

## JLBC MEETING

At its September 1<sup>st</sup> meeting, the Joint Legislative Budget Committee considered the following issues:

**Arizona Health Care Cost Containment System** – Review of Capitation Rate Change – The Committee gave a favorable review to the Arizona Health Care Cost Containment System (AHCCCS) Acute Care and Long Term Care System rates with the stipulation that the review did not constitute an endorsement of a supplemental request. JLBC Staff has estimated that the capitation rate changes will create a \$14 million General Fund and \$14 million County Match shortfall in the FY 2006 AHCCCS budget. The main driver of the increase is ALTCS capitation rate growth, which increased 14.3% over FY 2005 levels - the budgeted cap rate growth for the ALTCS system in FY 2006 was 5.0%. The actual shortfall will depend on enrollment growth in the program for the current fiscal year. Current acute care enrollment in running near budgeted projections while long-term care caseloads are slightly below forecast.

**Department of Economic Security** – Review of Proposed Implementation of Developmental Disabilities Provider Rate Increase – The Committee gave a favorable review to the Department of Economic Security's (DES) proposed implementation plan for distributing a developmental disabilities (DD) provider rate increase totaling approximately \$6 million General Fund (GF) and \$13.6 million Total Funds (TF). The legislature added \$6 million in FY 2006 (along with \$7.6 million in federal matching dollars) in order to raise the rates of providers contracting with the Division of Developmental Disabilities to 97.61% of FY 2005 market rates. DES implementation plan fulfills this requirement which was included as a footnote in the General Appropriation Act.

**Department of Public Safety** – Quarterly Review of the Arizona Public Safety Communication Advisory Commission (PSCC) – The Committee received the Department of Public Safety's (DPS) quarterly report detailing FY 2005 fourth quarter expenditures and progress for the statewide interoperability design project. During the fourth quarter, the agency expended approximately \$160,900, with the majority spent on personal costs and equipment.

For the entire fiscal year, the agency hired 5 of 9 positions and expended approximately \$519,400 of their \$5 million appropriation. As a result, \$1,480,600 of the agency's \$2 million lapsing appropriation will revert back to the General Fund. The agency will retain, however, \$3 million in non-lapsing monies for its interoperability project.

The PSCC provided an updated timeline with specific goals and objectives for completion during FY 2006. Based on the revised timeline, the PSCC will begin to identify potential technical solutions for interoperability in mid FY 2006 (originally scheduled for early FY 2007), leading to the implementation of a pilot project in FY 2008 (previously not included in timeline). The PSCC anticipates fostering a full deployment plan in the beginning of FY 2009, consistent with the estimated completion date in the original timeline. Previously not indicated in the original timeline, the PSCC's estimates statewide interoperability would be achieved at the beginning of FY 2014 if funding is available.

The Committee requested that the agency's next quarterly report include an explanation regarding accomplishments that directly relate to the updated timeline, as well as information on the extent of PSCC's involvement with the Department of Military Affairs (DEMA) "short term" interoperability solution, and how DEMA's plans integrate with the PSCC's "permanent" interoperability solution.

**Arizona Department of Administration** – Review of Emergency Telecommunication Services Revolving Fund (ETSF) Expenditure Plan – The Committee favorably reviewed the \$13.4 million wireless portion of ADOA's ETFS expenditure plan with the provision that the agency report back by April 1, 2006 on the implementation costs of Phase I and Phase II development as well as the ongoing costs and revenue sustainability assuming full deployment.

Phase I requires local public safety answering facilities to be able to identify the phone number of, and the nearest cellular tower to the caller as well as relay the call to the nearest emergency response center. Phase II requires answering facilities to be able to identify the exact location of the caller. By October 2005 Maricopa County will finish their Phase II deployment and will join Pima County as the only other county in the state with Phase II deployment. With the

completion of Pima County and Maricopa Region, 80% of the access lines in Arizona will be Phase II compliant.

**Attorney General – Review of Uncollectible Debts** – The Committee gave a favorable review to the Attorney General’s (AG) request to assign as uncollectible \$10.7 million in debts referred to state agencies to the AG for collection. The AG has a Collection Enforcement Unit that functions as a collections agency for past due debt owed to state agencies, boards and commissions. The unit returns 65% of the collected debt to client agencies and retains 35% for operational costs. The collection unit has determined that \$10.7 million owed to the state is uncollectible, due to the following:

- \$3.6 million due to defunct corporations and limited liability companies;
- \$2.6 million due to insufficient debtor resources;
- \$1.7 million due to settlement;
- \$1 million due to bankruptcy;
- \$0.9 million due to inability to locate the debtor.

The vast majority (81%) of the \$10.4 million in uncollectible debt is owed to 4 agencies – Registrar of Contractors (\$3.3 million), Arizona Department of Revenue (\$2.8 million), the Industrial Commission (\$2.1 million) and the Motor Vehicle Division (\$400,000). Another \$2 million is owed to 34 other state agencies.

**Arizona Commission on the Arts** – Review of the Arizona Arts Endowment Fund and Private Contributions – The Committee gave a favorable review to the Arizona Commission on the Arts’ report on private monies that are donated in conjunction with public dollars from the Arizona Arts Endowment Fund. According to the report, \$5.2 million in private donations were received in FY 2004, up from \$2 million the prior fiscal year. The Commission attributes the increase to increased communication with the art’s community as well as an upturn in the state’s economy.

The annual General Fund deposit of \$2 million to the Arts Endowment Fund is required by statute. To date, \$13 million has been deposited in the fund. The final statutory deposit to the fund is in FY 2009, at which time the fund will have accrued \$19 million in General Fund contributions. Representative Pearce raised the

possibility that the Legislature may want to consider funding the remaining \$x million in endowment deposits in the upcoming budget given the potential availability of one-time monies.