

ARIZONA STATE SENATE

45TH LEGISLATURE
FIRST REGULAR SESSION

MINUTES OF COMMITTEE ON APPROPRIATIONS

DATE: February 20, 2001

TIME: 8:00 a.m.

ROOM: 109

CHAIRMAN: Senator Solomon

VICE CHAIRMAN: Senator Bee

ANALYST: Deborah Johnston

**COMMITTEE
SECRETARY:** Melissa C. Upshaw

INTERNS: Timothy Bowers and Julie Myers

ATTENDANCE

BILLS

| <u>Committee Members</u> | <u>Pr</u> | <u>Ab</u> | <u>Ex</u> | <u>Bill Number</u> | <u>Disposition</u> |
|----------------------------|-----------|-----------|-----------|--------------------|--------------------|
| Senator Arzberger | X | | | S.B. 1038 | DPA |
| Senator Cirillo | X | | | S.B. 1095 | DPA |
| Senator Guenther | X | | | S.B. 1121 | DPA |
| Senator Hamilton | X | | | S.B. 1201 | DPA |
| Senator Hellon | X | | | S.B. 1206 | DPA |
| Senator Martin | X | | | S.B. 1249 | DPA |
| Senator Mitchell | X | | | S.B. 1292 | DPA |
| Senator Nichols | X | | | S.B. 1297 | DP |
| Senator Rios | X | | | S.B. 1301 | DPA |
| Senator Verkamp | X | | | S.B. 1318 | DPA |
| Senator Bee, Vice Chairman | X | | | S.B. 1406 | DPA |
| Senator Solomon, Chairman | X | | | S.B. 1414 | DPA |
| | | | | S.B. 1537 | DPA |
| | | | | S.B. 1575 | DP |

GOVERNOR'S APPOINTMENTS

Tape 1, Side A

Chairman Solomon called the meeting to order at 8:05 a.m. and attendance was noted. For additional attendees, see Sign-in Sheet (Attachment A).

APPROVAL OF MINUTES

There were no minutes available for approval.

BUDGET ADOPTIONS

Department of Education - ADOPTED

In the absence of Senator Hamilton, Education Subcommittee Chair, Chairman Solomon said the subcommittee took action on Friday and with no objection from the subcommittee members, they unanimously approved the motion to adopt the Department of Education budget. Chairman Solomon informed the Committee that a copy of the motion passed may be provided if they were interested in receiving a copy.

Senator Bee moved the Joint Legislative Budget Committee recommendations including the footnotes, formats, and performance measures for the Department of Education budget with the following adjustments listed in the 2-page amendment (Attachment B). The motion CARRIED by a roll call vote of 8-0-4 (Attachment AA).

Senator Rios stated that he has not seen the final recommendations, but he is assuming that the budget still does not address the *Flores* case. He said he supports the budget, but he would like to remind the members that the *Flores* case is still an issue before them and hopefully at some point they will be addressing that case on bilingual education. He voted aye.

In response to Senator Rios' comments, Chairman Solomon stated that it is important for everyone to be aware that there is interest on the part of the Senate to address the *Flores* issue. She said at this point there has not been a great interest on the part of the House to do that, and they have not heard from the Governor's office with regard to their interest in addressing this issue.

To answer Senator Cirillo's question about the results of the study, Chairman Solomon said she is not quite sure if the Department has undertaken the study yet, but she does know that the request for proposal went out. She asked Jay Kaprosy, Legislative Liaison, Department of Education, if the contract was out yet. Mr. Kaprosy said there would be preliminary numbers in March.

Chairman Solomon said she has received direction from the President of the Senate to initiate a dialogue with people involved, so that some resolution could be reached on this issue.

Universities - ADOPTED

Senator Hamilton, Education Subcommittee Chairman, stated that the subcommittee passed the Joint Legislative Budget Committee (JLBC) recommendations. There were some slight modifications, but the House passed a slightly different version of the budget. The House's version included extra money for the Arizona State University (ASU) East and West campuses that the Senate version did not.

Chairman Solomon informed the Committee that there would soon be a meeting to discuss resolving the budget differences between the House and Senate. There will be additional opportunity for resolution and changes as the budgets move forward.

Senator Bee moved the adoption of the Joint Legislative Budget Committee recommendations for the Arizona Board of Regents and the State Universities including any footnotes, formats, and performance measures. The motion CARRIED by a roll call vote of 11-0-1 (Attachment BB).

Senator Cirillo stated that the comment he made before is appropriate to make again now that the Committee is adopting this budget. He said he would very much like to see in the ORB language for universities and community colleges that the Legislature set up a study group for the interim to look at the funding formulas. He voted aye.

Chairman Solomon agrees with Senator Cirillo's comments and that they will do that.

Community Colleges - ADOPTED

Senator Hamilton said the Senate passed the JLBC recommendations with a supplemental. There were some differences between the House and Senate version. The House has not voted out their version yet, so the Senate does not know what the final differences will be.

Chairman Solomon said she believes the Education Subcommittee voted unanimously on the passage of this budget.

Senator Bee moved the Joint Legislative Budget Committee recommendations including any footnotes, formats, statutory changes, and performance changes with the following adjustments. For the fiscal year 2001 supplemental, add \$35,400 from the state general fund and \$34,800 from the community colleges certification fund for increased annual lease expense for office space and one-time moving costs. The motion CARRIED by a roll call vote of 11-0-1 (Attachment CC).

Department of Economic Security - ADOPTED

Senator Bee moved the Joint Legislative Budget Committee recommendations for the Department of Economic Security with the footnotes, format and fiscal year 2001 supplemental with the following adjustments as adopted by the subcommittee. The motion CARRIED by a roll call vote of 11-0-1 (Attachment DD).

90/10 Board Consent Agenda - ADOPTED

Senator Bee moved the Joint Legislative Budget Committee recommendations for the following 90/10 Boards:

- **Board of Acupuncture**
- **Board of Barbers**
- **Chiropractic Examiners**

- **Dental Examiners**
- **Dental Examiners**
- **Board of Funeral Directors & Embalmers**
- **Homeopathic medical Examiners**
- **Naturopathic Physicians Board of Medical Examiners**
- **Occupational Therapy Examiners**
- **Board of Dispensing Opticians**
- **Osteopathic Examiners Board**
- **Board of Pharmacy**
- **Board of Physical Therapy Examiners**
- **Board of Podiatry Examiners**
- **Board of Psychologist Examiners**
- **Respiratory Care Examiners**
- **State Boards' Office**
- **Structural Pest Control Commission**
- **Veterinary Medical Examining Board**

Lynn Lloyd, Executive Director, Board of Pharmacy, stated that he supports the special motion that was made in the subcommittee hearing that addressed the salaries for the Board's professional staff.

Senator Cirillo stated that these are very important agencies because they take care of us from birth to being "planted into the grave;" these agencies take care of our pets and us.

Senator Hellon explained her vote. She said she votes aye with reservations about the Dental Examiners.

The motion to ADOPT the 90/10 Board Consent Agenda CARRIED by a roll call vote of 11-0-1 (Attachment EE).

S.B. 1095 - out-of-school programs; appropriation - DO PASS AMENDED

Debbie Johnston, Appropriations Analyst, explained S.B. 1095 appropriates \$5 million from the temporary assistance to needy families (TANF) block grant in fiscal year 2002 to the Department of Economic Security (DES) to contract with providers to establish and operate out-of-school programs for youth ages 11 through 16.

Barbara Guenther, Family Services Analyst, stated that there is a 7-line Solomon amendment dated February 15, 2001, 8:23 a.m., which is identical to the Education Committee amendment that requires providers to collaborate with parents as well as schools, businesses, child care programs, agencies and other concerned citizens. The amendment limits administrative and evaluation costs combined to three percent instead of ten percent of the total appropriation. It also clarified that faith-based organizations may contract with DES for these programs, and adds character education as an allowable program activity.

Senator Cirillo asked about the significance of having chosen youth ages 11 through 16. Ms. Guenther said child care programs through DES are funded through age 12 for a child, and there are youth based programs for children age 16 and up. There is a group of children that basically

does not have any services provided from age 12 to 16. This program does start a year before so that there is a transition period.

Chairman Solomon said some studies have identified middle school age as the time that children very often either develop resiliency skills or do not, and by the time they reach high school, very often they have made decisions that will affect the rest of their lives. If bad decisions are made, their lives will be affected negatively, and positive decisions will have a positive effect. By providing the age appropriate programs and motivating them to be there, we are hoping that young people will develop the resiliency skills to say no to alcohol, drugs and premarital sex, and to make the good decisions that will carry them through life.

