

ARIZONA STATE SENATE

47TH LEGISLATURE
FIRST REGULAR SESSION

MINUTES OF COMMITTEE ON APPROPRIATIONS

DATE: March 1, 2005 **TIME:** 1:30 p.m. **ROOM:** SHR 109

CHAIRMAN: Senator Burns **VICE CHAIRMAN:** Senator Huppenthal

ANALYST: Carolyn Atwater **COMMITTEE SECRETARY:** Melissa C. Upshaw

INTERN: Bill Boyd

ATTENDANCE

BILLS

<u>Committee Members</u>	<u>Pr</u>	<u>Ab</u>	<u>Ex</u>	<u>Bill Number</u>	<u>Disposition</u>
Senator Arzberger	X				
Senator Cannell	X				
Senator Garcia	X				
Senator Giffords	X				
Senator Gould	X				
Senator Harper	X				
Senator Johnson	X				
Senator Martin	X				
Senator Waring	X				
Senator Huppenthal, Vice-Chairman	X				
Senator Burns, Chairman	X				

PRESENTATIONS

Chairman Burns called the meeting to order at 1:40 p.m. and the attendance was noted.

BUDGET WORKSHOP

DEPARTMENT OF ADMINISTRATION

Richard Stavneak, Director, Joint Legislative Budget Committee (JLBC), stated that there were no major changes from the current year, in terms of the JLBC budget for the General Fund. He reviewed the following primary issues that were addressed during the agency's budget hearing:

- \$500,000 for capitol police and surveillance cameras. Mr. Stavneak said this item would be at the expense of Building Renewal. He noted that there is a limited amount of Building Renewal money set aside in FY 2006, which is about 15% of the formula that comes from the Capital Outlay Stabilization Fund (COSF).
- \$450,000 for pay raises to address turnover.
- \$30,000 from the General Fund for an enhancement to the procurement system.
- \$940,000 mainframe licensing fee increases from the technology and telecommunication fund. Mr. Stavneak noted that this item increase can be added from the telecommunications fund.

Shelli Carol, Fiscal Analyst, JLBC, explained the \$500,000 appropriation for ADOA noting that 10 police officers are for the Capitol mall in Phoenix and 2 officers are for the Tucson complex, night shifts; \$15,000 is for the surveillance camera equipment.

Chairman Burns requested information about patrolling by Phoenix Police Department of these areas, Ms. Carol will provide information.

Ms. Carol responded to members' questions relating to vacant full-time employee (FTE) positions, and the software licensing issue.

Senator Huppenthal moved Chairman Burns' proposal to include the items for the cameras, 5 officers for Phoenix, 2 officers for the Tucson complex, and the software licensing fees that will come from Other Funds. The motion CARRIED by a voice vote.

ATTORNEY GENERAL

Mr. Stavneak stated that there were no significant changes in the JLBC budget for the Attorney General's Office. In terms of requests by the Executive, Mr. Stavneak noted the following differences:

- \$700,000 – Pay Plan (\$2 million for a pay plan, \$1.3 million from the General Fund, and \$750,000 from Other Funds)
- Automation System - \$540,000 from the General Fund and \$700,000 of Other Funds. Mr. Stavneak noted that JLBC had a similar proposal on the automation, which was covered by \$1 million of Other Fund money as opposed to any General Fund contributions. The Executive was seeking a combination of \$1,200,500 from the General Fund, \$700,000 from Other Funds. He said the reallocation option is to shift more costs of the Attorney General to agencies where they would cross allocate

more of the Attorney General services to other funded agencies so that they would pay a greater price for their legal services through the AG's office.

Chairman Burns asked JLBC staff about the pay plan being included with the general population pay raise. Mr. Stavneak replied that the Executive, because of the turnover, especially in longer serving assistant attorney generals, wanted to add something beyond the retirement offset that was in the Governor's budget. Chairman Burns said he would recommend that the Committee take this up as an issue when they do the entire pay package issue.

