MINUTES

MONTANA HOUSE OF REPRESENTATIVES
56th LEGISLATURE - REGULAR SESSION

SELECT COMMITTEE ON JOBS AND INCOME

Call to Order: By Chairman Bob DePratu, on December 29, 1998, at 8:30 A.M., in Room 104.

ROLL CALL

Members Present:
Sen. Bob DePratu, SD 40, Chairman (R)
Rep. Karl Ohs, HD 33, Vice Chairman (R)
Sen. Jon Tester, SD 45, (D)
Sen. Lorents Grosfield, SD 13, (R)
Rep. Bruce Simon, HD 18, (R)
Rep. Emily Swanson, HD 30 (D)
Sen. Mike Taylor, SD 37 (R)
Rep. Doug Mood, HD 58, (R)
Rep. Carly Tuss, HD 46, (D)
Sen. Mignon Waterman, SD 26, (D)

Staff Present: Gordon Higgins, Legislative Services Division
Deb Thompson, Committee Secretary

Minutes are condensed and Paraphrased. Cross referencing can be done through tape notations.

Next Committee Meeting Date: December 30, 1998 8:30 a.m. Rm. 104

MEETING ON JOBS AND INCOME PROPOSALS

The committee discussed scheduling for the following week. Rep. Ohs reminded the committee the bills were still in the proofreading stage and they would have full hearings after being assigned bill numbers.

Gordon Higgins discussed the drafting process of LC 322. **EXHIBIT(joh00a01)** He introduced Jeff Martin from the Legislative Services Division who was involved in the drafting of this bill. He explained the bill would provide for reimbursement to local government taxing jurisdictions to replace loss of revenue from the business equipment tax rate reduction.

Rep. Swanson questioned the relationship of growth in the market versus taxable value. Martin explained the reimbursement mechanism would make up the difference. Rep. Swanson asked what would happen if the market values declined how could it make up the revenue. Martin pointed out subsection 2c which would give an incremental amount multiplied by the amount reduced. Swanson clarified this would be reimbursed at the 1998 figures.

Sen. Waterman asked if the reimbursement would end since this was effective on passage. Martin replied there was no phase out or eventual elimination of the reimbursement but that would continue at the 6% level. The situation of taxable values growing or declining where there may exist a negative reimbursement was accounted for in section 2d.
{Tape : 1; Side : A; Approx. Time Counter : 22}

Sen. Tester asked for clarification of bonding on page 11. Martin said this was the third part of the bill which maintains the integrity of the local taxing jurisdiction bonding capacity. Adjustments are made to taxable value based on percentage. Sen. Tester asked if the reimbursement could make up for payment of bonds. Martin noted the committee may want to include class 6 livestock but it did not seem to be significant. However, a couple of counties may be impacted. Sen. Waterman pointed out the combination of the class 6 and the ten thousand dollar exemption could have a significant impact. Martin explained the ten thousand dollar exemption was not a fixed percentage. This would have a different effect county to county. He said one solution might be to bump up a level. This might be handled by changing the percentage, for example, on page 21 for bonds to be issued during 1999 an additional 16% of the taxable value of class A property. There are disparities, however, of class A property within each taxing jurisdiction.

Rep. Ohs said it was prudent to do the same thing with the livestock tax since a lot of the counties might be impacted. By including the livestock tax under the reimbursement plan this could be minimized. Chairman DePratu clarified this exemption was for one business and one ten thousand dollar exclusion. Rep. Swanson asked which county would get the hit. Sen. Taylor said it would be the county where the business was established.
{Tape : 1; Side : A; Approx. Time Counter : 33.7}

Sen. Waterman said she was supportive of the concept but 53 million would be coming out of the general fund. She said the question was where would the replacement funding come from. Sen. Grosfield said he shared the same concerns. He hesitated to identify specific funding this early but realized the bill would be voided if there were no funds. Sen. Taylor pointed out this

was not just a tax break but an economic stimulus to create jobs. It is a question of priorities. He encouraged the committee to keep the focus on jobs and income and then find the funding.
{Tape : 1; Side : A; Approx. Time Counter : 52.4}

Rep. Simon reminded everyone this was not a tax committee. He stressed the importance of remaining focused. He said the impediments to economic development had been identified and the roadblocks needed to be removed. He asked where the money would come from in the year 2004 if the citizens could not get good jobs.
{Tape : 1; Side : A; Approx. Time Counter : 53.3}

Sen. Waterman pointed out the concern, with the elimination of the business equipment tax, would be if homeowners had to pick up the tab. Sen. Tester agreed that the property tax payers at the local level would be making up the difference. He said this would be difficult to fund local government and schools. He was not sure business growth would come to Big Sandy.

LC 307

Jeff Martin discussed LC 307 **EXHIBIT(joh00a02)** as an equalized tax treatment between in-state and out-of-state owners of rental vehicles which would impose a 6 percent surcharge on rental vehicles. He pointed out a provision that the bill be effective on a specified date that CI-75 may be declared invalid. If that did not occur or if the vote bill LC 662 was not passed by the electorate then this bill was void.

Rep. Ohs asked whether the language on page 9 would take care of the Main Street Program. Higgins replied that was the case and Senator Mahlum would talk about this program.
{Tape : 1; Side : B; Approx. Time Counter : 30}

Rep. Simon asked about the penalties and whether there was an incentive not to register if the penalty was only 10%. Martin replied 10% was not an uncommon penalty with current law. The penalty could be made higher for not registering.

Sen. Tester asked how this topic got into the Jobs and Income package. Rep. Ohs said it was under the Main Street Program, local capacity. Sen. Tester asked what the reason was for a 6% new tax on the rental car industry. Chairman DePratu clarified that the rental car industry brought it forward. He explained the rental car licensing fees had gotten so high in the state for licensing new cars and Montana was a very seasonal state which

makes it very difficult in the rental car business to cover the costs. The rental car industry looked at this as a mechanism where they could get reimbursed for part of the licensing fees. Through this bill, they would be able to apply and get a reimbursement for about 50% of the license fee that they paid. There is a real problem within the state as far as the larger rental car companies are concerned, because of Montana's high licensing fees. The rental car companies will run rental cars in during the high season from another state which is the ski season and the Memorial Day to Labor Day season. They will bring them in from Idaho and Utah where they can license them for $25-$40 dollars. The state is losing out on those licensing fees. Under this bill, if companies didn't license their cars in Montana they wouldn't be able to collect reimbursement under this program.
{Tape : 1; Side : B; Approx. Time Counter : 35.3}

Rep. Swanson asked how much revenue 6% would bring in, how much of that gets reimbursed and how much is left in the Heritage Program. Chairman DePratu said there were some differences from the bill two years ago. One was the removal of the insurance companies having to pay the 6% on an insurance replacement, for example somebody wrecks their car and they go rent a car for two weeks or a month while theirs is being fixed. Then the insurance company doesn't have to pay the tax on that. Rep. Ohs said the second big change was this time the money was going for heritage projects throughout the state.
{Tape : 1; Side : B; Approx. Time Counter : 40}

Rep. Ohs pointed out this creates business for Montana in that people are going to license their cars in Montana rather than out of state. Most people from out of state rent cars while visiting in Montana. Most of the people who pay this tax are from out of state. It increases business development in Montana.

