

ARIZONA HOUSE OF REPRESENTATIVES  
Forty-fifth Legislature – Second Regular Session

**COMMITTEE ON WAYS AND MEANS**

Minutes of Meeting  
Tuesday, March 19, 2002  
House Hearing Room 4 -- 8:49 a.m.

(Tape 1, Side A)

Chairman May called the meeting to order at 8:49 a.m. and attendance was noted by the secretary.

**Members Present**

Mr. Camarot	Mr. Hatch-Miller	Mr. Kraft, Vice-Chairman
Mr. Chevront	Mr. Huffman	Mr. May, Chairman
Mr. Cooley	Mrs. Landrum Taylor	
Ms. Giffords	Mrs. Leff	

**Committee Action**

H.B. 2106 – DP (7-3-0-0)	H.B. 2197 – NO TIME
H.B. 2378 – <del>DPA</del> FAILED (2-6-2-0)	H.B. 2443 – DPA (6-2-0-2)
H.B. 2596 – DP (6-0-0-4)	H.B. 2669 – HELD
H.C.R. 2002 – DPA (9-0-0-1)	H.C.R. 2038 – DP (8-2-0-0)

**Speakers Present**

Kitty Decker, Majority Research Staff/Senior Economist  
Representative Carol Somers, Sponsor of H.B. 2596  
Akshai Patel, Majority Intern  
Michael Racy, representing Pima County  
(Chairman May recognized persons in favor of H.B. 2106, page 3)  
(Chairman May recognized persons in favor of H.B. 2443, page 5)  
(Chairman May recognized persons in favor of H.C.R. 2002, page 6)  
Janice Palmer, representing Arizona School Boards Association  
Michael Hunter, representing Arizona Tax Research Association  
Kristen Boilini, representing Arizona Community College Association  
Representative Marian McClure, Sponsor of H.B. 2378  
John Maynard, Supervisor, Santa Cruz County  
(Chairman May recognized persons in favor of H.B. 2378, pages 9 and 10)  
(Chairman May recognized a person with a neutral position on H.B. 2378, page 10)  
(Chairman May recognized persons opposed to H.B. 2378, page 11)  
Kevin McCarthy, President, Arizona Tax Research Association  
Michelle Ahlmer, representing Arizona Retailers Association

## **CONSIDERATION OF BILLS**

### **H.B. 2596, property tax; appraisal and appeal – DO PASS**

Kitty Decker, Majority Research Staff/Senior Economist, explained that H.B. 2596 requires county assessors to make necessary changes in the tax roll to reflect decisions on appeals (Attachment 1).

Representative Carol Somers, Sponsor, related that a number of constituents and citizens in her "neck of the woods" appealed taxes successfully only to receive an assessment in the following year in which the valuation was the same as before the appeal. The bill requires that the appealed amount is inserted into the tax roll and used going forward.

**Vice-Chairman Kraft moved that H.B. 2596 do pass. The motion carried by a roll call vote of 6-0-0-4 (Attachment 2).**

### **H.B. 2106, property tax classification; conservation easement – DO PASS**

Akshai Patel, Majority Intern, explained that H.B. 2106 includes real property subject to a conservation easement under the class 6 property designation, beginning in the 2003 valuation year (Attachment 3).

Michael Racy, representing Pima County, testified that the need for and interest in preserving critical desert habitat areas has increased dramatically over the years. A suggestion was made to the County that property owners may voluntarily agree to preserve and conserve property if property tax relief is granted to those willing to give up the development potential of their property in perpetuity. The concept is used widely around the country, but cannot be done without authority from the state. He indicated that the number of property owners willing to participate is quite small, even in remote rural areas. The requirements in the Arizona Uniform Conservation Easement Act contain a number of provisions, and the property owner could still live on and maintain the property as private property. The owner could resell the property encumbered with the conservation easement.

