

WORK SESSION

SB 480 A, SB 33, HB 3460

TAPES 178 A-B, 179 A

HOUSE REVENUE COMMITTEE

MAY 31, 2005 2:00 PM STATE CAPITOL BUILDING

Members Present:

- Rep. Tom Butler, Chair
- Rep. Vicki Berger, Vice-Chair
- Rep. Mark Hass, Vice-Chair
- Rep. Brian Boquist
- Rep. Sal Esquivel
- Rep. Larry Galizio
- Rep. Betty Komp
- Rep. Andy Olson
- Rep. Chuck Riley

Witnesses Present:

- Debra Buchanan, Dept. of Revenue (DOR)

Staff Present:

- Paul Warner, Legislative Revenue Officer
- Lizbeth Martin-Mahar, Economist

Steve Meyer, Economist

Kristi Bowman, Committee Assistant

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002 Chair Butler Calls meeting to order at 2:04 p.m.

OPENS WORK SESSION FOR HOUSE BILL 3460

011 Paul Warner Gives update on HB 3460 and reviews amendments discussed on 05/25/05.

047 Rep. Komp Discusses amendments HB 3460-6, and HB 3460-8 (Exhibits 1 and 2). Discusses current statute (327.511) regarding the school budget accounting system. Discusses the difficulties of accessing the database that was set up by this statute. The HB 3460-6 amendment would make the database “readily” accessible by the Dept. of Education, school districts, and education service districts, and it puts decision-making into the hands of school board members. The HB 3460-8 amendment requires updating school finance information by Jan. 15 of the odd-numbered years in order for legislators to access the budgetary information. Does not support HB 3460 but does support the amendments.

102 Steve Meyer Comments on the database access.

- 117 Chair Butler Discussion with Rep. Hass regarding the HB 3460-9 amendment (See Exhibit 15 from 05/25/05).
- 155 Rep. Hass Discusses the purpose of requesting a referral to the House Budget Committee with Chair Butler. Expresses concern that this request removes the possibility of a minority report. Doing an end-run on the process is “surprising and disappointing.” Discussion with Chair Butler.
- 179 Rep. Galizio Asks if the Dept. of Education requested the referral.
- 180 Chair Butler Responds no, because the Dept. does not have the means to request a referral. The Dept. of Education was asked to provide additional bill language relating to the guidelines they are developing for Successful Schools.
- 190 Rep. Berger MOTION: MOVES THE ADOPTION OF THE HB 3460-4 AMENDMENT.
- 192 Rep. Berger Comments that the amendment makes the substantive changes needed to raise the original percentage dedication. It further delineates how the Successful Schools Fund and Education Stability Fund are allocated. The amendment proposes excellent changes to the original concept.

202	Rep. Riley	Comments that he will support the amendment. However, he is planning to vote no on the bill and had planned to file a minority report.
210	Chair Butler	Asks for roll-call vote.
220	Chair Butler	THE MOTION HAVING RECEIVED THE REQUIRED MAJORITY IS DECLARED PASSED. VOTE: 6-3-0. VOTING AYE: BOQUIST, ESQUIVEL, OLSON, RILEY, BERGER, BUTLER. VOTING NO: GALIZIO, KOMP, HASS.
232	Chair Butler	Comments on a motion needed to request a letter regarding a subsequent referral of HB 3460 to the House Budget Committee.
238	Rep. Riley	MOTION: MOVES THE ADOPTION OF THE HB 3460-5 AMENDMENT.
242	Rep. Riley	Comments that the amendment “makes this a better bill.”
252	Warner	Comments about the change in the percentage amount in the HB 3460-5 amendment.
260	Rep. Riley	Discusses the change to the percentage as it applies to a “conceptual amendment,” and wants to insert the change into the amendment.

262	Chair Butler	States that he does not currently have the authority to act on a conceptual amendment. Comments to Rep. Riley that there is not a revised percentage in amendment HB 3460-5.
270	Chair Butler	Asks for a roll-call vote.
280	Chair Butler	THE MOTION NOT HAVING RECEIVED THE REQUIRED MAJORITY FAILS. VOTE 3-6-0. VOTING AYE: GALIZIO, RILEY, HASS. VOTING NO: BOQUIST, ESQUIVEL, KOMP, OLSON, BERGER, BUTLER.
285	Chair Butler	Discussion with Rep. Hass regarding the letter for subsequent referral to the House Budget Committee.
304	Rep. Komp	MOTION: MOVES THE ADOPTION OF THE HB 3460-6 AMENDMENT.
307	Rep. Komp	Comments that this amendment will give all future legislators the opportunity to have accurate information to “make timely and very positive decisions for schools.”
320	Chair Butler	Expresses concerns about the amendment.

- 327 Rep. Boquist Clarifies that the HB 3460-6 amendment does not change the original bill or existing amendment just adopted. It just clarifies the reporting requirements.
- 337 Chair Butler Asks for roll-call vote.
- 346 Chair Butler THE MOTION HAVING RECEIVED THE REQUIRED MAJORITY IS DECLARED PASSED. VOTE: 7-2-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, HASS. VOTING NO: BERGER, BUTLER.
- 354 Rep. Komp MOTION: MOVES THE ADOPTION OF THE HB 3460-8 AMENDMENT.
- 356 Rep. Berger Comments that she has heard no testimony regarding when the reporting is currently done or what the obstacles are. Expresses concern that this amendment, like the previous one, has been added at the last minute.
- 366 Chair Butler Discussion with Rep. Komp regarding adding her amendments to another bill that might be a better “vehicle” for them.
- 376 Rep. Esquivel Concurs with Rep. Komp regarding the difficulty in accessing the information needed and comments on the accountability issues that need to be cleared up.

