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## Economic Affairs Interim Committee

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### 65th Montana Legislature

**SENATE MEMBERS**  
EDWARD BUTTREY  
TOM FACEY  
GORDON VANCE  
LEA WHITFORD

**HOUSE MEMBERS**  
NATE MCCONNELL  
MARK NOLAND  
VINCE RICCI  
SHARON STEWART-PEREGOY

**COMMITTEE STAFF**  
PATRICIA MURDO, Lead Staff  
JAMESON WALKER, Staff Attorney  
FONG HOM, Secretary

# MINUTES LOG

September 14, 2017  
Room 152, Capitol Building  
Helena, Montana

**Please note:** This document is a Minutes Log and provides a notation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video record of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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Please contact the Legislative Services Division at 406-444-3064 for more information.

### **COMMITTEE MEMBERS PRESENT**

SEN. EDWARD BUTTREY  
SEN. TOM FACEY  
SEN. GORDON VANCE  
SEN. LEA WHITFORD

REP. NATE MCCONNELL  
REP. MARK NOLAND  
REP. VINCE RICCI  
REP. SHARON STEWART-PEREGOY

### **STAFF PRESENT**

PATRICIA MURDO, Lead Staff  
JAMESON WALKER, Staff Attorney  
FONG HOM, Secretary

### **VISITORS' LIST** ([Attachment 1](#))

### **AGENDA** ([Attachment 2](#))

## **COMMITTEE ACTIONS**

The EAIC heard from the Department of Labor and Industry, the Department of Livestock, and the State Auditor's Office as part of its duty to monitor state agencies. A presentation on Montana State Fund's calendar year 2017 budget gave some background for the SJR 27 study of State Fund and is a required report.

The Economic Affairs Interim Committee:

- voted to assign Sen. Tom Facey as one of its representatives on the HJR 20 subcommittee study of health care pricing transparency;
- voted to assign Sen. Facey to replace Sen. Lea Whitford on the HB 661 study of state laboratories, including the Veterinary Diagnostic Laboratory, at Montana State University-Bozeman;
- approved its work plan, choosing to focus the majority of its time on the SJR 27 study of workers' compensation, particularly of Montana State Fund, with a basic amount of attention to other studies and duties, subject to revisions as the interim progresses; and
- approved meeting dates for the remainder of the interim, reserving additional second-day meetings as an option, subject to workload and budget constraints.

## **CALL TO ORDER AND ROLL CALL**

00:00:04 Sen. Vance called the meeting to order at 9:04 a.m. The committee secretary called roll. Rep. Stewart Peregoy was excused but arrived later. ([Attachment 3](#))

## **ADMINISTRATIVE UPDATES - Sen. Vance and Pat Murdo, committee staff**

00:01:08 Ms. Murdo gave a brief update on the need for the Economic Affairs Interim Committee to revise appointments for the HJR 20 Study and the HB 661 Lab Study.

## **HJR 20 Health Pricing Transparency Update**

00:03:28 Sen. Buttrey gave an update on the HJR 20 Subcommittee meeting held on September 12.

00:04:24 Sen. Facey voiced a concern that the chair of the HJR 20 Subcommittee has a broader view of the study than is spelled out in the resolution.

## **Revised membership vote**

00:07:00 Sen. Facey moved that he be the committee's representative on the HJR 20 Subcommittee. The motion passed unanimously by voice vote.

## **HB 661 Lab Study Updates**

00:07:31 Sen. Vance gave an update on the HB 661 Lab Study. He said that Sen. Whitford cannot be on committee and suggested that Sen. Facey serve as one of the EAIC's representatives on the HB 661 Lab Study.

## **Revised membership vote**

00:08:27 Sen. Vance moved that Sen. Facey replace Sen. Whitford on the HB 661 Lab Study. The motion passed unanimously by voice vote.

**AGENCY MONITORING - Introduction of New Liquor Control Administrator - Department of Revenue, Director Mike Kadas and Administrator Becky Schlauch**

00:09:28 Mr. Kadas introduced Becky Schlauch as the new administrator of the Liquor Control Division.

00:10:07 Becky Schlauch gave a brief background of herself.

**Questions from the Committee**

00:10:57 Sen. Vance asked about Ms. Schlauch's position as a finance administrator of a newspaper.

00:11:26 Mr. Kadas discussed the proposed 10% cuts on the Liquor Control Division.

