STATE OF ARIZONA

Joint Legislative Budget Committee

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SENATE

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MEETING NOTICE

DATE: Friday, February 16, 2001

TIME: 8:15 a.m.

PLACE: HOUSE HEARING ROOM 4

TENTATIVE AGENDA

- Call to Order

- Approval of Minutes of December 19, 2000.

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

- DIRECTOR'S REPORT (if necessary).

1. ADOPTION OF COMMITTEE RULES.

2. ARIZONA DEPARTMENT OF ADMINISTRATION
   A. Consider Approval of Mileage Reimbursement for State Travel by Motor Vehicle.
   B. Report on State Employee Health Plans.

3. ARIZONA DEPARTMENT OF TRANSPORTATION - Report on Grand Canyon Airport Funding.

4. DEPARTMENT OF ECONOMIC SECURITY - Review of Federal Social Services Block Grant FY 2001 Expenditure Plan.

5. ARIZONA STATE UNIVERSITY - Report on East Campus Multi-Year Funding Plan.

6. REPORT ON RECENT AGENCY SUBMISSIONS.

The Chairman reserves the right to set the order of the agenda.
02/13/01

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Joint Legislative Budget Committee

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

December 19, 2000

The Chairman called the meeting to order at 1:45 p.m., Tuesday, December 19, 2000, in Senate Appropriations Room 109. The following were present:

Members:	Senator Gnant, Chairman	Representative Blewster
	Senator Arzberger	Representative Daniels
	Senator Bowers	Representative McGibbon
	Senator Bundgaard	Representative McGrath
	Senator Cirillo	Representative McLendon
	Senator Lopez	
	Senator Wettaw	
Absent:		Representative Burns
		Representative Gonzales
		Representative Weason
Staff:	Richard Stavneak, Director	Cheryl Kestner, Secretary
	Chris Earnest	Bruce Groll
	Gina Guarascio	Rebecca Hecksel
	Gretchen Logan	Tom Mikesell
	Stefan Shepherd	Tony Vidale
Others:	Representative Knaperek	House
	Senator Solomon	Senate
	Debbie Spinner	Office of the Attorney General
	Bev Anderson	Office of the Attorney General
	Nancy Wrona	Director, Air Quality Division, DEQ
	Drew Langley	Office of the State Mine Inspector
	Debbie Johnston	Assistant Research Director, Senate

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of November 28, 2000, Senator Gnant stated that the minutes would be approved as submitted.

Senator Lopez moved that the Committee go into Executive Session. The motion carried.

At 1:45 p.m. the Joint Legislative Budget Committee went into Executive Session.

Senator Lopez moved that the Committee reconvene into open session. The motion carried.

At 1:55 p.m. the Committee reconvened into open session.

Senator Lopez moved that the Committee approve the recommended settlement proposals by the Attorney General's Office in the following cases:

1. Plikerd v. Cruz
2. Rotre v. State of Arizona

The motion carried.

Senator Gnant asked Richard Stavneak, Director, JLBC Staff, if it would be possible to do a summary of Rule 14's by agency and amount for the last few years. Mr. Stavneak stated that the JLBC Staff would provide that information.

JOINT LEGISLATIVE BUDGET COMMITTEE - Consider Approval of Year 2001-2002 Strategic Program Area Review (SPAR) Candidates.

Senator Cirillo suggested that it would be beneficial to have a representative from Information Technology Authorization Committee (ITAC) involved in the SPAR reviews.

Senator Gnant moved that the Committee approve the recommended SPAR Candidates to be reviewed in the Year 2001-2002 SPAR process. The program areas to be reviewed are: County Assistance; Children's Delivery System with a focus on developmentally-disabled clients; and Special Education. The motion carried.

DEPARTMENT OF ENVIRONMENTAL QUALITY - Report on Vehicle Emissions Inspection (VEI) Program Contract Costs.

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

Chris Earnest, JLBC Staff, stated that the VEI contract was awarded on December 15, 2000 for the years 2002-2009. The fee per vehicle in Maricopa County will be $26.67 and in Pima County it will be $11.56.

Representative Daniels asked why the DEQ needs a 7-year contract instead of one for a shorter period of time, and why only 1 bid was received. Mr. Earnest responded that statute allowed them to do between a 5- and 7-year contract. He said they could get a lower fee if they amortized those costs over a longer period of time. Mr. Earnest said that an RFP was sent out to several prospective contractors, however only 1 contractor submitted a bid on the RFP.

