

# ARIZONA STATE SENATE

48TH LEGISLATURE  
FIRST REGULAR SESSION

## MINUTES OF COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE AND RETIREMENT

**DATE:** February 12, 2007      **TIME:** 1:30 p.m.      **ROOM:** SHR 2

**CHAIRMAN:** Senator Gorman      **VICE CHAIRMAN:** Senator Huppenthal

**ANALYST:** Brett Rufer      **INTERN:** Amy Gentry

**COMMITTEE  
SECRETARY:** Jeff Turner

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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 Arzberger	x			SB 1073	DPA
Senator McCune Davis	x			SB 1216	DPA
Senator Verschoor	x			SB 1241	DPA/SE
Senator Huppenthal, Vice Chairman	x			SB 1296	DP
Senator Gorman, Chairman	x			SB 1309	DP
				SB 1541	DP
				SB 1588	DPA
				SB 1596	DP
				SB 1611	DP

Chairman Gorman called the meeting to order at 1:44 p.m., and attendance was taken.

## **APPROVAL OF MINUTES**

Senator Gorman announced that there were no minutes to be approved.

## **CONSIDERATION OF BILLS**

### **SB 1241 - self-service storage agent license. – DO PASS AMENDED/STRIKE EVERYTHING**

**Brett Rufer, Financial Institutions, Insurance and Retirement Committee Research Analyst**, explained the 18-line Gorman strike everything amendment dated 2/8/07 at 4:24 p.m. (Attachment A)

Senator Gorman, bill sponsor, further explained SB 1241.

**John Thomas, Arizona Competitive Telecommunications Coalition**, testified in opposition to SB 1241.

**Michael Bagley, Verizon Wireless, Executive Director for Public Policy, West Area**, testified in opposition to SB 1241.

**Don Isaacson, Sprint/Nextel**, testified in opposition to SB 1241.

Senator Gorman announced the individuals who registered their position on the bill (Attachment B).

**Senator Huppenthal moved SB 1241 be returned with a DO PASS recommendation.**

**Senator Huppenthal moved the 18-line Gorman strike everything amendment dated 2/8/07 at 4:24 p.m. be ADOPTED. The motion CARRIED by voice vote.**

**Senator Huppenthal moved SB 1241 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED with a roll call vote of 4-1-0 (Attachment 1).**

In explanation of her vote, Senator Arzberger stated, "I have concerns with this bill, it does look like it will pass, so I will vote no for now."

In explanation of his vote, Senator Huppenthal said, "Back in the 1980's, I had a contract with MCI for cell phone service and at the end, I took everything in and said I want to pay everything off now, tell me what every last penny is. I wrote them a check for \$172.00 and two years later, I had something appear on my credit record for \$256.00. I am fortunate in that I never use my credit rating...I have never borrowed a dollar in my whole adult life. This upset me because I pay my bills and they told me this was the latest bill and asked if I had used my cell phone today and I told them no. I wrote that check for \$172.00 and I had that thing dingling around on my credit rating, so I can understand your frustration, I am glad to give you some leverage in your discussion with them and I vote aye."

### **SB 1216 - certificates of deposit; government investments – DO PASS AMENDED**

**Amy Gentry, Financial Institutions, Insurance and Retirement Research Intern**, explained SB 1216 and the 9-line Gorman amendment dated 2/9/07 at 1:51 p.m. (Attachment C)

**Tanya Wheeless, Arizona Bankers Association**, testified in support of SB 1216.

Senator Gorman announced the individuals who registered their position on the bill (Attachment B).

