

STATE OF ARIZONA

Joint Legislative Budget Committee

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

March 29, 2007

The Chairman called the meeting to order at 8:10 a.m., Thursday, March 29, 2007, in House Hearing Room 4, and attendance was as follows:

Members:	Representative Pearce, Chairman	Senator Burns, Vice-Chairman
	Representative Adams	Senator Aguirre
	Representative Biggs	Senator Flake
	Representative Cajero Bedford	Senator Garcia
	Representative Lopez	Senator Harper
	Representative Rios	Senator Verschoor
	Representative Yarbrough	Senator Waring
Absent:	Representative Boone	Senator Aboud

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of February 6, 2007, Chairman Pearce stated that the minutes would stand approved.

DIRECTOR'S REPORT

Mr. Richard Stavneak, Director of the Joint Legislative Budget Committee (JLBC), stated that with regard to the minutes, we are now going to start putting our meetings on video like regular standing committees. We hope to streamline our minutes as a timesaving measure, which have been close to verbatim. If members need a verbatim transcript, we can provide that.

He further clarified that a revised agenda was distributed and that there is no Executive Session.

ATTORNEY GENERAL (AG) – Review of Allocation of Settlement Monies.

Ms. Leah Ruggieri, JLBC Staff, said that the AG is requesting a favorable review of their proposed allocation of monies received from the Bayer Corporation consent judgment. This consent judgment was part of a multistate settlement involving allegations that Bayer Corporation sold a cholesterol-lowering drug without properly disclosing the associated risks. The multistate settlement totaled \$8 million, of which \$200,000 will be deposited into Arizona's Consumer Fraud Revolving Fund for attorney costs and fees. The JLBC Staff is recommending a favorable review of the AG's request.

Senator Burns moved that the Committee give a favorable review of the allocation plan from the Bayer Corporation consent judgment as recommended by JLBC Staff. The motion carried.

ARIZONA PIONEERS' HOME – Consider Approval of Requested Transfer of Appropriations.

Ms. Amy Upston, JLBC Staff, said that this item concerns the Arizona Pioneers' Home and a request to transfer a total of up to \$325,800 from the Personal Services line and the Prescription Drug Special Line Item (SLI) to the Employee Related Expenditures (ERE) line in FY 2007.

Senator Burns moved that the Committee approve the transfer up to \$167,900 from the Personal Services Line and up to \$157,900 from the Prescription Drug SLI to the ERE line in FY 2007 as recommended by the JLBC Staff. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) – Review of Third Party Progress Report.

Mr. Bob Hull, JLBC Staff, stated that ADOT is requesting review of its third party quality assurance progress report for the second quarter of FY 2007. The JLBC Staff recommends a favorable review, given ADOT's continued progress in eliminating certain third party waiting lists.

Senator Burns moved that the Committee give a favorable review of ADOT's third party quality assurance report as recommended by JLBC Staff. The motion carried.

DEPARTMENT OF PUBLIC SAFETY (DPS)

A. Review of Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission.

Mr. Martin Lorenzo, JLBC Staff, said that item 4A is review of the DPS expenditure plan relating to GIITEM. In FY 2007, DPS received an additional \$7 million for additional DPS sworn personnel and \$10 million to expand local participation in GIITEM and fund various other immigration efforts. To date, the Committee has favorably reviewed the use of \$2.3 million of the \$10 million and \$5.9 million of the \$7 million. Now, the department is requesting a favorable review for the use of an additional \$1.1 million of the \$7 million to hire an additional 11 sworn officers. Under the plan, FY 2007 expenditure would total \$6.9 million of the \$7 million and sworn officer staffing for GIITEM would increase by 48 positions. The JLBC Staff recommends a favorable review of this request with the following provisions:

- DPS submit to the JLBC by April 25, the one-time and ongoing costs associated with all approved expenditures from the \$7 million appropriation. This information would help determine the number of positions DPS would be able to fill with the current appropriation.
- DPS submit a revised expenditure plan prior to: 1) expending any additional monies beyond the reviewed expenditures; or 2) expending the approved amounts on items not in their current plan.