Senator Bowers suggested that the reason only 1 contractor, Gordon - Darby Arizona Testing Inc., responded is that they already have the infrastructure in place. A new contractor would have to overcome the entire capital cost. Mr. Earnest said could be one advantage, however, they do not actually own those stations. They are leasing the land and the property on them, so those costs will still be incurred by Gordon - Darby in the future.

Senator Cirillo wanted further clarification as to why 82¢ was added in Maricopa County and 35¢ in Pima County because of the contractor's uncertainty about the appropriations process. Mr. Earnest said that under statute all the monies collected from the test fee have to be deposited in the Emissions Inspection Fund. Then the state will appropriate those fees back to the contractor to make contractor payments. The contractor perceives a risk with the appropriation process.

Ms. Nancy Wrona, Director, Air Quality Division, Arizona Department of Environmental Quality (ADEQ), said that in the September JLBC meeting several concerns were raised with regards to the increments of the cost of the contractor's portion of the fee. Ms. Wrona said that specifically, DEQ was asked to cost out the component of the contractor's fee that was associated with the fact that for the first time those funds were being appropriated. DEQ amended the RFP to include every issue that was in the staff report as well as all of the issues that the Committee discussed in the ensuing conversation. DEQ asked the bidders to put in their proposals what the incremental costs of certain provisions are. Ms. Wrona stated that this is fairly unprecedented, as she has been involved in several large contracts and has never seen anyone asked to put in the cost of risk of appropriation. She agreed that it is a large number and DEQ went toe-to-toe with the bidder in negotiations, but the contractor would not budge. What they explained in the course of negotiations was that the contractor's cost had the time value of money, as well as the expenses associated with having to monitor the appropriation process and participate in it every year.

Senator Wettaw asked how much the additional fees amount to. Ms. Wrona said that it would be $6.2 million. Senator Wettaw thought that amount to be exorbitant just to monitor the appropriation process.

Representative Daniels stated, that for the record, the way this was handled is outrageous and in the future something should be done in the legislative process to prevent this from happening again.

Representative McGrath mentioned that at the JLBC meeting it was reported that the contractor was upset because they were not going to be operating on the "float" anymore. Legislation was written specifically to prohibit them from doing that. She questioned how DEQ could legally sign a contract when there was legislation in place to prevent this and that it would appear that DEQ has an illegal contract.

Mrs. Wrona stated that the contract had been awarded on Friday, December 15, 2000. She said that this is an unprecedented situation in asking for the quantification of risk, and certainly it is a very large contract. DEQ did try to reduce the $6.2 million in negotiations but were unable to do that. She said that this is always an issue in large contracts with a payout to the contractor, occurring over many years, as it will in this case. The whole issue of quantification of the risk is somewhat unprecedented in this situation.

Representative McGrath said that since legislation was in place to prevent this DEQ needs to go back to the company and let them know that the contract is in violation of statutes.

Representative McGibbon said he was troubled by a number of aspects of the contract. The fact that it is a 7-year contract, that only 1 bid was received, that there is a $6.2 million automatic appropriation, and that they are anticipating $4.4 million in wait-time penalties. These are all items that should be addressed in some other way. They should have changed the contract terms so that DEQ got more bidders. He further stated that DEQ has gone out and appropriated $6.2 million that they did not have the authority to do.

Mrs. Wrona responded that when the proposal was put together, DEQ was asked to identify the components of cost, the proposer identified the wait-time penalties that were included in the original RFP. However, they ran the risk of not being able to meet those metrics. That is where they identified a 65¢ per test component of cost. DEQ also gave them the opportunity in the RFP to give proposals to mitigate liquidated damages. DEQ changed the wait-time metrics from "not more than 40% of customers waiting more than 15 minutes", or "20% waiting more than 30 minutes" to a different metric. As a result of the change in the metric, all of the money was taken out in the course of the negotiations. In essence, DEQ has a proposal where the contractor should not be in a situation of exceeding the wait-time metric. DEQ will have good public service, because they will have actual reported wait-times. If the contractor does exceed the wait-times DEQ will have records showing that and they then would be subject to liquidated damages. DEQ did try to do some risk-sharing with them and some adjustments were made to provide good customer service.

