JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, April 27, 2021

9:00 a.m.

House Hearing Room 1

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

DAVID M. GOWAN
VICE-CHAIRMAN
LELA ALSTON
SEAN BOWIE
RICK GRAY
SINE KERR
VINCE LEACH
DAVID LIVINGSTON
LISA OTONDO

1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

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HOUSE OF

REGINA E. COBB CHAIRMAN SHAWNNA BOLICK CÉSAR CHÁVEZ CHARLENE R. FERNANDEZ RANDALL FRIESE JOHN KAVANAGH JOANNE OSBORNE BEN TOMA

** REVISED **

JOINT LEGISLATIVE BUDGET COMMITTEE Tuesday, April 27, 2021 9:00 A.M.

House Hearing Room 1

The meeting will be held via teleconference software.

Members of the public may access a livestream of the meeting here:

(https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2021041042)

MEETING NOTICE

- Call to Order
- Approval of Minutes of December 16, 2020.
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION Arizona Department of Administration, Risk Management Services -Consideration of Proposed Settlements under Rule 14.
- 1. ***ADOPTION OF COMMITTEE RULES AND REGULATIONS.
- 2. ***DEPARTMENT OF ECONOMIC SECURITY Review of Developmental Disabilities Line Item Transfers.
- 3. ***DEPARTMENT OF CHILD SAFETY Review of Line Item Transfers.
- 4. ***ARIZONA DEPARTMENT OF ADMINISTRATION Consider Approval of Requested Transfer of Appropriation.



- 5. ARIZONA DEPARTMENT OF CORRECTIONS Review of Personal Services and Employee-Related Expenditure Transfer.
- *** Consent Agenda These items will be considered in one motion and no testimony will be taken.

The Chairman reserves the right to set the order of the agenda.

04/19/2021

04/26/2021

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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) 926-5491.



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HOUSE OF REPRESENTATIVES

REGINA E. COBB VICE-CHAIRMAN **DIEGO ESPINOZA** CHARLENE R. FERNANDEZ RANDALL FRIESE JOHN KAVANAGH WARREN PETERSEN BRET M. ROBERTS **BEN TOMA**

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

December 16, 2020

The Chairman called the meeting to order at 9:37 a.m., Wednesday, December 16, 2020, via video conference. The following were present:

Members:

Senator Gowan, Chairman

Senator Alston **Senator Bowie** Senator Gray **Senator Livingston** Senator Otondo

Representative Cobb, Vice-Chairman

Representative Espinoza Representative Fernandez Representative Friese Representative Kavanagh Representative Petersen

Representative Roberts Representative Toma

Absent:

Senator Leach Senator Mesnard

APPROVAL OF MINUTES

Representative Cobb moved that the Committee approve the minutes of September 23, 2020. The motion carried.

CONSENT AGENDA

The following items were considered without discussion.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)/DEPARTMENT OF ECONOMIC SECURITY (DES) -Review of Child Care ATLAS System Replacement.

An FY 2021 General Appropriation Act footnote requires ADOA to submit to the Committee on behalf of DES - Division of Child Support Enforcement (DCSE) an expenditure plan for replacement of the Arizona Tracking and Locate Automated System (ATLAS) for review. The JLBC Staff provided options and potential provisions:

(Continued)

- A. Until completion of the project, DES shall submit quarterly progress reports from the third-party consultant to JLBC pursuant to A.R.S. § 18-104 in a timely manner.
- B. A favorable review by the Committee does not constitute endorsement of any supplemental funding request that may be required for project costs or any operational costs when the project is complete.

DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Developmental Disabilities Line Item Transfers.

An FY 2020 General Appropriation Act footnote requires DES to submit a report for review by the Committee before transferring any funds into or out of certain Division of Developmental Disabilities (DDD) line items. DES requested review of the following FY 2020 General Fund transfers totaling \$1,575,000 out of the Case Management - State Only line item:

- \$1,275,000 into the Targeted Case Management Medicaid line item.
- \$300,000 into the Home and Community-Based Services State Only line item.

The JLBC Staff provided options.

ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of Career and Technical Education (CTE) Credential List.