Senator Burns moved that the Committee give a favorable review for the use of an additional \$1.1 million (of the \$7 million) to fund costs associated with adding an additional 11 sworn officers to GIITEM with the 2 provisions as stated above and as recommended by JLBC Staff. The motion carried.

DEPARTMENT OF PUBLIC SAFETY (DPS)

B. Quarterly Review of the Arizona Public Safety Communications Advisory Commission (PSCC).

Mr. Jay Chilton, JLBC Staff, said that DPS has submitted for review their FY 2007 second quarter expenditures and progress for the statewide interoperability design project. The Arizona PSCC was established to develop a standard based interoperability system which allows first responders throughout the state to communicate with one another. The consultant firm contracted to create the conceptual design to the "long-term" interoperable solution is on schedule to complete its project on time. The next step is the detailed design of the project. The Attorney General's office announced plans in February 2007 to allocate \$2.2 million to fund this phase of the project with settlement monies from an anti-racketeering case. On February 12, 2007, the Appropriations Subcommittee on Transportation and Criminal Justice also specified its intent that those anti-racketeering monies be used for this phase of the project. The PSCC second quarter expenditures were just over \$100,000. The JLBC Staff recommends that the Committee give a favorable review of the request. A response letter from the Arizona Department of Homeland Security was distributed and is included as *Attachment A*.

Discussion ensued on this item.

Senator Burns moved that the Committee give a favorable review as recommended by JLBC Staff of DPS's FY 2007 second quarter expenditures and progress for the statewide interoperability design project. The motion carried.

Arizona State University (ASU) – Review of Requested Transfer of Appropriations.

Ms. Leah Ruggieri, JLBC Staff, said that Arizona State University is requesting a transfer of \$11.1 million from their ASU main operating budget to their Downtown Phoenix Campus (DPC) Special Line Item line. Of this amount, \$9.3 million is for central administrative functions that were not initially captured in the original allocation of funds for the DPC Special Line Item. The DPC Special Line Item was created by the Legislature during the last legislative session as the number of students attending the campus increased substantially in FY 2007. The remaining \$1.8 million of the \$11.1 million request would essentially enhance the departments that are now on campus in terms of their budget and would primarily add additional staff positions. This would not require an additional appropriation from the General Fund in future years. The JLBC Staff is recommending a favorable review of ASU's request.

Senator Burns moved that the Committee give a favorable review as recommended by JLBC Staff to transfer \$11.1 million from the Operating Lump Sum to the DPC Special Line Item line in FY 2007. The motion carried.

Arizona Health Care Cost Containment System (AHCCCS) – Review of Medicaid Eligibility Privatization Request for Proposal.

Mr. Russell Frandsen, JLBC Staff, said that this item concerns AHCCCS' review of its Medicaid eligibility privatization request for proposal. Last year the Legislature passed legislation requiring AHCCCS to issue a Request for Proposal (RFP) to privatize the eligibility determination system for Medicaid clients. Additionally, this legislation required that an RFP be issued by March 31, 2007 and that the RFP be reviewed by this Committee before it was to be released. Additionally, the legislation required that the contract be reviewed by this committee before it is awarded. AHCCCS' plan regarding this legislation takes 2 different forms. 1) AHCCCS intends to issue an RFP for its KidsCare program and they indicate that they will issue this RFP (in the future, once the current issues regarding KidsCare are resolved in this year's budget) and 2) the AHCCCS's plan is to issue a Request for Information (RFI). An RFI differs from an RFP in that an RFP is actually requesting bids on a contract and an RFI is simply a request for information regarding a possible future contract that may lead to a request for proposal. This RFI would cover the remaining AHCCCS population, or 93% of the Traditional and Proposition 204 populations.

AHCCCS indicates that they have 2 primary concerns related to the issuance of an RFP to privatize its eligibility services: 1) AHCCCS felt that March 31, 2007 was not enough time to develop an adequate RFP for a project of this size; 2) there are 3 agencies involved in determining eligibility for the traditional and proposition 204 populations, AHCCCS is involved as well as the Department of Economic Security, which determines a majority of the eligibility for the Medicaid populations, and in addition, the Social Security Administration is also involved in determining eligibility, as those clients who are approved for SSI cash are automatically eligible for AHCCCS services.