Senator Harper said he would like to add a footnote to prevent the attorneys to advocate or use office space for illegal aliens. Senator Giffords said she disagrees with the footnote due to the issue of pay parity.

Committee members asked Mr. Stavneak to provide them with the following information: turnover rates by sections in the AG's office, including county attorney positions, and pay parity for attorneys.

Senator Arzberger expressed her concern about the pay for lawyers through the AG's office. She does not think that the pay parity schedule is going to show years of experience. She said those who serve on the JLBC Committee know how important it is to have experienced lawyers defending the state, and the lack of pay needs to be reviewed.

Senator Garcia inquired about the \$261,000 appropriation for the case management system.

Chairman Burns said he would hold off on the payroll issue until they address that as one complete package.

Senator Gould moved to add 2 FTE's and use the reallocation option to pick up an additional \$2.2 million from Other Funds agencies. The motion CARRIED by a voice vote.

JUDICIARY

Mr. Stavneak said the JLBC baseline included no additional funding in the Supreme Court, additional money in the Court of Appeals for lease-purchase payments, and technical shifts within the Superior Court. He reviewed the primary issues for the Judiciary as follows, noting that the Executive does not include proposals on the Judiciary's budget:

- \$2 million – Backfill for operating expenses (Judicial Collection Enhancement Fund (JCEF) monies)
- \$2 million – Juvenile Treatment Services
- \$4 million – Probation Officer Salaries
- \$850,000 – Probation Growth in Adult Programs
- \$500,000 – Court of Appeals

Kim Hohman, Senior Fiscal Analyst, JLBC, explained the relationship between probation officers at the county level and how the state pay raise works. Ms. Hohman showed the payments by county and state.

Chairman Burns stated that he would prefer to wait on the pay package issue, noting that the \$22 million issue with the counties would be addressed as a special line item.

Mr. Stavneak reviewed the requests for the Court of Appeals: \$300,000 for Division I and \$200,000 for Division II. He said the reallocation opportunities are to utilize the Drug Treatment and Education Fund of \$500,000; fund shift portion of General Fund treatment expenses to the Drug Treatment and Education Fund, and to shift more of the costs of the Foster Care Review Board to the Court Appointed Special Advocate (CASA) Fund, which would also have a savings of \$500,000.

Senator Johnson questioned whether there were monies in the Defense Driving Fund and if the fund could be used for both divisions in the Court of Appeals. She suggested using some of that money to fund the \$500,000 for the Court of Appeals. Ms. Hohman replied that there is money available in the Defense Driving Fund at this point and that this could be an option for the Committee. The agency is appropriated about \$5 million from that fund and they have spent about \$3 million in the last two fiscal years.

Senator Cannell said the electronic mail he has received from his constituents express concern about the shifting of monies within the CASA fund and said he would like to see less money taken from that fund. Senator Cannell explained the importance of the CASA program.

In response to Senator Cannell's comments, Ms. Hohman said at the end of FY 2006, even with the shifts that have already occurred, the fund would have a balance of \$700,000. The fund can sustain these shifts without reducing CASA expenditures in that program in the current and next fiscal year.

The members discussed the CASA fund. With regard to funding for the Appellate Courts, Chairman Burns said he believes the Committee supports both divisions.

Ms. Hohman informed the Committee that for FY 2004 the Supreme Court's operating budget was reduced by \$2 million in General Fund monies and appropriated JCEF monies to maintain their expenditures at the same level. They have come forward asking the Legislature to fund those General Fund monies again.

With regard to the Superior Court, Senator Garcia said he would like for the Committee to consider the items of probation officers along with the money for juvenile treatment services.

Ms. Hohman indicated that \$4 million is associated with the salaries, \$850,000 for growth, and \$2.2 million for the juvenile treatment shortfall. She said the \$2.2 million is what the Courts have as their shortfall, noting that she cannot verify that is a current year shortfall. She informed the Committee that the filing fee increase for civil cases was suggested to offset the \$2 million.

