

ARIZONA HOUSE OF REPRESENTATIVES
Fiftieth Legislature – First Regular Session

COMMITTEE ON APPROPRIATIONS

Minutes of Special Meeting
Thursday, March 31, 2011
House Hearing Room 1 -- 1:45 p.m. or on adjournment or recess of Floor

Chairman Kavanagh called the meeting to order at 3:22 p.m. and attendance was noted by the secretary.

Members Present

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|--------------|-------------|--------------------------|
| Ms. Alston | Mr. Jones | Mrs. Ugenti |
| Mr. Campbell | Mrs. McLain | Mr. Williams |
| Mr. Fillmore | Mr. Olson | Mr. Court, Vice-Chairman |
| Mr. Forese | Mrs. Tovar | Mr. Kavanagh, Chairman |
| Mr. Heinz | | |

Members Absent

None

Committee Action

| | |
|----------------------------|----------------------------|
| SB1612 - DPA S/E (9-3-0-1) | SB1619 - DPA S/E (9-3-0-1) |
| SB1613 - DPA S/E (9-2-0-2) | SB1620 - DPA S/E (9-3-0-1) |
| SB1614 - DPA S/E (9-3-0-1) | SB1621 - DPA S/E (9-3-0-1) |
| SB1615 - DPA S/E (9-3-0-1) | SB1622 - DPA S/E (9-3-0-1) |
| SB1616 - DPA S/E (8-4-0-1) | SB1623 - DPA S/E (9-3-0-1) |
| SB1617 - DPA S/E (9-3-0-1) | SB1624 - DPA S/E (9-3-0-1) |
| SB1618 - DPA S/E (9-3-0-1) | |

CONSIDERATION OF BILLS

SB1612 - general appropriations 2011-2012 - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1612 do pass.

Vice-Chairman Court moved that the Kavanagh 69-page strike-everything amendment to SB1612 dated 3/31/11 (Attachment 1) be adopted.

Mike Huckins, Majority Research Analyst, Appropriations Committee, explained that the strike-everything amendment to SB1612 (Attachment 1) makes state General Fund and Other Fund appropriations and transfers for FY 2011-2012 for the operation of state government and makes various budget revisions, transfers and supplemental appropriations for FY 2010-2011 (Attachment 2).

Chairman Kavanagh provided the following information:

- Arizona Health Care Cost Containment System's (AHCCCS) \$510 million reduction represents 28 percent of the state General Fund contribution and 20.7 percent of total funds that flow into AHCCCS.
- The Governor has some flexibility on how the AHCCCS reductions are made and is not removing anyone from AHCCCS; however, there will be a freeze on new membership for the previously-identified non-traditional adult population. The Governor is making application to restore coverage for organ transplants.
- Community colleges' reduction of \$72 million represents 54.7 percent of the General Fund contribution and 6.1 percent of all revenue to community colleges.
- Arizona Department of Corrections (ADC) is receiving a slight increase of about 1 percent.
- Department of Economic Security's (DES) reduction of \$50 million represents 7.7 percent of the General Fund contribution, but only 1.3 percent of total funds received.
- Arizona Department of Education's (ADE) \$183 million reduction is 5 percent of the General Fund contribution, but only 3.6 percent of all funds received.
- Department of Health Services' (DHS) \$53 million reduction is 9.7 percent of the General Fund contribution and 9.1 percent of total funds received.
- Universities' \$198 million reduction is 22 percent of the General Fund contribution, but only 4.7 percent of total revenues received.

In response to a question, Mr. Huckins related that the reduction to K-12 is about \$179 million.

Discussion followed between Mr. Campbell and Chairman Kavanagh about potential liability in relation to the AHCCCS reduction and the Proposition 204 population.

Mr. Huckins responded to questions concerning AHCCCS enrollment, community college funding and total reductions.

Discussion followed between Mrs. Tovar and Chairman Kavanagh about communications between the Governor and the federal government on coverage for organ transplants.

Mr. Campbell moved that the Campbell four-line amendment to the Kavanagh 69-page strike-everything amendment to SB1612 dated 3/31/11 (Attachment 3) be adopted.

Mr. Campbell related that the amendment to the strike-everything amendment to SB1612 (Attachment 3) increases the spending authority for State Parks by reinstating the appropriation of \$10 million, which is what is needed for the agency to operate. He opined that investments should be made in programs that bring money into the state, which the State Parks system does.

Question was called on the motion that the Campbell four-line amendment to the Kavanagh 69-page strike-everything amendment to SB1612 dated 3/31/11 (Attachment 3) be adopted. The motion failed.

Timothy Schmaltz, Coordinator, Protecting Arizona's Family Coalition, spoke in opposition to the strike-everything amendment to SB1612 and made the following points:

- The reductions to AHCCCS, DES and DHS are in addition to reductions made in the last two years, which resulted in people losing services or receiving limited services.
- The AHCCCS freeze will create havoc because of changes in participants' income, which affects eligibility.
- The characterization that the Proposition 204 population is non-traditional is incorrect because the voters voted twice and created a traditional eligible population.
- DES Temporary Assistance for Needy Families (TANF) and child care cuts will pose more difficulty for many families.
- These reductions are not being made in a transparent manner, which is how it should be done, and there has not been time for proper vetting.

Discussion followed about transparency in the budget process, the AHCCCS enrollment freeze and reductions to AHCCCS, DES and DHS.

Cristie Statler, Executive Director, Arizona State Parks Foundation, opposed the strike-everything amendment to SB1612, particularly the sweeps of \$1.5 million in this fiscal year from the State Lake Improvement Fund (SLIF) and \$2 million next year from the State Parks Enhancement Fund. She submitted that these significant cuts will dismantle the agency and urged the Members to reconsider. In response to a question, she related that State Parks has commitments with communities and counties to keep many state parks open and this kind of reduction will impair the ability to meet those obligations. Many of the agreements are short-term, from one to three years, with options to continue, but because counties are now also suffering significant deficit issues due to reductions, the counties will have difficulty meeting their end of the obligations.

Discussion followed between Mr. Campbell and Chairman Kavanagh about Arizona State Parks.

David Martinez III, Government Affairs Director, Arizona Students' Association, opposed the strike-everything amendment to SB1612. He commented that state investment is needed to grow Arizona's economy. He said he opposes further university cuts, which increase the burden associated with tuition and the cost of attending a university.

Discussion followed about the percentage of university students who do not pay tuition, the potential impact of perceived tuition increases and additional revenue to universities that could be used to reduce tuition.

Veekas Shrivastava, Undergraduate Student Government, Arizona State University (ASU), opposed the strike-everything amendment to SB1612. He related that he would like to make a point about the misinformation that many students at ASU do not pay tuition. Almost half of what is included in financial aid numbers by the Arizona Board of Regents (ABOR) is private loans, which students obtain and pay back at high interest rates after college. Another part is in

work study where students work for tuition waivers. Financial aid is not a free check given to students. He stressed that many students are being priced out of education, the result of which is that the labor force will not be qualified to obtain high-paying jobs that the Arizona Commerce Authority wants with companies such as Intel.