He related that a fiscal note was prepared from a bill introduced last year, which is fairly speculative, but assumed that the same percentage of property would convert to conservation easements in other counties as in Pima County and the property would have a like value and already be assessed at the 16 percent ratio (Attachment 4). He contended that those assumptions are not true because much of the property is already reduced for an agricultural assessment in value, and the number of qualifying conservation easements tends to be greater in and around urbanized areas.

Mr. Cooley stated that he recently saw a map that Representative Marian McClure has of the Tucson area showing an enormous amount of land that Pima County wants to take off the tax rolls and asked if that is part of the picture. Mr. Racy responded that the property has been identified through a number of conservation and biological studies as having some significance and needing further analyses, but there has been absolutely no determination whatsoever on what, if any, should be removed from the rolls, how it would be removed from the rolls, or if

there would be any development impact. The map is simply a work in progress as part of a Section 10 environmental permit related to endangered species that exist in the area.

Mr. Cooley opined that the fiscal note is entirely incorrect and the impact would be much greater because a significant amount of property would be taken off the tax rolls. There is much rural land in Arizona and not all of the land has development potential. If a property owner's taxes could be reduced from 16 percent to 5 percent, in order to keep a ranch in the family, for example, a property owner would opt for the conservation easement. He said perhaps it would be better to have the conservation status only as long as the owner lives, and when an owner sells the property, the new owner could decide whether or not to continue the easement. He added that the map contains a tremendous amount of Pima County property that could easily fall into this category.

Mr. Racy submitted that the people who own property within the map are very concerned that development may be restricted and want to maintain development rights to the property. He noted that if a rancher, for example, already has an agricultural assessment, the bill will not make a substantial difference; therefore, he does not believe the economic incentive is such that use of the mechanism will be widespread.

Mr. Huffman, Sponsor, stated that the bill does not take property off the tax rolls, but lowers the taxes for a public benefit. Owners who opt for the easement would give up potentially millions of dollars that could be made by selling the development rights; therefore, someone who decides to do this, especially in an urbanized area, would make the decision for other reasons than financial gain. Discussion followed.

Chairman May noted that the following persons are in favor of H.B. 2106:

Lori Faeth, representing The Nature Conservancy  
Jim Walsh, representing Grand Canyon Trust  
Sandy Bahr, representing Sierra Club

**Vice-Chairman Kraft moved that H.B. 2106 do pass. The motion carried by a roll call vote of 7-3-0-0 (Attachment 5).**

### **H.C.R. 2038, senior property valuation freeze - DO PASS**

Akshai Patel, Majority Intern, explained that H.C.R. 2038 clarifies the administration of the property value protection option for seniors, which was passed by the voters at the 2000 general election (Attachment 6). He noted that the bill is identical to H.B. 2153, senior property valuation freeze, which the Committee passed earlier, but the Rules Committee determined that this modification would require a change to the Arizona Constitution and not only the statute.

Mr. Cooley, Sponsor, explained that the wrong code number was included in engrossing in the Senate, and a determination was made that the issue needs to go back to the ballot because it is a constitutional issue. He clarified that the intent of the original bill was to apply the formula for a single person to two members of a family, but the result is that values can be frozen for people who have a much higher income. Some assessors are valuating property at the intended level

while others, because of letters of instruction from the Arizona Department of Revenue (DOR), are valuating property at the higher level.

Ms. Decker explained to Mr. Camarot that the major change occurs on lines 31 and 37 of page 2 of the bill, where paragraph (b) (1) is added. The initiative passed by the voters referenced Section 1611 and was not specific to paragraph (b) (1).

Mr. Hatch-Miller supposed that someone recently received notification of a great increase so applied for a freeze and questioned if the valuation would be frozen at the high valuation or the prior valuation. Ms. Decker said she understands it would be frozen at the valuation just received since it would be the most recent. Mr. Hatch-Miller indicated that he would appreciate it if she would double check.

