



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

June 18, 2015

The Chairman called the meeting to order at 1:11 p.m., Thursday, June 18, 2015, in House Hearing Room 4. The following were present:

Members:	Senator Shooter, Vice-Chairman	Representative Olson, Chairman
	Senator Griffin	Representative Alston
	Senator Hobbs	Representative Bowers
	Senator Kavanagh	Representative Mitchell
	Senator Yarbrough	Representative Montenegro
		Representative Ugenti
Absent:	Senator Cajero Bedford	Representative Mach
	Senator Farley	Representative Stevens
	Senator Lesko	

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of March 31, 2015, Chairman Justin Olson stated that the minutes would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Approval of Maximum Lodging and Per Diem Reimbursement Rates.

Ms. Rebecca Perrera, JLBC Staff, stated that this item requires the Committee to approve rate changes to the maximum reimbursement amounts for lodging and meal expenses taking into consideration the amounts established by the federal government.

Mr. D. Clark Partridge, State Comptroller, General Accounting Office, ADOA, responded to member questions.

(Continued)

Senator Shooter moved that the Committee approve the use of the current federal lodging reimbursement rate and the current federal per diem rate, (less \$10) as the state rates with the following provisions:

- A. Committee approval does not constitute an endorsement of additional appropriations to cover higher reimbursement costs.*
- B. ADOA is to rescind its delegated waiver authority to agencies. ADOA can continue to waive use of the federal maximum rate if circumstances warrant. ADOA is to report to the Committee on the number of waivers submitted to the department as well as the number approved. The tracking period for the report shall begin with the implementation of the new rates. The report is to be submitted 3 weeks prior to the next JLBC meeting, which is tentatively scheduled for September 2015.*

The motion carried.

The department's submission shall also address its criteria for granting waiver requests.

Consistent with current ADOA practice, the maximum rates do not apply to lodging expenses associated with attending a conference.

ADOA - Review of ASET Projects (Automation Projects Fund).

Ms. Rebecca Perrera, JLBC Staff, stated that ADOA is requesting review of \$8,550,000 in proposed FY 2016 expenditures from the Automation Projects Fund (APF) for information technology (IT) projects for the Arizona Strategic Enterprise Technology (ASET) office in ADOA. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review of \$7,875,000 in FY 2016 expenditures from the APF for IT projects for the ASET Office in ADOA (See Table 1). JLBC review of the remaining \$675,000 for the Business One Stop project is deferred until the Information Technology Authorization Committee (ITAC) approves the project and the scope of the project is better defined. The favorable review included the following provisions:

- A. Committee review does not commit the Legislature to any ongoing ASET funding above the level of the FY 2016 appropriation.*
- B. ADOA is to submit a report by December 31, 2015 on the potential ongoing funding options and revenue sources for the Arizona Enterprise Services Platform.*
- C. ADOA, the JLBC Staff, and the Governor's Office of Strategic Planning & Budgeting (OSP) are to report back to the Committee by October 1, 2015 on the final design of the Project Investment Justification (PIJ) reports.*
- D. As a result of further planning and deployment efforts, should the final costs of the "Arizona Enterprise Services Platform" exceed the estimated costs by 10%, or more, or should there be significant changes to the proposed technology, scope of work, or implementation schedule, ADOA must amend the PIJ to reflect the changes and submit it to ADOA-ASET for review and approval prior to further expenditure of funds.*

(Continued)

E. ADOA may proceed with the assessment phase of the "Business One Stop" project, in order to complete the initial discovery and requirements gathering identified in the Pre-PIJ, at a cost not to exceed \$400,000. However, ADOA may not proceed with the development phase until the full PIJ, reflecting the final costs, scope of work, technology, and implementation schedule for the proposed solution, has been submitted to ADOA-ASET and ITAC for review and approval.

The motion carried.

Provisions D and E were also approved by ASET.

<u>ASET Project</u>	<u>FY 2014 Funds Remaining</u>	<u>FY 2015 Funds Remaining</u>	<u>FY 2016 Request</u>	<u>Option 2</u>
State Data Center	\$1,158,662	\$ 940,343	\$2,625,000	\$2,625,000
Security, Privacy, and Risk	669,266	2,794,424	2,200,000	2,200,000
Enterprise Architecture	161,412	499,667	500,000	500,000
Project Management	467,779	1,917,275	2,150,000	2,150,000
Digital Government/Business One Stop	-	240,693	1,075,000	400,000
Web Portal Transition	1,231,235	-	-	-
Total	\$3,688,354	\$6,392,402	\$8,550,000	\$7,875,000

^{1/} Information as of March 31, 2015 and as reported in ADOA's quarterly APF report to the JLBC.

