

# ARIZONA STATE SENATE

## 43RD LEGISLATURE FIRST REGULAR SESSION

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### MINUTES OF COMMITTEE ON APPROPRIATIONS

**DATE:** Wed., January 29, 1997      **TIME:** 1:30 p.m.      **ROOM:** Hearing Room 1

**CHAIRMAN:** Senator Bowers      **VICE CHAIRMAN:** Senator Cirillo

**ANALYST:** Tami Ryall      **COMMITTEE SECY:** Arlene Seagraves

**INTERNS:** Mei Wong and Robert Hornby

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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				
Senator Bundgaard	X				
Senator Cirillo	X				
Senator Conner	X				
Senator Freestone	X				
Senator Gnant	X				
Senator Henderson	X				
Senator Huppenthal	X				
Senator Lopez	X				
Senator Richardson, G.	X				
Senator Rios	X				
Senator Soltero	X				
Senator Wettaw	X				
Senator Bowers, Ch.	X				

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#### SPECIAL PRESENTATIONS

Budget Presentation:  
Universities  
AHCCCS

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#### GOVERNOR'S APPOINTMENTS

<u>Name</u>	<u>Position</u>	<u>Recommendation</u>
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Chairman Russell Bowers called the meeting to order at 1:35 p.m. and attendance was taken. See attached sheet for other attendees.

### **COMMITTEE OF REFERENCE**

Senator Bowers appointed the following members to the Appropriations Committee of Reference:

Senator Bundgaard, Chairman  
Senator Conner  
Senator Gnant  
Senator Lopez  
Senator Soltero

### **APPROVAL OF MINUTES**

**Senator Bowers announced the minutes of January 22, 1997, were approved as distributed.**

### **BUDGET PRESENTATIONS:**

#### **Universities**

**John Munger, President, Arizona Board of Regents (ABOR)**, introduced others in the audience from the Board and discussed the current focus of the universities; i.e., enhancement on undergraduate education, improved student access to classes, maximum student exposure to faculty members, increased graduation rates, the creation of a model system in student transfers from community colleges to the universities, improvements in tenure review processes and the need to demonstrate performance, improvements in the capital development process, and concentrating on a focused budget process. Mr. Munger acknowledged the recommendations made by the Executive Budget Office (EBO) and added if the Legislature determined that was appropriate, the Board was ready to be accountable and an effective steward of that budget.

Senator Henderson asked if ABOR reviews all three of the University budgets, if cuts and additions are made during the review, and if student representatives are involved in the process. Mr. Munger explained the budget process involved several months of review and work and is not merely a "rubber stamp" process. Student representatives are involved as they understand tuition increases are tied directly to university spending.

Senator Gnant, commenting on the four-year graduation issue, acknowledged that some students begin schooling with the intent that it will take five or six years to complete their degree program but that others want to and are committed to completing the course load in four years and cannot because classes are not available at the time needed. Mr. Munger explained Arizona State University (ASU) has revamped its schedules in the last two years and that the University of Arizona (UA) has adopted a program entitled "Finish in Four" which guarantees a student will be able to complete his degree program in four years.

**John Lee, Assistant Director, Joint Legislative Budget Committee (JLBC)**, informed the Committee he had been working for 22 years on budget recommendations and that this was his fourth year working on the university budgets. He reviewed the handouts from JLBC that began with a chart entitled "FY 1998 Operating Funds for University System" (filed with original minutes) and informed the Committee the total operating funds for the universities was \$1,633.8 billion which is used to serve approximately 100,000 students, 22,000 employees, and \$3.2 billion worth of buildings.

Mr. Lee continued his presentation by reviewing pages 2 and 3 of the above mentioned handout and an additional "blue sheet" entitled "General Fund Increase for the University System FY 1998" which he referred to in an effort to simplify his presentation which showed comparisons of the JLBC recommendation and the OSPB recommendation for operating costs, capital outlay and employee pay. Senator Richardson noted the statewide salary package recommendation is \$42 million and according to the "blue sheet" approximately half of that amount would go only to university employees. Mr. Lee continued to elaborate on the employee pay impact in both the OSPB recommendation and the JLBC recommendation.

Senator Wettaw noted more detail was needed on the issue and spoke on the need to bring faculty salaries up to the average. Mr. Lee suggested that Senators Wettaw and Richardson discuss their concerns further with himself and Ted Ferris, Director of JLBC.

