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SPEAKERS

Beth Lewis, Kris Mayes, Christopher Conover, Chelsea McGuire, Nicole Cox

Christopher Conover 00:03

Welcome to The Buzz. I'm Christopher Conover. This week, issues with the new state budget. The budget for Arizona's new fiscal year goes into effect on Monday. This year saw state spending shrink by more than \$1 billion thanks to a deficit created by a new flat income tax rate and growing expenses related to the universal expansion of empowerment scholarship accounts, also known as school vouchers. Both changes were pushed through in the final year of Republican former governor Doug Ducey, but were not as notable of an issue last year thanks to the use of the state's rainy day fund. The budget cuts and reallocated money have raised the ire of a number of people, affecting the funding of new roads, water infrastructure, money earmarked for the opioid crisis, and all levels of education. We start this week's show with such a person who took the matter to court. Arizona Attorney General Kris Mayes filed a temporary restraining order last week, putting a portion of the budget on hold that transferred money that the state received as part of the settlements to opioid class action lawsuits, and sent it to the State Department of Corrections, Rehabilitation and Reentry to cover its opioid treatment costs. The restraining order was dissolved on Monday. We spoke with Mayes the morning after that restraining order was removed, and began our conversation looking at what that means for her efforts.

Kris Mayes 01:43

Well, unfortunately, that means that the legislature and the governor can now sweep these opioid funds into the general fund and over to the Department of Corrections. And, as I've said before, I believe this is this was a budget gimmick, this was nothing less than an effort to backfill the budget of the Department of Corrections. And I think it's wrong. We're very disappointed in the in the decision of the judge in the case, obviously, we've got to abide by it. But it basically allows for them to take these precious funds that were meant to save Arizonans lives and use it in a way that I think was inappropriate. And the big losers in all of this are the people of Arizona, I believe people will die as a result of this decision, because we now have \$125 million less to spend on saving Arizonans lives and in preventing addiction and in treating those who have addiction. So it's really a sad day. And, you know, I intend to watch like a hawk, how the Department of Corrections uses this money. Their lawyers, the governor's lawyer and

the lawyer for the legislature told the judge yesterday that they promised to use every every cent of it on opioid addiction treatment and approved purposes, and they'd had better live up to that.

C Christopher Conover 03:18

The judge did say that you could come back to court with this if there was a damage. And it sounds like that's what you're saying, you're watching to see if they violate something.

K Kris Mayes 03:29

Yeah, it's, you know, we will absolutely watch this on behalf of the people of Arizona and enforce the law, enforce these agreements, which were, which were approved by, you know, judges, these consent decrees, the Department of Corrections will now have will now have to report how they spent the money and how they are spending the money. And so, you know, we intend to enforce the law. And unfortunately, though, it's, you know, going to be very difficult to get the money back. If they do misspend it that's going to be an awfully difficult process. And in the meantime, we don't have the opportunity to spend that money on saving Arizonans' lives.

C Christopher Conover 04:20

Let's back up a minute for our listeners in case they're not fully informed about this particular money. What was the money supposed to go for based on the consent decrees? And where did those consent decrees come from?

K Kris Mayes 04:36

So this all dates back to the opioid epidemic and the fact that a number of pharmaceutical manufacturers and distributors were held liable for knowingly addicting Americans to opioids misrepresenting the addictive nature of these drugs and so Arizona along with most other states sued these companies, we those that those lawsuits resulted in one about \$1.14 billion in damages coming in money coming to the state of Arizona, the consent decrees against those companies, or that were signed by the companies and by the state of Arizona call for the money to be spent on a series of things including treatment of those who are in the middle of the opioid slash Fentanyl crisis, education, abatement, almost, you know, the majority of it must be spent on abatement and on future abatement and treatment. And my concern about this, you know, budget gimmick by the governor and by the legislature is that, you know, that they obviously were plugging a budget hole. They were down at the legislature telling legislators this was a backfill of the budget. So it's very hard to imagine how they're going to demonstrate that it actually is being spent in the approved way for treatment of opioid addiction. And abatement of the of the Fentanyl crisis.

