

STATE OF ARIZONA

## Joint Legislative Budget Committee

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SENATE

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### MINUTES OF THE MEETING

#### JOINT LEGISLATIVE BUDGET COMMITTEE

April 22, 2008

The Vice-Chairman called the meeting to order at 8:15 a.m., Tuesday, April 22, 2008, in Senate Appropriations Room 109. The following were present:

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

#### APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of February 26, 2008, Vice-Chairman Pearce stated that the minutes would be approved.

#### **ARIZONA DEPARTMENT OF EDUCATION - Review of Request to Transfer Surplus Basic State Aid Monies to Address Shortfalls in Other Programs.**

Mr. Steve Schimpp, JLBC Staff, stated that the Department of Education (ADE) is requesting to transfer a total of \$7,121,700 in Basic State Aid monies to the Additional State Aid Program in order to address a funding shortfall in the latter program. These numbers have been factored in all the budget estimates. ADE had originally asked for a transfer of \$1 million to Achievement Testing, but they have rescinded that request. JLBC Staff recommended a favorable review to the transfer of Basic State Aid monies to the Additional State Aid Program.

*Senator Verschoor moved that the Committee give a favorable review to transfer a total of \$7,121,700 in FY 2008 Basic State Aid monies to the Additional State Aid Program. The motion carried.*

#### **ARIZONA PIONEERS' HOME - Consider Approval of Requested Transfer of Appropriations.**

Mr. Art Smith, JLBC Staff, stated that this item is a consideration of approval to transfer appropriations within the Arizona Pioneers' Home budget. The Pioneers' Home is requesting approval to transfer up to \$350,700 from Personal Services and the Prescription Drug Special Line Item to the Employee Related Expenditures (ERE) line item and the Pioneers' Home had indicated that these 2 lines have surpluses that should be sufficient to cover the ERE shortfall. The JLBC Staff recommended that the Committee approve the agency request to transfer up to

\$301,100 from Personal Services and up to \$49,600 from the Prescription Drugs SLI. If the surpluses in Personal Services and Prescription Drugs are insufficient to cover the shortfall, the JLBC Staff recommended the Committee approve the request to transfer the amount necessary to reach \$350,700 from Other Operating Expenditures.

Discussion ensued on this item, including current patient and staffing levels at the facility.

Mr. Gary Olson, Superintendent, Arizona Pioneers' Home, responded to member questions.

Senator Aguirre asked what the client to staff ratio would be if the Home is filled to capacity (172 residents). Mr. Olson responded that he did not have that readily available and would provide that to the Committee.

Senator Burns resumed the Chair.

*Representative Pearce moved that the Committee approve the agency request to transfer up to \$301,100 from Personal Services and up to \$49,600 from the Prescription Drug SLI to the Employee Related Expenditures line in FY 2008. If the surpluses in Personal Services and Prescription Drugs are insufficient to cover the shortfall, the Committee approved the request to transfer the amount necessary to reach \$350,700 from Other Operating Expenditures. Representative Pearce further recommended that the concerns regarding patient and staffing levels be pursued in the Pioneers' Home FY 2009 budget. The motion carried.*

#### **DEPARTMENT OF PUBLIC SAFETY - Quarterly Review of the Arizona Public Safety Communication Advisory Commission.**

Ms. Kim Cordes-Sween, JLBC Staff, stated this item is a request for Committee review of the second quarter expenditures and progress for the Public Safety Communication Advisory Commission Interoperability Project (PSCC) as required by statute. The interoperability project will allow public safety personnel from one agency to communicate by a mobile radio with personnel from other agencies. The PSCC plans to have a short term interoperable solution fully deployed by summer of 2009 and a long term solution by 2013. The second quarter expenditures totaled about \$404,300 and so far this fiscal year, DPS has expended \$659,300 of the \$3.9 million in appropriated funding available. The JLBC Staff recommended a favorable review of this request.

Discussion ensued on this item.

Mr. Curt Knight, Executive Director, PSCC Office, responded to member questions.

