

At its **December 18, 2024** meeting, the Joint Legislative Budget Committee considered the following issues:

Executive Session

Attorney General – Consideration of Proposed Settlements Under Rule 14 – The Committee approved 4 Risk Management settlements pursuant to A.R.S. § 41-621(O) and Committee Rule 14.

Secretary of State – Review of FY 2025 Election Services Line Item Transfer per A.R.S. § 38-431.03 (A)(9) – An FY 2025 General Appropriations Act footnote requires JLBC review before transferring monies in or out of the Elections Services Line Item. The Committee gave a favorable review of the Secretary of State's proposed line-item transfer of \$338,100 for security costs.

Executive Session (Consent Agenda)

Arizona Department of Administration – Risk Management Annual Report – Pursuant to Committee Rule 14, Section 4(A), the Arizona Department of Administration submitted its annual Risk Management Report regarding the status of pending litigation, information on settlements and judgments, and projected fund balances. The Committee gave a favorable review to the report.

Regular Agenda

AHCCCS/Department of Economic Security - Review of Capitation Rate Changes for Plan Year 2025 - Pursuant to an FY 2025 General Appropriation Act footnote, the State's Medicaid agencies must present their plans to the Committee for review prior to implementing any changes in capitation rates. In their requests, AHCCCS and DES are proposing capitation rate adjustments, which have already been implemented in October 2024. AHCCCS is proposing a rate increase of 3.6% across programs, which the JLBC estimates would cost \$31.7 million above the FY 2025 AHCCCS General Fund budget. DES Developmental Disability (DD) rates would increase by 11.2% above the original

FY 2024 rates, which the JLBC estimates would cost \$76.0 million above the FY 2025 General Fund budget. A significant share of the DD rate increase appears to be due to substantial cost increases in the Parents as Paid Caregivers (PPCG) program. The Committee gave the proposed capitation rate increases an unfavorable review.

Department of Environmental Quality - Solid Waste Program Fee Updates (Discussion only) - Pursuant to A.R.S. § 41-1008, the Department of Environmental Quality (ADEQ) requested Committee review of 7 solid waste fee increases that exceed the rate of inflation. The proposed fee increases are those that exceed the 48.5% cumulative rate of inflation for the last 12 years, resulting in a \$489,600 of additional revenue increase for the Solid Waste Fee fund. As this item was for discussion only, there was no action taken by the Committee.

Department of Public Safety - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount - Pursuant to A.R.S. § 41-172 (4)(G) and A.R.S. § 41-172 (4)(H), the Arizona Department of Public Safety (DPS) is required to submit for Committee review the entire FY 2025 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expending any monies. The Committee gave a favorable review to \$800,000 of the agency's expenditure plan to fund the Border Security and Law Enforcement Grants program. This amount excludes a proposed \$250,000 allocation to the Santa Cruz County Sheriff's Office.

Consent Agenda

Arizona Department of Administration/Automation Projects Fund - Review of Automation Projects for ADOA HRIS Modernization, AHCCCS MES Modernization, DPS Conceal Weapons Tracking System, and DHS A to Z Portal Participation - A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund (APF). ADOA submitted 4 projects for review: \$6.8 million for ADOA's Human Resources Information

System (HRIS) Modernization, \$3.4 million for the Arizona Health Care Cost Containment System (AHCCCS) Medicaid Enterprise System (MES) Modernization, \$494,500 for the Department of Public Safety (DPS) Concealed Weapons Tracking System, and \$700,000 for the Department of Health Services (DHS) to prepare for participation in the A to Z Portal. The Committee gave a favorable review to ADOA's proposed expenditure plan.

Arizona Department of Administration - Consider Approval of State Employee Travel Rate Adjustments - A.R.S. § 38-624 (C) requires the Arizona Department of Administration (ADOA) to establish maximum reimbursement amounts for lodging, meal, and mileage expenses taking into consideration the amounts established by the federal government, subject to approval by the JLBC. ADOA proposed an increase to the personal vehicle and privately-owned aircraft mileage reimbursement rate, meal and incidental expense per diem rates and maximum lodging rates to align with new federal rates. The Committee approved ADOA's proposed with the exception of the privately-owned aircraft mileage reimbursement rate.

Department of Child Safety - Review of Line Item Transfers - Pursuant to an FY 2025 General Appropriations Act footnote, the Committee is responsible for reviewing the transfer of monies between most Department of Child Safety (DCS) line items. The Committee gave a favorable review of DCS proposed transfers to realign funding between line items, as well as the transfer of \$651,600 of Federal Expenditure Authority to correctly implement an FY 2023 salary adjustment.

Department of Economic Security - Review of Plan for the Arizona Training Program at Coolidge - A.R.S. § 36-570 requires the Department of Economic Security (DES) to submit a report for review by the Joint Legislative Budget Committee (JLBC) on or before November 1 of each year on the department's plans for the Arizona Training Program at Coolidge (ATP-C) and associated group homes, including any plans to close the facilities. The Committee gave a favorable review of the

agency's plan for the ATP-C, which includes continuing the renovation work to the intermediate care facilities. DES does not plan to close any facilities at the ATP-C.

Arizona Department of Education - Review of Federal Monies Report - A.R.S. § 15-1052 requires Committee review of the Arizona Department of Education's (ADE) annual federal monies report. The Committee gave a favorable review of the report.

JLBC Staff - Consider Approval of Index for Arizona Department of Administration - School Facilities Division Construction Costs – A.R.S. § 41-5741D3(c) requires that the cost-per-square-foot factors used in the Arizona Department of Administration (ADOA) School Facilities Division (SFD) new school construction formula "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 approved a 3.88% adjustment in the cost-per-square-foot factors, which was based on the Rider Levett Bucknall (RLB) Phoenix construction cost index that has been used by the Committee since 2013.