C Christopher Conover 06:22

This money originally that the state got, was it to be spent just by the state or could for example, it go to the counties or cities or towns or other municipalities?

example, it go to the counties or cities or towns or other municipalities?

K

Kris Mayes 06:33

So they's about a little over half of the money goes directly to counties and cities. And so about a little over half of the 1.1 4 billion goes directly to counties and cities. The rest is the state share of a portion. And that's what we're talking about here. And I had been planning on spending a significant amount of that money on counties and cities and helping to sort of achieve economies of scale in partnering with cities and counties. So Pima County, Tucson, almost certainly would have been the recipients of some of the state share money that just got swept into the prison system. And that's just really sad, you know, Pima County, Maricopa County, all of our 15 counties desperately need this money. They obviously have some money to spend of their own from the settlement agreements. But I had planned on spreading this this money all throughout the state of Arizona, and I think rural Arizonans are probably among the biggest losers here. Because instead of going to them and helping them with addiction, and helping to prevent them from getting addicted in the first place, this money is going into our prison system to backfill a deficit. And you know, I think the other thing to note here is the legislature had choices. They and the governor they had it, they have a one point, I think four billion dollar rainy day fund that they could have taken money from and instead they swept money that should have gone to to address our Fentanyl crisis in the state of Arizona.

C

Christopher Conover 08:11

That was actually my next question. If not from there, where did they should they take it from? And it sounds like rainy day fund is the easy answer.

K

Kris Mayes 08:21

It's the obvious answer. The rainy day fund is the obvious answer. The other answer is to actually try to curb the out of control voucher program that is sucking down a billion dollars of Arizona's taxpayer tax money. Another answer would be to try to do something about the flat tax, which is wreaking havoc with our budget, but it would seem like the governor just sort of waved the white flag on all of that. And the legislature didn't want to do any of that. So it's very disappointing for me personally to see this governor do this. It's very obviously disappointing to see the Republican legislature not do any of the things that I just mentioned. You know, they have a rainy day fund. They have an out of control voucher program. Everybody knows that. And instead they saw this pot of opioid funding and decided to do what I think was unlawful and raid that fund.

C

Christopher Conover 09:25

When this lawsuit was first filed by you about a week ago, well, not quite a week ago. I heard some people say, wait a minute, the Attorney General's a Democrat. The governor is a Democrat. What's going on here? This seems to have transcended party politics.



K Kris Mayes 09:43

Yes, some things do transcend party politics. And it just doesn't matter that the Governor as a Democrat and I'm a Democrat, it's my job, to protect the people of Arizona to tackle the fentanyl and opioid crisis, to be a good steward of these opioid settlements funds and I believe that the governor, Governor Hobbs in the legislature, the Republicans in the legislature did something that was unlawful and and that was, frankly very harmful to the people of this state. And that's very disappointing, obviously, to see happen. I don't think this is a this was certainly not a budget that I think any Democratic governor should have signed. But that's what happened.

C Christopher Conover 10:30

As we wrap this up, I have a legal question having covered legislators for years and years in different states. If this had continued on if the judge had not gotten rid of the restraining order, was the budget as a whole in danger? Or is there a severability clause somewhere in all of that writing that would have allowed the rest of the budget to go forward? While this was litigated?

K Kris Mayes 10:57

Yeah, I don't I don't think the sky was falling. I think that they would have the budget could have gone forward. They certainly again, if they thought the sky was falling, they could have come back in the session and used the rainy day fund. You know, all of those things would have would have been an option. But this could have gone on and we were prepared to to litigate this. I would we would like to have put on evidence demonstrating that the governor and the legislature knew and we're telling people that this was just a budget backfill, we obviously aren't going to have that opportunity. But again, we'll be watching this situation and we are prepared to defend the opioid settlement funds going forward.

C Christopher Conover 11:38

All right. Well, thanks for spending some time with us.

K Kris Mayes 11:41

Thank you. It's good to see you. Appreciate you guys.


C Christopher Conover 11:44

That was Arizona Attorney General Kris Mayes. We reached out to Governor Hobbs' office to ask for an interview on this and other budget issues. They declined our request. You're listening to The Buzz. After the break issues with funding for education and water infrastructure. Stay with us.