A.R.S. § 15-249.15 requires ADE to annually submit the career technical education industry credentials list for the Arizona Industry Credential Incentive Program for review by the Committee. The JLBC Staff provided options.

JLBC STAFF - Consider Approval of Index for School Facilities Board Construction Costs.

A.R.S. § 15-2041 requires that the cost-per-square-foot factors used in School Facilities Board new school construction financing be adjusted annually for construction market considerations based on an index identified or developed by the Joint Legislative Budget Committee as necessary but not less than once each year. The JLBC Staff provided the following option that the Committee approved:

1. Approve a 2.76% adjustment in the cost-per-square-foot factors. The adjustment is based on the change in the Rider Levett Bucknall (RLB) Phoenix construction cost index since the cost factors were last adjusted.

The new revised per square foot dollar amounts apply to districts that were awarded new schools by the School Facilities after December 16, 2020. The revised rates are as follows:

<u>Grade</u>	\$ per square foot		
K-6	\$168.90		
7-8	\$178.31		
9-12	\$206.44		

<u>Representative Cobb moved</u> that the Committee give a favorable review, or approval, as applicable, including provisions as outlined in the JLBC Staff analysis, to the 4 consent agenda items listed above. The motion carried.

EXECUTIVE SESSION

Representative Cobb moved that the Committee go into Executive Session. The motion carried.

At 9:39 a.m. the Joint Legislative Budget Committee went into Executive Session.

Representative Cobb moved that the Committee reconvene into open session. The motion carried.

At 10:00 a.m. the Committee reconvened into open session.

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

<u>Representative Cobb moved</u> that the Committee approve the recommended settlements proposed by the Attorney General's office in the cases of:

- 1. Claim of Lamont Laster
- 2. Donald Williams Jr. v. State of Arizona et. al.

The motion carried.

B. ARIZONA DEPARTMENT OF ADMINISTRATION - Risk Management Annual Report.

This item was for information only and no Committee action was required. The Committee received the Risk Management Annual Report pursuant to JLBC Rule 14. The Committee requests that future annual reports continue to include the following information:

- Status of open claims and lawsuits.
- Status of claims and lawsuits reported on the prior year annual report.
- Total number of claims and lawsuits filed with Risk Management during the prior fiscal year.
- Total settlement and judgment costs during the prior fiscal year.
- Number of liability settlements greater than the JLBC level and cost of each settlement.
- Number of liability cases taken to trial by Risk Management categorized by:
 - Number of verdicts for the state with detail of the associated judgment amounts.
 - Number of verdicts against the state with detail of the associated judgment amounts.
- Projected Risk Management Fund balance.
- Proposed changes to state insurance coverage, state statutes, and claim procedures.

C. JLBC Annual Performance Review per Rule 7

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

REGULAR AGENDA

DEPARTMENT OF VETERANS' SERVICES (DVS) - Review of Veterans' Suicide Prevention Program.

Ms. Lauren Jorgensen, JLBC Staff, stated that an FY 2021 General Appropriation Act footnote requires DVS to submit for Committee review its report on expenditures related to the Veterans' Suicide Prevention line item as well as the status of non-state matching funds. The JLBC Staff provided options.

Mr. Luis Marquez, Assistant Deputy Director, Administration, DVS, responded to member questions.

Ms. Nicole Baker, Assistant Deputy Director, Public and Intergovernmental Affairs, DVS, responded to member questions.

<u>Representative Cobb moved</u> that the Committee favorably reviewed DVS' expenditure plan. The Committee also requested that the department submit an updated report detailing reasons for service encounters, number of unique service encounters, satisfaction survey results, and a list of distinguishing duties between Be Connected Staff and Veterans' Benefits Counselors. The report is to be submitted by March 1, 2020. The motion carried.

Without objection, the meeting adjourned at 10:16 a.m.

Respectfully submitted:

Kristy Paddack

Kristy Paddack, Secretary

Richard Stavneak

Richard Stavneak, Director

Senator David Gowan, Chairman



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DATE:

April 20, 2021

TO:

Members of the 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 April 27th meeting. The rules are the same as in the prior session.

RS:lm

Attachment

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

- 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.

RULES AND REGULATIONS

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.

