

# ARIZONA STATE SENATE

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47TH LEGISLATURE  
FIRST REGULAR SESSION

## MINUTES OF COMMITTEE ON APPROPRIATIONS

**DATE:** February 28, 2005      **TIME:** 1:30 p.m.      **ROOM:** SHR 109

**CHAIRMAN:** Senator Burns      **VICE CHAIRMAN:** Senator Huppenthal

**ANALYST:** Carolyn Atwater      **COMMITTEE SECRETARY:** Melissa C. Upshaw

**INTERN:** Bill Boyd

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### ATTENDANCE

### BILLS

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<u>Committee Members</u>	<u>Pr</u>	<u>Ab</u>	<u>Ex</u>	<u>Bill Number</u>	<u>Disposition</u>
Senator Arzberger	X				
Senator Cannell	X				
Senator Garcia	X				
Senator Giffords	X				
Senator Gould	X				
Senator Harper	X				
Senator Johnson	X				
Senator Martin	X				
Senator Waring	X				
Senator Huppenthal, Vice-Chairman	X				
Senator Burns, Chairman	X				

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### PRESENTATIONS

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Chairman Burns called the meeting to order at 1:41 p.m. and the attendance was noted.

## **BUDGET WORKSHOP**

### **ARIZONA DEPARTMENT OF CORRECTIONS**

**Brad Regens, Assistant Director, Joint Legislative Budget Committee (JLBC)**, referred to page 2 of the handout (Attachment A) and also referenced page 99 of the JLBC Book II Issue Comparison Book. Mr. Regens reviewed the three main areas of discussion for the Arizona Department of Corrections (ADC). He stated that the JLBC baseline and the Governor's request are essentially the same in three areas:

- \$18 million - 2005 supplemental. Governor's request includes: \$7.8 million for compensatory time payments, \$8 million for revenue shortfalls, and \$2 million for a retention bonus for officers at a couple of the prisons from April through June.
- \$14.5 million - Pay Raises
- \$6 million - Equipment Issues. Upgraded radio equipment for security staff, general equipment, such as vehicles and other equipment to expand the department's van pool.

Mr. Regens noted that one of the supplemental requests has to do with the new DUI assessment that was created as part of the Second Special Session dealing with prison overcrowding. He explained that at the time there were projections that the state would get about \$10 million a year from the new assessment. In the long-term, those projections are still accurate, but in the short-term, those monies do not seem to be coming in as quickly as anticipated. The Governor has a \$4 million General Fund supplemental to backfill those DUI revenues that are not coming in. Mr. Regens said JLBC has identified a little over \$4 million of non-General Fund sources that would be available and probably should be provided to the department to make up for the loss in DUI revenues.

Mr. Regens clarified that the \$4 million and \$8 million revenue shortage were two different issues: 1) \$4 million for DUI assessments that have not come in as projected, and 2) the second half of the \$8 million for the prison project in Kingman that was delayed. He said the Executive had planned on using federal funds for the prison project, but has since learned that they cannot use federal monies on that project. They are now asking the Legislature for a little over \$4 million for that project.

Chairman Burns informed the Committee that there is a bill to address the \$7.8 million compensatory pay issue, and that issue can be taken off the table at this time.

With regard to the bonus issue, Mr. Regens said the program's cost was about \$9 million last year and that the department has also done what they call 'geographic stipends'. Neither were specifically appropriated by the Legislature. The department used its \$650 million lump sum appropriation to fund a number of issues including this one. Mr. Regens added the ADC has over 10,000 employees appropriated and JLBC received a report from ADC in October that showed a little under 1,500 positions were vacant. The officers make an average of \$30,000, which would amount to \$45 million if all were funded, possibly more.

Mr. Regens informed the Committee that the inmate fire crews, which amount to \$400,000 is another issue. The department used to have six crews, but the current year's budget now has 12 crews, and the Executive is looking to add 3 more crews. Chairman Burns said this could be broken into two parts with the 2005 issue and also the 2006.

Senator Giffords said every summer the inmate fire crews issue becomes a bigger issue and that it gives the inmates a chance to develop marketable skills.