Senator Rios asked if this is TANF money and if there were any specific eligibility requirements for the children. Ms. Guenther said there are. Children have to be from homes that are eligible for TANF or at risk of becoming eligible for TANF. Senator Rios asked if a provider of these services could contract with all existing Boys and Girls Clubs that provide a lot of these services. Ms. Guenther believes that is the intent.

Patty Jo Angelini, Director, Arizona Coalition of Adolescent Pregnancy and Parenting, said that she and Chairman Solomon worked together over the fall and put this language together. Many of the core components of the bill came from a study called Safe and Smart that was provided by the U.S. Department of Health and Human Services (HHS). She said the Coalition believes it is a very good way to address the issue of teen pregnancy and other problems that our adolescents and preteens face. Ms. Angelini pointed out that the most common hours for teens to have sex is from three to six o'clock p.m., when their parents are at work. Research by HHS has found that teens who are not involved in extra curricular activities are 37 percent more likely to become teen parents. Teens are also more likely to drop out of school, smoke cigarettes, use drugs and be arrested. She stated that the program is an ideal way to provide supervised care for these youngsters, and if they can be kept involved in instructional activities that build self esteem, a variety of risk behaviors would be dealt with and teen pregnancy would be reduced.

Judy Borey, Executive Director, Boys & Girls Club of Santa Cruz County, expressed the organization's support of the bill and spoke on behalf of rural communities regarding its importance. She said the Boys & Girls Club of Santa Cruz County is located in Nogales. It has been designated as an enterprise community by the federal government and has been recently designated as a participant in the southwest border initiative. Ms. Borey stated that in rural Arizona their circumstances could not be more different than the challenges of Phoenix or Tucson. She indicated their high unemployment rate of 28 percent in Santa Cruz County and 36 percent in Yuma County. She said Arizona's rural poverty rate ranks 3rd highest in the country with lack of adequate facilities, transportation and resources. In Santa Cruz County, 82 percent of their population is Hispanic, 26 percent of the population lives below the poverty level, and 36 percent of their children live below the poverty level. Seventy percent of Santa Cruz County's students participate in free or reduced meal programs according to the Santa Cruz County School Superintendent's report dated January 30, 2001. Their two largest high schools, Nogales and Rio Rico, have retention rates of 23 and 12 percent respectively. The implementation of English As Second Language (ESL) for young people gives them the basic skills that are required raising both their quality of life and the quality of life for their community.

Ms. Borey commended Chairman Solomon for the innovation she has incorporated into this bill. There are many tools, which a lot of their agencies can use in this particular age bracket to better prepare themselves as contributing members of their community. Their mission is to serve the

youth of the community by providing quality staff and programs to aid in character and self-esteem development, developing healthy lifestyles and juvenile delinquency prevention. She said the Boys & Girls Clubs in Arizona provide a vital need for the sons and daughters of military personnel. There are clubs located at the Davis Monthan Air Force Base, Luke Air Force Base, Yuma Proving Grounds, Marine Corps Air Station (MCAS) at Yuma and Fort Huachuca, from Kingman to Yavapai County, from Northern Arizona to Yuma, Casa Grande to Sierra Vista and all the way to Santa Cruz County. She said their clubs already do out of school programs on a daily basis, and they know how to get the results through the best practices. The clubs look forward to working with the Legislature to address the important issues that are affecting the quality of life for our children, community and our State.

Senator Rios asked if the club would be developing programs specifically to talk to young people or is the idea that they would be in a program that would reduce the incidents. Ms. Borey said the club already has a smart girls program running for ages 10 through 12, and a smart moves program that does cover teenage pregnancy.

Ramon Elias, President and CEO, Boys & Girls Club of East Valley, in support of the bill, stated that he has been working with the club for the past 29 years. He said the Boys & Girls Club of the East Valley has been serving children for the past 38 years. Last year they served 23,874 boys and girls in the communities of Gilbert, Chandler, Mesa, Tempe, Guadalupe, the Gila River reservation where they have two clubs, Apache Junction and the Arizona State University East campus. Metro Phoenix, Tucson, Scottsdale and the East Valley served a total of 58,540 children. He said the urban clubs have been serving for 107 years. They not only have experience with children between the ages of 5 and 18, but they have also seen particular challenges for those in the 10 through 16 bracket. He said the kids in this age bracket are too old for child care, too young for part-time jobs, and are extremely vulnerable to inappropriate behavior if not given the proper guidance and oversight. He indicated that 25 percent of the kids that are in the boys and girls club finish college compared to the national average of 16 percent. He thanked Chairman Solomon for bringing forth this legislation and said that it is long overdue. He pointed out that it costs over \$30,000 to keep a kid in jail and it makes more sense to invest a little bit of money in the front end to keep kids out of the juvenile system. This legislation would provide a solid investment in our children. Last year, a national alumni poll was conducted and 52 percent of their kids mentioned, the experience that they had at the club literally saved their lives. He said the private partnership along with the accountability that this bill calls for would be a tremendous "boost" for our State's teens and preteens that enables them to look forward to a stable future.

Senator Nichols said that having worked with foster children he has a sense of importance for these programs, and it is very positive to see TANF funds used in this way as opposed to other ways he has seen over the years. He thinks there was a program in Tucson in the elementary years that was extremely helpful, called Project Yes, a program where Catholic sisters take in children after school. A project that made a huge difference in their lives, and now they reach an age where nothing is comparable. He asked about the transportation for the kids to and from the program. Mr. Elias said that clubs work closely with all the school systems. If one of their clubs is visited, one will see eight to ten buses coming from the schools to the club to drop off children, and the parents pick them up by six o'clock p.m. The clubs have been able to do this by getting the parents to go to the school boards to get the school systems to take the children to the club. He said the clubs also have vans, but have found out that using the school buses is more efficient.

Senator Nichols said he thinks it is great and working with the transportation departments of the schools is going to be very important to make it work well.

Chairman Solomon said in recognition of the nutritionally deficient diets of many adolescents, Senator Nichols would also be pleased, as a physician, to know that their nutritional needs has also been addressed.

Chairman Solomon recognized the following people in support of the bill: **Bruce Liggett, Deputy Director, DES**, and **Sandra Junck, representing the Children's Action Alliance**.

Senator Bee moved S.B. 1095 be returned with a DO PASS recommendation.

Senator Bee moved the 7-line Solomon amendment dated 2/15/01; 8:23 a.m., be ADOPTED. The motion CARRIED by voice vote (Attachment C).

Senator Bee moved S.B. 1095 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 12-0-0 (Attachment 1).

Senator Rios expressed his hope that DES takes a good look at the proposals from community based organizations that exist in some of the neighborhoods where these kids ultimately are going to be "hanging out" after school, and hopefully consider funding these programs as well. Because the community based organizations programs are typically located in those neighborhoods. He said kids would take full advantage of that. He gladly voted aye.

S.B. 1406 - appropriations; Hopi TANF; child support - DO PASS AMENDED

Barbara Guenther, Family Services Analyst, explained S.B. 1406 appropriates \$212,000 from the state general fund and \$398,000 from the TANF to help the Hopi Tribe establish their own child support enforcement and tribal TANF programs. There is a 3-line Solomon amendment dated February 10, 2001, 4:21 p.m. that removes lapsing language from the appropriations.

Senator Bee moved S.B. 1406 be returned with a DO PASS recommendation.

Senator Bee moved the 3-line Solomon amendment dated 2/19/01; 4:21 p.m., be ADOPTED (Attachment D).

Janet Regner, Partner with Jamieson & Gutierrez, representing the Hopi Tribe, stated that it is her honor to speak today on behalf of Chairman Wayne Taylor Jr., Chairman of the Hopi Tribe, who could not be here because he is running tribal council at Hopi. Ms. Regner thanked Senator Verkamp for his leadership on this very important community issue by bringing forth S.B. 1406 for the Committee's consideration. She also thanked the co-sponsors of the bill including Chairman Solomon as her sincere interest means a lot to the people of Hopi. She said until anyone has been to Hopi it is difficult to understand what the situation is, so she will try to describe it for the Committee. Ms. Regner said the Hopi reservation resides on 1,623,000 acres of land in northeastern Arizona encompassing 11 villages, which are located in Navajo and Coconino counties. The last projection of Hopi's population is around 9,400. Nearly 30 percent of the population is under age 16, 84 percent of the overall population is considered to be low or very low income. The unemployment rate is 55 percent, and the nearest towns with decent job opportunities are 92 miles away in Flagstaff and 50 miles away in Winslow, but the opportunities there are limited. She stated that for the past two years the Hopi Tribe has conducted a thorough examination and analysis of TANF, as it relates to their people and the unique challenges that exist