ADOA - Review of Arizona Financial Information System Transaction Fee.

Ms. Rebecca Perrera, JLBC Staff, stated that ADOA is requesting Committee review of its proposed \$1.08 transaction fee charged to state agencies for the operating cost of the Arizona Financial Information System (AFIS) for FY 2016. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review of a \$1.08 transaction fee charged to state agencies for the operation of AFIS. The motion carried.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS)/DEPARTMENT OF HEALTH SERVICES (DHS)/DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Revised Capitation Rate Changes.

Mr. Jon Stall, JLBC Staff, stated that this item is for review of AHCCCS, DHS and DES capitation rate changes prior to implementation. The agencies propose revisions to previously reviewed contract year (CYE) 2013 capitation rates. AHCCCS, DHS and DES are revising their cap rates to reimburse Medicaid health insurers for federal and state income taxes that will be incurred as a result of rate changes previously reviewed at the JLBC meeting on December 17, 2014. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to the proposed revisions to previously reviewed contract year (CYE) 2013 capitation rates. The motion carried.

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of Per Diem Rate Change for Inmate Health Care Contracted Services.

Ms. Micaela Larkin, JLBC Staff, stated that this item is for review of inmate health care capitation rates prior to implementing any changes. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review of the increase to the inmate health care per diem from \$11.20 to \$11.60. The motion carried.

ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of K-3 Reading Expenditure Plan.

Mr. Steve Schimpp, JLBC Staff, stated that this item is for review of expenditures from the K-3 Reading line item prior to the expenditure of monies. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to the \$500,000 in proposed FY 2016 expenditures from the K-3 Reading line item for technical assistance and state level administration of the K-3 Reading program. The motion carried.

ADE - Review of AELAS Expenditure Plan.

Mr. Matt Gress, JLBC Staff, stated that ADE is requesting Committee review of \$7,000,000 in FY 2016 expenditures from the Automation Projects Fund (APF) for the Arizona Education Learning and Accountability System (AELAS). The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to \$7,000,000 in proposed FY 2016 expenditures from the APF for the AELAS. The favorable review includes the following provisions:

- A. The results of a new third-party independent assessment are to be reported to the Committee by January 29, 2016 to evaluate the budget for AELAS for FY 2017.*
- B. ADE is to report to the Committee by January 29, 2016 on the expected revenues and expenditures for the Opt In Statewide Student Information System (SSIS) for FY 2016 and FY 2017, along with a rationale for how the SSIS rates are established. The report should include the projected FY 2017 SSIS rates.*
- C. ADE is to report to the Committee by January 29, 2016 on the potential financial implications of using AELAS to compute school finance payments compared to using the old Student Accountability Information System (SAIS).*
- D. ADE shall work with the ASET Office to help ensure that the contract to be established with the selected vendor provides appropriate levels of protection for the state in regard to cloud-based vendor solutions.*
- E. ADE shall provide an information update to ITAC on a quarterly basis, or as otherwise requested, to include the required third-party review report currently provided to ASET. If the quarterly update indicates that this project or other associated projects are at risk of failing to achieve intended results, ASET may recommend future funding be temporarily suspended pending the successful implementation of the risk mitigation plan. ADE will include ASET in all meetings with the third-party reviewers until the risk mitigation plan is fully implemented.*
- F. ADE shall identify a funding source of the development and/or operations costs associated with the projects beyond the current FY 2016 APF allocations.*

G. Prior to any acquisition other than professional and outside services, licensing, and/or training costs identified in the approved PIJ, ADE must provide detailed information, including pricing, quantity, and description regarding the proposed technology or services, and obtain approval from ASET, and ITAC if required, before proceeding with the planned expenditure.

The motion carried.

Provisions D-G were also adopted by ITAC at its May 27, 2015 meeting.

DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Fund Border Security and Law Enforcement Subaccount.

