MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By Chair Brown, on January 11, 1991, at 9:00 a.m.

ROLL CALL

Members Present:

Jan Brown, Chair (D) Vicki Cocchiarella, Vice-Chair (D) Beverly Barnhart (D) Gary Beck (D) Ernest Bergsagel (R) Fred "Fritz" Daily (D) Ervin Davis (D) Jane DeBruycker (D) Roger DeBruycker (R) Gary Feland (R) Gary Forrester (D) Patrick Galvin (D) Harriet Hayne (R) Betty Lou Kasten (R) John Phillips (R) Richard Simpkins (R) Jim Southworth (D) Wilbur Spring (R)

Members Excused: Carolyn Squires (D)

Staff Present: Sheri Heffelfinger, Legislative Council, and Judy Burggraff, Committee Secretary

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

Announcements/Discussion:

The Committee was informed we would try to have executive action on HB 16 on Tuesday, January 15. REP. SIMPKINS asked if the hearing on HB 16 would be reopened. CHAIR BROWN said no, but she had told the printers that had called they could submit materials to any of the committee members.

HEARING ON HB 15

Presentation and Opening Statement by Sponsor:

REP. DOROTHY CODY, House District 20, Wolf Point, introduced the bill requiring each agency to inform the Secretary of State and

Administrative Code Committee (ACC) by signed notice within 10 days of the name of the person reviewing and signing each departmental rule notice to inform the ACC of the person they are dealing with. REP. CODY has served two years on the bipartisan ACC, which is an oversight committee for the state's agencies. The biggest complaint they have received concerns the rules made by these agencies since they have the same effect as laws. It is a simple bill but important to the public.

Proponents' Testimony: None

Opponents' Testimony: None

Questions From Committee Members: None

Closing by Sponsor: REP. CODY stated, "I close, Chairman Brown."

EXECUTIVE ACTION ON HB 15

Motion: REP. SIMPKINS moved DO PASS.

Recommendation and Vote: The motion CARRIED unanimously.

Motion/Vote: REP. SIMPKINS moved HB 15 BE PLACED ON THE CONSENT CALENDAR. The motin carried unanimously.

HEARING ON HB 78

Presentation and Opening Statement by Sponsor:

REP. CODY introduced the HB 78 resulting from a constituent in the northeastern part of the state who had difficulty with the Underground Storage Tank law passed in the last session. Her constituent had been told that emergency rules can be adopted for up to two consecutive 120-day periods by an agency without prior public notice or hearing. She said, "That is not the case, . . . it is their interpretation of the Montana Administrative Procedure Act. What we are doing (with HB 78) is saying, . . . if an agency has to adopt an emergency rule, . . . (for) public health or public safety, you may only . . . (use that rule) for 120 days. . . . At the end of that 120 days, you have to adopt the rule permanently." Their interpretation of continuing for 240 days on the emergency rule, "is just not right. practical, or feasible because many times we require them to draft rules in conjunction with that legislation " CODY remarked that if there is a necessity for a 120-day emergency ruling, the agency should be prepared to go ahead and have a public hearing. "The folks out there have trouble enough keeping up with the laws we have, but to initiate a rule . . . and to (then) make it retroactive, you could be in violation of that law that was passed and not even know it. . . . Either make it permanent, or abolish it (the ruling)."

Proponents' Testimony: None

Opponents' Testimony: None

Questions From Committee Members:

REP. KASTEN raised a question concerning the portion of the bill on line 20 of the bill which states a new emergency rule with the same or substantially the same text may not be adopted. REP. CODY answered by saying "you can initiate the actual rule and make it permanent."

REP. SIMPKINS asked for clarification of rule 2-4-302 questioning if the ruling does require a public hearing process and the identical rule may be adopted and does not preclude changes to that rule. REP. CODY commented that the effort is to make sure that after the 120 days of running on the emergency rule, that same ruling could not be initiated for another 120 days on an emergency basis without a public hearing. "Now if they have the public hearing and they change something in that rule or maybe the public says something they don't like, . . . they may change it. If the ruling works out fine and there is no testimony against it, then they may go ahead (with the ruling)."