on their reservation. As a result, the Tribe developed a holistic TANF and child enforcement plan, which would operate in harmony with their people's culture and religious beliefs. In conducting this analysis, the Hopi Tribe also found that there are tremendous barriers for the Tribe to create the necessary foundation to operate such a comprehensive program that can truly meet the needs of Hopi. They developed a plan that is culturally sensitive and presented it to the Hopi Tribal Council, which approved it unanimously in September. The plan was subsequently sent to HHS and was approved in two working days. Ms. Regner stated that she does not think she has ever heard of a federal plan being approved in two days. She believes that this turnaround occurred because of the innovation and cultural sensitivity which was woven into place, as well as the evidence of a highly skilled staff who will implement the plan. In addition, there have been relationships that have been developed over time both with the DES Director, John Clayton, and the Department of Child Support Enforcement, as well as HHS in Washington, D.C. She pointed out that the Hopi Tribe is a non-gaming tribe, a decision the Hopi people voted on and a decision that will stay in place. The only recurring significant revenue that the tribe generates is through royalties from the Peabody Coal Mine. Unfortunately, those revenues and royalties do not comprise the full tribal budget, so they have to put investments in place. They are extremely limited in their revenue options. She said being an isolated tribe that has very few job opportunities, they have had to devise this TANF plan. Ms. Regner indicated that there are currently 2,700 child support cases, and DES is only able to serve about half of those cases due to tribal court jurisdictional issues. With the passage of this bill many more children will be assisted and many more families will be holding up their responsibility in a culturally sensitive manner. These funds will be used for start up costs only and are a one-time appropriation.

Chairman Solomon said she was privileged to hear Chairman Taylor's testimony in the Family Services Committee, and she would like to echo the comments of the Chairman of Family Services. The work that was done in preparing to bring this bill was remarkable. The people who worked on the proposal were very prudent and thoughtful in their presentation asking for only what they need, and that the Legislature seldom hears from Hopi Tribe. Chairman Solomon commented that the Tribe is an independent proud people with a proud heritage. She stated that it was a privilege to vote in support of this bill in Family Services given the amount of preparation that was done. Chairman Solomon thanked Senator Verkamp for bringing forth this legislation.

The motion to ADOPT the 3-line Solomon amendment CARRIED by voice vote.

Senator Bee moved S.B. 1406 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 12-0-0 (Attachment 2).

Senator Verkamp explained his vote. He said it is a long way from Hopi to the eight or nine layers of administration of DES. The Tribe needs their own program and they have done a lot of work in conjunction with DES to accomplish this. He said Ms. Regner did an excellent job of explaining the need for the programs, and appreciates everyone's support for the bill, he voted aye.

S.B. 1121 - Arizona state veterans' cemeteries - DO PASS AMENDED

Natalie Bahill, Government Intern, explained S.B. 1121 establishes the state veteran's cemetery fund, and makes a blank appropriation to the fund. There is a 2-line Solomon amendment dated February 14, 2001, 2:06 p.m., which is identical to the Government Committee amendment that removes the appropriation from the bill.

Senator Bee moved S.B. 1121 be returned with a DO PASS recommendation.

Senator Bee moved the 2-line Solomon amendment dated 2/14/01; 2:06 p.m., be ADOPTED (Attachment E).

Chairman Solomon had no speaker slips to the bill.

Senator Hamilton, sponsor of the bill, stated that there were questions of why this bill should go to the Appropriations Committee, because of the nature of the funding of this particular project. The State is currently building a veteran's cemetery and when that cemetery is complete, the federal government will repay the State completely for funds that were expended. He stated that this bill is being proposed to take that money and use it again for another cemetery, let the federal government repay the State again, and use it again for a third cemetery. That way the same federal funding is used repeatedly. When the State is done building cemeteries, the money then goes back to the state general fund. Even though we are seeing a zero impact to the general fund we are providing three times the service to the veterans throughout the state and getting all the money back in the end. It is in the interest of full disclosure and fair play, they decided to run this bill through the Appropriations Committee, even though there may be no general fund impact with this bill over a period of time. At the end of a given fiscal year, there may be an impact, although that money would be coming back once the State has finished building the cemeteries. He urged the Committee's support to vote in favor of this bill and support our veterans.

The motion to ADOPT the 2-line Solomon amendment CARRIED by voice vote.

Senator Bee moved S.B. 1121 be returned with an AS AMENDED, DO PASS recommendation (Attachment 3).

S.B. 1201 - appropriation; rural ambulances - DO PASS AMENDED

Meghann Brennan, Health Intern, explained S.B. 1201 appropriates \$1.5 million from the emergency medical services operating fund in fiscal year 2002 to the Department of Health Services (DHS) for rural areas to provide ambulances. There are three amendments being offered to the bill. The 3-line Solomon amendment dated February 15, 2001, 8:27 a.m., which is identical to the Health Committee amendment, expands the use of the appropriated monies for emergency medical services. The 4-line Solomon amendment dated February 19, 2001, 4:23 p.m. removes lapsing language from the appropriation. The 10-line Rios amendment dated February 19, 2001, 12:00 p.m. appropriates \$200,000 in fiscal years 2001-2002 and 2002-2003 for increased costs associated with providing ambulance services.

Senator Bee moved S.B. 1201 be returned with a DO PASS recommendation.

Senator Bee moved the 3-line Solomon amendment dated 2/15/01; 8:27 a.m. be ADOPTED. The motion CARRIED by voice vote (Attachment F).

Senator Bee moved the 4-line Solomon amendment dated 2/19/01; 4:23 p.m. be ADOPTED. The motion CARRIED by voice vote (Attachment G).

Senator Rios moved his 10-line amendment dated 2/19/01; 12:00 p.m. be ADOPTED (Attachment H).

Senator Rios explained that his amendment appropriates money over the biennium for assistance with ambulances in rural areas. Oracle, San Manuel and Mammoth that are served by Rural Metro just asked for a rate increase to provide services for that area. Rural Metro has been providing services at a rate of about \$300 to take people from those areas to Tucson area hospitals. The rate increase that was approved was up to \$1,300. He urged the Committee for their support in favor of this bill.

Jim Skelly, representing Arizona Ambulance Association and Rural Metro, stated they support the Rios amendment and strongly support the bill. He said he would like to point out that with the increase from \$300 to \$1,300, they are still not making money. It is a long trip, and their costs are high. He said when the Department of Health Services looked at their proposal, they had no problem in recommending that increase be granted. Because of the very nature of the rural area they do not make money on that service.

Chairman Solomon announced that **Lee Miller, Lobbyist, representing the Arizona Fire District Association**, was present in support of the bill.

The motion to ADOPT the 10-line Rios amendment CARRIED by voice vote.

Senator Bee moved S.B. 1201 be returned with an AS AMENDED, DO PASS recommendation (Attachment 4).

S.B. 1249 - diesel vehicles; fuels program continuation - DO PASS AMENDED

Susan Anable, Senate Research Director, stated that S.B. 1249 continues the program to grant monies from the Arizona Clean Air Fund (ACAF) for the conversion of heavy-duty diesel vehicles to operate on alternative fuel and increases the amount of money in the ACAF to be used for these grants. There is a 7-page Solomon amendment dated February 19, 2001, 2:54 p.m., which is identical to the Natural Resources, Agriculture, & Environment (NRAE) Committee amendment, except that the ACAF grants for alternative fuel refueling stations may include liquefied petroleum gas as well as natural gas. The amendment specifies additional eligibility criteria for recipients of grants from the ACAF for the conversion of heavy-duty diesel vehicles: the vehicle must be subject to the motor carrier financial responsibility requirements for heavy duty commercial vehicles; the vehicle cannot be a recreational vehicle (RV); the vehicle must be registered in Arizona; the vehicle is not eligible for a tax credit; and grant recipients must sign a statement indicating that it is their intent to keep the vehicle registered in Arizona for at least three years, and operate it in Maricopa or Pima counties at least 50 percent of the time. It modifies the vehicle weight eligibility criteria to be based on declared gross weight rather than gross vehicle weight rating. It eliminates all uses of monies in ACAF beginning October 1, 2001, except for the heavy duty diesel conversion grants and the grants for building natural gas and liquefied petroleum gas refueling stations at gas stations in various communities around the state. It repeals the ACAF on June 30, 2006, and makes numerous technical and conforming changes.

Tape 1, Side B

In response to Senator Nichols' question, Ms. Anable said there are a number of allowed uses of the clean air fund under the current law, some of which are mandatory uses and some of which are

discretionary grant type uses. She said the uses that would go away with the NRAE amendment include grants to individuals for converting or purchasing vehicles, grants for alternative fuel and home refueling stations, grants for cities, towns, counties and school districts to assist them in converting their fleets to alternative fuels. The existing commitments for the clean air fund to buy down the emissions test cost and to pay for the hydrogen grant program would be met even with the proposed legislation.