Chairman Burns asked if a footnote is needed. Ms. Hohman said she would work with the Courts on the language to make sure that their idea is implemented correctly.

Chairman Burns described the following:

- Either take \$2 million from the General Fund, continue to use \$2 million from JCEF, or go with the fee increase.

- \$500,000 – Court of Appeals. Two reallocation options on board.

Ms. Hohman informed the Committee that the Drug Treatment and Education Fund is a non-appropriated fund and has the healthiest of all the balances that were discussed at this meeting. At the end of FY 2006, the Courts anticipate having a balance of \$2.4 million, and this would be another fund source for probation or for other purposes.

The members discussed the juvenile treatment fund and the treatment services program.

Ms. Hohman explained that the juvenile treatment services line item is funded entirely by the General Fund. Chairman Burns said he would suggest that the program might be able to get along with what they have at this particular time since the Legislature does not have the General Fund money to do it.

Chairman Burns asked staff if other funds could be used for the treatment services program. Ms. Hohman said she believes, by statute, this fund would have to be included in one of the accompanying bills. It is mainly spent on adult treatment. They would have to use language where they would be allowed to use it for juvenile treatment as well. She said this could be done in one of the ORBs.

Senator Gould said he would not support the expansion of any programs.

Chairman Burns asked the members if they would support the \$2 million coming out from JCEF, General Fund, or the Courts' proposal to increase fees.

Senator Huppenthal moved to use the \$2 million from JCEF, its current funding source. The motion CARRIED by a voice vote.

Chairman Burns said he would like to see the support for Division I and Division II at \$500,000.

Chairman Burns asked if the Defensive Driving surplus would be available to use. Ms. Hohman said the fund balance at the end of FY 2006, her best guess, would be over \$100,000; however, she does not know the current fund status. She noted that the Courts are projecting a negative fund balance at the end of FY 2006.

Mr. Regens provided information about the Defensive Driving Fund's purpose noting that the fund was not Proposition 105 protected. Ms. Hohman explained that this fund was not a growing fund balance. It is maintained at about \$2 million for the last two fiscal years; the money comes from luxury tax.

Senator Arzberger queried why these monies in the fund were not being used. Ms. Hohman said this is a non-appropriated fund, so the Courts are allowed to spend as much of the fund each year as they wish. This would be a question for the Courts to answer.

Chairman Burns said the Defensive Driving Fund would be a source to use for funding the Appellate Courts at this point in time

Senator Gould moved the Defensive Driving Fund as described by Chairman Burns.

Senator Garcia said perhaps an alternative to that motion, would be for the Committee to consider the \$10 fee increase to the civil filings as a way to pay for the Appellate Courts.

Ms. Hohman informed the members that the filing fee increase was those fees that would be filed into JCEF. This was proposed by the Courts for JCEF.

Senator Huppenthal asked if the fee issue would put a Proposition 108 on the bill. He was informed it would. He stated that he could not support a fee increase on that.

Mr. Stavneak said he would suggest taking the drug treatment money and offset a current community punishment or related line item that looks more like drug treatment. He suggested taking freed up General Fund monies and using that for the Court of Appeals.

In response to Chairman Burns, Mr. Stavneak said JLBC will make that work mechanically.

Mr. Stavneak replied that he thinks that JLBC can find at least \$1.5 million of drug treatment related General Fund programs. This drug treatment money can be used, instead of General Fund monies.

Senator Waring said it is very hard to justify having over \$2 million just sit when it might be used in the future, to help the same people who could use the treatment now when they have a lesser level of addiction or problem.

Senator Cannell stated his support to use the adult fund that is not currently being used for the juvenile treatment unit for the younger children.

Mr. Stavneak informed the Committee that they could use the \$2 million as follows: \$500,000 for Court of Appeals, \$500,000 for juvenile treatment and \$1 million to essentially reduce overall General Fund expenditures.

