

ARIZONA HOUSE OF REPRESENTATIVES
Fiftieth Legislature – Second Regular Session

COMMITTEE ON APPROPRIATIONS

Minutes of Meeting
Wednesday, February 15, 2012
House Hearing Room 1 -- 2:00 p.m.

Chairman Kavanagh called the meeting to order at 3:10 p.m. and attendance was noted by the secretary.

Members Present

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

Members Absent

Mrs. Ugenti (excused)

Committee Action

HB2340 - DPA (11-0-0-2)	HB2791 - DPA (8-4-0-1)
HB2492 - DP (10-0-0-3)	HCR2036 - DPA (8-3-0-2)
HB2646 - DP (11-0-0-2)	HCR2037 - DP (8-3-0-2)

CONSIDERATION OF BILLS

HB2646 - pharmacy board; transfer of monies - DO PASS

Vice-Chairman Olson moved that HB2646 do pass.

Stuart Luther, Majority Intern, explained that HB2646 allows the Executive Director of the Arizona State Board of Pharmacy to transfer monies to the Arizona Poison and Drug Information Center (Attachment 1).

Representative Ted Vogt, sponsor, stated that this bill allows the State Board of Pharmacy to transfer up to \$1 million per year to the Arizona Poison and Drug Information Center, which services every county, except Maricopa County, via phone or in homes. In response to a question, he indicated that Banner Health handles Maricopa County; that model is like a referral system where callers are advised whether or not to go to the hospital.

Timothy Bee, Associate Vice President, State Relations, University of Arizona (UA), in support of HB2646, introduced Keith Boesen and Dr. Mazda Shirazi from the Center.

Keith Boesen, Director, Arizona Poison and Drug Information Center, spoke in support of HB2646. He related that the Center was established in 1953 at the UA College of Pharmacy and specialists on the phone are pharmacists. It is a 24-hour, 7-day-per-week operation, and for 70 percent of the phone calls, the patients are managed at home saving the state over \$30 million. Since the last budget cuts, the Center has accrued a debt with the College of Pharmacy of about \$600,000 per year, so funding from the Board will replace that gap while efforts are made to recuperate other costs. In response to a question, he discussed other fund sources.

Jeff Gray, Legislative Liaison, Arizona Pharmacy Alliance, spoke in favor of HB2646. He related that without the Center, accreditation for the College of Pharmacy is in question. Also, many of the pharmacists who will be graduating from the College of Pharmacy work in the Center during training. This is intended to be a temporary measure.

Vice-Chairman Olson announced the names of those who signed up in support of HB2646 but did not speak:

David Landrith, Vice President of Policy & Political Affairs, Arizona Medical Association

Steve Miller, Deputy Vice President, Public Affairs, Arizona State University

Christine Thompson, Assistant Vice President for Government Affairs, Arizona Board of Regents

Hal Wand, Executive Director, Arizona State Board of Pharmacy

Beth Sauer, Government Relations Analyst, University of Arizona

Kelly Ridgway, Chief Executive Officer, Arizona Pharmacy Alliance

Chairman Kavanagh remarked that he checked with pharmacy trade groups, which support the bill.

Question was called on the motion that HB2646 do pass. The motion carried by a roll call vote of 11-0-0-2 (Attachment 2).

HB2340 - legislative consideration; trust funds; requirements - DO PASS AMENDED

Vice-Chairman Olson moved that HB2340 do pass.

Vice-Chairman Olson moved that the Kavanagh 10-line amendment to HB2340 dated 2/9/12 (Attachment 3) be adopted.

Stuart Luther, Majority Intern, explained that HB2340 requires anyone proposing to turn an existing statutory fund into a trust fund to submit a letter to the chairman of the committee considering the legislation outlining if the fund meets certain criteria (Attachment 4). The amendment removes the requirement of a written letter, stipulates requirements that must be met in order to be reclassified as a trust fund and requires the legislative standing committee considering the legislation to affirm that a fund meets the requirements to be reclassified as a trust fund (Attachment 3).

Mr. Jones, sponsor, stated that several funds were established as trust funds last session, about which Chairman Kavanagh voiced concern. In subsequent subcommittee hearings, testimony was taken and a consensus was reached on prerequisite characteristics for consideration of trust fund status and the process, which are contained in this bill with the amendment.