Senator Nichols said his interest would be in finding out why we are eliminating the school conversion program for buses that have been a major source of pollution. He said he would like to hear from Senator Guenther or have someone speak to this.

Senator Guenther said the one area that we had significant benefits both with regard to the visual impacts of the "brown cloud" and the noxious elements that we have in non-attainment was in the conversion of heavy duty diesel rigs from diesel to compressed natural gas and/or Liquid Petroleum Gas (LPG). That is why that portion of the program is being continued.

Senator Nichols asked Ms. Anable if she could clarify the difference in the evidence that exists for heavy-duty diesels and the school bus program. Ms. Anable said she could not address the specific emissions difference or benefit of one versus the other in terms of its conversion to alternative fuels. However, both of them being diesel engines, anything that can be done to reduce the emissions from either of those vehicles would be a benefit in terms of air quality. Ms. Anable said she is unaware of any studies or any issues regarding the health impacts of captured fumes with respect to the children actually on the bus. She said this is an interesting issue worth looking up, but she is not aware of any recent studies.

Senator Nichols asked Ms. Anable what percentage of our school fleets has been converted and if there are any other sources of assistance available to school districts if the clean air fund, as a source of assistance, is being eliminated. Ms. Anable said last year during the Regular Session, as part of the alternative fuel legislation that was enacted, there were a number of provisions that affected school districts with respect to their fleet conversion requirements. One of the provisions relaxed the conversion requirements specifically for school districts giving them more time to convert their vehicles to run on alternative fuels, but additionally eliminated their ability to get a waiver from those requirements. The law allowed for a school district or any municipalities or jurisdictions that show that their cost for converting the fleets to alternative fuels would be greater than 10 percent as compared to running conventional fuel could opt out or get a waiver. She said it was her understanding that many school districts prior to that had obtained those waivers. She said she could not speak to what the current standard is or what the current status is with respect to school districts and their compliance under the new relaxed schedule, but she would be happy to get that information.

Senator Nichols asked if there is any other source to which school districts can go to get financial assistance in those conversions. Ms. Anable said she is aware that there may be some federal assistance available and staff would be happy to look into that for him. In addition, she would also be glad to find out what school districts in the past have applied for clean air grants and received them. It is her recollection a couple of districts had applied, got money, and declined the money at some point.

Senator Cirillo said Ms. Anable indicated that the cap would be raised from \$6 million to \$8 million for commercial diesel and that several programs would be eliminated from the clean air fund. He asked what is the two-year prognosis for the clean air fund to take care of this program. Ms.

Anable said Senator Cirillo is correct, the bill does raise the existing cap from \$6.5 million to \$8.5 million per year. Currently, the clean air fund receives about \$12 million in revenues. The primary source of those revenues is the in lieu fee that is collected in Areas A and B. She said based on an anticipated flux of \$12 million per year with the \$8.5 million commitment from the diesel grant portion, it leaves about \$3.5 million to be used for grants for the refueling stations. The language is structured such that those grants can be made over a five-year period.

Senator Cirillo said he is sure that everyone is aware that there is a bill floating around to eliminate the in lieu fee. He asked what would happen if this bill were to pass. Ms. Anable said it would seem fairly clear that these two issues could not move forward together. One would have to give deference to the other. She said once the in lieu fee is eliminated, that would eliminate the primary funding source for this program.

Senator Verkamp asked if this program could impact the general fund in any way. Ms. Anable said it would not, and as he would recall during the Sixth Special Session this last fall, there was a one-year moratorium placed on any uses of money from the clean air fund grant program. An exception was made in the Seventh Special Session for the diesel grant programs. She said the affect of the Appropriation Committee amendment would be to discontinue all allowable uses of the clean air fund with the exception of these grants.

Senator Guenther said he would encourage the members that if there is some component of the existing program that they are specifically interested in and would like to further explore, go to him and together with the Department of Environment Quality, they can see if in fact the numbers are there. We are trying to make sure that anything that comes back in on the alternative fuels program does in fact provide a benefit cost ratio for the investment that will be made on behalf of the public. If in fact the in lieu fee is canceled and the clean air fund goes away, then the program will likewise phase out. He said that is a policy decision that the Legislature makes, but obviously if they do not have the clean air monies, they cannot sponsor clean air fund activities. So if they have a component in the program that is currently being funded by the clean air fund that the Committee members think has some justification, they will certainly take another look at it and see if they should continue it.

To that point, Senator Nichols asked if the city bus conversions would be impacted. Ms. Anable said she believes historically there may have been some grants for city buses as they are eligible. There have been other funding sources including underground storage tank monies for clean fleet city buses as well. She said staff could verify this information and get back to him.

John Kaites, representing the Arizona Rock Products Association, stated that he is very happy to be before the Committee and is grateful for Senator Guenther's and Representative Carolyn Allen's sponsorship of this legislation. He said, as Ms. Anable mentioned, this program has been in existence for the last two years and is part of their strategic implementation plan. They do not get credit for it yet, because it is a voluntary program. He said voluntary programs have to have a track record before the Environmental Protection Agency (EPA) give credit. He said the decision was made in Seventh Special Session to continue this program beyond the Special Session. While they were putting bullets in most of the alternative fuel programs, this is one that has great merits, it actually cleans up the air. He said most committees and the Legislature at the time felt that this was a program that needed to be continued to October 1st, so that the full Legislature could have the opportunity to discuss whether to continue the program beyond the October 1st date. He said that there is more than enough money in the clean air fund to fund this program. He said if this bill were to continue, there would be money left over to fund

other clean air projects. The reason the bill specifically repeals in 2006 is because of the anticipation of the new federal ultra low sulfur fuel being used in diesel trucks. The impact on cleaning up diesels would be less dramatic than it currently is right now. He said there are two studies out that he can e-mail to the Committee members. One was done by an industry organization that shows converting one diesel truck is like taking 65 vehicles off the road. Another study done by an independent organization which contracts with EPA shows it is like taking 62 automobiles off the road. He said that Senator Guenther and Mrs. Allen obviously felt strong enough about the program that they continued their sponsorship. Mr. Kaites said he is grateful that Senator Guenther put in the current propane, Compressed Natural Gas (CNG) station program that allows for 16 stations to be built including stations in Maricopa, Pima and Yuma counties, Flagstaff, Payson, and Casa Grande. Mr. Kaites said he is here in support of the bill and the Guenther amendments. They are grateful for the Committee's consideration of this legislation.

To answer Senator Nichols's question about conversion of buses, Mr. Kaites said he believes about 8 to 10 percent of the conversions over the last year were city buses or diesel buses. He knows that this grant money has been used for the conversion of diesel buses. His clients include conversions for the City of Tucson and the City of Phoenix.

Senator Nichols said he was left with the understanding from the previous testimony that school bus programs the city bus programs would not be allowable under the bill that the Committee is now considering, only heavy duty trucks. Also, there was some reference made to studies, which would indicate that the heavy-duty truck conversion would be more environmentally beneficial. He said he does have concerns about eliminating city school buses from the program. Do we have any evidence that converting heavy-duty trucks is more beneficial than converting these buses? Mr. Kaites said he is speaking from past experience with regard to the conversion of diesel buses. As far as future experience, while a diesel bus would not specifically be mentioned under the school municipality provision, if it is a diesel bus that is over the 20,000 gross vehicle weight and it operates on a regular basis in Areas A and B, and all of the other restrictions that are put in the bill apply then it would qualify. He said he cannot give Senator Nichols a differential with regards to a large diesel bus compared to a large diesel truck, but he would guess that there is not a significant difference.

Senator Nichols said his presumption was they would qualify under this bill. Senator Guenther said if it is a light bus, it might not qualify, and if it were a heavy bus it probably would qualify. He said diesel trucks are not being converted, it is diesel vehicles that meet the gross vehicle weight requirements. It is the heavier vehicles, which use the larger engines that create the most particulate and noxious elements to the environment. As Mr. Kaites indicated, the program is such to ensure that it is concentrated in those areas that have the immediate air problems, Areas A and B. That is why they see the amendment that was offered in NRAE and is subsequently offered here by Chairman Solomon. He said that the State is not going to be a laundering outfit for conversion of other out-of-state vehicles, but the bus situation will be looked at to see how many heavy buses are being dealt with, what that conversion means to the air shed and if in fact there is a component of those significant reductions that was excluded inadvertently.

Senator Verkamp said it is unclear to him from Mr. Kaites's testimony and the prior testimony as to whether a standard size school bus is heavy enough to qualify for this tax credits. Mr. Kaites deferred to Senator Bee. Senator Bee said that most school buses that carry more than 50 passengers would qualify, he said the majority of buses in the Tucson and Phoenix area would be more than 25,000 pounds.