Mr. Hatch-Miller questioned how much the property tax valuation opportunity was advertised by DOR or the state since enactment in November 2000. Ms. Decker related that the information is on the Maricopa County Assessor's web site and she has seen news articles regarding the issue, but she does not know if the other counties did any advertising. Mr. Cooley stated that he believes it is also printed on the forms. Chairman May stated that he was advised by Kevin Ross, Maricopa County Assessor, that participation is lower than anticipated. Mr. Hatch-Miller related that he recently talked to a senior group in Sun Lakes and no one was aware of this.

Ms. Decker added that no money was available for ad campaigns so press releases were put out. She pointed out that participation is usually slower in the first year of proposals. After more people become aware, participation generally increases.

She related to Mrs. Leff that the change would be made to Article 9, Section 18, of the Arizona Constitution. In November 2000, paragraph 7 of the bill was added to establish a property valuation protection option for seniors so changes included in H.B. 2153 would be made to that same section. The issue has to go back on the ballot because the original change was made in the Constitution and any change to the Constitution has to be made by the voters. The Rules Office determined that even clarifications must go back to the voters. Discussion followed concerning clarity of the modification on the ballot.

Ms. Decker informed Mrs. Leff that if someone's property valuation was frozen under the higher level, which was done in two counties with very few people, those values would remain frozen for three years, after which the property owner would apply for requalification under the clarified income levels.

Chairman May commented that perhaps House attorneys should be consulted. He noted that a ballot format from two years ago does include a significant explanation so the issue should be clear to voters. Mr. Cooley noted that attorneys representing the assessors were present in a meeting of stakeholders who advised that a legislative solution would be the best way to take care of this change. Also, House and Senate Rules attorneys insisted that in order to have a truly clean slate, the issue needs to go back to the ballot for the people to make the change to the Constitution. If that is not done and assessors continue to assess at the intended level, a suit could be filed against the state and reimbursements would be necessary.

(Tape 2, Side A)

**Vice-Chairman Kraft moved that H.C.R. 2038 do pass. The motion carried by a roll call vote of 8-2-0-0 (Attachment 7).**

**H.B. 2443, bond election pamphlets; disclosures - DO PASS AMENDED**

Kitty Decker, Majority Research Staff/Senior Economist, explained that H.B. 2443 requires disclosure of the estimated impact of bond elections on owner-occupied residential property valued at \$100,000 amortized over the life of the bond (Attachment 8). She added that a proposed amendment clarifies that the home used on the ballot pamphlet as an example is \$100,000 full cash value not an assessed value (Attachment 9). She related to Mrs. Landrum Taylor that ballot pamphlets currently show the cost of one year.

Chairman May noted that not included is some dynamic modeling, which would take into account the increase in property valuation over the life of the bond.

Ms. Decker related to Mr. Huffman that she received calls from people concerned that the bill as written would show the impact on a \$1 million home assessed at the 10 percent assessment ratio; therefore, the proposed amendment clarifies that it would be the full cash value, which is what the bonds are assessed against.

Chairman May recognized the following persons in favor of H.B. 2443:

David Bailey, representing Maricopa County Assessor's Office  
Don Isaacson, representing Central Arizona Project (with amendment)  
Fred Kelly, Maricopa County Assessor

**Vice-Chairman Kraft moved that H.B. 2443 do pass.**

**Vice-Chairman Kraft moved that the two-line proposed May amendment to H.B. 2443 dated 2/11/02 11:30 a.m. (Attachment 9) be adopted.**

After some discussion, Chairman May pointed out that an impact of the current year is still required in paragraph (f) and the bill adds the requirement for the impact over the full life of the bond in paragraph (g); therefore, it appears that both are still required.

Mr. Camarot noted that the new language in paragraph (f) refers to the property estimated impact based on the full cash value of a \$100,000 residence and questioned what happens if the house is worth \$200,000. He added that paragraph (g) is not necessarily based on a \$100,000 residence. Chairman May remarked that people should be given credit for calculating the impact if the full cash value is more than \$100,000. Several of the Members opined that the language is clear that the impact in both instances should be based on a residence with a full cash value of \$100,000.

