

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2006
MARSHA ARZBERGER
TIMOTHY S. BEE
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HOUSE OF
REPRESENTATIVES

RUSSELL K. PEARCE
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STEPHEN TULLY

JOINT LEGISLATIVE BUDGET COMMITTEE

Friday, March 4, 2005

10:30 a.m.

House Hearing Room 3

MEETING NOTICE

- Call to Order
- [Approval of Minutes of December 16, 2004.](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION - Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
 - 1. [Adoption of Committee Rules and Regulations.](#)
 - 2. [AHCCCS - Review of Comprehensive Medical and Dental Program Capitation Rate Changes.](#)
 - 3. [DEPARTMENT OF HEALTH SERVICES - Review of Developmental Disabilities Capitation Rate Changes.](#)
 - 4. DEPARTMENT OF ECONOMIC SECURITY
 - A. [Review of Long Term Care Capitation Rate Changes.](#)
 - B. [Review of Expenditure Plan for Discretionary Workforce Investment Act Monies.](#)
 - 5. [ATTORNEY GENERAL - Review of Allocation of Settlement Monies.](#)
 - 6. [DEPARTMENT OF PUBLIC SAFETY - Quarterly Review of the Arizona Public Safety Communications Advisory Commission.](#)
 - 7. [DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS - Report on Homeland Security Funding.](#)

8. ARIZONA COMMUNITY COLLEGES - Report of Chairmen of Subcommittee on Dual Enrollment.
9. GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING - Report on Federal Revenue Maximization Initiative.

The Chairman reserves the right to set the order of the agenda.
02/24/05

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

December 16, 2004

The Chairman called the meeting to order at 9:45 a.m., Thursday, December 16, 2004, in Senate Appropriations Room 109. The following were present:

Members:	Senator Burns, Chairman	Representative Biggs
	Senator Anderson	Representative Gray
	Senator Arzberger	Representative Huppenthal
	Senator Cannell	Representative Lopez
	Senator Harper	
	Senator Martin	
	Senator Rios	
Absent:	Senator Bee	Representative Pearce, Vice-Chairman
		Representative Burton Cahill
		Representative Farnsworth
		Representative Huffman

APPROVAL OF MINUTES

Senator Burns moved that the Committee approve the minutes of November 17, 2004. The motion carried.

DIRECTOR'S REPORT

Mr. Richard Stavneak, Director, JLBC Staff, said they keep track of JLBC statutory responsibilities for each year. The Committee has 137 different responsibilities, down 11 from last year, due to the fact that there were some old JOBS Pilot Program monitoring responsibilities that the Committee no longer has. These are posted on our Web site which is how we keep track of whether or not we are doing all the things required by statute.

EXECUTIVE SESSION

Senator Burns moved that the Committee go into Executive Session. The motion carried.

At 9:47 a.m., the Joint Legislative Budget Committee went into Executive Session.

Senator Burns moved that the Committee reconvene into open session. The motion carried.

At 10:20 a.m. the Committee reconvened into open session.

Senator Martin moved that the Committee approve the salary increase for the Director of JLBC Staff in the amount of \$3,450. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)

A. Consider Approval of Mileage Reimbursement for State Travel by Motor Vehicle and Aircraft.

Ms. Shelli Carol, JLBC Staff, said this item is the ADOA request for approval for an increase in mileage reimbursement rates from 34.5 cents to 37.5 cents per mile for motor vehicles and from 42.0 cents to 99.5 cents per mile for aircraft. The proposed rates are consistent with federal rates. The Committee has at least the 3 options listed in the JLBC Staff memo. Option 3 is a request that the department report to the Committee by April 15, 2005, on the establishment of different motor vehicle rates depending on the availability of state motor pool vehicles. The federal government reimburses 37.5 cents per mile when a government vehicle is not available, but only 27 cents per mile when government-owned vehicles are available and an employee chooses not to use one. The Staff memo details what the contents of this report would be and this option could also be combined with either Options 1 or 2. The department has expressed its willingness to implement this policy for all Executive Branch fleets and reports that the ADOA taxi fleet is currently employed at 63.5% of capacity.

Senator Martin said he likes the dual-tier system because it encourages use of those vehicles.

Senator Arzberger said that it might work if they are providing the appropriate vehicle for the use. Law enforcement and Game and Fish travel on remote roads and need 4-wheel drive vehicles, for example.

In response to Senator Anderson, Ms. Carol said the reimbursement rate would apply to all agencies.

Senator Harper said he supported the rate change for motor vehicles but not air travel.

Senator Anderson asked if there had been any studies or performance review done to determine how effectively these vehicles are being used.

Ms. Carol said that the ADOA fleet is being used at approximately 64% of capacity. This report would allow ADOA to go out and do a more thorough investigation of usage. She stated that all of the questions the Committee has asked in the meeting would be addressed in a letter to the agency.

Senator Arzberger noted that a 3rd option could be combined with options 1 or 2 and she suggests that the Committee approve the increase in rates subject to adoption of a 2-tiered system later.

Senator Harper asked what state employees use the airplane travel.

Mr. Clark Partridge, GAO, State Comptroller, said in looking on the accounting system for the past 5 years, there has been no reimbursement for private aircraft.

Mr. Bill Hernandez, Management Services Division, ADOA, said one of the operations they manage is the ADOA fleet. In private industry the optimal utilization rate is about 85% in the taxi fleet. Three years ago they were at 80%. They do have excess capacity and would like to get to an 85% figure. There have been some concerns about additional demand. However, the taxi fleet is augmented by a contract with Enterprise Rental Cars.

Senator Cannell said we should try to decrease travel in the state and utilize teleconferencing more often.

Mr. Hernandez said that the cost per day with the ADOA fleet is about \$26 and the cost for an Enterprise car is about \$40 per day.

Senator Martin said maybe there should be a range for the 2nd tier and give the director discretion to make adjustments to keep it at 85%.

Senator Arzberger moved that the Committee approve options 1 and 3, which is 37.5 cents for motor vehicles and 99.5 cents for aircraft, and require ADOA to report back to the Committee by April 15 with regard to implementing a 2-tier system. The motion carried.

B. Consider Approval of Maximum Lodging Reimbursement Rates.

Ms. Shelli Carol, JLBC Staff, said this item is ADOA's request for an increase in maximum lodging reimbursement rates.

Senator Martin moved that the Committee approve the rates as submitted by the Arizona Department of Administration of \$60 per day from the current \$55 per day. Committee approval does not constitute an endorsement of additional appropriations to cover any higher travel costs. The motion carried.

STATE COMPENSATION FUND (SCF) – Consider Approval of Calendar Year 2005 and 2006 Budgets.

Mr. Eric Jorgensen, JLBC Staff, said this item is a review of the SCF's budget.

Representative Biggs asked why the Committee reviews the SCF budget since it does not seem to matter to them and another way to look at it, is why do they not care. What authority do they have to exceed their budget?

Mr. Jorgensen said the JLBC Staff has addressed those questions to SCF and there is a statute that requires that the Committee review a budget but SCF does not see that as an appropriation and therefore do not feel bound by that.

Representative Biggs asked which statute requires the Committee to approve the budget, and is there some kind of exemption for SCF in having their budget approved. He also asked if there was a penalty imposed on an agency when they do not stay within their budget.

Mr. Jorgensen said the statute is A.R.S. § 23-981E and there is nothing in the statute that penalizes the agency for going over budget.

Senator Arzberger commented that the Workers' Compensation Fund briefed her thoroughly on their intentions to join the Venture Capital Fund and she had serious concerns because it has a very high risk. She would support it if it only went to businesses in the state and the money remains in the state.

Senator Burns asked why has the SCF's spending exceeded the levels approved by the Committee.

Mr. Duane Miller, SCF, said that for the 2-year period that they submitted in total, the expenditures exceeded the amounts approved by the Committee because of the changes that the Committee recommended for the employee compensation and as provided in A.R.S. § 23-981.01B, SCF is to develop a separate and distinct personnel system and have been such for over 10 years. The other items over the 2-year period where we exceeded operating expenses by \$500,000 in 2003, and that was due to a decision by the Board of Directors to engage outside asset managers to enhance the performance of investment portfolio. For 2004, they are expecting to have operating expenditures that are \$300,000 less than those in the submission to the JLBC in 2002.

Senator Burns asked how it was possible for SCF to operate in CY 2004 without a Committee-approved budget.

Mr. Miller said that their budget is reviewed and approved by their Board of Directors each operating year. As noted by JLBC Staff, the court decision recently handed down indicated that the SCF Board of Directors bears the primary fiduciary duty to make decisions in the best interest of SCF, its policy holders and injured workers.

Representative Biggs said he did not believe that answered the question – how do you operate in violation of the statute that requires you to get a budget approved by the Committee.

Mr. Miller said they did not operate in violation of the statute. They are required, by statute, to file a 2-year budget with each year separately delineated. That was done in 2002 and the Committee took action to only approve 1 year. Subsequent to that meeting, they sent a letter to the Director of the JLBC, as well as their CEO, Don Smith, who met with Chairman Pearce and advised them that the SCF was not certain how to respond in regards to the fact that the action of the Committee seemed to be inconsistent with the statute, and that did not seem to be a concern at that time.

Representative Biggs stated for clarification, the reason SCF functioned without an approved budget by this Committee is because the Committee did not approve the budget.

Mr. Miller said the Committee only approved 1 year even though SCF brought a 2-year budget before the Committee, which statute requires. He said SCF feels they fully complied with the statute. Mr. Miller said one question might be did the Committee comply with the statute when they only passed a 1-year budget instead of a 2-year budget. Mr. Miller said they feel they are held accountable for the outcomes for the policy holders of SCF. They do not take the actions of JLBC lightly but also know that they have to manage their business in a dimension that is somewhat different. SCF takes those recommendations back for review and discusses them with the Board of Directors who has the primary fiduciary duty for the allocation of those funds and determination of the appropriate expenditures. There seems to be a lot of questions and confusion regarding the statute at this time.

Senator Burns said that the Board is making decisions like an agency director would be. A director does not have the authority to redo their budget once it is put in place by the Legislature, so it seems that the SCF should operate in the same way.

Senator Burns asked for an explanation as to why the travel budget has nearly doubled.

Mr. Miller said that the travel budget did double but the expenditures are relatively insignificant, accounting for approximately 1% of total operating expenditures. The anticipated increase is partially due to the increased costs of fuel, a great impact on the IRS mileage rates which increased nearly 10% this past year. Also, they are expanding their loss control efforts and other contacts with policyholders which will increase the amount of in-state travel.

Senator Burns said the fund pays out dividends every year to policyholders and asked if this is an indication that the premiums are too high.

Mr. Miller said the Arizona Workers' Compensation rates are established annually by an outside statistical rating agency who is authorized to perform this service by the Department of Insurance. Private insurers are bound by this filing with the exception that SCF can submit their individual experience and request a deviation. For the past 2 years they were able to support a deviation in their filing to the Department of Insurance, which was 10% below those standard rates. The company may file only one set of rates and that applies to all their policyholders. They serve a broad cross-section of different types of policyholders in Arizona. The ultimate outcome if operating costs are lower, aggressive loss control programs and medical costs containment efforts that have been initiated by SCF, have given favorable experiences relative to those industry rates. The primary driver is the superior investment performance of our portfolio, which has enabled SCF to return, in the form of investment income dividends, to policy holders which has reduced their net costs of workers' compensation insurance.

Senator Burns said, in the continuing debate on whether the SCF is a state compensation fund or a private insurance company, he believes the SCF employees are part of the State Retirement System. He asked if the SCF receives some tax benefit as being classified as a state entity.

Mr. Miller said SCF employees are a part of the State Retirement System. There are other non-state employees such as school districts and municipalities that participate in the Retirement System. With regards to the tax benefits, SCF does pay all premium taxes, property taxes, other taxes and assessments in the state that any insurance carrier operating in Arizona would incur. The tax benefits that accrue to SCF are a federal tax exemption which is primarily a result of organizations that function as a guaranteed market for workers' compensation insurance.

Senator Cannell said in looking at the overall numbers, it looks like the SCF has been very successful in their investments. He asked for an explanation on the huge jump in investment income in 2004 and then flattening out.

Mr. Miller said the reason the numbers jumped significantly in 2003 and 2004 were realized capital gains on their equity portfolio. The relatively flat numbers are based primarily on income which will be derived from dividends and are much more predictable.

Senator Burns said one of the options proposed is to approve the budget as requested but to adjust the salary increase to be in line with statewide employee salary increases. He asked if the Committee were to vote that proposal out, what would the SCF reaction be.

Mr. Miller said they feel that it probably would have a significant impact on the turnover of their workforce, such as has been experienced in the state employee workforce. Since the SCF is not bound by state employment practices, they feel it is in the best interest of their policyholders to maintain the compensation. Even in the face of significant increases in their premium volume and other activities they were able to hold employee costs relatively level during that same period.

Senator Burns stated that the answer is, if the Committee votes that option out, the SCF will ignore it.

Mr. Miller said they will take it under advisement to their Board of Directors.

Representative Gray asked if the Committee could get a list of the different conferences that people attended, the number of people that went and the cost for the out-of-state travel.

Mr. Miller said he would provide a historical list of the travel.

Senator Burns said no action will be taken on this item.

DEPARTMENT OF PUBLIC SAFETY (DPS) – Quarterly Review of the Arizona Public Safety Communications Advisory Commission

Mr. Martin Lorenzo, JLBC Staff, said this is a report on 1st quarter expenditures by DPS.

Senator Martin moved that the Committee give a favorable review to the 1st quarter expenditures submitted by the Department of Public Safety. The motion carried.

JOINT LEGISLATIVE BUDGET COMMITTEE – Consider Approval of Year 2005-2006 Strategic Program Area Review (SPAR) Topics Candidates.

Mr. Stefan Shepherd, JLBC Staff, said the SPAR process is an attempt to look at issues that primarily cut across state agency lines. There are 4 basic components of the SPAR process outlined in the JLBC Staff handout (Attachment 1). The JLBC Staff is recommending the following 4 program areas for the upcoming SPAR cycle: 1) Workforce Development and Job Training issues in DES, Department of Commerce, Department of Education, Community Colleges, Governor's Council on Workforce Development; 2) Homeland Security and DEMA; 3) University Financial Aid; and 4) Ports of Entry in ADOT, DPS and Department of Agriculture.

Senator Burns noted that the Ports of Entry were the subject of a SPAR in 2000 and questioned why they are being selected again.

Mr. Shepherd said that it was one of the 3 SPARs considered 4 years ago. JLBC Staff and OSPB had different perspectives on the program. One possibility of the SPAR is to get an update, including taking into account the new staff added by DPS.

Senator Burns said Homeland Security came before the Committee at a recent JLBC meeting and they committed to providing a monthly report to the Committee, and he is not aware of a report being received.

Mr. Stavneak said that was discussed in the September meeting. They committed to submitting the first report on November 15 but the Staff has not yet received that report.

Senator Anderson asked who decided that these 4 programs would be selected for the SPAR process and was there a particular reason why they were selected.

Mr. Shepherd said these were issues that came up as Staff was doing reviews of issues and budget processes.

Senator Rios asked why university financial aid was selected, because most of the financial aid that is available for students at the university is from the federal government. Since the state does not contribute to financial aid, why would the Committee want to get into this particular area.

Mr. Shepherd said one of the issues related to the financial aid SPAR is that Staff does not have a good understanding of all the financial aid resources available to students and their families. In addition to all those programs administered by

the universities, there are also federal tax credits and deductions for higher education expenses. These would be useful to know in terms of looking at all financial aid.

Senator Martin said he was recently at a meeting with several of the universities and they said they just had roughly a 40% tuition increase, primarily to go to financial aid. They are going to be coming back specifically to request more money for student enrollment, which they can put into student aid. We may not have a line item for financial aid but it was clear that the universities use a mix of tuition dollars and the appropriation as part of their funding for financial aid programs. If their plan is to continue to raise tuition, it may be useful to look at their financial aid program.

Ms. Jean McGrath, Citizen, said that she was pleased that the Ports of Entry were included in the SPAR. There have been a lot of problems in the past with funding for it. She said one of the biggest problems that people at the Ports of Entry look for are fire ants. The fire ants are a big safety and health issue in the state. She said she believes the Department of Health Services should take up some of the funding for the Ports of Entry, as a health issue it is their responsibility. The ants do not usually come in on agriculture loads, they usually come in on loads of junk steel. She said she was hoping the Ports of Entry budget would be expanded or at least not minimized.

Senator Martin moved that the Committee approve the JLBC recommendation for the following 4 program areas for the Year 2005-2006 SPAR cycle: Workforce Development, Homeland Security, University Financial Aid and Ports of Entry. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION – Review of an Intergovernmental Agreement between Arizona Department of Transportation and Maricopa County (Phoenix International Raceway (PIR)).

Mr. Lorenzo Martinez, JLBC Staff, said this is a review of an agreement between the Department of Transportation and Maricopa County regarding the state's participation in financing highway improvements to improve access to Phoenix International Raceway.

Senator Burns asked if the JLBC Staff was familiar with the improvements.

Mr. Martinez said the JLBC Staff did not know the details of the construction. The county will be responsible for taking the lead on this project so they are determining the details of construction.

Mr. Jon White, Maricopa County Department of Transportation, said the proposed improvements are road improvement access on the westerly approaches to PIR. The improvements will occur from the intersection of Vineyard with the Estrella Parkway, the road changes names at various points. Mr. White confirmed that there will be a guaranteed 2nd race at PIR.

Senator Martin moved that the Committee give a favorable review to the Arizona Department of Transportation and Maricopa County intergovernmental agreement related to the design, reconstruction and improvement costs of highway improvements to enhance access to Phoenix International Raceway. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY (DES) – Review of Expenditure Plan for Workforce Investment Act Monies.

Mr. John Malloy, JLBC Staff, said this is a review of an expenditure plan submitted by DES for \$2.2 million in discretionary Workforce Investment Act (WIA) monies.

Senator Cannell asked why DES is scaling back money to assist nursing programs.

Ms. Gretchen Logan, Financial Service Administrator, DES, said that the nursing program received a grant that was approved at the end of June and they have not applied to the Governor's Council on Workforce Policy for an allocation in FY 2005.

Senator Burns asked with adding the new programs, does the department have any current-year shortfalls in other programs that they might use this money for.

Ms. Logan said the shortfalls that the department has right now are in Children's Services in the CPS system. These monies are specifically for WIA issues.

Senator Anderson asked why the youth programs are targeting youth between the ages of 14 and 21. He believes that you must be 16 to work.

Ms. Logan said that the program works with children who have dropped out of school so it also assists them with obtaining their GED. There are youth that drop out of school at 14 years of age.

Ms. Logan said she would get more specific information for the Committee on the difference between assisting 14 year olds versus older youths.

Senator Anderson asked why there is a specific program for women since other traditional programs already in place would not exclude women.

Ms. Logan said this program focuses on providing resources and job training to women who are in vulnerable life situations due to being a victim of domestic violence, substance abuse, or involvement with the criminal justice system. The program is not different in nature, it is the group of women who are coming into the program that differs from the traditional programs already in place.

Senator Martin moved that the Committee defer the decision on the expenditure plan until the Department of Economic Security provides more information on the new programs proposed by the Governor's Council. The motion carried.

GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING – Report on Federal Revenue Maximization Initiative.

Mr. Stefan Shepherd, JLBC Staff, said this is a quarterly report from the Office of Strategic Planning and Budgeting (OSPB) on the status of the Federal Revenue Maximization Initiative.

Senator Burns asked if there was any money from the \$25 million that might be returning to the General Fund.

Ms. Anne Winter, Staff, Revenue Maximization Project for the Governor's Office, said that the \$25 million was a budget balancing item and right now there are 3 projects that will be bringing in a total of about \$10 million in FY 2005. There are a few other ISAs for about \$135,000. She said one of the things they heard from the pool of 6 consultants they have is they were surprised on how well the state agencies have done in maximizing federal dollars.

Senator Anderson asked if we paid 6 consultants to come up with this information and do they get paid out of savings.

Ms. Winter said the consultants are paid for on a project-by-project basis. The structure of the program was ADOA did an RFP to get a pool of consultants with a particular expertise. For each project a consultant was hired. They are paid in 2 different ways, a percentage of net revenues gained or a fixed fee basis.

Ms. Winter said that there may be \$300,000 in 3rd party payments from the Arizona State Hospital that will go in the General Fund.

ATTORNEY GENERAL (AG) – DEPARTMENT OF LAW – Report on New Staffing of Child Protective Services Attorneys.

Ms. Kim Hohman, JLBC Staff, said that this item is a summary of the Attorney General's report on the status of hiring new CPS attorneys and staff.

Senator Burns asked if the agency has provided any information as to when the remaining positions of the 65 will be filled.

Ms. Hohman said the AG's office indicated that the remaining 10 should be filled by the end of the fiscal year.

Representative Biggs asked if JLBC Staff had any information on the results of the trials.

Ms. Mary Bingham, Chief Council, AG, said the results of the trials that went to jury are: 14 terminations, 1 denied termination and 1 split where a determination was made on 1 child and not the other.

Senator Anderson asked if it is normal for parents not to show up for a court date and what happens to the jury when it is canceled.

Ms. Bingham said it is normal, often parents do not show up. Sometimes they let the courts know ahead of time and sometimes it is the day of the trial or even after the trial has started. Regarding how this affects the jury, it depends on when the case is cancelled.

Senator Anderson suggested the Committee look into parents not showing up. Perhaps if the parent does not show up they should have to pay for the cost of the jury or some sort of penalty for just not showing up after requesting a trial.

Representative Biggs said if it were a criminal case often there are plea changes at the moment of truth and the jury is sent home, or a trial in absentia.

Ms. Bingham said the rules of the Juvenile Court provide that if a parent does not appear, it can be converted to a bench trial.

Senator Cannell said the numbers are disappointing on the kids waiting for placement. He asked if there has been any analysis of that.

Ms. Bingham added as a clarification of the numbers is, they reflect their caseload, which means any child that is dependent and may be in-home, or in a foster home or group homes. The awaiting placements is a difficult question to answer and those numbers do not give you detailed enough analysis. We are continuing to see increases with caseload counts.

ARIZONA STATE RETIREMENT SYSTEM (ASRS) – Report on Contribution Rates.

Mr. Eric Jorgensen, JLBC Staff, said this item is a report to the full Committee from the proceedings of the JLBC Subcommittee on Contribution Rates that was held on October 21.

Mr. Anthony Guarino, Deputy Director, ASRS, said in response to Senator Burns, that the 7.75% contribution rate is the final number. He said that whether the increase can be all at once or over a period of time, is a question of how one interprets the Constitution. The agency does not have a position on that. Mr. Guarino said they have not posed that question to legal staff. If it was phased in it would add 36 basis points to the contribution rates by 2009. These projections are based on the assumption that experiences match their assumptions. They could increase or decrease based on investment performance.

Senator Burns asked about setting an annual rate as opposed to setting it on a biennial basis.

Mr. Guarino said their analysis showed some modest savings if they went to an annual rate. It would be first recognized in FY 2009 and the savings would be 8/100 of a percent. The rate increase does not bring us back to fully funded status. That will take several years, by 2013 contribution rates will peak at around 10.23% and then begin a gradual decline.

Representative Huppenthal said they have a pretty significant challenge in funding the retirement area. He said he usually feels that the phase-in is the best way to do these things, but the phase-in might be a lot more shocking than anticipated since the 8% may not materialize.

Chairman Burns adjourned the meeting at 12:00 p.m.

Respectfully submitted:

Cheryl Kestner, Secretary

Richard Stavneak, Director

Senator Bob Burns, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 West Adams.

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DATE: February 24, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

FROM: Richard Stavneak, Director

SUBJECT: ADOPTION OF COMMITTEE RULES AND REGULATIONS

The Committee will consider the attached rules and regulations for adoption at its March 4 meeting. The rules and regulations are the same as the Committee used in the last biennium.

RS:lm
Attachment

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 1

NAME OF COMMITTEE AND METHOD OF APPOINTMENT

The name of the Committee is the Joint Legislative Budget Committee, hereinafter referred to as the Committee, consisting of sixteen members designated or appointed as follows:

1. The majority leaders of the Senate and House of Representatives, the Chairmen of the Senate and House of Representatives Appropriations Committees, the Chairman of the Senate Finance Committee and the Chairman of the House of Representatives Ways and Means Committee.
2. Five members of the Senate and five members of the House of Representatives who are members of their Appropriations Committees shall be appointed to the Committee by the President of the Senate and the Speaker of the House of Representatives, respectively.

RULE 2

STATUTORY POWERS AND DUTIES OF THE COMMITTEE

1. The Committee shall ascertain facts and make recommendations to the Legislature relating to the State budget, revenues and expenditures of the State, future fiscal needs, the organization and functions of State agencies or divisions thereof and such other matters incident to the above functions as may be provided for by rules and regulations of the Committee.
2. The Committee shall promulgate rules and regulations for the operation of the Committee.
3. The Committee shall have the powers conferred by law upon legislative committees.
4. The Committee shall make studies, conduct inquiries, investigations and hold hearings.
5. The Committee may meet and conduct its business any place within the State during the sessions of the Legislature or any recess thereof and in the period when the Legislature is not in session.
6. The Committee may establish subcommittees from the membership of the Legislature and assign to such subcommittees any study, inquiry, investigation or hearing, with the right to call witnesses, which the Committee has authority to undertake.

RULE 3

CHAIRMAN OF THE COMMITTEE

The Chairman of the House of Representatives Appropriations Committee shall have a term as Chairman of the Committee from the first day of the First Regular Session to the first day of the Second Regular Session of each Legislature and the Chairman of the Senate Appropriations Committee shall have a term from the first day of the Second Regular Session to the first day of the next Legislature's First Regular Session.

