

ARIZONA STATE LEGISLATURE  
Forty-seventh Legislature – First Regular Session

**SPECIAL JOINT MEETING  
OF THE SENATE COMMITTEE ON APPROPRIATIONS AND  
HOUSE OF REPRESENTATIVES COMMITTEE ON APPROPRIATIONS (P)**

Minutes of Meeting  
Thursday, January 20, 2005  
House Hearing Room 1 -- 2:00 p.m.

Chairman Pearce called the meeting to order at 3:10 p.m. and attendance was noted by the secretary.

**Members Present**

**Senators**

Arzberger	Gould	Waring
Cannell	Harper	Huppenthal, Vice-Chairman
Garcia	Johnson	Burns R, Chairman
Giffords	Martin	

**Representatives**

Aguirre A	Farnsworth	Tom
Biggs	Gorman	Weiers JP
Boone	Groe	Mason, Vice Chairman
Burgess	Knaperek	Pearce, Chairman
Cajero Bedford	Lujan	

**Members Absent**

Brown (excused)

**Speakers Present**

Justin Narducci, Fiscal Analyst, Joint Legislative Budget Committee (JLBC)  
Matt Gottheiner, Budget Analyst, Governor's Office of Strategic Planning and Budgeting (OSPB)  
Geoffrey Gonsher, Director, Department of Racing  
Martin Lorenzo, Fiscal Analyst, Joint Legislative Budget Committee (JLBC)  
Monica Seymour, Analyst, Governor's Office of Strategic Planning and Budget (OSPB)  
Lisa Berens Morrison, Director, Department of Liquor Licenses and Control  
Eric Jorgensen, Fiscal Analyst, Joint Legislative Budget Committee (JLBC)  
Jack Peterson, Associate Director, Environmental Services Division, Department of Agriculture

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Tim Sweeney, Fiscal Analyst, Joint Legislative Budget Committee (JLBC)  
Marcel Benberou, Budget Analyst, Governor's Office of Strategic Planning and Budgeting (OSPB)  
Jay Ziemann, Assistant Director/Legislative Liaison, Arizona State Parks  
Elizabeth Stewart, Chair, State Parks Board  
Mark Siegwarth, Finance Officer, State Parks Board  
Jeremy Olsen, Fiscal Analyst, Joint Legislative Budget Committee (JLBC)  
Dawn Nazary, Budget Analyst, Governor's Office of Strategic Planning and Budgeting (OSPB)  
Dr. April L. Osborn, Executive Director, Arizona Commission for Postsecondary Education  
Kim Hohman, Fiscal Analyst, Joint Legislative Budget Committee (JLBC)  
Bill Greeney, Budget Analyst, Governor's Office of Strategic Planning and Budgeting (OSPB)  
John Blackburn, Jr., Executive Director, Arizona Criminal Justice Commission  
Mikel Longman, Executive Director, Automobile Theft Authority

## **PRESENTATION ON AGENCY BUDGETS**

### **Department of Racing**

Justin Narducci, Fiscal Analyst, Joint Legislative Budget Committee (JLBC), presented the JLBC budget for the Arizona Department of Racing. He explained the two primary responsibilities of the Department. The first responsibility is the regulation and supervision of all pari-mutuel horse and greyhound racing in the State. The second responsibility is regulation and supervision of all the boxing and non-traditional fighting activities in the State.

He directed the committee's attention to page one in the blue handout (Attachment 1, Page 1). He highlighted the JLBC recommendation relative to the Executive comparison. For Fiscal Year (FY) 2006 and 2007 the JLBC budget provides \$2.5 million general fund appropriation and a \$345,000 other fund appropriation for the Department of Racing. The Executive recommendation is similar to that of the JLBC with the only changes being in the standard technical arena. The JLBC budget includes a decrease of \$64,000 in FY 06 and FY 07 from the Account of Fair Racing Funds to align the funds appropriation with the statutory cap. That is the same for the Racing Administration Fund of \$32,200 in FY 06 and FY 07. He offered to answer any questions from the committee.

Matt Gottheiner, Staff, Governor's Office of Planning and Budgeting (OSPB), stated that there are no significant differences between OSPB's recommendation and JLBC's recommendation. He offered to answer any questions from the committee.