**Question was called on the motion that the two-line proposed amendment to H.B. 2443 dated 2/11/02 11:30 a.m. (Attachment 9) be adopted. The motion carried.**

**Vice-Chairman Kraft moved that H.B. 2443 as amended do pass. The motion carried by a roll call vote of 6-2-0-2 (Attachment 10).**

**H.C.R. 2002, education expenditure limitations exception - DO PASS AMENDED**

Kitty Decker, Majority Research Staff/Senior Economist, explained that H.C.R. 2002 exempts Proposition 301 education revenues from the aggregate expenditure limitation for school districts and the expenditure limitation for each community college district (Attachment 11). She added that a proposed amendment excludes permanent state school fund monies from local revenues so those monies would be excluded from the aggregate expenditure limit (Attachment 12).

She explained to Mr. Cooley that this is the first year school districts exceeded the expenditure limit. The Arizona Constitution allows the Legislature, by concurrent resolution, to permit the schools to exceed the expenditure limit one year at a time so the current fiscal year was addressed by S.C.R. 1002, 2001-2002 school expenditure limit, in the 2002 Third Special Session, which was also H.C.R. 2003, 2001-2002 school expenditure limit, at one point during the 2002 Regular Session. For future fiscal years, this resolution would go to the voters to allow schools to continue to spend those monies in excess of the limit.

Chairman May recognized persons in favor of H.C.R. 2002:

Travis Mallen, representing Arizona Education Association  
Becky Hill, Legislative Liaison, Arizona Department of Education

Janice Palmer, representing Arizona School Boards Association, spoke in favor of the resolution. She agreed that it is needed so school districts can spend Proposition 301 dollars. She explained that when Proposition 301 passed, a companion bill, Education 2000, required that any expendable earnings from the permanent trust fund over the 2000-2001 level would be placed in the classroom site fund in addition to the .6 percent sales tax. Last year, S.C.R. 1005, state trust lands; education 2000, included the same language to go to the voters in November 2002 to voter-protect that funding stream.

She related that the proposed amendment states that based upon the vote of the people in November 2002, additional monies from state trust land revenues would also be exempt from the constitutional aggregate limit. She indicated that she does not believe the proposed amendment will impact the constitutional aggregate limit for another three to four years until the monies accumulate, but the State Land Department anticipates that over \$200 million to \$300 million should be generated in the next 10 years. She added that the intent is to go to the voters at one time for all Proposition 301 issues.

Mrs. Leff speculated that having both issues on the ballot may confuse voters. Ms. Palmer responded that the language in the proposed amendment should have been included in Proposition 301. She explained that S.C.R. 1005 is statutory language going back to the voters for voter protection, whereas the proposed amendment constitutes a constitutional change so the issues must appear on the ballot separately.

Mr. Hatch-Miller commented that two more ballot initiatives need to be rectified and he cannot imagine what the ballot will look like in 2015 if errors continue to be made. Mr. Chevront

pointed out that ballot initiatives have always had to be modified, but Proposition 105 did not apply in the past, which requires changes to be placed on the ballot. It is impossible to know the true ramifications of everything that is passed so adjustments are often necessary. Chairman May added that this is an exception since it is more of a constitutional issue.

In response to a query from Mr. Hatch-Miller, Ms. Palmer relayed that the education community will promote the initiatives with the intention of letting voters know this is basically a technical correction that is needed to spend the monies that were authorized for the classroom.

Michael Hunter, Vice President, Arizona Tax Research Association, agreed that when Proposition 301 went to the voters, a provision was included that attempted to exclude new sales tax revenue for Proposition 301 from the constitutional expenditure limits; however, amending the Constitution by statutory reference was found to be unconstitutional, which led to this legislation that will rectify the situation.