Senator Gnant said that this item was for information only and there was no action the Committee could take at this time. However, he asked Mr. Stavneak to coordinate with other staff members to talk about alternatives available to the Committee and outline those options at the next JLBC meeting.

Senator Lopez asked if the full-time Fraud Prevention position was going to be an employee of Gordon - Darby and will they be checking the personnel. Ms. Wrona stated that this was an issue that was raised in the contract negotiations. Currently, Gordon - Darby receives internal affairs services through a part-time contractor. DEQ said that even though there was a cost associated with the position it was prudent to have a full-time position so they can try to prevent fraud from happening again. Ms. Wrona stated that there has been fraud involved in the Gordon - Darby emission operations at the stations in the past. The employees who were involved in the fraud were all arrested and are serving time in prison. There is a small group of people within the DEQ Vehicle Emissions Program, Air Quality Division who do contractor oversight, and are involved in the process. However, DEQ felt it would be better to have a full-time position for that oversight.

Representative Blewster said there should be some way when a contract is not in compliance with statute to make it null and void.

Representative McLendon noted that in the JLBC Staff recommendation memo it says that this item is for information only and no Committee action is required. However, he felt it appropriate to make a motion disapproving the contract.

Representative McLendon moved that the Committee express disapproval of the signing of the contract between DEQ and the contractor, Gordon - Darby Arizona Testing, Inc., regarding the additional fees amounting to $6.2 million because of the perceived uncertainty by the contractor with the appropriation process The motion carried.

OFFICE OF THE ATTORNEY GENERAL - Report on Interagency Service Agreements.

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

DEPARTMENT OF ECONOMIC SECURITY - Review of Long Term Care Expenditure Plan.

Senator Wettaw commented that the cost in rural Arizona is so much higher to provide long-term care services.
Senator Bowers asked Mr. Stavneak to give the Committee, at a future date, some idea of the increased long-term impact of these programs given the fact this fiscal year alone there are 16 million more people.

Senator Lopez moved that the Committee give a favorable review as recommended by JLBC Staff to the Department of Economic Security Long Term Care program expenditure. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION - Report on Leasing of Grand Canyon Airport.

There was no discussion on this item and no Committee action was required.

COMMUNITY COLLEGES/BOARD OF REGENTS - Report on Transfer Articulation.

There was no discussion on this item and no Committee action was required.

STATE MINE INSPECTOR - Report on Abandoned Mines Safety Fund in FY 2000.

Senator Bowers asked if the agency is on track for blocking access to the mines or closing them for safety reasons.

Mr. Drew Langley, State Mine Inspector, said that they are on track but felt they could be doing better.

One of the problems they have run into are the prerequisites that were really not well understood before, such as bat surveys and clearances. That has slowed the process down on some of the larger mines. Bellmont Tonopah is the next large project but they are moving forward fairly well. Some large areas have been fenced off due to vandalism and for safety, others have been posted.

Representative Blewster asked why only 17 mines have been protected or fenced in in the past year. Mr. Langley said that some mine inspections take longer than others and there have been procurement problems. She also asked if they are done by one bidder as a group or individually. He said that some are done by 1 bidder and some are done with funding from BLM and the Western Governor's Association.

Representative McGrath asked what the average cost of a bat gate is or does it vary from mine to mine. Mr. Langley said that it does differ because of the size of mine openings and the bat population. He said that Game and Fish was going to do an assessment of the bats but did not have the resources so they have hired a registered "bat person" to come in at certain times during migration to assess the bat population.

ARIZONA CRIMINAL JUSTICE COMMISSION - Report on Criminal Justice Enhancement Fund.

There was no discussion on this item and no Committee action was required.

Senator Gnant noted that this was the last meeting of the JLBC for this biennium and thanked all the members for their work, especially on the Rule 14s.

Without objection, the meeting adjourned at 2:35 p.m.

Respectfully submitted:

_____
Cheryl Kestner, Secretary

_____
Richard Stavneak, Director

_____
Senator Randall Gnant, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 West Adams.

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CHRISTINE WEASON

DATE: February 13, 2001

TO: Representative Laura Knaperek, Chairman
Members, Joint Legislative Budget Committee

FROM: Richard Stavneak, Director

SUBJECT: ADOPTION OF COMMITTEE RULES AND REGULATIONS

The Committee will consider the attached rules and regulations for adoption at its February 19 meeting. The rules and regulations are the same as the Committee used in the last biennium.