Geoffrey Gonsher, Director, Department of Racing, expressed appreciation for the work done by the JLBC and OSPB in analyzing their budget and representing their position on the different issues. He reiterated that the Department regulates pari-mutuel racing and boxing in the State of Arizona. He stated that over the last couple of years they have made tremendous progress in becoming a much more professional organization and in regulating horses, dogs and boxing in the state. They have increased the horse medication and drug enforcement and testing. They

have adopted new rules to eliminate antiquated rules that have been in place for the last 40 years. He added that they have introduced operating procedures and policies. He also mentioned that they have an efficiency savings plan in which last year they were able to save \$335,000 for vacancy savings and the new policy and procedures that they introduced. He further stated that they returned \$154,000 to the State General Fund last year and they reinvested the remainder of those funds into some needs for the agency. They improved their technology, increased their horse medication testing and funded some employee benefits that had not been funded previously. He stated that they have no issues today and that their budget is very modest and they are requesting no additional funds. He offered to answer any questions from the committee.

Senator Harper asked Mr. Gonsler what the out of state travel money was used for.

Mr. Gonsler stated that they use the out of state money to attend national meetings for the association to which they belong. He added that they attend that meeting twice a year. He further stated that typically it is a Commissioner that attends that meeting.

Senator Harper further asked if the membership in that association and the travel to that association is necessary to get the information or could they get the same information off that association's website.

Mr. Gonsler answered that it is beneficial to meet the other regulators and the other commissioners face to face and discuss the issues that are shared. He added that they are going through a process where they are evaluating their membership in the current association with another association that represents similar jurisdictions but the cost is about the same.

Chairman Pearce commented that he is all for incentives for agencies that save money. He further stated that he is concerned when legislators are left out of the loop when agencies decide to reinvest dollars instead of those dollars being returned. He does not disagree with reinvesting in things that are needed. He added that if the money is returned then there could be a debate of setting priorities in a more comprehensive nature. He complimented the agency for doing things smarter and cheaper. He further stated that he did not mean his comments as a ding but a comment on the overall nature of state agencies not liking to return the money they save and spending the money on things that were not approved. He believes they need to work on a system where there is an incentive to give that money back.

### **Department of Liquor Licenses and Control**

Martin Lorenzo, Fiscal Analyst, Joint Legislative Budget Committee (JLBC), presented Fiscal Year (FY) 2006 and FY 2007 budget for the Department of Liquor Licenses and Control. He stated that this Department is responsible for licensing, investigating and regulating the production, sale and distribution of alcohol throughout the State of Arizona.

He directed the committee's attention to page five of the blue handout packet (Attachment 1, Page 5), which is the JLBC and Executive comparison of figures and issues. He added that for

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FY 2006 and FY 2007 the JLBC as well as the Executive recommend \$2.8 million in general fund monies. In the JLBC budget this remains flat for FY 2005 while the Executive budget increases it \$13,600. He further stated that there were no issues other than those of a technical nature that are included. The JLBC does not include any increase regarding technical issues. The Executive includes a \$13,600 increase. He further directed the committee's attention to page six of the blue handout packet. He discussed the graph of total funds from fiscal year 2002 and beyond of the total funds appropriated and not appropriated for the agency. He offered to answer any questions from the committee.

Mr. Lorenzo responded to Mrs. Knaperek regarding where the Federal dollars come from. He discussed the Federal Grant list from the Governor's Office of Highway Safety.

Monica Seymour, Analyst, Governor's Office of Strategic Planning and Budget (OSPB), stated that the only differences between their recommendations are in technical adjustments. She distributed a handout to the committee members (Attachment 2). The Governor's office is funding technical adjustments and the largest part of the \$13,600 difference comes in rent. There are two facilities that the Department occupies. One is in Tucson at 400 W. Congress and one in Phoenix at 800 W. Washington. Both of these are lease purchase agreements and both buildings are having increases in FY 06 and FY 07 which their budget provides recommendation for. She offered to answer any questions from the committee.

Leesa Berens Morrison, Director, Department of Liquor Licenses and Control, stated that she was there is support of the Executive budget. She discussed the Department of Liquor's three main functions. They are: licensing (15 different types of licenses), compliance and enforcement/regulation. The Department's number one priority remains reducing underage drinking. To assist with that goal, they have 38 general fund Full Time Equivalent (FTE) employees. Of those, 38 FTEs they have 20 sworn field officers. She offered to answer any questions from the committee.

Chairman Pearce asked how many licenses there are and then asked for that number to be broken down as to how many of those are bars.

Ms. Berens Morrison stated that there are 10,200 licensees statewide which those 20 field officers enforce and regulate. She did not have the breakdown of how many of those licenses are bars at this time.

Chairman Pearce asked if they kept track of the bars that are problems or have fights or other criminal activity.

