.
- 4:15 Dick King, Missoula Economic Development Corporation was not available for his presentation.
- 4:16 A handout was distributed on Homegrown security; GCS Research, founded by Alex Phelp, and the S2 Corporation founded by Kristain Merkel, located in Bozeman. **Exhibit 6**
- 4:20 A handout was also presented to the committee members on MTIP (Montana Technology Innovation Partnership - Paving the technology Path to Economic Development. **Exhibit 7**
- 5:15 The Bio Bus returned the Legislative Committee, staff and assembled group to the reception at UM.
- 5:30 REP. MENDENHALL recessed the committee until 9:00 a.m. May 8, 2008. He informed everyone present of the reception at the University Center (UC) 330-331

EAIC MEETING RECESS

Thursday, May 8, 2008

Visitors/Agenda

Attachment #1
Attachment #2

CALL TO ORDER AND ROLL CALL

00:00:07 REP. MENDENHALL reconvened the EAI Committee at 8:41a.m. He opened by thanking everyone for their attendance. The secretary noted the roll. SEN. BROWN, SEN. HANSEN, and SEN. STEINBEISSER, were excused. (Attachment #3)

- Update on State Fund from State Fund liaisons, Reps. Milburn and Thomas

00:00:30 REP. MILBURN updated the committee on State Fund activities. He talked about the new offices that State Fund is in the process of building due to lack of room in the old building. He told the committee that State Funds Workers' Compensation rates are higher than the U.S. average. He named some of the reasons and one of them is the amount of claims. He said another reason is the period of time that people are on partial disability. He said in Montana people are on disability longer than the average in the United States. He said that State Fund has started an aggressive safety and education program. State Fund is also educating policy holders on the importance of getting people back to work. He said it is a known fact that if you can get people back to work in a short period of time they will stay at work. He noted that legislation last session resulted in State Fund lowering its overall rates by 2%.

- HJR 48

00:00:54 REP. MENDENHALL gave an overview on HJR 48, and said it could be used for possible legislative proposals. REP. MENDENHALL and the committee discussed mandated policies.

- Update on Rule Review, Bart Campbell, LSD Staff Attorney

00:01:13 Bart Campbell, Staff Attorney, distributed information regarding recently reviewed Administrative Rules. **Exhibit 1**

- 1) Alternative Health Care Board - to conform to national standards and amends apprenticeship and licensing requirements for midwives.
- 2) Board of Realty Regulation - amends unprofessional conduct rule to allow rebates or reduced commission.

He closed stating that he has not received any requests from the members. He noted it has been a calm interim and hoped that the committee makes it through without any contention.

- Discussion of Mandates

00:11:15 Frank Cote, Senior Director for External Relations - Blue Cross Blue Shield (BC/BS), gave a brief background on mandates. He said mandated benefits add about \$25 to a premium each month per person. He said there are people that cannot afford health benefits. He asked the committee to consider the cost of mandates in their policy decisions. He said the legislature should provide some type of credit if benefits are mandated. He said somewhere between 15% to 17% of Montanans are not covered by insurance. He talked about the mental health mandate, and stated it should be covered by policy. Mr. Cote closed stating if people cannot afford to purchase health insurance they cannot afford mandates.

00:19:17 Aaron Czyzewski, Vice President of Government Relations, American Cancer Society, distributed his power point presentation. **Exhibit 2.** He outlined and explained each frame.

Cancer in Montana:

- What are health benefit mandate laws?
- Why do we support them?
- What do we know about their costs?
- What's happening with health insurance cost and coverage?
- Why are costs going up?
- Access to care through the cancer lens.

Mr. Czyzewski addressed the 4 A's of meaningful health insurance.

- Adequacy
- Availability
- Affordability, and
- Administrative simplicity

Mr. Czyzewski stated that health benefit laws protect access, remove barriers, and help save lives. He said that rising premiums are a serious problem, yet his research shows that drivers of health care costs for businesses are in-patient and out-patient hospital care, physician care, and prescription drugs. Absent from that list are mandated benefits. He said early detection screening for cancer is a lifesaving medical practice. He closed suggesting that a commission be made to study health care reform, including mandated benefits in Montana. He said it would be fair to include specific criteria to fairly evaluate any proposed health care reform.

0:36:38 Jan VanRiper, State Auditor's Office, thanked Frank Cote for his comments on mandates. She distributed handouts. **Exhibits 3 & 4.** She talked about Texas' experiences associated with mandated benefits. She discussed:

- Primary care.
- Mandated benefits.
- Health issues not covered.
- The argument to allow people a choice and purchase only the benefits they need.
- Individual policies where high-risk equals higher costs and low-risk equals lower premiums.

