

STATE OF ARIZONA

**Joint Legislative Budget Committee**

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SENATE

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**MINUTES OF THE MEETING**

**JOINT LEGISLATIVE BUDGET COMMITTEE**

May 10, 2007

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The Vice-Chairman called the meeting to order at 8:15 a.m., Thursday May 10, 2007, in House Hearing Room 4. The following were present:

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

**APPROVAL OF MINUTES**

Hearing no objections from the members of the Committee to the minutes of March 29, 2007, Vice-Chairman Burns stated that the minutes would stand approved.

**ARIZONA DEPARTMENT OF CORRECTIONS – Consider Approval and Review of Requested Transfer of Appropriations.**

Ms. Kim Cordes-Sween, JLBC Staff, said this item concerns the Arizona Department of Corrections' (ADC) request to consider the transfer of \$27.9 million within the department's operating budget line items and Special Line Items (SLI). JLBC Staff is proposing an alternative recommendation that represents a FY 2007 consensus forecast, which was agreed to by JLBC Staff and the Governor's Office of Strategic Planning and Budgeting. *Table 1* on page 2 of the memo in the agenda document illustrates the JLBC proposal, as well as ADC's transfer request. The House and the Senate currently include FY 2007 supplemental funding which also impacts the department's cost.

Ms. Dora Schriro, Director, ADC, responded to member questions.

*Senator Harper moved that the Committee adopt the JLBC Staff recommendation to approve and give a favorable review of an alternative transfer of funds proposal shown below:*

<u>Line Item</u>	<u>JLBC Approved Transfers</u>
Correctional Officer Personal Services	\$10,225,500
Health Care Personal Services	(7,371,700)
All Other Personal Services	(7,029,000)
Employee Related Expenditures	4,442,700
Overtime/Compensatory Time SLI	7,319,600
Health Other Operating Expenditures	3,353,900
Non Health Other Operating Expenditures	1,945,300
County Jail Beds SLI	17,700
Private Prison Per Diem SLI	(13,103,700)
Provisional Beds SLI	199,700

The motion carried.

**DEPARTMENT OF PUBLIC SAFETY – Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission.**

Mr. Martin Lorenzo, JLBC Staff, said that this item is a review of the Department of Public Safety’s (DPS) Gang and Immigration Intelligence Team Enforcement Mission’s (GIITEM) expenditure plan regarding their \$10 million appropriation. The \$10 million was appropriated in FY 2007 to increase local participation in GIITEM, as well as to fund various border security efforts. Currently, DPS is requesting to spend an additional \$4 million, including \$1.6 million to be distributed to the Maricopa County Sheriff’s Office, \$1.9 million to be distributed to the City of Phoenix Police Department and the United States Immigration and Customs Enforcement agency, and roughly a half-million dollars for the purchase of equipment. The JLBC Staff recommends a favorable review of the department’s request with the following 2 provisions: 1) the use of \$357,000 for the purchase of portable fingerprint readers is contingent upon Project Investment Justification approval from the Government Information Technology Agency, and 2) DPS submit a revised expenditure plan prior to: 1) expending any additional monies beyond the reviewed expenditures; or 2) expending the approved amounts on items not in their current plan.

*Senator Harper moved that the Committee give a favorable review to expend an additional \$4,047,600 (of the \$10,000,000 appropriation) for non-DPS law enforcement agencies and equipment purchases as recommended by JLBC Staff with the 2 caveats listed above.* The motion carried.

**DEPARTMENT OF COMMERCE – Review of First Quarterly Expenditure Report for the Arizona 21<sup>st</sup> Century Competitive Initiative Fund.**

Mr. Grant Nülle, JLBC Staff, said that this item is a review of the first quarterly expenditure report of Science Foundation Arizona’s (SFAz) expenditure of monies from the Arizona 21<sup>st</sup> Century Competitive Initiative Fund and changes to the initial Memorandum of Understanding (MOU) between the Department of Commerce (COM) and SFAz .