Shelly Tunis, Attorney, Yuma Fresh Vegetable Association, stated that she represents farmers, shippers and agriculture-related businesses in the Yuma area, which support the bill and the amendment. This bill will protect funds that are important for food safety and research into food safety.

John Boelts, Board Member, Yuma Fresh Vegetable Association; Chairman, Arizona Iceberg Lettuce Research Council, expressed support for the bill and the amendment.

Robert Shuler, Western Growers; Arizona Crop Protection Association, in favor of HB2340, endorsed the amendment.

Chairman Kavanagh stated that HB2340 is the result of interim committees on the budget. It was decided that a method is needed to differentiate between a fund that can be swept and may contain excess state revenue or revenues not spent versus a trust fund where industry people submit money for a specific purpose. In response to a question, he indicated that the standing committee will affirm that the fund seeking reclassification meets the factors by taking a vote after hearing testimony.

Names of persons who signed up in support of HB2340 but did not speak:
Chris Udall, Executive Director, Agri-Business Council of Arizona

Question was called on the motion that the Kavanagh 10-line amendment to HB2340 dated 2/9/12 (Attachment 3) be adopted. The motion carried.

Vice-Chairman Olson moved that HB2340 as amended do pass. The motion carried by a roll call vote of 11-0-0-2 (Attachment 5).

HB2492 - White Mountain Apache; settlement; appropriation - DO PASS

Vice-Chairman Olson moved that HB2492 do pass.

Paul Benny, Majority Assistant Research Analyst, explained that HB2492 appropriates \$2 million from the state General Fund to the Department of Administration (DOA) in FY 2012-2013 to comply with the White Mountain Apache Tribe (WMAT) water rights settlement (Attachment 6).

Mr. Jones, sponsor, stated this bill passed out of the Water and Agriculture Committee with no dissent. One of the concerns raised was whether the \$214 million pledged by the federal government to match the \$2 million will be forthcoming; at least half is already on deposit and the balance will be supplied as the project goes forward.

Chairman Kavanagh announced the names of those who signed up in support of HB2492 but did not speak:

Leah Hubbard, Intergovernmental Relations Coordinator, Town of Gilbert
Bas Aja, Director, Government Relations, Arizona Cattlemen's Association
Don Isaacson, Central Arizona Project
Bridget Manock, Manager of Legislative Affairs, Central Arizona Project
Chris Udall, Executive Director, Agri-Business Council of Arizona
Lyn White, Manager, Government Relations, Freeport-McMoRan Copper & Gold
Norman Moore, Attorney, Central Arizona Project
John Wayne Gonzales, Legislative Liaison, City of Phoenix
Michelle Bolton, Vice President of Public Affairs, Greater Phoenix Chamber of Commerce
Rebecca Hudson, Environmental Policy Analyst, Arizona Chamber of Commerce and Industry
Jenn Daniels, Vice Mayor, Town of Gilbert, representing self
Douglas Dunham, Liaison, Arizona Department of Water Resources
Jeffrey Kros, Legislative Director, Arizona Municipal Water Users Association
Bob Brauchli, Attorney, White Mountain Apache Tribe
David Brown, representing self
Jeff Gray, Legislative Liaison, City of Phoenix
Jane Alfano Rasor, representing self
Shane Leonard, Associate General Manager, Roosevelt Water Conservation District

Senator Sylvia Allen, representing self, remarked that many Native Americans live on reservations without the convenience of running water because the infrastructure was never built. This is a small investment compared to the funding the federal government will provide, which is already in an account waiting for the project to begin.

Sandy Fabritz Whitney, Director, Arizona Department of Water Resources (ADWR), in favor of HB2492, said this bill is about getting water to communities that have long been without water and provides certainty to water users in central Arizona. Those who are party to this bill will benefit by having a long-term assured water supply, which is something that is desperately needed for the entire state.

Ronnie Lupe, Tribal Chairman, White Mountain Apache Tribe, in favor of HB2492, testified that the entire White Mountain region and the entire Phoenix Valley will benefit from this appropriation becoming a part of the water project on the reservation. There will be new opportunities for jobs and prosperity for the entire state. He provided written testimony (Attachment 7).

Question was called on the motion that HB2492 do pass. The motion carried by a roll call vote of 10-0-0-3 (Attachment 8).

HB2791 - limitation on state expenditures - DO PASS AMENDED

Mr. Jones moved that HB2791 do pass.

