ARIZONA STATE SENATE

45TH LEGISLATURE
FIRST REGULAR SESSION

MINUTES OF COMMITTEE ON APPROPRIATIONS

DATE: March 13, 2001 **TIME:** 8:00 a.m. **ROOM:** 109

CHAIRMAN: Senator Solomon **VICE CHAIRMAN:** Senator Bee

ANALYST: Deborah Johnston **COMMITTEE SECRETARY:** Melissa C. Upshaw

INTERNS: Timothy Bowers and Julie Myers

ATTENDANCE

Committee Members	Pr	Ab	Ex
Senator Arzberger	X		
Senator Cirillo	X		
Senator Guenther	X		
Senator Hamilton	X		
Senator Hellon	X		
Senator Martin	X		
Senator Mitchell	X		
Senator Nichols	X		
Senator Rios	X		
Senator Verkamp		X	
Senator Bee, Vice Chairman	X		
Senator Solomon, Chairman	X		

BILLS

Bill Number	Disposition
H.B. 2029	HELD
H.B. 2040	DPA
H.B. 2245	DP
H.B. 2336	DP
H.B. 2338	DP
H.B. 2490	DPA

GOVERNOR'S APPOINTMENTS

Tape 1, Side A

Chairman Solomon called the meeting to order at 8:05 a.m. and attendance was noted. For additional attendees, see Sign-in sheet (Attachment A).

APPROVAL OF MINUTES

There were no minutes for approval.

Chairman Solomon informed the members that Richard Stavneak, Director, Joint Legislative Budget Committee (JLBC) would be giving a presentation on JLBC's revised budget numbers, information on where the Committee stands with regard to the subcommittees, and possible tax cuts to make if the Committee should move further in that direction. She said the information would be left open for discussion and for members to take the information provided to caucus.

CONSIDERATION OF BILLS

H.B. 2029 - maintenance and operations task force - HELD

Chairman Solomon announced that H.B. 2029 would be held.

H.B. 2040 - power transmission lines; committee; procedures (now: line siting committee; compensation; penalties) - DO PASS AMENDED

Julie Myers, Appropriations Intern, explained H.B. 2040 requires an entity planning construction of a power plant in this state to submit a plan to the Arizona Corporation Commission (ACC) detailing certain information and provides compensation to certain members of the Power Plant and Transmission Line Siting Committee. Ms. Myers said the 2-line Hamilton amendment, dated March 12, 2001, 11:39 a.m., clarifies that the information furnished to the Corporation Commission, which is confidential in nature, pertains to the plans on proposed power plants.

Dean Miller, Legislative Liaison, Arizona Corporation Commission, in support of the bill, stated that the first purpose is that the Commission proposes to pay the private members of the line siting committee. In the past this committee would meet a few times a year. Over the last year and half, because of the number of applicants for power plants sitings, the committee has met in excess of 50 to 60 days a year. The Commission has trouble retaining the private members because they have to leave their jobs. Proposing to pay them $200 may attract some people. He said the fee is payable from the line siting application fee, which is a reimbursement revolving account. By law the Commission can only expend money for certain purposes and this would fall under that purpose. He said if there is any money remaining, they remit that money to the applicant. Mr. Miller said the other importance of the bill deals with the information they need in order to conduct a study every two years on the reliability of the State's transmission needs for both the present and future. They need certain information from the merchant plants. This information will help them complete the study.

To answer Senator Cirillo's question, Mr. Miller said all three Commissioners support his remarks made on this bill.

Senator Bee moved H.B. 2040 be returned with a DO PASS recommendation.

