MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

September 22, 2009

The Chairman called the meeting to order at 3:15 p.m., Tuesday, September 22, 2009, in House Hearing Room 4. The following were present:

Members:  Senator Pearce, Vice-Chairman  Representative Kavanagh, Chairman
Senator Aboud  Representative Cajero Bedford
Senator Aguirre  Representative McComish
Senator Gray  Representative Murphy
Senator Harper  Representative Williams

Absent:  Senator Pierce  Representative Biggs
Senator Rios  Representative Campbell
Senator Waring  Representative Heinz

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of June 23, 2009, Chairman Kavanagh stated that the minutes would stand approved.

STATE PARKS BOARD - Review of Requested Exchange of Fund Transfers.

Mr. Art Smith, JLBC Staff stated that this item is a review of requested exchange of fund transfers for the State Parks Board (SPB). The FY 2010 budget includes a number of fund transfers for the agency and as with FY 2009, there is a provision that allows agencies to come before the Committee with an alternate fund transfer proposal as long as they are neutral to the General Fund. The table below shows the list of fund transfers required in the FY 2010 budget. The JLBC Staff presented options to the Committee.
Mr. Jay Ziemann, Assistant Director, State Parks Board, responded to member questions.

**Senator Pearce moved** that the Committee give a favorable review to the Arizona State Parks Board request for the proposed exchange of fund transfers shown in the table above. The motion carried.

### DEPARTMENT OF HEALTH SERVICES - Review of Behavioral Health Title XIX Capitation Rate Changes.

Mr. Art Smith, JLBC Staff, stated that this item is a review of the Department of Health Services’ (DHS) capitation rate changes for behavioral health population. The proposed rates are expected to cost the General Fund approximately $652,000 above the budgeted amount. The JLBC Staff presented options to the Committee.

Dr. Laura Nelson, Acting Deputy Director, Department of Health Services, responded to member questions.

**Senator Pearce moved** that the committee give an unfavorable review to the DHS’ change in capitation rates for the Title XIX behavioral health programs as the capitation rate exceeds the budgeted amount by a net of $651,000 from the General Fund due to program expansions. The motion carried.

### ATTORNEY GENERAL - Review of Allocation of Settlement Monies.

Ms. Marge Zylla, JLBC Staff, stated that the Attorney General’s (AG) office is requesting favorable reviews of the allocation monies received from 5 different settlements. Each has a designated amount that will be deposited into the Consumer Fraud Fund to support consumer fraud investigations, consumer education and enforcement of the Consumer Fraud Act. The total from all 5 settlements to be deposited into the fund is $2.5 million. The JLBC Staff recommended a favorable review.
Senator Pearce moved that the Committee give a favorable review of $2,547,000 from 5 settlements of the total, $2,463,300 is to be deposited into the Consumer Protection - Consumer Fraud Revolving Fund as follows: 1) A $845,400 allocation resulting from mediation as part of ongoing Average Wholesale Price (AWP) litigation with pharmaceutical companies (an additional $83,700 was spent on outside counsel, 2) a $117,000 allocation to the AG from a consent judgment with Tim’s Auto Group, 3) a $400,000 allocation to the AG from a consent judgment with Wal-Mart Stores, 4) a $1,000,000 civil penalty from a consent judgment with Central Coast Nutraceuticals (CCN), and 5) a $100,000 civil penalty from a consent judgment with Payless Car Rental. The motion carried.


Mr. Dan Hunting, JLBC Staff, stated that this item is a review of the FY 2009 expenditures of the Arizona Public Safety Communication Advisory Commission.

Due to lack of a GITA representative to answer questions, the Chairman decided to hold this item until the next JLBC meeting.

DEPARTMENT OF EDUCATION - Review of Kinder Morgan and Xanterra Settlements.

Mr. Steve Schimpp, JLBC Staff, stated that the Department of Education (ADE) is seeking a favorable review of its plan to provide 2 school districts with funding for Basic State Aid. The JLBC Staff recommended a favorable review.

Senator Pearce moved that the Committee give a favorable review of the Arizona Department of Education’s plan to provide 2 school districts with a total of $153,900 in corrected Basic State Aid funding due to recent settlements in Arizona Tax Court regarding property taxes paid in prior years by the Xanterra and Kinder Morgan Corporations. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Risk Management Deductible.

Mr. Dan Hunting, JLBC Staff, stated that this item is a review of the deductible that the Arizona Department of Administration (ADOA) Risk Management may charge to agencies that have sustained significant losses. ADOA recommends a continuation of the current $10,000 deductible. The JLBC Staff recommended a favorable review.

Senator Pearce moved that the Committee give a favorable review of the ADOA Risk Management deductible of $10,000. The motion carried.

EXECUTIVE SESSION

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

At 4:15 p.m. the Joint Legislative Budget Committee went into Executive Session.

Representative Kavanagh moved that the Committee reconvene into open session. The motion carried.

At 5:00 p.m. the Committee reconvened into open session.
A. Arizona Department of Administration - Risk Management Services - Consideration of Proposed Settlements under Rule 14.

Senator Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General’s Office in the case of Blanchard v. State of Arizona, et al. The motion carried.

Senator Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General’s Office in the case of Sellers v. State of Arizona, et al. The motion carried.

B. Arizona Department of Administration - Risk Management Annual Report.

This item was for information only and no Committee action was required.

Without objection, the meeting adjourned at 5:05 p.m.

Respectfully submitted:

__________________________________________
Sandy Schumacher, Secretary

__________________________________________
Richard Stavneak, Director

__________________________________________
Representative John Kavanagh, 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.