

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

September 22, 2009

The Chairman called the meeting to order at 3:15 p.m., Tuesday, September 22, 2009, in House Hearing Room 4. The following were present:

Members:	Senator Pearce, Vice-Chairman	Representative Kavanagh, Chairman
	Senator Aboud	Representative Cajero Bedford
	Senator Aguirre	Representative McComish
	Senator Gray	Representative Murphy
	Senator Harper	Representative Williams
Absent:	Senator Pierce	Representative Biggs
	Senator Rios	Representative Campbell
	Senator Waring	Representative Heinz

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of June 23, 2009, Chairman Kavanagh stated that the minutes would stand approved.

STATE PARKS BOARD - Review of Requested Exchange of Fund Transfers.

Mr. Art Smith, JLBC Staff stated that this item is a review of requested exchange of fund transfers for the State Parks Board (SPB). The FY 2010 budget includes a number of fund transfers for the agency and as with FY 2009, there is a provision that allows agencies to come before the Committee with an alternate fund transfer proposal as long as they are neutral to the General Fund. The table below shows the list of fund transfers required in the FY 2010 budget. The JLBC Staff presented options to the Committee.

(Continued)

FY 2010 Fund Transfer Exchange				
Fund Specified in Laws 2009, Ch. 11 ^{1/}	Ch. 11 Transfer Amount ^{2/}	Transfer Type	Replacement Fund ^{3/}	Revised Transfer Amount ^{4/}
State Lake Improvement Fund	\$3,048,200	EBT ^{5/}	Arizona Heritage Fund Off-Highway Vehicle Recreation Fund	\$2,548,200 \$500,000
State Parks Enhancement Fund	\$1,901,500	EBT ^{5/}	Arizona Heritage Fund	\$1,901,500
State Parks Enhancement Fund	725,900	FRAT ^{6/}	Arizona Heritage Fund	725,900
State Parks Enhancement Fund	557,600	Salary ^{7/}	Arizona Heritage Fund	557,600
Arizona Heritage Fund	163,900	Salary ^{7/}	Arizona Heritage Fund	163,900
Reservation Surcharge Fund	54,800	FRAT ^{6/}	Arizona Heritage Fund	54,800
Reservation Surcharge Fund	41,800	Salary ^{7/}	Arizona Heritage Fund	41,800
Publications and Souvenirs Fund	22,700	Salary ^{7/}	Arizona Heritage Fund	22,700
State Parks Fund	19,700	Salary ^{7/}	Arizona Heritage Fund	19,700
Partnerships Fund	14,000	Salary ^{7/}	Arizona Heritage Fund	14,000
Total	\$6,550,100			\$6,550,100

^{1/} Fund source for reductions mandated by Laws 2009, Chapter 11.
^{2/} Amount for reductions mandated by Laws 2009, Chapter 11.
^{3/} Funds from which agencies are requesting transfers in order to accommodate the mandated reductions.
^{4/} Transfer amounts proposed by agency.
^{5/} Excess balance transfers (EBTs) sweep money from anticipated FY 2010 ending balances into the General Fund.
^{6/} Fund reduction and transfers (FRATs) reduce annual FY 2010 spending from the agency's Other Funds. An amount equal to these reductions would be swept into the General Fund. The Parks Board proposal would sweep from Arizona Heritage Fund balances.
^{7/} Salary lump sums reduce annual FY 2010 personnel spending from the agency's Other Funds. An amount equal to these reductions would be swept into the General Fund. The Parks Board proposal would sweep from Arizona Heritage Fund balances.

Mr. Jay Ziemann, Assistant Director, State Parks Board, responded to member questions.

Senator Pearce moved that the Committee give a favorable review to the Arizona State Parks Board request for the proposed exchange of fund transfers shown in the table above. The motion carried.

DEPARTMENT OF HEALTH SERVICES - Review of Behavioral Health Title XIX Capitation Rate Changes.