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. The Committee shall annually review the Director's performance and the Committee or the Chairman and Vice Chairman shall determine the Director's salary within the limits prescribed by law. The Chairman of the Committee may appoint a subcommittee to make recommendations concerning these matters.

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.

RULES AND REGULATIONS

- 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 three 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.

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. Director's Report [if any]
- 4. Executive Session (including Rule 14 items)
- 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.

RULES AND REGULATIONS

RULE 11

MEETINGS OF THE COMMITTEE

The Committee shall meet at such times and places as the Committee may determine. 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 that covers the full cost of the legislation. The fiscal notes shall indicate any local fiscal impact, where appropriate.
- Fiscal notes shall not contain comments or opinions on the merits of the bill.
- 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:

RULES AND REGULATIONS

RULE 14 CONTINUED

STATE LIABILITY CLAIMS (CONT'D)

- A. Settlements of \$250,000 or less do not require approval of the Committee pursuant to A.R.S. § 41-621(N). The Department of Administration has authority to settle claims up to \$100,000 and the Attorney General has authority to settle claims between \$100,001 and \$249,999. 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 seven 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.

RULES AND REGULATIONS

RULE 14 CONTINUED

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.
 - 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;

RULES AND REGULATIONS

RULE 14 CONTINUED

STATE LIABILITY CLAIMS (CONT'D)

- 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.
- P. An agency and an Arizona Department of Administration 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.
 - 3. An agency loss prevention plan approved by the Arizona Department of Administration (ADOA). If an approved plan is not available, ADOA will provide an explanation of why it is not approved at that time, and a timetable for submitting an approved plan.
- 4. In conjunction with the settlement procedures prescribed pursuant to this rule, the Risk Management Division shall:
 - A. Annually report to the Committee on 1) the operations of the Division, 2) the status of pending claims and lawsuits, 3) information on actual judgements and settlements, 4) status of claims and lawsuits reported on the prior year annual report, 5) number of claims and lawsuits filed since the last report, 6) number of liability cases taken to trial with information on the verdicts and judgment amounts, and 7) 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.
 - C. Provide the Committee with an agency loss prevention plan that results from a judgment against the state in an amount equal to or greater than that which requires JLBC settlement authority. Within sixty days after payment of the judgment, ADOA will either indicate approval of the plan, provide an explanation of why it is not approved, or provide an explanation as to why a plan is no longer applicable.

RULES AND REGULATIONS

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, or 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.

JLBC Staff 04/20/21 e:\jlbc\Rules\JLBC RULES-0421.doc



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Joint Legislative Budget Committee

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BEN TOMA

DATE:

April 20, 2021

TO:

Members of the Joint Legislative Budget Committee

FROM:

Lauren Jorgensen, Fiscal Analyst

SUBJECT:

Department of Economic Security - Review of Developmental Disabilities Line Item

Transfers

Request

Pursuant to FY 2020 and FY 2021 General Appropriation Act footnotes, before transferring any funds into or out of certain Division of Developmental Disabilities (DDD) line items, the Department of Economic Security (DES) must submit a report for review by the Joint Legislative Budget Committee (JLBC).

DES requests Committee review of a retroactive transfer of \$18,200,000 of federal Long Term Care System Fund (LTCSF) monies out of the FY 2020 DDD Administration line item as follows:

- \$18,000,000 into the FY 2020 line item for Physical and Behavioral Health Services Medicaid.
- \$200,000 into the FY 2020 line item for Premium Tax.

DES also requests a transfer of \$48,000,000 LTCSF monies out of the FY 2021 DDD Administration line item as follows:

- \$45,000,000 into the FY 2021 line item for Physical and Behavioral Health Services Medicaid.
- \$3,000,000 into the FY 2021 line item for Premium Tax.

Committee Options

The Committee has at least the following 2 options:

- A favorable review of the transfer.
- 2. An unfavorable review of the request.

(Continued)

Key Points

- 1) DES is requesting FY 2020 transfers of \$18.0 million into Physical and Behavioral Health Services and \$200,000 into Premium Tax for a retroactive FY 2020 adjustment to reflect actual costs.
- 2) The FY 2020 transfers would be financed by a decrease of \$(18.2) million from DDD administration.
- 3) DES is requesting FY 2021 transfers of \$45.0 million into Physical and Behavioral Health Services and \$3.0 million into Premium Tax to cover FY 2021 shortfalls.
- 4) The FY 2021 transfers would be financed by a decrease of \$(48.0) million from DDD administration.

