



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

DON SHOOTER
CHAIRMAN 2014
OLIVIA CAJERO BEDFORD
GAIL GRIFFIN
JOHN McCOMISH
AL MELVIN
LYNNE PAN CRAZI
ANNA TOVAR
STEVEN B. YARBROUGH

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2013
LELA ALSTON
DAVID GOWAN, SR.
ADAM KWASMAN
DEBBIE LESKO
STEFANIE MACH
JUSTIN OLSON
MICHELLE UGENTI

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

December 17, 2014

The Chairman called the meeting to order at 1:45 p.m., Wednesday, December 17, 2014, in House Hearing Room 1. The following were present:

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

Absent:	Representative Gowan
	Representative Kwasman
	Representative Mach
	Representative Ugenti

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of September 30, 2014, Chairman Don Shooter stated that the minutes would stand approved.

The Chairman held the agenda items for the Attorney General (State v. McKesson Corporation) and State Board of Education (Review of Changes to Achievement Testing Program) so as to seek input from the incoming Attorney General and incoming Superintendent of Public Instruction.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of Plan to Reduce Federal Reimbursement for Excess Balances.

Ms. Rebecca Perrera, JLBC Staff, stated that this item is for a review of ADOA's plan to reduce the level of federal reimbursements regarding excess balances from funds other than the Special Employee Health Insurance Fund (HITF). The JLBC Staff presented options to the Committee.

(Continued)

Representative Kavanagh moved that the Committee recommended that any excess balances be proportionately returned to the state and the federal government. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Approval of Employer Sanctions Enforcement Distributions.

Ms. Rebecca Perrera, JLBC Staff, stated that this item is for a review of the distribution of \$329,200 of the \$513,200 FY 2015 appropriation for the enforcement of immigration-related employer sanctions. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee approve the distribution of \$231,400 of the \$513,200 FY 2015 appropriation for the enforcement of immigration-related employer sanctions. The Committee requests additional information on the Pima County Sheriff's request for \$97,700 for further review and any additional funding for any county would require Committee approval. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Arizona Strategic Enterprise Technology (ASET) Projects (Automation Projects Fund).

Ms. Rebecca Perrera, JLBC Staff, stated that this item is for review of \$335,500 in proposed FY 2014 expenditures from the APF for projects at the State Data Center at the ASET office in ADOA. 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 ADOA's \$335,500 in FY 2014 expenditures from the Automated Projects Fund for projects at the State Data Center at the ASET Office in ADOA with the following provisions:

- A. As a result of further planning and implementation efforts, should there be significant changes in the proposed cost, technology approach, scope of work, or schedule, ADOA-ASET must amend the Project Investment Justification (PIJ) to reflect the changes and submit an updated PIJ to the ADOA-ASET Strategic Oversight team for review, and approval as necessary.*
- B. ADOA-ASET must ensure that appropriate levels of security controls are in place prior to the migration of any service offerings that may involve sensitive, confidential, or Personally Identifiable Information (PII) data to the cloud.*

The motion carried.

ADOA/DEPARTMENT OF REVENUE (DOR) - Review of Data Capture Project (Automation Projects Fund).

Mr. Jon Stall, JLBC Staff, stated that DOR requests Committee review of \$1.7 million in proposed FY 2015 expenditures from the Automation Projects Fund (APF) to improve DOR's ability to capture and analyze more tax return data electronically. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review to \$1,134,200 in FY 2015 expenditures from the APF to capture and analyze more tax return data electronically with the following provisions:

- A. *Should any additional expense be required to implement the project beyond what has been proposed, DOR must amend the PIJ and submit it to ADOA's ASET and Information Technology Authorization Committee (ITAC), if requested for review and approval prior to further expenditure of funds.*
- B. *Prior to spending of the project's contingency funding of \$565,800, DOR must submit an expenditure plan of funding activity to the Committee for review.*
- C. *DOR is to report to JLBC by February 3, 2015 as to whether these automation changes will permit publication of fiscal year income tax credit data within 90 days after the end of the fiscal year.*

The motion carried.

ADOA/DEPARTMENT OF REVENUE - Review of Electronic Tobacco Tax Filing System Project (Automation Projects Fund).

Mr. Jeremy Gunderson, JLBC Staff, stated that DOR requests Committee review of \$1.0 million in proposed FY 2015 expenditures from the APF for an electronic tobacco tax licensing system at DOR. 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 DOR's \$1.0 million in FY 2015 expenditures from the APF for an electronic tobacco tax licensing system at DOR with the following provisions:

- A. *Prior to moving any state data into the vendor provided solution, DOR must specify the selected solution's compliance with the Arizona Baseline Security Controls needed to provide a moderate level of protection for any Personally Identifiable Information data to be stored offsite. DOR and/or the vendor must explain any controls that cannot be met and if there are plans to address future compliance.*
- B. *As a result of the procurement process, should the final costs exceed the estimated costs by 10% or more, or should there be significant changes to the proposed technology, scope of work or implementation schedule, DOR must amend the PIJ to reflect the changes and submit it to ADOA-ASET and ITAC, for review and approval prior to further expenditure of funds.*
- C. *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to fund any increase in DOR operating costs due to the new licensing system.*

The motion carried.

