

ARIZONA HOUSE OF REPRESENTATIVES
Fiftieth Legislature – Second Regular Session

COMMITTEE ON APPROPRIATIONS

Minutes of Special Meeting
Tuesday, February 21, 2012
House Hearing Room 1 -- 8:00 a.m.

Chairman Kavanagh called the meeting to order at 8:12 a.m. and attendance was noted by the secretary.

Members Present

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

Members Absent

None

Committee Action

HB2852 - DP (9-4-0-0)	HB2858 - DP (9-4-0-0)
HB2853 - DP (9-4-0-0)	HB2859 - DP (9-4-0-0)
HB2854 - DP (9-4-0-0)	HB2860 - DPA (7-6-0-0)
HB2855 - DP (9-4-0-0)	ON RECONSIDERATION DP (9-3-0-1)
HB2856 - DP (8-5-0-0)	HB2861 - DP (9-4-0-0)
HB2857 - DP (9-4-0-0)	

CONSIDERATION OF BILLS

HB2852 - general appropriations; 2012-2013 - DO PASS

Mr. Fillmore moved that HB2852 do pass.

Mike Huckins, Majority Research Analyst, Appropriations Committee explained that HB2852 makes state General Fund and Other Fund appropriations and transfers for FY 2012-2013 for the operation of state government and makes various budget revisions and supplemental appropriations for FY 2011-2012 (Attachment 1). He added that the state will have an ending balance of \$308 million going into FY 2014, bringing total FY 2013 spending to \$8.65 billion. He responded to questions concerning the Debt Reduction Fund, full-time equivalents, the parity issue between the universities, fund shifts and the Highway User Revenue Fund (HURF).

Eric Jorgensen, Joint Legislative Budget Committee (JLBC), cited HURF collections for FY 2011 of \$600 million from motor vehicle fuel taxes and use taxes, \$322 million from the Vehicle License Tax (VLT) and \$156 million from registration fees. From those funds, \$10 million will be transferred to the Department of Public Safety (DPS) per statute and another \$86 million is shifted to DPS. Since FY 2001, about \$1 billion would have otherwise gone to highway construction. He responded to questions concerning the Special Employee Health Insurance Trust Fund (Attachment 3 - provided by Mr. Fillmore), Non-Medicaid Seriously Mentally Ill (SMI) funding and the Debt Reduction Fund.

Mr. Huckins responded to questions about drafting and availability of the bills.

Monica Attridge, Arizona Association of Providers for People with Disabilities (AAPPD), opposed to HB2852, testified that the state contracts for care with private community providers to serve families with children or relatives with developmental disabilities (DD) for which the providers are currently reimbursed 70 percent of actual costs. Budget cuts of 10 percent occurred almost three years ago and another five percent cut was made on October 1, 2011. Direct care workers earn less than state clients that perform the same duties. Providers are at the breaking point and need a five-percent increase (Attachment 2). She noted that the Arizona Long Term Care System (ALTCS) Fund has a balance of \$30 million as of the end of 2011, which could be used to draw down another \$20 million to \$24 million in federal funds that could be used for the five-percent increase. She responded to questions about DD clients.

Karen McLaughlin, Director of Budget & Research, Children's Action Alliance, opposed HB2852. She urged the Members to consider the following:

- Add \$6.5 million to lift the KidsCare freeze.
- Support the Governor's proposal to add \$50 million for reading instruction in elementary schools.
- Sustain Child Protective Services (CPS) adoption support for new families and Child Support Enforcement with \$50 million to the Department of Economic Security.

Ms. McLaughlin responded to questions regarding KidsCare and the impact of reductions to CPS.

Susan Bastian, Vice President, Quest Alliance, Inc, opposed HB2852. She requested restoration of five percent funding for providers who provide services for DD individuals, noting that the company was cut 15 percent when it was already operating below its 2006 level of funding. Additionally, the Division of Developmental Disabilities (DDD) imposed unfunded mandates.