RS:lm

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DATE: February 12, 2001

TO: Representative Laura Knaperek
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Rebecca Hecksel, Assistant Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION - CONSIDER APPROVAL OF MILEAGE REIMBURSEMENT FOR STATE TRAVEL BY MOTOR VEHICLE

Request

In accordance with A.R.S. § 38-623D, the Arizona Department of Administration (ADOA) requests that the Committee approve the maximum mileage reimbursement rate effective immediately after Committee approval. The rate is used to reimburse state employees who use their own vehicle while on official travel status.

Recommendation

The JLBC Staff recommends that the Committee approve the agency's request to increase the mileage reimbursement rate from 32.5 cents to 34.5 cents per mile. This change is consistent with federal reimbursement rates. The JLBC also recommends that the costs associated with the rate increase be absorbed in agencies' budgets without a change in the level of appropriations.

Analysis

The federal government conducts an annual study based on market conditions across the nation including the cost of gasoline, repairs, maintenance, insurance and depreciation, and uses the data to update its travel reimbursement rates by November of each year. These rates are used by the Internal Revenue Service for tax purposes. ADOA compares Arizona's current rates to the federal rates and requests adjustments from the JLBC. At its November 20, 2000 meeting, the JLBC approved rate increases for lodging and meal reimbursement rates. The federal

(Continued)

government had not yet made its recommendation on mileage reimbursement rates at that time. The last increase for the mileage reimbursement rate was approved at the March 20, 2000 JLBC meeting.

ADOA has requested that the increased reimbursement rate be effective immediately upon Committee approval. The JLBC has therefore calculated that for the remainder of FY 2001 there will be a General Fund impact of $23,000 and an Other Fund impact of $76,700. Applying this increase to the full FY 2002, ADOA calculates a General Fund impact of $68,900 and an Other Fund impact of $230,200 across all state agencies. These calculations are based on miles traveled in FY 2000.

RS:RH:ss

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DATE: February 13, 2001

TO: Representative Laura Knaperek
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Rebecca Hecksel, Assistant Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION - REPORT ON STATE EMPLOYEE HEALTH PLANS

Request

The Arizona Department of Administration (ADOA) is providing its planned contribution strategy for a new statewide health insurance contract beginning on October 1, 2001. A.R.S. § 38-658A requires ADOA to go before the Committee at least 10 days before they enter into or renew contracts for medical and dental coverage. While ADOA does not expect to sign the contract until March, the JLBC Staff believes that the Committee would benefit from a presentation by ADOA on the specifics of the Request for Proposal (RFP) that was sent out to potential healthcare contractors.

Recommendation

This report on the RFP for statewide health insurance coverage is for information only and no Committee action is required. ADOA will need to return to the Committee at least 10 days prior to signing the new contract.

Analysis

ADOA entered into the current health insurance contract in 1997 with options for annual renewal for up to 5 years provided there are no material changes in member coverage. Upon renegotiations for each year, each of the insurance carriers was held to a maximum increase under the renewal caps of 10%. These caps have helped to keep the state's rates relatively low compared to medical inflation. Watson Wyatt, in a study conducted for ADOA in March 2000, estimated that the renewal caps implemented in the fourth year of the contract would save approximately $20 million in state insurance premiums. Material changes implemented as a result of Laws 2000, Chapter 37 created the need to re-bid the fifth

(Continued)

year of the current health insurance contract. In the re-bidding process, all renewal caps were removed and each of the insurance carriers were allowed to increase their rates to any level of their choosing.

When ADOA entered into negotiations with the insurance carriers this summer for the fifth year of the current health insurance contract, the insurance carriers replied with an average premium increase of 40%. The removal of the caps allowed insurance carriers to increase their rates up to the level that they would have had they not been held to renewal caps over the 4-year contract period. Also affecting the rate increases, both Intergroup and United Health Care lost millions of dollars in 2000 with United Health Care requesting the largest rate increase of 58%. ADOA has therefore decided to bid on a new health insurance contract starting October 1, 2001.

