

JLBC MEETING

At its October 14th meeting, the Joint Legislative Budget Committee considered the following issues:

Arizona Board of Regents – Review of FY 2005 Tuition Revenues and University Pay Plan – The Committee gave a favorable review to the Arizona Board of Regents (ABOR) expenditure plan for tuition revenue, which is estimated to be \$39.7 million above the appropriation. The higher revenue is due to increases in tuition approved by ABOR in March 2004 and will be used primarily to cover unfunded health and retirement increases, operating inflationary increases and unfunded enrollment from prior years.

ABOR also submitted a report on non-appropriated tuition. This “retained” tuition and fees increased \$12.1 million above original FY 2005 projections. Of the \$12.1 million, \$7.4 million was allocated for financial aid and \$5.6 million was allocated for debt service. ABOR also reported on the university pay plan. Of the \$16 million appropriated for university pay plans, ABOR allocated \$7.5 million to ASU, \$6.4 to U of A, \$2.1 to NAU and \$32,000 to the ABOR Central Office

Chairman Burns also requested that each university submit current and prior year information on the sources and dollar amounts allocated for funding Alumni Associations as well as the number of financial aid awards and the average dollar amount of those awards.

Arizona State Parks Board - Review of Additional FY 2005 Reservation Surcharge Fund Expenditures – The Committee approved the State Parks Board’s request to increase the FY 2005 expenditures from the Reservations Surcharge Fund by \$151,300 to \$460,300. The increase will be funded with \$141,000 in additional revenues and \$10,300 from the fund balance and would be used to fund 3 FTE positions to assist in taking reservations at Kartchner State Park seven days a week.

Arizona Department of Transportation – Review of Ports of Entry Report – The Committee gave a favorable review to the Arizona Department of Transportation’s (ADOT) report on how the 12 new FTE Positions funded for FY 2005 were distributed among the ports of entry. ADOT indicated that the 12 new FTE Positions were distributed as follows: 3 to Ehrenburg, 2 to Sanders, 3 to San Simon, 2 to Topock, and 2 to Yuma. ADOT also noted that none of the 12 positions have been filled. The Committee’s favorable review included a provision to report to the Committee by August 1, 2005 on several follow-up items.

Department of Emergency and Military Affairs – Report on Homeland Security – The Committee heard testimony on allocation and expenditure plans for homeland security grant monies in FY 2004 and FY 2005. The Office of Homeland Security (OHS) submission report indicated that in Federal Fiscal Year (FFY) 2003, Arizona received a total of \$34.5 million in State Homeland Security Program (SHSGP)

funding. Of that total, \$22.3 million was appropriated to local governments and \$12.2 million was distributed among 14 state grantees. Total expenditures have reached \$7.6 million, which represents only 22% of the total.

OHS did not submit information for FFY 2004 because monies have not yet been distributed because the method for distributing monies is changing from specific entities to a regionally based model.

The Committee also requested that OHS submit the following future reports:

- A monthly report on the progress of expanding the remaining FFY 2003 funds
- A monthly report detailing the progress in establishing a new regionally-based funding model
- A FFY 2004 expenditure plan that includes plans for all homeland security grants received by the state and local entities

Arizona Department of Corrections – Report on new Beds and Projects – The Committee heard testimony on the status of several Arizona Department of Corrections (ADC) projects:

- ADC continues to utilize provisional beds in Oklahoma and Texas, filling 1,606 beds of the 2,064 available. The FY 2005 budget assumes that the number of inmates in out-of-state provisional beds will number 664 at fiscal year end.
- The private prison in Kingman opened 472 beds in August and expects another 928 beds to open in April 2005. The FY 2005 budget assumes that 1,400 beds will be open by fiscal year end.
- 1,000 in-state public beds are on-schedule for occupancy in December 2004. The FY 2005 budget assumes that 1,000 beds will be open by January 2005.
- The anticipated contract award date for the 1,000 in-state private beds of July 2004 was moved back to November 2004 to satisfy federal requirements for an environmental assessment. Vendors have estimated a construction timeline of 8 to 12 months after the contract award date. The FY 2005 budget assumes 1,000 beds will be open by June 2005.
- Privatization of inmate stores was scheduled to begin on January 15, 2005, but ADC now expects to award the contract mid to late January 2005 with a start-up date depending on the vendor’s ability to mobilize and begin providing services.
- The Community Accountability Pilot Program is projected to begin by the end of November 2004.

