

ARIZONA HOUSE OF REPRESENTATIVES
Forty-fifth Legislature – First Regular Session

COMMITTEE ON APPROPRIATIONS

Minutes of Meeting
Tuesday, March 27, 2001
House Hearing Room 1 -- 1:30 p.m.

(Tape 1, Side A)

Chairman Knaperek called the meeting to order at 1:45 p.m. and attendance was noted by the secretary.

Members Present

Ms. Burton Cahill	Mrs. Johnson	Mr. Poelstra
Mr. Cannell	Ms. Lopez	Mr. Robson
Mr. Farnsworth	Mr. Loredo	Mrs. Somers
Ms. Gray	Mr. Pearce	Mr. Blendu, Vice-Chairman
Mr. Huppenthal	Mrs. Pickens	Mrs. Knaperek, Chairman

Members Absent

Ms. Weason

Committee Action

S.B. 1040 -- DPA (8-3-0-5)	S.B. 1121 -- DPA (10-0-0-6)
S.B. 1193 -- DP (10-0-0-6)	S.B. 1197 -- DP (12-0-0-4)
S.B. 1201 -- DP (12-0-0-4)	S.B. 1414 -- DPA FAILED (7-8-0-1)

Speakers Present

Greg Gemson, Majority Research Analyst, Appropriations Committee
Senator John Verkamp, Sponsor
Daniel Tobin, representing himself and community, Grand Canyon
Melodie Jones, Majority Research Analyst, Education Committee
Jay Kaprosy, Legislative Liaison, Arizona Department of Education (ADE)
Dale Fitzner, Superintendent, Grand Canyon Unified School District
Steve Schimpp, Senior Fiscal Analyst, Joint Legislative Budget Committee (JLBC)
Erin Wahler, representing Grand Canyon High School
Clarinda Vail, representing taxpayers/citizens/voters/parents, Grand Canyon
Senator Marsha Arzberger, Sponsor
Jeffrey Kros, Legislative Liaison, Arizona Department of Revenue (DOR)
Doug Hirano, Bureau Chief, Arizona Department of Health Services (DHS)
(Chairman Knaperek recognized persons who did not testify, pages 8 and 9)
Peter Caltabiano, Majority Intern

Senator Darden Hamilton, Sponsor
Patrick Chorpensing, Director, Arizona Department of Veterans' Services
Kevin Biesty, Legislative Liaison, Motor Vehicle Division (MVD)/Arizona Department of Transportation (DOT)
Terry Smalley, Executive Vice-President, Arizona Motor Transport Association
Michael Hunter, Vice President, Arizona Tax Research Association (ATRA)
Elaine Arena, Lobbyist, representing Arizona Ambulance Association
(Chairman Knaperek recognized a person who did not testify, page 13)
Dr. Dawn Schroeder, Executive Director, Arizona Disease Control Research Commission (ADCRC)

CONSIDERATION OF BILLS

S.B. 1414, small and rural school districts - ~~DPA~~ FAILED (SEE PAGE 10)

Greg Gemson, Majority Research Analyst, Appropriations Committee, explained the provisions of the bill (Attachment 1).

Senator John Verkamp, Sponsor, stated that this bill would help Grand Canyon High School, which is his alma mater. He indicated that it is necessary to prevent children from having to ride hours and hours on the bus and to keep small schools open. He noted that he is aware of opposition from the Arizona Tax Research Association (ATRA) and understands there is a proposed amendment to basically "gut" the bill, but asked for the Members' support. He added that the legislation is needed to raise the cap to avoid situations in which schools reach 125 students and the children have to be bused out of the school district in order to continue receiving the additional funding.

Daniel Tobin, representing himself and community, Grand Canyon, spoke in favor of the bill. He related that his son in seventh grade would like to become a doctor and his daughter in fifth grade would like to become a veterinarian. If the bill does not pass, either the school would close, the children would have to be bused over 60 miles to another school, or programs would be cut to the extent that the school would no longer be accredited, which means the students would not be accepted at any college. In that case, he and his family would have to move.

