

PROPOSITON 200
OFFICIAL TITLE
AN INITIATIVE MEASURE

AN ACT REPEALING SECTIONS 36-275, 36-771, 36-773, 36-774, 36-775, 36-2907.07, 36-2921, 42-3251, 42-3252, ARIZONA REVISED STATUTES; AMENDING TITLE 11, CHAPTER 2, ARTICLE 1, BY ADDING SECTION 11-201.01; AMENDING TITLE 36, CHAPTER 6, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 36-771, 36-774 AND 36-775; AMENDING TITLE 36, CHAPTER 6, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 9, SECTIONS 36-776, 36-777, 36-778 AND 36-779; AMENDING TITLE 36, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 10, SECTIONS 36-781, 36-782, 36-783; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 36-2921.01 AND 36-2901.02; AMENDING SECTIONS 36-2988 AND 36-2989, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 7, ARTICLE 10.1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1279.09; AMENDING TITLE 42, CHAPTER 3, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-3251; AMENDING TITLE 44, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 26, ARTICLE 1, SECTION 44-7101; MAKING AN APPROPRIATION; RELATING TO TOBACCO.

TEXT OF PROPOSED AMENDMENT

Be it enacted by the People of the State of Arizona:

The following enactments for the promotion of the health and well-being of the people of Arizona are proposed to become valid when approved by a majority of the qualified electors voting thereon and on proclamation of the Governor:

Section 1. Declaration of policy

The people of Arizona find that the money from the 1998 Master Settlement Agreement settling Arizona's lawsuit against tobacco product manufacturers should be used to promote the health and well-being of its citizens by providing health insurance for uninsured working parents; strengthening Arizona's children's health insurance program; helping children start school ready to learn through prenatal support, child abuse prevention, parenting and pre-school education programs; investing in prevention and early detection of cancer, cardiovascular and pulmonary disease and strokes; assisting older Arizonans with their health care needs and protecting Arizona's existing programs for prevention and reduction of tobacco use and disease research.

Section 2. Section 36-275, Arizona Revised Statutes, is repealed.

Section 3. Section 36-771, Arizona Revised Statutes, is repealed.

Section 4. Sections 36-773, 36-774 and 36-775, Arizona Revised Statutes are repealed.

Section 5. Sections 42-3251 and 42-3252, Arizona Revised Statutes, are repealed.

Section 6. Title 36, chapter 6, article 8, Arizona Revised Statutes, is amended by adding section 36-771 to read:

36-771. Payment and transfer of tobacco litigation settlement funds to Healthy Children, Healthy Families Fund

A. ALL MONEY PAID TO THE STATE OF ARIZONA PURSUANT TO THE 1998 MASTER SETTLEMENT AGREEMENT BETWEEN UNITED STATES TOBACCO PRODUCT MANUFACTURERS AND THE STATE, INCLUDING MONEY PAID PRIOR TO THE EFFECTIVE DATE OF THIS LAW AND INTEREST EARNED THEREON, SHALL, UPON RECEIPT BY THE STATE, BE DEPOSITED IN THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND ESTABLISHED PURSUANT TO SECTION 36-774 AND SHALL BE APPROPRIATED AND USED SOLELY FOR THE PURPOSES AND IN THE AMOUNTS SPECIFIED IN THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT.

B. ANY MONEY PAID TO THE STATE BY A TOBACCO PRODUCT MANUFACTURER IN SATISFACTION OF A JUDGMENT ON OR IN SETTLEMENT OF A CLAIM OR CLAIMS FOR RECOVERY OF THE COSTS OF PROVIDING MEDICAL OR OTHER ASSISTANCE TO PERSONS WITH HEALTH CONDITIONS ASSOCIATED WITH TOBACCO USE, INCLUDING FUNDS RELEASED FROM ANY ESCROW ACCOUNT ESTABLISHED BY THE STATE TO PAY A JUDGMENT OR SETTLEMENT ON ANY RELEASED CLAIM, SHALL BE DEPOSITED IN THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND.

C. THE STATE TREASURER SHALL DEPOSIT ALL MONEY RECEIVED UNDER SECTIONS 42-3251 AND 42-3302, AND ANY INTEREST THEREON, INTO THE HEALTHY CHILDREN, HEALTHY

FAMILIES FUND. HOWEVER, BEFORE SUCH DEPOSIT, THE STATE TREASURER SHALL:

1. DEPOSIT TWO CENTS OF EACH DOLLAR INTO AN ADJUSTMENT ACCOUNT FOR TRANSFER OF APPROPRIATE AMOUNTS TO THE CORRECTIONS FUND ESTABLISHED BY SECTION 41-1641 TO COMPENSATE FOR DECREASES IN THE CORRECTIONS FUND RESULTING FROM LOWER TOBACCO TAX REVENUES AVAILABLE UNDER SECTION 42-3104 AS A RESULT OF THE LEVY OF LUXURY TAXES PURSUANT TO SECTIONS 42-3251 AND 42-3302. ANY MONEY IN THE ADJUSTMENT ACCOUNT IN EXCESS OF THE AMOUNT NEEDED FOR THE ADJUSTMENT REVERTS TO THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND. THE DEPARTMENT OF REVENUE SHALL ADMINISTER THE ADJUSTMENT ACCOUNT.

2. DEPOSIT AN AMOUNT EQUAL TO TWENTY-THREE CENTS OF EACH DOLLAR IN THE HEALTH EDUCATION ACCOUNT ESTABLISHED PURSUANT TO SECTION 36-772.

3. DEPOSIT FIVE CENTS OF EACH DOLLAR IN THE DISEASE CONTROL RESEARCH FUND ESTABLISHED PURSUANT TO SECTION 36-274, SUBSECTION A, TO BE USED FOR DISEASE AND HEALTH CARE RESEARCH INCLUDING RESEARCH FOR THE CURE, PREVENTION AND EARLY DETECTION OF CANCER, CARDIOVASCULAR AND PULMONARY DISEASES, RESPIRATORY ILLNESSES, STROKES, DISEASES RELATED TO AGING AND CHILDHOOD DISEASES. THE FUND SHALL BE ADMINISTERED BY THE DISEASE CONTROL RESEARCH COMMISSION PURSUANT TO CHAPTER 2, ARTICLE 4 OF THIS TITLE.

D. MONEY IN THE DISEASE CONTROL RESEARCH FUND AND THE HEALTH EDUCATION ACCOUNT ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 AND ANY OTHER LAW RELATING TO THE LAPSING OF APPROPRIATIONS AND NO MONEY IN THE DISEASE CONTROL RESEARCH FUND OR THE HEALTH EDUCATION ACCOUNT, INCLUDING ANY INTEREST AND EARNINGS ON THE MONEY, SHALL BE SUBJECT TO FURTHER APPROPRIATION BY THE LEGISLATURE. ANY MONEY IN THE DISEASE CONTROL RESEARCH FUND AND HEALTH EDUCATION ACCOUNT REMAINING AT THE END OF A FISCAL YEAR SHALL REMAIN IN THE RESPECTIVE FUND OR ACCOUNT.

E. EXCEPT WHERE OTHERWISE PROVIDED IN THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT, THE STATE TREASURER SHALL INVEST AND DIVEST MONEY, AS PROVIDED IN TITLE 35, CHAPTER 2, IN THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND AND ALL ITS ACCOUNTS, SUBACCOUNTS AND FUNDS, AND SHALL CREDIT MONEY EARNED FROM THESE INVESTMENTS TO THIS FUND AND ITS ACCOUNTS, SUBACCOUNTS AND FUNDS.

Section 7. Title 36, chapter 6, article 8 is amended by adding section 36-774 to read:

36-774. Healthy children, healthy families fund; purposes; administration; distribution

A. THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND IS ESTABLISHED CONSISTING OF ALL MONEY THAT THIS STATE

Spelling, grammar, and punctuation were reproduced as submitted in the "for" and "against" arguments.

RECEIVES PURSUANT TO THE TOBACCO LITIGATION MASTER SETTLEMENT AGREEMENT ENTERED INTO ON NOVEMBER 23, 1998, AND ALL MONEY DEPOSITED IN THE FUND PURSUANT TO SECTIONS 42-3251 AND 42-3302, AND INTEREST PAID THEREON.

B. MONEY IN THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND SHALL BE DEPOSITED IN THE FOLLOWING ACCOUNTS:

1. **INVEST IN PREVENTION ACCOUNT.** 3.5 CENTS OF EACH DOLLAR OF THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND, BUT NOT TO EXCEED FIVE MILLION DOLLARS IN ANY FISCAL YEAR, SHALL BE DEPOSITED IN THE INVEST IN PREVENTION ACCOUNT. THE ACCOUNT SHALL BE ADMINISTERED AND USED AS SET FORTH IN SECTION 36-775.

2. **SMART BEGINNINGS PREVENTION ACCOUNT.** TWENTY-ONE CENTS OF EACH DOLLAR OF THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND, BUT NOT TO EXCEED THIRTY-FIVE MILLION DOLLARS IN ANY FISCAL YEAR, SHALL BE DEPOSITED IN THE SMART BEGINNINGS PREVENTION ACCOUNT. THE ACCOUNT SHALL BE ADMINISTERED AND USED AS SET FORTH IN TITLE 36, CHAPTER 6, ARTICLE 9.

3. **OVERSIGHT AND ENFORCEMENT ACCOUNT.** ON THE EFFECTIVE DATE OF THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT AND THEREAFTER ON JULY 1 OF EACH FISCAL YEAR, \$350,000 SHALL BE DEPOSITED FROM THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND INTO THE OVERSIGHT AND ENFORCEMENT ACCOUNT, WHICH SHALL BE ADMINISTERED AND USED BY THE ATTORNEY GENERAL AS SET FORTH IN SECTIONS 36-781, 36-782 AND 36-783.

4. **AUDITOR GENERAL ACCOUNT.** ON THE EFFECTIVE DATE OF THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT AND THEREAFTER ON JULY 1 OF EACH FISCAL YEAR, \$350,000 SHALL BE DEPOSITED FROM THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND INTO THE AUDITOR GENERAL ACCOUNT, WHICH SHALL BE ADMINISTERED AND USED BY THE AUDITOR GENERAL AS SET FORTH IN SECTION 41-1279.09.

5. **HEALTH CARE COVERAGE ACCOUNT.** ALL MONEY REMAINING IN THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND AFTER THE ALLOCATIONS PROVIDED IN PARAGRAPHS 1 THROUGH 4 OF THIS SUBSECTION, SHALL BE DEPOSITED IN THE HEALTH CARE COVERAGE ACCOUNT. THE ACCOUNT SHALL BE ADMINISTERED AND USED AS SET FORTH IN SECTION 36-2921.01.

C. ANY STATUTE TO THE CONTRARY NOTWITHSTANDING, MONEY IN THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND OR ITS ACCOUNTS, SUBACCOUNTS OR FUNDS SHALL NOT REVERT TO THE STATE GENERAL FUND. MONEY IN THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND, ITS ACCOUNTS, SUBACCOUNTS AND FUND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 AND ANY OTHER LAW RELATING TO LAPSING OF APPROPRIATIONS. ANY MONEY REMAINING IN ANY ACCOUNT, SUBACCOUNT OR FUND AT THE END OF ANY FISCAL YEAR, SHALL REMAIN IN THAT ACCOUNT, SUBACCOUNT OR FUND EXCEPT AS OTHERWISE PROVIDED IN THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT.

Section 8. Title 36, chapter 6, article 8, Arizona Revised Statutes, is amended by adding section 36-775 to read:

36-775. Invest in prevention account

MONEY IN THE INVEST IN PREVENTION ACCOUNT ESTABLISHED PURSUANT TO 36-774 SHALL BE USED SOLELY FOR PROGRAMS FOR PREVENTION AND EARLY DETECTION OF CANCER, CARDIOVASCULAR AND PULMONARY DISEASE AND STROKES. THE DEPARTMENT OF HEALTH SERVICES SHALL ADMINISTER THIS ACCOUNT AND SHALL ALLOCATE MONEY IN THE ACCOUNT FOR EFFECTIVE PREVENTION AND EARLY DETECTION PROGRAMS, TAKING INTO CONSIDERATION THE

RELATIVE IMPACT EACH DISEASE HAS UPON MORTALITY RATES IN ARIZONA AS DETERMINED BY THE CENTERS FOR DISEASE CONTROL. THE DEPARTMENT SHALL ADOPT RULES TO IMPLEMENT THIS SECTION. MONEY IN THIS ACCOUNT SHALL SUPPLEMENT EXISTING STATE FUNDING OF PREVENTION AND EARLY DETECTION PROGRAMS.

Section 9. Title 36, chapter 6, Arizona Revised Statutes, is amended by adding article 9 to read:

Article 9. Smart beginnings

36-776. Smart beginnings prevention account

A. THE SMART BEGINNINGS PREVENTION ACCOUNT ESTABLISHED PURSUANT TO SECTION 36-774 MAY INCLUDE ADDITIONAL STATE AND FEDERAL FUNDS AND PRIVATE DONATIONS, GRANTS, GIFTS OR BEQUESTS. THE SMART BEGINNINGS COMMISSION ESTABLISHED PURSUANT TO SECTION 36-778 SHALL ADMINISTER THE ACCOUNT. ANY INTEREST EARNED ON MONEY IN THE ACCOUNT SHALL BE CREDITED BACK TO THE ACCOUNT. ANY MONEY DEPOSITED INTO THE SMART BEGINNINGS PREVENTION ACCOUNT THAT IS UNSPENT AT THE CLOSE OF A FISCAL YEAR, AND ANY INTEREST THEREON, SHALL REMAIN IN THE SMART BEGINNINGS PREVENTION ACCOUNT.

B. THE COMMISSION SHALL USE MONEY IN THE ACCOUNT TO ESTABLISH, EXPAND, ENHANCE, PLAN, OVERSEE AND FUND COORDINATED PREVENTION AND FAMILY SUPPORT SERVICES FOR FAMILIES AND CHILDREN. FAMILIES' PARTICIPATION IN THESE SERVICES SHALL BE VOLUNTARY. SERVICES SHALL BE PROVIDED TO PREGNANT WOMEN AND FAMILIES WHOSE YOUNGEST CHILD IS UNDER SIX YEARS OF AGE. SERVICES SHALL BE PROVIDED BASED UPON RISK FACTORS OR NEED.

C. SERVICES SUPPORTED BY FUNDING FROM THE SMART BEGINNINGS PREVENTION ACCOUNT MAY INCLUDE, BUT ARE NOT LIMITED TO, PARENTING EDUCATION, PRENATAL OUTREACH, FAMILY MENTORING AND PRESCHOOL. SERVICES SHALL BE DESIGNED TO INCREASE THE USE OF PRENATAL CARE, PREVENT CHILD ABUSE AND NEGLECT, PROMOTE THE HEALTHY DEVELOPMENT OF CHILDREN AND PREPARE CHILDREN TO START SCHOOL READY TO LEARN. SERVICES SUPPORTED WITH THIS FUNDING SHALL FOLLOW MODELS SHOWN BY INDEPENDENT RESEARCH TO BE EFFECTIVE IN ACHIEVING THE PURPOSES OF THIS SECTION.

D. THE COMMISSION SHALL ALLOCATE FUNDS FROM THE SMART BEGINNINGS PREVENTION ACCOUNT ON A COMPETITIVE BASIS TO PERSONS OR ENTITIES, AND SHALL FACILITATE AND ENCOURAGE FUND RECIPIENTS TO FORM COLLABORATIVE EFFORTS.

