



# Citizen Commission for Performance Measurement of Tax Preferences

William A. Longbrake, *Chair*  
Vice Chair, Washington Mutual, Inc.

Charles Hasse  
President, Washington Education Association

Brian Sonntag  
State Auditor

Lily Kahng, *Vice Chair*  
Associate Professor of Law  
Seattle University

Carolyn Logue  
State Director,  
National Federation of Independent Business

Richard S. Davis  
Vice President of Communications,  
Association of Washington Business

Representative Ross Hunter  
Chair, Joint Legislative Audit  
and Review Committee

---

## Citizen Commission for Performance Measurement of Tax Preferences Meeting Minutes

December 15, 2006

Radisson Gateway Hotel SeaTac Airport, Salons A & B  
SeaTac, WA

### Members Present:

Richard S. Davis  
Charles Hasse  
Lily Kahng  
Carolyn Logue  
William A. Longbrake

### Absent:

Representative Ross Hunter  
Brian Sonntag

### Staff:

Keenan Konopaski  
Gary Benson  
Lizbeth Martin-Mahar  
Lisa Hennessy

### WELCOME

Commission Chair Bill Longbrake welcomed all attending and called the meeting to order at 1:15 p.m.

### APPROVAL OF MEETING MINUTES

MOTION: A motion was made to approve the November 1, 2006, meeting minutes.  
The motion was seconded and carried unanimously.

### 2007 MEETING SCHEDULE

To comply with the Open Public Meetings Act (RCW 42.30.075), the commission must deliver an annual schedule of regular meetings to the Code Reviser for publication in the Washington State Register. Chair Bill Longbrake presented a draft schedule for 2007 commission meetings:

<b>Date</b>	<b>Location</b>	<b>Purpose/Agenda</b>
Jan. 19	Olympia	Approve 2007 review schedule
Feb. 23	Olympia	Mid-session update
Aug. 3	SeaTac	Revise schedule as necessary; Receive 2007 reports from JLARC
Sept. 7	Olympia	Update lists if necessary; Deliver 2008 review schedule to JLARC; Solicit public comment on reports
Oct. 26	SeaTac	Provide comment on 2007 reports from JLARC

MOTION: A motion was made to approve the proposed 2007 Meeting Schedule.  
The motion was seconded and carried unanimously.

### **STAFF REPORTS**

Keenan Konopaski, Legislative Audit Coordinator, introduced Lizbeth Martin-Mahar, JLARC Economist, who will be working on tax preference reviews.

Mr. Konopaski updated the commission on continuing JLARC staff work. Regarding the commission's draft conflict of interest policy, Mr. Konopaski reported that a positive informal opinion was received from the Executive Ethics Board. He explained this was a non-binding staff opinion and for formal approval, the draft policy must be evaluated by the full Executive Ethics Board. The Commission directed JLARC staff to forward the draft conflict of interest policy to the Executive Ethics Board for consideration at their next meeting on January 12, 2007.

Mr. Konopaski reported that a preliminary report on the B&O tax deduction for beef processors (RCW 82.04.4336; relating to bovine spongiform encephalopathy, or "mad cow disease") will be completed in February. The preliminary report will be presented to JLARC at the regular February committee meeting and then to the Commission at their Feb. 23 meeting. Mr. Konopaski reminded the Commission that this special report is being conducted prior to formal approval of the overall tax preference review schedule because the "mad cow" preference is set to expire December 2007. This special report will ensure that the Legislature has a review of, and may consider, the "mad cow" tax preference during the 2007 legislative session and prior to its expiration.

### **PERFORMANCE AUDITING 101**

Keenan Konopaski presented information on JLARC's performance auditing standards and audit process. The presentation described how the audit process will apply to tax reviews, and noted the role of the independent JLARC auditors, the JLARC legislators, and the Commissioners.

### **Commission Discussion**

The Commission discussed JLARC's role in tax preference audits. Mr. Konopaski clarified that JLARC *staff* provides support to the Commission by conducting the actual audits of tax

preferences. He pointed out that JLARC *itself* sets the auditing guidelines and requirements, as they have final responsibility for those audits.

The Commission also discussed the issue of confidentiality as it relates to tax preference reports. Mr. Konopaski reiterated that JLARC staff conducts its analytical work for the audits in a way that ensures independence from all parties, including legislators, Commission members, and stakeholders. He further noted that JLARC staff are required to keep reports confidential until they have been completed.

### **DRAFT SCOPE AND OBJECTIVE STATEMENTS FOR FULL AND EXPEDITED TAX PREFERENCE REVIEWS**

Gary Benson presented draft scope and objectives for 2007 full and expedited tax preference reviews. He explained that the study objectives were consistent with statutory guidelines, and that staff provided some additional wording to clarify the intent and focus of the reviews. He provided a document showing a side-by-side comparison of draft study objectives for both full and expedited reviews. Mr. Benson indicated that the list of reviews that can be completed in 2007 will be less than the number of reviews in subsequent annual reviews. This is because this first annual review process is starting later than it will in future years.

### **Commission Discussion**

The Commission discussed the study objectives as they relate to statutory guidelines. The Commission agreed there should be an explicit cross-reference between the statutes and study objective questions. Regarding expedited reviews, the Commission suggested including some additional details regarding the regional location of economic impacts.

Questions were raised regarding meaning of the term "sunset," which was used in the initial legislation that established the reviews. The Commission requested that staff investigate the legislative intent of "sunset review" as it relates to recommendations for tax preferences, and report back at the Jan. 19 meeting.

### **PUBLIC COMMENT**

No members of the public requested an opportunity to comment at the meeting.

The meeting was adjourned at 3:15 p.m.