

# ARIZONA STATE SENATE

## 44TH LEGISLATURE SECOND REGULAR SESSION

### MINUTES OF COMMITTEE ON APPROPRIATIONS

**DATE:** Wed., January 19, 2000

**TIME:** 1:30 p.m.

**ROOM:** 109

**CHAIRMAN:** Senator Gnant

**VICE CHAIRMAN:** Senator Cirillo

**ANALYST:** Deborah Johnston

**COMMITTEE  
SECRETARY:** Melissa C. Upshaw

**INTERNS:** Ethan Shaner and Michelle Thornham

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#### ATTENDANCE

#### BILLS

<u>Committee Members</u>	<u>Pr</u>	<u>Ab</u>	<u>Ex</u>	<u>Bill Number</u>	<u>Disposition</u>
Senator Arzberger	X			S.B. 1068	Subcommittee
Senator Bennett	X			S.B. 1087	Subcommittee
Senator Grace	X			S.B. 1097	Subcommittee
Senator Guenther	X			S.B. 1101	Subcommittee
Senator Hamilton	X			S.B. 1113	Subcommittee
Senator Huppenthal	X			S.B. 1128	Subcommittee
Senator Jackson	X			S.B. 1129	Subcommittee
Senator Lopez	X			S.B. 1144	Subcommittee
Senator Rios	X			S.B. 1149	Subcommittee
Senator Smith	X			S.B. 1157	Subcommittee
Senator Solomon	X			S.B. 1176	DP
Senator Wettaw	X			S.B. 1177	DP
Senator Cirillo, Vice Chairman	X			S.B. 1178	HELD
Senator Gnant, Chairman	X			S.C.R. 1005	Subcommittee

#### SPECIAL PRESENTATIONS

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#### GOVERNOR'S APPOINTMENTS

<u>Name</u>	<u>Position</u>	<u>Recommendation</u>
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## **Tape 1, Side A**

Attendees Sign in Sheet (Attachment A)

Chairman Gnant called the meeting to order at 1:30 p.m., and attendance was noted.

### **APPROVAL OF MINUTES**

Without objection, the January 12, 2000 minutes were approved as distributed.

Chairman Gnant introduced two Senate pages, Ryan Tatro and Catherine Owens. He expressed his appreciation for their services for the Committee.

### **ASSIGNMENT OF BILLS TO SUBCOMMITTEES**

Chairman Gnant stated that the bills listed on the agenda are assigned to subcommittees as indicated.

### **CONSIDERATION OF BILLS**

#### **S.B. 1176 - appropriation adjustments; education - DO PASS**

**Deborah Johnston, Senate Appropriations Analyst**, referred to S.B. 1176 as the Arizona Department of Education (ADE) supplemental bill. Ms. Johnston informed the Committee that she is available to answer any questions, as is Richard Stavneak, Director of Joint Legislative Budget Committee (JLBC) and his staff.

Senator Lopez asked for a brief explanation of S.B. 1176. Ms. Johnston explained S.B. 1176 increases the fiscal year 1999-2000 general fund appropriation to the ADE by approximately \$42 million, for operations in response to unforeseen growth in student population and other related factors. Related factors include an increase in charter school transportation cost; the additional state aid formula increase due to tax increases in Pima County; data updates; and special education vouchers increase.

Chairman Gnant stated that there is an amendment being proposed by Senator Lopez.

Senator Lopez stated that it was his original intent to amend this bill by including the 2001 supplementals, which JLBC accounts for, but believes this action should be taken in another year. With reconsideration on this position, he said he would not offer his amendment. However, he would like to beg the indulgence, particularly of the Minority, because he has indicated to them of his overall strategy to try and include all supplementals into the three appropriation bills; S.B. 1176, 1177 and 1178.

In addition, he said he believes it is too early in the Legislative Session to consider budgets at this time, and that it would be wise and prudent for this Committee to consider appropriation estimates for a total of five months. In the other two months, at least, we are going to be in Session and may see an increase in those funds. Therefore, this opportunity will give all members of the Legislature a greater opportunity to consider education needs. He noted he will recommend and beg approval of doing the same in all three appropriations bills, and that is to not approve the three pieces of

legislation. He expressed his concern that the JLBC budget is lacking in the programs, and appropriations that would serve the needs of the State's children. He noted that the Superintendent of Public Instruction has asked for an appropriations to cover a very important program that has been approved of, the Arizona's Instrument to Measure Standards (AIMS) test, which is not included. He said more time is needed to consider bills such as reducing class sizes, teacher shortages, and teacher pay increase. Therefore, he asked the Committee to take this into consideration and not approve this budget at this time.