ADOA constructed the RFP with a minimum employee premium of $25 per month for single coverage and $125 per month for family coverage. The current minimum premiums are $5 and $75 per month, respectively. When bidding on the contract, insurance carriers have an option as to which region they would like to provide coverage for. They may choose whether the state is divided into 2 regions, 3 regions or simply rural and metro. ADOA has put together estimates assuming that the state is divided into 3 regions: Maricopa, Pima, and all other. ADOA has put together its estimate assuming that there is no HMO coverage in rural areas and that employees living in rural areas are covered through Preferred Provider Organizations/Point of Service (PPO/POS), also known as freedom of choice plans. ADOA has constructed the RFP so that employees whose only option it is to enroll in the freedom of choice plans, (all employees outside of Maricopa and Pima counties) will pay the minimum premium amounts of $25/$125.

ADOA provided both JLBC and OSPB with their estimates of how they expect insurance carriers to respond to the Request for Proposal (RFP) issued in December. OSPB estimates the impact on the state to be $43.4 million in FY 2002 and $71.2 million in FY 2003. In order to ease some of the impact on the GF in FY 2002, OSBP recommends spending down the fund balance in the Health Insurance Trust Fund of approximately $14.6 million. The JLBC recommendation is in concurrence with the OSPB recommendation, however, the JLBC adds approximately $2 million in each year in order to hold employee premiums at the current level. Currently, employees pay an average monthly premium of $32 for single coverage and $112 for family coverage. The JLBC recommendation assumes that the minimum premiums are established at $32/$112 instead of $25/$125 as ADOA has recommended. Although the JLBC recommendation is higher for single coverage, it is lower for family coverage, which is 53% of total enrollment. The JLBC recommendation would reduce the cost to employees and proportionately increase the state's cost. The JLBC recommendation is therefore $1,659,900 higher than the OSPB recommendation in FY 2002 and $2,213,200 higher than the OSPB recommendation in FY 2003, for a total recommended increase of $20,338,900 in FY 2002 and $45,545,200 in FY 2003.

ADOA also plans on soliciting bids for a new statewide dental contract effective October 1, 2001. ADOA expects just a 5% increase in dental premiums in the 5th year of the contract, however, they think it would easier for the employees and more cost effective to the state to have an open enrollment period in which both health and dental plans are addressed. As a part of our budget recommendations, we have included a FY 2001 supplemental increase of $489,400 from the Health Insurance Trust Fund for open enrollment costs. ADOA has not provided the JLBC with estimates of state and employee premium increases for the new dental contract.

RS:RH:ss

Joint Legislative Budget Committee
Staff Memorandum

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DATE: February 12, 2001

TO: Rep Laura Knaperek, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: DEPARTMENT OF TRANSPORTATION – REPORT ON GRAND CANYON AIRPORT FUNDING

Request

The Arizona Department of Transportation (ADOT) requests that the Committee release the remaining $238,700 of the FY 2001 appropriation to operate the Grand Canyon Airport either through the end of FY 2001 or until it is leased to a non-profit corporation, whichever occurs first.

Recommendation

The JLBC Staff recommends the release of $238,700 of funding in FY 2001 from the Grand Canyon Airport Special Line to operate the airport either through the end of FY 2001 or until it is leased to a non-profit corporation, whichever occurs first.

Analysis

The ownership and management of the Grand Canyon Airport was transferred from ADOT to the then newly established Grand Canyon Airport Authority on October 1, 1999, in accordance with Laws 1999, Chapter 213. The Authority was envisioned as having more local control, more freedom from the state bureaucracy, and with the ability to borrow funds for capital needs. However, ADOT subsequently determined that the Authority was a semi-autonomous state entity, instead of an independent municipal corporation, which still had to use the state accounting system, personnel system, and administrative rule making process. To remedy these shortcomings, Laws 2000, Chapter 99 was enacted. Chapter 99 eliminates the Grand Canyon Airport Authority, reverts any unexpended and unencumbered monies previously appropriated to the Authority to the State Aviation Fund, and returns the operation of the Grand Canyon National Park Airport to ADOT, effective July 18, 2000. ADOT must lease the airport to a nonprofit corporation, to operate and develop the airport as provided in the lease, by March 1, 2001.

Prior to the passage of Chapter 213, the General Appropriation Act included $636,200 in FY 2001, for the operation of the Grand Canyon Airport. As a result, the airport had double funding in FY 2001, with one appropriation from Chapter 213 and another from the General Appropriation Act. A General Appropriation Act footnote required that before the expenditure of any of these monies for the Grand Canyon Airport, the department had to report to the Joint Legislative Budget Committee on the status and projected date of the privatization of the airport. At its June 22, 2000 meeting the Committee reviewed ADOT's plan to expend up to $397,500 (7½ months, July 18, 2000 through March 1, 2001) of the FY 2001 appropriation to operate the Grand Canyon Airport until it is leased to a non-profit corporation. The

$238,700 being reviewed here is balance of $636,200 appropriation for FY 2001.