Chairman Kavanagh stated that it was clarified that the 45 percent of students who do not pay tuition does not include those with student loans; it is comprised of students who receive financial aid. Some of the 45 percent receive academic and athletic scholarships, which he has no problem with, but the bulk are transfers, and perhaps work study is included, but not loans. He added that repayment of student loans results in excellent credit rating and opined that tuition in Arizona is a bargain. Students who are financially strapped can take advantage of the articulation system between community colleges and the universities.

In response to a question, Mr. Shrivastava stated that he hears from students that the amounts of scholarships and grants obtained are staying the same or decreasing, while tuition is increasing, as are the costs of living and eating on campus.

David Tenney, Supervisor, Navajo County; President, County Supervisors Association, spoke in opposition to the strike-everything amendment to SB1612 and made the following comments:

- This budget proposal will severely impact the counties, especially the state's five largest counties, all of which are already reeling from the same economic recession as the state.
- If adopted, this budget proposal will not only threaten the fiscal solvency of those counties, but will jeopardize the ability to carry out critical law enforcement and criminal justice services.
- Counties are concerned that this budget makes the Highway Users Revenue Fund (HURF) subject to annual appropriations, which will severely complicate counties' efforts to fund road maintenance and construction.
- The shift of state costs to the counties does not reduce spending; it only shifts the cost to county taxpayers; in fact, some counties may have increased property taxes as a result.
- Shifting costs to counties is a "gimmick" to balance the budget.

In response to questions, Mr. Tenney provided further details about the potential impact of the budget proposal on the counties.

Mark Barnes, Arizona Community College Presidents' Council, spoke in opposition to the strike-everything amendment to SB1612. He expressed concern that this proposal is the first step in a two-or three-part process to eliminate state funding to community colleges. This measure will result in higher property taxes, higher tuition and impact the quality of higher education offered by community colleges. In response to questions, he expounded on the potential impact of the measure on community colleges.

A lengthy discussion followed about the percentages of reductions to community colleges.

Connie Andersen, Valley Interfaith Project, opposed the strike-everything amendment to SB1612. She stated that Arizonans value education and support health care, which has been proven at the polls. This proposal will hurt middle-class families. The state's finances are in dire straits and alternatives should be considered, such as tax reform to diversify and broaden the

tax base. She responded to questions about the state's obligation to balance the budget, tax reform and reductions to K-12.

Chairman Kavanagh noted that the reduction to K-12 represents 5 percent of the General Fund contribution and 3.6 percent of total school revenues.

Mr. Williams discussed comments made by Craig Barrett, Arizona Commerce Authority, relating to K-12 education in Arizona and suggested reforms.

A lengthy discussion followed about tax reform.

Bruce Liggett, Executive Director, Arizona Child Care Association, in opposition to the strike-everything amendment to SB1612, expressed appreciation for exclusion of child care providers from DES payment deferrals. He noted that the Child Care Voucher Program was created by the Legislature as part of Welfare Reform. The Program has already been cut 40 percent, so today 19,000 fewer children receive child care. Elimination of \$13.7 million in General Fund money will result in a loss of \$40 million in federal matching funds and 13,000 fewer children of working parents will be served in the Program. Without matching funds, the only families that child care will be provided for are those on welfare and in Child Protective Services.

Debbie Johnston, Vice President, Advocacy, Arizona Hospital and Healthcare Association, opposed to the strike-everything amendment to SB1612, addressed the AHCCCS cuts and proposals in the budget reconciliation bill (BRB) (SB1619). She suggested a special health care assessment as an alternative funding source for at least part of the Proposition 204 population. She responded to questions about the financial impact of the reductions on rural hospitals in small communities, support for a special health care assessment and loss of federal funds.

John Kaites, Magellan of Arizona, spoke in opposition to the strike-everything amendment to SB1612. He expressed surprise at the inclusion of language that was supposed to be eliminated, which was discussed with the Governor and legislative Leadership. The language singles out and reduces administrative funding for the Maricopa County Regional Behavioral Health Authority (RBHA), which, over the last three years, transformed one of the most challenged behavioral health systems in the country to one that is winning national awards, even in the face of tremendous budget cuts.

Pete Wertheim, Chief Legislative Liaison, IASIS Healthcare, opposed the strike-everything amendment to SB1612. He endorsed Ms. Johnston's suggestion for a special health care assessment, which is used in 44 states, and indicated that IASIS is willing to provide \$500,000 to help with the problem. He asked the Members to keep the assessment in mind.

Names of persons who signed up in support of the strike-everything amendment to SB1612 but did not speak:

Tom Jenney, Arizona Director, Americans for Prosperity

Names of persons who signed up in opposition to the strike-everything amendment to SB1612 but did not speak:

Jeffrey Heimer, Valley Interfaith Project

Dr. Christopher Jentoft, representing self

Joyce Lopez-Powell, Vice President, Community Initiatives, Valley of the Sun United Way
Dick Zimmermann, representing self
Tara Plese, Arizona Association of Community Health Centers
Cindy Hallman, representing self
Sandy Bahr, Conservation Director, Sierra Club - Grand Canyon Chapter
Becky Howard, representing self
John McDonald, representing self
Joan Serviss, Executive Director, Arizona Coalition to End Homelessness
Cammy Darris, Navajo County Assessor
Christina Plante, representing self
Laurie Justman, Navajo County Recorder, representing self
Joel McCabe, representing self
Margaret Snider, Valley Interfaith Project
Ed Sicurello, representing self
Suzanne Schunk, representing self
Eileana Felix, representing self
Percy De La Cruz, representing self
Charlie Thomas, representing self
Lacey Peters, representing self
Rivko Knox, representing self
Lindsay Simmons, Systems Advocacy Coordinator, Arizona Coalition Against Domestic
Violence
Dana Naimark, President/Chief Executive Officer, Children's Action Alliance
Molly McGovern, SEIU Arizona
Tom Finnerty, representing self
Chris Fike, representing self
Peggy Stemmler, representing self
Carl Taylor, Supervisor, Coconino County Board of Supervisors
Elizabeth Archuleta, Supervisor, Coconino County Board of Supervisors
Joanne Keene, Government Relations Director, Coconino County
Matt Ryan, Supervisor, Coconino County Board of Supervisors
Mandy Metzger, Supervisor, Coconino County Board of Supervisors
Lena Fowler, Supervisor, Coconino County Board of Supervisors, District 5
Buster Johnson, Mohave County Supervisor, District III
David Wells, Faculty, Arizona State University, representing self
Max Wilson, Supervisor, Taxpayers of Maricopa County
Jennifer Loreda, Arizona Education Association
Derek Rapier, Greenlee County Attorney
Richard Bitner, Legislative Counsel, Arizona College of Emergency Physicians
David Carey, Arizona Bridge to Independent Living
Lisa McKee, Navajo County Elections Director, representing self
Donna Kruck, Director of Advocacy Programs, Arizona Bridge to Independent Living
Ryan Harper, Triadvocates LLC, Vanguard Health Systems
Michael Racy, Lobbyist, Pima College
Nicole Stickler, Executive Director, Arizona Association of Counties

Question was called on the motion that the Kavanagh 69-page strike-everything amendment to SB1612 dated 3/31/11 (Attachment 1) be adopted. The motion carried.

