

STATE OF ARIZONA

Joint Legislative Budget Committee

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

July 27, 2006

The Chairman called the meeting to order at 9:48 a.m., Wednesday, July 27, 2006, in Senate Appropriations Room 109. The following were present:

Members: Representative Boone, Vice-Chairman Senator Burns, Chairman
 Representative Biggs Senator Bee
 Representative Burton Cahill Senator Garcia
 Representative Gorman Senator Harper
 Representative Pearce Senator Martin
 Representative Tully

Absent: Representative Huffman Senator Arzberger
 Representative Lopez Senator Cannell
 Senator Waring

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of June 14, 2006, Senator Burns stated the minutes would stand approved.

DEPARTMENT OF HEALTH SERVICES

A. Review of Behavioral Health Title XIX Capitation Rate Changes

Mr. John Malloy, JLBC Staff, said that this is a review of the capitation rate adjustments from the Department of Health Services (DHS) for the Title XIX eligible behavioral health population. The capitation rate adjustment is expected to cost the General Fund approximately \$900,000 in FY 2007. Caseloads are below budgeted levels for this population and further reductions could offset the potential cost in the current fiscal year. The department's capitation rate adjustment also includes 2 program changes. This past session the Legislature added statutory language that would limit capitation rate adjustments to utilization or inflation unless the changes were specifically approved by the full Legislature or were mandated by federal law or required by the courts.

The first program change involves an increase in methamphetamine treatment provided to the SMI population in the state. This program change could be viewed either as increased utilization for this population or as a program expansion. The second program change includes increased treatment teams for SMI's in Maricopa County. This change is in accordance with the plaintiffs in the *Arnold v. Sarn* lawsuit. This would most likely be an adjustment due to a court mandate.

The JLBC Staff has offered 3 options:

1. A favorable review of DHS' capitation adjustments with no conditions. DHS would view this option as an endorsement of any potential supplemental request.
2. A favorable review with the stipulation that the favorable review does not constitute an endorsement of a supplemental request.
3. An unfavorable review. The department is likely to proceed with the proposed increases even with an unfavorable review by the Committee.

The JLBC Staff does recommend that DHS report by August 31, 2006 on how the agency plans on integrating the monies allocated for the increased methamphetamine treatments through the capitation rate, with the monies appropriated by the Legislature in this past session for a similar purpose. The Legislature appropriated \$3 million to DHS for increased methamphetamine treatment over and above the increase being sought by the agency. The JLBC Staff also recommends that the department report on how the agency plans on integrating those 2 monies as well as evaluating the effectiveness of the overall methamphetamine funding.

Representative Pearce asked if the capitation rates would still be actuarially sound without the 2 adjustments.

Mr. Malloy stated that the capitation rate could be considered actuarially sound if the 2 program changes were not implemented into the capitation rates. DHS specifically asked the actuaries to include the 2 adjustments.

Mr. Chris Petkiewicz, DHS, Division of Behavioral Health, responded by disagreeing with Mr. Malloy. If the department intended on making changes in the system, he does not believe that the rates would be actuarially sound. They would not account for the expected costs of those changes.

Mr. Malloy stated that if DHS implemented increased methamphetamine treatment to the SMI's and the Legislature did not fund it, then it would not be actuarially sound. However, DHS does not have to provide this service to the population; it is a decision that is made by DHS to do so.

Mr. Petkiewicz disagreed again and explained that due to a court decree the department is required to have 18 treatment teams in Maricopa County, one for every 1,000 SMI members. The department is going from 12 to 18.

Mr. Malloy responded by saying that there are 2 different issues being discussed. JLBC Staff is referring to the increased methamphetamine treatment to the SMI population. Mr. Petkiewicz is talking about the ACT teams. DHS specifically told the actuaries that the department wants to provide enhanced services to the SMI population for methamphetamine treatment and they made that adjustment. The Committee has to fund that if the department wants to provide the increased services. However, the actuaries would not have made that adjustment on their own.

Ms. Susan Gerard, Director, DHS, stated that this issue is Title 19 related and has nothing to do with any lawsuit. The department is required to provide medically necessary services to the behavioral health community. Everyone is aware that methamphetamine is the latest drug of choice. The treatment for people who are addicted to methamphetamine is much more intensive, so more units of service is needed. There is no question that utilization is going to increase for this kind of addiction as opposed to the addiction of alcohol.

