

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

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JORGE LUIS GARCIA
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**** REVISED ****

JOINT LEGISLATIVE BUDGET COMMITTEE

Wednesday, June 18, 2008

8:30 A.M.

Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of April 22, 2008.](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION
 - A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
 - B. Arizona Department of Education - Review of E-learning Contract.
- 1. ATTORNEY GENERAL
 - A. [Review of Intended Use of Monies in the Antitrust Enforcement Revolving Fund.](#)
 - B. [Review of Allocation of Settlement Monies - **State v. Tucson College.**](#)
 - C. [Review of Allocation of Settlement Monies - **State v. Merck & Co., Inc.**](#)
- 2. [ARIZONA DEPARTMENT OF CORRECTIONS - Consider Approval and Review of Requested Transfer of Appropriations.](#)
- 3. [DEPARTMENT OF PUBLIC SAFETY - Discussion of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission. *](#)
- 4. [ARIZONA CRIMINAL JUSTICE COMMISSION - Review of Intended Use of Monies in the Victim Compensation and Assistance Fund.](#)

5. DEPARTMENT OF ECONOMIC SECURITY - Review of Requested Transfer of Appropriations.

* For discussion only.

The Chairman reserves the right to set the order of the agenda.

~~6/11/08~~

6/16/08

sls

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

April 22, 2008

The Vice-Chairman called the meeting to order at 8:15 a.m., Tuesday, April 22, 2008, in Senate Appropriations Room 109. The following were present:

Members:	Senator Burns, Chairman	Representative Pearce, Vice-Chairman
	Senator Aguirre	Representative Adams
	Senator Flake	Representative Biggs
	Senator Garcia	Representative Cajero Bedford
	Senator Harper	Representative Lopez
	Senator Verschoor	Representative Rios
	Senator Waring	Representative Yarbrough

Absent:	Senator Aboud	Representative Boone
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APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of February 26, 2008, Vice-Chairman Pearce stated that the minutes would be approved.

ARIZONA DEPARTMENT OF EDUCATION - Review of Request to Transfer Surplus Basic State Aid Monies to Address Shortfalls in Other Programs.

Mr. Steve Schimpp, JLBC Staff, stated that the Department of Education (ADE) is requesting to transfer a total of \$7,121,700 in Basic State Aid monies to the Additional State Aid Program in order to address a funding shortfall in the latter program. These numbers have been factored in all the budget estimates. ADE had originally asked for a transfer of \$1 million to Achievement Testing, but they have rescinded that request. JLBC Staff recommended a favorable review to the transfer of Basic State Aid monies to the Additional State Aid Program.

Senator Verschoor moved that the Committee give a favorable review to transfer a total of \$7,121,700 in FY 2008 Basic State Aid monies to the Additional State Aid Program. The motion carried.

ARIZONA PIONEERS' HOME - Consider Approval of Requested Transfer of Appropriations.

Mr. Art Smith, JLBC Staff, stated that this item is a consideration of approval to transfer appropriations within the Arizona Pioneers' Home budget. The Pioneers' Home is requesting approval to transfer up to \$350,700 from Personal Services and the Prescription Drug Special Line Item to the Employee Related Expenditures (ERE) line item and the Pioneers' Home had indicated that these 2 lines have surpluses that should be sufficient to cover the ERE shortfall. The JLBC Staff recommended that the Committee approve the agency request to transfer up to

\$301,100 from Personal Services and up to \$49,600 from the Prescription Drugs SLI. If the surpluses in Personal Services and Prescription Drugs are insufficient to cover the shortfall, the JLBC Staff recommended the Committee approve the request to transfer the amount necessary to reach \$350,700 from Other Operating Expenditures.

Discussion ensued on this item, including current patient and staffing levels at the facility.

Mr. Gary Olson, Superintendent, Arizona Pioneers' Home, responded to member questions.

Senator Aguirre asked what the client to staff ratio would be if the Home is filled to capacity (172 residents). Mr. Olson responded that he did not have that readily available and would provide that to the Committee.

Senator Burns resumed the Chair.

Representative Pearce moved that the Committee approve the agency request to transfer up to \$301,100 from Personal Services and up to \$49,600 from the Prescription Drug SLI to the Employee Related Expenditures line in FY 2008. If the surpluses in Personal Services and Prescription Drugs are insufficient to cover the shortfall, the Committee approved the request to transfer the amount necessary to reach \$350,700 from Other Operating Expenditures. Representative Pearce further recommended that the concerns regarding patient and staffing levels be pursued in the Pioneers' Home FY 2009 budget. The motion carried.

DEPARTMENT OF PUBLIC SAFETY - Quarterly Review of the Arizona Public Safety Communication Advisory Commission.

Ms. Kim Cordes-Sween, JLBC Staff, stated this item is a request for Committee review of the second quarter expenditures and progress for the Public Safety Communication Advisory Commission Interoperability Project (PSCC) as required by statute. The interoperability project will allow public safety personnel from one agency to communicate by a mobile radio with personnel from other agencies. The PSCC plans to have a short term interoperable solution fully deployed by summer of 2009 and a long term solution by 2013. The second quarter expenditures totaled about \$404,300 and so far this fiscal year, DPS has expended \$659,300 of the \$3.9 million in appropriated funding available. The JLBC Staff recommended a favorable review of this request.

Discussion ensued on this item.

Mr. Curt Knight, Executive Director, PSCC Office, responded to member questions.

Representative Pearce moved that the Committee give a favorable review to the FY 2008 second quarter expenditures and progress for the statewide interoperability design project. The motion carried.

ATTORNEY GENERAL

A. Review of Allocation of Settlement Monies - State v. Southwestern Furniture of Wisconsin.

Ms. Marge Zylla, JLBC Staff, stated that the Attorney General's office is requesting a favorable review of the allocation of monies received from a settlement with Southwestern Furniture of Wisconsin, which does business as Ashley Furniture Home Store. The total settlement amount is \$410,000. The consumers who will receive compensation have already been identified. Of this total, Ashley Furniture will pay approximately \$2,000 to consumers who were charged a restocking fee, \$8,000 to reimburse for defective furniture, and \$400,000 to the Attorney General's office for costs of the investigation. This amount will be deposited into the Consumer Fraud Fund and this fund supports consumer fraud investigations, consumer education and enforcement of the Consumer Fraud Act. The JLBC Staff recommended a favorable review of this item.

Representative Pearce moved that the Committee give a favorable review of the allocation plans from the Southwestern Furniture of Wisconsin consent judgment. The motion carried.

B. Review of Allocation of Settlement Monies - State v. Caremark.

Ms. Zylla stated the Attorney General's Office is requesting a favorable review of a recent consent judgment against Caremark, which is a pharmacy benefit manager. This is based on Caremark's Consumer Fraud Act violation. Their violations included changing drugs without physician approval and misinforming patients and physicians concerning prescription information. Arizona is one of 28 states involved in this settlement. The state will see 3 different sums of money from this case. The first is \$695,000. This will be used by non-profit organizations for grants and education concerning prescription medication. The second is a \$1 million deposit into the Consumer Fraud Fund for attorney fees, cost of the investigation, and consumer fraud education. The third is up to a share of \$2.5 million nationwide for patients who were given the incorrect cholesterol medication. The JLBC Staff recommended a favorable review of this item.

Ms. Jennifer Boucek, Chief Council of the Consumer Protection Section of the Attorney General's Office, responded to member questions.

The Committee requested detail on how the Attorney General will select the non-profit organizations to which \$695,000 of the settlement will be distributed and examples of what the organizations will do with those funds.

Representative Pearce moved that the Committee give a favorable review of the allocation plans from the Caremark consent judgment. The motion carried.

C. Review of Uncollectible Debts.

Ms. Zylla indicated that this item comes before the Committee annually. The Attorney General's office has identified \$9.1 million of uncollectible debt. After a period of time, the Attorney General's office determined that some of the debts owed to the state's agencies are uncollectible. Upon the Committee's review, these debts can be removed from the state accounting books. The Committee has 2 options for this item. One is a favorable review which would remove the debt from the state accounting books, or an unfavorable review in which the debts would remain.

Mr. Tony Vitagliano, Section Chief, Tax Bankruptcy and Collection Section of the Attorney General's office, responded to member questions.

Representative Pearce moved that the Committee give a favorable review of the FY 2006 listing of \$9.1 million in debts as uncollectible. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Requested Transfer of Appropriations.

Mr. Jay Chilton, JLBC Staff, stated that DES is seeking a review of requested transfer of appropriations. It is a technical follow-up from one of the items from the budget bill that was passed last week. DES needs to transfer \$45 million General Fund dollars from the Child Care Subsidy Special Line Item into the TANF Cash Benefits Special Line Item. DES would also then transfer \$45 million in TANF Block Grant funding from the TANF Cash Benefits Special Line Item into the Day Care Subsidy Special Line Item. The total funds in the SLI's do not change the total funding amount for each SLI. It only changes the fund sourcing for each and there is no additional General Fund cost to the state. The JLBC Staff recommended a favorable review of the request because it is the technical follow up to the FY 2008 budget bill passed last week.

Representative Pearce moved that the Committee give a favorable review of the General Fund appropriation transfer of \$45.3 million from the Day Care Subsidy SLI to the TANF Cash Benefits SLI and a corresponding \$45.3 million transfer of TANF Block Grant monies from TANF Cash Benefits SLI to the Day Care Subsidy SLI. The motion carried.