Vice-Chairman Court moved that SB1612 as amended do pass. The motion carried by a roll call vote of 9-3-0-1 (Attachment 4).

SB1613 - 2011-2012; capital outlay - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1613 do pass.

Vice-Chairman Court moved that the Kavanagh four-page strike-everything amendment to SB1613 dated 3/29/11 (Attachment 5) be adopted.

Amber Morin, Majority Intern, Appropriations Committee, explained that the strike-everything amendment to SB1613 (Attachment 5) appropriates funds for FY 2011-2012 to applicable agencies for the maintenance, repair, building renewal and preventative maintenance of state buildings (Attachment 6).

Names of persons who signed up in opposition to the strike-everything amendment to SB1613 but did not speak:

Connie Andersen, Valley Interfaith Project
Margaret Snider, Valley Interfaith Project
Tom Finnerty, representing self

Question was called on the motion that the Kavanagh four-page strike-everything amendment to SB1613 dated 3/29/11 (Attachment 5) be adopted. The motion carried.

Vice-Chairman Court moved that SB1613 as amended do pass. The motion carried by a roll call vote of 9-2-0-2 (Attachment 7).

SB1614 - 2011-2012; state budget procedures - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1614 do pass.

Vice-Chairman Court moved that the Kavanagh 11-page strike-everything amendment to SB1614 dated 3/30/11 (Attachment 8) be adopted.

Chris Stapley, Majority Assistant Research Analyst, Appropriations Committee, explained that the strike-everything amendment to SB1614 (Attachment 8) makes statutory and session law changes related to budget procedures in order to implement the FY 2011-2012 state budget (Attachment 9).

In response to a question, Chairman Kavanagh clarified that the three-month delay for health benefits and the six-month delay for retirement system eligibility does apply to newly-elected legislators.

Mike Huckins, Majority Research Analyst, Appropriations Committee, stated that the change in the contribution rate for the Arizona State Retirement System (ASRS) from 50/50 to 53/47 will result in about a one-half percent reduction in take-home pay for state employees.

In response to questions, Chairman Kavanagh provided the following information:

- With the change in the retirement contribution rate, the average amount state-funded ASRS employees will pay is about \$300 per year, including teachers.
- This is anticipated to reduce the state's allocation by \$40 million, which can be used for other necessary programs.
- Mandatory furloughs will not be taken this year, but agency directors have the discretion to prescribe furloughs.
- The delay of six months for state employee retirement eligibility is estimated to save \$10 million. This is probably more generous than in the private sector where many individuals do not begin accruing contributions for 401(k) retirement savings plans, until a year of employment is completed.
- The waiting period for health care mimics that of workers in the private sector who generally are not provided health care coverage immediately. The impact is not significant with health care because previous health care can be retained for two months and the additional month can easily be picked up with COBRA if people have a pre-existing condition, or a bridge policy.
- The terms of the retirement contribution rate can be changed.

Lesli Sorensen, Government Relations Officer, Arizona State Retirement System, neutral on the strike-everything amendment to SB1614, requested the inclusion of an appropriation from the ASRS Administrative Fund of \$1 million or \$1.5 million to implement the change in the contribution rate, which will require numerous modifications to the database, etc. She indicated that clarification may be needed in relation to transfer of the employer contribution to the General Fund to indicate that only state and school district monies are to be transferred; it is possible that city and county monies will also be transferred.

Chairman Kavanagh stated that the transfer is meant to apply only to monies from agencies for which the state supplies a portion of the ASRS contribution rate.

Ms. Sorensen continued, making the following points:

- Some nonpublic trust funds contribute to ASRS and those monies likely will not be able to be transferred.
- The transfer is not ongoing and she is not sure what the savings will be in the second year since the new split will have been implemented, so perhaps there could be some dialogue about whether it will be an ongoing transfer.
- This change would be preferable in session law as opposed to permanent law since this is an issue that is probably better to discuss within the construct of the retirement reform bills going through the Legislature. This is a fairly significant change, so it may be better to have that discussion during interim to avoid unintended consequences. A temporary

notwithstanding clause could be included if the one-year revenue is needed, preferably in session law.

- The six-month delay in membership in ASRS simply delays contributions; employees will be able to buy that time later under the Service Purchase Program. There is also a separate eligibility requirement that ASRS would prefer to see retained as opposed to the six-month delay.
- No comment with respect to the employee benefit portion.
- This cost shift will result in about a \$27.1 million increase in liability and a \$10.1 million increase in normal costs because an employer dollar is more valuable to the trust fund since it is not subject to refund, except in certain situations. A liability is created by an employee dollar that is not created by an employer dollar, so there will be an increase in cost by shifting more of the contribution to employees.

Chairman Kavanagh asked why employer dollars are not refundable to the state. Ms. Sorenson answered that per statute and federal law, the ASRS is not permitted to return the money to the employer if it becomes part of the trust fund.

Ms. Sorenson added that there is always the potential that someone will sue the state for their vested rights and may perceive that the 50/50 split is a change to their contractual rights.

At Chairman Kavanagh's request, she indicated that she will provide the information in her testimony to the Joint Legislative Budget Committee (JLBC). She responded to questions concerning potential litigation.

Jennifer Loreda, Arizona Education Association (AEA), opposed the strike-everything amendment to SB1614. She stated that it would be easier to absorb a proportional lump sum reduction in the K-12 budget than to make this policy change to the employer/employee contribution rate, which she said she believes may be unconstitutional because employees currently in the system have a vested right to the 50/50 percentage.

Names of persons who signed up in opposition to the strike-everything amendment to SB1614 but did not speak:

Connie Andersen, Valley Interfaith Project

Margaret Snider, Valley Interfaith Project

Tom Finnerty, representing self

Molly McGovern, SEIU Arizona

Question was called on the motion that the Kavanagh 11-page strike-everything amendment to SB1614 dated 3/30/11 (Attachment 8) be adopted. The motion carried.

Vice-Chairman Court moved that SB1614 as amended do pass. The motion carried by a roll call vote of 9-3-0-1 (Attachment 10).

SB1615 - consolidation; state agencies - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1615 do pass.

