

STATE OF ARIZONA

Joint Legislative Budget Committee

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

October 18, 2007

The Chairman called the meeting to order at 10:25 a.m., Thursday, October 18, 2007, in House Hearing Room 4. The following were present:

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

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of September 20, 2007, Chairman Pearce stated that the minutes would be adopted.

DIRECTOR'S REPORT

Mr. Richard Stavneak, Director of the Joint Legislative Budget Committee (JLBC), stated that the Committee is only at quorum for the length of the meeting and that the voting will take place before 12:30 p.m.

In addition, Mr. Stavneak stated that the current report on JLBC and JLBC Staff Statutory Responsibilities is now posted online and allows agencies to be sure they have complied with their action items.

ARIZONA STATE UNIVERSITY - Review of Downtown Phoenix Campus Operational and Capital Plans.

Ms. Leah Ruggieri, JLBC Staff, stated that the FY 2007 Higher Education Budget Reconciliation Bill (Laws 2007, Chapter 265) requires that the Joint Legislative Budget Committee review Arizona State University's

(ASU) operational and capital plans for the ASU Downtown Phoenix Campus (DPC). In considering ASU's request, the Committee has 2 options to consider, a favorable or unfavorable review.

Discussion ensued on this item.

Mr. Steve Miller, Deputy Vice President, Office of Public Affairs, ASU, introduced Rich Stanley, Senior Vice President and University Planner.

Mr. Richard Stanley, Senior Vice President, University Planning, ASU, responded to member questions.

Senator Burns moved that the Committee give a favorable review to Arizona State University's operational and capital plans for the ASU Downtown Phoenix Campus. The motion carried.

DEPARTMENT OF PUBLIC SAFETY - Consider Revision of the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Expenditure Plan.

Ms. Kim Cordes-Sween, JLBC Staff, stated that the JLBC Chairman requested that the Committee recommend a revision to the Department of Public Safety's (DPS) GIITEM expenditure plan to increase the Maricopa County allocation by \$634,700. Pursuant to a General Appropriation Act footnote (Laws 2007, Chapter 255), \$10 million is appropriated for non-DPS law enforcement GIITEM efforts. The Committee is to review any new expenditure plans for these monies. The additional funding would be allocated to the Maricopa County Sheriff's Office (MCSO) to add 5 deputies and purchase 2 vans for transportation of individuals detained for violation of immigration laws. To date, DPS has received a favorable review to use \$6.9 million of the FY 2008 GIITEM appropriations for local law enforcement efforts as well as a total of 87 local law enforcement personnel. Of the local GIITEM monies, with the recommended revision, the Maricopa County GIITEM allocation would increase from \$1.5 million to \$2.2 million. The additional \$634,700 funds only 85% of the total project cost while Maricopa County would provide the other 15% as required by Laws 2007, Chapter 255.

Discussion ensued on this item.

Mr. Brian L. Sands, Chief of Enforcement, Maricopa County Sheriff's Office, responded to member questions.

Senator Burns moved that the Committee recommend a revision to the GIITEM expenditure plan to increase the Maricopa County allocation by \$634,700. Pursuant to a General Appropriation Act footnote, \$10 million is appropriated for non-DPS law enforcement GIITEM efforts. The additional funding would be allocated to the Maricopa County Sheriff's Office to add 5 deputies and purchase 2 vans for transportation of individuals detained for violation of immigration laws. The motion carried.

DEPARTMENT OF PUBLIC SAFETY - Quarterly Review of the Arizona Public Safety Communications Advisory Commission.

Ms. Kim Cordes-Sween, JLBC Staff, stated that pursuant to A.R.S. § 41-1830.42C, the Committee is required to review Department of Public Safety's (DPS) FY 2007 fourth quarter expenditures and progress for the Public Safety Communication Advisory Commission statewide interoperability project. The interoperability project allows first responders in various jurisdictions to communication with each other on the same frequency. Total expenditures for the fourth quarter totaled \$524,100 in FY 2007. For the entire fiscal year, DPS expended \$1.3 million of the \$4.3 million in FY 2007 funding. The JLBC Staff recommended a favorable review of the request.