Analysis

As a result of DES moving significant funding out of service lines into Administration and Case Management in previous years, the FY 2020 and FY 2021 budgets continued a footnote requiring Committee review of any funding being transferred in or out of the DDD Administration line and the Case Management lines to provide oversight if the department proposes to increase or decrease administrative resources.

The FY 2020 and FY 2021 transfers are intended to align DES' actual costs by service category with the amounts allocated by line item.

∐:kp



Your Partner For A Stronger Arizona

Douglas A. Ducey Governor

Michael Wisehart Director

March 26, 2021

The Honorable Regina E. Cobb Chairman, Joint Legislative Budget Committee Arizona State House of Representatives 1700 West Washington Street Phoenix, Arizona 85007

The Honorable David Gowan Vice Chairman, Joint Legislative Budget Committee Arizona State Senate 1700 West Washington Street Phoenix, Arizona 85007



Dear Representative Cobb and Senator Gowan:

The Arizona Department of Economic Security (Department) requests to be placed on the Joint Legislative Budget Committee's (JLBC) next agenda for review of appropriation transfer plans for the Division of Developmental Disabilities (DDD), as required by Laws 2020, Second Regular Session, Chapter 58, Section 27:

Before transferring any monies in or out of the case management — medicaid, case management — state-only and DDD administration line items, the department shall submit a report for review by the joint legislative budget committee.

The Department requests to transfer appropriation authority out of the Long-Term Care (LTC) Administration Special Line Item (SLI) into the LTC Physical and Behavioral Health and Premium Tax SLIs in order to cover an appropriation shortfall in these line items for Fiscal Year (FY) 2020. Additionally, the Department is requesting to transfer appropriation authority out of the LTC Administration SLI into the Premium Tax and LTC Physical and Behavioral Health SLIs to cover appropriation shortfalls for FY 2021.

FY 2020 Appropriation Transfer Request

Special Line Item	Fund Source	Amount (\$)
LTC Admin	DE2224	(18,200,000)
LTC Physical & Behavioral Health	DE2224	18,000,000
Premium Tax	DE2224	200,000

The Honorable Regina E. Cobb The Honorable David Gowan Page 2

FY 2021 Appropriation Transfer Request

Special Line Item	Fund Source	Amount (\$)		
LTC Admin	DE2224	(48,000,000)		
Premium Tax	DE2224	3,000,000		
LTC Physical & Behavioral Health	DE2224	45,000,000		

These transfers are necessary in order to align appropriation authority and funding with expenditures for FY 2020 and FY 2021, and to better align with the expenses for each SLI. This request is made to support the Department's goal of assisting the greatest number of Arizonans in need.

If you have any questions, please contact Kathy Ber, Public Affairs Director, at (602) 542-4669.

Sincerely,

Michael Wisehart

Director

cc: Karen Fann, President, Arizona State Senate
Rusty Bowers, Speaker, Arizona House of Representatives
Richard Stavneak, Director, Joint Legislative Budget Committee
Matthew Gress, Director, Governor's Office of Strategic Planning
Budgeting Members of the Joint Legislative Budget Committee



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DATE:

April 20, 2021

TO:

Members of the Joint Legislative Budget Committee

FROM:

Nicole Lovato, Fiscal Analyst

SUBJECT:

Department of Child Safety - Review of Line Item Transfers

Request

Pursuant to an FY 2021 General Appropriation Act footnote, the Department of Child Safety (DCS) is requesting Committee review of the transfer of \$4,023,000 General Fund monies into the Congregate Care line item from the Foster Care line item.

Committee Options

The Committee has at least the following 2 options:

- 1. A favorable review of the request.
- 2. An unfavorable review of the request.

Key Points

- 1) DCS is requesting an FY 2021 General Fund transfer of \$4.0 million from Foster Care into Congregate Care.
- 2) The transfer would primarily address higher-than-budgeted Group Home per bed daily cost of \$155.
- 3) The Foster Care savings result from higher federal match rates enacted in Federal COVID-19 relief.

