

ARIZONA STATE SENATE

46TH LEGISLATURE SECOND REGULAR SESSION

MINUTES OF COMMITTEE ON APPROPRIATIONS

DATE: March 3, 2004

TIME: 1:30 p.m.

ROOM: SHR 109

CHAIRMAN: Senator Burns

VICE CHAIRMAN: Senator Waring

ANALYST: Carolyn Atwater

INTERN: Nicholas Klingerman

ASSISTANT

ANALYST: Kim Martineau

COMMITTEE

SECRETARY: Melissa C. Upshaw

ATTENDANCE

BILLS

| <u>Committee Members</u> | <u>Pr</u> | <u>Ab</u> | <u>Ex</u> | <u>Bill Number</u> | <u>Disposition</u> |
|-------------------------------|-----------|-----------|-----------|--------------------|--------------------|
| Senator Anderson | X | | | SB 1039 | HELD |
| Senator Arzberger | X | | | SB 1079 | DPA |
| Senator Bee | X | | | SB 1085 | DPA |
| Senator Cannell | X | | | SB 1164 | HELD |
| Senator Giffords | X | | | SB 1165 | DISC/HELD |
| Senator Harper | X | | | SB 1166 | DPA |
| Senator Martin | X | | | SB 1167 | DP |
| Senator Mead | X | | | SB 1233 | DPA |
| Senator Rios | X | | | SB 1270 | DISC/HELD |
| Senator Soltero | X | | | SB 1351 | HELD |
| Senator Verschoor | X | | | SB 1358 | DPA |
| Senator Waring, Vice Chairman | X | | | SB 1400 | DPA |
| Senator Burns, Chairman | X | | | | |

PRESENTATIONS

Chairman Burns called the meeting to order at 1:50 p.m. and attendance was noted.

APPROVAL OF MINUTES

Chairman Burns stated that without objection the minutes of February 25, 2004 were approved as distributed.

ADOPTION OF AGENCY BUDGETS

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS – HELD

Chairman Burns announced that the adoption of the agency budget for the Department of Emergency and Military Affairs would be HELD to await information on Homeland Security funding.

Chairman Burns also announced that the following bills would be HELD: SB 1039, SB 1164, and SB 1351. He also noted that testimony would only be taken on SB 1165 and SB 1270.

SB 1039 – base support level; technical correction – HELD

SB 1164 – AHCCCS; children’s health insurance program – HELD

SB 1351 – information technology; access; disabled persons – HELD

ARIZONA DEPARTMENT OF GAMING – ADOPTED

Senator Waring moved the Joint Legislative Budget Committee (JLBC) recommendation for the Department of Gaming including format and performance measures with the following adjustments: Add \$300,000 from the Lottery Fund for problem gambling. Add the Governor’s Office of Strategic Planning & Budgeting (OSPB’s) recommendation of \$20,900 from the Tribal State Compact Fund for lease costs. Explanatory Note: The net cost relative to the FY 2005 JLBC recommendation is \$320,900 Other Funds. The motion CARRIED with a roll call vote of 13-0-0 (Attachment #1).

ARIZONA STATE LOTTERY COMMISSION – ADOPTED

Senator Waring moved the OSPB recommended proposal for the Arizona State Lottery Commission for instant ticket vending machines and problem gambling treatment. The impact relative to the JLBC recommendation is as follows: Reduce the Commission’s operating budget by \$(583,400) in Other Funds. Add \$802,500 in Other Funds for instant ticket sales operating expenses. Change the instant ticket sales footnote to increase the allocation for operating expenses as a percentage of sales from 3.1% to 3.6% and adjust the estimated appropriation from \$4,975,500 to \$5,778,000 in Other Funds. Eliminate \$300,000 in Other Funds for problem gambling treatment. Explanatory Note: The net savings relative to the FY 2005 JLBC recommendation is \$(80,900) Other Funds. The motion CARRIED with a roll call vote of 12-0-1 (Attachment #2).

STATE BOARD OF DENTAL EXAMINERS – ADOPTED

Senator Waring moved the OSPB recommended funding level for the State Board of Dental Examiners, and the JLBC format and performance measures. Explanatory Note: The net cost relative to the FY 2005 JLBC recommendation is \$15,000 Other Funds. The motion CARRIED with a roll call vote of 11-1-1 (Attachment #3).