Mr. Stavneak explained Senator Cannell and Senator Gould's proposals for the juvenile treatment program.

- Senator Cannell's proposal – To use \$500,000 of the adult probation surplus for the juvenile treatment programs.
- Senator Gould's proposal – Reallocating an existing adult dollar in an appropriated fund and moving that to juvenile treatment. Mr. Stavneak said he believes Senator Gould's motion does include funding for the Court of Appeals.

Mr. Stavneak explained the motion on the table as follows: \$500,000 for Court of Appeals to address the juvenile treatment issue, \$1.5 million to offset current General Fund expenditures, thereby, saving \$1.5 million General Fund.

Senator Gould's motion CARRIED by a voice vote. (This includes the \$300,000 for Division I and \$200,000 for Division II, and the CASA shift is out.)

DEPARTMENT OF HEALTH SERVICES

Mr. Stavneak stated that the primary addition of funding within the JLBC budget was \$60 million for caseload. In terms of issues that the Arizona Department of Health Services (ADHS) highlighted, they are seeking an additional \$14 million in caseload money for Title XIX, of that roughly \$5-\$6 million is from the General Fund, and \$8 million is from tobacco tax monies.

Mr. Stavneak reviewed the General Fund issues for the Department of Health Services (DHS):

- \$47 million – Shift of Tobacco Monies between AHCCCS and DHS
- \$900,000 – Child Rehabilitative Services (CRS) – state only services
- \$800,000 – \$900,000 Childcare and Health Facility Licensing monies
- \$800,000 – Folic Acid Program
- \$200,000 – Breast and Cervical Cancer Screening
- \$200,000 – Utility Cost at the State Lab

Mr. Stavneak indicated that JLBC had a \$450,000 line in poison control. He said they are having a decrease in telecommunications excise tax monies because it is only on land lines, not on cell phones. The JLBC budget proposed consolidating the two existing poison control centers, and essentially using the consolidation to meet the reduction in revenue. The Executive instead recommends adding \$220,000 to offset the loss of the phone tax monies. In addition, the Executive is proposing about \$3.5 million from the Arizona State Hospital (ASH) Fund for issues regarding a certification of the State Hospital. He said the Committee will see that supplemental. There is also a \$1.2 million supplemental the Committee is going to be considering in committee later, so the ongoing cost of that would be \$3.5 million in terms of ASH funding.

John Malloy, Fiscal Analyst, JLBC, replied to members' questions about the Health Start program. The members discussed the program and its reallocation option.

With regard to the poison control center, Senator Cannell said he believes it is not a good idea to combine the two poison control centers together.

Mr. Malloy explained the reallocation options for DHS.

Senator Huppenthal moved to reallocate the Health Crisis Deposit that would save \$1 million for other use.

Senator Cannell moved a substitute motion to cut the amount in half. The motion FAILED by voice vote. DIVISION was called by Senator Giffords. By a show of hands, the substitute motion FAILED by 6 nays and four ayes.

Senator Huppenthal's motion was discussed.

Senator Huppenthal's motion CARRIED by a voice vote.

Chairman Burns **RECESSED** the meeting to the sound of the gavel at 3:00 p.m.

Chairman Burns **RECONVENED** the meeting at 5:18 p.m.

BUDGET WORKSHOP (continued)

DEPARTMENT OF HEALTH SERVICES

The Committee members discussed the following issues and reallocation options as each item was explained by **John Malloy, Fiscal Analyst, JLBC**:

- Shift Funding for Tuberculosis Provide Care and Control to Counties
- Offset General Fund Costs with the Emergency Medical Services (EMS) Fund (to eliminate three programs that are funded with the EMS fund to generate some General Fund savings: 1) \$450,000 for high risk perinatal transportation program 2) \$580,000 for direct aid to local governments for EMS programs, and 3) \$200,000 funding for rural ambulances)

Chairman Burns said he thinks it is time to take the first one off the list. He asked the Committee about the other issues: \$580,000 direct aid to local governments for EMS programs to cities, and \$200,000 for rural ambulances.