The funding source of the Grand Canyon Airport Authority's operating budget was to be airport user fees and charges. Laws 2000, Chapter 99 transferred all remaining collected but unspent airport related cash and revenues of the Grand Canyon Airport Authority, amounting to $1,123,800, to ADOT on July 18, 2000, and subsequently appropriated these monies to ADOT for transfer to the nonprofit corporation lessee on the effective date of the lease. These monies revert to the State Aviation Fund if they have not been transferred to the nonprofit lessee by July 1, 2001.

After the lease has been agreed to by the parties and reviewed by the Attorney General, Laws 2000, Chapter 99 requires ADOT to submit the lease for review by the JLBC at least 30 days before they intend to execute the lease. ADOT may not execute the lease until the JLBC submits a report summarizing the terms of the lease, within 30 days of receipt from ADOT, to the Speaker of the House of Representatives and the President of the Senate.

There is currently a bill, SB 1218, which would exempt a nonprofit corporation that leases the Grand Canyon National Park Airport from the state's administrative rule making process, procurement code, and personnel administration. The bill also would delete the 20-year limit on the length of a lease, and would delete the requirement that ADOT lease the airport by March 1, 2001. The bill has an emergency clause.

It is clear that ADOT will not have completed the leasing of the airport by the March 1, 2001 statutory deadline, and that they will need to use some or all of the remaining appropriation for FY 2001 to continue operating the airport. It is unclear if or when ADOT will actually lease the airport to a non-profit corporation.

The JLBC Staff recommends the release of $238,700 of funding in FY 2001 from the Grand Canyon Airport Special Line to operate the airport either through the end of FY 2001 or until it is leased to a non-profit corporation, whichever occurs first.

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CHRISTINE WEASON

DATE: February 12, 2001

TO: Representative Laura Knaperek, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Pat Mah, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY - REVIEW OF FEDERAL SOCIAL SERVICES BLOCK GRANT FY 2001 EXPENDITURE PLAN

Request

Pursuant to a footnote in the FY 2000 and FY 2001 General Appropriation Act, the Department of Economic Security (DES) wishes to again report to the Committee the intended distribution of federal Social Services Block Grant (SSBG) monies for FY 2001. The initial report was submitted in June, but the Committee deferred reviewing it since the federal government had not yet determined the federal fiscal year (FFY) 2001 allocations for SSBG monies.

Recommendation

The JLBC recommends a favorable review of the department's expenditure plan for SSBG monies in FY 2001 because it follows legislative intent in that it "minimizes the overall reductions in funding to state-planned and locally-planned providers," as required by a footnote in the General Appropriation Act. We also note that DES continues for FY 2001 its FY 2000 policy of using surplus Temporary Assistance for Needy Families (TANF) Block Grant monies to reduce cuts in SSBG funding.

Analysis

The SSBG is a federal grant given to states to provide a variety of social services intended, in part, to maintain self-sufficiency, reduce and prevent dependency, and prevent and remedy neglect and abuse. In 1998, Congress and the President reduced SSBG funding for FFY 1999. The 1999 Legislature responded by approving a transfer of monies from the federal TANF Block Grant to offset expected federal cuts in SSBG funding in FY 1999, FY 2000, and FY 2001.

(Continued)

The additional funding was intended to cushion the impact of the federal reductions, making up 100% of the cut in FY 1999, 67% of the expected cut in FY 2000, and 33% of the expected cut in FY 2001. The Legislature also directed the department to use the funding in a manner that minimizes the overall reduction in funding to local and state service providers. For FY 2001, a footnote in the General Appropriation Act provides that "the $2,581,300 allocated for use in restoring federal reductions shall be expended by the Department of Economic Security in a manner that minimizes the overall reductions in funding to state planned and local planned providers."

The Legislature included another footnote in the General Appropriation Act so that it could review DES' plans if the actual SSBG allocation differed from that assumed in the budget. Table 1 shows the FY 2001 approved funding, along with the actual federal allocations for FY 1999 and FY 2000. It also shows the amount reflected in the department's proposed FY 2001 SSBG planned expenditures.

