

APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND WELFARE

The Subcommittee on Health & Welfare consists of the following members:

- Chairman Cobb
- Vice-Chairman Rivero
- Representative Friese

Over the course of the 53rd Legislature - 2nd Regular Session, the Appropriations Subcommittee on Health and Welfare met on five occasions. The intent of the Subcommittee was to review the budgets of various state entities with the inclusion of Executive recommendations contrasted with the JLBC Baseline. The agendas for each meeting are located in the Appendices as attachment A. The JLBC presentation for each state entity reviewed by the Subcommittee is hyperlinked below to the correlating title.

- **January 16**
 - Department of Revenue (DOR) [JLBC Staff Presentation](#)
 - County Funding [JLBC Staff Presentation](#)
- **January 23**
 - Department of Health Services (DHS) [JLBC Staff Presentation](#)
 - Department of Administration (ADOA) Health Insurance [JLBC Staff Presentation](#)
 - 2-1-1 Program
- **January 30**
 - Secretary of State [JLBC Staff Presentation](#)
 - Registrar of Contractors [JLBC Staff Presentation](#)
- **February 6**
 - Department of Real Estate [JLBC Staff Presentation](#)
 - Department of Environmental Quality (ADEQ) [JLBC Staff Presentation](#)
 - Alzheimer's Funding

Chairman's Recommendation:

Department of Revenue

The Executive Budget expands DOR's use of outside fraud prevention services, using contingent fee contracts with private data analytics firms to identify tax evaders. Previously, DOR elected to reduce audit and collections staff from 332 to 198. The Executive Budget now proposes to add back 25 audit and collections staff.

- Recommendation: We concur with the Executive's request for additional audit and collections staff. We request DOR report to the Legislature the amount the auditors have increased bottom line revenue.

- Recommendation: We recommend DOR continue to report on ongoing information technology issues.

County Funding

- Recommendation: We recommend giving county shifts back to counties, including the juvenile detention shifts, contingent upon the passage of **H.B. 2564 court fees; EORP; state contribution.**
- Recommendation: We recommend appropriating \$1.5 million to the Indigent Defense Fund.
- Recommendation: We recommend passage of **H.B. 2290 expenditure limitation; waiver of penalties,** which waives the penalties imposed on La Paz County for excess expenditures of local revenues in FYs 2014-18.

Department of Health Services

The Executive Budget recommends a decrease in funding to eliminate the Arizona Radiation Regulatory Agency's General Fund (GF) appropriation in FY 2019.

The Executive Budget includes a decrease from the GF and a commensurate increase in the Disease Control Research Fund. The DHS FY 2018^[UK1] budget included a \$1 million GF for AIDS Reporting and Surveillance.

The Executive Budget includes a decrease from the Capital Outlay Stabilization Fund (COSF) and a commensurate increase in the Indirect Cost Fund. DHS ^[is]^[UK2] appropriated \$230,000 from COSF for utility expenses at 150 N. 18th Ave. in Phoenix.

The Executive Budget recommends a decrease in funding as a result of efficiency savings identified by DHS, and those savings would be applied to the DHS operating budget.

The Executive Budget includes a decrease in funding to remove FY 2018 one-time appropriations. The DHS FY 2018 budget included a one-time \$1 million appropriation from the Health Care Research Agency Operating Detail Department of Health Services Fund for Alzheimer's Research. The FY 2018 budget also included a one-time \$500,000 appropriation from the Emergency Medical Services Operating Fund to fund a deposit into the Public Health Emergencies Fund. Lastly, the FY 2018 budget included a one-time \$350,000 appropriation from the DHS State Hospital Land Earnings Fund for equipment at the Arizona State Hospital.

- Recommendation: We concur with the Executive's recommendations within a certain reasonable expenditure limitation, if feasible within a structurally balanced budget.
- Recommendation: We recommend evaluation of additional uses for the Medical Marijuana Fund, including enforcement and education, with passage of **H.B. 2066 medical marijuana fund; uses.**

- Recommendation: We recommend DHS maintain performance and its retention process of DHS employees as it appears to be successful.