**Questions from the Committee**

00:12:20 Sen. Facey asked Mr. Kadas if the 10% reduction is in his entire budget or is it in the general fund part of his budget.

00:13:17 Rep. Noland asked if the stakeholder groups who met last interim with the Liquor Control Division about system changes will be meeting this interim.

00:14:30 Sen. Vance commented that he was under the impression that that group would continue their meetings.

00:14:49 Sen. Buttrey agreed and said that the direction from the Legislature two sessions ago and again at the end of last session was that stakeholders need to come before the Legislature with a unified agreement in an effort to achieve significant legislation.

**AGENCY MONITORING - MONTANA STATE FUND**

00:15:38 Laurence Hubbard, president and chief executive officer, Montana State Fund, presented the State Fund's CY17 budget that was approved by the Board of Directors in December 2016.

**CY 2017 Budget Review**

00:17:14 Mark Barry, chief financial officer, Montana State Fund, provided an overview of the operational background and the budget of the Montana State Fund.  
**(Exhibit 1)**

**Questions from the Committee**

00:51:50 Sen. Facey asked Mr. Barry about the best way to reduce workers' compensation rates, what can be done in the area of safety, how are dividends related to claims, the "return to work" program, and the settling and closing of claims.

01:03:36 Rep. Noland asked about the percentage of Montana businesses that Montana State Fund writes insurance for.

01:06:53 Sen. Facey asked about bonuses given to insurance agents who insure businesses through State Fund.

**REPORTS FROM LIAISONS TO THE RAIL SERVICE COMPETITION COUNCIL - Sen. Facey**

01:09:38 Sen. Facey provided an update to the Rail Service Competition Council meeting. He said that both Sen. Mike Lang, when he served in a past interim, and he questioned the benefits of having a member of the Legislature on that

committee. If the stakeholders in the Department of Transportation think it is a good committee to have, they can still have that committee without it being in statute and without having a legislative representation.

01:11:16 Sen. Whitford said that she finds that having a legislator on the committee is important.

### **AGENCY MONITORING**

01:13:52 Pat Murdo referred the committee to documents that related to the agency monitoring of the Department of Labor and Industry: A department overview (**Exhibit 2**), a memo from Barbara Wagner (**Exhibit 3**), and information from the Bureau of Labor Statistics (**Exhibit 4**).

### **AGENCY MONITORING - DEPARTMENT OF LABOR AND INDUSTRY - Deputy Director Galen Hollenbaugh**

01:14:50 Mr. Hollenbaugh distributed the Montana 2017 Labor Day Report (**Exhibit 5**) and discussed budget issues and the closure of some Job Service offices.

01:30:52 Mr. Hollenbaugh introduced members of his staff with whom the EAIC may be interacting this interim: Natalie Smitham, Todd Younkin, Eric Strauss, and Barb Wagner.

### **Questions from the Committee**

01:32:15 Rep. Ricci asked about the authority the Human Rights Bureau has, after the investigation of a complaint, to resolve that complaint.

01:34:08 Sen. Buttrey asked what the current fiscal year budget is for the Human Rights Bureau before any cuts.

01:34:42 Sen. Facey asked Mr. Younkin about the budget authority of the Business Standards Division that is capped by HB 2 and about spending authority between boards.

01:39:27 Sen. Facey commented that the budget cuts may mean a delay for a person to obtain a license to practice in the state, thereby delaying the growth of the service provided by that industry.

01:40:01 Rep. McConnell asked for an explanation on the impact that the Job Service closures will have on those people complying with unemployment insurance requirements.

01:43:19 Rep. McConnell asked about the process of filing complaints with the Human Rights Bureau, the impacts of the cuts on the Human Rights Bureau and the Office of Administrative Hearings, and concerns over recruitment and retention of qualified investigators and hearings officers.

01:49:39 Sen. Whitford asked about a summer workforce program for youth.

01:56:23 *Rep. Stewart-Peregoy arrived at 11:00 a.m.*

01:56:49 Sen. Whitford asked if the Department of Labor and Industry is developing any programs that can help communities as they move forward with unemployment. She also asked about positions within the Human Rights Bureau being tied to the general fund.

01:58:29 Rep. McConnell asked what the biggest obstacle is to expanding the apprenticeship idea in Montana.