EXECUTIVE SESSION

Representative Pearce moved that the Committee go into Executive Session. The motion carried.

At 9:05 a.m. the Joint Legislative Budget Committee went into Executive Session.

Representative Pearce moved that the Committee reconvene into open session. The motion carried.

At 9:48 a.m. the Committee reconvened into open session.

Representative Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the cases of:

1. *Jamie Hallam v. State of Arizona, et al.*
2. *Jackson v. State of Arizona, et al.*
3. *Livermore v. State of Arizona*

The motion carried.

Without objection, the meeting adjourned at 9:50.

Respectfully submitted:

Sandy Schumacher, Secretary

Richard Stavneak, Director

Senator Bob Burns, Chairman

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: June 12, 2008

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Assistant Fiscal Analyst

SUBJECT: Attorney General – Review of Intended Use of Monies in the Antitrust Enforcement Revolving Fund

Request

Pursuant to a footnote in the General Appropriation Act, the Office of the Attorney General (AG) has notified the Committee of its intended use of Antitrust Enforcement Revolving Fund monies in excess of \$243,200 in FY 2008.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of a total of \$307,300 in expenditures, as they are consistent with the statutorily allowed usage of Antitrust Enforcement Revolving Fund monies and can be supported with an adequate fund balance. This spending level is approximately the same as FY 2007.

Analysis

The General Appropriation Act contains a footnote which states that all revenues received by the Antitrust Fund in excess of \$243,200 in FY 2008 are appropriated. Expenditures from the fund, however, are limited to \$750,000. The footnote further requires that the AG shall not expend monies from the fund in excess of \$243,200 prior to review by the Joint Legislative Budget Committee.

Monies recovered for the state as a result of antitrust, restraint of trade, or price-fixing activity enforcement are deposited into the Antitrust Enforcement Revolving Fund. A.R.S. § 41-191.01 requires the AG to use the fund to cover costs and expenses associated with antitrust enforcement efforts. Monies can be expended for items such as filing fees, court costs, travel, depositions, transcripts, reproduction costs, expert witness fees, and investigations. Except for the attorney fees due upon the initial recovery of monies, fund monies cannot be used to compensate or employ permanent attorney positions. In FY 2007, the Attorney General expended \$306,400 from the fund for antitrust enforcement efforts.

(Continued)

As the agency reports a beginning fund balance of \$509,100 in FY 2008 and anticipates additional settlement monies during the year, the AG is requesting to expend monies from the fund in excess of \$243,200. The AG estimates that FY 2008 expenditures will be a total of \$307,300 for the following purposes:

- \$227,700 for personnel costs. This will fund Personal Services and Employee Related Expenses for 5 existing non-attorney staff positions.
- \$20,000 for multi-state cases. This represents Arizona's share of the investigative and court costs associated with participating in multi-state antitrust cases.
- \$59,600 for operating costs. The operating costs are for the support of the Antitrust Unit.

RS/LR:ss



Terry Goddard
Attorney General

Office of the Attorney General
State of Arizona



May 12, 2008

The Honorable Robert L. Burns
Chair, Joint Legislative Budget Committee
1700 West Washington
Phoenix, Arizona 85007

Dear Senator Burns:

This letter is written to report the intended use of expenditures from the Antitrust Enforcement Revolving Fund (ATRF). All revenues received by the ATRF are appropriated. However, a footnote to the general appropriations act states, "Before the expenditure of any Antitrust Enforcement Revolving Fund receipts in excess of \$243,200 in FY 2008 and \$232,200 in FY 2009, the Attorney General shall submit the intended uses of the monies for review by the Joint Legislative Budget Committee."

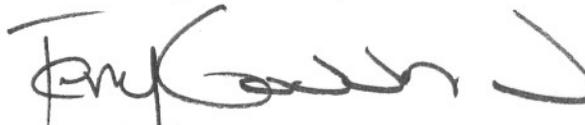
The Office of the Attorney General estimates that the FY08 antitrust enforcement expenditures will be \$307,285 for the following purposes:

- Personnel costs - \$227,666
- Multistate cases - \$20,000
- Operating costs - \$59,619

With an adequate fund balance that can be transferred to cover the estimated expenditures, the estimated funds for FY08 will exceed \$307,285. These expenses, which represent the costs allowed by A.R.S. § 41-191.02, include such items as filing fees, court costs, travel, depositions, transcripts, reproduction costs, expert witness fees, and investigation expenses.

If additional information would be helpful, please let me know.

Sincerely,



Terry Goddard
Attorney General

cc: The Honorable Russell K. Pearce
Richard Stavneak, Director, Joint Legislative Budget Committee
James Apperson, Office of Strategic Planning and Budget

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: June 12, 2008

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Assistant Fiscal Analyst

SUBJECT: Attorney General – Review of Allocation of Settlement Monies

Request

The General Appropriation Act (Laws 2007, Chapter 255) contains a footnote that requires JLBC review of the expenditure plan for settlement monies over \$100,000 received by the Office of the Attorney General (AG) or any other person on behalf of the State of Arizona, prior to expenditure of the monies. Settlements that are deposited in the General Fund pursuant to statute do not require JLBC review.

This request is for review of a \$150,000 allocation to the AG and an estimated \$275,000 to former Tucson College students from the Tucson College settlement.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the allocation plans from the Tucson College settlement. The allocation plans are consistent with A.R.S. § 44-1531.01, which relates to the distribution of monies recovered as a result of enforcing consumer protection or consumer fraud statutes.

Analysis

The Attorney General entered into a settlement with Tucson College, a private vocational school owned by Southwest Business Colleges, Inc., on March 26, 2008. The settlement resolves a lawsuit alleging misrepresentations in connection with the school's Criminal Justice Program from August 2006 to June 2007. The lawsuit included allegations that Tucson College:

- Inaccurately represented that its Criminal Justice Program provided the only available professional and requisite training for entry level law enforcement officers,
- Enrolled students who were ineligible for law enforcement careers,

(Continued)

- Misinformed students as to transferable credits,
- Inaccurately advertised that program enrollment did not require a G.E.D. or high school diploma, and
- Inappropriately encouraged students to take out loans to finance the program costs.

The settlement requires Tucson College to fully refund student loans and enrollment payments to the 57 students enrolled in the school's Criminal Justice program. The AG estimates this amount to be approximately \$275,000. The AG will continue to investigate the progress of the restitution. The consent judgment also requires Tucson College to accurately represent the requirements of the Criminal Justice Program and the qualifications earned upon completion.

The settlement also requires Tucson College to pay \$150,000 to the AG by May 2008. This amount will be deposited into the Consumer Fraud Revolving Fund for attorneys fees, investigation costs, and to support consumer fraud investigations, consumer education, and enforcement of the Consumer Fraud Act. Tucson College has paid the total amount to the AG.

RS/MZ:ss



Terry Goddard
Attorney General

Office of the Attorney General
State of Arizona

Jennifer A. Boucek
Consumer Protection &
Advocacy Section

June 5, 2008

The Honorable Timothy S. Bee
President of the Senate
1700 West Washington Street
Phoenix, AZ 85007

The Honorable James P. Weiers
Speaker of the House
1700 West Washington Street
Phoenix, AZ 85007

The Honorable Robert L. Burns
Chairman, Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, AZ 85007

Re: State of Arizona v. Tucson College

Dear Gentlemen:

Attorney General Terry Goddard entered into a settlement with Tucson College, a private vocational school owned by Southwest Business Colleges, Inc. on March 26, 2008. The settlement resolves a lawsuit alleging deceptive practices, misrepresentations and advertising in connection with the school's Criminal Justice Program, from the start of the program in August 2006 through June 2007.

The school enrolled 57 students in the 9-month long Criminal Justice Program and billed approximately \$10,000 per student. Most students took out student loans to pay their fees. After the Attorney General began investigating, the school temporarily ceased enrolling students in the program in 2007 and most of the remaining students withdrew. Some students who withdrew have already had their loans fully or partially refunded. The school will now pay or refund the rest of the \$175,978.43 still owed.

The lawsuit alleged that Tucson College falsely represented that its Criminal Justice Program provided the only professional and requisite training needed to qualify graduates for entry level careers as law enforcement officers, including probation, police, and corrections officer, and deceptively misrepresented the job requirements. Arizona law enforcement agencies have significant minimum qualification and training requirements,



including completion of the Arizona Peace Officer Standards Training (P.O.S.T.) academy. Agencies typically require applicants to be 21 years of age, and conduct criminal history and background checks. State law also requires that probation officers must be 21 years of age and have a bachelor's degree.

The lawsuit also alleged that Tucson College deceptively enrolled students who were ineligible for law enforcement careers due to their age or for background reasons, and that Tucson College deceptively failed to inform students about such requirements.

The lawsuit also alleged Tucson College misled students that its credits would transfer to local colleges or universities, despite knowing the schools did not accept the credit.

The lawsuit further alleged that Tucson College falsely advertised that enrollment in the program did not require a G.E.D. or high school diploma, which misrepresented the Criminal Justice program's accreditation and admission requirements. The lawsuit further alleged that Tucson College deceptively enrolled high school drop-outs who were ineligible to enroll or graduate under the Criminal Justice Program requirements.