Table 1

	Approved FY 1999	Approved FY 2000	Approved FY 2001	Proposed SSBG Plan FY 2001
Federal SSBG allocation	$32,939,500	$30,452,000	$29,508,800	$29,732,900
TANF/SSBG appropriation	3,990,100	4,186,600	2,581,300	2,581,300
Expected Surplus TANF	0	2,291,000	0	1,612,700
Total Funding Level	$36,929,600	$36,929,600	$32,090,100	$33,926,900

The department reported in June 2000 that it planned to transfer surplus TANF JOBS funding for FY 2001 to SSBG. The amount of surplus TANF was dropped from the $2,291,000 in FY 2000 to $1,612,700 in FY 2001 based on the expectation that there will be fewer SSBG clients eligible to use TANF funding instead of SSBG funding. The department's latest report continues to show use of the $1,612,700 in surplus TANF for FY 2001. (Please see Attachment 1 for the department's FY 2001 SSBG Reduction Plan.)

To meet the footnote requirement, DES has submitted its updated SSBG plan that shows Arizona will receive a FY 2001 SSBG allocation of $29,732,900. Combined with the $2,581,300 of TANF-transferred SSBG to offset 33% of the federal cut in SSBG funding and $1,612,700 of anticipated surplus TANF appropriated for FY 2001, this produces a FY 2001 total funding level of $33,926,900. The amount for FY 2001, $33,926,900, exceeds the amount assumed in the budget, $32,090,100, by $1,836,800 because of the use of surplus TANF and a change from the original federal allocation by $371,400. Instead of a reduction of $(4,839,500) in FY 2001 from FY 2000 because of the previous federal cuts to SSBG funding, the reduction in funding would be $(3,002,700) or 8.1%.

The department uses almost all of the $2,581,300 of TANF-transferred SSBG to minimize the overall reduction in funding to local and state service providers. A total of $2,493,200 is used for local and state providers and the remaining $88,100 is used for the department's FTE Positions that work with various community service programs.

We found the FY 2000 DES SSBG plan to be consistent with legislative intent in that state-planned and locally-planned providers will receive about all of the $2,581,300 that was allocated to minimize federal reductions to the SSBG grant. The department's plan also uses surplus TANF monies to minimize the SSBG cut for both agency's operations and local and state providers.

RS/PM/ss
Attachment

STATE OF ARIZONA

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MARION L. PICKENS
CHRISTINE WEASON

DATE: February 13, 2001

TO: Representative Laura Knaperek, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA STATE UNIVERSITY - REPORT ON EAST CAMPUS MULTI-YEAR FUNDING PLAN

Pursuant to a request by the Committee Chairman, Arizona State University (ASU) has submitted their student enrollment and funding estimates for the development of the ASU-East Campus.

The East Campus was authorized by Laws 1994, Chapter 218 in order to meet estimated future enrollment demand. The campus was anticipated to eventually accommodate 5,000 full-time equivalent (FTE) students. The ASU plan estimates FTE student enrollment will reach 5,000 in FY 2008.

The Chairman requested the plan so the Committee could review the estimated funding requirements associated with campus development. The last table on page 2 of the submitted material provides the yearly estimates for student enrollment and funding requirements.

RS/LM:JB

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CHRISTINE WEASON

DATE: February 13, 2001

TO: Representative Laura Knaperek, Chairman
Members, Joint Legislative Budget Committee

FROM: Richard Stavneak, Director

SUBJECT: REPORT ON RECENT AGENCY SUBMISSIONS

Request

The JLBC has received a number of statutorily required reports during the past month. Each report is briefly described below.

Recommendation

The reports are for information only and no Committee action is required. We do not intend to discuss the reports at the JLBC meeting unless a member has a question. If any member knows in advance that they will have questions, we would appreciate knowing that before the meeting so as to ensure the relevant agency is available.

Analysis

1) ADOT - MVD Wait Times Report

The Arizona Department of Transportation (ADOT) is required to report monthly on customer wait times in Motor Vehicle Division (MVD) offices. ADOT reported average customer wait times from door to counter in MVD field offices of 29.1 minutes in FY 1999, 14.9 minutes in FY 2000, and 14.7 minutes for the first six months of FY 2001. Total customer time spent in MVD field offices averaged 23.1 minutes, including 14.7 minutes of wait time and 8.4 minutes of transaction time, in the first half of FY 2001.

