

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-first Legislature – Second Regular Session

COMMITTEE ON APPROPRIATIONS

Minutes of Meeting
Wednesday, February 19, 2014
House Hearing Room 1 -- 2:00 p.m.

Chairman Kavanagh called the meeting to order at 2:29 p.m. and attendance was noted by the secretary.

Members Present

Ms. Alston	Mr. Gray	Mrs. Ugenti
Mr. Boyer	Ms. Mach	Mr. Olson, Vice-Chairman
Mr. Campbell	Mr. Sherwood	Mr. Kavanagh, Chairman
Mr. Forese		

Members Absent

Mr. Kwasman (excused)

Committee Action

HB2620 – DP (9-0-0-2)	HB2697 – DP (6-4-0-1)
HB2624 – DP (8-1-0-2)	HCR2037 – DP (5-4-1-1)
HB2663 – DP (6-3-0-2)	

CONSIDERATION OF BILLS

HB2624 – Yarnell Hill memorial; appropriation – DO PASS

Vice-Chairman Olson moved that HB2624 do pass.

Katie Scates, Majority Research Intern, explained that HB2624 is an emergency measure that establishes the Yarnell Hill Memorial State Park, the Yarnell Hill Memorial Site Board, the Yarnell Hill Memorial Fund and appropriates \$500,000 in fiscal year (FY) 2014 to the Arizona State Parks Board (Attachment 1).

Vice-Chairman Olson stated that most memorials are funded with private donations and asked if information is available on memorials funded through a public appropriation. Ms. Scates indicated that she does not have the information and offered to obtain it.

Representative Karen Fann, sponsor, related that the site is on state land in the middle of nowhere. This bill is needed to authorize the State Land Department (SLD) to sell state land through the normal process involving an appraisal and auction, with the proceeds going to

education. The bill authorizes up to 240 acres, but the amount of land is not yet known because it will be necessary to figure out ingress and egress to the land; it may end up being only five or ten acres. The concept is strictly to create a memorial, the form of which has not yet been established. The memorial will be paid for through donations, not taxpayer money, and once it is built, it will fall under the jurisdiction of the Arizona State Parks Board. She clarified that a park will not be built in the area; it is strictly for a memorial.

Representative Fann indicated to Vice-Chairman Olson that she does not know the history in relation to spending General Fund revenue on memorials. She said she received a call from a widow of one of the firefighters who asked if the widows could put the money together and buy the site, so the state may end up not spending any money.

Mrs. Ugenti asked who will decide on the design and construction of the memorial. Representative Fann replied that a committee was established and members currently under consideration will be appointed by the House and Senate.

Frances Lechner, Communications Director, Yarnell Hill Recovery Group; Member, Yarnell Fire District Board; Yarnell Community Center Board, representing self, in support of HB2624, said that the 19 young men lost their lives for the Yarnell community, whose members want to make their sacrifice worthy by making the community even more cohesive. She related that development of the memorial is part of the healing and recovery process, which should be kept in mind as the project moves forward. She responded to questions concerning the location of the site.

Vice-Chairman Olson announced the names of those who signed up as neutral on HB2624 but did not speak:

Jay Ream, Lobbyist, Arizona State Parks
Bill Boyd, Arizona State Land Department

Vice-Chairman Olson announced the names of those who signed up in support of HB2624 but did not speak:

Tim Hill, representing self
Tim Carter, Yavapai County School Superintendent, representing self

Question was called on the motion that HB2624 do pass. The motion carried by a roll call vote of 8-1-0-2 (Attachment 2).

HB2663 – state budget; consensus forecast – DO PASS

Vice-Chairman Olson moved that HB2663 do pass.

Mike Huckins, Majority Research Analyst, explained that HB2663 requires the directors of the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSPB) to jointly compile consensus revenue forecasts (CRF) for the current and upcoming three fiscal years (FY) (Attachment 3).

Representative JD Mesnard, sponsor, stated that every year the Legislature goes through a budget process, which begins with estimating the amount of revenue that will be available, and

estimates are usually slightly off. Credit rating associations "ding" Arizona for not having a statutory formula. He provided a handout, *AAA Rating and Consensus Forecasting Information* (Attachment 4), noting that the commonality among states with good credit ratings is a statutory formula for consensus forecasting. With this bill, JLBC and OSPB will be on the same page.

