STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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MARSHA ARZBERGER
TIMOTHY S. BEE
RUSSELL W. "RUSTY" BOWERS
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MARION L. PICKENS
CHRISTINE WEASON

MEETING NOTICE

DATE: Friday, February 16, 2001

TIME: 8:15 a.m.

PLACE: HOUSE HEARING ROOM 4

TENTATIVE AGENDA

- Call to Order

- Approval of Minutes of December 19, 2000.

- EXECUTIVE SESSION - Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.

- DIRECTOR'S REPORT (if necessary).

1. ADOPTION OF COMMITTEE RULES.

2. ARIZONA DEPARTMENT OF ADMINISTRATION
   A. Consider Approval of Mileage Reimbursement for State Travel by Motor Vehicle.
   B. Report on State Employee Health Plans.

3. ARIZONA DEPARTMENT OF TRANSPORTATION - Report on Grand Canyon Airport Funding.

4. DEPARTMENT OF ECONOMIC SECURITY - Review of Federal Social Services Block Grant FY 2001 Expenditure Plan.

5. ARIZONA STATE UNIVERSITY - Report on East Campus Multi-Year Funding Plan.

6. REPORT ON RECENT AGENCY SUBMISSIONS.

The Chairman reserves the right to set the order of the agenda.
02/13/01

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 542-5491.

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BOB MCLENDON
CHRISTINE WEASON

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

December 19, 2000

The Chairman called the meeting to order at 1:45 p.m., Tuesday, December 19, 2000, in Senate Appropriations Room 109. The following were present:

Members:	Senator Gnant, Chairman	Representative Blewster
	Senator Arzberger	Representative Daniels
	Senator Bowers	Representative McGibbon
	Senator Bundgaard	Representative McGrath
	Senator Cirillo	Representative McLendon
	Senator Lopez	
	Senator Wettaw	
Absent:		Representative Burns
		Representative Gonzales
		Representative Weason
Staff:	Richard Stavneak, Director	Cheryl Kestner, Secretary
	Chris Earnest	Bruce Groll
	Gina Guarascio	Rebecca Hecksel
	Gretchen Logan	Tom Mikesell
	Stefan Shepherd	Tony Vidale
Others:	Representative Knaperek	House
	Senator Solomon	Senate
	Debbie Spinner	Office of the Attorney General
	Bev Anderson	Office of the Attorney General
	Nancy Wrona	Director, Air Quality Division, DEQ
	Drew Langley	Office of the State Mine Inspector
	Debbie Johnston	Assistant Research Director, Senate

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of November 28, 2000, Senator Gnant stated that the minutes would be approved as submitted.

Senator Lopez moved that the Committee go into Executive Session. The motion carried.

At 1:45 p.m. the Joint Legislative Budget Committee went into Executive Session.

Senator Lopez moved that the Committee reconvene into open session. The motion carried.

At 1:55 p.m. the Committee reconvened into open session.

Senator Lopez moved that the Committee approve the recommended settlement proposals by the Attorney General's Office in the following cases:

1. Plikerd v. Cruz
2. Rotre v. State of Arizona

The motion carried.

Senator Gnant asked Richard Stavneak, Director, JLBC Staff, if it would be possible to do a summary of Rule 14's by agency and amount for the last few years. Mr. Stavneak stated that the JLBC Staff would provide that information.

JOINT LEGISLATIVE BUDGET COMMITTEE - Consider Approval of Year 2001-2002 Strategic Program Area Review (SPAR) Candidates.

Senator Cirillo suggested that it would be beneficial to have a representative from Information Technology Authorization Committee (ITAC) involved in the SPAR reviews.

Senator Gnant moved that the Committee approve the recommended SPAR Candidates to be reviewed in the Year 2001-2002 SPAR process. The program areas to be reviewed are: County Assistance; Children's Delivery System with a focus on developmentally-disabled clients; and Special Education. The motion carried.

DEPARTMENT OF ENVIRONMENTAL QUALITY - Report on Vehicle Emissions Inspection (VEI) Program Contract Costs.

This item was for information only and no Committee action was required.

Chris Earnest, JLBC Staff, stated that the VEI contract was awarded on December 15, 2000 for the years 2002-2009. The fee per vehicle in Maricopa County will be $26.67 and in Pima County it will be $11.56.

Representative Daniels asked why the DEQ needs a 7-year contract instead of one for a shorter period of time, and why only 1 bid was received. Mr. Earnest responded that statute allowed them to do between a 5- and 7-year contract. He said they could get a lower fee if they amortized those costs over a longer period of time. Mr. Earnest said that an RFP was sent out to several prospective contractors, however only 1 contractor submitted a bid on the RFP.

Senator Bowers suggested that the reason only 1 contractor, Gordon - Darby Arizona Testing Inc., responded is that they already have the infrastructure in place. A new contractor would have to overcome the entire capital cost. Mr. Earnest said could be one advantage, however, they do not actually own those stations. They are leasing the land and the property on them, so those costs will still be incurred by Gordon - Darby in the future.

Senator Cirillo wanted further clarification as to why 82¢ was added in Maricopa County and 35¢ in Pima County because of the contractor's uncertainty about the appropriations process. Mr. Earnest said that under statute all the monies collected from the test fee have to be deposited in the Emissions Inspection Fund. Then the state will appropriate those fees back to the contractor to make contractor payments. The contractor perceives a risk with the appropriation process.

Ms. Nancy Wrona, Director, Air Quality Division, Arizona Department of Environmental Quality (ADEQ), said that in the September JLBC meeting several concerns were raised with regards to the increments of the cost of the contractor's portion of the fee. Ms. Wrona said that specifically, DEQ was asked to cost out the component of the contractor's fee that was associated with the fact that for the first time those funds were being appropriated. DEQ amended the RFP to include every issue that was in the staff report as well as all of the issues that the Committee discussed in the ensuing conversation. DEQ asked the bidders to put in their proposals what the incremental costs of certain provisions are. Ms. Wrona stated that this is fairly unprecedented, as she has been involved in several large contracts and has never seen anyone asked to put in the cost of risk of appropriation. She agreed that it is a large number and DEQ went toe-to-toe with the bidder in negotiations, but the contractor would not budge. What they explained in the course of negotiations was that the contractor's cost had the time value of money, as well as the expenses associated with having to monitor the appropriation process and participate in it every year.

Senator Wettaw asked how much the additional fees amount to. Ms. Wrona said that it would be $6.2 million. Senator Wettaw thought that amount to be exorbitant just to monitor the appropriation process.

Representative Daniels stated, that for the record, the way this was handled is outrageous and in the future something should be done in the legislative process to prevent this from happening again.

Representative McGrath mentioned that at the JLBC meeting it was reported that the contractor was upset because they were not going to be operating on the "float" anymore. Legislation was written specifically to prohibit them from doing that. She questioned how DEQ could legally sign a contract when there was legislation in place to prevent this and that it would appear that DEQ has an illegal contract.

Mrs. Wrona stated that the contract had been awarded on Friday, December 15, 2000. She said that this is an unprecedented situation in asking for the quantification of risk, and certainly it is a very large contract. DEQ did try to reduce the $6.2 million in negotiations but were unable to do that. She said that this is always an issue in large contracts with a payout to the contractor, occurring over many years, as it will in this case. The whole issue of quantification of the risk is somewhat unprecedented in this situation.

Representative McGrath said that since legislation was in place to prevent this DEQ needs to go back to the company and let them know that the contract is in violation of statutes.

Representative McGibbon said he was troubled by a number of aspects of the contract. The fact that it is a 7-year contract, that only 1 bid was received, that there is a $6.2 million automatic appropriation, and that they are anticipating $4.4 million in wait-time penalties. These are all items that should be addressed in some other way. They should have changed the contract terms so that DEQ got more bidders. He further stated that DEQ has gone out and appropriated $6.2 million that they did not have the authority to do.

