MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

June 18, 2015

The Chairman called the meeting to order at 1:11 p.m., Thursday, June 18, 2015, in House Hearing Room 4. The following were present:

Members:  Senator Shooter, Vice-Chairman  Representative Olson, Chairman
Senator Griffin  Representative Alston
Senator Hobbs  Representative Bowers
Senator Kavanagh  Representative Mitchell
Senator Yarbrough  Representative Montenegro
Senator Cajero Bedford  Representative Ugenti
Senator Farley  Representative Mach
Senator Lesko  Representative Stevens

Absent:  Senator Cajero Bedford  Representative Mach
Senator Farley  Representative Stevens
Senator Lesko  Representative Mach

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of March 31, 2015, Chairman Justin Olson stated that the minutes would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Approval of Maximum Lodging and Per Diem Reimbursement Rates.

Ms. Rebecca Perrera, JLBC Staff, stated that this item requires the Committee to approve rate changes to the maximum reimbursement amounts for lodging and meal expenses taking into consideration the amounts established by the federal government.

Mr. D. Clark Partridge, State Comptroller, General Accounting Office, ADOA, responded to member questions.
Senator Shooter moved that the Committee approve the use of the current federal lodging reimbursement rate and the current federal per diem rate, (less $10) as the state rates with the following provisions:

A. Committee approval does not constitute an endorsement of additional appropriations to cover higher reimbursement costs.

B. ADOA is to rescind its delegated waiver authority to agencies. ADOA can continue to waive use of the federal maximum rate if circumstances warrant. ADOA is to report to the Committee on the number of waivers submitted to the department as well as the number approved. The tracking period for the report shall begin with the implementation of the new rates. The report is to be submitted 3 weeks prior to the next JLBC meeting, which is tentatively scheduled for September 2015.

The motion carried.

The department’s submission shall also address its criteria for granting waiver requests.

Consistent with current ADOA practice, the maximum rates do not apply to lodging expenses associated with attending a conference.


Ms. Rebecca Perrera, JLBC Staff, stated that ADOA is requesting review of $8,550,000 in proposed FY 2016 expenditures from the Automation Projects Fund (APF) for information technology (IT) projects for the Arizona Strategic Enterprise Technology (ASET) office in ADOA. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review of $7,875,000 in FY 2016 expenditures from the APF for IT projects for the ASET Office in ADOA (See Table 1). JLBC review of the remaining $675,000 for the Business One Stop project is deferred until the Information Technology Authorization Committee (ITAC) approves the project and the scope of the project is better defined. The favorable review included the following provisions:

A. Committee review does not commit the Legislature to any ongoing ASET funding above the level of the FY 2016 appropriation.

B. ADOA is to submit a report by December 31, 2015 on the potential ongoing funding options and revenue sources for the Arizona Enterprise Services Platform.

C. ADOA, the JLBC Staff, and the Governor’s Office of Strategic Planning & Budgeting (OSPB) are to report back to the Committee by October 1, 2015 on the final design of the Project Investment Justification (PIJ) reports.

D. As a result of further planning and deployment efforts, should the final costs of the “Arizona Enterprise Services Platform” exceed the estimated costs by 10%, or more, or should there be significant changes to the proposed technology, scope of work, or implementation schedule, ADOA must amend the PIJ to reflect the changes and submit it to ADOA-ASET for review and approval prior to further expenditure of funds.

(Continued)
E. ADOA may proceed with the assessment phase of the “Business One Stop” project, in order to complete the initial discovery and requirements gathering identified in the Pre-PIU, at a cost not to exceed $400,000. However, ADOA may not proceed with the development phase until the full PIU, reflecting the final costs, scope of work, technology, and implementation schedule for the proposed solution, has been submitted to ADOA-ASET and ITAC for review and approval.

The motion carried.

Provisions D and E were also approved by ASET.

<table>
<thead>
<tr>
<th>ASET Project</th>
<th>FY 2014 Funds Remaining</th>
<th>FY 2014 Funds Remaining</th>
<th>FY 2015 Funds Remaining</th>
<th>FY 2015 Funds Remaining</th>
<th>FY 2016 Request</th>
<th>Option 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Data Center</td>
<td>$1,158,662</td>
<td>$940,343</td>
<td>$2,625,000</td>
<td>$2,625,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security, Privacy, and Risk</td>
<td>669,266</td>
<td>2,794,424</td>
<td>2,200,000</td>
<td>2,200,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise Architecture</td>
<td>161,412</td>
<td>499,667</td>
<td>500,000</td>
<td>500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Management</td>
<td>467,779</td>
<td>1,917,275</td>
<td>2,150,000</td>
<td>2,150,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital Government/Business One Stop</td>
<td>-</td>
<td>240,693</td>
<td>1,075,000</td>
<td>400,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Web Portal Transition</td>
<td>1,231,235</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,688,354</strong></td>
<td><strong>$6,392,402</strong></td>
<td><strong>$8,550,000</strong></td>
<td><strong>$7,875,000</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1/ Information as of March 31, 2015 and as reported in ADOA's quarterly APF report to the JLBC.