He noted that ATRA is against the bill and pointed out that in a recent Public Broadcasting System (PBS) special, an ATRA representative stated that the students in Tusayan are not part of the District and there was an intergovernmental agreement (IGA) to allow those students to attend Grand Canyon; however, that is not the case because Tusayan is in the District. He submitted that ATRA did not research the issue and misrepresented facts in the special; therefore, he would not be surprised if ATRA misrepresented facts to the Legislators. He concluded by asking the Members to pass the bill this year so the school can remain open.

Chairman Knaperek commented that she realizes Mr. Tobin feels strongly about the issue, but she would appreciate him not impugning anyone.

Mr. Tobin specified that if the bill does not pass, the budget would be cut by \$300,000 because the 100 student mark would be reached in the high school, and at that point, the school district would no longer be allowed to budget over the revenue control limit (RCL) per student.

Mr. Pearce asked why the school district does not go to the voters for approval of a tax. Mr. Tobin responded that the District has already voted the funds allowed for the elementary school and cannot vote overrides in both schools. The elementary, middle school, and high school are in the unified school district.

Melodie Jones, Majority Research Analyst, Education Committee, explained that if there are less than 154 students for K-8 and 176 students for grades 9 through 12, the bill provides that the 10 percent limitation of a school district student count would be computed as a special override amount allowed for the grade levels that qualify for the enhanced override plus the 10 percent for the grade levels that do not qualify for the special override. For example, the Grand Canyon elementary schools are already above the caps and do not qualify for the enhanced override. The high school is below the cap and still considered a small school; however, the district as a whole is capped by the 10 percent override. Therefore, the first section of the bill would allow high schools that could qualify for an enhanced override to qualify for those students and the elementary students could still qualify for the 10 percent. She added that overall, she does not know if it is enough to make up the \$300,000 budget shortfall.

Ms. Jones clarified that if the high school were a union high school district, it would qualify for the special small school override amount and the elementary school would still qualify for the 10 percent.

Vice-Chairman Blendu asked if the high school could be funded up to the level it would be eligible for if it were not part of the unified school district. Ms. Jones indicated that currently the high school students qualify as a small school so there is a provision to override the budget without an election. The second portion of the bill allows for a phase down formula so the high school students would not fall into the override provision, but could go ahead and exceed the RCL.

Ms. Jones related to Mr. Poelstra that the fiscal note prepared by the Joint Legislative Budget Committee (JLBC) staff on H.B. 2183, which is the same bill, indicated that about four to five school districts may be impacted by this legislation in the next three to four years.

Chairman Knaperek asked if the problem would be taken care of if the school district chartered the high school.

Jay Kaprosy, Legislative Liaison, Arizona Department of Education (ADE), stated that if the district were to charter the school, some funding and potential additional funding as a small school weight would be received; however, depending on the size of the existing budget, it may not be nearly enough to meet current demands of the school. He added that about \$5,000 per student would be generated, but he understands that the existing budget is substantially more per student.

Ms. Jones related that as soon as the cap is exceeded, the school district has one year in which to continue budgeting the extra amount without an election, but after that, the school district has the ability under current law to exceed the RCL by \$50,000 without an election. If \$50,000 is insufficient for the school district, the override provisions would apply and a vote of the people would be needed in order to exceed the RCL to maintain the level of the property tax.

Vice-Chairman Blendu asked what would happen if the high school dissolved itself from the school district. Ms. Jones responded that an election would be necessary to change the district to a common school district and a union high school district, but if the student count in the high school district still exceeded the small school cap, which is 100 students for a high school, the district would no longer receive the small cap weight. She surmised that the only reason it was mentioned that the district is unified is that the district has already gone out for a 10 percent override for the elementary school, which means the district is already at the override capacity. It is not so much that more funding would be received if the district were not unified because the same problem would still exist.

Ms. Jones reiterated the fact that the first section of the bill contains an enhanced override provision for unified school districts so the population that qualifies as a small school could go over the 10 percent cap and the population in the unified district that is not a small school would be capped by the 10 percent limit.

Ms. Lopez noted that the District had an override on the elementary school because the school no longer qualified for small school status.