2) Department of Health Services - Review of SMI Services Distribution Plan

At its October meeting, JLBC reviewed a distribution plan for $50 million in one-time funding for the Seriously Mentally Ill. At that time, JLBC asked Department of Health Services (DHS)

to report additional information in January when we anticipated more complete information regarding the number of housing units to be purchased with the funds, types of housing that will be provided, and exact numbers of clients to be served would be available. The department agreed with the January due date. DHS has provided JLBC staff with updated but incomplete information. According to DHS, it may be 6-9 months before a more comprehensive spending plan is available. JLBC Staff and DHS have agreed to revisit the issue in July.

3) Department of Economic Security - Bimonthly Report on Arizona Works

As the vendor for the state's Arizona Works pilot welfare program, MAXIMUS is required to report bimonthly on Arizona Works. It has submitted two reports since the previous report in September. Total caseloads in Arizona Works increased 3.4% from July to November; over the same period of time, welfare caseloads in the rest of Maricopa County increased 8.3%. The report also indicates that the contract for the expansion of the pilot into Mohave County is still pending.

4) Department of Economic Security/Joint Legislative Budget Committee - Report on the Distribution of Federal Monies received by the Transitional Independent Living Program

The Department of Economic Security (DES) is required to provide an annual report on the distribution of non-appropriated federal Independent Living monies for foster care children that are transitioning into living on their own. This first annual report pursuant to Laws 2000, Chapter 285 shows that the yearly federal allocation for the Independent Living monies will continue to be at the federal fiscal year (FFY) 2000 amount of $1,221,100 through FFY 2002. The department expects to expend in each state fiscal year (SFY) this annual total grant of $1,221,100 and also $1,500,000 in federal IV-E funds. In addition, state General Fund expenditures are estimated at $500,000 in both SFY 2002 and SFY 2003. The General Fund amounts have changed from SFY 2000 because additional federal monies are available to pick up a greater portion of the program's cost. Funding from all sources totals $3,221,100 in both SFY 2002 and SFY 2003 to continue to serve SFY 2001 caseload levels of 742 clients. The monies are used to fund a wide array of services, including general or specialized case management; independent living skills training; community mentor services; transportation, tutor and school supplies support; out-of-home placement subsidies; and counseling for emancipation.

5) Arizona Criminal Justice Commission - Report on State Aid to County Attorneys Fund and the State Aid to Indigent Defense Fund

Pursuant to A.R.S. § 41-2409E, the Arizona Criminal Justice Commission (ACJC) is required to report on the expenditures of monies in the State Aid to County Attorneys Fund and State Aid to Indigent Defense Fund by January 8, 2001. Monies in the funds are distributed to counties based on a statutory formula that uses population and criminal case filings. ACJC reports that counties used the monies in three main areas: additional staffing to process more cases, equipment purchases to improve case management, and contracts for outside services to improve criminal case processing. The legislation establishing the funds and the reporting requirement included a legislative intent section that set timelines for criminal case processing. The report, however, does not contain information about the impact of the monies on the time to process a criminal case. In the future, we believe the report should contain a measurement of the progress of improving criminal case processing times.

6) ADOA - Semi-Annual Report on Health Insurance Performance Standards:

The Arizona Department of Administration (ADOA) is required to report at least semiannually on the performance of those medical and dental vendors currently under contract. In 2000, responses indicate that satisfaction has improved for all four medical insurance vendors by an average of 5%. The medical insurance vendors' ratings ranged from 64% to 90%. PacifiCare, the provider receiving the lowest rating in 1999 of 60%, improved by 4% in 2000. The dental insurance vendors' ratings in 2000 ranged from 66% to 83%. This is the first year that ADOA has gathered performance data on dental coverage.

7) Supreme Court - Report on Criminal Case Processing and Enforcement Improvement Fund and the State Aid to the Courts Fund

The Supreme Court is required to report on the Criminal Case Processing and Enforcement Improvement Fund and the State Aid to the Courts Fund yearly by January 8, 2001. The report is to include progress of criminal case processing projects and enforcement of court orders, as well as the expenditure of the State Aid to the Courts Fund monies for the prior fiscal year. We have received the report yesterday and have not had sufficient time to provide an analysis.

One required report has not yet been received:

8) ADOT - LTAF Report

ADOT is required to report annually by January 1st on the revenues and expenditures of certain Local Transportation Assistance Fund monies. We have not yet received the report.

RS:lm