

Chairman Burns called the meeting to order at 1:52 p.m. and the attendance was noted.

BUDGET WORKSHOP

The Joint Legislative Budget Committee (JLBC) staff reviewed what the agencies presented as critical issues during the previous hearings. The Committee discussed possible additions and subtractions from the JLBC spreadsheet.

DEPARTMENT OF ECONOMIC SECURITY (DES)

Child Care Income Eligibility to 145% FPL

Brad Regens, Assistant Director, JLBC, reviewed the issues for the Arizona Department of Economic Security (DES) and provided an Excel spreadsheet that showed the budget numbers and reallocation options for the department.

Mr. Regens first explained the remaining two items from the previous agenda relating to child care (line items 213 and 214).

The first item was reducing the current child care income maximum income eligibility level for low income working child care from 165% (\$12.8 million) of poverty to 145% (\$6.8 million). Mr. Regens explained if the case load growth continues into fiscal year 2006, there would be a need for a waiting list into 2006.

The second item was to incorporate graduated payments and time limits to the low income working program portion of the child care program. The longer somebody would stay on low income child care programs, the greater the co-pay required. It would also incorporate time limits into the program, of two years per child, five years per family. There are currently no time limits on the low income program.

Senator Burns asked if the formula for the co-pay has been worked out. Mr. Regens responded the number was derived assuming that after nine months the recipient would get about 80% of the reimbursement, after fifteen months 60% and after twenty-one months 40%. After twenty-four months the two year time limit would not allow for further reimbursement.

Senator Gould moved to reduce the current child care income maximum income eligibility level for low income working child care from 165% (\$12.8 million) of poverty to 145% (\$6.8 million), and incorporate graduated payments and time limits to the low income working program portion of the child care program. The motion CARRIED by voice vote.

Developmentally Disabled (DD) Provider Increase

John Malloy, JLBC Fiscal Analyst, explained there are three components to the provider increase in rates related to Day Treatment Services.

The first component is to raise the current DD rate from 89% to 96% (the current benchmark set by the DES).

The second component would be to raise all rates from 96% to 100%.

The third component would be employment support services provided by DES.

The three components combined are estimated to be \$11 million from the general fund. JLBC has determined that the level of funding necessary to move the day treatment providers from 89% to 96% would be \$5 million. The total for all three components is \$11 million.

Senator Johnson moved to raise the current DD rate from 89% to 96% (component two) for day services, as well as using support services provided by DES (component three). The motion CARRIED by voice vote.

Executive Budget Recommendations

1. Line item 208, from the FY05 budget required a motion to allocate \$520,000 for job equipment relative to the new job case workers added in the 05 budget.

Senator Harper moved to reallocate the \$520,000 to the general fund for job equipment. The motion CARRIED by voice vote.

2. The Executive budget estimate of the Temporary Assistance for Needy Families (TANF) case load is less than the JLBC estimate. The Executive budget recommendation is acceptable. The savings generated is about \$4.7 million to the general fund.

Senator Burns moved the TANF case load estimate be accepted. The motion CARRIED by voice vote.

Senator Burns asked if the Committee had any further business with DES. Senator Garcia recommended the Executive budget recommendation to add \$10.8 million to the general fund for Children's Services be adopted. Currently, Children's Services is funded at about \$123 million.

Senator Garcia moved the Executive budget recommendation to add \$10.8 to the general fund for Children's Services be adopted. The motion FAILED by voice vote.

Senator Garcia noted that in the Executive budget, Children's Services has recommended adding 185 case managers. The total would be \$5.7 million taken from the general fund and about \$6 million of TANF money.

Senator Garcia moved to adopt the Executive budget recommendation to add 185 case managers to Children's Services. The motion FAILED by voice vote.

Senator Cannell proposed to fund two categories: adoption and permanent guardianship. Senator Cannell suggested \$3 million for adoption services and \$700,000 for permanent guardianship placement. Senator Burns asked if there was an earlier option exercised that had to do with adoption and placement.