Analysis

The Congregate Care line item provides funding for out-of-home, non-foster care placements to foster children up through age 17. At an average cost of \$122 per day, the enacted FY 2021 budget is sufficient to fund a monthly average of 2,028 placements.

The department is proposing to transfer \$4.0 million of General Fund monies into the Congregate Care line in FY 2021. DCS estimates that the per bed daily cost in FY 2021 will be \$155. DCS reports that the increased cost is driven by the placement of more clients in more specialized and expensive congregate placements whose rates have increased from FY 2020 to FY 2021. The current number of placements as of January 2021 is 2,158.

The \$4.0 million would be transferred from the Foster Care line item, which DCS estimates will have a \$7 million surplus in funding due to the increase in matching Federal funding related to Federal COVID-19 relief. The JLBC Staff estimates DCS will generate about \$20 million in General Fund savings agencywide from the higher Federal match rate in FY 2021.

NL:Im



Mike Faust, Director Douglas A. Ducey, Governor

April 6, 2021

The Honorable Regina E. Cobb Chairwoman, Joint Legislative Budget Committee 1716 West Adams Phoenix, AZ 85007

Re: Appropriation Transfer Request

Dear Representative Cobb:

The Department requests to be placed on the Joint Legislative Budget agenda for Expenditure Authority appropriation transfer request below:

Summary of Requested Appropriation Transfers for SFY21

Special Line Item	General Fund (in \$1,000)		
Foster Care	(\$4,023)		
Congregate Group Care	\$4,023		
TOTAL	\$0.0		

General Fund Appropriation Requests – SFY21

Pursuant to Laws 2020, Chapter 58, Section 14, the amount appropriated for any line item may not be transferred to another line item or the operating budget unless the transfer is reviewed by the Joint Legislative Budget Committee. The Department requests that the committee review the following General Fund (GF) transfer request:

Congregate Group Care: The Department requests a total of \$4.0 million General Fund from the Foster Care Maintenance special line item:

1. The Department has experienced an increase in costs per day in group home placements during the current and previous fiscal years. In SFY20, the Department cost averaged \$144 per day, per bed for a group home placement. Through SFY20 and into SFY21, the Department experienced a steady increase in the average cost per day, per bed. To date the average cost has increased by 7 percent, now averaging \$155. The driving force for the increase has been the group home population's need for specialized placement. Table 1 presents placement data for placement percentage and cost difference between SFY20 and SFY21.

Table 1	BFY	20	BFY 2	21	
	Placement %	\$ per day per bed	Placement %	\$ per day per bed	% Δ
DDD GROUP HOME	0.77%	\$ 400.76	0.51%	\$ 543.61	-0.26%
DDD NC GRP HOME GROUP HOME SEXUAL MALADAPTIVE	0.85%	\$ 358.15	0.49%	\$ 464.35	-0.36%
BEHAVIOR	3.86%	\$ 185.05	4.64%	\$ 201.97	0.78%
GROUP HOME SIGNIFICANT TRAUMA	9.75%	\$ 174.16	13.16%	\$ 196.87	3.42%
GROUP HOME MOTHER AND INFANT	0.76%	\$ 175.29	1.05%	\$ 201.90	0.29%
FOSTER CARE COURT ORDERED	0.69%	\$ 155.07	0.93%	\$ 174.27	0.24%
GROUP HOME MEDICAL	0.12%	\$ 132.32	0.22%	\$ 189.13	0.11%
GROUP HOME STRUCTURED	9.70%	\$ 145.98	8.54%	\$ 152.27	-1.16%
GROUP HOME	70.42%	\$ 132.77	68.18%	\$ 138.84	-2.24%
GROUP HOME TEEN PARENT	0.39%	\$ 133.35	0.41%	\$ 132.23	0.02%
GROUP HOME HOUSE PAR	2.55%	\$ 124.98	1.78%	\$ 128.06	-0.77%
GROUP HOME INFANT	0.15%	\$ 75.72	0.08%	\$ 70.00	-0.06%
Grand Total	100.00%	\$ 144.28	100.00%	\$ 155.03	

2. Foster Care Maintenance General Fund Surplus: A portion of the maintenance payments in the Foster Care Maintenance SLI is permitted for federal reimbursement at the FMAP (Federal Medical Assistance Percentage) rate. During SFY20, the President of the United Sates signed into law the Families First Coronavirus Response Act (FFCRA). The FFCRA provides a temporary increase to the FMAP for each state, thus providing additional federal funding to states, which is still in effect during SFY21. The FFCRA increased the FMAP rate by 6.2% resulting in reduced General Fund expenses in the Foster Care Maintenance placements. The Department estimates a \$7 million General Fund surplus in the Foster Care Maintenance SLI resulting from the enhanced FMAP.