Ms. Berens Morrison stated that one of the most important statistics that they keep is problem bars and problem licensees. Their compliance system is a three tiered system in which licensees are punished depending on the severity of their offense. She further discussed that the punishment depends on the offense and the severity of the offense. She gave an example of a restaurant in Pima County where 36 underage kids were found drinking. They never had any

other prior compliance problems but the Department went for immediate revocation and they were successful. She added that there are other different scenarios and different compliance penalties.

Chairman Pearce stated that the Governor's Office of Highway Safety gets bonus money when the State reaches certain compliance standards in different areas. He asked Ms. Berens Morrison if they apply for that money and, if so, how much they are getting and how aggressive are they in getting this money as they struggle with the general fund dollars.

Ms. Berens Morrison stated that when she first took office two years ago the Department of Liquor only received \$50,000 in overtime funding, which was a substantial amount back then. They are now receiving approximately \$100,000 in overtime funding from the Governor's Office of Highway Safety. Additionally, they are receiving federal funds through the Office of Juvenile Justice Delinquency Prevention Program. She does not have the exact amount at this time. She added that last year they received approximately \$117,000. They are hoping that this year that amount will increase.

Chairman Pearce stated that he hopes that the Department pursues that resource because he believes it is a priority to address the underage drinking problem.

Mr. Tom asked if Ms. Berens Morrison stated that he would be interested in knowing if there are any outstanding issues or problems along the route of I-40 just east of Flagstaff all the way to the New Mexico state line and also east Flagstaff up to the Page area. He stated that there have been a number of issues raised from the constituents from the Navajo Nation. He further stated he would be interested in finding out what the status of those problems are, what the Department will be doing and if there are any accomplishments in closing some of those bars adjacent to the reservations. He also wants to extend that to the other reservations in District 2.

Ms. Berens Morrison addressed this issue by making the committee aware that in the last year and a half they have launched an anti-bootlegging effort adjacent to the Navajo Nation. They have been successful and she would be glad to share that information.

Mr. Tom stated that his interest is in the licenses extended to those bars adjacent to those reservations.

Senator Harper asked how the Department utilizes their out-of-state travel money.

Ms. Berens Morrison stated that their out-of-state travel money is used for her to attend national meetings. She added that it benefited the Department because she found the federal funds which had gone for their underage drinking program.

Senator Harper further asked if there were no other resources to find out that information regarding the federal funds.

Ms. Berens Morrison stated that it is her opinion that these conferences provide substantive information as well as financial information and she is unaware of other means to locate those funds. She added that the return for the approximate \$1500 in travel funds is about 100%.

### **Department of Agriculture**

Eric Jorgensen, Fiscal Analyst, Joint Legislative Budget Committee (JLBC), presented the Department of Agriculture recommendation. He directed the committee to page nine of the blue hand-out (Attachment 1, Page 9). He stated that JLBC recommends a budget of \$10.3 million in general fund monies and \$3 million in other fund monies which represents no increase in the general fund and a \$135,000 decrease in other funds. The Executive recommendation for Fiscal Year (FY) 2006 is similar. The general fund amount on the Executive side increases by \$176,500 in FY 06 and \$164,000 in FY 07. The Executive side has decreases of \$383,000 in both FY 06 and FY 07. The JLBC FY 07 budget is the same as FY 06 budget.

The first issue and the cause for the large decrease in other funding in the JLBC budget is a decrease in a one time start-up cost for the Arizona Livestock Incident Response teams. They were funded at \$200,000 last year and there will be continued funding under both recommendations of \$50,000 a year. The information technology upgrade plan is recommended by the Executive recommendation. They are recommending \$170,000 in general fund money in FY 06 and \$160,000 in FY 07. This is for upgrades to their network, firewall, virus protection and computer replacement. This would institute a five year computer replacement schedule. The JLBC recommendation does not include this and he mentioned that if they do decide to fund this they might consider cost allocating to the other funds as well since this is a budget that would benefit the entire agency.

The other recommendation from the Executive is a decrease in non-appropriated funds for the Arizona Protective Native Plant fund of the Citrus Fruit and Vegetable fund. The Executive proposal has these funds not producing enough revenue to meet the current appropriation. They do not see any harm in having the appropriation higher than the revenues because it allows them to spend more if they receive more revenue but they can't deficit spend.

