



What's Up in the Legislature?

April 4, 2009

The week at the Legislature has been generally slow and somewhat confusing. The Majority in both the House and Senate are looking for a way to close the gap between their proposed budgets and the expected \$3 billion shortfall expected for FY 2010.

Their accomplishment for the week was the passage of SB 1185 (conformity; internal revenue code). As part of the Stimulus Package, the feds dropped the rate of payroll withholding, and since the state was tied to the federal rate that would mean a drop in state revenue without this bill. By not conforming, the state could add \$73 million in lost revenue to this year's budget. The bill passed both houses on the 2nd, and was returned to the Senate for transmittal to the Governor.

Senator Jack Harper attempted to amend the bill in Appropriations to repeal the credit for contribution to charitable organization that provide assistance to the working poor. After debate only Senators Harper and Gould voted in favor of the amendment, and it failed. Both Senators voted against SB 1185, probably because their amendment wasn't adopted.

The Governor, who still favors a temporary increase in the sales tax to meet the budget deficit, must be encouraged by two events. First the East Valley Partnership, a coalition of business and community leaders, has backed her call for a temporary tax increase. Second, the Arizona Republican Party conducted a poll on the issue, and much to their surprise a majority of voters like the idea.

The results showed that 66.6% of the electorate supported a temporary 1% increase in the statewide sales tax to help bridge the gap to economic recovery, with nearly 40% considering it a very acceptable option. Only 18% declared it very unacceptable.

The question gathered widespread support spanning party lines - Republicans found the sales tax 62.5% acceptable, Democrats 71.6% acceptable and Independents 64.6% acceptable.

Now, the bad news: The feds, in the person of Charles Johnson -acting secretary of the U.S. Department of Health and Human Services, replied to Governor Brewer's letter requesting a waiver of the state's requirement that applicants for AHCCCS re-apply

every six months. This could mean a loss of \$1.6 billion if the state does not conform to the federal rules that require a one-year period. The Governor says she supports the change in state law, but the Legislature must act before June 31 or we lose the money.

Continuing with bad news, our friends who attended a Department of Economic Security (DES) briefing state that there will be no safety net if the Senate and House leadership planned budget cuts for DES in 2010 go into effect.

They, the leadership, propose another \$99 million dollars of cuts for 2010 to DES safety net programs on top of the \$153 million cut in 2009. That is another 13% plus in cuts.

- The \$99 million in cuts results in \$500 million dollars of lost federal funding.
- Arizona would lose its TANF program losing over \$266 million in federal funding, This would end the state participation in the nation's primary anti-poverty cash assistance program. Arizona would be the only state to not have a cash assistance "welfare" program.
- Arizona would lose two thirds of its child care program, eliminating 30,000 children in low income working families from child care.
- Because of inability to meet federal maintenance of effort requirements this next round of cuts (2010) will result in a complete dismantling of the Arizona basic safety net programs.
- Child Welfare would go from Child Protection to Child investigation and placement. It eliminates family services to thousands of more families (with 10,000 children) raising the foster care caseloads, and trapping thousand more children in foster care for years. Substances abuse services to over 4,500 families would be cut.
- Thousands of people with disabilities (6500), developmental disabilities (850 early intervention alone and thousands of others), elderly (8000), domestic violence victims (9000), homeless (10000)and many others like 3000 families not receiving emergency assistance — all would lose services.
- And by the way, thousands more are impacted by the cuts proposed in AHCCCS and DHS.
- The legislature is actually proposing to eliminate thousands of elderly and people with disabilities from the Arizona Long Term Care system as soon as stimulus money runs out by significantly lowering eligibility requirements.
- And literally thousands of public and private employees will be pushed into unemployment contributing to the "changing face of poverty."

Please let your legislators in the House and Senate know that you are opposed to this type of budgeting.

Most committees in the House and Senate are not meeting next week. The exceptions are House Commerce, HEALTH AND Human Services, and their sister committees in the

Senate. They will be holding a special Joint meeting on Tuesday, April 7, at 11:00 A.M. in House Hearing Room 5, to hear a “**presentation on the Impact of the Hidden Healthcare Tax on Business.**”

This was prepared for the Arizona Chamber Foundation, and will be presented by Randy Haught of The Lewin Group.

It could be interesting.