RULE 4

COMMITTEE PROCEEDINGS

The Committee proceedings shall be conducted in accordance with Mason's Manual of Legislative Procedure, except as otherwise provided by these rules.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 5

SUBCOMMITTEES

The Committee may establish subcommittees from the membership of the Legislature and assign to such subcommittees any study, inquiry, investigation or hearing with the right to call witnesses which the Committee has authority to undertake. Each such subcommittee shall include in its membership an equal number of Senate and House of Representatives members.

RULE 6

QUORUM

A majority of the members of the Committee shall constitute a quorum for the transaction of business.

RULE 7

LEGISLATIVE BUDGET ANALYST

The Legislative Budget Analyst (hereinafter "Director") shall be the Staff Director and the Chief Executive Officer of the Committee. The Director shall be appointed by the Committee and shall serve on a full-time basis. The Committee shall annually review the Director's performance and determine the Director's salary within the limits prescribed by law. The Chairman of the Committee may appoint a subcommittee to make recommendations concerning these matters.

In addition to the responsibilities prescribed by A.R.S. § 41-1273, the duties of the Director shall include any duties which shall be assigned by the Committee, including the following:

1. Compilation of information for the Committee.
2. A continuous review of State expenditures, revenues and analysis of the budget to ascertain facts, compare costs, workload and other data and make recommendations concerning the State's budget and revenue of the departments, boards, commissions and agencies of the State.
3. Act as administrative head of the Committee Staff, with authority to hire and dismiss such personnel as may be necessary for the proper conduct of the office, and fix compensation of staff members within any limits set by the Committee.
4. Maintain the records and files of the Committee.
5. Shall make special reports for presentation to the Committee and to others as directed by the Committee.
6. Attend all meetings of the Committee and such other meetings and hearings as are necessary to facilitate the work of the Committee.
7. Examine as to correctness all vouchers for the expenditure of funds appropriated for the use of the Committee.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 8

AGENDA FOR MEETINGS

An agenda for each Committee Meeting shall be prepared by the Director and, whenever possible, mailed or delivered to members of the Committee, not less than one week prior to the meeting. The Director must have at least three weeks prior notice for any state agency-requested items that appear on the agenda, unless the Chairman of the Committee approves of a later submission.

RULE 9

ORDER OF BUSINESS

The Order of Business at a Committee meeting shall be determined by the Chairman of the Committee. It shall normally be as follows:

1. Call to order and roll call
2. Reading and approval of minutes
3. Executive Session (including Rule 14 items)
4. Director's Report [if any]
5. Items requiring Committee review and/or approval
6. Other Business - For Information Only
7. Adjournment

RULE 10

DISBURSEMENTS

1. All expenditures of the Committee shall be by vouchers properly itemized and supported by receipts and shall be approved by the Director when authorized by the Chairman of the Committee.
2. All contracts and studies authorized by the Committee shall be approved by the Committee after examination.

RULE 11

MEETINGS OF THE COMMITTEE

The Committee shall meet at such times and places as the Committee may determine, but in any event, no less than once in each calendar quarter. Additional special meetings may be called by the Chairman or by a majority of the members of the Committee.

RULE 12

ADOPTION AND AMENDMENT OF THE RULES AND REGULATIONS

These rules and regulations shall be adopted and may be amended by a majority vote of the members of the Committee, provided that a quorum is present.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 13

FISCAL NOTES

1. The President of the Senate and the Speaker of the House of Representatives or their designees may each designate bills that shall have a fiscal note prepared regarding their impact.
2. The JLBC Staff shall prepare the fiscal notes utilizing an impact period of three years. The fiscal notes shall indicate any local fiscal impact, where appropriate.
3. Fiscal notes shall not contain comments or opinions on the merits of the bill.
4. Exceptions to the procedure set forth in this rule shall be permitted with the approval of the Chairman and Vice Chairman of the Committee.
5. The Committee may amend or suspend this rule or any subsection hereof by a majority vote of those present and eligible to vote.
6. Procedures to implement this rule shall be prepared by the Director and approved by the Chairman and Vice Chairman of the Committee.

RULE 14

STATE LIABILITY CLAIMS - PROCEDURE FOR SETTLEMENT WHEN COVERED BY RISK MANAGEMENT SELF-INSURANCE FUND

1. General provisions for presentation of settlement to the Committee:
 - A. Settlements of \$250,000 or less do not require approval of the Committee pursuant to A.R.S. § 41-621(M). All proposed liability settlements must be presented to the Committee in accordance with these provisions and accompanied by a report containing the information specified in Paragraph 3.
 - B. The report shall be filed with the Chairman of the Committee seven days before the meeting scheduled to consider the settlement proposal.
 - C. A limited number of items may be excluded from the written report and presented orally at the Committee meeting, if the Attorney General and Risk Management Division find the exclusion to be absolutely necessary for the protection of the State's case.
 - D. All Committee settlement proceedings and material prepared for such proceedings shall be required to be kept confidential.
 - E. Any plaintiff's inquiries regarding Committee meeting dates, times and agendas should be directed to the Attorney General's Insurance Defense Section which shall consult with the JLBC Staff Director.
2. At a Committee meeting at which a settlement proposal is considered:
 - A. Material shall be presented by the Attorney General or retained defense counsel who had primary responsibility over negotiation of the settlement and/or handling of the case, together with the Manager of the Risk Management Division of the Department of Administration.
 - B. The Committee Chairman or a majority of the Committee, may request other witnesses to attend and testify at any settlement proposal meeting. When requested by a Committee member, the director of an agency named in a lawsuit for which a settlement is proposed shall be requested to appear at the meeting at which the settlement is proposed.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 14 CONTINUED

STATE LIABILITY CLAIMS (CONT'D)

- C. The presentation of the settlement proposal at the Committee meeting shall contain, at a minimum, the information required to be submitted pursuant to Paragraph 3.
 - D. In addition to the report, additional drafts, charts, pictures, documents or other items may be presented to the Committee by the Attorney General or Risk Management Division, if helpful in reviewing the merits of the settlement. Additional items shall be presented when requested by the Committee Chairman, or a majority of the Committee at a prior meeting, or a JLBC subcommittee to which the matter has been referred.
 - E. Upon a conclusion of the presentation, the Committee may accept the settlement as proposed, reject the settlement as proposed, recommend an alternative settlement with the advice of the Attorney General and Risk Management Division, request additional information, evaluations or appearances of witnesses, or the matter may be referred to a JLBC subcommittee for further study.
3. The written settlement proposal report submitted to the Committee for each settlement offer shall contain the following information:
- A. A one to two page executive summary of pertinent information related to the case that, at a minimum, summarizes information contained in items B, D, G, H, I, K, L, N and P below.
 - B. The names of the plaintiffs or claimants.
 - C. Whether a lawsuit has been filed, the date on which it was filed and the current status of the lawsuit. If a lawsuit has not been filed, the last date upon which a lawsuit could be filed.
 - D. The basic facts of the case including, first, the undisputed facts and secondly, those facts in dispute.
 - E. A summary of the basis or bases of liability claimed by plaintiff or claimant and the State's defenses to such liability, including the key evidence relied upon by each party.
 - F. The amount originally claimed by the plaintiff or claimant.
 - G. The identifiable damages and/or costs incurred by plaintiff or claimant to date.
 - H. Costs incurred by the State in defending the claim or suit to date.
 - I. Estimated costs to the State of defending the claim or suit through trial.
 - J. Attorney for plaintiff, Attorney General assigned to the case, retained defense counsel, if any.
 - K. Estimate of plaintiff or claimant's chances of prevailing in suit against the State.
 - L. Range of recovery likely at trial for plaintiff's claims.
 - M. Complete terms of settlement including:
 - 1. To whom payment is to be made;
 - 2. The amount of payment;
 - 3. The conditions, if any, attached to the payment; and

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 14 CONTINUED

STATE LIABILITY CLAIMS (CONT'D)

- 4. Deadline for settlement, if any.
- N. Settlement recommendations of Attorney General and Risk Management and recommended response to settlement offer.
- O. Whether the State has any claim or right of recovery against other parties, e.g., subrogation or indemnification.
- P. An agency response that shall contain the following information:
 - 1. Actions taken to eliminate or limit the future risk of liability to the state.
 - 2. Statement as to any disciplinary action(s) taken against any employee(s) that were negligent in carrying out their duties.
- 4. In conjunction with the settlement procedures prescribed pursuant to this rule, the Risk Management Division shall:
 - A. Annually report to the Committee on the operations of the Division, the status of pending claims and lawsuits, information on actual judgements and settlements, and projected fund balances.
 - B. With the assistance of the Attorney General, propose to the Committee any changes in State insurance coverage, State statutes, State liability principles or claims procedures which may help to limit future State liability.

RULE 15

CONFIDENTIAL NATURE OF SERVICES

The Director, members of the JLBC Staff, and those charged with the duty of processing in any manner proposed budget estimates, recommendations or research, shall not, without consent of the recipient legislator(s), disclose to any other person whomsoever, the contents of any letter, memorandum, report, newsletter, or any other written communicate.

This provision does not apply to regular JLBC Staff reports nor information which the Staff prepares and disseminates under the general authority of the Director that was not specifically requested by a legislator(s).

The violation of any provision of this rule by the Director, a member of his staff, or any person charged in any manner with the duty of processing proposed analysis or research may be deemed sufficient cause for dismissal by the Director and in the case of the Director, by the Committee.

STATE OF ARIZONA

Joint Legislative Budget Committee

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STEPHEN TULLY

DATE: February 22, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Timothy Sweeney, Senior Fiscal Analyst

SUBJECT: Arizona Health Care Cost Containment System – Review of Comprehensive Medical and Dental Program (CMDP) Capitation Rate Changes

Request

Pursuant to a General Appropriation Act footnote, the Arizona Health Care Cost Containment System (AHCCCS) is required to report federal Title XIX Acute Care capitation rate changes to the Committee for its review prior to implementation. AHCCCS is recommending a 16% increase to the Comprehensive Medical and Dental Program (CMDP) capitation rates, retroactive to January 1, 2005 and effective through December 31, 2005. The federal government requires that capitation rates be actuarially sound.

Summary

The proposed rates are based upon an actuarial study. The proposed rates represent an increase above the current rates of approximately 16%. In comparison, the original FY 2005 budget assumed capitation rate increases of approximately 6%. The proposed rate increase adds approximately \$600,000 to the cost of AHCCCS in FY 2005 and would lead to annualized costs of approximately \$1.2 million in FY 2006. These amounts are included as part of the JLBC estimates for the FY 2005 AHCCCS General Fund supplemental need of approximately \$58 million as well as the FY 2006 increase of approximately \$222 million.

The Committee has at least the following choices:

1. A favorable review of the requested CMDP capitation rate adjustments.
2. An unfavorable review. Given the federal guidelines that the capitation rates be actuarially sound, AHCCCS would most likely implement these rates even with an unfavorable review.

(Continued)

Analysis

Since Title XIX is a federal entitlement program and states are required to provide reimbursement rates that are actuarially sound, capitation rates are not set by the Legislature. AHCCCS actuaries use actual claims and encounter data, as well as projected enrollment, to determine the actual costs of services and thereby recommend increases or decreases in the capitation rates. CMDP provides medical and dental services to children in foster care, and is administered by the Department of Economic Security.

The 16% capitation rate increase recommended by the actuaries includes increases in the costs and utilization of medical services. In part, due to a federal project emphasizing the provision of preventive health services, overall utilization of primary care services among the CMDP population increased 31% while population increased by only 16%. The overall rate increase also includes a reduction due to changes in the reimbursement methodology for outpatient hospital services enacted as part of the FY 2005 budget.

RS/TS:ck



Janet Napolitano, Governor
Anthony D. Rodgers, Director

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PO Box 25520, Phoenix AZ 85002
phone 602 417 4000
www.ahcccs.state.az.us

Our first care is your health care
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

January 5, 2005

The Honorable Russell K Pearce, Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007



Dear Representative Pearce:

The Arizona Health Care Cost Containment System (AHCCCS) respectfully requests to be placed on the agenda for the next Joint Legislative Budget Committee meeting for the purpose of reviewing increases to the Comprehensive Medical Dental Program (CMDP) rates for the period January 1, 2005 through December 31, 2005. This review is required in the footnotes to the General Appropriation Act.

CMDP rate increase

Before implementation of any changes in capitation rates the Arizona Health Care Cost Containment System Administration shall report its plan to the Joint Legislative Budget Committee for review and this includes any capitation rates used for the Proposition 204 populations.

AHCCCS has conducted a review of cost and utilization data for CMDP, the program contained within the Department of Economic Security (DES), that provides acute care medical services to children in foster care. Children enrolled in CMDP population are a high acuity population with unique health care needs.

Based on cost and utilization trends, AHCCCS is recommending a 16.0% increase to CMDP's capitation rates for the period January 1, 2005 through December 31, 2005. This increase will provide federal funding that will offset CMDP's annual losses that are currently funded solely through the general fund.

Budget Impact due to rate increases by funding source

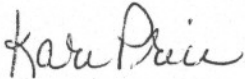
	<u>SFY '05</u>
Federal Funds	\$ 2,481,125
State Funds	<u>\$ 1,222,047</u>
Total Funds	<u>\$ 3,703,172</u>

The trend analysis utilized data from the quarter ending December 2001 through the quarter ending June 2004. The data was applied using the statistical method of linear regression and the final rates were selected primarily based on the regression analysis, with some considerations given to AHCCCS Acute Care trend rates. Next, there were adjustments for program changes and reinsurance offset. Finally, the projected administrative expenses and premium taxes were added.

There were two primary contributing factors to the new rates. First, The Department of Health and Human Services' and Child and Family Review, Program Improvement Project for CPS has increased the utilization of primary care by CMDP members. The project emphasizes the provision of preventive health services, earlier in a child's out-of-home experience. Arizona's improved performance in this is evidenced by an increased utilization of physician services by the CMDP population. From SFY03 to SFY04, CMDP's enrollment increased 16%, while CMDP members receiving health care services increased 31%. Second, overall trends in increased pharmaceutical and physician expenditures heavily influenced the total rate increase.

Please feel free to contact me at (602) 417-4625 if you have any questions.

Sincerely,



Kari Price
Assistant Director
Division of Health Care Management

- c. Anthony Rodgers, Director, AHCCCS
- Tom Betlach, Deputy Director, AHCCCS
- Richard Stavneak, Director, Joint Legislative Budget Committee Staff
- Jim Cockerham, Assistant Director, Division of Business and Finance, AHCCCS
- Lynn Dunton, Assistant Director, OPAC
- Tim Sweeney, Joint Legislative Budget Committee Staff
- Kris Ward, Governor's Office of Strategic Planning and Budgeting
- Kathy Rodham, Finance Manager, DHCM

Comprehensive Medical and Dental Program (CMDP) Actuarial Memorandum

I. Purpose:

The purpose of this actuarial memorandum is to demonstrate that the capitation rates were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

II. Base Period Experience:

Since CMDP has a relatively small membership base, multiple years and sources of data were used to increase the statistical credibility. The base year experience includes fiscal year 2003 (FY03) and 2004 (FY04) audited financial statements and contract year 2003 (CY03) encounter data, for both Prospective and Prior Period Coverage (PPC) CMDP members. The analysis was based on cost PMPMs by service category, instead of utilization rate and cost per unit for the different service categories.

In situations where it is reasonable to assume that the encounter data was missing, the missing encounter data was imputed based on audited financial data. The two missing encounter data points were pharmacy and miscellaneous medical costs. In addition, the outliers in quarterly claim PMPM were adjusted prior to the application of the regression analysis in projecting the trend rates. No adjustment was made other than the ones already described.

CMDP has a relatively small membership base and the members are located statewide. Ideally, the experience should be analyzed by the different rate cells, which are comprised of members with similar risk characteristics; however, segregating the CMDP population into different rate cells would lead to a statistical credibility problem. Therefore, AHCCCS believes that having only two rate cells, Prospective and PPC, is more actuarially sound than creating more rate cells.

The experience only includes CMDP Medicaid eligible expenses for CMDP Medicaid eligible individuals. In addition, the experience includes reinsurance amounts. There are no other incentives or risk sharing arrangements.

In general, the base period claim PMPMs are trended to the midpoint of the effective period or July 1, 2005. The next step involves adjusting for program changes, reinsurance offset, and third party liability. In the final step, the projected administrative expenses and premium tax are then added to the projected claim PMPMs to obtain the capitation rates. Each step is described in the sections below.

III. Projected Trend Rates

The trend analysis includes experience from quarter ending December 2001 through quarter ending June 2004. The claim PMPM outliers (more than one and a half standard deviations from the mean) were adjusted to be one and a half standard deviations from the mean. AHCCCS then applies the statistical method of linear regression to the logarithm of the claim PMPM to obtain the projected trend rates by service category. These trend rates were then compared with trend rates from sources such as Mercer trend survey and AHCCCS Acute Care trend rates. The final trend rates were selected primarily based on the regression analysis, with some considerations given to Acute Care trend rates. The trend rates used in projecting the claim costs are as follows.

Table I: Prospective and PPC Average Annual Trend Rate

Service Category	Average Annual Trend	
	Prospective	PPC
IP Hosp.	8.5%	8.5%
Physician	12.3%	12.3%
ER	3.6%	N/A
Pharmacy	19.5%	N/A
Lab & X-ray	10.5%	N/A
OP Fac.	4.6%	N/A
DME	0.0%	N/A
Dental	4.2%	N/A
Transportation	15.7%	N/A
NF, Home HC	14.8%	N/A
Physical Therapy	0.0%	N/A
Misc	0.7%	0.7%

IV. Projected Gross Claim PMPM

The claim PMPMs were trended to the midpoint of the effective period, which is July 1, 2005. The PMPMs were trended for thirty, eighteen, and twenty seven months for FY03, FY04, and CY03, respectively. The trended PMPMs were then weighted to obtain the projected gross claim PMPM. For Prospective, the weights given to each trended PMPM are as follows: 28.5% weight on the trended FY03, 66.5% weight on the trended FY04, and 5% weight on the trended CY03. For PPC, the weights given to each trended PMPM are as follows: 30.0% weight on the trended FY03 and 70.0% weight on the trended FY04.

V. Program Changes

There were two changes that would impact the projected gross claim PMPM. The first program change is the change in the outpatient reimbursement methodology. Effective July 1, 2005, providers will be reimbursed for their services based on a fee schedule, instead of the cost to charge method. This change has been estimated to reduce the total claim costs by about 1.4%. The second change is the increase in the ambulance service charges. This change has been estimated to increase the total claim costs by about 0.3%. Both of these changes were also reflected in the development of the Acute Care 2005 capitation rates.

VI. Projected Net Claim PMPM

The projected gross claim PMPMs were adjusted for the program changes, reinsurance offset, and third party liability to obtain the net claim PMPM. There are no reinsurance offset or third party liability for PPC. For Prospective, the estimated reinsurance offset is \$6.18 PMPM and third party liability is \$.54. The projected net claim PMPMs are as follows.

Table II: Projected Net Claim PMPM

Service Category	Projected CY 05 Claim Cost PMPM	
	Prospective	PPC
IP Hosp.	\$ 44.12	\$ 129.11
Physician	\$ 61.47	\$ 68.76
ER	\$ 4.32	\$ -
Pharmacy	\$ 48.37	\$ -
Lab & X-ray	\$ 6.72	\$ -
OP Fac.	\$ 18.04	\$ -
DME	\$ 1.83	\$ -
Dental	\$ 38.15	\$ -
Transportation	\$ 5.17	\$ -
NF, Home HC	\$ 1.07	\$ -
Physical Therapy	\$ 0.34	\$ -
Misc	\$ 2.64	\$ 49.32
Average		
Total	\$ 232.25	\$ 247.19
Less Reinsurance	\$ (6.18)	\$ -
Less TPL	\$ (0.54)	0
Net Claim Cost	\$ 225.53	\$ 247.19
Program Changes		
Outpatient Reim. Meth	-1.40%	-1.40%
Ambulance	0.30%	0.30%
Final Claim Cost	\$ 223.05	\$ 244.48

VII. Administrative Expenses

The FY04 administrative expenses from the FY04 audited financial statement were analyzed and projected to CY05. The projected administrative PMPM are as follows.

Table III: Projected Administrative Expenses

Rate Cell	CY 05 PMPM	% of Capitation
Prospective	\$ 30.17	13.51%
PPC	\$ 30.17	13.46%

VIII. Proposed Capitation Rates and Their Impacts

The proposed capitation rates equal the sum of the projected net claim PMPM (in Section VI) and the projected administrative expenses PMPM (in section VII), divided by one minus the two percent premium tax. The following table shows the current and proposed capitation rates and the budget impact from CY04 to CY05.

Table IV: Proposed Capitation Rates and Budget Impact

Rate Cell	Annualized Member Months Based on 08/04 Enrollment	CY 04 Rate	CY 05 Rate	Estimated CY 04 Capitation	Estimated CY 05 Capitation
Prospective	101,076	\$ 223.24	\$ 258.38	\$ 22,564,206	\$ 26,116,420
PPC	2,688	\$ 224.09	\$ 280.25	\$ 602,354	\$ 753,312
Total				\$ 23,166,560	\$ 26,869,732
Total impact on CY estimated 04 capitation					\$ 3,703,172
Percentage impact on CY estimated 04 capitation					16.0%

IX. CMS Rate Setting Checklist

1. Overview of rate setting methodology

AA.1.1: Actuarial certification

Please refer to Section X.

AA.1.2: Projection of expenditure

Please refer to Section VIII.

AA.1.3: Procurement, prior approval and rate setting

This is a sole source contracting method, between AHCCCS and CMDP.

AA.1.5: Risk contract

There is no risk sharing between AHCCCS and CMDP, in addition to the reinsurance contract. CMDP is responsible for all losses, except reinsurance.

AA.1.6: Limit on payment to other providers

STATE OF ARIZONA

Joint Legislative Budget Committee

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STEPHEN TULLY

DATE: February 25, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: John Malloy, Fiscal Analyst

SUBJECT: Department of Health Services – Review of Developmental Disabilities Capitation Rate Changes

Request

Pursuant to a footnote in the General Appropriation Act, the Department of Health Services (DHS) must present an expenditure plan to the Committee for its review prior to implementing any change in capitation rates for Title XIX Behavioral Health programs. DHS is requesting a 43.3% change in the Developmental Disabilities (DD) Title XIX Behavioral Health rates, retroactive to January 1, 2005 through June 30, 2006. These rate changes will affect the Children's Behavioral Health (CBH) and Seriously Mentally Ill (SMI) Special Line Items.

Summary/Recommendation

The proposed 43.3% increase would increase the current JLBC FY 2005 supplemental adjustment by \$753,100 and would increase the FY 2006 JLBC Baseline Recommendation by \$1,602,100.

The Committee has at least the following options:

1. A favorable review of DHS' capitation adjustments with no conditions. DHS would view this option as an endorsement of any potential supplemental request.
2. A favorable review with the stipulation that the review does not constitute an endorsement of a supplemental request.
3. An unfavorable review. Given the federal actuarial study requirement, the department is likely to proceed with the proposed increases.

The proposed rates are based upon an actuarial study, which is required by the federal government.

(Continued)

Analysis

Since Title XIX is a federal entitlement program and states are required to provide reimbursement rates that are actuarially sound, capitation rates are not set by the Legislature. DHS contracts with an actuarial firm, which uses claims data, encounter data, and projected enrollment to determine the actual costs of services and thereby recommends increases or decreases in the capitation rates.

DHS would change the DD Title XIX Behavioral Health rate from \$66.32 to \$95.03 per member month, an increase of 43.3%. The effective date for these changes is January 1, 2005 and the rates will be in effect until June 30, 2006. AHCCCS utilized financial and encounter data from the quarter ending September 2002 through the quarter ending June 2004 to determine the recommended capitation rate for this population for the affected calendar year. According to the department, the 43.3% increase in the DD Title XIX Behavioral Health rate is due to AHCCCS receiving more accurate and complete encounter and financial data for this population as well as increases in trend data. According to DHS, encounter data for this population has historically been inaccurate, resulting in the DD behavioral health capitation rate to be under-funded during the previous calendar year, when the agency requested a 6.1% capitation rate increase. JLBC Staff would note that at that time, there was no indication from the department that there was uncertainty in the data for this population. Approximately 42% of the increase is due to under-funding of the program and 58% is due to trend data.

RS/JM:jb

**Arizona
Department of
Health Services**

Office of the Director

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JANET NAPOLITANO, GOVERNOR
CATHERINE R. EDEN, DIRECTOR

The Honorable Robert Burns
Chairman, Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007



Dear Senator Burns:

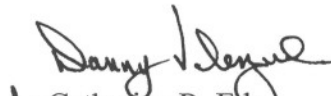
Pursuant to a footnote in the General Appropriation Act, the Arizona Department of Health Services (ADHS) requests placement on the next Joint Legislative Budget Committee's agenda to review proposed changes in Developmental Disabilities Title XIX Division of Behavioral Health Services' (DBHS) capitation rates for the second half of FY 2005 and all of FY 2006 (January 1, 2005 through June 30, 2006).

The Federal government requires states to review their capitation rates annually to assure that the rates are actuarially sound and sufficient to properly support the Title XIX program. As a result, the capitation rate for the behavioral health component is increasing from \$66.32 to \$95.03 per member month. The Arizona Health Care Cost Containment System (AHCCCS) reviewed the contractor financial statements, encounter data submitted, and medical trend data provided by ADHS/DBHS and recommended adjusting the capitation rate by blending the rates for ventilator dependent and non-ventilator dependent members. The ADHS estimates the Total Fund authority needed to implement this change for the final six months of FY 2005 is \$2,854,800 and the General Fund amount is \$929,200 (based on projected total member months of 99,434 and FMAP of .6745 for January 2005 through June 2005).

Enclosed is a copy of the actuarial report prepared by AHCCCS and submitted to CMS outlining the method used to develop the new rate.