E. THE SMART BEGINNINGS COMMISSION SHALL NOT SPEND OR ALLOCATE MORE THAN THE FOLLOWING AMOUNTS FROM THE SMART BEGINNINGS PREVENTION ACCOUNT:

1. IN THE FIRST FISCAL YEAR THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT IS IN EFFECT, ONE MILLION DOLLARS;

2. IN THE SECOND FISCAL YEAR THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT IS IN EFFECT, SEVEN MILLION DOLLARS;

3. IN THE THIRD FISCAL YEAR THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT IS IN EFFECT, FOURTEEN MILLION DOLLARS;

4. IN THE FOURTH FISCAL YEAR THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT IS IN EFFECT, TWENTY-EIGHT MILLION DOLLARS;

5. IN THE FIFTH FISCAL YEAR THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT IS IN EFFECT AND IN ANY FISCAL YEAR THEREAFTER, THIRTY-FIVE MILLION DOLLARS.

F. MONEY IN THE SMART BEGINNINGS PREVENTION ACCOUNT SHALL BE USED TO SUPPLEMENT EXISTING STATE

FUNDING OF THE HEALTHY FAMILIES PROGRAM ESTABLISHED PURSUANT TO SECTION 8-701 AND THE HEALTH START PROGRAM ESTABLISHED PURSUANT TO SECTION 36-697. THE STATE MAY TRANSFER ANY MONEY FOR THESE PROGRAMS INTO THE SMART BEGINNINGS PREVENTION ACCOUNT AND MAY TRANSFER THE ADMINISTRATION OF THE HEALTHY FAMILIES AND HEALTH START PROGRAMS TO THE SMART BEGINNINGS COMMISSION ESTABLISHED PURSUANT TO SECTION 36-778.

G. THE COMMISSION MAY WITHDRAW ANNUALLY FROM THE SMART BEGINNINGS PREVENTION ACCOUNT AN AMOUNT NECESSARY TO PAY FOR SALARIES FOR AN EXECUTIVE DIRECTOR AND STAFF, CONSULTANTS, ADMINISTRATIVE SUPPORT, AND OTHER EXPENSES ASSOCIATED WITH ADMINISTRATION OF THIS ARTICLE, EXCEPT THAT THE AMOUNT WITHDRAWN SHALL NOT EXCEED FIVE PERCENT OF THE ANNUAL DEPOSIT INTO THE SMART BEGINNINGS PREVENTION ACCOUNT.

36-777. Smart beginnings trust fund

A. THERE SHALL BE ESTABLISHED A SMART BEGINNINGS TRUST FUND WHICH SHALL CONSIST OF MONEY DEPOSITED FROM THE SMART BEGINNINGS PREVENTION ACCOUNT ESTABLISHED PURSUANT TO SECTION 36-774 AND ANY ADDITIONAL STATE AND FEDERAL FUNDS, PRIVATE DONATIONS, GRANTS, GIFTS OR BEQUESTS.

B. IN THE FIRST FOUR FISCAL YEARS AFTER THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT BECOMES EFFECTIVE, THE COMMISSION SHALL DEPOSIT INTO THE SMART BEGINNINGS TRUST FUND ALL MONEY IN THE SMART BEGINNINGS PREVENTION ACCOUNT IN EXCESS OF THE AMOUNTS SPECIFIED IN SECTION 36-776, SUBSECTION E. THE COMMISSION MAY DEPOSIT ADDITIONAL UNALLOCATED MONEY FROM THE SMART BEGINNINGS PREVENTION ACCOUNT INTO THE SMART BEGINNINGS TRUST FUND. THE STATE TREASURER SHALL INVEST AND DIVEST MONEY IN THE SMART BEGINNINGS TRUST FUND AS PROVIDED IN TITLE 35, CHAPTER 2 AND SHALL CREDIT MONEY EARNED FROM THESE INVESTMENTS TO THE SMART BEGINNINGS TRUST FUND.

C. THE COMMISSION MAY USE MONEY IN THE SMART BEGINNINGS TRUST FUND FOR THE PURPOSES AND USES DESCRIBED IN SECTION 36-776 ONLY UNDER THE FOLLOWING CONDITIONS:

1. IF, IN ANY FISCAL YEAR, THE TOTAL AMOUNT OF MONEY DEPOSITED FROM THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND INTO THE SMART BEGINNINGS PREVENTION ACCOUNT IS LESS THAN THIRTY-FIVE MILLION DOLLARS, THE COMMISSION MAY USE THE INTEREST EARNED ON THE SMART BEGINNINGS TRUST FUND DURING THAT YEAR; OR

2. IF, IN ANY FISCAL YEAR, THE TOTAL AMOUNT OF MONEY DEPOSITED FROM THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND TO THE SMART BEGINNINGS PREVENTION ACCOUNT IS LESS THAN TWENTY-MILLION DOLLARS, THE COMMISSION MAY USE ANY MONEY IN THE SMART BEGINNINGS TRUST FUND; OR

3. IF, IN ANY FISCAL YEAR, THE INTEREST EARNED ON THE SMART BEGINNINGS TRUST FUND EXCEEDS SIX MILLION DOLLARS, THE COMMISSION MAY USE THAT INTEREST.

36-778. Smart beginnings commission members; terms; compensation; executive director

A. THE SMART BEGINNINGS COMMISSION IS ESTABLISHED TO ADMINISTER THE SMART BEGINNINGS PREVENTION ACCOUNT AND SMART BEGINNINGS TRUST FUND. THE COMMISSION CONSISTS OF THE FOLLOWING MEMBERS APPOINTED BY THE GOVERNOR:

1. TWO MEMBERS OF THE EXECUTIVE BRANCH WHOSE OFFICIAL RESPONSIBILITIES RELATE TO PROMOTING THE HEALTHY DEVELOPMENT OF YOUNG CHILDREN.

2. TWO PUBLIC MEMBERS WHO REPRESENT ENTITIES WITH EXPERTISE IN THE HEALTHY DEVELOPMENT OF YOUNG CHILDREN.

3. TWO PUBLIC MEMBERS WHO REPRESENT THE BUSINESS COMMUNITY IN THIS STATE.

4. ONE PUBLIC MEMBER WHO IS A PARENT WITH A YOUNG CHILD.

B. PUBLIC MEMBERS SHALL SERVE FIVE-YEAR TERMS.

C. A MAJORITY OF THE MEMBERS CONSTITUTES A QUORUM FOR THE TRANSACTION OF BUSINESS.

D. THE COMMISSION SHALL APPOINT A CHAIR FROM ITS PUBLIC MEMBERS AT ITS FIRST MEETING OF THE CALENDAR YEAR. THE COMMISSION SHALL MEET AT LEAST ONCE EVERY QUARTER AND AT THE CALL OF THE COMMISSION CHAIR.

E. COMMISSION MEMBERS SHALL SERVE WITHOUT COMPENSATION, EXCEPT THAT PUBLIC MEMBERS ARE ELIGIBLE FOR REIMBURSEMENT FOR EXPENSES PURSUANT TO TITLE 38, CHAPTER 4, ARTICLE 2.

F. THE GOVERNOR MAY, AFTER PUBLIC HEARING, REMOVE A COMMISSION MEMBER FOR NEGLECT OF DUTY, MISCONDUCT IN OFFICE OR UNLAWFUL ACTIVITY.

G. THE GOVERNOR SHALL APPOINT A FULL-TIME EXECUTIVE DIRECTOR WHO SHALL:

1. NOT BE A MEMBER OF THE COMMISSION;

2. HAVE AT LEAST A MASTER'S DEGREE AND THREE YEARS OF EXPERIENCE ADMINISTERING HUMAN SERVICE OR PUBLIC HEALTH PROGRAMS;

3. BE ELIGIBLE TO RECEIVE COMPENSATION AS DETERMINED PURSUANT TO SECTION 38-611; AND

4. HAVE THE POWER TO EMPLOY, DETERMINE THE CONDITIONS OF EMPLOYMENT, SPECIFY THE DUTIES OF AND TERMINATE STAFF.

H. THE EXECUTIVE DIRECTOR SHALL SERVE FOR A TERM OF FIVE YEARS, EXCEPT THAT THE GOVERNOR MAY REMOVE THE EXECUTIVE DIRECTOR FOR NEGLECT OF DUTY, MISCONDUCT IN OFFICE, INCOMPETENCE OR UNLAWFUL ACTIVITY.

36-779. Commission powers and duties; staffing

A. THE COMMISSION SHALL EXERCISE SUCH POWERS AND DUTIES NECESSARY TO CARRY OUT FULLY THE PROVISIONS OF THIS ARTICLE AND IN GENERAL EXERCISE POWERS AND DUTIES THAT RELATE TO ADOPTING AND CARRYING OUT THE POLICIES OF THE COMMISSION AND CONTROLLING ITS FINANCIAL AFFAIRS. THESE POWERS INCLUDE, BUT ARE NOT LIMITED TO:

1. ADOPTING RULES AND ESTABLISHING PROCEDURES IT DEEMS NECESSARY TO CARRY OUT THE PROVISIONS AND PURPOSES OF THIS SECTION, INCLUDING POLICIES, REQUIREMENTS, PRIORITIES, GUIDELINES, QUALITATIVE STANDARDS AND NEEDS ASSESSMENTS FOR SERVICES FUNDED THROUGH THE SMART BEGINNINGS PREVENTION ACCOUNT AND THE SMART BEGINNINGS TRUST FUND.

2. ENTERING INTO CONTRACTS FOR THE PURPOSE OF PROVIDING SERVICES AUTHORIZED PURSUANT TO THIS ARTICLE.

3. PROVIDING TECHNICAL ASSISTANCE TO FURTHER THE PURPOSES OF THIS ARTICLE.

4. TRACKING BENCHMARKS AND MEASURING OUTCOMES.

5. DEVELOPING AND PROVIDING INFORMATION AND EDUCATIONAL MATERIALS CONCERNING SMART BEGINNINGS TO THE PUBLIC.

6. MAKING RECOMMENDATIONS TO THE GOVERNOR AND LEGISLATURE TO COORDINATE AND CONSOLIDATE FEDERAL,

STATE AND LOCAL PROGRAMS AND FUNDS RELATING TO THE PURPOSE OF THIS ARTICLE.

B. THE COMMISSION IS EXEMPT FROM THE PROVISIONS OF TITLE 41, CHAPTER 23.

Section 10. Initial terms of members of smart beginnings commission

A. Notwithstanding section 36-778, Arizona Revised Statutes, as added by the Healthy Children, Healthy Families Act, the initial terms of the public members of the Smart Beginnings Commission are:

1. One term ending in January 2003.
2. Two terms ending in January 2004.
3. Two terms ending in January 2005.

B. The governor shall make all subsequent appointments as prescribed by section 36-778, Arizona Revised Statutes.

Section 11. Exemption from rule making

The Smart Beginnings Commission established by section 36-778 of this Act is exempt from the rulemaking provisions of title 41, chapter 6, Arizona Revised Statutes, for eighteen months from the effective date of this Act. The Commission shall make available, upon request, all proposed rules at least thirty days prior to the date the rules are scheduled to be adopted by the Commission.

Section 12. Section 36-2921, Arizona Revised Statutes, is repealed.

Section 13. Title 36, chapter 29, article 1 is amended by adding section 36-2921.01 to read:

36-2921.01. Health care coverage account

THE MONEY IN THE HEALTH CARE COVERAGE ACCOUNT ESTABLISHED PURSUANT TO SECTION 36-774 SHALL BE USED ONLY AS FOLLOWS:

1. **STATE MEDICAL LABORATORY SUBACCOUNT.** IN THE FIRST AND SECOND FISCAL YEARS AFTER THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT IS IN EFFECT, THE STATE TREASURER SHALL DEPOSIT FIFTEEN MILLION DOLLARS ANNUALLY FROM THE HEALTH CARE COVERAGE ACCOUNT INTO A STATE MEDICAL LABORATORY SUBACCOUNT. THE STATE MAY APPROPRIATE MONEY IN THE STATE LABORATORY SUBACCOUNT ONLY FOR CONSTRUCTION OF A STATE MEDICAL LABORATORY. ANY MONEY REMAINING IN THIS SUBACCOUNT AT THE END OF THE THIRD FISCAL YEAR AFTER THE EFFECTIVE DATE OF THIS ACT SHALL REVERT TO THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND ESTABLISHED PURSUANT TO SECTION 36-774.

2. **MENTAL HEALTH FACILITIES AND SERVICES SUBACCOUNT.** IN THE FIRST FISCAL YEAR AFTER THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT IS IN EFFECT, THE STATE TREASURER SHALL DEPOSIT FIFTEEN MILLION DOLLARS FROM THE HEALTH CARE COVERAGE ACCOUNT INTO A MENTAL HEALTH FACILITIES AND SERVICES SUBACCOUNT. IN THE SECOND AND THIRD FISCAL YEARS AFTER THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT IS IN EFFECT, THE STATE TREASURER SHALL DEPOSIT EACH YEAR FROM THE HEALTH CARE COVERAGE ACCOUNT THIRTY MILLION DOLLARS INTO THE STATE MENTAL HEALTH FACILITIES AND SERVICES SUBACCOUNT. THE STATE MAY APPROPRIATE MONEY IN THE MENTAL HEALTH FACILITIES AND SERVICES SUBACCOUNT ONLY FOR THE CONSTRUCTION OR RENOVATION OF A MENTAL HEALTH FACILITY OR FACILITIES AND THE PROVISION OF MENTAL HEALTH SERVICES. ANY MONEY REMAINING IN THIS SUBACCOUNT AT THE END OF THE FOURTH FISCAL YEAR AFTER THE EFFECTIVE DATE OF THIS ACT SHALL REVERT TO THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND ESTABLISHED PURSUANT TO SECTION 36-774.

3. **BEHAVIORAL HEALTH SUBACCOUNT.** THE STATE TREASURER SHALL DEPOSIT NINE CENTS OF EACH DOLLAR IN THE HEALTH CARE COVERAGE ACCOUNT, BUT NOT TO EXCEED \$11,000,000 IN ANY FISCAL YEAR, INTO THE BEHAVIORAL HEALTH SUBACCOUNT. THIS SUBACCOUNT SHALL BE ADMIN-

ISTERED BY THE DEPARTMENT OF HEALTH SERVICES. SEVENTY-FIVE PERCENT OF THE MONEY IN THE BEHAVIORAL HEALTH SUBACCOUNT SHALL BE USED TO PROVIDE PSYCHOTROPIC MEDICATIONS FOR PERSONS WITH SERIOUS MENTAL ILLNESSES AND WHO ARE NOT ELIGIBLE TO RECEIVE SERVICES PURSUANT TO TITLE XIX OF THE SOCIAL SECURITY ACT. TWENTY-FIVE PERCENT OF THE MONEY IN THE BEHAVIORAL HEALTH SUBACCOUNT SHALL BE USED FOR REGIONAL BEHAVIORAL HEALTH AUTHORITIES OR ANY SUCCESSOR OF A REGIONAL BEHAVIORAL HEALTH AUTHORITY TO PROVIDE CRISIS STABILIZATION AND RESIDENTIAL TREATMENT SERVICES TO CHILDREN WHO HAVE SIGNIFICANT AND SERIOUS PSYCHIATRIC IMPAIRMENTS THAT POSE A THREAT TO THEMSELVES, THEIR FAMILIES OR THE COMMUNITY. THE DEPARTMENT OF HEALTH SERVICES SHALL HAVE AUTHORITY TO PROMULGATE RULES TO IMPLEMENT THE PROVISIONS OF THIS PARAGRAPH INCLUDING ESTABLISHING ELIGIBILITY CRITERIA.