Mr. Eric Billings, JLBC Staff, stated that this item is for review of the FY 2016 expenditure plan for the GIITEM Fund Border Security and Law Enforcement Subaccount prior to the expenditure of monies. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review of \$2,390,000 expenditure plan from the GIITEM Fund Border Security and Law Enforcement Subaccount. This amount would be distributed amongst all 15 county sheriffs, 3 municipalities, and the Arizona Department of Corrections. The motion carried.

Table 2 displays the grant recipients in FY 2016.

<u>Proposed Recipient</u>	<u>FY 2016 Allocation</u>
Police Departments/Marshall's Offices	
Coolidge Police Department	56,000
Douglas Police Department	120,000
Oro Valley Police Department	48,000
Subtotal	\$ 224,000
County Sheriffs	
Apache County Sheriff's Office	\$ 12,000
Cochise County Sheriff's Office	540,600
Coconino County Sheriff's Office	22,000
Gila County Sheriff's Office	10,000
Graham County Sheriff's Office	55,800
Greenlee County Sheriff's Office	2,000
La Paz County Sheriff's Office	3,500
Maricopa County Sheriff's Office	141,300
Mohave County Sheriff's Office	33,000
Navajo County Sheriff's Office	18,000
Pima County Sheriff's Department	494,000
Pinal County Sheriff's Office	210,300
Santa Cruz County Sheriff's Office	64,000
Yavapai County Sheriff's Office	35,000
Yuma County Sheriff's Office	217,300
Subtotal	\$ 1,858,800
Arizona Department of Corrections	\$ 228,300
Unallocated	\$ 78,900
Total	\$ 2,390,000

(Continued)

ATTORNEY GENERAL (AG) - Review of Quarterly Reports on Legal Settlements.

Mr. Matt Gress, JLBC Staff, stated that the Committee is required to review quarterly reports on the receipts and disbursements from the Consumer Protection - Consumer Fraud Revolving Fund and the Consumer Restitution and Remediation Revolving Fund (including its 2 subaccounts), as well as deposits made to the General Fund submitted by the Attorney General. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to the AG's allocation of legal settlements among the various funds. The motion carried.

ATTORNEY GENERAL (AG) - Review of Uncollectible Debts.

Mr. Matt Gress, JLBC Staff, stated that A.R.S. § 35-150E requires the AG to submit a list of uncollectible debts referred to the AG by state agencies for collection. Upon the Committee's review, these debts may be removed from the state's accounting system. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to the AG's FY 2015 and prior years listings of uncollectible debts referred to the AG by state agencies for collection. The uncollectible debt listings total \$88,439,100 for FY 2015 and prior years. The motion carried.

EXECUTIVE SESSION

Senator Shooter moved that the Committee go into Executive Session. The motion carried.

At 2:32 p.m. the Joint Legislative Budget Committee went into Executive Session.

Senator Shooter moved that the Committee reconvene into open session. The motion carried.

At 3:10 p.m. the Committee reconvened into open session.

A. Arizona Department of Administration (ADOA) - Review for Committee the Planned Contribution Strategy for State Employee and Retiree Health Plans as Required under A.R.S. § 38-658A.

Senator Shooter moved that the Committee give a favorable review of the planned contribution strategy for state employee and retiree health coverage for Plan Year 2016 with the provision that ADOA report on the success of its wellness program by December 31, 2015. The motion carried.

C. JLBC STAFF - Review of Policies and Procedures Pursuant to a Rule 14 Settlement.

Senator Shooter moved that the Committee recommends that the Arizona Department of Administration's (ADOA) Risk Management Division adopt the following new statewide procedures:

- *State agencies use the Arizona State Employee Drivers Record Application (ASEDRA) each month to verify employees' state driving privileges.*
- *In instances where a local office, rather than a central fleet office, is responsible for vehicles, the office supervisor spot check vehicle driving logs monthly to prevent unauthorized use.*

(Continued)

- *When state employees use their private vehicles to fulfill work responsibilities, state employees annually submit proof of private auto insurance to their department.*

The motion carried.

B. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.

Senator Shooter moved that the Committee approve the recommended settlements proposed by the Attorney General's office in the cases of:

- *Reynolds, Murphy & Molina v. State of Arizona, et al.*
- *Ashcraft v. State of Arizona, et al.*

The motion carried.

Without objection, the meeting adjourned at 3:12 p.m.

Respectfully submitted:



Kristy Paddack, Secretary



Richard Stavneak, Director



Representative Justin Olson, Chairman