Closing by Sponsor: REP. CODY said "I close, Madam Chair."

EXECUTIVE ACTION ON HB 78

Motion/Vote: REP. KASTEN moved HB 78 DO PASS. The motion
carried unanimously.

Motion/Vote: REP. SIMPKINS moved HB 15 BE PLACED ON THE CONSENT CALENDAR. The motion carried unanimously.

HEARING ON HB 45

Presentation and Opening Statement by Sponsor:

REP. RAY PECK, House District 15, Havre, said the bill is from the Legislative Finance Committee (LFC) and is based on two indepth reports done by Legislative Fiscal Analyst's Office (LFA). The bill passed unanimously out of the LFC. The LFC is a bipartisan committee of 12 members, 6 senators and 6 representatives equally distributed between the political parties; it is not a committee that generates a political bill. The committee supervises the LFA and is concerned with budget procedures and fiscal affairs of the state of Montana. This is a "big bill" in one sense, and that the old refrain, "We have always done it this way will be given to (the Committee)." There are many agencies in the state collecting unknown amounts of money from non-state and non-federal sources. The LFC does not know how much money is going through the state agencies or its

purpose. The money may possibly be in violation of the policy of the legislation or some statutory restriction. The bill will correct that and sets the criteria that must be met before a state agency may accept or spend money from a private source that has been specified for a certain purpose according to a proposed contract or agreement. Bill summary. EXHIBIT 1 He distributed an amendment. EXHIBIT 2

Informational Testimony:

Jim Haubein, Principal Analyst, Legislative Fiscal Analyst Office, presented background and intent of the bill, saying: fiscal 1990, the Office of the Superintendent of Public Instruction (OPI) received some private funds. They requested the opinion of the Legislative Council's Legal Division as to whether they needed an appropriation to spend the money. The opinion was issued in December, 1989, saying they did not need an appropriation to spend these private funds because they were the certified owner. The basis for this opinion comes from a Supreme Court ruling in 1975 where the Court held that in the case of Judge VS The Board of Regents the funds received by state agencies from private sources, which are restricted by law, trust agreement or contract, are beyond the scope of the Legislature's power of appropriation. This was further emphasized in the Attorney General's opinion in 1981 relating to private donations received in the Wheat Research Program. The opinion was that those funds were beyond the scope of appropriation. does affect the appropriation process, both in session and in budget amendments, the Fiscal Analyst's Office reported to the LFC on this opinion.

The Committee had major concerns with the opinion. First, if a state agency can receive and spend money from private funds without an appropriation, should there be a legislative review of these funds prior to the agency receiving them? They had two reasons for this concern: (1) The state agency would be able to secure private funding for a program that could have been previously turned down by the legislative body; (2) An agency could receive private funds and establish a program. If those funds were to dry up, then the Legislature would be faced with the decision whether to continue the program with private funds or abolish it.

Their secondary concern was the current practice of appropriating these private funds as they relate to current law. As an example: Article 8, Sect. 14 of the Montana Constitution states, "that except for interest on public debt, no money shall be paid out of the state treasury unless upon the appropriation by law." Since these private funds are deposited with state special revenue funds, (this is in the state treasury), the Constitution says you need an appropriation. However, this opinion says they can be spent without an appropriation. "This results in a quagmire."

After hearing the report, the LFC requested the Legal Division of the Legislative Council to research all laws concerning treasury funds, budgeting and appropriations and draft the necessary language to clarify the receiving and the spending of these private funds. They also asked LFC to draft legislation to allow the Legislature the prerogative to review private funds and their intended use before the agency accepts them.