Mr. Art Smith, JLBC Staff, stated that this item is a review of the Department of Health Services' (DHS) capitation rate changes for behavioral health population. The proposed rates are expected to cost the General Fund approximately \$652,000 above the budgeted amount. The JLBC Staff presented options to the Committee.

Dr. Laura Nelson, Acting Deputy Director, Department of Health Services, responded to member questions.

Senator Pearce moved that the committee give an unfavorable review to the DHS' change in capitation rates for the Title XIX behavioral health programs as the capitation rate exceeds the budgeted amount by a net of \$651,000 from the General Fund due to program expansions. The motion carried.

ATTORNEY GENERAL - Review of Allocation of Settlement Monies.

Ms. Marge Zylla, JLBC Staff, stated that the Attorney General's (AG) office is requesting favorable reviews of the allocation monies received from 5 different settlements. Each has a designated amount that will be deposited into the Consumer Fraud Fund to support consumer fraud investigations, consumer education and enforcement of the Consumer Fraud Act. The total from all 5 settlements to be deposited into the fund is \$2.5 million. The JLBC Staff recommended a favorable review.

(Continued)

Senator Pearce moved that the Committee give a favorable review of \$2,547,000 from 5 settlements of the total, \$2,463,300 is to be deposited into the Consumer Protection - Consumer Fraud Revolving Fund as follows: 1) A \$845,400 allocation resulting from mediation as part of ongoing Average Wholesale Price (AWP) litigation with pharmaceutical companies (an additional \$83,700 was spent on outside counsel, 2) a \$117,000 allocation to the AG from a consent judgment with Tim's Auto Group, 3) a \$400,000 allocation to the AG from a consent judgment with Wal-Mart Stores, 4) a \$1,000,000 civil penalty from a consent judgment with Central Coast Nutraceuticals (CCN), and 5) a \$100,000 civil penalty from a consent judgment with Payless Car Rental. The motion carried.

GOVERNMENT INFORMATION TECHNOLOGY AGENCY - Quarterly Review of the Arizona Public Safety Communication Advisory Commission.

Mr. Dan Hunting, JLBC Staff, stated that this item is a review of the FY 2009 expenditures of the Arizona Public Safety Communication Advisory Commission.

Due to lack of a GITA representative to answer questions, the Chairman decided to hold this item until the next JLBC meeting.

DEPARTMENT OF EDUCATION - Review of Kinder Morgan and Xanterra Settlements.

Mr. Steve Schimpp, JLBC Staff, stated that the Department of Education (ADE) is seeking a favorable review of its plan to provide 2 school districts with funding for Basic State Aid. The JLBC Staff recommended a favorable review.

Senator Pearce moved that the Committee give a favorable review of the Arizona Department of Education's plan to provide 2 school districts with a total of \$153,900 in corrected Basic State Aid funding due to recent settlements in Arizona Tax Court regarding property taxes paid in prior years by the Xanterra and Kinder Morgan Corporations. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Risk Management Deductible.

Mr. Dan Hunting, JLBC Staff, stated that this item is a review of the deductible that the Arizona Department of Administration (ADOA) Risk Management may charge to agencies that have sustained significant losses. ADOA recommends a continuation of the current \$10,000 deductible. The JLBC Staff recommended a favorable review.

Senator Pearce moved that the Committee give a favorable review of the ADOA Risk Management deductible of \$10,000. The motion carried.

EXECUTIVE SESSION

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

At 4:15 p.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 5:00 p.m. the Committee reconvened into open session.

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

Senator Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the case of Blanchard v. State of Arizona, et al. The motion carried.

Senator Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the case of Sellers 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.

Without objection, the meeting adjourned at 5:05 p.m.

Respectfully submitted:

Sandy Schumacher, Secretary

Richard Stavneak, Director

Representative John Kavanagh, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams.
A full video recording of this meeting is available at <http://www.azleg.gov/jlbc/meeting.htm>.