The only other difference is in the technical changes. The JLBC budget has a \$14,000 other fund increase in both FY 06 and FY 07 while the Executive has a \$7,500 general fund increase and almost a \$5,000 other fund increase. The graph on the next page of the hand-out shows the total funds expended by the agency. There was a slight decrease from FY 02 to FY 03 in appropriated funding and has remained fairly steady since that time. There is a decrease in the total funding in FY 04 due to a change in non-appropriated expenditures because of a change in one of their grant programs. He offered to answer any questions from the committee.

Monica Seymour, Budget Analyst, Governor's Office of Strategic Planning and Budgeting (OSP), discussed a handout which was passed out (Attachment 3). She stated that the Executive is recommending money for information technology. She further stated that she has had some exposure to the Department of Agriculture. She has been working for state

government for 12 years and started out after graduate school with OSPB and Department of Agriculture was one of her agencies. She worked for them between 1996 and 1999 as both their Legislative Liaison and Chief of Strategic Planning and Budgeting. She added that the Department of Agriculture was organized in 1991 through the consolidation of various boards and commissions. The consolidation of these boards and commissions also brought a lot of diversity and disparity in various hardware and software, which was the beginning of some Information Technology (IT) challenges for the Department. Some of these challenges have been complicated by recent budget reductions that the state has faced. Their budget was reduced by about 24 percent. She added that their replacement equipment that they had for both their State Agriculture Lab as well as their replacement equipment to have a refresh schedule for computers was eliminated. They are in position now where IT issues cannot be addressed because the budget does not have any flexibility without a specific Legislative appropriation. The project that is being discussed has goes through the Government Information Technology Agency (GITA). She added that GITA was very involved with this project because the Department lacks the IT staff and expertise necessary to strategically plan for this project. They are far under the benchmark of comparable agencies in terms of the ratio of IT staff to total Full Time Equivalents. The network has not been updated for nine years which has caused concerns both internally to the staff as well as consumers and the public that the Department protects and regulates. She discussed some examples of the problems that have been experienced due to lack of updated IT equipment.

She also discussed the recommendation of two expenditure alignments in two other appropriated funds, the Native Plant fund and the Citrus Fruit and Vegetable revolving fund. This is a matter of creating an appropriation more equivalent to the revenues that they collect. For several years the Department has not been able to spend their existing appropriation authority because the revenues have not come in. It is a collaborative recommendation. They did work with the agency targeting the appropriation that would leave them with a certain amount of flexibility. She offered to answer any questions from the committee.

Mrs. Groe stated that she would like to see the handout that outlines what this increase, specifically for the technology, would be funding.

Ms. Seymour stated that of the \$169,000 recommended in the first year \$78,000 of that is for the personnel cost for the recommended position. For the hardware, they are recommending two servers at a cost of \$16,000. They are asking \$3,500 for uninterruptible power sources for the servers. There is funding for an exchange server which is an email service. There is funding for a firewall which will prevent people from getting into the data. There is anti-virus software and software for the exchange servers.

Mrs. Groe asked if Ms. Seymour could email that list to her. Ms. Seymour stated that she could email the list to Mrs. Groe and further stated that this request includes all the costs of royalties that would have to be paid for the new software.

Senator Cannell stated that he does not see anything budgeted for agricultural inspection stations.

Ms. Seymour stated that this was the second priority of the Department of Agriculture to get some attention in the past exclusion and management program to address that issue. She added that general fund limitations, coupled by the fact that the JLBC staff picked the ports of entries, fuller strategic program area view this next year, delayed making any recommendations.

Senator Cannell stated that Arizona is at risk and the Governor of California decided to pool our money and were able to convince California that they needed those inspection stations also. He added that agriculture is a multi-billion dollar industry in this state and it is at risk letting these trucks get through uninspected with various pests and other things.

Ms. Seymour stated that everyone is competing for the same public dollar and the legislators get the challenge of making very difficult decisions for competing interests.

Chairman Pearce asked why they do not rearrange priorities considering there are 50 vacancies. He suggested that they take those savings and accomplish what Ms. Seymour has suggested regarding the IT issue. He further suggested that money could be moved around in the agency, recognizing the \$500 million deficit that exists this year.

Ms. Seymour stated that she was not sure what the basis was in terms of looking at 50 vacant positions. She added that in her line of work as staff analyst, departments often do not clean up their position count as frequently as they need. Sometimes there may be some positions listed as vacant but they are not funded. She suggested that the Department of Agriculture address that more specifically. She added that during the time that the agency experienced the budget reductions, they were one of the few agencies that had to lay off employees. She felt that this would have to be further explored to find out if this is a valid concern.

Chairman Pearce stated he wants this further explored.