C Christopher Conover 12:05

 Cneisea MCGuire 12:05


I'm Rachel Martin. You probably know how to interview podcasts with famous people usually go. There's a host, a guest and a light q&a. But on wildcard we have ripped up the typical script. It's a new podcast from NPR, where I invite actors, artists and comedians to play a game using a special deck of cards to talk about some of life's biggest questions. Listen to Wildcard wherever you get your podcasts, only from NPR.

 C Christopher Conover 12:29

Welcome back to The Buzz. I'm Christopher Conover, we're speaking with people who have spoken out against the changes made in the new state budget. Save Our Schools Arizona, a group that advocates and lobbies for the state's public school system gave a harsh reaction when the budget was announced calling it quote a slap in the face. While K 12 school budgets went nearly untouched, the group was not pleased with the small changes that were made to the empowerment scholarship account program. We spoke with the group's director Beth Lewis, about that statement.

 B Beth Lewis 13:06

Yeah, you know, Save Our Schools, and many Democratic lawmakers have, you know, issued some pretty strong language around this, obviously, we knew that there were cuts that were going to need to be made. But the fact that the budget was balanced on, you know, higher ed, K 12, water, roads, the things that all of us really, really need, all of those things were slashed. And vouchers were hardly touched. And we know that the new universal voucher program is driving half of the state's budget deficit. So, you know, it does make sense that if a program is causing the deficit, we should probably look at cutting that before we cut services for everyday Arizonans.

 C Christopher Conover 13:45

There are lots of budget shortfalls coming into this year. In a perfect world. What would you all like to have seen done?

 B Beth Lewis 13:54

We will certainly remain status quo, 49th funded in the nation based on this budget. There's no upward movement for our students. And as an educator and as a parent, that infuriates me. We should not be funneling public funds to private schools via vouchers, and funding all of these students who've always been in private school and could very well afford it while we're slashing funding for other places and refusing to move our 92% of families who choose public schools, we're not investing in those kids. In a perfect world, what would be done? I mean, I think the universal voucher program needed to be rolled back. Voters across the state are asking for that and Republicans were completely intractable on the issue by all accounts. I know that Democrats and Hobbs were pushing behind the scenes as hard as they possibly could. But at the end of the day, you know, the Republicans are in control of the legislature. They have more votes.

C Christopher Conover 14:50

When it comes to those ESAs, the vouchers, as you said, the Republicans are not going to roll those back. Is there something you see maybe as a compromise that could get done to make them more palatable to a lot of people?

B Beth Lewis 15:07

I think a lot of people are calling to, you know, at the outset right away, stop them from becoming a coupon for the rich. You know, there are a lot of folks, as I alluded to, that really do not need this coupon, right. They've always had their kids in that private school. But for right now, we've got to change the balance of power at the legislature. And, you know, I think that Arizona is, I saw on Politico this week were the number one battleground state for state legislatures across the whole country. We're the closest in the entire country to changing a balance of power. And I think this is the year that that happens, because voters are paying attention to, you know, how K 12 is funded, but also the fact that you know, roads and higher ed and water are being slashed in service to these vouchers and people are not happy.

C Christopher Conover 15:54

Save Our Schools Arizona set out a news release encouraging people to flip the legislature or finish flipping the legislature to Democratic control, to be the counterpoint on that, Democratic governor helped negotiate this budget, Democratic members voted for it. How much does it change if that flips?

B Beth Lewis 16:16

I think it changes everything. Honestly, you know, there were Democrats who were basically told, if you don't vote for this one, the Republicans are going to come back next week with a worse budget. Right. And, you know, honestly, for folks outside of the Capitol space that might sound dramatic or unrealistic. But as somebody who's down there a lot like that is exactly the state of play down there. You know, and this isn't about Democrats or Republicans. It's really not, it's just who is running for the seats. At this point, the people who support public schools and you know, good oversight of public dollars happened to be in the Democratic Party, and you know, that I'm an independent, it doesn't really matter at the end of the day, it's about your values. And, you know, I think Arizona values public schools. So that is the path forward right now. And I do think that, you know, a Democrat-run legislature would roll back vouchers in ways that are smart for taxpayers, smart for students, right, and would have good safety and academic oversight, certainly.