Should you need additional information, please contact Chris Petkiewicz at 364-4699.

Sincerely,


Catherine R. Eden
Director

CRE:pm

Enclosure

**Department of Economic Security Division/Division of Developmental Disabilities
(DES/DDD) Actuarial Memorandum**

I. Purpose:

The purpose of this actuarial memorandum is to demonstrate that the capitation rates were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

II. Overview of Rate Setting Methodology:

Since DDD has a relatively small membership base, multiple years and sources of data were used to increase the statistical credibility. The contract year 2005 (CY05) rates were developed as a rate update from the previously approved contract year 2004 (CY04) capitation rates and represent the contract period January 1, 2005, through June 30, 2006, which is eighteen months.

In situations where it is reasonable to assume that the encounter data was missing, the missing encounter data was imputed based on audited financial data. In addition, the outliers in quarterly claim PMPM were adjusted prior to the application of the regression analysis in projecting the trend rates. No adjustment was made other than the ones already described.

DDD has a relatively small membership base and the members are located statewide. Ideally, the experience should be analyzed by the different rate cells, which are comprised of members with similar risk characteristics; however, segregating the DDD population into different rate cells would lead to a statistical credibility problem. Therefore, AHCCCS believes that having only three rate cells, Non-Ventilator Dependent, Ventilator Dependent, and Behavioral Health, is more actuarially sound than creating more rate cells. The Behavioral Health rate is the same for both the Ventilator Dependent and the Non-Ventilator Dependent populations.

The experience only includes DDD Medicaid eligible expenses for DDD Medicaid eligible individuals. In addition, the experience includes reinsurance amounts and share of cost. There are no other incentives or risk sharing arrangements.

In general, the CY04 capitation rates are trended to the midpoint of the effective period or October 1, 2005. The next step involves actuarial pricing adjustments, program changes, and share of cost offset. In the final step, the projected administrative expenses, risk/contingency margin, and premium tax are then added to the projected claim PMPMs to obtain the capitation rates. Each step is described in the sections below.

III. Projected Trend Rates

The trend analysis includes both financial data experience and encounter data experience from quarter ending September 2002 through quarter ending June 2004. The claim PMPM outliers (more than one and a half standard deviations from the

mean) were adjusted to be one and a half standard deviations from the mean. AHCCCS then applies the statistical method of linear regression to the logarithm of the claim PMPM to obtain the projected trend rates by service category. These trend rates were then compared with trend rates from sources such as Mercer trend survey, AHCCCS Acute Care trend rates, AHCCS ALTCS case management model, and AHCCCS ALTCS EPD trend rates. The final trend rates were selected primarily based on the regression analysis; however, some trend rates were selected based on actuarial judgment. The trend rates used in projecting the claim costs are as follows.

Table I: Average Annual Trend Rate

Service Category	Average Annual Trend		
	Non-Vent	Vent	Behavioral Health
Institutional	5.20%	5.20%	N/A
HCBS	2.01%	N/A	N/A
Acute Care	3.20%	N/A	N/A
Case Management	3.66%	N/A	N/A
Behavioral Health	N/A	N/A	17.44%

IV. Projected Gross Claim PMPM

The CY04 rates reflect the 15-month period of October 1, 2003, through December 31, 2005; therefore, the midpoint of the CY04 rate period is May 16, 2004. The contract period for CY05 rates is January 1, 2005, through June 30, 2006, so the midpoint is October 1, 2005. Therefore, the claims PMPMs were trended for 16.5 months.

V. Actuarial Pricing Adjustments

Due to lack of data the previous year behavioral health rates were under priced. For CY05 AHCCCS received more accurate and complete behavioral health encounter and financial data. The CY05 actuarial pricing adjustment trend is 12.46%, which is applied to the claims PMPMs and trended to the midpoint of the effective period (October 1, 2005).

VI. Program Changes

The provider rate increase that was legislated by the Arizona State Legislature was included in the CY04 rates retroactive to July 1, 2004. Since this program change has already been accounted for in the CY04 home and community based setting rates it was not necessary to include it as a program change for the CY05 rates.

VII. Projected Net Claim PMPM

The projected gross claim PMPMs were adjusted for the program changes, and share of cost to obtain the net claim PMPM. The reinsurance offset is already included in

the acute care component of the rates for the Non-Ventilator Dependent population. There is no reinsurance offset for Ventilator Dependent. The share of cost is \$2.88 or 0.1% of the gross claim PMPM for Non-Ventilator Dependent and \$0.2 or 0.0% for Ventilator Dependent. The projected net claim PMPMs are as follows.

Table II: Projected Net Claim PMPM

Service Category	Projected CY05 Claim Cost PMPM		
	Non-Vent	Vent	Behavioral Health
Institutional	\$ 115.44	\$ 11,481.31	N/A
HCBS	\$ 2,028.81	N/A	N/A
Acute Care	\$ 355.34	N/A	N/A
Case Management	\$ 127.13	N/A	N/A
Behavioral Health	N/A	N/A	\$ 86.15
Total	\$ 2,626.72	\$ 11,481.31	\$ 86.15
Less Share of Cost	\$ (2.88)	\$ (0.02)	\$ (0.00)
Net Claim Cost	\$ 2,623.84	\$ 11,481.29	\$ 86.15

VIII. Administrative Expenses and Risk Contingency

The Non-Ventilator Dependent administrative expenses include 8.3% for general administration, and 0.079% for behavioral health transition expenses, this also covers the Ventilator Dependent administrative expenses. The Behavioral Health administrative expenses include 3.3% for administration load, 4.0% for RBHS, and 3.0% for risk contingency. The Ventilator Dependent and Non-ventilator Dependent risk contingency is 1.5% of total capitation rate. The projected administrative PMPM are as follows.

Table III: Projected Administrative Expenses and Risk Contingency

Rate Cell	CY05 Admin Expenses	CY05 Risk Contingency
Non-Vent	\$ 220.10	\$ 42.70
Vent	included in Non-Vent	\$ 172.22
Behavioral Health	\$ 6.29	\$ 2.58

IX. Proposed Capitation Rates and Their Impacts

The proposed capitation rates equal the sum of the projected net claim PMPM (in Section VII) and the projected administrative expenses and risk contingency PMPM (in section VIII), divided by one minus the two percent premium tax. The premium tax for the behavioral health component is included in the Ventilator Dependent capitation rate and the Non-Ventilator Dependent capitation rate. The following table shows the current and proposed capitation rates and the budget impact from CY04 to CY05 using annualized August 2004 members.

Table IV: Proposed Capitation Rates and Budget Impact

Rate Cell	Annualized August, 2004 Member Months			Based on August, 2004 Annualized Member Months	
		CY 04 Rate	CY 05 Rate	Estimated CY 04 Capitation	Estimated CY 05 Capitation
Non-Vent	189,816	\$ 2,856.58	\$ 2,947.49	\$ 542,224,515.39	\$ 559,481,420.80
Vent	996	\$ 11,091.40	\$ 11,893.28	\$ 11,047,039.08	\$ 11,845,704.48
BH	190,812	\$ 66.32	\$ 95.03	\$ 12,653,841.55	\$ 18,132,050.90
Total				\$ 565,925,396	\$ 589,459,176
Total impact on CY estimated capitation					\$ 23,533,780
Annualized Percentage Impact on CY est 04 capitation					3.01%
Percentage impact on CY estimated 04 capitation					4.16%

Vent and Non-Vent Rates reflect full premium tax

BH does not reflect premium tax

X. CMS Rate Setting Checklist

1. Overview of rate setting methodology

A.A.1.0: Overview of rate setting methodology

AHCCCS is performing a rate update from the previously approved contract year 2004 (CY04) under 42 CFR 438.6(c). Please refer to Section II.

AA.1.1: Actuarial certification

Please refer to Section XI.

AA.1.2: Projection of expenditure

Please refer to Section IX.

AA.1.3: Procurement, prior approval and rate setting

This is a sole source contracting method, between AHCCCS and DES/DDD.

AA.1.5: Risk contract

There is no risk sharing between AHCCCS and DES/DDD, in addition to the reinsurance contract. DES/DDD is responsible for all losses, except reinsurance and share of cost.

AA.1.6: Limit on payment to other providers

AHCCCS makes no additional payment to the providers, except for DSH, GME, and Critical Access Hospitals. GME is paid in accordance with state plan. DSH and Critical care are paid in accordance with operational protocol.

AA.1.7: Rate modification

Please refer to Sections III, V, and VI.

XI. Actuarial Certification of the Capitation Rates:

I, Windy J. Spillane, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time-to-time by the Actuarial Standards Board.

The rates were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The rates were developed to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and are in accordance with applicable laws and regulations. The rates may not be appropriate for any other purpose. The documentation has been included with this certification. The actuarially sound capitation rates that are associated with this certification are effective for the eighteen-month period beginning January 1, 2005.

The actuarially sound capitation rates are a projection of future events. It may be expected that actual experience will vary from the values in the rates.

In developing the actuarially sound capitation rates, I have relied upon data and information provided by DES/DDD and AHCCCS internal database. I have accepted the data without audit and have relied upon the DES/DDD auditors and other AHCCCS employees for the accuracy of the data.

This actuarial certification has been based on the actuarial methods, considerations, and analyses promulgated from time to time through the Actuarial Standards of Practice by the Actuarial Standards Board.

Windy J. Spillane

Date

Member, American Academy of Actuaries

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: February 25, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Assistant Director

SUBJECT: Department of Economic Security - Review of Long Term Care Capitation Rate Changes

Request

Pursuant to a footnote in the FY 2005 General Appropriation Act, the Department of Economic Security (DES) is presenting to the Committee its expenditure plan for the federal Title XIX Long Term Care (LTC) program as a result of an increase in capitation rates. The plan indicates that this year's capitation rate for most clients in DES' LTC program will increase 3.18% from last year's capitation rate. Capitation rates are a fixed amount paid for every member each month to DES as the DD LTC program contractor. The federal government requires that capitation rates be actuarially sound.

Summary

The JLBC Staff recommends a favorable review of the request. The proposed rates can be funded from the existing DES budget.

Analysis

Since Title XIX is a federal entitlement program and states are required to provide reimbursement rates that are actuarially sound, capitation rates are not set by the Legislature. DES contracts with an actuarial firm, which uses claims, encounter data, and projected enrollment to determine the actual costs of services and, thereby, recommends increases or decreases in the capitation rates. Once DES requests a change in rates, the new rates must be approved by the Arizona Health Care Cost Containment System (AHCCCS).

(Continued)

DES provides services to developmentally-disabled (DD) clients eligible for the Arizona Long Term Care System (ALTCs). AHCCCS passes through federal funding to DES to provide ALTCs services to these DD clients. DES matches those federal funds with General Fund monies appropriated in its budget.

The FY 2005 General Appropriation Act includes the following footnote:

“Before implementation of any changes in capitation rates for the Long Term Care program, the Department of Economic Security shall report its plan to the Joint Legislative Budget Committee for its review.”

AHCCCS has recommended capitation rates for the upcoming contract period, which started on January 1, 2005 and will run for 18 months, to June 30, 2006. The revised per member per month (PMPM) rates are shown below. Almost all clients served by DES in the LTC program are categorized as enrolled.

<u>Category</u>	<u>10/1/03-12/31/04 Rate</u>	<u>1/1/05-6/30/06 Rate</u>	<u>% Change</u>
Enrolled (Non-Ventilator Dependent)	\$ 2,856.58	\$ 2,947.49	3.18%
Ventilator Dependent	\$11,091.40	\$11,893.28	5.21%

The increases in the Enrolled category are allocated as follows:

<u>Category</u>	<u>10/1/03-12/31/04 Rate</u>	<u>1/1/05-6/30/06 Rate</u>	<u>% Change</u>
Aid to Individuals	\$2,081.81	\$2,144.25	3.00%
Acute Care Services	340.28	355.34	4.43%
Case Management Services	121.00	127.13	5.07%
Administration	213.68	220.10	3.00%
Risk/Profit	41.35	42.70	3.26%
Share of Cost	N/A	(2.88)	N/A
Premium Tax	58.46	60.85	4.09%
Total - DES LTC	\$2,856.58	\$2,947.49	3.18%
Behavioral Health (DHS pass-through)	66.52	95.03	42.86%
Total Enrolled Rate	\$2,923.10	\$3,042.52	4.09%

As the table shows, DES' LTC program received an increase of approximately 3.18% in its portion of the capitation rate. (The Behavioral Health increase is addressed in another agenda item.) According to AHCCCS' actuary, the increases in the Aid to Individuals, Acute Care, and Case Management line items reflect SFY 2004 actual expenditures and projected trend rates. The Administration increase is slightly lower than it otherwise would have been because of the elimination of one-time Health Insurance Portability and Accountability Act (HIPAA) costs. Risk/Profit is a risk contingency amount equal to 1.5% of the preceding lines. The new Share of Cost category reflects AHCCCS' decision to adjust the capitation rate for cost recovery on LTC costs. There are no new program adjustments in the proposed new capitation rates. The current rates reflect the provider rate adjustment approved by the Legislature in the 2004 legislative session, retroactive to July 1, 2004, and therefore is included in the proposed rates.

We would also note that because the current contract year covers a 15-month time period, while the proposed contract rate time covers an 18-month time period, the actual year-over-year growth in the capitation rates is less than shown in the "% Change" column in the table above.

(Continued)

The proposed SFY 2005 blended PMPM rate is about \$2,902 as opposed to the about \$2,880 assumed in the SFY 2005 budget. If enrollment growth were at levels projected in the FY 2005 budget, the proposed increases would cost approximately \$1.5 million from the General Fund in FY 2005. Since caseloads are currently more than 2% below projected levels, no supplemental need is anticipated.

The proposed rates are incorporated into both the JLBC and Executive budgets for FY 2006, with one exception. The JLBC budget does not incorporate the increase in the per PMPM rate for the administration component, aside from adjusting for the elimination of one-time HIPAA costs.

RS/SSh:jb
Attachment



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

1717 W. Jefferson • P.O. Box 6123 • Phoenix, AZ 85005

Janet Napolitano
Governor

David A. Berns
Director

FEB 10 2005

The Honorable Robert Burns, Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007



Dear Senator Burns:

Pursuant to the footnote in Laws 2002, Chapter 327, the Arizona Department of Economic Security (DES) requests to be placed on the meeting agenda for the next Joint Legislative Budget Committee meeting. The purpose of the request is to review the proposed changes for the Contract Year 2005 capitation rates for the Long-term Care Program for the Division of Developmental Disabilities (DDD).

For the contract period of January 1, 2005 through June 30, 2006, the capitation rate for regular clients is increased from \$2,848.12 (excluding Health Insurance Portability and Accountability Act (HIPAA) costs for comparison purposes) to \$2,947.49, an increase of 3.5%. The monthly capitation rate for ventilator-dependent clients increased from \$11,091.40 to \$11,893.28, an increase of 7.23%. These rates exclude the behavioral health component, which DES passes through to the Arizona Department of Health Services, Division of Behavioral Health Services.

The above rate changes are the result of reviews by the Arizona Health Care Cost Containment Center (AHCCCS) actuary staff. The report from the AHCCCS actuary is attached and includes the analyses for each component of the new rates. Please contact Lynne Smith, Assistant Director, Division of Business and Finance, at (602) 542-7166 if you have any questions.

Sincerely,

David A. Berns

Attachments

C:

The Honorable Russell K. Pearce, Joint Legislative Budget Committee
Gary Yaquinto, Director, Governor's Office of Strategic Planning and Budget
Richard Stavneak, Director, Joint Legislative Budget Committee

Arizona Health Care Cost Containment System (AHCCCS)

Department of Economic Security / Department of Developmental Disabilities

Contract Period 01/01/2005 - 06/30/2006 Capitation Rate Development

Non-Ventilator Dependent

Base Period: 10/1/2003 - 12/31/2004

Contract Period: 01/01/2005 - 06/30/2006

Trend Months: 16.5

Projected Member Months¹: 304,890

	YR XXII (2004) Rate PMPM	Midpoint Rate Development					
		Annualized PMPM Trend	Pricing Adjustment	Adjustments	Final Rate	Effective Percentage Difference from Current Rate	Annualized Percentage Difference from Current Rate
Aid To Individual Services							
Institutional Services							
Institutional - Coolidge	\$ 62.77	5.20%			\$ 67.30		
Institutional - Provider Services	\$ 44.89	5.20%			\$ 48.13		
Total Institutional Services	\$ 107.67				\$ 115.44	7.22%	5.20%
Home and Community Based Services							
HCBS ²	\$ 1,974.14	2.01%			\$ 2,028.81		
Sub-Total Home and Community Based Services	\$ 1,974.14				\$ 2,028.81	2.77%	2.01%
Total Aid to Individual PMPM (Institutional + HCBS)	\$ 2,081.80				\$ 2,144.25	3.00%	2.17%
Acute Care Services³							
Total Acute Care Services	\$ 340.28	3.20%			\$ 355.34	4.43%	3.20%
Case Management Services	\$ 121.00	3.66%			\$ 127.13	5.07%	3.66%
Administration⁴							
Administration Load	\$ 203.28			8.300%	\$ 218.02		
Behavioral Health	\$ 1.94			0.079%	\$ 2.08		
HIPAA - Administration	\$ 8.46			0.000%	\$ -		
Total Administration	\$ 213.68			8.379%	\$ 220.10	3.00%	2.18%
<i>Calculated using (Total Aid To Individual + Acute Care + Case Mgmt)</i>							
Risk / Contingency	\$ 41.35			1.50%	\$ 42.70	3.27%	2.37%
<i>Calculated using (Total Aid To Individual + Acute Care + Case Mgmt + Administration)</i>							
Share of Cost⁵	n/a				\$ (2.88)		
Total DES/DDD Non-Ventilator Rate	\$ 2,798.12				\$ 2,886.64	3.16%	2.29%
Total Behavioral Health Rate⁶	\$ 66.52				\$ 95.03	42.85%	29.61%
Premium Tax (2%)				2.00%	\$ 60.85		
Grand Total Non-Ventilator and Behavioral Health Rate	\$ 2,923.10				\$ 3,042.52	4.09%	2.95%
Grand Total DES/DDD Non-Ventilator Rate⁷	\$ 2,856.58				\$ 2,947.49	3.18%	2.30%
Grand Total Behavioral Health Rate	\$ 66.52				\$ 95.03	42.85%	29.61%

¹ - Projected Member Months represents the 18 month period from 01/01/2005 - 06/30/2006.² - Provider Rate Increase passed by legislation is included in HCBS rates.³ - Acute PMPM is net of reinsurance⁴ - Administration includes: 8.300% for general administration, 0.079% for BHS Code, no longer need additional admin for HIPAA⁵ - Share of Cost was not accounted for in CY04.⁶ - Behavioral Health Rate for CY04 was split by vent and non-vent and then blended. For CY05 BH rate is the same for vent and non-vent.⁷ - Grand Total DES/DD Non-Ventilator Rate reflects the full premium tax.

Arizona Health Care Cost Containment System (AHCCCS)
Department of Economic Security / Department of Developmental Disabilities
Contract Period 01/01/2005 - 06/30/2006 Capitation Rate Development
Ventilator DependentBase Period: 10/1/2003 - 12/31/2004
Contract Period: 01/01/2005 - 06/30/2006Trend Months: 16.5
Projected Member Months¹: 1,686

	YR XXII (2004) Rate PMPM	Midpoint Rate Development					
		Annualized PMPM Trend	Pricing Adjustment	Adjustments	Final Rate	Effective Percentage Difference from Current Rate	Annualized Percentage Difference from Current Rate
Ventilator Dependent Health Care Services							
Ventilator Dependent Services	\$ 10,708.28	5.20%			\$ 11,481.31		
Total Ventilator Services PMPM	\$ 10,708.28				\$ 11,481.31	7.22%	5.20%
Risk / Contingency ²	\$ 160.62			1.50%	\$ 172.22	7.22%	5.20%
Share of Cost	n/a				\$ (0.02)		
Total DES/DDD Ventilator Rate	\$ 10,868.90				\$ 11,653.51	7.22%	5.20%
Total Behavioral Health Rate ⁴	\$ 33.62				\$ 95.03	182.65%	112.90%
Premium Tax (2%)				2.00%	\$ 239.77		
Grand Total Ventilator and Behavioral Health Rate	\$ 11,125.02				\$ 11,988.30	7.76%	5.59%
Grand Total DES/DDD Ventilator Rate ⁵	\$ 11,091.40				\$ 11,893.28	7.23%	5.21%
Grand Total Behavioral Health Rate	\$ 33.62				\$ 95.03	182.65%	112.90%

¹ - Projected Member Months represents the 18 month period from 01/01/2005 - 06/30/2006.² - Risk / Contingency calculated by multiplying 1.50% to the Total Ventilator Services PMPM. Administration for Vent is included in Non-Vent admin³ - Share of Cost was not accounted for in CY04.⁴ - Behavioral Health Rate for CY04 was split by vent and non-vent and then blended. For CY05 BH rate is the same for vent and non-vent.⁵ - Grand Total DES/DD Ventilator Rate reflects the full premium tax.

Department of Economic Security Division/Division of Developmental Disabilities
(DES/DDD) Actuarial Memorandum

I. Purpose:

The purpose of this actuarial memorandum is to demonstrate that the capitation rates were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

II. Overview of Rate Setting Methodology:

Since the Division of Developmental Disabilities (DDD) has a relatively small membership base, multiple years and sources of data were used to increase the statistical credibility. The contract year 2005 (CY05) rates were developed as a rate update from the previously approved contract year 2004 (CY04) capitation rates and represent the contract period January 1, 2005 through June 30, 2006, which is eighteen months.

In situations where it is reasonable to assume that the encounter data was missing, the missing encounter data was imputed based on audited financial data. In addition, the outliers in quarterly claim per member per month (PMPM) were adjusted prior to the application of the regression analysis in projecting the trend rates. No other adjustments were made.

DDD has a relatively small membership base and the members are located statewide. Ideally, the experience should be analyzed by the different rate cells, which are comprised of members with similar risk characteristics; however, segregating the DDD population into different rate cells would lead to a statistical credibility problem. Therefore, Arizona Health Care Cost Containment System (AHCCCS) believes that having only three rate cells, Non-Ventilator Dependent, Ventilator Dependent and Behavioral Health, is more actuarially sound than creating more rate cells. The Behavioral Health rate is the same for both the Ventilator Dependent and the Non-Ventilator Dependent populations.

The experience only includes DDD Medicaid eligible expenses for DDD Medicaid eligible individuals. In addition, the experience includes reinsurance amounts and share of cost. There are no other incentives or risk sharing arrangements.

The general process involves trending the CY04 capitation rates to the midpoint of the effective period, which is October 1, 2005. The next step involves actuarial pricing adjustments, program changes and share of cost offset. In the final step, the projected administrative expenses, risk/contingency margin and premium tax are added to the projected claim PMPMs to obtain the capitation rates. Each step is described in the sections below.

III. Projected Trend Rates

The trend analysis includes both the financial data experience and the encounter data experience from the quarter ending September 2002 through the quarter ending June 2004. The claim PMPM outliers (more than one and a half standard deviations from the mean) were adjusted to be one and a half standard deviations from the mean. AHCCCS then applies the statistical method of linear regression to the logarithm of the claim PMPM to obtain the projected trend rates by service category. These trend rates were then compared with trend rates from sources such as the Mercer trend survey, the AHCCCS Acute Care trend rates, the AHCCCS ALTCS case management model and the AHCCCS ALTCS EPD trend rates. The final trend rates were selected primarily based on the regression analysis; however, some trend rates were selected based on a methodological blend. The trend rates used in projecting the claim costs are identified in Table I.

Table I: Average Annual Trend Rate

Service Category	Average Annual Trend		
	Non-Vent	Vent	Behavioral Health
Institutional	5.20%	5.20%	N/A
HCBS	2.01%	N/A	N/A
Acute Care	3.20%	N/A	N/A
Case Management	3.66%	N/A	N/A
Behavioral Health	N/A	N/A	17.44%

IV. Projected Gross Claim PMPM

The CY04 rates reflect the 15-month period of October 1, 2003, through December 31, 2005; therefore, the midpoint of the CY04 rate period is May 16, 2004. The contract period for CY05 rates is January 1, 2005 through June 30, 2006, so the midpoint is October 1, 2005. The claims PMPMs were trended from the midpoint of the CY04 rate period to the midpoint of the CY05 rate period.

V. Actuarial Pricing Adjustments

Due to lack of data in the previous year, behavioral health rates were under priced. For CY05 AHCCCS received more accurate and complete behavioral health encounter and financial data. The CY05 actuarial pricing adjustment trend is 12.46%, which is applied to the claims PMPMs and trended to the midpoint of the effective period (October 1, 2005).

VI. Program Changes

The provider rate increase that was passed by the Arizona State Legislature was included in the CY04 rates retroactive to July 1, 2004. Since this program change

has already been accounted for in the CY04 home and community based setting rates, it was not necessary to include it as a program change for the CY05 rates.

VII. Projected Net Claim PMPM

The projected gross claim PMPMs were adjusted for the recipients' share of cost to obtain the net claim PMPM. The reinsurance offset is already included in the acute care component of the rates for the Non-Ventilator Dependent population. There is no reinsurance offset for Ventilator Dependent. The share of cost is \$2.88 or 0.1% of the gross claim PMPM for Non-Ventilator Dependent and \$0.2 or 0.0% for Ventilator Dependent. The projected net claim PMPMs are included in Table II.

