



STATE OF ARIZONA

# Joint Legislative Budget Committee

STATE  
SENATE

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

HOUSE OF  
REPRESENTATIVES

DON SHOOTER  
CHAIRMAN 2016  
OLIVIA CAJERO BEDFORD  
STEVE FARLEY  
GAIL GRIFFIN  
KATIE HOBBS  
JOHN KAVANAGH  
DEBBIE LESKO  
STEVEN B. YARBROUGH

(602) 926-5491

azleg.gov

JUSTIN OLSON  
CHAIRMAN 2015  
LELA ALSTON  
RUSSELL "RUSTY" BOWERS  
VINCE LEACH  
STEFANIE MACH  
DARIN MITCHELL  
STEVE MONTENEGRO  
MICHELLE UGENTI-RITA

## MINUTES OF THE MEETING

### JOINT LEGISLATIVE BUDGET COMMITTEE

September 21, 2016

The Chairman called the meeting to order at 1:05 p.m., Wednesday, September 21, 2016, in Senate Appropriations Room 109. The following were present:

Members:	Senator Shooter, Chairman	Representative Olson, Vice-Chairman
	Senator Cajero Bedford	Representative Alston
	Senator Farley	Representative Bowers
	Senator Griffin	Representative Leach
	Senator Hobbs	Representative Mach
	Senator Kavanagh	Representative Mitchell
	Senator Yarbrough	

Absent:	Senator Lesko	Representative Montenegro
		Representative Ugenti-Rita

### APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of June 16, 2016, Chairman Don Shooter stated that the minutes would stand approved.

### DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of Border Strike Task Force Expenditure Plans.

Mr. Eric Billings, JLBC Staff, stated that the Committee is required to review the expenditure plan for the \$1,261,700 FY 2017 General Fund appropriation to the Border Strike Task Force (BSTF) Local Support line item prior to expenditure. The JLBC Staff presented options to the Committee.

Mr. Phil Case, Chief Financial Officer, DPS, responded to member questions.

Representative Olson moved that the Committee give a favorable review of DPS' proposed expenditure plan for the BSTF Local Support line item. The motion carried.

(Continued)

## **CONSENT AGENDA**

The following items were considered without discussion.

### **ATTORNEY GENERAL (AG) - Review of Uncollectible Debts.**

Pursuant to A.R.S. § 35-150E, AG requests Committee review of its listing of uncollectible debts referred to the AG by state agencies for collection. The listing totals \$78,300,000 for debts listed as uncollectible in FY 2016 and prior years.

### **ATTORNEY GENERAL (AG) - Review of FY 2017 Internet Crimes Against Children Expenditure Plan.**

The FY 2017 General Appropriation Act (Laws 2016, Chapter 117) requires the AG to submit, for Committee review, an expenditure plan for the \$1,250,000 FY 2017 appropriation from the Internet Crimes Against Children (ICAC) Enforcement line item.

### **ARIZONA COMMERCE AUTHORITY (ACA) - Review of Progress on Auditor General Recommendations.**

Pursuant to a footnote in the FY 2017 General Appropriation Act (Laws 2016, Chapter 117), ACA is required to report for Committee review on the progress the agency has made towards implementing a series of Auditor General recommendations as a result of a September 2015 audit. In its analysis, the JLBC Staff offered the following provision: ACA is to report back to the Committee once all of the Auditor General's recommendations have been fully implemented.

### **DEPARTMENT OF ENVIRONMENTAL QUALITY (ADEQ) - Review of Safe Drinking Water Expenditure Plan.**

Pursuant to an FY 2017 General Appropriation Act footnote, ADEQ has requested Committee review of its expenditure plan for \$1,800,000 from the Emissions Inspection Fund for the Safe Drinking Water Program in FY 2017.

*Representative Olson moved that the Committee give favorable reviews to the 4 agenda items listed above with the ACA provision as offered by JLBC Staff. The motion carried.*

### **DEPARTMENT OF CHILD SAFETY (DCS) - Review of DCS' Financial Processes.**

Mr. Ben Beutler, JLBC Staff, stated the FY 2017 General Appropriation Act (Laws 2016, Chapter 117) requires DCS to provide a summary of the Moss-Adams audit on or before July 1, 2016 to the JLBC for its review. The JLBC Staff presented options to the Committee.