- 390 Rep. Galizio General comments about the last-minute amendment additions and subsequent referral to the House Budget Committee.
- 400 Chair Butler Responds that the additional amendments adopted today involve a fiscal impact, which is “all the more reason” to refer the bill to House Budget. Discussion with Rep. Galizio.
- 412 Rep. Berger Adds that the HB 3460-8 amendment is not “particularly germane to the bill at hand.” The amendment pertains to another issue of transparency of school budgets, and while that discussion is necessary, it has not been discussed as part of HB 3460.
- 430 Chair Butler Asks for roll-call vote.
- 440 Chair Butler THE MOTION HAVING RECEIVED THE REQUIRED MAJORITY IS DECLARED PASSED. VOTE: 7-2-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, HASS. VOTING NO: BERGER, BUTLER.
- 465 Rep. Berger MOTION: MOVES HB 3460 AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION, AND A LETTER BE REQUESTED TO REFER THE BILL TO THE HOUSE BUDGET COMMITTEE.

035 Rep. Hass Expresses concerns about sending the bill to the House Budget Committee without any fiscal information and no testimony from the Dept. of Education regarding a fiscal impact. Emphasizes the need to debate this bill. Sending the bill to the Budget Committee is an “end-run” around the democratic process.

055 Chair Butler Agrees with Rep. Hass that the bill needs to be debated. General comments about the fiscal process.

073 Chair Butler Asks for roll-call vote.

079 Chair Butler THE MOTION HAVING RECEIVED THE REQUIRED MAJORITY IS DECLARED PASSED. VOTE: 5-4-0. VOTING AYE: BOQUIST, ESQUIVEL, OLSON, BERGER, BUTLER. VOTING NO: GALIZIO, KOMP, RILEY, HASS.

CLOSES WORK SESSION FOR HOUSE BILL 3460

OPENS WORK SESSION FOR SENATE BILL 480 A

085 Warner Discusses the main components of the SB 480 A-11 amendment (Exhibit 4) that pertains to the Voluntary Compliance Initiative (VCI). Refers to the revenue impact statement for the amendment (Exhibit 5).

182	Chair Butler	Expresses concern about the costs of developing and maintaining a Dept. of Revenue Web site for the 100 worst offenders.
193	Warner	Discusses his conversations with Director Harchenko regarding the Web site. They did not discuss the specific costs that would be involved. Discussion with Chair Butler.
211	Chair Butler	Comments that some in the banking industry have expressed concerns about Real Estate Investment Trusts (REITs) and SB 480. Asks Buchanan for more information about REITs.
222	Debra Buchanan	Testifies that REITS are used by taxpayers to shelter income. California, as part of their VCI, has identified REITs as a listed transaction. Explains the REIT process. Discussion with Chair Butler.
310	Chair Butler	Discusses with Buchanan on the state connection to the federal tax code pertaining to REITs.
369	Buchanan	Discusses “factor-shifting.”
382	Rep. Boquist	Asks about language in the engrossed bill that gives the DOR broad latitude in defining listed transactions.

416 Warner Responds that the HB 3460-11 amendment is a different approach. It limits the DOR to listed transactions only, and it allows the DOR to only go forward from 01/01/05. Discussion with Rep. Boquist.

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024 Rep. Berger Expresses concern about liabilities with Web site information about the worst amnesty offenders. Asks for more information about other states using a Web site.

036 Rep. Riley Asks if this bill has a subsequent referral to House Budget.

038 Chair Butler Responds yes, and comments that not all fiscal issues are addressed. Expresses concern about the costs of developing and maintaining a Web site.

049 Chair Butler Comments that he would like the banking industry to come forward with their concerns pertaining to REITs.

CLOSES WORK SESSION FOR SENATE BILL 480 A

OPENS WORK SESSION FOR SENATE BILL 33

Lizbeth Martin-
Mahar

Gives background of SB 33 previously heard in House Revenue on 05/11/05. The bill could increase some taxpayers' penalties, but there is minimal revenue impact, less than \$50,000.

082 Chair Butler

Comments on the vote from the Senate floor.

090 Chair Butler

REP. KOMP MOVES SENATE BILL 33 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.

100 Chair Butler

ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, HASS, BUTLER. EXCUSED: BERGER.

105 Chair Butler

Adjourns meeting at 3:07 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. HB 3460, Amendment HB 3460-6, Leg. Counsel, 2 pp., 05/25/05
2. 2. HB 3460, Amendment HB 3460-8, Leg. Counsel, 1 pg., 05/25/05
3. 3. HB 3460, Amendment HB 3460-10, Leg. Counsel, 1 pg., 05/25/05
4. 4. SB 480, Amendment SB 480 A-11, Leg. Counsel, 27 pp., 05/31/05
5. 5. SB 480, Revenue Impact Statement, Warner, 1 pg., 05/31/05