Senator Verkamp asked if the owners of the diesel trucks have any obligation on their own to make these conversions in the public interest rather than to depend on the clean air fund to make these conversions. Mr. Kaites said he would suspect Senator Verkamp would go through the same cost benefit analysis in his own mind with his own business if he had ten or fifteen diesel trucks. He probably would not add an extra \$30,000 or \$40,000 per vehicle and bear the entire public interest on his own shoulders. That is why the Legislature saw fit to address the conversion of diesel trucks. He said if the money is there because of the in lieu fee and it gives us great clean air benefits, he is urging the Committee to support it.

Senator Cirillo said there is a bigger concern doing away with the in lieu fee. He said he thinks the feeling of many of the members is "why are we penalizing the people making the investment as opposed to the owners of the diesel automobiles or trucks?" These people are making the investments in a non-polluting automobile and we also "ding" them to pay for the clean air fund. Senator Cirillo said that does not seem logical to him.

In response to Senator Cirillo's comments, Senator Guenther said as long as every individual wants to drive their vehicle, whether it is a bi-fueled vehicle or a California emissions vehicle, the State is going to continue to have non-attainment in Areas A and B. The State can have the equivalent of taking 63 of those vehicles off the road by converting one diesel engine at \$30,000. But if the State wants to take those vehicles off the road it is going to have to buy 63 or 65 vehicles and in return give the people some other mode of transportation. He would be very disappointed if the Legislature did away with the in lieu fee and the clean air fund because it would be counter productive of what the State is trying to do with the brown cloud and reaching attainment both in Areas A and B.

Chairman Solomon said she is sure that when that bill comes before the Committee, they will have ample time to debate it.

Senator Guenther moved S.B. 1249 be returned with a DO PASS recommendation.

Senator Guenther moved the 7-page Solomon amendment dated 2/19/01; 2:54 p.m. be ADOPTED. The motion CARRIED by voice vote (Attachment I).

Senator Guenther moved S.B. 1249 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 12-0-0 (Attachment 5).

S.B. 1292 - land conservation fund; development rights - DO PASS AMENDED

Ethan Shaner, Assistant Research Analyst, explained S.B. 1292 appropriates \$2 million from the public conservation account in each of fiscal years 2002 through fiscal year 2011 to the development rights retirement fund for the purpose of purchasing and retiring development rights. There is a 2-page Cirillo amendment dated February 15, 2001, 4:39 p.m., which is identical to the NRAE Committee amendment, that reinserts the conservation-based management alternative grant program. It excludes private individuals from the development rights retirement fund grant program to conform to other State Parks Board grant program procedures.

Senator Cirillo moved S.B. 1292 be returned with a DO PASS recommendation.

Senator Cirillo moved his 2-page amendment dated 2/15/01; 4:39 p.m. be ADOPTED (Attachment J).

Senator Cirillo stated that as everyone knows the Legislature went before the voters two or three years ago and established a fund for the creation of more open space in the state, \$20 million a year for eleven years. He said his understanding is that of the first \$20 million, only half has been used, and we are almost finished with the first year. If there is existing open space in the state in the form of agriculture and ranching and the owners cannot be motivated to sell it for development purposes, then the State will retain open space. It is nice to add additional open space, but it is more important to retain the open space that the State has. It will also protect military facilities in the state where these agriculture and ranching facilities are in the encroached areas around the various military facilities in the state. He said the State could do this legally where it would take \$2 million a year for the length of this program and use it for the purchase or lease of development rights from farmers and ranchers to achieve those purposes.

To answer Senator Nichols's question, Senator Cirillo said the original purpose was to create additional open space in this state. To look both in urban fringe areas where we really have the encroachment going on and also in the mature rural areas to try to create more additional open space. We were supposed to have the \$20 million a year for ten years, we got \$20 million for eleven years. So let him have the "mistake" of \$2 million a year for ten years to retain open space. We can also keep people farming, growing products, ranching and protect military bases. Senator Nichols expressed his concern that we be consistent with the original purpose, and he is not sure that this is it. But he is looking forward to hearing more.

Sandy Bahr, Conservation Director, Sierra Club-Grand Canyon Chapter, stated they are opposed to the bill because they feel it is inconsistent with Proposition 303 that was passed by the voters in 1998. While it may not technically violate the voter protection act, they think it violates the spirit of that act. She said it seems to her that the message from the voters is pretty clear that this proposition was going to be for the purchase or lease of State trust lands for conservation. While the goals that Senator Cirillo has in mind may be worthy goals, they are inconsistent with Proposition 303.

Senator Cirillo said Ms. Bahr is taking the position that we will end up, around our military airports where we have agriculture now, with thousands more houses, which he cannot believe she would like to see happen. Ms. Bahr said if that is an important goal for the State, then we ought to find funding for it. But funds should not be taken from other projects, which she thinks that this does. It is inconsistent with what voters have been told in 1998 and it is exactly why we have the voter protection act now.

Senator Cirillo said he understands we told voters that we wanted to create open space. This is open space that already exists that he wants to preserve, so he thinks it is not going against what we told the voters.

Kenneth Rozen, Legislative Liaison, Arizona State Land Department, stated that he is present on behalf of the State Land Department in opposition to S.B. 1292. As both Senator Cirillo and Ms. Bahr have observed, there is an issue about whether this bill would constitute a violation of the voters' intent under Proposition 303. The Department is not here to address that issue. They think it is arguable. They oppose the legislation because it has the potential to erode the funding base that was originally intended to compensate the State Land Trust pursuant to the Arizona Preserve

Initiative. The Department does feel that given the pressure that they are under to set state trust lands aside, they need every opportunity and tool that the Legislature has supplied to the Department thus far.

Senator Cirillo asked Mr. Rozen what the current backlog the Department has in either acres or dollars. Mr. Rosen said he could not give Senator Cirillo the exact figures, but the amount is large. He could tell him that during this current fiscal year the Department has processed an auction of three land sales amounting to some 730 acres of state trust lands. The funds that came out of the State Parks Board Conservation Fund to support half of the values of those auctions amount to about \$6 million. However, Proposition 100 from the last election contained a provision that would have essentially provided three percent of all trust land for the purposes of conservation of open space for free. The Department feels that some of the slowness in administering these applications reflects that many of these applicants were anticipating that their lands would be given to them for free. Therefore, the Department is anticipating an increase in demand for the use of these funds rather than a decrease in the absence of the Arizona Conservation Reserve. Mr. Rozen said he does not believe it is a matter of "crippling" the program. It is more that the money appears to have been set aside for the purpose of compensating the trust. Given the pressure that the State is seeing on developing the land, the Department would prefer to see that level of funding remain intact.

Senator Nichols said he did not have any letters in opposition to the bill, and as he walked into the meeting today, he was not aware that anyone was in opposition to this bill. His question is "what did the people say and what did we approve?" He said he thinks the Legislature approved something else. He admires Senator Cirillo's objective to protect military bases and stop development around them, but he does not think that this is the way to do it. He reluctantly stands in opposition to this bill.

Chairman Solomon announced that **Jay Ziemann, Assistant Director, Legislative Liaison, Arizona State Parks**, was neutral on the bill and available to answer any questions.

The motion to ADOPT the 2-page Cirillo amendment CARRIED by voice vote.

Senator Cirillo moved S.B. 1292 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 7-5-0 (Attachment 6).

Senator Rios explained his vote. He said he appreciates what Senator Cirillo is trying to do and thinks that he is moving in the right direction to try to protect the military bases, but this fund is not the appropriate fund to be using for that purpose. Senator Rios believes that this fund was set up for conservation use and does not recall using this fund for development rights, so he opposes the bill and voted no.

Senator Verkamp explained his vote. He said he feels that Senator Cirillo's goals are very worthy, but he is concerned about the wording of the original proposition and Proposition 105. He said he is afraid that the Legislature is changing it, so he voted no.

S.B. 1297 - Arizona historical society - DO PASS

Julie Myers, Appropriations Intern, stated that the bill transfers, from the Board of Directors of the Arizona Historical Society to its Executive Director, the responsibility of approving expenditures

of legislative appropriations, and stipulates that interest earned on monies in the Journal of Arizona History magazine fund and the permanent Arizona historical society revolving fund (enterprise fund) be credited to those funds.

Senator Cirillo said he has no objection to this, but he understands, in talking with people over the years, that there were some problems administratively in the American Historical Society, which led to this tightening up of what they could expend. He said he wants to be assured that the Committee feels everything is in good shape there now.