Mr. Forese asked whether the average will be used if JLBC and OSPB have divergent revenue projections. Representative Mesnard answered affirmatively, referencing subsection B, paragraph 1, of the bill. Mr. Forese asked about the language in subsection B, paragraph 2, which states that the CRF must also consist of an estimate of all state revenue not included in the calculation required by paragraph 1.

Richard Stavneak, Director, Joint Legislative Budget Committee, explained that the three large categories, i.e., sales tax, individual income tax and corporate income tax, constitute approximately 90 percent of revenue. The revenue mentioned in paragraph 2 refers to minor categories of revenue such as the lottery, insurance, property, etc.

Mr. Sherwood asked for proof that the statutory formulas in other states are the reason for high credit ratings. Representative Mesnard responded that there is a tendency to have a high credit rating with the statutory formula. In addition to improving Arizona's credit rating, he opined that this bill will make the budget process more efficient.

Vice-Chairman Olson noted that there currently is not a revenue forecast for the next three years and questioned the actual impact of placing this language in statute. Representative Mesnard replied that in the last ten years, budgets estimates have been off by several hundred million dollars or over \$1 billion (Attachment 5). He is not sure this legislation will make it more accurate because the agencies are providing best guesses. This is an attempt to make the process more efficient and potentially improve Arizona's standing with the credit rating agencies.

In response to a question from Ms. Mach, Representative Mesnard indicated that he did not look into the mechanisms in other states with good credit ratings or the accuracy of their estimates.

Mrs. Ugenti asked if there will be a consequence if the Governor does not want to adopt the budget that is decided upon. Representative Mesnard replied that a few years ago, the Legislature carried forward a negative balance and there was no consequence. He surmised that the Governor would need a rational justification to use a different number.

Vice-Chairman Olson announced the names of those who signed up in support of HB2663 but did not speak:

Scot Mussi, Arizona Free Enterprise Club

Question was called on the motion that HB2663 do pass. The motion carried by a roll call vote of 6-3-0-2 (Attachment 6).

HB2697 – legislative appropriations; state; federal; monies – DO PASS

Vice-Chairman Olson moved that HB2697 do pass.

Casey Baird, Majority Assistant Research Analyst, explained that HB2697 gives the Legislature the authority to appropriate noncustodial federal monies (Attachment 7). In response to a question, she indicated that the monies currently go to the Executive where they are designated to specific agencies. The Joint Legislative Budget Committee (JLBC) estimated that there could be \$10.6 billion available for spending.

Chairman Kavanagh pointed out that much of the \$10.6 billion is earmarked so there is limited flexibility to shift it around. He surmised that the bulk goes to health care and welfare. Ms. Baird clarified that 75 percent is used for health and welfare; 16.5 percent for education and the remainder for inspection and regulation, protection and safety, transportation, general government and natural resources.

Representative Bob Thorpe, sponsor, said this bill was introduced in the past. It follows the trend of other states that have placed all appropriations under the State Legislature, which he said he believes makes sense. This bill may provide more transparency for the public and the Legislature in tackling the budget.

Mr. Boyer asked why this funding does not pass through the Legislature. Representative Thorpe speculated that from 1912 to the present there has been an evolution of the types of funds going into state coffers and there have been huge increases, for example, for education and health. It would have been nice to think ahead and channel that money to the Legislature. The Arizona Constitution is mirrored after the U.S. Constitution and typically the budget is created in the House first.

Vice-Chairman Olson announced the names of those who signed up in support of HB2697 but did not speak:

Ann Heins, representing self
Ralph Heins, representing self

Vice-Chairman Olson announced the names of those who signed up in opposition to HB2697 but did not speak:

Pat VanMaanen, representing self

Question was called on the motion that HB2697 do pass. The motion carried by a roll call vote of 6-4-0-1 (Attachment 8).

HCR2037 – budget stabilization; transfers; prohibition – DO PASS

Vice-Chairman Olson moved that HCR2037 do pass.

Mike Huckins, Majority Research Analyst, explained that HCR2037, upon voter approval, would amend the Arizona Constitution to establish guidelines for transferring monies from the Budget Stabilization Fund (BSF), also known as the Rainy Day Fund (RDF), to the state General Fund (Attachment 9).