Timothy Schmaltz, Coordinator, Protecting Arizona's Family Coalition, opposed HB2852. He said this budget does not invest in children, families and vulnerable adults, after three years of deep cuts; funds are available and it is time to invest. He submitted that it is outrageous to hurriedly work on this budget and call it transparent. There should be a 72-hour cooling-off period so the public and other people have time to analyze the budget and discussions can occur.

Chairman Kavanagh said the Committee will vote on the bills today, but there will be weeks for Mr. Schmaltz to present his case to Members before the full Legislature votes on the budget.

Mr. Schmaltz responded to questions about Temporary Assistance for Needy Families funding.

Barry Aarons, Lobbyist, Arizona Lodging and Tourism Association, neutral on HB2852, requested a modest infusion of \$7 million to the Arizona Office of Tourism (AOT). He stated this budget contains disproportionate funding for rural Arizona; many of the programs partnered with for tourism promotion are AOT grants for rural communities. Last year the Legislature appropriated \$25 million to the Arizona Commerce Authority, which was used to produce jobs. For about one-third of that amount, the tourism industry can produce the same or more jobs, the same or more revenue production and the same or more capital investment.

Brian Pfingstl, Vice President, S.E.E.K. Arizona, neutral on HB2852, spoke about cuts the DDD uniformly implemented to agencies like S.E.E.K. Arizona. He said he hopes everyone has an opportunity to peruse the legislation, which contains cuts to a very vulnerable population, and asked the Members to consider a five-percent rate restoration to address some of the damage inflicted over the last few years by the cuts.

Vice-Chairman Olson announced the names of those who signed up in opposition to HB2852 but did not speak:

Robert Halliday, Director, Arizona Department of Public Safety

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

Christy Farley, Executive Director, Northern Arizona University

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

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

Mark Jacoby, Executive Director, AAPPD; Gompers Habilitation Center

Craig McDermott, representing self

Jaime Molera, Lobbyist, Arizona Board of Regents

Michelle Kroeger, representing self

Peri Jude Radecic, Director of Public Advocacy, Arizona Center for Disability Law

Cletus Thiebeau, representing self

Kevin Adam, Rural Transportation Liaison, Rural Transportation Advocacy Council

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

Tom Betlach, Director, AHCCCS

David Hampton, Public Information Officer, Arizona Department of Veterans' Services

William Humble, Director, Arizona Department of Health Services

Robyn Nebrich, Executive Director, Arizona Students' Association

Aubrey Godwin, Director, Arizona Radiation Regulatory Agency

Joan Serviss, Executive Director, Arizona Coalition to End Homelessness

Michael Traylor, Director, Arizona Department of Housing

Charles Flanagan, Director, Arizona Department of Juvenile Corrections

Shaun Rieve, Legislative and Policy Analyst, Arizona Department of Gaming

Scott Hunt, Arizona State Forester

Jack Peterson, Arizona Department of Agriculture

Stanton Hovey, National Alliance of Mental Illness

John Blackburn Jr., Legislative Liaison, Arizona Criminal Justice Commission
Dick Zimmermann, representing self
Maria Baier, Board Member, Trust for Public Land, Arizona State Land Department

Vice-Chairman Olson announced the names of those who signed up as neutral on HB2852 but did not speak:

Kelsey Lundy, Arizona Highway Patrol Association
Bev Herman, representing self

Gina Judy, Chief Administrative Officer, Portable Practical Educational Preparation, Inc. (PPEP), opposed HB2852. She explained that PPEP provides social services to rural and remote areas of the state. Cuts have been experienced and services for persons with DD are eroding. One client who is not able to hold a job and has no family able to care for him had to move to a nursing home because providers could not go to his home since provider rates do not pay for gas. In response to a question, she related that the client now costs the state \$6,000 per month compared to \$1,000 per month when the client lived at home.

Jack Brown, Joint Legislative Budget Committee (JLBC), responded to questions about bonds in relation to the sale and lease-back of state buildings and securitization of the lottery, as well as a working capital surplus and investments.

Question was called on the motion that HB2852 do pass. The motion carried by a roll call vote of 9-4-0-0 (Attachment 4).

