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Governor may OK, veto parts of budget

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PHOENIX - An \$8.2 billion legislative spending plan being sent to Gov. Janet Napolitano faces an uncertain future.

The package of 23 separate bills, approved early Friday, cuts spending on some social service programs and eliminates one entirely. At the same time it includes a package of tax cuts - but not the ones the governor wants.

At this point the plan is to send the package to the governor Monday. That would give her through next Saturday to decide what she likes and what she doesn't. And she also can pick and choose: The state constitution gives her a line-item veto on spending bills.

But she has no power to add funding for programs she wants that lawmakers refused to fund. That could require her to veto several bills in their entirety - bills that may contain things she wants - to demand that lawmakers approve a new version more to her liking.

Things in the budget the governor probably likes:

Compensation: The governor wanted a 2.5 percent pay hike for state and university employees to compensate for higher pension contributions. Lawmakers approved 1.7 percent but also ensured that the retirement plan does not boost its mandatory contributions higher than that. Cost: \$32.6 million.

Education funding: Lawmakers added funds for state aid to schools to compensate for inflation and growth. And they also decided to give schools another \$45 million to help teachers, members of the same retirement system as state employees, offset the higher pension contributions. Cost: \$122 million.

Rainy day fund: The governor asked that lawmakers not take tax revenues and make a \$185 million deposit into the "budget stabilization fund," as that would decrease funds for other programs.

They not only agreed but also opted to actually withdraw money from the account. Cost: \$63 million.

Environment: Lawmakers finally provided full funding for the Department of Environmental Quality after some threatened to cut funds amid complaints by regulated industry. Cost: \$79.1 million.

Health care: The Legislature agreed to continue a program that provides state-paid health insurance to the parents of "notch group" children who are enrolled in a separate care program funded largely by the federal government. Cost: \$2.5 million.

Areas of disagreement:

Corporate tax cuts: Napolitano wanted a few targeted cuts to encourage research and development. But the package provides a 20 percent cut in property taxes for business as well as a change in laws that could allow about two dozen large multistate corporations to pay little or no state income taxes. Cost: \$350 million (when fully implemented).

School funding: The governor said Arizona should borrow the money as the new buildings will be used over many years. Lawmakers instead decided to pay cash for construction - money the governor believes could be better spent elsewhere. Cost: \$250 million.

Private schools: Lawmakers agreed to let corporations eventually divert corporate income taxes to organizations that give scholarships for students to attend private and parochial schools. Aside from the revenue loss, Napolitano has said the state first needs to put more money into public schools. Cost: \$55 million (when fully implemented).

Universities: The legislative budget provides for increased spending to compensate for enrollment growth, as the governor sought. But lawmakers added provisions the governor did not want, including limiting future tuition increases to inflation. Cost: \$0

Medical school: Napolitano wanted money to open a branch of the University of Arizona College of Medicine in Phoenix. There is no money for that in the state budget. Cost: \$7 million.

General assistance: Lawmakers killed the program that provides about \$150 a month for up to a year to about 2,200 disabled individuals. The governor supports the funding because the money goes to people who are waiting to begin getting their Social Security disability payments. Cost: \$4.2 million.

Child care: Napolitano believes the state should help subsidize day care for the working poor so they can keep their jobs. The legislative

budget, however, puts a two-year limit on aid for any one child, with no more than five years of help for any family. Cost: \$0

Kindergarten: Lawmakers agreed to continue funding full-day programs at schools with the highest percentage of children living in poverty. But they balked at the governor's demand for state tax dollars to expand the program; one potential alternative awaiting a vote is to use corporate donations that would entitle them to dollar-for-dollar tax credits. Cost: \$25 million.

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