Table II: Projected Net Claim PMPM

Service Category	Projected CY05 Claim Cost PMPM		
	Non-Vent	Vent	Behavioral Health
Institutional	\$ 115.44	\$ 11,481.31	N/A
HCBS	\$ 2,028.81	N/A	N/A
Acute Care	\$ 355.34	N/A	N/A
Case Management	\$ 127.13	N/A	N/A
Behavioral Health	N/A	N/A	\$ 86.15
Total	\$ 2,626.72	\$ 11,481.31	\$ 86.15
Less Share of Cost	\$ (2.88)	\$ (0.02)	\$ (0.00)
Net Claim Cost	\$ 2,623.84	\$ 11,481.29	\$ 86.15

VIII. Administrative Expenses and Risk Contingency

The Non-Ventilator Dependent administrative expenses include 8.3% for general administration and 0.079% for behavioral health transition expenses. This also covers the Ventilator Dependent administrative expenses. The Behavioral Health administrative expenses include 3.3% for administration load, 4.0% for Regional Behavioral Health Authorities (RBHAs) and 3.0% for risk contingency. The Ventilator Dependent and Non-ventilator Dependent risk contingency is 1.5% of the total capitation rate. Table III displays the projected administrative PMPM.

Table III: Projected Administrative Expenses and Risk Contingency

Rate Cell	CY05 Admin Expenses	CY05 Risk Contingency
Non-Vent	\$ 220.10	\$ 42.70
Vent	included in Non-Vent	\$ 172.22
Behavioral Health	\$ 6.29	\$ 2.58

IX. Proposed Capitation Rates and Their Impacts

The proposed capitation rates equal the sum of the projected net claim PMPM (in Section VII) and the projected administrative expenses and risk contingency PMPM (in section VIII), divided by one minus the two percent premium tax. The premium tax for the behavioral health component is included in the Ventilator Dependent capitation rate and the Non-Ventilator Dependent capitation rate. Table IV shows the current and proposed capitation rates and the budget impact from CY04 to CY05 using annualized August 2004 members.

Table IV: Proposed Capitation Rates and Budget Impact

Rate Cell	Annualized August, 2004 Member Months			Based on August, 2004 Annualized Member Months	
		CY 04 Rate	CY 05 Rate	Estimated CY 04 Capitation	Estimated CY 05 Capitation
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Total				\$ 565,925,396	\$ 589,459,176
Total impact on CY estimated capitation					\$ 23,533,780
Annualized Percentage Impact on CY est 04 capitation					3.01%
Percentage impact on CY estimated 04 capitation					4.16%

Vent and Non-Vent Rates reflect full premium tax

BH does not reflect premium tax

X. CMS Rate Setting Checklist

1. Overview of rate setting methodology

A.A.1.0: Overview of rate setting methodology

AHCCCS is performing a rate update from the previously approved contract year 2004 (CY04) under 42 CFR 438.6(c). Please refer to Section II.

AA.1.1: Actuarial certification

Please refer to Section XI.

AA.1.2: Projection of expenditure

Please refer to Section IX.

AA.1.3: Procurement, prior approval and rate setting

This is a sole source contracting method, between AHCCCS and DES/DDD.

AA.1.5: Risk contract

There is no risk sharing between AHCCCS and DES/DDD, in addition to the reinsurance contract. DES/DDD is responsible for all losses, except reinsurance and share of cost.

AA.1.6: Limit on payment to other providers

AHCCCS makes no additional payment to the providers, except for Disproportionate Share Hospital (DSH), Graduate Medical Education (GME) and Critical Access Hospitals. GME is paid in accordance with state plan. DSH and Critical care are paid in accordance with operational protocol.

AA.1.7: Rate modification

Please refer to Sections III, V and VI.

XI. Actuarial Certification of the Capitation Rates:

I, Windy J. Spillane, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time-to-time by the Actuarial Standards Board.

The rates were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The rates were developed to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and are in accordance with applicable laws and regulations. The rates may not be appropriate for any other purpose. The documentation has been included with this certification. The actuarially sound capitation rates that are associated with this certification are effective for the eighteen-month period beginning January 1, 2005.

The actuarially sound capitation rates are a projection of future events. It may be expected that actual experience will vary from the values in the rates.

In developing the actuarially sound capitation rates, I have relied upon data and information provided by DES/DDD and the AHCCCS internal databases. I have accepted the data without audit and have relied upon the DES/DDD auditors and other AHCCCS employees for the accuracy of the data.

This actuarial certification has been based on the actuarial methods, considerations, and analyses promulgated from time to time through the Actuarial Standards of Practice by the Actuarial Standards Board.

Windy J. Spillane
Windy J. Spillane

02/02/05
Date

Member, American Academy of Actuaries

STATE OF ARIZONA

Joint Legislative Budget Committee

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STEPHEN TULLY

DATE: February 25, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: John Malloy, Fiscal Analyst

SUBJECT: Department of Economic Security- Review of Expenditure Plan for Discretionary
Workforce Investment Act Monies

Request

Pursuant to a footnote in the General Appropriation Act, the Department of Economic Security (DES) is submitting an expenditure plan for \$2,384,000 million in discretionary federal Workforce Investment Act (WIA) monies received by the state for FY 2005. Unlike most federal funds, the WIA monies are subject to legislative appropriation due to federal requirements. These monies cannot be spent until an expenditure plan has been reviewed by the Joint Legislative Budget Committee.

At its December 16th meeting, the Committee deferred a decision on approximately \$2.2 million of this request in order to receive more information from the agency on specific programmatic expenditures. DES' response to specific JLBC questions are included as an addendum to this memo.

This new request from DES duplicates the request from the December meeting and adds \$150,000 for a post-secondary preparedness program.

Recommendation

The JLBC Staff recommends a favorable review of the request with the provision that the agency provide performance measures for the approximately \$1.2 million in new discretionary programs being included in the agency's expenditure plan. These programs include Training for Local LWIAs, Local Labor Market Information, Early Childhood Scholarships, High Tech Education and Post-secondary Preparedness.

(Continued)

Analysis

The DES Workforce Development Administration (WDA) is the state's grant recipient for federal WIA funds from the U.S. Department of Labor. The WIA legislation established block grants to states for workforce development. Funds are delivered to the local level to those in need of services, including job seekers, dislocated workers, youth, veterans, disabled individuals and employers. Services are provided through partnerships between various public and private sector employment and training agencies.

The Governor's Council has recommended the establishment of \$1.2 million in new programs in FY 2005. The new programs include Training for Local Workforce Investment Areas, Local Labor Market Information, Early Childhood Scholarships, High Technology Education and a Post-secondary Preparedness Program. There is also funding for a Master Teacher Program, which was funded with an unknown allotment of "Youth Programs" monies in FY 2004. Table 1 at the end of this memo that delineates discretionary funding for both FY 2004 and FY 2005. The table includes programs to be reviewed by the Committee as well as funding that was approved at the June 2004 JLBC Meeting.

In June 2004, the Committee favorably reviewed \$2,497,000 in other discretionary WIA expenditures for FY 2005. Those monies represented core functions typically funded with WIA dollars. The December 2004 expenditure plan reflects items that are more discretionary.

New Programs

Training For Local Workforce Investment Areas

Monies will provide \$170,000 in technical assistance to local workforce investment areas (LWIAs) that fail to meet local performance measures, in addition to local areas in their continued delivery of services through the One-Stop system. This program was funded with Department of Labor monies in FY 2004. This source of funding is not available for FY 2006.

Local Labor Market Information

Funding will allow the Governor's Council on Workforce Policy and the Arizona Department of Commerce to coordinate and implement an outreach program emphasizing Labor Market Information (LMI) access and targeted training throughout the state to enable job seekers, educators, economic developers, and business leaders to make better decisions. The requested level of funding for this program is \$180,000 and there is no FTE associated with this request.

Early Childhood Educators Scholarships

These funds (\$433,000) will continue the efforts of the School Readiness Board to impact school readiness by providing an opportunity for early childhood educators to obtain quality professional development and leadership development. The scholarship program will continue to focus on the metropolitan areas and the under-served rural populations. Approximately 600 educators will receive funding in the first full year of funding for this program.

(Continued)

High Technology Education

The focus of these funds (\$250,000) will be on developing cross-training programs with Aerospace/Defense and Semiconductor industries. Training will be designed to address the industry specific differences to ensure a smooth transition of talent to fill workforce gaps from one industry to another. It is not known if only unemployed workers will receive funding for this program. If currently employed individuals are expected to receive funding, it is not clear why the Department of Commerce's Job Training Program could not be used for this purpose.

Post-secondary Preparedness Program

These funds (\$150,000) would be utilized to collaborate efforts between state agencies, the Governor's Workforce Development Council, GCIT, ABEC, community colleges and the university system to identify the skills necessary to achieve success beyond high school by high-growth industry sector. This will be done through a combination of already completed research in such areas as construction and bioscience and direct discussion with industry leaders throughout Arizona to align academic standards in high school with the knowledge and skills required for college and workplace success.

Existing Programs

The above programs will be funded, in part, by the elimination or scaling back of \$1.3 million in programs funded in FY 2004. Programs recommended to be eliminated or scaled back include monies to assist Nursing Programs at the state's Community Colleges as well as Youth and Women's Programs.

In addition to the establishment of new programs, the Governor's Council also recommended to continue to support (to varying degrees) programs funded with WIA monies in FY 2004. These include programs targeting youth, women as well as master teachers.

Youth Programs

The requested funding (\$301,000) will focus on youth workforce development programs targeted to youth (ages 14-21) who have dropped out of school as youth that have dropped out of school are at a higher risk of not being prepared for future employment, to retain employment, and are more likely to earn lower wages than someone who has attained a high school diploma or G.E.D. Approximately 180 youth are expected to be served in this program. The requested funding includes monies for 1 FTE position.

Women's Programs

Funding totaling \$450,000 will focus on employing women from vulnerable and hard to serve areas including domestic violence, substance abuse, disability or divorce and involvement with the criminal justice system.

Master Teacher Program

The requested funding of \$450,000 will provide high-poverty districts with the opportunity to train and retain high quality teachers with the goal of improving teacher effectiveness and student achievement. Funds will also be utilized for professional development of new and mid-career

(Continued)

teachers seeking additional education or national board certification, opportunities for districts to use experienced highly performing teachers as mentors and to further develop highly performing teachers as both a retention tool and as a means to improve the skill of other teachers for the purpose of improving student achievement. Approximately 139 teachers will receive funding in FY 2005.

Table 1 Governor's Council Recommendation of 15% Set-Aside				
<u>Programs to be Reviewed</u>	<u>Agency</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Net Change</u>
Training for LWIAs	LWIA	--	\$170,000	\$ 170,000
Local Labor Market Information	ADOC	--	180,000	180,000
Early Childhood Educators Scholarships	ADE	--	433,000	433,000
High Tech Education	ADOC	--	250,000	250,000
Master Teacher	ADE	--	450,000	450,000
Postsecondary Preparedness	GOV	--	150,000	150,000
Youth Programs	LWIA	1,000,000 ^{1/}	301,000	(699,000)
Women's Programs	GOV	500,000	450,000	(50,000)
Nursing Programs	CC	510,400	--	(510,400)
<i>Subtotal: Plan to be Reviewed</i>		<i>\$2,010,400</i>	<i>\$2,384,000</i>	<i>\$373,600</i>
<u>Programs Favorably Reviewed by Committee</u>				
Eligible Training Provider List	ADE	\$214,300	\$127,000	\$ (87,300)
Incentive Funds for LWIAs	LWIA	500,000	500,000	--
Technical Assistance	LWIA	125,000	250,000	125,000
System Building	LWIA	152,000	300,000	148,000
High Concentration of Youth Activities	LWIA	200,000	200,000	--
Virtual One Stop	DES	325,000	325,000	--
Evaluation	GOV	--	125,000	125,000
Apprenticeship	ADOC	130,000	70,000	(60,000)
ADOC/State Council	ADOC	<u>600,000</u>	<u>600,000</u>	<u>--</u>
<i>Subtotal: Plan Already Reviewed</i>		<i>\$2,246,300</i>	<i>\$2,497,000</i>	<i>\$250,700</i>
TOTAL 15% SET-ASIDE		<i>\$4,256,700^{2/}</i>	<i>\$4,881,000^{3/}</i>	<i>\$624,300</i>
<u>Legend</u> ADE Department of Education LWIA Local Workforce Investment Areas GOV Governor's Office ADOC Department of Commerce DES Department of Economic Security CC Community Colleges				
1/ Includes funding for Master Teacher Program				
2/ Of this total, \$790,000 was not expended in FY 2004				
3/ Includes \$790,000 in prior year funding not expended in FY 2004				

RS/JM:jb



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

1717 W. Jefferson • P.O. Box 6123 • Phoenix, AZ 85005

Janet Napolitano
Governor

David A. Berns
Director

NOV 29 2004

The Honorable Robert Burns, Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007



Dear Senator Burns:

The Arizona Department of Economic Security (DES) requests to be placed on the agenda for the review of federal Workforce Investment Act (WIA) projects funded with WIA discretionary monies pursuant to Laws 2004, 2nd Regular Session, Chapter 275, which includes the following footnote:

"Monies appropriated to the workforce investment act - discretionary special line item may not be expended until a proposed expenditure plan has been reviewed by the joint legislative budget committee."

The Governor's Council on Workforce Policy (GCWP) met on October 8, 2004 and identified several of the issues in the table below to be funded in FY 2005 with WIA discretionary funding.

Activities	WIA Required or Discretionary Program	FY 2005 Funding Level
Training for Local Workforce Investment Area Board and Staff Members	Required	\$170,000
Local Labor Market Information product outreach and research	Discretionary	\$180,000
Women's programs	Discretionary	\$450,000
Early Childhood Scholarship	Discretionary	\$433,000
Master Teacher	Discretionary	\$450,000
Youth Programs	Discretionary	\$301,000
High Tech Education	Discretionary	\$250,000
Subtotal		\$ 2,234,000

Of the \$2,234,000 proposed funding level for these projects, \$769,600 is the remainder of the \$3,266,600 of WIA appropriated discretionary funds for FY 2005 (as \$2,497,000 of the WIA appropriated discretionary amount was reviewed by the Joint Legislative Budget Committee at the June 29, 2004 meeting). In addition, this proposal includes \$825,100 in WIA funds allocated to Arizona by the U. S. Department of Labor for programmatic purposes above the level of the FY 2005

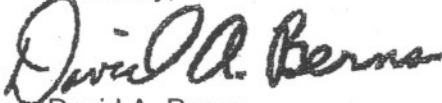
The Honorable Robert Burns, Chairman
Page 2

Legislative Appropriation and \$639,300 in prior year unexpended WIA discretionary funding. These additional WIA discretionary funds are subject to the footnote below, which allows for discretionary WIA monies above the appropriated level to be expended following JLBC review:

"All federal workforce investment act discretionary funds that are received by the state in excess of \$3,266,600 are appropriated to the workforce investment act - discretionary special line item. Excess monies may not be spent until a proposed expenditure plan for the excess monies has been reviewed by the joint legislative budget committee."

If you have any questions, please contact me at (602) 542-5678.

Sincerely,

A handwritten signature in dark ink, appearing to read "David A. Berns". The signature is fluid and cursive, with the first name "David" being more prominent than the last name "Berns".

David A. Berns
Director

DB:WH

C:

The Honorable Russell K. Pearce, Vice-Chairman, Joint Legislative Budget Committee
Richard Stavneak, Director, Joint Legislative Budget Committee
Clark Partridge, State Comptroller, Arizona Department of Administration
David Jankofsky, Director, Governor's Office of Strategic Planning and Budgeting



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

1717 W. Jefferson • P.O. Box 6123 • Phoenix, AZ 85005

Janet Napolitano
Governor

David A. Berns
Director

FEB 18 2005



The Honorable Russell K. Pearce, Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Pearce:

The Arizona Department of Economic Security (DES) requests to be placed on the agenda for the review of federal Workforce Investment Act (WIA) projects funded with WIA discretionary monies. The proposed project would utilize \$150,000 in prior year unexpended WIA discretionary funding. These WIA discretionary funds are subject to the footnote below, which allows for discretionary WIA monies above the appropriated level to be expended following JLBC review:

"All federal workforce investment act discretionary funds that are received by the state in excess of \$3,266,600 are appropriated to the workforce investment act - discretionary special line item. Excess monies may not be spent until a proposed expenditure plan for the excess monies has been reviewed by the joint legislative budget committee."

Project Description

The project is an effort to further link economic development, education and workforce development by examining the critical link between secondary and post-secondary learning. Throughout Arizona communities are calling for better ways to prepare students for the post-secondary world whether it be the workforce, a community college or a university and asking the question "are students learning what is essential to succeed and advance in today's economy?"

This workforce and education project will be directed and funded through a collaborative effort between state agencies, the Governor's Workforce Development Council, GCIT, ABEC, community colleges and the university system. The requested WIA funds will enable this collaboration to complete the critical first step of identifying skills necessary to achieve success beyond high school by high-growth industry sector. This will be done through a combination of already completed research in such areas as construction and bioscience and direct

The Honorable Russell K. Pearce, Chairman
Page 2

discussion with industry leaders throughout Arizona. The next step will be to align academic standards in high school with the knowledge and skills required for college and workplace success, using the identified industry benchmarks as a starting point.

If you have any questions, please contact me at (602) 542-5678.

Sincerely,

A handwritten signature in cursive script, reading "David A. Berns".

David A. Berns
Director

DB:WH

C:

The Honorable Robert Burns, Vice-Chairman, Joint Legislative Budget Committee
Richard Stavneak, Director, Joint Legislative Budget Committee
Clark Partridge, State Comptroller, Arizona Department of Administration
Gary Yaquinto, Director, Governor's Office of Strategic Planning and Budgeting

Response to Additional Questions
Joint Legislative Budget Committee
Agenda Item 6. Department of Economic Security –
Review of Expenditure Plan for Workforce Investment Act Monies
December 16, 2004

Training for Local Workforce Investment Areas

- 1. Training for LWIA Board and staff members is listed as a required activity. Was this issue funded in FY 2004?**

Section 134 (a)(2)(B)(iv) and (v) under Required Statewide Employment and Training Activities, calls for providing technical assistance to local areas that fail to meet local performance measures and assisting local areas in the establishment and operation of their one-stop delivery systems.

In PY 2003/FY 2004, training assistance was not listed as a separate line item, but was funded to some degree through the allocation for Technical Assistance/Capacity Building (\$125,000) that the GCWP granted to DES. Fortunately in PY '03, the state was able to address local training needs with the assistance of a DOL-funded performance enhancement project that helped finance seven training sessions. There has been no indication to date that DOL will be forthcoming with this level of assistance in PY 2004/FY 2005. In fact, DOL declined to appropriate incentive funds to states for exemplary performance in PY 2004. Given the prospect of initial implementation activities surrounding WIA Re-authorization, new performance measures (Common Measures), and a new federal reporting system (EMILE), coupled with a federal announcement that no additional technical assistance funds will be forthcoming for these developments, the likelihood is strong that a ramp-up in training will be needed and would have to be funded at the state level.

Local Labor Market Information

- 2. What agency would be the recipient of Labor Market Information monies? We had given Commerce \$250,000 in FY 2003 for Business Research and Statistics. Is this program similar to that initiative? Was this issue funded in FY 2004? Are there any FTEs associated with this funding?**

The Department of Commerce and Department of Economic Security will collaborate on this initiative. The allocation will be used to fund a consultant who will be retained to implement the initiative. This initiative was not funded in FY 2004 nor does it include associated FTE.

Early Childhood Scholarships

- 3. How many individuals are expected to receive scholarships for early education training? Is all of the \$433K being used for scholarships, or is there an admin component? The rationale indicates that the scholarship will continue the efforts of the School Readiness Board. Are WIA funds being used to supplant funding for the School**

Readiness Board for this program? If so, what funding source is WIA replacing? Please provide data on # of individuals receiving scholarships and any other performance measures for this initiative for FY 2004.

Approximately 600 educators will receive scholarships. The funding will be used for scholarships and the administration of the scholarship program at community colleges. The use of WIA funds will not supplant any funding to the School Readiness Board for early education scholarships. The professional development program for early care and education practitioners, in FY 2005, will be this scholarship program. During FY 2004, 92 educators benefiting 370 students received scholarships.

High Technology Education

- 4. Please provide more detail on the programs to be funded with the High Tech education Funding. What companies would receive funding? How many individuals are projected to be served?**

The Aerospace and Defense (A&D) industry in Arizona is facing a critical workforce shortage according to participants at a recent summit held by industry leaders. The participants identified approximately 1600 open job requisitions in Arizona, and expressed their difficulty in finding qualified engineers to fill these positions.

In order to meet Arizona's specific needs, a pilot program would be developed to provide cross training to individuals within the Aerospace/Defense and Semiconductor industries. Training will be designed to address industry specific differences to ensure a smooth transition of talent to fill workforce gaps from one industry to another.

The development of this program is still at the discussion phase; however, the intent is not to provide training dollars to companies, but to cross-train individuals. This program will assist employers by providing a qualified pool of workers to improve Arizona's global competitive position within the A&D industry.

Also, at this stage, it's difficult to estimate the number of individuals that will be served. This will depend on the level of funding, extent of training required, delivery method, as well as other factors in relation to cross training.

Youth Programs

- 5. There is \$301,000 being requested for Youth Programs. A portion of that funding is for youth that have dropped out of school. How much of the \$301,000 is for this specific program? How many youth are expected to be served? What type of programs will be funded? Are there any FTEs associated with this funding?**

For FY 2004, \$200k was granted out to communities through the Youth Works Arizona Grant Program, which focused on GED or high school diploma attainment for out of school youth. Approximately 180 youth will be served through the FY 2004 awarded funds. All programs focus on recovery of students who have dropped out and equipping them academic and workforce readiness skills. An FTE is funded to administer the grant program and staff the Statewide Youth Development Task Force.

Women's Programs

6. The FY 2004 funding level for Women's Programs included \$65,000 for a staff person to fund the grant process. Is this position being funded in FY 2005? Would the \$450,000 include funding for this position? Funding has decreased \$50K for this initiative in FY 2005. What programs are being reduced from FY 2004 as a result of the decrease in requested funding for this program?

The current \$500k of WIA funding for women's programs is being awarded out over 18 months. Renewals will only be awarded for 12 month budgets therefore we will be able to maintain the current awardees as well as fund the FTE for the FY 2005 amount of \$450k.

Master Teacher Program

7. How many Master Teachers will receive funding with the \$450,000? How much WIA funding did this program receive in FY 2004? Are there any FTEs associated with this funding?

The additional \$450,000 would be used for both current year and FY 2006. For FY 2005 the program will focus on developing Master Teachers (MTs) and should reach approximately 139 teachers. In FY 2006 when the priority will be on recognizing MTs and developing them as mentors the number will be fewer because the per teacher cost will go up. As we develop MT professional development systems, we will have a better idea of how many teachers can be reached statewide. Eventually, the agency administering the program will likely need to fund a portion of a FTE position. However, none of the money has been set aside for FTEs in the first year. Year Two may require some staffing.

Additional JLBC Staff Questions

8. Is there a program to train child care workers in FY 2005?

The professional development program funded from the \$433k allocated for early care and education practitioner scholarships represents the FY 2005 program for child care worker training.

9. Is there a Nursing Initiative Program for FY 2005?

The nursing initiative is not specifically funded in FY 2005. The Arizona Board of Regents received a grant in FY 2004 for this initiative, but is not slated to receive a grant for FY 2005. The Board could apply for funds for this initiative from one of the other grants.

STATE OF ARIZONA

Joint Legislative Budget Committee

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STEPHEN TULLY

DATE: February 24, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Kim Hohman, Senior Fiscal Analyst

SUBJECT: Attorney General – Review of Allocation of Settlement Monies

Request

Pursuant to a footnote in the General Appropriation Act, the Office of the Attorney General (AG) has notified the Committee of the allocation of monies to be received from the El Paso Natural Gas Company settlement agreement.

In addition, the Attorney General has notified the Committee of the distribution plans for 2 settlement agreements first reported at the JLBC meeting on December 19, 2002.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the allocation plan for the El Paso Natural Gas settlement amount. In addition, the JLBC Staff recommends that the Committee ask the AG why it is the most appropriate agency to distribute the \$250,000 received for emergency preparedness and response training.

The AG has notified the Committee that it distributed \$144,222 to the Arizona Association of Food Banks as a result of the settlement with Salton, Inc., the manufacturer of the “George Foremen” indoor grill. In addition, the AG has distributed approximately \$1.6 million to Arizona consumers and a total of 98,476 music CDs to libraries, universities and the National Guard as a result of a separate settlement with numerous music distributors.

Analysis

The General Appropriation Act contains a footnote that requires JLBC review of the allocation or expenditure plan for settlement monies over \$100,000 received by the Attorney General or any other person on behalf of the State of Arizona, and it specifies that the Attorney General shall not allocate or expend these monies until the JLBC reviews the allocations or expenditures. Settlements that are deposited in the General Fund pursuant to statute do not require JLBC review. The Office of the Attorney General recently settled a case that will result in the receipt of settlement monies over \$100,000.

(Continued)

Analysis (Continued)

The case involved violations of state antitrust laws by El Paso Natural Gas Company. The Arizona Attorney General, through outside counsel, alleged that El Paso Natural Gas manipulated the supply of natural gas resulting in increased costs to Arizona consumers. Under the settlement, El Paso Natural Gas agreed to pay a total of \$78,375,000 for a variety of purposes. The following summarizes how the \$78.4 million will be spent:

- \$40.0 million to enhance the company's Phoenix area pipeline
- \$30.0 million in capital improvements for the company's Arizona Pipeline Integrity Program
- \$3.0 million to upgrade the company's Tucson station
- \$3.0 million to the Low-Income Energy Assistance Program (LEAP) administered by the Department of Economic Security (DES)
- \$250,000 for emergency preparedness and response training allocated through the AG's Office
- \$125,000 to commission an independent study to determine how to diversify the state's supply of natural gas
- \$2.0 million in attorneys' fees and investigative costs

Of the \$2.0 million paid for attorneys' fees and investigative costs, the Arizona Attorney General's Office will receive \$400,000 for deposit in the Antitrust Enforcement Revolving Fund. The remaining \$1.6 million will be paid to outside counsel used in this case.