**Senator Huppenthal moved SB 1216 be returned with a DO PASS recommendation.**

**Senator Huppenthal moved the 9-line Gorman amendment dated 2/9/07 at 1:51 p.m. be ADOPTED. The motion CARRIED by voice vote.**

**Senator Huppenthal moved SB 1216 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED with a roll call vote of 5-0-0 (Attachment 2).**

### **SB 1296 - state servicing banks; procedures – DO PASS**

**Amy Gentry, Financial Institutions, Insurance and Retirement Research Intern**, explained SB 1296.

**Dean Martin, State Treasurer**, testified in support of SB 1296.

**Senator Huppenthal moved SB 1296 be returned with a DO PASS recommendation. The motion CARRIED with a roll call vote of 5-0-0 (Attachment 3).**

### **SB 1073 - deferred annuities; cash surrender; payment – DO PASS AMENDED**

**Brett Rufer, Financial Institutions, Insurance and Retirement Committee Research Analyst**, explained SB 1073 and the 18-line Gorman amendment dated 2/9/07 at 11:54 a.m. (Attachment D)

**J. Michael Low, Arizona Civic Leadership Initiative, Prudential, MetLife**, testified in support of SB 1073.

**Senator Huppenthal moved SB 1073 be returned with a DO PASS recommendation.**

**Senator Huppenthal moved the 18-line Gorman amendment dated 2/9/07 at 11:54 a.m. be ADOPTED. The motion CARRIED by voice vote.**

**Senator Huppenthal moved SB 1073 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED with a roll call vote of 5-0-0 (Attachment 4).**

**SB 1309 - CORP; disability retirements – DO PASS (see next page)**

**Amy Gentry, Financial Institutions, Insurance and Retirement Research Intern**, explained SB 1309.

**Martin Bihn, Arizona Conference of Police and Sheriffs, General Counsel**, testified in support of SB 1309.

**James Hacking, Public Safety Personnel Retirement System, Administrator**, answered questions posed by the Committee.

**Luis Ebratt, Arizona Probation Officers Association, President**, answered questions posed by the Committee.

**Brett Rufer, Financial Institutions, Insurance and Retirement Committee Research Analyst**, answered questions posed by the Committee.

Senator Gorman announced that SB 1309 would be HELD until the bill sponsor arrived to give testimony.

**SB 1541 - escrow agents; licensing; experience – DO PASS**

**Brett Rufer, Financial Institutions, Insurance and Retirement Committee Research Analyst**, explained SB 1541 and answered questions posed by the Committee.

Senator Verschoor, bill sponsor, further explained SB 1541.

**Felecia Rotellini, Department of Financial Institutions, Superintendent**, answered questions posed by the Committee.

Senator Verschoor answered questions posed by the Committee.

**Jack Lasota, Land Title Association of Arizona**, testified in opposition to SB 1541.

**Stanley Moffitt, self**, testified in opposition to SB 1541 and answered questions posed by the Committee.

**Richard Houseworth, Capitol Bancorp Ltd., Director of Government Relations**, testified in opposition to SB 1541.

Senator Gorman announced the individuals who registered their position on the bill (Attachment B).

**Nancy D'anna, Summit Title, President/CEO**, testified in support of SB 1541 and answered questions posed by the Committee.

**Senator Verschoor moved SB 1541 be returned with a DO PASS recommendation.  
The motion CARRIED with a roll call vote of 4-1-0 (Attachment 5).**

In explanation of her vote, Senator Arzberger stated, "I would like to see more specificity to try clearing up some of those things but I am going to vote aye at this time."

In explanation of his vote, Senator Huppenthal said, "I have a lot of concerns with the bill as it is written. It seems to me that the Department was correct to require that the experience be validated by an independent party. It does raise an interesting question. If all of your experience was at one company and that company will now be your competitor...that raises some interesting issues. Either the Department needs to resolve that or we are going to resolve it statutorily. Somehow, if that experience truly does exist, someone needs to be able to resolve that situation. I am very concerned, I have not seen my own constituents be in terror for their lives.....and their entire life savings wiped out. I know that these people have to be of exceptionally high character. It is the only thing that stands between them and just helping themselves to millions of dollars. It is right there and they can gain access to it. I am going to vote aye for now and work with the sponsor to make sure that we come up with something that allows for fairness in the licensing process but, above all, integrity in the escrow funds. I vote aye."