When our actuaries figure rates, they take trends into account. This is not a new service but more intensive and requires higher utilization which clearly is going to have an effect on what the rates are.

Representative Pearce asked how the money is going to be used in terms of the increased treatment and what is funded.

Ms. Gerard replied by saying that the treatment lasts longer than it does for other addictions. Utilization increases because people need to be in programs longer. They also use an intensive out-patient program, which means people will have more contact with counselors and therapists to try to keep people off the drug when they are back in homes, and potentially, exposed to the same things that cause them to use drugs.

Representative Pearce asked how will the increased methamphetamine money be integrated with the \$3 million added by the Legislature.

Ms. Gerard stated that the Legislature did not say that the \$3 million in methamphetamine monies should be used as state match for Title XIX dollars. The department's assumption was that the money is for people who are not Title XIX eligible. It is also for mainly rural and tribal areas for detoxification centers because there is greater need to provide the service.

There was discussion about the *Arnold v. Sarn* lawsuit.

Ms. Gerard stated as long as the methamphetamine problem is getting so much attention and using so many resources, it means that resources are not available for the other forms of addiction.

Representative Burton Cahill stated that to see not only how it affects people in treatment but look at the larger number impact as to how it affects our communities, crime rate and the homelessness rate.

Representative Pearce moved that the Committee give a favorable review with the stipulation that the favorable review does not constitute an endorsement of a supplemental request. The Committee further recommends that DHS 1) provide the Committee by August 31, 2006 with an explanation of how the increased methamphetamine funding in the capitation rate will be coordinated with the Chapter 337 funding and 2) how DHS will evaluate the effectiveness of this funding. The motion carried.

B. Review of Requested Transfer of Appropriations between Special Line Items and Report on Arizona State Hospital Expenditure Plan.

Mr. Matt Busby, JLBC Staff, said that DHS is requesting the Committee review the transfer of \$540,000 from the Arizona State Hospital (ASH) operating budget to the Sexually Violent Persons (SVP) Special Line Item (SLI) for Direct Care Workers salary increases. The Legislature appropriated \$3.1 million to ASH for salary increases to all Direct Care Workers in FY 2007. Some of the Direct Care Workers are funded through the SVP SLI. This transfer would be a technical shift so \$3.1 million can be disbursed according to the original plan. The JLBC Staff recommends a favorable review of the request.

In addition to the request, DHS also submitted a report on how they intend to allocate these monies in ASH. The expenditure plan is for information only and no Committee action is required.

An amount of \$2.5 million will go to the civil and forensic hospital and will provide salary increases to approximately 400 employees. 100 are registered nurses that will receive a 20% increase in their salary and 270 various Direct Care Workers will also receive a 10% increase.

An amount of \$540,000 will go to the Arizona Community Protection and Treatment Center which is funded through the SVP SLI and it will affect approximately 95 current employees. Sixty-two Resident Program Specialists will receive a 9% salary increase. Any monies that are not used to give salary increases to current employees will be used to increase the starting salaries of new employees.

Representative Pearce asked how ASH employees will compare to the market.

Mr. Busby stated that he asked the department and did not get a response from them.

Ms. Gerard stated the 20% will bring the department to the Department of Correction's Nurse salary. The department was losing nurses to the Department of Corrections, so we will be the same as other state agencies. In the private sector, the pay rate will still be higher.

Representative Pearce moved the JLBC Staff recommendation to give a favorable review of the request. Of the \$3,100,000 appropriation for salary increases \$538,900 would be distributed to the SVP SLI for the direct care workers at the Arizona Community Protection and Treatment Center. The motion carried.

C. Review of Children's Rehabilitation Services Capitation Rate Changes.

Mr. John Malloy, JLBC Staff, stated this item is a review of the capitation rate for the Children's Rehabilitative Services (CRS). The rates are within budget and JLBC Staff recommends a favorable review.

Representative Pearce moved the JLBC Staff recommendation to give a favorable review to the DHS CRS capitation adjustments. The motion carried.