ARIZONA STATE PARKS BOARD – ADOPTED

Senator Waring moved the JLBC recommendation for the Arizona State Parks Board including format, footnotes, statutory changes and performance measures with the following adjustments: Subtract \$(350,000) in Land Conservation Fund interest recommended by the JLBC for Parks Board operating costs. Add statutory language to cap the amount of State Lake Improvement Fund monies that the Parks Board may use for operating costs at \$1,749,200 in FY 2005. Explanatory Note: The net savings relative to the FY 2005 JLBC recommendation is \$(350,000) Other Funds. The motion CARRIED with a roll call vote of 12-0-1 (Attachment #4).

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY – ADOPTED

Senator Waring moved the OSPB recommended funding level for the Arizona Department of Environmental Quality, and the JLBC footnotes, format, statutory changes and performance measures with the following adjustment: Add a session law provision to increase the Underground Storage Tank Fund administrative cap from \$5.7 million to \$6,930,900 for FY 2005. Add a permanent law provision directing the department to increase aquifer protection permit fees to cover total program costs beginning in FY 2006 and eliminate the limit on aquifer protection permit fees to the billable costs of the program. Add a session law provision to direct any monies received due to the increased fee in FY 2005 to the Underground Storage Tank Fund. Beginning in FY 2006, these monies shall be deposited into the Water Quality Fee Fund. Add a permanent law provision to allow the department to charge a fee for the Arizona Pollution Discharge Elimination System program. Add a session law provision to direct any monies received due to the new fee in FY 2005 to the Underground Storage Tank Fund. Beginning in FY 2006, these monies shall be deposited into a new appropriated Arizona Pollution Discharge Elimination System Fund. Transfer \$500,000 from the Underground Storage Tank Fund to the Water Quality Assurance Revolving Fund in FY 2005. Explanatory Note: The net cost relative to the FY 2005 JLBC recommendation is \$444,400 Other Funds.

Carolyn Atwater, Senate Assistant Research Director/Appropriations Analyst, responded to questions from the Committee.

The motion CARRIED with a roll call vote of 10-3-0 (Attachment #5).

ARIZONA DEPARTMENT OF AGRICULTURE – ADOPTED

Senator Waring moved the JLBC recommendation including format and performance measures with the following adjustments: Add \$198,000 from the Water Quality Assurance Revolving Fund to replace pesticide-testing equipment. Add a permanent law provision to allow the department to charge a fee for dairy inspections. Add a session law provision to direct any monies received due to the new fee in FY 2005 to the Water Quality Assurance Revolving Fund. Beginning in FY 2006 these monies shall be deposited into the new appropriated Dairy Inspection Fund. Explanatory Note: The net cost relative to the FY 2005 JLBC recommendation is \$198,000 Other Funds.

Shelli Carol, Fiscal Analyst, JLBC, responded to questions from the Committee.

The motion CARRIED with a roll call vote of 11-2-0 (Attachment #6).

DEPARTMENT OF REAL ESTATE – ADOPTED

Senator Waring moved the JLBC recommendation for the Department of Real Estate including format, statutory change and performance measures. The motion CARRIED with a roll call vote of 13-0-0 (Attachment #7).

DEPARTMENT OF WATER RESOURCES – ADOPTED

Senator Waring moved the JLBC recommendation for the Department of Water Resources including format and performance measures with the following adjustments: Add OSPB's recommendation to shift \$500,000 in General Fund monies from the Water Banking Special Line Item to the department's general operating budget. Add the following footnote: "Notwithstanding A.R.S. § 35-173C, any transfer from the amounts appropriated to the Rural Water Studies Special Line Item shall require Joint Legislative Budget Committee review prior to the department transferring these monies to any other line item." Add OSPB's recommendation for a session law provision to allow the department to use the Augmentation and Conservation Assistance Fund, and the Dam Repair Fund for operating expenses in FY 2005. The use of the Augmentation Fund is capped at \$1.3 million and the Dam Repair Fund at \$251,600. Delete the JLBC recommended footnote pertaining to the Water Banking Special Line Item. The motion CARRIED with a roll call vote of 13-0-0 (Attachment #8).

COMMISSION ON POSTSECONDARY EDUCATION – ADOPTED

Senator Waring moved the OSPB recommended funding level, and the JLBC footnotes, format and performance measurers on the Commission on Postsecondary Education. Explanatory Note: The net cost relative to the FY 2005 recommendation is \$60,000 Other Funds. The motion CARRIED with a roll call vote of 13-0-0 (Attachment #9).