ADOA Health Insurance

The Executive replaces a one-time \$75 million employer contribution with another one-time \$30 million appropriation (\$10 million GF, \$20 million non-GF). The result is a \$102 million structural shortfall and \$62 million cash balance at the end of '19. This assumes an underlying 5% increase in health costs after adjusting for increased employee costs. Because the proposal does not solve the structural shortfall, the Executive has said they may implement other changes.

- Recommendation: We concur with the Executive's recommendations in making the fund fully solvent. We recommend additional action be taken in order to ensure that this fund is structurally balanced. Furthermore, because the Legislature does not have authority to approve the plan's structure, we recommend the consideration of stronger legislative oversight.

2-1-1 Program

House Bill 2136 appropriation; DES; information; referral service appropriates \$1.5 million from the GF in FY 19 to the Department of Economic Security for 2-1-1 information and referral services. The appropriation would allow the current 2-1-1 system to operate on a 24/7 basis.

- Recommendation: We recommend passage of **H.B. 2136 appropriation; DES; information; referral service** upon: 1) approval by the Appropriations committee; and 2) finding an appropriate, sustainable funding source.

Registrar of Contractors

There are no operating changes in the JLBC Baseline or in the Executive budget.

- Recommendation: We recommend passage of **H.B. 2416 appropriation; study; prime contracting classification**, which appropriates \$75,000 from the Residential Contractors' Recovery Fund in FY 2019 to DOR for an independent study of the rate of noncompliance by persons subject to the prime contracting TPT classification.

Department of Environmental Quality

The JLBC baseline keeps ADEQ GF spending at \$2.8 million in FY 19. The Executive shifts to non-GF sources. Also, the Executive recommends consolidating the following line items into the Operating line item: 1) Operating; 2) Emissions Control Contractor Payment; and 3) Safe Drinking Water Program.

- Recommendation: Because having multiple line items provides the Legislature with necessary information to make informed appropriations decisions, we object to the Executive's proposal to consolidate various line items.

Alzheimer's Funding

- Recommendation: We recommend locating a permanent, sustainable funding source for Alzheimer's research funding to ensure the demise of this disease.

Respectfully submitted,

Representative Regina Cobb

Chair of the Committee on Appropriations Subcommittee on Health and Welfare

Minority Report:

Please find attached the Minority Report (Attachment B).

ATTACHMENT A

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-third Legislature - Second Regular Session

REGULAR MEETING AGENDA

COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND WELFARE

DATE Tuesday, January 9, 2018

ROOM HHR 5

TIME NOT MEETING

Members:

Mr. Friese

Mr. Rivero, Vice-Chairman

Ms. Cobb, Chairman

Mr. Shooter, Ex-Officio

With permission of the Speaker the
Committee on Appropriations Subcommittee on Health and Welfare
will not meet on Tuesday, January 9, 2018

1/2/18

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-third Legislature - Second Regular Session

REGULAR MEETING AGENDA

**COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND
WELFARE**

DATE Tuesday, January 16, 2018

ROOM HHR 5

TIME 2:00 P.M.

Members:

Mr. Friese

Mr. Rivero, Vice-Chairman

Ms. Cobb, Chairman

Mr. Shooter, Ex-Officio

-
1. Introductions
 2. Budget Presentations by Joint Legislative Budget Committee Staff and State Agencies
 - Department of Revenue
 - County Funding

1/10/18

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**REVISED - 01/23/18
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ARIZONA HOUSE OF REPRESENTATIVES
Fifty-third Legislature - Second Regular Session

REGULAR MEETING AGENDA

**COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND
WELFARE**

DATE Tuesday, January 23, 2018

ROOM HHR 5

TIME 2:00 P.M.

Members:

Mr. Friese
Mr. Shooter, Ex-Officio
Only)

~~Mr. Rivero, Vice Chairman~~
Mr. Livingston, Vice-Chairman (Temporary Appointment for Today

Ms. Cobb, Chairman

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- Budget Presentations
 - Department of Health Services
 - ADOA Health Insurance
 - 211 Program

~~1/17/18~~
1/23/18

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ARIZONA HOUSE OF REPRESENTATIVES
Fifty-third Legislature - Second Regular Session

REGULAR MEETING AGENDA

**COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND
WELFARE**

DATE Tuesday, January 30, 2018

ROOM HHR 5

TIME 2:00 P.M.