Proponents' Testimony:

Jane Hammon, Assistant Budget Director, Office of Budget and Program Planning, (OFPP) said: The Legislative Council has prepared an opinion stating that funds received by a state agency from private sources are probably beyond the Legislature's power of appropriation. The legislature's concern is appreciated as it has been their office's concern in the last year that there be a legislative review of these funds. They support the amendment to insure that there is an ongoing review of private funds. As the bill was being drafted, their concern was that they were creating enormous amounts of paperwork and addressing a procedure that could only deal with these private funds during the interim. Their amendment would also provide for a procedure for the legislature to review private funds during each session, which is what they believe will reduce the paperwork by at least 30 percent and perhaps 50 percent.

Ms. Hammon gave the following example of how the amendment would work: In the executive budget we are recommending over \$500,000 of private funds in the Department of Fish Wildlife and Parks. The Natural Resources and Commerce Appropriation Subcommittee will be reviewing these recommendations. In prior sessions this has been listed as legislative contracted authority in the general appropriations act. There has been specific language in the Act stating that is an authorization for expenditure of these private funds. The Department is to come back to the next session of the legislature and report on how much they actually received under this \$500,000 authorization and the purposes for which the money was spent. Under the amendment, we would propose this practice continue.

A second type of procedure for legislative action is when an agency becomes aware of private funds after the Executive budget has gone to press. The OBPP thought it possible to prepare a list of private agency contracting authorities, by agency and by program within an agency, to present for legislative review. The review would go to the appropriate subcommittees and then to House Appropriations. In that way, there would be a mechanism during the session to review and authorize private funds.

As a third procedure for implementing this bill, OBPP wants to request the LFA, and the Legislative Auditor, to work with OBPP to prepare management on implementing interim procedures. We recognize the bill will create a considerable workload on the

OBPP, the State Accounting Office, the Department of Administration and many individual agencies.

Opponents' Testimony:

LeRoy H. Schramm, Chief Legal Counsel, Board of Regents, said he had not intended to testify, but after listening to the proponents he felt the scope of the bill goes beyond what the Board had thought. The Board's intent was to reverse or correct the Legislative Council's decision of last year, which said that OPI, and by extension other agencies, could accept private funds without legislative review. If the purpose was to just revisit that issue, the bill would only have to deal with monies deposited in the state's Special Revenues Fund on Pg. 1, Sect. 1, Ln. 19. Current Restricted Subfund (CRS) is strictly a Higher Education Fund and only university system's monies go through there. Mr. Schramm described the types of monies which would now be subject to review by the LFC: (1) tax exempt funds created for charitable purposes and their only purpose is to raise money for the university system and each have a separate foundation. people giving money to a foundation, as many fear if they give the funds directly to the university or college, it gets wrapped up in state funds coming in and their gift is lost and does not go to the purpose intended. There is a tendency for the Legislature to reduce other support. What they intend to do is to supplement the state's support. There is no secret as to how much it is.

The funds go into the state accounting system, are channeled through the Current Restricted Sub Fund, listed on Sect. 1, Ln. 19, and become public funds that are not specifically legislated. The largest amount of those monies goes for salaries and scholarships. There is a concern that the bill would make people less willing to contribute private funds.

Problem: There is some vagueness. What would happen if there is a request for a special research project that is turned down by the Legislature. Then we receive private funds to fund that project. He raised a question regarding Sect. 1, Pg. 2, Ln. 7 and 8 "the proposed use of the money has not been specifically disapproved by the Legislature." The wording is not "crystal clear" as to whether the funds could be used to fund the research project. There is no threshold for the bill, whether it is a \$10 gift to a \$100,000 gift; the LFA will review it according to the criteria in the bill and then submit it to the LFC for an "aye or no."

The Committee may hear the rejoinder, "the LFC cannot force the regents to turn down the donation because they can turn down or admit the funds regardless of what the LFC said. But you know how the system works . . . if the LFC says no, we have created a situation that isn't pleasant for anybody. What we have done is to create a de facto situation where we are submitting all of these private funds to the approval or disapproval of the LFC.

In the end, I think that will work to the cross purposes that the Legislature is seeking, which is to have private funds in substantial amounts supplement state appropriation."