Senator Cannell said he would like to see at least some General Fund allocated to the pay increase because of the high vacancy rate.

Chairman Burns said when he brought up the vacancy issue he was referring to a \$2 million in bonus pay that they might be able to at least make that up in this 2005 budget, and the 2006 pay would be a separate issue.

Mr. Regens responded to Senator Waring's questions about the vacancy rate at the Lewis prison and the bonus pay issue. Senator Waring stated that before he votes on the bonus pay issue he would like to know how many people received their \$5,000 bonus pay and quit.

With regard to the vacancy rate at the Lewis prison, Senator Arzberger said this is the problem with building the facility in Lewis. It is located too far away from where employees live. They spend a lot of money on transportation and they simply cannot attract people at those salaries to work there. She said if they want to utilize the facility that the state has already built, then the state has to pay the correctional officers enough to work there. She believes it would be more cost effective to offer the bonus and fill it up and use all the beds.

Senator Cannell believes the agency presented good documentation to the members during the agency's budget hearing. He said the department has improved the vacancy rate at all the prisons, noting that the Lewis prison still remains high. But neither the Executive nor JLBC addresses the fact that the whole pay scale is 'out of whack' with ADC. He said the high ranking officers are not adequately paid, and he believes that there is a lot of discontent. He indicated that OSPB estimates about \$80 million to correct that defect. He said that sooner or later they are going to have to put enough money into ADC in order to keep the corrections officers and improve the morale.

Chairman Burns said for FY 2005 he has the following items on the table:

- \$7.8 million compensation pay
- \$4 million revenue shortage
- \$2 million for bonuses from April through June
- \$4 million shortage on the estimate from DUI fines. He noted that this could be made up with non-General Fund, and preferred to hold off on the \$7.8 million until they get to the bill.

With regard to the bonus issue, Chairman Burns said they might be able to make that work within the department's current budget. The revenue shortage of the \$4 million on the loss of the anticipated use of the federal funds is another issue.

**Senator Huppenthal moved Chairman Burns' recommendation that the Committee go with \$8 million on revenue shortage and using General Fund for half of that amount. The motion CARRIED by a voice vote.**

### **2006 BUDGET ITEMS FOR ADC**

The Committee discussed the following issues:

- \$10.5 million – Salaries
- Equipment Issue - \$3 million Radios, \$2 million Vehicles, \$1 million Van Pool
- \$400,000 – Inmate Fire Crews (all General Fund issues)

In response to Senator Giffords inquiry, Chairman Burns said the additional fire crews is not a bad idea. Mr. Regens explained that this issue was a joint program with the Land Department. It is an \$800,000 issue for three crews: \$400,000 is put into ADC's budget to hire security for these crews, and a like amount for the Land Department for training. Chairman Burns informed the members that they could add two crews instead of three to save some money.

Mr. Regens explained the pay issue could be broken into three components.

Chairman Burns asked if this was another issue that could go to Homeland Security. Mr. Regens said ADC does not think the money can come from Homeland Security. JLBC has not received a response from Homeland Security regarding this issue.

Senator Cannell said it would be unlikely that Homeland Security will pay for the radios because it is not the type of radio they would purchase. He said the department is looking at the analog radio.

In response to Senator Cannell's comments, Mr. Regens said in the short-term the analog radios are less expensive, but that is a policy discussion as the analog will eventually be replaced with digital.

The members discussed the analog radios.

**Senator Huppenthal moved \$10.5 million for salary, \$4 million for equipment and monies for 2 fire crews, as offered by Chairman Burns. The motion CARRIED by a voice vote.**

### **DEPARTMENT OF AGRICULTURE**

**Brad Regens, Assistant Director, JLBC**, stated that there are two issues for the Department of Agriculture: 1) General Fund increase for about \$170,000 for information technology (IT) equipment upgrade, and 2) a non-General Fund decrease of about \$240,000 from revenue adjustment. Mr. Regens explained that the cost for the IT equipment is \$170,000 in the first year and \$160,000 in the second year. As for the non-General Fund issue, Mr. Regens informed the Committee that the appropriation exceeds the revenue collections. The Governor has recommended reducing the appropriation amount down to the actual revenues.

