

B. Review of Allocation of Settlement Monies - State v. Warner Chilcott.

Ms. Leah Ruggieri, JLBC Staff, stated that a footnote in the General Appropriation Act requires that the JLBC review the allocation or expenditure plan for settlement monies over \$100,000 received by the AG or any other person on behalf of the State of Arizona. The AG will receive \$128,000 as a result of the Warner Chilcott settlement. The actual cost of the litigation is estimated to be no greater than \$33,000.

Senator Burns moved that the Committee give a favorable review to the Attorney General's allocation of settlement monies. The motion carried.

DEPARTMENT OF HEALTH SERVICES (DHS)

A. Review of Behavioral Health Title XIX Capitation Rate Changes.

Ms. Jenna Goad, JLBC Staff, stated that a footnote in the General Appropriation Act requires DHS to present its plan to the Committee for its review prior to implementing any change in capitation rates for the Title XIX behavioral health programs. Capitation rates are the flat monthly payments made to managed-care health plans for each Title XIX recipient. DHS requested review of rate changes for the Children's Behavioral Health (CBH), Seriously Mentally Ill (SMI), and General Mental Health/Substance Abuse (GMH/SA) Title XIX rates.

Discussion ensued on this item.

Mr. Eddy Broadway, Deputy Director for DHS, responded to member questions.

Senator Burns moved that the Committee give a favorable review to the DHS capitation rate adjustments with the following 2 provisions: 1) administrative costs remain within the FY 2008 budgeted levels; and 2) any capitation rate savings is reverted and not transferred for program expansions. The motion carried.

The Chairman requested DHS provide any documents presented to the Legislature during session that noted there would be a multi-year approach to funding the 1:15 ratio.

B. Review of Children's Rehabilitative Services Capitation Rate Changes.

Ms. Amy Upston, JLBC Staff, stated that a footnote in the General Appropriation Act requires DHS to present an expenditure plan to the Committee for its review prior to implementing any change in capitation rates for the AHCCCS Children's Rehabilitative Services (CRS) program.

Discussion ensued on this item.

Senator Burns moved that the Committee give a favorable review to the DHS CRS capitation adjustments with the following 2 provisions: 1) administrative costs remain within the FY 2008 budgeted levels; and 2) any capitation rate savings be reverted and not transferred for program expansions. The motion carried.

C. Review of the Contract Compliance Special Line Item Expenditure Plan

Mr. Matt Busby, JLBC Staff, stated that a footnote in the General Appropriation Act requires Committee review of the DHS proposed expenditure plan for the Contract Compliance special line item. Of the total, \$2.5 million and 15 FTE Positions were appropriated from the General Fund. The remaining \$4.8 million and 29 FTE Positions are from Federal Title XIX Expenditure Authority. The Contract Compliance SLI was created in the FY 2008 budget. The purpose of the funding is to improve contract monitoring and compliance among the Regional Behavioral Health Authorities (RBHAs) and to ensure that DHS is meeting its obligations in both the *Arnold v. Sarn* and *JK v. Gerard* lawsuits.

Discussion ensued on this item.

Ms. Susan Gerard, Director of DHS, and Mr. Eddy Broadway, Deputy Director for DHS responded to member questions.

Senator Burns moved that the Committee give a favorable review of the DHS \$7,300,000 expenditure plan for Contract Compliance with the following two provisions: 1) The favorable review does not constitute an endorsement of General Fund

support to expand the program in the future; and 2) DHS proceed with hiring no more than 44 of the 73 positions as this was the amount appropriated in the FY 2008 General Appropriation Act. The motion carried.

A review of the remaining 29 positions will occur after the department submits additional information as follows: 1) An explanation of how the particular staffing levels were derived, especially for the main categories of activities. This explanation should include any quantitative workload measures used to determine the department's proposed staffing levels. 2) More specific information on how the \$1,000,000 for indirect costs would be used; and 3) The performance measures selected to assess the effectiveness of additional staff in resolving their litigation.

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

Ms. Kimberly Cordes-Sween, JLBC Staff, stated that a footnote in the General Appropriation Act (Laws 2007, Chapter 255) requires Committee review of the DPS quarterly expenditure plan for GIITEM appropriations prior to expenditure. *Attachment A* was distributed to the Committee on the local and non-DPS GIITEM spending.

Discussion ensued on this item.

Mr. Phil Case, DPS Comptroller, responded to member questions.

Senator Burns moved that the Committee give a favorable review to the DPS expenditure plan with the provision that DPS reduce the Pima County Sheriff's Office (PCSO) initiative to \$1,319,800 and 11 positions which includes 1 lieutenant, 1 sergeant, 8 deputies, and 1 analyst, as well as equipment and other operating expenses. If the 11 PCSO positions are filled and if established performance objectives are met by January 1, 2008, DPS shall notify the Committee. DPS will report back to the Committee on the establishment of performance measures for the PCSO as part of its quarterly GIITEM report due October 30, 2007. The Committee also requested that in the future DPS expenditure plans include the total annualized cost for all requested DPS or local personnel. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY (DPS)

A. Review of Proposed Implementation of Developmental Disabilities Provider Rate Increase.

Mr. Jay Chilton, JLBC Staff, stated that a footnote in the General Appropriation Act requires JLBC to review the implementation plan for distributing a developmental disabilities provider rate increase totaling \$7.0 million General Fund and \$18.6 million total funds.