C Christopher Conover 17:19

The numbers are close in the legislature right now, as you mentioned, you're an independent, second largest group of voters, sometimes largest group of voters, depending on the month almost in Arizona, how confident are you that Democrats can take the legislature the numbers

are very close in both chambers right now?

B Beth Lewis 17:41

Yeah, I mean, I don't have a crystal ball. But I'm very confident that it can be done, because the math is there, you know, I could foresee potentially tying up one chamber and maybe, you know, having a change in the balance of power in another and I think that functionally changes everything, it forces folks to compromise. And I think that is what Arizona voters want, right? They want to see the end to this gridlock. They want to see an end to the hyper polarization of politics, they want people to just sit in a room, roll up their sleeves, talk about these issues, and actually get things done for Arizonans. And to pass a budget that doesn't slash higher education by tens of millions of dollars. Right, and it does impact K 12, this budget, we didn't really get to talk about it. But they took the poverty weight out for years two and three, and we're gonna have to go back and find that and it might be impossible, it probably will be impossible. And so our low income students across the state are suffering in service of a voucher program for the rich.

C Christopher Conover 18:39

let's talk about that poverty weight for a second. For our listeners who, unlike you, unlike me have not spent a lot of time traipsing the halls of the Capitol. What is the poverty weight and why is that so important to education?

B Beth Lewis 18:53

So we call it the opportunity weight in Arizona and Arizona only passed this in 2022. This is additional funding for low income schools. We were one of the last states in the entire country to pass this weight, it is incredibly important because we know students in low income schools need more resources. There are a host of reasons for that. But we were able to pass that in 2022 with a wide coalition. And now a couple of years later, they're coming back and saying sorry, we don't have the funds for that. And to me, that's inexcusable. I've always taught in low income schools, I know how much our students need and how much they deserve. And that is a lifeline for students that needs to be fought for and it needs to be funded.

C Christopher Conover 19:34

All right. Well, thanks for spending some time with us.

B Beth Lewis 19:36

Yeah, thank you so much for having me. My pleasure.

C Christopher Conover 19:39

That was Beth Lewis, Director of Save Our Schools Arizona. One group that took a surprisingly large funding cut was the state's Water Infrastructure Finance Authority. The group made headlines a few years ago when former Governor Ducey allocated a billion dollars in the coming years to help fund projects could help the state's water crisis. This year's budget swept out away by nearly half. We spoke with WIFA Assistant Director Chelsea McGuire about the cuts, which the authority called "remarkably short sighted."

C Chelsea McGuire 20:15

They are strong words and their words that are targeted at the massive cut that was made to the fund, specifically dedicated to Arizona's long term water security. If we remember in 2022, the state legislature then passed with overwhelmingly bipartisan support a revamp to the Water Infrastructure Finance Authority. And that revamp came because of and including a commitment to investing in finding the next new water source for Arizona. At that point, we had a budget surplus, which will not always be the case. But we also had a recognition and I think a shared recognition among the state that our water security was worth investing in. And that the old sort of phrase of 'the best time to plant a tree was 20 years ago. But the second best time is today,' we're sort of in that situation, I'm saying the best time to invest in augmentation and new renewable water sources would have been 20 years ago. But the next best time is today. Let's do what we can do with the resources that we have to say how are we going to go out and secure a new water source for Arizona, so that Arizona can continue to be the growing community that it wants to be, so that agriculture can continue to thrive, so that business and industry continue to say Arizona is where we want to land. That's why that investment was made in the first place. So then to fast forward two years, and to have two consecutive years actually, of cuts being made to the funding that was committed to that long term water security priority. And that long term water security initiative, I think earns the title of being remarkably short sighted, because Arizona still needs more water to truly be able to say we can grow exactly the way that we want to grow. And so to not invest in that and to not sort of keep that commitment and be consistent within that commitment. We don't believe that was the right way to balance this budget.

C Christopher Conover 22:12

So with especially the cut into this coming fiscal year, which starts in just a few days, what's left, what can you all do, without that promised money?