Finally, the lawsuit alleged Tucson College had encouraged students to take out loans which encumbered them with significant student loan debt for a program that did not provide any tangible benefit toward obtaining the advertised career opportunities, and that Tucson College later sent the students' delinquent accounts to collections.

The consent judgment was approved by the Pima County Superior Court and does not constitute an admission of any wrongdoing or liability by Tucson College.

Among other things, the consent judgment also requires that Tucson College:

- Cannot misrepresent that it offers the only professional training necessary to become a law enforcement officer and cannot misrepresent minimum job requirements or disqualifying factors for law enforcement officer careers.
- Must give students written notice that certain minimum job qualification requirements and disqualifying factors exist for law enforcement officer careers.
- Is prohibited from representing that Tucson College credits are transferable unless it knows that specific colleges accept its credits.
- Must prominently disclose in enrollment contracts that students should not assume credits will transfer to schools like Pima College or the University of Arizona.

Hon. Timothy S. Bee
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Hon. Robert L. Burns
June 5, 2008
Page 3

▪ Cannot recruit ineligible students to enroll in the Criminal Justice program
Arizona's share of the settlement will be used to fund consumer fraud investigations, consumer education and enforcement of the Consumer Fraud Act.

The settlement requires Tucson College to fully refund \$275,000 in student loans and enrollment payments for all 57 students who enrolled in the school's Criminal Justice Program. It also requires Tucson College to pay an additional \$150,000 to the Attorney General's Office by May 2008 for consumer fraud education, and for attorneys' fees and investigation costs.

The latter amount will be placed in the Consumer Fraud Revolving Fund pursuant to A.R.S § 44-1531.01. Our notification to you of this settlement is made without prejudice to this office's long standing position that it is not under any legal obligation to provide notices of settlements to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

Thank you for your consideration of this matter. If you have any questions, please telephone me at (602) 542-7714.

Sincerely,



Jennifer Boucek
Section Chief Counsel
Consumer Protection and Advocacy Section

JAB/sp
Enclosure

cc: The Honorable Russell K. Pearce
The Honorable Marsha Arzberger
The Honorable Phil Lopes
Mr. Richard Stavneak
Ms. Leah Ruggieri
Ms. Leezie Kim
Ms. Sheryl Rabin
Mr. David Gass
Mr. John Stevens

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DATE: June 16, 2008

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Assistant Fiscal Analyst

SUBJECT: Attorney General – Review of Allocation of Settlement Monies - State v. Merck & Co., Inc.

Request

The General Appropriation Act (Laws 2007, Chapter 255) contains a footnote that requires JLBC review of the expenditure plan for settlement monies over \$100,000 received by the Office of the Attorney General (AG) or any other person on behalf of the State of Arizona, prior to expenditure of the monies. Settlements that are deposited in the General Fund pursuant to statute do not require JLBC review.

This request is for review of a \$2,317,900 allocation to the AG from a consent judgment with Merck & Co., Inc. (Merck).

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the allocation plan from the Merck consent judgment. The allocation plan is consistent with A.R.S. § 44-1531.01, which relates to the distribution of monies recovered as a result of enforcing consumer protection or consumer fraud statutes.

Analysis

In May 2008, the Attorney General and 29 other states entered into a consent judgment with Merck as a result of their consumer fraud investigation of Merck's marketing and sale of Vioxx, an anti-inflammatory drug. The investigation determined that, from May 1999 through September 2004, Merck misrepresented the cardiovascular adverse effects caused by Vioxx.

The settlement requires Merck to pay \$2,317,900 to the AG. This amount will be deposited into the Consumer Fraud Revolving Fund for attorneys fees, investigation costs, and to support consumer fraud investigations, consumer education, and enforcement of the Consumer Fraud Act.

The settlement also requires Merck to receive FDA approval and comply with FDA comments before running any "direct to consumer" television drug advertisements. In addition, the injunction prohibits Merck from misrepresenting data when marketing to doctors and failing to adequately disclose conflicts of interest in regard to articles, studies, speakers, and Data Safety Monitoring Boards.

RS/MA:ss



Terry Goddard
Attorney General

Office of the Attorney General
State of Arizona

Jennifer A. Boucek
Consumer Protection &
Advocacy Section

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President of the Senate
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The Honorable James P. Weiers
Speaker of the House
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Phoenix, AZ 85007

The Honorable Robert L. Burns
Chairman, Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, AZ 85007

Re: State v. Merck & Co., Inc.

Dear Gentlemen:

Arizona, along with 29 other states, entered into a consent judgment with Merck & Co., Inc. ("Merck") alleging that Merck violated the Consumer Fraud Act in connection with the marketing and sale of the non-steroidal anti-inflammatory drug Vioxx®.

Merck began marketing Vioxx® in May, 1999. The Consent Order alleges that from the beginning, Merck engaged in a deceptive and aggressive promotional campaign directed at both consumers and health care professionals.

According to the Consent Order, from May, 1999 through September, 2004, Merck misrepresented the cardiovascular safety of Vioxx® when promoting Vioxx® directly to consumers and to health care professionals. It was not until September 30, 2004, that Merck admitted that Vioxx® caused serious cardiovascular adverse events and withdrew the drug from the market.

The injunction requires Merck to submit all "direct to consumer" (DTC) television drug advertisements to the Food and Drug Administration (FDA). In addition, Merck must wait for approval and comply with FDA comments before running the advertisement. Merck must also comply with any recommendation by FDA to delay DTC advertising for new Merck pain relieving drugs.

Hon. Timothy S. Bee
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Hon. Russell K. Pearce
June 12, 2008
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The injunction also prohibits:

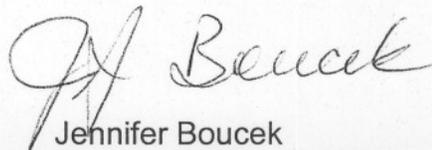
- deceptive use of scientific data when marketing to doctors,
- "ghost writing" of articles and studies
- failing to adequately disclose the conflict of interest of Merck promotional speakers when these speakers present in supposedly "independent" Continuing Medical Education
- Conflicts of interest in Merck sponsored Data Safety Monitoring Boards

According to the settlement, Merck will pay \$58 million to the states. Of that amount, Arizona will receive \$2,317,913 to pay for attorney's fees and investigative costs, consumer fraud education and for investigations and enforcement of the Consumer Fraud Act.

This recovery will be placed in the Consumer Fraud Revolving Fund pursuant to A.R.S. § 44-1531.01. Our notification to you of this settlement is made without prejudice to this office's long-standing position that it is not under any legal obligation to provide notices of settlements to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

Thank you for your consideration of this matter. If you have any questions, please telephone me at (602) 542-7714.

Sincerely,



Jennifer Boucek
Section Chief Counsel
Consumer Protection and Advocacy Section

JAB/sp

cc: The Honorable Russell K. Pearce
The Honorable Marsha J. Arzberger
The Honorable Phillip M. Lopes
Mr. Richard S. Stavneak
Ms. Leah B. Ruggieri
Ms. Leezie Kim
Mr. David Gass
Ms. Sheryl A. Rabin
Mr. John T. Stevens, Jr.

#212698

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: June 12, 2008

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Martin Lorenzo, Senior Fiscal Analyst

SUBJECT: Arizona Department of Corrections – Consider Approval and Review of Requested
Transfer of Appropriations

Request

The Arizona Department of Corrections (ADC) requests the Committee consider the transfer of nearly \$20.8 million within the department's operating budget line items and Special Line Items (SLI).

A.R.S. § 35-173 requires Committee approval prior to transferring monies to or from Personal Services and Employee Related Expenditures (ERE). In addition, Laws 2007, Chapter 255 requires that any transfer to or from the amounts appropriated for Personal Services and ERE for Overtime/Compensatory Time (OT/CT), County Jail, Private Prison Per Diem, and Provisional Beds Special Line Item's (SLI) require review by the Joint Legislative Budget Committee (JLBC).

Recommendation

The JLBC Staff recommends that the Committee approve the ADC request for the Personal Services and Employee Related Expenditure transfers. Committee approval would ensure the payment of state employee salaries and benefits.

Further, the JLBC Staff recommends a favorable review of the remaining transfers and fund shifts. Based on ADC's projected expenditures, there is sufficient funding available for the transfers.

In addition, the JLBC Staff recommends that the Committee approve and favorably review the shift of up to \$250,000 in or out of any line item or Special Line Item in the event that these requested transfers do not exactly match department needs through the end of the fiscal year.

Table 1 lists the recommended transfers.