Rep. Swanson pointed out that if the flat tax on licensing legislation passes, the reimbursement would drop significantly and the revenue in the account would increase. Chairman DePratu replied the average would go from about $500 per license fee to $50. The current fee is so high this is the reason you see all the Idaho and the Utah cars in Montana during the high season.

Sen. Grosfield noted that with a 50% reimbursement now it would still be $250 to license which is still higher than what they pay in Idaho. Chairman DePratu said they would have to register with the state. The reason for the registration to do business in Montana is you would have to register and declare how many cars you would operate. There are already laws in effect in the Justice Department that requires licensing in Montana but they skate by. By registering, the Justice Department would have a handle on where these cars are coming from and their income. Bozeman and Billings have extremely high use for out of state cars for rental.

Sen. Waterman asked if the car rental companies would still be supportive of the bill if the flat tax proposal passed. Sen. Taylor asked if this issue created jobs and income. He pointed out this was tax policy. Sen. Waterman said this would increase tourism by funding the Main Street Program.
{Tape : 1; Side : B; Approx. Time Counter : 52}

LC 791

Higgins explained this bill was requested by the Secretary of State's Office and carried by Rep. Tuss. He introduced Dan White from the Secretary of State's Office to give a summary of what the bill does.

Dan White gave some background regarding the team effort of putting the bill together. He said it was first the idea of a subcommittee called ITAC with Peter Blouke as the chair. It was an attempt to bring in electronic commerce. **EXHIBIT(joh00a03)** He explained the draft language came from a number of different sources, California, Utah, and Massachuset law and drafts from the American Bar Association and the Uniform Laws Commission. He pointed out there was starting to be a lot of uniform law regarding this topic around the country. This bill would enable state agencies to use electronic commerce. It defines terms in technology so agencies or private contractors could understand the terms.
{Tape : 1; Side : B; Approx. Time Counter : 55.6}

Rep. Swanson asked what this bill would allow a small business person to do. White replied it would allow people to work, by electronic means, with the state agencies. He said it would affect state agencies more than private industries or small business people. Contracting with the state could be done electronically. If electronic correspondence with the state come into dispute there are provision in the bill to determine what documents are satisfactory for evidential purposes in administrative hearings.

Sen. Taylor asked why the bill did not go one step further. He asked if a change order could be handled electronically. White replied that was a good example rather than waiting for the mail. Blouke said this was not made for the main stream but for the state in general. Flexibility in the legislation was needed because of the rapid changes in technology. He said they did not feel knowledgeable enough to write legislation. By doing this

starting with state agencies they would be able to work through the bugs.
{Tape : 2; Side : A; Approx. Time Counter : 3}

Sen. Waterman pointed out that there were many people that may not want to do this, including small agency offices. White pointed out that subsection (a) of section 4 mentions voluntarily agreeing. Some small agencies may not have the capability or the funding to do this. This would allow people to use this if they have the capability.

Rep. Simon asked that the language in section 4, page 6, part 2, referring to "repugnant" be clarified. White explained the administrative hearings officer could not throw out the electronic record because it was not in written form. Rep. Simon asked how this bill affected jobs and income. Rep. Tuss said this would make a smoother process between state agencies, and when small business and moderate size businesses interact with state agencies. This is an active recruitment tool.

Sen. Tester asked if electronic signatures were legal and upheld by the courts, or did they have to be followed by hard copy. White replied this has not been tested in Montana. This was limited to administrative hearings and was not tested in the courts. It would have to be tested on a case by case basis.

Rep. Tuss commented that this was only the beginning. She said she would like to extend this concept right down to local government, since this was only being applied to state agencies.
{Tape : 2; Side : A; Approx. Time Counter : 21.7}

LC 845
Sen. Mahlum introduced the bill. **EXHIBIT(joh00a04)** This bill would revise the laws governing venture capital companies. This would bring the Montana Capital Company Act into compliance with the Small Business Administration legislation on the federal level.

Sen. Grosfield asked if the reason for the compliance was to make the federal money available. Blouke replied that was correct. Poole said more information on the SBIC statute and what the program actually did was behind tab 7; there was a short explanation how it leveraged federal money for investment in Montana. This bill is required for this particular capital company to become a qualified federal SBIC. The Montana Capital Company Act and the Science and Technology Act both have statutory provisions that are in conflict with federal regulations.
{Tape : 2; Side : A; Approx. Time Counter : 28}

Sen. Taylor pointed out this sets in motion the compliance area to be able to meet the needs of small businesses for venture capital in the state of Montana.

LC 1105

Higgins said this bill was requested by Sen. Waterman and was the only proposal that dealt with telecommunications. **EXHIBIT(joh00a05)** This would authorize a 20% telephone company license tax credit for accelerated deployment of advanced telecommunications infrastructure improvements. This is a competitive program, administered by the Department of Commerce. They would establish rules to determine which areas in the state were under served or unserved by telecommunications infrastructure and provide a tax credit of 20% of the total amount of the infrastructure investment.