4. **OLDER ARIZONANS SUBACCOUNT.** THE STATE TREASURER SHALL DEPOSIT THREE CENTS OF EACH DOLLAR IN THE HEALTH CARE COVERAGE ACCOUNT, BUT NOT TO EXCEED \$3,500,000 IN ANY FISCAL YEAR, INTO AN OLDER ARIZONANS SUBACCOUNT. EIGHTY-FIVE PERCENT OF THE MONEY IN THIS ACCOUNT SHALL BE USED TO PROVIDE CARE, INCLUDING CUSTODIAL AND SUPPORTIVE SERVICES, FOR OLDER ARIZONANS SUFFERING FROM CHRONIC DISEASES INCLUDING CANCER, CARDIOVASCULAR AND PULMONARY DISEASES, RESPIRATORY ILLNESSES, STROKES, ALZHEIMER'S DISEASE AND OTHER DISEASES OF AGING, AND WHO CANNOT OTHERWISE SECURE SUCH SERVICES PRIVATELY OR THROUGH PROGRAMS ESTABLISHED PURSUANT TO THIS CHAPTER OR TITLE XVIII OF THE SOCIAL SECURITY ACT. THIS PORTION OF THE OLDER ARIZONANS FUND SHALL BE ADMINISTERED BY THE ADMINISTRATION AND SERVICES SHALL BE DELIVERED BY PERSONS OR ENTITIES QUALIFIED TO PROVIDE SUCH SERVICES AND SELECTED THROUGH A COMPETITIVE BIDDING PROCESS. THE ADMINISTRATION SHALL ADOPT RULES TO IMPLEMENT THIS PROGRAM INCLUDING, BUT NOT LIMITED TO PROGRAM ELIGIBILITY CRITERIA, PROVIDER QUALIFICATION, SERVICE COVERAGE, AND FUNDING PROCESS. FIFTEEN PERCENT OF MONEY IN THE OLDER ARIZONANS SUBACCOUNT SHALL BE USED TO FUND NONMEDICAL HOME AND COMMUNITY-BASED CARE PROGRAMS ESTABLISHED PURSUANT TO SECTION 46-192 SUBSECTION A, PARAGRAPH 4. THIS PORTION OF THE OLDER ARIZONANS SUBACCOUNT SHALL BE ADMINISTERED BY THE DEPARTMENT OF ECONOMIC SECURITY.

5. **HEALTH CRISIS FUND.** THE STATE TREASURER SHALL DEPOSIT SUFFICIENT MONEY FROM THE HEALTH CARE COVERAGE ACCOUNT INTO THE HEALTH CRISIS FUND, ESTABLISHED PURSUANT TO SECTION 36-797, TO ENSURE THAT THIS FUND MAINTAINS A BALANCE OF ONE MILLION DOLLARS, EXCEPT THAT NO MORE THAN ONE MILLION DOLLARS OF THE HEALTH CARE COVERAGE ACCOUNT SHALL BE DEPOSITED IN THE HEALTH CRISIS FUND IN ANY FISCAL YEAR. EXPENDITURES OF MONEY FROM THE HEALTH CRISIS FUND SHALL NOT BE SUBJECT TO TITLE 41, CHAPTER 23.

6. **PRIMARY CARE AND COMMUNITY HEALTH CENTERS SUBACCOUNT.** THE STATE TREASURER SHALL DEPOSIT NINE CENTS OF EACH DOLLAR OF THE HEALTH CARE COVERAGE ACCOUNT, BUT NOT TO EXCEED \$11,000,000 IN ANY FISCAL YEAR INTO A PRIMARY CARE AND COMMUNITY HEALTH CENTERS SUBACCOUNT. THE STATE MAY APPROPRIATE MONEY FROM THIS SUBACCOUNT TO FUND THE PRIMARY CARE AND COMMUNITY HEALTH CENTER SERVICES PROVIDED PURSUANT TO SECTIONS 36-2907.05 AND 36-2907.06 OR SIMILAR

PROGRAMS HEREAFTER ESTABLISHED BY THE LEGISLATURE SERVING THE SAME POPULATIONS.

7. **ANNUAL HEALTH SUBACCOUNT.** THE STATE TREASURER SHALL DEPOSIT FIFTEEN CENTS OF EACH DOLLAR OF THE HEALTH CARE COVERAGE ACCOUNT, BUT NOT TO EXCEED \$20,500,000 IN ANY FISCAL YEAR, INTO AN ANNUAL HEALTH SUBACCOUNT. THE LEGISLATURE MAY APPROPRIATE MONEY FROM THE ANNUAL HEALTH SUBACCOUNT ONLY TO PROVIDE FUNDING FOR HEALTH CARE, INCLUDING BEHAVIORAL HEALTH CARE, FOR INDIVIDUALS WHO CANNOT OTHERWISE AFFORD OR OBTAIN SUCH SERVICES OR TO PROVIDE FUNDING FOR INNOVATIVE HEALTH CARE PROGRAMS.

8. **CHILDREN'S HEALTH INSURANCE AND WORKING UNINSURED SUBACCOUNT.** IN EACH OF THE FIRST TWO FISCAL YEARS AFTER THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT BECOMES EFFECTIVE, THE STATE TREASURER SHALL DEPOSIT AT LEAST THIRTY-FOUR CENTS OF EACH DOLLAR OF THE HEALTH CARE COVERAGE ACCOUNT INTO A CHILDREN'S HEALTH INSURANCE AND WORKING UNINSURED SUBACCOUNT. THEREAFTER, IN EACH FISCAL YEAR THE STATE TREASURER SHALL DEPOSIT AT LEAST FIFTY CENTS OF EACH DOLLAR OF THE HEALTH CARE COVERAGE ACCOUNT INTO THE CHILDREN'S HEALTH INSURANCE AND WORKING UNINSURED SUBACCOUNT. IN ADDITION, THE STATE TREASURER SHALL DEPOSIT THE BALANCE OF FUNDS REMAINING IN THE HEALTH CARE COVERAGE ACCOUNT FOLLOWING THE ALLOCATIONS SET FORTH IN PARAGRAPHS 1 THROUGH 7 OF THIS SECTION INTO THE CHILDREN'S HEALTH INSURANCE AND WORKING UNINSURED SUBACCOUNT. THE ADMINISTRATION SHALL ALLOCATE THE MONEY IN THE CHILDREN'S HEALTH INSURANCE AND WORKING UNINSURED SUBACCOUNT IN THE FOLLOWING ORDER OF PRIORITY:

a. THE ADMINISTRATION SHALL WITHDRAW ALL AMOUNTS NECESSARY FOR DEPOSIT IN THE CHILDREN'S HEALTH INSURANCE PROGRAM FUND ESTABLISHED BY SECTION 36-2995 TO PAY THE FEDERALLY REQUIRED STATE SHARE OF THE CHILDREN'S HEALTH INSURANCE PROGRAM AND TO ENSURE THAT THE MAXIMUM NUMBER OF ELIGIBLE CHILDREN ARE SERVED, SUBJECT TO THE AVAILABILITY OF FEDERAL MATCHING DOLLARS.

b. THE ADMINISTRATION SHALL WITHDRAW THE AMOUNT NECESSARY TO PAY THE COST OF ORGAN TRANSPLANTS AUTHORIZED BY SECTION 36-2907 SUBSECTION A, PARAGRAPH (11), SUBDIVISIONS (b), (d) AND (e).

c. THE ADMINISTRATION SHALL WITHDRAW THE AMOUNT NECESSARY TO PAY THE COST OF HIV/AIDS DRUG TREATMENT, INCLUDING BUT NOT LIMITED TO PROTEASE INHIBITORS, AND THE MEDICAL COSTS ASSOCIATED WITH THE ADMINISTRATION AND MONITORING OF THE TREATMENT; EXCEPT THAT THE ADMINISTRATION MAY NOT WITHDRAW IN EXCESS OF \$1,230,000 FOR SUCH TREATMENT IN ANY FISCAL YEAR.

d. THE ADMINISTRATION SHALL WITHDRAW THE AMOUNT NECESSARY TO PAY THE FEDERALLY REQUIRED STATE SHARE OF COSTS FOR PROVIDING HEALTH CARE SERVICES TO PERSONS DETERMINED ELIGIBLE PURSUANT TO SECTION 36-2901.02.

e. THE ADMINISTRATION MAY WITHDRAW AN AMOUNT NECESSARY TO PAY FOR ADMINISTRATIVE COSTS ASSOCIATED WITH PROVIDING COVERAGE TO PERSONS DETERMINED ELIGIBLE PURSUANT TO SECTION 36-2901.02, EXCEPT THAT THE AMOUNT WITHDRAWN SHALL NOT EXCEED FOUR PER CENT OF THE TOTAL AMOUNT WITHDRAWN FROM THE CHILDREN'S HEALTH INSURANCE AND WORKING UNINSURED SUBACCOUNT IN ANY FISCAL YEAR FOR THE PURPOSE OF SUBDIVISION (d) OF THIS PARAGRAPH.

f. THE DIRECTOR MAY WITHDRAW UP TO ONE MILLION DOLLARS ANNUALLY FOR OUTREACH PROGRAMS DEDICATED TO INFORMING ELIGIBLE OR POTENTIALLY ELIGIBLE PERSONS ABOUT BENEFITS AVAILABLE PURSUANT TO THIS CHAPTER. TO THE EXTENT POSSIBLE, EXPENDITURES FOR SUCH OUTREACH PROGRAMS SHALL BE USED AS A MATCH TO DRAW DOWN FEDERAL FUNDS FOR SUCH PROGRAMS.

Section 14. Section 36-2988, Arizona Revised Statutes, is amended to read:

36-2988. Children's health insurance program outreach

A. To the extent possible, the administration shall use contractors that have a contract with the administration pursuant to article 1 of this chapter or qualifying plans to provide services to members who qualify for the program.

B. The administration has full authority to amend existing contracts awarded pursuant to article 1 of this chapter.

C. As determined by the director, reinsurance may be provided against expenses in excess of a specified amount on behalf of any member for covered emergency services, inpatient services or outpatient services in the same manner as reinsurance provided under article 1 of this chapter. Subject to the approval of the director, reinsurance may be obtained against expenses in excess of a specified amount on behalf of any member.

D. Notwithstanding any other law, the administration may procure, provide or coordinate covered services by interagency agreement with authorized agencies of this state for distinct groups of members, including persons eligible for children's rehabilitative services through the department of health services and members eligible for comprehensive medical and dental benefits through the department of economic security.

E. After contracts are awarded pursuant to this section, the director may negotiate with any successful bidder for the expansion or contraction of services or service areas.

F. Payments to contractors shall be made monthly and may be subject to contract provisions requiring the retention of a specified percentage of the payment by the director, a reserve fund or any other contract provisions by which adjustments to the payments are made based on utilization efficiency, including incentives for maintaining quality care and minimizing inpatient services. Reserve money withheld from contractors shall be distributed to providers who meet performance standards established by the director. Any reserve fund established pursuant to this subsection shall be established as a separate account within the Arizona health care cost containment system.

G. The director may negotiate at any time with a hospital on behalf of a contractor for inpatient hospital services and outpatient hospital services provided pursuant to the requirements specified in § 36-2904.

H. A contractor may require that subcontracting providers or noncontracting providers be paid for covered services, other than hospital services, according to the capped fee-for-service schedule adopted by the administration or at lower rates as may be negotiated by the contractor.

I. The Administration AND ITS CONTRACTORS MAY CONTRACT WITH OR COORDINATE WITH ~~and contractors shall not contract for any services or functions related to this article with a school district including contracting for the delivery of services, screening, outreach or information that involves the use of school staff and facilities~~ SCHOOLS OR SCHOOL DISTRICTS TO PERFORM OUTREACH AS SPECIFIED IN SECTION 36-2986 SUBSECTION A, PARAGRAPH 7.

J. The administration is exempt from the procurement code pursuant to § 41-2501.

Section 15. Section 36-2989, Arizona Revised Statutes, is amended to read:

36-2989. Covered health and medical services: modifications: related delivery of service requirements

~~A. Except as provided in this section, the director shall establish a specific health benefits coverage package that is as nearly as practicable the same as the least expensive health benefits coverage plan or plans that are offered through a health care services organization available to state employees under § 38-651. The package shall include the following covered services:~~

~~1. Inpatient hospital services that are ordinarily furnished by a hospital for the care and treatment of inpatients, that are medically necessary and that are provided under the direction of a physician or a primary care practitioner. For the purposes of this paragraph, inpatient hospital services exclude services in an institution for tuberculosis or mental diseases unless authorized by federal law.~~

~~2. Outpatient health services that are medically necessary and ordinarily provided in hospitals, clinics, offices and other health care facilities by licensed health care providers. For the purposes of this paragraph, "outpatient health services" includes services provided by or under the direction of a physician or a primary care practitioner.~~

~~3. Other laboratory and X-ray services ordered by a physician or a primary care practitioner.~~

~~4. Medications that are medically necessary and ordered on prescription by a physician, a primary care practitioner or a dentist licensed pursuant to title 32, chapter 11.~~

~~5. Medical supplies, equipment and prosthetic devices.~~

~~6. Treatment of medical conditions of the eye including one eye examination each year for prescriptive lenses and the provision of one set of prescriptive lenses each year for members.~~

~~7. Medically necessary dental services.~~

~~8. Well child, immunizations and prevention services.~~

~~9. Family planning services that do not include abortion or abortion counseling. If a contractor elects not to provide family planning services, this election does not disqualify the contractor from delivering all other covered health and medical services under this article. In that event, the administration may contract directly with another contractor, including an outpatient surgical center or a noncontracting provider, to deliver family planning services to a member who is enrolled with a contractor who elects not to provide family planning services.~~

~~10. Podiatry services that are performed by a podiatrist licensed pursuant to title 32, chapter 7 and that are ordered by a primary care physician or primary care practitioner.~~

~~11. Medically necessary pancreas, heart, liver, kidney, cornea, lung and heart lung transplants and autologous and allogeneic bone marrow transplants and immunosuppressant medications for these transplants ordered on prescription by a physician licensed pursuant to title 32, chapter 13 or 17.~~

~~12. Medically necessary emergency transportation.~~

~~13. Inpatient and outpatient behavioral health services. Inpatient behavioral health services are limited to not more than thirty days for each twelve month period from the date of initial enrollment or the redetermination of eligibility. Outpatient behavioral services are limited to not more than thirty visits for each twelve month period from the date of initial enrollment or the redetermination of eligibility.~~

~~A. THE DIRECTOR SHALL ESTABLISH A HEALTH BENEFITS COVERAGE PACKAGE THAT IS IDENTICAL TO THE HEALTH BENEFITS PROVIDED PURSUANT TO SECTION 36-2907 TO CHILDREN WHO HAVE BEEN DETERMINED ELIGIBLE UNDER TITLE XIX OF THE SOCIAL SECURITY ACT.~~

~~B. The administration shall pay noncontracting providers only for health and medical services as prescribed in subsection A of this section.~~

~~C. To the extent possible and practicable, the administration and contractors shall provide for the prior approval of medically necessary services provided pursuant to this article.~~

~~D. The director shall make available home health services in lieu of hospitalization pursuant to contracts awarded under this article.~~

~~E. Except for members who are eighteen years of age and who are not seriously mentally ill, behavioral health services shall be pro-~~

vided to members through the administration's intergovernmental agreement with the division of behavioral health in the department of health services. The division of behavioral health in the department of health services shall use its established diagnostic and evaluation program for referrals of children who are not already enrolled pursuant to this article and who may be in need of behavioral health services. In addition to an evaluation, the division of behavioral health shall also identify children who may be eligible under § 36-2901, paragraph 4, subdivision (b) or § 36-2931, paragraph 5 and shall refer the children to the appropriate agency responsible for making the final eligibility determination. Members who are eighteen years of age and who are not seriously mentally ill shall be referred to the contractors for behavioral health services.

F. The director shall adopt rules for the provision of transportation services for members. Prior authorization is not required for medically necessary ambulance transportation services rendered to members initiated by dialing telephone number 911 or other designated emergency response systems.

G. The director may adopt rules to allow the administration to use a second opinion procedure under which surgery may not be eligible for coverage pursuant to this article without documentation as to need by at least two physicians or primary care practitioners.

H. All health and medical services provided under this article shall be provided in the county or residence of the member, except:

1. Emergency services and specialty services.

2. The director may permit the delivery of health and medical services in other than the county of residence in this state or in an adjoining state if it is determined that medical practice patterns justify the delivery of services in other than the county of residence or a net reduction in transportation costs can reasonably be expected. Notwithstanding § 36-2981, paragraph 7 or 12, if services are procured from a physician or primary care practitioner in an adjoining state, the physician or primary care practitioner shall be licensed to practice in that state pursuant to licensing statutes in that state that are similar to title 32, chapter 13, 15, 17 or 25.