ADOA - Review of Arizona Financial Information System Transaction Fee.

Ms. Rebecca Perrera, JLBC Staff, stated that ADOA is requesting Committee review of its proposed $1.08 transaction fee charged to state agencies for the operating cost of the Arizona Financial Information System (AFIS) for FY 2016. The JLBC Staff presented options to the Committee.

*Senator Shooter moved that the Committee give a favorable review of a $1.08 transaction fee charged to state agencies for the operation of AFIS.* The motion carried.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS)/DEPARTMENT OF HEALTH SERVICES (DHS)/DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Revised Capitation Rate Changes.

Mr. Jon Stall, JLBC Staff, stated that this item is for review of AHCCCS, DHS and DES capitation rate changes prior to implementation. The agencies propose revisions to previously reviewed contract year (CYE) 2013 capitation rates. AHCCCS, DHS and DES are revising their cap rates to reimburse Medicaid health insurers for federal and state income taxes that will be incurred as a result of rate changes previously reviewed at the JLBC meeting on December 17, 2014. The JLBC Staff presented options to the Committee.

*Senator Shooter moved that the Committee give a favorable review to the proposed revisions to previously reviewed contract year (CYE) 2013 capitation rates.* The motion carried.

(Continued)
ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of Per Diem Rate Change for Inmate Health Care Contracted Services.

Ms. Micaela Larkin, JLBC Staff, stated that this item is for review of inmate health care capitation rates prior to implementing any changes. The JLBC Staff presented options to the Committee.

*Senator Shooter moved that the Committee give a favorable review of the increase to the inmate health care per diem from $11.20 to $11.60. The motion carried.*

ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of K-3 Reading Expenditure Plan.

Mr. Steve Schimpp, JLBC Staff, stated that this item is for review of expenditures from the K-3 Reading line item prior to the expenditure of monies. The JLBC Staff presented options to the Committee.

*Senator Shooter moved that the Committee give a favorable review to the $500,000 in proposed FY 2016 expenditures from the K-3 Reading line item for technical assistance and state level administration of the K-3 Reading program. The motion carried.*

ADE - Review of AELAS Expenditure Plan.

Mr. Matt Gress, JLBC Staff, stated that ADE is requesting Committee review of $7,000,000 in FY 2016 expenditures from the Automation Projects Fund (APF) for the Arizona Education Learning and Accountability System (AELAS). The JLBC Staff presented options to the Committee.

*Senator Shooter moved that the Committee give a favorable review to $7,000,000 in proposed FY 2016 expenditures from the APF for the AELAS. The favorable review includes the following provisions:*

A. The results of a new third-party independent assessment are to be reported to the Committee by January 29, 2016 to evaluate the budget for AELAS for FY 2017.

B. ADE is to report to the Committee by January 29, 2016 on the expected revenues and expenditures for the Opt In Statewide Student Information System (SSIS) for FY 2016 and FY 2017, along with a rationale for how the SSIS rates are established. The report should include the projected FY 2017 SSIS rates.

C. ADE is to report to the Committee by January 29, 2016 on the potential financial implications of using AELAS to compute school finance payments compared to using the old Student Accountability Information System (SAIS).

D. ADE shall work with the ASET Office to help ensure that the contract to be established with the selected vendor provides appropriate levels of protection for the state in regard to cloud-based vendor solutions.

E. ADE shall provide an information update to ITAC on a quarterly basis, or as otherwise requested, to include the required third-party review report currently provided to ASET. If the quarterly update indicates that this project or other associated projects are at risk of failing to achieve intended results, ASET may recommend future funding be temporarily suspended pending the successful implementation of the risk mitigation plan. ADE will include ASET in all meetings with the third-party reviewers until the risk mitigation plan is fully implemented.

F. ADE shall identify a funding source of the development and/or operations costs associated with the projects beyond the current FY 2016 APF allocations.

(Continued)
G. Prior to any acquisition other than professional and outside services, licensing, and/or training costs identified in the approved PIU, ADE must provide detailed information, including pricing, quantity, and description regarding the proposed technology or services, and obtain approval from ASET, and ITAC if required, before proceeding with the planned expenditure.

The motion carried.

Provisions D-G were also adopted by ITAC at its May 27, 2015 meeting.


Mr. Eric Billings, JLBC Staff, stated that this item is for review of the FY 2016 expenditure plan for the GIITEM Fund Border Security and Law Enforcement Subaccount prior to the expenditure of monies. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review of $2,390,000 expenditure plan from the GIITEM Fund Border Security and Law Enforcement Subaccount. This amount would be distributed amongst all 15 county sheriffs, 3 municipalities, and the Arizona Department of Corrections. The motion carried.

Table 2 displays the grant recipients in FY 2016.

