

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

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HOUSE OF
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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

April 3, 2012

The Chairman called the meeting to order at 8:10 a.m., Tuesday, April 3, 2012, in Senate Appropriations Room 109. The following were present:

Members:	Senator Shooter, Chairman	Representative Kavanagh, Vice-Chairman
	Senator Biggs	Representative Alston
	Senator Cajero Bedford	Representative Court
	Senator Crandall	Representative Fillmore
	Senator Klein	Representative Harper
	Senator Lopez	Representative Heinz
	Senator Murphy	Representative Jones
	Senator Yarbrough	Representative Tovar

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of January 31, 2012, Chairman Don Shooter stated that the minutes would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Requested Exchange of Fund Transfers for the Department of Environmental Quality.

Mr. James Alcantar, JLBC Staff, stated that this item is a review of the exchange of fund transfers for the Arizona Department of Environmental Quality (ADEQ). ADEQ proposes to exchange a total of \$3,145,700 in order to prevent negative fund balances in 2 of its funds. ADEQ proposes to replace the entire \$841,000 from the Water Quality Fee Fund and also to supplement \$2,304,700 of the Indirect Cost Recovery Fund transfer. Both of these will be with monies from the Emissions Inspection Fund. These exchanges would result in a total transfer from the Emissions Inspection Fund of \$11,200,000. There is no net change in total monies transferred to the General Fund.

The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review of the request for the exchange of fund transfers for ADEQ as shown in Table 1. The motion carried.

(Continued)

<u>Original Fund</u> ^{1/}	<u>Agency Fund</u> ^{2/}	<u>Transfer Amount</u>
Indirect Cost Recovery Fund	Emissions Inspection Fund	\$2,304,700
Water Quality Fee Fund	Emissions Inspection Fund	<u>841,000</u>
<i>Subtotal</i>		<i>\$3,145,700</i>

^{1/} Fund source for transfers in budget.
^{2/} Funds from which agencies are requesting transfers in order to accommodate the mandated transfer.

DEPARTMENT OF ENVIRONMENTAL QUALITY - Review of Waste Fee Rules.

Mr. James Alcantar, JLBC Staff, stated that this item is a review of the waste fee proposal by ADEQ. Laws 2011, Chapter 220 removes previously set fee caps and allows the department to establish program fees for its Solid and Hazardous Waste Programs by rules and this law requires JLBC review for the fees to take place.

The JLBC Staff presented options to the Committee.

Representative Amanda Reeve spoke to the item, responded to member questions and circulated 2 documents (*Attachment 1*).

Henry Darwin, Director, Arizona Department of Environmental Quality, responded to member questions.

Representative Kavanagh moved that the Committee give a favorable of the waste fees as shown in Tables 2, 3, and 4. The motion carried.

<u>Fee</u>	<u>Initial</u>	<u>Annual</u>
New Waste Tire Collection Site Registration	\$500	\$75
Used Tire Storage Site Registration	500	75
Septage Hauler Vehicle License	250	75
Solid Waste General Permit *	750 - 15,000	100 - 1,000
Biohazardous Medical Waste Transporter License	N/A	750

* Varies by type of activity (i.e. collection, treatment, storage, and transfer.)

<u>Fee</u>	<u>Current</u>		<u>Proposed</u>	
	<u>Initial</u>	<u>Annual</u>	<u>Initial</u>	<u>Annual</u>
Solid Waste Landfill Registration*	\$2,500 - 25,000	N/A	\$1,250 - \$12,500	N/A
Solid Waste Plan Review	\$127.49/hour	N/A	\$122/hour	N/A
Self-Certification Transfer Registration	\$200 - \$500	N/A	\$1,000	\$500
Self-Certification Waste Tire Registration	\$200 - \$500	N/A	\$1,000	\$250
Special Waste Management/Handling	\$10.00/ton	N/A	\$4.50/ton	N/A

* Varies by tonnage and availability to the general public.

The various changes to the hazardous waste fee structure are shown in *Table 4*.