*Table 1* on page 2 of the memo in the agenda book provides highlights of SFAz awards and expenditures. Awards for 5 of the 7 programs have been announced and SFAz has approved approximately \$13 million in awards. The \$13 million figure differs slightly from the \$13.9 million shown in the Awards Amount column of *Table 1* and this is due to SFAz having to withdraw 1 of its K-12 awards due to a potential conflict of interest. SFAz expects to announce awards for the final 2 grant programs, Public-Private Research and the Other Discretionary Grant programs, later this month. Mr. Nülle referred members to the Proposed Reallocation column and stated that SFAz proposed that the Department of Commerce agree to amend the MOU to the 21<sup>st</sup> Century Fund to reduce the level of funding for the Federal Research Leverage program and transfer these award grant monies to other grant programs. The Proposed Reallocation table shows that \$400,000 will be transferred to the K-12 Student programs, \$100,000 to the K-12 Teacher Internships program, and the remaining \$500,000 to the Other Discretionary Grants program. According to SFAz there were not enough qualified projects in the Federal Research Leverage program to justify the original \$5 million expenditure allocation.

SFAz submitted first year performance measures with numeric goals in the first quarterly report. A detailed list of recommended performance measures are included in *Table 2* and *Table 3*. Results of measures and the first year of SFAz funding will be reported in June 2008. The JLBC Staff recommends that the Committee give a favorable review of the proposed transfer and the first quarterly expenditure report. The JLBC Staff also suggests that the Committee recommend the following measures be tracked by SFAz:

- 1) Number of SFAz awards per investment program that result in commercial products;
- 2) Amount of licensing and royalty revenue earned by grant recipients;
- 3) A breakdown of the "dollars leveraged from other sources" measure by federal, private foundation, and venture capital sources when submitting results for the first year performance measures.

Discussion ensued on this item.

Dr. William Harris, CEO, Ms. Margaret Mullen, Chief Operating Officer, and Mr. Don Budinger, Board Chairman, of SFAz, responded to member questions.

*Senator Harper moved the JLBC Staff's recommendation to give a favorable review of the transfer of \$1 million and the first quarterly expenditure report. In addition, the Committee requested the 3 performance measures listed above be tracked by SFAz and requested that SFAz provide numeric goals for the performance measures of the \$2.5 million other discretionary grants program in its next quarterly report. The motion carried.*

#### **ATTORNEY GENERAL (AG)**

##### **A. Review of Allocation of Settlement Monies.**

Ms. Leah Ruggieri, JLBC Staff, said that the AG's office is requesting a favorable review of the Budget Car & Truck Sales consent judgment. The consent judgment is a result of allegations that Budget deceptively advertised used vehicles. The AG's office stands to gain \$125,000, specifically for attorney costs and fees associated with the case. The money will be deposited into the Consumer Fraud Revolving Fund. The JLBC Staff is recommending a favorable review of the consent judgment allocation.

*Senator Harper moved that the Committee give a favorable review of the allocation plan from the Budget Car & Truck Sales consent judgment as recommended by JLBC Staff. The motion carried.*

##### **B. Review of Intended Use of Monies in the Antitrust Enforcement Revolving Fund.**

Ms. Leah Ruggieri, JLBC Staff, said that the AG's office is requesting to expend above their appropriation from the Antitrust Enforcement Revolving Fund in FY 2007. A General Appropriation Act footnote for this year says that the AG's office may spend above their appropriation as long as they seek Committee review. The appropriation for FY 2007 is \$232,400. The AG is requesting to expend \$318,000 primarily for personnel costs associated with non-attorney staff positions and operating costs associated with the Antitrust Unit. As this fund has a sufficient balance, and the proposed usage of the fund above the original appropriation is consistent with statute, the JLBC Staff recommends a favorable review of the AG's request.

*Senator Harper moved that the Committee give a favorable review of the intended expenditures of \$318,000 in Antitrust Enforcement Revolving Fund monies as recommended by JLBC Staff. The motion carried.*

Representative Pearce resumed the Chair.