The Committee has at least the following options: a favorable review which would validate AHCCCS' concern that they have expressed concerning the time frame for processing proposals, or an unfavorable review, as the RFP which they intend to issue for the KidsCare population, constitutes only 7% of the AHCCCS population. Under either option, the Committee may wish to clarify that AHCCCS should return when its KidsCare eligibility RFP is available.

Discussion ensued on this item. Tom Betlach, of AHCCCS, responded to member questions.

Senator Burns moved that the Committee give an unfavorable review to the RFI to privatize eligibility for Traditional and Proposition 204 populations with the caveat that AHCCCS should return when its KidsCare eligibility RFP is available.

Representative Rios moved a substitution motion to recommend a favorable review. The motion failed.

Senator Burns' original motion carried.

Without objection the Committee meeting adjourned at 9:00 a.m.

Respectfully submitted:

Tanya Smith, Secretary

Richard Stavneak, Director

Representative Russell Pearce, Chairman



Governor Janet Napolitano

State of Arizona Department of Homeland Security



Director Leesa Berens Morrison

March 28, 2007

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

Re: Committee Concerns

Dear Director Stavneak:

Thank you for your letter dated February 20, 2007, regarding the Committee's concerns about a federal funding allocation to the Department of Public Safety for a microwave communications upgrade.

- Why was DPS not awarded \$1,600,000 as identified in Laws 2006, Chapter 345?
- Why did the department believe that the statewide microwave system upgrade was of lesser priority than the projects funded from the Federal FY 2006 Homeland Security grants?

The former director was told by The U.S. Department of Homeland Security (U.S. DHS) that the use of Homeland Security Grant Program dollars for the acquisition of microwave communications equipment on lease-purchase agreement is not a permissible expense under DHS grant guidelines.

Interoperability is one of the highest priorities for the AZDOHS to ensure the State's ability to prevent, protect, respond to and recover from potential terrorist attacks and all other critical hazards. I will continue to work toward the goal of 100% interoperability statewide.

- Will the department be allocating the \$1,600,000 from future federal Homeland Security funds to DPS in FY 2008 and FY 2009 for the microwave system upgrade?

Federal funds awarded to the State have decreased from \$50,001,806 in 2003 to \$20,170,965 in 2006, a reduction of more than 59 percent. As long as Arizona receives sufficient federal funds, we will fulfill the statutory mandate. However, DPS would have to purchase the equipment outright in order for this allocation to be allowable under U.S. DHS guidelines.

- Do the federal FY 2006 Homeland Security grant awards for radios and communications equipment and systems comply with the Public Safety Communications Commissions user-based standards and guidelines for the long-term statewide interoperability solution?

The PSCC was not involved in the 2006 Homeland Security grant awards process. All equipment projects awarded for FFY 2006 comply with the U.S. Department of Homeland Security Authorized Equipment List.

Going forward AZDOHS will partner with PSCC on all proposed communication equipment projects under the 2007 grant program to ensure that all equipment fits within the statewide interoperability plan.

- What processes are in place to ensure that federal Homeland Security grant awards for communication systems and equipment are compatible with the long-term statewide interoperability solution?

I have implemented procedures to ensure that PSCC is able to verify that each communications purchase fits squarely within our state communications strategy. There will be a peer review and recommendation on the proposed acquisition of equipment to ensure compliance with the PSCC's proposed long-term interoperable solution and the DHS Allowable Equipment List.

Thank you for the opportunity to address the concerns of the Committee. If I can be of any other assistance, please let me know.

Sincerely,



Leesa Berens Morrison
Director

cc: Representative Russell Pearce, Chairman
Senator Bob Burns, Vice-Chairman
House Speaker Jim Weiers
Senate President Tim Bee
Senator Marsha Arzberger, Minority Leader
Representative Phil Lopes, Minority Leader
Jim Apperson, Director, OSPB
D. Clark Partridge, State Comptroller, General Accounting Office, ADOA