HB2853 - capital outlay; 2012-2013 - DO PASS

Vice-Chairman Olson moved that HB2853 do pass.

Stuart Luther, Majority Intern, explained that HB2853 appropriates funds for FY 2012-2013 to applicable agencies for the maintenance, repair, building renewal and preventative maintenance of state buildings (Attachment 5).

Vice-Chairman Olson announced the names of those who signed up in opposition to HB2853 but did not speak:

Craig McDermott, representing self

Question was called on the motion that HB2853 do pass. The motion carried by a roll call vote of 9-4-0-0 (Attachment 6).

HB2854 - state budget procedures; 2012-2013 - DO PASS

Vice-Chairman Olson moved that HB2854 do pass.

Paul Benny, Majority Assistant Research Analyst, explained that HB2854 makes statutory and session law changes related to the budget procedures in order to implement the FY 2012-2013 state budget (Attachment 7).

Mike Huckins, Majority Research Analyst, in response to a question, stated that the rental rates for office space in the bill are comparable to market rates.

Vice-Chairman Olson announced the names of those who signed up in opposition to HB2854 but did not speak:

Craig McDermott, representing self

Question was called on the motion that HB2854 do pass. The motion carried by a roll call vote of 9-4-0-0 (Attachment 8).

HB2855 - revenue; budget reconciliation; 2012-2013 - DO PASS

Vice-Chairman Olson moved that HB2855 do pass.

Daniel Gonzalez-Plumhoff, Majority Assistant Research Analyst, Ways and Means Committee, explained that HB2855 makes temporary and permanent law changes relating to state revenues in order to implement the FY 2012-2013 state budget (Attachment 9).

Vice-Chairman Olson announced the names of those who signed up in opposition to HB2855 but did not speak:

Craig McDermott, representing self

Question was called on the motion that HB2855 do pass. The motion carried by a roll call vote of 9-4-0-0 (Attachment 10).

HB2856 - government budget reconciliation; 2012-2013 - DO PASS

Vice-Chairman Olson moved that HB2856 do pass.

Mr. Williams moved that the two-page Williams amendment to HB2856 dated 02/20/2012 (Attachment 11) be adopted.

Michelle Hindman, Majority Research Analyst, Government Committee; Technology and Infrastructure Committee, explained that HB2856 makes changes related to general government necessary to implement the FY 2012-2013 state budget (Attachment 12). The amendment contains the following provisions (Attachment 11):

- Requires the Arizona Department of Transportation (ADOT) to establish and maintain a ledger that provides a detailed accounting of all reallocations or transfers of Highway User Revenue Fund (HURF) monies that were made by the Legislature but were not authorized by statute.
- Prescribes the information that must be in the ledger and how it is to be maintained.
- Requires the Legislature to consider budgeting repayments of monies that have been accounted for in the ledger from excess General Fund monies and any payments made against the ledger must be done solely at the discretion of the Legislature based on funding availability.
- Describes how proportional payments against the ledger shall be calculated.

Ms. Hindman responded to questions about the reduction in the Governor's Emergency Fund and Arizona State Retirement System (ASRS) contribution rates.

Mike Huckins, Majority Research Analyst, Appropriations Committee, responded to questions concerning the Debt Retirement Fund.

Vice-Chairman Olson assumed the Chair.

Eric Jorgensen, Joint Legislative Budget Committee, responded to questions about the Automation Projects Fund.

Mr. Williams stated that the amendment establishes a ledger for funds that have been taken from HURF, primarily Vehicle License Tax (VLT) and registration revenue, in the past 12 years amounting to \$1.5 billion. Any dollars swept from HURF beginning January 1, 2012 will be recognized as debt to the State Highway Fund (SHF) and, at some point in time, the Legislature will have discussions about repaying those funds. Discussion followed.

Chairman Kavanagh resumed the Chair.