In explanation of her vote, Senator Gorman remarked, "I would like to echo some of the things that Senator Huppenthal said. I do like the idea of putting some sunshine on the process and causing it to be more measurable. I think right now we are looking at things that, while they are good, if we want character, if we want honesty, there is no way to measure those things in statute and so maybe it is arbitrary only because the person gets to make the decision that day, what character is so....I am going to support the bill but I look forward to amendments from the sponsor."

### **SB 1309 - CORP; disability retirements – DO PASS (continued)**

**Luis Ebratt, Arizona Probation Officers Association, President**, testified in support of SB 1309 on behalf of the bill sponsor and answered questions posed by the Committee.

**Senator Huppenthal moved SB 1309 be returned with a DO PASS recommendation. The motion CARRIED with a roll call vote of 5-0-0 (Attachment 6).**

In explanation of her vote, Senator McCune Davis stated, "I will vote for the bill to get it out of Committee. I have (inaudible) about the language (inaudible)..and we will look into that between now (inaudible) and I vote aye."

In explanation of his vote, Senator Verschoor said, "I am going to vote aye on this bill right now and reserve my vote for the floor."

In explanation of his vote, Senator Huppenthal remarked, "Anytime we have a bill here on the retirement funds, I get very concerned when talking about the disability provisions. It is very easy to inadvertently open up a door that allows hundreds of people through when you meant to target it on a specifically higher beneficial group. I would agree with Senator McCune Davis that in some narrow circumstances, there is severe psychological disability, but you have to be so careful with these bills. I would like to know that there is an extreme scrub down on these. This is 56 million dollars, in a year when we are scrubbing other amounts. It needs 56 million dollars, the gentleman would not like to admit it but these are equivalent financial dollars. It is a onetime expenditure, it is not an ongoing 56 million a year, but in terms of financial equivalents, it is just like any other onetime expenditure we are making in our budgeting process. It is a very significant amount of money. It is not quite the same because if you have large pension assets.....but you need to consider all of these ever so carefully. I am going to vote yes now but I think we need to have more intensive scrutiny of this bill as it moves through the process."

In explanation of her vote, Senator Gorman stated, "I was not aware that there was a 56 million dollar price tag to the fund on this bill and I echo Mr. Huppenthal's concern that information would have never seen the light of day had he not started questioning this. I also want to thank Mr. Huppenthal for your ability to understand this issue and help us understand as a committee because I think this was going to gloss through and many of us were not going to ask the hard questions. We have to protect his fund. Many of the states are incredibly under-funded. We are one of the states although not as bad as some other states. I do not think that is a standard that we should be proud of. I think we need to fully fund (inaudible) anything we do that takes away the value, takes us in the opposite direction we are going.....I will support this bill today. I make no commitment to do so on the floor unless we can get some of these concerns dealt with, specifically the ones that Mr. Huppenthal has brought up here today. With that I vote aye."

**SB 1588 - financial institution records; disclosure; notice – DO PASS AMENDED**

**Brett Rufer, Financial Institutions, Insurance and Retirement Committee Research Analyst**, explained SB 1588. He explained the 5-line Gorman amendment dated 2/9/07 at 11:52 a.m. (Attachment E) and the 2-line Gorman amendment dated 2/9/07 at 2:39 p.m. (Attachment F)

**Austin De Bey, Arizona Credit Union System, Governmental Affairs Specialist**, testified as neutral on SB 1588.

**Bobbi Sparrow, Arizona Automobile Dealers Association, Government Relations Director**, testified as neutral on SB 1588 and answered questions posed by the Committee.

**Mark Dinell, Arizona Corporation Commission, Assistant Director of Securities**, testified in opposition to SB 1588 and answered questions posed by the Committee.

**Brian Wilcox, Arizona Department of Public Safety, Legislative Liaison**, testified in opposition to SB 1588 and answered questions posed by the Committee.