- 02:01:22 Sen. Vance asked Mr. Younkin if there is a timeline developed for updating the building code requirements and if so, will there be public comment.
- 02:01:57 Mr. Younkin described personnel changes at the buildings code bureau and said a process is in place to review proposed building code standards before they are adopted.

**Public Comment related to Department of Labor and Industry**

None.

**AGENCY MONITORING - DEPARTMENT OF LIVESTOCK - Executive Officer Mike**

**Honeycutt**

- 02:03:11 Sen. Vance asked for any member of the Board of Livestock to introduce himself.
- 02:03:25 John Scully, Vice Chair, Board of Livestock
- 02:03:37 Mr. Honeycutt referred to the department overview ([Exhibit 6](#)) and reported on issues of major importance, including concerns raised over a recent meat inspection federal audit. He also gave an update on the budget and commented on the department's role in the HB 661 study of state labs at Montana State University-Bozeman, including the Veterinary Diagnostic Lab.

**Questions from Committee**

- 02:52:39 Rep. Ricci asked if the staff who are doing the meat inspections are adequately trained. He asked if they have performance reviews periodically and if the inspection processes were similar, why the complaints don't have written documentation, and whether there is a timeline regarding investigations of complaints related to the meat inspection audit.
- 03:03:55 Rep. Noland asked if the beef jerky processing was shut down because of how things were handled in the inspection.
- 03:08:25 Sen. Whitford asked about policies within the Brands Division.

**Report on a Meeting about Meat Inspection Audit Concerns - John Scully, Board of Livestock**

- 03:12:55 Mr. Scully gave a brief synopsis of a meeting of a subcommittee of the Board of Livestock on meat inspection audit concerns held in Bozeman. ([Exhibit 7](#)).
- 03:17:16 Brian Engle, Pioneer Meats, Big Timber, Montana, submitted letters from Wyatt Nelson, John and Nikki McFerran, and Wes Henthorne ([Exhibit 8](#)) and discussed their concerns regarding meat inspections.
- 03:20:31 Sen. Vance said that the committee will be getting recent legislative audit reports that have been done regarding the Department of Livestock. He also asked for a report from the accreditation team for the Veterinary Diagnostic Lab. He asked Mr. Honeycutt to speak with Sen. Whitford and help her with her brands situation.

**Public Comment related to Department of Livestock**

None.

Lunch (reconvened at 1:01 p.m.)

**PUBLIC COMMENT on any item not on the agenda but relevant to the EAIC**

None.

**AGENCY MONITORING - STATE AUDITOR'S OFFICE - Commissioner of Securities and Insurance Matt Rosendale**

- 03:58:14 Ms. Murdo referred the committee to the Agency Overview found in their folder. **(Exhibit 9)**
- 03:58:47 Mr. Rosendale reviewed the functions of his office and key areas of interest. **(Exhibit 10)**

**Questions from Committee**

- 04:23:59 Sen. Facey asked about the outreach efforts from the State Auditor's Office regarding the health insurance exchange open enrollment that starts on November 1, 2017.
- 04:25:12 Sen. Facey asked for an explanation of what NAIC stands for.
- 04:25:17 Mr. Rosendale described the composition of the National Association of Insurance Commissioners.
- 04:25:23 Sen. Facey asked Mr. Rosendale to explain what he meant by "returning regulatory authority of insurance matters back to the states."
- 04:26:44 Sen. Facey asked Mr. Rosendale what mandates are in the Affordable Care Act that Montana does not have.
- 04:27:27 Sen. Facey asked about the research that Mr. Rosendale described regarding HJR 20, a study on healthcare pricing transparency, and HJR 17, a study of prescription drug pricing. He asked for information on whether the research on transparency helped reduce costs.
- 04:28:21 Sen. Facey asked Mr. Rosendale if his agency is exempt from the 10% cut that the governor is ordering the executive branch to take.
- 04:29:09 Rep. McConnell asked how the administration of the new rules regarding the air ambulance issue is progressing.
- 04:30:36 Rep. McConnell asked if Mr. Rosendale is seeing complaints rising or falling regarding air ambulances and how the State Auditor's Office is handling those complaints.
- 04:31:23 Rep. McConnell commended the State Auditor's Office on its handling of all complaints and asked if there is anything that the Legislature can do to help.

**Public Comment related to State Auditor's Office**

None.