Mr. Jones moved that the Kavanagh 13-line amendment to HB2791 dated 2/15/12 (Attachment 9) be adopted.

Paul Benny, Majority Assistant Research Analyst, explained that HB2791 establishes a state General Fund revenue limitation and outlines guidelines for growth and reductions in revenues (Attachment 10). The amendment contains the following provisions (Attachment 9):

- Modifies the definition of *state General Fund revenues*.
- Changes the date the JLBC is required to determine and publish the actual amount and estimated amount of General Fund revenue from April 1 to January 1.
- Removes the requirement for the Joint Legislative Budget Committee to separately adjust the maximum amount of budgeted General Fund revenues for the state's Medicaid services, the Arizona Department of Corrections by caseload growth and K-12 funding.

Representative Debbie Lesko, sponsor, said this is a modified version of HB2707 from last year, which was vetoed by the Governor. It changes the mechanism used to calculate the revenue limit from population and inflation in last year's bill to a 20-year rolling average of revenue growth over the last 20 years, without the top two and bottom two outliers, which she hopes will address the Governor's concerns. She added that she is working with other Members who have spending limit bills to accomplish one united goal.

In response to questions, Representative Lesko indicated that she requested figures from over the last decade calculated as if this formula had been used. The current revenue limit is high compared to what the majority of the Legislature prefers and has not been touched, so it is moot. The bill attempts to set a reasonable spending limit so budget cuts are not necessary.

Chairman Kavanagh related that under the current revenue limit, for FY 2013, with Arizona's personal income estimate being \$253 billion, the state would be able to spend \$18.8 billion, so in his opinion, the present limit is a joke. Mr. Campbell submitted that the state has not approached that limit and the Legislature should not tie the hands of future legislators with this type of action.

Discussion followed among the Members, after which Representative Lesko clarified provisions of the bill in response to questions.

Mike Huckins, Majority Research Analyst, advised that the bill does not prohibit fund sweeps from occurring, but limits the overall spending level.

Chairman Kavanagh noted that if HB2791 passes, the spending limits in FY 2014 would be \$9.7 billion; in FY 2015 \$9.6 billion and in FY 2016 \$9.2 billion.

Mr. Williams asked if Representative Lesko will entertain dialogue about prohibiting the Legislature from making sweeps from the Highway User Revenue Fund and private sector enterprise funds. Representative Lesko responded that she is willing to discuss the issue.

Discussion followed among the Members about budget cuts.

Representative Lesko stated that for FY 2014, current JLBC baseline spending is \$8.6 billion; under this plan, in FY 2015, the revenue limit would be \$9.6 billion and JLBC baseline spending \$8.9 billion. It will not even out until FY 2019 when the revenue limit and JLBC baseline

spending will be \$9.2 billion. She noted that since this is a statutory change, if a major situation occurred, the majority of any Legislature can make changes.

Chairman Kavanagh stated that the figures calculated out to FY 2016 show no reduction in spending, and as the 20-year rollout progresses, the spending limit will increase.

Mr. Jones announced the names of those who signed up in opposition to HB2791 but did not speak:

Christy Farley, Executive Director, Northern Arizona University

Steve Miller, Deputy Vice President, Public Affairs, Arizona State University

Christine Thompson, Assistant Vice President for Government Affairs, Arizona Board of Regents

Heather Bernacki, Government Relations Associate, East Valley Chambers of Commerce Alliance

Beth Sauer, Government Relations Analyst, University of Arizona

Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association

Seth Apfel, representing self

Timothy Bee, Associate Vice President, State Relations, University of Arizona

Charles Essigs, Director of Government Relations, Arizona Association of School Business Officials

Mr. Jones announced the names of those who signed up in support of HB2791 but did not speak:

Linda Brickman, Arizona Chapter Leader, ACT for America, representing self

Byron Schlomach, Economist, Goldwater Institute

Tom Jenney, Arizona Director, Americans for Prosperity

Question was called on the motion that the Kavanagh 13-line amendment to HB2791 dated 2/15/12 (Attachment 9) be adopted. The motion carried.

Mr. Jones moved that HB2791 as amended do pass. The motion carried by a roll call vote of 8-4-0-1 (Attachment 11).

HCR2036 - state budget requirements; process - DO PASS AMENDED

Vice-Chairman Olson moved that HB2036 do pass.