Jack Peterson, Associate Director, Environmental Services Division, Department of Agriculture, stated he was there on behalf of Director Don Butler, who recently had knee replacement surgery and was unable to be there. He stated that he is there is support of the Executive budget and he offered to answer any questions from the committee.

Senator Harper asked how the Department utilizes \$123,000 in out-of-state travel funds.

Mr. Peterson stated staff travels to various national conferences and they have members of staff that are veterinarians, law enforcement, etc. that have to attend seminars in order to keep certified. They work in cooperative agreements with the Environmental Protection Agency, the United States Department of Agriculture and the Food and Drug Administration in order to keep certain credentials that they have. They have to attend certain seminars in order to keep these various credentials. He added that the credentials are issued to the individuals, but, the individual can only have that credential as an employee of the Department of Agriculture due to

the cooperative agreement situation. He added that as a state they can do it more efficiently than a federal agency.

Senator Harper stated that he was incorrect when he said \$123,000; it was \$143,000 in out-of state money.

Chairman Pearce stated that he hopes that the agencies will work together and provide cross training where there are two employees that do almost the same job and save some money. He asked that Mr. Peterson respond to the 50 vacancies that it shows they have.

Mr. Peterson responded the agency does have a number of vacancies, but they are forcing those vacancies because that is the only way they can stay within their allotted budget. The Department is doing everything they can to retain employees so they can be trained properly prior to enforcing the other agency's regulations.

Chairman Pearce stated that they will have JLBC work with the agency on these issues.

Mr. Peterson stated that from the Department standpoint they are doing all they can to do cross training between the agencies that are on board but as state agencies they are all busy and you have to have the time to train and get people familiar enough to be able to go out enforce the other agency's regulations but they are trying.

Senator Gould asked if Mr. Peterson could explain how the point of entry system works. Mr. Peterson stated that the truck pulls into the point of entry and the inspectors will look for pests of concern. If there is a pest of concern, they will collect samples and send a picture to the Department of Agriculture lab and they will see if there is a concern.

Senator Gould asked if every load of produce or agricultural product gets inspected at the point of entry into our state. Mr. Peterson stated that every load of agriculture, commodity and maintenance equipment that could be carrying a pest of concern gets inspected.

Mr. Tom requested clarification on the amount of out-of-state travel funding. Mr. Peterson stated that \$44,700 is the appropriated amount and the remainder is under the non-appropriated amount.

Chairman Pearce acknowledged the presence of Bas Aja, Director of Government Relations, Arizona Cattlemen's Association.

### **State Parks Board**

Tim Sweeney, Fiscal Analyst, Joint Legislative Budget Committee (JLBC), referred the committee to page 13 of the blue sheet (Attachment 1, Page 13). The Executive and the JLBC recommendations are similar. He stated that the general fund difference is the Executive recommends a \$9,000 increase for risk management increases. JLBC does not include any

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increases for risk management. There is a technical difference in the way the Executive and JLBC display the reservation surcharge. The JLBC recommendation continues the Fiscal Year (FY) 05 amount of \$460,000 which was increased per JLBC review for some additional revenue. The Executive recommendation does not continue the higher amount but includes the current year footnote that says that the agency may spend the additional revenue upon JLBC review. The JLBC and the Executive both have identical recommendations to continue the use of the entire State Park Enhancement Fund (other than the Tonto lease purchase payment) for agency operating costs and to allow approximately \$700,000 from the Off Highway Vehicle Recreation Fund for operating costs as well. Lastly, the JLBC recommendation has a separate special line item for Karchner Caverns operating expenses and the Executive includes those in the lump sum appropriation. He offered to answer any questions from the committee.

Ms. Cajero Bedford requested that Mr. Sweeney explain the Off Highway Vehicle Recreation Fund. Mr. Sweeney stated the fund generates revenue from gas taxes attributable to off highway vehicles and the agency runs some grant programs with that money. Three years ago, there was a lump sum reduction from the agency in the amount of \$692,000. The Legislature allowed the agency to use this other funding source to fill in that amount so that it held the agency harmless from a total operating budget and it moved monies from that other fund. This fund generates about \$2 million a year. They continue to use the rest of the fund for statutory purposes, which are maintenance of trails and education efforts.

Mr. Sweeney presented a slide presentation. The first slide pointed out the operating and capital funding. The next slide showed the operating budget, which is about one-third of the overall spending. For the most part, it was steady in early 2000, and in the last few years it has increased slightly from non-appropriated funds. The next slide showed the FY 05 budget in more detail. The next few slides show attendance and revenue trends. The next slide shows a dramatic increase in revenue. The last slide showed the budget option for the Heritage Fund.