9:26 Ms. VanRiper suggested that the committee look at how repealing mandates would

provide a savings.

9:27 Riley Johnson, state director of the Montana Federation of Independent Businesses, (MFIB), addressed Ms. Murdo's handout exhibit 6 distributed earlier on Insurance Mandates. He said there are over 3,000 business owners in Montana that do not carry insurance on their employees, and over 1,300 of these business owners are eligible for individual insurance. He said that the uninsured group is growing and people are using Workers' Compensation as health insurance. He said this issue was presented to the legislature back in the early 1990s. He asked the committee to look at the draft bill that Ms. Murdo distributed to see if they could do something to draft legislation.

--Discussion of Proposals from Healthcare Forum's Coverage Work Group

Claudia Clifford and Larry White, members of the coverage work group of the Montana Health Care Forum, addressed the EAI Committee.

9:34 Larry White, UM Assistant Professor of Public Health, talked about the Health Care Forum that took place in Helena in 2007. He said the forum reviewed changes that are needed or taking place in Montana regarding health care reform.

0:59:46.4 Claudia Clifford, representing AARP Montana, gave background information on AARP and its members. She said that AARP is looking at what they can propose at the next legislature and expanding what is currently out there. She talked about "purchasing pool coverage". She said that a previous study done by DPHHS on the state planning grant has shown that the target for addressing the uninsured are the smaller businesses because they struggle so much trying to find coverage. She said that Montana's small businesses consist of 2 to 9 employees. Ms. Clifford discussed:

- the Children's Health Insurance Program (CHIP)
- the Montana Comprehensive Health Association (MCHA)
- mandates, and
- the staff paper on other legislative proposals.

1:06:06 Pat Murdo, Legislative Staffer, addressed and explained the unofficial bill draft copy LC7777 regarding limits on individual policy mandates. **Exhibit 5** She said the draft includes a sunset and stated that it would not take away all mandates. She distributed and explained a handout on "Mandates and Insurance in Montana".
Exhibit 6

Questions from the Committee:

10:02 REP. MENDENHALL and the committee discussed exhibits 5 and 6, and decided they will need more time to review all of the information.

REP. MENDENHALL asked for someone representing the insurance industry to address the mandate light policy.

Public Comment:

1:25:20 Tanya Ask, Vice President of External and Provider Relations, New West Health Services, talked about two policies in the past that had limits based on the number of mandates that were included. She explained a provision that was requested by New West for individuals several years ago. New West offered a low-cost policy, but didn't offer in-patient health care. Ms. Ask discussed the pilot program called "bridges". She said this program was used by individuals who did not have health insurance, and gave an example of a person on the program taking medication that exceeded the actual cost of the policy and said that is one of the reasons it didn't work.

1:25:27 REP. REINHART questioned Frank Cote about the biggest cost drivers that are making health care premiums increase. She wanted to know how the \$25 cost of mandates was reached and whether that figure took into account money that could be saved by some of the benefit mandates, such as prevention. Mr. Cote said the \$25 figure came from the actuaries in 2006 when they had an analysis done of the mandates. Mr. Cote said the \$25 is part of the overall premium. REP. REINHART asked if mandates are adding to the costs of an individual policy, and how much are the mandates adding to the cost of health care insurance in general. REP. MENDENHALL interjected and clarified when mandates cost so much then a complete mandate light would be reflected against those costs per policy per month.

1:32:21 REP. REINHART asked Claudia Clifford about her recommendation to set up a commission for the long-term, which is a good plan, but she wanted to know about the short-term plan; what can we do now, people are hurting now, people are going bankrupt now, and people are without healthcare coverage. She asked if we take steps to improve health care coverage now, can we reduce the cost in the upcoming 2009 session. Ms. Clifford replied by reiterating the 3 proposals she had addressed earlier, which are: 1) Insure Montana, 2) coverage for kids, and 3) the high risk pool. She talked about work groups that are part of the Montana Health Care Forum. One work group is addressing best practices, which would address costs. She talked about personal responsibility and getting the consumer involved in health care decisions that would dovetail with a work group on transparency issues. She said there is a proposal for participants regarding health information and technology, which would address the efficiency of health care expenditures. She gave an example, "that if a good technology system is lacking, then there is a lack of ability to find out what the test results would be at the Helena hospital when you had been transferred to the Billings hospital." She said there are broader issues than getting health care coverage for some people,. Ms. Clifford informed the committee they are welcome to participate in any of the forum work groups. REP. MENDENHALL responded that another interim committee is also working on these issues through the SJR 15 subcommittee. REP. MENDENHALL informed everyone that the American Cancer Society presentation will be posted on the EAIC website.

