



STATE OF ARIZONA

# Joint Legislative Budget Committee

STATE  
SENATE

DAVID M. GOWAN  
VICE-CHAIRMAN  
LELA ALSTON  
SEAN BOWIE  
RICK GRAY  
VINCE LEACH  
DAVID LIVINGSTON  
J.D. MESNARD  
LISA OTONDO

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF  
REPRESENTATIVES

REGINA E. COBB  
CHAIRMAN  
DIEGO ESPINOZA  
CHARLENE R. FERNANDEZ  
RANDALL FRIESE  
JOHN KAVANAGH  
WARREN PETERSEN  
BRET M. ROBERTS  
BEN TOMA

## MINUTES OF THE MEETING

### JOINT LEGISLATIVE BUDGET COMMITTEE

June 18, 2019

The Chairman called the meeting to order at 1:05 p.m., Tuesday, June 18, 2019, in House Hearing Room

1. The following were present:

Members:	Senator Gowan, Vice-Chairman	Representative Cobb, Chairman
	Senator Alston	Representative Espinoza
	Senator Bowie	Representative Fernandez
	Senator Gray	Representative Friese
	Senator Leach	Representative Kavanagh
	Senator Otondo	Representative Roberts
	Senator Mesnard	

Absent:	Senator Livingston	Representative Petersen
		Representative Toma

### APPROVAL OF MINUTES

Representative Cobb moved that the Committee approve the minutes of April 10, 2019. The motion carried.

### CONSENT AGENDA

The following items were considered without discussion.

#### ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of Arizona Financial Information System Transaction Fee.

A.R.S. § 41-740.01 requires ADOA to submit proposed changes to the transaction fee charged to each state agency that uses the Arizona Financial Information System (AFIS) to the Joint Legislative Budget Committee (JLBC) for its review. ADOA requested JLBC review of its proposed 34-cent transaction fee charged to state agencies for the operation of AFIS. The JLBC Staff provided options.

(Continued)

**ATTORNEY GENERAL (AG) - Review of Uncollectible Debts.**

A.R.S. § 35-150E requires that the AG's annual report on uncollectible debts owed to the state be reviewed by the Committee before the debt can be removed from the state accounting system. The AG requested Committee review of \$31,219,542 of debts listed as uncollectible in FY 2019 and prior years. The JLBC Staff provided options.

**ARIZONA CRIMINAL JUSTICE COMMISSION (ACJC) - Review of Edward Byrne Memorial Justice Assistance Grant Federal Application.**

A.R.S. § 41-2403 requires ACJC to submit its federal application for the Edward Byrne Memorial Justice Assistance Grant (JAG) to the JLBC for review 30 days prior to the submission to the federal government. ACJC requested Committee review of the federal application for the Byrne JAG award that is administered by the United States Department of Justice, Bureau of Justice Assistance. The JLBC Staff provided options and a potential provision:

ACJC shall submit a preliminary proposal to the Committee by May 15, 2020 if the federal guidelines have not yet been received for 2020.

**DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Developmental Disabilities Line Item Transfers.**

An FY 2018 General Appropriation Act footnote requires DES to submit a report for review by the JLBC before transferring any funds into or out of certain Division of Developmental Disabilities (DDD) line items. DES requested Committee review of a retroactive transfer of \$3,500,000 of Long Term Care System Fund monies out of the FY 2018 Home and Community Based Services - Medicaid line item as follows:

- \$1,000,000 into the FY 2018 line item for the DDD operating budget.
- \$2,500,000 into the FY 2018 line item for Medical Services - Medicaid.

The JLBC Staff provided options.

**ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of AzMERIT Contract Renewal.**

A.R.S. § 15-741.03 requires ADE to provide to the JLBC for review any contract renewal proposed by ADE for any portion of the statewide assessment adopted pursuant to A.R.S. § 15-741. ADE requested Committee review of its contract renewal for the statewide assessment ("AzMERIT"). ADE proposed to extend the current AzMERIT contract for 2 more years (through FY 2021). The JLBC Staff provided options.

**ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of Career Technical Education District Annual Report.**

A.R.S. § 15-393.01 requires ADE to provide to the JLBC for review its annual report on Career Technical Education Districts (CTEDs). ADE requested Committee review of its annual CTED report for FY 2018. The JLBC Staff provided options and a potential provision:

- A. *For future reports, ADE shall include data totals or averages for each CTED, including their satellite site data, for each data element appearing in Table 1 of the June 11, 2019 JLBC Staff memo.*

**DEPARTMENT OF ENVIRONMENTAL QUALITY (DEQ) - Review of Amendment to the Vehicle Emissions Inspection Contract.**

A.R.S. § 49-545G requires DEQ to submit any proposed modification or amendment to the Vehicle Emissions Inspection (VEI) contract to the JLBC for review. DEQ requested Committee review of an amendment to the VEI contract with Gordon-Darby Testing, Inc (GDAT). The amendment would extend the contract's expiration date by 1 year from June 30, 2020 to June 30, 2021. The JLBC Staff provided options.