Dale Fitzner, Superintendent, Grand Canyon Unified School District, noted that he is also representing the other 45 to 50 school districts that are impacted by the bill. He indicated that it has been before the Legislature two or three times, but he believes this formula would be workable and viable for the districts. He submitted that the cap of 100 students for high schools and 125 students for elementary schools does not take into account inflation and increase in costs. Grand Canyon is not a plush school district, but the district does provide the kind of education the community wants and the taxpayers are willing to support. Small schools are actually punished for going over the caps. He commented that if this happened to the Mesa School District and 30 to 50 percent of the budget were lost, which is occurring in several school districts, something would be done. He added that small school districts have the same responsibility to provide a comprehensive education for students. Grand Canyon is attempting to do that, but cannot because when the 100-student count for high schools is exceeded, based on the current formula, a major financial loss is experienced.

He agreed with Ms. Lopez's statement that the district went for the override on the elementary school because the small school funding was lost. The district has been through the experience of going over the cap and losing programs and personnel. It was disastrous and he does not want that to happen at the high school level. He acknowledged that the school district is at its limit and noted that all kinds of possibilities were considered that would not work, and this is the best formula that has been developed. It was written by Judy Richardson, the original author of the bill, who said these corrections have been needed for a long time. He stressed the fact that a solution is needed now.

Mr. Fitzner related to Mrs. Pickens that splitting from the unified school district was considered and figures were run in all of the scenarios that were examined to determine what would happen to the current budget and budget needs in the future. There was a shortfall with almost every option except the formula in this legislation. He speculated that it would take a year to split from the unified school district since an election would be necessary, but in the meantime, the school would exceed the cap, so he does not believe it would help.

Mr. Fitzner informed Mr. Huppenthal that the school district currently spends about \$6,500 to \$7,000 per student. He assured him that this formula would work and the school districts would not return to the Legislature. He noted that figures were run for a number of school districts, and when 200 students are enrolled, there is sufficient funding based on the formula to provide for a comprehensive education for students at any of the schools. He advised Ms. Gray that there are approximately 250 students in the elementary school and 97 students in the high school. There are a total of about 380 students including the middle school.

Ms. Lopez noted that the elementary and high school student counts are considered separately and asked if funding would be adequate when the high school reaches 200 students. Mr. Fitzner agreed that it would. He related to Ms. Gray that the charter school formula would not provide adequate funding for the programs currently in place and would jeopardize accreditation, which enables high school graduates to go on to college and allows the school district to solicit scholarships for the students.

Mr. Farnsworth remarked that about 400 plus charter schools have dealt with this issue and are doing fine. He said he believes most of the charter schools spend about \$4,300 per student. He indicated that he would like to know the total amount of debt for school bonds and overrides and expressed a concern that the legislation liberalizes the ability to assume more and more debt.

Ms. Burton Cahill asked how geography plays into this as far as the cost for a very rural school versus a more urban setting. Ms. Jones stated that in the funding formulas for education, different weights are added for small schools and schools in very remote areas.

Chairman Knaperek commented that some Members are very supportive of a maintenance and operation (M&O) study because of changes in the times and different demographics of the State.

Mr. Fitzner related to Ms. Gray that the Coconino Community College has a distance learning site at the school. It is not fully operational, but should be in place within the next year or two. He noted that any of the courses available at the community college and universities, if enough students are available to take the course, will and can be offered on the high school campus through interactive learning. Ms. Gray commented that such options would save costs and assist with the difficult problem of obtaining teachers in rural areas.

Steve Schimpp, Senior Fiscal Analyst, Joint Legislative Budget Committee (JLBC), advised Ms. Burton Cahill that that Section 15-943 includes a weight for small isolated schools and one for small schools. The small isolated weights are higher and the threshold to qualify is about 30 miles from the next closest adjacent school district.

Erin Wahler, representing Grand Canyon High School, said she is co-President of the senior class and related the following important benefits of education at a small school:

- The school is used as a community center and students are guaranteed participation in many extracurricular activities because there is always room.
- All of the students are allowed to attend events such as homecoming and prom.