Vice-Chairman Olson, sponsor, stated that when funding is set aside with no restrictions on spending, it acts as an enticement to increase spending. This measure refers a constitutional amendment to the ballot to place protections on the RDF so it is available, when revenues

decline, to maintain current levels of government spending. It will assist the Legislature in avoiding the difficult process of raising taxes, cutting government spending and services or a combination of the two, during an economic downturn. A version of this bill made it to the Floor of the Senate in 2011 and fell short of passage by one vote; hopefully, it will be successful this session and supported by the voters so there is more predictability and stability in the budget process.

In response to questions, he discussed the fact that the RDF was tapped in the past when revenues began declining. He said he is willing to insert an emergency provision to allow access to the BSF in certain emergency situations upon official declaration of an emergency or disastrous situation by the Governor. In the event the Governor is unwilling to declare an emergency, language could be added to state that a two-thirds vote of the Legislature could override the Governor's decision.

Mr. Campbell opined that this is another step to the process that is unnecessary.

Chairman Kavanagh recalled that while the BSF was tapped when revenues were declining, the problem was that it was not used to stabilize the decline, it was used to continue increasing spending, which is the reason the massive "cliff" and cuts that had to be made were so painful. He endorsed an emergency provision.

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

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

Janice Palmer, Arizona School Boards Association

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

Scot Mussi, Arizona Free Enterprise Club

Bill Fathauer, Americans for Prosperity Arizona

Question was called on the motion that HCR2037 do pass. The motion carried by a roll call vote of 5-4-1-1 (Attachment 10).

HB2620 – appropriations; named claimants – DO PASS

Vice-Chairman Olson moved that HB2620 do pass.

Katie Scates, Majority Research Intern, explained that HB2620 appropriates \$193,632.27 from the state General Fund to pay claims against state agencies from previous fiscal years (Attachment 11).

Question was called on the motion that HB2620 do pass. The motion carried by a roll call vote of 9-0-0-2 (Attachment 12).

BUDGET PRESENTATION BY THE JOINT LEGISLATIVE BUDGET COMMITTEE

Department of Economic Security

Ben Beutler, Joint Legislative Budget Committee (JLBC), reviewed the fiscal year (FY) 2015 baseline budget for the Department of Economic Security (DES) (Attachment 13, pages 1-11).

Tom Ritland, Joint Legislative Budget Committee, continued the review of the FY 2015 baseline budget for DES relating to Developmental Disabilities (DD) (Attachment 13, page 12) and website links (page 13).

Clarence Carter, Director, Department of Economic Security, said he and Charles Flanagan are diligently working to fulfill the Governor's Executive Order to have the child welfare system set up as a stand-alone entity. It is very "delicate surgery" since child welfare has been inextricably woven into DES. In response to a question about interaction between the two agencies, he stated that there will need to be a constant interface between the child welfare system and all of the support services for strengthening individuals and families that DES will continue to administer.

In response to further questions, Mr. Carter discussed the need for the data center relocation. He indicated that the agreement with the Change in Innovation Agency (CIA) was made before his tenure began. The CIA was not contracted to fix caseload standards; the company was contracted to help DES unbundle processes that had developed over many years from new legislation, regulations and policies. The CIA helped the system become more efficient in order to better address issues of child safety; those efficiencies allowed DES to readdress the caseload standard. When asked by Mr. Campbell why the national caseload standard was not adopted, he indicated that any standard is only as good as the specificity of that jurisdiction; no standard should be allowed to stand on its own because it does not take into account the nature of that jurisdiction.

Mr. Campbell opined that the method used to establish the new caseload standards is not scientific; it is a predetermined outcome. Chairman Kavanagh pointed out that a separate special committee is dealing with Child Safety and Family Services (CSFS) processes and procedures so he is not sure it should be discussed by this Committee.

Mr. Campbell asked why the Executive budget is almost nonexistent in terms of additional funding for prevention services, foster families and support services. Mr. Carter responded that any question related to the forward movement of Arizona's child welfare system is much more appropriately directed to Mr. Flanagan. Chairman Kavanagh pointed out that he told people at Children's Action Alliance and First Things First (FTF) that the only way to obtain money for preventative programs is from a house concurrent resolution he sponsored to see if the voters want to divert about \$35 million from FTF to those programs. FTF would appropriate the money based on CSFS' determination of needs.

