

## JLBC MEETING

At its September 25th meeting, the Joint Legislative Budget Committee considered the following issues:

**School Facilities Board (SFB) Construction Cost Index** – The JLBC gave a favorable review to a two-year adjustment increase of 4.2% in cost-per-square-foot factors used in SFB building renewal and new school financing. The increased adjustment was based on a national index for state and local government structures. The two-year adjustment increase is estimated to cost \$223,000 in FY 2004 and an additional \$4.2 million once fully implemented over the next four years. The Committee was recently sued for having not made an adjustment in 2002.

**Arizona Health Care Cost Containment System (AHCCCS) Review of Capitation Rate changes** – The JLBC gave an unfavorable review of AHCCCS' proposed capitation and fee-for-service inflationary rate increases. The proposed rates represented increases of 13.9%, compared to the budgeted rate increase of 7.1%. The General Fund cost of the proposed increase was estimated to be between \$30 and \$39 million. As a "review" item, the Committee's action does not legally prevent AHCCCS from proceeding.

In addition to the unfavorable review, the Committee asked AHCCCS to report back to the Committee on the following concerns:

- (1) Cost sharing implementation. AHCCCS is not fully implementing the cost sharing proposal (originally proposed by AHCCCS and assumed in the FY 2004 budget to save \$14 million). The Committee has directed AHCCCS to report to the committee why the increase in enrollment fees and co-payments is not being implemented in full.
- (2) Savings associated with statutory changes. Certain components of the capitation rates AHCCCS pays to health plans are based on statutory requirements, most notable for hospital inpatient and outpatient costs. The Committee has asked AHCCCS to report to the Committee on how these provisions could be changed or eliminated, and how these changes might produce savings.
- (3) Preliminary capitation rate reporting. To make legislators aware of the potential capitation rate increases, the Committee has asked AHCCCS to report on improving the timeliness of capitation rate projections.

### **Proposition 204 Inflation Adjustment for Counties**

– The JLBC gave a favorable review of a \$5.3 million county contribution for Proposition 204 administrative costs in FY 2004. With the passage of Proposition 204, counties are required to pay for some of the costs associated with its implementation. The contribution amount reflects a 4% increase above the FY 2003 level and is consistent with the FY 2004 budget.

### **Department of Economic Security (DES) Workforce Investment Act (WIA) Expenditure Plan**

– A footnote in the General Appropriation Act requires DES to submit an expenditure plan for WIA monies received by the state in excess of \$48 million. The total increase in WIA appropriation authority requested by the agency was \$12.3 million.

The JLBC gave a favorable review to the following aspects of DES' expenditure plan: 1) \$8.3 million distributed for local areas as determined by federal formula and 2) \$2.7 million for the Virtual One Stop (VOS) Program.

The Committee did not take action on \$1.3 million in WIA monies sought to be used by the agency for discretionary program expansions (plus an additional \$500,000 reallocated for other programs). The Committee will address this issue at a later JLBC meeting. The Committee wanted more time to consider the department's plans for new programs before providing its review.

### **Tourism and Sports Authority (TSA) Report on Activities**

– The JLBC received an update from the TSA on its activities and financial performance during the past fiscal year as well as projected revenues and expenditures for FY 2004. The update was informational only and required no action by the Committee.

The TSA is currently overseeing the design and construction of a new multipurpose football stadium. Construction costs for the stadium are estimated to be \$355 million with an additional \$61 million for support infrastructure and \$18 million for land. The agency also distributes monies for the promotion of tourism in Maricopa County, Cactus League baseball spring training and youth and amateur sports.

The TSA's revenues are expected to be sufficient to meet its expenses in recent years. In the long run, the TSA believes that its revenues will continue to exceed its costs, especially once the stadium opens in August 2006.

**Department of Revenue (DOR) Report on Ladewig Expenditures** – The Committee received a status report on administrative costs associated with the Ladewig case. The report was for information only and required no action.

The project is on schedule. Due to the Governor's veto of the \$75 million Ladewig set aside, the agency does not have \$7.3 million for administrative costs in FY 2004.