**Eric Jorgensen, Analyst, JLBC**, explained the appropriation funding for the IT equipment upgrade and responded to questions from the members.

Chairman Burns said he believes there is only one issue before them, the IT equipment issue. He asked JLBC staff what \$100,000 would do for the department relating to this issue. Mr. Jorgensen said he would need to look into it and get back to him.

Mr. Jorgensen informed the members that this issue does include \$80,000 for one full time employee (FTE) to maintain the network. He suggested looking at the difference between the FTE and the actual replacement of the equipment, noting there is the possibility they could cross allocate to reduce some of the General Fund.

Senator Cannell pointed out that the inspection station that will transmit this data is currently funded by the State of California and California is paying approximately \$500,000 for Arizona's stations. He said he thinks this is a reasonable amount, but if California decides to cut the state off by not funding that station then the state will basically lose its agriculture inspection on the eastern border of the state. He noted that since California does not have a station on their eastern border either, Arizona would be looking after two states.

Chairman Burns asked the Committee if they should go with \$100,000 or \$170,000.

**Senator Johnson moved that the Committee allocate \$100,000 and eliminate the FTE if necessary.**

Senator Garcia asked if the department could maintain the system if the FTE position was eliminated. Mr. Jorgensen replied that the department does have IT people, but they are understaffed.

**Senator Johnson's motion CARRIED by a voice vote.**

## **STATE LAND DEPARTMENT**

**Brad Regens, Assistant Director, JLBC**, referenced page 4 of the handout (Attachment A) and stated that for the State Land Department, all the adjustments are items that are not in the JLBC baseline, which would be increases requested by or included in the Governor's budget. They will not often see a line item associated with these issues, unless the members decide to move in that direction, then JLBC will add that item to the spreadsheet.

Mr. Regens said the main issue for the department is additional staff for the department's consulting services. For about \$3.5 million they would be adding 12 FTE positions. The next issue has to do with retaining water rights on state trust lands. Mr. Regens said the Governor's office includes a request for about \$1.4 million, but JLBC estimates the cost today to be \$800,000. Essentially, there are two different irrigation districts. On one the department has the right to retain water rights. He said the other irrigation district is still a matter of dispute.

**Eric Jorgensen, Analyst, JLBC**, responded to questions relating to the water rights.

Senator Cannell said he would like to argue for the conservation districts. He said that these are districts that end up saving the state a lot of money. He informed the Committee that the Chairman of the Natural Resources and Rural Affairs Committee has submitted a bill with regard to this issue and he asked Chairman Burns if the Committee would be discussing that bill as it moves forward.

Chairman Burns said the request before them is \$3.5 million for 12 FTEs, and the bill that is moving through the process would add \$6 million to that amount. He asked staff about the \$6 million figure, Mr. Jorgensen replied that the bill does not specify how many people would be included, but it would include both money for contracts, and additional FTE's.

Chairman Burns said there is a theory that these new employees will generate land sales that would generate revenue. He asked if there were any estimates available to that. Mr. Jorgensen said the \$6 million is from the trust land reform meetings from last summer. The Land Department estimated by 2008, they could use up to \$8.3 million for various projects. The figure of \$3.7 million that Mr. Regens quoted, there is an actual portion in that amount of about \$2.3 million which was preparing trust land for sales. The \$6 million makes up that difference. He said the Land Department estimated that \$2.3 million would prepare about another 850 acres of land per year and monetary estimates could also be provided.

Chairman Burns said until they get the number in the meter box to a positive number, it will be difficult to pass any money bills. He stated that if there is a negative balance or no balance, they would not be fiscally responsible to the taxpayers.

Discussion was held on water rights.

Senator Martin stated he is concerned about someone getting a lease, getting the water and not paying for it. He said this could result in the state losing its water rights permanently with a risk of a lawsuit. He thinks the Committee should make sure the state does not lose its water rights.

Mr. Jorgensen said currently if land is not leased, then the Land Department does pay the full amount of the water rights to retain them. A fund is set aside for making payments.

Mr. Jorgensen responded to Senator Martin's questions relating to land auction fees.

