

ARIZONA STATE SENATE

45TH LEGISLATURE
FIRST REGULAR SESSION

MINUTES OF COMMITTEE ON APPROPRIATIONS

DATE: January 9, 2002

TIME: 10:00 a.m.

ROOM: SHR 109

CHAIRMAN Senator Solomon
:

VICE Senator Bee
CHAIRMAN:

ANALYST: Deborah Johnston

COMMITTEE
SECRETARY: Alva Nechtman

ASST.
ANALYST: Carolyn Atwater

INTERNS Brandy Martin
: Jessica Erickson

ATTENDANCE

BILLS

<u>Committee Members</u>	<u>Pr</u>	<u>Ab</u>	<u>Ex</u>	<u>Bill Number</u>	<u>Disposition</u>
Senator Arzberger	X				
Senator Blanchard	X				
Senator Cirillo	X				
Senator Guenther		X			
Senator Hamilton	X				
Senator Hellon	X				
Senator Martin	X				
Senator Mitchell	X				
Senator Rios	X				
Senator Verkamp	X				
Senator Bee, Vice Chairman	X				
Senator Solomon, Chairman	X				

GOVERNOR'S APPOINTMENTS

Tape 1, Side A

Chairman Solomon called the meeting to order at 10:12 a.m., and attendance was noted.

PRESENTATION BY AGENCIES OF CRITICAL NEEDS

Mr. John Arnold – Deputy Director Finance of School Facilities Board (SFB)

Mr. Arnold noted that Dr. Philip Geiger, Executive Director, School Facilities Board, apologized for not being able to appear before the committee. He is attending an out-of-state conference.

Mr. Arnold distributed a summary handout of the School Facilities Board presentation (Attachment A). The major topics of discussion are:

1. 1. Board Oversight
2. 2. New Construction (Presented by Deputy Director Candy Cooley)
3. 3. Deficiency Correction
4. 4. Building Renewal – Annual District Reports
5. 5. New Construction Revenue Bonding - Analysis

Senator Solomon commented that although the School Facilities Board does appear before the Joint Legislative Budget Committee (JLBC) and the Joint Committee on Capital Review (JCCR) these committees only review what is presented.

Deputy Director Candy Cooley presented the New Construction information portion of the presentation.

Senator Cirillo asked Ms. Cooley if all districts submit capital plans for new schools in November or only the districts that feel a new school is needed. Ms. Cooley responded that the forms are made available to all the districts, and it would be up to the districts to decide whether to file the forms. She added that only 70 applications have been received this year.

Senator Cirillo also referenced Ms. Cooley's comments on the removal of 15% of existing square footage and asked if the SFB held harmless the districts that had built large schools in the past. Ms. Cooley responded that the SFB held the districts harmless to a point.

Senator Mitchell asked if the SFB dictates the size of schools. Ms. Cooley responded that the size of the school was purely a district decision.

Senator Mitchell also inquired if two schools in the same district that were miles apart (one overcrowded and one half empty), were the sizes of both schools taken into consideration when calculating capacity. Ms. Cooley responded that capacity was calculated on the combined square footage of both schools to see if the district was eligible for new construction money.

Senator Mitchell also asked if any relief was provided for transportation. Ms. Cooley responded that transportation is not covered by the SFB statute.

Senator Martin asked if the land was included in the funding from the SFB. Ms. Cooley stated that the SFB does purchase land if required by the school district, but many of the school districts use land they already own. If a new site were needed, it would be purchased by the SFB.

Senator Martin asked if there were any guidelines set out by the SFB for the size and cost of the schools. Ms. Cooley replied that the statute governing the SFB sets school size and amount of money spent on a school. The SFB has a per student square footage and a cost per square foot number that covers both urban and rural construction. She stated with new construction funding if the district spends less to build a school, then the extra money is retained as "unrestricted capital." This money can be put back into the project or spent on other capital projects within the district.

Senator Martin asked how districts pay to retrofit older buildings when they have overbuilt their capacity. Ms. Cooley explained that there were several sources of funding including the ones mentioned by Senator Martin, which were district maintenance and operation funds, bond overrides and also the building renewal fund that allows classroom renovation and is distributed by the SFB.