- For the most part, classes are very small, which allows teachers to provide more personal attention to students and more hands-on activities in learning.
- Administration and school board members are easily accessible so it is very easy for a student to voice a complaint and have something changed in order to provide for a more desirable learning environment.
- Students receive personal attention from the school counselor, which helps in obtaining scholarships and admission to college.
- Going to school at a national park is a very unique opportunity and the school uses the Grand Canyon National Park as a resource to teach students.

Ms. Wahler stated that if the school loses funding, the school district would lose accreditation, which would make it practically impossible for a student at Grand Canyon to obtain a scholarship or get into college. If the school has to close, the next closest school is in Williams, which is about 60 miles away, and students would have to be on the bus for about two hours each day. Travel time would cut into study time, sleep time, and would not allow any student who lives at Grand Canyon to participate in extracurricular activities. She added that losing the school would disrupt the lives of the entire community and asked the Committee to pass the bill, which is very important to Grand Canyon and other communities.

Clarinda Vail, representing taxpayers/citizens/voters/parents, Grand Canyon, spoke in favor of the bill. She indicated that she was involved in early discussions with ATRA who suggested that the State pay for this, which could cost up to \$10 million, rather than letting each district decide how it should be paid; however, she does not see that happening with the budget problems the State is experiencing. She stated that she has dealt with this issue for four years and the Grand Canyon School District is not the only district in jeopardy. The McNary School District would close next year if the legislation does not pass. She agreed that other alternatives were considered extensively in attempting to figure out how to solve the problem without closing the school. She noted that she and her family are large taxpayers in the area and support the bill wholeheartedly. The community puts education first like many of the voters did last November.

Chairman Knaperek indicated that some of the Members have a problem with going over the RCL without a vote. Ms. Vail said she would have the same concerns in their position, but this has been an issue for four years and a resolution is needed now. A vote is something that could be looked at in further legislation next year and she would support that because each district would have to decide whether to put the children first versus tax dollars. She added that assessments in the district would have to go down or the school district would have to have double the student count before any tax changes would occur. The student count would not immediately go from 100 to 200 students when it has taken almost 100 years to reach this point so there would not be an impact on property taxes for years and years.

Vice-Chairman Blendu noted that the Members are being asked to make blanket judgements on 45 other districts that are not present. Ms. Vail answered that the McNary School District has been represented at the Legislature, the Seligman School District contacted the Members, and she faxes and contacts those people often. Many do not have the time to come to the Legislature. This year, people at the Grand Canyon School District happened to have more time so she is not saying they care more than others. She added that help is needed now, not next session.

(Tape 1, Side B)

Mr. Huppenthal asked if a school ever closed down because of this issue and wondered why a school would close with a revenue source in the neighborhood of \$700,000. Ms. Vail noted that the McNary School District, of its approximately \$800,000 budget, would lose between \$300,000 and \$480,000, and maybe in the first period of time would not close, but would only have four teachers or lose some programs. She explained that school districts have M&O and capital funds, but cannot dip into one for the other. Next year the McNary School District will have an M&O budget of over \$300,000, but no funds to pay the teachers or operate the school.

Mr. Huppenthal stated that he would like to know the revenue at the point of 125 students and at the point of 126 students.

Mr. Schimpp said he was looking through the Superintendent's Annual Report, which contains school by school budgets, but does not include Grand Canyon. He surmised that the issue relates to losing high school money but not experiencing a loss for the elementary school.

Chairman Knaperek asked Mr. Schimpp to work out some of the issues with Mr. Fitzner, and in the meantime, the Committee will hear other bills.

S.B. 1040, rural health providers; tax credit - DO PASS AMENDED

Senator Marsha Arzberger, Sponsor, testified that the House had a Task Force on Rural Area Health Services a few years ago that identified a need for rural health providers. She noted that a member of her family cut his foot open with a hatchet on a camping trip several years ago. He traveled an hour-and-a-half from a remote area to the nearest town, but there were no doctors available. He traveled another hour to Wilcox, where there were also no doctors available. He was then taken to Tucson, which is another 85 miles from Wilcox. Since that time, some good doctors moved into those two communities and there are some physician assistants (P.A.s) that she would like to encourage to remain in the area. She indicated that doctors in rural areas work longer hours and make less money; therefore, the bill with the proposed amendments would provide a tax credit of \$2,000 to rural health care providers who work 48 weeks out of the year and a \$1,000 tax credit for part-time providers. She added that it is not a lot, but it is enough to make a difference. She indicated support for the proposed amendments.