(Continued)

Table 1			
Arizona Department of Correction's Requested Transfers Requiring Committee Approval and Review			
	Current Appropriation^{1/}	Requested Transfers	Requested Appropriation
Correctional Officer Personal Services*	\$289,976,200	\$ 9,472,900	\$299,449,100
Health Care Personal Services*	37,449,400	2,124,000	39,573,400
All Other Personal Services*	72,177,000	(4,272,000)	67,905,000
Employee Related Expenditures*	160,870,400	8,444,400	169,314,800
Overtime/Compensatory Time SLI**	24,331,400	(4,774,300)	19,557,100
Health OOE ^{1/**}	80,516,200	(2,150,000)	78,366,200
Non Health OOE**	119,134,800	(4,697,100) ^{2/}	114,437,700
County Jail Beds SLI**	868,600	(40,600)	828,000
Private Prison Per Diem SLI**	83,169,800	731,200 ^{2/}	83,901,000
Provisional Beds SLI**	<u>75,031,500</u>	<u>(4,838,500)</u>	<u>70,193,000</u>
Total	\$943,525,300	\$ 0	\$943,525,300

^{1/} These amounts reflect a reduction of \$(19,469,300) as specified in Laws 2008, Chapter 53.
^{2/} Includes a shift of \$306,000 in existing expenditure authority from the Alcohol Abuse Treatment Fund from the Non-Health OOE Line Item to the Private Prison Special Line Item, with an equivalent offsetting amount shifted between these line items from the General Fund.
* Committee approval is required for these line items.
** Committee review is required for these line items.

Analysis

Personal Services and Employee Related Expenditures (ERE)

As shown in *Table 1*, the department is estimating a shortfall in the Correctional Officer (\$9.5 million) and Health Care (\$2.1 million) Personal Services line items and a surplus in the All Other (\$4.3 million) Personal Services line item. In total, the department is forecasting Personal Services expenditures in excess of \$406.9 million in FY 2008, 7.1% higher than actual expenditures of \$380.1 million in FY 2007. The increase is believed to be due to the annualized cost associated with filling an estimated 724 vacant Correctional Officer II positions throughout FY 2007. The department indicates the significant savings in the All Other Personal Services line item is due to holding vacant all unfilled positions not deemed to be of critical need.

With respect to ERE (employee benefits), the department forecasts total expenditures to be in excess of \$169.3 million, or \$8.4 million above the department’s current funding level. Based on the forecasted Personal Services and ERE expenditures, the proposed transfers would result in an employee benefits rate of 41.6% in FY 2008, slightly higher than the department’s adjusted appropriated rate of 40.3%. The higher rate is anticipated to be due to the projected expenditures in the Correctional Officer Personal Services line item representing a higher percentage of the total Personal Services.

Overtime/Compensatory Time Transfer

The FY 2007 budget shifted monies from OT/CT to increase Correctional Officer salaries. The higher pay was intended to reduce vacancies and, thereby, reduce overtime expenditures. Based on the department’s projected OT/CT costs, these increases in staffing, coupled with changes in shift schedules, have resulted in decreased OT/CT costs in FY 2008. Currently, ADC anticipates a surplus of nearly \$4.8 million in the OT/CT line item, resulting in expenditures of approximately \$19.6 million in FY 2008. For comparison, ADC expended \$40.6 million in FY 2006 and \$43.7 million in FY 2007 for OT/CT.

(Continued)

Health Care and Non-Health OOE

The department plans to shift \$(6.8) million from the Other Operating Expenditures (OOE) line items, including \$(2.2) million from the Health Care OOE line item, and \$(4.7) million from the Non-Health Care OOE line item. At the reduced expenditure level in FY 2008, Health Care and Non-Health Care OOE are 7.2% above, and (5.5)% below, actual expenditures in FY 2007.

County Jail Beds

Currently, ADC contracts for 48 Navajo County Jail beds to house Arizona inmates on a temporary basis at a per diem rate of \$49.44. The department's requested shift of \$(40,600) out of County Jail Beds SLI would result in an estimated monthly average daily population of 45.8 inmates in FY 2008, slightly higher than the actual average daily population (ADP) through April of 45.5 inmates.

Provisional Beds

In FY 2008, ADC received \$91.4 million to fund contracts for 4,760 provisional beds at 3 out-of-state facilities (2 in Oklahoma and 1 in Indiana). Laws 2008, Chapter 53, however, resulted in a reduction in the Provisional Beds SLI of \$16.4 million as a result of: 1) delays in filling beds at 2 contracted facilities in Oklahoma (\$1.6 million), and 2) capping the number of inmates housed at a facility in Indiana at 630 of 1,260 funded beds (\$14.8 million). Now, ADC is estimating additional savings of more than \$4.8 million as a result of further delays in filling beds at 1 facility in Oklahoma, and further reductions in the number of inmates housed in Indiana. Specifically, 120 inmates were transferred back to Arizona, from Indiana in April, and all inmates will be transferred by mid June.

Private Prison Per Diem

The department was appropriated \$83.2 million in FY 2008 for 4,264 beds at private prison facilities within Arizona. The annual cost for all 4,264 beds would total slightly less than \$84.9 million; however, the reduced funding allocated to the SLI is a result of ADC's historically having an ADP of less than the allocated number of beds. Currently, ADC estimates FY 2008 expenditures associated with these beds to be \$83.9 million, or \$731,200 more than the current amount allocated to the SLI. At this level, ADC is still below the estimated annual cost if all beds were filled each day of the fiscal year.

Fund Transfer

ADC is requesting to shift \$306,000 of Alcohol Abuse Treatment Fund appropriation authority from the Non-Health Care OOE line item to the Private Prison Per Diem SLI. This shift would be offset by a corresponding reduction in General Fund appropriation authority in the Private Prison Per Diem SLI, and a General Fund increase in the Non-Health Care OOE line item. The purpose of this shift is to allow ADC to utilize the entire appropriation for costs consistent with those specified in statute. A.R.S. § 31-255 specifies monies in the Alcohol Abuse Treatment Fund are to: 1) provide alcohol abuse treatment and rehabilitation services for those convicted of certain offenses, and 2) reduce the calculated cost of the per diem rate for treatment and rehabilitation services that are provided by a private prison. In FY 2008, ADC anticipates utilizing \$293,300 for costs in state operated facilities, leaving \$306,000 for use for treatment services funded through the Private Prison Per Diem SLI. ADC's requested shift appears to be consistent with the statutory use of monies in the fund.

RS/ML:sls

Arizona Department of Corrections



JANET NAPOLITANO
GOVERNOR

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DORA B. SCHRIRO
DIRECTOR

May 22, 2008



The Honorable Robert Burns
Chair, Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable Russell Pearce
Vice Chair, Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

RE: Request for Placement on the Next Agenda of the Joint Legislative Budget Committee Meeting – Updated Transfer Requests to Reflect Current Projections

Gentlemen:

The Arizona Department of Corrections submitted a letter dated May 5, 2008 requesting placement on the next agenda for the meeting of the Joint Legislative Budget Committee to consider transfers of funds between appropriation line items. The purpose of this letter is to update the dollar amounts in the various transfers requested to reflect current projections. The first request for a transfer is to cover projected Correctional Officers' personal services expenditures. The second request for a transfer is to cover projected Health Care personal services costs. The third transfer is to cover projected employee related expenditures (ERE). The fourth request to transfer funds is to cover the projected costs of private prison per diem spending. Finally, we request an exchange of funds from the ADC Alcohol Abuse Treatment Fund in the non-health all other operating expenses (AOOE) and the General Fund in the private prison per diem special line. Details for each of the requests are provided in the attachment.

Correctional Officer Personal Services

The projected cost for correction officer compensation exceeds the special line item appropriation. Currently, there is a projected \$9,472,900 shortage in correctional officer personal services. To address this shortfall, we propose several adjustments.

First, we would like to move \$4,272,000 from the projected surplus in the All Other Personal Services appropriation. We were able to achieve vacancy saving in the All Other Personal Services staffing category by filling positions solely on a critical needs basis. This administrative action generated the projected cost avoidance partially resolving the correctional officers' personal services shortage.

Additionally, we request moving \$4,774,300 from the projected surplus in the Overtime and Compensation Time appropriation. ADC recently implemented changes to the shift schedules, another action that has generated saving in overtime cost.

Finally, we propose moving \$426,600 from the projected surplus in the Non-Health All Other Operating Expenses (AOOE) to address the remainder of the shortage in the correctional officer personal services line.

Health Care Personal Services

The projected cost for health care personal services exceeds the appropriation. Currently, there is a projected \$2,124,000 shortage; the FY 2008 budget for Health Care Personal Services was reduced \$5,791,500 from the FY 2007 appropriation, making it difficult to provide all of the health care services necessary within the reduced budget this fiscal year.

We recommend moving \$2,124,000 from the projected surplus in the Health All Other Operating Expenses (AOOE) to make up this shortfall.

Employee Related Expenditures (ERE) Appropriation Shortfall

Our current projections indicate an \$8,444,430 shortage in Employee Related Expenditures (ERE) Appropriation. ADC received ERE funding equal to 40.26% of the total personal services appropriation for the correctional officers, health care and the all other personal services however the actual ERE rate is 41.58%. The combination of the higher personal services cost and the under-funded ERE rate resulted in the ERE appropriation shortage.

We request moving \$4,838,500 from projected surplus in the provisional beds special line item appropriation. Surplus from this appropriation is the result of two specific provisional bed provider actions generating unplanned savings. One, contract with the State of Indiana was funded for 1,260 beds. Due to operational problems at the facility, only one-half (630) of the beds were used. Two, the contract for 1,340 beds in Hinton, Oklahoma assumed 916 beds

The Honorable Robert Burns
The Honorable Russell Pearce
May 22, 2008
Page 3

would be available in September 2007 with the remaining 424 beds in the spring of 2008.
The construction of 424 new beds has been delayed until September 2008 (FY 2009).