Senator Burns moved that the Committee give a favorable review of the implementation plan. The motion carried.

B. Review of FY 2008 Expenditure Plan for Workforce Investment Act Monies.

Mr. Jay Chilton, JLBC Staff, stated that a footnote in the General Appropriation Act requires the JLBC to review the expenditure plan prior to DES expending monies from the \$2.9 million discretionary portion of federal Workforce Investment Act Special Line Item. All \$2.9 million is for core functions of the WIA monies. The primary change is an increase of \$800,000 for the Local One Stop System Offices. These offices provide job placement and career training services as well as access to some government services. This increase is for replacement equipment due to the age of servers and software used for the virtual one stop system.

Senator Burns moved that the Committee give a favorable review of DES' expenditure plan. The motion carried.

GOVERNMENT INFORMATION TECHNOLOGY AGENCY (GITA) - Review of Web Portal Contract.

Mr. Dan Hunting, JLBC Staff, stated that the General Appropriation Act (Laws 2007, Chapter 259) requires the Committee to review the fiscal provisions of any new web portal contract after it is executed, but before it is implemented by GITA. This web portal also known as Arizona @ Your Service is accessed through the state's Web site and works with state agencies to provide electronic delivery of government services and information. Under a contract with the prior vendor, the web portal generates over \$5 million annually, primarily through the sale of motor vehicle records to commercial customers.

Under the old contract, this revenue was deposited in the contractor's private account and was retained by the contractor unless used for other web portal projects. In order to give the state greater control over the web portal revenue stream, Laws

2006, Chapter 346 created the Web Portal Fund as an appropriated fund and required that revenue from any web portal contract be deposited in the fund. On June 27, 2007, a new 3-year contract was awarded to NIC, Inc, which will take over operation of the web portal on October 8, 2007.

Discussion ensued on this item.

Mr. D.J. Harper, Legislative Liaison for GITA, responded to member questions.

Senator Burns moved that the Committee give a favorable review to the contract with the provision that GITA provide a list of discretionary projects and activities to the JLBC Staff by October 15, 2007. The motion carried.

ADMINISTRATIVE OFFICE OF THE COURTS (AOC) - Review of Reimbursement of Appropriated Funds.

Mr. Lorenzo Martinez, JLBC Staff, stated that a footnote in the General Appropriation Act (Laws 2007, Chapter 255) requires the Joint Legislative Budget Committee to review the expenditure of reimbursements received by the Administrative Office of the Courts. These reimbursements consist of monies received by AOC for services provided to local courts and their personnel. A.R.S. § 35-142.01 states that if an agency receives a reimbursement from federal or other sources, that agency is permitted to retain and expend those monies as long as the agency director determines that they are necessary for the agency's operation. The agency director must also determine that the Legislature did not specifically consider and reject such reimbursement during the agency's original budget appropriation.

Senator Burns moved that the Committee give a favorable review to the use of \$3,784,500 in projected reimbursements. The motion carried.

ARIZONA STATE RETIREMENT SYSTEM (ASRS) - Review of FY 2008 Information Technology Expenditure Plan.

Mr. Eric Jorgensen, JLBC Staff, stated that a General Appropriation Act footnote requires the Committee to review the yearly expenditure plan for the ASRS Information Technology (IT) plan prior to expenditure. ASRS was appropriated \$2,818,500 for FY 2008 for operating expenses associated with upgrades to the information technology system. The plan is within budget and in line with expenditures outlined in the Project and Investment document approved by the Information Technology Authorization Committee.

Senator Burns moved that the Committee give a favorable review of the FY 2008 ASRS IT expenditure plan. The Committee also requested that ASRS continue to give semi-annual progress reports on the project status, with the next report due by December 31, 2007. The motion carried.

Without objection, the meeting adjourned at 11:40 a.m.

Respectfully submitted:

Sandy Schumacher, Secretary

Richard Stavneak, Director

Representative Russell Pearce, Chairman

**August 16, 2007 JLBC Meeting Handout
DPS – GIITEM Expenditure Plan**

Attachment A

Local/Non-DPS GIITEM Spending		
	Local Personnel	Total Funding
August DPS Proposal		
Pima County Sheriff	20	\$2,259,700
AZ Fraudulent ID Task Force (AFIT)	14	1,858,700
Border County Officers	10	1,353,800
Detention Liaison Officers	15	743,700
Additional Facilities Costs	<u>0</u>	<u>699,800</u>
August Total	59	\$6,915,700
Favorably Reviewed in FY 2007		
Phoenix/ICE Agreement	7	\$1,918,700
Maricopa County Sheriff	15	1,591,900
GangNet/License Plate Readers	0	1,000,000
Border Patrol Agents	10	729,300
Specialty Equipment/Armored Vehicle Technology	<u>0</u>	<u>537,000</u>
	32	\$6,316,900
LOCAL/NON-DPS TOTAL	91	\$13,232,600