



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

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JUSTIN OLSON
MICHELLE UGENTI

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

September 30, 2014

The Chairman called the meeting to order at 1:53 p.m., Tuesday, September 30, 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 Gowan
	Senator McComish	Representative Kwasman
	Senator Melvin	Representative Lesko
	Senator Pancrazi	Representative Mach
	Senator Tovar	Representative Olson
	Senator Yarbrough	Representative Ugenti

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of June 19, 2014, Chairman Don Shooter stated that the minutes would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of ASET Mainframe Upgrade (Automation Projects Fund).

Ms. Rebecca Perrera, JLBC Staff, stated that this item is for a review of a \$2.9 million FY 2015 expenditure plan from the Automation Projects Fund for improvements to the State Data Center at the Arizona Strategic Enterprise Technology (ASET) Office in ADOA. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review to ADOA's \$2,900,000 in proposed FY 2015 expenditures from the Automation Projects Fund for improvements to the State Data Center at the Arizona Strategic Enterprise Technology (ASET) Office in ADOA with the following provisions:

(Continued)

- A. As a result of further planning, procurement, and implementation efforts, should there be a change in the proposed costs or lease agreement terms of 10% or more, the State Data Center (SDC) team within ADOA-ASET must amend the Project Investment Justification (PIJ) to reflect the changes and present it to Information Technology Authorization Committee (ITAC) for review and approval prior to further expenditure of funds.
- B. ADOA request Committee review should additional funds be required in excess of the \$2.9 million allocated.
- C. A favorable review by the Committee does not constitute an endorsement to fund an increase in rates charged to agencies for Information Technology (IT) products and services.

The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of ASET Security Enhancement Projects (Automation Projects Fund).

Ms. Rebecca Perrera, JLBC Staff, stated that this item is for a review of a \$2.8 million FY 2015 expenditure plan from the Automation Projects Fund for security enhancement projects for the Arizona Strategic Enterprise Technology (ASET) Office in ADOA. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review to ADOA's \$2,776,600 proposed FY 2015 expenditures from the Automation Projects Fund for security enhancement projects for the ASET Office in ADOA with the following provisions:

- A. Should there be a change in the proposed costs of 10% or more, the Security, Privacy and Risk (SPR) team within ADOA-ASET must amend the PIJ to reflect the changes and present it to ITAC for review and approval prior to further expenditure of funds.
- B. ADOA shall notify the Committee if funds are transferred between security enhancement projects. In addition, ADOA shall request Committee review should additional funds be required in excess of the \$2,776,600 allocated for security enhancement projects.

The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of ASET Administrative Costs (Automation Projects Fund).

Ms. Rebecca Perrera, JLBC Staff, stated that this item is for review of a \$3.3 million FY 2015 expenditure plan from the Automation Projects Fund for statewide project management for the ASET Office in ADOA. The \$3.3 million includes 4 priority areas:

• Project Management	\$2,151,700
• Enterprise Architecture	\$500,000
• E-Government	\$325,000
• Security, Privacy, and Risk	\$348,400

The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review to ADOA's \$3,325,100 in FY 2015 expenditures from the Automated Projects Fund for statewide project management for the ASET Office in ADOA with the following provisions:

(Continued)

- A. ADOA's request has 4 priorities. ADOA shall notify the Committee if funds are transferred between projects within a priority area. In addition, ADOA shall request Committee review if funds are transferred between priorities. Further, ADOA shall request Committee review should additional funds be required in excess of the \$3,325,100 allocated.
- B. ADOA is to report by November 21, 2014 their plans for expending \$1,300,000 in unused FY 2014 project management funds.

The motion carried.

ARIZONA BOARD OF REGENTS (ABOR) - Review of FY 2015 Tuition Revenues.

Ms. Micaela Larkin, JLBC Staff, stated that ABOR requests Committee review of its expenditure plan for tuition revenue amounts greater than the amounts appropriated by the Legislature, and all non-appropriated tuition and fee revenue expenditures for the current fiscal year. The JLBC Staff presented options to the Committee.

Senator Shooter noted that JLBC, the Governor's Office and ABOR are working together to clarify the issues regarding the appropriation status of tuition monies.

Representative Kavanagh moved that the Committee give a favorable review of ABOR's expenditure plan.
The motion carried.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS) - Review of Seriously Mentally Ill (SMI) Interagency Agreement with the Department of Health Services (DHS).

Mr. Andrew Smith, JLBC Staff, stated that AHCCCS is requesting Committee review of its report on the interagency agreement with DHS for providing integrated acute care and behavioral health services for Medicaid-eligible SMI adults in Maricopa County. The JLBC Staff presented options to the Committee.

Ms. Jennifer Carusetta, Chief Legislative Liaison, AHCCCS, responded to member questions.

Representative Kavanagh moved that the Committee give a favorable review to the Seriously Mentally Ill interagency agreement with DHS with the following provisions:

- A. AHCCCS is to report to the Committee by March 31, 2016, on any findings involving the integration of care or health outcomes for all Medicaid populations that occurred as a result of the Integrated Regional Behavioral Health Authority (RBHA) contract. The March 31, 2016 date coincides with AHCCCS' requirement to submit a written report to the Federal Center of Medicare and Medicaid Systems on this same subject.
- B. DHS is to account for the SMI integrated acute care monies separately from all other monies it receives from AHCCCS in order to highlight the availability of funds.