Kim Hohman, JLBC Senior Fiscal Analyst, explained that \$5.5 million in TANF funds were included for adoption family preservation projects. There also was a requirement for the department to report back to the Committee yearly on how they intend to spend the \$5.5 million, which is actually a \$22 million project over five years. The intent for the monies was to develop strategies and possibly increase payments on a one time basis for adoption families to make that option more appealing. The \$3.7 million proposed by Senator Cannell would be included with the \$22 million.

Senator Cannell moved to fund \$3 million for adoption services and \$700,000 for permanent guardianship placement. The motion FAILED by voice vote. A DIVISION was called. By a show of hands, the motion FAILED.

Senator Garcia suggested the Executive budget recommendation for \$259,500 for older Americans be adopted. These are matching funds that would draw \$4 million in matching federal monies for Meals-on-Wheels, and assorted home base services to help adults stay at home. The program is currently funded in DES' budget for \$1.2 million. This figure draws down about \$13 million in federal funds.

Senator Garcia moved to adopt the Executive budget recommendation for \$259,500 for older Americans. The motion CARRIED by voice vote.

Senator Garcia suggested the Executive budget recommendation for emergency shelter for the domestic violence victims be adopted. The JLBC baseline and the Executive budget recommendation each allocate TANF in different ways. Currently, there is no additional TANF to allocate. This would need to be funded with general fund money.

Senator Garcia moved to accept the Executive budget recommendation for emergency shelter for domestic violence victims. The motion FAILED by voice vote.

DEPARTMENT OF COMMERCE

Small Business Services

Brad Regens, Assistant Director, JLBC, explained the Department of Commerce has two (funding) differences and some reallocation options. First, the Executive budget would shift the motion picture funding which currently appears in Commerce, to the Office of Tourism. This would cut the Department of Commerce general fund money by about \$296,000. The second item in the Executive budget would add \$175,000 for rural economic development.

Small Business Services provides internet interface to individuals on how to start a small business in Arizona. The Federal Small Business Service and ten participating community colleges also provide small business information services.

Senator Johnson suggested the allocation for line item 109 (\$175,000) be sent back to the general fund.

Senator Arzberger suggested that \$475,000 be restored to rural economic development, which would still leave \$225,000 going back to the general fund. Senator Burns summarized both suggestions.

Senator Burns moved to allocate \$175,000 to Rural Economic Development, and the remainder of Small Business Services would be returned to the general fund. The motion CARRIED by voice vote.

Apprenticeship and Pre-apprenticeship Services

Brad Regens, Assistant Director, JLBC, explained that apprenticeship and pre-apprenticeship services are a function within the Department of Commerce to register apprenticeship programs. The Auditor General noted that if the state does not provide this service, it can be provided by the federal government. There are twenty-three states that currently get this service from the federal government.

Senator Gould moved reallocating the apprenticeship and pre-apprenticeship services funds to the general fund. The motion CARRIED by voice vote.

Economic Information and Research Program

Brad Regens, Assistant Director, JLBC, explained that the Economic Information and Research Program is essentially a data collection center within the Department of Commerce. One of the most notable achievements for the program was the funding for the Arizona state-wide economics study of 2002. The Auditor General Report highlighted that the type of information the Department of Commerce has available, is also available at DES and the Arizona State University (ASU) Economic Data Center.

Senator Gould moved reallocating the Economic Information and Research Program funds to the general fund. The motion CARRIED by voice vote.

Brad Regens, Assistant Director, JLBC, explained there is a requirement in the Growing Smarter Initiative that cities present their land plan to the Department of Commerce for review. The majority of cities and counties were required to do this by the end of calendar year 2003. There is an issue as to whether they can make an amendment to the land use, and, since the function of the Department of Commerce is one of review and not approval, whether to continue this program.

Senator Johnson made a motion to move funding for the Growing Smarter Initiative program back to the general fund. The motion CARRIED by voice vote.

Business Attraction and Development and Office of Innovation, Technology and Entrepreneurship

Brad Regens, Assistant Director, JLBC, explained this office helps businesses relocate to Arizona.

The Auditor General raised the question as to whether or not this was applicable, given there are some 300 local and private development companies that provide information to help firms relocate to Arizona. The two different programs include a \$1.2 million budget.

Senator Martin said he didn't know if the State of Arizona needed to spend a lot of money for paid media advertising. He questioned the need for the Business Attraction and Development and Office of Innovation, Technology and Entrepreneurship.

