

JLBC MEETING

At its August 16, 2007 meeting, the Joint Legislative Budget Committee (JLBC) considered the following issues:

Attorney General – Review of Allocation of Settlement Monies – State v. Purdue Pharma L.P., et. al. – The Committee gave a favorable review to the allocation of \$717,500 from the Purdue Pharma L.P. consent judgment. All of the funds will be deposited into the Consumer Fraud Revolving Fund. In May 2007, the AG and 25 other states entered into a consent judgment with Purdue Pharma as a result of allegations the company encouraged doctors to prescribe the pain drug, OxyContin, for uses not approved by the Federal Drug Administration (FDA).

When this item first came up for review during the June 2007 JLBC Meeting, the Chairman requested that the AG provide an estimate of the costs incurred to litigate the case. The AG estimated these costs to be \$28,000. After subtracting these costs, the AG would use the remaining settlement monies to pursue other consumer fraud cases.

Attorney General – Review of Allocation of Settlement Monies – State v. Warner Chilcott – The Committee gave a favorable review to the allocation of \$128,000 from the Warner-Chilcott settlement. Of the total, \$95,000 in civil penalties will be put into the Consumer Revolving Fund for future consumer fraud cases. The remaining \$33,000 will be put into the Antitrust Enforcement Revolving Fund. In June 2007, the AG entered into a multi-state settlement agreement with Warner-Chilcott due to allegations that Warner-Chilcott and Barr Pharmaceuticals made an agreement blocking generic distribution of Ovcon, an oral contraceptive.

Department of Economic Security – Review of Proposed Implementation of Developmental Disabilities Provider Rate Increase – The Committee gave a favorable review of the DES implementation plan for distributing a developmental disabilities provider rate increase totaling about \$7 million General Fund and \$18.6 million Total Funds. The plan calls for the application of a 3.2% increase over the FY 2007 benchmark and adopted rates for most services, which would fulfill the statutory requirement to raise the rates paid to services providers contracting with the division to at least 100% of the FY 2008 benchmarks.

Department of Economic Security – Review of FY 2008 Expenditure Plan for Workforce Investment Act Monies – The Committee gave a favorable review of

DES' spending plan for \$2.9 million of the discretionary portion of federal Workforce Investment Act (WIA) monies. Recipients include the Department of Education, Department of Commerce, Local Workforce Investment Areas, and DES.

Government Information Technology Agency – Review of Web Portal Contract – The Committee gave a favorable review to the new State Web Portal operation contract with the provision that GITA provide a list of discretionary projects and activities to the JLBC Staff by October 15. The Arizona @ Your Service web portal works with state agencies to provide electronic delivery of government services such as licensing, permitting, data sharing and access to government information. Fixed expenses include \$1.9 million in the first year for day-to-day operations and \$380,000 for transition from the old contract. Since the GITA submission did not include detailed information on the discretionary projects, the Committee asked for more information.

Department of Health Services – Review of Behavioral Health Title XIX Capitation Rate Changes – The Committee gave a favorable review to the department's capitation rate adjustments with the conditions that administrative costs remain within the FY 2008 budgeted levels, and any capitation rate savings be reverted and not transferred for program expansions. The proposed capitation rates are currently expected to cost \$(4.6) million less than budgeted.

Department of Health Services – Review of Children's Rehabilitative Services Capitation Rate Changes – The Committee gave a favorable review to the DHS Children's Rehabilitative Services (CRS) capitation adjustments with provisions that administrative costs remain within the FY 2008 budgeted levels, and any capitation rate savings be reverted and not transferred for program expansions. The proposed capitation rates are currently expected to cost \$(338,000) less than budgeted.

Department of Health Services – Review of the Contract Compliance Special Line Item Expenditure Plan – The Committee gave a favorable review of the DHS \$7.3 million expenditure plan of Contract Compliance with the provisions that the favorable review does not constitute an endorsement of General Fund support to expand the program in the future, and DHS proceed with hiring no more than 44 of the proposed 73 positions. The FY 2008 General Appropriation Act included only the 44 positions. A review of the remaining 29 positions will occur after DHS submits additional information. The Committee

requested that DHS report back by September 13, 2007 with an explanation of how the particular staffing levels were derived, more specific information on how the \$1 million for indirect costs would be used, and the performance measures selected to assess the effectiveness of additional staff. The purpose of the funding is to improve contract monitoring and compliance among the Regional Behavioral Health Authorities and to ensure DHS is meeting its obligations in the *Arnold v. Sarn* and *JK v. Gerald* lawsuits.

Administrative Office of the Courts – Review of Reimbursement of Appropriated Funds – The Committee gave a favorable review to the use of \$3.8 million in projected reimbursements. The reimbursements are monies received by AOC for services provided to local courts and their personnel.

Department of Public Safety – Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission – The Committee gave a favorable review to the DPS expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM), with the provision that DPS reduce the Pima County Sheriff's Office (PCSO) initiative to 11 positions and \$1.3 million. The favorable review included \$5.9 million for GIITEM local enforcement grants to be distributed to PCSO, "Border District" Sheriff's Offices and Police Departments, Southern Arizona prisons for detention liaison and prison officers, and the Arizona Fraudulent Identification Task Force. The favorable review also includes \$3.6 million for 23 DPS GIITEM officers.

The Committee requested that DPS report back on the establishment of performance measures for PCSO as part of its quarterly GIITEM report due October 30, 2007. In addition, the Committee requested that if the 11 PCSO positions are filled and if established performance objectives are met by January 1, 2008, DPS notify the committee.

Arizona State Retirement System – Review of FY 2008 Information Technology Expenditure Plan – The Committee gave a favorable review of the \$2.8 million FY 2008 IT Expenditure for expenses associated with upgrades to the IT system. Implementation began in FY 2002 and is planned to reach completion in FY 2008. The Committee also requested that ASRS continue to provide semi-annual progress reports on the project status, with the next report due by December 31, 2007.