Mr. Lee continued to discuss the handout on pages 4 and 5 which make a comparison of the major policy issues between JLBC and OSPB. Senator Richardson questioned the "decoupling-recoupling" issue regarding tuition at ASU. Mr. Lee pointed out in the last two years, ASU realized \$23 million more in tuition than was expected while Northern Arizona University (NAU) collected \$4 million more and UA collected \$3 million more. Senator Richardson said he would like to hear from the universities on this matter.

Senator Huppenthal pointed out in the area of decoupling, the Legislative attempt was to have more local control and responsibility by the universities. He added he would like to know that the additionally collected funds were put to good use and asked how the funds were spent. Mr. Lee said ASU had increased its expenditure authority to hire new faculty

so additional classes could be offered. Senator Huppenthal said that seemed to be a positive use of the funds.

Senator Gnant asked how many students in the Colleges of Law were in-state and out-of-state residents. Mr. Lee informed the Committee 25% of the students was from out-of-state and 75% were from in-state. ASU currently has 60 out-of-state students and UA has 90.

Senator Arzberger referred to the "Budget Book" noting that the Sierra Vista Campus of UA had a JLBC recommendation for \$1,430,000. He said it was his understanding a request had been made for a larger amount, and asked what had happened to that request. Mr. Lee said the official budget request was \$1.4 million but that JLBC had recommended a higher amount. Senator Arzberger said he would need to research the issue further and that he would discuss it with those interested.

Senator Wettaw pointed out there are some people in the university system who play a vital role in the system who might not be covered under the hours proposed by the recommendations made by JLBC. He added he would recommend further consideration of those positions when recommending salary incentives. Mr. Lee explained the JLBC recommendation was based on improving teaching to make sure the universities include an average teaching time.

Senator Soltero referred to the "blue sheet" and asked who would receive the merit adjustment. Mr. Lee said the increase would go to everyone in the system.

Senator Richardson, referring to page 5 of the same handout distributed by Mr. Lee, asked for clarification of the "modification" recommendation under the review of the two law colleges. Mr. Lee pointed out any changes could be considered modifications and reviewed the functions of the universities: to teach, to research, to serve the public and to encourage economic development.

At 3:04 p.m., Senator Bowers **RECESSED** the Committee prior to the OSPB presentation on the universities.

At 3:10 p.m., Senator Bowers **RECONVENED** the Committee.

**Anne Barton, Budget Analyst, OSPB**, referenced Senator Arzberger's query regarding the Sierra Vista campus, noting a request had been made which included an additional \$881,000 for program development. Ms. Barton referred to the "purple page" entitled (filed with original minutes) entitled "University System FY 1099 Budget Recommendation Select Policy Issues" and reviewed the OSPB recommendations which include the continuation and development of university programs, the appropriation of the entire \$27.1 increase and the \$2.4 million in new collections fund receipts to ABOR, and the transfer of the State

Student Incentive Grant (SSIG) program. Senator Cirillo said he agreed with the lump sum approach and asked if additional full time employees would be part of that package. Ms. Barton explained it was part of the recommendation.

**Frank Besnette, Executive Director, ABOR**, referred to the law school issue, noting an increase in law school tuition had been instigated two years in a row. He also distributed a pamphlet to the Committee entitled "Residency for Tuition Purposes at ASU, NAU, UA" (filed with original minutes.)

**Lattie Coor, President, ASU**, noted the faculty workday is not represented accurately by the proposal made by JLBC and that the suggested "one clock hour" per day doesn't fit how the faculty works. He added he was proud of the progress made by ASU and that there were many good ways to measure that progress. He spoke to the issue of decoupling, noting that any additional tuition received is used solely to fund additional students by providing extra classes. He spoke on the law school, noting that its tuition has doubled in the past two years and that undergraduate programs at ASU have improved and have been operated in the most cost-efficient and resourceful manner possible. He encouraged the Committee members to let him know directly if there were students who were having problems getting into the courses necessary and informed the members ASU was working to guarantee a student can graduate in four years. He stated there are 1,500 students in the honors program and the expense associated with teaching a student at ASU is approximately \$7,500 per student per year. The student to faculty ratio is 22 to 1. He encouraged the Committee to look carefully at the "blue sheet" recommendations, adding the Governor's budget is the stronger of the two. He spoke in favor of merit-based pay increases, applying them to both faculty and staff. He invited the Committee to study page 11 of the ASU handout entitled "ASU - The Standard for the Next Century" (filed with original minutes) which lists the main campus legislative budget request. He spoke on plans to increase enrollment at ASU West, improvements at the ASU East Facility and its need for a General Fund source.

