MEETING NOTICE

- Call to Order

- Approval of Minutes of March 26, 2013.

- DIRECTOR’S REPORT (if necessary).

- EXECUTIVE SESSION
  A. Arizona Department of Administration - Review for Committee the Planned Contribution Strategy for State Employee and Retiree Health Plans as Required under A.R.S. § 38-658A.
  B. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.

1. ATTORNEY GENERAL - Review of Allocation of Settlement Monies.


The Chairman reserves the right to set the order of the agenda.

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.
The Chairman called the meeting to order at 8:13 a.m., Tuesday, March 26, 2013, in House Hearing Room 4. The following were present:

Members: Representative Kavanagh, Chairman
Representative Alston
Representative Gowan
Representative Lesko
Representative Mach
Representative Olson
Representative Ugenti

Absent: Representative Kwassman

APPROVAL OF MINUTES

Senator Shooter moved that the Committee adopt the minutes from December 18, 2012. The motion carried.

ADOPTION OF COMMITTEE RULES AND REGULATIONS

Mr. Richard Stavneak, JLBC Staff, stated that the Committee Rules and Regulations remain the same as last session.

Senator Shooter moved that the Committee adopt the JLBC Committee Rules and Regulations. The motion carried.


Mr. Ben Henderson, JLBC Staff, stated that this item is an FY 2013 – FY 2016 expenditure from the Automation Projects Fund for the replacement of the Arizona Financial Information System (AFIS). He highlighted information in Attachment 1 which was distributed to Committee members. The JLBC Staff presented options to the Committee.

(Continued)
Mr. James Colbert, Vice-President and Implementation Project Manager of Consulting for Government and Industry (CGI), responded to member questions.

Mr. Aaron Sandeen, Chief Information Officer and Deputy Director, ADOA, responded to member questions.

_Senator Shooter moved_ that the Committee give a favorable review to ADOA’s $70 million AFIS replacement project expenditure plan, along with the following provisions:

1. **ADOA** expand their quarterly report on expenditures from the Automation Projects Fund to specifically address the current status of the Arizona Financial Information System (AFIS) replacement project. The report is to include expenditures to date, timeline for completion, and current status.

2. **By October 1, 2013,** ADOA report on all agencies, excluding the Universities, that are not participating in the new AFIS system. This report should provide justifications from each agency as to why they are not participating in the new AFIS system.

3. **By April 1, 2014,** ADOA report on the estimated ongoing maintenance costs of the new AFIS system, including costs of routine scheduled upgrades to the system and estimates for ongoing staffing requirements beyond FY 2016.

4. **ADOA** return to the Committee for further review of any expenditures from the $4.1 million contingency allocation.

The motion carried.

**ATTORNEY GENERAL**

A. **Review of Allocation of Settlement Monies - State v. GlaxoSmithKline, LLC.**

Mr. Andrew Hartsig, JLBC Staff, stated that this item is a review of the Attorney General’s (AG) expenditure plan for a total of a $3.0 million allocation from a consent judgment with GlaxoSmithKline, LLC (Glaxo), $650,000 of which will be deposited into the AG’s Consumer Fraud Revolving Fund and $2.4 million of which will be used to fund childhood obesity research.

Ms. Dena Benjamin, Section Chief Counsel, Office of the Attorney General, responded to member questions.

_Senator Shooter moved_ that the Committee table the AG’s allocation plan from the $3.0 million consent judgment with GlaxoSmithKline, LLC until the AG develops a specific plan for the $2.4 million expenditure. The motion carried.

B. **Review of Allocation of Settlement Monies - State v. Pfizer, Inc.**

Mr. Andrew Hartsig, JLBC Staff, stated that this item is a review of the Attorney General’s (AG) expenditure plan for a $1.7 million consent judgment with Pfizer, Inc. The JLBC Staff recommended a favorable review of this item.

_Senator Shooter moved_ that the Committee give a favorable review of the AG’s allocation plan from the $1.7 million consent judgment with Pfizer, Inc. The motion carried.

(Continued)
EXECUTIVE SESSION

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

At 9:20 a.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 9:50 a.m. the Committee reconvened into open session.

Senator Shooter moved that the Committee approve the recommended settlement proposed by the Attorney General's office in the case of Union Pacific Railway Company v. State of Arizona. The motion carried.