1:35:31 Rep. Mendenhall opened the hearing for public comment.

Public Comment:

1:36:29 Marty Onishuk, representing National Alliance on Mental Illness (NAMI), Missoula, talked about the parity bill that NAMI has worked on that meets a great need for

consumers that have families with mental illnesses. She said there are several versions of a bill that is in the process of going through Congress. One version has currently passed the House of Representatives, but it deals only with group insurance, which is a problem for people in Montana who are trying to purchase individual insurance. She explained the difference between mental health and mental illness - mental health is what everyone wants because it is considered to be wellness, and mental illness is a brain disease caused by neurotransmitters that affect the brain.

- 01:42:23 Dr. Steve Seninger, Research Professor, UM Bureau of Business and Economic Research, distributed a handouts which he discussed. **Exhibit 7**
- Support for the Annie E. Casey Foundation.
 - Montana Kids Count, and
 - The \$25 addition to premiums for mandates per person per month.
- Dr. Seninger addressed his research regarding the cost and affordability of health insurance in Montana, and the major cost impact in the last three years. He said that Montana has one of the highest uninsured rates for children in the country. He addressed reducing costs and increasing coverage, for example through the Healthy Montana Kids initiative.
- 11:45:13 Daniel Morehead, representing himself, Missoula, has also been involved with NAMI. He talked about his chronic depression and involvement with mental illness. He addressed the need for mandates for treating mental illness, stating it will prevent situations later. He said that all people will receive benefits under mandates. He discussed a study reported in the New England Journal of Medicine, March 30, 2006, that states when mandates are implemented with insurance for behavioral health care it can improve insurance protection without increasing total costs. **Exhibit 8**
- 01:50:46.2 Alexandra Volkerts, Disability Rights Montana, said her organization is a federally funded civil rights law firm for people with disabilities and represents people with all disabilities. She asked about costs and mandates, who benefits from repealing mandates, and what is the best way to increase access to health care. She said these questions provide an excellent focus for analyzing any health proposals. She said that some sort of disability affects every family, every community, and every age group. She urged the committee to look at each mandate to determine if it affects the cost of health insurance.
- 10:35 Rep. MacLaren distributed a list of additional options for expanding health coverage through the HJR 48 study. **Exhibit 9** He talked about the two options for the committee to consider: 1) will an option provide employees pre-tax advantages and portability, and 2) will an option effectively turn income tax dollars into insurance premiums by extending individual and employer tax credits for new coverage or a percentage of the premium cost. **Exhibit 10**
- 10:38 REP. MENDENHALL closed the hearing on HJR 48. He stated that HJR 48 is still at the investigative stage, and feels that the committee needs to address the crisis that is before us today. He thanked the panel members and the public that addressed this issue and for their input. He said this will be a long-term issue that committees

will be addressing in the future.

--SJR 13 Discussion on Value-Added Agriculture Legislative Proposals

10:40 Rep. Mendenhall opened discussions on SJR 13.

Public Comment:

10:44 Brian Gion of the Montana Cooperative Development Center (MCDC), informed the committee that MCDC works with groups of people throughout the state of Montana. Mr. Gion distributed two handouts which further explained MCDC's work. **Exhibits 11 & 12** He gave an overview of:

- Cooperative Associations - used in trade for the purchase or distribution of commodities;
- Agricultural Associations - used for promoting or improving production;
- the Cooperative Law Center;
- Food Innovation Centers in other states: Nebraska, Idaho, and New Mexico;
- Value-added agricultural products; hog processing plant, biofuels, etc.
- bio-mass; oil seed cooperatives, wind energy, poultry growers cooperative
- Farmers markets, and many others. See exhibit for full explanation.

Mr. Gion also gave an overview of MCDC's success story: assisting 89 entities since its inception in 2000; directing 33 feasibility studies and 36 business and marketing plans; assisting 12 entities with applied research; providing legal assistance to 27 projects; and provided financing for 28 projects and training opportunities for 44 projects. The result includes formation of 25 cooperatives, \$8.3 million paid out in wages, and \$113 million to the economic sector, e.g. construction and utilities. He said that MCDC has used \$455,000 in state funds to leverage value of \$3,668,955.