Sen. Taylor asked why this was limited to telephone companies and not Montana Power or University of Montana or any private company that uses infrastructure to create communications and upgrades. Higgins said the companies that could apply for the tax credit were telecommunication services providers. Sen. Waterman said one of the reasons for the excise tax or the telephone license tax was because they did not want to get into the reimbursement issue with property tax, which was too complicated. This was a really active source of funding right now which was growing. She pointed out it was targeted to high speed lines to areas not served.
{Tape : 2; Side : A; Approx. Time Counter : 36.6}

LC 1218

Higgins explained LC 1218 **EXHIBIT(joh00a06)**. He said the bill would retain a portion of the annual revenue deposited in the foreign capital depository account for local economic development programs. Blouke clarified this would identify potential resources in the future to be able to continue on with economic development programs. He suggested tying this to the board in conjunction with the goals of economic revitalization.
{Tape : 2; Side : A; Approx. Time Counter : 41.1}

Rep. Simon suggested this money be used in lieu of general fund. Sen. Taylor said he agreed about designating this money narrowly for the use in jobs development. Rep. Tuss asked why the bill designated 75% to be paid for administration and 25% on recruitment. Blouke said the intent was for 25% for economic development and marketing. Rep. Tuss said it was unclear what

dollar amount would be needed for supervising the foreign depository but she would recommend switching those to 75% to economic development and 25% into supervising and administrative responsibilities. Blouke said in the current language there is apparently an amount of the revenue from the foreign capital depository that is used to offset the cost incurred by the department relative to the supervisory responsibilities of the foreign capital depositories, not general supervisory responsibilities within the department. He pointed out that all kinds of projections could be ran on the revenue that this would generate. Tuss said she thought 25% was adequate since most agencies get 12% and twice that would generate questions about efficiency. Blouke said he would come back with some numbers and some consideration regarding compliance with federal regulations and laws. Sen. Waterman said rather than putting percentages in, put in language that would ensure they have the money to do the supervision and the regulation. She was not clear where the remaining fund went, whether it would go to the reinvestment board or would the whole amount go to the board with the authority to make the determination about the amount necessary for supervisory and regulation. Somehow someone makes the determination of what it costs to run the program.
{Tape : 2; Side : A; Approx. Time Counter : 45.3}

Rep. Simon said he was uncomfortable with the percentage. If there was one foreign depository created in Montana and they end up with 100 million dollars that would be 1 1/2 million dollars per year in taxes generated but if they deposited 1 billion dollars it would not take ten times as much regulatory effort to regulate one unit. The amount of regulatory money needs to be commensurate with what it costs to handle it and the remainder should go to a more appropriate purpose.
{Tape : 2; Side : A; Approx. Time Counter : 51.3}

Rep. Ohs pointed out the bill had some definite potential for economic development.

Blouke explained the numbers on the Foreign Capital Depository sheet **EXHIBIT(joh00a07).** He said there were 15 scenarios listed on the sheet. The proposal in the bill draft had 75% of the fees generated could go towards economic development activities. He put in a 10% administrative fee, which was different from regulatory since there would be legal fees and other things, up to a maximum of $250 thousand. The cap of the 75% was at 8 million.
{Tape : 2; Side : A; Approx. Time Counter : 57}

Rep. Tuss **MOVED** to have the percentages in LC 1218, 2a and 2b, be altered to reflect the numbers in exhibit 7. The question was called. The motion **PASSED** unanimously.

LC 1219
Higgins discussed LC 1219 which would provide job training tax credit for new or expanding businesses in Montana that engage in manufacturing or research and development operations. **EXHIBIT(joh00a08)** He noted the bill in 3 (a) meant a tax credit would be given to those activities that generated at least 75% revenue outside the state. The language came from the Department of Commerce or existing statute and was subject to change. The training program language in section 1, lasting for six months, which should say "within a given year". Chairman DePratu clarified there would be only one tax credit for one specific training segment. Higgins noted it must create an additional job not replace an existing job. In Subsection 2 (c), the results in a job for which the taxpayers paid the jobholder a minimum of $27,000 in Montana gross income during the tax year the credit is applied. That figure was from the Department of Labor in terms of the average weekly wage paid to manufacturing employees in the state. This number was also indexed so every year, in order to apply for this credit, this $27,000 was increased by inflation.

Higgins pointed out the need for clarification of the qualified job training program. A qualified job training program can be reasonably accomplished during a six month training period. On-going training would not qualify because it does not create new jobs.

Poole discussed tax credit, job training programs. Economic development at the state level talks about exporting goods and services outside the state. Tax credits for job training for businesses in Montana that basically serve local markets are not doing a lot for the Montana economy. This was directed specifically to new or expanding businesses who are exporting most of their products and services outside the state. The percentage could be different. He mentioned the issue of manufacturing as defined in Section 1. The intent was not to just limit to manufacturing because any business setting up in Montana or expanding in Montana and paying employees $27,000 a year and exporting 50% or 75% of their product outside Montana is a good business.

Rep. Tuss said the 75% reflected what the committee heard about the Idaho recruitment and the need for value added concepts for Montana.

{Tape : 2; Side : B; Approx. Time Counter : 15.8}

Sen. Waterman pointed out a problem. Her example was Columbia Falls Aluminum who may create 300 new jobs but if they did not reach the 30% threshold would they need to create 30% more jobs and export 75% of what they do. Chairman DePratu said they would fall under the expanding part. This is a prime example that they could add an additional 100 people and that would not reach the 30% threshold for their total employees and 100% of their product was exported. They would not qualify for this credit the way the bill is written. Sen. Waterman asked why wouldn't every business that qualified for this have to export 75%. Would both definitions have to be met or was it either/or?
{Tape : 2; Side : B; Approx. Time Counter : 17.3}

Rep. Tuss said it was her understanding that it said "or", "expanding business or new business". She wondered about the placement of subsection 2, new section 1, sub 2 if that was confusing. It was more of a definition rather than who would be offered the tax credit. Sen. Waterman said this needed clarified.
{Tape : 2; Side : B; Approx. Time Counter : 19.6}

Sen. Taylor pointed out the concept was good but the way it was written was convoluted. It would create very little new jobs and be limited. The $27,000 was not realistic. The job credit was a good idea but it should be realistic for businesses that are in the state of Montana. It should allow all businesses that create high paying jobs, at a certain level - $22-23 thousand, to take advantage of this credit.
{Tape : 2; Side : B; Approx. Time Counter : 20.3}

Rep. Tuss said we were looking to promote manufacturing and technology kinds of businesses, small and moderate sizes. The Department of Labor says in this very group, the average wage was $27,000. That was not true for a lot of other sectors. If the committee was trying to ratchet up the average income in Montana, the number should not be dropped too far below what the current average was in the Department of Labor.

Sen. Taylor said when you give a tax credit for a business to give a training program for employees, they start new employees at a lower wage, which would not meet the requirement and they would not be able to take the tax credit.