Mrs. Wrona responded that when the proposal was put together, DEQ was asked to identify the components of cost, the proposer identified the wait-time penalties that were included in the original RFP. However, they ran the risk of not being able to meet those metrics. That is where they identified a 65¢ per test component of cost. DEQ also gave them the opportunity in the RFP to give proposals to mitigate liquidated damages. DEQ changed the wait-time metrics from "not more than 40% of customers waiting more than 15 minutes", or "20% waiting more than 30 minutes" to a different metric. As a result of the change in the metric, all of the money was taken out in the course of the negotiations. In essence, DEQ has a proposal where the contractor should not be in a situation of exceeding the wait-time metric. DEQ will have good public service, because they will have actual reported wait-times. If the contractor does exceed the wait-times DEQ will have records showing that and they then would be subject to liquidated damages. DEQ did try to do some risk-sharing with them and some adjustments were made to provide good customer service.

Senator Gnant said that this item was for information only and there was no action the Committee could take at this time. However, he asked Mr. Stavneak to coordinate with other staff members to talk about alternatives available to the Committee and outline those options at the next JLBC meeting.

Senator Lopez asked if the full-time Fraud Prevention position was going to be an employee of Gordon - Darby and will they be checking the personnel. Ms. Wrona stated that this was an issue that was raised in the contract negotiations. Currently, Gordon - Darby receives internal affairs services through a part-time contractor. DEQ said that even though there was a cost associated with the position it was prudent to have a full-time position so they can try to prevent fraud from happening again. Ms. Wrona stated that there has been fraud involved in the Gordon - Darby emission operations at the stations in the past. The employees who were involved in the fraud were all arrested and are serving time in prison. There is a small group of people within the DEQ Vehicle Emissions Program, Air Quality Division who do contractor oversight, and are involved in the process. However, DEQ felt it would be better to have a full-time position for that oversight.

Representative Blewster said there should be some way when a contract is not in compliance with statute to make it null and void.

Representative McLendon noted that in the JLBC Staff recommendation memo it says that this item is for information only and no Committee action is required. However, he felt it appropriate to make a motion disapproving the contract.

Representative McLendon moved that the Committee express disapproval of the signing of the contract between DEQ and the contractor, Gordon - Darby Arizona Testing, Inc., regarding the additional fees amounting to $6.2 million because of the perceived uncertainty by the contractor with the appropriation process The motion carried.

OFFICE OF THE ATTORNEY GENERAL - Report on Interagency Service Agreements.

This item was for information only and no Committee action was required.

DEPARTMENT OF ECONOMIC SECURITY - Review of Long Term Care Expenditure Plan.

Senator Wettaw commented that the cost in rural Arizona is so much higher to provide long-term care services. Senator Bowers asked Mr. Stavneak to give the Committee, at a future date, some idea of the increased long-term impact of these programs given the fact this fiscal year alone there are 16 million more people.

Senator Lopez moved that the Committee give a favorable review as recommended by JLBC Staff to the Department of Economic Security Long Term Care program expenditure. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION - Report on Leasing of Grand Canyon Airport.

There was no discussion on this item and no Committee action was required.

COMMUNITY COLLEGES/BOARD OF REGENTS - Report on Transfer Articulation.

There was no discussion on this item and no Committee action was required.

STATE MINE INSPECTOR - Report on Abandoned Mines Safety Fund in FY 2000.

Senator Bowers asked if the agency is on track for blocking access to the mines or closing them for safety reasons.

Mr. Drew Langley, State Mine Inspector, said that they are on track but felt they could be doing better.

One of the problems they have run into are the prerequisites that were really not well understood before, such as bat surveys and clearances. That has slowed the process down on some of the larger mines. Bellmont Tonopah is the next large project but they are moving forward fairly well. Some large areas have been fenced off due to vandalism and for safety, others have been posted.

Representative Blewster asked why only 17 mines have been protected or fenced in in the past year. Mr. Langley said that some mine inspections take longer than others and there have been procurement problems. She also asked if they are done by one bidder as a group or individually. He said that some are done by 1 bidder and some are done with funding from BLM and the Western Governor's Association.

Representative McGrath asked what the average cost of a bat gate is or does it vary from mine to mine. Mr. Langley said that it does differ because of the size of mine openings and the bat population. He said that Game and Fish was going to do an assessment of the bats but did not have the resources so they have hired a registered "bat person" to come in at certain times during migration to assess the bat population.

ARIZONA CRIMINAL JUSTICE COMMISSION - Report on Criminal Justice Enhancement Fund.

There was no discussion on this item and no Committee action was required.

Senator Gnant noted that this was the last meeting of the JLBC for this biennium and thanked all the members for their work, especially on the Rule 14s.

Without objection, the meeting adjourned at 2:35 p.m.

Respectfully submitted:

_____
Cheryl Kestner, Secretary

_____
Richard Stavneak, Director

_____
Senator Randall Gnant, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 West Adams.

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CHRISTINE WEASON

DATE: February 13, 2001

TO: Representative Laura Knaperek, Chairman
Members, Joint Legislative Budget Committee

FROM: Richard Stavneak, Director

SUBJECT: ADOPTION OF COMMITTEE RULES AND REGULATIONS

The Committee will consider the attached rules and regulations for adoption at its February 19 meeting. The rules and regulations are the same as the Committee used in the last biennium.

RS:lm

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 1

NAME OF COMMITTEE AND METHOD OF APPOINTMENT

The name of the Committee is the Joint Legislative Budget Committee, hereinafter referred to as the Committee, consisting of sixteen members designated or appointed as follows:

1. The majority leaders of the Senate and House of Representatives, the Chairmen of the Senate and House of Representatives Appropriations Committees, the Chairman of the Senate Finance Committee and the Chairman of the House of Representatives Ways and Means Committee.

2. Five members of the Senate and five members of the House of Representatives who are members of their Appropriations Committees shall be appointed to the Committee by the President of the Senate and the Speaker of the House of Representatives, respectively.

RULE 2

STATUTORY POWERS AND DUTIES OF THE COMMITTEE

1. The Committee shall ascertain facts and make recommendations to the Legislature relating to the State budget, revenues and expenditures of the State, future fiscal needs, the organization and functions of State agencies or divisions thereof and such other matters incident to the above functions as may be provided for by rules and regulations of the Committee.

2. The Committee shall promulgate rules and regulations for the operation of the Committee.

3. The Committee shall have the powers conferred by law upon legislative committees.

4. The Committee shall make studies, conduct inquiries, investigations and hold hearings.

5. The Committee may meet and conduct its business any place within the State during the sessions of the Legislature or any recess thereof and in the period when the Legislature is not in session.

6. The Committee may establish subcommittees from the membership of the Legislature and assign to such subcommittees any study, inquiry, investigation or hearing, with the right to call witnesses, which the Committee has authority to undertake.

RULE 3

CHAIRMAN OF THE COMMITTEE

The Chairman of the House of Representatives Appropriations Committee shall have a term as Chairman of the Committee from the first day of the First Regular Session to the first day of the Second Regular Session of each Legislature and the Chairman of the Senate Appropriations Committee shall have a term from the first day of the Second Regular Session to the first day of the next Legislature's First Regular Session.

RULE 4

COMMITTEE PROCEEDINGS

The Committee proceedings shall be conducted in accordance with Mason's Manual of Legislative Procedure, except as otherwise provided by these rules.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 5

SUBCOMMITTEES

The Committee may establish subcommittees from the membership of the Legislature and assign to such subcommittees any study, inquiry, investigation or hearing with the right to call witnesses which the Committee has authority to undertake. Each such subcommittee shall include in its membership an equal number of Senate and House of Representatives members.

RULE 6

QUORUM

A majority of the members of the Committee shall constitute a quorum for the transaction of business.

RULE 7

LEGISLATIVE BUDGET ANALYST

The Legislative Budget Analyst (hereinafter "Director") shall be the Staff Director and the Chief Executive Officer of the Committee. The Director shall be appointed by the Committee and shall serve on a full-time basis with compensation fixed by the Chairman and Vice-Chairman of the Committee within the limits prescribed by law. In addition to the responsibilities prescribed by A.R.S. § 41-1273, the duties of the Director shall include any duties which shall be assigned by the Committee, including the following:

1. Compilation of information for the Committee.

2. A continuous review of State expenditures, revenues and analysis of the budget to ascertain facts, compare costs, workload and other data and make recommendations concerning the State's budget and revenue of the departments, boards, commissions and agencies of the State.

