

JLBC MEETING

At its August 17 meeting, the Joint Legislative Budget Committee considered the following issues:

Department of Administration – Review of Risk Management Deductible – The Committee gave a favorable review to deductible amounts the Arizona Department of Administration (ADOA) charges agencies for risk management losses. The approved deductible amount is \$10,000, which represents no change from the previous year.

Department of Administration – Review of Emergency Telecommunication Services Revolving Fund Expenditure Plan – The Committee gave a favorable review to the \$16.4 million wireless portion of the Emergency Telecommunications Services Revolving Fund (ETSF) expenditure plan. The favorable review contained two Committee requests: 1) The Government Information Technology Agency (GITA) examine ADOA's long-term revenue forecasts and expenditure plans and provide its perspective on the state's overall 911 needs. 2) ADOA report to the Committee its recommendations for preventing a future ETSF shortfall.

Attorney General – Review of Allocation of Settlement Monies – The Committee gave a favorable review to the Arizona Office of the Attorney General's (AG) allocation of monies received from a settlement with Ford Motor Company and 27 Arizona Ford and Lincoln Mercury dealers, due to violations of Arizona consumer fraud laws. Under the settlement, Arizona will receive \$12,800 from Ford Motor Credit Company and \$121,500 from the 27 auto dealers, which will be deposited in the Consumer Fraud Revolving Fund. Additionally, approximately 2,400 consumers in Arizona will receive \$100 as a result of the settlement.

At the June 29th JLBC meeting, the Committee requested that the AG report back once it had finalized an expenditure plan from the \$604,800 Medco Health Solutions settlement. The AG will distribute \$345,000 to hospitals, school based clinics and community health centers to provide medications to elderly, school-aged children and low-income residents. The remaining \$259,800 will provide funding for programs designed to educate Arizona consumers on the cost differences between prescription medications, as well as programs to benefit Arizona citizens using prescription drugs.

Attorney General – Review of Uncollectible Debts

– The Committee gave a favorable review of the AG's FY 2003 report on uncollectible debt totaling \$16.4 million. Upon Committee review, the Department of Administration is able to remove this debt from the state's accounting system. The debt is listed as uncollectible due to debtors being deceased, insufficient debtor resources, defunct corporations, settlement agreements, inability to locate the debtor or because the cost of collection exceeds the amount of the debt owed. The reviewed amount exclude 2 items on the original report totaling \$8.1 million since the AG still plans on pursuing co-defendants in each of these cases.

Arizona Community Colleges – Review of Workforce Development Plan Activities and Expenditures

– The Committee gave a favorable review to the Arizona Community Colleges report on \$8.5 million in FY 2003 workforce development plan activities and expenditures. Monies for workforce development activities are derived from Proposition 301 sales tax revenues. Total revenues in FY 2003 were \$10.5 million.

JLBC Staff – Review of Calculation of Inflation for Transaction Privilege Tax County Withholding

– The Committee gave a favorable review to the \$5.6 million county contribution for Proposition 204 administrative costs for FY 2005. This amount reflects a 5.4% increase above the FY 2004 contribution level and is consistent with the FY 2005 budget.

Arizona State Retirement System – Review of FY 2005 Information Technology Expenditure Plan

– The Committee gave a favorable review to the Arizona State Retirement System's (ASRS) FY 2005 Information Technology expenditure plan. ASRS was appropriated \$9.1 million in FY 2005 to upgrade their current information technology system.

Department of Economic Security – Review of Proposed Implementation of Developmental Disabilities Provider Rate Increase

– The Committee gave a favorable review to the Department of Economic Security's (DES) implementation plan for distributing a developmental disabilities (DD) provider rate increase totaling \$6.4 million General Fund and \$18.9 million Total Funds. The largest increase is for the Habilitation-Group Home category, which will receive half of the increase. The rest of the increase will go to home-based providers of services such as attendant care, housekeeping and respite. The Committee also requested that DES report the results of the actuarial

study of day treatment rates to the Committee by December 31st.

Department of Health Services – Report on Health Crisis Fund Expenditures and Arizona State Hospital

– The Committee heard testimony on a report from the Department of Health Services on the expenditures from the Health Crisis Fund. The report indicated that \$795,000 was authorized from the account in FY 2004 for the following issues:

- \$230,000 to the Arizona Health Care Cost Containment System (AHCCCS) for Health Care Group outreach, including postage costs.
- \$200,000 to AHCCCS for Medicare Drug Card outreach.
- \$146,000 to DHS for West Nile Virus eradication measures
- \$219,000 to DHS for automated drug dispensing machines at the Arizona State Hospital.

Several members voiced concern over the \$430,000 in expenditures authorized to AHCCCS for public information regarding health care options for the uninsured, questioning whether the purpose of the authorized expenditures constituted a crisis.

Arizona Department of Education – Report on Estimated Fiscal Impact of Changes to Achievement Testing Program

– The Committee heard testimony on updated information regarding increases in achievement testing costs. At the March 2004 JLBC meeting, the Arizona Department of Education (ADE) projected an additional \$4.2 million achievement testing contract in FY 2005 above FY 2004. The current estimate is \$5.5 million. The revised estimate would imply a \$1.3 million shortfall for achievement testing in FY 2005 as the General Appropriation Act provides the program with \$4.2 million rather than the revised \$5.5 million increase.

Chairman Burns asked if ADE could reduce its costs by requiring school districts and charter schools to pay for test retakes when a student has already passed the AIMS test. ADE is not in favor of this proposal.

Governor’s Office of Strategic Planning and Budgeting – Report on Federal Revenue Maximization Initiative

– The Governor’s Office of Strategic Planning and Budgeting (OSPB) submitted the first in a series of reports on the status of a Federal Revenue Maximization Initiative, intended to ensure that Arizona receives the maximum amount of federal revenues legally available to the state. The FY 2005 budget incorporated \$25 million of savings as a result of this initiative.

The Governor has created the RevMax Governance Board to select projects. The Board has awarded contracts to 6 consulting firms, who can be utilized as needed to analyze projects designed to increase federal revenues to the state. While no action was required, the Committee did request that OSPB provide a list of projects that have either been initiated or referred to agencies for final cost-benefit analysis in future reports.