C Chelsea McGuire 22:26

So I guess that's that's sort of the good news, as we're talking about this is that and this is something that's been brought up by multiple lawmakers who made that some of these decisions, there is still about \$443 million in the long term water augmentation fund. So a lot of our policymakers were able to look at that and say, they've got money, they'll be fine. Objectively, we do have resources and with a setup and the process that we've created to go out and solicit these long term projects, was set up and was developed understanding that there was uncertainty over how much money we would have to commit to that process. This will still allow us and we will still be able to take that process forward and go out to the market with a straight face and say, Come and partner with WIFA. We're serious, we're doing this the

right way. It never was about a magic number, right? It wasn't that we would have said, Oh, if we have 750 million, that's okay, that was fine. Or if we have X number of dollars, it really is about that trend. It's about the fact that it's now been two years in a row that the state has looked to this long term water augmentation fund to in 2023, fund some other water projects that objectively not bad water projects, but were not meant to contribute to that long term new water source. And then in 2024 cutting that to balance the budget and to make those conversations a little bit easier. It's that trend that's going to be really hard for us to go out to the market with a straight face and say, the state of Arizona remains committed to this project, the state of Arizona remains committed to bringing in this new water source.

C Christopher Conover 24:00

Yeah, that's actually was going to be my next question. When you were talking about going out to the market with a straight face and saying, oh, no, we're still committed. But now we have a two year trend. One year is an anomaly or just one year, two years begins to show a trend of cuts to WIFA. Are you hearing anything from some of your outside partners saying maybe you guys aren't as serious as we thought?

C Chelsea McGuire 24:26

I would say we're hearing a lot of questions. They're less statements that they are questions about, okay, what are your next steps as WIFA. And that's why the resolution that our board passed yesterday was very clear that we are looking for a path forward with our policymakers in Arizona. We do have an open door for them to come in and talk with us so that all of us can get on the same page and make a public statement about Arizona's commitment to its future water security. The market doesn't really want to hear that from WIFA. We'll, we'll say it and we've been saying it for quite some time. But they want to hear that as well from policymakers and they want to hear, we are committed to this, we just don't have the resources yet. But here's the path forward to obtaining those resources. Or here's what we'd like to see from WIFA before they come back to us for those resources. Or here's some additional tools, statutory authorities flexibility and financial tools that we're going to give to WIFA it to make them better able to use the resources that they do have. I think there are multiple pathways here that don't necessarily involve additional financial resources, but will still send a clear signal from our state policymakers and leadership to say, we believe that this is important. And and to be honest, I think they do.

C Christopher Conover 25:42

Not surprisingly, a lot of people are upset with the current budget, because there were a lot of cuts in it. And of course, my project is the most important project, most important part of the budget. That's natural. We're human, we all think that way. Yep. But if you were governor for a day, queen for a day, whatever you want to call it, how do we balance the budget? If not WIFA then where do cuts need to come from?

C Chelsea McGuire 26:11

Yeah, that's that's the trick question, right? Or the key question. And I'm really glad that I'm

really, that's, that's the trick question, right? Or the key question. And I'm really glad that I'm not queen for a day. But what I would say then is that it again, goes back to that it was never a magic number for WIFA. And it was never a here's the tipping point of where we would be okay with cuts versus not okay with cuts. It really is. How do we even in light of having to make these really difficult budget choices. Continue to say, even if it's not support with dollars here is support with other tools with other ways with other words, that we can remain consistent in our messaging about long term water security.

C Christopher Conover 26:46

All right. Well, thanks for spending some time with us.

C Chelsea McGuire 26:49

Happy to do so. Thanks for having me.

C Christopher Conover 26:51

That was Chelsea McGuire of the Arizona Water Infrastructure Finance Authority. And that's The Buzz for this week. Tune in next week as we look back at a prominent labor dispute from Arizona's past. You can find all our episodes online at azpm.org and subscribe to our show wherever you get your podcasts just search for the buzz Arizona. We're also on the NPR app. Zac Ziegler is our producer with production help from Desarae Tucker. Our music is by Enter the Haggis. I'm Christopher Conover thanks for listening.

N Nicole Cox 27:41

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