The remaining \$3,605,930 will come from the projected surplus in the Non-Health All Other Operating Expenses (AOOE) Appropriation.

Private Prison Per Diem Special Line Item Appropriation

Currently, ADC projects a shortfall of \$731,200 in the private prison per diem special line item. This Appropriation has been under funded for the last two years. ADC has managed the shortfall in the past but it unable to cover the shortage this year without a transfer.

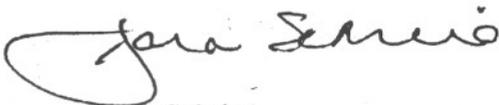
We request transferring \$664,600 from the Non-Health AOOE appropriation, \$40,600 from the county jail beds appropriation and \$26,000 from the projected surplus in the Health AOOE to resolve this issue.

Fund Transfer

The last request seeks to transfer \$306,000 from the ADC Alcohol Abuse Treatment Fund in the non-health AOOE appropriation to the private prison per diem special line appropriation. These funds will be replaced by transferring \$306,000 from General Fund from the private prison per diem special line appropriation to non-health AOOE. ARS 31-255 (C) provides that the Alcohol Abuse Treatment Fund may be used for payment of private prison contracts that provide alcohol treatment services. The private prison per diem appropriation is funded by the General Fund only. This set of transfers assesses General Fund to cover non-health AOOE expenditures that can not be paid by the Alcohol Abuse Treatment Fund.

I appreciate you consideration and timely attention.

Sincerely,



Dora Schriro
Director

Attachment

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
James Apperson, Director, Office for Strategic Planning and Budgeting

The Honorable Robert Burns
The Honorable Russell Pearce
May 22, 2008
Attachment

<u>Action Item</u>	<u>Transfer To</u>	<u>Transfer From</u>
Correctional Officers Personal Services	9,472,900	
All Other Personal Services		(4,272,000)
Overtime/Compensation Time		(4,774,300)
Non-Health All Other Operating Expenses (AOOE)		(426,600)
Health Care Personal Services	2,124,000	
Health All Other Operating Expenses (AOOE)		(2,124,000)
Employee Related Expenditures (ERE)	8,444,430	
Provisional Beds		(4,838,500)
Non-Health All Other Operating Expenses (AOOE)		(3,605,930)
Private Prison Per Diem	731,200	
Non-Health All Other Operating Expenses (AOOE)		(664,600)
County Jail Beds		(40,600)
Health All Other Operating Expenses (AOOE)		(26,000)
	20,777,530	(20,772,530)

The end result is to exchange funds in one appropriation with funds in another

	<u>From</u>	<u>To</u>
Non-Health All Other Operating Expenses (AOOE) Fund 2204 DOC Alcohol Abuse Treatment Appropriation	(306,000)	
Private Prison Per Diem Appropriation Fund 2204 DOC Alcohol Abuse Treatment Appropriation		306,000
Fund 1000 Private Prison Per Diem Appropriation Fund 1000 Non-Health All Other Operating Expenses (AOOE)	(306,000)	306,000

Arizona Department of Corrections
Monthly Budget Report Summary
FY 2008, End of April 2008 Ammended

	Most Recent Month Compared to the Same Month Last Year			Year-to-date Expenditures Compared to the Same Time Period Last Year				Projected Total Expenditures for This Year Compared to Total Expenditures Last Year and Compared to This Year's Appropriation					
	FY 2007 Apr. 2007	FY 2008 Apr. 2008	Difference	FY 2007 YTD (Apr. 2007)	FY 2008 YTD (Apr. 2008)	Difference	% Change	FY 2007 Expenditures	FY 2008 Appropriation ¹	FY 2008 Projection	% Change: FY 2008 Projection over FY 2007 Expenditures	% Change: FY 2008 Appropriation over FY 2008 Projection	FY 2008 Appropriation Compared to FY 2008 Projection
Personal Services	29,733,363	31,425,071	1,691,708	320,745,575	343,782,756	23,037,181	7%	380,058,496	399,602,630	406,426,409	7%	-2%	(6,823,779)
Correctional Officers	21,742,183	23,214,354	1,472,171	231,422,958	253,021,092	21,598,134	9%	275,022,760	289,976,200	299,449,309	9%	-3%	(9,473,109)
Health Care	2,770,800	3,057,590	286,790	30,346,972	33,458,220	3,111,248	10%	35,834,762	37,449,400	39,573,400	10%	-5%	(2,124,000)
All Other	5,220,380	5,153,127	(67,253)	58,975,645	57,303,444	(1,672,201)	-3%	69,200,974	72,177,030	67,403,700	-3%	7%	4,773,330
Overtime/ Compensation Time	2,762,098	775,194	(1,986,904)	37,737,248	18,056,712	(19,680,536)	-52%	43,695,200	24,331,400	19,557,100	-55%	24%	4,774,300
ERE	14,786,257	15,938,465	1,152,208	118,338,678	145,421,112	27,082,434	23%	143,774,481	160,870,370	169,314,591	18%	-5%	(8,444,221)
Health All Other Operating Expenses	7,059,513	9,646,373	2,586,860	50,930,529	58,790,003	7,859,474	15%	75,718,829	80,516,200	78,366,200	3%	3%	2,150,000
P & O	6,030,626	8,351,063	2,320,437	41,521,952	47,207,054	5,685,102	14%	60,835,182	43,168,800	65,027,272	7%	-34%	(21,858,472)
In-state Travel	6,543	1,021	(5,522)	45,594	17,723	(27,871)	-61%	68,546	52,000	73,402	7%	-29%	(21,402)
Out-of-state Travel	2,214	881	(1,333)	11,438	8,369	(3,069)	-27%	15,088	0	13,616	-10%	0%	(13,616)
OOE	1,001,133	1,261,767	260,634	9,217,333	11,231,282	2,013,949	22%	13,028,436	36,538,000	11,126,768	-15%	228%	25,411,232
Food	0	0	0	0	0	0	0%	1,476,751	0	1,755,862	0%	0%	(1,755,862)
Equipment	18,997	31,641	12,644	134,212	325,575	191,363	143%	294,826	757,400	369,280	25%	105%	388,120
Non-Health AOOE	11,238,920	9,705,410	(1,533,510)	96,157,877	88,558,212	(7,599,665)	-8%	122,897,955	119,134,800	114,237,200	-7%	4%	4,897,600
P & O	1,220,336	520,419	(699,917)	4,839,308	3,477,780	(1,361,528)	-28%	8,255,445	774,100	6,021,245	-27%	-87%	(5,247,145)
In-state Travel	33,871	3,642	(30,229)	205,280	93,466	(111,814)	-54%	295,880	205,000	112,439	-62%	82%	92,561
Out-of-state Travel	17,352	4,131	(13,221)	80,258	85,799	5,541	7%	159,021	117,900	107,412	-32%	10%	10,488
OOE	6,468,659	5,907,249	(561,410)	59,147,074	52,535,172	(6,611,902)	-11%	74,159,361	79,079,600	67,465,357	-9%	17%	11,614,243
Food	3,453,592	3,096,605	(356,987)	27,782,976	28,475,499	692,523	2%	34,940,612	34,890,100	35,273,014	1%	-1%	(382,914)
Equipment	45,110	173,364	128,254	4,102,981	3,890,496	(212,485)	-5%	5,087,636	4,068,100	5,257,733	3%	-23%	(1,189,633)
County Jail Beds	134,773	133,389	(1,384)	1,272,981	547,151	(725,830)	-57%	1,553,256	868,600	828,000	-47%	5%	40,600
Private Prison Per Diem	5,836,545	7,256,184	1,419,639	45,108,398	62,378,932	17,270,534	38%	66,554,203	83,169,800	83,901,000	26%	-1%	(731,200)
Provisional Beds	2,068,461	8,323,738	6,255,277	22,929,919	53,234,525	39,449,013	172%	32,697,369	75,031,500	70,193,000	115%	7%	4,838,500
Agency Total (Appropriated)	73,619,930	83,203,824	9,583,894	693,221,205	770,769,403	77,548,198	11%	866,949,789	943,525,300	942,823,500	9%	0%	701,800 ²

¹ The original appropriation of \$962,994,600 was reduced in Laws 2008, Chapter 53 by \$19,469,300 (\$19,416,900 from specified reductions, \$206,700 for vacancy savings reduction and was increased by \$154,300 for rent.

² The State Education Fund was appropriated \$1,161,400, but only received \$459,600 revenue due to lower student count for FY 2008 leaving a difference of \$701,800 of excess appropriation.

³ ADC needs to use \$180,000 from the Transition office Fund to balance the FY 2008 budget. The use of these funds requires legislative authority for this one time purpose.

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: June 12, 2008

TO: Senator Robert Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Kimberly Cordes-Sween, Principal Fiscal Analyst

SUBJECT: Department of Public Safety – Discussion of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission

Pursuant to the General Appropriation Act (Laws 2007, Chapter 255), the Department of Public Safety (DPS) is required to submit for review an expenditure plan of their Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) appropriation prior to spending the monies.

The Department of Public Safety notified the Committee of its intent to spend \$1.6 million of its FY 2008 \$10 million Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) appropriation for a new felony and fugitive task force.

Recommendation

The Chairman has scheduled this agenda item for discussion only.

