

CORRECTED  
**ARIZONA STATE SENATE**

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45TH LEGISLATURE  
SECOND REGULAR SESSION

**MINUTES OF COMMITTEE ON  
COMMERCE**

**DATE:** January 30, 2002                      **TIME:** 9:30 a.m.                      **ROOM:** SHR 1

**CHAIRMAN:** Senator Verkamp                      **VICE CHAIRMAN:** Senator Arzberger

**ANALYST:** Julie Szperling                      **COMMITTEE SECRETARY:** Nancy L. DeMichele

**ASSISTANT ANALYST:** Dallas Gold

**INTERN:** Nathaniel Searing

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**ATTENDANCE**

**BILLS**

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<u>Committee Members</u>	<u>Pr</u>	<u>Ab</u>	<u>Ex</u>	<u>Bill Number</u>	<u>Disposition</u>
Senator Burns		X		SB 1034	DPA
Senator Hamilton	X			SB 1096	DPA
Senator Mitchell	X			SB 1101	DP
Senator Valadez	X			SB 1104	DPA
Senator Arzberger, Vice Chair	X				
Senator Verkamp, Chair	X				

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**GOVERNOR'S APPOINTMENTS**

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<u>Name</u>	<u>Position</u>	<u>Recommendation</u>
Margie A. Emmermann	Director, Department of Commerce	CONFIRMED
Ella Jean Makula	Member, State Board of Appraisal	CONFIRMED
Claudia Marie Meahl	Member, State Board of Appraisal	CONFIRMED
Michael J. Naifeh	Member, State Board of Appraisal	CONFIRMED

Chairman Verkamp called the meeting to order at 9:35 a.m., and attendance was taken. For additional attendees, see attached Sign-In Sheet (Attachment A).

## **APPROVAL OF MINUTES**

Senator Verkamp announced, without objection, the minutes of the meeting of January 23, 2002, are approved as distributed.

## **EXECUTIVE NOMINATIONS**

### **Ella Jean Makula – Member, State Board of Appraisal – CONFIRMED**

**Ella Jean Makula** stated that she has lived in Arizona since 1970, and serves on the Peoria City Council. She commented she is eligible for re-appointment on the State Board of Appraisal. She noted she has had 32 years in the title insurance business as an escrow officer with substantial experience in the appraisal business.

**Senator Arzberger moved that the Committee on Commerce recommend to the full Senate the CONFIRMATION of Ella Jean Makula, as a Member of the State Board of Appraisal. The motion CARRIED by a roll call vote of 5-0-1 (Attachment 1).**

### **Claudia Marie Meahl – Member, State Board of Appraisal – CONFIRMED**

**Claudia Marie Meahl** stated that she serves on the Lake Havasu City Council. She indicated she has been an appraiser for twenty years, and is seeking re-appointment on the State Board of Appraisal for her second term. She noted she has lived in Arizona since the early 1970's.

**Senator Arzberger moved that the Committee on Commerce recommend to the full Senate the CONFIRMATION of Claudia Marie Meahl, as a Member of the State Board of Appraisal. The motion CARRIED by a roll call vote of 5-0-1 (Attachment 2).**

### **Michael J. Naifeh – Member, State Board of Appraisal – CONFIRMED**

**Michael J. Naifeh** stated that he is a property tax consultant and real estate appraiser in Tucson. He has been an appraiser for over twenty years and has been a property tax consultant for over twelve years. In response to a question by Senator Hamilton, Mr. Naifeh stated he did not vote in the November 2001 election due to illness.

