

JLBC MEETING

At its February 6, 2007 meeting, the Joint Legislative Budget Committee considered the following issues:

Attorney General – Review of Uncollectible Debts

– The Committee gave a favorable review to the Attorney General's listing of \$16.8 million in uncollectible debt from FY 2005, with the exception of \$3.4 million involving a debtor that can not be located and \$3.4 million involving a now-defunct corporation that secured a loan from the Department of Commerce. The favorable review by the Committee will allow the State Comptroller to remove debt, certified by the Attorney General (AG) as uncollectible, from the state accounting system. In addition to the favorable review, the Committee requested from the Department of Commerce more information on the loan to the now-defunct corporation.

Attorney General – Review of Allocation of Settlement Monies

– The Committee gave a favorable review of the allocation plans from the Sony BMG settlement agreement and the Deed and Note Traders consent decree. The Sony BMG settlement was due to the company placing anti-copying software on certain CDs without adequate disclosures to consumers, which exposed some consumers to computer viruses. The Deed and Note Traders Consent Decree settlement was due to the company operating fraudulent home ownership programs targeted to consumers facing foreclosure or with bad credit. The General Appropriation Act contains a footnote that requires JLBC review of the expenditure plan for settlement monies over \$100,000.

Department of Corrections – Consider Approval and Review of Requested Transfer of Appropriations

– The Committee approved a transfer of \$7.5 million to the Overtime/ Compensatory Time (OT/CT) line item. Of this, \$6 million will be transferred from the Department of Correction's employee benefits line item. The remaining \$1.5 million will come from the County Jail Beds Special Line Item. These excess monies occurred due to the cancellation of a contract with the Coconino County jail for 88 beds. The Committee also deferred action on transferring monies from the Private Prison Per Diem SLI to the Provisional Beds SLI until the department negotiates a contracted rate for replacement beds. The agency had requested a transfer of \$12.3 million.

Department of Education – Review of Kinder Morgan Settlement

– The Committee gave a favorable review to the Department of Education

request to provide \$306,400 in additional Basic State Aid Funding to school districts in Pinal County due to assessment evaluation changes pertaining to the recent Kinder Morgan Settlement. At two earlier JLBC meetings, the Committee favorably reviewed similar requests pertaining to school districts in Yuma, Cochise, and Maricopa Counties. Statute requires that the state make up the lost revenues as a result of the revised assessment valuation.

Arizona Department of Environmental Quality – Review of Water Quality Permit Processing Times

– The Committee gave a favorable review to the Department of Environmental Quality's (DEQ) report on water quality permit processing times for FY 2006 and FY 2007. In FY 2006 the department processed approximately 2,900 water quality permit applications, with an average staff time of 30 hours per permit, and a total cost of \$4.2 million. In FY 2007, DEQ expects to process about 3,150 permits, with an average permit time of 31 hours and a total cost of \$5.1 million.

In addition to the favorable review, the Committee also asked DEQ to report by February 26, 2007 on its rationale for not using \$200,000 allocation from the Water Quality Fee Fund in FY 2007 for additional contract permitting staff, given the increase in applications.

State Land Department – Consider Approval of Amended Contract for Permanent Central Arizona Water Delivery

– The Committee approved the State Land Department request to amend a contract originally approved by the Committee in 1986 which allows the agency to purchase approximately 32,000 acre-feet of Municipal and Industrial (M&I) CAP water to maintain the value of trusts lands in Maricopa, Pinal and Pima counties. The amended contract extends the period of the contract from 50 to 100 years. This amendment does not change the financial obligations of the State nor does it change the amount of water purchased by the Land Department.

Department of Public Safety – Quarterly Review of Arizona Public Safety Communication Advisory Committee

– The Committee gave a favorable review of first quarter expenditures for the Public Safety Communication Advisory Commission (PSCC) statewide interoperability project. First quarter expenditures totaled \$209,700 of the nearly \$4.3 million funding. A technical writer position was filled, bringing the total staff to 7 of 9 positions. The Arizona PSCC was established to develop a statewide standard based interoperability system that allows public personnel from one agency to communicate,

via mobile radio, with personnel from other agencies. The PSCC timeline targets the establishment of a financing and development plan for the system by July 2008.

Department of Public Safety – Review of Microwave Communication System Upgrade Expenditures and Progress – The Committee gave a favorable review to the Department of Public Safety (DPS) on its expenditures and progress of the upgrade to its microwave communication system. The microwave system is the backbone of the DPS statewide radio system. The system provides dispatch control of radio base stations and connects 53 remote radio communication sites and 20 state office locations.

In addition to the favorable review, the Committee requested the Department include the following with its June 30, 2007 statutory report: 1) an updated cost estimate on the southern loop of the project and the entire project; 2) an updated expenditure plan and project timeline for the entire project which addresses the lack of Homeland Security monies. The Committee also requested an explanation directly from the Arizona Department of Homeland Security regarding why the project has not received federal homeland security monies so far in FY 2007.

Arizona Department of Revenue – Review of Business Reengineering/Integrated Tax System Contract Amendment – The Committee gave a favorable review of the Department of Revenue's request for a \$2.2 million contract amendment to continue operation of the Business Reengineering/Integrated Tax System (BRITS) data center. The amendment extends the vendor's operation of the system for 1 year from October 2007 to September 2008. Statute requires any Committee review of any BRITS contract extension or modification. BRITS is the computer system being implemented by the DOR to further automate and integrate their separate tax systems. It was designed to improve enforcement and ultimately increase revenues to the state.

Arizona State University – Review of Walter Cronkite School of Journalism – The Committee gave a favorable review of Arizona State University's (ASU) agreement with a private developer to design and construct the Cronkite School of Journalism/KAET Channel 8 project.

The project involves the construction of a 217,700 square-foot 6-story building that will cost approximately \$71 million. The construction of the school will be financed with proceeds from the \$188

million bond approved by City of Phoenix voters to construct and renovate several buildings at ASU's Downtown Phoenix Campus. ASU estimates that beginning in FY 2009, 1,800 students attending the Downtown Campus would be enrolled in the School of Journalism.