Senator Hamilton said that his subcommittee heard this budget. He met with the representatives of the Arizona Historical Society since the problems were well known in the organization. He said their leadership has been changed completely. They have been meeting weekly to review all expenditures and that problem has been solved. What needs to be done now is to allow the Society to go back to normal and not be quite as diligent looking over their shoulder because they seem to have solved the problems they had encountered earlier.

Chairman Solomon said she is not quite sure that everything is "hunky dory," however, she does support this move because she has also met with the representatives of the Historical Society and she has been assured that they will continue to make improvements.

Chairman Solomon announced the following people were present in support of the bill: **Joel Hiller, Interim Executive Director, Arizona Historical Society; Bill Ponder, Chief Administrative Officer, Arizona Historical Society, and Scott Smith, representing the Arizona Historical Society.**

Senator Guenther moved S.B. 1297 be returned with a DO PASS recommendation. The motion CARRIED by a roll call vote of 11-0-1 (Attachment 7).

S.B. 1301 - medical radiologic technology; board - DO PASS AMENDED

Jason Bezozo, Health Analyst, explained S.B. 1301 continues the Medical Radiologic Technology Board of Examiners (MRTBE) for five years and authorizes the Board to regulate practical technologists in bone densitometry and nuclear medicine technologists. There is a 17-line Solomon amendment dated February 14, 2001, 2:00 p.m., which is identical to the Health Committee amendment, that eliminates one of the two new members to the Board, the practicing radiologic technologist. It eliminates the increase in the amount board members are eligible to receive for each day of service and for reimbursement of subsistence and travel expenses. Specifies the fee for a replacement certificate is \$10. It also specifies the appropriation is for each year over the biennium and comes from the state radiologic technologist certification fund. There is a corrected 5-line Solomon amendment to the 17-line Solomon amendment that removes lapsing language from the appropriation.

Mr. Bezozo clarified Senator Cirillo's question that the first amendment is to adopt what the Health Committee had adopted.

Chairman Solomon noted that **Aubrey Godwin, Agency Director, Arizona Radiation Regulatory Agency,** was present in support of the bill.

Senator Bee moved S.B. 1301 be returned with a DO PASS recommendation.

Senator Bee moved the 17-line Solomon amendment dated 2/14/01; 2:00 p.m. be ADOPTED (Attachment K).

Senator Bee moved the corrected 5-line Solomon amendment dated 2/19/01, 5:05 p.m. to the 17-line Solomon amendment be ADOPTED. The motion CARRIED by voice vote (Attachment L).

Senator Bee moved the 17-line Solomon amendment AS AMENDED, be ADOPTED. The motion CARRIED by voice vote.

Senator Bee moved S.B. 1301 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 12-0-0 (Attachment 8).

S.B. 1414 - small and rural school districts - DO PASS AMENDED

Debbie Johnston, Appropriations Analyst, explained S.B. 1414 modifies the formulas applied to small and very small school districts and allows them to exceed their general budget limits. The first formula modification allows small districts, through an override election, to increase their limit by 10 percent of the revenue control limit for grade levels that do not qualify for the small student count. The second formula modification is applied to very small districts that qualify for the small school adjustment in fiscal year 2000 or later and that subsequently exceed the very small school student count cap. She said one of the primary features of the new formula is to phase out any excess budget limit when the student count exceeds 205 K-8 students or 200 high school students. Ms. Johnston said there is a 2-line Verkamp amendment dated February 19, 2001, 8:45 a.m., which works as a □grandfather clause.□ It clarifies that the existing \$50,000 cap on the excess budget limit for districts, which exceed the student count cap in years subsequent to the first year, applies only to districts that are currently functioning under the existing formula.

Senator Verkamp moved S.B. 1414 be returned with a DO PASS recommendation.

Senator Verkamp moved his 2-line amendment dated 2/19/01; 8:45 a.m. be ADOPTED (Attachment M).

Senator Martin said there are at least one or two bills going through at the moment to consolidate school districts. He asked if the Committee would have to revisit this if those bills passed. Ms. Johnston said that she would have to take a look at those bills again. She does not think this would impact the other bill. As the districts consolidate, if they were to remain small or very small they would still qualify under the statutes.

Patrick Lennan, Executive Director, Arizona Small and/or Rural Schools Association, stated that he would like to pass his time to the many people present from Grand Canyon.

John Rueter, representing himself, Grand Canyon, in support of S.B. 1414, thanked Senator Verkamp for his work on this legislation. Mr. Rueter said the small schools right now are suffering from a problem. A bill that was not quite defined left a □big hole,□ and perhaps the whole issue needs to be revisited at some time, but for right now, there needs to be some □first aid." If the

Legislature could achieve an incremental approach through this bill, it will keep the small schools from being discriminated against and falling off of a cliff.

Pete Shearer, representing himself, Grand Canyon, urged the Committee for their support of this bill by stating that this bill is very important to a lot of small and rural schools in Arizona. He said if this bill is not passed Grand Canyon will lose half of their budget and their kids will not be prepared to go to college. Good workers would be lost because their families will move away. Mr. Shearer stated that the language in the bill was reworded so that it would work for all of Arizona's small schools.

Tape 2, Side A

Dan Toban, representing himself, Grand Canyon, stated that he has lived in Grand Canyon for 25 years and enjoys living in Arizona. His son is in the seventh grade and if the population of the school goes on as projected, by the time he reaches ninth grade, the school will lose a little over half of its funding. He said the school would either be closed or become a transportation district. His children will have to be bussed sixty miles to go to high school one way or they will cut down the services so much that they will lose North Central Accreditation. He urged the Committee for their support in favor of this bill, so that he would not be forced to move in order to provide his son with a decent education.

James Hall, Superintendent of McNary Elementary District #23, stated that he is in the district that this bill affected last year. The school grew from 117 students to 131 students, 11 percent, and his budget was automatically cut by 30 percent because of this law. He said the district is located on the White Mountain Indian reservation and he does not have a tax base. Instead he has impact aid. With an aid, a check will come this month. He will not be able to expend \$300,000 of his \$1 million budget because of the way the bill is written. Mr. Hall stated that their school has 151 students and all are White Mountain Apache. Their test scores are in the 39th percentile overall. They have the highest test scores of any reservation school in this State. Their test scores have gone up 130 percent in the last three years. The teachers start at \$21,000 and he started at \$41,000. Today Mr. Hall makes \$49,000, and his top teacher makes \$32,000. They do not make a lot of money, but they do a really good job. He said this year he was able to maintain programs because they were able to create financing. He will not be able to do that next year because a third of his budget would be lost. The bill provides for a gradual phase down from 125 to 200 students. At 125, there is one teacher per grade level and 14 kids in a class. If the two 14's are put together, the third and fourth grade will have 28 students. It will be difficult to teach two grade levels of 28 students. At 200 students, there will still be one teacher per grade level, except the class size will be 23 students. Between 125 and 200, he has the same school yet he does not have the funding to pay for it. He pointed out studies have shown that the state of Wyoming had this problem, and they found 200 to be the magic number. Mr. Hall said at 200 students, state aid would support their school. Between 125 and 200 they will fall off the cliff. He said if this were to happen in Scottsdale or Paradise Valley, he doubts that there would be any debate about this at all.

Michael Hunter, Vice President, Arizona Tax Research Association (ATRA), stated that the information provided by the speakers today is correct. School districts do fall off the cliff. He said the legislation as originally done is problematic for school districts and for taxpayers. One of the reasons it is problematic is that it is not a small school adjustment. It lifts entirely the budget limit caps that other school districts have to exist under. There are reasons why school districts need an adjustment. There are overhead costs that are the same regardless of the size of the school.

He said a small number of students does not generate enough funding in the state funded equalized system. The State made a decision in 1980, when it reformed school district funding, to choose to fund from local property taxes. He said the state of Wyoming determined that all taxpayers, regardless of the district they live in and the property wealth of that district would pay the exact same rate. So like property owners in either district would be treated the same. If that small school district is under 200 students, there are extra weights added that school districts with larger student counts do not get in order to compensate for that economy of scale problem that exists. He pointed out the State takes responsibility for it.

Senator Nichols asked Mr. Hunter if the State does need this in order to relieve the small school districts. Mr. Hunter said ATRA is opposed to this bill. But there are two parts of this bill. One provides an easier way for school districts to go to a public vote in order to achieve an override in excess of the 10 percent override that exists for larger school districts. He said ATRA would be supportive of a voter-approved requirement rather than the non-voter approved budget override that currently exists with small school districts. In essence they are opposed on the grounds that the small school adjustment is a problem and the resolution for the school districts that exceed the student count threshold is more of the problem.