Senator Solomon asked about appropriation of money, construction guidelines and timeframes. Ms. Cooley explained to Senator Solomon that if the SFB gave a school district 5% of the architecture and engineering fees up front on January 1, the district would be eligible to start construction July 1. Senator Solomon stated that just because the district was eligible to start construction, they are not obligated to start construction. Ms. Cooley concurred. Senator Solomon then asked how many of the schools that were approved for start date July 1, 2002 are currently under construction. Ms. Cooley is to provide that information to Senator Solomon at a later date.

Senator Martin asked if there was a mechanism in place that would allow a school district to purchase property prior to qualifying for construction funding in order to save money on the property. Mr. Arnold explained that the Legislature was able to foresee this problem and allows the SFB to purchase land up to ten years in advance, allowing the SFB to purchase property in high growth areas. Mr. Arnold further explained that if a

school district buys land without involving the SFB, then the SFB will not reimburse the district for the purchase of the land.

Senator Solomon, referencing information provided December 12 by SFB and using Cartwright School District as an example, asked Mr. Arnold if she could assume that the \$5.5 million appropriated to Cartwright School District is in the SFB's new construction fund even though there is no start date and the money will not be used for construction this year. Mr. Arnold agreed with that assumption. Senator Solomon continued by asking if she could make that same assumption about any school district listed in FY 2001-2002 with an unknown start date. Mr. Arnold explained that the majority of these projects are 12 months or less. Mr. Arnold pointed out that there are 5 ½ months left in this fiscal year and a district could come in next month and still have four months of construction draws on the appropriated money. In response to Senator Solomon's inquiry as to whether the SFB had returned the money to the State Treasurer, Mr. Arnold explained that the money had been returned by reducing the '03 budget request. Senator Solomon commented that in order to save the Committee's time, Mr. Arnold could answer her questions over the next few weeks as the budget process proceeds.

Senator Hamilton commented that he had a number of complaints from contractors that the contractors' higher costs are stemming from an abnormal amount of paperwork required by the SFB in order to process changes. These additional costs were unforeseen by the contractors. Senator Hamilton asked Mr. Arnold if the SFB had looked at the process in order to save the contractors and the SFB money. Mr. Arnold answered that he was not aware of any specific costs incurred by the contractors, and he would be happy to speak to any contractors about specific problems. He is aware of the complaints that the contractors were required to bid all projects, which did increase costs. The SFB decided to use state insurance instead of allowing each contractor to use their own insurance, which causes additional paperwork for the contractor.

Senator Hamilton explained that the specifics of the complaint involved a management organization that had been brought in as a "go between" between the contractor, SFB and school district. Mr. Arnold commented that the SFB hired nine project management firms to oversee the work in the field and process all the invoices. He added this is a temporary program because it was clear that the districts needed additional assistance, especially districts that do not have professional construction staffs, and SFB was not willing to immediately hire the magnitude of personnel necessary to oversee all the projects.

Senator Solomon announced that the Department of Administration and the Department of Transportation presentations will be heard Tuesday, January 15, at the regular Appropriations Meeting.

Senator Mitchell asked if the SFB included parking lots and if parking lots are requests of the school district. Mr. Arnold answered that the SFB does include parking lots. An outside group was hired to assess every school district's parking lots. He explained that

the school district could request a school deficiency waiver stating why the school district does not want a parking lot upgrade.

Mr. Arnold explained to Senator Martin that if a school needed additional land to build both a parking lot and a sports field, SFB would be required to find additional land.

Senator Martin asked if there was any recourse on the part of SFB for building problems caused by faulty construction. Mr. Arnold will get information to Senator Martin.

Senator Martin asked if the SFB would be able to take advantage of the downward slide in the Networking/Application Service Provider (ASP) industry. Mr. Arnold informed Senator Martin that the only piece of the finalized contract was the ASP and the networking piece is still being designed.

Mr. Arnold explained to Senator Martin that effective January 1, 2002 the SFB is no longer exempt from the procurement code.

Senator Solomon thanked Mr. Arnold for the thoroughness of the presentation and his willingness to work with JLBC to produce data that can be agreed upon by all parties.