Mr. Greg McKay, Director, DCS, responded to member questions and circulated documents. (Attachment 1)

*Representative Olson moved that the Committee give a favorable review of the department's summary, with the provision that DCS contract with Moss-Adams for follow-up audits in October 2016 and April 2017. These audits would measure DCS' progress in meeting the recommendations in Moss-Adams' initial report. Moss-Adams' full report for both of the audits would be shared with the Committee in Executive Session. The motion carried.*

(Continued)

**DEPARTMENT OF CHILD SAFETY (DCS) - Review of FY 2016 Fourth Quarter Benchmarks.**

Mr. Ben Beutler, JLBC Staff, stated Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2 requires DCS to submit a report to the JLBC for its review of quarterly benchmarks for assessing progress made in increasing the department's number of FTE Positions and in reducing the number of backlog cases. The JLBC Staff presented options to the Committee.

*Representative Olson moved that the Committee give a favorable review of the department's fourth benchmark report as outlined in the department's submission. The motion carried.*

**DEPARTMENT OF CHILD SAFETY (DCS) - Review of FY 2017 Second Quarter Funding for New Case Aides and Overtime.**

Mr. Ben Beutler, JLBC Staff, stated FY 2017 General Appropriation Act (Laws 2016, Chapter 117) requires DCS to submit a report to the JLBC for its review on private contractor awards to address the backlog of non-active cases prior to the expenditure of monies appropriated for New Case Aides and Overtime Pay. The JLBC Staff presented options to the Committee.

*Representative Olson moved that the Committee give a favorable review of DCS' expenditure plan, which includes \$765,200 for New Case Aides and \$2,092,500 for Overtime Pay in the second quarter of FY 2017. A total of \$1,530,300 for New Case Aides and \$4,185,000 for Overtime Pay will be reviewed upon further updates on progress of reducing the backlog of non-active cases. The motion carried.*

**DEPARTMENT OF CHILD SAFETY (DCS) - Review of Alternative Use of Backlog Privatization Resources.**

Mr. Ben Beutler, JLBC Staff, stated the FY 2017 General Appropriation Act (Laws 2016, Chapter 117) requires DCS to submit proposed line item transfers to the JLBC for its review. DCS proposed transferring \$2,200,000 from the Backlog Privatization line item to the Out-of-Home Support Services line item. The JLBC Staff presented options to the Committee.

Mr. Greg McKay, Director, DCS, responded to member questions.

Mr. Jeff Taylor, Salvation Army, spoke.

*Representative Olson moved that the Committee give a favorable review of the department's plan to transfer \$2,200,000 from the FY 2016 Backlog Privatization line item to the Out-of-Home Support Services line item for contracted permanency services, with the following provisions:*

- A. *The transfer of funds shall not occur until the backlog of 60-day cases is under 1,000 cases. If the backlog falls below 1,000 cases, DCS shall report to the Committee 30 days before transferring the funds. The transferred funds may only be used for contracted permanency services unless a new expenditure plan is submitted to the JLBC for review.*
- B. *Upon having signed contracts for permanency services, DCS shall report the terms and conditions of the contracts to the JLBC.*
- C. *Effective upon transfer of the \$2,200,000 to the Out-of-Home Support Services line for contracted permanency services, DCS shall provide reports by the last day of each quarter to the JLBC on the*

(Continued)

*number of children who achieve permanency in the most recent quarter compared to the fourth quarter of FY 2016. Permanency placements include reunification, adoption, permanent guardianship and independent living. This provision shall expire once the \$2,200,000 has been expended.*

The motion carried.

**ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)/DCS - Review of CHILDS (Automation Projects Fund).**

Mr. Ben Beutler, JLBC Staff, stated the Committee is required to review prior to any monies being expended from the Arizona Department of Administration's (ADOA) Automation Projects Fund (APF) for the Children's Information Library and Data Source (CHILDS) replacement project. The JLBC Staff presented options to the Committee.

Mr. Greg McKay, Director, DCS, responded to member questions.

Ms. Linda Jewell, Chief Information Officer, DCS, responded to member questions.