Without objection, the meeting adjourned at 9:51 a.m.

Respectfully submitted:

Alanna Carabott, Secretary

Richard Stavneak, Director

Representative John Kavanagh, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at http://www.azleg.gov/jlbc/meeting.htm.
<table>
<thead>
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<th>Consultant Project Oversight</th>
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| Total             | 73.0|

**JLBC Staff recommends that ADOA:**

1) Expand the Automation Projects Fund quarterly report to include the AFIS replacement project.

2) Return to the committee to report on agencies that will not be participating in the new AFIS system.

3) Return to the committee to report on estimated ongoing maintenance costs for the new AFIS system.

4) Return to the committee for review of any expenditures from the $4.1 million contingency allocation.
DATE: June 5, 2013

TO: Representative John Kavanagh, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Andrew Hartsig, Fiscal Analyst

SUBJECT: Attorney General - Review of Allocation of Settlement Monies

Request

The FY 2013 General Appropriation Act (Laws 2012, Chapter 294) contains a footnote that requires the Joint Legislative Budget Committee (JLBC) review of the expenditure plan for settlement monies over $100,000 received by the Office of the Attorney General (AG), or any other person on behalf of the State of Arizona, prior to expenditure of the monies. Settlements that are deposited in the General Fund pursuant to statute do not require JLBC review.

This request is for review of the expenditure plan for a total of $4.7 million from 3 settlements: 1) $3.8 million from a consent judgment with Lender Services Processing, Inc. (LPS); 2) a $682,100 consent judgment with Toyota Motor Corporation; and 3) a $326,300 consent judgment with Google, Inc.

Recommendation

The Committee has at least the following options:

1. A favorable review of the $4.7 million allocation plan.
2. An unfavorable review of the allocation plan.

Analysis

Lender Services Processing, Inc.

In March 2013, the AG and 45 other states, including the District of Columbia, entered into a consent judgment with LPS as a result of their investigation which alleged that LPS "robo-signed" documents and engaged in other improper conduct related to mortgage loan default servicing.

(Continued)
The settlement requires LPS to pay $3.8 million to the AG, which will be deposited into the Consumer Fraud Revolving Fund for attorney fees, investigation costs, and to support consumer fraud investigations, consumer education, and enforcement of the Consumer Fraud Act and AG operating expenses, as well as other purposes permitted by state law, at the sole discretion of the AG. The Consumer Fraud Revolving Fund is appropriated, and the AG’s ability to expend up to the fund’s annual appropriation level of $3.5 million depends on the amount of settlement revenues into the fund.

The settlement also prohibits LPS from the use of surrogate signing of documents and imposing unreasonable fees on third party providers’ default or foreclosure-related services. In addition, LPS is required to use enhanced oversight over third parties it manages and to establish a toll-free phone number for consumers concerning document execution and property preservation services. LPS must also provide remediation to consumers by correcting mortgage documents if necessary.

**Toyota Motor Corporation**

In April 2013, the AG and 29 other states entered into a consent judgment with Toyota as a result of allegations that Toyota engaged in unfair and deceptive practices by failing to disclose known safety defects. The complaint alleged that Toyota provided poor communication between the company’s Japanese and United States holdings.

The settlement requires Toyota to pay $682,100 to the AG, which will be deposited into the Consumer Fraud Revolving Fund. The settlement also requires Toyota to inform buyers of vehicles it reacquired with alleged safety defects. In addition, Toyota is prohibited from misrepresenting the purpose of an inspection or repair. Toyota must also provide restitution to consumers who have or will file complaints for out-of-pocket expenses incurred as a result of vehicles with “sticky pedal,” “floor mat entrapment” and “steering relay rod” National Highway Traffic Safety Administration recalls and safety campaigns.

**Google**

In March 2013, the AG and 37 other states entered into a consent judgment with Google as a result of allegations that Google collected data from unsecured wireless networks nationwide through the use of StreetView cars.

The settlement requires Google to pay $326,300 to the AG, which will be deposited into the Consumer Fraud Revolving Fund. The settlement directs Google to maintain a privacy program as specified in the agreement for 10 years. The company must also delete any payload data (e.g., web pages and emails) that was collected through StreetView vehicles. In addition, Google is to design and implement a public service campaign about securing personal information over wireless networks.