Tape 1, Side B

Mr. Terry L. Stewart, Director, Department of Corrections (ADOC)

Mr. Stewart presented a power point presentation (Attachment B) that covered the following major points:

1. Inadequate number of beds
2. Recruitment and retention of staff
3. Limited ability to change inmate behavior
4. Inability to continue to provide current service levels
5. Information Technology
6. Arizona Correctional Industries

Mr. Stewart made the comment that over the last three fiscal years, the Department of Corrections has had \$195,969,500 of both general funds and correctional funds ex-appropriated from the Department that were committed to the construction of beds. He stated that during the last legislative session, contingency funds were allocated to the Department of Corrections in case the growth rate was higher than projected. The trigger was 115 new inmates per month for six consecutive months and a deficit of more than 2,500 inmate beds. Through December 31, ADOC has now had an average of 133 new inmates per month creating a deficit of 2,207 beds. Mr. Stewart further stated that sometime in February or March, ADOC will hit both triggers, however, the contingency funding was swept. At some point either this year or next, ADOC will come to the Legislature and ask that the Lewis Prison be activated, but there is no funding in ADOC's budget to support this activation. In addition to the 350 beds at Lewis, the contingency

funding provided for 1,000 private beds that would contain driving under the influence (DUI) inmates and 400 additional DUI beds. ADOC is at the system capacity now.

Senator Solomon asked Director Stewart who does the training for the correctional officers. Director Stewart informed the Committee that ADOC trains at the Correctional Officer Training Academy in Tucson and regional academies.

Senator Bee asked how long the training program lasted. Director Stewart stated that the program is seven weeks. He added it involves uniforms, all of the instructional costs and everything necessary to meet the Police Officers Standards and Training (P.O.S.T.) certification requirements and includes a week of onsite training.

Director Stewart commented on the fact that recruitment at Lewis was difficult (60% vacancy). ADOC created a \$5,200 hiring bonus which resulted in 100% employment. Senator Solomon asked Director Stewart how many of these people will still be employed at Lewis or as correction officers (C.O.) after the two-year period and what are the restrictions regarding time served at Lewis. Director Stewart responded that if an employee leaves before the two-year period, they are required to give back a prorated share of the stipend. Current employees are also given the equivalent over a two-year period at \$100 per pay period. In addition, he stated ADOC is seeing that the turnover of those receiving the \$5,200 stipend is significantly reduced. Senator Solomon stated she would like this situation tracked beyond the two-year period to see if the stipend makes a difference in retention.

Senator Arzberger commented that Douglas has a high unemployment rate and the Douglas population was grateful to have the additional employment created by building the prison. Senator Arzberger voiced her surprise that Douglas was mentioned as an area having problems with finding employees. Director Stewart explained that in Douglas, program officers and health care professionals were the problem, not necessarily correction officers.

Senator Solomon asked Director Stewart if telemedicine is being used. Director Stewart responded that ADOC is in the process of expanding telemedicine, which is available in all but three locations. Director Stewart further informed the Committee that ADOC is also using telepsychiatry and teledentistry in conjunction with the University of Arizona and Carondelet Health System.

Tape 2, Side A

Director Stewart completed his presentation with two comments:

1. There have been a number of public comments regarding releasing inmates and other scare tactics. ADOC has yielded almost \$300 million, which has created a loss of beds, limited staff, and no prospect of beds soon. ADOC is in a difficult situation. If resources cannot be found,

ADOC will ask the Legislature to cap the system at existing capacity and for a provision that for every inmate coming in, one be released.

2. Between voter protected initiatives which tie the hands of the Legislature, the formula funding programs in ARS and the entitlement programs, the criminal justice system is "starving to death." Safety is the one thing owed to our citizens.

Senator Solomon asked Director Stewart what level of inmates are housed in the tent beds and how many Level I and II inmates are currently housed in hard beds. Director Stewart responded that 400 beds in Florence and 150 in Tucson are Level II (minimum inmates) and, generally there are 5,000 inmates housed in hard beds.

Director Stewart will get information to Senator Solomon regarding her inquiry on the 20-year retirement to Corrections Officer Retirement Plan (CORP) that was initiated in the last regular session.

Senator Solomon thanked Director Stewart for an excellent presentation.

There being no further business, the meeting adjourned at 12:12 p.m.

Respectfully submitted,

Alva Nechtman
Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, room 115.)