I. Covered outpatient services shall be subcontracted by a primary care physician or primary care practitioner to other licensed health care providers to the extent practicable for purposes of making health care services available to underserved areas, reducing costs of providing medical care and reducing transportation costs.

J. The director shall adopt rules that prescribe the coordination of medical care for members and that include a mechanism to transfer members and medical records and initiate medical care.

K. The director shall adopt rules for the reimbursement of specialty services provided to the member if authorized by the member's primary care physician or primary care practitioner.

Section 16. Title 36, chapter 29, article 1, Arizona Revised Statutes, is amended by adding section 36-2901.02 to read:

36-2901.02. **Additional eligibility group**

A. FOR THE PURPOSES OF SECTION 36-2901, BEGINNING OCTOBER 1, 2001, "ELIGIBLE PERSON" INCLUDES ANY PARENT AND RELATIVE CARETAKER WHO IS DEFINED AS ELIGIBLE PURSUANT TO SECTION 1931 OF TITLE XIX OF THE SOCIAL SECURITY ACT BASED ON FAMILY INCOME THAT DOES NOT EXCEED ONE HUNDRED PERCENT OF THE FEDERAL POVERTY GUIDELINES AS PUBLISHED BY THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES. THE DIRECTOR SHALL AMEND THE TITLE XIX STATE PLAN TO PROVIDE COVERAGE THROUGH EXPANDED INCOME DISREGARDS OR OTHER METHODOLOGY TO PERSONS DEFINED AS ELIGIBLE PURSUANT TO THIS SUBSECTION.

B. IN SUBSEQUENT YEARS, THE DIRECTOR HAS THE AUTHORITY TO ADJUST THE APPLICANT INCOME LIMIT FOR PARENTS AND RELATIVE CARETAKERS WHO ARE DEFINED AS ELIGIBLE PURSUANT TO SUBSECTION A. THE DIRECTOR SHALL AMEND THE TITLE XIX STATE PLAN TO LOWER THE APPLICANT INCOME LIMIT BELOW ONE HUNDRED PERCENT

OF THE FEDERAL POVERTY GUIDELINES ONLY IF THE ADMINISTRATION'S ENROLLMENT PROJECTIONS SHOW THAT THE COST OF PROVIDING SERVICES WILL EXCEED THE MONEY THAT IS AVAILABLE PURSUANT TO SECTION 36-2921.01, PARAGRAPH 8, SUBDIVISION (d). TO ENSURE FULL ENROLLMENT, THE DIRECTOR SHALL ADJUST THE APPLICANT INCOME LIMIT UPWARD IF THE DIRECTOR DETERMINES THAT FUNDING IS SUFFICIENT PROVIDED THAT THE APPLICANT INCOME LIMIT DOES NOT EXCEED ONE HUNDRED PERCENT OF THE FEDERAL POVERTY GUIDELINES.

C. THE DIRECTOR SHALL PERFORM ELIGIBILITY DETERMINATIONS AND REDETERMINATIONS FOR PERSONS APPLYING FOR ELIGIBILITY OR CONTINUED ELIGIBILITY PURSUANT TO THIS SECTION. THE DIRECTOR MAY ENTER INTO AN INTER-AGENCY AGREEMENT WITH ANOTHER STATE AGENCY TO PERFORM THESE RESPONSIBILITIES.

Section 17. AHCCCS exemption from rule making.

In implementing Sections 13 and 16 of this act, the Arizona health care cost containment system administration is exempt from the rule making requirement of title 41, chapter 6, Arizona Revised Statutes. The administration shall hold hearings to give the public an opportunity to comment on the proposed rules. The administration shall hold at least one of these hearings in a county with a population of less than five hundred thousand persons according to the most recent United States decennial census.

Section 18. Section 36-2907.07, Arizona Revised Statutes, is repealed.

Section 19. Title 36, Arizona Revised Statutes, is amended by adding chapter 10 to read:

36-781. Healthy children, healthy families oversight and enforcement account; administration; costs and attorney fees

A. THE ATTORNEY GENERAL SHALL HAVE THE AUTHORITY TO USE AND DISBURSE MONEY IN THE OVERSIGHT AND ENFORCEMENT ACCOUNT ESTABLISHED PURSUANT TO SECTION 36-774 FOR ENFORCEMENT OF THE 1998 MASTER SETTLEMENT AGREEMENT BETWEEN TOBACCO PRODUCT MANUFACTURERS AND THE STATE OF ARIZONA AND TO CARRY OUT THE PURPOSES OF THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT.

B. IN ANY ACTION BROUGHT BY THE ATTORNEY GENERAL REGARDING ILLEGAL PAYMENT OR USE OF MONEY FROM THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND OR ANY OF ITS ACCOUNTS, SUBACCOUNTS OR FUNDS, IF THE ATTORNEY GENERAL PREVAILS, THE COURT SHALL AWARD COSTS AND REASONABLE ATTORNEY FEES TO THE ATTORNEY GENERAL AND SUCH COSTS AND FEES SHALL BE DEPOSITED INTO THE OVERSIGHT AND ENFORCEMENT ACCOUNT.

36-782. Attorney general; enforcement authority

A. THE ATTORNEY GENERAL HAS THE AUTHORITY TO ENFORCE THE PROVISIONS OF THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT, AS PROVIDED BY LAW. IN ADDITION TO THESE POWERS, THE ATTORNEY GENERAL MAY BRING AN ACTION IN THE NAME OF THE STATE TO ENJOIN ILLEGAL PAYMENT OF ANY MONEY FROM THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND OR TO RECOVER SUCH MONEY IF ALREADY PAID. TO CARRY OUT THAT AUTHORITY, THE ATTORNEY GENERAL OR DESIGNEE MAY ALSO:

1. ISSUE WRITTEN INVESTIGATIVE DEMANDS TO ANY PERSON.
2. ADMINISTER AN OATH OR AFFIRMATION TO ANY PERSON FOR TESTIMONY.

B. THE WRITTEN INVESTIGATIVE DEMAND SHALL BE SERVED ON THE PERSON IN THE MANNER REQUIRED FOR SERVICE OF PROCESS IN THE STATE OR BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED; DESCRIBE THE CLASS OR CLASSES OF DOCUMENTS OR OBJECTS WITH SUFFICIENT DEFINITENESS TO PERMIT THEM TO BE FAIRLY IDENTIFIED;

PRESCRIBE A REASONABLE TIME AT WHICH THE PERSON MUST APPEAR TO TESTIFY AND WITHIN WHICH THE DOCUMENT OR OBJECT MUST BE PRODUCED; AND ADVISE THE PERSON THAT OBJECTIONS TO OR REASONS FOR NOT COMPLYING WITH THE DEMAND MAY BE FILED WITH THE ATTORNEY GENERAL ON OR BEFORE THAT TIME.

C. IF A PERSON OBJECTS TO OR OTHERWISE FAILS TO COMPLY WITH THE WRITTEN INVESTIGATIVE DEMAND SERVED, THE ATTORNEY GENERAL MAY FILE AN ACTION IN SUPERIOR COURT IN THE COUNTY IN WHICH THE ALLEGED VIOLATION OCCURRED FOR AN ORDER TO ENFORCE THE DEMAND. NOTICE OF HEARING ON THE ACTION TO ENFORCE THE DEMAND AND A COPY OF THE ACTION SHALL BE SERVED ON THE PERSON IN THE SAME MANNER AS THAT PRESCRIBED IN THE ARIZONA RULES OF CIVIL PROCEDURE. IF THE COURT FINDS THAT THE DEMAND IS PROPER, THAT THERE IS REASONABLE CAUSE TO BELIEVE THAT THERE MAY HAVE BEEN AN ILLEGAL PAYMENT OF MONEY, THE COURT SHALL ORDER THE PERSON TO COMPLY WITH THE DEMAND, SUBJECT TO MODIFICATIONS THE COURT MAY PRESCRIBE. IF THE PERSON FAILS TO COMPLY WITH THE COURT'S ORDER, THE COURT MAY ADJUDGE THE PERSON IN CONTEMPT OF COURT, GRANT INJUNCTIVE RELIEF TO RESTRAIN THE CONDUCT THAT IS THE SUBJECT OF THE INVESTIGATION, OR GRANT OTHER RELIEF THE COURT DEEMS PROPER.

D. ALL INFORMATION OR EVIDENCE PROVIDED TO THE ATTORNEY GENERAL SHALL BE CONFIDENTIAL AND SHALL NOT BE MADE PUBLIC UNLESS IN THE JUDGMENT OF THE ATTORNEY GENERAL THE ENDS OF JUSTICE AND PUBLIC INTEREST WILL BE SERVED BY THE PUBLICATION THEREOF, EXCEPT THAT THE NAMES OF THE INTERESTED PARTIES SHALL NOT BE MADE PUBLIC.

36-783. Private enforcement action

A. IF WITHIN SIXTY DAYS AFTER A PERSON OR ENTITY MAKES A WRITTEN REQUEST TO THE ATTORNEY GENERAL TO INSTITUTE AN ACTION AS PROVIDED IN SECTION 36-782, THE ATTORNEY GENERAL FAILS TO INSTITUTE SUCH AN ACTION, THAT PERSON OR ENTITY MAY INSTITUTE THE ACTION IN HIS OWN NAME AND AT HIS OWN COST WITH THE SAME EFFECT AS IF BROUGHT BY THE ATTORNEY GENERAL.

B. IF THE PERSON OR ENTITY PREVAILS IN THE ACTION, THE COURT SHALL AWARD HIM COSTS AND REASONABLE ATTORNEY FEES.

Section 20. Title 41, chapter 7, article 10.1, Arizona Revised Statutes, is amended by adding section 41-1279.09 to read:

41-1279.09 Healthy children, healthy families fund audits

A. THE AUDITOR GENERAL SHALL HAVE THE AUTHORITY TO USE AND DISBURSE MONEY FROM THE AUDITOR GENERAL ACCOUNT ESTABLISHED PURSUANT TO SECTION 36-774 TO PERFORM THE AUDITS AND EVALUATIONS AUTHORIZED PURSUANT TO THIS SECTION.

B. EVERY FISCAL YEAR, THE AUDITOR GENERAL SHALL CONDUCT FINANCIAL AUDITS OF THE USE OF MONEY FROM THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND AND ITS ACCOUNTS, SUBACCOUNTS OR FUNDS. AT LEAST ONCE EVERY FIVE YEARS THE AUDITOR GENERAL SHALL CONDUCT PERFORMANCE AUDITS OF THE PROGRAMS FUNDED BY THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND OR ANY OF ITS ACCOUNTS, SUBACCOUNTS OR FUNDS. THE AUDITOR GENERAL MAY ALSO CONDUCT SUCH OTHER PROGRAMMATIC EVALUATIONS OF THE PROGRAMS FUNDED BY THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND OR ANY OF ITS ACCOUNTS, SUBACCOUNTS OR FUNDS AS THE AUDITOR GENERAL DEEMS NECESSARY OR THE AGENCY, COMMISSION OR DEPARTMENT RESPONSIBLE FOR THE PROGRAM MAY REQUEST. THE AUDITOR GENERAL MAY COMBINE AUDITS AND EVALUATIONS PERFORMED UNDER THIS SECTION WITH

Spelling, grammar, and punctuation were reproduced as submitted in the "for" and "against" arguments.

OTHER AUDITS AND EVALUATIONS OF THE AGENCY, COMMISSION OR DEPARTMENT RESPONSIBLE FOR THE PROGRAM FUNDED BY THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND THAT IS THE SUBJECT OF THE AUDIT. UPON COMPLETION OF AN AUDIT OR EVALUATION, THE AUDITOR GENERAL SHALL REPORT THE RESULTS OF AN AUDIT OR EVALUATION TO THE GOVERNOR, THE ATTORNEY GENERAL, THE DIRECTOR OR EXECUTIVE DIRECTOR OF THE RELEVANT AGENCY, COMMISSION OR DEPARTMENT RESPONSIBLE FOR THE HEALTHY CHILDREN, HEALTHY FAMILIES PROGRAM THAT IS THE SUBJECT OF THE AUDIT, THE JOINT LEGISLATIVE AUDIT COMMITTEE AND THE PUBLIC.

Section 21. General fund expenditures

Beginning immediately, expenditures for the following shall be made and funded from appropriations from the state general fund and shall not be funded from the Healthy Children, Healthy Families Fund, or any of its related accounts, subaccounts or funds:

1. Increases in the cost of providing levels of service to persons determined eligible pursuant to section 36-2901, paragraph 4, subdivision (b), Arizona Revised Statutes, if the increase results from a decrease in federal funding for levels of service including a decrease in the federal match rate for levels of service provided to persons eligible pursuant to that subdivision.

2. As a result of the phase-out of the quick-pay discount required by Laws 1992, chapter 302 section 14, as amended by Laws 1993, second special session, chapter 6, section 27 and Laws 1995, first special session, chapter 5, section 6, increases in the costs of reimbursing hospitals for inpatient hospital and outpatient hospital services provided to members who are eligible pursuant to section 36-2901, paragraph 4, subdivisions (a), (c), (h), and (j) and section 36-2905.03, Arizona Revised Statutes.

3. Discontinuation of the annual ten million dollar discount on private hospital reimbursement for inpatient hospital and outpatient hospital services required by Laws 1993, second special session, chapter 6, section 39, as amended by Laws 1995, first special session, chapter 5, section 10, provided to members who are eligible pursuant to section 36-2901, paragraph 4, subdivisions (a), (c), (h) and (j), Arizona Revised Statutes.

4. Increases due to economic inflation in the costs of providing levels of services established pursuant to title 36, chapter 29, article 1, Arizona Revised Statutes, to eligible persons as defined under section 36-2901, paragraph 4, Arizona Revised Statutes, inflationary increases in the costs of any expansion of such levels of services or inflationary increases in the costs of any successor program established by the legislature providing levels of services substantially equivalent to, or expanding those provided, pursuant to title 36, chapter 29, article 1 to such eligible persons.

Section 22. Maintenance of effort

A. In order to provide necessary services for individuals determined eligible under section 36-2901, paragraph 4, subdivisions (a), (b), (c), (h), and (j), section 36-2905.03 and section 36-2983, Arizona Revised Statutes, the State shall not, before fiscal year 2003-2004, reduce the level of service established pursuant to title 36, chapter 29, articles 1 and 4, Arizona Revised Statutes, or any successor program providing substantially equivalent levels of service.

B. For the purpose of this section, "level of service" means the eligibility criteria, covered health and medical services and provider payment rates and methodology established pursuant to title 36, chapter 29, articles 1 and 4, Arizona Revised Statutes, in effect on November 1, 1999.

Section 23. Title 42, chapter 3, article 6, Arizona Revised Statutes, is amended by adding section 42-3251 to read:

42-3251. Levy and collection of tobacco tax

A. IN ADDITION TO ALL OTHER TAXES, AND IN ADDITION TO THE TAX LEVIED AND IMPOSED BY ARTICLE 2 OF THIS CHAPTER, THERE IS LEVIED AND SHALL BE COLLECTED BY THE DEPARTMENT AND PAID TO THE STATE TREASURER IN

THE MANNER PROVIDED BY THIS CHAPTER ON ALL CIGARETTES, CIGARS, SMOKING TOBACCO, PLUG TOBACCO, SNUFF AND OTHER FORMS OF TOBACCO THE FOLLOWING TAX:

1. ON EACH CIGARETTE, 2 CENTS.

2. ON SMOKING TOBACCO, SNUFF, FINE CUT CHEWING TOBACCO, CUT AND GRANULATED TOBACCO, SHORTS AND REFUSE OF FINE CUT CHEWING TOBACCO, AND REFUSE, SCRAPS, CLIPPINGS, CUTTINGS AND SWEEPINGS OF TOBACCO, EXCLUDING TOBACCO POWDER OR TOBACCO PRODUCTS USED EXCLUSIVELY FOR AGRICULTURAL OR HORTICULTURAL PURPOSES AND UNFIT FOR HUMAN CONSUMPTION, 4.5 CENTS PER OUNCE OR MAJOR FRACTION OF AN OUNCE.

