



STATE OF ARIZONA

Joint Legislative Budget Committee

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1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

December 18, 2018

The Chairman called the meeting to order at 12:39 p.m., Tuesday, December 18, 2018, in House Hearing Room 1. The following were present:

Members:	Senator Kavanagh, Chairman	Representative Livingston, Vice-Chairman
	Senator Fann	Representative Allen
	Senator Farley	Representative Alston
	Senator Farnsworth	Representative Fernandez
	Senator Hobbs	
	Senator Petersen	
Absent:	Senator Cajero Bedford	Representative Bowers
	Senator Yee	Representative Leach
		Representative Ugenti-Rita

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of September 20, 2018, Chairman John Kavanagh stated that the minutes would stand approved.

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2019 Proposed Bed Capacity Changes.

Pursuant to an FY 2019 General Appropriation Act footnote, ADC previously submitted for Committee review its report detailing proposed bed capacity changes in FY 2019. The Committee reviewed the plan at its September JLBC meeting. ADC is now requesting the Committee review its revised FY 2019 changes.

(Continued)

Table 1				
ADC Permanent Bed Capacity - Proposed FY 2019 Changes				
	<u>FY 2018</u>	<u>September Changes</u>	<u>December Changes</u>	<u>FY 2019</u>
<u>State Prisons</u>				
Minimum	10,165	0	30	10,195
Medium	11,289	0	240	11,529
Close	7,216	(27)	(15)	7,174
Maximum	1,989	(29)	0	1,960
Reception	<u>96</u>	<u>0</u>	<u>0</u>	<u>96</u>
Subtotal	30,755	(56)	255	30,954
<u>Private Prisons</u>				
Minimum	3,500	0	0	3,500
Medium	<u>4,400</u>	<u>0</u>	<u>0</u>	<u>4,400</u>
Subtotal	<u>7,900</u>	<u>0</u>	<u>0</u>	<u>7,900</u>
Systemwide Total	38,655	(56)	255	38,854

Mr. Charles Ryan, Director, ADC, responded to member questions

This agenda item was for information only and no Committee action was taken.

CONSENT AGENDA

The following items were considered without discussion.

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

Laws 2016, Chapter 4 requires ADE to submit for Committee review its quarterly reports on ADE's progress and the subsequent approval or rejection of currently eligible Career Technical Education District (CTED) programs and courses for eligibility for state funding under the new requirements established in Chapter 4. ADE submitted its July 1, 2018-December 31, 2018 CTED quarterly reports for Committee Review. The JLBC Staff provided options.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of Public Safety Broadband.

Pursuant to an FY 2019 General Appropriation Act footnote, ADOA submitted for Committee review an annual report on expenditures for the State and Local Implementation Grant Program associated with the National Public Safety Broadband Network Initiative. The JLBC Staff provided options.

ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECT FUND (APF) - Review of myDEQ Project (DEQ Subaccount).

A.R.S. § 41-714 requires Committee review of proposed Automation Projects Fund (APF) expenditures. ADOA requested that the Committee review \$3,200,000 in proposed FY 2019 expenditures from the APF Department of Environmental Quality (DEQ) Subaccount for the continued development of the myDEQ project. The JLBC Staff provided options and potential provisions:

(Continued)

- A. *The results of the quarterly third-party reviews are to be provided to the JLBC Staff.*
- B. *Should the final costs exceed the estimated costs by 10% or more or should there be significant changes to the proposed technology, scope of work or implementation schedule, ADEQ shall submit these changes to the Committee prior to further expenditure of funds.*

ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECT FUND (APF) - Review of Arizona Strategic Enterprise Technology Projects (ADOA Subaccount).

A.R.S. § 41-714 requires Committee review of proposed Automation Projects Fund (APF) expenditures. ADOA requested that the Committee review \$500,000 in proposed FY 2019 expenditures from the APF/ADOA Subaccount for information technology projects at the Arizona Strategic Enterprise Technology (ASET) Office. The JLBC Staff provided options.

Representative Livingston moved that the Committee give a favorable review, including provisions as outlined in the JLBC Staff analysis, to the 4 consent agenda items listed above. The motion carried.

REGULAR AGENDA

JLBC STAFF - Consider Approval of Index for School Facilities Board Construction Costs.

Ms. Rebecca Perrera, JLBC Staff, stated that A.R.S. § 15-2041 requires that the cost-per-square-foot factors used in School Facilities Board (SFB) new school construction financing be adjusted annually for construction market considerations based on an index identified or developed by the Committee as necessary but not less than once each year. The JLBC Staff provided options.

Table 1			
Cost-Per-Square-Foot Amounts			
	K-6	7-8	9-12
Prior January 2018 Cost-Per-Square-Foot Amounts	\$ 147.00	155.19	179.69
New December 2018 Cost-Per-Square-Foot Amounts	156.10	164.80	190.81

Mr. Paul Bakalis, Executive Director, SFB, responded to member questions.