Sincerely,

Mike Faust Director



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

DAVID M. GOWAN VICE-CHAIRMAN LELA ALSTON SEAN BOWIE RICK GRAY SINE KERR VINCE LEACH DAVID LIVINGSTON LISA OTONDO

1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

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HOUSE OF REPRESENTATIVES

REGINA E. COBB CHAIRMAN SHAWNNA BOLICK CÉSAR CHÁVEZ CHARLENE R. FERNANDEZ RANDALL FRIESE JOHN KAVANAGH IOANNE OSBORNE **BEN TOMA**

DATE:

April 20, 2021

TO:

Members of the Joint Legislative Budget Committee

FROM:

Rebecca Perrera, Principal Fiscal Analyst

SUBJECT:

Arizona Department of Administration - Consider Approval of Requested Transfer of

Appropriation

Request

A.R.S. § 35-173 requires Committee approval of any transfer of spending authority within the Arizona Department of Administration (ADOA).

ADOA is requesting authorization to transfer the following in FY 2021:

- \$1,500,000 of Risk Management Revolving Fund monies from its operating lump sum appropriation to the Risk Management Administrative Expenses line item.
- \$850,000 of Capital Outlay Stabilization Fund (COSF) monies from the Utilities line item to its operating lump sum appropriation.

Committee Options

The Committee has at least the following 2 options:

- 1. Approval of the transfers.
- 2. Disapproval of the transfers.

Key Points

- 1) ADOA is requesting a transfer of \$1.5 million from the Risk Management Revolving Fund in the operating budget into the Risk Management Administrative Expenses line item to pay for increased non-Attorney General legal costs.
- 2) In addition, ADOA is requesting a transfer of \$850,000 of COSF from its Utilities line item to the operating budget to pay for increased COVID-19 facilities costs.

Analysis

Risk Management Line Item Transfer

ADOA requests to transfer \$1,500,000 in FY 2021 from its Risk Management Revolving Fund in its operating lump sum appropriation to the Risk Management Administrative Expenses line item. ADOA's operating budget primarily funds administrative costs for ADOA's risk management program such as state employee claim adjusters for property claims and workers compensation. The Administrative Expenses line item funds outside legal costs for defending the risk management claims against the state. The Attorney General's Office determines if outside legal services are required for a risk management case. ADOA reports increases costs associated with these cases. *Table 1* outlines historical expenditures from these line items and ADOA's proposed transfer.

Table 1					
	Risk Ma	inagement Lin	e Item Transfer		
	FY 2019	FY 2020	FY 2021		Proposed
	Actual 1/	<u>Actual</u>	Appropriation	<u>Transfer</u>	FY 2021 Total
Operating Lump Sum	\$6,875,800	\$6,611,800	\$8,017,000	\$(1,500,000)	\$ 6,517,000
Admin. Expenses	\$8,746,600	\$7,866,700	\$8,747,200	\$ 1,500,000	\$10,247,200
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COSF Line Item Transfer

ADOA requests to transfer \$850,000 of COSF in FY 2021 from the Utilities line item to the operating budget. ADOA reports that operating costs have increased in FY 2021 due to increased prevention and mitigation costs associated with COVID-19 such as cleaning. In the last several years, the Utilities line item appropriation of \$7.6 million has been underspent by approximately 40% so there should be sufficient capacity in the line item for this transfer.