Vice-Chairman Court moved that the Kavanagh 69-page strike-everything amendment to SB1615 dated 3/29/11 (Attachment 11) be adopted.

Chris Stapley, Majority Assistant Research Analyst, Appropriations Committee, explained that the strike-everything amendment to SB1615 (Attachment 11) makes statutory and session law changes related to government consolidation in order to implement the FY 2011-2012 state budget (Attachment 12).

Names of persons who signed up in opposition to the strike-everything amendment to SB1615 but did not speak:

Connie Andersen, Valley Interfaith Project

Margaret Snider, Valley Interfaith Project

Tom Finnerty, representing self

Question was called on the motion that the Kavanagh 69-page strike-everything amendment to SB1615 dated 3/29/11 (Attachment 11) be adopted. The motion carried.

Vice-Chairman Court moved that SB1615 as amended do pass. The motion carried by a roll call vote of 9-3-0-1 (Attachment 13).

SB1616 - revenue; 2011-2012; budget reconciliation - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1616 do pass.

Vice-Chairman Court moved that the Kavanagh 15-page strike-everything amendment to SB1616 dated 3/31/11 (Attachment 14) be adopted.

Daniel Gonzalez-Plumhoff, Majority Assistant Research Analyst, Ways and Means Committee, explained that the strike-everything amendment to SB1616 (Attachment 14) makes temporary and permanent law changes relating to state revenues in order to implement the FY 2011-2012 state budget (Attachment 15). In response to a question, he advised that the figures in the summary are incorrect. This measure does not eliminate the Housing Trust Fund, but decreases the \$10.5 million in unclaimed property revenues to \$2.5 million and redirects the deposit of the remaining \$8 million as follows: \$2 million to the Seriously Mentally Ill Housing Trust Fund and \$6 million to the state General Fund. He indicated that he does not believe there will be any impact on federal funds to the Housing Trust Fund.

Ms. Alston requested a revised fact sheet with the correct numbers, which Chairman Kavanagh indicated will probably be available when the Members go to the Floor.

Thomas Prescott, Madison Street Veterans Association, related that the Association provides services to veterans who need temporary shelter. He stated that he was opposed to the strike-everything amendment to SB1616 because the original language eliminated the Housing Trust Fund, which has been changed; however, the Fund was originally set in place to help individuals who lost their job and were in the process of foreclosure, to retain their home. He added that federal matching funds went along with whatever was in the Trust Fund.

Brooks Stephens, representing self, opposed the strike-everything amendment to SB1616. He requested that the Members keep the Madison Street Veterans Association operating in order to help veterans stay off the street, look for work and become educated.

Richard Bohan, Director of Government Relations, Maricopa County Board of Supervisors, testified in opposition to the strike-everything amendment to SB1616. He stated that this is a shift of over \$32 million to Maricopa County taxpayers. Over the last few years, the County contributed \$120 million to the state, which kept the tax levy flat in 2010 and 2011. The County plans to lower the levy in 2012, but with these shifts, the levy will not be flat. This shift will have a trickle-down effect so taxes will be raised at the county level and not the state level. He opined that this is a “gimmick.”

Discussion followed about tax increases.

Mrs. Tovar moved that the Tovar 14-line amendment to the strike-everything amendment to SB1616 dated 3/31/11 (Attachment 16) be adopted.

Mrs. Tovar explained that the 14-line amendment restores transplant services using \$1.4 million out of \$20 million in the fund for the accounting and reporting expenses tax credit (Attachment 16).

Question was called on the motion that the Tovar 14-line amendment to the strike-everything amendment to SB1616 dated 3/31/11 (Attachment 16) be adopted. The motion failed and Mrs. Tovar requested a roll call vote. The motion failed by a roll call vote of 3-9-0-1 (Attachment 17).

Names of persons who signed up in opposition to the strike-everything amendment to SB1616 but did not speak:

Joyce Lopez-Powell, Vice President, Community Initiatives, Valley of the Sun United Way
Connie Andersen, Valley Interfaith Project
Joan Serviss, Executive Director, Arizona Coalition to End Homelessness
Valerie Iverson, Executive Director, Arizona Housing Alliance
Cynthia Zwick, Executive Director, Arizona Community Action Association
Margaret Snider, Valley Interfaith Project
Carl Taylor, Supervisor, Coconino County Board of Supervisors
Elizabeth Archuleta, Supervisor, Coconino County Board of Supervisors
Matt Ryan, Supervisor, Coconino County Board of Supervisors
Mandy Metzger, Supervisor, Coconino County Board of Supervisors
Lena Fowler, Supervisor, Coconino County Board of Supervisors, District 5
Joanne Keene, Government Relations Director, Coconino County
Buster Johnson, Mohave County Supervisor, District III

Andrew Kunasek, Supervisor, Maricopa County Board of Supervisors
Max Wilson, Supervisor, Maricopa County Taxpayers
Derek Rapier, Greenlee County Attorney
Michael Racy, Lobbyist, Pima County
Nicole Stickler, Executive Director, Arizona Association of Counties
Craig Sullivan, Deputy Director, County Supervisors Association

Question was called on the motion that the Kavanagh 15-page strike-everything amendment to SB1616 dated 3/31/11 (Attachment 14) be adopted. The motion carried.

Vice-Chairman Court moved that SB1616 as amended do pass. The motion carried by a roll call vote of 8-4-0-1 (Attachment 18).

THE MEETING RECESSED AT 7:03 P.M.

THE MEETING RECONVENED AT 7:20 P.M. ALL MEMBERS WERE PRESENT EXCEPT MR. HEINZ.

SB1617 - K-12 education; 2011-2012; budget reconciliation - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1617 do pass.

Vice-Chairman Court moved that the Kavanagh 53-page strike-everything amendment to SB1617 dated 3/31/11 (Attachment 19) be adopted.

Jennifer Anderson, Majority Research Analyst, Education Committee, explained that the strike-everything amendment to SB1617 (Attachment 19) makes statutory and session law changes related to K-12 education and implementation of the FY 2011-2012 state budget (Attachment 20). The Kavanagh eight-page amendment to the strike-everything amendment to SB1617 contains the following provisions (Attachment 21):

- Adjusts the equalization assistance calculation and Qualifying Tax Rate (QTR) increase related to the phase-out of the Career Ladder Program and the Optional Performance Incentive Program (OPIP).
- Allows grade nine pupils to enroll in Joint Technological Education District (JTED) programs, but continues to prohibit JTEDs from including those pupils in their Average Daily Membership (ADM) for the purposes of budget limits and state funding.
- Renames the Arizona Department of Education (ADE) Information Technology Fund to the Education Learning and Accountability Fund.
- Permanently repeals the ADE biennial costs study of special education programs.