ARIZONA DEPARTMENT OF PUBLIC SAFETY

A. Review of Expenditure Plan for Staffing of Additional Highway Patrol Positions and Sworn Officer Salary Increases.

Mr. Martin Lorenzo, JLBC Staff, stated this item is a review of Department of Public Safety (DPS) expenditure plans relating to \$5.5 million appropriated for an additional 46 highway patrol positions and \$2.8 million appropriated for sworn officer salary adjustments.

In FY 2006 DPS received roughly \$3.5 million for 28 positions. Of that amount, the department diverted \$1.2 million which would have funded Personal Services and Employee Related Expenditures for 25 positions, to provide an additional pay raise. As a result, 25 positions remain vacant and the FY 2007 General Appropriation Act includes a legislative footnote indicating that DPS fill all 25 positions.

DPS' plan proposes to use \$387,800 of the \$2.8 million for salary adjustments to fund and fill 6 of the 25 positions held vacant. The remaining \$2.3 million would be used to achieve internal parity to the top 5 highest paying law enforcement agencies in the state, resulting in the additional DPS salaries being 3.6% below the average salary for the 5 highest paying agencies. In general, supervisor positions receive between 10% and 17% and officer positions will receive between 6.5% and 9.5%. With respect to the \$5.5 million for 46 officer positions, DPS has allocated these monies and positions consistent with the JLBC recommendation. The monies would fund 37 officers, 4 sergeants and 5 support positions.

As a result of their expenditure plans, JLBC Staff believes the Committee has 2 options: 1) A favorable review of both expenditure plans as DPS has assigned the 46 positions as intended and they have distributed the pay adjustments to be more equivalent to the market, 2) an unfavorable review of the request. Under either option, JLBC Staff recommends that DPS report to the Committee by November 1, 2006 on the updated salary comparison by classification based on both the top 5 highest paid markets as well as the markets with more than 100 sworn positions. The purpose of the 100 plus employee comparison is to provide an indication of the agencies DPS is most competitive with. JLBC Staff also recommends that the report include information of new jobs taken by sworn officers when they leave DPS.

Representative Pearce asked about slimming down on the heavy administration and focus on boots on the ground, patrol cars on the street, and officers on patrol.

Mr. Roger Vanderpool, Director, DPS, stated that when he came to the department they had more vacancies than the department could hire in a year. This prompted the monies for the 25 to go into the mid-level officer and the top level officer. Last year DPS hired 20 lateral officers and to date there are 37 more DPS officers working today than a year ago. That is taking into account the normal attrition rate that the department has over a year, which runs anywhere from 70 to 80 people. DPS has converted some high end command positions to civilian positions. The same work is being done just with a lower employee related expense. Last month and this month are the first 2 months DPS has had the Delayed Retirement Option Program (DROP), which senior commanders are going out. The intent is to fill every position as the department can. DPS has moved sworn officers out of administrative positions into line positions and will continue to do that without missing a beat to the service that is provided to the taxpayers, but also getting more cops on the road. Recruitment is tough due to limited numbers of applicants that meet the background investigation and drug testing. The department is looking into stepping up the recruitment efforts to other areas in the Northwest, Central, and Southeast United States, where there may be more qualified individuals.

Representative Pearce asked about the lateral transfers and if it is a more cost efficient process.

Mr. Vanderpool said yes and the department has streamlined the lateral process of getting lateral officers out on the street. DPS is also bringing in officers with special skills. DPS' hiring process has been implemented into an electronic system; everything can be filled out online. The goal is to get the hiring process down to 60 days, and eventually, 30 days from the time an individual fills out paperwork to the time the job is offered.

At the National Law Enforcement Explorers Conference in Flagstaff, there were officers from different states interested in working for DPS. The department is working aggressively toward recruiting those individuals, especially individuals with a Gang Immigration Team Enforcement Mission (GITEM) background.

Representative Pearce asked about the conditional hiring.

Mr. Vanderpool stated that DPS has not done the process with the new hires, however, the department has speeded up the process with the lateral officers. The department is bringing the laterals on before the hiring process is completed.

Senator Martin asked how many positions are being converted from management to boots on the ground. Mr. Vanderpool said that the department has converted 3 senior commanders from a sworn position to a civilian position. Every position is subject to review to see what is the best use of that position for DPS and the citizens of Arizona.

Senator Martin asked how many will the department be able to convert by the end of the year.