Dale Wiebusch, Legislative Associate, League of Arizona Cities and Towns, neutral on HB2856, spoke in favor of the amendment. He noted that for work on road maintenance and construction, there is a bid limit that has to go to private companies, so HURF translates into jobs in communities. There is a backlog of repair work in cities and towns. When people pump gas into their gas tank, they pay a tax to be used for certain purposes. The repair, maintenance and construction of roads are the primary reasons HURF was established, which should be maintained.

A lengthy discussion followed, during which Mr. Williams pointed out that an informational hearing will be held during the Transportation Committee meeting on March 1, 2012 on a similar bill, HB2771. He added that he hopes to develop a formulaic solution.

Chairman Kavanagh asked Mr. Williams to withdraw the amendment since it will be discussed in the Transportation Committee hearing, which he committed to attend.

Mr. Williams withdrew the motion that the two-page Williams amendment to HB2856 dated 02/20/2012 (Attachment 11) be adopted.

Lesli Sorensen, Government Relations Officer, Arizona State Retirement System, neutral on HB2856, requested amendments to the contribution rate reversion portion of the bill:

- Include a date by which the refunds must be submitted to employees, by the end of the calendar year because the refunds will be taxable in this calendar year 2012.
- It should be specifically stated that the ASRS is permitted to rebalance the members' contribution accounts, which, under current law, can only be done with a mistake of fact. This is not a mistake of fact; it is a change in the law.

- State that the employers must make the adjusting transactions with the ASRS by June 30, 2012 in order to close the fiscal year and begin the next fiscal year.
- Include an emergency clause so all of the adjustments to the systems can be made by June 30, 2012.

Vice-Chairman Olson announced the names of those who signed up in opposition to HB2856 but did not speak:

Craig McDermott, representing self

Vice-Chairman Olson announced the names of those who signed up in support of HB2856 but did not speak:

David Martin, Lobbyist, Arizona Associated General Contractors

Question was called on the motion that HB2856 do pass. The motion carried by a roll call vote of 8-5-0-0 (Attachment 13).

HB2857 - health; welfare; budget reconciliation; 2012-2013 - DO PASS

Vice-Chairman Olson moved that HB2857 do pass.

Ingrid Garvey, Majority Research Analyst, Health and Human Services Committee, explained that HB2857 includes provisions related to health and welfare necessary to implement the FY 2012-2013 state budget affecting the Arizona Department of Administration (ADOA), the Arizona Department of Economic Security (DES), the Arizona Health Care Cost Containment System (AHCCCS) and the Arizona Department of Health Services (DHS) (Attachment 14). She responded to a question concerning the \$9.2 million allocation to private hospitals for disproportionate share payments (DSH).

Mike Huckins, Majority Research Analyst, Appropriations Committee, in response to a question, stated that the appropriation for the Attorney General for arbitration regarding the tobacco tax was included in footnote language in HB2852, allowing AHCCCS to use up to \$1.2 million for that purpose.

Vice-Chairman Olson announced the names of those who signed up in opposition to HB2857 but did not speak:

Craig McDermott, representing self

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

Tom Betlach, Director, AHCCCS

William Humble, Director, DHS

Stanton Hovey, National Alliance on Mental Illness

Clarence Carter, Director, DES

Question was called on the motion that HB2857 do pass. The motion carried by a roll call vote of 9-4-0-0 (Attachment 15).

HB2858 - K-12 education; budget reconciliation; 2012-2013 - DO PASS

Vice-Chairman Olson moved that HB2858 do pass.

Vice-Chairman Olson moved that the 11-page Williams amendment to HB2858 dated 02/20/2012 (Attachment 16) be adopted.

Brooke White, Majority Research Analyst, Education Committee; Higher Education, Innovation and Reform Committee, explained that HB2858 makes statutory and session law changes related to K-12 education and the implementation of the FY 2012-2013 state budget (Attachment 17). The amendment allows a Joint Technological Education District (JTED) to include ninth-grade students in its Average Daily Membership (ADM) calculations, but excludes ninth-grade students who enroll in a career exploration course from ADM, and decreases JTED state aid from 91 percent to 56.6 percent (Attachment 16).

