



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

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MICHELLE UGENTI

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

June 19, 2014

The Chairman called the meeting to order at 9:40 a.m., Thursday, June 19, 2014, in Senate Appropriations Room 109. The following were present:

Members:	Senator Shooter, Chairman	Representative Kavanagh, Vice-Chairman
	Senator Cajero Bedford	Representative Alston
	Senator Griffin	Representative Lesko
	Senator McComish	Representative Ugenti
	Senator Pancrazi	
	Senator Tovar	

Absent:	Senator Melvin	Representative Gowan
	Senator Yarbrough	Representative Kwasman
		Representative Mach
		Representative Olson

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of April 10, 2014, Chairman Don Shooter stated that the minutes would stand approved.

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

Mr. Matt Gress, JLBC Staff, stated that in the past, the AG was required to submit for Committee review proposed legal settlements that exceed \$100,000. Last year the Legislature replaced this requirement with a new process that directs monies into one of 4 funds/subaccounts and requires the AG to report quarterly on receipts and disbursements from the Consumer Protection - Consumer Fraud Revolving Fund and the Consumer Restitution and Remediation Revolving Fund, as well as deposits to the General Fund.

This new process allows the Committee to review the allocation of legal settlements to these accounts. The JLBC Staff believes that allocation of legal settlement proceeds is consistent with legislative intent. As for the \$5.8 million deposit into the Consumer Remediation Subaccount, further JLBC review is required prior to spending these monies. An expenditure plan is not part of this report, but it will need to be considered in the future. The AG's office is currently working on an expenditure plan and will submit it for Committee review later this year. The JLBC Staff presented options to the Committee.

(Continued)

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

AUTOMOBILE THEFT AUTHORITY (ATA) - Review of the Proposed Expenditures from the Reimbursable Programs Line Item.

Mr. Eric Billings, JLBC Staff, stated that pursuant to a footnote in the FY 2014 General Appropriation Act, ATA is required to submit for review a report outlining any proposed expenditures from the Reimbursable Programs line item. ATA has submitted for review a proposal to expend up to \$10,000 in FY 2014, donated by the National Insurance Crime Bureau (NICB), to support the Arizona Vehicle Theft Task Force in an ongoing investigation. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review of the proposal to expend up to \$10,000, donated by the National Insurance Crime Bureau, in FY 2014 to support the Arizona Vehicle Theft Task Force in an ongoing investigation. The monies would be used for salary, equipment, and other operational expenses. The motion carried.

AHCCCS/DEPARTMENT OF HEALTH SERVICES (DHS) - Review of Proposed Transfer.

Mr. Andrew Smith, JLBC Staff, stated that this item is for review of a \$13.0 million General Fund transfer from AHCCCS to DHS for expenditures associated with Medicaid Behavioral Health Services. The JLBC Staff presented options to the Committee.

Mr. Jim Humble, CFO and Assistant Director, Financial Services, DHS, responded to member questions.

Representative Kavanagh moved that the Committee give a favorable review to the transfer of the full \$12,984,900. The motion carried.

ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of AELAS Expenditure Plan for FY 2015.

Mr. Steve Schimpp, JLBC Staff, stated that ADE is requesting Committee review of its FY 2015 expenditure plan for the Arizona Education Learning and Accountability System (AELAS). This is the system that is intended to replace the Student Accountability Information System (SAIS), and more broadly, to automate and streamline data collection for K-12, in general, to make that data more available to the end users. The JLBC Staff presented options to the Committee.

Mr. Aaron Sandeen, Deputy Director and State Chief Information Officer, ADOA, responded to member questions.

Representative Kavanagh moved that the Committee give a favorable review to ADE's \$12,000,000 expenditure plan for AELAS for FY 2015 from the APF with the following provisions:

- A. *ADE must receive Information Technology Authorization Committee (ITAC) and Arizona Strategic Enterprise Technology (ASET) approvals required by law before spending APF monies on items requiring such approval.*
- B. *The results of a new 3rd party independent assessment must be reported to JLBC by January 15 to evaluate the budget for AELAS in FY 2016.*

The motion carried.