<table>
<thead>
<tr>
<th>Proposed Recipient</th>
<th>FY 2016 Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police Departments/Marshall's Offices</td>
<td></td>
</tr>
<tr>
<td>Coolidge Police Department</td>
<td>56,000</td>
</tr>
<tr>
<td>Douglas Police Department</td>
<td>120,000</td>
</tr>
<tr>
<td>Oro Valley Police Department</td>
<td>48,000</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$ 224,000</td>
</tr>
<tr>
<td>County Sheriffs</td>
<td></td>
</tr>
<tr>
<td>Apache County Sheriff's Office</td>
<td>$ 12,000</td>
</tr>
<tr>
<td>Cochise County Sheriff's Office</td>
<td>540,600</td>
</tr>
<tr>
<td>Coconino County Sheriff's Office</td>
<td>22,000</td>
</tr>
<tr>
<td>Gila County Sheriff's Office</td>
<td>10,000</td>
</tr>
<tr>
<td>Graham County Sheriff's Office</td>
<td>55,800</td>
</tr>
<tr>
<td>Greenlee County Sheriff's Office</td>
<td>2,000</td>
</tr>
<tr>
<td>La Paz County Sheriff's Office</td>
<td>3,500</td>
</tr>
<tr>
<td>Maricopa County Sheriff's Office</td>
<td>141,300</td>
</tr>
<tr>
<td>Mohave County Sheriff's Office</td>
<td>33,000</td>
</tr>
<tr>
<td>Navajo County Sheriff's Office</td>
<td>18,000</td>
</tr>
<tr>
<td>Pima County Sheriff's Department</td>
<td>494,000</td>
</tr>
<tr>
<td>Pinal County Sheriff's Office</td>
<td>210,300</td>
</tr>
<tr>
<td>Santa Cruz County Sheriff's Office</td>
<td>64,000</td>
</tr>
<tr>
<td>Yavapai County Sheriff's Office</td>
<td>35,000</td>
</tr>
<tr>
<td>Yuma County Sheriff's Office</td>
<td>217,300</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$ 1,858,800</td>
</tr>
<tr>
<td>Arizona Department of Corrections</td>
<td>$ 228,300</td>
</tr>
<tr>
<td>Unallocated</td>
<td>$ 78,900</td>
</tr>
<tr>
<td>Total</td>
<td>$ 2,390,000</td>
</tr>
</tbody>
</table>
ATTORNEY GENERAL (AG) - Review of Quarterly Reports on Legal Settlements.

Mr. Matt Gress, JLBC Staff, stated that the Committee is required to review quarterly reports on the receipts and disbursements from the Consumer Protection - Consumer Fraud Revolving Fund and the Consumer Restitution and Remediation Revolving Fund (including its 2 subaccounts), as well as deposits made to the General Fund submitted by the Attorney General. The JLBC Staff presented options to the Committee.

_Senator Shooter moved that the Committee give a favorable review to the AG's allocation of legal settlements among the various funds._ The motion carried.

ATTORNEY GENERAL (AG) - Review of Uncollectible Debts.

Mr. Matt Gress, JLBC Staff, stated that A.R.S. § 35-150E requires the AG to submit a list of uncollectible debts referred to the AG by state agencies for collection. Upon the Committee’s review, these debts may be removed from the state’s accounting system. The JLBC Staff presented options to the Committee.

_Senator Shooter moved that the Committee give a favorable review to the AG’s FY 2015 and prior years listings of uncollectible debts referred to the AG by state agencies for collection. The uncollectible debt listings total $88,439,100 for FY 2015 and prior years._ The motion carried.

EXECUTIVE SESSION

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

At 2:32 p.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 3:10 p.m. the Committee reconvened into open session.

A. Arizona Department of Administration (ADOA) - Review for Committee the Planned Contribution Strategy for State Employee and Retiree Health Plans as Required under A.R.S. § 38-658A.

_Senator Shooter moved that the Committee give a favorable review of the planned contribution strategy for state employee and retiree health coverage for Plan Year 2016 with the provision that ADOA report on the success of its wellness program by December 31, 2015._ The motion carried.


_Senator Shooter moved that the Committee recommends that the Arizona Department of Administration’s (ADOA) Risk Management Division adopt the following new statewide procedures:

- State agencies use the Arizona State Employee Drivers Record Application (ASEDRA) each month to verify employees’ state driving privileges.
- In instances where a local office, rather than a central fleet office, is responsible for vehicles, the office supervisor spot check vehicle driving logs monthly to prevent unauthorized use._

(Continued)
• When state employees use their private vehicles to fulfill work responsibilities, state employees annually submit proof of private auto insurance to their department.

The motion carried.

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

Senator Shooter moved that the Committee approve the recommended settlements proposed by the Attorney General's office in the cases of:


The motion carried.

Without objection, the meeting adjourned at 3:12 p.m.

Respectfully submitted:

[Signatures]

Kristy Paddock, Secretary

Richard Stavneak, Director

Representative Justin Olson, 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.