

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

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**MINUTES OF THE MEETING**

**JOINT LEGISLATIVE BUDGET COMMITTEE**

June 18, 2008

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The Chairman called the meeting to order at 8:40 a.m., Wednesday, June 18, 2008, in Senate Appropriations Room 109. The following were present:

Members:	Senator Burns, Chairman	Representative Pearce, Vice-Chairman
	Senator Aguirre	Representative Cajero Bedford
	Senator Harper	Representative Lopez
	Senator Verschoor	Representative Rios
	Senator Waring	Representative Yarbrough

Absent:	Senator Aboud	Representative Adams
	Senator Garcia	Representative Biggs
		Representative Boone

**APPROVAL OF MINUTES**

Hearing no objections from the members of the Committee to the minutes of April 22, 2008, Chairman Burns stated that the minutes would be approved.

**EXECUTIVE SESSION**

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

At 8:45 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 9:24 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 approve the recommended settlement proposal by the Attorney General's Office in the cases of:*

1. *Wilbur v. State v. HDR Engineering, Inc.*
2. *Quiroz v. State of Arizona, et al.*
3. *Carolina Torres, et al. v. State of Arizona*

(Continued)

4. *Edward D. Johnson, et al. v. State of Arizona*

The motion carried.

*Representative Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the case of The Estate of Rueben Persson, et al. v. State of Arizona, et al.* The motion carried.

**B. Arizona Department of Education - Review of E-Learning Contract**

This item was held. The Committee did not take action.

**ATTORNEY GENERAL (AG)**

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

Ms. Marge Zylla, JLBC Staff, stated that the Attorney General's (AG) office is requesting to expend above their appropriation for the Antitrust Enforcement Revolving Fund in FY 2008. A General Appropriation Act footnote states that the AG cannot spend in excess of \$243,200 without JLBC review. The AG is requesting to expend \$307,300 in FY 2008, which is primarily for personnel costs associated with non-attorney staff positions that support the Antitrust Unit. Since this fund has a sufficient fund balance and the proposed uses of the fund are consistent with statute, JLBC Staff recommended a favorable review of this item.

*Representative Pearce moved that the Committee give a favorable review of the intended expenditures of \$307,300 in Antitrust Enforcement Revolving Fund monies.* The motion carried.

**B. Review of Allocation of Settlement Monies - State v. Tucson College.**

Ms. Zylla stated that the Attorney General's office is requesting a favorable review of the allocation of monies received from a settlement with Tucson College. The AG's office entered into a settlement on March 2008 and this resolved a lawsuit alleging that Tucson College had misrepresented their criminal justice program from August 2006 to June 2007. The total settlement is estimated to be \$425,000. Tucson College is required to fully refund the 57 students who were involved in the Criminal Justice program, which the AG estimates to be about \$275,000 of the total. The remaining \$150,000 will go to the Attorney General's office to be deposited into the Consumer Fraud Revolving Fund. These monies will be used for attorney's fees, costs of the investigation and to support consumer fraud investigation, 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 plan from the Tucson College settlement.* The motion carried.

**C. Review of Allocation of Settlement Monies - State v. Merck & Co., Inc.**

Ms. Zylla stated that the Attorney General's office is requesting a favorable review of a recent consent judgment against Merck & Co., Inc., which is a pharmaceutical company. This judgment is based on Merck's Consumer Fraud Act violations with the sale and marketing of the anti-inflammatory drug Vioxx. Arizona's share of the settlement is \$2.3 million. This amount will be deposited into the Consumer Fraud Revolving Fund for attorney's fees, costs of the investigation, as well as to support consumer fraud investigation, 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 plan from the Merck consent judgment.* The motion carried.

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

Mr. Martin Lorenzo, JLBC Staff, stated that this item is for approval and review of various Department of Corrections transfers of appropriation authority between line items and Special Line Items. The JLBC Staff

(Continued)

recommended Committee approval of the proposed transfers in the Personal Services and Employee Benefits lines as well as a favorable review of the transfers within the other line items and Special Line Items. In addition, the JLBC Staff recommended that the Committee approve and favorably review an additional transfer of up to \$250,000 in any given line item in the event actual expenditures differ from estimated expenditures.