3. Act as administrative head of the Committee Staff, with authority to hire and dismiss such personnel as may be necessary for the proper conduct of the office, and fix compensation of staff members within any limits set by the Committee.

4. Maintain the records and files of the Committee.

5. Shall make special reports for presentation to the Committee and to others as directed by the Committee.

6. Attend all meetings of the Committee and such other meetings and hearings as are necessary to facilitate the work of the Committee.

7. Examine as to correctness all vouchers for the expenditure of funds appropriated for the use of the Committee.

RULE 8

AGENDA FOR MEETINGS

An agenda for each Committee Meeting shall be prepared by the Director and, whenever possible, mailed or delivered to members of the Committee, not less than one week prior to the meeting. The Director must have at least two weeks prior notice for any state agency-requested items that appear on the agenda, unless the Chairman of the Committee approves of a later submission.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 9

ORDER OF BUSINESS

The Order of Business at a Committee meeting shall be determined by the Chairman of the Committee. It shall normally be as follows:

1. Call to order and roll call
2. Reading and approval of minutes
3. Executive Session (including Rule 14 items)
4. Director's Report [if any]
5. Items requiring Committee review and/or approval
6. Other Business - For Information Only
7. Adjournment

RULE 10

DISBURSEMENTS

1. All expenditures of the Committee shall be by vouchers properly itemized and supported by receipts and shall be approved by the Director when authorized by the Chairman of the Committee.

2. All contracts and studies authorized by the Committee shall be approved by the Committee after examination.

RULE 11

MEETINGS OF THE COMMITTEE

The Committee shall meet at such times and places as the Committee may determine, but in any event, no less than once in each calendar quarter. Additional special meetings may be called by the Chairman or by a majority of the members of the Committee.

RULE 12

ADOPTION AND AMENDMENT OF THE RULES AND REGULATIONS

These rules and regulations shall be adopted and may be amended by a majority vote of the members of the Committee, provided that a quorum is present.

RULE 13

FISCAL NOTES

1. The President of the Senate and the Speaker of the House of Representatives or their designees may each designate bills that shall have a fiscal note prepared regarding their impact.

2. The JLBC Staff shall prepare the fiscal notes utilizing an impact period of three years. The fiscal notes shall indicate any local fiscal impact, where appropriate.

3. Fiscal notes shall not contain comments or opinions on the merits of the bill.

RULE 13 (CONTINUED)

4. Exceptions to the procedure set forth in this rule shall be permitted with the approval of the Chairman and Vice Chairman of the Committee.

5. The Committee may amend or suspend this rule or any subsection hereof by a majority vote of those present and eligible to vote.

6. Procedures to implement this rule shall be prepared by the Director and approved by the Chairman and Vice Chairman of the Committee.

RULE 14

STATE LIABILITY CLAIMS - PROCEDURE FOR SETTLEMENT WHEN COVERED BY RISK MANAGEMENT SELF-INSURANCE FUND

1. General provisions for presentation of settlement to the Committee:

   A. Settlements of $250,000 or less do not require approval of the Committee pursuant to A.R.S. § 41-621(M). All proposed liability settlements must be presented to the Committee in accordance with these provisions and accompanied by a report containing the information specified in Paragraph 3.

   B. The report shall be filed with the Chairman of the Committee five days before the meeting scheduled to consider the settlement proposal.

   C. A limited number of items may be excluded from the written report and presented orally at the Committee meeting, if the Attorney General and Risk Management Division find the exclusion to be absolutely necessary for the protection of the State's case.

   D. All Committee settlement proceedings and material prepared for such proceedings shall be required to be kept confidential.

   E. Any plaintiff's inquiries regarding Committee meeting dates, times and agendas should be directed to the Attorney General's Insurance Defense Section which shall consult with the JLBC Staff Director.

2. At a Committee meeting at which a settlement proposal is considered:

   A. Material shall be presented by the Attorney General or retained defense counsel who had primary responsibility over negotiation of the settlement and/or handling of the case, together with the Manager of the Risk Management Division of the Department of Administration.

   B. The Committee Chairman or a majority of the Committee, may request other witnesses to attend and testify at any settlement proposal meeting. When requested by a Committee member, the director of an agency named in a lawsuit for which a settlement is proposed shall be requested to appear at the meeting at which the settlement is proposed.

   C. The presentation of the settlement proposal at the Committee meeting shall contain, at a minimum, the information required to be submitted pursuant to Paragraph 3.

   D. In addition to the report, additional drafts, charts, pictures, documents or other items may be presented to the Committee by the Attorney General or Risk Management Division, if helpful in reviewing the merits of the settlement. Additional items shall be presented when requested by the Committee Chairman, or a majority of the Committee at a prior meeting, or a JLBC subcommittee to which the matter has been referred.

STATE LIABILITY CLAIMS (CONT'D)

E. Upon a conclusion of the presentation, the Committee may accept the settlement as proposed, reject the settlement as proposed, recommend an alternative settlement with the advice of the Attorney General and Risk Management Division, request additional information, evaluations or appearances of witnesses, or the matter may be referred to a JLBC subcommittee for further study.

3. The written settlement proposal report submitted to the Committee for each settlement offer shall contain the following information:

A. A one to two page executive summary of pertinent information related to the case that, at a minimum, summarizes information contained in items B, D, G, H, I, K, L, N and P below.

B. The names of the plaintiffs or claimants.

C. Whether a lawsuit has been filed, the date on which it was filed and the current status of the lawsuit. If a lawsuit has not been filed, the last date upon which a lawsuit could be filed.

D. The basic facts of the case including, first, the undisputed facts and secondly, those facts in dispute.

E. A summary of the basis or bases of liability claimed by plaintiff or claimant and the State's defenses to such liability, including the key evidence relied upon by each party.

F. The amount originally claimed by the plaintiff or claimant.

G. The identifiable damages and/or costs incurred by plaintiff or claimant to date.

H. Costs incurred by the State in defending the claim or suit to date.

I. Estimated costs to the State of defending the claim or suit through trial.

J. Attorney for plaintiff, Attorney General assigned to the case, retained defense counsel, if any.

K. Estimate of plaintiff or claimant's chances of prevailing in suit against the State.

L. Range of recovery likely at trial for plaintiff's claims.

M. Complete terms of settlement including:

1. To whom payment is to be made;

2. The amount of payment;

3. The conditions, if any, attached to the payment; and

4. Deadline for settlement, if any.

N. Settlement recommendations of Attorney General and Risk Management and recommended response to settlement offer.

O. Whether the State has any claim or right of recovery against other parties, e.g., subrogation or indemnification.

RULE 14 CONTINUED

STATE LIABILITY CLAIMS (CONT'D)

P. An agency response that shall contain the following information:

1. Actions taken to eliminate or limit the future risk of liability to the state.

2. Statement as to any disciplinary action(s) taken against any employee(s) that were negligent in carrying out their duties.

4. In conjunction with the settlement procedures prescribed pursuant to this rule, the Risk Management Division shall:

A. Annually report to the Committee on the operations of the Division, the status of pending claims and lawsuits, information on actual judgements and settlements, and projected fund balances.

B. With the assistance of the Attorney General, propose to the Committee any changes in State insurance coverage, State statutes, State liability principles or claims procedures which may help to limit future State liability.

RULE 15

CONFIDENTIAL NATURE OF SERVICES

The Director, members of the JLBC Staff, and those charged with the duty of processing in any manner proposed budget estimates, recommendations or research, shall not, without consent of the recipient legislator(s), disclose to any other person whomsoever, the contents of any letter, memorandum, report, newsletter, or any other written communique.

This provision does not apply to regular JLBC Staff reports nor information which the Staff prepares and disseminates under the general authority of the Director that was not specifically requested by a legislator(s).

The violation of any provision of this rule by the Director, a member of his staff, or any person charged in any manner with the duty of processing proposed analysis or research may be deemed sufficient cause for dismissal by the Director and in the case of the Director, by the Committee.