Mr. Vanderpool responded by saying 1 or 2 more. DPS can report back to the Committee with better numbers after the DROP.

Senator Martin asked DPS how long it will take to fill the 28 positions.

Mr. Vanderpool stated one of the things we were looking at with the pay parity compensation was utilizing monies from 6 of those officers to help fill those positions. They gave a pay jump at the jump start and now they can subtract some of that money to fill those positions. We have 150 vacancies and it's about filling them.

Senator Martin said that he understood that DPS had to clear their additional vacancies that occur as a natural part of operating an agency of their size; however, he would like to see a long-term plan for when the 28 positions can be filled.

There was discussion on marked patrol vehicles.

Representative Pearce moved a favorable review of the expenditure plans as outlined in option 1 with the qualifying footnote that DPS report to the Committee by November 1, 2006 on the updated salary comparison by classification based on both the top 5 highest paid markets as well as the markets with more than 100 sworn positions. The report is also to include information on the new jobs taken by sworn officers when they leave DPS The motion carried.

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

Mr. Lorenzo said this is a review of DPS' expenditure plan relating to the \$17 million appropriated to GITEM, including \$7 million for an additional 100 sworn personnel, of which 50 will be border security and border enforcement and \$10 million is for additional agreements with local governments and provide services for GITEM and other border security issues. DPS did not provide a comprehensive plan for expending the \$17 million, however, they did identify a portion of each of those monies.

First, DPS intends to spend \$1 million to purchase additional license plate readers as well as expand and integrate their GangNet system with other existing systems. The GangNet system is a gang member identification and tracking system and the additional license plate readers would be fixed to GITEM vehicles and they would be able to identify stolen vehicles. With respect to the \$7 million appropriation, the department intends to expend \$410,000 to expand their recruiting efforts. They indicated this will help them hire the additional personnel the Committee has appropriated in FY 2007.

Related to both expenditure plans, the JLBC Staff believes there are 3 options: The first would be a favorable review of the department's request requiring no further Committee approval. The second option would be favorable review of the \$1 million appropriation for license plate readers and to expand the capabilities of the GangNet system and as well as the \$410,000 for recruiting efforts. The third option is an unfavorable review of the request because the department has only identified the \$1.4 million and not provided a comprehensive plan for the \$17 million. If the Committee chooses option 2 or 3 there are a few requests that JLBC Staff has that include requiring DPS to submit a comprehensive expenditure plan related to the remaining monies, allow the department to expend approximately \$500,000 to begin hiring personnel between now and their next report, and request that the next quarterly report include a timeline for hiring all additional personnel as well as how they attempt to accomplish their objectives of the legislation.

Representative Pearce spoke about the catch and release program. He further stated that DPS needs to negotiate with border safety on creating and funding a regional holding facility for illegal immigrants. The facility would retain anyone who gets caught in the state illegally.

Mr. Vanderpool said the department can incorporate that into the arrangement with the sheriff's office since they have the jails, detention officers, and the transportation. It will allow the detention officers who are trained to transport in order to keep police officers out on patrol.

Representative Burton Cahill asked what kind of response and participation has the department got from local entities and GITEM.

Mr. Vanderpool stated that the response has not been overwhelming and it is not the Arizona law enforcement or the Arizona sheriff's. Last year DPS attempted to enter into a 287 Memorandum of Understanding (MOU) with Immigration and Customs Enforcement (ICE) for transportation. DPS and ICE have meetings set up to discuss detention removal. Detention and removal are the people who drive the vans and take care of the immigrants from ICE.

Representative Pearce said the intent was that there are agencies that are willing to do the job of enforcing, which they have the authority to do so. The purpose for the 287 memorandum is for grant money for the jails. It was intended to give resources and additional help to local law enforcement. Agencies will be granted monies if they take more of an aggressive role with that enforcement activity.

Representative Burton Cahill asked about the effect of the existing language on the department's ability since there is not high participation from local entities until it is correct.

Mr. Vanderpool stated that there is local interest in GITEM. Several years ago the state had financial problems and GITEM was eliminated. GITEM will take time to rebuild and the chiefs and sheriffs understand and are willing to participate. The department has had issues with the 287 memorandum and ICE.