3. ON ALL CAVENDISH, PLUG OR TWIST TOBACCO, 1.1 CENTS PER OUNCE OR FRACTIONAL PART OF AN OUNCE.

4. ON EACH TWENTY SMALL CIGARS OR FRACTIONAL PART WEIGHING NOT MORE THAN THREE POUNDS PER THOUSAND, 8.9 CENTS.

5. ON CIGARS OF ALL DESCRIPTIONS, EXCEPT THOSE INCLUDED IN PARAGRAPH 4, MADE OF TOBACCO OR ANY TOBACCO SUBSTITUTE:

(a) IF MANUFACTURED TO RETAIL AT NOT MORE THAN 5 CENTS EACH AT 4.4 CENTS ON EACH THREE CIGARS.

(b) IF MANUFACTURED TO RETAIL AT MORE THAN 5 CENTS EACH, 4.4 CENTS ON EACH CIGAR.

Section 24. Title 44, Arizona Revised Statutes, is amended by adding chapter 26 to read:

CHAPTER 26. Tobacco product manufacturers escrow accounts

ARTICLE 1.

44-7101. Tobacco product manufacturers escrow accounts; model statute

THIS STATE ENACTS THE MODEL STATUTE DESCRIBED IN THE MASTER SETTLEMENT AGREEMENT ENTERED INTO ON NOVEMBER 23, 1998 BETWEEN THIS STATE AND CERTAIN UNITED STATES TOBACCO PRODUCT MANUFACTURERS AS FOLLOWS:

SECTION 1. FINDINGS AND PURPOSE.

(A) CIGARETTE SMOKING PRESENTS SERIOUS PUBLIC HEALTH CONCERNS TO THE STATE AND TO THE CITIZENS OF THE STATE. THE SURGEON GENERAL HAS DETERMINED THAT SMOKING CAUSES LUNG CANCER, HEART DISEASE AND OTHER SERIOUS DISEASES, AND THAT THERE ARE HUNDREDS OF THOUSANDS OF TOBACCO-RELATED DEATHS IN THE UNITED STATES EACH YEAR. THESE DISEASES MOST OFTEN DO NOT APPEAR UNTIL MANY YEARS AFTER THE PERSON IN QUESTION BEGINS SMOKING.

(B) CIGARETTE SMOKING ALSO PRESENTS SERIOUS FINANCIAL CONCERNS FOR THE STATE. UNDER CERTAIN HEALTH-CARE PROGRAMS, THE STATE MAY HAVE A LEGAL OBLIGATION TO PROVIDE MEDICAL ASSISTANCE TO ELIGIBLE PERSONS FOR HEALTH CONDITIONS ASSOCIATED WITH CIGARETTE SMOKING, AND THOSE PERSONS MAY HAVE A LEGAL ENTITLEMENT TO RECEIVE SUCH MEDICAL ASSISTANCE.

(C) UNDER THESE PROGRAMS, THE STATE PAYS MILLIONS OF DOLLARS EACH YEAR TO PROVIDE MEDICAL ASSISTANCE FOR THESE PERSONS FOR HEALTH CONDITIONS ASSOCIATED WITH CIGARETTE SMOKING.

(D) IT IS THE POLICY OF THE STATE THAT FINANCIAL BURDENS IMPOSED ON THE STATE BY CIGARETTE SMOKING BE BORNE BY TOBACCO PRODUCT MANUFACTURERS RATHER THAN BY THE STATE TO THE EXTENT THAT SUCH MANUFACTURERS EITHER DETERMINE TO ENTER INTO A SETTLEMENT WITH THE STATE OR ARE FOUND CULPABLE BY THE COURTS.

(E) ON NOVEMBER 23, 1998, LEADING UNITED STATES TOBACCO PRODUCT MANUFACTURERS ENTERED INTO A SETTLEMENT AGREEMENT, ENTITLED THE "MASTER SETTLEMENT AGREEMENT," WITH THE STATE. THE MASTER SETTLEMENT AGREEMENT OBLIGATES THESE MANUFACTURERS, IN RETURN FOR A RELEASE OF PAST, PRESENT AND CERTAIN FUTURE CLAIMS AGAINST THEM AS DESCRIBED THEREIN, TO PAY SUBSTANTIAL SUMS TO THE STATE (TIED IN PART TO THEIR VOLUME OF SALES); TO FUND A NATIONAL FOUNDATION DEVOTED TO THE INTERESTS OF PUBLIC HEALTH; AND TO MAKE SUBSTANTIAL CHANGES IN THEIR ADVERTISING AND MARKETING PRACTICES AND CORPORATE CULTURE, WITH THE INTENTION OF REDUCING UNDERAGE SMOKING.

(F) IT WOULD BE CONTRARY TO THE POLICY OF THE STATE IF TOBACCO PRODUCT MANUFACTURERS WHO DETERMINE NOT TO ENTER INTO SUCH A SETTLEMENT COULD USE A RESULTING COST ADVANTAGE TO DERIVE LARGE, SHORT-TERM PROFITS IN THE YEARS BEFORE LIABILITY MAY ARISE WITHOUT ENSURING THAT THE STATE WILL HAVE AN EVENTUAL SOURCE OF RECOVERY FROM THEM IF THEY ARE PROVEN TO HAVE ACTED CULPABLY. IT IS THUS IN THE INTEREST OF THE STATE TO REQUIRE THAT SUCH MANUFACTURERS ESTABLISH A RESERVE FUND TO GUARANTEE A SOURCE OF COMPENSATION AND TO PREVENT SUCH MANUFACTURERS FROM DERIVING LARGE, SHORT-TERM PROFITS AND THEN BECOMING JUDGMENT-PROOF BEFORE LIABILITY MAY ARISE.

SECTION 2. DEFINITIONS.

(A) "ADJUSTED FOR INFLATION" MEANS INCREASED IN ACCORDANCE WITH THE FORMULA FOR INFLATION ADJUSTMENT SET FORTH IN EXHIBIT C TO THE MASTER SETTLEMENT AGREEMENT.

(B) "AFFILIATE" MEANS A PERSON WHO DIRECTLY OR INDIRECTLY OWNS OR CONTROLS, IS OWNED OR CONTROLLED BY, OR IS UNDER COMMON OWNERSHIP OR CONTROL WITH, ANOTHER PERSON. SOLELY FOR PURPOSES OF THIS DEFINITION, THE TERMS "OWNS," "IS OWNED" AND "OWNERSHIP" MEAN OWNERSHIP OF AN EQUITY INTEREST, OR THE EQUIVALENT THEREOF, OF TEN PERCENT OR MORE, AND THE TERM "PERSON" MEANS AN INDIVIDUAL, PARTNERSHIP, COMMITTEE, ASSOCIATION, CORPORATION OR ANY OTHER ORGANIZATION OR GROUP OF PERSONS.

(C) "ALLOCABLE SHARE" MEANS ALLOCABLE SHARE AS THAT TERM IS DEFINED IN THE MASTER SETTLEMENT AGREEMENT.

(D) "CIGARETTE" MEANS ANY PRODUCT THAT CONTAINS NICOTINE, IS INTENDED TO BE BURNED OR HEATED UNDER ORDINARY CONDITIONS OF USE, AND CONSISTS OF OR CONTAINS (1) ANY ROLL OF TOBACCO WRAPPED IN PAPER OR IN ANY SUBSTANCE NOT CONTAINING TOBACCO; OR (2) TOBACCO, IN ANY FORM, THAT IS FUNCTIONAL IN THE PRODUCT, WHICH, BECAUSE OF ITS APPEARANCE, THE TYPE OF TOBACCO USED IN THE FILLER, OR ITS PACKAGING AND LABELING, IS LIKELY TO BE OFFERED TO, OR PURCHASED BY, CONSUMERS AS A CIGARETTE; OR (3) ANY ROLL OF TOBACCO WRAPPED IN ANY SUBSTANCE CONTAINING TOBACCO WHICH, BECAUSE OF ITS APPEARANCE, THE TYPE OF TOBACCO USED IN THE FILLER, OR ITS PACKAGING AND LABELING, IS LIKELY TO BE OFFERED TO, OR PURCHASED BY, CONSUMERS AS A CIGARETTE DESCRIBED IN CLAUSE (1) OF THIS DEFINITION. THE TERM "CIGARETTE" INCLUDES "ROLL-YOUR-OWN" (I.E., ANY TOBACCO WHICH, BECAUSE OF ITS APPEARANCE, TYPE, PACKAGING, OR LABELING IS SUITABLE FOR USE AND LIKELY TO BE OFFERED TO, OR PURCHASED BY, CONSUMERS AS TOBACCO FOR MAKING CIGARETTES). FOR PURPOSES OF THIS DEFINITION OF "CIGARETTE," 0.09 OUNCES OF "ROLL-

YOUR-OWN" TOBACCO SHALL CONSTITUTE ONE INDIVIDUAL "CIGARETTE."

(E) "MASTER SETTLEMENT AGREEMENT" MEANS THE SETTLEMENT AGREEMENT (AND RELATED DOCUMENTS) ENTERED INTO ON NOVEMBER 23, 1998 BY THE STATE AND LEADING UNITED STATES TOBACCO PRODUCT MANUFACTURERS.

(F) "QUALIFIED ESCROW FUND" MEANS AN ESCROW ARRANGEMENT WITH A FEDERALLY OR STATE CHARTERED FINANCIAL INSTITUTION HAVING NO AFFILIATION WITH ANY TOBACCO PRODUCT MANUFACTURER AND HAVING ASSETS OF AT LEAST \$1,000,000,000 WHERE SUCH ARRANGEMENT REQUIRES THAT SUCH FINANCIAL INSTITUTION HOLD THE ESCROWED FUNDS' PRINCIPAL FOR THE BENEFIT OF RELEASING PARTIES AND PROHIBITS THE TOBACCO PRODUCT MANUFACTURER PLACING THE FUNDS INTO ESCROW FROM USING, ACCESSING OR DIRECTING THE USE OF THE FUNDS' PRINCIPAL EXCEPT AS CONSISTENT WITH SECTION 3 (B)-(2) OF THIS ACT.

(G) "RELEASED CLAIMS" MEANS RELEASED CLAIMS AS THAT TERM IS DEFINED IN THE MASTER SETTLEMENT AGREEMENT.

(H) "RELEASING PARTIES" MEANS RELEASING PARTIES AS THAT TERM IS DEFINED IN THE MASTER SETTLEMENT AGREEMENT.

(I) "TOBACCO PRODUCT MANUFACTURER" MEANS AN ENTITY THAT AFTER THE DATE OF ENACTMENT OF THIS ACT DIRECTLY (AND NOT EXCLUSIVELY THROUGH ANY AFFILIATE):

(1) MANUFACTURES CIGARETTES ANYWHERE THAT SUCH MANUFACTURER INTENDS TO BE SOLD IN THE UNITED STATES, INCLUDING CIGARETTES INTENDED TO BE SOLD IN THE UNITED STATES THROUGH AN IMPORTER (EXCEPT WHERE SUCH IMPORTER IS AN ORIGINAL PARTICIPATING MANUFACTURER (AS THAT TERM IS DEFINED IN THE MASTER SETTLEMENT AGREEMENT) THAT WILL BE RESPONSIBLE FOR THE PAYMENTS UNDER THE MASTER SETTLEMENT AGREEMENT WITH RESPECT TO SUCH CIGARETTES AS A RESULT OF THE PROVISIONS OF SUBSECTIONS II(MM) OF THE MASTER SETTLEMENT AGREEMENT AND THAT PAYS THE TAXES SPECIFIED IN SUBSECTION II(Z) OF THE MASTER SETTLEMENT AGREEMENT, AND PROVIDED THAT THE MANUFACTURER OF SUCH CIGARETTES DOES NOT MARKET OR ADVERTISE SUCH CIGARETTES IN THE UNITED STATES);

(2) IS THE FIRST PURCHASER ANYWHERE FOR RESALE IN THE UNITED STATES OF CIGARETTES MANUFACTURED ANYWHERE THAT THE MANUFACTURER DOES NOT INTEND TO BE SOLD IN THE UNITED STATES; OR

(3) BECOMES A SUCCESSOR OF AN ENTITY DESCRIBED IN PARAGRAPH (1) OR (2).

THE TERM "TOBACCO PRODUCT MANUFACTURER" SHALL NOT INCLUDE AN AFFILIATE OF A TOBACCO PRODUCT MANUFACTURER UNLESS SUCH AFFILIATE ITSELF FALLS WITHIN ANY OF (1)-(3) ABOVE.

(J) "UNITS SOLD" MEANS THE NUMBER OF INDIVIDUAL CIGARETTES SOLD IN THE STATE BY THE APPLICABLE TOBACCO PRODUCT MANUFACTURER (WHETHER DIRECTLY OR THROUGH A DISTRIBUTOR, RETAILER OR SIMILAR INTERMEDIARY OR INTERMEDIARIES) DURING THE YEAR IN QUESTION, AS MEASURED BY EXCISE TAXES COLLECTED BY THE STATE ON PACKS (OR "ROLL-YOUR-OWN" TOBACCO CONTAINERS) BEARING THE EXCISE TAX STAMP OF THE STATE. THE DEPARTMENT OF REVENUE SHALL PROMULGATE SUCH REGULATIONS AS ARE NECESSARY TO ASCERTAIN THE AMOUNT OF STATE EXCISE TAX PAID ON THE CIGARETTES OF SUCH TOBACCO PRODUCT MANUFACTURER FOR EACH YEAR.

SECTION 3. REQUIREMENTS.

ANY TOBACCO PRODUCT MANUFACTURER SELLING CIGARETTES TO CONSUMERS WITHIN THE STATE (WHETHER DIRECTLY OR THROUGH A DISTRIBUTOR, RETAILER OR SIMILAR INTERMEDIARY OR INTERMEDIARIES) AFTER THE DATE OF ENACTMENT OF THIS ACT SHALL DO ONE OF THE FOLLOWING:

(A) BECOME A PARTICIPATING MANUFACTURER (AS THAT TERM IS DEFINED IN SECTION II(JJ) OF THE MASTER SETTLEMENT AGREEMENT) AND GENERALLY PERFORM ITS FINANCIAL OBLIGATIONS UNDER THE MASTER SETTLEMENT AGREEMENT; OR

(B) (1) PLACE INTO A QUALIFIED ESCROW FUND BY APRIL 15 OF THE YEAR FOLLOWING THE YEAR IN QUESTION THE FOLLOWING AMOUNTS (AS SUCH AMOUNTS ARE ADJUSTED FOR INFLATION):

1999: \$.0094241 PER UNIT SOLD AFTER THE DATE OF ENACTMENT OF THIS ACT;

2000: \$.0104712 PER UNIT SOLD;

FOR EACH OF 2001 AND 2002: \$.0136125 PER UNIT SOLD;

FOR EACH OF 2003 THROUGH 2006; \$.0167539 PER UNIT SOLD;

FOR EACH OF 2007 AND EACH YEAR THEREAFTER: \$.0188482 PER UNIT SOLD.