(Continued)

Table 4			
Hazardous Waste Fee Changes			
	Current	Proposed	Approved Maximum ^{1/}
<u>Disposal Fees</u>			
Waste Generation with Disposal Off Site	\$70/ton	\$67.50/ton	\$200,000
Waste Disposal Facility - No Generation	\$280/ton	\$270/ton	\$5,000,000
Waste Generation and Disposal On Site	\$28/ton	\$27/ton	\$160,000
<u>Permits</u>			
Container Storage/Treatment	\$10,000	\$20,000	\$250,000
Tank Storage/Treatment	\$10,000	\$20,000	\$300,000
Surface Impoundment	\$10,000	\$20,000	\$400,000
Incinerator/Boiler and Industrial Furnace/Landfill/Misc. Unit	\$10,000	\$20,000	\$500,000
Waste Pile/Land Treatment/Drip Pad/Containment Building/ Research, Development, and Demonstration	\$10,000	\$20,000	\$300,000
Corrective Action Permit/Remedial Action Plan Approval	\$10,000	\$20,000	\$300,000
Post-Closure	\$10,000	\$20,000	\$400,000
Closure of Container/Tank/Drip Pad/Containment Building	\$2,500/unit	\$5,000/unit	\$300,000
Closure of Misc. Unit/Incinerator/Boiler and Industrial Furnace/Surface Impoundment/Waste Pile/Land Treatment Unit/Landfill	\$2,500/unit	\$5,000/unit	\$300,000
Class 1 Modification (Minor Modification to facility keeping the permit current.)	\$1,000	\$1,000	\$50,000
Class 2 Modification (Change type and amount of waste managed, technological advancements, or changes necessary to comply with new regulations without substantial alteration.)	\$2,500	\$5,000	\$250,000
Class 3 Modification (Incinerator, Boiler and Industrial Furnace, Surface Impoundment, Waste Pile, Land Treatment Unit, or Landfill)	\$10,000	\$20,000	\$400,000
Class 3 Modification (Others requiring substantial alteration)	\$10,000	\$10,000	\$250,000
<u>Additional Permitting Fee</u>			
Hazardous Waste Permitting ^{2/}	\$95.29/hour	\$136/hour	
^{1/} The current fee structure does not have a maximum.			
^{2/} To be charged only for complex cases in addition to the fees above.			

JLBC STAFF - Consider Approval of Index for School Facilities Board Construction Costs.

Mr. Jack Brown, JLBC Staff, stated that this item is to consider approval of an index for School Facilities Board (SFB) construction costs. As background, statute requires JLBC to adjust the cost-per-square-foot factors in the SFB funding formula at least once per year based on construction market conditions or considerations.

The JLBC Staff presented options to the Committee.

The Honorable John Huppenthal, Arizona Superintendent of Public Instruction, also spoke to the item and responded to member questions.

Representative Kavanagh moved that the Committee approve a 2.09% adjustment in the cost-per-square-foot factors, based on the average of the latest 1-year change in the Rider Levett Bucknall (RLB) national construction cost index and the RLB Phoenix construction cost index.

(Continued)

Senator Linda Lopez moved a substitute motion to approve the School Facilities Board staff request for a 6.6% increase for K-8 grade levels and 7.26% for 9-12 grade levels. By a show of hands of 8 ayes and 8 nays, the substitute motion failed.

By a show of hands of 7 ayes and 9 nays, the original motion failed.

ARIZONA COMMERCE AUTHORITY - Review of Application Fees for Incentive Programs.

Mr. Eric Billings, JLBC Staff, stated that this item is for review of the Arizona Commerce Authority (ACA) application fees for Incentive Programs. Pursuant to A.R.S. § 41-1504 ACA is required to develop and submit to the Committee for review a fee schedule for the incentive programs that they administer. Included in statute is the legislative intent that the proposed fees not exceed 1% of the incentive amount.

The JLBC Staff presented options to the Committee.