Senator Hamilton moved his 2-line amendment dated 3/12/01; 11:39 a.m. be ADOPTED. The motion CARRIED by voice vote. (Attachment B)

Senator Bee moved H.B. 2040 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 10-0-2. (Attachment 1)

H.B. 2245 - AHCCCS; disabilities; eligibility - DO PASS

Debbie Johnston, Appropriations Analyst, explained H.B. 2245 expands, beginning on January 1, 2002 and subject to Health Care Financing Administration approval, coverage under the Arizona Health Care Cost Containment System (AHCCCS) and the Arizona Long Term Care System to include persons who, due to their disabilities, are eligible for Supplemental Security Income or Social Security Disability Insurance, and whose adjusted income does not exceed 250 percent of the federal poverty level. The bill appropriates approximately $600,000 in fiscal year 2001-2002 and $1 million in fiscal year 2002-2003 to cover this new eligible population. Ms. Johnston noted that this legislation is similar to Senator Cirillo's legislation.

Chairman Solomon clarified that this bill is identical to Senator Cirillo's legislation.

Senator Bee moved H.B. 2245 be returned with a DO PASS recommendation. The motion CARRIED by a roll call vote of 10-0-2. (Attachment 2)

Chairman Solomon announced the following were present in support of the bill: **Susan Cannata, Attorney, representing the Arizona Work Incentives Coalition/Arizona Bridge to Independent Living; Donna Redford, Advocacy Director, Arizona Bridge to Independent Living;** and **Charlie Thomas, Social Worker, representing the Arizona Kidney Foundation.**

H.B. 2336 - Arizona state veterans' cemeteries - DO PASS

Natalie Bahill, Government Intern, said H.B. 2336 allows the Arizona Department of Veterans' Services to acquire property, and to establish and operate veteran's services in Arizona. The bill establishes a veteran's cemetery in Northern Arizona. Ms. Bahill said while this bill does not make an appropriation, additional fiscal impacts related to the operation of the cemetery in Northern Arizona are expected to develop in the future. She stated that this bill is similar to S.B. 1121, but a difference occurs in the fact that this bill allows for the deposit of state and federal monies, except for those federal monies intended to reimburse the state general fund. S.B. 1121 did not make this provision.

Senator Hamilton clarified that S.B. 1121 is his bill. He stated that he does not have a problem with this bill going through. When the cemeteries are complete, the surplus money can be returned to the general fund or used for maintenance. Any required improvements that the State would want to do, the Legislature can make that decision three years down the road.

Chairman Solomon said there was no one present to speak on the bill.

Senator Bee moved H.B. 2336 be returned with a DO PASS recommendation. The motion CARRIED by a roll call vote of 10-0-2. (Attachment 3)

H.B. 2338 - southern Arizona veterans' home - DO PASS

Natalie Bahill, Government Intern, stated that H.B. 2338 allows the Arizona Department of Veterans' Services (ADVS) to acquire property to construct and operate a veteran's home in Southern Arizona. The bill appropriates $50,000 in fiscal year 2001-2002 from the state general fund to the ADVS. She said the provisions of this bill are nearly identical to S.B. 1120.

Chairman Solomon asked Senator Hamilton, sponsor of S.B. 1120, if the Committee would pass out the identical bill, H.B. 2338, and at some point they would exchange one for the other. Senator Hamilton said that is his hopeful expectation.

> **Senator Bee moved H.B. 2338 be returned with a DO PASS recommendation. The motion CARRIED by a roll call vote of 11-0-1. (Attachment 4)**

H.B. 2490 - appropriation; flood control - DO PASS AMENDED

Jim Keane, Government Analyst, stated that H.B. 2490 is similar to S.B. 1344 and that it appropriates $2 million from the state general fund to the Department of Emergency and Military Affairs (DEMA) to pay for the local share of flood relief incurred due to the January 1993 tropical winter storm. He said the 20-line Solomon amendment, dated March 12, 2001, 10:28 a.m., conforms H.B. 2490 to look exactly like S.B. 1344. It appropriates $500,000 in each fiscal year of 2000-2001, 2001-2002 and 2002-2003. In addition, the amendment puts an emergency clause onto the bill. It requires DEMA to distribute the monies in a manner that reduces the number of claimants, and it stipulates that unexpended and unencumbered monies, as of June 30, 2004, will revert to the state general fund.