(2) A TOBACCO PRODUCT MANUFACTURER THAT PLACES FUNDS INTO ESCROW PURSUANT TO PARAGRAPH (1) SHALL RECEIVE THE INTEREST OR OTHER APPRECIATION ON SUCH FUNDS AS EARNED. SUCH FUNDS THEMSELVES SHALL BE RELEASED FROM ESCROW ONLY UNDER THE FOLLOWING CIRCUMSTANCES:

(A) TO PAY A JUDGMENT OR SETTLEMENT ON ANY RELEASED CLAIM BROUGHT AGAINST SUCH TOBACCO PRODUCT MANUFACTURER BY THE STATE OR ANY RELEASING PARTY LOCATED OR RESIDING IN THE STATE. FUNDS SHALL BE RELEASED FROM ESCROW UNDER THIS SUBPARAGRAPH (I) IN THE ORDER IN WHICH THEY WERE PLACED INTO ESCROW AND (II) ONLY TO THE EXTENT AND AT THE TIME NECESSARY TO MAKE PAYMENTS REQUIRED UNDER SUCH JUDGMENT OR SETTLEMENT;

(B) TO THE EXTENT THAT A TOBACCO PRODUCT MANUFACTURER ESTABLISHES THAT THE AMOUNT IT WAS REQUIRED TO PLACE INTO ESCROW IN A PARTICULAR YEAR WAS GREATER THAN THE STATE'S ALLOCABLE SHARE OF THE TOTAL PAYMENTS THAT SUCH MANUFACTURER WOULD HAVE BEEN REQUIRED TO MAKE IN THAT YEAR UNDER THE MASTER SETTLEMENT AGREEMENT (AS DETERMINED PURSUANT TO SECTION IX(I)(2) OF THE MASTER SETTLEMENT AGREEMENT, AND BEFORE ANY OF THE ADJUSTMENTS OR OFFSETS DESCRIBED IN SECTION IX(I)(3) OF THAT AGREEMENT OTHER THAN THE INFLATION ADJUSTMENT) HAD IT BEEN A PARTICIPATING MANUFACTURER, THE EXCESS SHALL BE RELEASED FROM ESCROW AND REVERT BACK TO SUCH TOBACCO PRODUCT MANUFACTURER; OR

(C) TO THE EXTENT NOT RELEASED FROM ESCROW UNDER SUBPARAGRAPHS (A) OR (B), FUNDS SHALL BE RELEASED FROM ESCROW AND REVERT BACK TO SUCH TOBACCO PRODUCT MANUFACTURER TWENTY-FIVE YEARS AFTER THE DATE ON WHICH THEY WERE PLACED INTO ESCROW.

(3) EACH TOBACCO PRODUCT MANUFACTURER THAT ELECTS TO PLACE FUNDS INTO ESCROW PURSUANT TO THIS SUBSECTION SHALL ANNUALLY CERTIFY TO THE ATTORNEY GENERAL THAT IT IS IN COMPLIANCE WITH THIS SUBSECTION. THE ATTORNEY GENERAL MAY BRING A CIVIL ACTION ON BEHALF OF THE STATE AGAINST ANY TOBACCO PRODUCT MANUFACTURER THAT FAILS TO PLACE INTO ESCROW THE FUNDS REQUIRED UNDER THIS SECTION. ANY TOBACCO PRODUCT MANUFACTURER THAT FAILS IN ANY YEAR TO

PLACE INTO ESCROW THE FUNDS REQUIRED UNDER THIS SECTION SHALL:

(A) BE REQUIRED WITHIN 15 DAYS TO PLACE SUCH FUNDS INTO ESCROW AS SHALL BRING IT INTO COMPLIANCE WITH THIS SECTION. THE COURT, UPON A FINDING OF A VIOLATION OF THIS SUBSECTION, MAY IMPOSE A CIVIL PENALTY TO BE PAID TO THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND ESTABLISHED PURSUANT TO SECTION 36-774 IN AN AMOUNT NOT TO EXCEED 5 PERCENT OF THE AMOUNT IMPROPERLY WITHHELD FROM ESCROW PER DAY OF THE VIOLATION AND IN A TOTAL AMOUNT NOT TO EXCEED 100 PERCENT OF THE ORIGINAL AMOUNT IMPROPERLY WITHHELD FROM ESCROW;

(B) IN THE CASE OF A KNOWING VIOLATION, BE REQUIRED WITHIN 15 DAYS TO PLACE SUCH FUNDS INTO ESCROW AS SHALL BRING IT INTO COMPLIANCE WITH THIS SECTION. THE COURT, UPON A FINDING OF A KNOWING VIOLATION OF THIS SUBSECTION, MAY IMPOSE A CIVIL PENALTY TO BE PAID TO THE HEALTHY CHILDREN, HEALTHY FAMILIES FUND ESTABLISHED PURSUANT TO SECTION 36-774 IN AN AMOUNT NOT TO EXCEED 15 PERCENT OF THE AMOUNT IMPROPERLY WITHHELD FROM ESCROW PER DAY OF THE VIOLATION AND IN A TOTAL AMOUNT NOT TO EXCEED 300 PERCENT OF THE ORIGINAL AMOUNT IMPROPERLY WITHHELD FROM ESCROW; AND

(C) IN THE CASE OF A SECOND KNOWING VIOLATION, BE PROHIBITED FROM SELLING CIGARETTES TO CONSUMERS WITHIN THE STATE (WHETHER DIRECTLY OR THROUGH A DISTRIBUTOR, RETAILER OR SIMILAR INTERMEDIARY) FOR A PERIOD NOT TO EXCEED 2 YEARS.

EACH FAILURE TO MAKE AN ANNUAL DEPOSIT REQUIRED UNDER THIS SECTION SHALL CONSTITUTE A SEPARATE VIOLATION AND THE VIOLATOR SHALL PAY TO THE ATTORNEY GENERAL THE COSTS AND ATTORNEY FEES INCURRED DURING A SUCCESSFUL PROSECUTION UNDER PARAGRAPH (3).

Section 25. Effective Date

This act shall be effective immediately, in accordance with Arizona constitution article 4, part 1, section 1; except that no sections of this act except sections 21 and 26 shall take effect prior to the date of the first payment to the State pursuant to the 1998 Master Settlement Agreement between tobacco product manufacturers and the State.

Section 26. Title 11, chapter 2, article 1, Arizona Revised Statutes, is amended by adding section 11-201.01 to read:

11-201.01 Actions against Tobacco Manufacturers

A. NOTWITHSTANDING ANY LAW TO THE CONTRARY, NO COUNTY MAY SUE ANY TOBACCO PRODUCT MANUFACTURER TO RECOVER ANY DAMAGES THAT ANY COUNTY MAY CLAIM IT HAS INCURRED AS A RESULT OF HAVING TO PAY FOR ANY HEALTH CARE FOR ANY PERSON ALLEGED TO HAVE SUFFERED ANY ILLNESS, DISEASES OR DAMAGE AS A RESULT OF USE OF OR EXPOSURE TO TOBACCO PRODUCTS. IF ANY SUCH LAWSUIT IS PENDING AT THE TIME THE HEALTHY CHILDREN, HEALTHY FAMILIES ACT IS ENACTED, ANY PARTY AND THE STATE OF ARIZONA MAY MOVE TO DISMISS SUCH ACTION.

B. ALL MONEY PAID TO ANY COUNTY AS A RESULT OF A SETTLEMENT OR TO SATISFY A JUDGMENT IN ANY LEGAL ACTION INSTITUTED BY ANY COUNTY AGAINST ANY OF THE TOBACCO PRODUCT MANUFACTURERS AND RELATING TO THE CLAIMS ENCOMPASSED BY THE NOVEMBER 23, 1998 MASTER SETTLEMENT AGREEMENT BETWEEN THE STATE AND TOBACCO PRODUCT MANUFACTURERS OR ANY MONEY PAID TO ANY COUNTY AS A RESULT OF ANY LEGAL ACTION SEEKING TO RECOVER ANY MONIES PAID BY THE TOBACCO MANUFACTURERS AS A RESULT OF THE 1998 MASTER SETTLEMENT AGREEMENT SHALL, UPON RECEIPT BY THE COUNTY, BE DEPOSITED IN THE HEALTHY CHILDREN,

HEALTHY FAMILIES FUND ESTABLISHED PURSUANT TO SECTION 36-774.

Section 27. Priority over existing inconsistent statutes

If any part of this Act conflicts with any law of Arizona already in effect, the Act shall prevail in all particulars as to which there is a conflict.

Section 28. Priority over other initiatives

This Act authorizes the use of and appropriates all money received pursuant to the Master Settlement Agreement and the tobacco tax established pursuant to section 42-3251, Arizona Revised Statutes. Any other act, statute, initiative or referendum that seeks to authorize the expenditure of or seeks to appropriate any such money is in conflict with and is inconsistent with this Act.

Section 29. Legislative approval

Except as expressly provided by the Healthy Families, Healthy Children Act, expenditures from each account, subaccount and fund established by this Act are hereby appropriated and are not subject to legislative approval.

Section 30. Other initiatives

If any other initiative allocating or appropriating eighty percent or more of the money to be paid to the State of Arizona pursuant to the 1998 Master Settlement Agreement between United States tobacco product manufacturers and the State of Arizona, receives more votes than this measure, only section 23, enacting section 42-3251, Arizona Revised Statutes, of this Act shall be effective.

Section 31. Conforming legislation: technical changes

A. The staff of the Arizona Legislative Council shall prepare any necessary legislation to conform the Arizona Revised Statutes to the provisions of this Act for consideration in the forty-fifth legislature, first regular session.

B. Subject to Arizona Constitution, article 4, part 1, section 1, paragraphs 6(b) and 14, the legislature may make technical and conforming changes to any section of this Act.

Section 32. Severability

If any provision of this Act or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

Section 33. Model statute: prior enactment

If prior to the enactment of the Healthy Children, Healthy Families Act, the State enacts the model statute set forth in Exhibit T of the November 23, 1998 Master Settlement Agreement between tobacco product manufacturers and the State, section 24 of the Healthy Children, Healthy Families Act shall not go into effect.

Section 34. Additional appropriations

Nothing in the Healthy Children, Healthy Families Act prohibits the State from appropriating from the general fund or other funds available to the State, except funds appropriated and allocated by this Act, additional money for any program created or referred to in this Act.

Section 35. Legislative appropriation: mental health facilities: state medical labs

If between November 15, 1999, and the date of enactment of the Healthy Children, Healthy Families Act, the State authorizes construction of mental health facilities or a state medical laboratory and appropriates and spends money received by the State pursuant to the November 23, 1998 Master Settlement Agreement between tobacco product manufacturers and the State for such construction, such authorization, appropriation and expenditure is not inconsistent with section 36-2921.01 paragraphs (1) and (2), Arizona Revised Statutes, to the extent such appropriations and expenditures do not exceed the appropriations permitted under section 36-2921.01 paragraphs (1) and (2), Arizona Revised Statutes. The amounts allocated in section 36-2901.01, paragraphs (1) and (2), for mental health facilities or a medical laboratory shall be reduced by the amounts of money received pursuant to the November 23, 1998 Master Settlement Agreement allocated by the State for mental health facilities or a medical laboratory.

ANALYSIS BY LEGISLATIVE COUNCIL

In 1998, the attorneys general of 46 states, including Arizona, agreed to settle a lawsuit they had filed against the manufacturers of tobacco products. As a result, the tobacco manufacturers must pay each of those states a portion of the estimated \$206 billion settlement each year over the next 25 years. Arizona's share is estimated to total approximately \$3.2 billion. The payments are subject to annual adjustments for inflation. The settlement includes a provision to reduce payments if the volume of cigarettes sold in the United States falls. The settlement agreement allows each state to determine how it will spend its share of the settlement.

Proposition 200 would require Arizona to deposit all of the money it receives over the next 25 years from the settlement agreement in a "Healthy Children, Healthy Families Fund". Proposition 200 will prohibit Arizona's counties from suing the tobacco companies to recover tax monies expended by the counties for indigent health care expenses from tobacco-related illnesses. It would also require the counties to turn over to the Healthy Children Healthy Families Fund any sums they recovered from tobacco settlement monies. The fund would also include 70% of the money that is collected by current Arizona tobacco tax revenues. In so doing, Proposition 200 will divert existing tax revenues generated from the tobacco tax without an offsetting reduction in mandated programs previously funded by such taxes. The proposition would also require an annual general fund appropriation of \$28 million to fund four programs currently funded by current Arizona tobacco tax revenues. This may result in a need for additional taxes or other revenue sources. All of this money would be distributed as follows:

1. Twenty-one percent in the "Smart Beginnings Prevention Account", which could not exceed \$35 million in any one fiscal year. The proposition would establish an appointed "Smart Beginnings Commission" to administer the account. The commission would use account money to fund and provide program administration for family support services.

2. Three and one-half percent in the "Invest in Prevention Account", which could not exceed \$5 million in any one fiscal year. The Department of Health Services would administer the account and would use money in the account only for the prevention and early detection of cancer, cardiovascular and pulmonary disease and strokes.

3. Three hundred fifty thousand dollars each fiscal year in the "Oversight and Enforcement Account", which the Attorney General would use to enforce the master settlement agreement and this proposition.

4. Three hundred fifty thousand dollars each fiscal year in the "Auditor General Account", which the Auditor General would use to conduct annual financial audits of the use of money distributed from the Healthy Children, Healthy Families Fund.

Any money that remained in the Healthy Children, Healthy Families Fund would be transferred to the "Health Care Coverage Account" for distribution as follows:

1. Thirty-four percent in each of the first two fiscal years and 50% thereafter in the "Children's Health Insurance and Working Uninsured Subaccount." The state treasurer would also deposit in this subaccount any money that remains in the Health Care Coverage Account at the end of each fiscal year after all required distributions are made. The Arizona Health Care Cost Containment System Administration (AHCCCS) would use subaccount money to ensure that the maximum number of eligible children are served in the Children's Health Insurance Program, to pay for certain organ transplants, to provide HIV/AIDS medication and for outreach programs. The proposition amends the AHCCCS statutes to provide for expanded coverage and the AHCCCS administrator could use monies in the subaccount to cover these additional adminis-

Spelling, grammar, and punctuation were reproduced as submitted in the "for" and "against" arguments.

trative and program costs.

2. Fifteen percent in the "Annual Health Subaccount", which could not exceed \$20.5 million in any one fiscal year. The Legislature could appropriate money in this subaccount to fund health care, including behavioral health care for persons who could not otherwise afford or obtain services. The Legislature could also appropriate money in the fund for "innovative health care programs."

3. Nine percent in the "Primary Care and Community Health Centers Subaccount", which could not exceed \$11 million in any one fiscal year. The Legislature could appropriate money in this subaccount to fund primary care and community health center services.

4. Nine percent in the "Behavioral Health Subaccount", which could not exceed \$11 million in any one fiscal year. The Department of Health Services would administer this subaccount and would use 75% of the money in the subaccount to provide prescription medications to persons with a serious mental illness. The Department would use the remaining money to provide crisis stabilization and residential treatment services to children who have serious psychiatric impairments.

5. Three percent in the "Older Arizonans Subaccount", which could not exceed \$3.5 million in any one fiscal year. AHCOCS would use 85% of this money to provide care to older persons who are suffering from chronic diseases and whose social security coverage is otherwise insufficient. The Department of Economic Security would use the remaining 15% to fund nonmedical home and community-based care programs for the elderly.

6. A total of \$75 million in the "Mental Health Facilities and Services Subaccount". The state would use this money to construct and renovate mental health facilities and to provide mental health services. Any money that remained in this subaccount at the end of four fiscal years would be returned to the Healthy Children, Healthy Families Fund.

7. A total of \$30 million in the "State Medical Laboratory Subaccount." The state would use this money to build a state medical laboratory. Any money that remained in this subaccount at the end of three fiscal years would be returned to the Healthy Children, Healthy Families Fund.

8. An amount sufficient to ensure that the "Health Crisis Fund" would maintain a balance of \$1 million. This fund was enacted into law by the Legislature in 1997 to deal with any potential health crisis and consists of money raised from Arizona's tax on tobacco products.

This proposition would also:

1. Repeal and reenact, word-for-word, the statute that established the current tobacco taxes. By doing this future legislatures would be prevented by the Arizona Constitution from making any substantial changes to the taxes that are collected from tobacco products in this state.

2. Amend Arizona's current Children's Health Insurance Program (KIDSCARE) to ensure that benefits under that program are identical to the health benefits Arizona now provides to AHCOCS children. Under current law, children are provided the state employee health benefits package. This would increase vision coverage, behavioral health care and nonemergency transportation services to KIDSCARE enrollees.