Rep. Simon asked why the definitions were put in the bill in the first place. There are other businesses out there that are not thought of that it would be beneficial to increase also. If the goal was to increase the average wage in Montana, then others

should be considered. He pointed out that anybody who had an idea, even if it didn't fit the mold, if they were willing to train people and pay them at a level that was significantly above what the average wage was in Montana, and this could be keyed to that. If the jobs paid more than 40% above the average wage in Montana they qualified for the credit. It would not matter if they were exporting 25 or 75%, it would not matter if they were paying well above the average wage, that would raise the average. It would be simple to say there would be a tax credit for training people for jobs that will pay 40% or 33%, it would ratchet up over time. He pointed out there were new business opportunities out there what had not been thought about. Electronic commerce was one area that would explode.
{Tape : 2; Side : B; Approx. Time Counter : 24.7}

Rep. Tuss asked if the language should change from average state wage to "average for that sector". Rep. Simon replied the goal was to try to raise the average. Anything that paid above the average raises the average. If a goal to pay significantly above the average, like a third above the average, it would impact the average. Sen. Waterman pointed out the big influx of money in the state would be in highway construction. Those are good paying jobs. The training program in the bill could not last more than six months but there was no minimum set. The job training credit could be given to every highway construction person that hires temporary jobs, put on a week long training program, or it could last an afternoon and they would qualify for this. They have not created any new income or growth in the state of Montana other than what we were going to have anyway. The need is to bring new industry that would stay here.
{Tape : 2; Side : B; Approx. Time Counter : 27.1}

Sen. Taylor asked how you could guarantee that a job would last. Sen. Waterman said the original purpose that it was a new or expanding business, that they were exporting out, there needs to be some qualifying language.

Rep. Mood reminded the committee about Mr. Potter's presentation where there were some jobs they would not recruit, such as telemarketing. The bill has to reflect the real world. Businesses should be encouraged to get new employees rather than recruiting new business. The bill ought to reflect that sentiment rather than limiting who could take advantage of it by virtue of whether they create 30% more jobs. When you train people in a new position it is standard procedure to pay them less than you would when their training is complete. You try to pay people according to their productivity. There should be some kind of stepped-in program that reflects the real world or there will not be many who can take advantage of the tax credit.

{Tape : 2; Side : B; Approx. Time Counter : 32.1}

Rep. Tuss voiced concerns of the tax credit being given with no expectation that these folks stay in Montana. Other states are competing and actively recruiting, what is to say that they would not be recruited away.
{Tape : 2; Side : B; Approx. Time Counter : 33.7}

Sen. Waterman pointed out that other states were encouraged to hire welfare people and keep them employed. Other states have given a tax credit for employing people which varies depending on the salary they pay. The goal there was to pay more and to keep them employed for a longer period of time. She asked if the goal was to get them to train the people or the goal was to get them to hire the people and keep them employed.

Chairman DePratu said there were a lot of good ideas. He asked Poole to clarify this issue regarding percentages or the dollar amount.

Poole said the percentages could be changed. There was some danger in not requiring a certain percentage of goods or services to be exported from Montana. There could be a business opening in a community, provided a tax credit for six months for new employment but it may be in direct competition with the business across the street. This incentive program for companies not exporting their product puts them in competition with businesses that already exist here. Economic development is a result of exporting products and services to customers who live outside Montana, which is an important part of this. Duration of the business is an important point. The tax credit would not be available to a company until they had kept that person employed full time for at least one year. He pointed out the need to make sure that a situation was created where a company that was new or expanding was put in competition with somebody across the street who wasn't getting the same advantage. The percentage of the product exported needs to be there to some extent.

Sen. Taylor said the numbers just needed to be adjusted. Poole talked about the average state wage which was $21,500. The $27,000 was an average for manufacturing.

Rep. Swanson asked Higgins to make a few changes, one to clarify what the tax credit was paid against, the wages paid during the job training or for the entire year. The second change was to agree as to wage level, the third change be 75% exported outside the state and add "sustain ability".

Chairman DePratu noted the indexing was a good idea with $22,000, the percentage of the state average, each 1-2 thousand until it gets up to the $27,000.

Blouke suggested a reduction in the interest rate based upon the level of wages paid relative to the state average. For an employers sake, there would be simplicity if you use the same one for all of the programs it would be easier to understand and would address the concerns.
{Tape : 2; Side : B; Approx. Time Counter : 45.6}

Sen. Grosfield said he liked the 75% threshold, though would agree to 70 or 67 1/2%. The whole effort of the high threshold was to improve the Montana economy. The only way to really improve it was to bring in new money. This effort should be triggered toward real expansion of the economy not just passing the money that was already here around. This attracts basic industry.

Sen. Tester agreed with the importance of pulling in outside money into the state.

Sen. Taylor said he was not sure about the 75% number. Rep. Ohs suggested the number be 50% and amend it later. Rep. Tuss suggested 66%. Chairman DePratu said the committee was agreeing to 66% and it would be indexed.
{Tape : 2; Side : B; Approx. Time Counter : 49.4}

LC 1220

Gordon Higgins discussed the resolution that would encourage the Board of Investments to increase the Coal Tax Trust Fund to be invested in Montana enterprises **EXHIBIT(joh00a09)**. The resolution would also encourage the Department of Agriculture and Commerce to develop new markets for pork, beef and sheep, air passenger carriers encouraged to board passenger flights into the state and the Department of Transportation be encouraged to expand surface transportation opportunities in the state.
{Tape : 2; Side : B; Approx. Time Counter : 51.8}

Sen. Waterman commented that resolutions do not do much. They present good ideas but do not accomplish much. These issues need more than urging, rather they need specific plans. Blouke replied that the Board of Investments would be impacted. State agencies do not always respond but outside agencies do, like the Board of Investments.

Sen. Waterman **MOVED** to urge the Board of Investments to invest more Coal Tax Trust funds in Montana and then delegate all the other responsibilities to the new board and urge them to study those issues.

Rep. Simon suggested sending a message through the Highway Commission for transportation issues.

Sen. Tester stressed the importance of sending a message to help establish new markets for Montana agriculture products. The new board could do that, however the new board is a long ways away. ***{Tape : 2; Side : B; Approx. Time Counter : 59.1}***

The question was called. The motion **PASSED** with three no votes by Sen. Tester, Sen. Grosfield and Rep. Ohs.