*Representative Pearce moved that the Committee give a favorable review of the request for the Personal Services and Employee Related Expenditure transfers, a favorable review of the remaining transfers and fund shifts, and, in addition, the Committee approve and favorably review the shift of up to \$250,000 in or out of any line item or Special Line Item in the event that these requested transfers do not exactly match department needs through the end of the fiscal year. The motion carried.*

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

Ms. Kim Cordes-Sween, JLBC Staff, stated that this item is the Department of Public Safety (DPS) discussion of the expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). This item was for discussion only. Pursuant to a General Appropriation Act footnote, DPS is required to submit for review an expenditure plan for GIITEM monies prior to their expenditure. On May 30, DPS notified the Committee of its intent to spend \$1.6 million of GIITEM monies on the new felony and fugitive task force as a result of a May Executive Order. These funds will be used to track down and arrest individuals who have outstanding felony warrants or are fugitives. The department has also indicated it will not renew its \$1.6 million Maricopa County Sheriff's Office project for illegal immigration enforcement, which had been favorably reviewed by the Committee in May 2007 in order to fund the new task force.

Discussion ensued on this item.

Phil Case, Budget Officer for DPS responded to member questions.

No Committee action was required.

**ARIZONA CRIMINAL JUSTICE COMMISSION - Review of Intended Use of Monies in the Victim Compensation and Assistance Fund.**

Mr. Jon McAvoy, JLBC Staff, stated that the Arizona Criminal Justice Commission (ACJC) is requesting to increase the expenditure authority for FY 2009 in the Victims Compensation and Assistance Fund (VCAF) by \$300,000. The money for this increase comes from an Attorney General fraud prosecution case which resulted in a settlement to the state of \$29 million. Pursuant to statute, 10% of that settlement or \$2.9 million was deposited in the Victim's Compensation Fund. At the rate of \$300,000 per year, those settlement monies would be spent down by approximately 2012. These monies are used to pay for crime victim medical expenses, mental health counseling, funeral expenses and lost wages. The JLBC Staff recommended a favorable review of this item.

*Representative Pearce moved that the Committee give a favorable review to the additional expenditure of \$300,000 above the original FY 2009 appropriation from the VCAF. The motion carried.*

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

Mr. Jay Chilton, JLBC Staff, stated that this item is a review of requested transfer of appropriations for the Department of Economic Security (DES).

The JLBC Staff has provided the following options for the Committee to consider: 1) a favorable review of the transfers with a provision that DES use non-appropriate sources and savings to mitigate this shortfall. 2) an unfavorable review of the DBME Operating Budget transfer only, with a favorable review of the remaining transfers. Under either option, JLBC Staff recommended that the Committee require that DES report back by July 15, 2008 on how the department will resolve the entire shortfall including any items not requiring Committee review.

Representative Pearce moved that the Committee give an unfavorable review to the proposed Division of Benefits and Medical Eligibility operating budget transfer of \$1,500,000 and a favorable review of the remaining transfers shown below with the provision that DES use non-appropriated fund sources and savings first to mitigate the projected shortfalls (see Table 1).

Table 1	DES Transfers (In Millions)		
	General Fund	Other Funds	Total
<b><u>Funding Increases (Transfers To)</u></b>			
Day Care Subsidy		4.0	4.0
Children Support Services		5.7	5.7
Foster Care Placements	4.6		4.6
Adoption Services	<u>1.5</u>	—	<u>1.5</u>
<b>Subtotal</b>	<b>6.1</b>	<b>9.7</b>	<b>15.8</b>
<b><u>Funding Decreases (Transfers From)</u></b>			
TANF Cash Benefits	(1.5)		(1.5)
Transitional Child Care		(4.0)	(4.0)
Children Support Services	(4.6)		(4.6)
Foster Care Placements	—	<u>(5.7)</u>	<u>(5.7)</u>
<b>Subtotal</b>	<b>(6.1)</b>	<b>(9.7)</b>	<b>(15.8)</b>

The Committee requested that DES report back to the Committee by July 15, 2008 on how the department ultimately solved the entire shortfall, including any transfers not needing review, one-time monies, or savings from both appropriated and non-appropriated sources. The motion carried.

Without objection, the meeting adjourned at 10:30 a.m.

Respectfully submitted:

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Sandy Schumacher, Secretary

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Richard Stavneak, Director

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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>.