*Representative Olson moved that the Committee give a favorable review of the ADOA and the Department of Child Safety's (DCS) \$6,200,000 expenditure plan for CHILDS, with the following provisions:*

- A. Prior to submitting any future expenditure request for the CHILDS replacement project to the JLBC, the Committee recommends that DCS seek a vote of approval from the Information Technology Authorization Committee (ITAC) for that specific request.*
- B. DCS is to report its project milestones for this expenditure plan to the JLBC by October 28, 2016. In addition, DCS is to include project milestones as part of any future submissions for the CHILDS replacement project.*

The motion carried.

**AHCCCS/DEPARTMENT OF ECONOMIC SECURITY/DCS - Review of Proposed Capitation Rate Changes.**

Mr. Jon Stall, JLBC Staff, stated that the Committee is required to review Arizona Health Care Cost Containment System (AHCCCS), the Department of Economic Security (DES) and DCS capitation rate changes prior to implementation. The JLBC Staff presented options to the Committee.

Ms. Beth Kohler, Deputy Director, AHCCCS, responded to member questions.

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

At 2:35 p.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 2:50 p.m. the Committee reconvened into open session.

(Continued)

Representative Olson moved that the Committee give a favorable review to the proposed plan year (CYE) 2017 capitation rates for the following programs:

- AHCCCS Acute Care
- Arizona Long Term Care System (ALTCS) Elderly & Physically Disabled
- Children's Rehabilitative Services
- DCS/Comprehensive Medical & Dental Program
- ALTCS/DES Developmentally Disabled (DD)

The Committee review included the following provisions:

- A. AHCCCS is to submit behavioral health services (BHS) capitation rates for CYE 2017 for Committee review.
- B. AHCCCS is to report to the Committee by October 28, 2016 on the expansion of Hepatitis C drug coverage. At a minimum, the report will include prices and a description of treatment cycles for each covered Hepatitis C drug with a focus on direct-acting-antiviral medications, the number of members that received the drugs in CYE 2016 and CYE 2017, and a description and justification of the changes to eligibility criteria for drug coverage in CYE 2017.

The motion carried.

**DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Division of Developmental Disabilities Salary Adjustments and Hiring.**

Mr. Patrick Moran, JLBC Staff, stated that the Committee is required to review an expenditure plan for any Division of Developmental Disabilities (DDD) salary adjustments not previously reviewed by the Committee. The JLBC Staff presented options to the Committee.

Ms. Gina Griffiths, Director of Programs, Scottsdale Training and Rehabilitation Services, spoke.

Mr. Timothy Jeffries, Director, DES, responded to member questions.

Representative Olson moved that the Committee give a favorable review of the Department of Economic Security's (DES) plan for DDD salary adjustments and hiring with the following provisions:

- A. DES shall submit a report to the Committee on or before September 1, 2017 on the change in the turnover rate from FY 2016 to FY 2017 for the job classifications receiving salary adjustments.
- B. DES shall submit all future DDD capitation rate changes and DDD salary adjustments to the Committee for its review prior to implementation.

The motion carried.

**ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of Joint Technical Education District (JTED) Quarterly Report.**

Mr. Steve Schimpp, JLBC Staff, stated that the Committee is required to review quarterly reports

(Continued)

through December 31, 2018 on ADE's review of currently eligible JTED programs and courses. The JLBC Staff presented options to the Committee.

Ms. Jean Roberts, Director of Technical Education, ADE, responded to member questions.

Representative Olson moved that the Committee give a favorable review to ADE's June 30, 2016 JTED quarterly report, with the exception of the Food Products and Processing systems program, which was held for further consideration at the next JLBC meeting. The motion carried.

**ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Approval of Maximum Lodging and Per Diem Reimbursement Rates.**

Ms. Rebecca Perrera, JLBC Staff, stated that the Committee is required to approve any changes to ADOA's maximum reimbursement rates for lodging and meal expenses. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee approved ADOA's proposal to adopt the Federal Fiscal Year (FFY) 2017 lodging rates and to establish a flat meal reimbursement rate of \$13 and \$20 for employees who travel for at least 6 hours or 12 hours, respectively, without an overnight stay. As part of its approval, the Committee included a provision stating that Committee approval does not constitute an endorsement of additional appropriations to cover higher reimbursement costs. The motion carried.

**ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of ASET Projects (Automation Projects Fund).**

Ms. Rebecca Perrera, JLBC Staff, stated that the Committee is required to review the expenditure plan presented by ADOA from the Automation Projects Fund (APF) prior to expenditure. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review of ADOA's request, which includes \$1,007,700 in non-lapsing FY 2016 monies and \$13,448,400 in proposed FY 2017 expenditures from APF for Information Technology (IT) projects for the Arizona Strategic Enterprise Technology (ASET) Office. As part of its review, the Committee included the following provisions:

- A. Committee review does not commit the Legislature to any ongoing ASET funding.
- B. ADOA shall report to the JLBC Staff on or before November 30, 2016, its efforts to increase the level of background information provided in the Project Investment Justification (PIJ) documents.
- C. In its next APF quarterly report, ADOA shall include the project milestones for the FY 2017 projects. ADOA shall report on the progress of these reaching these milestones on or before April 28, 2017.
- D. ADOA shall report to the JLBC Staff on the self-funding implementation plan and FY 2018 revenue estimates for the Arizona Enterprise Services Platform on or before April 28, 2017.
- E. Upon completion of the IT consolidation assessment, the ADOA shall submit a report that summarizes the assessment to the JLBC for its review.

(Continued)

F. *Committee review additionally includes \$222,400 from the FY 2016 APF Department of Economic Security (DES) appropriation for its network access control and fraud protection project.*

The motion carried.

**ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of ASET E-Procurement Project (Automation Projects Fund).**

Ms. Rebecca Perrera, JLBC Staff, stated that the Committee is required to review the expenditure plan presented by ADOA from the APF prior to expenditure. The JLBC Staff presented options to the Committee.

Mr. Jason Simpson, Chief Technical Officer, ADOA, responded to member questions.

Representative Olson moved that the Committee give a favorable review of ADOA's \$300,000 allocation for the replacement of the state's e-procurement system with the provision that Committee review does not commit the Legislature to any additional funding above the currently allocated \$15,103,000 to replace the e-procurement system.

The motion carried.

**EXECUTIVE SESSION**

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

At 4:03 p.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 4:45 p.m. the Committee reconvened into open session.

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

Representative Olson moved that the Committee approve the recommended settlements proposed by the Attorney General's office in the cases of:

- *Teschner v. State of Arizona*
- *Rodriguez, et al. v. State of Arizona*
- *LaBarbera v. State of Arizona.*

The motion carried.

**B. Arizona Department of Administration - Risk Management Annual Report.**

This item was for information only. 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:

(Continued)

- 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.

Without objection, the meeting adjourned at 4:45 p.m.

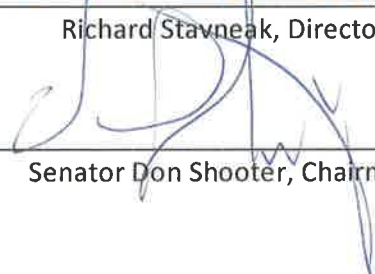
Respectfully submitted:



Kristy Paddack, Secretary



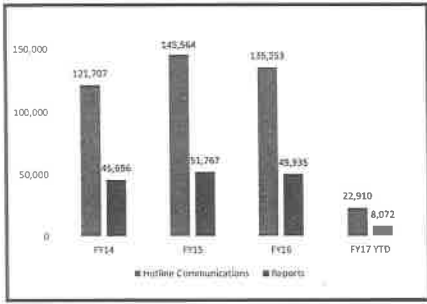
Richard Stavneak, Director



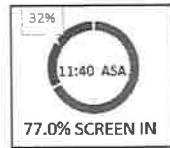
Senator Don Shooter, Chairman



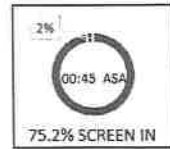
### INCOMING CALLS



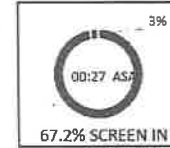
### FY14 - Abandon Rate



### FY15 - Abandon Rate

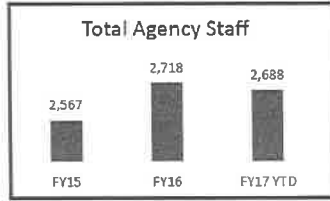
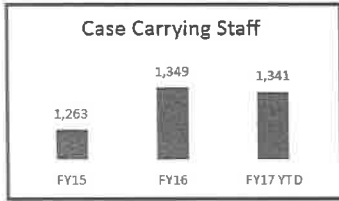