Representative Pearce moved option 2 to give a favorable review of \$1 million (of the \$10 million) to purchase license plate readers and to expand the capabilities of the GangNet system, and \$410,000 (of the \$7 million) for recruiting efforts. The review would be with the provision that the GangNet and license plate reader improvements receive Project Investment Justification (PIJ) approval from the Government Information Technology Agency. Further, Representative Pearce moved the following:

- *Require DPS to submit an expenditure plan prior to expending any additional monies beyond the reviewed expenditures. As a transitional measure, DPS could expend up to \$500,000 to hire additional staff prior to the Committee reviewing the more complete expenditure plan.*
- *Request the next quarterly report include a timeline for hiring the additional personnel and accomplishing other objectives of the legislation.*
- *Subject to the conditions expressed in Laws 2006, Chapter 344, the Committee requests that the DPS pursue negotiations with a local law enforcement jurisdiction to establish a regional holding facility near the Arizona-Mexico border. The new facility shall act as a temporary holding facility for illegal aliens solely arrested for being in the country illegally. The facility may be used by federal, state, and local law enforcement agency so as to help bring an end to the catch-and-release practice in Arizona. The facility, however, can only accept individuals from a federal law enforcement agency if the federal government pays a per diem to directly defray the cost of operating the facility. The facility is intended to house illegal aliens until the federal Department of Homeland Security's Immigration and Customs Enforcement (ICE) or other qualified agency can take custody of, and remove the illegal alien from the United States. Prior to entering into a final agreement for the regional holding facility, DPS shall present the proposed provisions to the Joint Legislative Budget Committee for review.*
- *DPS is also requested to report on the concept of using a portion of the \$10 million to assist local law enforcement in transporting illegal aliens to the United States Border Patrol or other qualified agency when the federal government otherwise refuses to take custody in a timely fashion. This information, including preliminary costs estimates, would be included in the first quarter FY 2007 report. The motion carried.*

C. Review of the Expenditure Plan and Project Timeline of the Microwave Communications System Upgrade.

Mr. Lorenzo stated this is a review of DPS' expenditure plan and project timeline for the microwave communication system. DPS currently operates a microwave communications system which is a series of towers and equipment, which comprise of 3 separate, but integrated loops located in southern, western, and northern portions of the state. The system transports voice and data over long distance throughout the state of Arizona. The Capital Outlay Bill appropriated a total of \$12.4 million to upgrade the southern loop, which includes \$4.1 million annually in FY 2007, FY 2008, and FY 2009. This consists of \$2.5 million in state appropriations and \$1.6 million in federal homeland security monies. The department's expenditure plan would upgrade the system in 3 fiscal years beginning in FY 2007 and commencing in FY 2009 and fund the construction of 3 new sites in the southern loop and the refurbishment of 16 sites in the southern loop and digital equipment for 15 sites. In addition, the department has identified 3 locations outside of the southern loop that are in need of repairs and the expenditure plan also funds the refurbishment of those sites.

Based on their timeline, DPS expects to hire a project manager by October 2006 and finish renovating the Phoenix Microwave room by January 2007. Additionally, the department anticipates awarding all RFP's for each of the specific sites by June 2007. The JLBC Staff recommends that the Committee give a favorable review of the department's request with the following provisions:

1. DPS is to provide an updated cost estimate for both the southern loop and the entire project in its December 31 report.
2. Request that the Committee review any expenditure from the contingency the department has identified. In their expenditure plan they have included \$1.2 million as contingency, being they have not issued RFP's. This would require any expenditures above \$100,000 from that contingency.

Mr. Pearce asked about the \$1.6 million from Federal Homeland Security monies allocated to DPS.

Mr. Frank Navarrete, Director, Office of Homeland Security, said the deal was cut last year in writing and the department appropriated \$1.6 million to the project and the federal government turned it down under the plan that DPS proposed. Given the federal guidelines the money had to be obligated so that money will not be reverted back to the federal

government. The funds were reduced by 50% of the Homeland Security allocation for the entire state. The department is also looking into getting funds from other sources such as a direct funding process.

Senator Martin asked what was done with the \$1.6 million from last year.

Mr. Navarrete stated it was reallocated to the 3 main priorities for the state based upon the state Homeland Security strategy. It was a continuation of interoperability program, exercises and training, and critical infrastructure protection.