RS/AH:tb
Attachments
The Honorable Andy Biggs  
President of the Senate  
1700 West Washington Street  
Phoenix, AZ 85007  

The Honorable Andy Tobin  
Speaker of the House  
1700 West Washington Street  
Phoenix, AZ 85007  

The Honorable Don Shooter  
Chairman, Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, AZ 85007

Re:  State of Arizona v. Lender Processing Services, Inc., Maricopa County Superior Court, CV2013-000430

Gentlemen:

The State of Arizona recently settled a case against Lender Processing Services, Inc. and its subsidiaries, LPS Default Solutions and Docx, (collectively “LPS”) resolving allegations that the company, which primarily provides technological support to banks and mortgage loan servicers, “robo-signed” documents and engaged in other improper conduct related to mortgage loan default servicing.

The settlement, in the form of a Consent Judgment, was joined by 44 other Attorneys General and the District of Columbia. The Consent Judgment also contains, among other terms, the following:

• Prohibits LPS (including Docx) from engaging in the practice of surrogate signing of documents;
Ensures that LPS has proper authority to sign documents on behalf of a mortgage loan servicer, if in fact it is signing documents;

Requires LPS to accurately identify the authority that the signer has to execute the document and where that signer works;

Prohibits LPS from notarizing documents outside the presence of a notary and ensures that notarizations will comply with applicable laws;

Prohibits LPS from improperly interfering with the attorney-client relationship between attorneys and services;

Prohibits LPS from incentivizing or promoting attorney speed or volume to the detriment of accuracy;

Requires LPS to ensure that foreclosure and bankruptcy counsel or trustees can communicate directly with the servicer;

Requires LPS to have enhanced oversight and review of processes over third parties it manages, including those entities that perform property preservation services;

Prohibits LPS from imposing unreasonable mark-ups or other fees on third party providers' default or foreclosure-related services;

Requires LPS to establish and maintain a toll-free phone number for consumers concerning document execution and property preservation services (including winterization, inspection, preservation, and maintenance); and

Requires LPS to modify mortgage documents that require remediation when LPS has legal authority to do so and when reasonably necessary to assist a consumer or when required by state or local laws.

The judgment also requires LPS to provide remediation to homeowners. First, LPS must review mortgage loan documents executed during the period of January 1, 2008 to December 31, 2010 to determine what documents, if any, need to be re-executed or corrected. If LPS is authorized to make the corrections, it will do so and will make periodic reports to the Attorney General of the status of its review and/or modification of documents. Second, LPS is also required to establish and staff a toll-free number that consumers may call to request that LPS review and correct mortgage loan documents executed by LPS at any time.

As a result of this consumer protection enforcement action, LPS agreed to pay the settling states a total of $120,623,678 to resolve the multistate investigation and avoid litigation. Arizona's share of the settlement is $3,771,954. Under the Consent Judgment, the funds are to be deposited into the Consumer Fraud Revolving Fund.
pursuant to A.R.S. § 44-1531.01 to be used in accordance with the purposes set forth in statute.

Our notification of this settlement is made without prejudice to our Office’s longstanding position that it is not under any legal obligation to provide notices of settlements to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

If you have any questions, please feel free to contact me at (602) 542-7717 or by e-mail at dena.benjamin@azaq.gov.

Sincerely,

Dena R. Benjamin
Section Chief Counsel
Consumer Protection and Advocacy Section

cc: The Honorable John Kavanagh
    The Honorable Chad Campbell
    The Honorable Leah Landrum Taylor
    Mr. Richard S. Stavneak
    Mr. Andrew Hartsig (Consent Judgment enclosed)
    Mr. Joe Sciarotta
    Mr. Art Harding
    Ms. Vicki Salazar
May 7, 2013

The Honorable Andy Biggs
President of the Senate
1700 West Washington Street
Phoenix, AZ 85007

The Honorable Andy Tobin
Speaker of the House
1700 West Washington Street
Phoenix, AZ 85007

The Honorable John Kavanagh
Chairman, Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, AZ 85007

Re: State of Arizona v. Toyota Motor Corporation, Maricopa County Superior Court, CV2013-001550

Gentlemen:

The State of Arizona recently joined 29 other states in announcing a $29 million settlement with Toyota Motor Corporation ("Toyota") and its related North America entities over allegations Toyota concealed safety issues related to unintended acceleration.