ARIZONA DEPARTMENT OF ADMINISTRATION – ADOPTED

Senator Waring moved the JLBC recommendation for the Arizona Department of Administration including footnotes, format and performance measures with the following adjustments: Add OSPB's recommendation of \$965,300 and 12.5 FTE Positions from the Special Employee Health Insurance Trust Fund for administrative costs associated with self-insurance. Add a footnote directing that the additional monies revert to the Health Insurance Trust Fund if the State does not self-insure during FY 2005. Add OSPB's recommendation to eliminate \$(783,100) from the Technology and Telecommunications Fund for one-time equipment monies. Add OSPB's recommendation of \$103,800 from the Motor Vehicle Pool Revolving Fund for maintenance costs. Add OSPB's recommendation of \$98,700 from the Air Quality Fund and transfer \$100,000 from the Air Quality Fund in-lieu fees for bus ridership subsidies. Add OSPB's recommendation of \$65,400 from the Risk Management Fund for increased actuarial estimates of property and liability claims in FY 2005. Add OSPB's recommendation of \$20,600 from a combination of Other Funds for higher lease costs. Add the following new Special Line Item: "State Surplus Property Sales Proceeds." Shift \$3 million of Other Funds from the department's operating budget to the new Special Line Item for FY 2005. Add the following footnote: "All State Surplus Property Sales Proceeds received by the Arizona Department of Administration in excess of \$3 million in FY 2005 are appropriated. Before the expenditure of any State Surplus Property Sales Proceeds in excess of \$3 million, the Arizona Department of Administration shall report the intended use of the monies to the Joint Legislative Budget Committee." Explanatory Note: The net cost relative to the FY 2005 JLBC recommendation is \$470,700 from Other Funds. The motion CARRIED with a roll call vote of 12-0-1 (Attachment #10).

STATE TREASURER – ADOPTED

Senator Waring moved the JLBC recommendation for the State Treasurer including footnote, format and performance measures with the following adjustment: Add \$150,000 from the Capital Outlay Stabilization Fund for tenant improvements. Explanatory Note: The net cost relative to the FY 2005 JLBC recommendation is \$150,000 Other Funds. In addition, \$170,000 from the Arizona Department of Administration building renewal appropriation shall also be allocated for State Treasurer Office tenant improvements.

In response to Senator Mead's inquiry about the \$150,000 for the State Treasurer, Senator Burns clarified that the \$150,000 is for the protection of their computer equipment.

The motion CARRIED with a roll call vote of 12-0-1 (Attachment #11).

ATTORNEY GENERAL – DEPARTMENT OF LAW – ADOPTED

Senator Waring moved the JLBC recommendation for the Attorney General including footnotes, format, statutory change and performance measures with the following adjustments: Add OSPB's recommendation for an additional \$893,000 from the Consumer Fraud Revolving Fund for information technology

projects. Add OSPB's recommended change in the Interagency Service Agreements footnote to increase the appropriation by \$430,000 Other Fund and 6 FTE Positions for new interagency service agreements. The motion CARRIED with a roll call vote of 12-0-1 (Attachment #12).

DEPARTMENT OF JUVENILE CORRECTIONS – ADOPTED

Senator Waring moved the JLBC recommendation for the Department of Juvenile Corrections including footnotes, format and performance measures. The motion CARRIED with a roll call vote of 12-0-1 (Attachment #13).

CAPITAL OUTLAY – ARIZONA DEPARTMENT OF ADMINISTRATION – ADOPTED

Senator Waring moved the following addendum to the motion adopted on February 25, 2004 regarding the Arizona Department of Administration FY 2005 building renewal appropriation: Add the following footnote: "Of the \$3,500,000 appropriated in FY 2005 from the Capital Outlay Stabilization Fund to the Arizona Department of Administration for building renewal, the amount of \$170,000 shall be allocated for State Treasurer Office tenant improvements." The motion CARRIED with a roll call vote of 12-0-1 (Attachment #14).

CONSIDERATION OF BILLS

SB 1079 – state archives and history building. – DO PASS AMENDED

Pamela Gallagher, Senate Government Committee Intern, explained SB 1079, and responded to questions from the Committee.

Senator Waring moved SB 1079 be returned with a DO PASS recommendation.

Senator Waring moved the Burns 11-line amendment dated 2/27/04 at 9:20 a.m. be ADOPTED (Attachment A). The motion CARRIED by a voice vote.

Senator Waring moved SB 1079 be returned with an AS AMENDED, DO PASS recommendation.

Douglas Kupel, Historian, Friends of Arizona Archives, testified in support of SB 1079 as amended.

Catherine May, Historical Analyst, Friends of Arizona Archives, testified in support of SB 1079, and also informed the Committee that there were others with her from the Friends of Arizona Archives who also supported the bill.

Senator Burns announced those who registered their support and opposition to SB 1079 (Attachment B).