Chairman Gnant thanked Senator Lopez for expressing his concerns. He said he raised some good points so that everyone, including members of the Committee and interested members of the general public, understands why the Appropriations Committee is dealing and not dealing with some other bills today. He explained that when the budget was passed last year, budgets were passed in a number of areas with formulas that determine the expense of those programs. These three supplementals are a revision of the projected cost of these programs. They already exist in statute, but the budget is about ten or eleven months further along than last year at this time. The supplemental appropriations only deal with those ongoing, already approved programs, and fund the formulas.

He stated that Senator Lopez is correct that there is a great deal of interest, not only in education, but also in a number of other areas. Passing the supplementals for the already continuing, existing programs does not mean that individual bills cannot be introduced that will either bring new programs into play or further increase budgets in something that is already existing. Therefore, he commented that Senator Lopez was free to do what he wanted to do, and believes that his goal can still be met by passing these bills out of Committee.

In reference to 2000 and 2001, Senator Gnant stated that there are two schools of thought in this area. One is that monies for 2000 should be appropriated; this is the current fiscal year. Necessary monies for 2001 should be set aside mentally, but technically not get appropriated. He explained the main argument for doing this is that we might find out next year we did not need to put in as much money as we did for fiscal year 2001, and it is harder to get it out once you already put it in. The other argument is that there will be the need to go into each of these areas again next year, so why go into them twice. He noted that these are good arguments. He said that there are also good arguments on the other side that say 2000 and 2001 should both be appropriated, because the adjustments needed for next year will hopefully be less. It takes the money off the table and does not put us in a position. His numbers are approximate, and no one should write them down as being accurate. That way we do not leave here with a budget that shows an ending balance of \$600 million by the end of 2001 with us arguing that we only have \$10 million because we mentally reserved \$590 million. So, there are arguments on both sides. He said that he knows that the powers that be are currently coming down on the side of appropriating 2000 and not appropriating 2001, and that is fine with him, and that it would also be fine if they were to do both.

Senator Cirillo asked if the appropriate JLBC person who is involved with this budget request would approach the podium for questions.

Senator Cirillo asked what procedure was followed to obtain the best estimate possible for the number of students that the State is going to have, because as he recalls at the end of last Session, ADE did not have the money to make the final payment for last year.

**Steve Schimpp, Senior Fiscal Analyst/JLBC**, replied that there is a challenge in terms of estimating the Average Daily Membership (ADM) because the accounts have been very volatile the last few years, and it may be related to charter schools. He explained that there has been a lot of entrepreneurial things going on that are very difficult to predict, so what is looked at the most is the recent real number that JLBC has. He noted that the number tends to be a year and a half to two years old, every time a budget is being set. This year the last real number, for how many students were in the schools at the end of fiscal year 1999, was approximately a 27,000 student increase. Analysis was done as in terms of the number of first grade students going on to second grade, and so forth. He noted that this made it look as if there would be fewer students, but because it was tried the year before and failed, their assumption was it would be a very slightly higher growth rate for 2000 than what was observed for 1999. Therefore, the ADM growth rate for this year is about a tenth of a percent higher than what was observed last year.

Senator Cirillo said he hoped the Members remember what has just been heard when they receive bills this Session about the need for getting more data from the schools about head count, because doing a budget on a year and a half old numbers is not the way to run an operation.

Chairman Gnant asked if there were any questions for Mr. Schimpp. No questions were asked. However, Mr. Schimpp was asked not to go far, in case other questions arose.

In reference to S.B. 1178, Senator Grace said she is concerned about a memo received from DES that says this will result in a \$5.1 million reduction.

Chairman Gnant informed Senator Grace that S.B. 1178 was not yet being discussed. Senator Grace said she thought that all bills were being discussed as one package.

Chairman Gnant asked if there were any questions relating on S.B. 1176. No questions were asked.

In response to Chairman Gnant's inquiry, Mr. Schimpp replied that it is possible for him to return next year, at this time, and indicate he was \$20 million off. He said that it would only require him to have underestimated about 4,000 students out of 850,000 students.

Chairman Gnant said that would mean a ninety-nine and a half percent accuracy and still have a \$20 million difference. Mr. Schimpp replied that is correct.

**Senator Cirillo moved S.B. 1176 be returned with a DO PASS recommendation.**

Senator Lopez affirmed that he would not be offering his amendment.