Senator Martin asked if all of those monies have been expended and for a breakdown on the amount of monies were put into each program and if the money can be given back. He also asked what projects Homeland Security is funding rather than the microwave system.

Mr. Navarrete stated the money can be pulled back and it has been reallocated to our constituents throughout the state. They would have to sign a MOU with the department stating that their money can be used to fund this project. The department is also looking into federal 2007 money.

Representative Pearce moved the JLBC Staff recommendation to give a favorable review of the request with the following provisions: DPS submit an updated cost estimate on the southern loop and the entire project in its December 31 report and DPS request Committee review of any expenditure from the \$1.2 million contingency greater than \$100,000. The motion carried.

AHCCCS – Review of KidsCare Behavioral Health Capitation Rate Changes.

Mr. John Malloy, JLBC Staff, said this item is a review of a capitation rate adjustment for behavioral health services delivered to the KidsCare program. The capitation rate changes are estimated to cost the General Fund just under \$200,000 in FY 2007. The Committee has 3 options; a favorable review with a stipulation that it does not constitute an endorsement of a supplemental request and an unfavorable review.

Representative Pearce moved that the Committee give a favorable review with the stipulation that the favorable review does not constitute an endorsement of a supplemental request. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY

A. Review of FY 2007 Expenditure Plan for Workforce Investment Act Monies.

Mr. Eric Jorgensen, JLBC Staff, stated this is the annual appropriation of Workforce Investment Act (WIA) monies. Federal law does require that WIA monies be appropriated by the Legislature and a footnote in the budget requires that the JLBC review the expenditure plan prior to any expenditures from those appropriated funds. For FY 2007 DES was appropriated \$3.6 million of the WIA monies. The expenditure plan includes \$3.4 million. The remaining monies can be reviewed and expended at a later date. In FY 2006, there was \$1.2 million that was never reviewed or expended. The current expenditure level is possible because of these unexpended monies from past years. The federal grant is expected to decline for FY 2007 and did decline in FY 2006. Of the proposed expenditure plan \$2.6 million is for the core functions of the WIA program which have been reviewed and approved in previous years.

There is \$1 million for 3 new programs in the WIA program. The first program is the Business Outreach Grants, this provides about \$572,000 to increase employee participation in One-Stop activities and services, identify workforce needs and provide some tools and surveys for use by the One-Stop and WIA programs. The second item is the Master Teacher Program, where \$250,000 is appropriated. This program appears to be like the Teach for America program that was appropriated \$2 million in the last budget. It provides professional development to teachers in public schools who are in high poverty areas in the attempt to “train and retain these teachers”. JLBC Staff recommends that the Committee request information on how this program interacts with Arizona Department of Education (ADE) monies included in the FY 2007 budget for Teach for America. The final item is \$235,000 for the Governor’s Office of Youth and Families to provide workforce development activities targeting youth, women, and early childhood professionals. The JLBC Staff recommends a favorable review of the expenditure plan and also that GCWP and DES report back to the Committee on the Master Teacher program and also that the performance measures that were included in the agency submission be included in the statewide workforce development annual report as well as the actual results from the evaluation process that is funded through the WIA monies.

Representative Pearce asked why the funding for the program evaluations are declining even as new programs are being added.

Ms Jodi Ryan, Director of Workforce Policy, Department of Commerce, stated the line item for program evaluation is declining due to the overall decrease of the federal allocation. The department did not utilize all of the initial funds from the evaluation last year. DES manages this program and cut the staffing. The department used 1 full-time employee and 1 consultant and this year only using 1 full-time employee.

Representative Pearce asked why the Master Teacher program is housed in the Governor's Office this year when previously housed in ADE.

Ms. Ryan stated there was an error when previous expenditure plans were submitted and it should have not stated that these monies were for ADE. Previously, the Department of Commerce administered the funding, now the Governor's Office will provide the administration. The money does not stay in the Governor's Office, but rather is passed through to a program housed at Northern Arizona University. There is no connection between ADE and Master Teacher program.

Representative Pearce moved the JLBC Staff recommendation to give a favorable review of DES' expenditure plan with the exception of the Master Teacher program until the Committee gets further clarification. The motion carried.