GladysAnn Wells, State Librarian, Director, Arizona State Library, Archives and Public Records, responded to questions from the Committee.

The motion CARRIED with a roll call vote of 11-1-1 (Attachment #15).

SB 1085 – solid waste fees – DO PASS AMENDED

Dustin Alvarado, Senate Research Intern, explained SB 1085 and the amendment that passed out of the Senate Natural Resources and Transportation Committee. Mr. Alvarado also explained the 3-page Burns amendment dated 3/2/04 at 1:34 p.m.

Senator Carolyn Allen, bill sponsor, expressed her appreciation to the Committee for hearing her bill. She stated that she was not informed of the proposed amendment to SB 1085 and asked for an explanation of the amendment and its purpose.

Mr. Alvarado explained the 3-page Burns amendment. Senator Burns stated that it was decided to run this amendment after discussions were held with staff, the agency, and others. Senator Burns apologized to Senator Allen for not informing her of the proposed amendment.

In response to Senator Mead's question regarding the proposed amendment, Senator Allen said she accepts the proposed amendment to keep the bill moving through the process.

Jim Buster, Legislative Liaison, Arizona Department of Environmental Quality (ADEQ), responded to members' questions relating to the proposed amendment.

Kerri Morey, Senate Natural Resources & Transportation Committee Analyst, also responded to questions relating to the proposed amendment, and explained what would remain in the bill if the proposed amendment were to pass.

Mr. Buster continued with his testimony, and spoke in support of SB 1085.

Phil MacDonnell, representing Waste Management, testified in support of SB 1085.

Sandy Bahr, representing the Sierra Club – Grand Canyon Chapter, testified in opposition to SB 1085 and responded to questions from the Committee.

Senator Burns announced the individuals who registered their position on the bill (Attachment B).

Senator Waring moved SB 1085 be returned with a DO PASS recommendation.

Senator Waring moved the 3-page Burns amendment dated 3/2/04 at 1:34 p.m. be ADOPTED (Attachment C). The motion CARRIED by a voice vote. A division was called. By a show of hands the motion CARRIED by a vote of 9-4.

Senator Waring moved SB 1085 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED with a roll call vote of 11-2-0 (Attachment #16).

SB 1165 – AHCCCS; outpatient hospital; reimbursement – DISCUSSION/HELD

Julie Keane, Senate Health Committee Analyst, explained SB 1165 and the amendment that was passed out of the Senate Health Committee. Ms. Keane noted that Senator Arzberger had a proposed amendment to this bill, but she does not wish to offer it at this point.

Senator Allen, bill sponsor, expressed her appreciation for the bill being heard in Committee, and asked the Chairman if he could explain why this bill was being held.

Senator Burns stated that SB 1165 is part of the current budget discussions and that today's testimony would help the members make their final decisions in those discussions.

Bob Olsen, Chief Executive Officer (CEO), Yuma Regional Medical Center, testified in opposition to SB 1165 and responded to questions from the Committee.

Kevin Burns, Chief Financial Officer, University Medical Center, testified in opposition to SB 1165 and responded to questions posed by the members.

Jeff Hamblen, CEO, Winslow Memorial Hospital, testified in opposition to SB 1165.

Tom Betlach, Deputy Director, Arizona Health Care Cost Containment System (AHCCCS), spoke in support of SB 1165. Mr. Betlach briefly reviewed a handout that he distributed (Attachment D) and responded to questions from the Committee.

Senator Burns announced the individuals who registered their position on the bill (Attachment B).

SB 1166 – AHCCCS; healthcare group – DO PASS AMENDED

Julie Keane, Senate Health Committee Analyst, explained SB 1166 and the amendment that passed out of the Senate Health Committee. Ms. Keane also explained the 3-page Cannell amendment dated 3/2/04 at 2:42 p.m.

Senator Allen, bill sponsor, provided additional information about the bill, and introduced **Tony Rodgers, Director, AHCCCS**, who responded to members' questions on behalf of Senator Allen.

Ed Wren, Legislative Counsel, representing University Physicians, Mercy Healthcare, and himself, testified in support of the bill as amended.

Charles Bassett, representing Blue Cross Blue Shield of Arizona, expressed their appreciation to Senator Allen and Senator Cannell for working with them in good faith to address their concerns. In doing so, Blue Cross Blue Shield of Arizona supports the bill as amended.

Senator Burns announced the individuals who registered their position on the bill (Attachment B).

Senator Waring moved SB 1166 be returned with a DO PASS recommendation.

Senator Cannell moved his 3-page amendment dated 3/2/04 at 2:42 p.m. be ADOPTED (Attachment E). The motion CARRIED by a voice vote.