Senator Burns moved that the Committee give a favorable review to the DPS fourth quarter expenditures and progress for the statewide interoperability project. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY - Review of Increase to Division of Developmental Disabilities' Therapy Rates.

Chairman Pearce stated that this item will not be heard at this meeting as the Department of Economic Security has requested it be pulled from the agenda.

AHCCCS - Review of Proposed Acute Care and ALTCS Capitation Rate Changes.

Ms. Jenna Goad, JLBC Staff, stated that pursuant to a footnote in the General Appropriation Act, the Committee is required to review the Arizona Health Care Cost Containment System (AHCCCS) capitation and fee-for-service inflationary rate changes with a budgetary impact prior to implementation. The proposed rates would cost \$9 million more from the General Fund than budgeted in FY 2008, assuming budgeted caseload levels. The JLBC Staff provided several options for the Committee to consider.

Discussion ensued on this item.

Mr. Tom Betlach, Deputy Director of AHCCCS, responded to member questions.

Senator Burns moved that the Committee give a favorable review of the proposed changes. The motion carried.

ATTORNEY GENERAL - Review of Allocation of Settlement Monies

Ms. Leah Ruggieri, JLBC Staff, stated that a footnote in the General Appropriation Act requires the Committee to review settlement monies of \$100,000 or more that are not deposited directly into the General Fund before the allocation or expenditure of monies. The Office of the Attorney General (AG) has notified the Committee of the allocation of monies received from the Guidant Corporation consent judgment. The AG will receive \$815,000 as a result of the settlement for deposit into the Consumer Fraud Revolving Fund. The actual cost of the litigation is estimated to be no greater than \$125,300. The JLBC Staff recommended a favorable review of the allocation plan.

Senator Burns moved that the Committee give a favorable review of the allocation plan from the Guidant Corporation consent judgment. The motion carried.

ADMINISTRATIVE OFFICE OF THE COURTS - Review of Expenditures of Judicial Collection Enhancement Fund and Criminal Justice Enhancement Fund.

Mr. Jon McAvoy, JLBC Staff, stated that pursuant to a footnote in the General Appropriation Act (Laws 2007, Chapter 255), the Committee is required to review an expenditure plan for any monies in excess of the FY 2008 appropriation for the Judicial Collection Enhancement Fund (JCEF) and Case Processing Assistance Fund (CPAF). CPAF is a sub-account of Criminal Justice Enhancement Fund (CJEF). The JLBC Staff provided several options for the Committee to consider.

Senator Burns moved that the Committee give a favorable review to the expenditures of: 1) \$2.5 million above the Supreme Court JCEF appropriation and \$2.5 million above the CJEF appropriation in FY 2008 to fund a new case and cash management system, and 2) \$700,000 above the Superior Court JCEF probation surcharge appropriation in FY 2008 for county Adult Probation officer pay raises. The motion carried.

DEPARTMENT OF REVENUE - Review of Business Reengineering/Integrated Tax System Contract Amendment.

Mr. Bob Hull, JLBC Staff, stated that Laws 2007, Chapter 259 requires Committee review of any BRITS contract extensions or modifications that change the dollar value of the contract. DOR is requesting Committee review of a proposed additional \$4 million contract amendment which includes \$288,000 for 4 enhancements to

individual income tax, and \$3.7 million for vendor operational support of implemented BRITS systems through June 2008. The Committee has 2 options to consider, a favorable or unfavorable review.

Discussion ensued on this item.

Ms. Kristine Ward, Deputy Director, Department of Revenue, responded to member questions.

Senator Burns moved that the Committee give a favorable review to the proposed \$4 million contract amendment. The motion carried.

ARIZONA COMMISSION ON THE ARTS - Review of the Arizona Arts Endowment Fund and Private Contributions.