Chairman Solomon announced **Rory Hays, Attorney, representing the Maricopa County Flood Control District,** was present in support of the bill and did not wish to speak.

Senator Nichols asked Chairman Solomon what her observations were on hearing that 1,200 bills were being introduced with about 200 being duplicate bills. He commented that the duplication of bills does cut down a lot of trees, and perhaps this policy should be looked into. Chairman Solomon agreed with Senator Nichols that the duplication of bills does cut down a lot of trees and it would certainly be to everyone's advantage if members of the House and Senate decided to work together on bill introduction.

> **Senator Bee moved H.B. 2490 be returned with a DO PASS recommendation.**
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> **Senator Bee moved the 20-line Solomon amendment dated 3/12/01; 10:28 a.m. be ADOPTED. The motion CARRIED by voice vote.**
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> **Senator Bee moved H.B. 2490 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 10-0-1-1. (Attachment 5)**

Senator Guenther explained his vote. He declared a Rule 30 by stating that even though this is primarily a Kearny bill, the funding could find its way to the West and therefore, he could have a conflict of interest because his employer was one of the people involved in this federal disaster.

Senator Rios explained his vote. He stated that Kearny only gets a very small amount of the appropriations, about one-tenth of this bill, because the bulk of it goes to Yuma, he still votes aye.

PRESENTATION BY THE JOINT LEGISLATIVE BUDGET COMMITTEE

Chairman Solomon stated that the presentation on the budget is the most important thing as President Gnant reminded the Committee last week on Friday. She said it is very important that the members take time to review some of the numbers that Senate staff has put together, and some recommendations that the Appropriations Subcommittee Chairmen and Vice-Chairmen made with regard to possible reductions in the budget beyond what the subcommittees have already done.

Senator Cirillo stated that the Committee could proceed with the presentation. It is likely to be the same information provided to the Republican Caucus yesterday, but by not including this item on the agenda for today he feels it may preclude the public from coming in to testify.

Chairman Solomon stated that no testimony would be taken as staff did check on whether or not it was appropriate to schedule this presentation. She said the recommendations put before the Committee would reflect the recommendations of the subcommittees, which is where full testimony was taken. The recommendations that are put before the Committee for discussion, as additional possible cuts, are the ones that will be within the purview of this Committee and testimony would not be taken under any circumstances.

Senator Nichols expressed his appreciation to President Gnant. He stated that one would have to have been here for a few years to know how extraordinary it is to have the leader of this body state that he is going to let the appropriate committee do its job.

Senator Rios stated that he wanted to comment on the budget and the support this Committee has received from President Gnant. He said that one of the reporters stated, "so what if the President is supporting the Appropriations Committee. There is no money for you guys to spend anyway." Senator Rios said that he thought the Committee was dealing with a $12 million budget. He said he thinks some people have lost track of what this Committee is responsible for. He thinks what the reporter had in mind was that the Committee would only be dealing with a few bills in the box.

Chairman Solomon agreed with Senator Rios' comments. She stated that our budget over the biennium, even with the reductions that the Committee and the Governor's office has made, is closer to $14 billion over the biennium. She said $14 billion is a lot of money, one of the biggest budgets in the country based on the State's population. She said the State is now one of the biggest states in the country by population. As a result, the State's obligations have increased over the last twenty years, and as a result, the State's obligations to the people have also increased. The State has a budget that is remarkable in size now based on our population.

Richard Stavneak, Director, JLBC, stated that as Senator Cirillo alluded to, the first part of his presentation is a re-run for those members who were in the Republican Caucus yesterday. The second part addresses JLBC's options, in terms of resolving the budget given that they are potentially revising downward the revenue forecast. Mr. Stavneak gave a brief review of the budget by referring to two handouts, one entitled *Forecast Revision* dated March 7, 2001 (Attachment D), forecast revision which represents JLBC's thoughts with regard to how much we made revised revenues, and a pink sheet (Attachment E).