**DEPARTMENT OF TRANSPORTATION (ADOT) - Review of Motor Vehicle Modernization (MvM) Project Annual Progress Report.**

An FY 2019 General Appropriation Act footnote requires ADOT to submit for review by the JLBC its annual progress report on the MvM Project. ADOT requested Committee review of its annual progress report on the MvM Project. Subsequent to this February report, however, ADOT changed its revenue sharing agreement with its vendor. In response to a JLBC Staff request, ADOT submitted an update to its report.

Pursuant to a provision from the Committee's September 2018 favorable review of last year's annual progress report, ADOT also submitted a report on its progress in remediating risks associated with the MvM Project's interface/integration implementation and its proposal for how to spend the ADOT-dedicated portion of the ServiceArizona vendor's fee retention upon completion of the MvM Project in FY 2020. The JLBC Staff provided options and a potential provision:

- A. *On or before July 31, 2019, ADOT shall submit to the Joint Legislative Budget Committee a report detailing revenue estimates for FY 2019, FY 2020, and FY 2021 for the ServiceArizona vendor's fee retention. This report shall categorize the revenue as ServiceArizona retention, AZ MVD Now retention or any other retention and detail the revenue according to where it is deposited, including the ADOT Technology Reserve Fund, ADOT Portal Enhancement Fund, or any other ServiceArizona vendor accounts.*

*Senator Gowan moved that the Committee give a favorable review, including provisions as outlined in the JLBC Staff analysis, to the 8 consent agenda items listed above. The motion carried.*

**REGULAR AGENDA**

**EXECUTIVE SESSION**

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

At 1:07 p.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 2:13 p.m. the Committee reconvened into open session.

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

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

- *Lafreniere v. State of Arizona, et al.*
- *Birair v. State of Arizona, et at.*
- *Etcitty v. State of Arizona, et al.*

The motion carried.

**B. Arizona Department of Administration (ADOA) - Review for Committee the Planned Contribution Strategy for State Employee and Retiree Medical and Dental Plans Under A.R.S. § 38-658A.**

*Senator Gowan moved that the Committee accept the report for the planned contribution strategy for state employee and retiree medical plans. The motion carried.*

**SECRETARY OF STATE (SOS) - Review of Expenditure Plan for Other Help America Vote Act (HAVA).**

Mr. Jack Brown, Assistant Director, stated that an FY 2019 General Appropriation Act footnote requires SOS to submit an expenditure plan for the "Other Help America Vote Act (HAVA) Projects" line item to the JLBC for review. SOS requested review of its expenditure plan for the remaining Help America Vote Act monies. These monies were allocated by the federal government to the state in March 2018. At its June 2018 meeting, the Committee favorably reviewed SOS's FY 2019 HAVA expenditure plan of \$2,298,800 for the cost of completing the development of a new statewide voter registration system and \$479,100 for an election security assessment.

After accounting for the voter registration spending and the election security assessment (which had an actual cost of \$380,000), there will be up to \$5,503,200 of HAVA monies available from the 2018 federal grant. The JLBC Staff provided options and potential provisions.

Ms. Katie Hobbs, Secretary of State, responded to member questions.

Ms. Allie Bones, Assistant Secretary of State, responded to member questions.

Ms. Sarah Schnupp, Chief Financial Officer, SOS, responded to member questions.

*Senator Gowan moved that the Committee give a favorable review of the FY 2020 expenditure plan as presented by the SOS.*

*As part of its review, the Committee included the following provisions:*

- The Committee's review only addresses FY 2020 expenditures. SOS shall return to the Committee for further review prior to expending any funds in FY 2021.*
- The SOS shall notify the Committee of any changes to the FY 2020 expenditure plan that exceed \$100,000 and the Chairman may determine whether the changes require further Committee review.*

(Continued)

- C. *The SOS shall submit their monthly ASET status report on AVID to JLBC.*
- D. *The SOS shall submit to the Committee a report on the recipients of "security fortification" grants prior to distributing the funds.*

The motion carried.

**ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of Inmate Health Care Per Diem Rate Change.**

Mr. Geoff Paulsen, JLBC Staff, stated that an FY 2019 General Appropriation Act footnote requires ADC to submit an expenditure plan for the inmate health care contracted services to the JLBC for review. ADC requested Committee review of its expenditure plan for inmate health care contracted services. The FY 2020 budget included \$31,000,000 to implement the new contract. The JLBC Staff provided options.