The \$3.0 million distributed to the Low-Income Energy Assistance Program will be administered by the Division of Aging and Community Services within DES. The settlement specified that the monies shall be used for purposes aimed at providing targeted assistance to low-income Arizona residents dealing with high energy prices. Pursuant to statute, monies in Arizona's LEAP program are spent on emergency energy payments for low-income households, improvements to homes to make them more energy efficient, and community outreach programs.

As previously mentioned, the Attorney General will receive \$250,000 for emergency preparedness and response training. Pursuant to the settlement agreement, the AG will coordinate with appropriate state agencies to fulfill this purpose. At this time, the AG's Office has not yet determined which agencies will receive funding from this portion of the settlement.

In addition to the El Paso Natural Gas settlement, at its December 2002 meeting, the Committee requested the Attorney General provide specific distribution plans for 2 settlement agreements once they were available. These 2 settlements, as well as the distribution plan for each, are described below.

Salton

At the December 2002 JLBC meeting, the Committee requested that the Office of the Attorney General report back once it has finalized a distribution plan for expending monies received from the Salton, Inc. settlement. In the case, Salton, Inc. was alleged to have violated federal and state antitrust laws. The settling jurisdictions complained that Salton Inc., the manufacturer of the "George Foreman" indoor grill, arranged an illegal resale price maintenance scheme that prevented retailers from discounting prices, and which excluded rivals from the marketplace.

Under the settlement, Salton agreed to pay \$8.2 million over 3 years, of which approximately \$145,800 was to be paid to the State of Arizona and distributed in a manner to benefit consumers throughout the state. The AG has notified the Committee that in the multi-state settlement, the state actually received \$144,222 and distributed this entire amount to the Arizona Association of Food Banks on May 13, 2004.

(Continued)

Analysis (Continued)

CD Music Distribution

The second settlement involved violations by numerous music distributors and retailers related to illegal practices intended to raise the price of prerecorded music. Pursuant to the settlement agreement, the companies agreed to pay a total of \$67.4 million for the payment of attorneys' fees and direct distribution to consumers in each settling jurisdiction, and to provide approximately 5.5 million music CDs for distribution by the state Attorney General for the benefit of consumers in each state.

The AG has informed the Committee that Arizona consumers received a total of approximately \$1.6 million. In total, there were 117,496 claimants that received an average of \$13.86 each. In addition, the state received 98,476 music CDs with an approximate value of \$1.3 million. The AG distributed 78,780 CDs to public libraries, 9,848 to public universities, and 9,848 to the National Guard. The detailed distribution list, including each entity and the number of CDs received, is available upon request.

RS/KH:jb



Terry Goddard
Attorney General

Office of the Attorney General
State of Arizona

Nancy M. Bonnell
Antitrust Unit Chief

December 28, 2004

The Honorable Ken Bennett
President of the Senate
1700 West Washington
Phoenix, Arizona 85007

The Honorable Jake Flake
Speaker of the House
House of Representatives
1700 West Washington
Phoenix, Arizona 85007

The Honorable Robert Burns
Chairman, Joint Legislative Budget Committee
1700 West Washington
Phoenix, Arizona 85007



Re: *State of Arizona v. El Paso Natural Gas Company, et al.*

Dear Gentlemen:

In March 2003, the Attorney General, through outside counsel, filed a complaint against El Paso Corporation, El Paso Natural Gas Company, and El Paso Merchant Energy, L.P. (collectively "El Paso."). The lawsuit alleged that El Paso manipulated the supply of natural gas shipped over its pipeline resulting in price increases to Arizona consumers. Late last week our office and El Paso reached a settlement. Yesterday, Judge Janet Barton approved the settlement and dismissed the action.

The settlement was prompted by recent adverse rulings from the Ninth Circuit in similar cases brought by the State of California and a Washington public utility district. According to the Ninth Circuit's rulings, the Federal Power Act preempts state consumer fraud claims and antitrust claims against power companies.

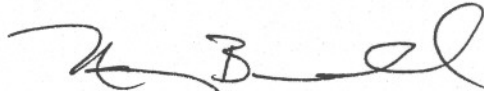
Hon. Ken Bennet
Hon. Jake Flake
Hon. Robert Burns
December 28, 2004
Page 2

To settle the Attorney General's claims, El Paso has agreed to expend \$78,375,000 in the following manner: \$3 million to the Low Income Energy Assistance Program, approximately \$40 million to enhance its Phoenix area pipeline, \$30 million in capital improvements for its Arizona Pipeline Integrity program, up to \$125,000 to commission an independent study to determine how to diversify Arizona's supply of natural gas, \$250,000 for emergency preparedness/response training, approximately \$3 million to upgrade its Tucson station resulting in substantial water conservation and noise reduction and \$2 million for attorneys' fees and costs. The Attorney General's Office will receive \$400,000 of the attorneys' fees payment to deposit into its Antitrust Revolving Fund. A copy of the Settlement Agreement is attached.

Our notification to you of this settlement is made without prejudice to our office's long standing position that it is not under any legal obligation to provide notices of settlements to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

Please call me at (602) 542-7728 if you have any questions regarding this matter.

Sincerely,



Nancy M. Bonnell
Antitrust Unit Chief

Enclosures

cc: The Honorable Jack Brown
The Honorable John Loredó
Mr. Richard Stavneak
Ms. Kim Hohman
Mr. Timothy Nelson
Mr. Richard Travis
Mr. John Stevens

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: February 23, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Martin Lorenzo III, Assistant Fiscal Analyst

SUBJECT: Department of Public Safety – Quarterly Review of the Arizona Public Safety
Communication Advisory Commission

Request

Pursuant to Laws 2004, Chapter 281 the Department of Public Safety (DPS) has submitted for review their FY 2005 second quarter expenditures and progress for the statewide interoperability design project.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the agency request. Second quarter expenditures totaled approximately \$47,800 out of \$5,000,000 in available funding. An Executive Director and 2 staff positions have been hired for the Public Safety Communication Advisory Commission (PSCC). In addition, 8 of the 14 commissioners have been confirmed by the Senate.

Analysis

Background

Laws 2004, Chapter 275 appropriated \$5 million to DPS for design costs of a statewide radio interoperability communication system. Radio interoperability allows public safety personnel from one agency to communicate, via mobile radio, with personnel from other agencies. An interoperable system enhances the ability of various public safety agencies to coordinate their actions in the event of a large-scale emergency as well as daily emergencies. Construction costs of a statewide radio interoperability communication system are estimated to be as high as \$300 million.

Second Quarter Activities

In the second quarter of FY 2005, PSCC expended approximately \$47,800 and encumbered an additional \$76,200. The main emphasis of the quarter was to hire staff and educate commission members. The

(Continued)

majority of expenditures supported the 2 FTE Positions hired in the quarter (Executive Director and Administrative Services Officer) and the purchase of office equipment (computers, printers, software, and telecommunications equipment). The PSCC held one meeting in the second quarter at which the 14 commissioners appointed by the Governor's Office were orientated with the PSCC, educated on the current DPS communication system and discussed interoperability issues. In November 2004, the PSCC Executive Director met with the Deputy Director of the Governor's Office of Homeland Security to review radio communication technology and discuss funding issues to attempt to avoid duplication of effort within the state. The monies encumbered in the second quarter are primarily due to the purchase of 2 vehicles, mobile radios and office furniture.

Current Updates

In January 2005, the PSCC hired an Executive Assistant and expects to name a Project Manager by the end of the third quarter. In total the PSCC will hire 9 FTE Positions. Office space for the support office has been occupied and the lease is currently being reviewed by both the Department of Administration and Attorney General's Office. The commission held their second meeting in January and heard presentations from the City of Mesa and the City of Phoenix on their shared communication system.

In accordance with Laws 2004, Chapter 281, the Executive Director has been in contact with the Government Information and Technology Agency (GITA), who presented at the commission's January meeting.

These updates will be reflected in review of the third quarter expenditures.

RS/ML:jbb

ARIZONA DEPARTMENT OF PUBLIC SAFETY

2102 WEST ENCANTO BLVD. P.O. BOX 6638 PHOENIX, ARIZONA 85005-6638 (602) 223-2000



JANET NAPOLITANO
GOVERNOR

DAVID A. FELIX
INTERIM DIRECTOR



January 21, 2005

Mr. Richard Stavneak, Director
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Dear Mr. Stavneak:

The Arizona Public Safety Communications Advisory Commission (PSCC) is pleased to enclose our 2nd Quarter report due to the JLBC by January 31, 2005.

Attached you should find a narrative of our activities, along with the expenditure report for the reporting period of October 31, 2004 through December 31, 2004.

If we can answer any questions or assist you or your staff in any manner please contact Mr. Curt B. Knight, Executive Director, PSCC at (602) 271-7400.

Sincerely,

A handwritten signature in cursive script that reads "D. A. Felix".

David A Felix, Lt. Colonel
Interim Director

Public Safety Communications Advisory Commission

1. Staffing:

Ms. Evelyn Jablonski accepted the PSCC Executive Assistant position effective January 15, 2005. Ms. Jablonski is a seven (7) year DPS employee and will be responsible for the secretarial/administrative functions of the PSCC offices.

Mr. Knight and DPS Human Resources continue to work together on the hiring process of our Project Manager. The job description for the position was finalized, and currently a selection and scoring criteria for potential candidates is being completed so we may advertise for the position. Any potential candidate would still have to pass a background and polygraph check before being officially offered a job.

2. PSCC Activities

On November 5, 2004, Mr. Knight met with state, county and local technical advisors (PSCC Technical Sub-Committee) from throughout the state. The purpose of this gathering was to review and recommend short term goals. Short term goals or "early successes" will help motivate the Commission to tackle the more time-consuming and difficult challenges of long term planning. However, any short term goal will not drive the planning process, but function in support of the long term improvements.

Mr. Knight was invited to attend the Law Enforcement Terrorism Protection Program (LETPP) Board meeting, on November 8, 2004, and brief them on the activities and mission of PSCC. The LETPP Board is interested in the direction PSCC intends to move in regards to radio interoperability and may recommend further funds be used in concert with our efforts.

Mr. Knight attended the National Public Safety Telecommunications Council (NPSTC) Quarterly Conference held in New York City, NY from November 17-19. Mr. Knight is the Southwestern Representative of regional spectrum and interoperability planners. While at the conference Mr. Knight accepted the nomination by NPSTC to be appointed as their representative to SAFECOM's Standards Steering Panel (SAFECOM – a federal program to coordinate the interoperability efforts of local, county, tribal and state under one umbrella of the Department of Homeland Security).

On November 22, 2004, Mr. Knight met with Deputy Director John Phelps of the Governors Office of Homeland Security, and the five regional planners so they could review common issues of radio communications technology and funding within Arizona. Mr. Knight and Mr. Phelps feel a relationship between PSCC and Homeland Security will benefit Arizona's radio interoperability effort, while communications between the two agencies will help eliminate any duplication of efforts in the State. Mr. Knight was invited to attend the Arizona Southern Region Homeland Security Advisory Council on December 15, 2004 in Casa Grande, and gave a briefing regarding the activities and missions of the PSCC. He is scheduled to attend a meeting on January 24, 2005 to

Public Safety Communications Advisory Commission

present the same briefing to the Western Region Homeland Security Advisory Council in Parker.

Mr. Knight was asked to review a report written by RCC Consultants and commissioned by the Arizona Division of Emergency Management (DEM) for technical edits. Mr. Knight worked with Mr. Jay Vargo of DEM on this project.

In keeping abreast of the direction other Arizona public safety agencies are moving, Mr. Knight attended the Pima County Radio Board Executive Committee meeting on December 19, 2004. Pima County received a needs analysis on their radio interoperability from the National Law Enforcement and Corrections Technology Center. The Committee is currently reviewing the results received.

On January 13, 2005, Mr. Knight attended a meeting held in Yuma and sponsored jointly by the public safety personnel in Yuma County, Arizona and Imperial County, California. The two counties are in the early stages of discussing the development of a shared communications infrastructure among the governments/first responders and critical infrastructure providers. Many of the public safety agencies within those counties attended, and Mr. Knight was able to share information about PSCC and its mission with the attendees.

3. Commission Meetings

Early meetings of the Commission have been spent educating members on the interoperability issues we are facing and how the statewide system currently works. At our January 11th meeting a presentation was made jointly by the City of Mesa and the City of Phoenix on their shared communications system which is currently up and running. Mr. Jim Ryan from GITA made a presentation on the benefits of “concept of operations” planning (con-ops), the Division of Emergency Management (DEM) had their consultant RCC make a presentation on their report findings, Mr. Knight made a presentation titled “Building Blocks of interoperability, and Ms. Diana Stabler with the AG’s Office educated the Commission on some finer points of Arizona’s Open Meeting Laws.

The Governors Office of Boards Commission sent two (2) of their personnel to the January 11th Quarterly meeting to assist with the completion of our Commissioners loyalty oaths. On January 19th we received notification from the Governors Office that at least eight (8) Commissioners have been confirmed by the Senate.

<u>Name</u>	<u>Region</u>
Assistant Chief Ray W. Allen, Tucson Fire Department	Southern
Captain Amy Brooks, Apache Junction Fire Department	Eastern
Sheriff Hal Collett, LaPaz County Sheriffs Office	Western
Commander Kathleen Paleski, NAU Police Department	Northern
Chief Danny Sharp, Oro Valley Police Department	Southern

Public Safety Communications Advisory Commission

Deputy Director Louis Trammell, Division of Emergency Management	Central
Chief Kenneth Witkowski, Gila River Indian Community PD	Central
Captain Michael Worrell, Phoenix Police Department	Central

At the end of our meeting Mr. Knight asked the Commissioners for any input or suggestions for the next meetings agenda. Commissioner Wills suggested the Commission review the Macro Report in order to bring our newer Commissioners up to speed on the extensive work already done in identifying Arizona's needs. Our next meeting is scheduled for March 22, 2005.

4. Budget

The PSCC support office personnel have been temporarily located in a leased building just west of the DPS Headquarters on 22nd Avenue and Encanto Boulevard. Mr. Tom Heideman of DPS Facilities has arranged with the building owner for PSCC to lease office space needed effective February 1 2005 through June 30, 2006. The lease is currently being reviewed by DOA and the AG's offices.

PUBLIC SAFETY COMMUNICATIONS COMMISSION BUDGET FY2005

CATEGORY DESCRIPTION	ALLOCATED AMOUNT	ENCUMBRANCE	EXPENDITURES	BALANCE
PERSONAL SERVICES	\$382,800.00	\$0.00	\$25,162.13	\$25,162.13
ERE	\$104,200.00	\$0.00	\$3,608.35	\$3,608.35
PROFESSIONAL/OUTSIDE SVCS*	\$4,040,500.00	\$0.00	\$0.00	\$0.00
TRAVEL (IN STATE)	\$20,700.00	\$0.00	\$0.00	\$0.00
TRAVEL (OUT OF STATE)	\$15,900.00	\$0.00	\$0.00	\$0.00
AID TO OTHER ORGANIZATIONS	\$55,000.00	\$0.00	\$0.00	\$0.00
OTHER OPERATING	\$203,300.00	\$5,150.00	\$6,326.21	\$11,476.21
BUILDINGS/BUILD IMPROVEMENT	\$0.00	\$0.00	\$0.00	\$0.00
NON CAPITAL EQUIPMENT	\$0.00	\$24,064.31	\$12,683.72	\$36,748.03
CAPITAL EQUIPMENT	\$97,200.00	\$46,938.24	\$0.00	\$46,938.24
INDIRECT COSTS	\$80,400.00	\$0.00	\$0.00	\$0.00
TOTALS TO DATE	\$5,000,000.00	\$76,152.55	\$47,780.41	\$4,876,067.04

* The Allocated Amount includes \$3,000,000.00 in non-lapsing funds

STATE OF ARIZONA

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DATE: February 28, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jeremy Olsen, Fiscal Analyst

SUBJECT: Arizona Office of Homeland Security – Report on Homeland Security Funding

Request

Laws 2004, Chapter 275 requires the Arizona Office of Homeland Security (OHS) to submit a report by August 1, 2004 on the allocation and expenditure plans for homeland security grant monies in FY 2004 and FY 2005. This report is to provide allocation and expenditure information by year, by activity and entity, and is to include state and local entities. In September 2004, OHS submitted allocation and expenditure information for FFY 2003. At its October 14, 2004 meeting, the Committee requested that OHS submit a monthly report updating expenditures for FFY 2003 grants, and FFY 2004 allocation and expenditure information when it became available. OHS submitted a report in December and February, and has requested that they be permitted to report quarterly.

Recommendation

Since the October report, expenditures from the FFY 2003 State Homeland Security Grant Program (SHSGP) grants have increased from 16.5% to 39.6%. The office also reports that 44% of all eight FFY 2003 grants have been expended. The expenditure deadline established by the U.S. Department of Homeland Security for these grants is March or April, dependent upon the grant. OHS has requested a deadline extension, but if this extension is not granted all unobligated monies will revert back to the federal government. To ensure these funds are expended, OHS has sent a letter to grant recipients asking them to provide the amount of monies which they have not allocated. OHS hopes to reallocate the remaining unused funds to other jurisdictions prior to the deadline.

FFY 2004 monies have been allocated now that the Regional Advisory Councils have been established. OHS also submitted information describing allocations to state agencies along with brief project descriptions. OHS has not allocated FFY 2005 funds.

(Continued)

This item is for information only and no Committee action is required. JLBC Staff recommends that the Committee request OHS submit the following:

- A monthly report on FY 2003 funds until all Arizona monies are expended, reverted to the federal government, or a deadline extension is granted by the U.S. Department of Homeland Security.
- A quarterly report on FFY 2004 and FFY 2005 allocations and expenditures for both local and state agency awards. The report should include a narrative description detailing each state project awarded funding. This narrative should identify the goals and objectives of each state project and indicate what progress has been made on each project since the last report.

Analysis

FFY 2002

OHS reports that in FFY 2002, the state as a whole received a total of \$16.2 million, expending \$15.7 million. Of the total amount, \$2.7 million was allocated to state agencies and \$13.4 million was allocated to local governments. State agencies have expended 95.5% of their allocation and local governments have expended 95.7% of their available funding.

FFY 2003

In FFY 2003, OHS reports that the state received a total of \$61,015,538 in homeland security monies. Of the \$14,761,342 available to state grantees, \$6,819,740, or 46.2%, has been expended. Local governments have expended \$12,904,921, or 27.9% of their allocation. Table 1 shows allocations and expenditures of Arizona's FFY 2003 grants.

The 2003 SHSGP awarded \$5,586,600 to local governments. OHS reports that local governments have expended \$1,311,013 of this amount. State agencies received \$4,997,400 and have expended \$2,857,035. While all grantees have expended a portion of their share of this grant, none have used their entire allotment. Unless an extension is granted by the U.S. Department of Homeland Security, these funds will revert back to the federal government on March 31 of this year. Most states have sought extensions for 2003 grants, which may provide up to an additional six months to expend homeland security grants.

OHS reports that the Supplemental 2003 State Homeland Security Grant Program provided an additional \$16,716,000 to local governments and \$7,579,000 to state agencies. Grantees which have not expended any of their allocation include Apache and Yuma Counties, the cities of Phoenix, Mesa, and Glendale, and the Departments of Transportation, Corrections, the Arizona Criminal Justice Commission, and Arizona State University. If the U.S. Department of Homeland Security does not grant an extension, funds from this grant will revert to the federal government on April 30, 2005.

Table 1

<u>Grant</u>	<u>Allocation</u>	<u>Expended</u>	<u>Percentage Expended</u>
SHSGP	\$10,584,000	\$4,168,048	39.4%
SHSGP Supplemental	24,295,000	9,577,572	39.4%
UASI	11,033,467	0	0.0%
Community Emergency Response Team	351,339	324,966	92.5%
Critical Infrastructure Program	3,738,000	2,844,327	76.1%
Metropolitan Medical Response System	400,000	400,000	100.0%
Fire Assistance	7,490,693	7,490,693	100.0%
Emergency Management Performance Grant	<u>3,123,039</u>	<u>2,040,414</u>	<u>65.3%</u>
Total:	\$61,015,538	\$26,846,020	44.0%

The UASI award amount in 2003 was \$11,033,467. Recipients of this grant are Phoenix METRO and the Department of Public Safety. OHS reports that no funds have been expended from this grant.

(Continued)

FFY 2004

Beginning in FFY 2004, Arizona allocated local government Homeland Security grants according to a newly implemented regional model. According to OHS, this model, which includes five regions divided along county lines, will foster a regional approach to homeland security, allowing communities to share resources where appropriate.

Funding to each region is based on a baseline amount and risk calculations established by OHS. Decisions regarding how funds are allocated within each region are made by a regional advisory council composed of ten members representing fire protection services, law enforcement, local governments, the public and private sectors, tribal governments, emergency management, and the Department of Public Safety. Regional advisory committee members are appointed by the OHS Director on behalf of the Governor.

Homeland security funding to state agencies occurs outside of the regional model. Agencies send funding requests to OHS, which reviews the requests and selects which proposals to award grant monies. The Department of Emergency and Military Affairs administers homeland security grants according to allocations designated by OHS or the regional advisory committees.

The state of Arizona's homeland security funding in FFY 2004 totaled \$59,326,808. OHS received \$56,632,527 of this amount, and the remainder is allocated directly to grantees by the federal government. Of this amount, \$10,723,364 was allocated to state agencies, who have expended \$1.7% to date. Table 2 shows FFY 2004 allocations to state agencies. OHS has not yet allocated \$800,000 from the State Homeland Security Program to state recipients.

Table 2

<u>Agency</u>	<u>Allocation</u>	<u>Description</u>
Agriculture	\$ 914,625	Training, Lab Equipment
Capitol Police	110,000	Interoperable communication equipment, body armor
Corrections	300,000	Interoperable communication equipment
Emergency & Military Affairs/OHS	5,275,939	Administration, Planning, Equipment, Training
Environmental Quality	400,000	Contingency Server, Water Monitoring
Public Safety	2,632,800	Personal Protective Equipment, Bomb Squad funding, Arizona Counter Terrorism Information Center funding
Radiation Regulatory Agency	250,000	Equipment and Training for response team
Transportation	840,000	Interoperable communication system, Internet security
Total	\$10,723,364	

The five Regional Advisory Councils were awarded \$38,976,968 on January 10, 2005. Table 3 shows the FFY 2004 allocations to each region. A total of \$5,220,712 has not yet been allocated to local governments.

Table 3

<u>Arizona FFY 2004 Regional Funding</u>		
<u>Region</u>	<u>Allocation</u>	<u>Funding Per Capita*</u>
Central	\$21,483,961	\$6.25
East	3,066,705	10.67
North	3,563,415	12.32
South	7,994,054	6.63
West	2,868,833	7.88
Total	\$38,976,968	\$7.16
* Based on 2002 U.S. Census estimates.		

(Continued)

FFY 2005

In FFY 2005, a total of \$41,704,818 was allocated to Arizona from six homeland security grants. This represents a 28.7% decline from the same FFY 2004 grants, which totaled \$58,498,308. Table 4 illustrates the differences between funding amounts in FFY 2004 and FFY 2005. OHS has not yet submitted an allocation plan for FFY 2005.

Table 4

<u>Grant Program</u>	<u>FFY 2004 Award Amount</u>	<u>FFY 2005 Award Amount</u>	<u>Difference</u>
Homeland Security Grant Program	\$31,304,000	\$20,021,731	(36.0)%
Law Enforcement Terrorism Prevention Program	9,289,000	7,280,630	(21.6)%
Citizen Corps	650,000	254,176	(60.9)%
Urban Area Security Initiative	12,128,223	9,996,463	(17.6)%
Metropolitan Medical Response System	1,850,000	910,368	(50.8)%
Emergency Management Performance Grant	3,277,085	3,241,450	(1.1)%
Total	\$58,498,308	\$41,498,308	(28.7)%
Fire Grants*	328,679	--	--
Information Technology Grant*	499,821	--	--

*Because these grants have not received 2005 allocations, they are not included in the comparison

FFY 2006

The President released the FFY 2006 Executive budget proposal on February 7, 2005. Overall, funding for five of the largest Homeland Security grants is down 11.5% from FFY 2005 amounts. Because the President's budget proposes a change in the grant formulas which distribute Homeland Security funds, there are no specific estimates as to how individual states might be impacted. These changes would increase the weight given to population while reducing the baseline amount allocated to each state. The President's FFY 2006 budget also includes \$39 million for costs associated with the Arizona Border Control (ABC) initiative.

ABC Initiative

On March 16, 2004, the U.S. Department of Homeland Security implemented the Arizona Border Control Initiative. The stated purpose of this initiative is to achieve operational control of the Arizona border and support of the Homeland Security priority mission of anti-terrorism, detection, arrest, and deterrence of all cross-border illicit trafficking.

Highlights of the ABC initiative include:

- 60 additional U.S. Border Patrol Agents trained in search and rescue operations.
- Adding 200 experienced Border Patrol Agents to the Tucson region, bringing the total number of agents in the region to 2,000.
- Using Unmanned Aerial Vehicles for border surveillance.
- Immigrations and Customs Enforcement operations flying increased aerial patrols.

(Continued)

Table 5 describes the increases in apprehensions, drug seizures, and rescues during the first seven months of the program, as compared to the same period from the prior year.