He advised the Members that the Education Committee adopted an amendment to exempt community colleges from the resolution. K-12 districts will have to go to a public vote to amend the Constitution in order to be able to expend this revenue, but the community colleges claim to be exempt from this exercise because of a phrase in the Constitution that says "or in a manner provided by law." He expressed concern that if the community colleges have the amendment to the Constitution provided in statutory reference, the floodgate will be open for all kinds of other revenues to be excluded by a simple majority of the Legislature. He added that community colleges should be the same as K-12 and go to a public vote to rectify this problem.

Mr. Hunter related to Mrs. Leff that he is expressing this concern to the Committee and will alert other Members of the House so, hopefully, the amendment will be defeated. Not adopting the amendment in Committee of the Whole would leave the bill intact. He advised that universities are not included in the expenditure limit language in the Constitution.

Kristen Boilini, representing Arizona Community College Association, testified that unlike K-12, community colleges have permission in the Constitution for laws to be passed so a change does not have to be made to the Constitution every time a modification is made to the way expenditure limits are calculated for community colleges. A specific constitutional provision makes the community colleges exempt under Proposition 301 legally and constitutionally; therefore, community colleges do not need to be in the initiative and go back to the ballot in order to spend Proposition 301 monies.

She advised Mrs. Leff that community colleges have been legally and constitutionally accepting Proposition 301 monies and have not run into any constitutional issues. In fact, an Attorney General's opinion, which she can provide to the Members, states that the community colleges are constitutionally able to spend Proposition 301 monies. She added that she worked with the Rules attorneys in the House and Senate to make sure Legislative Council, the Attorney General's Office, and the Rules attorneys agree that the community colleges do not need to be included in this legislation.

**Vice-Chairman Kraft moved that H.C.R. 2002 do pass.**

**Vice-Chairman Kraft moved that the five-line proposed May amendment to H.C.R. 2002 dated 3/18/02 10:20 a.m. (Attachment 12) be adopted. The motion carried.**

**Vice-Chairman Kraft moved that H.C.R. 2002 as amended do pass. The motion carried by a roll call vote of 9-0-0-1 (Attachment 13).**

**H.B. 2669, Arizona fiscal policy commission - HELD**

**Chairman May announced that H.B. 2669 will be held.**

**H.B. 2378, parks and recreation district - ~~DPA~~ FAILED**

Kitty Decker, Majority Research Staff/Senior Economist, explained that H.B. 2378 permits the governing bodies of one or more cities or towns and the board of supervisors of one or more counties, upon a public vote, to establish a parks and recreation district. The bill outlines district formation, the powers and duties of the district, and provides taxation and termination procedures (Attachment 14). She added that a proposed amendment contains the following provisions (Attachment 15):

- Clarifies that there is a 10 percent requirement for voters to bring a petition for formation of the district. The 10 percent must be voters within approved boundaries of the proposed district and persons who voted in the last gubernatorial election.
- Clarifies how testimony will be taken regarding formation of the district.
- Clarifies that if a district is formed in more than one county, the election is held in each of those counties.
- Clarifies that appointment to the board of directors for the new district is an elected official from one the counties or cities within the district.
- Provides that if the district ends up with an even number of board members, the county with the most members would appoint an additional member to the board for purposes of breaking a tie.
- Clarifies that the district, in addition to the tax revenues received, could receive proceeds from the sales of services, publications, or souvenirs.
- States that the Auditor General would review the independent audit that is done every year.
- Clarifies that the Auditor General would not receive extra money for the review.
- Provides provisions for dissolution of the district.
- Adds an effective date of September 1, 2004 to allow DOR time for implementation.

(Tape 2, Side B)

Representative Marian McClure, Sponsor, related that Santa Cruz County does not have the tax base for maintenance and operation of parks and recreational areas. It could be possible through the property tax, but 33,000 people cross the border from Mexico every day to work and spend money in Nogales who use the park systems; therefore, it is only fair that those nationals help pay for maintenance and operation.

Mrs. Leff noted that the Members heard over the last few weeks that the transaction privilege tax (TPT) is getting higher and higher in some communities and should not be relied on so heavily.