Referring to page 1 of Attachment D, Senator Nichols asked Mr. Stavneak how close is option 1, revised JLBC or JLBC alternative to Governor 1. Mr. Stavneak said the Governor 1 was at $250 million below the revised JLBC, so it would be the midpoint of those two JLBC alternatives. Mr. Stavneak pointed out that the Governor's forecast is abut $600 million below the original JLBC recommendation.

Chairman Solomon said she felt it was important to state publicly, at this point, that neither Representative Knaperek, the leadership in both Houses nor she have advised the JLBC economist to low ball or high ball the numbers. JLBC was asked last year, with regard to the revised forecast, to bring the Legislature their best estimates. She said that she has heard it said that what JLBC brings them may be altered in some way. She asked that this be included into the record that no direction was given to JLBC with regard to numbers.

Senator Arzberger said she appreciates Mr. Stavneak walking the members through the handout because the graphs are difficult to understand. She asked Mr. Stavneak if his predictions include the investment capital savings in the State. Mr. Stavneak said JLBC does look at that factor and that the savings rate has gone down over time, which is a mixed concern to an economist. He said in general it is troubling that there is a low saving rate, but that may be offset by some of the mutual fund gains.

To that point, Senator Cirillo said he has felt for years that the Legislature has a very misleading way to calculate the savings rate in the United States, because the State does not include money in home investments and stock market investments. He said that the State has a restricted definition of a savings rate. He hopes that there is some thoughts to change this because that is not the way people invest their money anymore. Including the two investments would show that the savings rate is not performing too badly at all.

Senator Nichols asked Mr. Stavneak how the State is doing with reference to the corporate and individual income tax and other forms of revenue the State receives. Mr. Stavneak said the graph on page 10 of Attachment D describes where the State has grown, for the first four months, at a rate of about 10 percent and that dropped out. He said the month of February drop off is too radical because of the anomaly with the February 2000 data. On the bottom of page 10, JLBC focused on the individual income tax withholding having been 5.6 percent year-to-date and estimating that it would be in the vicinity of 9.5 percent to 10 percent for the remainder of the year. So it envisions that we return to pre-November rates of growth, which may seem optimistic. But both the independent economists that JLBC and the Office of Strategic Planning & Budgeting (OSPB) contract with envisioned this as being a reasonable rate of growth for the remaining four months of the year. He said that this is obviously something that we need to keep a careful eye on during the next four months.

Mr. Stavneak said capital gains and final payment numbers are always at risk because they are dependent on knowing what people will be putting on their tax return. JLBC envisions that same growth to be in the 10 percent to 11 percent vicinity. Mr. Stavneak, referencing page 13 of Attachment D, said the corporate tax is one area that has been better than anticipated this year. It is above the forecast at this point by $42 million and is helping offset the losses that the State is experiencing with individual income taxes. He said there was some concern earlier in the session about the Research and Development (R & D) tax credit, that was triggered several years ago, where the cap was removed in terms of how much could be claimed on the R & D tax credit. Mr. Stavneak said there have been subsequent discussions between the Department of Revenue and the Attorney General. They have concluded that this tax credit could grow to the level about $50

million. JLBC and OSPB are assuming that corporate tax collections grow by three percent over the remaining four months. He noted that the Governor and JLBC have the same forecast. Corporate tax is one of the most difficult categories to forecast, and it would not surprise him if this number grew or declined drastically. The graph on the top of page 13, Attachment D, shows that there are wide swings in corporate tax collections. Some years they have grown by 36 percent and in one year it declined by 12 percent. He said that due to the confidentiality of corporate data, JLBC is not able to inform the Committee on the details of why that occurs. JLBC, at this point, is not able to relate corporate earnings to corporate income tax payments because they are not able to obtain the data.