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 entire FY 2015 expenditure plan for the GIITEM Fund Border Security and Law Enforcement Subaccount prior to expending any monies.

DPS has submitted for review its proposal to distribute the \$2.4 million FY 2015 appropriation from the Subaccount to the following programs: Border Security and Law Enforcement Grants, Pima County's Border Crimes Unit, Detention Liaison Officers, and Border County Officers. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review to DPS' \$2,390,000 expenditure plan from the GIITEM Fund Border Security and Law Enforcement Subaccount. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF ENVIRONMENTAL QUALITY (ADOA/ADEQ) - Review of Department of Environmental Quality Phase 2 Web Portal Expenditure Plan (Automation Projects Fund).

Ms. Micaela Larkin, JLBC Staff, stated that this item is for review of ADOA's request for \$6.8 million in proposed expenditures from the Automation Projects Fund for Phase 2 of the development of a web portal for ADEQ. The JLBC Staff presented options to the Committee.

Mr. Henry Darwin, Director, DEQ, responded to member questions.

Representative Kavanagh moved that the Committee give a favorable review of \$6,800,000 in proposed FY 2015 expenditures from the Automation Projects Fund for Phase 2 of the development of a web portal for DEQ with the following provisions. Provisions A and B were approved by Information Technology Authorization (ITAC) Committee on May 27, 2014.

- A. As a result of the final procurement, development, implementation or integration efforts, should there be significant differences in the scope of work, costs, implementation schedule or proposed technology, DEQ must amend the Project Investment Justification to reflect the changes and submit it to ADOA-Arizona Strategic Enterprise Technology (ASET), and to ITAC if necessary, for review and approval prior to further expenditures of funds.*
- B. Prior to starting any work on myDEQ Phase 2 ADEQ will provide ADOA-ASET with the following:*
 - a. A review of myDEQ Phase 1 development results.*
 - b. An architectural review describing how myDEQ Phase 2 will integrate or take advantage of the Arizona Enterprise Services Platform features/functionality.*
- C. The results of the quarterly third party reviews are to be provided to the JLBC Staff.*
- D. DEQ report to the JLBC by August 29, 2014 on the following: 1) the vehicle emissions test fee amounts if they were aligned to the actual cost of the emissions contract and related administrative expenses; 2) how would DEQ make up the difference in funding for the myDEQ project in the future if it were no longer funded by vehicle emissions test fees; and 3) does DEQ intend to change the fees to the lower amount.*

The motion carried.

DEPARTMENT OF CHILD SAFETY (DCS)

A. DCS - Review of Transition Funding Expenditure Plan.

Mr. Richard Stavneak, JLBC Director, stated that this item requires review of any monies being expended from the Arizona Department of Administration's (ADOA) \$25.0 million appropriation for DCS transition expenses. DCS is requesting review of \$3,607,400 in proposed first quarter administrative expenses. The JLBC Staff presented options to the Committee.

Mr. Aaron Sandeen, Deputy Director and State Chief Information Officer, ADOA, responded to member questions.

Mr. Charles Flanagan, Director, Department of Child Safety and Family Services, DES, responded to member questions.

Representative Kavanagh moved that the Committee give a favorable review to DCS' \$3,607,400 first quarter expenditure plan with the following provisions:

- A. *DCS is to receive Information Technology Authorization Committee (ITAC) and Arizona Strategic Enterprise Technology (ASET) approvals required by law before spending any transition monies on information technology expenses requiring such approval. The DCS submission includes \$2,893,400 in information technology expenditures that may require these approvals.*
- B. *As part of the next review request, DCS is to submit a listing of both the 99 central overhead FTE Positions transferred from Department of Economic Security (DES) and the 40 new FTE Positions from the transition funding. To present a complete picture of the DCS administrative structure, the listing would also include any non-program positions transferred from the Division of Child Safety and Family Services. The request is to include the justification for the proposed level of staffing.*
- C. *As part of the next review request, DCS is to submit information regarding whether a third party review of its administrative staffing has occurred, and if so, the results of that review. The request should also address whether a third party has reviewed whether the 99 transferred positions reflect an appropriate division of resources between DCS and DES.*
- D. *Pending future submission of justification of administrative staffing levels, any action on this request does not reflect Committee endorsement of a particular staffing level.*
- E. *Future review requests are to comply with the deadlines in the Committee rules for submissions, which are to occur 3 weeks in advance of the Committee meeting.*

The motion carried.

B. DCS - Review of Quarterly Benchmarks and Expenditure Plan.

Mr. Ben Beutler, JLBC Staff, stated that this item is for review of a report of proposed FY 2015 quarterly benchmarks for assessing progress in increasing the department's number of FTE Positions and in reducing the number of backlog cases. In addition, the JLBC is required to review a quarterly expenditure plan for any FY 2015 funding appropriated for Personal Services and for reducing the backlog through FY 2016. The JLBC Staff presented options to the Committee.

Mr. Charles Flanagan, Director, Division of Child Safety and Family Services, DES, responded to member questions.

Representative Kavanagh moved that the Committee give a favorable review of the quarterly benchmarks and expenditure plan. The motion carried.

(Continued)

C. DCS - Review of FY 2015 Intensive Family Services Expenditure Plan.

Mr. Richard Stavneak, JLBC Director, stated that this item requires review of monies being expended from the Department of Child Safety's \$8.5 million FY 2015 appropriation for Intensive Family Services. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review to DCS' FY 2015 Intensive Family Services expenditure plan with the following provision:

- A. *No later than December 1, 2014, DCS is to update the Committee on its Request for Information and Request for Proposals process in terms of redesigning its service delivery mechanism. The update shall also address the current status of DCS' Title 4-E waiver.*

The motion carried.

ATTORNEY GENERAL (AG) - Review of Allocation of Settlement Monies - State v. GlaxoSmithKline, LLC.

Mr. Matt Gress, JLBC Staff, stated that at the Committee's March 26, 2013 meeting, the Committee voted to table the AG's proposed expenditure plan of \$3.1 million allocation from a consent judgment with GlaxoSmithKline, LLC until the AG developed a specific plan for spending the \$2.4 million in settlement funds designated by court order to support childhood obesity programs. This item is for review of a \$3.1 million allocation from a consent judgment with GlaxoSmithKline, LLC, \$650,000 of which will be deposited into the AG's Consumer Protection-Consumer Fraud (CPCF) Revolving Fund and \$2.4 million of which will be used to fund grant programs targeting childhood obesity and healthy eating. The JLBC Staff presented options to the Committee.

Senator McComish moved that the Committee give a favorable review of the AG's \$3,069,525 expenditure plan from the consent judgment with GlaxoSmithKline, LLC, \$650,000 of which will be deposited into the AG's Consumer Protection - Consumer Fraud Revolving Fund and \$2,419,525 of which will be used to fund grant programs targeting childhood obesity and healthy eating. The motion carried.

EXECUTIVE SESSION - 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.

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

At 11:28 a.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 11:55 a.m. the Committee reconvened into open session.

Representative Kavanagh moved that the Committee give a favorable review of the planned contribution strategy with the provision that ADOA report on the success of the incentives program in 1 year. The motion carried.

Without objection, the meeting adjourned at 11:56 a.m.

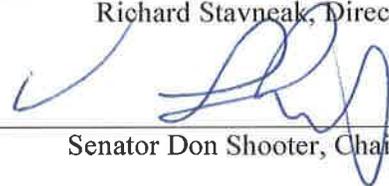
Respectfully submitted:



Kristy Paddock, Secretary



Richard Stavneak, Director



Senator Don Shooter, Chairman