**Senator Arzberger moved that the Committee on Commerce recommend to the full Senate the CONFIRMATION of Michael J. Naifeh, as a Member of the State Board of Appraisal. The motion CARRIED by a roll call vote of 5-0-1 (Attachment 3).**

### **Margie A. Emmermann – Director of Department of Commerce (DOC)– CONFIRMED**

**Margie A. Emmermann** stated she is honored to be considered by the Governor for appointment as Director of DOC. She highlighted her background, which included twenty years in the private sector

working for US West Communications and Bank of America in positions of marketing, community relations and new product development. She emphasized that she has always had a passion for public and community service, and joined the Governor's Office in 1994 as Mexico Policy Advisor and liaison to the Hispanic community. Much of that time was spent building Arizona's relationship with Mexico. She has been with DOC for the past six months. She believes her experiences have given her a unique set of skills for consensus building. She also feels she has strong budget and fiscal oversight skills, and looks forward to making a difference at DOC.

Senator Hamilton stated that he believes Ms. Emmermann has been very cooperative and has made significant inroads to date at the Legislature. He said he is very pleased to vote "aye."

Senator Arzberger stated she is pleased to hear that one of Ms. Emmermann's intentions is to support rural area economic development with some initiatives, possibly in telecommunications. She said those efforts are greatly appreciated.

Senator Verkamp stated he believes Ms. Emmermann has done a great job, and he looks forward to hearing about further developments at DOC.

Ms. Emmermann thanked the Senators for their gracious comments.

**Senator Arzberger moved that the Committee on Commerce recommend to the full Senate the CONFIRMATION of Margie A. Emmermann, as the Director of the Department of Commerce. The motion CARRIED by a roll call vote of 5-0-1 (Attachment 4).**

Ms. Emmermann gave a presentation on DOC. Highlights of her speech include the following:

- Agency reorganization
- Milestones of the last six months
- Economic vision

She stated that since joining DOC last July, she has traveled extensively throughout the State gathering input from economic and community development partners on their needs. She noted that over the past ten years economic development has greatly changed. Although the former Director of DOC accomplished a great deal, she believes it is now necessary to re-evaluate the position and needs of constituents at this time. She commented that a complete statutory review of DOC was done to evaluate requirements. She noted that work has begun on integrating a strategic plan to enhance the effectiveness of programs for measurement. She stated that DOC is structured in the following areas that will best serve the needs of the Arizona community:

1. The Office of Policy Research and Planning (PROP) will focus on developing and disseminating better economic information to the Legislature and economic partners statewide. She said a statewide economic study has been initiated, and the Commerce and Economic Development Commission will be a key element in DOC's future strategic positioning and investments statewide.
2. The Community Development Group is a newly established group within DOC, which will bring together all community development programs. DOC's efforts in non-metropolitan areas are becoming more focused and coordinated. The business development group is a resource to assist Arizona entrepreneurs, and business and industry sectors at every stage from the initial

permitting process for small business owners through preparation for exporting goods. She said that solutions must be tailored to meet the differing needs of the rural and urban populations. The foundations of Arizona's businesses must be strengthened in order to compete and expand in a global environment. Ms. Emmermann shared some of the accomplishments experienced at DOC within the past six years.

Ms. Emmermann explained that the economic study being conducted would inform DOC of current economic conditions, identify emerging trends, and define economic opportunities throughout the State. The study will help to invest wisely in the necessary infrastructure to support a shared economic future. She emphasized that the study is being conducted in partnership with other entities, and not a sole DOC initiative.

Ms. Emmermann indicated that DOC will also expand its local presence. She indicated that her predecessor began the process by placing the economic development managers in the field to work with communities, local partners, and site selection consultants. A full-time representative was placed in southern Arizona last year, and this year there is also a full-time representative in northern Arizona. Those efforts have allowed DOC to work with local economic development partners to bring in various businesses and industries.

Ms. Emmermann explained that in the work force development area, DOC has established the Arizona Work Force Connection. She outlined the purpose and benefits of that entity, which has received many positive comments on its efforts. She outlined her vision for DOC, particularly as it relates to the events of September 2001. She said she looks forward to her role in meeting the challenges and needs of Arizona's communities.