In response to Senator Arzberger's query regarding the law school, Mr. Coor said there were approximately 165 law students per class, with 40 being from out of state. He added tuition costs were lower than comparable universities and that raising tuition costs would probably not affect the number of applicants. Senator Arzberger referred to a student in Arizona who could not get into one of the State law schools, and as a result, applied out of state.

**Manuel Pacheco, President, UA**, spoke on the strengthening of undergraduate education at UA, the maintenance of an excellent research program, improved admissions policies and better student advising. He spoke on the on-line access program which allows students to obtain their records in a timely manner and about the "Finish in Four" program.

He said UA was close to its target of students getting into classes they want when they want them, and that the UA research program was ranked highly nationwide. He noted that the strength of the research program combined with teaching equals a quality program. He informed the Committee savings realized by the University have been needed to counter funding deficits.

Dr. Pacheco referred to the budget proposals, noting the teaching proposal is not in ideal form but worth improving. He expressed appreciation for the salary increase recommendations and spoke on the varying roles of teaching staff. He informed the Committee he teaches a one hour literature class which requires a total of 92.5 hours per week in classroom and preparation time. He spoke in support of using a different method for measuring teaching time. He spoke on plans to continue improving graduate education, preparing the Arizona workforce, encourage economic development, reinforcing the optics program and expanding the biotechnical and thermal stress programs.

Dr. Pacheco referred to the Sierra Vista campus, emphasizing the need for supporting continued growth by financing its needs. He spoke also on the Arizona International Campus which currently has 51 students but did not have an approved curriculum until February 1996. He projected an enrollment of about 300 in the Fall as required and asked that the Committee consider delaying any action on the school until the ABOR had studied the issue further. He noted that the issue of law school tuition should be left to ABOR.

Dr. Pacheco informed the Committee he would be leaving his position at UA, but that he had enjoyed working with the Committee as much had been accomplished. Senator Freestone commented on the research/teaching issue, adding it resulted in better learning and "hands on" development and a better university program.

Senator Gnant expressed his appreciation for Dr. Pacheco's work in addition to the presidents of the other Arizona universities.

**Dr. Clara Lovett, President, NAU**, informed the Committee she had just completed her third year as President of NAU and that she was proud of the collaborative efforts between faculty, students and leadership in its efforts. Dr. Lovett distributed a handout (filed with original minutes) which listed the funding priorities for the FY 1998 State Operating Budget. She spoke in support of maintaining the strength of Arizona's mountain campus, the accelerated three-year baccalaureate degree program, the expanded outreach program for small communities that do not have access to university programs, partnerships with community colleges, and the new facility scheduled for Yuma. Dr. Lovett said NAU supports compensating staff and faculty financially in order to attract and retain the best, most innovative and dedicated people it can while continuing to reward those who stay within the system.

Senator Rios said he appreciated NAU's work with Central Community College and asked if the ABOR had designated NAU to work with the rural counties in providing educational opportunities. Dr. Lovett said part of the ABOR plan addresses the issue of a growing State population, with ASU serving most of the Valley, NAU began to serve those communities in the less populated areas of the State by utilizing interactive television. Senator Rios said he was appreciative of NAU's efforts but that he found it a little bit disturbing that ABOR would make such a recommendation when the UA does much work in Cochise County, and that Pinal County is much closer to ASU than NAU. Dr. Lovett explained that the "information highway" was available for small rural areas for instant delivery of classes.

Senator Arzberger asked if the "outreach program" Dr. Lovett referred to had been in place for some period of time. Dr. Lovett said NAU had been offering courses on a limited basis but that there was not a formal partnership between NAU and Cochise County. Senator Arzberger said he would like to discuss his concerns further with Dr. Lovett. Dr. Lovett agreed the needs in the area referred to by Senator Arzberger are tremendous and that eventual expansion through the community college was a possibility.

Senator Conner said he appreciated all NAU was doing regarding the opening of a Yuma facility and that he supported the joint use of facilities as a way to save money while at the same time accommodating as many universities as possible. He further supported "stretching dollars" to serve as many students as possible and making a long term commitment to education and added he believed the universities were doing a good job of getting information to the outlying areas.