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CHRISTINE WEASON

DATE: February 12, 2001

TO: Representative Laura Knaperek
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Rebecca Hecksel, Assistant Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION - CONSIDER APPROVAL OF MILEAGE REIMBURSEMENT FOR STATE TRAVEL BY MOTOR VEHICLE

Request

In accordance with A.R.S. § 38-623D, the Arizona Department of Administration (ADOA) requests that the Committee approve the maximum mileage reimbursement rate effective immediately after Committee approval. The rate is used to reimburse state employees who use their own vehicle while on official travel status.

Recommendation

The JLBC Staff recommends that the Committee approve the agency's request to increase the mileage reimbursement rate from 32.5 cents to 34.5 cents per mile. This change is consistent with federal reimbursement rates. The JLBC also recommends that the costs associated with the rate increase be absorbed in agencies' budgets without a change in the level of appropriations.

Analysis

The federal government conducts an annual study based on market conditions across the nation including the cost of gasoline, repairs, maintenance, insurance and depreciation, and uses the data to update its travel reimbursement rates by November of each year. These rates are used by the Internal Revenue Service for tax purposes. ADOA compares Arizona's current rates to the federal rates and requests adjustments from the JLBC. At its November 20, 2000 meeting, the JLBC approved rate increases for lodging and meal reimbursement rates. The federal

(Continued)

government had not yet made its recommendation on mileage reimbursement rates at that time. The last increase for the mileage reimbursement rate was approved at the March 20, 2000 JLBC meeting.

ADOA has requested that the increased reimbursement rate be effective immediately upon Committee approval. The JLBC has therefore calculated that for the remainder of FY 2001 there will be a General Fund impact of $23,000 and an Other Fund impact of $76,700. Applying this increase to the full FY 2002, ADOA calculates a General Fund impact of $68,900 and an Other Fund impact of $230,200 across all state agencies. These calculations are based on miles traveled in FY 2000.

RS:RH:ss

R14

JANE DEE HULL
GOVERNOR

J. ELLIOTT HIBBS
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION

FINANCIAL SERVICES DIVISION • GENERAL ACCOUNTING OFFICE
STATE CAPITOL • 1700 WEST WASHINGTON • ROOM 290
PHOENIX, ARIZONA 85007
Phone: (602) 542-5601 • Fax: (602) 542-5749

December 12, 2000

Richard Stavneak, Director
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Mr. Stavneak:

Effective January 1, 2001, the Federal government will adopt a new mileage reimbursement rate of 34.5¢ (the current Federal rate, and that in effect for Arizona employees who travel for the State, is 32.5¢ per mile). We recommend that the State of Arizona adopt the new Federal rate as practical.

We have attached several worksheets that contain information relating to the current and proposed reimbursement rates and the effect such a change would have on the State. We have requested that this matter be placed on the agenda for the next meeting of the Joint Legislative Budget Committee.

Should you have any questions concerning the worksheets, please call Greg Vokoun (542-6223) or myself (542-5405).

Sincerely,

Robert Rocha

Robert Rocha
State Comptroller

RR:GFV:abm

Encl.

CC: Christina Ward, Budget Analyst, Joint Legislative Budget Committee
Lee Baron, Assistant Director, Department of Administration
Charlotte Hoseini, Budget Analyst, Department of Administration

Analysis of Projected Annual Impact of Adopting the Federal Mileage Reimbursement Rate of 34.5 Cents per Mile
(000s omitted; presumes same miles traveled as experienced in fiscal year 2000)

	Effects on General Fund			*Effects on All Other Funds*		
	Projected Reimbursements at Current Rate of $0.325 per Mile	Projected Reimbursements at Proposed Rate of $0.345 per Mile	Projected Reimbursement Increase	Projected Reimbursements at Current Rate of $0.325 per Mile	Projected Reimbursements at Proposed Rate of $0.345 per Mile	Projected Reimbursement Increase
Department of Economic Security	$232.2	$246.4	$14.3	$2,746.4	$2,915.4	$169.0
Department of Transportation	0.0	0.0	0.0	252.8	268.4	15.6
Department of Revenue	171.0	181.5	10.5	5.0	5.3	0.3
Department of Health Services	86.3	91.6	5.3	86.5	91.8	5.3
School for Deaf and Blind	30.1	32.0	1.9	135.5	143.8	8.3
Supreme Court	59.8	63.5	3.7	43.7	46.4	2.7
Senate	100.1	106.2	6.2	0.0	0.0	0.0
Game and Fish Department	0.0	0.0	0.0	86.5	91.8	5.3
Industrial Commission	0.0	0.0	0.0	74.4	79.0	4.6
Attorney General	24.1	25.6	1.5	38.0	40.4	2.3
Top Ten Agencies	$703.6	$746.9	$43.3	$3,468.8	$3,682.3	$213.5
All Other Agencies	415.4	441.0	25.6	272.4	289.2	16.8
Total of All Agencies	$1,119.0	$1,187.9	$68.9	$3,741.2	$3,971.4	$230.2

STATE OF ARIZONA

Joint Legislative Budget Committee

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CHRISTINE WEASON

DATE: February 13, 2001

TO: Representative Laura Knaperek
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Rebecca Hecksel, Assistant Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION - REPORT ON STATE EMPLOYEE HEALTH PLANS

Request

The Arizona Department of Administration (ADOA) is providing its planned contribution strategy for a new statewide health insurance contract beginning on October 1, 2001. A.R.S. § 38-658A requires ADOA to go before the Committee at least 10 days before they enter into or renew contracts for medical and dental coverage. While ADOA does not expect to sign the contract until March, the JLBC Staff believes that the Committee would benefit from a presentation by ADOA on the specifics of the Request for Proposal (RFP) that was sent out to potential healthcare contractors.

Recommendation

This report on the RFP for statewide health insurance coverage is for information only and no Committee action is required. ADOA will need to return to the Committee at least 10 days prior to signing the new contract.

Analysis

ADOA entered into the current health insurance contract in 1997 with options for annual renewal for up to 5 years provided there are no material changes in member coverage. Upon renegotiations for each year, each of the insurance carriers was held to a maximum increase under the renewal caps of 10%. These caps have helped to keep the state's rates relatively low compared to medical inflation. Watson Wyatt, in a study conducted for ADOA in March 2000, estimated that the renewal caps implemented in the fourth year of the contract would save approximately $20 million in state insurance premiums. Material changes implemented as a result of Laws 2000, Chapter 37 created the need to re-bid the fifth

(Continued)

year of the current health insurance contract. In the re-bidding process, all renewal caps were removed and each of the insurance carriers were allowed to increase their rates to any level of their choosing.

When ADOA entered into negotiations with the insurance carriers this summer for the fifth year of the current health insurance contract, the insurance carriers replied with an average premium increase of 40%. The removal of the caps allowed insurance carriers to increase their rates up to the level that they would have had they not been held to renewal caps over the 4-year contract period. Also affecting the rate increases, both Intergroup and United Health Care lost millions of dollars in 2000 with United Health Care requesting the largest rate increase of 58%. ADOA has therefore decided to bid on a new health insurance contract starting October 1, 2001.

ADOA constructed the RFP with a minimum employee premium of $25 per month for single coverage and $125 per month for family coverage. The current minimum premiums are $5 and $75 per month, respectively. When bidding on the contract, insurance carriers have an option as to which region they would like to provide coverage for. They may choose whether the state is divided into 2 regions, 3 regions or simply rural and metro. ADOA has put together estimates assuming that the state is divided into 3 regions: Maricopa, Pima, and all other. ADOA has put together its estimate assuming that there is no HMO coverage in rural areas and that employees living in rural areas are covered through Preferred Provider Organizations/Point of Service (PPO/POS), also known as freedom of choice plans. ADOA has constructed the RFP so that employees whose only option it is to enroll in the freedom of choice plans, (all employees outside of Maricopa and Pima counties) will pay the minimum premium amounts of $25/$125.