Mrs. Groe stated that a lot of the money for the state lake improvement funds is generated by the activity on Lake Havasu. She added she was concerned that the Heritage Fund specifies what amount of dollars will be allocated to certain areas. She asked if there was something in the statute that specifies where those dollars go.

Mr. Sweeney stated there is not any language in statute that says a certain percentage has to go to a particular area in the state. They do have some historical figures that show some estimates as to where the revenue was raised and to where the money has gone. He stated that they could get her some historical figures.

Mrs. Gorman asked why JLBC put \$1.7 million for Karchner Caverns as a special line item as opposed to the recommendation from the Executive. Mr. Sweeney stated it has historically been shown separately because it is the largest of the parks, and when construction of the park was occurring, it was helpful for the Legislature to see dollars that from appropriated sources. The Legislature has liked to see that separated out.

Marcel Benberou, Budget Analyst, Governor's Office of Strategic Planning and Budgeting (OSP), stated that he has no comment on the operating budget. He offered to answer any questions from the committee.

Jay Ziemann, Assistant Director/Legislative Liaison, Arizona State Parks, stated that their Parks Board met in town on this day and he introduced the committee to Elizabeth Stewart, the new State Parks Board Chair. He stated that she would like to address the committee and he offered to answer any questions from the committee.

Elizabeth Stewart, Chair, State Parks Board, stated that they believe that the state parks are important to both the citizens of the State and the economy of the state. There are 30 recreational parks, historic and cultural parks and natural areas that they oversee. For the most part, these parks are located in rural areas. There are no parks in Maricopa County. There is one on the northern edge of Pima County. In many counties, they are the economic engine for that county. There was a study commissioned recently regarding the economic impact of Arizona state parks, which was prepared by the Arizona Hospitality Research and Resource Center School of Hotels and Restaurants at Northern Arizona University. This research found that in 2001 and 2002, the economic impact of Arizona state parks on the state economy was \$126,363,033. The Board also passes through as part of their grants program many dollars that enable communities to enhance their recreational and cultural opportunities by preserving historic buildings. They also provide technical assistance. She added that there are many things that they do to support the local communities around the State. They are committed to continue to fulfill their mission and to provide world class opportunities as effectively and efficiently as possible. She pointed out that the enhancement fund looks like a lot of money, but those funds are what is earned at the parks and not general fund monies.

Senator Burns asked how much of the State Lake Improvement Fund (SLIF) money is being used for non-SLIF activities.

Mark Siegwarth, Finance Officer, State Parks Board, stated that they have an agreement where 11.8% of their revenues are used for administration, 30% are used for state lake projects and 70% will be in the grant program. They have taken the state capital money and moved it to operations. The other money that they are taking is \$1.4 million for operations. When their revenue was decreased from \$1.8 to \$525,000, they had no option but to transfer \$900,000. The number might be higher because they did increase it again for employee related expenses.

Senator Burns asked if they are going to be able to designate the SLIF money to SLIF projects exclusively in FY 06 or are they going to have to continue to use some of that money. Mr. Siegwarth stated that they would like to keep it the way it is. They would not touch the grant program, which is 70% of all the revenues.

Senator Burns asked if the Parks Board received a full Heritage Fund allotment in 2004. Mr. Siegwarth stated that they received the full \$10 million.

Senator Burns asked if they will still need to use some of the SLIF money to do some administration in the Heritage Fund. Mr. Seigwarth stated that it is difficult to say because the Heritage Fund is a fund that weaves through the entire fabric of the agency. He added that they will use those funds for operations.

Senator Burns stated that the visitor growth is not quite keeping up with the population growth. He asked if they had some insight into that situation. Mr. Ziemann stated that the growth was impacted by September 11, 2001 and it went down about that time. It added that it is coming back gradually. They track the growth and they are very consistent with those numbers. There are a lot of factors in drawing people to the parks. When the Board can build new things and create new things for people to see, there is a greater increase in visitors and demand. Another issue is the fees and they have raised the fees to the point that they are among the highest in the country.

Chairman Pearce asked if they track where the visitors are coming from. Mr. Ziemann stated they do a visitor survey about every four or five years, which is an extensive study of the park visitors. The latest was completed in 2004. Fifty percent of the visitation was people from Arizona. Forty-four percent come from out of state and six percent come from overseas.

Senator Gould stated he is from Lake Havasu City and realizes the importance of SLIF funds to Lake Havasu State Park. He has been puzzled as to how SLIF funds are calculated. He understands it is supposed to be a portion of gasoline that is used in boats. He asked if it was just the gasoline sold on the water at boat docks or does it include gas that is sold in gas stations around the town.

