



Arizona Hospital and Healthcare Association

April 21, 2011

The Honorable Jan Brewer  
Governor  
1700 West Washington  
Phoenix, Arizona 85007

Dear Governor Brewer:

The Arizona Hospital and Healthcare Association (AzHHA) strongly opposes **HB 2707—State Revenue Expenditures Limit**. AzHHA is deeply concerned that the restrictive budgeting formula prescribed in the bill will handcuff the Legislature and Executive, significantly limiting policymakers' ability to meet basic needs as the state continues to grow, and restrict opportunities to invest in the future of Arizona.

**HB 2707** contains a mathematical formula that limits state spending to growth in population and inflation. This restriction ignores the fact that some state government costs by their very nature may grow faster than overall population and inflation. This is particularly true for costs associated with countercyclical programs like the Arizona Health Care Cost Containment System (AHCCCS). As we have seen during the past few years, the need for AHCCCS and other safety-net programs intensifies during a recession. Consequently, the cost associated with these services has far outpaced general population growth.

Even costs for programs that are not generally considered countercyclical may rise faster than overall state population and inflation. The cost curve for programs that are driven by specific population growth such as K-12 education and corrections may not directly track general state population growth. In these situations, it is imprudent to tie policymakers' hands with statutory formulas.

We are also concerned that the legislation sets baseline expenditures at FY 2011 revenue levels. Because Arizona is currently struggling to emerge from a recession, expenditures will be set at an extraordinarily low level – a level that does not reflect the ongoing needs of Arizona citizens.

**HB 2707** is modeled on a failed experiment that took place in Colorado. In fact, the consequences were so disastrous that Colorado voters, led by a broad-based, bipartisan coalition of advocates, suspended it in 2005. While the law was in effect in Colorado, the number of uninsured children nearly doubled and the state fell to 49<sup>th</sup> in the nation in K-12 funding, as well as 49<sup>th</sup> for higher education spending.

The Honorable Jan Brewer  
Page 2  
April 21, 2011

As we have learned from the Colorado experience, the formula used in **HB 2707** is insufficient to fund the ongoing cost of state services and would create a permanent funding shortage. Its enactment would set the stage for a battle between vital state programs and services struggling for survival each year. Policymakers would be forced to make Hobson's choices in every budget cycle. Moreover, the legislation would preclude policymakers from addressing unforeseen or emerging state needs.

At a time when our state is experiencing the worst fiscal crisis in history, Arizona cannot afford to fall farther behind. **On behalf of Arizona's hospitals, we respectfully urge you to veto HB 2707.**

Thank you for your consideration. Please don't hesitate to contact me at (602) 445-4300 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Laurie Liles".

Laurie Liles  
President and Chief Executive Officer

c: Michael Hunter, Director, Legislative Affairs