### AUG 16 - Abandon Rate



ASA = Average Speed to Answer

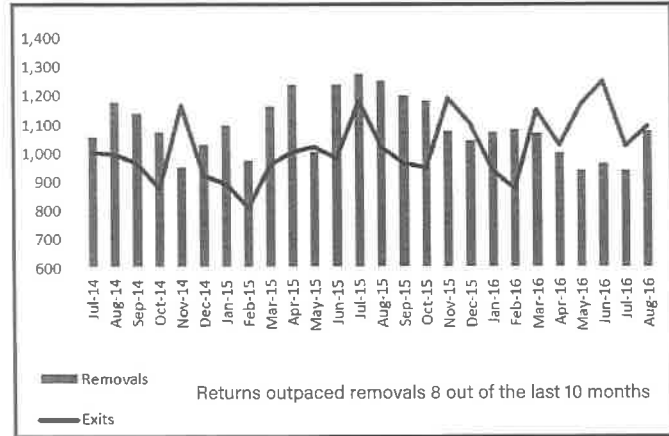
### AGENCY RESOURCES



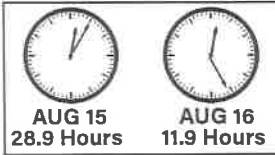
### CHILDREN ENTERING & EXITING CARE

	FY 15	FY 16	FY 17 YTD
REMOVALS	13,126	13,135	2,975
EXITS	11,574	12,810	3,369

Placement Unit achieved significant gains since its creation 6/2015



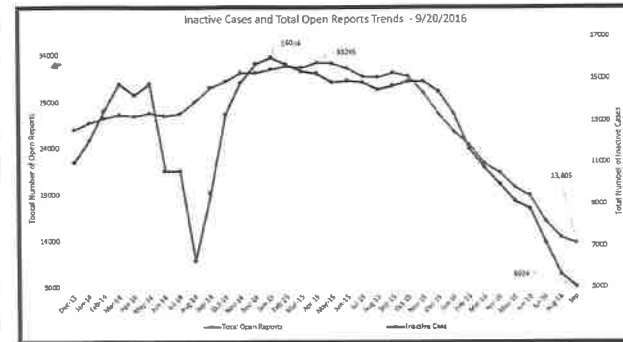
### PLACEMENT UNIT DURATION TO PLACE CHILDREN



### NUMBER OF CHILDREN VISITING PLACEMENT UNIT



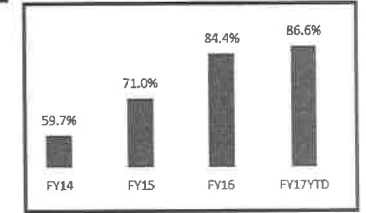
### INVESTIGATIONS PERFORMANCE



Inactive Cases Leg Benchmark = < 1,000;  
Open reports Leg Benchmark = < 13,000

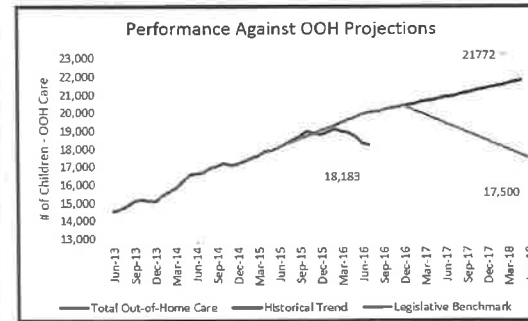


### ON TIME INVESTIGATIONS RESPONSE



### OUT OF HOME POPULATION

	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17 YTD
POPULATION	13,385	14,494	15,556	18,059	18,287	18,183
Growth rate YOY	22.90%	8.30%	14.20%	9.08%	1.30%	-0.6%



**SAFETY - Arizona ranks 4th lowest nationally in substantiated abuse while in OOH Care.**

### NUMBER OF LICENSED FOSTER BEDS

JUN 14	JUN 15	CURRENT
10,057	10,490	10,749

### NUMBER OF LICENSED FOSTER HOMES

JUN 14	JUN 15	CURRENT
4,358	4,465	4,666

### NUMBER OF KIDS IN GROUP HOMES

FY 14	FY 15	FY 16	CURRENT
2,510	2,791	2,829	2,805