Charles Flanagan, Director, Division of Child Safety and Family Services, Department of Economic Security, responded to questions raised during the presentations made by JLBC.

Ms. Alston remarked that in last year's budget, DES was given \$5 million to provide intensive family services to keep children in the home rather than placing them in foster care. She questioned how the funds are being used and the results.

Michael Wisehart, Acting Deputy Assistant Director, Division of Child Safety and Family Services, Department of Economic Security, advised that the intensive family services line item of \$5 million appropriated last year is being utilized to provide intensive level in-home services to children and families currently in the system to keep children from being removed from their homes. The results are measurable, which he will provide to the Committee. Mr. Flanagan said science shows that intervention prevents worse outcomes later.

Mr. Campbell asked if prevention will be under CSFS or DES. Mr. Flanagan replied that CSFS is not a prevention agency; however, there is a prevention component. If the environment is entered quickly, it is possible to intervene, in most cases, to prevent worse outcomes. There may be interventions where CSFS will need to partner with DES to create a positive outcome in a family or community.

In response to further questions, Mr. Flanagan indicated that there is a tremendous amount of consensus behind the budget requested from the Governor to address the problem of the crushing workload with insufficient resources, which was identified in the Child Advocate Response Examination (CARE) Team report. Even if all of the resources were provided today, it will take at least six months to hire people who will need another six months of training before being able to work on their own in the field and do a credible job. The agency is seeking ways to create efficiencies, respond more effectively and produce better outcomes. Funding has been requested for replacement of the Children's Information Library and Data Source System (CHILDS) database, which is crucially needed. CSFS will be eligible for a 50 percent match from the federal government because the system has to align with requirements the federal government sets for child welfare databases.

Regarding the caseworker retention rate, Mr. Flanagan stated that the agency is currently losing between 25-30 percent of people who work in the field as investigators and caseworkers. The people the agency is losing are coming in and working under a crushing workload, in addition to not having direct supervision available. Efforts will be focused on hiring people who can deal with the workload and recruiting and retaining supervisors to reduce the ratio to one supervisor for six caseworkers. Supervisors cannot be doing the line staff's work and need to provide support, training and mentoring for employees in order to retain them.

Vice-Chairman Olson asked for a comparison of calls made to the call center during the time period shown on page 7 of the handout (Attachment 13) with the increase in out-of-home care. Mr. Flanagan indicated that he can provide the information. All of the calls to the call center have not been answered in the last few years. A systemic approach is needed to fix the problem, which includes implementing policies and procedures and following best practices.

Mr. Wisehart related that the agency experienced about a 10,000 increase in the number of reports to the call center since 2008, which represents about 30 percent.

PUBLIC TESTIMONY

Randall Gray, representing self, stated that he is the parent of a 21-year-old child with full spectrum autism. There is a dramatic need for funding for developmental disabilities (DD); the system is in crisis and he is very appreciative of JLBC's recommendation.

Ann Monahan, Chair, Arizona Association of Providers for People with Disabilities; Board President, Arizona Autism Coalition; Chief Executive Officer, HOPE Group, spoke in support of an increase in funding for DD. She stated that providers are currently funded at 2004 rates, with a 17 percent increase in autism in the past year. Rural infrastructure has been crumbling for years. Also, a large population of DD individuals is living longer and a huge group will soon be graduating from high school who need a place to go and something to do. She added that an increase above the JLBC recommendation would be appreciated, if that is a possibility.

Ms. Alston commented that a partial solution relating to training in the form of a bill that does not affect the General Fund is to provide money for a federal match for job training in DES through Rehabilitation Services Administration.

Vice-Chairman Olson announced the names of those who signed up in support of the DD provider increase:

Brandy Patrone, Arizona Association of Providers for People with Disabilities

Russ Schlichting, representing self

Christine Saeva, representing self

Steven King, representing self

Gina Judy, representing self

Kirsten Walker, representing self

Kristin Mancuso, representing self

Alycia Elfstrom, representing self

Without objection, the meeting adjourned at 5:20 p.m.

Linda Taylor, Committee Secretary
March 10, 2014

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