Mr. Williams stated that when changes and reductions were made to technical education in the Appropriations Committee last year, the ability for JTEDs to hold ninth-grade educational classes was eliminated.

Steve Schimpp, Joint Legislative Budget Committee (JLBC), responded that ninth-grade students can still take the classes, but are not counted in the ADM formula. With the amendment, the districts that took a proportionately bigger “hit” will now be taking a state average “hit.” This proposal is supposed to be cost-neutral. Restoring freshmen would add \$39 million to JTED costs, so in order to take the \$39 million back so the state is still spending about \$50 million on JTEDs, the 91 percent adjustment factor that has been in the budget for the last few years will have to be adjusted to 56.6 percent.

Mr. Williams stated that he was contacted by Alan Storm, Superintendent, Pima County JTED, who is concerned about the amendment, so he will withdraw it. The intent is to equalize the reductions in spending from one-and-a-half years ago and provide flexibility to fully fund ninth-to-twelfth-grade-students. This would benefit Pima County because it has a larger proportion of ninth graders involved in JTED classes than other regions of the state.

Mr. Williams withdrew the motion that the 11-page Williams amendment to HB2858 dated 02/20/2012 (Attachment 16) be adopted.

Vice-Chairman Olson announced the names of those who signed up in opposition to HB2858 but did not speak:

Craig McDermott, representing self
Jennifer Loreda, Arizona Education Association

In response to a question, Mr. Schimpp related that the cumulative impact of funding for ADE is a decrease of \$27 million in the baseline, most of which is the homeowner’s rebate because of the affidavit requirement. There is no restoration of funds or funds for building maintenance; there is \$2.7 million in building renewal grant money.

Question was called on the motion that HB2858 do pass. The motion carried by a roll call vote of 9-4-0-0 (Attachment 18).

HB2859 - higher education; budget reconciliation; 2012-2013 - DO PASS

Vice-Chairman Olson moved that HB2859 do pass.

Brooke White, Majority Research Analyst, Education Committee; Higher Education, Innovation and Reform Committee, explained that HB2859 makes statutory and session law changes related to postsecondary education and the implementation of the FY 2012-2013 state budget (Attachment 19).

Vice-Chairman Olson announced the names of those who signed up in opposition to HB2859 but did not speak:

Craig McDermott, representing self

Robyn Nebrich, Executive Director, Arizona Students' Association

Tim Bee, University of Arizona, opposed to HB2859, stated that the major priorities of the university system have not yet been addressed in the budget. Those are the College of Medicine funding request and the parity request by Northern Arizona University and Arizona State University, both of which experienced tremendous growth in recent years. He responded to questions concerning the planned expansion of the College of Medicine.

Question was called on the motion that HB2859 do pass. The motion carried by a roll call vote of 9-4-0-0 (Attachment 20).

HB2860 - criminal justice; budget reconciliation; 2012-2013 - DO PASS AMENDED (CONTINUED BELOW)

Vice-Chairman Olson moved that HB2860 do pass.

Vice-Chairman Olson moved that the Williams three-page amendment to HB2860 dated 02/20/2012 (Attachment 21) be adopted.

Magdalena Jorquez, Majority Research Analyst, Judiciary Committee, explained that HB2860 enacts various statutory and session law changes to enact the FY 2012-2013 budget as it relates to criminal justice (Attachment 22). The amendment eliminates the allocation of Gang and Immigration Intelligence Team Enforcement Mission (GITEM) funds in the amounts of \$1.6 million to Maricopa County and \$500,000 to Pinal County and includes Pinal and Maricopa counties in the requirement to provide 25 percent of the cost of services (Attachment 21).

Mr. Williams stated that last year, an amendment took away GITEM dollars from Pima County and subsequent Floor amendments were made to other legislation that gave other counties besides Pinal and Maricopa counties a somewhat equal stance on receiving GITEM funds. This amendment reverts the language toward GITEM distribution dollars to what it was before last year's budget so all counties are on an equal basis based on per capita population.

