MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

February 26, 2008

The Chairman called the meeting to order at 8:00 a.m., Tuesday, February 26, 2008, in Senate Appropriations Room 109. The following were present:

Members: Senator Burns, Chairman
          Senator Aboud
          Senator Aguirre
          Senator Flake
          Senator Garcia
          Senator Harper
          Senator Verschoor
          Senator Waring
          Representative Pearce, Vice-Chairman
          Representative Adams
          Representative Biggs
          Representative Cajero Bedford
          Representative Lopez
          Representative Rios
          Representative Yarbrough

Absent: Representative Boone

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of November 20, 2007, Chairman Burns stated that the minutes would be adopted.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY - Review of Water Quality Permit Processing Times.

Mr. Dan Hunting, JLBC Staff, stated that the 2007 General Appropriations Bill contains a footnote that requires the Arizona Department of Environmental Quality (ADEQ) to submit for Committee review a report for water quality permit processing times and costs. The department is seeking a favorable review of this report. The Committee has at least 2 options: a favorable review and an unfavorable review.

Discussion ensued on this item.

Representative Pearce moved that the Committee give a favorable review of the water quality permit processing times report. The motion carried.
AUDITOR GENERAL - Review of English Learner-Related Modifications to the State Accounting System for Public Schools.

Mr. Steve Schimpp, JLBC Staff, stated that this item pertains to changes in the accounting system for public schools that the Auditor General implemented pertaining to English Learners. The Flores bill from the 2006 session created new funds and required the Auditor General to change the accounting system, so schools could account for the use of those monies. The English Learner Task Force reviewed these changes in November without comment. The changes do not affect how much money schools will get for English Learner programs; it only affects how they will account for the use of the monies.

Discussion ensued on this item.

Representative Pearce moved that the Committee give a favorable review of the review of English Learner-related modifications to the public school accounting system as they conform to statutory requirements. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Health Reimbursement Account and Health Savings Account Proposals

Ms. Jenna Goad, JLBC Staff, distributed Attachment A to the Committee. Ms. Goad stated that this item is a review of a report submitted by the Arizona Department of Administration (ADOA) that outlines a program to use Health Reimbursement Accounts (HRAs) and Health Savings Accounts (HSAs) for state employee health benefits. The committee has the following 2 options: a favorable or an unfavorable review of the report.

Discussion ensued on this item.

Mr. Stavneak indicated JLBC Staff would provide a copy of the entire report prepared by the Leif Associates to Committee members.

Mr. Alan Ecker, Legislative Liaison and Media Relations, ADOA, responded to member questions.

Mr. Phil Hamilton, Assistant Director of Benefits, ADOA, responded to member questions.

The Committee decided not to take action on this item at this time. Senator Burns appointed a subcommittee consisting of Representative Pearce, Representative Adams and Representative Rios to further examine the details of this item and come back with a report for the Committee to act on at the next JLBC meeting.

CONSENT AGENDA ITEMS:

ARIZONA COMMUNITY COLLEGES - Review of Proposed Dual Enrollment Intergovernmental Agreement Template.


ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Third Party Progress.

Senator Burns ruled that, as long as there was no objections by the Committee, the items are accepted as recommended by the JLBC Staff to give favorable reviews to the 4 agenda items listed above. The motion carried.
EXECUTIVE SESSION

Representative Pearce moved that the Committee go into Executive Session. The motion carried.

At 9:00 a.m. the Joint Legislative Budget Committee went into Executive Session.

Representative Pearce moved that the Committee reconvene into open session. The motion carried.

At 9:40 a.m. the Committee reconvened into open session.

A. Arizona Department of Administration - Risk Management Services - Consideration of Proposed Settlements under Rule 14.

Representative Pearce moved that the Committee approved the recommended settlement proposal by the Attorney General’s office in the case of Nicolaus Stone, et al v. State of Arizona, et al. The motion carried.

B. AHCCCS - Review of KidsCare Eligibility RFP Responses.

Representative Pearce moved that the Committee give an unfavorable review to the agency’s proposed course of action.

Representative Rios made a substitute motion to give a favorable review to the agency’s proposed course of action. The substitute motion failed.

The original motion carried.

C. Annual Performance Review of JLBC Staff Director.

Representative Pearce moved that the JLBC Staff Director salary be adjusted 3.25%, which was the statewide salary adjustment for other state employees in July 2007. The motion carried.

Without objection, the meeting adjourned at 9:45 a.m.

Respectfully submitted:

Sandy Schumacher, Secretary

Richard Stavneak, Director

Senator Bob Burns, 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.
Health Savings Accounts and Health Reimbursement Accounts
Health Savings Accounts

- Both employee and employer can contribute
- Employer makes deposits into account, which is property of the employee
- Employee retains funding upon leaving state employment

Health Reimbursement Accounts

- Only employer can contribute
- Employer makes deposits into account, which is property of the employer
- Employer retains funding when employee leaves state employment
## Comparison for Single Employee Coverage

<table>
<thead>
<tr>
<th></th>
<th>Employer Premium</th>
<th>Employer HRA/HSA Contribution</th>
<th>Total Employer Cost</th>
<th>Potential Employee Out-of-Pocket Costs ¹/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Plan</td>
<td>$ 5,353</td>
<td>N/A</td>
<td>$ 5,353</td>
<td>$300 premiums</td>
</tr>
<tr>
<td>Option 1: HSA $1,000 Deductible</td>
<td>$ 4,561</td>
<td>$ 720</td>
<td>$ 5,281</td>
<td>$300 premiums + Up to $280 net deductible</td>
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<tr>
<td>Option 2: HRA $2,500 Deductible</td>
<td>$ 3,826</td>
<td>$1,440</td>
<td>$ 5,266</td>
<td>$300 premiums + Up to $1,060 net deductible</td>
</tr>
</tbody>
</table>

¹/ These amounts represent the annual premium and the difference between the employer account contribution and the deductible. These amounts do not include copayments or the coinsurance payments required once the deductible has been met.