Senator Martin moved to eliminate the two offices. The motion CARRIED by voice vote.

DEPARTMENT OF EMERGENCY MANGEMENT AND MILITARY AFFAIRS

Brad Regens, Assistant Director, JLBC, discussed two items discussed at the JLBC budget hearing. The first item had to do with college tuition reimbursement for members of the National Guard. This is a general fund issue. Currently there is about \$600,000 dedicated to this purpose. The Executive budget would then increase that funding from \$300,000 to \$900,000.

Senator Waring moved to fully fund the project above the Governor's recommendation for the full \$1.4 million. This would be an increase of \$846,000 from the general fund. The motion CARRIED by voice vote.

The second item was to receive additional monies for facility maintenance at the armories. Executive budget is recommending \$360,000 for the maintenance, which would draw down about \$900,000 in federal money. There are no reallocation options within this agency.

Senator Arzberger moved to fund the \$362,700. The motion CARRIED by voice vote.

ARIZONA COMMISSION ON THE ARTS

Brad Regens, Assistant Director, JLBC, explained the two items for this agency.

First, the Executive budget would increase the funding to community projects by \$500,000 from the general fund as well as provide the department with \$19,000 for a new telephone system.

Second, there is a \$2 million annual deposit into the trust fund which was established several years ago. Over a period of ten years it would increase to \$20 million. By the end of this year the fund will have about \$11 million of the \$20 million. The department cannot spend the corpus; however, they can spend the interest earnings.

Senator Harper moved to reallocate the \$2 million from Arts to the general fund rather than the trust fund. The motion FAILED by voice vote. A DIVISION was called. By a show of hands, the motion CARRIED.

Senator Burns called a **RECESS** at the sound of the gavel at 3:25 p.m. The Committee **RECONVENED** at 3:39 p.m.

DEPARTMENT OF ENVIRONMENTAL QUALITY (DEQ)

Senator Burns explained that DEQ was unable to resolve an issue with some of the regulated community. Senator Burns decided to hold onto their budget until there was resolution with the issue.

2005 SUPPLEMENTAL ISSUES

Senator Burns announced the Committee would discuss the '05 supplemental and then provide an update on revenue. Senator Burns mentioned that bills would be included in the March 8 Appropriations agenda. One bill, the Department of Corrections Supplemental, would spend \$12.9 million in general fund money. He stated that the Committee would show the item today, but if the bill fails, the Committee would have to readjust the budget chart.

Supplemental issues not covered in separate legislation:

Pioneers Home

Brad Regens, Assistant Director, JLBC, explained the Executive budget is recommending shifting \$1.2 million of current year general fund monies from the general funds to the Miners Trust Fund. The trust receives some additional monies from a recent land sale, and so there is \$1.2 million available in balance. The State can save \$1.2 million in general fund by taking that reallocation option.

Senator Burns moved shifting \$1.2 million of current year general fund monies from the general funds to the Miners Trust Fund. The motion CARRIED by voice vote.

Department of Juvenile Corrections

Brad Regens, Assistant Director, JLBC, explained the Juvenile Corrections population has not grown as projected, so the Executive budget is recommending reducing their current year budget by \$500,000 to reflect lower population. That would be a \$500,000 in general fund savings in the current year.

Senator Garcia moved to transfer \$500,000 from the Juvenile Corrections Budget to the general fund. The motion CARRIED by voice vote.

Arizona School for the Deaf and Blind (ASDB)

Senator Garcia explained that during discussions, it was stated that by allowing ASDB to have a supplemental, it would allow them to purchase school buses.

Senator Garcia made a motion to remove the \$400,400 2005 supplemental for the Arizona School for the Deaf and Blind. The motion FAILED by voice vote.

REVENUE

Richard Stavneak, Director, JLBC, presented an overview of the March general fund forecast update (Attachment A). Mr. Stavneak stated the current March forecast could add as much as \$130 million in increased revenue growth.

Senator Harper moved to adopt an increase in revenue spending of \$100 million. The motion CARRIED by voice vote.

There being no further business, the meeting was adjourned at 4:00 p.m.

Respectfully submitted,

Ron Thomas
Committee Secretary

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