Analysis

Overview of Current Local GIITEM Funding

Laws 2006, Chapter 344 and Laws 2007, Chapter 255 appropriated \$10 million in both FY 2007 and FY 2008 for multi-jurisdictional GIITEM efforts. The FY 2007 appropriation lapses at the end of FY 2008 and the FY 2008 appropriation lapses at the end of FY 2009.

To date, the department has received a favorable review for \$6.9 million in on-going spending and \$6 million in one-time costs for use from FY 2007 to FY 2009. *Table 1* indicates the expenditures by agency that have been favorably reviewed, to date, by the Committee including a breakdown of the associated one-time and on-going costs.

(Continued)

	<u>On-going</u> <u>Costs</u>	<u>One-Time</u> <u>Costs</u>	<u>Total</u>
Maricopa County Sheriff's Office (MCSO) – Immigration Enforcement	\$ 1,441,900	\$ 150,000	\$ 1,591,900
Maricopa County Sheriff's Office (MCSO) – Transportation	465,200	169,500	634,700
Pima County Sheriff's Office (PCSO)	894,400	425,400	1,319,800
Phoenix Police Department	986,500	887,100	1,873,600
Immigrations and Customs Enforcement (ICE)	0	45,100	45,100 ^{2/}
Border County Officers	803,800	550,000	1,353,800
Border Patrol Agents	289,300	980,000	1,269,300 ^{2/}
Detention Liaison Officers	743,700	0	743,700
Arizona Fraudulent ID Task Force Technology, GangNet, License Plate Readers and Facility Costs	1,205,100	653,600	1,858,700
	<u>60,300</u>	<u>2,176,500</u>	<u>2,236,800</u>
Total	<u>\$6,890,200</u>	<u>\$6,037,200</u>	<u>\$12,927,400</u>

^{1/} Pursuant to a General Appropriation Act footnote (Laws 2007, Chapter 255), the department shall not provide more than 85% of the cost for each agreement or contract. Only the DPS cost is reflected in this table.

^{2/} Federal law prohibits U.S. agencies from accepting personnel funding from state or local governments, as a result these costs include only operating costs and/or equipment.

Felony and Fugitive Task Force

In a letter dated May 30, 2008, the Department of Public Safety notified the Committee that it intends to spend \$1.6 million of local GIITEM grant monies on a new felony and fugitive task force. (See Attachment A) The Governor's Executive Order 2008-22 charges DPS with creating the task force to locate and arrest individuals with outstanding and unserved felony warrants in Arizona. The department has indicated that, in order to implement the Governor's felony and fugitive task force, they will not renew the existing \$1.6 million GIITEM contract with the Maricopa County Sheriff's Office effective May 2008. The MCSO funding is to instead be shifted to the new felony and fugitive task force.

To date, the JLBC has favorably reviewed 2 separate GIITEM expenditure plans for Maricopa County Sheriff's Office (MCSO) of \$1.6 million and \$634,700. In May 2007, the Committee favorably reviewed \$1.6 million in expenditures for 15 local law enforcement positions and associated start-up costs including radios, computers and police equipment at MCSO. This funding was to enable MCSO to create 2 GIITEM squads that would focus on immigration enforcement, particularly on human smuggling operations. This contract was entered into on May 17, 2007 and is renewable every year.

On May 12, 2008, the Department of Public Safety notified MCSO that their contract for 15 officers was not going to be renewed. DPS indicated in that letter that "because of limited resources, we are not renewing the [contract] between DPS and the Maricopa County Sheriff's Office. Instead, we intend to use these monies to fund needed implementation of the Executive Order" for the new felony and fugitive task force. (See Attachment B)

In the department's May 30 letter, they indicate that 2 sergeants and 12 officers will be utilized on the new felony and fugitive task force, which will be a multi-jurisdictional effort to locate and arrest individuals with outstanding felony warrants in Arizona. Currently, there are an estimated 59,000 outstanding felony warrants statewide, including 42,000 in Maricopa County. In the letter, DPS indicated that "we do not have a detailed expenditure plan at this juncture; however, we would anticipate using the funding for equipment, overtime, and operating costs" for the 14 full-time local law enforcement positions.

(Continued)

In October 2007, the Committee also recommended that an additional \$634,700 be allocated to MCSO for enforcement and transportation of illegal immigrants and human smugglers to county jails or Immigrations and Customs Enforcement (ICE) for processing. To date, the department has not provided Maricopa County with the \$634,700.

As seen in *Table 2* below, in FY 2007 and FY 2008, DPS has \$20 million to spend on local GIITEM projects. Based on the prior favorable reviews, DPS could have committed no more than \$15.6 million. This amount includes one-time FY 2007 projects, on-going projects from FY 2007 to FY 2008, and all FY 2008 projects. This amount excludes the felony and fugitive task force.

Table 2				
Local GIITEM –Total Projected Maximum Spending				
	<u>FY 2007 Review</u>	<u>FY 2008 Review</u>	<u>Total Projected FY 2008 Spending (FY 2008 Review + FY 2007 On-going)</u>	<u>Total Maximum Spending in FY 2007 and FY 2008</u>
On-going Spending	\$2,717,700	\$4,172,500	\$6,890,200	\$ 9,607,900
One-time Spending	<u>3,599,200</u>	<u>2,438,000</u>	<u>2,438,000</u>	<u>6,037,200</u>
Total	\$6,316,900	\$6,610,500	\$9,328,200	\$15,645,100

Actual expenditure data for this reviewed funding has been requested from the Department of Public Safety, but has not yet been provided. There may be additional funding available due to delays in the implementation of contracts between DPS and cities, counties, or federal law enforcement agencies and any vacancy savings. Actual expenditures occur when the local jurisdictions submit a request for reimbursement and these costs cannot be determined in advance.

RS/KCS:ss
Attachments



ARIZONA DEPARTMENT OF PUBLIC SAFETY

2102 WEST ENCANTO BLVD. P.O. BOX 6638 PHOENIX, ARIZONA 85005-6638 (602) 223-2000

"Courteous Vigilance"

JANET NAPOLITANO ROGER VANDERPOOL
Governor Director

May 30, 2008

The Honorable Robert Burns, Chairman
Joint Legislative Budget Committee
1700 West Washington
Phoenix, Arizona 85007

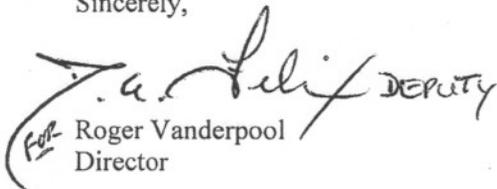
Dear Senator Burns:

As you know, the Legislature appropriated \$20,000,000 to DPS in FY 2007 through FY 2009 to fund other law enforcement agencies' participation in the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) task force. The purpose of this funding is to provide "immigration enforcement, including border security and border personnel." Prior to the expenditure of these monies, DPS is required to submit an expenditure plan to JLBC for review.

In response to Executive Order 2008-22, DPS intends to expend \$1.6 million of the available funding for other agency participation in a new felony and fugitive task force. The funding will support that portion of the task force's work associated with identifying and pursuing individuals with outstanding felony warrants for crimes related to border security and illegal immigration. Federal personnel may participate in the task force, but DPS may not fund their payroll costs. We do not have a detailed expenditure plan at this juncture; however, we would anticipate using the funding for equipment, overtime, and operating costs to support approximately 14 full-time equivalent positions (2 sergeants and 12 officers). Some funding may also be used for civilian intelligence personnel or contract intelligence services.

Please contact Phil Case, DPS Budget Officer, at (602) 223-2463 or pcase@azdps.gov if you have any questions.

Sincerely,


Roger Vanderpool
Director

xc: Mr. Richard Stavneak, JLBC
Mr. Jim Apperson, OSPB



ARIZONA DEPARTMENT OF PUBLIC SAFETY

2102 WEST ENCANTO BLVD. P.O. BOX 6638 PHOENIX, ARIZONA 85005-6638 (602) 223-2000

"Courteous Vigilance"

JANET NAPOLITANO ROGER VANDERPOOL
Governor Director

May 12, 2008

Sheriff Joe Arpaio
Maricopa County Sheriff's Department
100 W. Washington, Suite 1900
Phoenix, Arizona 85003

Dear Sheriff Arpaio:

The Governor, in recognizing the threat to public safety and the criminal judicial system by persons with outstanding and unserved felony warrants, has issued Executive Order 2008-22, State Felony and Fugitive Detail. This Executive Order directs the Department of Public Safety ("DPS") to develop a multi-agency, multi-jurisdiction statewide plan to immediately identify and arrest individuals with outstanding felony warrants. Currently in Arizona, there are over 59,000 outstanding, unserved felony warrants, approximately 42,000 of which are in Maricopa County.

This plan will be a collaborative effort among local, county, state, tribal and federal law enforcement agencies to effectively coordinate enforcement efforts. Intelligence resources from DPS and other participating agencies will be crucial in identifying and locating the highest priority suspects, which will include undocumented aliens with felony warrants. Specialized law enforcement tactical teams will also be used extensively in order to ensure these arrests are made as efficiently and safely as possible. The US Marshal for the District of Arizona and the Pinal County Sheriff have already agreed to commit resources.