2:10:12 Dr. Neva Hassanein, UM Associate Professor, told the committee that she is involved in the environmental studies program. Her expertise is in agriculture sociology. She talked about interviewing key stakeholders on how to encourage food development in Montana. Dr. Hassanein introduced graduate student Jessica Babcock who is researching food processing sectors in Montana and exploring how food innovation centers might address existing gaps and serve Montana agriculture and consumers.

2:12:00 Jessica Babcock, UM graduate student, distributed a handout. **Exhibit 13** She talked about interviewing four directors of food innovation centers in other states and one in a Canadian province. She described the successes, challenges, and suggestions expressed by these interviewees. She said the interviews are continuing and she will share her information with the committee and other interested parties when they are completed. She talked about some of the food center pilot projects and their locations. She described and explained each of the areas structure and history, the services they provide, the groups that use the centers, the markets that are served, and how they are funded.

- Lincoln, Nebraska's food processing center has a pilot project plant that is affiliated with the University of Nebraska. She said the organization was created by the Legislature and stands alone and makes its own decisions.
- Caldwell, Idaho, food technology center is also involved with the College of Agriculture and Life Sciences at the University of Idaho. She talked about the clients and the processing and production that go through the Center's 7,000

square foot kitchen.

- Leduc, Alberta's food processing center is 100% government owned and operated. She said the center provides expertise in the form of meat, cereal, dairy, and bakery scientists. The center assists everyone from small enterprises to industry organizations and multinational corporations.
- Taos, New Mexico's food center is a program under the Taos County Economic Development Corporation (TCEDC). The food center is operated as a private non-profit organization, and is used to assist structural poverty, combat dead-end jobs, and unemployment that affect the people of northern New Mexico.

--Review of Possible Legislation (staff paper)

2:22:04 Pat Murdo distributed information on SJR 13. **EXHIBIT 14** She addressed each of the four issues that the committee could use for draft legislation: 1) Increase the number of food innovation centers, 2) encourage in-state collaboration for value-added agricultural production, 3) increase funding for meat inspectors, and 4) increase vocational technical college budgets to respond to local value-added agricultural production needs.

--Directions to Staff, Committee Action on Bill Draft Requests

11:09 REP. MENDENHALL asked Mr. Dion about proposed legislation dealing with 35-15-401, MCA, 2007, regarding Classes of preferred and common stock. (see Exhibit 12, page 4) Mr. Dion said proposed legislation had come across his desk, but he found that it wasn't necessary. REP. MENDENHALL said in the interest of enhancing more cooperative development opportunities in Montana as it relates to value-added agriculture, he asked the committee members if they were familiar with other states' laws. He asked if there are any impediments that exist in Montana law barring entry for cooperatives that the committee could look at to enhance programs in Montana. Mr. Dion said cooperatives are intended to serve their members, but in the world of value-added ag most people are looking for investors. He talked about cooperatives being protected because of stockholders investing in them. He said the true spirit of a cooperative business model is to service its members and not the outside people. Mr. Dion talked about barriers and people needing to work together. He said that industries need to look at how they can compliment each other. Mr. Dion said that Montana and Wyoming need to change laws to encourage cooperatives using a one member, one vote approach.

2:34:15 REP. REINHART and Ms. Babcock talked about public partnerships and innovations that have been passed from universities to the public. REP. REINHART asked about getting access to capital funds. Ms. Babcock said that a university passing off a partnership and innovations is a natural extension when an university is involved with innovation centers. She said that workforce training is an issue in Montana. Ms. Babcock addressed concerns about capital funding for the centers and said that directors develop a plan then try to find the funds either through grants or industry.

2:37:05 Sen. Smith and Mr. Dion talked about finding enough employees in Shelby to do the job at a packing plant. Mr. Dion said the packing industry is a very volatile industry

for workers, but he said there is full-time trained staff present all the time.

Public Comment on SJR 13 - Value-added agriculture:

- 2:42:30 Ginny Merriam, Public Information/Communications Officer, City of Missoula, distributed an article on a local 5th generation rancher. **Exhibit 15** Ms. Merriam talked about:
- The farmer's markets that operate in the summer in Missoula and Clark Fork.
 - The Montana ranchers needing to find a way to market beef instead of exporting cattle.
- 2:44:16 Ms. Merriam closed stating that it just makes good sense for Montana to invest in value-added agriculture.
- 2:44:33 Arthur Dunkle, Director of the UM campus restaurant, talked about the Farm-to-College program involving the UM kitchen. He said last year he purchased \$97,000 in farm-to college products. This year he anticipates purchasing \$241,000 worth of farm-to-college products. He talked about the Western Montana Food Growers Cooperative, which is a critical operation for the UM kitchen and supports the local food system. He talked about the various businesses in Montana that he contracts with for food for the kitchen. He encouraged the committee to make sure they tour the Mission Mountain Food Center in Ronan. He told the committee that Montana needs many more of these centers located across the state.
- 2:50:52 Chrissy McMullan, Policy Director, Grow Montana, described Grow Montana as a coalition of people involved in a Montana-based food system, such as Montana farmers, ranchers, processors, distributors, and communities. She said the coalition explores policies needed to support a Montana-based food system. She distributed a policy update on supporting value-added agriculture for 2009. **Exhibit 16**
- 2:53:48 Billie Lee, Executive Director, Mission Mountain Food Center, welcomed the committee and said she is looking forward to taking the members on a tour of the center. She talked about small business development and developing new products at the Center that can be commercialized. She discussed a project for gluten free grain at UM and the businesses and products associated with it. She said these companies and products show the success of commercializing a UM project. She stated there is no food science in Montana, which would help with commercialization of products. She talked about the farm-to-college program, and said that Montana needs to be competitive with surrounding states. She hopes the Legislature can provide some leadership to that effort here in Montana. **Exhibit 17**
- 3:02:13 REP. MENDENHALL asked Andrew Geiger, Lead Staff, to give the committee what direction they need to take. Mr. Geiger talked about receiving good comments from the committee members during their tour of the UM campus. He will begin preliminary discussions with the faculty at the Montana State University (MSU) campus and hope to replicate the experience from the UM tour. He said that with the MSU being a land grant college there are different types of research there. He talked about the different types of businesses that located next to the campus. He

informed the committee he will be putting together the agenda for July 17 and 18 meetings in Bozeman. He said the final meeting will be in Helena on September 12, 2008. He said the committee will be doing statutory business by reviewing agency bills and final reports to decide what needs to be reported to the next legislature. He suggested to the committee if they want a committee bill they will need to decide today to give the staff time to draft that legislation for the September meeting.

- 3:03:30 REP. MENDENHALL discussed the committee's studies on HJR 48 and SJR 13. He asked the committee if they had any input or ideas that relate to HJR 48 and SJR 13, and if they want committee bills from these two studies. He said the draft that Ms. Murdo had put together on mandate light was merely for the committee to consider. He said if the committee wants they can address the issue of the uninsured in Montana. REP. MENDENHALL said the committee doesn't need to come out with any committee bills at this time. He said committee bills are not necessarily a measure of success in the interim process. He said there has been a lot of good work and information that has come out of this committee. He asked for comments from the members.
- 3:06:40 Rep. Milburn commented that we as a committee have good ideas and a starting point where we can carry on at the next interim. He said there were good comments at the hearings and he hopes the committee will continue along this line.
- 3:07:25 REP. REINHART commented said she is willing to take on the health insurance issue for the long term to help bring all the diverse stakeholders together to find common ground. She said that for the short term expanding the Insure Montana program would really help, especially for sole proprietors. She talked about the funding and how it would be paid for. She discussed expanding coverage for kids that are currently not insured and the problem of finding the revenue to fund it. She liked REP. MACLAREN'S ideas to explore use of Section 125 Plans that offer pre-tax advantages. She said she is interested in the tax credit idea. She also feels that the Governor's office will not be supportive of tax credits that would be offsetting revenues, but she feels that Montana can live within its means by doing this. She said there can be a good balanced budget by addressing these important problems.
- 3:09:32 REP. MENDENHALL said it sounds like there is support for the Committee to continue their work on the health care issue. He asked Ms. Murdo to work with the committee to receive guidance in the health care issue.
- 3:10:56 REP. MENDENHALL asked the committee if they would like to visit more on SJR 13. REP. REINHART replied that the health care side needs to be focused on more than the value-added agriculture side. She talked about the farm-to-college program and felt they are doing well. She stated that Montana does need more food innovation centers. She addressed economic development and said it can be expanded to help with capital funding.
- 3:11:09 REP. MENDENHALL encouraged the committee to work with the Governor's Office of Economic Development and others in the economic development community to make sure they are all working together.

- 3:11:53 REP. MENDENHALL recessed the committee so they could travel to Mission Mountain Food Enterprise Center in Ronan.
- 2:30 p.m. The committee enjoyed lunch at the Mission Mountain Food Enterprise Center, heard comments from the staff, and toured the facility.
- 03:30 The committee was adjourned on completion of the tour.

CI0206 9093coxa.