ADOA provided both JLBC and OSPB with their estimates of how they expect insurance carriers to respond to the Request for Proposal (RFP) issued in December. OSPB estimates the impact on the state to be $43.4 million in FY 2002 and $71.2 million in FY 2003. In order to ease some of the impact on the GF in FY 2002, OSBP recommends spending down the fund balance in the Health Insurance Trust Fund of approximately $14.6 million. The JLBC recommendation is in concurrence with the OSPB recommendation, however, the JLBC adds approximately $2 million in each year in order to hold employee premiums at the current level. Currently, employees pay an average monthly premium of $32 for single coverage and $112 for family coverage. The JLBC recommendation assumes that the minimum premiums are established at $32/$112 instead of $25/$125 as ADOA has recommended. Although the JLBC recommendation is higher for single coverage, it is lower for family coverage, which is 53% of total enrollment. The JLBC recommendation would reduce the cost to employees and proportionately increase the state's cost. The JLBC recommendation is therefore $1,659,900 higher than the OSPB recommendation in FY 2002 and $2,213,200 higher than the OSPB recommendation in FY 2003, for a total recommended increase of $20,338,900 in FY 2002 and $45,545,200 in FY 2003.

ADOA also plans on soliciting bids for a new statewide dental contract effective October 1, 2001. ADOA expects just a 5% increase in dental premiums in the 5th year of the contract, however, they think it would easier for the employees and more cost effective to the state to have an open enrollment period in which both health and dental plans are addressed. As a part of our budget recommendations, we have included a FY 2001 supplemental increase of $489,400 from the Health Insurance Trust Fund for open enrollment costs. ADOA has not provided the JLBC with estimates of state and employee premium increases for the new dental contract.

RS:RH:ss

JANE DEE HULL
Governor

J. ELLIOTT HIBBS
Director

ARIZONA DEPARTMENT OF ADMINISTRATION
OFFICE OF THE DIRECTOR
1700 WEST WASHINGTON • ROOM 601
PHOENIX, ARIZONA 85007

(602) 542-1500

December 26, 2000

The Honorable Randall Gnant, Chairman
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

Dear Senator Gnant:

Pursuant to ARS 38-658(A), the Arizona Department of Administration (ADOA) requests placement on the next agenda of the Joint Legislative Budget Committee (JLBC) to review the Request for Proposals (RFP) for employee and retiree healthcare benefits.

As I explained in my November 15th letter (copy enclosed) to the legislature, the ADOA has determined that it is in the best interest of the State and its employees and retirees to re-bid our health insurance contracts at this time. The current, very favorable contract will continue through September 30, 2001. The Request for Proposals process that is already underway will result in contracts with an effective date of October 1, 2001.

We serve a diverse population that lives and works in all fifteen counties and even outside the State. Employees and retirees from more than 100 agencies, boards and commissions, and from three universities, depend upon us to continue to provide quality, affordable healthcare for them and their families.

We have crafted the scope of work of this RFP to address some of the known, tough health care issues that we face as an employer. We compiled guiding principles using information gathered from surveys, focus groups, market research, the Employee Benefits Advisory Committee (EBAC), Agency Human Resource Managers, and Agency and University Benefit Liaisons. These guiding principles are the overall guidelines that were used to develop the Request for Proposals. Availability of rural networks, continuity of care, and the continuing need for a freedom of choice type plan are some of the core issues that are addressed with this RFP.

As you already know, premium rates and participants' out-of-pocket costs in the marketplace are rising steeply again after several years of low to moderate increases. We will continue our managed competition strategy, which aids in mitigating sharply rising premium increases. This strategy includes offering a base plan to employees at a low monthly premium and allowing employees to pay the difference in the higher premium plans. However, it will be a modified version of managed competition that will encourage participation in the freedom of choice plan. All employees outside Maricopa and Pima Counties will pay a base plan premium amount.

We are mindful of the sensitivity of employees toward any increased costs in their benefits, especially since their pay is significantly behind the market. The RFP reflects the ADOA's commitment to spreading the cost increases in a fair and equitable manner. Premiums for the State, its employees and retirees, and out-of-pocket costs for health care utilization will all increase. The State's budget will continue to pick up nearly 80% of the overall premium costs for employees' health care.

The enclosed comparisons of the current benefit levels and the requested benefit levels provide some of the details of the anticipated responses to the RFP. We will report to you the results of the actual contract awards in early March.

The criteria that will be used to evaluate responses to our RFP are as follows:

- Accessibility of in-network physicians
- Performance standards and results
- Track record and reputation
- Plan design
- Funding
- Ability to enhance employee choice
- Financial stability
- Projected cost

I look forward to sharing further details about this information in executive session with you and other JLBC members.

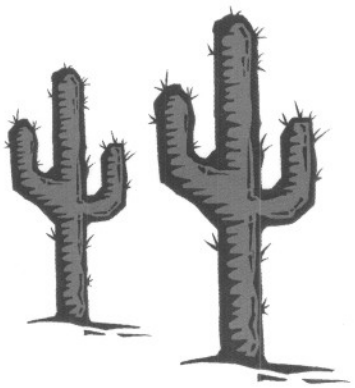
Sincerely,

J. Elliott Hibbs
Director

Arizona Department of Administration

Employee Benefits -Saguaro Program

Health Plan Rebid - RFP



2/16/01

Rate Guarantees Lost

CURRENT CONTRACT - YEAR 5 (10/1/01 - 9/30/02)

- HMO REFORM - HB2600
  - $91 MILLION INCREASE
  - RURAL NETWORK SHRINKAGE
  - LOSS OF FREEDOM-OF-CHOICE PLAN
- DECISION TO REBID

ESTABLISHED STRATEGIC OBJECTIVES
GUIDING PRINCIPLES

- INTERVIEWED HEALTH PLANS
  - Balance the State's needs with what vendors are realistically willing to offer
  - Foster a competitive procurement
- ENVIRONMENT
  - Steeply rising costs
  - Consolidation
  - Two incumbents losing $millions

CURRENT EMPLOYEE PREMIUMS

- CURRENT BASE PLAN PARTICIPATION
  - SINGLE $ 5 6%
  - FAMILY $ 75 10%
- CURRENT AVERAGE MONTHLY PREMIUM
  - SINGLE $ 32
  - FAMILY $112

HMOs

COPAYS	CURRENT PLANS	REQUESTED PLANS
OFFICE VISIT	$0/$5	$10
PRESCRIPTIONS	$5	$10/$20/$40 GENERIC/BRAND/NON-FORMULARY
EMERGENCY ROOM VISIT	$50	$75

FREEDOM OF CHOICE PLAN

OUT-OF-POCKET COSTS	CURRENT PLANS	REQUESTED PLANS
	PPO/INDEMNITY	POS/PPO
IN-AREA NETWORK	$150/$300 DED. 90% COINSURANCE	$10 COPAYS
NON-NETWORK	$150/$300 DED. 80% COINSURANCE	$300/$600 DED. 70% COINSURANCE
OUT-OF-AREA (NON-NETWORK)	$150/$300 DED. 80% COINSURANCE	$150/300 DED. 90% COINSURANCE

Joint Legislative Budget Committee
Staff Memorandum

1716 West Adams *Telephone: (602) 542-5491*
Phoenix, Arizona 85007 *Facsimile: (602) 542-1616*

DATE: February 12, 2001

TO: Rep Laura Knaperek, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: DEPARTMENT OF TRANSPORTATION – REPORT ON GRAND CANYON AIRPORT FUNDING

Request

The Arizona Department of Transportation (ADOT) requests that the Committee release the remaining $238,700 of the FY 2001 appropriation to operate the Grand Canyon Airport either through the end of FY 2001 or until it is leased to a non-profit corporation, whichever occurs first.

Recommendation

The JLBC Staff recommends the release of $238,700 of funding in FY 2001 from the Grand Canyon Airport Special Line to operate the airport either through the end of FY 2001 or until it is leased to a non-profit corporation, whichever occurs first.