Mr. Schramm suggested that the committee correct the problem by dropping the two references referred to: one in the title and one on Pg. 1, Ln. 19.

Questions From Committee Members:

REP. COCCHIARELLA questioned REP. PECK about the LFC's approval of this legislation, and was he aware it would restrict or cause the University System to have every \$10 donation reviewed by the LFA's Office. Two members of the LFC said they didn't realize the bill would have such an impact on the University System. REP. PECK read from the LFC minutes relative to private funds appropriation authority: "Rep. Bardanouve moved for the adoption of Option A of Issue 1 which states: Does the Committee wish to have a draft prepared for introduction in the 1991 Legislative Option A states: Have the bill prepared for Session. introduction. The motion carried unanimously. Sen. Tveit moved for the adoption of Option A." He said "certainly, those members on that Committee understood what they were doing when they adopted the motion that was just read."

REP. COCCHIARELLA distributed an amendment EXHIBIT 3 and requested REP. PECK and Mr. Haubein, LFA, to review it to see if the LFC could deal with every single \$10 and \$1 donation and if the bill follows their intention when they supported the bill. Mr. Haubein remarked the reviews could be done in an aggregate; they didn't envision looking at every \$1 donation. He assured the Committee they would be able to review anything that was brought before them to review, and he would see that it was accomplished.

REP. COCCHIARELLA said the amendment would take out the CRS as that had been omitted in the original bill. REP. PECK said he did not think it had been left out. Mr. Haubein stated the original draft did not include Restricted Sub Funds, but there were comments from LFC members that expressed their wish to include those funds.

REP. PECK said he "always has a problem with the university system requesting money . . . but wanting to be omitted from certain requirements." Basically, he said, that is what the amendment does. "In representing the LFC on an unanimous vote, I could not support nor encourage nor accept the amendment." When dealing with public money, everyone should be equally responsible. The Montana University System is different in view of the Montana Constitution, which says that they shouldn't handle the money in the same way. There is no authority in this bill to restrict the university system or any other agency of the use of the money, but it allows the Legislature to have oversight of non-state and non-federal monies and the purchases for which

it is being used. He likes the first amendment offered by the OBPP.

REP. COCCHIARELLA asked Mr. Haubein if he knows how the CRS university scholarship monies are handled. He said they are recorded in CRS and not appropriated directly as they are appropriated in general language in the General Appropriations House Bill in separate restricted accounts that operate just like any other account in state government. REP. COCCHIARELLA said the federal law requires private scholarship monies given to the university system be tracked by the Financial Aid Offices on each If the universities are in noncompliance in this matter, they will lose their federal funding. "How do you see the benefit to the university system or the Legislature if this bill is passed as the records are already there and being scrutinized? . . . Why is there another accounting . . . ?" Mr. Haubein responded that the LFA does not audit the accounts, it is done by the Legislative Auditor. "As this bill would go, I can see us not looking at every individual (donation); . . . I would see us looking doing this . . . in aggregate to make (the LFC) aware of what actually is received from private sources. Currently we have no idea of what comes in."

REP. DAILY asked REP. PECK if the LFC could support an amendment establishing a minimum amount before a gift must be reviewed such as anything over \$25,000. This would enable small scholarship donations to not become a hassle. REP. PECK said it would be reasonable. He would not expect an individual accounting of each name but would expect the total money in each account with a list of aggregate sources. REP. DAILY asked Mr. Haubein the same question. Mr. Haubein said he was not authorized to go along with that.

REP. SPRING asked REP. PECK if he feels that HB 45 would have any bearing on private donor's willingness to contribute to the university system. REP. PECK said he did not think it would discourage anyone from making a contribution. The legislation is not a bill dealing with the university system, it deals with state government.

REP. SPRING said he was concerned with the large donations made by huge corporations for research.