Jeffrey Kros, Legislative Liaison, Arizona Department of Revenue (DOR), clarified that a 14-line proposed amendment requires that providers who want to take advantage of the tax credit submit a form to DHS in order to receive certification of eligibility for the tax credit, and a copy must be submitted with the taxpayer's tax return to the DOR (Attachment 2). He assumed that DHS is in the best position to ascertain if the providers adhere to the standards of the tax credit. Also, if there were a number of applications that exceed the \$1 million, DHS would be in a position to reduce the amount of credit per taxpayer proportionately.

Chairman Knaperek said the intent is to keep the amount under \$1 million to avoid a tax credit issue.

Mr. Pearce moved that S.B. 1040 do pass.

Mr. Pearce moved that the 14-line proposed Knaperek amendment to S.B. 1040 dated 3/27/01 10:44 a.m. (Attachment 2) be adopted.

Mr. Pearce withdrew the motion.

Mr. Gemson explained that a 24-line proposed amendment changes the grant program back to a tax credit (Attachment 3). He added that a 14-line proposed amendment to the 24-line proposed amendment sets a limit of \$1 million and stipulates that taxpayers who are eligible must apply to DHS, who shall certify by December 31 that the taxpayer is entitled to the credit, and the taxpayer must submit documentation from DHS with the tax return (Attachment 2). A 9-line proposed amendment includes physical therapists as providers eligible for the tax credit, which is consistent with the inclusion of physical therapists to the grant program by the Ways and Means Committee (Attachment 4).

Vice-Chairman Blendu moved that the 24-line proposed Knaperek amendment to S.B. 1040 dated 3/26/01 10:00 a.m. (Attachment 3) be adopted.

Vice-Chairman Blendu moved that the 14-line proposed Knaperek amendment to the 24-line proposed Knaperek amendment to S.B. 1040 dated 3/27/01 10:44 a.m. (Attachment 2) be adopted. The motion carried.

Vice-Chairman Blendu moved that the 9-line proposed Knaperek amendment to the 24-line proposed Knaperek amendment to S.B. 1040 dated 3/27/01 10:21 a.m. (Attachment 4) be adopted. The motion carried.

Mr. Cannell said he does not believe a 9-line proposed amendment containing an appropriation for a .5 full-time employee is needed with the tax credit (Attachment 5).

Doug Hirano, Bureau Chief, Arizona Department of Health Services (DHS), stated that the \$25,000 budget was prepared with the supposition that this would be a grant program. He indicated that less work would be involved for DHS with a tax credit, but some kind of support would be needed. He agreed to work with Senator Arzberger to address the issue on the Floor.

Mr. Huppenthal advised the Members that in addition to the tax credit, a loan program is available for people graduating from medical school to encourage practice in rural areas. Senator Arzberger encouraged support for both programs.

Vice-Chairman Blendu moved that the 24-line proposed Knaperek amendment to S.B. 1040 dated 3/26/01 10:00 a.m. (Attachment 3) as amended be adopted. The motion carried.

Vice-Chairman Blendu moved that S.B. 1040 as amended do pass.

Chairman Knaperek recognized persons in favor of the bill who did not testify:

Judy Bernas, Associate Director, Public Affairs, University of Arizona Health Sciences Center, Tucson

Joel Goldenberg, Lobbyist, representing Arizona Association of Retired Persons (AARP)

Theo Otis, Lobbyist, representing AARP
Charlie Stevens, Legislative Counsel, Arizona Physical Therapy Association

The motion carried by a roll call vote of 8-3-0-5 (Attachment 6).

