



## Revenue and Transportation Interim Committee

### 65th Montana Legislature

#### SENATE MEMBERS

MARK BLASDEL--Vice Chair  
DUANE ANKNEY  
DICK BARRETT  
JILL COHENOUR  
BRIAN HOVEN  
EDIE MCCLAFFERTY

#### HOUSE MEMBERS

TOM JACOBSON--Chair  
BECKY BEARD  
JIM HAMILTON  
GREG HERTZ  
ALAN REDFIELD  
BRIDGET SMITH

#### COMMITTEE STAFF

MEGAN MOORE, Lead Staff  
JARET COLES, Staff Attorney  
LAURA SHERLEY, Secretary

# MINUTES LOG

September 13, 2017  
Room 172, 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.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side menu of the home page, select Committees, then Interim. Once on the page for Interim Committees, scroll down to the appropriate committee. The written Minutes Log, along with the audio and video recordings, is listed by meeting date on the interim committee's web page. Each of the Exhibits is linked and can be viewed by clicking on the Exhibit of interest. All Exhibits are public information and may be printed.

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

#### **COMMITTEE MEMBERS PRESENT**

REP. TOM JACOBSON, Chair  
SEN. MARK BLASDEL, Vice Chair

SEN. DUANE ANKNEY  
SEN. DICK BARRETT  
SEN. JILL COHENOUR  
SEN. BRIAN HOVEN

REP. BECKY BEARD  
REP. JIM HAMILTON  
REP. GREG HERTZ  
REP. ALAN REDFIELD  
REP. BRIDGET SMITH

#### **COMMITTEE MEMBERS EXCUSED**

SEN. EDIE MCCLAFFERTY

## **STAFF PRESENT**

MEGAN MOORE, Lead Staff  
JARET COLES, Staff Attorney  
NADINE SPENCER, Secretary

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

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

### **COMMITTEE ACTIONS**

The Revenue and Transportation Interim Committee added an overview of how TIF bonds are guaranteed to the work plan for the House Joint Resolution No. 18 study of tax increment financing.

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

00:00:01 Rep. Jacobson called the meeting to order at 2:03 p.m. The committee secretary took roll ([Attachment 3](#)). Sen. McClafferty was excused and left her proxy with Sen. Cohenour ([Attachment 4](#)).

### **MEDICAL MARIJUANA: IMPLEMENTATION OF SB 333**

**Brian Watson, Quality Assurance Division Administrator, DPHHS**

**Lee Baerlocher, Business and Income Taxes Division Administrator, DOR**

00:00:49 Mr. Watson gave an update on the implementation of SB 333: *Generally revise medical marijuana laws.*

00:08:42 Mr. Baerlocher provided information on the implementation of SB 333 and the tax on medical marijuana providers.

### **Committee questions**

00:15:04 Sen. Hoven asked Mr. Baerlocher how many letters to providers were sent out by the department.

00:15:15 Sen. Hoven asked Mr. Baerlocher for clarification on the current language in statute regarding a grower's right to distribute marijuana. The question was referred to Mr. Watson.

00:17:49 Sen. Hoven asked Mr. Watson if the department's database contains the current marijuana providers and cardholders.

00:18:20 Sen. Cohenour asked Mr. Watson for clarification of SB 333 implementation timeline in the initiative process verses the legislative process. Sen. Cohenour also requested information on how the department is meeting the benchmarks.

00:21:03 Rep. Jacobson asked Mr. Watson to provide the committee with an outline of the department's SB 333 implementation timelines and expected dates for the next committee meeting.

00:21:15 Sen. Hoven asked Mr. Watson how the registered providers became registered, who they registered with, and if they are overseen and monitored.

00:23:24 Rep. Beard asked Mr. Watson for the anticipated number of full-time equivalent employees needed for the program.

00:24:48 Sen. Cohenour asked Mr. Watson for clarification of the registered providers and their employees as listed in the department's database.

00:28:53 Rep. Jacobson asked Mr. Watson if the department is interpreting the word

- 00:31:36 "employ" as "subcontract". The question was referred to Flint Murfitt, DPHHS. Rep. Jacobson asked Mr. Watson how the department plans to track the marijuana plant from seed to cultivation to sale.
- 00:38:21 Rep. Hamilton asked Mr. Baerlocher for clarification about the levels of taxation on the marijuana plant.

#### **Public comment**

- 00:40:22 Kate Cholewa, Montana Cannabis Industry Association
- 00:47:42 Keith Erwin, Fidelity Diagnostic Laboratory
- 00:51:07 Ronda Wiggers, Montana Labs

#### **Committee questions continued**

- 00:53:01 Sen. Cohenour asked Mr. Watson to respond to the concerns raised during public comment.
- 01:00:22 Sen. Barrett asked Mr. Watson if the marijuana testing labs will be able to test their own products.
- 01:01:32 Sen. Blasdel asked Mr. Watson when the department will have their rules and requirements for testing labs complete so the labs can be ready by the April 30, 2018 implementation deadline.
- 01:03:24 Rep. Jacobson commended the DPHHS for its work and commented on the legislative history of SB 333.

#### **AGENCY OVERSIGHT: MONTANA TAX APPEAL BOARD -- Dave McAlpin, Chair**

##### **Agency update**

- 01:05:30 Chair McAlpin provided updated information on tax appeals by county and active cases for the Tax Appeal Board ([Exhibit 1](#)).