**Dr. James Dalen, Vice President, Health Sciences, UA**, spoke on the various public health programs served by the UA and asked that the Committee recommend the Governor's budget plan. He distributed a document entitled "Planning for Arizona's Health Care Future" to the members (filed with original minutes).

**Nick Balich, representing himself**, spoke in support of the entire university system, adding it was important for the universities to be on the "leading edge of the State to prosper." He noted education is not a partisan issue and he supported the appropriation request of the universities.

**John Wayne Gonzales, Associated Students of ASU West**, spoke in support of higher education, noting that today's student is not necessarily what is considered the "traditional student" and has an average age of 35 years. He spoke in favor of the law schools and against raising tuition for the law schools, noting the average debt of a law student when he leaves school is \$32,000 - \$100,000.

Senator Bowers read the following names of those present in support of the university appropriation:

**Marc Baumgartner, Student Body President, ASU**

**Mark Davis, Student, NAU**

**Rhonda Wilson, Student Body President, NAU**

**Andy Ortiz, Graduate Student Affairs Vice President**

**James Faulkner, Government Relations Director, Associated Students, ASU**

**Sarah Semandeni, Arizona International Campus**

**Jacqueline Gutierrez, President, Classified Staff Council, ASU**, thanked the Committee on behalf of the university staff and informed the Committee the main reason for employees leaving the university is for better paying jobs elsewhere. She asked the Committee to accept the OSPB recommended budget.

**Lucy Vitale, Legislative Committee, UA Parents Association**, informed the Committee her son was enrolled at UA in the MBA program but wished to pursue a medical degree and her daughter would also be attending there in two years. She spoke in support of undergraduate education and of the improvements at UA in teaching and facilities. She spoke in support of the university budget. Senator Arzberger suggested that Ms. Vitale have her daughter apply early to the law school if she was planning to attend, citing the limited number of spaces for residents. Senator Arzberger also mentioned the legislation passed in recent years which allowed students to qualify for the medical program if they planned to serve in the rural areas.

**Lewis Tenney, President, UA Staff Advisory Council**, noted there are many faculty members who teach and all employees within the university system have been hurt by the lack of raises in pay. He added there was too much emphasis on faculty pay, and that classified employees should get salary increases. He also recognized the work of Dr. Pacheco at UA.

**Kim Ruggiero, ASU Alumni Association**, stated support for salary equity, full funding and capital improvements. She spoke in support of strong public universities and noted the Arizona universities were very efficient in the manner in which they utilize public funding.

**Tom Callerman, Associate Professor, College of Business, ASU**, thanked OSPB and the Governor for their budget recommendations and urged the Committee to adopt those recommendations. He supported salary increases for staff and noted the increases were necessary in order to continue to provide quality education.

**Jim Driscoll, Teacher, College of Education, UA**, said it was up to the legislators to support higher education funding while doing what was best for the State. He commented on the salaries and the need for an increase and asked for the Committee's support for the OSPB recommendations.

Senator Bowers informed those present that both of his parents were graduates of ASU and all but one of his siblings were graduates of higher learning institutes. He spoke in support of higher education, but noted there was a need to direct resources to the strengthening of homes and families.

Senator Lopez thanked those attending today's hearing, and wished Dr. Pacheco the best in his future endeavors, adding UA was a better institute because of the work he had done there. He addressed his concerns; that the one hour a day in class was not an accurate characterization of the work of professors, that he was disappointed by the suggestion that the ABOR receive a lump sum appropriation to be distributed to the universities as they deemed necessary and possible increases in law school tuition. He said he was proud of the university staffs, faculties and administrations and added it was imperative that the Legislature provide the resources necessary to continue to provide quality education.

Senator Bowers **RECESSED** the Committee at 5:35 p.m.

At 5:45 p.m., Senator Bowers **RECONVENED** the Committee. A quorum was present.

**AHCCCS (Arizona Long Term Care Cost Containment System)**

**Jeffrey Schmied, Fiscal Analyst, JLBC**, distributed a comparison of the JLBC and OSPB budget recommendations to the Committee (filed with original minutes) and reviewed each of the items. He noted that modification of the Comprehensive Medical and Dental Program (CMDP) would require an Omnibus Reconciliation Budget (ORB) change. Senator Richardson asked if the transfer of CMDP to AHCCCS would be all right with constituents who were concerned regarding the program. Mr. Schmied said some controversy would be alleviated but that not all concerns would be addressed.