REP. KASTEN questioned if the problem was just grammatical. She cited Sect. 1, Ln. 17, "may accept or expend money" and on Ln. 23, "a copy of the agreement." "Certainly you don't mean you audit each contribution and expenditure if the agreement is for a fund where the money goes into an already proposed and established fund." REP. PECK said LFC would have an account established based on legislative approval as suggested, but in this case if they have an ongoing report filed they could be receiving and spending out of that and notifying the LFC of adjustments." REP. KASTEN asked if individual names would

necessarily have to be recorded; REP. PECK said only in the aggregate.

REP. SIMPKINS asked REP. PECK if there were agency funds involved other than the university systems in the term "current restricted subfund" Sect. 1, Ln. 19. He was told that current restricted funds are strictly university funds within the six units. REP. SIMPKINS questioned if it would be feasible to segregate that entire portion and put it in another section giving the authority to the LFC to review the collection, purpose and distribution of the funds. REP. PECK said he thought that is what the bill is doing and he disagrees with Mr. Schramm that the LFC will approve or disapprove their use of the funds.

REP. SIMPKINS cited Pg. 4, Ln. 6 (A), regarding the "special revenue funds," asking if the Bed Tax goes in this fund? REP. PECK stated he thought that was correct. REP. SIMPKINS said last session there was an attempt to require expenditures from the Bed Tax fee be appropriated through HB 100. In looking on Ln. 6 and 7, "money from state and other nonfederal sources," I just want to make sure that the Legislature may in no way force that money to be appropriated like we did with the Bed Tax." REP. PECK said that is correct, the LFC would not be involved. "The distribution has been set by legislative action, no one can change that unless they bring it into the Legislature and change the distribution."

REP. PHILLIPS said to Mr. Schramm, "You said the information is publicly available. Rep. Cocchiarella said it is all tracked." He said he does not see within the bill where it states that the LFC will chose whether to accept or reject anything. Mr. Schramm said it is audited and we would be adding one more layer so anyone wanting to know where the money goes "out" can find that information. This is a specific procedure. They cannot expend that money until we have received a LFC report approving authority to approve or deny the proposed report. He then addressed the question as to whether LFC auditing could be done in bulk. He said that is not the way the bill is written. Referring to Rep. Kasten's point, if when the money comes in, it is restricted in some way, the approving authority of the agency (the Regents) shall submit to the LFC a copy of the agreement. We get thousands of requests stating that the donation is earmarked. He did not know how these could be handled in bulk.

REP. SIMPKINS asked REP. PECK about Pg. 2, Ln. 8 where Mr. Schramm did not like the word "disapproved" because if the Legislature did not appropriate money would the purpose be disapproved. Could it be changed to "prohibitive" rather than "disapproved"? Then the Legislature would have to specifically prohibit the purpose. REP. PECK said he thought that disapproved and prohibited say the same thing. In response to Mr. Schramm's statement regarding Ln. 20 and 21, REP. PECK said he did not understand "the approving authority may approve or deny." In this case it would mean the University System. After they

Closing by Sponsor:

SEN. BROWN requested the bill be expedited.

EXECUTIVE ACTION ON SJR 5

Motion: REP. PHILLIPS MOVED SJR 5 BE CONCURRED IN. The motion carried 18 to 1 with Rep. Bergsagel voting no.

ADJOURNMENT

Adjournment: 12:07 p.m.

JAN BROWN, Chair

JUDY BURGGRAFF, Secretary

JB/jb

HOUSE OF REPRESENTATIVES

STATE ADMINISTRATION COMMITTEE

ROLL CALL

DATE 1/11/91

NAME	PRESENT	ABSENT	EXCUSED
REP. JAN BROWN, CHAIR	/		
REP. VICKI COCCHIARELLA, VICE-CHAIR	/		
REP. BEVERLY BARNHART	٧.		
REP. GARY BECK	/		
REP. ERNEST BERGSAGEL	<i>i</i> /		
REP. FRED "FRITZ" DAILY	/		
REP. ERVIN DAVIS	/		
REP. JANE DEBRUYCKER	/		,
REP. ROGER DEBRUYCKER	./		
REP. GARY FELAND	/		
REP. GARY FORRESTER	V		
REP. PATRICK GALVIN			
REP. HARRIET HAYNE	V		
REP. BETTY LOU KASTEN	V		
REP. JOHN PHILLIPS	V ,		
REP. RICHARD SIMPKINS			
REP. JIM SOUTHWORTH	V		
REP. WILBUR SPRING	v /		
REP. CAROLYN SQUIRES			