Jennifer Loreda, Arizona Education Association, testified in opposition to the strike-everything amendment to SB1617. She related that such a significant reduction against the K-12 budget for the next school year will have significant impacts. In response to questions, she indicated that the impacts will vary in the different school districts, but there is no way to hold off the impact to classrooms. Furlough days may be continued and some school districts are already reducing

salaries across the board, so teachers will experience a “double whammy” with this and the retirement contribution change.

Ms. Loreda responded to questions concerning the provision of more funds to the classroom, selection of teachers based on performance and declining enrollment.

Mr. Williams noted that he had an amendment drafted to allow for an increase in override bonds (Attachment 22).

John Kaites, Educational Finance Reform Group, spoke in support of the strike-everything amendment to SB1617. He stated that in the late 1990s, when Students FIRST was passed, the state decided to fund capital through the General Fund and reduce the debt limit school districts can use to fund schools and school construction from 30 percent to 10 percent. That money is zeroed out of this budget and the previous budget, so the Legislature’s side of the deal has been eliminated, yet the debt limit is still at 10 percent. With declining assessed valuations in the marketplace, school districts have funds that are already voter-approved but cannot be spent, so the Senate increased the debt limit for elementary schools from 5 percent to 10 percent and for high school districts from 10 percent to 15 percent, which is what the Williams amendment does. He asked for the Members’ support, noting that it will not cost the General Fund a dime and the voters have already approved the funding. He responded to questions concerning bond overrides and clarified that the Williams amendment is applicable for four years.

Mr. Olson expressed concern about increasing the bonding capacity when school districts already passed the bonds knowing they did not have the capacity to sell them, placing the state in jeopardy of a lawsuit. He said if there is a temporary four-year increase in bonding capacity and school districts sell at that higher capacity for four years, he wonders what school districts will do in ten years when new projects need to be funded.

Mr. Kaites replied that this is not a permanent solution and it would be better to have a permanent increase, but the economy is expected to improve in four years and the Legislature will have more money to spend on capital, at which time the situation can be reviewed again.

Mr. Olson noted that the state is already being sued under two lawsuits, one from school districts and another from charter schools. The school districts’ lawsuit is based on the fact that some school districts have not been able to pass an override or the same amount of bonds as other school districts, so those school districts are not receiving the same level of funding. The state is being sued because the level of funding is not general and uniform. He said he fears the Williams amendment will add fuel to that lawsuit.

Mr. Kaites added that the Education Finance Reform Group has long advocated for a change from the Career Ladders Program to a true pay-for-performance program.

Kevin McCarthy, President, Arizona Tax Research Association, submitted that the Williams amendment is a bad short-term resolution to the situation that the state now faces in not funding new school construction and trying to return to a property tax-based funding model that the courts already invalidated. There are issues with how school construction will be dealt with going forward, but the Williams amendment creates a “cliff” for school districts that sell into that

capacity that is problematic. He offered to work with the schools and state policymakers on where to go with Students FIRST, but encouraged the Members not to use this “band-aid.”

Mr. Williams indicated that he has decided not to offer the Williams 19-line amendment (Attachment 22).

Names of persons who signed up in support of the strike-everything amendment to SB1617 but did not speak:

Tom Jenney, Arizona Director, Americans for Prosperity

Names of persons who signed up in opposition to the strike-everything amendment to SB1617 but did not speak:

Connie Andersen, Valley Interfaith Project

Francesca Thomas, Vice President/Legislative Liaison, Scottsdale Parent Council

Margaret Snider, Valley Interfaith Project

Tom Finnerty, representing self

Nicole Stickler, Executive Director, Arizona Association of Counties

Mark Lane, representing self

Names of persons who signed up as neutral on the strike-everything amendment to SB1617 but did not speak:

Zach Tretton, Assistant Director of Policy Development & Government Relations, Arizona Department of Education

Vice-Chairman Court moved that the Kavanagh eight-page amendment to the 53-page strike-everything amendment to SB1617 dated 3/31/11 (Attachment 21) be adopted. The motion carried.

Vice-Chairman Court moved that the Kavanagh 53-page strike-everything amendment to SB1617 dated 3/31/11 (Attachment 19) as amended be adopted.

Discussion followed among the Members.

Question was called on the motion that the Kavanagh 53-page strike-everything amendment to SB1617 dated 3/31/11 (Attachment 19) as amended be adopted. The motion carried.

Vice-Chairman Court moved that SB1617 as amended do pass. The motion carried by a roll call vote of 9-3-0-1 (Attachment 23).

SB1618 - higher education; 2011-2012; budget reconciliation - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1618 do pass.

Vice-Chairman Court moved that the Kavanagh 14-page strike-everything amendment to SB1618 dated 3/29/11 (Attachment 24) be adopted.

Vice-Chairman Court moved that the Kavanagh 10-line amendment to the Kavanagh 14-page strike-everything amendment to SB1618 dated 3/31/11 (Attachment 25) be adopted.

Jennifer Anderson, Majority Research Analyst, Education Committee, explained that the strike-everything amendment to SB1618 (Attachment 24) makes statutory and session law changes related to postsecondary education and implementation of the FY 2011-2012 state budget (Attachment 26). The Kavanagh 10-line amendment to the strike-everything amendment to SB1618 removes the repeal of the requirement for the Legislature to provide a 2:1 match for every \$1 of student fees deposited into the Arizona Financial Aid Trust and instead suspends the requirement for FY 2011-2012 (Attachment 25).

David Martinez III, Government Affairs Director, Arizona Students' Association, stated that he supports the strike-everything amendment to SB1618 with the Kavanagh 10-line amendment. In previous years, during difficult budget cycles, the state matching fund to the Arizona Financial Aid Trust was suspended. This session it was going to be permanently repealed, but the amendment suspends the requirement.

Names of persons who signed up in support of the strike-everything amendment to SB1618 but did not speak:

Tom Jenney, Arizona Director, Americans for Prosperity

Names of persons who signed up in opposition to the strike-everything amendment to SB1618 but did not speak:

Veekas Shrivastava, Undergraduate Student Government, Arizona State University

Tara Plese, Arizona Association of Community Health Centers, representing self

Connie Andersen, Valley Interfaith Project

Margaret Snider, Valley Interfaith Project

Tom Finnerty, representing self

Question was called on the motion that the Kavanagh 10-line amendment to the Kavanagh 14-page strike-everything amendment to SB1618 dated 3/31/11 (Attachment 25) be adopted. The motion carried.

Vice-Chairman Court moved that the Kavanagh 14-page strike-everything amendment to SB1618 dated 3/29/11 (Attachment 24) as amended be adopted. The motion carried.

Vice-Chairman Court moved that SB1618 as amended do pass. The motion carried by a roll call vote of 9-3-0-1 (Attachment 27).

SB1619 - health; 2011-2012; budget reconciliation - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1619 do pass.

Vice-Chairman Court moved that the Kavanagh 53-page strike-everything amendment to SB1619 dated 3/30/11 (Attachment 28) be adopted.