Mr. Greg Linaman, Chief Administrative Officer, Arizona Commerce Authority, responded to member questions.

The Committee requested the agency provide information on total other funds, grants, and awards for FY 2011 and FY 2012 for ACA.

Representative Kavanagh moved that the Committee give a favorable review of the proposed fee schedule for a 1-year period as shown in Table 5. The motion carried.

Table 5	
Incentive Program Fees	
<u>Program</u>	<u>Proposal</u>
Private Activity Bonds	\$320 + Approx. 0.1% of Award
Research and Development Tax Credit	1% of the Tax Credit Refund
Renewable Energy Tax Incentives	1% of Award (\$2,000 - \$10,000)
Angel Investment Program	1% of Award (\$75 - \$875)
Arizona Competes Fund	1% of Award
Healthy Forest Tax Credit	\$50
Job Training Grants	1% of Award (Max of \$15,000)
Military Reuse Zone TPT Exemption	1% of Award (Max of \$100,000)
Quality Jobs Tax Credit	1% of Award (\$90 - \$36,000)
Solar Tax Credit	1% of Award (Max. of \$500)

DEPARTMENT OF EDUCATION - Report on Education Learning and Accountability System.

The Honorable John Huppenthal, Arizona Superintendent of Public Instruction, presented a report on Education Learning and Accountability System and responded to member questions.

This item was for information only and no Committee action was required.

ATTORNEY GENERAL - Review of FY 2009 and FY 2010 Uncollectible Debts.

Ms. Marge Zylla, JLBC Staff, stated that of the Attorney General's office is requesting review of their uncollectible debts report. After a period of time the Attorney General determines that some debts that are owed to the state are uncollectible and upon the Committee's review these can be removed from the state accounting books. The Attorney General identified \$19.1 million of uncollectible debt in FY 2009 and \$31.9 million in FY 2010.

The JLBC Staff presented options to the Committee.

Mr. Thomas Chenal, Chief Counsel, Office of the Arizona Attorney General, and Ms. Sally Bell, Section Chief, Office of the Attorney General, responded to questions.

Chairman Don Shooter requested information from the Attorney General regarding reporting uncollectible debt information to the credit bureaus.

Representative Kavanagh moved that the Committee give a favorable review of the Attorney General's FY 2009 listing of \$19.1 million and FY 2010 listing of \$31.9 million in uncollectible debts. The motion carried.

Without objection, the meeting adjourned at 9:50 a.m.

Respectfully submitted:

Alanna Carabott, Secretary

Richard Stavneak, Director

Senator Don Shooter, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at <http://www.azleg.gov/jlbc/meeting.htm>.

ADEQ Waste Fees Stakeholders

A Company, Inc. - portable restrooms & septic haulers	Heritage Environmental
AERO Americas Electrical Operations	Honeywell
Applied Materials	Intel Corporation
Arizona Chamber of Commerce and Industry	JGP Consulting
Arizona Emergency Response Commission	Larson Waste, Inc.
Arizona Hard Chrome	Law office of John Mangum
Arizona League of Cities and Towns	Law office of Lasota & Peters
Arizona Manufacturers Council (AMC)	Liquid Environmental Solutions
Arizona Mining Association (AMA)	Maricopa County
Arizona Power Service (APS)	Matrix New World Engineering
Arizona Strip Landfill	Modern Industries, Inc.
Asarco	Navajo County
Associated General Contractors (AGC)	Pima County
Atwell Group	Portable Sanitation Association International (PSAI)
Biomedical Waste Solutions	Premier Precision Group
Chem Research Co.	Premier Waste Services
City of Chandler	R&R Partners
City of Cottonwood	Republic Services
City of Flagstaff / Cinder Lake Landfill	Resolution Copper - Rio Tinto
City of Glendale	Salt River Landfill
City of Goodyear	Salt River Project (SRP)
City of Mesa	SCS Engineers
City of Phoenix	Sims Metal Management
City of Prescott	Solid Waste Association of North America (SWANA)
City of Scottsdale	Special Devices, Inc.
City of Tempe	State Risk Management
City of Tucson	Stericycle
City of Yuma	TEI Crime Scene Clean Up
Clean Harbors Environmental Services	Test America Laboratories
County Supervisors Association of Arizona	Thornwood (SQG)
Crime Clean Decontamination LLC	Tridecon
CRM of America	U.S. Bio Clean
Engineering & Environmental Consultants	University of Arizona
Evergreen Management Center	Veolia
Fennemore Craig	Waste Management Healthcare Solutions
Freeport-McMoRan	Waste Management, Inc.
Freescale Semiconductor EHS	Western States Drycleaning & Launderers Assoc.
Fujifilm Electronic Materials	Woodmark
Gallagher & Kennedy	World Resources
Gannon & Scott	
Gila County	
Gowan Milling, LLC	