RP:kp



ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR 100 NORTH FIFTEENTH AVENUE • SUITE 403 PHOENIX, ARIZONA 85007 (602) 542-1500

April 12, 2021

The Honorable Regina E. Cobb, Chairman Joint Legislative Budget Committee Arizona House of Representatives 1700 West Washington Street Phoenix, Arizona 85007

The Honorable, David M. Gowan, Vice-Chairman Joint Legislative Budget Committee Arizona State Senate 1700 West Washington Street Phoenix, Arizona 85007

Matthew Gress, Director Governor's Office of Strategic Planning and Budgeting 1700 West Washington Street; 6th Floor Phoenix, Arizona 85007

Dear Representative Cobb and Senator Gowan and Director Gress:

Section 35-173, Arizona Revised Statutes, directs that a transfer of spending authority within the Arizona Department of Administration (ADOA) shall be made only with the approval of the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSPB), except as related to personal services and employee related expenditures.

The ADOA requests a transfer of spending authority in the amount of \$1,500,000 from its FY 2021 Risk Management Fund operating lump sum appropriation to the FY 2021 Risk Management Administrative Expenses Special Line Item (SLI) appropriation.

The requested transfer is necessary to cover a projected shortfall in the SLI. This SLI is used for non-operating administrative expenses such as actuarial analyses, relevant investigation, and



related travel. When the Attorney General's Office determines it is in the best interest of the State to have external legal defense in risk management cases, this SLI covers the associated costs.

The FY 2021 budget includes \$8,747,200 in the Risk Management Administrative Expenses SLI. This SLI has been increased once since it was initially enacted in FY 2011 at \$8,746,100. Legal defense costs are highly variable depending on the nature of the case. Brief analysis of the data for FY 2020 to FY 2021 shows a decrease in the number of claims with an increase to costs, depicting the overall cost per unit of measurement increased. This has been a recurring issue. Total expenses exceeded the SLI appropriation by \$988,608 in FY 2019 and \$474,218 in FY 2020.

If you have any questions regarding ADOA's request for a transfer of spending authority, please contact Jacob Wingate, at (602) 291-0208.

Sincerely,

Andy Tobin Director

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Principal Fiscal Analyst, JLBC Staff
Bill Greeney, Deputy Director, OSPB
Will Palmisano, Senior Budget Manager, OSPB
Theresa Vencill, Budget Analyst, OSPB
Elizabeth Thorson, Deputy Director, ADOA
Ray DiCiccio, Deputy Director, ADOA

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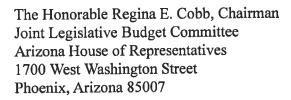
Elizabeth Bartholomew, Chief Legislative Liaison, ADOA Ashley Ruiz, State Comptroller, ADOA DBF Jacob Wingate, Chief Financial Officer, ADOA DBF



ARIZONA DEPARTMENT OF ADMINISTRATION

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April 12, 2021



The Honorable, David M. Gowan, Vice-Chairman Joint Legislative Budget Committee Arizona State Senate 1700 West Washington Street Phoenix, Arizona 85007

Matthew Gress, Director Governor's Office of Strategic Planning and Budgeting 1700 West Washington Street; 6th Floor Phoenix, Arizona 85007

Dear Representative Cobb and Senator Gowan and Director Gress:

Section 35-173, Arizona Revised Statutes, directs that a transfer of spending authority within the Arizona Department of Administration (ADOA) shall be made only with the approval of the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSPB), except as related to personal services and employee related expenditures.

The ADOA requests a transfer of spending authority in the amount of \$850,000 from its FY 2021 Utilities Special Line Item (SLI) to the FY 2021 Capital Outlay Stabilization Fund (COSF) operating lump sum appropriation.

The requested transfer is necessary to cover extraordinary prevention and mitigation facilities operating expenses associated with the COVID-19 pandemic.



If you have any questions regarding ADOA's request for a transfer of spending authority, please contact Jacob Wingate, at (602) 291-0208.

Sincerely,

Andy Tobin Director

cc: Richard Stavneak, Director, JLBC Staff
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Elizabeth Thorson, Deputy Director, ADOA
Ray DiCiccio, Deputy Director, ADOA
Elizabeth Bartholomew, Chief Legislative Liaison, ADOA
Ashley Ruiz, State Comptroller, ADOA DBF
Nola Barnes, Assistant Director, ADOA GSD
Jacob Wingate, Chief Financial Officer, ADOA DBF
Lisa Kautz, Budget Manager, ADOA GSD

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