**COMMITTEE DISCUSSION on Work Plan, Assigned Studies, Member Issues, Meeting Dates**

**Discussion on budget cuts for interim committees**

- 04:32:59 Sen. Vance discussed the memo from Susan Fox, Executive Director, Legislative Services Division, regarding budget cuts for interim committees. **(Exhibit 11)**
- 04:33:51 Sen. Buttrey and Sen. Facey explained the reason for the budget cuts.

04:36:47 Sen. Vance asked Ms. Murdo about the costs for an out-of-town committee meeting.

04:37:04 Ms. Murdo

04:38:21 Sen. Vance referred to the Work Plan ([Exhibit 12](#)) and suggested a minimal involvement priority for most of the issues but maximum involvement with the SJR 27 study of workers' compensation. He said the work plan could be adjusted as needed if the budget improves.

04:38:47 Ms. Murdo

04:39:25 Sen. Buttrey commented on the traveling of the committees. He would not support an off-site meeting of the EAIC committee.

04:40:20 Sen. Vance asked for committee input on these activities. He said that when the studies were rated, the only study assigned to the EAIC that was rated high was the workers' compensation study, and he said that study should remain a priority. He rated the rest as minimal involvement.

04:40:54 Sen. Buttrey said that he would support the workers' comp study.

04:41:34 Sen. Facey agreed with Sen. Buttrey's comments.

04:42:56 Rep. McConnell said he had discussed the broadband issue with the stakeholders and he feels that they can come up with a report on that at a later time.

04:43:29 Rep. Ricci said that in relation to SJR 32, a study of emergency responders, he has had several phone calls concerning veteran suicides and veteran care. He would like to put some energy into that study.

04:43:52 Sen. Vance said that he was not implying that any study be ignored. He was just saying that a minimal amount of priority be set on most committee activities today and then add attention if there is time and funding.

04:44:36 Ms. Murdo noted that the SJR 32 study, which includes the veteran health care aspect, showed that for minimum involvement there would be one panel presentation which is in place for the November meeting. At the November meeting, the committee could revise the work plan if necessary.

#### **Motion/Vote**

04:45:21 Sen. Buttrey moved to adopt the work plan as discussed. The motion passed unanimously by voice vote.

04:45:30 Rep. Vance asked if the committee had decided on meeting dates.

04:46:29 Ms. Murdo discussed reviewing the agencies and minimal involvement that required briefing papers on advisory councils.

04:46:33 Sen. Vance said that if Ms. Murdo could provide the briefing paper and from that the committee could decide if it needed more information related to reviewing advisory councils.

04:47:08 Ms. Murdo distributed the Interim Calendar ([Exhibit 13](#)) and discussed the proposed meeting dates.

04:48:00 The committee members discussed availability of meeting dates. Sen. Whitford said she would not be able to meet in November.

04:51:48 Sen. Vance said that the November date is okay.

04:52:16 Ms. Murdo discussed how the SJR 27 Subcommittee meeting will be done. Her approach is that the first day will be an EAIC meeting and the second day will be the SJR 27 Subcommittee meeting.

04:52:57 Sen. Vance said that he wants as many EAIC members to attend the subcommittee meeting as possible.

**Public Comment on Plans for Assigned Studies**

04:53:43 Greg Dorrington, Property Casualty Insurers **(Exhibit 14)**

04:55:16 Laurence Hubbard, president and chief executive officer, Montana State Fund

04:56:36 Ms. Murdo referred the committee to the memo regarding a fiscal analysis prepared for SB 371. She said SB 371, if it had survived the 2017 session, would have revised workers' compensation insurance in Montana by dissolving the Montana State Fund. **(Exhibit 15)**

**Motion/Vote**

04:57:42 Rep. McConnell moved to adopt the work plan with the proposed meeting dates. The motion passed unanimously by voice vote.

**RULE REVIEW - Jameson Walker, staff attorney**

04:57:54 Mr. Walker referred the committee to the report "Evolving, Revolving, and Reassessing: What to Learn from Past Montana State Fund Studies?" **(Exhibit 16)** and urged the members to read it.

04:58:00 Mr. Walker discussed the Administrative Rule Report. **(Exhibit 17)**

**ADJOURNMENT**

04:58:53 With no further business before the committee, Sen. Vance adjourned the meeting at 2:03 p.m.