Senator Gould recommended that they reappropriate the monies to those two items back to the General Fund.

Chairman Burns said that way they can say they will exercise the other two options that have those programs in it.

Senator Harper said he would like to amend the motion to include the option about rolling back the General Fund support for the Health Start program at \$226,600.

Without objection, Senator Harper withdrew his motion.

The Committee reviewed the items that were discussed:

- \$450,000 – assistance for birthing mothers (option not considered)
- \$579,000 – EMS (remove funding for this program)
- \$200,000 – rural ambulances (remove funding for this program)

Senator Arzberger said she was opposed to removing the funding for rural ambulances.

Senator Cannell added his comments about the agency not being present to testify.

Chairman Burns said he disagrees with the comments made about borrowing the monies to solve this problem. He believes it would be irresponsible for them to do that.

Senator Giffords stressed to the members that significant cuts were being talked about and she believed there are solutions.

Mr. Malloy replied to members' questions about rural government.

Chairman Burns informed the Committee that the motion before them was to defund a couple of programs. The motion CARRIED by a voice vote. DIVISION was called by Senator Giffords. By a show of hands, the motion CARRIED by 7 ayes and 4 nays.

Mr. Malloy explained the roll back funding for scorpion antivenom and the roll back General Fund support for the Health Start program. The Committee discussed the issues presented.

Chairman Burns informed the Committee that when they went through the agency hearing process presented by the JLBC, a blue copy of options were included for the members with every hearing. It was pointed out in every hearing that that these were possibilities for later discussion.

Senator Giffords moved that the Committee put in \$200,000 for the breast and cervical cancer screening.

Senator Harper made a substitute motion that they reallocate \$226,600 for the Health Start program back to the General Fund. The substitute motion CARRIED by a voice vote. DIVISION was called by Senator Garcia. By a show of hands, the motion FAILED by a vote of 5 nays and 4 ayes.

With regard to Senator Giffords' motion, Senator Harper said he believes that more men are affected by prostate cancer than women are affected by breast and cervical cancer.

Senator Giffords' motion CARRIED by a voice vote.

The committee discussed the next issue regarding Vaccine Co-pay for Non-AHCCCS children as explained by Mr. Malloy.

Senator Gould moved to adopt the \$5 co-pay amount.

Senator Martin said he thinks that the co-pay of \$10 would be a reasonable amount.

Senator Harper made a substitute motion to adopt the \$10 vaccine co-pay amount. The motion CARRIED by a voice vote. DIVISION was called by Senator Garcia. By a show of hands, the substitute motion CARRIED with a vote of 6 ayes and 4 nays.

Mr. Malloy briefly reviewed the Value Options Title XIX Administration Profit Percentage, noting that 7.5 percent is for administration. He said due to economy of scale in the state, their administration portion could be reduced by 1 percent and with that there would be a savings of \$1.5 million.

Senator Cannell moved that the Committee accept the reduction in Value Options payments, but then cover some items that have not been discussed, including: \$400,000 for CRS, \$400,000 for the Folic Acid Program, \$180,000 for the State Lab, and \$220,000 for 2 Poison Control Centers.

Chairman Burns said he would prefer to come back and address these issues on an individual basis because the Committee has a couple of other items that were set aside and money may be needed for those items.

Senator Harper made a substitute motion to adopt the reallocation that is on the board of \$1.4 million. The motion CARRIED by a voice vote.

Mr. Malloy explained the tobacco tax shift from DHS to AHCCCS was not in the JLBC baseline. DHS and AHCCCS want to shift about \$46.8 million; DHS would get \$46.8 million in General Fund monies from AHCCCS, AHCCCS in turn would get \$46.8 million in tobacco settlement monies. Mr. Malloy noted that DHS would appear to have \$46.8 million higher in General Fund appropriation.