Table 5

<u>Arizona Board Security Initiative</u>		
<u>Action</u>	<u>2003</u>	<u>2004</u>
Apprehensions	225,108	351,757
Marijuana Seizures (lbs)	164,953	353,302
Cocaine Seizures (lbs)	86	4,777
Heroin Seizures (lbs)	17	1,525
Migrant Deaths	132	141
Exposure Deaths	85	63
Migrant Rescues	445	697
Felony Prosecutions (Immigration)	973	1,431
Misdemeanor Prosecutions (Immigration)	1,211	2,955

RS:JO:ss



JANET NAPOLITANO
GOVERNOR

STATE OF ARIZONA
Office of Homeland Security
1700 W. WASHINGTON STREET
PHOENIX, AZ 85007
(602) 542-7030 Facsimile: (602) 364-1521



FRANK F. NAVARRETE
DIRECTOR

January 28, 2005

Honorable Robert Burns
Arizona State Senate
1700 W. Washington
Phoenix, AZ 85007

Re: Arizona Office of Homeland Security Funds

Dear Senator Burns:

To follow and update our December 17, 2004 letter to you, please find enclosed our most recent Homeland Security Grant Program allocation report for FY 2003 funds. Also attached is a spreadsheet detailing allocations for FY 2004. We are currently in the process of determining allocations of FY 2005 funds.

As evidenced by the FY 2004 spreadsheet, we have successfully allocated funding to our regions. I have also included copies of the award letters to the regional advisory councils. The councils are currently engaged in the planning and prioritization process for those funds with several projects already being recognized and approved. Listed below is a summary of approved projects to date:

<u>JURISDICTION</u>	<u>PROJECT</u>	<u>FUNDING</u>
Central Region:		\$4,113,772.00
• Carefree	Personal Protective Equipment (PPE)	\$9,800.00
• Cave Creek	PPE	\$1,569.70
• Chandler	Rapid Response Team (RRT) Equipment	\$90,000.00
	RRT PPE	\$21,600.00
• Gilbert	PPE	\$82,516.00
	PPE	\$146,000.00
• Glendale	PPE	\$300,000.00
	PPE	\$690,000.00
	RRT Equipment	\$175,000.00
	RRT PPE	\$58,800.00
• Goodyear	PPE	\$90,000.00
• MCSO	PPE	\$406,000.00
• Mesa	PPE	\$169,800.00

<u>JURISDICTION</u>	<u>PROJECT</u>	<u>FUNDING</u>
Central...cont'd:		
	RRT Equipment	\$90,000.00
	RRT PPE	\$21,600.00
• Phoenix	PPE	\$250,000.00
	PPE	\$50,000.00
	PPE	\$524,500.00
	RRT Equipment	\$270,000.00
	RRT PPE	\$72,000.00
• Scottsdale	PPE	\$200,000.00
• Sun Lakes	PPE	\$42,564.30
• Tempe	PPE	\$178,160.00
	RRT Equipment	\$90,000.00
	RRT PPE	\$21,600.00
• Wickenburg	PPE	\$28,500.00
South Region:		\$2,160,995.86
• Tucson	RRT	\$2,000,000.00
	RRT Equipment	\$160,995.86
North Region:		\$0.00
<ul style="list-style-type: none"> No Activity—experienced delays in standing up the council due to nomination process and recent flood disaster response. Council met on January 26, 2005 to establish project review and approval process; anticipate project awards in the near future. 		
East Region:		\$2,389,151.90
• Gila County	Planning Personnel	\$45,000.00
	Command Vehicle	\$70,721.24
• Graham County	Communications Tower	\$975,000.00
	Interoperable Communications	\$58,125.43
• Greenlee County	Communications Tower	\$975,000.00
• Pinal County	HazMat Vehicle	\$175,905.33
	HazMat Vehicle	\$89,400.00
West Region:		\$2,473,730.00
• La Paz County	Interoperable Communications	\$530,000.00
	Enhance County Emergency Ops Center (EOC)	\$100,000.00
	Establish Cyber Security	\$127,000.00
	Enhance Emergency Preparedness	\$10,000.00
• Mohave County	Interoperable Communications	\$428,000.00
	Enhance County EOC	\$200,000.00
	Enhance Explosive Ordinance Disposal (EOD)	\$245,950.00
• Yavapai County	Interoperable Communications	\$600,000.00

PPE	\$139,050.00
Establish/Enhance Alternate EOC	\$93,730.00

I understand that the Committee will be considering our proposed quarterly reporting in the near future. I look forward to a decision on this matter. I again assert that monthly reports place a heavy burden on my staff and that progress may be more easily measured and digested on a quarterly basis.

I am available to meet with you at your convenience should you desire additional information concerning these matters.

Best regards,

Frank F. Navarrete, Director
Office of Homeland Security

Enclosures

SUMMARY
Arizona DHS Funding
Federal Fiscal Years 2001 - 2004

a/o 01/31/05

	TOTAL	STATE	LOCAL	PCT EXPENDITURES		
				TOTAL	STATE	LOCAL
Fiscal Year 2001 - 2004	\$139,553,117	\$34,019,878	\$105,533,239	30.9%	33.1%	21.3%

Fiscal Year 2001	\$3,054,970	\$2,332,345	\$722,625	100.0%	100.0%	100.0%
State Domestic Preparedness Program	\$932,000	\$932,000	\$0	100.0%	100.0%	N/A
Emergency Management Performance Grant*	\$2,122,970	\$1,400,345	\$722,625	100.0%	100.0%	100.0%

Fiscal Year 2002	\$16,155,801	\$2,708,545	\$13,447,256	96.8%	95.5%	95.7%
State Domestic Preparedness Program Part 1	\$2,558,001	\$0	\$2,558,001	100.0%	N/A	100.0%
State Domestic Preparedness Program Part 2	\$5,770,000	\$1,265,800	\$4,504,200	92.6%	95.3%	91.8%
Community Emergency Response Teams	\$314,800	\$78,700	\$236,100	91.4%	97.4%	89.5%
Citizens Corps	\$74,071	\$18,518	\$55,553	100.0%	100.0%	100.0%
Urban Area Security Initiative Grant	\$1,770,000	\$0	\$1,770,000	100.0%	N/A	100.0%
Fire Assistance	\$3,600,777	\$0	\$3,600,777	100.0%	N/A	100.0%
Emergency Management Performance Grant*	\$2,068,152	\$1,345,527	\$722,625	100.0%	100.0%	100.0%

Fiscal Year 2003	\$61,015,538	\$14,761,342	\$46,254,196	42.8%	46.2%	27.9%
State Homeland Security Grant Program Part 1	\$10,584,000	\$2,847,400	\$7,736,600	39.4%	57.2%	23.5%
Community Emergency Response Teams	\$351,339	\$87,835	\$263,504	92.5%	70.0%	100.0%
Metropolitan Medical Response System	\$400,000	\$0	\$400,000	100.0%	N/A	100.0%
State Homeland Security Grant Program Part 2	\$24,295,000	\$7,579,000	\$16,716,000	39.4%	54.5%	32.6%
Critical Infrastructure Protection	\$3,738,000	\$0	\$3,738,000	76.1%	23.7%	89.2%
Urban Area Security Initiative Grant	\$11,033,467	\$2,206,693	\$8,826,774	0.0%	0.0%	0.0%
Fire Assistance	\$7,490,693	\$0	\$7,490,693	100.0%	N/A	100.0%
Emergency Management Performance Grant*	\$3,123,039	\$2,040,414	\$1,082,625	100.0%	100.0%	100.0%

Fiscal Year 2004	\$59,326,808	\$14,217,646	\$45,109,162	0.9%	1.7%	0.0%
State Homeland Security Grant Program	\$31,304,000	\$7,060,800	\$24,243,200	0.6%	3.0%	0.0%
LE Terrorism Prevention Gram Program	\$9,289,000	\$1,857,800	\$7,431,200	0.0%	0.0%	0.0%
Citizen Corps	\$650,000	\$179,120	\$470,880	0.5%	1.9%	0.0%
Urban Area Security Initiative Grant	\$12,128,223	\$2,425,645	\$9,702,578	0.0%	0.0%	0.0%
Metropolitan Medical Response System	\$1,850,000	\$0	\$1,850,000	0.0%	0.0%	0.0%
Information Technology Grant	\$499,821	\$499,821	\$0	0.0%	0.0%	0.0%
Fire Assistance	\$328,679	\$0	\$328,679	100.0%	N/A	100.0%
Emergency Management Performance Grant*	\$3,277,085	\$2,194,460	\$1,082,625	100.0%	N/A	100.0%

Fiscal Year 2005	\$41,704,818	\$0	\$0	0.0%	0.0%	0.0%
State Homeland Security Grant Program	\$20,021,731			0.0%	0.0%	0.0%
LE Terrorism Prevention Gram Program	\$7,280,630			0.0%	0.0%	0.0%
Citizen Corps	\$254,176			0.0%	0.0%	0.0%
Urban Area Security Initiative Grant	\$9,996,463			0.0%	0.0%	0.0%
Metropolitan Medical Response System	\$910,368			0.0%	0.0%	0.0%
Emergency Management Performance Grant*	\$3,241,450			0.0%	0.0%	0.0%

Note: EMPG not included with "DHS Grants" until FFY2005.

DHS FUNDING

Program Funding History - Fiscal Years 2001 - 2005

a/o 01/31/05

Grant Program	2001	2002	2002+	2003	2003+	2004	2005	Total
State Domestic Preparedness Program	\$932,000	\$2,558,001	\$5,770,000	\$10,584,000	24,295,000	\$31,304,000	\$20,021,731	\$95,464,732
Community Emergency Response Teams		\$314,800		\$351,339				\$666,139
Citizens Corps		\$74,071				\$650,000	\$254,176	\$978,247
Critical Infrastructure Protection					3,738,000			\$3,738,000
Urban Area Security Initiative Grant			1,770,000		11,033,467	\$12,128,223	\$9,996,463	\$34,928,153
Metropolitan Medical Response System				\$400,000		\$1,850,000	\$910,368	\$3,160,368
LE Terrorism Prevention Gram Program						\$9,289,000	\$7,280,630	\$16,569,630
Emergency Management Performance Grant	\$2,122,970	\$2,068,152		\$3,123,039		\$3,277,085	\$3,241,450	\$13,832,696
Information Technology Grant						\$499,821		\$499,821
Fire Assistance		\$3,600,777		\$7,490,693		328,679		\$11,420,149
TOTAL	\$3,054,970	\$8,615,801	\$7,540,000	\$21,949,071	\$39,066,467	\$59,326,808	\$41,704,818	\$181,257,935
		\$16,155,801		\$61,015,538				

Note: EMPG not formally included with "DHS Grants" until FFY2005.

GRANT ALLOCATION PROCESSES

Grant	Allocation Process
State Domestic Preparedness Program	Funds distributed to the Homeland Security Regions relative to ODP risk assessment and a baseline allocation in accordance with statewide priorities. (80% Local, 20% State). The Regional HS Advisory Committee allocates funding for jurisdictions within the region.
Community Emergency Response Teams	FFY '02 & '03 distributed equally to communities establishing CERTs. Beginning in FFY 2005, the Regional HS Advisory Committee allocates funding for jurisdictions within the region.
Citizens Corps	Pre- FFY2005 funds distributed Beginning in FFY 2005, the Regional HS Advisory Committee allocates funding for jurisdictions within the region.
Critical Infrastructure Protection	State allocates funds pursuant to reimbursement claimants (80% Local, 20% State). The Regional HS Advisory Committee allocates funding for jurisdictions within the region.
Urban Area Security Initiative Grant	UASI Committee determines distribution (80% Local, 20% State) . The Regional HS Advisory Committee allocates funding for jurisdictions within the region beginning in FFY 2005.
Metropolitan Medical Response System	MMRS Committee determines distribution amongst MMRS cities (80% Local, 20% State)
LE Terrorism Prevention Gram Program	LETPP Committee determines distribution (80% Local, 20% State). The Regional HS Advisory Committee allocates funding for jurisdictions within the region.
Emergency Management Performance Grant	Counties allocated approximately 30% of grant: 50% equally amongst 15 counties, 35% based on unincorporated population, 15% based on incorporated population
Information Technology Grant	Distributed in accordance with grant award
Fire Assistance	Distributed directly to jurisdictions having approved grant requests

DHS GRANT DEFINITIONS

Grant	Match	State	Local	Purpose
		Alloc	Alloc	
State Domestic Preparedness Program	0%	20%	80%	These funds represent the Administration's continued commitment to first responders and will help state and local public safety and law enforcement personnel pay for planning, training, equipment and exercises and other costs associated with enhancing the capabilities on a state and local level to prevent, respond to and recover from terrorist attacks.
Citizens Corps / Community Emergency Response Teams	0%	20%	80%	The funds provide resources necessary for states and local communities to bring together the appropriate leadership to form and sustain a Citizen Corps Council and develop and implement a plan for the community to engage all citizens in homeland security, community preparedness, and family safety. In addition, the funds should be used to conduct public education to inform citizens about their role in crime prevention, mitigation, emergency preparedness for all hazards, public health measures, including bio-terrorism, and develop and implement Citizen Corps programs offering training and volunteer opportunities to support first responders, disaster relief groups, and community safety efforts.
Critical Infrastructure Protection	0%	20%	80%	The primary objective of CIP is to protect people, facilities, infrastructure networks physical entities, and cyber systems that are indispensably necessary for the survivability, continuity of operations, and mission success of an organization.
Urban Area Security Initiative Grant	0%	20%	80%	Funding will be dedicated to large urban areas within the United States. The money, dispersed under the Urban Area Security Initiative, will help enhance the local governments' ability to prepare for and respond to threats or incidents of terrorism.
Metropolitan Medical Response System	0%	0%	100%	The MMRS grant provides funding to further enhance and maintain integrated, systematic preparedness for local response to weapons of mass destruction high-casualty events until significant external assistance arrives. This funding permits jurisdictions to focus on being prepared for terrorist events that involve radiological, nuclear, chemical, biological or explosive agents as well as epidemic disease outbreaks, large scale hazardous materials accidents and major natural disasters.
LE Terrorism Prevention Grant Program	0%	20%	80%	This grant program seeks to provide law enforcement communities with enhanced capabilities for detecting, deterring, disrupting and preventing acts of terrorism with a specific focus on the prevention of a weapon of mass destruction (WMD) incident.
Emergency Management Performance Grant	50%	70%	30%	The Emergency Management Performance Grants program is designed to help state and local emergency managers develop, maintain and improve their emergency management capabilities, key components of a comprehensive national emergency management system for all hazards. Through this grants program, FEMA provides states the flexibility to allocate funds according to risk and to address the most urgent state and local needs in disaster mitigation, preparedness, response, and recovery.
Information Technology Grant	0%	100%	0%	This grant provides project specific assistance for IT projects which enhance state and local homeland security efforts.
Assistance to Firefighters Grant Program	0%	0%	100%	The program is designed to assist local fire departments in protecting citizens and firefighters against the effects of fire and fire-related incidents.

Local Jurisdictions
DHS Grant Status - Fiscal Years 2002 - 2004
(Fire Grants not Included)

a/o 11/08/04

Grant Program / Agency	PCA	Gr/Ph	Grant / Allocation	Obligated	Percent Obligated	Drawn to Date	Draw Balance	Percent Drawn	Cash On-Hand	Expended	Percent Expended
TOTAL FFY '02 - '04			\$86,554,991	\$19,544,107	22.6%	\$17,603,981	\$65,518,893	20.3%	\$0	\$18,423,619	21.3%

Fiscal Year 2002			\$9,123,854	\$9,119,411	100.0%	\$7,320,059	\$1,803,795	80.2%	\$0	\$8,731,517	95.7%
State Domestic Preparedness Program			\$2,558,001	\$2,558,001	100.0%	\$2,558,001	\$0	100.0%	\$0	\$2,558,001	100.0%
APACHE	14201	162007 01	17,466	17,466	100.0%	17,466	0	100.0%	0	17,466	100.0%
COCHISE	14201	162007 01	35,547	35,547	100.0%	35,547	0	100.0%	0	35,547	100.0%
COCONINO	14201	162007 01	37,061	37,061	100.0%	37,061	0	100.0%	0	37,061	100.0%
GILA	14201	162007 01	17,987	17,987	100.0%	17,987	0	100.0%	0	17,987	100.0%
GRAHAM	14201	162007 01	9,267	9,267	100.0%	9,267	0	100.0%	0	9,267	100.0%
GREENLEE	14201	162007 01	2,596	2,596	100.0%	2,596	0	100.0%	0	2,596	100.0%
LAPAZ	14201	162007 01	4,960	4,960	100.0%	4,960	0	100.0%	0	4,960	100.0%
MARICOPA	14201	162007 01	1,715,642	1,715,642	100.0%	1,715,642	0	100.0%	0	1,715,642	100.0%
MOHAVE	14201	162007 01	58,110	58,110	100.0%	58,110	0	100.0%	0	58,110	100.0%
NAVAJO	14201	162007 01	32,049	32,049	100.0%	32,049	0	100.0%	0	32,049	100.0%
PIMA	14201	162007 01	470,418	470,418	100.0%	470,418	0	100.0%	0	470,418	100.0%
PINAL	14201	162007 01	54,255	54,255	100.0%	54,255	0	100.0%	0	54,255	100.0%
SANTA CRUZ	14201	162007 01	11,818	11,818	100.0%	11,818	0	100.0%	0	11,818	100.0%
YAVAPAI	14201	162007 01	50,569	50,569	100.0%	50,569	0	100.0%	0	50,569	100.0%
YUMA	14201	162007 01	40,256	40,256	100.0%	40,256	0	100.0%	0	40,256	100.0%
State Domestic Preparedness Program Suppl			\$4,291,200	\$4,286,757	99.9%	\$4,257,405	\$33,795	99.2%	\$0	\$3,955,758	92.2%
APACHE	14203	162007 03	25,726	25,710	99.9%	25,710	16	99.9%		25,710	99.9%
COCHISE	14203	162007 03	118,230	118,230	100.0%	118,230	0	100.0%		118,230	100.0%
COCONINO	14203	162007 03	119,202	115,852	97.2%	115,852	3,350	97.2%		115,852	97.2%
GILA	14203	162007 03	59,823	59,186	98.9%	59,482	341	99.4%		59,482	99.4%
GRAHAM	14203	162007 03	30,822	30,822	100.0%	30,822	0	100.0%		30,822	100.0%
GREENLEE	14203	162007 03	8,635	8,635	100.0%	8,635	0	100.0%		8,635	100.0%
LAPAZ	14203	162007 03	16,495	16,495	100.0%	16,495	0	100.0%		16,495	100.0%
MARICOPA	14203	162007 03	1,525,938	1,525,938	100.0%	1,496,289	29,649	98.1%		1,496,289	98.1%
MOHAVE	14203	162007 03	193,276	193,275	100.0%	193,275	1	100.0%		193,275	100.0%
NAVAJO	14203	162007 03	106,595	106,595	100.0%	106,595	0	100.0%		106,595	100.0%
PIMA	14203	162007 03	1,564,614	1,564,614	100.0%	1,564,614	0	100.0%		1,564,614	100.0%
PINAL	14203	162007 03	180,451	180,451	100.0%	180,451	0	100.0%		180,451	100.0%
SANTA CRUZ	14203	162007 03	39,308	39,308	100.0%	39,308	0	100.0%		39,308	100.0%
YAVAPAI	14203	162007 03	168,192	168,192	100.0%	168,192	0	100.0%		168,192	100.0%
YUMA	14203	162007 03	133,893	133,455	99.7%	133,455	438	99.7%		133,455	99.7%
SHSGP Suppl (Exercises)			\$213,000	\$213,000	100.0%	\$213,000	\$0	100.0%	\$0	\$181,000	85.0%
APACHE	14202	162007 02	7,000	7,000	100.0%	7,000	0	100.0%	0	7,000	100.0%
COCHISE	14202	162007 02	25,000	25,000	100.0%	25,000	0	100.0%	0	25,000	100.0%
COCONINO	14202	162007 02	7,000	7,000	100.0%	7,000	0	100.0%	0	7,000	100.0%
GILA	14202	162007 02	7,000	7,000	100.0%	7,000	0	100.0%	0	7,000	100.0%
GRAHAM	14202	162007 02	7,000	7,000	100.0%	7,000	0	100.0%	0	7,000	100.0%
GREENLEE	14202	162007 02	7,000	7,000	100.0%	7,000	0	100.0%	0	7,000	100.0%

	LAPAZ	14202	162007 02	7,000	7,000	100.0%	7,000	0	100.0%	0	7,000	100.0%
	MARICOPA	14202	162007 02	25,000	25,000	100.0%	25,000	0	100.0%	0	25,000	100.0%
	MOHAVE	14202	162007 02	7,000	7,000	100.0%	7,000	0	100.0%	0	7,000	100.0%
	NAVAJO	14202	162007 02	25,000	25,000	100.0%	25,000	0	100.0%	0	25,000	100.0%
	PIMA	14202	162007 02	25,000	25,000	100.0%	25,000	0	100.0%	0	25,000	100.0%
	PINAL	14202	162007 02	25,000	25,000	100.0%	25,000	0	100.0%	0	25,000	100.0%
	SANTA CRUZ	14202	162007 02	7,000	7,000	100.0%	7,000	0	100.0%	0	7,000	100.0%
	YAVAPAI	14202	162007 02	25,000	25,000	100.0%	25,000	0	100.0%	0	25,000	100.0%
	YUMA	14202	162007 02	7,000	7,000	100.0%	7,000	0	100.0%	0	7,000	100.0%
Community Emergency Response Teams				\$236,100	\$236,100	100.0%	\$236,100	\$0	100.0%	\$0	\$211,205	89.5%
	APACHE	12301	833564 01	10,822	10,822	100.0%	10,822	0	100.0%	0	10,822	100.0%
	COCHISE	12301	833564 01	11,369	11,369	100.0%	11,369	0	100.0%	0	11,369	100.0%
	COCONINO	12301	833564 01	11,083	11,083	100.0%	11,083	0	100.0%	0	11,083	100.0%
	GILA	12301	833564 01	9,547	9,547	100.0%	9,547	0	100.0%	0	9,547	100.0%
	GRAHAM	12301	833564 01	9,093	9,093	100.0%	9,093	0	100.0%	0	9,093	100.0%
	GREENLEE	12301	833564 01	8,184	8,184	100.0%	8,184	0	100.0%	0	8,184	100.0%
	LAPAZ	12301	833564 01	8,630	8,630	100.0%	8,630	0	100.0%	0	8,630	100.0%
	MARICOPA	12301	833564 01	63,256	63,256	100.0%	63,256	0	100.0%	0	63,256	100.0%
	MOHAVE	12301	833564 01	12,845	12,845	100.0%	12,845	0	100.0%	0	12,845	100.0%
	NAVAJO	12301	833564 01	11,283	11,283	100.0%	11,283	0	100.0%	0	11,283	100.0%
	PIMA	12301	833564 01	32,960	32,960	100.0%	32,960	0	100.0%	0	32,960	100.0%
	PINAL	12301	833564 01	13,129	13,129	100.0%	13,129	0	100.0%	0	13,129	100.0%
	SANTA CRUZ	12301	833564 01	9,004	9,004	100.0%	9,004	0	100.0%	0	9,004	100.0%
	YAVAPAI	12301	833564 01	13,015	13,015	100.0%	13,015	0	100.0%	0	13,015	100.0%
	YUMA	12301	833564 01	11,880	11,880	100.0%	11,880	0	100.0%	0	11,880	100.0%
Citizens Corps				\$55,553	\$55,553	100.0%	\$55,553	\$0	100.0%	\$0	\$55,553	100.0%
	APACHE	12311	833564 04	2,546	2,546	100.0%	2,546	0	100.0%	0	2,546	100.0%
	COCHISE	12311	833564 04	0	0	0.0%	0	0	0.0%	0	0	0.0%
	COCONINO	12311	833564 04	0	0	0.0%	0	0	0.0%	0	0	0.0%
	GILA	12311	833564 04	0	0	0.0%	0	0	0.0%	0	0	0.0%
	GRAHAM	12311	833564 04	2,140	2,140	100.0%	2,140	0	100.0%	0	2,140	100.0%
	GREENLEE	12311	833564 04	2,160	2,160	100.0%	2,160	0	100.0%	0	2,160	100.0%
	LAPAZ	12311	833564 04	2,613	2,613	100.0%	2,613	0	100.0%	0	2,613	100.0%
	MARICOPA	12311	833564 04	19,150	19,150	100.0%	19,150	0	100.0%	0	19,150	100.0%
	MOHAVE	12311	833564 04	3,022	3,022	100.0%	3,022	0	100.0%	0	3,022	100.0%
	NAVAJO	12311	833564 04	3,416	3,416	100.0%	3,416	0	100.0%	0	3,416	100.0%
	PIMA	12311	833564 04	7,755	7,755	100.0%	7,755	0	100.0%	0	7,755	100.0%
	PINAL	12311	833564 04	3,974	3,974	100.0%	3,974	0	100.0%	0	3,974	100.0%
	SANTA CRUZ	12311	833564 04	2,119	2,119	100.0%	2,119	0	100.0%	0	2,119	100.0%
	YAVAPAI	12311	833564 04	3,062	3,062	100.0%	3,062	0	100.0%	0	3,062	100.0%
	YUMA	12311	833564 04	3,596	3,596	100.0%	3,596	0	100.0%	0	3,596	100.0%
Urban Area Security Initiative				\$1,770,000	\$1,770,000	100.0%	\$0	\$1,770,000	0.0%	\$0	\$1,770,000	100.0%
	PHOENIX METRO			1,770,000.00	1,770,000.00	100.0%	0	1,770,000	0.0%	0	1,770,000.00	100.0%

