

JLBC MEETING

At its June 29th meeting, the Joint Legislative Budget Committee considered the following issues:

Department of Economic Security – Review of FY 2004 and FY 2005 Expenditure Plan for Excess Workforce Investment Act Monies – The Committee gave a favorable review of the Department of Economic Security's (DES) FY 2004 expenditure plan for \$1.8 million in excess Workforce Investment Act (WIA) monies. A footnote in the FY 2004 Appropriation Act requires JLBC review before excess WIA monies can be spent by the agency. The \$1.8 million will be used to fund new and expanded programs pertaining to women's issues, youth programs and a nursing initiative.

The Committee further recommended that DES submit performance measures for these new and expanded programs.

The Committee also gave a favorable review of the Department of Economic Security's (DES) FY 2005 expenditure plan for \$2.5 million in discretionary WIA monies. The expenditure plan submitted by DES represents core functions typically funded by WIA monies.

The Committee further recommended that DES provide its perspective on the findings of a Morrison Institute report on streamlining workforce development services. The report indicated that workforce development activities provided by the state suffer from a lack of coordination.

Department of Economic Security – Transfer of Appropriations from the Day Care Subsidy SLI to the Transitional Child Care SLI – The Committee gave a favorable review of a transfer of \$400,000 from the Day Care Subsidy Special Line Item (SLI) to the Transitional Child Care SLI in order to address a shortfall in the Transitional Child Care Program.

Department of Economic Security – Report on Child Protective Services Issues – The Committee received a report by JLBC Staff on Child Protective Service (CPS) performance measures and FY 2004 supplemental appropriations. JLBC Staff recommended adding 5 performance measures to the financial and program accountability report. The additional measures will evaluate employee satisfaction within the Division of Children, Youth and Families (DCYF), as well as the decision-making process within DCYF.

The report also provided an update on the \$16.6 million 2nd Special Session supplemental appropriation for CPS. DES has filled 88 of the 131 new positions it had planned to fill by the report date. All of the 80 caseworker positions have been filled, but only 8 of the 51 support positions.

Department of Public Safety – Review of the Statewide Interoperability System Design Expenditure Plan – The

Committee gave a favorable review of the Department of Public Safety's (DPS) Statewide Interoperability Design expenditure plan to develop design standards for a statewide interoperable communication system. An interoperable system enhances the ability of various public safety agencies to coordinate their actions in the event of a large-scale emergency. The expenditure plan includes a timeline for hiring staff, developing the conceptual design and completing the detailed design. Conceptual design work would be completed by mid-2006 with final design acceptance in FY 2008, at a total cost of approximately \$8 million.

Department of Revenue – Review of Ladewig Expenditure Plan – The Committee gave a favorable review to the Department of Revenue's administrative expenditure plan of \$3 million for the FY 2005 Ladewig project. The vast majority of the expenditure plan is for printing, postage and mailing warrants and form 1099's for taxpayer payments.

Department of Health Services – Review of Capitation Rate Changes – The Committee gave a favorable review of the Department of Health Services (DHS) Children's Rehabilitative Services (CRS) program capitation rate adjustments beginning July 1, 2004. The approved changes would cost \$(1.5) million General Fund less than the FY 2005 budgeted amount. The weighted average rate change is (4)% below FY 2004. In comparison, the FY 2005 budget assumed a 6% capitation rate increase.

The Committee also gave a favorable review to the Behavioral Health Capitation Rate changes. The approved rates cost \$1.7 million General Fund more than the capitation adjustment assumed in the FY 2005 budget. The weighted average rate of the increases is 12.8% above FY 2004. The preliminary capitation rate numbers reported by DHS, which were the basis for the FY 2005 budget, assumed an 11.4% capitation rate increase.

The Committee also requested that DHS and DES report by October 15, 2004 with an estimate of how much funding is freed up in DES' Children Services and Comprehensive Medical & Dental Program line items as a result of shifting treatment from DES to DHS.

Attorney General – Review of Allocation of Settlement Monies – The Committee gave a favorable review to the allocation of monies received from 2 settlement agreements totaling approximately \$1.1 million.

The first case involved Medco Health Solutions which allegedly did not provide accurate information about its prescription drug interchange program, which resulted in the switching of prescription drugs to the less expensive drug. Under the settlement, Arizona will receive \$200,000, which will be deposited in the Consumer Fraud Revolving Fund. The state is also expected to receive at least **\$600,000 in other funds**, which will be passed on to the Attorney General to benefit low-income, disabled or elderly consumers of prescription drugs. The Attorney General does not have a distribution plan for this \$600,000. The Committee requested

that the Attorney General report back when it has developed a specific plan for these monies.

The second case involved Warner-Lambert allegedly encouraging doctors to prescribe Neurontin for the treatment of bipolar disorder, although there is no evidence that Neurontin is effective in treating this condition. Under this settlement, Arizona will receive \$278,000 to be deposited in the Consumer Fraud Revolving Fund.

Department of Administration – Report on Implementation of Self-Insurance for State Employee Health Insurance – The Committee received a report on the implementation of self-insurance. ADOA has moved forward on awarding various contracts for state-employee health care benefits. Contracts were awarded by geographic area and type of plan.

- Employees in Maricopa, Gila, Pinal, Pima and Santa Cruz Counties have a choice between 3 non-integrated and 1 integrated plan.
- Employees in all other counties have only 2 non-integrated plans to choose from.
- Employees will be required to pay \$10 more per month if they select an integrated plan (ADOA had originally proposed a \$15 differential) than a non-integrated plan.
- Walgreen's Health Initiative will be the pharmacy manager. Walgreens, however, is contracting with non-Walgreen pharmacies throughout the state.
- Patients will be able to see more specialists without first seeing a primary care physician than under the current contract.

Arizona Community Colleges – Report on Dual Enrollment and Appointing Ad Hoc Committee – The Committee received a report by the Arizona Community Colleges on dual enrollment courses offered in FY 2003 and the achievements of students dual enrolled in FY 2002. The report indicated that, in FY 2003, 32,582 students were dual enrolled. Of that total, 29,504 students earned a C or better, qualifying those students for both high school and community college credit.

AHCCCS – Review of KidsCare Behavioral Health Capitation Rate Changes – The Committee gave a favorable review to the proposed capitation rate increase of 1.7% above FY 2004 rates for the KidsCare (including parents) program. For children in KidsCare, the approved rates represent an increase of 12% above the FY 2004 rates, while the parents rate increase represent a (12.6%) decrease. The recommended rates represent increases above FY 2004, but are within budgeted levels for FY 2005.