The Committee requested monthly updates on the privatization of inmate stores and the community accountability pilot program.

Department of Economic Security – Report on Child Protective Services Issues – The Committee heard testimony on a report submitted by the Department of Economic Security

(DES) on financial and program accountability for Child Protective Services (CPS). The report indicated that:

- The number of caseworkers in training has increased significantly.
- DES did not provide caseloads of CPS caseworkers as required by Chapter 6, so we are unable to evaluate how much progress DES has been made in this regard. As a substitute, DES reports that it has a net staffing need of 101 positions, after adjusting for new positions approved for either the FY 2004 or FY 2005 budget.
- The turnover rate of CPS caseworkers is 19%. Since this data reflects a 6-month period from January to June, we are unable to evaluate progress over time.
- Measures on employee satisfaction and independent assessments of CPS actions will be available in the next 6-month report.

The Committee also requested that future reports include: 1) Actual CPS caseloads per investigator and ongoing case manager and 2) Monthly employee turnover data so as to permit tracking the progress of hiring CPS staff.

Arizona State Schools for the Deaf and Blind – Report on Additional Classroom Site Fund Monies – The Committee heard testimony on how the Arizona State Schools for the Deaf and Blind (ASDB) plans to spend the \$1.2 million increase in Proposition 301 Classroom Site Fund monies. According to ASDB, most of the additional \$1.2 million will be used for base salary and performance-based salary increases totaling \$3,600 per teacher. Remaining monies will be used to fund class size reductions and other maintenance and operation programs.

Department of Juvenile Corrections – Report on Federal Audit Issues – The Committee heard testimony on the progress made since the Department of Justice (DOJ) conducted a federal audit following three youth suicides and reports of sexual abuse in Arizona's juvenile correctional facilities. After audit findings were released, DOJ filed a federal lawsuit against the State. The lawsuit was conditionally dismissed, however, with the stipulation that the Department of Justice can reopen the case if the DJC does not comply to audit findings by the September 15, 2007.

DJC reported that the population is currently 100 juveniles below the FY 2005 budget amount. The Committee asked that DJC provide: 1) an estimate of the current FY 2005 savings from a lower-than-budgeted population, 2) a comparison of the FY 2005 savings to the Department's projection of \$1.9 million in savings from lower population in FY 2006, and 3) its plan for using the population savings in FY 2005 to address some of the remaining federal audit issues.

Department of Health Services/AHCCCS – Report on Health Crisis Fund – The Committee heard an update on expenditures from the Health Crisis Fund. At its August meeting, the Committee heard a report from the Department of Health Services (DHS) on the FY 2004 expenditures from the

Health Crisis Fund, including expenditures for education and outreach for both Medicare prescription drug discount cards and the Healthcare Group program.

AHCCCS reports that \$57,056 of the Healthcare Group outreach money has been spent as of September 1, 2004, and that the remaining \$142,944 will be spent by December 2004. In addition, AHCCCS has indicated that it plans to revert the entire \$230,000 Medicare drug discount card outreach because other monies have become available for this purpose. AHCCCS also reports that it will only spend \$300,000 of its base budget for marketing and that the remainder of the base budget (\$800,000) will be used for other administrative costs.

Adoption of Revised Committee Rules and Regulations – The Committee approved the following changes to the Committee rules:

- Add a new requirement for an annual review of the JLBC Staff Director's performance by the Committee.
- Require the full Committee, rather than the Chairman and Vice-Chairman, to set the Director's salary.
- Permit the Chairman to name a subcommittee to make recommendations on the Director's salary.
- Revise the timeline for agencies to submit a request to appear on the JLBC agenda. A request must now be made 2 weeks prior to the meeting. The revision would require agencies to make the request 3 weeks in advance of the meeting. The rules would retain the existing language that allows the Chairman to place an item on the agenda if an agency has not met the submission deadline.