LC 1221

Maureen Rude, Department of Commerce, Administrator of the Housing Division, explained the bill that would exempt qualifying low income rental housing property from taxation. **EXHIBIT(joh00a10)** The bill came at the urging of some non-profit groups who were trying to develop low income housing using the program called the Low Income Tax Credit. The program is a federal tax credit provided to the owners of housing when those owners agree to restrict the rent and rent only to people below a certain income threshold. The problem is that the federal law requires 10% of the tax credit be for non-profit. In order for a non-profit to use the credit they need to partner with a for-profit who brings in the equity. A non-profit by itself cannot use a tax credit. Those credits have been given back to the national pool because the non-profits in Montana have not been successfully using the program. One of the issues of a non-profit right now using the grant programs or getting money from other sources without having a for-profit entity involved is currently exempt from taxation from property taxes, in most cases. However, if they create a partnership in order to use this low income tax credit and bring in this equity from these investors they then become subject to property taxes under current state code. The effect on those projects is an additional $70 per unit per month they have to charge in rent. This can have a significant impact on affordability, especially considering those served.

Rep. Swanson asked where the majority of the activity was taking place. Rude replied the list of non-profits who are using this program was very short. The Salish Kootenai had done a 20 unit project in Pablo. There is a small project in Glasgow, the HRDC in Missoula and the HRDC-Rocky Mountain Development Council in Helena has been working on one.

Rep. Simon asked about the involvement of non-profit. Rude replied non-profit had to be involved as a general partner and actively participate in management, which is under the Internal Revenue Code. Rep. Simon asked if the program was only available if there were a merger between a non-profit and a for-profit or if he could do this on his own. Rude replied a for-profit could get the low income tax credit from the Board of Housing but they would have to meet the restrictions that the units would have to be rented to people at 20-50% of median or 40-60% median. Rep. Simon asked if this would create a competitive disadvantage for somebody who was not a non-profit to get into this business. Would this be creating something just for non-profits or does the Board of Housing have a program available for someone that did not want to be involved with a non-profit. Rude replied the low income housing tax credit is available but as this bill is written a for-profit on its own would not be eligible for the low income tax credit and the property tax exemption. This was written specifically so people could not simply get a non-profit in name only to get the property tax exemption so they have to target 50% of their units to 50% of median.

Rep. Simon pointed out when you get rid of the property tax the numbers advantage are huge. But if you are a little bit above that it is $100 more per month for rent just to make up the tax difference. He suggested using a graduated program so $1 over would be a situation that was unacceptable where $1 under would give you $100 advantage.
{Tape : 3; Side : A; Approx. Time Counter : 17.1}

Rude said she would be willing to consider the graduated idea. She said she was trying to take what was in the existing tax code which exempted non-profits and expand it where a non-profit tried to use an existing federal program. Realistically there are eight projects a year funded under this program, since there is $1 million tax credits per year. It is competitive and private developers use it. She said a lot of them would come out of the woodwork if they thought they were going to get a property tax exemption.

Sen. Waterman asked if this were opened up where they had to meet that 50% for 50% of the units, regardless of whether they were for-profit or non-profit, there would be a lot more takers. Rude replied there would be a lot more developers coming in targeting that 50% of median income. That is hard to do for a private developer right now to target below 50%. Sen. Waterman said that would provide more housing. She asked what the downside was. Rude said that it would be impacting property tax revenue. She was not sure how local governments would feel about this. She pointed out local governments were approving a lot of these

projects because they would be increasing their tax base. Indexing may be the answer. For those units that are below 50% of median you get a tax exemption but not for the rest of the units. Right now the whole property would get that exemption if they had 50% of the units at 50% of median. Sen. Waterman suggested if any units were below that there would be a proration. Rude said this would not be difficult since they would be monitoring every year and would know what percentage of their units were at what percentage of median.
{Tape : 3; Side : A; Approx. Time Counter : 19.3}

Sen. Taylor said as a jobs and income bill the goal is to provide the best scenario for people and low income housing is a critical issue in the state. If this was going to be offered for just a few select units it may not be accomplishing the goal. There should be an opportunity to create more units for low income housing and bite the bullet on some of the costs that we would be losing on revenues.

Sen. Waterman pointed out the local governments might be the losers. She asked that this be changed to use the 50%, 50% threshold but the tax exemption be open to units below that threshold and open to both for-profit and non-profit entities for the portion that meets that below 50% threshold. She requested numbers on the economic impact. She suggested an amendment and a fiscal impact be applied to the bill. Rude said that for purposes of doing the calculation she would assume that every project that is done, 50% of the units would be exempt from taxation, so she could estimate the numbers. The cap by the federal tax code is 1.25 per capita of low income tax credit.
{Tape : 3; Side : A; Approx. Time Counter : 25}

Chris Imhoff, Rocky Mountain Development Council, said she was working on a project that was using the low income tax credit. She said if this were opened up to any for-profit or non-profit that would rent at 50% of median, the full amount of money that comes in each year is then subject to property tax exemption. The schedule that the department was looking at was based on 10% of the money that comes in each year and having that exempt. This new idea would be increasing expenditures enormously. She pointed out there were two problem areas, there were a lot of people that need housing that are way below 50% of median. Their project looks at people that are 20-30% of median. Many of these are elderly people that have no where to go. Another point is when you have a non-profit general partner, you put together a project that is going to have federal funding which is the only way to access that funding. She pointed out federal grants do not pay for a whole project but instead supply "gap" financing. A combination of corporate money and grant money brings the cost of the project down. This brings money in from outside and builds something very low income people can live in. Making this tax credit available to anyone would indiscriminately give a property tax break for any project at all, done by a for-profit or anyone at 50% of median. She said this would cost a lot and would not have the same impact on the economy that was hoped for.

Rude pointed out that she did not believe that developers would do 100% of their units at 50% of median even if they were given the tax break. They might take that 50% and do 50% of their units at 50% of median.
{Tape : 3; Side : A; Approx. Time Counter : 31.4}

LC 1223
Gordon Higgins explained LC 1223 **EXHIBIT(joh00a11)** He said the bill would reduce the Board of Investments minimum infrastructure loan amount from $500,000 to $250,000. The committee had asked to go further to reduce the minimum number of jobs created from 50 to 15.

Chairman asked if the intent was $250 thousand, not $300 thousand. Higgins replied that was correct, it was $250 thousand.

Higgins pointed out the department asked that this apply to any business not just small business. He said this was not added to the bill because of the way the bill draft request was given but it could be added if the committee wanted it. The committee agreed this should be changed.