S.B. 1121, Arizona state veterans' cemeteries - DO PASS AMENDED

Peter Caltabiano, Majority Intern, explained the provisions of the bill (Attachment 7). He added that a proposed amendment clarifies that any federal monies intended to reimburse the State's general fund would be returned to the State (Attachment 8).

Senator Darden Hamilton, Sponsor, said money that was spent to construct the Sierra Vista cemetery is reimbursed 100 percent by the U.S. Government. That money would be used to build another cemetery, and reimbursement money for that cemetery would be used for another cemetery, with final reimbursement money returned to the general fund. The money is reused to serve veterans in all areas of the State. He asked for the Members' support.

Vice-Chairman Blendu moved that S.B. 1121 do pass.

Vice-Chairman Blendu moved that the three-line proposed Knaperek amendment to S.B. 1121 dated 3/23/01 4:24 p.m. (Attachment 8) be adopted. The motion carried.

Patrick Chorpenning, Director, Arizona Department of Veterans' Services, advised Mr. Pearce that this bill, as well as another with the potential to build another veterans' home in Tucson, are the result of a Joint Study Committee this past year. The intent was that the monies reimbursed through the pre-application process, initially a \$500,000 appropriation, of which about \$50,000 will not be reimbursed, would come back into a fund so that when another cemetery is started, the money would be invested with the State Treasurer and it would not be necessary to return to the Legislature for additional money for pre-application. The proposed amendment would not allow that to take place, and as soon as the initial funding comes in from the Sierra Vista cemetery, the \$400,000 or so would go back to the general fund. Once the application process begins for another cemetery, he would have to return to the Legislature for another appropriation.

Chairman Knaperek asked if a date certain would work and Mr. Chorpenning agreed that it would. Chairman Knaperek indicated that it could be done with a Floor amendment.

Vice-Chairman Blendu moved that S.B. 1121 as amended do pass. The motion carried by a roll call vote of 10-0-0-6 (Attachment 9).

S.B. 1193, trailers; semitrailers; permanent registration - DO PASS

Greg Gemson, Majority Research Analyst, Appropriations Committee, explained the provisions of the bill (Attachment 10). He related to Vice-Chairman Blendu that he believes collections would increase.

Mr. Pearce commented that the bill would provide positive revenue for the State and lessen the workload for Motor Vehicle Division (MVD) personnel, which is also a cost. He noted that

when the program was established for non-commercial small trailers, almost 300,000 annual transactions were eliminated in addition to the positive revenue impact to the Highway Users Revenue Fund (HURF).

Kevin Biesty, Legislative Liaison, Motor Vehicle Division (MVD)/Arizona Department of Transportation (DOT), stated that the Division established permanent registration in the past with other vehicles. There would be an initial bump at the beginning, and if everything stays the same, which it probably would not, after a period of time there would be a \$250,000 hit to the HURF; however, new trailers would come in with higher VLT fees. He added that if this is something the Legislature would like to do, it could be implemented by the Division.

Terry Smalley, Executive Vice-President, Arizona Motor Transport Association, spoke in favor of the bill. He indicated that he met with MVD this summer and the bill uses the same formula as established programs for other trailers. He noted that in the trucking industry, trailers are replaced on the average about every 10 years, but there would be a higher fee for newer trailers so funds would be continuously generated. He added that in 1997 the small trailers formula was developed and expected to be revenue neutral, but it has been a bit more than revenue neutral. He anticipated that this program would be the same. He remarked that requiring the registration and fees up front provide today's dollars to the HURF to build highways. He pointed out that the appropriation is derived from the State highway fund not the HURF.

Vice-Chairman Blendu moved that S.B. 1193 do pass. The motion carried by a roll call vote of 10-0-0-6 (Attachment 11).

S.B. 1414, small and rural school districts - DPA FAILED (CONTINUED FROM PAGE 7)

Mr. Schimpp indicated that he derived information mostly from the Superintendent's Annual Report, and last year, the Grand Canyon School District had about 367 children in elementary school and about 87 in high school. The discussion relates to the high school students and elementary school services would not be affected. In terms of current funding amounts, roughly 90 students in high school receiving the average of \$4,000 would be about \$360,000, the current small school adjustment is \$520,000, for a total of \$880,000, divided by 88, which is about \$10,000 per student. He said that is fairly high compared to most districts, but a few items contribute to that such as small class sizes and subsidized teacher housing because the school district is pretty remote.