Analysis

The ownership and management of the Grand Canyon Airport was transferred from ADOT to the then newly established Grand Canyon Airport Authority on October 1, 1999, in accordance with Laws 1999, Chapter 213. The Authority was envisioned as having more local control, more freedom from the state bureaucracy, and with the ability to borrow funds for capital needs. However, ADOT subsequently determined that the Authority was a semi-autonomous state entity, instead of an independent municipal corporation, which still had to use the state accounting system, personnel system, and administrative rule making process. To remedy these shortcomings, Laws 2000, Chapter 99 was enacted. Chapter 99 eliminates the Grand Canyon Airport Authority, reverts any unexpended and unencumbered monies previously appropriated to the Authority to the State Aviation Fund, and returns the operation of the Grand Canyon National Park Airport to ADOT, effective July 18, 2000. ADOT must lease the airport to a nonprofit corporation, to operate and develop the airport as provided in the lease, by March 1, 2001.

Prior to the passage of Chapter 213, the General Appropriation Act included $636,200 in FY 2001, for the operation of the Grand Canyon Airport. As a result, the airport had double funding in FY 2001, with one appropriation from Chapter 213 and another from the General Appropriation Act. A General Appropriation Act footnote required that before the expenditure of any of these monies for the Grand Canyon Airport, the department had to report to the Joint Legislative Budget Committee on the status and projected date of the privatization of the airport. At its June 22, 2000 meeting the Committee reviewed ADOT's plan to expend up to $397,500 (7½ months, July 18, 2000 through March 1, 2001) of the FY 2001 appropriation to operate the Grand Canyon Airport until it is leased to a non-profit corporation. The

$238,700 being reviewed here is balance of $636,200 appropriation for FY 2001.

The funding source of the Grand Canyon Airport Authority's operating budget was to be airport user fees and charges. Laws 2000, Chapter 99 transferred all remaining collected but unspent airport related cash and revenues of the Grand Canyon Airport Authority, amounting to $1,123,800, to ADOT on July 18, 2000, and subsequently appropriated these monies to ADOT for transfer to the nonprofit corporation lessee on the effective date of the lease. These monies revert to the State Aviation Fund if they have not been transferred to the nonprofit lessee by July 1, 2001.

After the lease has been agreed to by the parties and reviewed by the Attorney General, Laws 2000, Chapter 99 requires ADOT to submit the lease for review by the JLBC at least 30 days before they intend to execute the lease. ADOT may not execute the lease until the JLBC submits a report summarizing the terms of the lease, within 30 days of receipt from ADOT, to the Speaker of the House of Representatives and the President of the Senate.

There is currently a bill, SB 1218, which would exempt a nonprofit corporation that leases the Grand Canyon National Park Airport from the state's administrative rule making process, procurement code, and personnel administration. The bill also would delete the 20-year limit on the length of a lease, and would delete the requirement that ADOT lease the airport by March 1, 2001. The bill has an emergency clause.

It is clear that ADOT will not have completed the leasing of the airport by the March 1, 2001 statutory deadline, and that they will need to use some or all of the remaining appropriation for FY 2001 to continue operating the airport. It is unclear if or when ADOT will actually lease the airport to a non-profit corporation.

The JLBC Staff recommends the release of $238,700 of funding in FY 2001 from the Grand Canyon Airport Special Line to operate the airport either through the end of FY 2001 or until it is leased to a non-profit corporation, whichever occurs first.

Arizona Department of Transportation

Office of the Director
206 S. 17th Ave. Phoenix, Arizona 85007-3213
Phone 602.712.7226 FAX 602.712.6941

Jane Dee Hull
Governor

Mary E. Peters
Director

Victor M. Mendez
Deputy Director

February 8, 2001

The Honorable Laura Knaperak, Chairwoman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Representative Knaperak:

We respectfully request to be placed on the agenda at the February JLBC meeting to seek the Committee's approval for the release of the remaining FY 2001 funding for the Grand Canyon Airport.

ADOT is currently in the process of negotiating the terms of the final lease document with the Grand Canyon Airport Authority, (GCAA, Inc). The goal was to lease the airport on or prior to March 1, 2001, however, there are still several outstanding issues to be addressed and this date will not be met.

To date, $397,500 of the $636,200 total appropriation for FY 2001 has been released and made available to cover the operational costs of the airport. The Department would like to request the release of the $238,700 balance in order to ensure the orderly operation of the airport through the remainder of the fiscal year.

We look forward to the opportunity to discuss this matter with your staff and provide any additional information that may be required. Your consideration of this request is greatly appreciated.

Sincerely,

Melissa Wyn

for Mary E. Peters

cc: Senator Ruth Solomon, Chairwoman
Richard Stavneak, JLBC
Robert Hull, JLBC
Tom Betlach, OSPB
Marcel Benberou, OSPB
Victor Mendez, ADOT
John Bogert, ADOT
Gary Adams, ADOT
David Jankofsky, ADOT

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: February 12, 2001

TO: Representative Laura Knaperek, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Pat Mah, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY - REVIEW OF FEDERAL SOCIAL SERVICES BLOCK GRANT FY 2001 EXPENDITURE PLAN

Request

Pursuant to a footnote in the FY 2000 and FY 2001 General Appropriation Act, the Department of Economic Security (DES) wishes to <u>again</u> report to the Committee the intended distribution of federal Social Services Block Grant (SSBG) monies for FY 2001. The initial report was submitted in June, but the Committee deferred reviewing it since the federal government had not yet determined the federal fiscal year (FFY) 2001 allocations for SSBG monies.

Recommendation

The JLBC recommends a <u>favorable review</u> of the department's expenditure plan for SSBG monies in FY 2001 because it follows legislative intent in that it "minimizes the overall reductions in funding to state-planned and locally-planned providers," as required by a footnote in the General Appropriation Act. We also note that DES continues for FY 2001 its FY 2000 policy of using surplus Temporary Assistance for Needy Families (TANF) Block Grant monies to reduce cuts in SSBG funding.

Analysis

The SSBG is a federal grant given to states to provide a variety of social services intended, in part, to maintain self-sufficiency, reduce and prevent dependency, and prevent and remedy neglect and abuse. In 1998, Congress and the President reduced SSBG funding for FFY 1999. The 1999 Legislature responded by approving a transfer of monies from the federal TANF Block Grant to offset expected federal cuts in SSBG funding in FY 1999, FY 2000, and FY 2001.

(Continued)

The additional funding was intended to cushion the impact of the federal reductions, making up 100% of the cut in FY 1999, 67% of the expected cut in FY 2000, and 33% of the expected cut in FY 2001. The Legislature also directed the department to use the funding in a manner that minimizes the overall reduction in funding to local and state service providers. For FY 2001, a footnote in the General Appropriation Act provides that "the $2,581,300 allocated for use in restoring federal reductions shall be expended by the Department of Economic Security in a manner that minimizes the overall reductions in funding to state planned and local planned providers."

The Legislature included another footnote in the General Appropriation Act so that it could review DES' plans if the actual SSBG allocation differed from that assumed in the budget. Table 1 shows the FY 2001 approved funding, along with the actual federal allocations for FY 1999 and FY 2000. It also shows the amount reflected in the department's proposed FY 2001 SSBG planned expenditures.

Table 1

	Approved FY 1999	Approved FY 2000	Approved FY 2001	Proposed SSBG Plan FY 2001
Federal SSBG allocation	$32,939,500	$30,452,000	$29,508,800	$29,732,900
TANF/SSBG appropriation	3,990,100	4,186,600	2,581,300	2,581,300
Expected Surplus TANF	0	2,291,000	0	1,612,700
Total Funding Level	$36,929,600	$36,929,600	$32,090,100	$33,926,900

The department reported in June 2000 that it planned to transfer surplus TANF JOBS funding for FY 2001 to SSBG. The amount of surplus TANF was dropped from the $2,291,000 in FY 2000 to $1,612,700 in FY 2001 based on the expectation that there will be fewer SSBG clients eligible to use TANF funding instead of SSBG funding. The department's latest report continues to show use of the $1,612,700 in surplus TANF for FY 2001. (Please see Attachment 1 for the department's FY 2001 SSBG Reduction Plan.)