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STANDING COMMITTEE REPORT

January 11, 1991 Page 1 of 1

Mr. Speaker: We, the committee on <u>State Administration</u> report that <u>House Bill 15</u> (first reading copy -- white) <u>do pass</u> and placed on the consent calendar.

Signed:

51218SC.HPD

STANDING COMMITTEE REPORT

January 11, 1991 Page 1 of 1

Mr. Speaker: We, the committee on <u>State Administration</u> report that <u>House Bill 78</u> (first reading copy -- white) <u>do pass</u> and placed on the consent calendar.

Signed:

Jan Brown, Chairman

STANDING COMMITTEE REPORT

January 11, 1991 Page 1 of 1

Mr. Speaker: We, the committee on State Administration report that Senate Joint Resolution 5 (first reading copy -- blue) be concurred in .

Carried by: Rep. John Phillips
Mark O'Keefe

EXHIBI		
DATE_	1-11-91	=
HB_	45	

BILL SUMMARY HB 45

SECTION 1. (new)

- 1. establishes criteria that must be met before a state agency my accept or spend money from a private source that has been specified for a certain purpose according to a proposed contract or agreement.
 - a. the approving authority certifies to the legislative finance committee:
 - -- how the money must be used
 - -- how long the agreement lasts, and
 - -- that no general fund money will be needed for future support
 - b. the LFA reviews the agreement to ensure:
 - -- use not prohibited by the legislature
 - -- terms of agreement not contrary to state law
 - -- general fund money will not be needed for future support
 - c. LFA presents written report to the finance committee
 - d. LFA presents the finance committee's report to the agency's approving authority
 - e. approving authority approves or denys the proposed agreement
 - f. requirements of (b), (c), (d) may be waived for emergencies

SECTION 2:

Page 4, lines 10 through 15:

- a. clarifies the type of private money that is a part of the special revenue fund
- b. makes the money subject to certification requirments for an emergency budget amendment under 17-7-403(3)

SECTION 3:

Page 9, lines 16 through 21:

a. exempts the restricted private money from budget amendment requirments in 17-7-402

SECTION 4:

Page 10 and 11

a. allows the restricted private money to be deposited into the state special revenue fund and the current restricted subfund and paid out of the treasury under general laws and contracts rather than only by a statutory appropriation

EXHIDIT #2 DATE 1-11-91 HB 45

Amendments to House Bill No. 45 First Reading Copy

For the Committee on Appropriations

Prepared by Greg Petesch January 9, 1991

1. Page 3, line 17.
Following: line 16
Insert: "(8) This section does not apply to payments required by law."

EXHIBIT.	3))	
DATE	- -	-91	
HB.	15		

Amendments to House Bill No. 45 First Reading Copy

Requested by Representative Vicki Cocchiarella For the Committee on State Administration

Prepared by Sheri S. Heffelfinger January 11, 1991

1. Title, line 9. Following: "fund"

Strike: "and the current restricted subfund"

2. Page 1, line 19.
Following: "fund"

Strike: "or in the current restricted subfund"

OFFICE OF BUDGET AND PROGRAM PLANNING

EXHIBIT_	4
DATE	11-91
HB 45	<i>,</i>

AMEND HOUSE BILL 45, AS INTRODUCED

State Administration Committee January 11, 1991

1. Page 10, line 19.
Following: "subject" Insert: "either"

2. Page 10, line 20.
Following: "[section 1]
Insert: "or to language authorization in the general

appropriations act or in other bills"

Jane L. Hamman Assistant Budget Director OBPP -4893

VISITORS' REGISTER

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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

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PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.