The motion carried.

AHCCCS/DEPARTMENT OF HEALTH SERVICES (DHS)/DEPARTMENT OF ECONOMIC SECURITY (DES)/DEPARTMENT OF CHILD SAFETY (DCS) - Review of Proposed Capitation Rate Changes.

Mr. Andrew Smith, JLBC Staff, stated that this item is to review the AHCCCS, the DHS, the DES and the DCS capitation rate changes for the following programs:

- Acute Care
- Children's Rehabilitative Services
- Arizona Long Term Care System (ALTCS) for the Elderly and Physically Disabled
- ALTCS DES/Developmentally Disabled (July 1, 2014 through June 30, 2015)
- DCS/Comprehensive Medical and Dental Program (update for October 1, 2014 through June 30, 2015)
- DHS/Behavioral Health Services.

The JLBC Staff presented options to the Committee.

Ms. Shelli Silver, Assistant Director, AHCCCS, responded to member questions.

Representative Kavanagh moved that the Committee give a favorable review to the proposed capitation rate changes. The motion carried.

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2014 Bed Capacity Report.

Ms. Micaela Larkin, JLBC Staff, stated that ADC is requesting Committee review of its FY 2014 bed capacity report. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review to the FY 2014 bed capacity report. The motion carried.

ATTORNEY GENERAL (AG) - Review of FY 2013 Uncollectible Debts.

Mr. Matt Gress, JLBC Staff, stated that the AG requests Committee review of its FY 2013 listing of uncollectible debts referred to the AG by state agencies for collection. The listing totals \$44.9 million for FY 2013. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review of the FY 2013 listings of uncollectible debts referred to the AG by state agencies for collection. The motion carried.

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

Mr. Matt Gress, JLBC Staff, stated that AG requests Committee review of its quarterly reports on the receipts to and disbursements from the Consumer Protection - Consumer Fraud (CPCF) Revolving Fund, the Consumer Restitution and Remediation Revolving Fund, and the Antitrust Enforcement (AE) Revolving Fund, as well as deposits made to the General Fund.

The intent of the General Appropriation Act provision is to review the AG's allocation of legal settlements among the various funds. In the fourth quarter of FY 2014, the AG deposited \$63,900 to the CPCF Revolving Fund, \$227,900 to the Restitution Subaccount, \$27,200 to the Remediation Subaccount, and \$136,100 to the AE Revolving Fund. The JLBC Staff presented options to the Committee.

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

DEPARTMENT OF CHILD SAFETY (DCS) - Review of Transition Funding Expenditure for Administrative Expenses.

Mr. Ben Beutler, JLBC Staff, stated that this item requires Committee review prior to any monies being expended from the Arizona Department of Administration's (ADOA) \$25.0 million appropriation for DCS transition expenses. At its June 2014 meeting, the Committee favorably reviewed DCS' request to spend \$3.6 million in administrative expenses. DCS is requesting Committee review of an additional \$7.4 million in FY 2015 administrative expenses. The JLBC Staff presented options to the Committee.

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

Representative Kavanagh moved that the Committee give a favorable review of administrative funding for the first 6 months of FY 2015 totaling \$6,502,700, or an additional \$2,895,300 above that reviewed by the Committee in June and that involves extending the 40 employees for another quarter and the laptops. In addition, DCS shall report on the number of filled administrative positions and the year-to-date transition expenditures 30 days after the end of each calendar quarter. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Transition Funding Expenditure Plan - Data Center.

Mr. Tom Ritland, JLBC Staff, stated that this item requires Committee review prior to any monies being expended from the Arizona Department of Administration's (ADOA) \$25.0 million appropriation for the establishment of DCS and the relocation of the DES Data Center. DES requests Committee review of \$500,000 for the planning phase of the data center relocation and \$2.5 million to begin implementing the network infrastructure in the new space. 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 of \$500,000 for the planning phase of the Data Center relocation and did not review the \$2.5 million of the implementation phase. In addition, the Committee recommended the following provisions:

- A. DES is to receive ITAC approval before spending any amount above the \$500,000 planning monies. ITAC may consider the full project at their November meeting.*
- B. DES is to submit more detailed information regarding the split between State and Federal funding for the Data Center relocation by October 31, 2014. The submission is to address how equipment purchase and leasing arrangements will affect federal financial participation.*
- C. The Committee's action does not constitute an endorsement of DES' full \$7.0 million plan.*

The motion carried.

JLBC STAFF - Review of Agency Legal Services Charges.

Mr. Matt Gress, JLBC Staff, stated that this item is for review of agency funding sources for the Attorney General (AG) legal services charges for general agency counsel. The charges total \$1.8 million, the same amount as last year. The allocation of charges to each agency also remains unchanged.

Representative Kavanagh moved that the Committee give a favorable review of the fund source reports for the AG legal services charges. The motion carried.

EXECUTIVE SESSION

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

At 2:56 p.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 3:50 p.m. the Committee reconvened into open session.

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

- *Pritchett v. State of Arizona*
- *Barber, et al. v. State of Arizona, et al.*
- *Hannah v. State of Arizona, et al.*
- *Rape/Dawson v. State of Arizona, et al.*

The motion carried.

Without objection, the meeting adjourned at 3:52 p.m.

Respectfully submitted:



Kristy Paddack, Secretary



Richard Stavneak, Director



Senator Don Shooter, Chairman