Vice-Chairman Court moved that the Kavanagh two-page amendment to the Kavanagh 53-page strike-everything amendment to SB1619 dated 3/31/11 (Attachment 29) be adopted.

Ingrid Garvey, Majority Research Analyst, Health and Human Services Committee, explained that the strike-everything amendment to SB1619 (Attachment 28) includes provisions related to health necessary to implement the FY 2011-2012 state budget (Attachment 30). The affected agencies are the Arizona Health Care Cost Containment System (AHCCCS), the Department of Health Services (DHS) and the Arizona Department of Administration (ADOA). The Kavanagh two-page amendment to the strike-everything amendment to SB1619 provides that AHCCCS must determine an eligible person's continued eligible status at least annually rather than on an annual basis (Attachment 29).

Mrs. McLain asked the names of private qualifying disproportionate share hospitals that are to receive \$9.2 million. Ms. Garvey answered that Yuma is one, but she will have to find out and let her know what other private hospitals qualify.

Names of persons who signed up in support of the strike-everything amendment to SB1619 but did not speak:

Charlie Smith, Chief Executive Officer, LifeStar Ambulance; Arizona Ambulance Association
Tom Jenney, Arizona Director, Americans for Prosperity

Names of persons who signed up in opposition to the strike-everything amendment to SB1619 but did not speak:

Tara Plese, Arizona Association of Community Health Centers
Connie Andersen, Valley Interfaith Project
Cindy Hallman, representing self
Becky Howard, representing self
John McDonald, representing self
Christina Plante, representing self
Joel McCabe, representing self
Margaret Snider, Valley Interfaith Project
Ed Sicurello, representing self
Lindsay Simmons, Systems Advocacy Coordinator, Arizona Coalition Against Domestic Violence
Tom Finnerty, representing self
Peggy Stemmler, representing self
Andrew Kunasek, Supervisor, Maricopa County Board of Supervisors
Debbie Johnston, Vice President, Advocacy, Arizona Hospital and Healthcare Association
Pete Wertheim, Chief Legislative Liaison, IASIS Healthcare
Ryan Harper, Triadvocates LLC, Vanguard Health Systems
Michael Racy, Lobbyist, Pima County
David Landrith, Vice President of Policy & Political Affairs, Arizona Medical Association

Question was called on the motion that the Kavanagh two-page amendment to the Kavanagh 53-page strike-everything amendment to SB1619 dated 3/31/11 (Attachment 29) be adopted. The motion carried.

Mrs. Tovar moved that the Tovar 28-line amendment to the Kavanagh 53-page strike-everything amendment to SB1619 dated 3/31/11 (Attachment 31) be adopted.

Mrs. Tovar stated that the Tovar 28-line amendment attempts to restore transplant funding and also carries the appropriate language for statutory changes to make the transplant reinstatement funding appropriate for the budget (Attachment 31).

Question was called on the motion that the Tovar 28-line amendment to the Kavanagh 53-page strike-everything amendment to SB1619 dated 3/31/11 (Attachment 31) be adopted. The motion failed.

Mrs. Tovar moved that the Tovar two-page amendment to the Kavanagh 53-page strike-everything amendment to SB1619 dated 3/31/11 (Attachment 32) be adopted.

Mrs. Tovar related that the Tovar two-page amendment provides the best possible funding solution for transplants because it involves privately-donated funds and will not pose a burden on the state General Fund.

Ms. Alston spoke in support of the Tovar two-page amendment, submitting that it will save lives.

Vice-Chairman Court assumed the Chair.

Mrs. McLain stated that she heard one of the gentlemen who subsequently passed away from complications of his illness was scheduled for a transplant because a private donor was found. She asked if that private donor would not have been allowed to pay for the transplant and questioned if the Tovar two-page amendment is necessary. Ms. Alston replied that there are special rates for people on AHCCCS, and if this language can be placed into law, 3:1 federal matching monies can be obtained until June 30, 2011; after June 30, 2011, it goes to a 2:1 match.

Mr. Campbell pointed out that not everyone may have the luxury of finding a private donor, so this language will alleviate the pressure on people to have to find a donor to pay for a transplant.

Chairman Kavanagh resumed the Chair.

Mrs. Tovar stated that a patient in Tucson was not able to obtain a private donation in time and lost his life. If the Tovar two-page amendment passes, all 96 patients will be able to get back on the list to guarantee that if an organ is available, the transplant will be funded.

Mrs. McLain commented that she understands Mrs. Tovar's passion on this issue, but pointed out that federal funds are also taxpayer dollars.

Chairman Kavanagh remarked that he is not necessarily opposed to the Tovar two-page amendment, but since it was offered late, it is totally unknown to the Senate and Governor's Office and will disrupt the budget at this point. He urged Mrs. Tovar to talk to him and to Speaker Adams about adding the language later in the budget process or in a separate bill.

Mrs. Tovar responded that she did speak to the Governor's staff and the Governor asked the Legislature to develop a viable solution. She opined that this is the best solution offered so far. Discussion followed.

Chairman Kavanagh made a substitute motion to table the Tovar two-page amendment to the Kavanagh 53-page strike-everything amendment to SB1619 dated 3/31/11 (Attachment 32). The motion carried.

Vice-Chairman Court moved that the Kavanagh 53-page strike-everything amendment to SB1619 dated 3/30/11 (Attachment 28) be adopted. The motion carried.

Vice-Chairman Court moved that SB1619 as amended do pass.

Representative Carl Seel, stated that he worked diligently on several of the matters addressed in the Kavanagh 53-page strike-everything amendment to SB1619. He is glad to see the fraud elements and request for proposals (RFP) for technology. He said the only concern is to make sure the signature identification process is well-protected for people using the system, which he will be working on with the Joint Legislative Audit Committee. He stated that he will work with Leadership and the Governor's Office to fine-tune the language in relation to non-emergency medical reimbursement, which relates to taxicabs and other items.

Question was called on the motion that SB1619 as amended do pass. The motion carried by a roll call vote of 9-3-0-1 (Attachment 33).

SB1620 - welfare; 2011-2012; budget reconciliation - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1620 do pass.

Vice-Chairman Court moved that the Kavanagh three-page strike-everything amendment to SB1620 dated 3/29/11 (Attachment 34) be adopted.

Gina Kash, Majority Research Analyst, Agriculture and Water Committee, explained that the strike-everything amendment to SB1620 (Attachment 34) includes provisions for the state budget regarding welfare; the affected agency is the Department of Economic Security (DES) (Attachment 35).