Members:

Mr. Friese

Mr. Rivero, Vice-Chairman

Ms. Cobb, Chairman

Mr. Shooter, Ex-Officio

Budget Presentations

- Secretary of State
- Registrar of Contractors

1/24/18

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ARIZONA HOUSE OF REPRESENTATIVES
Fifty-third Legislature - Second Regular Session

REGULAR MEETING AGENDA

**COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND
WELFARE**

DATE Tuesday, February 6, 2018

ROOM HHR 5

TIME 3:00 P.M. NOTE TIME
CHANGE

Members:

Mr. Friese

Mr. Rivero, Vice-Chairman

Ms. Cobb, Chairman

Budget Presentations:

- Arizona Department of Real Estate
- Department of Environmental Quality
- Alzheimer's Funding

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1/31/18

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ARIZONA HOUSE OF REPRESENTATIVES
Fifty-third Legislature - Second Regular Session

REGULAR MEETING AGENDA

**COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND
WELFARE**

DATE Tuesday, February 13, 2018

ROOM HHR 5

TIME 2:00 P.M.

Members:

Mr. Friese

Mr. Rivero, Vice-Chairman

Ms. Cobb, Chairman

Mr. Livingston, Ex-Officio

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1. Discussion of any Outstanding Issues
 2. Adopt Budget Recommendations

2/7/18

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ATTACHMENT B

Arizona House of Representatives – Appropriations Sub Committee on Health and Welfare FY 2019 Budget Priorities – Minority Budget Report – State Representative Friese, Ranking Member

February 13, 2018

Arizona is a fast-growing, culturally and geographically diverse land of opportunity. But families in our communities are still falling behind. Our vast potential as a state will remain unmet until we make the investments in education, health and infrastructure that a 21st century economy demands. House Democrats are committed to investing in policies that will improve our quality of life now, while promoting a stronger, more sustainable future. This philosophy shapes our budget priorities.

Decades of cuts have eroded Arizona's tax base and compromised Arizona's ability to do the business of the people. Moreover, the Governor's proposed FY 2019 budget does little to provide meaningful policies that enhance or stabilize state revenues. In fact, the Governor's budget proposes \$130 million in fund transfers as a means of supporting basic general fund spending. These fund transfers are not a sustainable source of revenue for ongoing funding needs. These fund shifts occur across a variety of state government programs, and will further compromise the state's ability to enhance health and environmental outcomes for the public.

The budget recommendations below comment on various policies proposed in the Governor's FY 2019 budget, provide alternative methods for financing Arizona's future, and advocate for additional health initiatives to serve the public. The funding priorities recommended for fiscal year 2019 are above and beyond the JLBC baseline budget. With respect to the health and welfare of Arizona, House Democrats will support programs and policies that invests in people, supports families and businesses, and establishes a foundation for Arizona to prosper.

Ranking Member Comments – Governor's Proposed FY 2019 Budget and Agency Presentations

With respect to the initiatives proposed in the Governor's FY 2019 budget, comments are provided below in terms of support, opposition or other observations. The comments cover the agency presentations that were provided during the House Sub Appropriations Health and Welfare Committee hearings during January and February. In addition, they also cover presentations on the Department of Economic Security and Arizona Health Care Cost Containment System (AHCCCS) during the full Appropriations Committee hearings on 1/24/18 and 2/14/18 since these agencies cover health and human services issues.

Department of Revenue (1/16/18)

- Ranking member is supportive of the Executive's proposal to add 25 audit and collections staff, but recommends additional staffing resources proposed below (Policy Initiative #1 in Table below).
- Ranking member is unconvinced that Executive's proposal to award contingency fee contracts for TPT collections will lead to the estimated revenue collection of \$30 million.

County Funding (1/16/18)

- Ranking member is supportive of renewing one-time county assistance of \$1.7 million total to Mohave, Pinal and Yavapai Counties labeled as one-time in the FY 2018 budget.
- Ranking member is supportive of renewing the \$8 million one-time distribution to all counties as part of offsetting the costs of the Department of Juvenile Corrections (DJC), and is supportive of classifying this as an ongoing appropriation.

