

## JLBC MEETING

At its August 31 meeting, the JLBC considered the following items:

**School Facilities Board** – The Committee approved an inflation adjustment of 0.6% for the upcoming year for the cost-per-square foot factors used in the new school construction and school building renewal formulas. The inflation index has been used by the Committee since February 2000 and is based on masonry construction costs.

Based on informal advice from the Attorney General, the Board had not planned on applying an inflation factor to building renewal until FY 2003. Legislative Council, however, believes that the index should be applied in FY 2002. We are currently working to resolve these issues.

**Department of Economic Security** – The Committee considered several agenda items for Arizona Works, the state's welfare privatization pilot. First, the Committee approved the calculation of cash benefit savings attributable to caseload reductions in Arizona Works. As a result, the private vendor is eligible for up to \$181,900 in performance incentives.

Second, the Committee approved the estimate of welfare administrative costs in Mohave County. These costs will be used as a benchmark in determining the level of reimbursement to the private vendor if the Arizona Works pilot is expanded to Mohave County. In approving the calculation, the Committee took a neutral stance on whether the portion of administrative costs related to Food Stamps and AHCCCS should be used to calculate incentive payments.

**Department of Health Services** – The Committee gave a favorable review to proposed capitation payment increases in the Children's Rehabilitative Services program. The new rates are based on an actuarial study and are consistent with the FY 2002 budget.

**Lottery Commission** – The Committee requested that the Commission reconsider its retailer incentive pay plan. Retailers are currently eligible for an incentive payment equal to 0.5% of Lottery sales in their stores if they increase sales by 5% and display a certain number of promotions. The Lottery proposed to delete some of the promotional requirements. The Committee expressed concern that a retailer could earn incentive payments from large Powerball jackpots without having taken any particular action to boost returns. As a result, the Committee asked the Commission to consider incentive payments based on performance relative to other retailers.

**Universities** – The Committee received a report from the Universities on tuition collections above the appropriated level. Tuition will probably exceed expectations by \$16.4 million. The Universities outlined a wide variety of operating

uses for these monies, which are available for expenditure without further legislative review. Representative Knaperek expressed interest in improving the Legislature's oversight of these monies.

**Retiree Sick Leave** – The Committee approved a Retiree Accumulated Sick Leave (RASL) rate of 0.4%, consistent with the FY 2002 budget amounts. This rate is levied against agency salaries and the monies are used to pay state government retirees with large sick leave balances.

This rate will generate approximately \$3.5 million more than needed and is available for transfer back to the General Fund.

## JCCR MEETING

At its August 31 meeting, the JCCR considered the following items:

**New DHS Buildings** – The JCCR favorably reviewed the proposed contract with a private vendor to design, build and operate a new Department of Health Services office building and parking garage at 18<sup>th</sup> Avenue and Monroe. The new building will house staff currently located outside the Capitol Mall. The state will acquire the property through a 27-year financing arrangement with the private vendor, otherwise known as privatized lease to own (PLTO). The building and parking garage will cost \$29 million to construct. The total 27-year cost with financing is \$54.6 million.

The JCCR also concurred with DHS' plan to use \$100,000 from the agency's operating budget to fund preconstruction activities for the new State Health Laboratory at 17<sup>th</sup> Avenue and Van Buren. The construction financing has been approved by the Legislature, but will not become available until FY 2003. The operating funds will be reimbursed from financing proceeds.

The Committee favorably reviewed the Department's plan to convert Cholla Hall on the Arizona State Hospital (ASH) campus from a dormitory to program support space for the sexually violent persons (SVP) program.

The Committee also received the quarterly report on the overall ASH construction project. The general project remains on schedule, although the completion of two 60-bed SVP dormitories has been delayed from August to October of this year.

**ADOT Projects** – The JCCR received a report on the Arizona Department of Transportation's 5-year highway construction plan. The Committee asked that the Arizona Department of Transportation (ADOT) develop more summary level information on the plan so as to permit a better understanding of the state's primary construction goals.