**Senator Gould, bill sponsor**, testified in support of SB 1588 and answered questions posed by the Committee.

**Sheryl Rabin, Attorney General's Office**, testified in opposition to SB 1588 and answered questions posed by the Committee.

**Senator Huppenthal moved SB 1588 be returned with a DO PASS recommendation.**

**Senator Huppenthal moved the 5-line Gorman amendment dated 2/9/07 at 11:52 a.m. be ADOPTED. The motion CARRIED by voice vote.**

**Senator Huppenthal moved the 2-line Gorman amendment dated 2/9/07 at 2:39 p.m. be ADOPTED. The motion CARRIED by voice vote.**

**Senator Huppenthal moved SB 1588 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED with a roll call vote of 4-1-0 (Attachment 7).**

In explanation of her vote, Senator Arzberger stated, "I think some changes need to be made for DPS and the Attorney General, law enforcement and even the Corporation Commission and their investigation activities however, for today, I am voting aye for privacy."

In explanation of her vote, Senator McCune Davis said, "When we look at the laws that are on the books now, and the criminal enterprises that our constituents are subjected to, I think that it is fair to suggest that this bill will lower the protections that are in place. I do not want to be part of waving a white flag that indicates, somehow, that we will allow those enterprises to conduct business even for a day longer. I think that this bill, although it may create more privacy for individuals, puts the public at risk and I vote no."

In explanation of his vote, Senator Huppenthal remarked, "I think that any reasonable intrusion into peoples records, you can go to a judge and those judges are available on very short notice and you can get their permission. I think this is moving us in a direction where we have more of the protections guaranteed to us under the Constitution and I vote aye."

In explanation of her vote, Senator Gorman stated, "I do not want to hinder investigations but then again, I have not been compelled by even armchair examples, of situations in which there would not be probable cause to get a warrant and this bill does nothing to limit the ability to get a warrant and so with that I vote aye."

### **SB 1596 - salvage titles; insurance company applications – DO PASS**

**Dallas Gold, Transportation Research Analyst**, explained SB 1596 and answered questions posed by the Committee.

**Senator Huppenthal moved SB 1596 be returned with a DO PASS recommendation. The motion CARRIED with a roll call vote of 4-0-1 (Attachment 8).**

### **SB 1611 - postsecondary institution loan commission – DO PASS**

**Dawn Nazary, Education K-12 Research Analyst**, explained SB 1611.

**Shelly Murphy, self**, testified in opposition to SB 1611 and answered questions posed by the Committee.

**Larry Pike, Cology Incorporated**, testified in support of SB 1611 and answered questions posed by the Committee.

**Pat Cantelme, Arizona Higher Education Loan Authority, President**, testified in opposition to SB 1611.

**Chuck Sweet, Collegiate Solutions, Principal**, testified in support of SB 1611.

**Dean Martin, State Treasurer**, testified in support of SB 1611.

Senator Verschoor, bill sponsor, further explained SB 1611.

**Senator Verschoor moved SB 1611 be returned with a DO PASS recommendation.  
The motion CARRIED with a roll call vote of 3-2-0 (Attachment 9).**

In explanation of his vote, Senator Huppenthal stated, "I want to thank Senator Verschoor for bringing this bill forward and also Treasurer Martin for his testimony. The core of the issue is getting an entity in place that is doing things which are beneficial to students in the loan market. I think the idea that 95 million is out there and it is only being used to purchase existing loans is something for this commission to look at in terms of its activity. Maybe that it is a good thing. I do not fully understand the market place for loans and whether purchasing existing loans has the effect of enabling more student loans. I vote aye."

In explanation of her vote, Senator Gorman said, "I want to thank Mr. Verschoor for this because I never would have realized that this was an issue. We love competition, it brings about the best in the market and with that I vote aye."

There being no further business, the meeting was adjourned at 4:45 p.m.

Respectfully submitted,

Jeff Turner  
Committee Secretary

(Audio recordings and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.  
Audio archives are available at <http://www.azsenate.gov>)