*Representative Pearce moved that the Committee give a favorable review to the FY 2008 second quarter expenditures and progress for the statewide interoperability design project. The motion carried.*

#### **ATTORNEY GENERAL**

##### **A. Review of Allocation of Settlement Monies - State v. Southwestern Furniture of Wisconsin.**

Ms. Marge Zylla, JLBC Staff, stated that the Attorney General's office is requesting a favorable review of the allocation of monies received from a settlement with Southwestern Furniture of Wisconsin, which does business as Ashley Furniture Home Store. The total settlement amount is \$410,000. The consumers who will receive compensation have already been identified. Of this total, Ashley Furniture will pay approximately \$2,000 to consumers who were charged a restocking fee, \$8,000 to reimburse for defective furniture, and \$400,000 to the Attorney General's office for costs of the investigation. This amount will be deposited into the Consumer Fraud Fund and this fund supports consumer fraud investigations, consumer education and enforcement of the Consumer Fraud Act. The JLBC Staff recommended a favorable review of this item.

*Representative Pearce moved that the Committee give a favorable review of the allocation plans from the Southwestern Furniture of Wisconsin consent judgment. The motion carried.*

**B. Review of Allocation of Settlement Monies - State v. Caremark.**

Ms. Zylla stated the Attorney General's Office is requesting a favorable review of a recent consent judgment against Caremark, which is a pharmacy benefit manager. This is based on Caremark's Consumer Fraud Act violation. Their violations included changing drugs without physician approval and misinforming patients and physicians concerning prescription information. Arizona is one of 28 states involved in this settlement. The state will see 3 different sums of money from this case. The first is \$695,000. This will be used by non-profit organizations for grants and education concerning prescription medication. The second is a \$1 million deposit into the Consumer Fraud Fund for attorney fees, cost of the investigation, and consumer fraud education. The third is up to a share of \$2.5 million nationwide for patients who were given the incorrect cholesterol medication. The JLBC Staff recommended a favorable review of this item.

Ms. Jennifer Boucek, Chief Council of the Consumer Protection Section of the Attorney General's Office, responded to member questions.

The Committee requested detail on how the Attorney General will select the non-profit organizations to which \$695,000 of the settlement will be distributed and examples of what the organizations will do with those funds.

*Representative Pearce moved that the Committee give a favorable review of the allocation plans from the Caremark consent judgment.* The motion carried.

**C. Review of Uncollectible Debts.**

Ms. Zylla indicated that this item comes before the Committee annually. The Attorney General's office has identified \$9.1 million of uncollectible debt. After a period of time, the Attorney General's office determined that some of the debts owed to the state's agencies are uncollectible. Upon the Committee's review, these debts can be removed from the state accounting books. The Committee has 2 options for this item. One is a favorable review which would remove the debt from the state accounting books, or an unfavorable review in which the debts would remain.

Mr. Tony Vitagliano, Section Chief, Tax Bankruptcy and Collection Section of the Attorney General's office, responded to member questions.

*Representative Pearce moved that the Committee give a favorable review of the FY 2006 listing of \$9.1 million in debts as uncollectible.* The motion carried.

**DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Requested Transfer of Appropriations.**

Mr. Jay Chilton, JLBC Staff, stated that DES is seeking a review of requested transfer of appropriations. It is a technical follow-up from one of the items from the budget bill that was passed last week. DES needs to transfer \$45 million General Fund dollars from the Child Care Subsidy Special Line Item into the TANF Cash Benefits Special Line Item. DES would also then transfer \$45 million in TANF Block Grant funding from the TANF Cash Benefits Special Line Item into the Day Care Subsidy Special Line Item. The total funds in the SLI's do not change the total funding amount for each SLI. It only changes the fund sourcing for each and there is no additional General Fund cost to the state. The JLBC Staff recommended a favorable review of the request because it is the technical follow up to the FY 2008 budget bill passed last week.

*Representative Pearce moved that the Committee give a favorable review of the General Fund appropriation transfer of \$45.3 million from the Day Care Subsidy SLI to the TANF Cash Benefits SLI and a corresponding \$45.3 million transfer of TANF Block Grant monies from TANF Cash Benefits SLI to the Day Care Subsidy SLI.* The motion carried.

**EXECUTIVE SESSION**

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

At 9:05 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 9:48 a.m. the Committee reconvened into open session.

*Representative Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the cases of:*

1. *Jamie Hallam v. State of Arizona, et al.*
2. *Jackson v. State of Arizona, et al.*
3. *Livermore v. State of Arizona*

The motion carried.

Without objection, the meeting adjourned at 9:50.

Respectfully submitted:

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Sandy Schumacher, Secretary

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Richard Stavneak, Director

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Senator Bob Burns, Chairman