The Committee also approved new performance measures on traffic levels to serve as a gauge of freeway congestion. The

Committee requested that the department also submit measures that would determine progress in mitigating congestion.

The JCCR favorably reviewed ADOT's FY 2002 building renewal allocation plan.

**University Projects** – The JCCR received a report on Arizona State University lease purchase projects totaling \$68.9 million. The single largest item is the \$38.8 million expansion and renovation of the Memorial Union. Unlike projects financed through bonds, university lease-purchase transactions do not require formal Committee approval or review.

The Committee also received a report from the universities on the cost effectiveness of lease-purchase versus bond financing. While issuance costs and interest rates for COP financing are typically higher than bond financing, the report indicates that lease-purchases allow for the leveraging of a broader asset base to secure financing. The Committee suggested that the universities submit more formal guidelines on when each financing mechanism is used. This issue of the relative merits of different financing mechanisms also surfaced during the discussion of the new DHS office building.

**ADOA Refinancing** – The JCCR favorably reviewed and approved the refinancing of several early 1990s lease purchase issuances. The estimated savings over the refinancing period are \$6.8 million.

**Parks Board** – The JCCR approved the release of \$2.8 million in park fees for the continued development of Dead Horse Ranch State Park near Cottonwood. The improvements include the addition of restroom/shower buildings, fish cleaning stations, lagoon enhancements, campground development, and land acquisition.

The Parks Board has a list of \$141 million in proposed State Park improvements. The JCCR requested that the Board develop a formal means to prioritize these projects prior to presenting any further requests to the Committee.

The JCCR also received a report on further development inside the Kartchner Caverns. The opening of the new lower caverns section remains on schedule for November 2003.

## SPAR MEETINGS

Each Joint Appropriations Subcommittee recently held their second meeting of the interim on Strategic Program Area Reviews (SPAR).

**County Assistance SPAR** – The Joint Appropriations Criminal Justice Subcommittee met on Wednesday, September 5. The JLBC Staff presented an overview of all state funds that are distributed to the counties. In FY 2000, nearly \$1.7 billion was distributed through 21 different state agencies. The distribution among counties closely

corresponds to each county's share of the state population. State shared revenues account for 55% of the distributed monies, while Health and Welfare programs account for 33% and Criminal Justice programs 9%.

The Subcommittee chose to focus its study on 3 issues: probation officers salaries, anti-gang programs, and the Auto Theft Authority. The JLBC Staff provided an overview of each program. Funding issues related to county participation in the programs were discussed and will be the ongoing focus of this SPAR.

**Special Education SPAR** – The Joint Appropriations Education Subcommittee met on Thursday, August 23. The Subcommittee heard a presentation on the Arizona Early Intervention Program (AzEIP), which serves preschool children who have disabilities. It also heard a presentation on the "300 Kids Project," which seeks to improve behavioral health services for Title XIX children who have emotional or behavioral disorders.

The Subcommittee identified a list of topics for further SPAR review. They included 1) parental choice grants for all special education pupils, 2) placement neutral funding, 3) Medicaid in the public schools, 4) the special education cost study, 5) Auditor General audits of special education programs, 6) the transfer of assistive devices when students switch schools, 7) expansion of the ASDB Cooperatives program, 8) special education teacher training, and 9) special education data retrieval through the new Student Accountability Information System (SAIS).

**Developmental Disabilities SPAR** – The Joint Appropriations Health and Welfare Subcommittee met on Wednesday, August 22. The Health and Welfare Subcommittee also heard a presentation on the AzEIP program and the "300 Kids Project." These programs are of interest to both Subcommittees since they overlay the Special Education and Developmental Disabilities delivery systems.

The Subcommittee identified a list of topics for further SPAR review. They included 1) the availability of services, 2) children transitioning out of AzEIPs, 3) technology (e.g. the accounting system, communication between agencies), 4) the role/success of the Interagency Case Management Project and the "300 Kids Project," and 5) the role of medical directors in the decision making process.