## **CONSIDERATION OF BILLS**

### **SB 1034 – homeowners' associations; applicability; charter schools – DO PASS AMENDED**

**Julie Szperling, Research Commerce Analyst**, explained SB 1034 exempts schools from regulation by homeowners' associations (HOAs) of planned communities. She indicated there is an amendment that prohibits schools from being established within the living units or common areas of an HOA with the exception of home schools.

**Sandra Junck, Chandler Unified School District**, testified in support of SB 1034. She stated that there are representatives from Chandler present, who will be able to provide specifics on this issue. She explained that one of the Chandler schools is located in a planned community. Since school construction is controlled by the School Facilities Board, schools need to meet minimum standards. She commented there has been an unlimited number of requests that not only will result in substantial costs, but will also require the school district to spend a great deal of time negotiating the issues. She explained the situation involving requests by the HOA, and the problems that have evolved. She said the Chandler Unified School District supports the amendment being offered. She has discussed the matter with the HOA, and those individuals appear to be okay with the amendment. She said she also discussed the issue with the charter schools. She commented on the requirements regarding zoning regulations and public meetings. She said the school has attempted to comply with the necessary requirements, and emphasized that there are no "garish" elementary schools built in the State. Schools are built that are efficient and effective to fit in with the communities. She said she would like to ask Mr. Fletcher to speak on this issue.

**Frank Fletcher, Assistant Superintendent, Chandler Unified School District**, stated the Chandler District has a school that resides in a planned community regulated by an HOA. He cited examples of the reasons that the HOA's requirements are not in the best interest of the school districts. He commented on a particular fence issue, which resulted in a substantial cost to the taxpayers. He also remarked about the placement of modular units, to which the HOA objected. The HOA has also refused to allow a shade structure for the school because it does not comply with the covenants, conditions and restrictions (CCR's) of the HOA. Mr. Fletcher pointed out that the school's only recourse is litigation, which is disturbing and costs money.

Senator Verkamp announced that the following individuals were present in support of SB 1034: **Gary Bae, Director of Public Affairs, The Leona Group Arizona**; and **Tom Dorn, Lobbyist, CAI**.

**Senator Arzberger moved SB 1034 be returned with a DO PASS recommendation.**

**Senator Arzberger moved the 4-line Verkamp amendment dated 01/29/02, 11:50 A.M., be ADOPTED (Attachment B). The motion CARRIED by a voice vote.**

**Senator Arzberger moved SB 1034 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 5-0-1 (Attachment 5).**

#### **SB 1096 – motor vehicle dealers; factories – DO PASS AMENDED**

**Nathaniel Searing, Research Intern**, explained SB 1096 expands the conditions and modifies the temporary extensions under which motor vehicle factories may obtain ownership of individual dealerships. He stated that the bill allows for one-year extension periods, and adds a condition that allows the factory to own or operate the dealership if a financial loss would incur to the factory or dealership as a result of the disposition of the factory's interest. He noted that an identical measure in the House of Representatives passed out of the Transportation Committee with a vote of 7 to 0, and is waiting to be heard in the House Commerce and Economic Development Committee. He explained an amendment is being offered, which corrects a drafting error and clarifies that the one-year extension would apply if either condition to obtain a temporary ownership, instead of both, is met.

**Allan Stanton, Lobbyist, General Motors Corporation**, testified in support of SB 1096. He stated the bill was introduced at the request of General Motors. He explained he has discussed the problem relating to the Saturn franchise and the financial issues with the Committee members. He said the Motor Vehicle Dealers Association and the Motor Vehicle Manufacturers' Alliance support the bill, and there has been no opposition. He indicated the bill could be utilized by any franchise situation, but in this instance it will help deal with the General Motors issue. He pointed out a significant financial loss will be incurred if the bill does not pass. He stated that General Motors also supports the amendment to clarify the optional provision in the bill.