Vice-Chairman Olson moved that the Olson two-line amendment to HCR2036 dated 02/10/2012 (Attachment 12) be adopted.

Mike Huckins, Majority Research Analyst, explained that HCR2036, upon voter approval, amends the Arizona Constitution to require the Legislature to enact a state budget by May 31 of each year in which state General Fund (GF) appropriations do not exceed GF revenues and outlines procedures if the Legislature does not enact the budget by the specified date or if the adopted budget falls out of balance (Attachment 13). The amendment clarifies that the special session called by the Governor will be to address the state budget (Attachment 12).

Vice-Chairman Olson, sponsor, related that this legislation requires that the state balance the budget prior to the fiscal year beginning, based on estimates, and if any quarterly projections

from the Joint Legislative Budget Committee (JLBC) or the Governor's Office of Strategic Planning and Budgeting (OSPB) identify a deficit, a special session must be held to address the deficit. This is an attempt to ensure that fiscal matters of the state are addressed and deficits are not allowed to go on so long that it is necessary to use budget gimmicks, such as rollovers and borrowing. In response to a question, he indicated that the legislation does not address current outstanding debt.

Mr. Huckins, in response to a question, advised that the legislation does not prohibit the Legislature from sweeping funds.

Mr. Williams asked Vice-Chairman Olson if he would consider amending the legislation to stop the use of fund sweeps from the Highway User Revenue Fund, 90-10 boards or fees that are paid by private industries. Vice-Chairman Olson responded that he is willing to look into how that can be accomplished or whether it is accomplished with this legislation.

Mr. Jones expressed concern that the structural debt may make the state structurally unbalanced in ensuing years until the debt is retired, which should be addressed. Also, certain revenues are seasonal so some quarters could be out of balance because of the way monies are received and spent by agencies. Vice-Chairman Olson replied that the intent is that JLBC will forecast the revenues for the year every quarter and evaluate all of that in the estimates.

Mrs. Tovar asked about the cost to taxpayers with the new reporting system and potential special sessions. Vice-Chairman Olson replied that JLBC and OSPB already provide these services to the state. There may be some cost to special sessions, but it is the responsibility of the Legislature to address any deficit, which saves taxpayer dollars by balancing the budget. It is hypothetically possible to hold four special sessions per year, but it would only be under circumstances in which the Legislature is notified there is a deficit. This legislation puts pressure on the Legislature and Governor not to overestimate revenues or underestimate expenditures.

Mrs. Tovar suggested that an estimate of the minimum cost for special sessions be provided on the ballot. Vice-Chairman Olson indicated that the cost of not holding a special session far outweighs not passing a balanced budget, so he does not support the suggestion.

Names of persons who signed up in opposition to HCR2036 but did not speak:

Heather Bernacki, Government Relations Associate, East Valley Chambers of Commerce Alliance

Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association

Seth Apfel, representing self

Question was called on the motion that the Olson two-line amendment to HCR2036 dated 02/10/2012 (Attachment 12) be adopted. The motion carried.

Vice-Chairman Olson moved that HCR2036 as amended do pass. The motion carried by a roll call vote of 8-3-0-2 (Attachment 14).

HCR2037 - budget stabilization fund; expenditures - DO PASS

Vice-Chairman Olson moved that HCR2037 do pass.

Mike Huckins, Majority Research Analyst, explained that HCR2037, upon voter approval, would modify the criteria for transferring monies from the Budget Stabilization Fund (BSF) to the state General Fund (Attachment 15).

Vice-Chairman Olson, sponsor, stated that this is another component in the attempt to address the fiscal crisis the state has been in recent budget cycles. It relates to the BSF for which the statutory formula has never been followed; the intent is to place restrictions on the BSF so it can serve its purpose.

Mr. Campbell pointed out that there is no provision to provide funds from the BSF in the event of an emergency, health crisis, etc. Vice-Chairman Olson indicated that the BSF is not an emergency fund; the purpose is to stabilize the budget. The BSF needs to be protected, otherwise it will be spent. A lengthy discussion followed.

Vice-Chairman Olson announced the names of those who signed up in opposition to HCR2037 but did not speak:

Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association

Question was called on the motion that HCR2037 do pass. The motion carried by a roll call vote of 8-3-0-2 (Attachment 16).

Without objection, the meeting adjourned at 5:17 p.m.

Linda Taylor, Committee Secretary
March 13, 2012

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