#### **ARIZONA DEPARTMENT OF EDUCATION – Report of Plan to Fund AIMS Study Guides with Achievement Testing Monies.**

Mr. Steve Schimpp, JLBC Staff, said that this item concerns AIMS Study Guides and the Arizona Department of Education's (ADE) report on its plan to spend surplus Achievement Testing funding on the AIMS Study Guides. A General Appropriation Act footnote requires ADE to come before the Committee to report any changes to the Achievement Testing program that would increase costs. The department plans to fund the study guides with the surplus Achievement Testing funding from FY 2006 and FY 2007. In August 2006, ADE signed a 3-year contract with McGraw-Hill, who also is the vendor for the AIMS test, to provide study guides, which provide each student with sample test questions for the AIMS test to help them pass it. There is a study guide that is given to all high schoolers who failed the AIMS test and there is also a guide given to all 9<sup>th</sup> graders.

Mr. Schimpp provided background on the Failing Schools Tutoring Fund.

The Committee has at least the following options: 1) A favorable review. Surplus monies are available within the Achievement Testing program and the study guides can be viewed as an allowable use of these funds; 2) An unfavorable review. The AIMS Study Guides were intended to be funded with non-appropriated monies from the Failing Schools Tutoring Fund and, 3) No action. Statute only requires the Committee to receive a report and a review is not required.

Ms. Vicki Salazar, Associate Superintendent of Business and Finance, Ms. Roberta Alley, Assistant Superintendent of Education, and Ms. Margaret Garcia-Dugan, Deputy Superintendent of Public Instruction of ADE, responded to member questions.

Senator Burns moved that the Committee give a favorable review of ADE's plan to use \$3,583,900 in combined FY 2006 carry forward and FY 2007 surplus monies for Achievement Testing to fund the cost of AIMS Study Guides for FY 2007. The motion carried.

#### **ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY – Review of Intended Use of Monies in the Indirect Cost Recovery Fund.**

Mr. Dan Hunting, JLBC Staff, said a footnote in the FY 2007 budget requires the Department of Environmental Quality (DEQ) to seek review of expenditures in excess of \$10.5 million from the Indirect Cost Recovery Fund. In the first 3 quarters of this fiscal year, a total of \$9 million was expended from this fund. DEQ is seeking a favorable review of expenditures with an estimated total of \$11.8 million for the year. Expenditures from the fund in FY 2006 came to \$11.1 million. The JLBC Staff recommends that the Committee give a favorable review to this request.

Senator Burns moved that the Committee give a favorable review to DEQ's request for the intended use of monies in the Indirect Cost Recovery Fund as recommended by the JLBC Staff. The motion carried.

#### **ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Third Party Progress Report.**

Mr. Bob Hull, JLBC Staff, said that this item is a review of the Arizona Department of Transportation's (ADOT) third party progress report for the third quarter. The JLBC Staff recommends a favorable review, given the progress ADOT is making in increasing its use of third parties and reducing the quality assurance backlog. The memo also contains a separate report from ADOT on their statistical sampling method for third party transactions. ADOT has reduced their rate of review for third party transactions from 10% to 4% and still retained statistical validity, which has allowed them to reduce their quality assurance backlog. No Committee action is required on the third party transactions statistical sampling and validity report. However, JLBC Staff recommends that ADOT report back in 1 year on whether they have maintained their 4% sampling size and statistical validity.

Senator Burns moved that the Committee give a favorable review of ADOT's Third Party progress report as recommended by JLBC Staff. In addition, ADOT is to provide a progress report on their 1-year pilot project by April 30, 2008.

#### **EXECUTIVE SESSION**

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

At 9:30 a.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 10:25 a.m. the Committee reconvened into open session.

#### **A. Arizona Department of Administration, Risk Management Services – Consideration of Proposed Settlements under Rule 14.**

Senator Burns moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the cases of:

1. *Roe v. State of Arizona, et al*
2. *Kinkead v. State of Arizona, et al*

The motion carried.

**B. AHCCCS – Review of Medicaid Eligibility Privatization Request for Proposal.**

The Committee did not take action and AHCCCS is to return and report again to the Committee.

Without objection, the meeting adjourned at 10:45 a.m.

Respectfully submitted:

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Tanya Smith, Secretary

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Richard Stavneak, Director

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Representative Russell Pearce, Chairman