Mr. Schimpp noted that the superintendent's salary for Grand Canyon is \$67,000, but there is not an average salary for superintendents in the report so he cannot provide a comparison. The average teacher salary is about \$32,000, which is a bit lower than the State average of about \$35,000.

Mr. Fitzner stated that there are many factors and formulas involved in developing budgets. The district is mandated by the State for a certain number of services for special education, which is included, the counselor, and costs for special programs, of which many at Grand Canyon cover part of the elementary school, the middle school, and the high school so the district actually spends about \$8,000 per student. He indicated that some classes have 8 to 10 children, but classes typically have about 18 children. Some are larger depending on whether it is a required course like physical education, music, English, or social studies.

Vice-Chairman Blendu moved that S.B. 1414 do pass.

Ms. Gray moved that the eight-line proposed Gray amendment to S.B. 1414 dated 3/27/01 3:04 p.m. (Attachment 12) be adopted.

Ms. Jones noted that the proposed amendment requires an election to adopt a budget greater than the general budget limit in accordance with the procedural requirements in Section 15-481 for an override election (Attachment 12).

Mr. Fitzner advised Mrs. Pickens that an election costs the district about \$7,000 and there were two precincts for the last override election.

Michael Hunter, Vice President, Arizona Tax Research Association (ATRA), opposed the bill. He indicated that he had a conversation with a person in the Coconino County Elections Office who estimated \$1,500 for fees and \$1,500 as a very high estimate for publication costs for a total of \$3,000 for an election as far as what legally needs to be done. He added that marketing for the override, etc., is not included.

(Tape 2, Side A)

He stated that it is important to reiterate that the second half of the bill, which is controversial, applies to Grand Canyon, McNary, Seligman, and a few other school districts nearing the threshold. The first part applies to all of the other school districts with small student counts.

Mr. Hunter noted that lawsuits that started in California stated that there cannot be a system so reliant on local property taxes with inherent inequities and spending inequities and school districts cannot be treated differently. He indicated that it is important to take a snapshot of the percentage over the RCL from the small school adjustment because it is not an adjustment, but an exemption from the cap; therefore, it is whatever can be obtained from local property taxes, federal impact money, etc., and those amounts are all over the map. Attempting to maintain Grand Canyon Unified's current spending levels in isolation of all the other school districts in a similar situation with their spending levels exacerbates an inequitable situation. He indicated that school districts with less than 150 students, such as St. David's Unified, Baghdad Unified, etc., would not be able to take advantage of the second portion of the bill because of the cutoff.

Mr. Hunter pointed out that Grand Canyon Unified's student count has been approaching the threshold for some time because students who are not in the district attend the school through open enrollment. He acknowledged that he stated on Channel 8 that Tusayan is causing the problem, but he was wrong. Valle and Woodland Ranch are the communities outside the district boundaries, but the problem is exacerbated by growth in Tusayan so students outside the district who want to go to Grand Canyon through open enrollment cannot. It is part of the problem with the entire portion of school finance. Everywhere else school districts have an incentive to grow except with small school districts.

He expressed support for the eight-line proposed amendment because small school districts need an opportunity for a higher override election than larger school districts. He said he believes the formula works and would provide Grand Canyon Unified the same chance for a higher than

10 percent override that could be added to the 10 percent for the elementary school, and school districts would be treated equitably. He explained that if the provisions of Section 15-481 are calculated at 105 for the student count, Grand Canyon would receive approximately \$300,000 on an override that could be added to the 10 percent on the elementary side. It does not quite reach the \$521,000 provided by the small school adjustment, but it is close. He added that the school district is growing and receives more money per pupil. Additionally, students from Williams are tuitioned so Williams counts those students in the budget for the purpose of tuitioning so revenue follows the students.

Chairman Knaperek commented that the district would also receive Proposition 301 and Group B weight monies.