I invite you and the Maricopa County Sheriff's Office to join DPS as a key partner in these efforts. Because of limited resources, we are not renewing the Inter-Governmental Agency GIITEM/Illegal Immigration Prevention and Apprehension Cooperative Team Contract #2007-072 between DPS and Maricopa County Sheriff's Office. Instead, we intend to use these monies to fund needed implementation of the Executive Order. I would welcome your participation in this plan.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger Vanderpool".

Roger Vanderpool, Director

STATE OF ARIZONA

Joint Legislative Budget Committee

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SENATE

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CHAIRMAN 2008
PAULA ABOUD
AMANDA AGUIRRE
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STEVE YARBROUGH

DATE: June 16, 2007

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jon McAvoy, Fiscal Analyst

SUBJECT: Arizona Criminal Justice Commission – Review of Intended Use of Monies in the Victim Compensation and Assistance Fund

Request

Pursuant to a footnote in the General Appropriation Act (Laws 2007, Chapter 255), the Arizona Criminal Justice Commission (ACJC) is required to submit for review an expenditure plan for any monies in excess of the FY 2009 appropriation from the Victims Compensation and Assistance Fund (VCAF).

ACJC requests the Committee give a favorable review of the additional expenditure of \$300,000 above the FY 2009 appropriation from the VCAF. The requested expenditure increase is a portion of funding that ACJC received from an Arizona Attorney General fraud prosecution. A similar request for FY 2008 funds was favorably reviewed by the Committee at the June 2007 JLBC meeting.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request. This would maintain the amount of funding available in FY 2009 for distribution by county crime victim compensation boards. This also would be contingent on the approved FY 2009 budget maintaining the current level of program funding.

Analysis

Following the Attorney General's prosecution, a Scottsdale-based firm agreed to forfeit \$29.0 million to the state. This amount was distributed for various purposes, including a statutorily-required allocation to the VCAF, which is administered by ACJC. A.R.S. § 13-4311 requires that 10%, or \$2.9 million, of the forfeited balance be deposited into the VCAF.

In FY 2009, ACJC intends to use only a portion of the \$2.9 million. To provide funding stability to the compensation program, ACJC intends to spend an additional \$300,000 each year, drawing down the

(Continued)

available monies from the settlement. At \$300,000 per year, the settlement monies would provide an increased level of program funding through FY 2012.

ACJC requests review of this additional expenditure at this time so that the agency can finalize its county funding agreements before the beginning of FY 2009. Since coordinators of local victim compensation programs must make budgetary decisions based on the amount of funding received from ACJC, the agency wishes to provide this information to counties before July 1.

ACJC distributes monies in the VCAF to support 2 programs: the Crime Victim Compensation Program and the Crime Victim Assistance Program. In FY 2008, ACJC was appropriated \$3.8 million for these 2 programs, of which ACJC allocated \$2.5 million for victim compensation and \$1.3 million for victim assistance. In addition, ACJC received approval from the Committee at the June 2007 JLBC meeting to increase expenditures by \$300,000 from VCAF for the Victims Compensation Program. The current request maintains this higher level of expenditure authority. This funding is requested only for victim compensation because ACJC maintains that the intent of the forfeited funds is for victim compensation. *Table 1* shows the allocation of victim compensation funding by county in FY 2009.

<u>County</u>	<u>Requested Increase</u>	<u>Revised FY 2009</u>
Apache	\$ 3,484	\$ 42,165
Cochise	6,332	66,770
Coconino	6,226	66,008
Gila	2,625	34,711
Graham	1,723	26,947
Greenlee	387	15,376
La Paz	994	20,619
Maricopa	180,340	1,557,939
Mohave	9,421	92,500
Navajo	5,252	57,430
Pima	46,302	410,852
Pinal	15,123	136,155
Santa Cruz	2,165	30,611
Yavapai	10,335	100,251
Yuma	9,290	91,666
Subtotal	\$300,000	\$2,750,000
Reserve*	N/A	50,000
Total	\$300,000	\$2,800,000

* Program rules require a reserve of \$50,000.

To be reimbursed by the Victim Compensation Program, a victim of crime in Arizona must meet certain eligibility requirements. A victim must: 1) report the crime to police within 72 hours, 2) fill out a compensation application within 2 years of the crime, 3) cooperate with any law enforcement investigations, and 4) have suffered a physical injury, mental distress or economic loss because of the crime.

Local victim compensation boards, comprised of community volunteers and coordinated by the county attorney's office, approve or deny awards, which are based on a victim's eligibility and funding availability. Compensation can be awarded for costs such as medical bills, mental health counseling, funeral expenses, and lost wages. The program cannot cover costs related to attorney fees, property loss,

(Continued)

or pain and suffering. Compensation also cannot be made to a victim who is incarcerated or in such a way that would benefit an offender. The maximum award amount is \$20,000.

In comparison, the Victim Assistance Program provides competitive grants to government and nonprofit agencies that provide direct services to crime victims. These services include salaries and expenses related to providing emergency shelter, crisis counseling or intervention, information or referral services, and assistance in navigating the criminal justice system.

RS/JM:ss



Arizona Criminal Justice Commission



May 12, 2008

Chairperson
VACANT

Vice-Chairperson
RALPH OGDEN
Yuma County Sheriff

KELLY ANDERSON, Mayor
City of Maricopa

JOHN R. ARMER
Gila County Sheriff

JOSEPH ARPAIO
Maricopa County Sheriff

DUANE BELCHER, Chairperson
Board of Executive Clemency

DAVID K. BYERS, Director
Administrative Office of the Courts

CLARENCE DUPNIK
Pima County Sheriff

TERRY GODDARD
Attorney General

DANIEL HUGHES, Chief
Surprise Police Department

BARBARA LAWALL
Pima County Attorney

RICHARD MIRANDA, Chief
Tucson Police Department

DAVID SANDERS
Pima County Chief Probation Officer

DORA SCHRIRO, Director
Department of Corrections

LINDA SCOTT
Former Judge

GEORGE E. SILVA
Santa Cruz County Attorney

CARL TAYLOR
Coconino County Supervisor

ANDREW P. THOMAS
Maricopa County Attorney

ROGER VANDERPOOL, Director
Department of Public Safety

The Honorable Robert Burns, Chairman
Joint Legislative Budget Committee
1716 W. Adams
Phoenix, AZ 85007

Dear Senator Burns:

The Arizona Criminal Justice Commission (ACJC) respectfully requests placement on the next Joint Legislative Budget Committee for review of a proposal to spend an additional \$300,000 pursuant to a footnote in the General Appropriations Act (Laws 2007, Chapter 255). The footnote allows ACJC increased expenditure authority from the Victim Compensation and Assistance Fund if receipts received by ACJC exceed \$3.8 million in FY 2008. Prior to any expenditure, the Commission must submit information on the intended use of monies for review by the Joint Legislative Budget Committee (JLBC).

At its June 19, 2007 meeting the Committee gave a favorable review to the planned expenditure of \$300,000 above the appropriated level for the Victim Compensation and Assistance Fund for FY 2008, bringing the total available for the Victim Compensation Program to \$2,800,000. These monies were distributed to county crime victim compensation boards and used to assist victims of crime. The appropriated level for FY 2009 is \$2,500,000 for the Victim Compensation Program, however, the ACJC requests a favorable review by the Committee to maintain the same \$2,800,000 program size as in the current fiscal year.

ACJC administers the Crime Victim Compensation and Assistance Fund. The fund supports two victims programs: The Crime Victim Compensation Program and the Crime Victim Assistance Program. The purpose of these programs is to establish, maintain, and support programs that compensate and assist victims of crime. Monies in the Victim Compensation Program are allocated to the counties based on a distribution formula and used to provide financial assistance, services, and cash reimbursement to victims of crime. Victims are eligible for lost wages, medical, funeral, and counseling expenses.

The Commission requests to be placed on the agenda for the next Joint Legislative Budget Committee meeting to provide information on the intended use of these monies. The ability to utilize these monies will benefit innocent victims of crime throughout the State of Arizona. We appreciate your consideration of the Commission's request.

Sincerely,

Executive Director
John A. Blackburn, Jr.

1110 West Washington, Suite 230
Phoenix, Arizona 85007
PHONE: (602) 364-1146
FAX: (602) 364-1175
WWW.AZCJC.GOV

John A. Blackburn, Jr.
Executive Director

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: June 16, 2008

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jay Chilton, Fiscal Analyst

SUBJECT: Department of Economic Security – Review of Requested Transfer of Appropriations

Request

Pursuant to multiple FY 2008 General Appropriation Act footnotes, the Department of Economic Security (DES) requests Committee review of transfers involving the Child Care program, the Temporary Assistance for Needy Families (TANF) Cash Benefits Special Line Item (SLI), and the Children Services SLIs. These transfers include increases to the Division of Benefits and Medical Eligibility (DBME) operating budget, the Children Support Services SLI, the Day Care Subsidy SLI, and the Adoption Services SLI. These transfers are detailed on *Table 1*.

Recommendation

The Committee has at least the following options:

1. A favorable review of the transfers, with the provision that DES use non-appropriated fund sources and savings first to mitigate the projected shortfalls. The Committee has attached this provision to prior reviews of DES transfers.
2. An unfavorable review of the proposed DBME Operating Budget transfer. The Committee unfavorably reviewed a similar transfer last year due to concerns with using savings from declining entitlement benefits to fund administrative expansion.