Select Stakeholder Comments Regarding ADEQ's Waste Fees Rules Process

Date	Document	Comment
07/15/11	Arizona Mining Association (AMA) letter to ADEQ re: Comments of AMA on Initial Draft Solid & Hazardous Waste Fee Rules	"..., the AMA supported last year's legislation (HB2705) authorizing ADEQ to collect new and increased fees because it agrees such fees are necessary in order for ADEQ to have an effective and efficient program for regulating solid and hazardous wastes, in light of the loss of general fund revenues. The AMA also is a strong proponent of ADEQ retaining primacy over the hazardous waste program."
07/18/11	Arizona Chamber of Commerce & Industry letter to ADEQ re: Comments on Proposed Solid & Hazardous Waste Fee Rules	<p>"The Arizona Chamber appreciates the Department's constructive approach to the rulemaking process and strongly supports the need for adequate funding for the Department's solid and hazardous waste programs."</p> <p>"..., the Arizona Chamber appreciates the Department's willingness to share information and its responsiveness in addressing questions,..."</p> <p>"The Arizona Chamber appreciates the opportunity for dialogue and the Department's responsiveness to requests for information,..."</p>
08/10/11	City of Phoenix e-mail to ADEQ re: Revised Draft Solid & Hazardous Waste Fee Rule	"During this process, your efforts on improving efficiencies and cutting costs on overhead are impressive - you were very specific on the innovative ideas you came up with for cost cutting."
08/10/11	Arizona Mining Association (AMA) letter to ADEQ re: Comments of AMA on Revised Draft Solid & Hazardous Waste Fee Rules	"AMA appreciates that many of its previous comments were adopted by ADEQ and reflected in the latest drafts."
08/10/11	Arizona Chapter of the Solid Waste Association of North America e-mail to ADEQ re: ADEQ Revised Fee Schedule Comments	"AZ SWANA wants to thank Representative Reeve and ADEQ staff for taking the time hold several stakeholder meetings to address our questions and concerns."
08/26/11	Arizona Chamber of Commerce & Industry letter to ADEQ re: Comments on Proposed Solid & Hazardous Waste Fee Rules	<p>"The Arizona Chamber appreciates the transparency to which ADEQ has operated during the rulemaking process and the responsiveness ADEQ has shown in providing data needed to perform our review."</p> <p>"After a review of the information provided by ADEQ, the Arizona Chamber also supports the level of funding that ADEQ is proposing in the solid and hazardous waste fee rule package."</p> <p>"..., the Arizona Chamber appreciates ADEQ's effort to provide information regarding its program structure and activities, and its willingness to consider alternative fee structures in an effort to develop a fair and proportional fee structure for Arizona businesses."</p>
10/19/11	Sims Metal Management letter to the Arizona State Legislature regarding Funding of the Arizona Department of Environmental Quality	<p>"... we believe it is critical to ensure that ADEQ's solid waste program remains effective and, in light of the State's budget constraints, we accept the need for the regulated community to support that program through the payment of fees."</p> <p>"... we recognize that ADEQ has already tightened its belt considerably and is working in good faith both to become more efficient and to ensure that fee burdens are more equitably distributed."</p>