Mr. Stanton stated he was asked to speak on behalf of **Knox Kimberly, Lobbyist, Alliance of Automobile Manufacturers**, who supports the bill but could not be present. He commented that there is a second piece of legislation that is different than the companion bill in the House, which relates to a settlement of the litigation between the dealers and manufacturers occurring as a result of legislation two years ago. He said that bill is being handled separately, and the judge in the case has directed that it not be amended because it reflects the entire settlement. He remarked that there will be a further bill regarding the motor vehicle franchises, which has nothing to do with the technical aspects of this bill.

**Senator Arzberger moved SB 1096 be returned with a DO PASS recommendation.**

**Senator Arzberger moved the 3-line Verkamp amendment dated 01/29/02, 8:49 A.M., be ADOPTED (Attachment C). The motion CARRIED by a voice vote.**

**Senator Arzberger moved SB 1096 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 5-0-1 (Attachment 6).**

### **SB 1101 – residential utility consumer office; functions – DO PASS**

Mr. Searing explained SB 1101 allows the Residential Utility Consumer Office (RUCO), in consultation with the Governor, to represent residential ratepayers before federal regulatory agencies, commissions and courts, and requires the Director of RUCO to adopt a consumer outreach and education program.

**Brian Townsend, Deputy Director, RUCO**, testified in support of SB 1101. He stated that this is the same bill as last year that passed out of this Committee. He explained that last year the bill was assigned in the House to the Energy, Utilities and Technology Committee only. Some questions were raised regarding the fiscal impact of the bill; therefore, it was referred to the Appropriations Committee. He said a fiscal note was prepared that indicated there was no fiscal impact. He pointed out that it was then too late, and the bill was used as a striker. Consequently another striker had to be used for this purpose, but it never was included on the final read calendar. He said it was basically a procedural problem.

Senator Verkamp announced the following individual was present and neutral on SB 1101: **Tom Jones, Chief Executive Officer, Grand Canyon State Electric Cooperative Association.**

**Senator Arzberger moved SB 1101 be returned with a DO PASS recommendation. The motion CARRIED by a roll call vote of 5-0-1 (Attachment 7).**

### **SB 1104 – liquor donations; charitable auctions – DO PASS AMENDED**

**Dallas Gold, Research Commerce Assistant Analyst**, explained that SB 1104 expands the types of alcohol allowed for sale at a charitable wine auction to include any type of alcohol, and eliminates the fee for the special event license authorizing such an auction. He stated there is an amendment being offered, which restores and applies the license fee for the daily special event license authorizing the sale of spirituous liquor for consumption on the premises where it is sold. This change will codify the fee that the Department of Liquor Licenses and Control currently charges for this type of license and also changes the phrase "any alcohol," which is not currently defined in statute to "spirituous liquor."

**Kelsey Lundy, Government Relations Advisor, Distilled Spirits Council of the United States**, testified in support of SB 1104. She explained they had received requests to help charitable organizations receive donations, such as a case of wine, to be auctioned at a charitable auction. It was later realized that it was against the law. She noted that charities are conducting these types of auctions and are unaware of the limitations in the current law. She said she discussed it with the Director of the Department of Liquor, and it is the goal to include something in statute to ensure that charities are not inadvertently breaking the law.

Senator Verkamp announced the following individuals were present in support of SB 1104: **Michael Preston Green, Lobbyist, The Wine Institute; Michael Mandell, Attorney, Southern Wine and Spirits; and Susie Stevens-Matthews, Lobbyist, Alliance Beverage Distributing.**

Senator Verkamp announced the following individual was present and neutral on SB 1104: **Philip MacDonnell, Lobbyist, Arizona Wholesale Beer and Liquor Association.**

**Senator Arzberger moved SB 1104 be returned with a DO PASS recommendation.**

**Senator Valadez moved the 8-line Valadez amendment dated 01/29/02, 9:27 A.M., be ADOPTED (Attachment D). The motion CARRIED by a voice vote.**

**Senator Arzberger moved SB 1104 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 5-0-1 (Attachment 8).**

There being no further business, the meeting adjourned at 10:13 a.m.

Respectfully submitted,

Nancy L. DeMichele  
Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.)