	SHSGP I Total			\$5,586,600	\$1,611,710		\$1,470,937	\$4,115,663			\$1,311,013	
	State HS Grant Program Equipment			\$3,941,600	\$1,222,521	31.0%	\$1,081,747	\$2,859,853	27.4%	\$0	\$923,854	23.4%
	APACHE	14301	163007 01	143,129	81,612	57.0%	81,612	61,517	57.0%	0	81,612	57.0%
	COCHISE	14301	163007 01	259,444	60,273	23.2%	60,273	199,171	23.2%	0	60,273	23.2%
	COCONINO	14301	163007 01	159,374	27,877	17.5%	27,877	131,497	17.5%	0	27,877	17.5%
	GILA	14301	163007 01	217,720	52,447	24.1%	52,447	165,273	24.1%	0	52,447	24.1%
	GRAHAM	14301	163007 01	174,833	146,085	83.6%	146,085	28,748	83.6%	0	146,085	83.6%
	GREENLEE	14301	163007 01	141,624	64,989	45.9%	64,989	76,635	45.9%	0	64,989	45.9%
	LAPAZ	14301	163007 01	162,281	106,756	65.8%	106,756	55,525	65.8%	0	106,756	65.8%
	MARICOPA	14301	163007 01	786,610	0	0.0%	0	786,610	0.0%	0	0	0.0%
	MOHAVE	14301	163007 01	208,452	59,277	28.4%	59,277	149,175	28.4%	0	59,277	28.4%
	NAVAJO	14301	163007 01	191,180	191,180	100.0%	191,180	0	100.0%	0	191,180	100.0%
	PIMA	14301	163007 01	480,516	0	0.0%	0	480,516	0.0%	0	0	0.0%
	PINAL	14301	163007 01	274,629	255,483	93.0%	114,710	159,919	41.8%	0	114,710	41.8%
	SANTA CRUZ	14301	163007 01	280,649	18,648	6.6%	18,648	262,001	6.6%	0	18,648	6.6%
	YAVAPAI	14301	163007 01	200,415	157,893	78.8%	157,893	42,522	78.8%	0	157,893	78.8%
	YUMA	14301	163007 01	260,744	0	0.0%	0	260,744	0.0%	0	0	0.0%
	SHSGP Exercise			\$1,302,000	\$203,478	15.6%	\$203,478	\$1,098,522	15.6%	\$0	\$203,478	15.6%
	APACHE	14311	163007 04	38,000	0	0.0%	0	38,000	0.0%	0	0	0.0%
	COCHISE	14311	163007 04	35,000	0	0.0%	0	35,000	0.0%	0	0	0.0%
	COCONINO	14311	163007 04	38,000	0	0.0%	0	38,000	0.0%	0	0	0.0%
	GILA	14311	163007 04	38,000	0	0.0%	0	38,000	0.0%	0	0	0.0%
	GRAHAM	14311	163007 04	38,000	0	0.0%	0	38,000	0.0%	0	0	0.0%
	GREENLEE	14311	163007 04	38,000	0	0.0%	0	38,000	0.0%	0	0	0.0%
	LAPAZ	14311	163007 04	38,000	0	0.0%	0	38,000	0.0%	0	0	0.0%
	MARICOPA	14311	163007 04	140,000	12,478	8.9%	12,478	127,522	8.9%	0	12,478	8.9%
	MOHAVE	14311	163007 04	128,000	128,000	100.0%	128,000	0	100.0%	0	128,000	100.0%
	NAVAJO	14311	163007 04	225,000	0	0.0%	0	225,000	0.0%	0	0	0.0%
	PIMA	14311	163007 04	275,000	25,000	9.1%	25,000	250,000	9.1%	0	25,000	9.1%
	PINAL	14311	163007 04	100,000	0	0.0%	0	100,000	0.0%	0	0	0.0%
	SANTA CRUZ	14311	163007 04	38,000	38,000	100.0%	38,000	0	100.0%	0	38,000	100.0%
	YAVAPAI	14311	163007 04	95,000	0	0.0%	0	95,000	0.0%	0	0	0.0%
	YUMA	14311	163007 04	38,000	0	0.0%	0	38,000	0.0%	0	0	0.0%
	SHSGP Planning & Admin			\$343,000	\$185,712	54.1%	\$185,712	\$157,288	54.1%	\$0	\$183,681	53.6%
	APACHE	14321	163007 07	7,032	0	0.0%	0	7,032	0.0%		0	0.0%
	COCHISE	14321	163007 07	9,840	0	0.0%	0	9,840	0.0%		0	0.0%
	COCONINO	14321	163007 07	9,756	0	0.0%	0	9,756	0.0%		0	0.0%
	GILA	14321	163007 07	5,982	0	0.0%	0	5,982	0.0%		0	0.0%
	GRAHAM	14321	163007 07	4,945	0	0.0%	0	4,945	0.0%		0	0.0%
	GREENLEE	14321	163007 07	3,496	3,496	100.0%	3,496	0	100.0%		3,496	100.0%
	LAPAZ	14321	163007 07	4,145	0	0.0%		4,145	0.0%		0	0.0%
	MARICOPA	14321	163007 07	181,438	120,958	66.7%	120,958	60,480	66.7%	0	120,958	66.7%
	MOHAVE	14321	163007 07	12,005	12,005	100.0%	12,005	0	100.0%		12,005	100.0%
	NAVAJO	14321	163007 07	8,661	0	0.0%		8,661	0.0%		0	0.0%
	PIMA	14321	163007 07	52,007	41,993	80.7%	41,993	10,014	80.7%		41,993	80.7%
	PINAL	14321	163007 07	13,439	0	0.0%		13,439	0.0%		0	0.0%
	SANTA CRUZ	14321	163007 07	5,229	5,229	100.0%	5,229	0	100.0%		5,229	100.0%
	YAVAPAI	14321	163007 07	12,730	0	0.0%		12,730	0.0%		0	0.0%
	YUMA	14321	163007 07	12,295	2,030	16.5%	2,030	10,265	16.5%		2,030	16.5%
	Community Emergency Response Teams			\$263,504	\$263,504	100.0%	\$263,504	\$0	100.0%	\$0	\$263,504	100.0%
	APACHE	12305	833564 07	12,445	12,445	100.0%	12,445	0	100.0%	0	12,445	100.0%

	COCHISE	12305	833564	07	13,650	13,650	100.0%	13,650	0	100.0%	0	13,650	100.0%
	COCONINO	12305	833564	07	11,683	11,683	100.0%	11,683	0	100.0%	0	11,683	100.0%
	GILA	12305	833564	07	10,123	10,123	100.0%	10,123	0	100.0%	0	10,123	100.0%
	GRAHAM	12305	833564	07	10,100	10,100	100.0%	10,100	0	100.0%	0	10,100	100.0%
	GREENLEE	12305	833564	07	8,684	8,684	100.0%	8,684	0	100.0%	0	8,684	100.0%
	LAPAZ	12305	833564	07	10,661	10,661	100.0%	10,661	0	100.0%	0	10,661	100.0%
	MARICOPA	12305	833564	07	70,625	70,625	100.0%	70,625	0	100.0%	0	70,625	100.0%
	MOHAVE	12305	833564	07	12,845	12,845	100.0%	12,845	0	100.0%	0	12,845	100.0%
	NAVAJO	12305	833564	07	14,400	14,400	100.0%	14,400	0	100.0%	0	14,400	100.0%
	PIMA	12305	833564	07	36,890	36,890	100.0%	36,890	0	100.0%	0	36,890	100.0%
	PINAL	12305	833564	07	14,490	14,490	100.0%	14,490	0	100.0%	0	14,490	100.0%
	SANTA CRUZ	12305	833564	07	12,013	12,013	100.0%	12,013	0	100.0%	0	12,013	100.0%
	YAVAPAI	12305	833564	07	13,015	13,015	100.0%	13,015	0	100.0%	0	13,015	100.0%
	YUMA	12305	833564	07	11,880	11,880	100.0%	11,880	0	100.0%	0	11,880	100.0%
Urban Area Security Initiative Grant					\$2,206,693	\$457,065	20.7%	\$457,065	\$1,749,628	20.7%	\$0	\$457,065	20.7%
	State Equipment (DPS)	14344	160074	05	1,796,693	456,361	25.4%	456,361	1,340,332	25.4%	0	456,361	25.4%
	State Training (DPS)	14345	160074	06	100,000	0	0.0%	0	100,000	0.0%	0	0	0.0%
	State Exercise (DPS)	14346	160074	07	250,000	0	0.0%	0	250,000	0.0%	0	0	0.0%
	State Planning (DPS)	14347	160074	08	60,000	704	1.2%	704	59,296	1.2%	0	704	1.2%
Metropolitan Medical Response System					\$400,000	\$0	0.0%	\$0	\$400,000	0.0%	\$0	\$0	0.0%
	PHOENIX				100,000		0.0%	100,000		0.0%		0	0.0%
	MESA				100,000		0.0%	100,000		0.0%		0	0.0%
	GLENDALE				100,000		0.0%	100,000		0.0%		0	0.0%
	TUCSON				100,000		0.0%	100,000		0.0%		0	0.0%

Fiscal Year 2003 Part 2					\$28,533,174	\$8,549,481	30.0%	\$8,549,481	\$19,983,692	30.0%	\$0	\$8,117,585	28.4%
State HS Grant Program Equipment					\$16,316,000	\$5,836,921	35.8%	\$5,836,921	\$10,479,079	35.8%	\$0	\$5,405,025	33.1%
	APACHE	14350	160073	01	592,473	0	0.0%	0	592,473	0.0%	0	0	0.0%
	COCHISE	14350	160073	01	1,073,954	419,320	39.0%	419,320	654,634	39.0%	0	419,320	39.0%
	COCONINO	14350	160073	01	659,719	346,696	52.6%	346,696	313,023	52.6%	0	346,696	52.6%
	GILA	14350	160073	01	901,238	125,114	13.9%	125,114	776,124	13.9%	0	125,114	13.9%
	GRAHAM	14350	160073	01	723,708	360,846	49.9%	360,846	362,862	49.9%	0	360,846	49.9%
	GREENLEE	14350	160073	01	586,243	116,721	19.9%	116,721	469,522	19.9%	0	116,721	19.9%
	LAPAZ	14350	160073	01	671,752	127,338	19.0%	127,338	544,414	19.0%	0	127,338	19.0%
	MARICOPA	14350	160073	01	3,256,121	1,473,536	45.3%	1,473,536	1,782,585	45.3%	0	1,473,536	45.3%
	MOHAVE	14350	160073	01	862,872	98,324	11.4%	98,324	764,548	11.4%	0	98,324	11.4%
	NAVAJO	14350	160073	01	791,379	712,854	90.1%	712,854	78,525	90.1%	0	712,854	90.1%
	PIMA	14350	160073	01	1,989,066	9,008	0.5%	9,008	1,980,058	0.5%	0	9,008	0.5%
	PINAL	14350	160073	01	1,136,811	972,835	85.6%	972,835	163,976	85.6%	0	972,835	85.6%
	SANTA CRUZ	14350	160073	01	1,161,728	642,434	55.3%	642,434	519,295	55.3%	0	642,434	55.3%
	YAVAPAI	14350	160073	01	829,603	431,896	52.1%	431,896	397,707	52.1%	0	431,896	52.1%
	YUMA	14350	160073	01	1,079,333	0	0.0%	0	1,079,333	0.0%	0	0	0.0%
SHSGP - Metro Medical Response System					\$400,000	\$45,434	11.4%	\$45,434	\$354,566	11.4%	\$0	\$45,434	11.4%
	PHOENIX	14351	160073	02	100,000	0	0.0%		100,000	0.0%		0	0.0%
	MESA	14351	160073	02	100,000	0	0.0%		100,000	0.0%		0	0.0%
	GLENDALE	14351	160073	02	100,000	0	0.0%		100,000	0.0%		0	0.0%
	TUCSON	14351	160073	02	100,000	45,434	45.4%	45,434	54,566	45.4%		45,434	45.4%
Critical Infrastructure Protection					\$2,990,400	\$2,667,126	89.2%	\$2,667,126	\$323,274	89.2%	\$0	\$2,667,126	89.2%
	Local CIP	14352	160073	03	2,990,400	2,667,126	89.2%	2,667,126	323,274	89.2%	0	2,667,126	89.2%

	Phoenix PD	14352	160073 03	1,794,615	1,794,615	100.0%	1,794,615	0	100.0%	0	1,794,615	100.0%
	La Paz County	14352	160073 03	11,062	11,062	100.0%	11,062	0	100.0%	0	11,062	100.0%
	Pima County	14352	160073 03	139,854	139,854	100.0%	139,854	0	100.0%	0	139,854	100.0%
	Salt River Project	14352	160073 03	38,430	38,430	100.0%	38,430	0	100.0%	0	38,430	100.0%
	Tempe	14352	160073 03	87,007	87,007	100.0%	87,007	0	100.0%	0	87,007	100.0%
	Coconino County	14352	160073 03	96,256	96,256	100.0%	96,256	0	100.0%	0	96,256	100.0%
	Tempe (Premier Global)	14352	160073 03	128,000	128,000	100.0%	128,000	0	100.0%	0	128,000	100.0%
	Cochise County	14352	160073 03	12,161	12,161	100.0%	12,161	0	100.0%	0	12,161	100.0%
	San Luis PD	14352	160073 03	51,322	51,322	100.0%	51,322	0	100.0%	0	51,322	100.0%
	Scottsdale PD	14352	160073 03	41,083	41,083	100.0%	41,083	0	100.0%	0	41,083	100.0%
	Chandler PD	14352	160073 03	2,697	2,697	100.0%	2,697	0	100.0%	0	2,697	100.0%
	Mesa PD	14352	160073 03	10,324	10,324	100.0%	10,324	0	100.0%	0	10,324	100.0%
	Yuma County SO	14352	160073 03	87,080	87,080	100.0%	87,080	0	100.0%	0	87,080	100.0%
	Yuma PD	14352	160073 03	109,070	109,070	100.0%	109,070	0	100.0%	0	109,070	100.0%
	Nogales PD	14352	160073 03	55,977	55,977	100.0%	55,977	0	100.0%	0	55,977	100.0%
	Glendale FD	14352	160073 03	2,190	2,190	100.0%	2,190	0	100.0%	0	2,190	100.0%
	Urban Area Security Initiative			\$8,826,774	\$0	0.0%	\$0	\$8,826,774	0.0%	\$0	\$0	0.0%
	PHOENIX METRO Equipment	14340	160074 01	6,474,995.59	0	0.0%	0	6,474,996	0.0%	0	0	0.0%
	PHOENIX METRO Training	14341	160074 02	1,770,774.00	0	0.0%	0	1,770,774	0.0%	0	0	0.0%
	PHOENIX METRO Exercise	14342	160074 03	250,000.00	0	0.0%	0	250,000	0.0%	0	0	0.0%
	PHOENIX METRO Planning	14343	160074 04	331,004.01	0	0.0%	0	331,004	0.0%	0	0	0.0%

Fiscal Year 2004				\$42,647,859	\$0	0.0%	\$0	\$39,215,742	0.0%	\$0	\$0	0.0%
	State HS Grant Program Equipment			\$25,043,200	\$0	0.0%	\$0	\$21,809,248	0.0%	\$0	\$0	0.0%
	Region North	14421	974004 10	3,485,331		0.0%		3,485,331	0.0%	0	0	0.0%
	Region West	14422	974004 11	3,705,132		0.0%		3,705,132	0.0%	0	0	0.0%
	Region Central	14423	974004 12	8,846,416		0.0%		8,846,416	0.0%	0	0	0.0%
	Region South	14424	974004 13	5,772,369		0.0%		5,772,369	0.0%	0	0	0.0%
	Region East	14425	974004 14	3,233,952		0.0%		3,233,952	0.0%	0	0	0.0%
	Law Enforcement Counter-Terrorism			\$7,431,200	\$0	0.0%	\$0	\$7,233,035	0.0%	\$0	\$0	0.0%
	Region North	14436	974004 21	469,156		0.0%		469,156	0.0%	0	0	0.0%
	Region West	14437	974004 22	447,854		0.0%		447,854	0.0%	0	0	0.0%
	Region Central	14438	974004 23	4,104,995		0.0%		4,104,995	0.0%	0	0	0.0%
	Region South	14439	974004 24	2,211,030		0.0%		2,211,030	0.0%	0	0	0.0%
	Region East	14440	974004 25	198,165		0.0%		198,165	0.0%	0	0	0.0%
	Citizens Corps			\$470,880	\$0	0.0%	\$0	\$470,880	0.0%	\$0	\$0	0.0%
	Region North	14451	974004 27	68,760		0.0%		68,760	0.0%	0	0	0.0%
	Region West	14452	974004 28	65,349		0.0%		65,349	0.0%	0	0	0.0%
	Region Central	14453	974004 29	126,198		0.0%		126,198	0.0%	0	0	0.0%
	Region South	14454	974004 30	133,020		0.0%		133,020	0.0%	0	0	0.0%
	Region East	14455	974004 31	77,553		0.0%		77,553	0.0%	0	0	0.0%
	Urban Area Security Initiative			\$9,702,579	\$0	0.0%	\$0	\$9,702,579	0.0%	\$0	\$0	0.0%
	PHOENIX METRO Equipment	14460	974008 01	9,702,579.00		0.0%	0	9,702,579	0.0%	0	0	0.0%
	PHOENIX METRO Training	14461	974008 02	0		0.0%	0	0	0.0%	0	0	0.0%
	PHOENIX METRO Exercise	14462	974008 03	0		0.0%	0	0	0.0%	0	0	0.0%
	PHOENIX METRO Planning	14463	974008 04	0		0.0%	0	0	0.0%	0	0	0.0%
	Metropolitan Medical Response System			\$1,850,000	\$0	0.0%	\$0	\$1,850,000	0.0%	\$0	\$0	0.0%
	PHOENIX			400,000		0.0%		400,000	0.0%		0	0.0%

MESA			400,000		0.0%		400,000	0.0%		0	0.0%
GLENDALE			500,000		0.0%		500,000	0.0%		0	0.0%
TUCSON			550,000		0.0%		550,000	0.0%		0	0.0%

Fiscal Year 2005			\$1,082,625	\$0	0.0%	\$0	\$1,082,625	0.0%	\$0	\$0	0.0%
State HS Grant Program Equipment			\$0	\$0	#DIV/0!	\$0	\$0	#DIV/0!	\$0	\$0	#DIV/0!
Region North			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Region West			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Region Central			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Region South			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Region East			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Law Enforcement Counter-Terrorism			\$0	\$0	#DIV/0!	\$0	\$0	#DIV/0!	\$0	\$0	#DIV/0!
Region North			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Region West			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Region Central			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Region South			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Region East			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Citizens Corps			\$0	\$0	#DIV/0!	\$0	\$0	#DIV/0!	\$0	\$0	#DIV/0!
Region North			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Region West			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Region Central			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Region South			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Region East			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
Urban Area Security Initiative			\$0	\$0	#DIV/0!	\$0	\$0	#DIV/0!	\$0	\$0	#DIV/0!
PHOENIX METRO Equipment			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
PHOENIX METRO Training			0		0.0%	0	0	0.0%	0	0	0.0%
PHOENIX METRO Exercise			0		0.0%	0	0	0.0%	0	0	0.0%
PHOENIX METRO Planning			0		0.0%	0	0	0.0%	0	0	0.0%
Metropolitan Medical Response System			\$0	\$0	#DIV/0!	\$0	\$0	#DIV/0!	\$0	\$0	#DIV/0!
PHOENIX			0		#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
MESA			0		0.0%	0	0	0.0%	0	0	#DIV/0!
GLENDALE			0		0.0%	0	0	0.0%	0	0	#DIV/0!
TUCSON			0		0.0%	0	0	0.0%	0	0	#DIV/0!
Emergency Management Performance Grant			\$1,082,625	\$0	0.0%	\$0	\$1,082,625	0.0%	\$0	\$0	0.0%
APACHE			\$50,385	0	0.0%	0	50,385	0.0%	0	0	0.0%
COCHISE			\$60,798	0	0.0%	0	60,798	0.0%	0	0	0.0%
COCONINO			\$52,701	0	0.0%	0	52,701	0.0%	0	0	0.0%
GILA			\$54,601	0	0.0%	0	54,601	0.0%	0	0	0.0%
GRAHAM			\$45,577	0	0.0%	0	45,577	0.0%	0	0	0.0%
GREENLEE			\$37,654	0	0.0%	0	37,654	0.0%	0	0	0.0%
LAPAZ			\$45,574	0	0.0%	0	45,574	0.0%	0	0	0.0%
MARICOPA			\$274,961	0	0.0%	0	274,961	0.0%	0	0	0.0%
MOHAVE			\$52,827	0	0.0%	0	52,827	0.0%	0	0	0.0%
NAVAJO			\$51,849	0	0.0%	0	51,849	0.0%	0	0	0.0%
PIMA			\$116,427	0	0.0%	0	116,427	0.0%	0	0	0.0%
PINAL			\$61,152	0	0.0%	0	61,152	0.0%	0	0	0.0%
SANTA CRUZ			\$51,593	0	0.0%	0	51,593	0.0%	0	0	0.0%
YAVAPAI			\$65,137	0	0.0%	0	65,137	0.0%	0	0	0.0%

	YUMA			\$61,389	0	0.0%	0	61,389	0.0%	0	0	0.0%
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State Agencies
DHS Grant Status - Fiscal Years 2001 - 2004

a/o 11/08/04

Grant Program / Agency	PCA	Gr/Ph	Grant / Allocation	Obligated	Percent Obligated	Drawn to Date	Draw Balance	Percent Drawn	Cash On-Hand	Expended	Percent Expended
TOTAL FFY '02 - '04			\$29,136,732	\$14,071,036	48.3%	\$7,257,563	\$16,916,420	24.9%	\$26,014	\$9,645,433	33.1%

Fiscal Year 2001			\$932,000	\$932,000	100.0%	\$932,000	\$0	100.0%	\$0	\$932,000	100.0%
State Domestic Preparedness Program											
ADEM			\$932,000	\$932,000	100.0%	\$932,000	\$0	100.0%	\$0	\$932,000	100.0%

Fiscal Year 2002 Supplemental			\$1,363,018	\$1,303,161	95.6%	\$1,301,994	\$1,167	95.5%	\$871	\$1,301,123	95.5%
			\$1,265,800	\$1,205,943	95.3%	\$1,205,943	\$0	95.3%	\$0	\$1,205,943	95.3%
ADEM (Administration)	14205	162007 05	33,733	33,733	100.0%	33,733	0	100.0%	0	33,733	100.0%
ADEM (Personnel)	14206	162007 06	116,267	116,267	100.0%	116,267	0	100.0%	0	116,267	100.0%
ADEM (Exercise)	14202	162007 02	43,000	11,803	27.4%	11,803	0	27.4%	0	11,803	27.4%
ADEM (Equipment)	14204	162007 04	50,000	38,155	76.3%	38,155	0	76.3%	0	38,155	76.3%
Dept of Emergency & Military Affairs	14204	162007 04	100,000	100,000	100.0%	100,000	0	100.0%	0	100,000	100.0%
Dept of Public Safety	14204	162007 04	284,800	270,497	95.0%	270,497	0	95.0%	0	270,497	95.0%
Az Radiation Regulatory Agency	14204	162007 04	149,000	148,958	100.0%	148,958	0	100.0%	0	148,958	100.0%
Arizona Capitol Police	14204	162007 04	38,000	38,000	100.0%	38,000	0	100.0%	0	38,000	100.0%
Az Dept of Transportation	14204	162007 04	100,000	99,441	99.4%	99,441	0	99.4%	0	99,441	99.4%
Az Dept of Corrections	14204	162007 04	100,000	100,000	100.0%	100,000	0	100.0%	0	100,000	100.0%
Az Dept of Health Services	14204	162007 04	100,000	100,000	100.0%	100,000	0	100.0%	0	100,000	100.0%
Az Dept of Agriculture	14204	162007 04	100,000	100,000	100.0%	100,000	0	100.0%	0	100,000	100.0%
University of Arizona PD	14204	162007 04	51,000	49,089	96.3%	49,089	0	96.3%	0	49,089	96.3%
Community Emergency Response Teams			\$78,700	\$78,700	100.0%	\$77,533	\$1,167	98.5%	\$871	\$76,662	97.4%
ADEM (Administration)	12303	833564 03	23,628	23,628	100.0%	22,461	1,167	95.1%	871	21,590	91.4%
ADEM (Personnel)	12302	833564 02	47,072	47,072	100.0%	47,072	0	100.0%	0	47,072	100.0%
ADEM (Operating)	12304	833564 06	8,000	8,000	100.0%	8,000	0	100.0%	0	8,000	100.0%
Citizens Corps			\$18,518	\$18,518	100.0%	\$18,518	\$0	100.0%	\$0	\$18,518	100.0%
Gov Office of Volunteerism	12312	833564 05	18,518	18,518	100.0%	18,518	0	100.0%	0	18,518	100.0%

Fiscal Year 2003			\$15,618,528	\$9,186,882	58.8%	\$4,830,420	\$8,010,860	30.9%	\$21,493	\$7,222,811	46.2%
State Homeland Security Grant Program			\$4,997,400	\$4,510,400	90.3%	\$7,579	\$2,118,872	0.2%	\$21,493	\$2,857,035	57.2%
ADEM (Local Interoperable Comm)	14302	163007 02	2,000,000	2,000,000	100.0%	531,834	1,468,166	26.6%	0	531,834	26.6%
ADEM (State Interoperable Comm)	14303	163007 03	1,085,400	1,085,400	100.0%	1,085,400	0	100.0%	0	1,085,400	100.0%
ADEM (AOHS Personnel)	14303	163007 03	400,000	400,000	100.0%	400,000	0	100.0%	0	400,000	100.0%
ADEM (Exercise Admin)	14312	163007 05	232,000	232,000	100.0%	120,120	111,880	51.8%	0	120,120	51.8%
ADEM (Exercise)	14313	163007 06	323,000	323,000	100.0%	207,500	115,500	64.2%	0	207,500	64.2%
AOHS (Planning & Admin)	14322	163007 08	100,000	100,000	100.0%	0	100,000	0.0%	0	0	0.0%
ADEM (Planning Admin)	14323	163007 09	220,000	220,000	100.0%	250,100	-30,100	113.7%	0	250,100	113.7%
ADEM (Planning)	14324	163007 10	70,000	70,000	100.0%	79,741	-9,741	113.9%	0	79,741	113.9%
AOHS (Planning)	14325	163007 11	10,000	10,000	100.0%	0	10,000	0.0%	0	0	0.0%
ADEM (Equipment)	14331	163007 12	50,000	0	0.0%	0	50,000	0.0%	0	0	0.0%