Senator Waring moved SB 1166 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED with a roll call vote of 9-4-0 (Attachment #17).

SB 1167 – AHCCCS; trusts – DO PASS

Julie Keane, Senate Health Committee Analyst, explained SB 1167.

Don Hughes, Legislative Liaison, AHCCCS, responded to questions from the Committee.

Bridget Swartz, Attorney, Arizona Chapter of National Academy of Elder Law Attorneys, testified in opposition to SB 1167 and responded to questions from the Committee.

Senator Burns announced the individuals who registered their position on the bill (Attachment B).

Senator Waring moved SB 1167 be returned with a DO PASS recommendation. The motion CARRIED with a roll call vote of 8-4-1 (Attachment #18).

SB 1233 – license plate to owner; refund – DO PASS AMENDED

Kerri Morey, Senate Natural Resources and Transportation Committee Analyst, explained SB 1233 and the 4-line Bee amendment dated 3/2/04 at 8:03 a.m.

Linda Desgroseilliers, homemaker, representing herself, testified in support of SB 1233.

Kevin Biesty, Legislative Liaison, Arizona Department of Transportation (ADOT), testified as neutral on SB 1233, and responded to questions from the Committee.

Senator Bee moved SB 1233 be returned with a DO PASS recommendation.

Senator Bee moved his 4-line amendment dated 3/2/04 at 8:03 a.m. be ADOPTED (Attachment F). The motion CARRIED by a voice vote.

Senator Bee moved SB 1233 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED with a roll call vote of 9-4-0 (Attachment #19).

SB 1270 – electronic medical claims submission system – DISCUSSION/HELD

Senator Burns announced that testimony would only be taken on SB 1270.

Nadine Sapien, Senate Government Committee Analyst, explained SB 1270 and the two proposed amendments: the 8-line Verschoor amendment dated 3/2/04 at 5:00 p.m. (Attachment G) and the 8-line Verschoor amendment dated 3/2/04 at 5:02 p.m. (Attachment H).

Don Hughes, Legislative Liaison, AHCCCS, testified in opposition to the bill and briefly reviewed AHCCCS' concerns relating to the bill and the 8-line Verschoor amendment dated 3/2/04 at 5:02 p.m. Mr. Hughes responded to questions from the Committee.

Jason Sanner, Director, National Accounts, Digital Healthcare and representing himself, testified in support of the bill and responded to questions from the Committee.

Adam Grad, State Subscriber Relations, Digital Healthcare and representing himself, testified in support of the bill and responded to questions from the Committee.

Alan Ecker, Legislative Liaison, Arizona Department of Administration, testified in opposition to the bill.

SB 1358 – agency budgets; responsibilities – DO PASS AMENDED

Kim Martineau, Senate Appropriations Committee Assistant Analyst, explained SB 1358 and noted the proposed amendment being offered to this bill.

Senator Martin moved SB 1358 be returned with a DO PASS recommendation.

Senator Martin moved his 3-line amendment dated 3/2/04 at 11:40 a.m. be ADOPTED (Attachment I).

Senator Martin further explained his 3-line amendment.

The motion CARRIED by a voice vote.

Senator Martin moved SB 1358 be returned with an AS AMENDED, DO PASS recommendation.

Senator Burns announced the individuals who registered their position on the bill (Attachment B).

Scot Peterson, Senior Vice President, Arizona Chamber of Commerce, testified in support of the bill. Mr. Peterson provided background information on the bill.

The motion CARRIED with a roll call vote of 8-4-1 (Attachment #20).

SB 1400 – budget process; revenue reporting – DO PASS AMENDED

Nicholas Klingerman, Senate Appropriations Committee Intern, explained SB 1400 and the 3-line Martin amendment dated 3/1/04 at 10:34 a.m.

Senator Martin moved SB 1400 be returned with a DO PASS recommendation.

Senator Martin moved his 3-line amendment dated 3/1/04 at 10:34 a.m. be ADOPTED (Attachment J). The motion CARRIED by a voice vote.

Senator Martin moved SB 1400 be returned with an AS AMENDED, DO PASS recommendation.

Senator Martin, bill sponsor, provided additional information regarding the bill.

Kristin Boilini, representing the Arizona Community Colleges Association, testified in opposition to SB 1400.

Senator Burns announced the individuals who registered their position on the bill (Attachment B).

The motion CARRIED with a roll call vote of 7-5-1 (Attachment #21).

There being no further business, the meeting was adjourned at 5:40 p.m.

Respectfully submitted,

Melissa C. Upshaw
Committee Secretary

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