3. Require the Legislature to fund four existing AHCOCS programs totalling approximately \$28 million annually from the state general fund. Three of these existing programs provides for hospital reimbursement.

4. Prohibit this state from reducing the level of AHCOCS services that it has provided since November 1, 1999 to certain AHCOCS enrollees until at least July 1, 2003.

5. Exempt the newly-created Smart Beginnings Commission from competitive bidding and other legal restrictions under the Arizona Procurement Code.

6. Create the Smart Beginnings Commission, as appointed by the Governor, without requiring confirmation by the Senate and with the members serving at the pleasure of the Governor alone.

Section 24 of the proposition incorporates the tobacco product manufacturers escrow accounts model statute. The settlement agreement with the tobacco manufacturers requires each participating state to enact this model legislation to prevent any tobacco manufacturer that did not participate in the settlement agreement from thereby obtaining an unfair pricing advantage over its competitors. After the filing of this proposition, the model statute was enacted into law.

Proposition 200 includes a provision that attempts to prevent other statutes, initiatives or referendums from using tobacco litigation settlement money in any way that conflicts with this proposition.

Proposition 200 Fiscal Impact Summary

Proposition 200 allocates revenues received by the state from the tax on tobacco products and the monies received from tobacco companies as part of a lawsuit settlement to various health care and family support programs. As part of the tobacco company settlement, the state is expected to receive between \$92 million and \$109 million annually through 2006. By 2025, the state is expected to have received \$3.2 billion in total tobacco settlement revenues. In addition, the Proposition reallocates \$108.1 million of existing revenues received from the state tobacco tax in the fiscal year ending June 30, 2002. When tobacco tax and tobacco settlement revenues are combined, it results in approximately \$200 million to \$216 million per year in funding for health care and family support programs starting in 2002.

In addition to allocating the tobacco tax and tobacco settlement revenues, Proposition 200 specifies that certain health care expenses currently funded by tobacco tax revenue are to be funded by the state's general revenue source. Therefore, Proposition 200 will result in an annual cost to the state of \$28.0 million from its general revenues starting in 2002. Proposition 200 also requires that another state funding source be identified for a previous appropriation of \$8 million made from tobacco settlement monies.

ARGUMENTS "FOR" PROPOSITION 200

Proposition 200 ensures Arizona's tobacco settlement dollars are used to help children and families, fulfilling the intent of the Tobacco Settlement Agreement. Arizona will receive approximately \$120 million in tobacco settlement monies each year, and Healthy Children Healthy Families directs 80 percent of the money into prevention services for children and health insurance for working parents. Voters have an unparalleled opportunity to take action that will make a real difference for children and families and our future.

Healthy Children Healthy Families also lifts legislatively-imposed barriers that work against schools signing kids up for KidsCare, Arizona's health insurance program for children of working families. Arizona has the highest rate of uninsured children in the nation and by eliminating the prohibition on contracting with schools for outreach and providing funds for outreach in the schools, thousands of children will have the health care they so desperately need.

Proposition 200 will increase funding for hospice care for terminally ill persons. Many people are afflicted with painful, life-ending diseases, but are unable to receive needed end-of-life services. Healthy Children Healthy Families provides this funding to ease suffering, allowing people to die with the dignity they deserve. Proposition 200 further provides funding for early detection and prevention of cancer, heart and lung disease, and strokes.

For almost 10 years, concerned citizens from across the state have been saying the same thing: Arizona needs to dramatically change its

state funding priorities and begin investing in children at the front end to try and prevent expensive, damaged lives at the back end.

Your vote for Healthy Children Healthy Families will finally send a message that we are tired of operating our state with a crisis mentality. Your vote will give Arizona the resources to move beyond the rhetoric. Vote Yes on Proposition 200.

Grant Woods, Co-Chair, Healthy Children Healthy Families, Phoenix Eddie Basha, Co-Chair, Healthy Children Healthy Families, Chandler
Paid for by the Healthy Children Healthy Families committee

Proposition 200 invests in the health and wellness of older Arizonans. Under Healthy Children Healthy Families, tobacco settlement dollars are strategically targeted for research, early detection and prevention efforts aimed at cancer, heart and lung disease, strokes, and other diseases related to aging. Proposition 200 will invest \$125 million into disease prevention over the first 25 years of the program. These dollars are needed for better health.

Proposition 200 also helps people suffering from terminal illnesses by funding pre-hospice care. Currently, under the Medicare hospice program, terminally ill persons are not provided hospice care until they are certified with less than 6 months to live. Under Healthy Children Healthy Families, \$75 million will be expended over the next 25 years to allow physicians to individually assess terminally ill patients and provide end-of-life care prior to the Medicare requirements.

Seniors have a wide variety of healthcare needs. Healthy Children Healthy Families will benefit older Arizonans by funding both disease prevention and end-of-life care. Proposition 200 funds much needed senior services. Vote Yes on senior-friendly Proposition 200.

For more information on how you can get involved in this historic opportunity, visit: www.healthychildren2000.org

Susan Goldwater, Executive Director, Hospice of the Valley, Phoenix Ken Moore, President, Retirees Union Club of East Central Arizona, Sun Lakes

Paid for by Susan Goldwater

Proposition 200, the *Healthy Children Healthy Families* initiative, wisely uses funds from the historic Tobacco Settlement to help Arizona's children come to school healthy and ready to learn.

Proposition 200, through its *Smart Beginnings Prevention Fund*, will give parents the tools to better care for their kids, and will give over 22,000 Arizona children the chance to start school ready to achieve and succeed. Through locally designed programs such as prenatal outreach, parenting education and mentoring, and preschool education --the kinds of programs that have a proven track record of preventing damaged lives --Proposition 200 will finally make the healthy development of our youngest children a top Arizona priority.

For years, Arizona has waited to pick up the expensive pieces of broken lives -- whether foster care, school drop outs, or prisons. And our state has the humiliating distinction of ranking 41st worst in the nation on critical measures of child wellbeing.

Proposition 200, through its *Smart Beginnings Prevention Fund*, finally offers communities all across the state, through their schools, faith and community-based organizations, and health centers, the opportunity and the resources to build their prevention foundation to reflect the distinct needs and priorities of their kids and families. Your vote for Proposition 200 will say loud and clear that you are tired of Arizona being on the bottom of the barrel when it comes to our kids, and that the time is now to reverse this trend.

In good economic times and bad, preventing damaged lives has taken a back seat to crisis funding. Our politicians have not been listening. Proposition 200 is an unparalleled opportunity to create a lasting impact on the quality of life for our children, our grandchildren and for our state. Vote Yes for *Healthy Children Healthy Families*.

Nadine Mathis Basha, President, Children's Action Alliance Board of Directors, Phoenix Carol Kamin, Ph.D., Executive Director, Children's Action Alliance, Phoenix

Paid for by the Healthy Children Healthy Families committee

Proposition 200 will provide at least 40,000 eligible working parents with health insurance. Because Healthy Children Healthy Families funds this entirely with tobacco settlement and tax dollars, there is no additional burden on taxpayers. Currently, a working parent in a family of four who earns more than \$5,500 a year makes too much to qualify for state-sponsored health insurance. Under Proposition 200, a family of four with an income of less than \$17,050 would now be able to receive state-sponsored health insurance. The federal government will provide \$2 for every \$1 of Arizona tobacco settlement dollars used.

Proposition 200 would also provide medication funding for the severely mentally ill and residential treatment for juveniles with mental illness. It also increases funding for the early detection and prevention of cancer, heart and lung disease, and strokes.

Arizona has the highest percentage of people without health insurance in the nation. Over one million Arizonans-one out of every four-lack health insurance. Many of them are parents who are working full time. Healthy parents are better able to care for their children and be productive, reliable employees. The uninsured utilize hospital emergency rooms for health care. They do not have access to preventive health services, and thus, often have advanced disease that is more difficult and expensive to treat when they do seek emergency room care. This results in increased suffering for the patient, an increased risk for the public of contracting other diseases, and increased emergency room costs which are passed on to those who have insurance. When parents and children are able to receive regular healthcare services from a primary care physician; emergency room visits are minimized.

Vote Yes on Proposition 200 -- a real solution for uninsured working families.

For more information on how you can get involved, visit: www.healthychildren2000.org

Mary E. Rimsza, M.D., Director of Health, Arizona State University, Tempe

Ernesto M. Gomez, M.D., Ob-Gyn, Paradise Valley

Paid for by Mesa OB/GYN, Ltd

The March of Dimes supports Proposition 200 because it will improve access to healthcare for children, which subsequently may reduce birth defects and lower the rates of infant mortality. Healthy Children Healthy Families provides over three times the current funding for prevention services including care for pregnant women and their unborn babies.

Statistics show that birth defects, like congenital heart defects, spina bifida, and anencephaly, are the leading causes of infant mortality.

Spelling, grammar, and punctuation were reproduced as submitted in the "for" and "against" arguments.

A second major contributor to infant mortality is low birthweight. Infants of mothers who receive little or no prenatal care are nearly twice as likely to be born with low birthweight. March of Dimes Perinatal Profiles 2000, shows that out of the fifty states Arizona ranks near the bottom at 49th for women receiving early and adequate prenatal care. Low birthweight babies have a high probability of experiencing developmental problems, such as mental retardation and visual and hearing defects that interfere with normal development.

Proposition 200 provides services needed to help curb devastating birth defects and low birthweight.

The March of Dimes welcomes Proposition 200's funding for schools to enroll more uninsured children in KidsCare, the state's health insurance program for children. Involving schools will provide additional outreach to help boost enrollment in this important program.

The March of Dimes strongly supports Healthy Children Healthy Families and its focus on children's health. Vote Yes on Proposition 200—our children's future depends on you.

Henry Saldaña, State Director, March of Dimes, Arizona Chapter, Phoenix

Paid for by the Healthy Children Healthy Families committee

Proposition 200 will help prevent crime and reduce life-threatening health emergencies. Healthy Children Healthy Families puts the well-being, health and safety of Arizona's children and families at the top of the state's priority list.

Healthy Children Healthy Families invests \$35 million annually to help families with young children. The dollars will support efforts like prenatal outreach, child abuse prevention, parenting education, and preschool, which are proven crime-cutting strategies.

Those of us who work in law enforcement every day know that early childhood programs are among the most powerful weapons against crime, smoking, drug use, and teen pregnancy. Healthy Children Healthy Families addresses Arizona's behavioral health care needs, as well as increasing our investment in the early detection and prevention of cancer, heart and lung disease, and strokes. We can dramatically decrease the chance that today's children will become tomorrow's criminals by investing in critical tools for Arizona parents. By doing so, Proposition 200 may actually save tax dollars by cutting crime and shrinking health and welfare costs.

Proposition 200 also promotes overall health and safety by addressing problems before they become emergencies. Fire fighters know that an ounce of prevention is truly worth a pound of cure. Many times we are sent on emergency calls to deal with emergencies, which wouldn't happen with routine preventive health care.

With Proposition 200, Arizona can begin to match our commitment to jailing criminals, with a commitment to keep kids from becoming criminals in the first place. Until we do that, our fight against crime will always be too little, too late.

It is time for the voters to step forward and invest in some real public safety solutions. That step is Proposition 200 – Healthy Children Healthy Families.

For more information on how you can get involved, visit: www.healthychildren2000.org

Chris Medrea, President, Professional Fire Fighters Association of Arizona, Phoenix

Steve Gendler, President, Arizona Association of Chiefs of Police, Fountain Hills

Billy Shields, President, United Phoenix Firefighters Association, Local 493, Phoenix

John Wintersteen, Chief, Paradise Valley Police Department, Paradise Valley

Paid for by the Healthy Children Healthy Families committee

Healthy Children Healthy Families – Proposition 200 – is an unparalleled opportunity to put the health and well-being of Arizona's children and families at the forefront of Arizona's priorities. By allocating \$35 million annually for prevention services, Healthy Children Healthy Families will enable children to start school healthy and ready to learn.

Part of the necessary foundation for learning is being healthy. A healthy child will learn more, faster. Too many times in the classroom, we see children who are ill, undernourished, or neglected, creating a severe impact on children's ability to learn and grow to their full potential. Healthy Children Healthy Families will create that foundation.

Proposition 200 helps make schools a resource for children and families. Current law creates barriers that prevent schools from enrolling kids in KidsCare, Arizona's health insurance program for children. Healthy Children Healthy Families would remove these barriers and empower schools to reach out to families and help enroll them in KidsCare. In addition, these children will be able to access the needed behavioral health care under Proposition 200. Schools need to actively assist families in maintaining the health of our children. Healthy Children Healthy Families will accomplish this.

When children don't get the right start in life, we all pay for it through more school drop-outs, crime, and delinquency. Yet, the kinds of programs that work for young children and their families have funds to serve only a tiny fraction of the children who need them. Your vote for Proposition 200 will finally give these programs the resources to make a difference.

Teachers know that passage of Healthy Children Healthy Families will mean many more children coming into their kindergarten and first grade classrooms ready to succeed. Vote Yes on Proposition 200 – Arizona's future depends on it.

Penny Kotterman, President, Arizona Education Association (AEA), Phoenix

Harold Porter, Executive Director, Arizona School Administrators (ASA), Phoenix

Cheryl Main, Treasurer, Arizona School Boards Association (ASBA), Phoenix

Paid for by the Healthy Children Healthy Families committee

Proposition 200 – Healthy Children Healthy Families promotes the healthy development of children and provides health care coverage to uninsured working parents without raising taxes, burdening the state general fund, or taking money away from other state budget areas. Rather all tobacco settlement dollars are reinvested into Arizona's future. Not only does this demonstrate sound financial principles, but does so while investing in areas that are in dire need.

Healthy Children Healthy Families strategically targets the vast majority of its resources to assist families so their children can start school healthy and ready to learn and provides health insurance to working families. Each component of the initiative is self-sufficient and self-executing, a demonstration of a thorough, well-thought out plan to spend these tobacco settlement dollars effectively and wisely.

Furthermore, Proposition 200 does not mandate a one-size fits all solution. In fact, Healthy Children Healthy Families allows for flexibility

over time and within local communities, ensuring that Arizona will be able to adjust to its changing needs. In the same sense, Healthy Children Healthy Families invests in the early detection and prevention of cancer, heart and lung disease, and strokes.

Healthy Children Healthy Families is a sound investment in Arizona’s future. Its passage will pay dividends for decades to come for us, our children and our grandchildren. Vote Yes on Proposition 200.

For more information on how you can get involved in this historic opportunity for Arizona’s children and families, visit: www.healthychildren2000.org

Duane Yourko, Director of Community Relations, Honeywell, Glendale Steve Roman, Senior Vice President, Bank One Arizona, Phoenix
Paid for by the Healthy Children Healthy Families committee

Our families are our strength; our children are our future. By meeting the needs of the Latino community, Healthy Children Healthy Families increases our potential to succeed as individuals and as a community.

Nearly 20% of Arizona Latino children dropout of high school. Proposition 200 directs \$35 million a year to programs that give families the tools they need to prepare their children for school. These programs have proven successful in reducing high school dropouts, as well as reducing crime and teen pregnancy. Encouraging success in the early years will help children stay in school and prepare them to succeed as teenagers and young adults.

Children cannot do their best in school if they are not healthy; their families cannot help them succeed if they, too, are in poor health. In Arizona, 24% of Latino children and 80% of Latino adults are without health insurance. Healthy Children Healthy Families addresses these needs.

To insure more children, Proposition 200 lifts barriers so that schools can more easily identify uninsured children and enroll them in KidsCare, Arizona’s insurance program for children. An additional 40,000 parents and guardians who now earn too much to qualify for the state’s insurance program for adults, will receive health care coverage under Proposition 200. Because Latinos comprise a large portion of the uninsured children and adults in Arizona, they will benefit immensely from Healthy Children Healthy Families.

Proposition 200 also targets tobacco dollars to increase funding for the early detection and prevention of diseases, such as cancer, heart and lung disease, and strokes.