Poole pointed out there was one piece in the Governor's proposal that wasn't drafted into the bill and that was to increase the maximum amount of money that could be used for this loan program from $20 million dollars to $50 million dollars. Current statute puts that cap at $20 million dollars and that could be reached quickly if this bill passed. Higgins said that would be under subsection 4 and he would make the changes to $50 million instead of $20 million.
{Tape : 3; Side : A; Approx. Time Counter : 38.3}

Rep. Tuss pointed out the need to add "sustain-ability and duration" of the business. These are large loans and the business should stay in Montana for a duration of time or else reimburse the funds.

Rep. Simon pointed out this was a portion of the legislation that was being modified. Under the legislation there were several requirements. These were infrastructure loans made to local governments who could put in sewer or water lines and roads to

serve an industry, for example the ASME plant in Butte. You cannot loan money and hold a security interest on sewer pipes that are in the ground. The Board of Investments, to protect themselves, has to make certain there is a strong relationship put together so the cash flow comes from the expanding business back to the local government to allow them to pay back the loan. That creates stability. He pointed out that $250 thousand is a threshold. The amount of work and effort necessary to structure one of these loans cannot be sustained if we drop below the $250 thousand dollars.
{Tape : 3; Side : A; Approx. Time Counter : 40.1}

Rep. Simon pointed out the jump from $20-$50 million was a big commitment of Board of Investment funds and he would like to see how much of the $20 million was used. Blouke said he would provide the committee with those figures. The $50 million dollar figure was arrived at through discussions with the Board of Investments and also based on the history, demand and projections.

LC 1225

Higgins discussed LC 1225 **EXHIBIT(joh00a12)**. This would establish an economic policy for Montana. He said this could be attached to the board bill. The purpose section tries to establish a vision of where the state should move, encouraging economic activities out of strengths and resources, supplementing expansion of existing economic enterprising, attract new businesses, reduce impediments to competition and ensure sharing in Montana's economic success. The policy statement borrows from the Governor's presentation, strengths in Montana now and recent discussion from the Jobs and Income Committee.
{Tape : 3; Side : A; Approx. Time Counter : 51.4}

Rep. Swanson asked what the function of the policy statement would be. Rep. Ohs said this should be a separate piece rather than tying it with the Commission bill. It should be a statement of what the board should look for in economic development. Rep. Swanson asked if this was a strategic plan. Rep. Ohs said it should go into that bill as a general statement to set the course. Chairman DePratu said it was a positive statement that sets the tone of what the committee is expecting and then expand from there. Rep. Swanson asked how would it be enacted. Sen. Waterman said she saw this as a destination where we as a state want to go. The Commission would figure out how to get there. This would be their charge, which is outlined here.

Rep. Simon said he viewed this as a charge to the economic development board telling them this was the direction to go. He

noted item (e) on page 3 regarding small business. He asked, as an economic policy for the state of Montana, did we need to be telling a board to increase the number of small business in Montana. There are already 160-170 thousand business in the state, 131 thousand are proprietors, 17 thousand are 1-4 employees. The other end of the scale, businesses with 100 or more employees in the state is less than 300. We are a small business state and we do not need to encourage more small businesses in Montana. Small business is already a huge proportion of businesses. Federal definitions of 500 employees or less would mean there are only 18 in the state that meet that qualification.
{Tape : 3; Side : A; Approx. Time Counter : 57.4}

Chairman DePratu noted there was more opportunity to develop business that were in the 11-15 employee range. He said there were not a lot of the 100 plus job businesses out there. Rep. Simon said as an economic policy it seemed ridiculous to have the board focus attention on small business. Chairman DePratu suggested striking the word "small". Rep. Swanson said the charge was to expand existing businesses and attract appropriate new businesses rather than increasing the number of businesses. Rep. Mood pointed out the intent was to make some reference to increasing commercial activity in the state. Chairman DePratu suggested item 8 be changed to "increase commercial activity".

Sen. Waterman noted that item (f) would be better if it said "enhance or strengthen" manufacturing in addition to "attract" so it was more broad to include strengthening existing manufacturing businesses as well as attracting new ones.

Sen. Taylor said when this was merged into the board that certain goals would be set. A mission statement could not be written this large. This would be the next segment past the mission statement. Measurable goals are necessary.

Rep. Simon pointed out the terminology to be used was "value-added activities" that use Montana resources to develop Montana products rather than just manufacturing.

Sen. Taylor asked about the investment in research should be a statement that reflects the use of research for Montana companies to create Montana jobs. Rep. Swanson said it should say "commercialization" rather than development. Sen. Taylor said the direction should benefit Montana companies and people.

Sen. Waterman commented she was concerned about how the bills were consolidated to make them stronger.

Rep. Simon pointed out that research and development activities needed to emphasize activities that have potential for commercial activity in Montana. Pure research that benefits some place else is not the focus. The focus was too be able to take an economic development research project and turn it into a commercial activity in Montana to create job opportunities in Montana. We need to tie the research and development to something that can be commercialized in Montana. There should be some licensing arrangements or cash flow coming back not just an outright sale of the idea and it is gone.

LC 1239

Higgins discussed the bill that would provide appropriations for the jobs and income program rather than placing it in HB 2 **EXHIBIT(joh00a13).** This provided some narrative to the proposals and established connection to where the money would be spent.

LC 1239 Section 1

Rep. Simon asked about the obsolete database in section 1 (2). He wanted clarification of "database" and wanted to make sure this did not allow for access to personal information. Blouke replied this was not the intent for the database be used or be available for those issues. The intent was to provide using existing technology, a much easier process for all of the licensing boards to electronically get licenses. Information such as complaints, continuing education, or who is licensed would not be made available to the general public. The intent was to expedite the process, make it more user friendly and take advantage of existing technology to license professionals in the state of Montana.
{Tape : 3; Side : B; Approx. Time Counter : 12}

Blouke said it was one of the precipitating factors in the process of updating the databases for the board because information was not readily available in order to respond to legislators. He pointed out this update would allow for information on number of active licenses, trends, and expansion plans. He said they would include a statement at the time of a license request when they could expect to receive them.

Rep. Swanson asked if the Board of Outfitters would need to collect fees to cover administration fees in order to utilize the database. Blouke replied they anticipated raising fees for several of the boards. Each of 32 boards had their own record keeping system, which was inefficient. The first step was to convert to a common database. The second phase would allow licensees to do their applications electronically. Each of the boards have supported this.