Ms. Caitlin Acker, JLBC Staff, stated that pursuant to A.R.S. § 41-986F, the Committee is required to review the report on private monies that are donated for use in conjunction with public monies from the Arizona Arts Endowment Fund. Each year the Committee reviews what the commission receives in private donations in conjunction with public monies from the AZ Arts Endowment Fund. In CY 2006 the Commission generated \$4.9 million in private donations. The JLBC Staff recommended a favorable review of the request because the commission increased private donations in CY 2006 over CY 2005.

Mr. Richard Stavneak, JLBC Director, stated that the Committee only needs to formally review the contribution level at this time. The Arts Endowment is now fully funded through private contributions, therefore, the statutory change to delete future reviews can be decided upon during session.

Senator Burns moved that the Committee give a favorable review to the report. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION

A) Review of Risk Management Deductible.

Mr. Dan Hunting, JLBC Staff, stated that A.R.S. § 41-621 provides that the Arizona Department of Administration (ADOA) Director may impose deductibles of up to \$10,000 per risk management loss on state agencies. These amounts are subject to annual review by the Committee. The JLBC Staff recommends a favorable review because \$10,000 is the maximum amount allowed by law.

Discussion ensued on this item.

Ray Di Ciccio, Risk Manager, ADOA, responded to member questions.

Senator Burns moved that the Committee give a favorable review of the \$10,000 deductible amount. The motion carried.

B) Rule 14(3)(P) - Report on Loss Prevention Plans.

Mr. Dan Hunting, JLBC Staff, presented revisions to the format of the loss prevention plans required under Rule 14 of the Joint Legislative Budget Committee Rules and Regulations.

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

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

Ms. Leatta McLaughlin, JLBC Staff, stated that A.R.S. § 15-2041D.3c requires that the cost-per-square-foot factors used in the School Facilities Board (SFB) building renewal and new school construction financing “shall

be adjusted annually for construction market considerations based on an index identified or developed by the Joint Legislative Budget Committee (JLBC) as necessary but not less than once each year.” The Committee has at least the following 2 options to consider:

- 1) Approve a 5.53% increase in the cost-per-square-foot factors as requested by School Facilities Board Staff and based on the Committee’s 2006 methodology. This is an average of the PinnacleOne and Ryder indices.
- 2) Approve the PinnacleOne option of 2.2% or Rider Index option of 8.9%. PinnacleOne is a Phoenix project management firm and Rider is an international construction consulting group.

Discussion ensued on this item.

Mr. John Arnold, Executive Director, School Facilities Board, distributed *Attachment A* and responded to member questions.

Attachment B was distributed to the Committee on the School Facilities Coalition by Connie Erikson, Principal in the Vail School District in Tucson.

Several members of the public also spoke.

Senator Burns moved that the Committee approve a 2.2% increase in the cost-per-square-foot factors based on the PinnacleOne Index. The motion carried.

EXECUTIVE SESSION - Arizona Department of Administration - Risk Management Annual Report.

Senator Burns moved that the Committee go into Executive Session. The motion carried.

At 12:28 p.m. the Joint Legislative Budget Committee went into Executive Session.

Senator Burns moved that the Committee reconvene into open session. The motion carried.

At 12:30 p.m. the Committee reconvened into open session.

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

Without objection, the meeting adjourned at 12:30 p.m.

Respectfully submitted:

Sandy Schumacher, Secretary

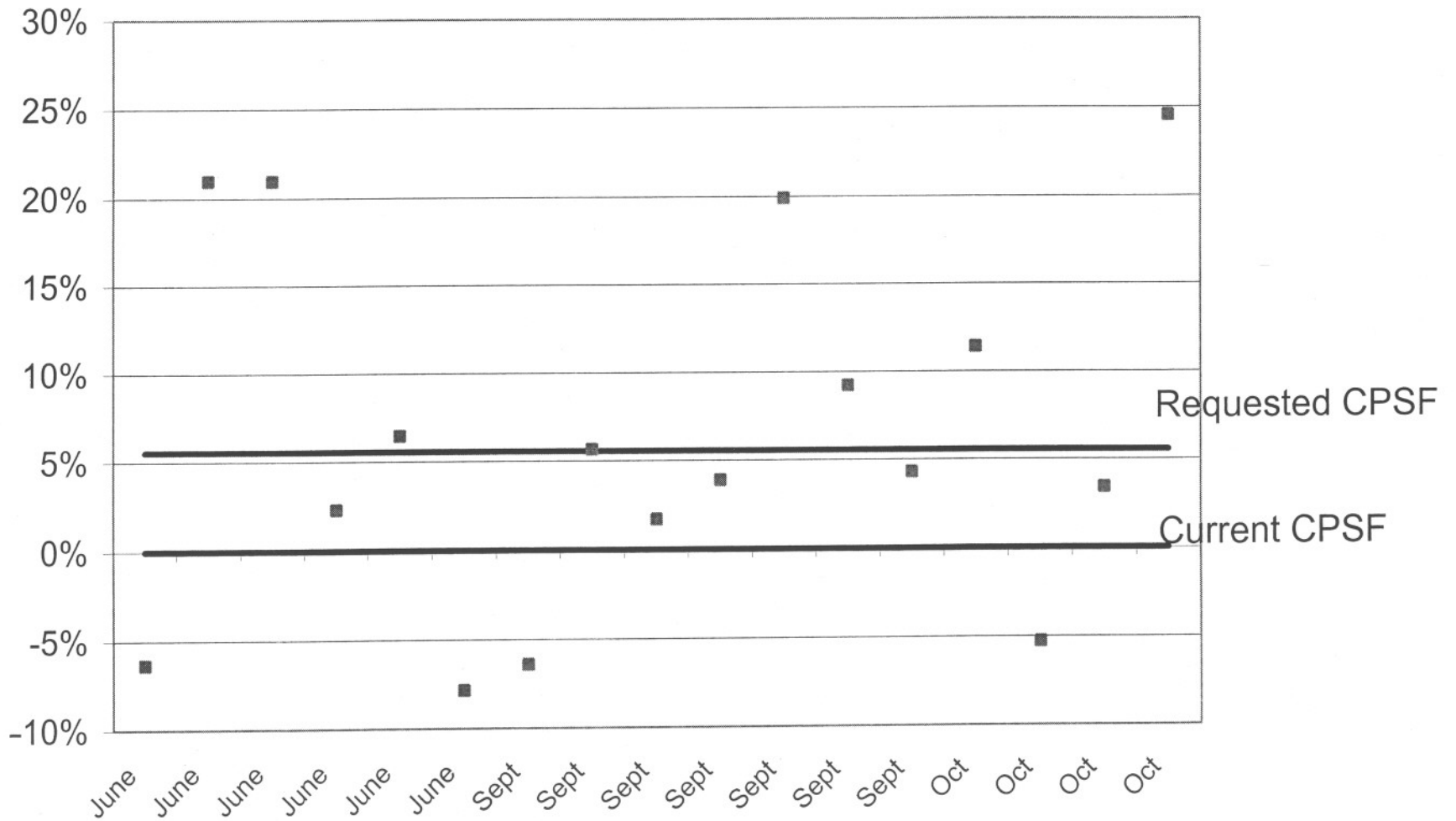
Richard Stavneak, Director

Representative Russell Pearce, Chairman

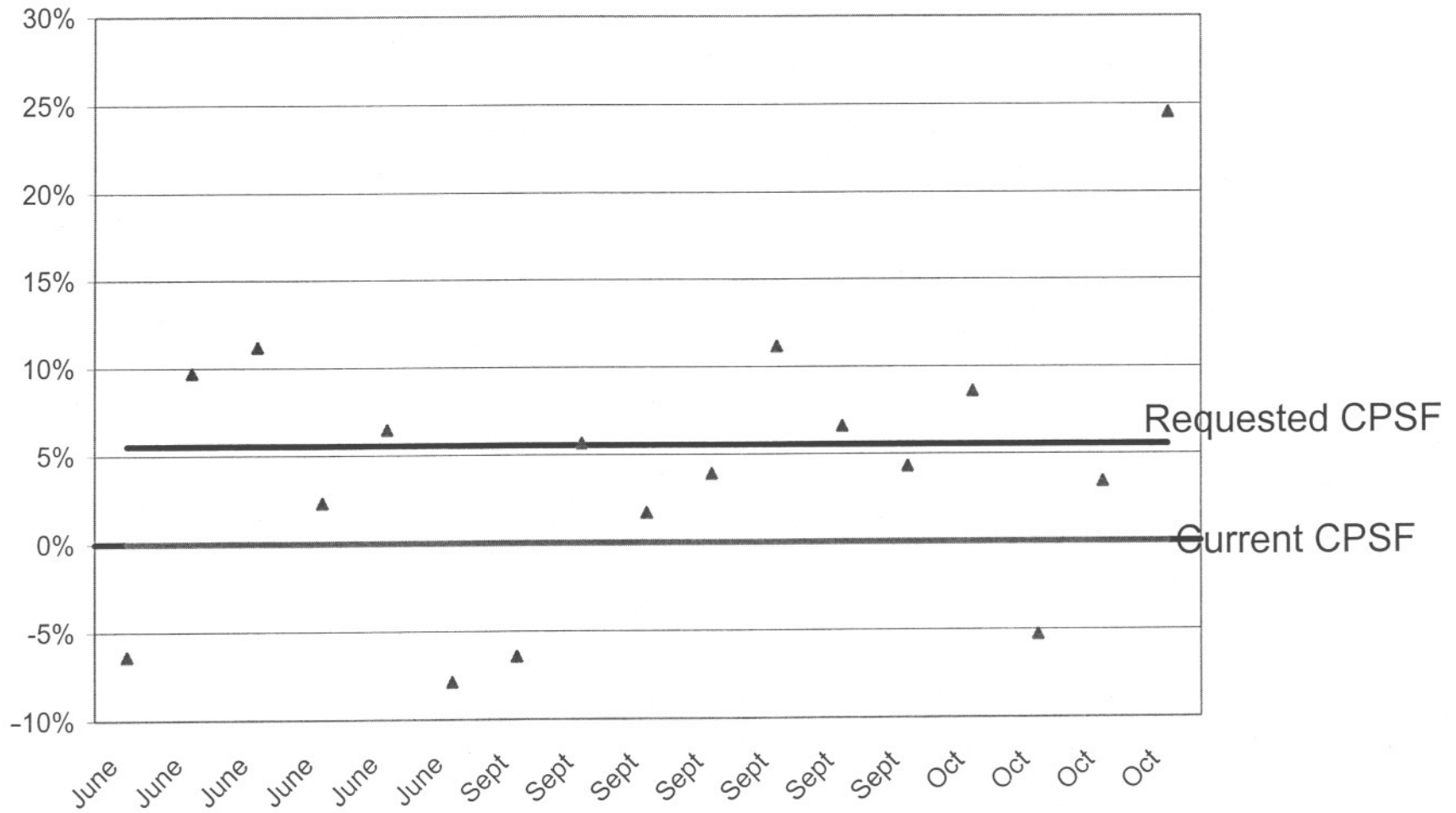
NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at <http://www.azleg.gov/jlbc/meeting.htm>.

SFB New Construction Costs

Includes Adjacent Ways and Local Fees



SFB Cost Per Sq. Foot Minus Adjacent Ways and Local Fees





Arizona Builders' Alliance

"Building Excellence"



The School Building Association



SCHOOL FACILITIES COALITION

**As professionals in the industry, we support educational excellence.
The effect of the built environment is critical to student achievement.
Adequately funded schools are essential in meeting the needs of students, instructors
and Arizona's demand for quality education.**

Who We Are:

The School Facilities Coalition is comprised of the statewide component of the American Institute of Architects, Arizona Builders Alliance, Council of Educational Facility Planners International, Arizona State School Superintendents and the American Council of Engineering Companies of Arizona.