Senator Garcia moved to adopt the tobacco shift of \$46.8 million from DHS to AHCCCS. The motion CARRIED by a voice vote.

Mr. Malloy briefly explained the issue on funding of \$400,000 for the poison control centers. The Committee discussed this item.

Senator Huppenthal moved to use the \$400,000 of General Fund to fund ASDB, which would free up money in the Telecommunications Excise Tax (TET) fund. The motion CARRIED by a voice vote.

With regard to the CRS issue, Mr. Malloy explained this is an increase to an existing program that currently has \$3.6 million.

Senator Garcia moved \$879,000 for the Children's Rehabilitative Services (CRS). The motion FAILED by a voice vote. DIVISION was called by Senator Giffords. By a show of hands, the motion FAILED by 6 nays and 3 ayes.

Senator Giffords moved to adopt \$800,000 for the folic acid program.

Mr. Malloy explained the folic acid program was funded with tobacco settlement monies in the past. Currently, the program is being funded in FY 2005, but only at a \$200,000 level and those monies will not be available in FY 2006. This would add \$800,000 to this program. He said his understanding is that the Legislature is only buying the folic acid with those monies; \$300,000 of the \$800,000 would be used to purchase the folic acid and the additional monies for outreach programs and distributions.

The folic acid program was discussed.

Chairman Burns said he would suggest reducing the amount from \$800,000 to \$400,000: \$300,000 for the product and either \$100,000 or \$200,000 for advertising.

Senator Harper made a substitute motion for \$400,000 funding for folic acid: \$300,000 for the product and \$100,000 for the outreach.

Senator Giffords said she appreciates the consideration the Chairman has in finding value in the folic acid program, enough to consider at least funding part of the program. However, she does not think that they know exactly how much the money is going to advertise and the promotion of

the product versus the product itself. She believes this is a critical program that can save money in the end. She urged the Committee to oppose the motion and to fund the program in its entirety.

Senator Harper's substitute motion CARRIED by a voice vote. DIVISION was called by Senator Garcia. By a show of hands, the motion CARRIED with 6 ayes and 3 nays.

OTHER FUND ITEMS

Mr. Stavneak explained the Arizona State Hospital (ASH) issue, as mentioned by Senator Garcia, is a companion piece to the supplemental bill. The \$1.2 million supplemental is being considered as a separate bill from the ASH fund for various issues at the state hospital. He said the ongoing cost of that, which is not in the supplemental bill, is about \$3.6 million.

Chairman Burns said if the bill is considered and it passes, it covers this issue for FY 2005 and not for FY 2006.

Mr. Stavneak informed the members that the Other Funds come from monies that are deposited from a variety of sources to the ASH fund. They include payments made by counties for restoration of competency treatment, and payments from the federal government.

Senator Garcia moved to add \$3.6 million in Other Funds for the Arizona State Hospital. The motion CARRIED by a voice vote.

With regard to the poison control center issue, Mr. Stavneak informed the Committee of a technical item the Committee would need to address. He explained that they are adding \$400,000 back to match the action that was taken on ASDB's budget. By doing the adjustment on the ASDB budget, \$400,000 was freed up in the telecommunications tax, which they are going to restore back in order to keep funding for the poison control center.

Senator Garcia moved to adopt the \$400,000 for the poison control center as explained by Mr. Stavneak. The motion CARRIED by a voice vote.

With regard to Senator Giffords' inquiry, Mr. Malloy replied that JLBC funds the Alzheimer's research at the same level that the Executive does at \$1 million.

Senator Garcia moved to increase the line item for the community health centers by \$250,000 for the purpose of establishing rural dental clinics in the community health centers.

Chairman Burns said he would oppose this motion because it is a new program.

Senator Garcia's motion FAILED by a voice vote.

There being no further business, the meeting was adjourned at 6:25 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).