To meet the footnote requirement, DES has submitted its updated SSBG plan that shows Arizona will receive a FY 2001 SSBG allocation of $29,732,900. Combined with the $2,581,300 of TANF-transferred SSBG to offset 33% of the federal cut in SSBG funding and $1,612,700 of anticipated surplus TANF appropriated for FY 2001, this produces a FY 2001 total funding level of $33,926,900. The amount for FY 2001, $33,926,900, exceeds the amount assumed in the budget, $32,090,100, by $1,836,800 because of the use of surplus TANF and a change from the original federal allocation by $371,400. Instead of a reduction of $(4,839,500) in FY 2001 from FY 2000 because of the previous federal cuts to SSBG funding, the reduction in funding would be $(3,002,700) or 8.1%.

The department uses almost all of the $2,581,300 of TANF-transferred SSBG to minimize the overall reduction in funding to local and state service providers. A total of $2,493,200 is used for local and state providers and the remaining $88,100 is used for the department's FTE Positions that work with various community service programs.

We found the FY 2000 DES SSBG plan to be consistent with legislative intent in that state-planned and locally-planned providers will receive about all of the $2,581,300 that was allocated to minimize federal reductions to the SSBG grant. The department's plan also uses surplus TANF monies to minimize the SSBG cut for both agency's operations and local and state providers.

RS/PM/ss
Attachment

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
1717 W. Jefferson - P.O. Box 6123 - Phoenix, AZ 85005

Jane Dee Hull
Governor

John L. Clayton
Director

JAN 2 2 2001

Mr. Richard Stavneak, Director
Joint Legislative Budget Committee
1716 W. Adams St.
Phoenix, AZ 85007

Dear Mr. Stavneak:

As required by the General Appropriations Bill, enclosed is chart indicating the Department of Economic Security's "final" State Fiscal Year 2001 (SFY-2001) Social Services Block Grant (SSBG) reduction plan and the distribution of the additional federal SSBG funds.

The variance from the SFY-2000 SSBG Plan, included as an attachment to my June 8, 2000 letter, is the allocation of the additional Federal Fiscal Year 2001 (FFY-2001) SSBG funds. The additional SSBG funds, $371,404, are the result of the FFY-2001 SSBG allocation having been increased from $1.7 billion to $1.725 billion.

If you require additional information, please contact Karl Matzinger, Deputy Associate Director, at (602) 542-7166.

Sincerely,

John L. Clayton

Enclosure

c: Karl Matzinger 800A

SSBG SFY 2002 Final Plan 02-8-01

	SFY 1999	Initial SSBG Plan No Backfill	Addtnal Fed Funds SFY-2001	JLBC Support Backfill	Total SSBG Funding for 2001	TANF $ Swap Funds SFY 2001	FINAL SFY 2001 Plan
Administration	5,505,058	4,658,247			4,658,247		4,658,247
CSA							
State Planned	707,961	562,876		31,652	594,528	256,766	851,294
Program	707,365	534,032		30,000	564,032		564,032
Total CSA	**1,415,326**	**1,096,908**		**61,652**	**1,158,560**	**256,766**	**1,415,326**
AAA							
State Planned	2,460,621	2,141,359		319,262	2,460,621		2,460,621
Program	1,442,360	1,404,360		38,000	1,442,360		1,442,360
Total AAA	**3,902,981**	**3,545,719**		**357,262**	**3,902,981**		**3,902,981**
ACYF							
State Planned	6,639,680	5,316,659	252,404	683,286	6,252,349		6,252,349
Program	5,069,929	4,396,443			4,396,443		4,396,443
Total ACYF SSBG Funds	**11,709,609**	**9,713,102**	**252,404**	**683,286**	**10,648,792**		**10,648,792**
DDD							
State Planned	16,420	-			-		-
Program	-	-			-		-
Total DDD	**16,420**	**-**			**-**		**-**
RSA							
State Planned	1,252,509	775,975		476,534	1,252,509		1,252,509
Program	360,603	340,456		20,147	360,603		360,603
Total RSA	**1,613,112**	**1,116,431**		**496,681**	**1,613,112**		**1,613,112**
CCA							
State Planned	250,000	198,767		51,233	250,000		250,000
Program	995,325	-			-	995,325	995,325
Total CCA	**1,245,325**	**198,767**		**51,233**	**250,000**	**995,325**	**1,245,325**
JOBS							
State Planned		-					-
Program	96,880	-					-
Total JOBS	**96,880**	**-**					**-**
DES TOTALS	**25,504,711**	**20,329,174**	**252,404**	**1,650,114**	**22,231,692**	**1,252,091**	**23,483,783**
Locally Planned							
COGs	8,956,081	7,069,453	93,000	663,120	7,825,573	360,590	8,186,163
AZ Indian Tribes	2,468,766	1,962,834	26,000	268,066	2,256,900		2,256,900
LOCALLY PLANNED TOTAL	**11,424,847**	**9,032,287**	**119,000**	**931,186**	**10,082,473**	**360,590**	**10,443,063**
Totals	**36,929,558**	**29,361,461**	**371,404**	**2,581,300**	**32,314,165**	**1,612,681**	**33,926,846**

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: February 13, 2001

TO: Representative Laura Knaperek, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA STATE UNIVERSITY - REPORT ON EAST CAMPUS MULTI-YEAR FUNDING PLAN

Pursuant to a request by the Committee Chairman, Arizona State University (ASU) has submitted their student enrollment and funding estimates for the development of the ASU-East Campus.

The East Campus was authorized by Laws 1994, Chapter 218 in order to meet estimated future enrollment demand. The campus was anticipated to eventually accommodate 5,000 full-time equivalent (FTE) students. The ASU plan estimates FTE student enrollment will reach 5,000 in FY 2008.

The Chairman requested the plan so the Committee could review the estimated funding requirements associated with campus development. The last table on page 2 of the submitted material provides the yearly estimates for student enrollment and funding requirements.

RS/LM:JB

Arizona State University East
Multi-Year Funding Plan

Background

- An enrollment demand study commissioned by the Arizona Board of Regents (ABOR) in 1990 projected that ASU would have to accommodate an additional 36,000 students by 2010. In 1992, the ABOR adopted strategies to meet this projected demand, including development of a "second campus of 5,000-10,000 students in the East Valley of Maricopa County." Revisions to the ABOR strategic plan in 1994 proposed immediate creation of a campus that would serve 10,000 students by 2010.

- In April of 1994, the Arizona Legislature authorized development of a new campus of ASU to be located in eastern Maricopa County and to be designated as Arizona State University East Campus. The initial state operating budget of $2.1 million was approved for ASU East for FY 1994/95. A few classes were offered beginning in fall, 1995 and full programs were started in the fall of 1996.

- Development of the operating budget of ASU East has come from two primary sources: (1) legislative approval of transfers from the ASU Main state operating budget that followed the transfer of selected programs to ASU East and (2) increases in new state appropriations for new campus and program development. The latter amounts to $7.6 million over the six year period from FY 1995 to FY 2001, with $7.3 million of that appropriated prior to FY 2000.

- During the last year, ASU East has focused on developing a long-term enrollment plan, based on the overall strategic plan for the campus, along with a long-term resource plan. A particular goal was to identify the resources required to provide programs and basic services to 5,000 FTE students.

- During the fall 2000 semester, ASU East enrolled 1,939 headcount students, corresponding to 1,165 full-time equivalent (FTE) students.

- The FY 2001 state operating budget for ASU East is $15.8 million.

Growth and Resources

- It is projected that ASU East will enroll approximately 5,000 FTE students by 2007 or 2008. The corresponding headcount enrollment is projected to be around 7,000 students.

- The state operating budget required to support 5,000 FTE students in current dollars is estimated to be $48-50 million. Assuming annual inflation of about 4%, the funding requirement could be $63-66 million in FY 2008.