Senator Cannell said state trust land reform brings in money and the trust is being built for public education, which helps the state. He supports \$6 million or \$9.3 million and does not consider it a long-term expenditure if agreement on reform is reached.

Senator Harper questioned whether the Land Department had FTEs allocated to the land preserve initiative. Mr. Jorgensen replied that the Land Department has indicated it has less than one FTE.

Chairman Burns said he has \$3.5 million, \$800,000, 12 FTEs, conservation district - \$70,000 General Fund. He said the conservation districts do some great work, but he thinks that the Committee will have to wait until they get a positive number in the meter box before they start adding on some new funding.

Mr. Regens explained the vacancy savings, its funding sources, and options for reducing the number of FTEs for the department.

Chairman Burns noted that he would put a hold on the conservation districts until a later point in time when they will be able to put a positive number in the meter box.

**Senator Huppenthal moved \$2 million for additional employees, \$800,000 for the water issue, and monies for two inmate fire crews. The motion CARRIED by a voice vote.**

## **DEPARTMENT OF TRANSPORTATION**

**Brad Regens, Assistant Director, JLBC**, referenced page 8 of the handout (Attachment A), and also page 460 of the JLBC Book II Issue Comparison Book. Mr. Regens informed the members that ADOT is a non-General Fund agency. He reviewed the following items of difference for ADOT:

- The Executive is recommending an additional half million dollars above what the JLBC had in its baseline for highway maintenance workload.
- The Executive wants to study replacing the department's computer system, and in order to conduct this study, they would like a half a million dollars.
- There are agreements that the department enters into with the Arizona Department of Environmental Quality (ADEQ) dealing with storm run-off as well as water at various ADOT facilities. The department is looking for about \$800,000 and 9 FTE's to meet these requirements. Mr. Regens noted that these issues are all above the JLBC baseline, so unfortunately, the members will not see anything until they decide to entertain any options.
- Additional salary monies. The Executive was providing \$1,500 per maintenance worker for a cost of about \$1.5 million.
- Motor pool equipment replacement for a little under \$700,000.

Mr. Regens clarified that these are all State Highway Funds. Chairman Burns said the more they spend here the less asphalt they lay on the roadway.

Senator Harper stated that he is opposed to the appropriation funding for the Motor Vehicle Division (MVD) computer system at this time because he believes there will be legislation coming from the federal government that will require standardized drivers license. He said the state will eventually do the process all over again.

Mr. Regens said the study was half a million dollars, but he has not seen anything yet on what the full system replacement will be, and it could be about \$100 million.

In response to Senator Huppenthal's inquiry, **Bob Hull, Analyst, JLBC**, replied that the \$700,000 equipment request would be utilized for motor pool equipment: trucks and vehicles. He said last year the department received \$2 million to replace trucks and vehicles: \$1 million for the equipment fund to replace them, and \$1 million additional for the ADOT sections to pay the increased rental rate. Mr. Hull noted that this appropriation is to address the backlog of old equipment.

Senator Huppenthal asked JLBC staff to provide information on the breakdown rates, the department's cost to keep that up, the availability of equipment, and how it is affecting the maintenance of highways.

Senator Harper said he would be in opposition to spend this money also. He thinks they ought to run this another year.

Senator Martin said he would be more in support of doing the study, and the technology than adding the additional FTE's because he thinks that they have a system that has 'holes' in it.

Mr. Hull responded to Chairman Burns' questions relating to the Enterprise project and whether or not any of that information would be of value to MVD.

In response to members' questions relating to the computer system, Mr. Hull suggested that the Committee might want to add a footnote to specify what they expect or have the department report back before they do something.

Chairman Burns said someone mentioned the salaries issues at \$1.5 million. Mr. Hull said ADOT requested that for maintenance. ADOT was talking about a high turnover rate in their highway maintenance. The turnover rate was actually less than the average turnover rate for state employees as a whole, but that is what they requested. He indicated that their turnover rate was about 13.7, and the turnover rate for state employees, as a whole, is about 14.9. Mr. Hull clarified that this was within highway maintenance and it would be an addition to any other across the board pay raise that the Committee might do.