Department of Health Services (1/23/18)

- Ranking member is supportive of continuing a one-time appropriation of \$1.0 million from the Tobacco Tax Health Research Account to support continued efforts for Alzheimer's disease research.
- Ranking member is concerned about the Executive's proposed transfers of the Arizona Radiation Regulatory Agency, Health Services Licensing Fund and ISA for Behavioral Health Services Fund and will be seeking further information.

ADOA Health Insurance (1/23/18)

- Ranking member recognizes that the State Employee Health Insurance Trust Fund (HITF) is facing a structural shortfall and long-term funding challenges, and makes the general observation that from FY 2012 – FY 2017, the Governor and Legislature transferred \$275 million out of HITF.
- Had these transfers not occurred, the state would likely have more time to develop a more equitable solution rather than immediately being forced to increase state employee health insurance premiums, copays and deductibles, as well as employer premiums.

2-1-1 Program (1/23/18)

- Ranking member is generally supportive of the proposal to appropriate \$1.5 million for purposes of the 2-1-1 network in Arizona, but will be seeking further information.

Department of Economic Security (1/24/18)

- Ranking members opposes the Executive's proposal to consolidate multiple programmatic special line-items (SLIs) and contends that these SLIs should remain separate in order to ensure programmatic and funding transparency.
- Ranking member would be supportive of efforts to renew one-time funding of \$12 million to DES for the division of developmentally disabled (DDD) providers to help cover the costs of Proposition 206.
- In addition, ranking member is supportive of including an additional \$1.6 million requested for this purpose by the DD Community due to the scheduled increase in the minimum wage rate by an additional \$.50 an hour.
 - Ranking member is supportive of classifying the combined total of \$13.6 million as an ongoing appropriation.
- Ranking member is generally supportive of the Executive's proposed one-time \$1.0 million appropriation to provide capital equipment, materials and supplies to increase capacity in Arizona's foodbank network.
- Ranking member is concerned about the Executive's proposal to shift funding for the Adult Protective Services caseworkers (\$2 million) to federal funds and awaits further information on whether this funding source is sustainable.

Secretary of State (1/30/18)

- Ranking member will be seeking further information on the Executive's \$3.6 million proposal (FY 2018 and FY 2019) for a voter registration database.

Registrar of Contractors (1/30/18)

- Ranking member opposes the Executive's proposal to transfer \$4 million out of the Registrar of Contractor's (ROC) Recovery Fund as a means to support additional general fund spending.
- The ROC Recovery Fund exists to benefit homeowner's who are injured by the actions or inactions of a residential contractor. Shifting funds out of the ROC is inappropriate when other methods of enhancing state revenues should be considered instead.

Department of Real Estate (2/6/18)

- No comments

Department of Environmental Quality (2/6/18)

- Ranking member opposes the Executive's proposal to transfer a total of \$37 million out of the agency in FY 2018 and FY 2019 in order to support general fund spending. The Department of Environmental Quality should be focused on environmental outcomes for the state of Arizona, and not business outcomes. Efforts to shift \$37 million out of the agency, which represents almost 25% of the agency's baseline operating budget for FY 2019, will likely compromise the ability of DEQ to adequately protect the state's air and water on behalf of Arizona families.
- Ranking member will be seeking further information from the agency on the impact the fund transfers will have on the agency, as well as what the environmental consequences will be for Arizona.
- Ranking member opposes the Executive's proposal to eliminate the statutory formula requirement for the Water Quality Assurance Revolving Fund (WQARF).
- Ranking members opposes the concept of consolidating several line items with regard to the Operating, Emissions Control Contractor Payment, and Safe Drinking Water Program line items.

Alzheimer's Funding (2/6/18)

- As stated above, Ranking member would be supportive of additional funding provided towards Alzheimer's research.

AHCCCS (2/14/18)

- Ranking member opposes the Executive's proposal to reallocate approximately \$35 million of tobacco funding to Behavioral Health Services, because this would likely increase hospital assessment costs by a corresponding amount.
- Additionally, ranking member opposes the Executive's proposal to end prior quarter coverage reimbursement to health services providers and the proposal to reduce reimbursement rates to 90% for behavioral health services, because these policies will inevitably shift costs to hospitals, providers or members.