**The motion CARRIED with a roll call vote of 8-6-0. (Attachment #1)**

**S.B. 1177 - appropriation adjustments; health services - DO PASS**

**Deborah Johnston, Senate Appropriations Analyst**, explained S.B. 1177 makes an additional \$6.8 million appropriation to the DHS in fiscal year 2000 from the general fund in order to address increases in Title XIX capitation and enrollment expenses. She noted that JLBC staff was present to answer any questions.

Chairman Gnant asked if there were any questions. No questions were asked.

**Senator Cirillo moved S.B. 1177 be returned with a DO PASS recommendation.**

Chairman Gnant asked Senator Solomon if she would like to introduce her amendment.

Senator Solomon replied that she would be withdrawing her amendment. She stated that in her opinion the supplemental is inadequate. She said there are children who are in the State's care and children who we would like to see covered by KidsCare, but children who are covered by KidsCare are not getting the mental health treatment that they deserve, that they need to have, and that they should be having.

With regard to Senator Lopez's concerns for not wanting to move these supplementals forward, she said she fears that once this supplemental goes, the opportunity to make improvements in the system of healthcare provided for the citizens of this State, in particular, would be lost. She commented that it is one thing when parents abuse and neglect their children by not providing them with the kind of healthcare they need, and another when those children are taken from their parents, becoming the State's responsibility, and the same neglect is practiced as their parents have practiced. She said she would certainly hope that the Members would not vote to move this budget forward until such time as some of the health needs of the families and children in this State have been addressed. When that happens, she said she would be very happy to support this supplemental budget.

Chairman Gnant reiterated that passing the supplemental appropriations would take care of already existing statutory programs and does not prevent us from augmenting these. He said Senator Solomon's suggestion that it might be more difficult might be correct; the bills have to stand individually rather than holding the supplemental "hostage" to get in some of the other bills. Senator Solomon replied that is absolutely correct.

**The motion CARRIED with a roll call vote of 8-6-0. (Attachment #2)**

Senator Grace stated there is another point of consideration and that is the need to know what the budget numbers are. She asked if anyone saw the news article in the Tribune, which displayed over the past five to six years how the budget projections have been off, totaling hundreds of millions of dollars. She said she did not think the whole budget had to be redone, but they need to know what numbers are being worked with, and perhaps the Legislature should stay in Session until May when the numbers are known. She stated that there are a number of issues that need to be taken care of that have not really been discussed, especially in the health area, and it would be nice to have those discussed soon, before people get the fever to go home for the spring.

Senator Rios expressed his concern on the many needs out there in the area of health services, in mental health, the issues brought by constituents, by advocacy groups, by the press. And once the supplementals are passed, he said he doubts very seriously that these needs will be addressed. So his hope is to try and slow down the process, to see if some good numbers can be obtained from JLBC. He said that he understands some of their projections are within an accepted two or three percent, but when a \$6 billion budget is being looked at, a two or three percent accepted range can be millions of dollars. He does not think that is acceptable when there are children in need.

Senator Solomon stated that she did not want to repeat Senator Rios' statement, and he has voiced her concern. She said that this is going to be her twelfth Session, and she has seen too many

promises made and broken to trust that the needs of children and families who need healthcare in this State are going to be taken care of.

Chairman Gnant stated that in response to comments made by Senators Lopez, Rios, and Solomon, they are probably right. He said that a ten-day update would be sent to all Senate members on what he thinks will be available revenues. He expressed his thanks to Senator Grace and Solomon for going to him with their observations on the money for AHCCCS, which he will recommend be taken out, and that they mentally set aside or do the hard appropriations for 2001. He indicated that the \$18 million or \$36 million will be reduced by \$52 million leaving a functional balance of a negative \$16 million. He said that he does know there will be some additional revenues coming, commenting that even the most conservative know there will be some additional revenues. He noted that the months of January, February, and December are not traditionally high revenue months, and by the time Session ends, April numbers would not be accessed until mid-May. So, hundreds of millions of dollars of bills are being sent to Subcommittees, and there may very well be not much of a box at all. He commented that their concerns were absolutely well founded, and that he could not fault them one bit for their position on this. But that he does believe the primary obligation is to statutorily fund the commitments they have been made in previous years.

Senator Grace responded that there are other ways of looking at the budget and looking at revenues, and that she would suggest this is the year to look at revenue bonding. She said that tying up all the money in pay as you go when it is not necessary, would be a hard pill to swallow for her this year. She has signed on to Senator Lopez' revenue bonding bill, and maybe this is the year to have this discussion once and for all.