Senator Wettaw asked if it was vital to the safety and welfare of constituents to move the program from DES to AHCCCS. Mr. Schmied said the mission of CMDP is more in line with the mission of AHCCCS. Senator Wettaw said he did not see the decision as a business one.

In response to a query from Senator Lopez, Mr. Schmied said only one ORB provision would be necessary to comply with the recently passed initiative involving AHCCCS funds. Senator Lopez asked how the CMDP transfer would be dealt with by AHCCCS. Mr. Schmied said he believed it could be merged with the AHCCCS financial tracking system. Senator Rios, referring to the CMDP, asked why the shift to AHCCCS was being requested. Mr. Schmied said the intent was to put like services with like, and that he believed AHCCCS was moving to a non-fee-for-service program.

Senator Soltero referenced the elimination of prenatal programs recommended by both budget proposals, and said he felt it was a "big mistake" to eliminate prenatal care.

**Shelli Silver, Budget Analyst, OSPB**, referred to the "purple handout" entitled "AHCCCS FY 1998 Budget Recommendation Select Policy Issue" (filed with original minutes) and discussed the various issues listed. Senator Lopez asked if, in the case of the State paying for a maternity patient, if the State would be charged \$1,300 twice for a two-day stay as required by the Federal government. Ms. Silver said that would be correct based on current law, but recommended a per diem rate change or a "flat fee" for delivery rather than the system illustrated in the handout.

Ms. Silver continued with her presentation on page 3 of the handout which reviewed the recommendation of the CMDP, asking that it be retained at DES and be improved by incorporating managed care concepts.

**Mary Rose Wilcox, Supervisor, Maricopa County**, spoke in support of the continued payment for prenatal care and the need to assist healthy babies. She noted that once the babies are born, they automatically become United States citizens. She also referred to S.B. 1154 which would "forgive" a loan to Maricopa County. Senator Bowers asked Ms. Wilcox if she was speaking for the neonatal board or herself. She responded she was

speaking on behalf of 2.5 million people, and that the majority of those served by the prenatal program were in her district.

**Dr. Patricia Graham, Member, Prenatal Care Coalition**, spoke on the need for prenatal care in order to avoid future problems and increased costs to take care of these babies. Senator Bowers requested that information regarding ethnicity, ages, and birth weights of babies of unwed mothers be provided to the Committee. Dr. Graham said she would provide that information. Senator Bowers added that the majority of undocumented aliens are Hispanic and asked for further information on costs associated with delivery of their children.

Senator Cirillo said he believed babies are healthier with prenatal care, but added that if neighboring states refuse to provide prenatal care, Arizona would be responsible for many more women who come to Arizona for prenatal care. Dr. Graham said she did not believe that would be an issue and that even though the State would realize a potential savings of \$79 million, it was likely to have to pay even more at the "back end." Senator Cirillo agreed it was cheaper to pay for prenatal services, but that he was concerned with the number of women who might come to Arizona after being refused services in other western states. Dr. Graham said she was also concerned, but pointed out she did not believe there was a significant increase from border states that don't provide services that Arizona does.

**Jack Kelley, representing AHCCCS**, said AHCCCS will remain committed to care, and asked for the Committee's recommendation of the OSPB budget. Senator Conner asked Mr. Kelley to research whether hospitals can ask if a person being treated is an illegal alien and if that is commonly being done.

**Peter Burns, Director, OSPB**, informed the Committee under the Federal Emergency Treatment Program, anyone would be treated.

**Laurie Lange, Vice President, Government Relations, Arizona Hospital and Healthcare Association**, spoke in support of the recommendation to eliminate the \$10 million debt and stated opposition to the use of tax funds for any reason other than those intended by the people when the fund was created. She said she would recommend the "quick pay" discount be funded out of the General Fund and opposed eliminating prenatal care.

**Anita Martinez, Certified Nurse Midwife**, spoke in support of funding prenatal care, citing her experience with mothers who were unable to afford any other kind of care.

Without objection, the meeting was adjourned at 7:15 p.m.

Respectfully submitted,

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Arlene Seagraves, Committee Secretary

(Tapes and attachments on file in the Office of the Secretary of the Senate)