Rep. Simon asked if this could be a management tool for not only the division but a tool for the boards such as budgetary information. Language should be added to make certain this could be used not only by the division but the boards as well so they could get more information to make better decisions. Blouke said he had no problem with this.
{Tape : 3; Side : B; Approx. Time Counter : 19}

LC 1239 Section 2

Higgins said this section was designed for training of regulatory employees in customer services. Blouke clarified the funding was in the state special revenue fund for customer services training and came from existing training budgets. This was a normal training component in the operating budget. The difference was this was not voluntary but mandatory in the initial proposal.
{Tape : 3; Side : B; Approx. Time Counter : 22.8}

Chairman DePratu talked about the negative feedback from constituents about this proposal. Rep. Ohs noted the negative tone and worried about jeopardizing the rest of the bill. Sen. Grosfield pointed to recent press in the Billing Gazette. However, he said the old way doesn't work. We need to change directions and provide new ideas. Sen. Tester said the problem needed to be solved.

Blouke explained the training money goes to train personnel in the regulation area and was professionally oriented. He stressed unless there was a clear statement from the Legislature this would not get done unless it was established as a priority. He said focus groups heard over and over that there were objections to the administration of regulations. If the attitude of regulators were changed to an attitude of "enablers" it would help accomplish goals.

Rep. Simon said outside people were motivational and the courses worked. He suggested the agencies be able to contract for themselves rather than have one agency pay another agency, such as the Department of Administration, for training.

Sen. Grosfield noted we did not want to measure enforcement success by the amount of fines issued. It would be far better to have consistent focus on customer assistance.
{Tape : 3; Side : B; Approx. Time Counter : 40.7}

Rep. Simon **MOVED** to strike Section 2. He said the committee may want to find a different approach. This would cause a misconception and he did not want to jeopardize the entire bill. Sen. Waterman said somewhere it should state we would develop business friendly cultures. Rep. Ohs suggested the commission do it. Sen. Waterman said it should be in the policy statement and should not be dropped completely. She pointed out the success in Welfare Reform was because those people are no longer there to make sure people were not eligible for welfare but to get them through the process and get them a job. This changed the culture. It is critical to change the culture in the agencies to accomplish the goal.

Sen. Grosfield said this might not get done if the issue was dropped in committee. Sen. Tester asked if this money was not appropriated could it be done within the budget. Blouke replied this appropriation was authorization and not appropriating additional money. The issue was - does the Legislature want to make a statement. He said as an example, the department runs the Super Host Program for communities and tourism and they go out and tell cities and counties how to act nice, which is the same thing. It is a well received program. Chairman DePratu discussed the need for training in private business several times a year. Rep. Ohs agreed but the question was - did it jeopardize the whole bill. It could be made a separate bill. Rep. Swanson said they could amend it out. Sen. Grosfield said agencies could adjust their training programs within their current budget. However, if there were not some legislative direction it would not happen.

Blouke suggested in the boilerplate in the general appropriations there is frequently language that could be added to HB 2.

Rep. Simon said there were two ways to get to this, one with Legislative directive or another way. This is a project that needs to be bought off from the top down. If the office workers were trained, the supervisor could say "we don't do it that way". The Governor can direct the department heads to take a portion of their training money to work on this. It is already in the budget.

Rep. Ohs suggested a separate bill would be the strongest way to accomplish this; that way the idea could be institutionalize so it does happen down the road.

Rep. Mood said part of the problem was the wording in the section. He said the language could say the money would be appropriated for job and services related training.

Rep. Simon clarified he wanted this section to be done but not in this bill. Sen. Taylor made a **SUBSTITUTE MOTION** to take this section out and do more research about concerns. The question was called. The motion **PASSED** unanimously.

LC 1239 Section 3

Higgins said this bill would target market development, assist in participating with national and international trade shows and market research and training.

Sen. Waterman asked how this relates with the commission and the policy. This seemed to be a policy statement combined with what the commission is to do and yet appropriating money to do these through the department, which did not seem coordinated. There was no measurable outcome. Blouke gave his insight as to what the committee wanted to do. He said the economic policy recently approved by this committee would provide the anchor of where to go in the future relative to economic development. This combines with how the state agencies use their resources to assist that policy statement. The intent, after the legislation, was to figure out the most efficient way with limited resources to market Montana products. The board is a policy making board, not a board that is directly involved in these activities. The departments would have to be responsive to that board.
{Tape : 3; Side : B; Approx. Time Counter : 57.3}

Rep. Ohs suggested each subsection tie back to the board so they coordinate. Higgins said he would add a coordination clause.

LC 1239 Section 4

Higgins described Section 4 as access to foreign markets. This access would encourage and promote activities that increase foreign and domestic trade efforts for Montana agricultural, manufactured and other products.

Rep. Simon pointed out the wording "foreign and domestic" was used in the section but the focus was only on foreign markets. He did not see any expansion in domestic markets, especially when California is the 7th largest economy in the world.

Sen. Waterman said she had concerns about duplication in this section. Rep. Ohs suggested Higgins add the "domestic markets" for consistency.

Sen. Taylor asked if there was accountability so there would be no duplication and if this would be tied to the commission. Chairman DePratu said that would be tied together.

LC 1239 Section 5

Higgins described Section 5, manufacturing extension services, which would use funds as a partial match for federal dollars to provide expertise to small Montana manufacturers. This would increase efficiency of Montana manufacturers, increase revenue from the sale of products and increase new jobs in manufacturing firms.

Poole pointed out the Department of Commerce did not need the federal appropriation. With the $400 thousand dollars of federal fund they would contract with MSU who operates the Montana Manufacturing Center. They get the federal money so the 1.16 million could be deleted.

Sen. Taylor commented this was a positive direction but needs more time to create more business in the state.

LC 1239 Section 6

Higgins described the Small Business Development Centers which would provide $250,000 from the general fund. This would provide training opportunity and technical assistance for small businesses. Additionally, it would expand the ability of SBDC's to offer more training and assistance and help expand business retention.

Poole clarified the expansion of SBDC was the addition of the Helena office which was not included in the funding from the last Legislature. Sen. Waterman asked if this increased the number or should it say "funding the ten". It appeared this would expand beyond the ten. Poole said the language should be clarified to include the current ten.