She asked what the rate currently is in Santa Cruz County. Ms. Decker related that with state, county, and city rates, the total amount in Nogales is currently 7.35; Phoenix's combined rate is currently 8.1 percent, and within Maricopa County, Gila Bend has the highest combined rate of 9.3 percent. She indicated that she can provide a chart that is accurate as of July 2001 to the Members. She advised that there are presently 29 special tax districts in the state.

John Maynard, Supervisor, Santa Cruz County, spoke in favor of the bill. He noted that the League of Cities and Towns and counties endorse the bill, probably because it is structured to allow cities and counties to opt out or place the issue on the ballot for voters to decide. He related that the four border counties would like to be able to provide the quality of life that some of the urban and northern counties in Arizona provide for their citizens, but because the counties are located on the border, 15 percent of their general fund budgets are spent on illegal immigration issues. That amounts to about \$2 million per year for Santa Cruz County that cannot be spent on parks and recreation and other community services. H.B. 2378 embraces the Constitution of the country and state, supports government, and allows the voters to decide the issue, which is very crucial.

He noted that about a month ago, while at a Circle K in Nogales where children from the trailer park nearby wait for the school bus, he noticed a boy with a baseball cap, glove, and some books who had duct tape on his shoes. When he commented on the glove, the boy said he was going to try out for Little League, and when he asked if he could play in those shoes, the boy said his dad is going to buy him some new shoes soon. He said many families in the community do not have the resources or assets to compete in sports, and one reason is that there are no fields to practice on or money for lights and irrigation systems.

When Mrs. Leff asked why the issue cannot be put on the ballot without forming a special district, Ms. Decker explained that counties are given the authority to levy taxes by the state, and counties are allowed to levy a general excise tax up to one-half cent, if it is approved by a unanimous vote of the Board of Supervisors. Santa Cruz is already at that level, and therefore, cannot ask the voters for more sales tax unless the Legislature allows the general county excise tax rate to be raised or a special district is formed. Mrs. Leff pointed out that the tax rate would still be increased. Ms. Decker responded that it depends on how the special district is formed, but if it is countywide, the whole county would be impacted. She related that most special taxing districts have a property tax levy, but some have a sales tax levy that was granted by the Legislature. Mrs. Leff remarked that the Legislature has given counties a way to get around the law at least 19 times.

Ms. Giffords asked if it would be legally possible to limit the provisions to small counties only. Mrs. Leff remarked that it would be less troubling because flood control districts, for example, are completely out of control with unlimited amounts of money to tax people.

Mr. Maynard stated that he has not done this before and originally wanted to create the bill for Santa Cruz County, but was told that could not be done. He was excited when he heard that Maricopa County is interested, but he also thought it could create some problems. He suggested a population of 500,000 as an appropriate threshold. Ms. McClure indicated that she is amenable to the suggestion.

Chairman May recognized the following persons in favor of H.B. 2378:

Alan Stephens, representing County Supervisors Association  
Dennis Miller, representing Santa Cruz County  
Sandy Bahr, representing Sierra Club  
Jerry Flannery, representing Coconino County  
Sally Bender, representing County Supervisors Association

When Ms. Giffords brought up the fact that Pima County would be included under the population limit of 500,000, Ms. McClure stated that she will have a Floor amendment limiting the provisions to counties under a population to be determined.

Chairman May recognized Jeff Kros, Legislative Liaison, Arizona Department of Revenue, who is neutral on H.B. 2378.

Kevin McCarthy, President, Arizona Tax Research Association, noted that the Members heard a bill about efforts to get out from underneath expenditure limits, some through the ballot and some through the Legislature. He submitted that there is a joke in the private sector that "the last one out of county government, turn out the lights" because it is possible to get out from underneath the levy and expenditure limits by going to the Legislature to create a special district for something counties do, such as jails, health care, flood control, fire district assistance, and now parks and recreation. There is a legitimate concern that by fast forwarding this out 10 or 15 years, the only thing that may be left will be elected officials in county government that will count toward the expenditure and levy limits.