Ms. Alston expressed concern that if the money goes directly to the Sheriff's Office with no oversight or approval by the county board of supervisors, the boards of supervisors could be obligated for continuing costs.

Mr. Williams responded that he is willing to work on the language as long as the impact to all 15 counties is of equal significance.

Mr. Campbell asked if the Arizona Department of Corrections (ADC) agrees with the removal of the analysis for private prisons in the state, which Ms. Jorquez indicated she will find out.

Mike Huckins, Majority Research Analyst, Appropriations Committee, in response to a question, conveyed that the Governor's proposal repeals the Request For Proposals (RFP) for the 5,000 private prison beds and requests authorization for an RFP for 2,000 private prison beds and funding from the Legislature for 500 public maximum security beds. Neither of the items are addressed or authorized in this legislation.

In response to questions, Ms. Jorquez clarified that the bill contains no funding for additional ADC or Department of Public Safety (DPS) officers and includes vehicles with protective armor, stun devices and other safety equipment as items that can be purchased by monies deposited in the Public Safety Equipment Fund. She agreed to provide information on the cost to counties with this bill.

Vice-Chairman Olson announced the names of those who signed up in opposition to HB2860 but did not speak:

Robert Halliday, Director, Arizona Department of Public Safety

Craig McDermott, representing self

Charles Ryan, Director, Arizona Department of Corrections

Vice-Chairman Olson announced the names of those who signed up in support of HB2860 but did not speak:

Craig Sullivan, County Supervisors Association

Richard Bohan, Director of Government Relations, Maricopa County Board of Supervisors

Vice-Chairman Olson announced the names of those who signed up as neutral on HB2860 but did not speak:

Kelsey Lundy, Arizona Highway Patrol Association

Question was called on the motion that the Williams three-page amendment to HB2860 dated 02/20/2012 (Attachment 21) be adopted. The motion carried.

Vice-Chairman Olson moved that HB2860 as amended do pass. The motion carried by a roll call vote of 7-6-0-0 (Attachment 23).

HB2861 - environment; budget reconciliation; 2012-2013 - DO PASS

Vice-Chairman Olson moved that HB2861 do pass.

Justin Riches, Majority Research Analyst, Transportation Committee; Environment Committee, explained that HB2861 makes temporary and permanent law changes related to the environment in order to implement the FY 2012-2013 state budget (Attachment 24).

Vice-Chairman Olson assumed the Chair.

Vice-Chairman Olson announced the names of those who signed up in opposition to HB2861 but did not speak:

Craig McDermott, representing self

Jim Buster, Legislative Liaison, Arizona Department of Environmental Quality

Ken Strobeck, Executive Director, League of Arizona Cities and Towns

Dale Wiebusch, Legislative Associate, League of Arizona Cities and Towns

Question was called on the motion that HB2861 do pass. The motion carried by a roll call vote of 9-4-0-0 (Attachment 25).

Chairman Kavanagh resumed the Chair.

HB2860 - criminal justice; budget reconciliation; 2012-2013 - DO PASS (ON RECONSIDERATION)
(CONTINUED FROM ABOVE)

Vice-Chairman Olson moved that, having voted on the prevailing side, the Appropriations Committee reconsider the action it took in passing HB2860 and that HB2860 be placed on the agenda for immediate reconsideration. The motion carried.

Mr. Williams moved that the Williams three-page amendment to HB2860 dated 02/20/2012 (Attachment 20) be adopted.

Mr. Williams asked for the Members' support of the amendment.

Chairman Kavanagh stated that some Members thought the previous vote was to remove the amendment, which is why the bill is being reconsidered.

Question was called on the motion that the Williams three-page amendment to HB2860 dated 02/20/2012 (Attachment 21) be adopted. The motion failed.

Question was called on the motion that HB2860 do pass. The motion carried by a roll call vote of 9-3-0-1 ON RECONSIDERATION (Attachment 26).

Without objection, the meeting adjourned at 11:45 a.m.

Linda Taylor, Committee Secretary
March 19, 2012

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