Representative Livingston moved that the Committee approve a 6.19% adjustment in the cost-per-square-foot factors. The adjustment is based on the change in the Rider Levett Bucknall (RLB) Phoenix construction cost index since the cost factors were last adjusted in January 2018. A.R.S. § 15-2041D requires this adjustment to only be applied prospectively. The motion carried.

DEPARTMENT OF CHILD SAFETY (DCS) - Review of FY 2019 First Quarter Benchmarks.

Mr. Patrick Moran, JLBC Staff, stated that the FY 2019 General Appropriation Act requires DCS to submit a report to the Committee for its review a report on quarterly benchmarks for assessing progress made in increasing the department's number of FTE Positions, meeting caseload standards for caseworkers, reducing the number of backlog cases and open reports, and reducing the number of children in out-of-home care. The JLBC Staff provided options.

Mr. Mike Faust, Deputy Director, DCS, responded to member questions.

Representative Livingston moved that the Committee give a favorable review of the department's FY 2019 first quarter benchmark report. The motion carried.

DEPARTMENT OF CHILD SAFETY (DCS) - Review of Line Item Transfers.

Mr. Patrick Moran, JLBC Staff, stated that the FY 2018 General Appropriation Act and the FY 2019 General Appropriation Act require DCS to submit proposed line item transfers to the Committee for review. DCS requested Committee review of the following transfers shown below. The JLBC Staff provided options.

FY 2019

- \$400,000 Federal Temporary Assistance for Needy Families (TANF) Block Grant into the Kinship Care line item from the Out-of-Home Support Services line item.

FY 2018

- \$185,000 Federal TANF Block Grant into the Kinship Care line item from the Out-of-Home Support Services line item.
- \$1,333,000 General Fund into the Foster Home Recruitment, Study, and Supervision (HRSS) line item from the Foster Home Placement line item.
- \$1,606,000 Child Safety Expenditure Authority into the Foster HRSS line item from the Out-of-Home Support Services line item.

Mr. Mike Faust, Deputy Director, DCS, responded to member questions

Representative Livingston moved that the Committee give a favorable review of the transfers noted above. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Plan for the Arizona Training Program at Coolidge.

Mr. Patrick Moran, JLBC Staff, stated that A.R.S. § 36-570 requires DES to submit an annual report for review by the Committee on the department's plans for the Arizona Training Program at Coolidge (ATP-C) and associated group homes, including any plans to close the facilities. The JLBC Staff provided options.

Mr. Sean Price, Deputy Director of Programs, DES, responded to member questions.

Representative Livingston moved that the Committee give a favorable review of the report, with the following provision:

- A. *The department shall include a status update on the future use of the 5 state-operated group homes at the ATP-C campus in its next report to the Committee on the ATP-C facility.*

The motion carried.

(Continued)

ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of Federal Monies Report.

Mr. Steve Schimpp, JLBC Staff, stated that A.R.S. § 15-1052 requires the Department of Education (ADE) to submit for Committee review its annual report on how much noncustodial and other federal monies it receives. The JLBC Staff provided options.

Mr. Charles Tack, Associate Superintendent of Policy Development and Government Relations, ADE, responded to member questions.

Representative Livingston moved that the Committee give a favorable review of ADE's FY 2019 Report of Federal Monies Received with the following provision:

- A. *In its next annual submission, ADE shall report for each of its federal grants:*
1. *The amount of discretion it has in allocating pass-through funding.*
 2. *How pass-through funding is allocated.*
 3. *The amount of funding retained for program administration and how it is spent.*

The motion carried.

EXECUTIVE SESSION

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

At 1:57 p.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 3:06 p.m. the Committee reconvened into open session.

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

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

- *Kelley, et al. v. State of Arizona*
- *Pellerin v. State of Arizona*
- *Demaree v. Pederson, et al.*
- *Boyles, et al. 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. The Committee received the Risk Management Annual Report pursuant to JLBC Rule 14. The Committee requests that future annual reports continue to include the following information:

(Continued)

- Status of open claims and lawsuits.
- Status of claims and lawsuits reported on the prior year annual report.
- Total number of claims and lawsuits filed with Risk Management during the prior fiscal year.
- Total settlement and judgment costs during the prior fiscal year.
- Number of liability settlements greater than the JLBC level and cost of each settlement.
- Number of liability cases taken to trial by Risk Management categorized by:
 - Number of verdicts for the state with detail of the associated judgment amounts.
 - Number of verdicts against the state with detail of the associated judgment amounts.
- Projected Risk Management Fund balance.
- Proposed changes to state insurance coverage, state statutes, and claim procedures.

C. JLBC Annual Performance Review per Rule 7

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

Without objection, the meeting adjourned at 3:07 p.m.

Respectfully submitted:



Kristy Paddack, Secretary



Richard Stavneak, Director



Senator John Kavanagh, Chairman