Mr. Regens said if the Committee is interested in doing a 2.5 percent increase for all state employees, this would be one of those groups that receive that as well.

Chairman Burns asked about the storm run-off issue of \$800,000. Mr. Hull explained that the department made two agreements with ADEQ, one deals with their water treatment facilities at rest stops and the other deals with storm run-off and construction run-off. The water treatment is almost complete. Mr. Hull said as part of the agreement, the department needs to monitor and report to ADEQ. The department is working on this and the additional resource is to help them do what they agreed to do.

In response to Senator Harper's inquiry, Chairman Burns said ADEQ does fine other government entities, he does not know about ADOT in particular. But he thinks that they have gone about fining certain rural cities for violation. Senator Harper said he would stand in opposition to this issue.

Senator Harper asked where ADOT came up with \$2 million that was not allocated to them for a weed problem due to excess rain. JLBC staff said they were not aware of this issue.

Senator Arzberger inquired about the \$804,000 and 9 FTE positions for environmental agreements with ADEQ. Mr. Hull said the work initially included inventory and documentation. He clarified that it is the monitoring of the run-off of the highways, which is required by federal EPA, and also monitoring of the water treatment plants at the rest stops.

In response to Senator Harper, Mr. Hull said ADOT is doing the monitoring. They are making reports and they are reporting to ADEQ. They stipulated what they would do in the agreement with ADEQ and they are asking for additional resources to continue.

Chairman Burns said that they might be able to do the half million dollar study as long as they have a footnote in place.

Senator Cannell informed the Committee that there were a couple of items that have not been discussed: \$360,000 for bridge safety inspection, and the issue on highway maintenance and safety features, which amount to \$2 million for both of these items.

Mr. Hull explained the department currently has four teams of bridge inspectors, and they have a certain schedule every two years. Mr. Hull said the department's request for 4 FTEs is to be able to do all the inspections in-house.

Senator Harper asked if ADOT has many vacant FTE's. Mr. Hull said as of October, he thinks it is about 860 vacant FTE's. Senator Harper said he would propose that they start cutting somewhere and he would imagine that they could cut some of the 860 vacant FTE's.

Senator Garcia asked if the FTE's were funded. Mr. Hull said that type of question was asked in the House, and ADOT was asked to provide an analysis of how many, but he has not seen the department's response. He said he does not know if the department has sent that information to anyone on the House Committee.

Senator Huppenthal said the vacant FTE's have been the department's way of dealing with challenges. It is shrinking in one area to do more in another. They had JLBC do a study and the burden of the state employees' payroll upon the citizens was the fourth lowest in the nation. He thinks there is a good chance that they have improved since then. It is just a word of caution that vacant FTE's are not really evidence of 'fat' or anything, but evidence that the departments have stretched.

Chairman Burns asked how the 860 vacancies compare to the 9 percent figure that they use as a guideline. Mr. Hull said he believes that is about 18 percent.

Mr. Regens replied to Senator Waring's question about the description of a vacant FTE.

**Senator Harper moved to adopt the JLBC baseline budget minus 400 vacant FTE's.**

Chairman Burns informed the Committee that this would bring them down to the 9 percent level, and noted that this would be eliminating positions not staff people.

Senator Arzberger commented on the fieldworkers who work on the highways in ADOT. She said a couple of years ago ADOT had a turnover rate of up to 23 to 30 percent. She explained that people would start at a fairly low salary at ADOT. ADOT would train the fieldworkers to operate heavy equipment, and then they were off to another job because they now had experience as an equipment operator. She pointed out the expense of training heavy equipment operators, which gave ADOT a tremendous turnover rate for highway workers in ADOT. She wondered if this was reflected in vacancy rates because of the high turnover rate in that area.

Chairman Burns suggested identifying the dollar amount of savings that would be realized by a reduction in vacancy factor, and put that on the "shelf" for payroll increase issues.

**Senator Harper's motion CARRIED by a voice vote.**

There being no further business, the meeting was adjourned at 3:15 p.m.

Respectfully submitted,

Melissa C. Upshaw  
Committee Secretary

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