Names of persons who signed up in support of the strike-everything amendment to SB1620 but did not speak:

Tom Jenney, Arizona Director, Americans for Prosperity

Names of persons who signed up in opposition to the strike-everything amendment to SB1620 but did not speak:

Connie Andersen, Valley Interfaith Project

Tami Johnson, Staff Attorney, William E. Morris Institute for Justice

Margaret Snider, Valley Interfaith Project

Lindsay Simmons, Systems Advocacy Coordinator, Arizona Coalition Against Domestic Violence

Dana Naimark, President/Chief Executive Officer, Children's Action Alliance

Tom Finnerty, representing self

Question was called on the motion that the Kavanagh three-page strike-everything amendment to SB1620 dated 3/29/11 (Attachment 34) be adopted. The motion carried.

Vice-Chairman Court moved that SB1620 as amended do pass. The motion carried by a roll call vote of 9-3-0-1 (Attachment 36).

SB1621 - criminal justice; 2011-2012; budget reconciliation - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1621 do pass.

Vice-Chairman Court moved that the Kavanagh 33-page strike-everything amendment to SB1621 dated 3/31/11 (Attachment 37) be adopted.

Vice-Chairman Court moved that the Kavanagh two-page amendment to the Kavanagh 33-page strike-everything amendment to SB1621 dated 3/31/11 (Attachment 38) be adopted.

Magdalena Jorquez, Majority Research Analyst, Judiciary Committee, explained that the strike-everything amendment to SB1621 (Attachment 37) makes various statutory and session law changes to enact the FY 2011-2012 budget as it relates to criminal justice (Attachment 39). The Kavanagh two-page amendment to the strike-everything amendment to SB1621 contains the following provisions (Attachment 38):

- Removes the stipulation that the use of the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Fund's monies is contingent on a law enforcement agency making every reasonable effort to determine the legal status of any person an officer comes into lawful contact with and who is suspected of being an illegal alien or in a gang.
- Prohibits a law enforcement agency from receiving any monies from the GIITEM Fund unless it certifies in writing that it will comply with the section of law related to the cooperation and assistance in enforcement of immigration laws.
- Expands the uses by which Public Safety Equipment Fund monies are distributed to the Department of Public Safety (DPS) to include vehicles.
- Delineates, as session law, the following funds permitted to be used by the Arizona Department of Corrections (ADC) for its operating expenses:
 - The Transition Program Fund (A.R.S. §31-284)

- The Transition Services Fund (A.R.S. §31-286)
- The ADC Interagency Service Agreement Fund (A.R.S. §31-286)

Mr. Williams asked about the restrictions in the strike-everything amendment to SB1621 regarding monies for GIITEM. Ms. Jorquez clarified that Maricopa County and Pinal County are exempt from the provision relating to allocation of costs if the ADC uses monies from the GIITEM Fund for an agreement or contract with an entity to provide services for GIITEM.

Mike Huckins, Majority Research Analyst, Appropriations Committee, in response to a question, advised that total GIITEM funding for FY 2012 is approximately \$21 million.

Ms. Jorquez indicated that she will find out the figures for Maricopa and Pinal Counties. She indicated that Pima County is prohibited from receiving GIITEM funding.

Mr. Williams remarked that he is not pleased about the provision specifying that Pima County will not receive GIITEM funds. Although the Sheriff in Pima County threatened not to enforce SB1070, he has not actually done so. He asked the Members to reconsider that provision, adding that it is unfair to punish his district based on rhetoric and not actual action.

Ms. Alston asked the total cost of the Justice of the Peace (JP) in a county with a population of less than 1.5 million persons, what county or counties the provision pertains to, and how many JPs are involved. Ms. Jorquez answered that the only county with a population of more than 1.5 million persons is Maricopa County, so the provision applies to all other counties. She said she will find out the figures.

Question was called on the motion that the Kavanagh two-page amendment to the 33-page Kavanagh strike-everything amendment to SB1621 dated 3/31/11 (Attachment 38) be adopted. The motion carried.

Vice-Chairman Court moved that the Kavanagh 33-page strike-everything amendment to SB1621 dated 3/31/11 (Attachment 37) as amended be adopted. The motion carried.

Vice-Chairman Court moved that SB1621 as amended do pass.

Brad Carlyon, Navajo County Attorney; Arizona Prosecuting Attorneys' Advisory Council, spoke in opposition to the strike-everything amendment to SB1621. He stated that shifting where certain prisoners are held is a de facto reclassification that will impact behavior and public safety. Felony offenders will be treated no differently than minor misdemeanor offenders, which should be evaluated, but at least there is another year to further discuss this, which is appreciated.

Nicole Stickler, Executive Director, Arizona Association of Counties, stated that she is opposed to the strike-everything amendment to SB1621, especially shifting the responsibility for incarcerating inmates back to the counties. Since these offenses have been classified as felonies dating back to 1977, the sentences have always been served in prison. The Members should have received letters from county sheriffs stating that paying for state offenders to be incarcerated will have a negative impact on county budgets, and as a result, the amount of money available for county jails. She questioned why a proposal that is not going to be implemented

until 2013 is in the budget for FY 2012. If there is more time to discuss this issue, she would prefer to see the inmate shift not included for FY 2012.

Names of persons who signed up in opposition to the strike-everything amendment to SB1621 but did not speak:

Jack LaSota, Lobbyist, representing self
Connie Andersen, Valley Interfaith Project
Cammy Darris, Navajo County Assessor
Laurie Justman, Navajo County Recorder, representing self
Carl Taylor, Supervisor, Coconino County Board of Supervisors
Elizabeth Archuleta, Supervisor, Coconino County Board of Supervisors
Matt Ryan, Supervisor, Coconino County Board of Supervisors
Mandy Metzger, Supervisor, Coconino County Board of Supervisors
Lena Fowler, Supervisor, Coconino County Board of Supervisors, District 5
Tom Finnerty, representing self
Joanne Keene, Government Relations Director, Coconino County
Buster Johnson, Mohave County Supervisor, District 3
Donna Hamm, Executive Director, Middle Ground Prison Reform
Andrew Kunasek, Supervisor, Maricopa County Board of Supervisors
Max Wilson, Supervisor, Maricopa Taxpayers
Derek Rapier, Greenlee County Attorney
Michael Racy, Lobbyist, Pima County
Craig Sullivan, Deputy Director, County Supervisors Association

Question was called on the motion that SB1621 as amended do pass. The motion carried by a roll call vote of 9-3-0-1 (Attachment 40).

SB1622 - general government; 2011-2012; budget reconciliation - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1622 do pass.

Vice-Chairman Court moved that the Kavanagh five-page strike-everything amendment to SB1622 dated 3/30/11 (Attachment 41) be adopted.

Michelle Hindman, Majority Research Analyst, Government Committee, explained that the strike-everything amendment to SB1622 (Attachment 41) makes changes related to general government necessary to implement the FY 2011-2012 state budget (Attachment 42).

Vice-Chairman Court moved that the Kavanagh six-line amendment to the Kavanagh five-page strike-everything amendment to SB1622 dated 3/31/11 (Attachment 43) be adopted.