By the year 2025, the Latino community will represent one-third of Arizona’s population. Over the next 25 years, Healthy Children Healthy Families will help our community overcome the issues and challenges we face. Vote YES on Proposition 200. Do not let our community down.

Luis Ibarra, President & CEO, Friendly House, Phoenix

Jim Chavez, Vice President, Community Education and Training Services, Chicanos Por La Causa, Phoenix

Paid for by the Healthy Children Healthy Families committee

As a father and grandfather, I know the importance of parents having the tools needed so that their children can start school healthy and ready to learn. I have two beautiful grandchildren that are more precious to me than anything. Healthy Children Healthy Families shares my belief by funding real solutions to help our children and families. Proposition 200 helps to ensure that all children and families have a bright and successful future.

It is very important to me as a fiscal conservative that our tax dollars are not given away as handouts to people. HEALTHY CHILDREN HEALTHY FAMILIES DOES NOT RAISE TAXES. Proposition 200 only uses tobacco settlement dollars for the purpose for which they were intended – the health care of children and families.

Often times I am referred to as the toughest sheriff in America; however, this is a time when we need to help those who are not so tough – our children. The time is now. The answer is Healthy Children Healthy Families.

Join me in voting YES! ON PROPOSITION 200 – HEALTHY CHILDREN HEALTHY FAMILIES – A FISCALLY RESPONSIBLE PROPOSAL THAT WILL HELP ARIZONA’S CHILDREN AND FAMILIES AND NOT RAISE ARIZONA’S TAXES.

Joe Arpaio, Sheriff, Maricopa County, Phoenix

Paid for by the Healthy Children Healthy Families committee

Please join over 1,000 organizations and individuals in supporting Healthy Children Healthy Families - Proposition 200 including:

- | | |
|---|--|
| Greater Phoenix Leadership | Sojourner Center |
| Asian Chamber of Commerce | Healthy Mothers Healthy Babies Arizona Coalition |
| Arizona Ambulance Association | Pinal-Gila Community Child Services |
| Foundation for Senior Living | Intelli-School |
| Retirees Union Club of East Central Arizona | New Way Learning Academy |
| Bashas’ | Make Way for Books |
| Honeywell | Bryans Extended Life Care Family Council |
| Jamieson and Gutierrez | ExecuTrends |
| PICOR | Blake Foundation |
| Sun Cor | Bethel Lutheran Church |
| Children’s Council | Open-Inn, Inc. |
| Oasis Nursery, Inc. | Northern Arizona Healthcare |
| Arizona Council of Human Service Providers | Northern Cochise Community Hospital |
| Association of Arizona Food Banks | Northwest Medical Center |
| Chicanos Por La Causa | Paradise Valley Hospital |
| Mothers Against Gangs | Payson Regional Medical Center |
| Prevent Child Abuse | Phoenix Children’s Hospital |
| United Children’s Network | PMH Health Resources |
| Latz Negotiation Institute | Scottsdale Healthcare |

Spelling, grammar, and punctuation were reproduced as submitted in the “for” and “against” arguments.

Sierra Vista Community Hospital
 St. Joseph's Hospital and Medical Center
 St. Luke's Medical Center
 Sun Health Corp
 Tempe St. Luke's
 TMC Healthcare
 University Medical Center
 Vanguard-Baptist Hospitals & Health Systems
 Vencor – Phoenix
 Winslow Memorial Hospital
 Yavapai Regional Medical Center
 Yuma Regional Medical Center
Grant Woods, Former Arizona Attorney General
Eddie Basha, Valley Businessman
Susan Goldwater, Executive Director, Hospice of the Valley

Chris Medrea, President, Professional Fire Fighters Association of Arizona
Billy Shields, United Phoenix Firefighters Association Local 493
Ben Marx, Business Director, United Phoenix Firefighters Association Local 493
John Wintersteen, Police Chief, Paradise Valley *
Rev. John Limnitzer, Bethel Lutheran Church
Rev. Kim Sterner, Bethel Lutheran Church
Alfredo Gutierrez, President, Jamieson and Gutierrez
Dr. Ernesto Gomez, MD, Physician, Mesa Ob-Gyn *
Luis Ibarra, President & CEO, Friendly House

(Partial List) * For Identification Purposes Only

Justin D. Turner, Campaign Manager, Healthy Children Healthy Families, www.HealthyChildren2000.org, Phoenix

Paid for by the Healthy Children Healthy Families committee

Please join over 1100 organizations and individuals in supporting Healthy Children Healthy Families – Proposition 200 including:

March of Dimes
 Hospice of the Valley
 Arizona Association of Chiefs of Arizona
 Associated Highway Patrolman of Arizona
 Fight Crime: Invest in Kids
 Professional Fire Fighters of Arizona
 United Phoenix Firefighters Association Local 493
 Children's Action Alliance
 Arizona Hospital and Healthcare Association
 Arizona Education Association (AEA)
 Arizona School Administrators (ASA)
 Arizona School Boards Association (ASBA)
 Arizona Women's News
 Family Mediation Center
 Friendly House
 Glendale Community Council
 Interfaith Coalition on Homeless
 League of United Latin American Citizens (LULAC)
 Mexican American Legal Defense and Education Fund (MAL-DEF)

Ministry of Peace and Justice
 Southwest Community Network
 Association for Supportive Child Care
 Casa de los Niños
 Child and Family Resources
 Center Arizona Shelter Services (CASS)
 Aid to Adoption of Special Kids
 Arizona Children's Healthcare Corporation
 Arizona Heart Hospital
 Banner Health System
 Benson Hospital
 Carondelet Health Network

Casa Grande Regional Medical Center
 Chandler Regional Medical Center
 Cobre Valley Community Hospital
 Copper Queen Community Hospital
 El Dorado Hospital
 Havasu Regional Medical Center
 HealthSouth Rehabilitation Corporation
 John C. Lincoln Health Network
 Kingman Regional Medical Center
 Maricopa Prevention Resource Center
 Maryvale Hospital and Medical Center
 Mayo Clinic
 Mesa General Hospital
 M. Graham Community Hospital
 Navapache Regional Medical Center
Sheriff Joe Arpaio, Maricopa County
Sheriff Brian Hounshell, Apache County
Sheriff Frank Hughes, Graham County
Sheriff Tom Shehan, Mojave County
Sheriff Gary Butler, Navajo County
Sheriff Tony Estrada, Santa Cruz County
Sheriff Ralph Ogden, Yuma County
Reginald M. Ballantyne III, President, Phoenix Memorial Health System
Terry L. Williams, Publisher, Arizona Women's News
Ken Moore, President, Retiree's Union Club of East Central Az
Madeline Ong-Sakata, Executive Director, Asian Chamber of Commerce
Stan Furman, Former State Senator
Rosie Lopez, Community Activist

(Partial List) * For Identification Purposes Only

Justin D. Turner, Campaign Manager, Healthy Children Healthy Families, www.HealthyChildren2000.org, Phoenix

Paid for by the Healthy Children Healthy Families committee

ARGUMENTS "AGAINST" PROPOSITION 200

I believe that Proposition 200 sets a dangerous precedent and will force a major property tax increase in the very near future.

If approved, this measure would divert current tobacco tax monies from specifically mandated health care programs. However, these federally required health care programs would not be eliminated thus requiring a major new source of revenue. Of course the only legal source of revenue which the Maricopa County Board of Supervisors can control is the property tax rate.

This measure would also exempt its newly created bureaucracy, known as the "Smart Beginnings Commission", from any part of the Arizona Procurement Code. The Procurement Code ensures public goods and services are purchased on the level, through competitive bidding. This Initiative instead would empower the new Commission to enter into contracts via favoritism, having no safeguards for the public against potential abuse.

So let's review,

1. A big, new unavoidable tax increase,
2. A big new government program without public oversight, and
3. Business deals without the need for competitive bidding.

That doesn't sound so healthy to me. Vote no on Proposition 200.

Jan Brewer, Supervisor - District 4, Maricopa County, Glendale

As State Treasurer, I am opposed to Proposition 200. Proposition 200 hijacks control of Arizona's tobacco settlement monies, and spends it by creating a myriad of new programs and governmental oversight boards. These programs and bureaucracies will consume all settlement monies that Arizona will receive in the future. When these new programs require additional funding, they will draw it from other state revenue sources. This increase in government spending cannot help but result in the need for more taxpayer dollars.

Proposition 200 also spreads the tobacco settlement dollars among numerous programs. This was done in the mistaken belief that providing a little for everyone will work. In truth, it only ends up providing an insufficient amount to any of them to solve the problems they attempt to address, effectively wasting all the money spent.

Additionally, Proposition 200 will prohibit the review or modification of any of the programs funded by the tobacco tax. This will deprive Arizonans of the right to change how their tax money is used in the future. This shows this measure to be a self-serving measure for special interest groups.

Join me in telling these special interest groups that they cannot have Arizona's tobacco settlement money. Vote "No."

Carol Springer, Arizona State Treasurer, Prescott

Intended or not, prop 200 sets out to hurt women.

1. It funds healthcare for only one class of women, "section 1931" parents. Who are they? Basically, welfare moms who found work, but at such low wages that they are still in poverty. Laudable, but why abandon the other women to have been protected by our 1996 vote for Healthy Arizona Initiative-1? Why exclude women (or couples) who delay childbearing, or can't have children, but who live in grinding poverty, despite their efforts in the job market?

Why exclude notch-group women (or couples) whose kids have grown? These women are vulnerable 50-65 empty nesters, when serious medical problems emerge and Medicare isn't there yet.

We voted to cover these women in 1996, and the tobacco lawsuit settlement money is available, so why are we breaking our promises now?

2. This initiative denies even moms the healthcare we voted. We set eligibility at 100% of the poverty level. After this initiative spends our funds on a Christmas tree of programs, it suddenly worries there won't be enough to get the moms into the doctor's office. So it lets the state AHCCCS director repeal that 100% standard, shut the door on moms, and put them on waiting lists, setting eligibility wherever the leftover money dictates.

This is backwards. Put doctor's office visits first, with fancy programs coming from the leftovers. Vote against the repeal of the 100% standard.

3. This year, public interest law firms sued Arizona government for not implementing our 1996 vote. But when they win, if prop 200 passes, it will be an odd victory. Since prop 200 repeals the 100% standard for the moms, and leaves the others out, it would mean that non-moms would get the 100% standard, but moms would get less!

Vote No.

Augustine Grodson, Finance Coordinator, National Organization for Women, Arizona Chapter, Tucson

Paula Buchman-Williams, Chapter Coordinator, National Organization for Women, Arizona Chapter, Tucson

Paid for by National Organization for Women, Arizona Chapter

When \$3 billion is suddenly available, some folks forget promises already made, and debts incurred, in their wish lists for spending it. But the tobacco lawsuit money should go to funding the doctor's office healthcare promised to all of Arizona's working poor by the people's vote in 1996, and as provided in Prop 204 this year. That initiative puts the people first and the programs second. This one fritters, then fudges. It repeals the Healthy Arizona Initiative-1 of 1996.

Anticipating that its array of programs would consume all or most of the money, Prop 200 abandons health insurance for all of Arizona's working poor. Instead it lets the AHCCCS director decide at what point to exclude poor people. And it does not limit damage to funding from the tobacco settlement, but repeals the voter approved standard regardless of source.

Those most apt to be excluded from health care by such a rollback are small families living in poverty: a mother with one child, a couple nearing retirement, a single person supporting a disabled parent.

Prop 204 leaves room for the funding of any desirable programs suggested in Prop 200, and will create a far larger pot of money to pay for it. Because healthcare insurance provided by AHCCCS can be matched by the federal government with 2 to 1, it can triple the size of the available money, with lots left for any necessary health programs. But since prop 200 unaccountably puts the programs first, the negligible amount left for direct healthcare doesn't amount to much when tripled.

Spelling, grammar, and punctuation were reproduced as submitted in the "for" and "against" arguments.

It is morally wrong to break our promise of healthcare for those most in need, by putting programs before people, but it is also economically stupid. And Arizona voters are neither stupid nor liars.

Vote NO on Prop 200.

Vera Lander, Chair, Leader Enrichment, Church Women United Beverly S. Wolfard, Executive Committee, Church Women United in Phoenix
Peg Lucius, President, Church Women United, Tucson Chapter
Paid for by Church Women United in Tucson

Although retired after serving over 20 years as both Budget and Finance Director for the State of Arizona, I had occasion to read Proposition 200. It is financially corrupt! Behind a very worthwhile goal is a proposition that supports a process of spending billions that is wide open to chicanery. Here are some of the problems:

- A seven-member commission appointed by the governor will decide the fate of millions of dollars every year. An appointed body, where only four members need be present to conduct business, should not manage an operation of this magnitude that affects so many people. While I have a great deal of respect for Governor Hull, a future governor could pack the commission with incompetent cronies.
- This proposition provides that the expenditures by the commission from this \$3 billion be *exempt* from the Arizona Procurement Code, including all competitive bidding provisions. While sometimes cumbersome, this code insures that all qualified bidders have an opportunity to compete fairly. Could this be why the hospitals, medical centers and other health providers have contributed over \$750,000 to get this initiative on the ballot?
- There are no public legislative hearings by our elected representatives for the expenditure of these funds. This is an enormous sum of money. There should be open public meetings, at the legislature and around the state, to determine how this money should be spent to best meet the needs of our citizens.

Our state legislature should be ashamed for not previously taking action to include the goals of this proposition in statute, but with the proper public protections in place. A no vote would provide them a second opportunity. Not for their sake, but for ours.

Donald L. Olson, Phoenix

BALLOT FORMAT

PROPOSITION 200

PROPOSED BY INITIATIVE PETITION

OFFICIAL TITLE

AN ACT REPEALING SECTIONS 36-275, 36-771, 36-773, 36-774, 36-775, 36-2907.07, 36-2921, 42-3251, 42-3252, ARIZONA REVISED STATUTES; AMENDING TITLE 11, CHAPTER 2, ARTICLE 1, BY ADDING SECTION 11-201.01; AMENDING TITLE 36, CHAPTER 6, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 36-771, 36-774 AND 36-775; AMENDING TITLE 36, CHAPTER 6, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 9, SECTIONS 36-776, 36-777, 36-778 AND 36-779; AMENDING TITLE 36, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 10, SECTIONS 36-781, 36-782, 36-783; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 36-2921.01 AND 36-2901.02; AMENDING SECTIONS 36-2988 AND 36-2989, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 7, ARTICLE 10.1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1279.09; AMENDING TITLE 42, CHAPTER 3, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-3251; AMENDING TITLE 44, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 26, ARTICLE 1, SECTION 44-7101; MAKING AN APPROPRIATION; RELATING TO TOBACCO.

DESCRIPTIVE TITLE

USES TOBACCO SETTLEMENT MONEY TO PROVIDE PREVENTION SERVICES FOR PRESCHOOL-AGE CHILDREN AND FAMILIES; PROVIDES HEALTH INSURANCE, INCLUDING BEHAVIORAL HEALTH COVERAGE, FOR ELIGIBLE UNINSURED PARENTS; AUTHORIZES SCHOOLS TO ENROLL UNINSURED CHILDREN IN KIDSCARE; FUNDS EARLY DETECTION AND PREVENTION OF CANCER, STROKES AND OTHER DISEASES; PROVIDES HOSPICE CARE FOR THE TERMINALLY ILL.

PROPOSITION 200

<p>A “yes” vote shall have the effect of using tobacco settlement money to provide prevention services for preschool children and families, providing health insurance, including behavioral health coverage, for eligible uninsured parents, authorizing schools to enroll uninsured children in KidsCare; funding programs for early detection and prevention of cancer, strokes and other diseases and providing hospice care for the terminally ill.</p>	<p>YES <input type="checkbox"/></p>
<p>A “no” vote shall have the effect of not requiring appropriation of tobacco settlement money to support these programs.</p>	<p>NO <input type="checkbox"/></p>

Spelling, grammar, and punctuation were reproduced as submitted in the “for” and “against” arguments.