Mr. Ziemann stated every three years, there is a study done by State Parks, Transportation and Game and Fish. They look at the amount of gasoline purchased anywhere in the state and they attribute what percentage of that is actually used in water crafts. That percentage stays in place for three years. The rates tend to overcorrect themselves.

### **Arizona Game and Fish Department**

Jeremy Olsen, Fiscal Analyst, Joint Legislative Budget Committee (JLBC), directed the committee to page 25 in the blue packet (Attachment 1, Page 25). Game and Fish is responsible for managing Arizona's wildlife populations and habitat. He referred to the breakdown of how the agency spent its money in 2005 on page 27. Administration was \$2.3 million. The off-highway vehicle program also administers the watercraft licensing division and that was \$4.3 million. The non-game division received \$16 million. The game management division received \$25 million and the fishing program received under \$22 million. He discussed the comparison between the JLBC and the Executive budget on page 25. For 2006, the JLBC budget includes \$25.6 million in other fund monies. He pointed out that all these monies are other fund monies and that the Game and Fish Department does not receive any general fund monies. In this recommendation, there is a \$769,000 decrease in their 2005 appropriation, which is almost three percent. In 2007, the JLBC budget includes \$25.5 million, which is slightly \$800,000 below

their 2005 appropriation, which is a little over three percent. For the same period, the Executive budget increased \$26.1 million for 2006, which is a reduction of almost \$250,000. In 2007, the Executive appropriates \$26.3 million, which is almost the same amount that was appropriated in 2005.

The JLBC budget includes a \$1.2 million reduction in both 2006 and 2007 for elimination of one time equipment. The Executive recommends approximately \$900,000 for this one time equipment reduction. The budget includes \$319,700 in 2006 and 2007 to replace a total of 27 vehicles, which are over five years old and no longer under warranty. This amount is almost \$24,000 per vehicle. The Executive is recommending \$476,000 to replace 30 vehicles. This is nearly \$32,000 per vehicle.

Chairman Pearce stated that the smaller amount of money earmarked for vehicles will probably only get a two wheel drive vehicle. He added there is not much of a ranger's job that can be done without a four wheel drive vehicle.

Mr. Olsen stated that the JLBC recommendation was based on lease prices from the Department of Administration. The average truck price was \$22,000 per vehicle, which includes all vehicles. Four of those were four wheel drive. He will provide a break down of the cost of each vehicle for the Chairman.

The JLBC budget includes \$95,000 in both 2006 and 2007 to replace 65 computers which are more than three years old and the Executive concurs with this recommendation. For aircraft engine replacement, the JLBC budget includes \$40,000 in 2007 to replace a Cessna T206 engine, which is at its limit for overhaul. The Executive includes \$40,000 in 2006 for this engine and includes \$62,000 in 2007 to replace another engine in a Cessna Twin. The JLBC budget also includes \$35,000 in both 2006 and 2007 for remote network access. This provides remote network access and email to remote duty managers. The Executive concurs with this recommendation. The JLBC budget includes \$100,000 in 2006 for a storage area network. This provides additional computer file storage space. The Executive concurs with this recommendation. The Executive included the phone switch issue in their recommendation in the amount of \$300,000 for 2007. The JLBC recommendation did not include this. Technical changes to the JLBC budget included a \$78,000 reduction for standard changes and this amount is similar to the Executive which is \$73,000.

Mr. Olsen directed the committee to page 28 which is the total funds draft. There was some moderate growth in a few of the funds. In the appropriated funding, the Game and Fish fund grew by \$3 million in that period. The federal funds also grew by \$3 million. In the non-appropriated funds, the Wildlife fund grew about \$3 million. He offered to answer any questions from the committee.

Mrs. Gorman inquired about vehicle replacement as well as computer replacement. She asked how the benchmarks are determined and why this department needs new vehicles after only five years. Mr. Olsen stated that the fleet for Game and Fish is 160 vehicles. The JLBC

recommendation is for 27 new vehicles and, at that rate, the fleet turnover would be every 12 years. With regard to the computers, the recommended replacement rate is a little over three years. Game and Fish uses a number of technical programs that require a faster turnover than some of the other agencies that use more standard programs.

Mrs. Gorman asked if the standard of replacing five year old vehicles for this agency is due to the nature of what the vehicles are used for. Mr. Olsen stated that the Game and Fish Department is a biannual agency, which means that every two years they receive an appropriation to replace vehicles. The department is based in several remote locations scattered across the state and staff uses their vehicles a great deal.