Ms. Hindman explained that the Kavanagh six-line amendment to the strike-everything amendment to SB1622 revises provisions relating to transfer of the unencumbered Polly Rosenbaum monies. One-half is to be transferred to Legislative Council for the alteration, renovation and repair of buildings under the control of the Legislature, and the remaining half is

to be transferred to the Capital Outlay Stabilization Fund and appropriated to the Department of Administration for FY 2011-2012 (Attachment 43).

In response to a question, she advised that the Department of Housing is being continued for one year. The agency is due for a sunset hearing this year. A House bill to continue the agency for 10 years was held in Senate Rules.

Question was called on the motion that the Kavanagh six-line amendment to the Kavanagh five-page strike-everything amendment to SB1622 dated 3/31/11 (Attachment 43) be adopted. The motion carried.

Vice-Chairman Court moved that the Kavanagh five-page strike-everything amendment to SB1622 dated 3/30/11 (Attachment 41) as amended be adopted. The motion carried.

Vice-Chairman Court moved that SB1622 as amended do pass. The motion carried by a roll call vote of 9-3-0-1 (Attachment 44).

Names of persons who signed up in opposition to the strike-everything amendment to SB1622 but did not speak:

Valerie Iverson, Executive Director, Arizona Housing Alliance

SB1623 - regulation; 2011-2012; budget reconciliation - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1623 do pass.

Vice-Chairman Court moved that the Kavanagh 15-page strike-everything amendment to SB1623 dated 3/28/11 (Attachment 45) be adopted.

Chris Stapley, Majority Assistant Research Analyst, Appropriations Committee, explained that the strike-everything amendment to SB1623 (Attachment 45) makes statutory and session law changes related to government regulation in order to implement the FY 2011-2012 state budget (Attachment 46).

Question was called on the motion that the Kavanagh 15-page strike-everything amendment to SB1623 dated 3/28/11 (Attachment 45) be adopted. The motion carried.

Vice-Chairman Court moved that SB1623 as amended do pass. The motion carried by a roll call vote of 9-3-0-1 (Attachment 47).

SB1624 - environment; 2011-2012; budget reconciliation - DO PASS AMENDED S/E
S/E: same subject

Vice-Chairman Court moved that SB1624 do pass.

Vice-Chairman Court moved that the Kavanagh six-page strike-everything amendment to SB1624 dated 3/29/11 (Attachment 48) be adopted.

Vice-Chairman Court moved that the Kavanagh 19-line amendment to the Kavanagh six-page strike-everything amendment to SB1624 dated 3/31/11 (Attachment 49) be adopted.

Brooke Olguin, Majority Research Analyst, Banking and Insurance/Environment Committees, explained that the strike-everything amendment to SB1624 (Attachment 48) makes temporary and permanent law changes relating to the environment in order to implement the FY 2011-2012 state budget (Attachment 50). The Kavanagh 19-line amendment to the strike-everything amendment to SB1624, in permanent law, allows the Department of Water Resources (DWR) to collect a fee from each municipality in Arizona rather than from only municipalities with 10,000 people or more and requires the fees to be assessed proportionately based on population (Attachment 49).

Mr. Jones questioned why the language relating to fees is being made permanent rather than session law. Ms. Olguin stated that she will find out and let him know.

Question was called on the motion that the Kavanagh 19-line amendment to the Kavanagh six-page strike-everything amendment to SB1624 dated 3/31/11 (Attachment 49) be adopted. The motion carried.

Vice-Chairman Court moved that the Kavanagh three-line amendment to the strike-everything amendment to SB1624 dated 3/31/11 (Attachment 51) be adopted.

Ms. Olguin explained that the Kavanagh three-line amendment to the strike-everything amendment to SB1624 strikes the provisions continuing the Department of Environmental Quality's fee increase authority and the cap placed on generation of those fees (Attachment 51).

Question was called on the motion that the Kavanagh three-line amendment to the Kavanagh six-page strike-everything amendment to SB1624 dated 3/31/11 (Attachment 51) be adopted. The motion carried.

Ms. Alston moved that the Alston three-line amendment to the Kavanagh six-page strike-everything amendment to SB1624 dated 3/31/11 (Attachment 52) be adopted.

Ms. Alston explained that the Alston three-line amendment to the strike-everything amendment to SB1624 (Attachment 52), which she drafted at the request of Representative Chester Crandell, gives the Gila County Sheriff a portion of the law enforcement and boating safety funds. The Sheriff called to let her know that Gila County has been left out of the funding, which is needed to police and patrol Roosevelt Lake.

Mr. Jones stated that a bill is moving through the Senate that is currently in Senate Rules to move the Lake Enforcement Fund to the Arizona Game and Fish Department. The \$750,000 and

additional monies from Game and Fish in the Fund will be distributed to the sheriffs, which was not done last year.

Mr. Williams asked if the Alston three-line amendment changes the overall bottom line figure or if it is just a reapportionment to the counties. Ms. Olguin answered that it will not change the bottom line; it is only a redistribution of money.

Representative Chester Crandell stated that if the bill mentioned by Mr. Jones continues moving through the Senate, there will be more money to distribute among all of the sheriffs.

Discussion followed after which Mr. Campbell suggested that it may be better to revisit the issue on the Floor.

Ms. Alston withdrew the motion that the Alston three-line amendment to the strike-everything amendment to SB1624 dated 3/31/11 (Attachment 52) be adopted.

Jason Baran, Policy and Intergovernmental Relations Manager, Arizona Municipal Water Users Association (AMWUA), indicated a neutral position on the strike-everything amendment to SB1624. He said he has concerns that are exacerbated by the Kavanagh 19-line amendment, which makes the municipal fee a permanent statutory enactment rather than session law. This creates and enhances some of the problems with tax equity about who is paying the fees and receiving what services from the Arizona Department of Water Resources (ADWR). AMWUA supports the ADWR but wants to ensure that the people paying the fees into the Fund to make sure ADWR is well funded are the people who receive the benefits. Also, there is unfettered and unlimited rulemaking authority for the ADWR Director, which is a concern after having gone through an extensive fee negotiation process over the last two years.

Names of persons who signed up in opposition to the strike-everything amendment to SB1624 but did not speak:

Sandy Bahr, Conservation Director, Sierra Club - Grand Canyon Chapter

Vice-Chairman Court moved that the Kavanagh six-page strike-everything amendment to SB1624 dated 3/29/11 (Attachment 48) as amended be adopted. The motion carried.

Vice-Chairman Court moved that SB1624 as amended do pass. The motion carried by a roll call vote of 9-3-0-1 (Attachment 53).

Without objection, the meeting adjourned at 10:12 p.m.

Linda Taylor, Committee Secretary
May 3, 2011

(Original minutes, attachments and audio on file in the Chief Clerk's Office; video archives available at <http://www.azleg.gov>)