Senator Nichols said he has been told that property tax is the most stable of all taxes and has the least rapid change. Corporate tax is a very rapidly changing tax that is hard to predict. He has been told that sales tax is tied very closely to the economy. He asked Mr. Stavneak if he could inform the Committee which State taxes are most stable and volatile. Mr. Stavneak said that he believes Senator Nichols appropriately categorized the taxes in terms of the most to the least stable.

To answer Senator Martin's question, Mr. Stavneak said most economists are, with one exception in terms of a sector, in the 2 percent vicinity with regard to inflation, so at this point radical shifts in projections are not seen with regard to inflation. He said the health area is one sector that is different and the nation as a whole is experiencing problems in that area, ranging anywhere from 5 percent to 10 percent with regard to inflation. JLBC tends to reflect this in some budget recommendations made for those agencies. In terms of accuracy, Mr. Stavneak said JLBC is trying to put together some information that compares those forecasts over the last several years. His perspective is that trying to predict the forecast more than six months out tends to represent more luck than skill. JLBC is basically predicting the unknowable. There is a certain momentum that occurs in the economy with revenues that hopefully within a six-month period of time JLBC can get that right. Six months ago, economists did not talk about whether or not the State was going to be avoiding a recession in March 2001. JLBC staff would present the members with forecasts that tend to stick fairly close to the historical happenings, because JLBC does not have the ability to forecast a recession or a rapid expansion. He said this is where the Legislature's policy sense comes in. They are more pessimistic or optimistic than the historical average, the members will collectively need to take that into account in coming up with their forecasts. He thinks it is the Legislature's collective policy judgment with regard to the cushion, the optimism or the pessimism that they bring to the forecast. Back to Senator Arzberger’s point, Mr. Stavneak believes there is more common sense involved in coming up with these forecasts than there is technical skill.

Senator Cirillo said he wants to know how much of the forecast is still in the static category, because the two big items that are going to affect this forecast are fiscal and monetary policy. He asked Mr. Stavneak if the State is projecting another rate decrease this month. Mr. Stavneak said in terms of the national economy there is an assumed reduction in interest rates. Most economists predict that the federal government will cut interest rates again and that Greenspan will do whatever it takes to try to protect the economy from slipping. Economists are still seeing a slow reduction in interest rates, but there is no uniformity of opinion with regard to what that level is. In terms of the fiscal policy, Mr. Stavneak said page 3, Attachment D, shows that economists back in the fall forecasted growth in the 3.3 percent vicinity for 2002. Now they are forecasting 3.5 percent. Therefore, when the economists' perspective is averaged, both monetary and fiscal policy respond to bring the national economy back to the level that they had anticipated six months ago.

Mr. Stavneak added we are about to inject $1 billion into the State's economy in terms of construction repairs on schools. That will have some positive impact on the economy. He does not believe that it could be pinpointed precisely what the impact is going to be, but he does think that is a positive impact in terms of what it would do to the construction industry. One of the reason sales were down in the last couple of months prior to the February numbers, was that the contracting sales tax had gone negative over the prior December and January. He believes this will go in the opposite direction now aided in part by some of the deficiency correction monies.

Chairman Solomon stated that she does not understand any of this because increased job growth has not resulted in inflation. She said there is some reason to believe that the federal government will lower their interest by as much as three quarters of a point next week, which would certainly be helpful.

Mr. Stavneak continued with the second part of his presentation, Attachment E, explaining that the pink sheet ties what they just discussed in terms of revenue to where the State actually stands with the budget. Mr. Stavneak briefly described some of the issues.