Senator Nichols asked as the small school districts vote to do the override, would it not be the school districts' responsibility. In other words, are not people voting to tax themselves to meet this need? Mr. Hunter said the voter-approved overrides do not have a 1 percent cap. The 1 percent cap only exists on primary often considered M & O taxes. He said Senator Nichols is correct, they are supposed to be self-limiting because they are voter approved.

Senator Nichols asked Mr. Hunter if he is saying that the State needs to protect people from themselves. Does the Legislature need to protect Grand Canyon from taxing itself in order to keep its school open, because if they make that judgment they are taxing themselves excessively? Mr. Hunter said the bill has two parts, one is for voter approval mechanism and the other is for a non-vote approval mechanism. Both deal with student counts in excess of the small school threshold. He said ATRA thinks the non-voter approved component of this bill is the problem, and that is what they are opposing. He said ATRA would encourage school districts to have override elections in excess of the 10 percent.

Chairman Solomon said that many of us, although she does not represent a small school that falls under this category, recognize the fact that these children need to be educated. She said listening to Mr. Hull there is no question in her mind that there is a problem that exists with the formula. With all due respect to ATRA and its position, at least in her mind the kids come first.

Senator Nichols asked Mr. Hunter if small school districts have the higher tax rates and the higher burden. Mr. Hunter said if Senator Nichols looks at the list in order of high to low tax rates, the highest tax rates in the State tend to be the small school districts in the top 10 or 20. Interspersed in there would be the other school districts that have access to non-voter approved overrides in the form of desegregation or other expenditures that are outside the revenue control limits. Mr. Hunter said ATRA is in agreement that these school districts need more funding. They are not in agreement with the mechanism. They believe the State needs to take that responsibility and provide that funding, and they could be supportive of such a mechanism.

Senator Nichols said he lives in Tucson District 1, that being the second largest school district in the State. He thinks they would have a low tax rate. He asked Mr. Hunter if that is correct. Mr. Hunter said the Tucson Unified School District (TUSD) is not on ATRA's low tax rate list. As an

urban district, it is quite high. He said most of the taxpayers in TUSD are over the 1 percent cap, the reason being non-voter approved expenditures outside of the revenue control limit. In Senator Nichols's case, this is because of desegregation.

Chairman Solomon announced the following people were present in support of the bill: **Dale Fitzner, Superintendent of Grand Canyon Unified School District; Tonia Garrett, Government Affairs Manager, Arizona Association of Counties; Sandra Junck, Arizona School Risk Retention Trust; Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association; Sam Polito, representing the Grand Canyon Unified School District; Michael Smith, representing the Arizona School Administrators; and Ed Wren, Legal Counsel, representing the Grand Canyon Unified School District; Grand Canyon area hotels.**

The motion to ADOPT the 2-line Verkamp amendment CARRIED by voice vote.

Senator Verkamp moved S.B. 1414 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 10-0-2 (Attachment 9).

S.B. 1575 - personal watercraft; licensure of operator - DO PASS

Garth Kamp, NRAE Intern, explained S.B. 1575 requires any person born after January 1, 1991 be licensed to operate a personal watercraft, generally defined as a jet ski or wave runner, on waters in Arizona. This requirement is effective December 31, 2003. Mr. Kamp stated that the NRAE Committee would be considering amendments that will make technical changes to this bill in their upcoming Committee meeting on Thursday.

Senator Nichols moved S.B. 1575 be returned with a DO PASS recommendation.

Senator Nichols, sponsor of the bill, stated that a number of people have come to him over the last several years expressing concern about personal watercraft and its disruption of the boating communities' pleasure of using the lakes and streams of this State. He said there was a feeling that perhaps licensure would be a proper way to go. Consultation was made with the personal watercraft association, the model licensing bill was obtained and used to the degree possible given Arizona laws. The Game & Fish Department was also consulted and their recommendations were adopted. The Department supports the bill in its present form. The only issue that remains to be discussed is whether the cut off age should be 12, which is the current law in Arizona or whether for personal watercraft that should be changed to age 16. When this came before the Committee there was some concern that twelve year olds running around the lakes in personal watercraft were a bit too young, some members of the Committee were not too pleased with that. He said that is not a function of this bill, but the bill might be used as a way to deal with that. He stated that the amount of money that comes here is small because of the very lengthy phase-in period that comes out of the watercraft licensing fund and not the state general fund.

Chairman Solomon announced the following people were present: **Cindy Kominska,** in support of the bill, and **Richard L. Stephenson, Legislative Liaison, Arizona Game and Fish Department,** was to speak if necessary.

The motion to return S.B. 1575 with a DO PASS recommendation CARRIED by a roll call vote of 9-3-0 (Attachment 10).

Senator Rios explained his vote. He said he does not have enough information at this time to make a decision as to whether the State should be licensing teenagers to operate these jet skis, so until he gets more information, he voted no.

Senator Arzberger explained her "aye" vote. She said she and her husband are fishermen who try to avoid those lakes with a lot of recreation traffic. As she has seen some extremely irresponsible drivers who operate some of these recreational vehicles, and extremely irresponsible parents allowing children to drive these vehicles, she personally does not think licensing will stop that.

Senator Martin explained his vote. He said that he has been on the other side of this issue as someone who had to get licensed as a teenager to operate an off-road vehicle in California. It did not change anything. He said he has not seen it have an affect, because it tends to be one of those cases the only people that comply with the law are the ones who actually are not the problem. At this time, he votes no.

S.B. 1038 - medical services; rural areas - DO PASS AMENDED

Meghann Brennan, Health Intern, explained S.B. 1038 appropriates \$2.5 million from the tobacco medically needy account in fiscal year 2002-2003 to DHS for capitol project grants. There is a 3-line Solomon amendment dated February 14, 2001, 3:30 p.m., which strikes the appropriation for capital project grants to public and private entities that provide health services in rural areas.

Senator Arzberger, sponsor of the bill, stated that there has been a lot of discussion about the lack of medical services in the rural areas or unequal medical services, and the high cost for both retirees and working people in the rural areas. She said telemedicine is one way to provide services in rural areas at a very reduced cost. She read an article in the Arizona Daily Star dated May 28, 2000, which states that that the telemedicine program suggests reducing the cost of transporting patients long distance by ambulances or planes. She said the Committee passed a bill earlier that provides more money to rural ambulance service. According to the article and people she has talked to, that cost would be greatly lessened if telemedicine services were available. She explained telemedicine is where a patient in a telemedicine center can talk to a specialist with a television screen. If any diagnostic work is done, like an x-ray, the radiologist can sit in that office in real time and read that x-ray and talk to the person. Senator Arzberger said the article also suggests that telemedicine might be a solution to the problem of HMO's canceling their Medicare contracts in rural Arizona. Managed care companies cite the costs of transporting patients long distances by ambulances or planes as some of their major costs in the rural areas and pull out. If the amendment is not passed and there are grants for equipment to the telemedicine program, then they can offer more services than they do now. She informed the Committee that Dr. Weinstein of the University of Arizona telemedicine program could explain more details of the program.

Chairman Solomon stated that she has committed to the bill's sponsor that without the amendment at this point, she is not going to move this bill forward. She is not certain at this point what the status is of the State's medically needy account, and wants to make sure that the Legislature is not doing anything to jeopardize obligations that they have. That is why she is proposing her amendment before the Committee. Chairman Solomon said their actions reflect years beyond what they do here today. If she is assured at some point that the fund will not be

over obligated or the responsibilities that are incurred are taken care of as a result of creating that fund, she would be happy to withdraw on the floor the Appropriations Committee amendment. At this point she feels a personal responsibility to make sure that the fund is not being over obligated.

In response to Chairman Solomon's comments, Senator Arzberger hopes the Committee amendment will be withdrawn on the floor. She hopes that the Legislature can direct some monies to the equipment needed to expand these services in rural and underserved areas and she will not oppose the amendment.

Senator Martin said that he co-sponsored a similar telemedicine bill that is making its way in the House, which uses \$250,000 in general fund monies. He suggested maybe getting the two bills closer together.

Senator Cirillo commented that the appropriation might be more appropriate coming out of the tobacco settlement rather than tobacco tax monies.

Chairman Solomon welcomed **Dr. Ronald Weinstein, Director of the Arizona Telemedicine Program**. She had the privilege to meet Dr. Weinstein when she was asked to serve on the Telemedicine Council. There is remarkable work being done, and she thinks that telemedicine is the wave of the future in the State for rural Arizona particularly and for the Department of Corrections.

