

JLBC MEETING

At its July 17th meeting, the Joint Legislative Budget Committee considered the following issues:

Department of Economic Security – The JLBC gave a favorable review to the plan and methodology for distributing a provider rate adjustment for community service and independent service agreement providers of services to developmentally disabled (DD) clients. The FY 2003 DES budget included approximately \$19.5 million to help increase provider rates in the DD program, specifically for low-paid providers. DES' plan increases the floor for most services to 93% of the "base weighted average" and the group home rate to 100% of the "base weighted average".

Department of Health Services – The JLBC gave a favorable review to the Children's Rehabilitative Services capitation rate changes based on an actuarial study. The proposed rates for FY 2003 represent significant decreases in the rates paid to contractors compared to FY 2002. This decrease better reflects the actual costs per member per month incurred by program contractors. The rate decrease will not likely translate into significant General Fund savings, however, due to considerable growth in the Title XIX eligible population.

The JLBC also gave a favorable review to the downward rate adjustment for the Seriously Mentally Ill (SMI) rate. The SMI rate change is a decrease resulting from the influx of people into the system due to Proposition 204. Because the rate decline is not as great as originally anticipated, however, DHS will still require a supplemental of approximately \$7.2 million if no other changes are made or no other alternative fund sources are identified.

To obtain more information, the JLBC deferred a decision on the General Mental Health/Substance Abuse rates and Children's Behavioral Health rates, which would cost \$4.0 million.

AHCCCS Ticket to Work Program – The JLBC received a report on the implementation of the Ticket to Work program. AHCCCS has a statutory requirement to implement Ticket to Work by January 2002, but the program will not be implemented until January 2003. The implementation date is contingent upon federal approval. The agency does not plan to submit the amendment to the state plan until December of 2002 when all operational issues have been resolved.

Proposition 204 Public Health Programs – The JLBC approved the calculation of the annual inflation adjustments for the 6 public health programs that are funded in Proposition 204 from the Tobacco Litigation Master Settlement. The FY 2002 allocations (which will be expended in FY 2003) for the 6 programs represent an increase of approximately \$300,000 above last year. The total funding is approximately \$18.8 million. Based on the current FY 2003 estimates for the AHCCCS expansion, no funds are expected to be available for public health programs to be expended in FY 2004.

Arizona Department of Education – The JLBC received a report on the plan to allocate its \$(358,900) lump sum reduction for FY 2003. Legislative intent was to reduce administrative costs, not program monies for schools. ADE's plan allocates most of the reduction to programs in Assistance to Schools, with the largest program cut in the Adult Basic Education Program. The department has agreed not to reduce the Adult Basic Education Program dollars that pass through to schools. The Chairman requested a follow-up report to ensure that the allocation of the reduction is consistent with legislative intent.

Arizona Commission on the Arts – The JLBC gave a favorable review of the report on the Arizona Arts Endowment Fund and Private Contributions. The Arizona Arts Endowment Fund was created in 1996 and has received \$8 million in General Fund appropriations. Since 1996, private contributions to be used in conjunction with public monies total about \$24 million.

Arizona Department of Administration – The JLBC received a report on the Human Resources Information Solution (HRIS), which is the replacement system of ADOA's statewide Human Resources/Payroll System. The Government Information Technology Agency (GITA) has reviewed the project and is generally satisfied with the progress to date. GITA and ADOA continue to work together on the design of the project. To date, the HRIS project is within budget.

Other Reports – The Committee received written reports this month on 1) Arizona Department of Administration's on-line bidding systems implementation, 2) Attorney General's Model Court, 3) Department of Economic Security Arizona Works, 4) Department of Economic Security Children Services Program, 5) Department of Environmental Quality Arizona Alternative Testing and Compliance Study, 6) Department of Health Services Health Crisis Fund expenditures, and 7) Department of Revenue Ladewig expenditure plan.