Toyota agreed to pay the settling states $29 million to settle consumer protection claims and has agreed to provide additional restitution and incentives to vehicle owners to promote compliance with unintended acceleration safety recalls. As a result of the settlement, which is in the form of a Consent Judgment, Toyota will be restricted from advertising the safety of vehicles without sound engineering data to back such safety claims. The settlement does not constitute an admission of liability.

In the Complaint, filed with the Consent Judgment, the Attorneys General alleged Toyota engaged in unfair and deceptive practices when it failed to timely disclose known safety defects with accelerator pedals. The State Attorneys General allege poor
communication between Toyota’s nerve center in Japan and Toyota’s United States holdings were partially responsible for Toyota’s failure to timely report known safety issues. To address this concern, Toyota has agreed to significantly change the safety culture within the company’s United States operations. Toyota will ensure that officials and officers of its United States operations have timely access to information and the authority to fully participate in all decisions affecting the safe operation of Toyota vehicles advertised and sold in the United States.

In addition, the settlement provides that Toyota is:
- Prohibited from reselling a vehicle it reacquired with alleged safety defects without informing the purchaser about the alleged defect(s) and certifying that the reacquired vehicle has been fixed,
- Prohibited from misrepresenting the purpose of an inspection or repair when directing consumers to bring their vehicles to a dealer for inspection or repair, and
- Required to exclude from the “Toyota Certified Used Vehicles” or “Lexus Certified Pre-Owned Vehicles” categories any vehicle acquired through lemon law proceedings or voluntarily repurchased by Toyota to ensure customer satisfaction.
- The restitution program provides reimbursement to consumers who have filed complaints or who will file complaints within one year of the Judgment for reasonable out-of-pocket expenses incurred as a result of vehicles subject to the “sticky pedal,” “floor mat entrapment” and “steering relay rod” National Highway Traffic Safety Administration recalls and safety campaigns. To file a complaint, consumers may contact Toyota at 1-800-331-4331 or Lexus at 1-800-255-3987.

Arizona’s share of the settlement is $682,104.23. Under the Consent Judgment, the funds are to be deposited into the Consumer Fraud Revolving Fund to cover investigative costs, expenses, attorney’s fees, pursuant to A.R.S. § 44-1531.01.

Our notification of this settlement is made without prejudice to our Office’s long-standing position that it is not under any legal obligation to provide notices of settlements to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

If you have any questions, please feel free to contact me at (602) 542-7717 or by e-mail at dena.benjamin@azag.gov.

Sincerely,

Dena R. Benjamin
Section Chief Counsel
Consumer Protection and Advocacy Section
The Honorable Andy Biggs  
President of the Senate  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable Andy Tobin  
Speaker of the House  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable John Kavanagh  
Chairman, Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, AZ 85007

Re:  State of Arizona v. Google, Inc., Maricopa County Superior Court,  
CV2013-002392

Gentlemen:

The State of Arizona recently settled a case against Google, Inc. ("Google"), resolving allegations that Google used its StreetView vehicles to inappropriately collect and store WiFi network identification and other information sent over unencrypted wireless networks.

The settlement, in the form of an Assurance of Discontinuance, was joined by 37 other states and the District of Columbia. The states alleged that Google collected data from unsecured wireless networks nationwide while taking photographs for its StreetView service between 2008 and March, 2010. Google's StreetView cars were equipped with antennae and open-source software that the company acknowledged collected network identification information for use in offering "location aware" or future geolocation services. Google also allegedly collected and stored data frames and other "payload data" being transmitted over unsecured business and personal wireless networks. Google represented that its executives were unaware that payload data was being collected and that it took corrective steps once the collection was discovered.
the meantime, however, Google acknowledged that the collected information may have included URLs of requested webpages, partial or complete email communications, as well as confidential or private information being transmitted to or from wireless network users while the StreetView cars were driving by.

The assurance of discontinuance prohibits Google from collecting or storing payload data via its StreetView vehicles, except with notice and consent. The settlement also requires Google to:

- Maintain a privacy program, including employee training, as described in the Assurance, for ten years;
- Provide to the Attorneys General a copy of the initial and biennial public assessments and reports conducted pursuant to a separate settlement Google entered into with the Federal Trade Commission;
- Delete or destroy, as soon as practicable, all payload data it collected through its StreetView vehicles in the United States; and
- Design and implement a public service campaign designed to educate consumers about steps they can take to better secure their personal information while using wireless networks.