Dr. Weinstein thanked Senator Arzberger for her strong support and excellent description of the program. He said they do have a reprint of the article that she mentioned and he can make that available for the Committee. He thanked Senator Cirillo for being a strong supporter and great help to them in envisioning how to spread this network throughout the State. He thanked Senator Nichols who has led the way for many years in terms of teaching urban physicians why we should care about rural health care. Dr. Weinstein stated that the Arizona Telemedicine Program was initiated by the Legislature in 1996 through the efforts of Representatives Bob Burns and Lou Ann Preble, as well as by John Lee at JLBC. Dr. Weinstein described the program that is centered at the College of Medicine in Tucson, which has created a very large network that now provides secure and private telecommunications services for health care to many areas within the State. He expanded on the cost effectiveness of the program. He said currently the clients of the program include a community health center, seven prisons accounting for specialty services to 17,000 State prisoners, and the Department of Veterans Affairs. He said the program is currently located in Navajo, Apache, and Hopi hospitals and clinics. They have hospitals in the Mexican border communities, and rural private hospitals, State Mental Hospital, Tucson County hospital, nursing homes, and they also bring some unique services into the State. For example, they bring the Arizona Health Care Cost Containment System (AHCCCS) to the Shriner's Pediatrics Orthopedic clinics, a network of specialized hospitals nationally, they bring services to the State from Utah. They also bring educational programs from outside the State particularly for dentists because the State does not have dental schools. He said they created a series of secondary "hubs" so that not all of the services are provided from university physicians, they think that is very important, this is truly a statewide collaborative. Currently the 50 percent or more of consults are provided from physicians from other health care systems. Dr. Weinstein stated he would like to see a linkage to their program, since they believe they represent a state resource and asset. He said it would make sense that before awards are issued the Director of DHS consults with the Arizona Telemedicine Program before distributing the funds.

Chairman Solomon commented that she has been aware of the program for many years, but the presentation that she saw at the council meeting last month was remarkable. Dr. Weinstein thanked Chairman Solomon for her support.

Chairman Solomon announced the following were present in support of the bill: **Judy Bernas, representing the University of Arizona Health Sciences Center; David Landrith, Vice President, Arizona Medical Association; and Kevin Moran, Consultant, Arizona Association of Community Health Centers.**

Senator Nichols said he appreciated Chairman Solomon's explanation of the amendment. His hope is to find a way to support these capital grants because they mean so much to small rural communities. He said for anyone who has been out to the rural areas and has seen the results of these grants, whether it is down in Cochise County or Maricopa County, have made a huge difference throughout the State. He said that when everything else is funded and the money has been released, maybe the tobacco settlement monies could be used.

Chairman Solomon stated that she also recognizes the importance of these capital grants and she wants to find a way to fund the grants. She had some information recently that would indicate that perhaps the tobacco tax fund would be solvent beyond the year 2005, possibly into 2006 or 2007.

Senator Rios asked Chairman Solomon if there was anything left in the bill after her amendment. Chairman Solomon said yes the extension of the telemedicine program.

In response to Senator Rios's question, Senator Arzberger said she believes it is \$500,000 per year for expanding the telemedicine program.

Senator Arzberger moved S.B. 1038 be returned with a DO PASS recommendation.

Senator Bee moved the 3-line Solomon amendment dated 2/14/01; 3:30 p.m. be ADOPTED. The motion CARRIED by voice vote (Attachment N).

Senator Arzberger moved S.B. 1038 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 11-0-1 (Attachment 11).

S.B. 1537 - detoxification services; rural areas - DO PASS AMENDED

Jason Bezozo, Health Analyst, explained S.B. 1537 re-establishes the medically needy account detoxification program (annually at \$500,000). There is a 6-line Solomon amendment dated February 15, 2001, 9:41 a.m. that cuts in half the appropriation for detox services, and restricts use of these monies to programs providing treatment and rehabilitation services.

Senator Guenther, sponsor of the bill, had hoped that Senator Verkamp was still in the room, to ensure that he understood the bill would be eliminating the Page program, mainly because they do not provide long-term social model detoxification that emphasizes rehabilitation. He said in order to get this bill out of the Senate, both in the Health Committee and otherwise funded, that is the situation being faced. He pointed out that the program has been extremely successful and it has become a model. The State does match the money 4 to 1, therefore, \$1 million could be provided in community funding to match the \$250,000.

Senator Guenther moved S.B.; 1537 be returned with a DO PASS recommendation.

Senator Guenther moved the 6-line Solomon amendment dated 2/15/01; 9:41 a.m. be ADOPTED. The motion CARRIED by voice vote (Attachment O).

Senator Guenther moved S.B. 1537 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 10-0-2 (Attachment 12).

S.B. 1206 - appropriation; emergency vaccines - DO PASS AMENDED

Jason Bezozo, Health Analyst, explained S.B. 1206 appropriates \$500,00 from the medically needy account in fiscal year 2002 to DHS for emergency vaccines. There are two amendments being offered to the bill. The 3-line Solomon amendment dated February 15, 2001, 9:43 a.m. appropriates monies in fiscal years 2000-2001 rather than 2001-2002. The 4-line Solomon amendment dated February 19, 2001, 4:17 p.m. removes lapsing language from the appropriation.

Chairman Solomon asked Mr. Bezozo to explain why it is necessary for the Committee to do the supplemental this year. Mr. Bezozo stated that it is his understanding that because of the recent addition of two new vaccines in the schedule, there is not enough funding to cover all the necessary vaccines. These funds would allow for the increased vaccinations for the current fiscal year.

To answer Senator Nichols's question, Mr. Bezozo said currently in the bill there is a provision that exempts the appropriation from lapsing at the end of the fiscal year. The amendment eliminates that provision, so it would revert the remaining monies at the end of the fiscal year.

Senator Nichols asked if someone could explain why that is being done. **Debbie Johnston, Appropriations Analyst**, said the exemption from lapsing language was traditionally not put on bills unless it was requested. Over the past couple of years, Legislative Council, because they were requested so often to put this on, started as a default to put this language on the bills. However, it does create an accounting problem for JLBC and the Office of Strategic Planning & Budgeting (OSPB) in tracking monies after the expenditure authority has been given to the agency or perhaps it has not been used in that fiscal year. Ms. Johnston said she did consult with Chairman Solomon about this and Chairman Solomon has agreed to run these amendments for that technical reason. She said in instances where it is extremely clear that these monies are being put into a special fund for a grant for long-term purposes or if it is capital expenditures, perhaps the lapsing language could be reworked to make the monies revert after a second fiscal year.

Senator Nichols said he is interested to know what the agency thinks about this. He understands that emergency vaccines are being talked about. He wants to make sure the money is not lost for the use for which it is intended.

Chairman Solomon said she does not see anyone from the agency to comment, but the amount requested has been put in to cover the vaccines.

Mr. Bezozo pointed out that with the amendment on the bill it becomes immediately effective upon the signature of the Governor, so they would not have to wait 90 days to get the funds.

Senator Martin said that the Government Committee ran across a couple of bills that had the non-lapsing on there and the Committee ran amendments to eliminate the language.

Senator Bee moved S.B. 1206 be returned with a DO PASS recommendation.

Senator Bee moved the 4-line Solomon amendment dated 2/19/01; 4:17 p.m. be ADOPTED (Attachment P).

Chairman Solomon announced the following people were present in support of the bill: **Sue Braga, Executive Director, Arizona Chapter - Academy of Pediatrics; David Landrith, Vice President, Arizona Medical Association; and Debbie McCune Davis, Program Director, The Arizona Partnership for Immunization.**

The motion to ADOPT the 4-line Solomon amendment CARRIED by voice vote.

Senator Bee moved the 3-line Solomon amendment dated 2/15/01; 9:43 a.m. be ADOPTED. The motion CARRIED by voice vote (Attachment Q).

Senator Bee moved S.B. 1206 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 10-0-2 (Attachment 13).

S.B. 1318 - appropriation; nursing and telemedicine programs - DO PASS AMENDED

Meghann Brennan, Health Intern, explained S.B. 1318 appropriates \$1,082,500 from the medically needy account of the tobacco tax and health care fund in fiscal year 2002 to the Board of Regents to support the delivery of nursing care services and professional nursing education through the state's telemedicine network. There is a 4-line Solomon amendment dated February 19, 2001, 4:12 p.m. that removes lapsing language for the appropriation.

Chairman Solomon noted that **Judy Bernas, representing the University of Arizona Health Sciences Center,** and **Dr. Ronald Weinstein, Director, Arizona Telemedicine Program,** were both present in support of the bill.

Senator Bee moved S.B. 1318 be returned with a DO PASS recommendation.

Senator Bee moved the 4-line Solomon amendment dated 2/19/01; 4:12 p.m. be ADOPTED. The motion CARRIED by voice vote (Attachment R).

Senator Bee moved S.B. 1318 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED by a roll call vote of 9-0-3 (Attachment 14).

There being no further business, the meeting was adjourned at 11:02 a.m.

Respectfully submitted,

Melissa C. Upshaw, Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.)