

JLBC MEETING

At its June 20th meeting, the Joint Legislative Budget Committee considered the following issues:

Department of Revenue – The JLBC approved \$866,400 for a 3-month interim expenditure plan for *Ladewig v. State of Arizona* administration costs. In FY 2003, \$75 million has been allocated to cover the first year settlement payments and costs of this litigation. The department may use up to \$15 million of the amount for administration and review of payments, subject to Committee approval.

Arizona Lottery Commission – The JLBC approved a revised Retailer Incentive Plan which awards an additional 0.5% commission based on retailer sales growth that is at least 5% greater than total Lottery sales growth. At its August 2001 meeting, the Committee requested that the Lottery revise its previous plan, which awarded retailers an additional 0.5% commission for achieving 5% sales increases, to include a measure of comparative performance between retailers.

Arizona Pioneers' Home – The JLBC approved the transfer of \$101,607 from Equipment to Personal Services and Employee Related Expenses to cover unanticipated overtime and on-call pay expenses.

AHCCCS – The JLBC gave a favorable review to the capitation rate changes in Acute and Long-Term Care. Capitation rates are based on actuarial analysis. Most of the capitation rates have declined. The associated savings were already incorporated into the agencies' FY 2002 and FY 2003 budgets.

Department of Health Services – The JLBC gave a favorable review of the expenditure plan for the *Arnold v. Sarn* Special Line Item in Behavioral Health. The FY 2003 budget included \$27.5 million to address the requirements of the state's settlement in *Arnold v. Sarn* lawsuit in Maricopa County. The FY 2003 plan is essentially the same as the FY 2002 expenditure plan that was approved last year. There is a slight increase in the federal match due to an increase in available federal funds this year.

Department of Economic Security – The JLBC gave a favorable review to the expenditure plan for Federal Fiscal Year 2002 capitation rates for the Long-Term Care program. This year's capitation rates will decrease 5% from last year's capitation rates.

The Committee gave a favorable review to the FY 2002 transfer of \$1 million General Fund from the Developmental Disabilities cost center to the Children Services Special Line Item in the Division of Children, Youth and Families. The transfer to Children's Services will address about half of the projected deficit anticipated in the Special Line Item in FY 2002.

The Committee received reports on progress made on developing outcome measures for domestic violence programs and DES' intent to use up to \$1 million of federal Temporary Assistance for Needy Families (TANF) Block Grant monies from the \$4.2 million appropriated as expenditure authority to pay TANF Cash Benefits in FY 2002.

Arizona State Retirement System – The JLBC gave a favorable review to the FY 2003 Information Technology Expenditure plan. ASRS was appropriated \$9 million from the Retirement Fund in each of FY 2002 and FY 2003 to upgrade their current information technology system.

Arizona Department of Administration/Government Information Technology Agency – The JLBC received reports on the replacement human resources and payroll system, Human Resources Information Solution (HRIS). The implementation date of HRIS has been moved back to April 14, 2003 from January 1, 2003 due to concerns about agency readiness. The current system vendor has agreed to support the existing system during the delay.

Arizona Department of Administration – This item was originally heard in Executive Session, but has since become public information. The JLBC received information on ADOA's planned contribution strategy for the state employee health and dental plans prior to entering into new contracts effective October 1, 2002. The current carrier for state employee medical coverage, CIGNA HealthCare of Arizona, will continue as the exclusive carrier to the state. Overall state employee health insurance costs will increase by an average of 20% under the new contract, however, the employee contribution will remain the same for Maricopa and Pima HMO and rural Preferred Provider Organization (PPO) options. The employee contribution for Maricopa and Pima Point of Service (POS) and PPO coverage will increase between \$6.62 and \$154.82 per month.

State employee dental contracts will be awarded to Employers Dental Services, Fortis (Protective/UDC), Delta Dental, and Metlife Dental. There will be an overall average increase in premiums of 4.1%, however, the majority of employees will actually see a decrease in their contribution.

Arizona Department of Transportation – The JLBC approved the release of \$161,500 from the State Aviation Fund for 3 months of funding to operate the Grand Canyon Airport through June 30, 2002. Pursuant to Laws 2000, Chapter 99, ADOT was to lease the airport to a nonprofit corporation. The Committee favorably reviewed a proposed lease at its January 9, 2002 meeting, but due to complications it is unlikely that the lease will be completed. ADOT now expects to continue running the Airport for the indefinite future.

Other Reports – The JLBC received written reports this month on 1) the Arizona State School for the Deaf and the Blind's intended use of classification salary adjustment monies and 2) the Department of Emergency and Military Affairs declared emergencies.