He encouraged the Members to take the responsibility as stewards of tax policy seriously, noting that because the voters have to approve something does not make it a good idea, which is evidenced by the sales tax system and rates that eclipse 10 percent in Arizona. At some point, the Legislature must decide what priorities should be established for use of the sales tax because it is approaching the breaking point. It is a very popular tax and the one that local governments continually bring to the Legislature to try to increase. It is also what the Legislature used to increase taxes for education in June 2001.

Mr. McCarthy pointed out that several years ago, the Legislature passed a mechanism for county governments to use sales tax for capital improvements to build parks and recreation facilities so it would not have to be done through the traditional means of selling general obligation bonds that use property taxes for financing. He submitted that the only thing left that might be needed for Santa Cruz County or a small county is the maintenance and operations capacity to finance parks and recreation, but in looking at the County's budget of \$220,000 for that activity, only 60 percent was spent; therefore, it is difficult to understand what the crisis is that the County does not already have the tools to address those needs.

He strongly urged the Members not to pass the bill, adding that carving up the tax system further by doing this for rural areas does not make it a better idea either. He stated that he would like DOR to tell the Members if this bill is passed allowing people to opt out, how businesses would know who is paying the tax, what the boundaries are, and what the collection system would be. It is already a nightmare for businesses in the state to pay sales taxes with separate, independent city, county, and state systems. Now there would be new boundaries that are not county or city,

but moving boundaries that businesses are supposed to keep track of, and he does not believe there is a mechanism in place for collection.

Chairman May said he believes Mr. McCarthy made DOR's point adequately. He noted that he is also concerned about the philosophy that people should have the right to tax themselves because at some point the insanity must be stopped. People are always trying to find a way to impose a tax on other people with a simple majority, and this great scheme to tax immigrants who do not get to vote is fascinating.

Mr. McCarthy related to Mrs. Leff that he worked with then Representative Herb Guenther on establishment of the county capital projects tax several years ago so counties could use sales taxes to fund capital projects. When the money is raised, the tax goes away so it is on an even playing field with property tax backed measures. He contended that if the purpose is to use the non-residents in Santa Cruz to help finance development of parks and recreational facilities, the County already has the ability to do so.

Vice-Chairman Kraft assumed the Chair.

Michelle Ahlmer, representing Arizona Retailers Association, opposed the bill. She testified that she was contacted by a reporter in January 2002 who asked if she had information about how negatively impacted the retailers were in the border counties because it was so difficult to cross the border so Mexican residents, whose peso is doing very well, flew into Phoenix with empty suitcases and filled them up with goods from Maricopa County, then flew back to Mexico. She stated that the border cities are being hit hard because of that. Add to that an increased sales tax, and people will be crossing borders into different states or counties to avoid it. She submitted that this proposal would ultimately hurt retailers in those towns and the towns. She questioned how the boy's father can buy him new shoes if the sales tax is increased so that some point is the breaking point. She added that Arizona is one of the highest sales taxed states in the nation, and to keep adding to that incrementally only means that people will go on the Internet to another state, and in this case, another county. She urged the Members to defeat the legislation.

Chairman May noted that Spencer Kamps, representing Home Builders Association, is opposed to H.B. 2378.

**Vice-Chairman Kraft moved that H.B. 2378 do pass.**

**Vice-Chairman Kraft moved that the two-page proposed May amendment to H.B. 2378 dated 2/22/02 1:25 p.m. (Attachment 15) be adopted. The motion carried.**

**Vice-Chairman Kraft moved that H.B. 2378 as amended do pass. The motion failed by a roll call vote of 2-6-2-0 (Attachment 16).**

Without objection, the meeting adjourned at 11:21 a.m.

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Linda Taylor, Committee Secretary  
March 28, 2002

(Original minutes, attachments, and tapes are on file in the Office of the Chief Clerk.)