Mr. Hunter agreed. He related that the State of Wyoming has been going through a similar situation that ended up in a lawsuit. Arizona avoided a lawsuit on the M&O side by adopting a system that equalized spending and tax burdens. In Wyoming, the formula begins to work at 200 students, but it is a weighted formula. Taxpayers pay the exact same rate regardless of the district they live in, the property wealth in the district, etc. He stated that Arizona does have a weighted system. In fact, student counts are weighted right up to 500, and if those weights do not work, changes to the system should be done with a Study Committee. In the meantime, he believes the second half of the bill, even if an election is required, would exacerbate the problem. The first part would be sufficient, work for Grand Canyon, and be available for the other school districts in a similar situation across the State.

Mr. Fitzner related that the possibility of raising \$300,000 when the district is currently running a budget for comprehensive education at \$500,000 would mean a loss of \$200,000, which would have a significant impact on the number of teachers and services. It would not be as bad as falling off into the abyss, but it would not do the job. He said everyone has been working very hard to craft this formula over a period of four years. The district cannot wait for a Study Committee, something should be done, and if possible, the State should make up the difference.

Mr. Schimpp indicated that he has not had a chance to run numbers on the override, but Mr. Hunter indicates that it would be \$300,000 roughly plus whatever would be obtained from the 10 percent current K-3 override. He cannot provide a net dollar amount, but the second portion would provide some additional money that would be almost offset. He added that if the district currently has about 360 pupils at about \$4,000 per student, about \$30,000 would be received for the two percent deflator; about \$1,000 or \$2,000 for Group B weight; and the classroom site fund amount would be about \$90,000, for a total of about \$120,000.

Question was called on the motion that the 8-line proposed Gray amendment to S.B. 1414 dated 3/27/01 3:04 p.m. (Attachment 12) be adopted. The motion failed by a hand vote of 7 ayes and 7 nays.

Ms. Gray moved that the three-line proposed Gray amendment to S.B. 1414 dated 3/26/01 11:31 a.m. (Attachment 13) be adopted.

Chairman Knaperek explained that the three-line proposed amendment strikes Section 2 of the bill (Attachment 13).

The motion carried by a hand vote of 9 ayes and 6 nays.

Vice-Chairman Blendu moved that S.B. 1414 as amended do pass. The motion failed by a roll call vote of 7-8-0-1 (Attachment 14).

S.B. 1201, appropriation; rural ambulances - DO PASS

Greg Gemson, Majority Research Analyst, Appropriations Committee, explained the provisions of the bill (Attachment 15).

Elaine Arena, Lobbyist, representing Arizona Ambulance Association, spoke in favor of the bill. She stated that she cannot speak for the Joint Legislative Budget Committee (JLBC), but an analysis was conducted at the request of the Arizona Department of Health Services (DHS) of the fund over the next four years. The analysis showed that even with the money out, with the money going in, there would still be a balance of approximately \$3.6 million at the end of FY 2003.

Chairman Knaperek noted that Lee Miller, Lobbyist, representing the Arizona Fire District Association, is in favor of the bill.

Vice-Chairman Blendu moved that S.B. 1201 do pass. The motion carried by a roll call vote of 12-0-0-4 (Attachment 16).

S.B. 1197, disease control research commission - DO PASS

Peter Caltabiano, Majority Intern, explained the provisions of the bill (Attachment 17).

Dr. Dawn Schroeder, Executive Director, Arizona Disease Control Research Commission (ADCRC), stated that the ADCRC has always had the responsibility for spending the funds. The Arizona Department of Health Services (DHS) has an unfunded mandate to do the accounting and transfer the funds every month to ADCRC for spending. The bill removes that unfunded mandate and allows the money to go directly into the health research account, which the ADCRC has the authority to spend.

Vice-Chairman Blendu moved that S.B. 1197 do pass. The motion carried by a roll call vote of 12-0-0-4 (Attachment 18).

Without objection, the meeting adjourned at 4:23 p.m.

Linda Taylor, Committee Secretary

(Original minutes, attachments, and tapes are on file in the Office of the Chief Clerk.)