Mr. Weiers asked why a phone switch would cost \$300,000. Mr. Olsen stated that a phone switch is a piece of equipment where calls are routed to various extensions.

Senator Waring asked what standard JLBC uses to decide what requests from the agency are granted. Mr. Olsen stated that as far as the phone switch is concerned, it was a global policy issue. The Department of Administration is conducting prioritization for telecommunications equipment and until that study is complete, the JLBC recommendation does not include any telecommunication items. As far as the computers are concerned, the Department of Administration provides a price list of how much computer and office equipment would cost for 2006 and 2007.

Senator Cannell stated Game and Fish staff are peace officers that are out in very remote locations that need proper backup. He added that it is a real problem when these people cannot get in contact with central agencies when they are dealing with a bad guy. He asked why they want to move water craft registration from Game and Fish to the Department of Transportation. Mr. Olsen stated that the purpose of the study is to examine whether there would be any cost savings or customer improvements by moving the responsibility to the Motor Vehicle Division.

Ms. Aguirre stated her concern with officers not being able to communicate with the central office and having to wait a year or so until the new system is put in. She would like to see that amount put back in the budget for the Game and Fish Department.

Marcel Benberou, Budget Analyst, Governor's Office of Strategic Planning and Budgeting (OSP), highlighted the differences between the JLBC and the Executive recommendations. He distributed a worksheet (Attachment 4) that he created which compared the reductions based on Fiscal Year (FY) 05 to reflect the one time. In all, there is a reduction of \$310,000. He does not have an explanation for that. He would like to continue the dialogue and see if that is warranted. Over the course of two year, this budget has been reduced. He discussed vehicle replacement, stating that these vehicles are for field law enforcement officers. They go out at night and to remote areas and need reliable equipment and vehicles.

He further discussed the aircraft engine replacement. There is a Federal Aviation Administration requirement for safety and maintenance requirement for the planes. The agency is taking the

cost effective approach, which is to replace the engine based on federal and manufacturer guidelines. He stated that after 1,600 flight hours the engines need to be overhauled and maintained. In May of 2004, this engine had about 514 flight hours. By August of 2005, the plane will have 1,600 and by the time the Request For Proposal (RFP) is done it will have more. He urged the committee to make the adjustment and allow the agency to replace the engine.

He also stated that the agency's telecommunication system is about 16 years old. It is inefficient and has higher maintenance costs. The agency needs to have updated technology not only to respond to its employees' needs but to the general public.

Mr. Weiers stated that he is a hunter and has worked with Game and Fish. He further stated that it is very important that the officers have the four-wheel drive trucks in good maintenance.

At this point there was a malfunction in the equipment and the remainder of the meeting was not able to be taped.

### **Commission for Postsecondary Education**

Justin Narducci, Fiscal Analyst, Joint Legislative Budget Committee (JLBC), directed the committee to page 34 in the blue packet (Attachment 1, Page 34).

Dawn Nazary, Budget Analyst, Governor's Office of Strategic Planning and Budgeting (OSPB) and Dr. April L. Osborn, Executive Director, Arizona Commission for Postsecondary Education made presentations.

### **Arizona Criminal Justice Commission**

Kim Hohman, Fiscal Analyst, Joint Legislative Budget Committee (JLBC), directed the committee to page 39 in the blue packet (Attachment 1, Page 39).

Bill Greeney, Budget Analyst, Governor's Office of Strategic Planning and Budgeting (OSPB) and John Blackburn, Jr., Executive Director, Arizona Criminal Justice Commission made presentations.

### **Automobile Theft Authority**

Martin Lorenzo, Fiscal Analyst, Joint Legislative Budget Committee (JLBC), directed the committee to page 45 in the blue packet (Attachment 1, Page 45).

Monica Seymour, Budget Analyst, Governor's Office of Strategic Planning and Budgeting (OSPB), distributed a handout to committee members (Attachment 5).

Mikel Longman, Executive Director, Automobile Theft Authority, made a presentation to the committee.

Without objection, the meeting adjourned at 5:25 p.m.

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Administrative Services Office  
February 1, 2005

(Original minutes, attachments and tape are on file in the Office of the Chief Clerk.)

SPECIAL JOINT MEETING  
OF THE SENATE COMMITTEE ON APPROPRIATIONS AND  
HOUSE OF REPRESENTATIVES COMMITTEE ON APPROPRIATIONS (P)  
January 20, 2005