Tape 1, Side B

Senator Nichols said with regard to AHCCCS savings, the savings of Proposition 204, the State currently has the MNI population, which is in the process of converting to Proposition 204. About two-thirds of that the federal government as a result of the waiver attained in January will pick up cost for most of those people. He said that population cost the State about $170 million. When the State makes that conversion, it will obviously save the two-thirds. However, this means the State has to keep paying for the one-third out of the state general fund and not out of the tobacco settlement monies. He asked Mr. Stavneak if this is the basis on which he is operating for the savings because this would imply that two-thirds of about $160 million. Mr. Stavneak said yes, and funds need to be set aside for the expansion of population that is not currently covered under the MNI program. He said some of that would be re-funneled into that new population that is going to be covered. Senator Nichols asked Mr. Stavneak if he is aware that Legislative Council is currently drafting that bill which is going to set aside all of those savings in a fund. This would backstop any future expenditures for the newly enrolled population over and above what the tobacco settlement fund would provide leaving that amount that is here to increase money for the general budget stabilization fund. Mr. Stavneak said that is his understanding of the Governor's perspective on it.

Chairman Solomon stated that the bill, as the budget, will have to be voted on by this body and negotiated.

Senator Nichols said he understands that, but he is pointing out an apparent discrepancy.

Chairman Solomon said she appreciates Senator Nichols' point and that every member of this Committee is aware that they have a lot of discrepancies. At this point, Chairman Solomon said their budgets are not the same in many of the big agencies, which needs to be negotiated.

Senator Nichols said there might be some of them who will support the idea of keeping those resources within AHCCCS. His second point is on the capital budget. He said it is rather obvious that the Committee is potentially backing away from its 100 percent commitment to the building renewal fund. Chairman Solomon said this is an agreement that the Universities understood when the Committee went in with a 100 percent building renewal. They would not be getting any of their

decision packages if we stayed with the 100 percent building renewal. She pointed out that the Governor wants to reduce her building renewal to 25 percent.

Senator Nichols said he does not want to speak against any agreement with the Universities, but in general he thinks that having building renewal funding at 100 percent is a goal that he was pleased to see in the original budget. He expressed his hope that the Legislature will keep that goal before them in the future.

Chairman Solomon said she would like to see that as well and not see them have to reduce their estimates by $250 million or any other amount. Chairman Solomon said it is her opinion, as this issue is negotiated, that there were balance carry forwards of about $400 million over the last half dozen years or more. It was the policy decision of the bodies to continue funding agencies at less than an appropriate necessary level as they find themselves trying to make up for the past years of neglect on their part. Some decisions will have to be made as to what the priorities of the body are, and that is going to be the decision of this Committee.

Senator Nichols said he underscores Chairman Solomon's comments by stating that the price of not maintaining the infrastructure of this State is catching up with the Legislature and they are paying for a decade or more of neglect. As they underfund building renewal and agency budgets, the Legislature pays a price for that and that price is coming to "roost" today. He read in the paper that Speaker Weiers suggested that the State would have a budget within two weeks, the most optimistic statement he has heard in a long time. He asked Chairman Solomon if she was willing to give her estimate of when the State will have a budget. Chairman Solomon said two weeks.

Senator Martin referencing the pink sheet (Attachment E) asked Mr. Stavneak if the total $96 million included taking out the $6 million that the State is short in the current budget. Mr. Stavneak said if all the issues on the options list were decided, it would be $90 million to the good before having made any decisions on the ending balance. So from the $90 million the decision is how much to devote to an ending balance, because that leaves the budget, at that point, perfectly balanced at zero. Senator Martin said basically the ending balance is the Committee's decision to how accurate they feel the revenue estimates are going to be.

Chairman Solomon said there are some other recommendations coming forward from the House that the Committee will have to negotiate with them. She said the House does not have all of this on their sheet and hope that they will accept some of the Committee's recommendations.

To answer Senator Cirillo's question, Mr. Stavneak said the items that the Universities are most interested in include items with regard to how they would spend the $16 million. Items such as: funding for the Arizona State University (ASU) East and West campuses, the University of Arizona (U of A) Northwest and South in terms of community college set up and funding for the Northern Arizona University's (NAU) bonding. This requires setting aside some general fund monies that reflect the reduced collections they are going to get. Senator Cirillo asked if this amount is then over and above what we already have in the budget for ASU. Chairman Solomon said they do have something in the budget for ASU East and as they go through these negotiations that will "wash out."