JLBC STAFF - Consider Approval of Index for School Facilities Board (SFB) Construction Costs.

Mr. Josh Hope, JLBC Staff, stated that the cost-per-square-foot factors used in the SFB new school construction financing "shall be adjusted annually for construction market considerations based on an index identified or developed by the JLBC as necessary but not less than once each year." The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee approve a 0% adjustment in the cost-per-square-foot factors. The adjustment is based on longitudinal inflation data, by measuring the change in the Rider

Levett Bucknall Phoenix construction cost index since the last JLBC cost-per-square-foot adjustment in November 2008. The motion carried.

ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of Transwestern Settlement.

Mr. Steve Schimpp, JLBC Staff, stated that A.R.S. § 15-915B requires the Superintendent of Public Instruction to reimburse school districts for K-12 “local share” taxes that they must refund to a taxpayer due to an Arizona Tax Court ruling that reduces the taxpayer’s assessed property value for prior fiscal years.

Representative Kavanagh moved that the Committee give a favorable review to ADE’s plan to provide 26 school districts in 7 counties with \$2,953,900 in corrected Basic State Aid funding due to a recent settlement in the Arizona Tax Court regarding property taxes paid in prior years by the Transwestern Pipeline Company. The motion carried.

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

Mr. Richard Stavneak, JLBC Director, stated that this item requires Committee review of monies being expended from the ADOA’s \$25.0 million appropriation for the establishment of the Department of Child Safety (DCS) and the relocation of the DES Data Center. DES is requesting Committee review of \$2.5 million for the next phase of the data center relocation. 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 \$2.5 million for the next phase of the Data Center relocation with the following provisions:

- A. *DES is to notify the JLBC Staff prior to expending the \$200,000 contingency.*
- B. *Should final costs exceed the proposed costs by 10% or more, or should there be significant changes to the technology approach, scope of work, or schedule, DES must amend the PIJ to reflect the changes and submit an updated PIJ to ADOA-ASET, and to ITAC, for review and approval prior to further expenditure of funds.*

The motion carried.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS), THE DEPARTMENT OF HEALTH SERVICES (DHS) AND DES - Review of Revised Capitation Rate Changes.

Mr. Jon Stall, JLBC Staff, stated that the Committee is required to review the AHCCCS, DHS and DES capitation rate changes prior to implementation. AHCCCS, DHS and DES are revising their capitation rates to reimburse Medicaid health insurers for costs of paying a federal health insurer fee in 2014. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review to the proposed capitation rate changes to reimburse Medicaid health insurers for costs of paying a federal health insurer fee in 2014. The motion carried.

CONSENT AGENDA

The following items were considered without discussion.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review Report on Public Safety Broadband.

Pursuant to an FY 2015 General Appropriation Act footnote, the Committee is required to review its annual report on expenditures for the State and Local Implementation Grant program associated with the National Public Safety Broadband Network Initiative.

ATTORNEY GENERAL - Review of Quarterly Reports on Legal Settlements.

Pursuant to the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) the Committee is required to review quarterly reports on the receipts and disbursements from the Consumer Protection - Consumer Fraud Revolving Fund, the Consumer Restitution and Remediation Revolving Fund, and the Antitrust Enforcement Revolving Fund, as well as deposits made to the General Fund submitted by the Attorney General (AG).

DEPARTMENT OF REVENUE (DOR) - Review of Tax Data Analysis Expenditure Plan.

Laws 2014, Chapter 18 requires Committee review prior to any monies being expended from DOR's \$100,000 appropriation for improving the agency's analysis of tax data.

Representative Kavanagh moved that the Committee give favorable reviews to the 3 agenda items listed above. The motion carried.

EXECUTIVE SESSION

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

At 2:28 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 3:05 p.m. the Committee reconvened into open session.

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

Representative Kavanagh moved that the Committee approve the recommended settlement proposed by the Attorney General's office in the case of Redfish v. State of Arizona.

Senator Yarbrough moved that the Committee recommend that DCS and/or DES report to the JLBC at its next meeting on their plans for further disciplinary action and for policy reforms going forward to prevent reoccurrence of such activity.

The motions carried.

(Continued)

B. Arizona Department of Administration - Risk Management Annual Report.

This item was for information only and no Committee action was required.

C. JLBC - Annual Performance Review per Rule 7.

This item was for information only and no Committee action was required.

Without objection, the meeting adjourned at 3:07 p.m.

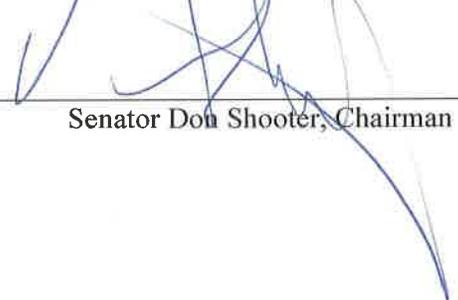
Respectfully submitted:



Kristy Paddock, Secretary



Richard Stavneak, Director



Senator Don Shooter, Chairman