Why We Are Here:

The current funding levels and adjustments for the construction of new schools provided through the Arizona School Facilities Board (SFB) have not kept pace with the construction market.

Specific Concerns:

- Current funding does not follow the formula-based system.
- Current funding is significantly below what is needed to provide educational space with a construction quality necessary for operational maintenance and long-term utilization of the facilities.
- Current funding is not providing the environment proven to support the learning process and the energy efficiency the State of Arizona mandates.

Background Information:

The SFB project budget for a K-8 Elementary School in an urban area is currently \$132.85/SF. This is Total Project Budget **NOT** the Construction Cost Budget. To arrive at the Construction Cost Budget the following costs must be subtracted:

- telephone and data design consultant, kitchen design consultant, all furniture, fixtures and equipment, computers, survey, permits, construction testing, plan review fees, construction advertising, architecture and engineering fees plus civil engineering and landscape architecture fees, special inspection/material testing fees, CM@Risk fee, reimbursable expenses, and geotechnical report. These costs amount to approximately \$22.59/SF.

The Actual Construction Cost Budget for an Arizona School Facilities Board funded K-8 Elementary School, in an urban area in Arizona is: **\$132.85 less \$22.59/SF (17%) or \$110.26/SF.** (For comparison, a sampling of SFB minimum standard funded K-8 Elementary schools and their Actual Construction Cost per square foot is provided on the back of this document.)

Recommendation:

The current SFB funding formula must be increased to align with the actual cost of construction, of **\$128.00/SF or a 16% increase** (does not include 6.5% for construction inflation) to the current funding formula, good until November 2007.

May 3, 2007

A comparison of SFB minimum standard funded K-8 Elementary schools and their Actual Construction Cost per square foot.

District / School Type	Size S.F.	Date Funded	SFB Formula per Sq. Foot	SFB Funded Project Cost per Sq. Foot	SFB Funded Construction Cost per Sq. Foot	Actual Construction Cost per Sq. Foot	Remarks
Littleton Elementary District - K-8	89,813	01/04/07	\$104.92	\$126.52	\$105.00	\$ 130.64	Littleton ESD added funding for sidewalks, landscaping/irrigation, stage curtain and data cabling.
Buckeye Elementary District - K-8	73,920	01/04/07	\$118.40	\$134.81	\$111.90	\$ 133.55	Buckeye ESD added funding for carpet, landscaping, sidewalks, canopies, fencing, athletic equipment, site lighting and bleachers.
Wickenburg Unified District - K-8	73,920	12/07/06	\$132.85	\$139.95	\$116.15	\$ 128.07	Wickenburg USD added \$855,000 of District funding.
Dysart Unified District - K-8	101,640	12/07/06	\$118.40	\$118.40	\$ 98.27	\$ 124.73	Dysart USD added funding for stage curtain, operable walls, fencing, cabinets, canopies, built-up roof upgrade, and acoustic wall panels.
Coolidge Unified District - K-8	73,920	10/05/06	\$118.40	\$132.28	\$109.80	\$ 123.32	Coolidge USD added funding for floor coverings, landscaping, additional parking, cabinets, fencing and operable walls.
Higley Unified District - K-8	94,710	10/05/06	\$118.40	\$127.44	\$105.77	\$ 126.36	Higley USD added funding for classroom sinks, canopies at entrances, acoustic panels, tot turf and play equipment, fencing, landscaping and parking lot lighting.
Average					\$107.81	\$127.78	

The Actual Construction Cost Budget for an Arizona School Facilities Board funded K-8 Elementary School, in an urban area in Arizona is: \$132.85 less \$22.59/SF (17%) or \$110.26/SF.

Summary

The School Facilities Coalition recommends that the current SFB funding formula be increased to align with the actual cost of construction, of **\$128.00/SF or a 16% increase** (does not include 6.5% for construction inflation) to the current funding formula, good until November 2007.

May 3, 2007