Senator Rios expressed his concern about the *Flores* issue, the study that is still being conducted and the on call duty pay, which has not been resolved. He asked Mr. Stavneak if he has any estimates as to what those figures might be. Mr. Stavneak said he does not have any estimates. Chairman Solomon said doubling the Limited English Proficient Pupils (LEP) weight would cost

approximately $30 million. If the State does get the AHCCCS savings rather than increasing the $16 million, the State will simply pay back at the $16 million rate and use that differential to pay for most of the increase in the LEP weight for *Flores*. Chairman Solomon said the Governor does not have the *Flores* litigation on her radar screen, and the House has a question mark on their list for the *Flores* litigation because nobody knows at this point how that is going to “wash out."

To that point, Senator Cirillo pointed out than in the special session it was said that the State would put $16 million a year for twelve years into the budget stabilization fund (BSF) on the assumption that the cost of alternative fuels was going to be approximately $200 million. He asked if there was any news of possible savings in that area. Mr. Stavneak said no, he does know that it is going to end up at $200 million. They are sorting through those claims now. Senator Cirillo said he had heard that there were fewer claims than were predicted and when he multiplied those out he came up with $175 million, so he was hoping that there would be $25 million that they would find there. Mr. Stavneak agreed that the only positive thing is that numbers so far are less than what JLBC thought it was going to be. He said that would just reduce how much was taken out of the BSF, and it would depend on the Committee’s view of changing the payback schedule if that cost came down.

Senator Martin referencing the chart on page 14 of Attachment D, noted that there has been talk in the press that the State cannot afford a tax cut when in fact that has been done for eleven years. He said when that was done every year the State came back with more money than it did before and there was never a negative revenue growth. He said this should not be the year to stop that because there is not a decrease in revenues.

Senator Nichols asked Mr. Stavneak what the revenue loss has amounted to during eight years of consistent tax cuts since he has been with the Legislature. Mr. Stavneak said a cumulative impact of what the revenue would have been before any dynamic impact is factored is about $1 billion.

Chairman Solomon asked Mr. Stavneak how the State's growth is calculated here. Mr. Stavneak said if that calculation was done here, it would be done as a measure of personal income because the State's gross GDP numbers tend to be out of date. He has not seen that calculation made, but JLBC can attempt the calculation. Chairman Solomon said she would be curious to know and it would be good information for the Members. Senator Cirillo added that the calculation is done per capita.

Chairman Solomon asked the members for their feedback as they review the information provided by Mr. Stavneak. She said it is important as she and Senator Bee go through the next process that they have information from the Committee.

Senator Martin suggested the possibility of leaving the ending balance as high as possible. He said if their target is hit, then that is next year's money, so he urged Members to not think about new programs off the $96 million that is potentially there.

Chairman Solomon said even though they are taking this from the box, issues on Attachment E, they are not necessarily making any policy decisions for next year's legislative session with regard to those issues.

Senator Nichols said he is sure that his will be discussed in their respective caucuses. He asked Chairman Solomon how she sees the projection of the budget and tax cuts working hand in hand. Chairman Solomon said in her opinion, the Committee would have to make the decision with

regard to what they are going to do with the budget and then agree on what tax reduction measure they are interested in forwarding this year at the same time. She thinks there is still an interest on the part of the membership of having some tax reduction measure move forward. The Governor has said that it is possible that she has no interest in that this year and that would have to be negotiated as well. Chairman Solomon said if there should be any tax cutting that it should be something that improves the State's economic climate and increases the State's economic opportunity.

Chairman Solomon thanked Mr. Stavneak for his presentation and the members for their work this morning.

There being no further business, the meeting was adjourned at 9:33 a.m.

Respectfully submitted,

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Melissa C. Upshaw, Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.)