Senator Solomon expressed her appreciation to the Chair for his comments, and stated that she would have preferred if he had voted with her on the last bill, because clearly she thinks he is concerned about the health and needs of the children and families in this State. She stated she has discussed this with the Chair many times. She said she did not really care how many days it takes the Legislature to adjourn or how many days it takes the Legislature to do the people's business, but she does care about not doing the people's business, and she does care about some inside baseball with regard to the number of days. She commented that her constituents believe she is in Phoenix 365 days a year, even though they do see her mowing her lawn. She said that it just surprises her, there is the attitude that if business is done more quickly and the Legislature adjourns, that the people have been served. She said she does not understand it; she will never be able to understand how leaving children's needs unmet serves the population of this State and serves the children and the families. She expressed her hopes that when the next bill comes up, that the Chair will vote with her.

Chairman Gnant replied that he does not believe that the Legislature should necessarily strive for a shorter schedule, and he finds it interesting that one of the reasons for going into a biennial budget was so that in the off year, there would be more time to discuss issues, and yet now, there seems the need to have the Legislature "out of here". He said he is perfectly content to keep the Legislature here as long as it takes to find out how much money will be available, if Senator Solomon would like to stay here until the middle of April, or unless they would like to see Legislature adjourn and come back in the middle of May. He said they would not know that by the time they reach 100 or 110 days.

Senator Solomon responded that she would stay until the middle of April or come back in the middle of May for these people. The Chair replied that if she were willing to stay, he would be willing to stay with her.

Senator Cirillo stated that he is not sure staying 200 days versus 90 days would serve the people better, rather there will be continuous discussion. He said a major point is being missed which is there is plenty of money to address mental health and the children's needs, which is called tobacco settlement. He expressed his belief that tobacco settlement monies should be discussed by passing legislation this Session allocating the tobacco funds that will solve a lot of problems being discussed today, assuming the County situation with the Courts is resolved this month.

Senator Arzberger expressed his concern on the need to go back into history about the last eight years, and take the percentages so that there could be better figures for their revenue stream from JLBC. He said that it could be seen that every year JLBC was "way off" with their estimates in revenues, and last year was a good case in point. He said that some, including the Chair knew that there was additional money coming in. With the economy revenues coming in, and the State doing better nationally, the ending balance of \$10 million is estimated after these supplementals have been taken care of that are being rejected today. He said he agrees with his colleagues that if you rush this Session, mistakes are made, and then they have to come back and correct them. He commented that this is now being done with these supplementals; they could have been taken care of better last time. He expressed his hope for the Committee to wait, and not pass the supplementals.

In reference to the tobacco settlement monies, Senator Rios commented that he did not think there is anybody who is really banking on the tobacco settlement monies in order to meet the needs of children or health care in this State right now. He said when the President of the Senate is wanting to put the tobacco settlement monies in a trust fund, as if there are no needs to be met now, and to use the interest to try and meet that "huge hole", it is no wonder that the citizens of Arizona are taking matters into their own hands through initiatives because those needs are not being addressed by this Legislature. So, he said that he would not say anything derogatory against those citizens trying to do things through initiatives, because what other option do they have if the Legislature is not doing what it's supposed to be doing in meeting the needs of this State.

Senator Smith stated that there seems to be a lot of discussion about money-projected revenues and what we are going to do with it. He said he did not think that it is JLBC's fault. A small percentage makes a big difference as far as money goes, you cannot "bat a thousand" when you are estimating how much revenue you are going to get. He said, as stated before, we are estimating revenue before we have all the facts. We will not have the facts until after the State income tax comes in, when they could make a better estimate of exactly how much the funds are going to be. Everyone is kind of banking on the tobacco settlement monies; we do not know if we will get them, we do not know how much we are going to get. As he has said to people, there is no parliament in the United States about spending money. He said that it is inherited at birth that we can spend all the money we can get our hands on. He said he does think we have a pile of money, but we have a good economy, and we are getting additional money that we should be cautious about how it is spent, or we are liable to get ourselves in a hole that we cannot get ourselves out of. He thinks it will take some slow deliberations, some terrible considerations. We have problems within the State from mental health, to children's care, to education, and that they could take all the money the State can generate in the next five to ten years. We have the homeless, and many other issues that are involved in this, and he thinks that we can do the best we can about allocating the funds we do have.

Chairman Gnant said that while everyone has stated their comments about JLBC, he asked that the record be shown that JLBC has been within ninety-eight to ninety-nine percent accurate of what they actually come up with every year.

**S.B. 1178 - supplemental appropriations - HELD**

Chairman Gnant announced S.B. 1178 would be HELD.

Without objection, the meeting was adjourned at 2:05 p.m.

Respectfully submitted,

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Melissa C. Upshaw, Committee Secretary

(Tapes and attachments on file with the Secretary of the Senate's Office at the Resource Center.)