Health and Welfare – Democratic Funding Priorities and Alternatives

The table below provides alternative recommendations that could be adopted to further enhance health and human services outcomes in Arizona. The top two policy initiatives would generate sufficient revenue (FY 2019 preliminary estimate - \$59 million) to fund the other six policy initiatives recommended in the table (a total of approximately \$40.3 million for FY 2019).

Initiative	Description	Bill # and Sponsor
1. Enhance DOR Audits and Collections	<ul style="list-style-type: none"> • Appropriates \$8.3 million from the general fund in FY 2019 to rehire audit and collections team at the Department of Revenue to ensure corporate tax compliance and the integrity of Arizona's tax system • Preliminary revenue impact is a net positive general fund increase of \$26.3 million in FY19 and \$60.9 million in FY20 	HB 2137 (Espinoza)
2. Eliminate selected transaction privilege tax (TPT) exemptions	<ul style="list-style-type: none"> • Eliminates selected TPT (sales) tax exemptions, most notably for out-of-state resident car purchases, chicken steroids, horse vitamins, railroad ties, 4" pipes and service contracts and warranties • Preliminary revenue impact is a positive general fund increase of approximately \$53.3 million annually 	HB 2571 (Friese)
<p align="center">Total Estimated Revenue Enhancements = \$79.6 million (FY19), \$114.2 million (FY20), \$114.2 million (FY21)</p>		
3. Renew funding for Prop 206 DES DD Providers	<ul style="list-style-type: none"> • Renew the \$12 million appropriation to DES for the division of developmentally disabled (DD) providers to help cover the costs of Prop 206 • Appropriate an additional \$1.6 million for this purpose due to the scheduled increase of the minimum wage rate by \$.50 an hour • Ranking member recognizes the need to renew this one-time appropriation and would be supportive of it being classified as \$13.6 million in additional ongoing funding 	
3. Enhance DES childcare subsidy program	<ul style="list-style-type: none"> • Appropriates \$4 million from the general fund in FY 2019 to the Department of Economic Security for the childcare subsidy program • Childcare subsidies are critical to providing working parents the ability to both work and ensure their children have a stable home. This initiative would allow an additional 917 children to receive a benefit. (Rep. Alston's HB 2287 would provide \$80.9 million to fund a total of 17,350 additional 	HB 2200 (Powers Hannley)

	children – the estimate prior to the initial implementation of the waitlist.)	
4. Ensure proper funding for the Water Quality Assurance Revolving Fund (WQARF)	<ul style="list-style-type: none"> • Appropriates the statutory requirement of \$15 million from the general fund in FY 2019 to the WQARF • Funding WQARF at the proper level is critical to rehabilitating polluted business sites throughout Arizona 	HB 2214 (Gabaldón)
5. Enhance funding for the Housing Trust Fund	<ul style="list-style-type: none"> • Requires 55% of proceeds from the sale of abandoned and unclaimed property to be deposited in the Housing Trust Fund • A preliminary revenue estimate suggests an increase of \$5.6 million to the Housing Trust Fund 	HB 2289 (Alston)
6. Enhance primary care provider workforce and access	<ul style="list-style-type: none"> • Appropriates \$500,000 from the general fund in FY 2019 to the Department of Health Services for primary care provider loan repayment • This program provides loan repayment to primary care providers throughout the state who commit to practicing in areas of medical shortage • Providing an additional \$500,000 will incentivize an additional 20 medical professionals to stay and practice in Arizona 	HB 2359 (Blanc)
7. Enhance coordinated homeless youth services	<ul style="list-style-type: none"> • Appropriates \$1.5 million from the general fund in FY 2019 to the Department of Economic Security for coordinated homeless services for youth 	HB 2488 (Chavez)
8. Suicide prevention and reduction coordinator	<ul style="list-style-type: none"> • Appropriates \$95,000 from the general fund and 1 FTE in FY 2019 to AHCCCS to hire a suicide prevention coordinator to implement a statewide suicide reduction plan 	HB 2593 (Epstein)
Total Ongoing Spending Initiatives = \$40.3 million		