Mr. Mike Kearns, Division Director, Administrative Services, ADC, responded to member questions.

Mr. Richard Pratt, Assistant Director, Health Services Contract Monitoring Bureau, ADC, responded to member questions.

*Representative Kavanagh moved that the Committee give a favorable review of the department's expenditure plan. As part of its review, the Committee included the following provision:*

- A. *ADC shall provide to the JLBC by August 1, 2020 the FY 2022 contract changes requested by the vendor for health care inflation and any other adjustments.*

The motion carried.

**ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of Adult Inmate Management System Expenditures.**

Mr. Geoff Paulsen, JLBC Staff, stated that a FY 2020 General Appropriation Act footnote requires ADC to submit an expenditure plan detailing any expenditures for the Adult Inmate Management System (AIMS) upgrade to the JLBC for review. ADC requested Committee review to expend \$6,877,200 above the projected \$24,000,000 cost of the Adult Inmate Management System (AIMS) project. The JLBC Staff provided options and potential provisions.

Mr. Mike Kearns, Division Director, Administrative Services, ADC, responded to member questions.

*Senator Gowan moved that the Committee give an unfavorable review of the department's \$6.9 million expenditure plan. As part of its review, the Committee included the following provisions:*

- A. *Until the project is completed, the department shall submit the standard ASET monthly progress report to both the ASET and JLBC in a timely manner.*
- B. *Before spending any additional monies on the system above the current \$6.9 million request, the department shall submit an expenditure report to the Committee for review.*

The motion carried.

(Continued)

**DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount.**

Mr. Jack Brown, Assistant Director, stated that pursuant to Laws 2019, Chapter 268 (the FY 2020 Criminal Justice Budget Reconciliation Bill) and A.R.S. § 41-1724G, DPS is required to submit for Committee review the entire FY 2020 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expending any monies. The Subaccount is funded primarily from a \$4.00 surcharge on criminal violations. DPS requested JLBC review of its proposal to distribute \$1,345,800 of the \$2,395,800 FY 2020 appropriation from the Subaccount to continue to fund 3 existing programs: Detention Liaison Officer Program (\$456,800), Border County Officers (\$539,000), and Border Crimes Unit (\$350,000). DPS plans to submit to the Committee an allocation plan for the Border Security and Law Enforcement Grants (\$1,050,000) for review at a later date this year. The JLBC Staff provided options and a potential provision.

Mr. Phil Case, Budget Director, DPS, responded to member questions.

*Senator Gowan moved that the Committee give a favorable review for the expenditure plan of \$1,345,800 of the \$2,395,800 FY 2020 appropriation to fund 3 existing programs: Detention Liaison Officer Program (\$456,800), Border County Officers (\$539,000), and Border Crimes Unit (\$350,000). As part of its review, the Committee included the following provision:*

*DPS shall report to the Committee prior to implementing any changes to the proposed FY 2020 allocation of the grants. The Chairman shall decide whether the revisions require Committee review.*

The motion carried.

**OFFICE OF TOURISM (AOT) - Certification of Expenditures Related to ISM Raceway Renovations.**

Mr. Henry Furtick, JLBC Staff, stated that A.R.S. § 41-2308 requires that AOT receive certification of expenditures totaling at least \$100.0 million related to the renovation of an Arizona race track facility from the JLBC prior to AOT receiving an annual appropriation of \$1,500,000 starting in FY 2022 for promotional funding of a special sporting event at the facility. ISM Raceway, acting on behalf of AOT, requested Committee certification of expenditures related to the ISM Raceway Renovation Project in Avondale. The JLBC Staff provided options.

Mr. Ben Stewart, Director of Government and Community Affairs, AOT, responded to member questions.

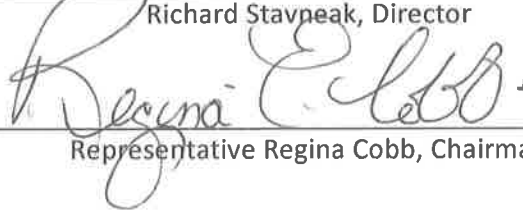
*Senator Gowan moved that the Committee certify that International Speedway Corporation (ISC) expended at least \$100,000,000 in race track renovations at the ISM Raceway in Avondale.*

Without objection, the meeting adjourned at 4:42 p.m.

Respectfully submitted:

  
\_\_\_\_\_  
Kristy Paddack, Secretary

  
\_\_\_\_\_  
Richard Stavneak, Director

  
\_\_\_\_\_  
Representative Regina Cobb, Chairman