- Over the course of the next biennium, headcount enrollment is projected to grow to 2,700 in fall, 2001 and to 3,400 in fall, 2002; FTE enrollment is projected to grow to 1,690 in fall, 2001 and to 2,210 in fall, 2002. In support of this projected growth and building toward a base level of programs and services, ASU East has requested new resources as follows:

State Operating Budget Request	FY 2002		FY 2003	
	Detail		Detail	
New Campus Development				
Personal Services (FY 2002 - 72 FTE; FY 2003 - 117.5 FTE)	3,094,800		5,148,300	
ERE	563,300		932,400	
Equipment	1,515,200		1,789,500	

All Other Operating	1,026,700		1,429,800	
Subtotal		6,200,000		9,300,000
New Facilities Support				
Personal Services (FY 2002 - 2.0 FTE; FY 2003 - 11.0 FTE)	68,000		336,500	
ERE	13,200		67,600	
All Other Operating	243,800		1,020,900	
Subtotal		325,000		1,425,000
Exercise and Wellness Program Transfer from ASUM		658,300		658,300
Annualize FY 2001 Merit Adjustment		156,500		156,500
Clean Air Act Compliance		109,000		132,000
TOTAL		7,448,800		11,671,800

- Funding this request would authorize a state operating budget for ASU East of $23.3 million in FY 2002 and $27.5 million in FY 2003.

- Funding growth beyond the next biennium would need to occur in each subsequent biennium as a function of enrollment growth. Program driven enrollment growth indicates that ASU East will reach 5,000 students by FY 2008. However, if growth occurs at a faster rate, funding will need to keep pace with that rate of growth.

Multi-Year Funding Plan
5,000 FTE Student Base

Fiscal Year	FY 2001 (Actual)	FY 2002 (Proj.)	FY 2003 (Proj.)	FY 2004 (Est.)	FY 2005 (Est.)	FY 2006 (Est.)	FY 2007 (Est.)	FY 2008 (Est.)
Fall Enrollment								
Headcount	1,939	2,700	3,400	4,000	4,700	5,400	6,100	7,000
FTE	1,165	1,690	2,210	2,700	3,200	3,700	4,300	5,000
State Expenditure Authority	$15.8 million	$23.3 million	$27.5 million	$33.8 million	$36.8 million	$40.7 million	$45.1 million	$50,0 million

- The figures for FY 2002 and FY 2003 are based on the biennial budget request submitted last October. Enrollment and budget figures for FY 2004 - FY 2006 are based on the planned programmatic mix and general growth patterns of the campus and estimated funding requirements to serve these numbers of students. The figures for FY 2007 and FY 2008 assume a continuation of the patterns established in the previous years. **Clearly, the out-year figures must be understood as estimates, and the ultimate enrollment demand and funding needs may vary from these estimates based on the programmatic and student profiles that evolve over time.**

- The estimated $50 million state budget is comprised of personal services for faculty and staff, employee related expenditures, and all other operating expenditures required to operate ASU East as a campus that serves 5,000 FTE students. **Again, the out-year budget requirements to accomplish this purpose will be higher than the figures indicated, to the extent that inflation leads to salary, ERE, utility rate and other adjustments.**

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CHRISTINE WEASON

DATE: February 13, 2001

TO: Representative Laura Knaperek, Chairman
Members, Joint Legislative Budget Committee

FROM: Richard Stavneak, Director

SUBJECT: REPORT ON RECENT AGENCY SUBMISSIONS

Request

The JLBC has received a number of statutorily required reports during the past month. Each report is briefly described below.

Recommendation

The reports are for information only and no Committee action is required. We do not intend to discuss the reports at the JLBC meeting unless a member has a question. If any member knows in advance that they will have questions, we would appreciate knowing that before the meeting so as to ensure the relevant agency is available.

Analysis

1) ADOT - MVD Wait Times Report

The Arizona Department of Transportation (ADOT) is required to report monthly on customer wait times in Motor Vehicle Division (MVD) offices. ADOT reported average customer wait times from door to counter in MVD field offices of 29.1 minutes in FY 1999, 14.9 minutes in FY 2000, and 14.7 minutes for the first six months of FY 2001. Total customer time spent in MVD field offices averaged 23.1 minutes, including 14.7 minutes of wait time and 8.4 minutes of transaction time, in the first half of FY 2001.

2) Department of Health Services - Review of SMI Services Distribution Plan

At its October meeting, JLBC reviewed a distribution plan for $50 million in one-time funding for the Seriously Mentally Ill. At that time, JLBC asked Department of Health Services (DHS)

to report additional information in January when we anticipated more complete information regarding the number of housing units to be purchased with the funds, types of housing that will be provided, and exact numbers of clients to be served would be available. The department agreed with the January due date. DHS has provided JLBC staff with updated but incomplete information. According to DHS, it may be 6-9 months before a more comprehensive spending plan is available. JLBC Staff and DHS have agreed to revisit the issue in July.

3) Department of Economic Security - Bimonthly Report on Arizona Works

As the vendor for the state's Arizona Works pilot welfare program, MAXIMUS is required to report bimonthly on Arizona Works. It has submitted two reports since the previous report in September. Total caseloads in Arizona Works increased 3.4% from July to November; over the same period of time, welfare caseloads in the rest of Maricopa County increased 8.3%. The report also indicates that the contract for the expansion of the pilot into Mohave County is still pending.

4) Department of Economic Security/Joint Legislative Budget Committee - Report on the Distribution of Federal Monies received by the Transitional Independent Living Program

The Department of Economic Security (DES) is required to provide an annual report on the distribution of non-appropriated federal Independent Living monies for foster care children that are transitioning into living on their own. This first annual report pursuant to Laws 2000, Chapter 285 shows that the yearly federal allocation for the Independent Living monies will continue to be at the federal fiscal year (FFY) 2000 amount of $1,221,100 through FFY 2002. The department expects to expend in each state fiscal year (SFY) this annual total grant of $1,221,100 and also $1,500,000 in federal IV-E funds. In addition, state General Fund expenditures are estimated at $500,000 in both SFY 2002 and SFY 2003. The General Fund amounts have changed from SFY 2000 because additional federal monies are available to pick up a greater portion of the program's cost. Funding from all sources totals $3,221,100 in both SFY 2002 and SFY 2003 to continue to serve SFY 2001 caseload levels of 742 clients. The monies are used to fund a wide array of services, including general or specialized case management; independent living skills training; community mentor services; transportation, tutor and school supplies support; out-of-home placement subsidies; and counseling for emancipation.

5) Arizona Criminal Justice Commission - Report on State Aid to County Attorneys Fund and the State Aid to Indigent Defense Fund

Pursuant to A.R.S. § 41-2409E, the Arizona Criminal Justice Commission (ACJC) is required to report on the expenditures of monies in the State Aid to County Attorneys Fund and State Aid to Indigent Defense Fund by January 8, 2001. Monies in the funds are distributed to counties based on a statutory formula that uses population and criminal case filings. ACJC reports that counties used the monies in three main areas: additional staffing to process more cases, equipment purchases to improve case management, and contracts for outside services to improve criminal case processing. The legislation establishing the funds and the reporting requirement included a legislative intent section that set timelines for criminal case processing. The report, however, does not contain information about the impact of the monies on the time to process a criminal case. In the future, we believe the report should contain a measurement of the progress of improving criminal case processing times.

6) ADOA - Semi-Annual Report on Health Insurance Performance Standards:

The Arizona Department of Administration (ADOA) is required to report at least semiannually on the performance of those medical and dental vendors currently under contract. In 2000, responses indicate that satisfaction has improved for all four medical insurance vendors by an average of 5%. The medical insurance vendors' ratings ranged from 64% to 90%. PacifiCare, the provider receiving the lowest rating in 1999 of 60%, improved by 4% in 2000. The dental insurance vendors' ratings in 2000 ranged from 66% to 83%. This is the first year that ADOA has gathered performance data on dental coverage.

7) Supreme Court - Report on Criminal Case Processing and Enforcement Improvement Fund and the State Aid to the Courts Fund

The Supreme Court is required to report on the Criminal Case Processing and Enforcement Improvement Fund and the State Aid to the Courts Fund yearly by January 8, 2001. The report is to include progress of criminal case processing projects and enforcement of court orders, as well as the expenditure of the State Aid to the Courts Fund monies for the prior fiscal year. We have received the report yesterday and have not had sufficient time to provide an analysis.

One required report has not yet been received:

8) ADOT - LTAF Report

ADOT is required to report annually by January 1st on the revenues and expenditures of certain Local Transportation Assistance Fund monies. We have not yet received the report.

RS:lm