The assurance further requires Google to pay a total of $7,000,000 to the settling states in order to resolve the consumer protection claims. Arizona's share of the settlement is $326,280.81. Under the assurance, the funds are to be deposited into the Consumer Fraud Revolving Fund to cover investigative costs and attorney's fees pursuant to A.R.S. §44-1531.01.

Our notification of this settlement is made without prejudice to our office's longstanding position that it is not under any legal obligation to provide notices of settlements to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

If you have any questions, please feel free to contact me at (602) 542-7717 or by e-mail at dena.benjamin@azaq.gov.

Sincerely,

Dena R. Benjamin
Section Chief Counsel
Consumer Protection and Advocacy Section
DATE: June 5, 2013

TO: Representative John Kavanagh, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Ben Henderson, Fiscal Analyst

SUBJECT: Arizona Department of Administration - Review of Federal Reimbursement for FY 2012 Fund Transfers

Request

Pursuant to Laws 2012, Chapter 294, Section 2, the Arizona Department of Administration (ADOA) is requesting Committee review of the $5,104,143 expenditure plan for the reimbursement of federal monies related to FY 2012 fund transfers from the Special Employee Health Insurance Trust Fund (HITF).

Recommendation

The Committee has at least the following 2 options:

1. A favorable review

2. An unfavorable review

Under either option, the JLBC Staff recommends that ADOA return to the Committee for further review prior to expending more than $5,104,143 for the reimbursement.

Analysis

HITF is primarily funded through employee contributions and employer contribution payments from various state agencies. When state agencies make contributions to HITF, a portion of these contributions may come from Federal Funds, depending on the funding sources that comprise an agency’s budget. If the state transfers monies from state funds that have received federal
contributions (like HITF) to the General Fund, the federal government bills the state to have a proportionate share of the transfer paid back to the federal government.

In FY 2012, the state transferred $40,355,200 in total from HITF to the General Fund. As a result, the federal government has billed the state for a portion of this transfer to be repaid to the federal government. Laws 2012, Chapter 294, Section 2 gave ADOA the authority in FY 2013 to settle with the federal government any debts incurred due to the HITF transfers to the General Fund in FY 2012. Settlement monies were appropriated from HITF for this purpose, under the stipulation that ADOA submit an expenditure plan to JLBC for review before any federal repayment from HITF.

DOA’s General Accounting Office has since negotiated with the U.S. Department of Health and Human Services (HHS) to determine the amounts due as a result of HITF transfers to the General Fund in FY 2012. Including interest which has accrued since the transfers, ADOA has agreed to repay $5,104,143. This is the result of ADOA estimating a federal contribution rate of 12.4% for HITF. Although ADOA and HHS have come to an agreement, HHS has indicated it reserves the right to further review the agreed upon amount.

RS/BH:ts
June 6, 2013

The Honorable Don Shooter, Chair
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable John Kavanagh, Vice Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Senator Shooter and Representative Kavanagh:

In accordance with Laws 2012, Chapter 294, Section 2, the Arizona Department of Administration (ADOA) requests that the Joint Legislative Budget Committee review at its next meeting the expenditure plan for the reimbursement of Federal monies related to FY 2012 fund transfers from the Health Insurance Trust Fund (HITF).

ADOA’s General Accounting Office negotiating team participated in negotiations with the U.S. Department of Health and Human Services, Division of Cost Allocation (HHS) to determine the amounts due HHS as a result of Health Insurance Trust Fund Monies transferred to the General Fund in FY 2012. ADOA has proposed the amount of $5,104,142.86 be transferred from HITF to settle the obligation. While ADOA believes that this is the correct amount due, and HHS has agreed to accept this amount, HHS reserves the right to further review the amount. The detail associated with the $5.1M proposal is attached to this letter.

Sincerely,

[Signature]
Brian C. McNeil
Director

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
Amy Upston, Joint Legislative Budget Committee Staff
John Arnold, Director, Office of Strategic Planning and Budgeting
Ken Matthews, Office of Strategic Planning and Budgeting Staff
Paul Shannon, ADOA Assistant Director Budget and Resource Planning
Marie Isaacson, ADOA Human Resources Director

Attachments (2)