B. Review of Incentive Funding from the Workforce Investment Act.

Mr. Jorgensen stated this agenda item is a review of the expenditure plan for the incentive funds earned by meeting performance criteria in the WIA program in the Federal FY 2005. The plan is to spend \$700,000 to develop the state health care workforce. The monies are split between ADE's Adult Education Services, the Career and Technical Education program, and local workforce investment areas and One-Stop. JLBC Staff recommends a favorable review of the expenditure plan and also recommends that the performance measures in the agency submission be reported back to the Committee in the statewide workforce development annual report.

Representative Pearce moved the JLBC Staff recommendation to give a favorable review of DES' expenditure plan and that suggested performance measures be reported back to the Committee in the statewide workforce development annual report. The motion carried.

ARIZONA GAME AND FISH DEPARTMENT – Review of the Watercraft Operation Under the Influence Equipment Expenditure Plan

Mr. Jeremy Olsen, JLBC Staff, stated this is a review of the Watercraft Operation Under the Influence (OUI) equipment expenditure plan for the Game and Fish Department. In FY 2007 the department received \$160,000 for additional Watercraft Operation Under the Influence equipment. The department will use this appropriation to purchase 2 mobile trailers. The trailers will be equipped with blood alcohol content breath analysis testing equipment. JLBC Staff recommends a favorable review of the request.

Senator Burns asked if any other agencies or local governments have access to this equipment or is it strictly Game and Fish.

Mr. Mike Senn, Assistant Director of Field Operations, Game and Fish Department, stated that the equipment is available to any agencies that request to use them.

Senator Burns asked about the accuracy of the equipment on the trailers.

Mr. Senn responded by saying the equipment has to be certified and there are certain requirements from the Department of Health Services. The department gets them certified and they have their own internal calibration equipment. The equipment will not be on the trailer while it is being transported.

Mr. Pearce asked if the equipment is used for rural Arizona.

Mr. Senn responded by saying the equipment is used at remote facilities and to supplement existing facilities.

Representative Pearce moved the JLBC Staff recommendation to give a favorable review of to the Game and Fish Department \$160,000 expenditure plan for Watercraft OUI equipment. The motion carried.

ARIZONA STATE RETIREMENT SYSTEM – Review of FY 2007 Information Technology Expenditure Plan.

Mr. Eric Jorgensen, JLBC Staff, stated this is a review of the Arizona State Retirement System (ASRS) FY 2007 Information Technology (IT) Plan. This plan has been ongoing for several years. The expenditure plan is mainly for the operating costs of the IT system that is being developed, as the last year of the development funds were appropriated in

FY 2006. The total development costs are estimated at \$40.6 million and the money has been received at this point. Project completion is expected by the end of FY 2008. Last year there was concern that the project would not be completed on time. This caused the Government Information Technology Agency to change the project status from "green," which indicated that the project is expected to be completed as planned, to a "red" status, which indicates a serious risk to project phase completion by the planned date. There has been some reevaluation and adjustments to the project plan and the status has been moved to a yellow status and is likely to remain at yellow to provide GITA with enhanced oversight of the project.

The JLBC Staff recommends a favorable review of the expenditure plan and also recommends that the Committee modify their request to semi-annual progress reports by December 31 and June 30 until the project status is "green."

There was some discussion about Personal Services and Employee Related Expenditures.

Senator Burns asked when a "green" status is expected.

Mr. Bob Solhime, Independent Advisory Consultant, ASRS, said the project will remain on a "yellow" status because of the magnitude and complexity of the project. GITA would like to continue a significant level of oversight.

Representative Pearce moved the JLBC Staff recommendation to give a favorable review of the FY 2007 expenditure plan submitted for the agency's IT Plan and that ASRS provide semi-annual reports on December 31 and June 30 until the agency's status "green" is achieved. The motion carried.

EXECUTIVE SESSION

ARIZONA DEPARTMENT OF ADMINISTRATION - Review for Committee the Planned Contribution Strategy for State Employee Health Plans as required under A.R.S. § 38-658A.

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

At 11:53 a.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 12:40 p.m. the Committee reconvened into open session. No Committee action was required on this item.

The meeting adjourned at 12:40 p.m.

Respectfully submitted:

Amanda Ruiz, Secretary

Richard Stavneak, Director

Senator Robert Burns, Chairman