Sen. Taylor reiterated this issue be tied to the commission for them to review and overview these systems so there was no duplication between Commerce programs and regional development centers without them working together to create the same common goal. He wanted to see goals from the development centers that point to creating some economic results. Chairman DePratu asked Higgins to add this in.

{Tape : 4; Side : A; Approx. Time Counter : 10}

LC 1239 Section 7

Higgins said Section 7 appropriated $170,000 from the general fund for business start up and expansion training. He reminded the committee about the training program that was initiated through a partnership with the Commerce Department and U.S. West to provide a small business entrepreneurial training program for startup businesses and high school students. The program was designed to enhance technical and managerial skills.

LC 1239 Section 8

Higgins described the Apprenticeship Training section in the bill. These funds would provide a stable source of state matching funds for the program.

Sen. Waterman asked about the coordination and goals if an opening paragraph should be added to the bill saying all of the appropriations will be coordinated with the commission who will establish measurable goals for the effectiveness.

LC 1239 Section 9

Higgins described the Microloan Technical Training appropriation. These funds would supplement small business counseling and assistance services and improve the METNET system which would allow training services for rural and tribal areas.

Poole clarified 5 of 7 Reservations would have video capability.
{Tape : 4; Side : A; Approx. Time Counter : 15.5}

Rep. Simon asked if this was aimed primarily at tribal reservations. Poole said it was primarily targeted to both Reservation and non-Reservation Native Americans. There was also a component that had to do with very rural areas of Montana that were non-served by the Small Business Development Centers. Rep. Simon asked what was considered "very rural". Poole described the Small Business Development Center and the need to provide assistance in outlying areas. Rep. Simon asked if rural was defined in terms of distance from the centers and if that was the barrier. He asked if the emphasis was to serve remote areas away from these centers or was it to serve Indian Reservations regardless of location. Poole replied it was two things, one to serve the very remote areas of Montana from the existing small business development centers and to do so in an electronic fashion. The other strategy was to hire and make available for Native Americans specific instructors who would have more success in training cultural components.

LC 1239 Section 10

Higgins described the Growth through Agriculture appropriation. He said the funds would be used for grant programs to assist with marketing studies and business plan development. This would also provide low interest, guaranteed loan programs for agricultural businesses through the Board of Investments. He noted the need for clarification and coordination with the Department of Agriculture on this portion.

Peck suggested in subsection (2) the Department of Agriculture should use the funds appropriated in section (1), should insert "purposes as defined in MCA 90-9-101-402". This statute defines the Growth through Agriculture functions which would define exactly what the funds would be used for. He said the committee could consider inserting a subsection (c) "and the development and establishment of new markets for Montana agriculture commodities". He noted to strike through the "Board of Investments" because the loans were actually made through the Growth through Agriculture Council.
{Tape : 4; Side : A; Approx. Time Counter : 23.7}

Sen. Taylor asked how much was used for studies and who gets the money. Peck replied it was small companies and individuals in a competitive grant process. He described the business development activity. The feasibility, marketing and business plan development process was done to try to prevent any failures, which was patterned after the North Dakota experience.

LC 1239 Section 11

Higgins discussed the Agriculture Product Promotion section which would develop resources, fill trade leads and respond to market activities. He said the funds were appropriated through Growth through Agriculture and not general fund as reflected in subsection (1).

Rep. Simon asked why the numbers were so specific. Peck replied the numbers should read "$373 thousand". These were directly from the Executive Budget which was developed in response to the 2005 Task Force Proposal. Section 12 should read "$342 thousand", which would be general fund.
{Tape : 4; Side : A; Approx. Time Counter : 32.8}

Sen. Waterman pointed out there were no limits on personnel costs; in the briefing book there were several FTE identified. Contracting for services was mentioned, which should be encouraged rather than hiring FTE. Peck replied the proposal from 2005 did include 2 FTE and 1/2 of an administrative support position on both of these. The marketing function needed to be increased was why the 373 is higher than the 342. The emphasis for the positions was to carry out the tasks outlined by the 2005 Task Force which included doubling the value of agriculture by the year 2005. Sen. Waterman clarified both section 11 and 12 were going for FTE and their associated costs. Peck said the functions were outlined all the way from livestock to alternative crops and value added markets, to work toward the goal of doubling agriculture by 2005.

Sen. Taylor voiced concerns over fracturing of the segments. He asked why there was not a solid unit. There appeared to be several sources appropriated to do similar things. He pointed out there were several private companies tied to the University System, such as World Trade Center, and why were they not being tapped more to help the agriculture issue rather than building FTE's which were hard to get rid of. Peck replied, within the goals and objectives summarized in the 2005 Task Force, one of the issues was how to accomplish the goals by 2005. Ultimately, someone has to be responsible for driving those activities. It was difficult to write a contract without specific parameters without someone to administer and direct those activities.

LC 1239 Section 12
Higgins described the appropriation for Agricultural Business Assistance. The funds would help develop electronic information for business assistance and irrigation services. He said this could be tied in to the measurable goals and benchmarked.

Peck suggested using more definitive language. In subsection (2) the "Department of Agriculture should use the funds to assist new or expanding agriculture business on an individual basis to develop their business, locate financial support, improve transportation efficiency, assist with business regulatory compliance and facilitate and support increased value of agriculture commodities through more efficient production methods". He said that summarized the 2005 Task Force report. Chairman DePratu said it was okay to put that language in.

LC 1239 Section 13

Higgins discussed the Rail Transportation Technical Assistance appropriation. This considered the coordination of state response regarding rail transportation issues.

Peck suggested language. He noted the 2005 Task Force suggested there be $100 thousand dollars appropriation authority from the Department of Transportation and $50 thousand dollars of appropriation authority from the Montana Wheat and Barley Committee and these funds be available to address rail transportation issues should they occur. This was done in the past biennium and needs to be continued. The directors of Agriculture, Commerce, Transportation and a representative from the Governor's Office could get together and determine on a special contract basis of the needs, should there be another merger or rail issue or something to do with the surface transportation board that would impact the state of Montana, that assistance could be contracted for to address rail transportation.

Sen. Taylor asked if funds would be provided for lobbying. Peck replied this would allow authorization. Sen. Waterman said at a minimum the new board needed a presence in the coordination of this issue.

ADJOURNMENT

Adjournment: 6:20 P.M.

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SEN. BOB DEPRATU, Chairman

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DEB THOMPSON, Secretary

BD/dt

EXHIBIT(joh00aad)