##### **Committee questions**

- 01:12:52 Sen. Ankney asked for updated information regarding the two active CHS, Inc. cases and if the cases had any resolution.
- 01:13:52 Rep. Hertz asked for clarification of the process for state cabin lease sites.
- 01:14:19 Sen. Hoven asked about reducing the number of appeal types that are centrally assessed property.

##### **Public comment**

- 01:16:22 Eric Bryson, Montana Association of Counties

#### **HJ 18: TAX INCREMENT FINANCING STUDY**

##### **Introduction to TIF -- Megan Moore, Committee Staff**

- 01:17:42 Ms. Moore provided an overview of tax increment financing ([Exhibit 2](#)).

##### **Summary of Montana TIF reports -- Ms. Moore**

- 01:21:32 Ms. Moore said the Revenue and Transportation Interim Committee received a copy of an *Analysis of the Performance and Potential of Tax Increment Financing Districts in Yellowstone County Montana* during the last interim ([Exhibit 3](#)). She provided a summary of the findings ([Exhibit 4](#)).

##### **Committee questions and discussion**

- 01:31:02 Sen. Barrett commented on the information in the handout (see Exhibit 3)

regarding the generated economic growth in TIF districts.

**Public comment**

01:33:23 Doug Russell, City Manager, Kalispell

**Committee questions**

- 01:37:22 Sen. Barrett asked Mr. Russell about TIF districts in blighted areas and if developer interest is required at the beginning of the process.
- 01:40:52 Sen. Hoven asked Mr. Russell about using TIF and the issuance of bonds to entice development in a blighted area and the use of tax abatement.
- 01:44:23 Rep. Jacobson asked Mr. Russell about bonding at the end of a TIF and if only the tax increment revenue is used to pay for the bond.
- 01:46:13 Sen. Hoven asked Mr. Russell about the responsibility of a city or county to make the first year bond payment when it sells bonds to create a structure, but the developer is slow to start and there is no increment to make the payment.
- 01:47:53 Rep. Jacobson commented that Rep. Jeff Essmann, HD 54, sent an email about including information about the guarantee of TIF bonds in the committee's study ([Exhibit 5](#)).
- 01:48:16 Sen. Barrett asked Mr. Russell how common it is for a district to extend bonding for more investments.
- 01:52:22 Rep. Hamilton commented that the Montana Economic Developers Association is holding a conference on TIF's in Butte on October 24.

**Public comment continued**

- 01:53:00 Bill Bronson, City Commissioner, Great Falls
- 01:57:52 Tim Burton, Executive Director, Montana League of Cities and Towns ([Exhibit 6](#))

**Committee questions**

- 02:02:26 Rep. Jacobson asked Mr. Burton what happens to any tax increment that is in excess of what is used to satisfy a bond.
- 02:04:54 Sen. Blasdel asked Mr. Russell about the increased cost for providing city services in areas that have been developed.
- 02:07:23 Sen. Cohenour asked Mr. Russell if economic development can reduce the need for city services.

**Public comment continued**

- 02:10:04 Eric Bryson, Montana Association of Counties

**AGENCY MONITORING: ADMINISTRATIVE RULE REVIEW**

**Overview of rulemaking and administrative rule activity -- Jaret Coles, staff attorney**

- 02:12:13 Mr. Coles discussed the updated administrative rule activity ([Exhibit 7](#)) and the supplemental rule notice ([Exhibit 8](#)).

**Committee questions**

- 02:26:33 Rep. Hertz asked Mr. Coles about the proposed amendment to change the manner of calculating the elderly homeowner/renter tax credit and asked for a copy of the proposed rule.
- 02:28:23 Sen. Hoven asked Mr. Coles for clarification of the rule that was adopted on outdoor advertising control. Mr. Coles said he will provide more information.

02:30:11 Rep. Jacobson asked Mr. Coles about the proposed rule on the elderly homeowner/renter tax credit and if it will be a revenue neutral change. Mr. Coles said he will request a further analysis from the Department of Revenue.

**Public comment**

02:31:22 Bob Story, Montana Taxpayers Association

**ADMINISTRATIVE MATTERS -- Ms. Moore**

**Review changes to work plan and decision matrix**

02:33:14 Ms. Moore discussed the updated decision matrix ([Exhibit 9](#)) and work plan ([Exhibit 10](#)) with the changes that were made at the last meeting.

**Update meeting dates**

02:35:32 Ms. Moore discussed changes to the February and July meeting dates.

**Committee questions and discussion**

02:37:03 Sen. Cohenour asked Ms. Moore for clarification of the use of the staff FTE time.

02:37:56 Sen. Cohenour recommended adding to the TIF study plan an overview of the guarantee of TIF bonds.

02:38:20 Sen. Cohenour asked Ms. Moore if the meeting date changes will conflict with other interim committee meetings.

02:39:01 Rep. Hertz asked if Legislative Council made a request for the committee to reduce its time because of budgetary constraints.

02:39:14 Rep. Jacobson commented that he received a letter from Susan Fox, Executive Director, Legislative Services Division, regarding a request received from the Governor for budget reductions ([Exhibit 11](#)).

02:41:04 Sen. Barrett asked Ms. Moore about the new date for the meeting in March.

02:41:48 Rep. Jacobson commented on the upcoming committee meeting dates and that the committee can review the calendar and make a decision tomorrow.

**Public Comment**

None

**PUBLIC COMMENT ON ANY TOPIC DISCUSSED TODAY THAT IS WITHIN THE JURISDICTION OF THE COMMITTEE**

None

**RECESS UNTIL 8:00 A.M. ON SEPTEMBER 14, 2017**

02:43:51 Rep. Jacobson recessed the meeting at 4:46 p.m.

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