Laws 2008, Chapter 53 (HB 2620) included supplemental funding from the TANF Contingency Fund to resolve many of DES' shortfalls in FY 2008. These transfers address most of DES remaining shortfalls after those supplemental appropriations.

(Continued)

Table 1			
DES Proposed Transfers (In Millions)			
	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
<u>Proposed Funding Increases (Transfers To)</u>			
DBME Operating	1.5		1.5
Day Care Subsidy		4.0	4.0
Children Support Services		5.7	5.7
Foster Care Placements	4.6		4.6
Adoption Services	<u>1.5</u>	<u>—</u>	<u>1.5</u>
Subtotal	7.6	9.7	17.3
<u>Proposed Funding Decreases (Transfers From)</u>			
TANF Cash Benefits	(3.0)		(3.0)
Transitional Child Care		(4.0)	(4.0)
Children Support Services	(4.6)		(4.6)
Foster Care Placements	<u>—</u>	<u>(5.7)</u>	<u>(5.7)</u>
Subtotal	(7.6)	(9.7)	(17.3)

Under either option, JLBC Staff also recommends that DES report back to the Committee by July 15, 2008 on how the department ultimately solved the entire shortfall, including any transfers not needing review, one-time monies, or savings from both appropriated and non-appropriated sources.

Analysis

TANF Cash Benefits Surplus

Based on year-to-date spending, JLBC Staff concurs that as much as \$3 million of the appropriated \$125.1 million is available from the TANF Cash Benefits SLI from lower-than-expected caseloads. The availability of these funds is in addition to the \$3.95 million reduction included in Laws 2008, Chapter 53. As of April 2008, caseloads were 2% lower than the previous year.

DBME Operating Shortfall

DES requests that \$1.5 million of the General Fund TANF Cash Benefits surplus be transferred to the DBME operating budget to cover a portion of a projected \$6 million shortfall. In FY 2005, FY 2006 and FY 2007, this issue was resolved with a similar fund transfer. In FY 2007, the Committee unfavorably reviewed this transfer, expressing concern that savings from declining entitlement benefits were being used to expand the administrative budget. Based on year-to-date expenditures, JLBC Staff estimates a shortfall of approximately \$5 million.

Laws 2008, Chapter 53 included a supplemental appropriation of \$1.2 million from the TANF Contingency Fund for 59 eligibility workers to address this shortfall. This supplemental appropriation represents partial-year funding for those eligibility workers. Full-year funding would be approximately \$3.1 million. Based on DES' estimated \$6 million shortfall, and including the \$1.2 million supplemental appropriation and the additional \$1.5 million transfer into the DBME Operating budget, it appears that DES would still have a \$3.3 million shortfall. DES indicates that it intends to address the remainder of the shortfall through the use of Food Stamps bonus funds and savings from restructuring the electronic benefit transfer contract.

According to DES, there are 2 main reasons for the \$6 million shortfall. First, contract costs for processing electronic transactions have increased over the amount the budget can currently support. Second, DES attributes some of the shortfall to an increased workload due to the intensive case

(Continued)

management needed to administer the TANF diversion program mentioned above and a rising food stamp caseload. While the federal government pays 100% of the cost of the food stamps themselves, the state pays 50% of the administrative costs.

Child Care

Appropriations for the Child Care program are split between 2 line items, the Day Care Subsidy SLI, which funds TANF recipients and working families under 165% of the Federal Poverty Level, and the Transitional Child Care SLI, which funds former TANF recipients for up to 2 years. As in previous years, the total appropriation is sufficient for the program; however, DES proposes to transfer \$4 million of Federal Child Care Development Fund Block Grant monies from the Transitional Child Care SLI to the Day Care Subsidy SLI to align funding with actual caseloads. In FY 2007, DES transferred \$1 million in the other direction to realign funding in the program, but that shift was not included in the final budget. Based on year-to-date spending, JLBC Staff agrees that there will likely be a shortfall in the Day Care Subsidy SLI and that there is at least a \$4 million surplus in the Transitional Child Care SLI.

Children Services

DES requests a transfer of funds within the Children Services program to align funding sources with allowable expenditures. Laws 2008, Chapter 53 included a supplemental increase of \$13.8 million from the TANF Contingency Fund for the Children Services program. DES does not believe that it can use that amount of supplemental TANF dollars in the Foster Care Placements SLI, so it intends to exchange those funds in the Foster Care Placements SLI with General Fund dollars from the Children Support Services SLI. DES intends to transfer \$4.6 million from the General Fund from the Children Support Services SLI to the Foster Care Placements SLI, and to transfer \$5.7 million in TANF Block Grant dollars from the Foster Care Placements SLI to the Children Support Services SLI.

In addition to the exchange of fund sources between special line items, this transfer will result in a net increase of \$1.1 million to the Children Support Services SLI and a corresponding net decrease of \$(1.1) million to the Foster Care Placements SLI. As indicated above, Laws 2008, Chapter 53 included a \$13.8 million supplemental appropriation to cover a projected shortfall in Children Services. The reason for the \$1.1 million net increase to Children Support Services and the decrease to Foster Care Placements is that DES now anticipates a larger shortfall in the Children Support Services SLI and a small surplus in the Foster Care Placements SLI.

To reflect the transfers at the end of FY 2007, a number of small transfers to align funding sources within the Children Services program were included in the FY 2008 budget.

Adoption Services

Laws 2008, Chapter 53 also included \$1.2 million in TANF Contingency funds as a supplemental to partially resolve a projected \$4.8 million shortfall in the Adoption Services SLI. DES intends to transfer \$1.5 million from the TANF Cash Benefits General Fund Surplus to the Adoption Services SLI to further address the shortfall. The remaining shortfall in the SLI will be resolved with a \$2.1 million federal bonus that DES earned for increasing the number of finalized adoptions. A similar shortfall in FY 2007 was resolved with non-appropriated sources, including a similar federal bonus to that received by the department during the current year. The Legislature included an increase of \$6.7 million from the General Fund in FY 2008 for increased caseloads in the Adoption Services SLI.

RS/JC:sls



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

1717 W. Jefferson - P.O. Box 6123 - Phoenix, AZ 85005

Janet Napolitano
Governor

Tracy L. Wareing
Director

JUN 12 2008



Mr. Richard Stavneak
Director, Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Mr. Stavneak:

The Department of Economic Security requests to be placed on the Joint Legislative Budget Committee's June agenda for review of several appropriation transfers.

Cash Assistance

The Department projects a surplus of up to \$3 million in the Cash Assistance program, in addition to the \$3.95 million reduction included in Laws 2008, Chapter 53, Section 1. Pursuant to Laws 2007, Chapter 255, Section 28, the Department requests review of a \$1.5 million appropriation transfer from the Temporary Assistance for Needy Families (TANF) Cash Benefits special line item to the operating budget of the Division of Benefits and Medical Eligibility (DBME) and a \$1.5 million transfer to the Adoption Services special line item.

Notwithstanding section 35-173, subsection C, Arizona Revised Statutes, any transfer to or from the \$125,148,000 appropriated for temporary assistance for needy families cash benefits requires review by the joint legislative budget committee.

The DBME operating shortfall is due primarily to significant caseload growth in the Food Stamps program in recent years while the Adoption Services shortfall results from an underestimation of the caseload and cost per case in the current budget.

Additionally, pursuant to Laws 2007, Chapter 255, Section 28, the Department is also providing notification of its intent to use the \$500,000 in appropriation authority included in the TANF Cash Benefits special line item to ensure sufficient cash flow for tribes operating their own TANF programs.

Of the amount appropriated for temporary assistance for needy families cash benefits, \$500,000 reflects appropriation authority only to ensure sufficient cashflow to administer cash benefits for tribes operating their own welfare programs. The department shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting staff before the use of any of the \$500,000 appropriation authority.

Child Care

Laws 2007, Chapter 255, Section 28 includes the following footnote:

The amounts appropriated for day care subsidy and transitional child care shall be used exclusively for child care costs unless a transfer of monies is reviewed by the joint legislative budget committee. Monies shall not be used from these appropriated amounts for any other expenses of the department of economic security unless a transfer of monies is reviewed by the joint legislative budget committee.

The Department requests review of a transfer of up to \$4.0 million of Child Care and Development Fund dollars from the Transitional Child Care special line item to the Day Care Subsidy special line item, both of which provide child care services. Transfers between these line items have been required in recent years to align funding with actual caseloads.

Children Services

A transfer of funds within the Children Services program is necessary to align fund sources with allowable expenditures. Pursuant to Laws 2007, Chapter 255, Section 28, the Department requests review of this reallocation.

Notwithstanding section 35-173, subsection C, Arizona Revised Statutes, any transfer to or from the amounts appropriated for children support services, CPS emergency placement, CPS residential placement or foster care placement requires review by the joint legislative budget committee.

Specifically, the Department will transfer \$5.7 million in TANF funds from the Foster Care Placement special line item to the Children Support Services special line item and \$4.6 million in General Fund dollars from Children Support Services to Foster Care Placement.

If you have any questions, please contact Stephen Pawlowski, Chief Financial Officer, at (602) 542-3786.

Sincerely,



Tracy L. Wareing
Director

cc: Members of the Joint Legislative Budget Committee
James Apperson, Director, Governor's Office of Strategic Planning and Budgeting