	ADEM (Training)	14332	163007 13	507,000	70,000	13.8%	203,833	303,167	40.2%	21,493	182,340	36.0%
State Homeland Security Grant Program (Suppl)				\$7,579,000	\$4,411,447	58.2%	\$4,127,113	\$3,368,387	54.5%	\$0	\$4,127,113	54.5%
	ADEM (Personnel)	14353	160073 04	83,500	83,500	100.0%	83,500	0	100.0%	0	83,500	100.0%
	ADEM (Equipment)	14353	160073 04	381,500	333,534	87.4%	308,914	72,586	81.0%	0	308,914	81.0%
	Dept of Emergency & Military Affairs	14354	160073 05	621,720	92,715	14.9%	92,715	529,005	14.9%	0	92,715	14.9%
	Dept of Public Safety / ACTIC	14354	160073 05	4,200,000	3,166,811	75.4%	3,166,811	1,033,189	75.4%	0	3,166,811	75.4%
	Az Radiation Regulatory Agency	14354	160073 05	150,000	102,556	68.4%	102,556	47,444	68.4%	0	102,556	68.4%
	Arizona Capitol Police	14354	160073 05	80,000	46,734	58.4%	46,734	33,266	58.4%	0	46,734	58.4%
	Az Dept of Transportation	14354	160073 05	500,000	0	0.0%	0	500,000	0.0%	0	0	0.0%
	Az Dept of Corrections	14354	160073 05	100,000	0	0.0%	0	100,000	0.0%	0	0	0.0%
	Az Dept of Environmental Quality	14354	160073 05	500,000	60,003	12.0%	60,003	439,997	12.0%	0	60,003	12.0%
	Az Office of Homeland Security	14354	160073 05	550,000	550,000	100.0%	290,287	259,713	52.8%	0	290,287	52.8%
	Az Criminal Justice Commission	14354	160073 05	200,000	0	0.0%	0	200,000	0.0%	0	0	0.0%
	University of Arizona	14354	160073 05	12,280	12,280	100.0%	12,280	0	100.0%	0	12,280	100.0%
	Arizona State University	14354	160073 05	100,000	0	0.0%	0	100,000	0.0%	0	0	0.0%
	Northern Arizona University	14354	160073 05	100,000	46,814	46.8%	46,814	53,186	46.8%	0	46,814	46.8%
Community Emergency Response Teams				\$87,835	\$87,835	100.0%	\$61,462	\$26,373	70.0%	\$0	\$61,462	70.0%
	ADEM Personnel	12307	833564 09	63,790	63,790	100.0%	35,500	28,290	55.7%	0	35,500	55.7%
	ADEM Admin	12306	833564 08	24,045	24,045	100.0%	25,962	-1,917	108.0%	0	25,962	108.0%
Critical Infrastructure Protection				\$747,600	\$177,200	23.7%	\$177,200	\$747,600	23.7%	\$0	\$177,200	23.7%
	State CIP	14352	160073 03	747,600	0	0.0%	0	747,600	0.0%	0	0	0.0%
	Arizona State University	14352	160073 03	6,764	6,764	100.0%	6,764	0	100.0%	0	6,764	100.0%
	Northern Arizona University	14352	160073 03	1,632	1,632	100.0%	1,632	0	100.0%	0	1,632	100.0%
	Capitol Police	14352	160073 03	125,942	125,942	100.0%	125,942	0	100.0%	0	125,942	100.0%
	Dept of Public Safety	14352	160073 03	27,513	27,513	100.0%	27,513	0	100.0%	0	27,513	100.0%
	State Land Department	14352	160073 03	15,350	15,350	100.0%	15,350	0	100.0%	0	15,350	100.0%
Urban Area Security Initiative Grant				\$2,206,693	\$0	0.0%	\$457,065	\$1,749,628	20.7%	\$0	\$0	0.0%
	State Equipment (DPS)	14344	160074 05	1,796,693	0	0.0%	456,361	1,340,332	25.4%	0	0	0.0%
	State Training (DPS)	14345	160074 06	100,000	0	0.0%	0	100,000	0.0%	0	0	0.0%
	State Exercise (DPS)	14346	160074 07	250,000	0	0.0%	0	250,000	0.0%	0	0	0.0%
	State Planning (DPS)	14347	160074 08	60,000	0	0.0%	704	59,296	1.2%	0	0	0.0%

Fiscal Year 2004				\$11,223,186	\$2,648,992	23.6%	\$193,149	\$8,904,393	1.7%	\$3,650	\$189,499	1.7%
State Homeland Security Grant Program				\$6,260,800	\$2,469,871	39.4%	\$186,149	\$6,074,651	3.0%	\$0	\$186,149	3.0%
	ADEM (Adminstration)	14401	974004 01	187,824	187,824	100.0%	3,049	184,775	1.6%	\$0	3,049	1.6%
	ADEM (Personnel)	14402	974004 02	531,847	531,847	100.0%	50,300	481,547	9.5%	0	50,300	9.5%
	ADEM (Training)	14403	974004 03	500,000	500,000	100.0%	0	500,000	0.0%	0	0	0.0%
	ADEM (Exercise)	14404	974004 04	500,000	500,000	100.0%	0	500,000	0.0%	0	0	0.0%
	ADEM (Equipment)	14406	974004 06	750,200	750,200	100.0%	132,800	617,400	17.7%	0	132,800	17.7%
	Dept of Public Safety	14410	974004 08	775,000	0	0.0%	0	775,000	0.0%	0	0	0.0%
	Az Dept of Agriculture	14410	974004 08	248,981	0	0.0%	0	248,981	0.0%	0	0	0.0%
	Az Dept of Transportation	14410	974004 08	600,000	0	0.0%	0	600,000	0.0%	0	0	0.0%
	Az Dept of Corrections	14410	974004 08	300,000	0	0.0%	0	300,000	0.0%	0	0	0.0%
	Az Dept of Environmental Quality	14410	974004 08	200,000	0	0.0%	0	200,000	0.0%	0	0	0.0%
	Az Office of Homeland Security	14407	974004 07	1,666,948	0	0.0%	0	1,666,948	0.0%	0	0	0.0%
LE Terrorism Prevention Gram Program				\$1,857,800	\$0	0.0%	\$0	\$1,857,800	0.0%	\$0	\$0	0.0%
	Dept of Public Safety			1,857,800	0	0.0%	0	1,857,800	0.0%	0	0	0.0%
Citizen Corps				\$179,121	\$179,121	100.0%	\$7,000	\$172,121	3.9%	\$3,650	\$3,350	1.9%

	ADEM Admin & Personnel	14450	974004 26	111,896	111,896	100.0%	7,000	104,896	6.3%	3,650	3,350	3.0%
	State Citizen Corps Council	14450	974004 26	67,225	67,225	100.0%	0	67,225	0.0%	0	0	0.0%
	Urban Area Security Initiative Grant			\$2,425,644	\$0	0.0%	\$0	\$300,000	0.0%	\$0	\$0	0.0%
	ADEM (Cyber Security)	14464	974008 05	300,000		0.0%		300,000	0.0%		0	0.0%
	ADEM (Training)	14465	974008 06	200,000								
	ADEM (Exercise)	14466	974008 07	100,000								
	ADEM (Planning)	14467	974008 08	60,000								
	Az Dept of Transportation	14464	974008 05	240,000								
	Az Radiation Regulatory Agency	14464	974008 05	250,000								
	Az Dept of Environmental Quality	14464	974008 05	200,000								
	Az Dept of Agriculture	14464	974008 05	665,644								
	Az Office of Homeland Security	14467	974008 08	410,000								
	Information Technology Grant			\$499,821	\$0	0.0%	\$0	\$499,821	0.0%	\$0	\$0	0.0%
	Govt Information Tech Agency	14470	970044 01	499,821	0	0.0%	0	499,821	0.0%	0	0	0.0%
	Fiscal Year 2005			\$7,540,468	\$0	0.0%	\$0	\$6,876,784	0.0%	\$0	\$0	0.0%
	State Homeland Security Grant Program			\$3,327,022	\$0	0.0%	\$0	\$3,127,022	0.0%	\$0	\$0	0.0%
	ADEM (Adminstration)			123,982	0	0.0%	0	123,982	0.0%	0	0	0.0%
	ADEM (Planning Pers)			551,702	0	0.0%	0	551,702	0.0%	0	0	0.0%
	ADEM (Training)			400,000	0	0.0%	0	400,000	0.0%	0	0	0.0%
	ADEM (Exercise)			400,000	0	0.0%	0	400,000	0.0%	0	0	0.0%
	ADEM (Planning)			200,000	0	0.0%	0	200,000	0.0%	0	0	0.0%
	ADEM (Equipment)			100,000	0	0.0%	0	100,000	0.0%	0	0	0.0%
	ADEM (Critical Infrastructure			200,000								
	Dept of Public Safety			0	0	#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
	Az Dept of Agriculture			0	0	#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
	Az Dept of Transportation			0	0	#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
	Az Dept of Corrections			0	0	#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
	Az Dept of Environmental Quality			0	0	#DIV/0!	0	0	#DIV/0!	0	0	#DIV/0!
	Az Office of Homeland Security			1,351,338	0	0.0%	0	1,351,338	0.0%	0	0	0.0%
	LE Terrorism Prevention Gram Program			\$1,456,126	\$0	0.0%	\$0	\$1,412,442	0.0%	\$0	\$0	0.0%
	Dept of Public Safety			1,412,442	0	0.0%	0	1,412,442	0.0%	0	0	0.0%
	ADEM			43,684	0		0	0		0		
	Citizen Corps			\$178,495	\$0	0.0%	\$0	\$178,495	0.0%	\$0	\$0	0.0%
	ADEM Admin & Personnel			111,270	0	0.0%	0	111,270	0.0%	0	0	0.0%
	State Citizen Corps Council			67,225	0	0.0%	0	67,225	0.0%	0	0	0.0%
	Urban Area Security Initiative Grant			\$420,000	\$0	0.0%	\$0	\$0	0.0%	\$0	\$0	0.0%
	ADEM (Training)			200,000			0	0		0	0	0.0%
	ADEM (Exercise)			200,000			0	0		0	0	0.0%
	ADEM (Planning)			20,000			0	0		0	0	0.0%
	Az Dept of Transportation			0			0	0		0	0	#DIV/0!
	Az Radiation Regulatory Agency			0			0	0		0	0	#DIV/0!
	Az Dept of Environmental Quality			0			0	0		0	0	#DIV/0!
	Az Dept of Agriculture			0			0	0		0	0	#DIV/0!
	Az Office of Homeland Security			0			0	0		0	0	#DIV/0!
	Metro Medical Response System			\$5,462	\$0	0.0%	\$0	\$5,462	0.0%	\$0	\$0	0.0%
	ADEM			5,462	0	0.0%	0	5,462	0.0%	0	0	0.0%
	Emergency Mgmt Performance Grant			\$2,158,825	\$0	0.0%	\$0	\$2,158,825	0.0%	\$0	\$0	0.0%

[illegible]

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: February 23, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jake Corey, Senior Fiscal Analyst

SUBJECT: Arizona Community Colleges – Report of Chairmen of Subcommittee on Dual Enrollment

A.R.S. § 15-1821.01 directs the community college districts to periodically report to the Committee on their dual enrollment programs. On receipt of the report, the Committee is required to convene an ad hoc committee to review the manner in which community college dual enrollment courses are provided. The Ad Hoc Committee on Dual Enrollment met in the fall of 2004 to discuss issues related to the programs. The Chairmen of the ad hoc committee would like to update the members of the Committee on the progress of those discussions. (*See Attached.*)

RS:JC:ss
Attachment



Arizona State Senate

DATE: February 21, 2005

TO: Members, Joint Legislative Budget Committee

SUBJECT: AD HOC COMMITTEE ON DUAL ENROLLMENT

Pursuant to A.R.S. § 15-1821.01, the Joint Legislative Budget Committee (JLBC) Ad Hoc Committee on Dual Enrollment met to review the manner in which high school-community college dual enrollment courses are provided. Following the discussion, we believe some items deserve further examination during the legislative process: 1) Admissions Guidelines; 2) Intergovernmental Agreements; and 3) Faculty Advisory Committees.

Admissions Guidelines

Current statute (A.R.S. § 15-1805.01) requires a student under 18 years of age to score 930 on the Scholastic Aptitude Test (SAT) or 22 on the American College Test (ACT) to be admitted to a community college course. A student may be admitted on an individual basis without achieving the test scores, however, if the student meets the requirements of the course and if college officials determine that admission is in the best interests of the student.

We are concerned that too many students are being admitted to dual enrollment courses on an individual basis and that those students are not adequately prepared to be enrolled in a community college course. To give an example, one Arizona charter school advertises a program in which students can graduate from high school while simultaneously earning a community college degree. To accomplish this, students at the charter school are encouraged to extend their enrollment at the high school for an additional, fifth year. Over their five year enrollment, students complete both their high school diploma and their community college degree. (*See Attachment.*)

In order to make certain that all dual enrollment students are ready for college level coursework, we would like the Legislature to consider amending or repealing the section of statute allowing students to be admitted on an individual basis.

Intergovernmental Agreements

To offer dual enrollment courses, the community college districts enter into intergovernmental agreements with the K-12 school districts to establish the rights and responsibilities of each party. Each community college district has its own standardized language for these agreements, different from that of other community college districts. The financing and operations of dual enrollment programs, therefore, are not implemented in a comparable manner statewide.

We would suggest that the state become more involved in the design of these intergovernmental agreements. Of particular concern is that the responsibility for tuition and fees is with the student in some community college districts, while in others the K-12 school district bears the responsibility. In the future we would like the agreements to be consistent across community college districts.

Faculty Advisory Committees

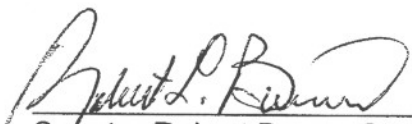
Current statute (A.R.S. § 15-1821.01) directs each community college offering dual enrollment courses to establish a faculty advisory committee. These committees are required to participate in course selection and implementation at the high school and to review and report annually whether the course guidelines are being followed and the courses are being taught at a college level. In addition, the committees are required to participate in the selection, orientation, and professional development of faculty teaching dual enrollment courses.

We are concerned that these committees are not adequately fulfilling the role envisioned for them in statute. Though we requested additional detail on these committees from the community colleges, the responses did not provide much detail beyond confirming that the colleges are operating within statutory guidelines. From the information we did receive, it appears the colleges do not have a consistent process for establishing and operating these committees. At some colleges the committees meet once every other week, at other colleges once a semester.

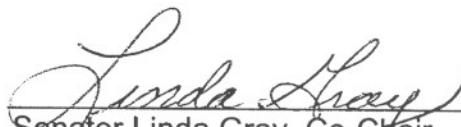
We believe the Legislature should consider adding to the existing statutory language to ensure that the committees are appropriately involved in the dual enrollment process in all districts, and that there is sufficient faculty input on the committees.

We appreciate your consideration of these items.

Sincerely,



Senator Robert Burns, Co-Chair
JLBC Ad Hoc Committee
on Dual Enrollment



Senator Linda Gray, Co-Chair
JLBC Ad Hoc Committee
on Dual Enrollment

RB:LG:ss

Attachment

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
Ad Hoc Committee on Dual Enrollment Members

Planning to Maximize Your College Education:
STAY IN HIGH SCHOOL?

By
Don Krug

Typically, when parents, students, and educators refer to getting a college education, all these folks tend to think of is the time frame after graduation from high school. The benchmark of high school graduation has been a time-honored tradition that has signified for many, the transition from childhood to adult status and entry into the work force and/or post-secondary education through the universities, trade schools, or community colleges. It has been a well-recognized fact, documented by the U.S. Department of Labor, that individuals with education beyond high school, will generally earn a higher income over their lifetime than their counterparts that stopped their formal education after high school. Given these circumstances, parents and educators have encouraged students to graduate from high school in four years and make the quantum leap into adulthood and hopefully higher education. Unfortunately, some students and families have not been able to afford this option. Many high school graduates are forced to go directly into the work force in the hope of banking enough money to go back to school. I'm sure many of you know someone that is following this route. Sometimes these folks never return to college or only go back after raising a family. What can you do as a student or parent to insure that college will become a reality for your family? **STAY IN HIGH SCHOOL!** That's right! I said stay in high school! AAEC has already established that students can start earning college credits as early as a high school freshman. The class of 2002 averaged over 40 college credits with a 3.0 college GPA. If these students had stayed in high school for one more year and continued taking a normal college schedule of 24 or more credits, many would have received an Associate's degree and then transferred to a 4-year university as a college junior. You may be thinking, how can I stay in high school for 5 years? **EASY!** There is no maximum on the number of credits a student may earn while enrolled in high school, only a minimum standard as established by Arizona law. If a student has not met the minimum standard required course work, that student may continue high school enrollment. Arizona law also allows students to count credit earned at community colleges toward high school graduation requirements. You get the best of both worlds – college credit while still enrolled in high school and AAEC pays the tuition bill!

Parents, haven't you thought back to your senior year in high school and what you'd do differently if you had it to do all over again? Well here's the chance for your students to be a 5th year senior and do the senior year all over again "in college". With proper planning, coursework for high school graduation requirements may be spread over a 5 year high school enrollment and aligned with a 2 year college degree, so that students may achieve both goals – graduation from high school and community college.

If you have further questions about a 5-year high school plan, contact your campus principal for an appointment. Perhaps your family can have two graduation parties at the same time!



STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: March 3, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RS*

FROM: Stefan Shepherd, Assistant Director *SS*

SUBJECT: Governor's Office of Strategic Planning and Budgeting - Report on Federal Revenue
Maximization Initiative

Request

Pursuant to a General Appropriation Act footnote, the Governor's Office of Strategic Planning and Budgeting (OSP) has submitted its quarterly report on the status of a Federal Revenue Maximization Initiative.

Recommendation

This item is for information only and no Committee action is required. There have been 6 revenue maximization projects completed to date, all designed to increase federal Title XIX Medicaid reimbursement. The total amount saved in FY 2005 is approximately \$4 million, plus unknown savings for 2 projects. This amount is less than the \$8.9 million FY 2005 savings estimate in the Executive's FY 2006 budget, but the difference is due to an AHCCCS project drawing down about \$5 million in enhanced administration funding that is not yet completed.

Analysis

Laws 2004, Chapter 275, Section 80 states the following:

"The Office of Strategic Planning and Budgeting shall report to the Joint Legislative Budget Committee by July 1, 2004 and the beginning of each subsequent calendar quarter in the fiscal year on the status of the Federal Revenue Maximization Initiative. The report, at a minimum, shall include an update on contracts awarded as a result of the "RevMax" request for proposals, a summary of projects and the potential savings from each project. Any reported savings shall distinguish between potential reductions in current funding levels and foregone future spending increases."

(Continued)

This provision was associated with an estimated \$25 million of savings incorporated into the overall FY 2005 budget. These savings were not allocated to specific agency budgets; rather they were assumed as part of the overall "balance sheet" and were intended to reduce current funding levels. To meet the budgetary target, agency appropriations would need to be reduced during the year or budgeted revertments would have to increase. Revertments are unspent appropriations that are returned to its source (in this case, the General Fund).

The project is administered by a Governance Board appointed by the Governor. The attached report consists of spreadsheets detailing projects at the Arizona Health Care Cost Containment System (AHCCCS), the Department of Economic Security (DES), the Department of Health Services (DHS), and other agencies.

To date, there are 6 projects completed, all designed to increase federal Title XIX Medicaid reimbursement. This includes two projects completed since the last Committee review:

- DES Long Term Care (LTC) Ombudsman: \$140,000 annually
- Medicaid in the Public Schools (MIPS) Audiology Services: As currently administered, MIPS funding goes to school districts; no estimate of savings.

Including other completed projects, the RevMax projects would save the state \$525,000 annually, plus \$3.5 million in one-time FY 2005 monies and an unknown amount (estimated by the Executive at perhaps \$2 - \$3 million) annually in future years for federal funding for court-ordered dialysis to undocumented individuals. This figure does not include currently unknown savings for ASH inpatient hospitalization or MIPS audiology services.

The approximately \$4 million in FY 2005 savings is less than the \$8.9 million FY 2005 savings estimate in the Executive's FY 2006 budget. This difference is due to an AHCCCS project drawing down about \$5 million in enhanced administration funding that is not yet completed.

In addition to these projects, the summary lists 4 ongoing and 7 potential AHCCCS projects, 1 ongoing DHS project, 2 ongoing and 2 potential DES projects, and 2 other ongoing projects.

RS/SSH:jb
Attachment



Janet Napolitano
Governor

**GOVERNOR'S OFFICE OF
STRATEGIC PLANNING AND BUDGETING**
1700 West Washington, Suite 500, Phoenix, Arizona 85007
(602) 542-5381 • FAX: (602) 542-0868

David P. Jankofsky
Director

January 31, 2005



Mr. Richard Stavneak, Director
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Richard:

Pursuant to Laws 2004, Chapter 275, Section 80, the federal revenue maximization report for the quarter ending December 31, 2004 is attached. Should there be any questions, please do not hesitate to contact Kristine Ward (602-542-6404).

Sincerely,

A handwritten signature in black ink, appearing to read "D. Jankofsky", written over the typed name and title.

David P. Jankofsky
Director

Attachment

c: George Cunningham
Kristine Ward
Anne Winter
Bob Chapko
Stephen Pawlowski
David Reese
Tom Betlach, AHCCCS
Mary Gill, DES
Leslie Schwabe, DHS

AHCCCS Revenue Maximization Summary
As of December 31, 2004

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Completed RevMax Projects						
ASIIS Registry	AHCCCS DHS	Draw down Title XIX funding to help cover part of costs associated with Immunization registry	<p>The State is drawing down \$135,000 in federal funds per year.</p> <p>These funds would supplant DHS General Funds thereby freeing up monies to reduce any potential FY 2005 supplemental request and/or pay for the unfunded portion of FY 2005 health care expenses.</p>	IGA with acceptable cost allocation methodology.	Is currently in place.	Complete
Padilla vs. Rodgers	AHCCCS	Pursue federal participation for mandated court ordered dialysis services provided to approximately 100 undocumented individuals.	<p>AHCCCS has a retro claim of \$3.5 million through March 2004. The annual benefit is anticipated to be about \$2-3 million in future years.</p> <p>Any additional funds would supplant General Funds thereby freeing up monies to reduce any potential FY 2005 supplemental request and/or pay for the unfunded portion of FY 2005 health care expenses.</p>	Judge ordered CMS to make payment.	<p>A hearing was held recently to review a request by the state that CMS be enjoined in the original lawsuit and be ordered to pay. Recently court ruled that Feds must pay \$3.5 million to the state.</p> <p>Of that amount, \$1.3 million will go to the General</p>	Complete

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
					Fund for FY03, and \$2.2 million will be for FY04 costs, which reduces AHCCCS' supplemental needs.	
ASH Inpatient Costs	AHCCCS DHS	AHCCCS is working with DHS on a process to have inpatient hospitalization costs covered by Title XIX funding.	Unknown at this time because actual number of inpatient stays is not known. This would be a pass-through of Federal Funds from AHCCCS to DHS. Any additional funds would supplant General Funds thereby freeing up monies to reduce any potential FY 2005 supplemental request and/or pay for the unfunded portion of FY 2005 health care expenses.	AHCCCS recently received approval from CMS to provide these services to individuals age 21-64 that are in ASH consecutively 30 days or less or less than a total of 60 days in a year.	DHS has started sending applications to AHCCCS to make individuals Title XIX eligible. Inpatient stays that meet CMS criteria will be eligible for Title XIX on an ongoing basis.	Complete
DES LTC Ombudsman	AHCCCS DES	Establish IGA between the two agencies for payment of Title XIX funds for the ombudsman's office.	Annual estimated benefit is \$140,000. This funding represents pass-through funding for local area agencies on aging and tribal entities to operate their long term care ombudsman program.	IGA with acceptable cost allocation methodology	IGA signed	Complete

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Medicaid in the Public Schools	AHCCCS	The agency consolidated administrative contracts and is having ongoing discussions with school districts on the scope of services covered.	As currently administered, all funding goes to school districts. Estimate of additional amount forthcoming from this project presently unknown. School districts will have to collect that information. They are not required to report this information to the Governance Board.	Any expansion in scope would require approval from CMS.	AHCCCS and Dept of Ed conferred with CMS. Audiology services are being added. CMS will not approve case management for school based claiming	State Plan Amendment sent to CMS on 11/10. Requested a January 1, 2005 start date.
Ongoing Task Orders and Agency-directed Projects						
Enhanced 1931 Eligibility Funds	AHCCCS DES	The Welfare Reform Legislation enacted in 1996 provided \$2.0 million in 90% funds and \$5.961 million in 75% match funds to offset higher costs of determining Medicaid eligibility.	<p>The state has approximately \$5 million of the 75% monies still available. Based on the current methodology developed by DES about \$450,000 per year will be utilized. This would be a pass-through of monies from AHCCCS to DES.</p> <p>Any additional funds would supplant General Funds thereby freeing up monies to reduce any potential FY 2005 supplemental request and/or pay for the unfunded portion of FY 2005 health care expenses.</p>	None	PCG is rerunning numbers to claim dollars for SFY05; anticipate submittal by end of December.	Will receive federal funds in December; CMS will finalize its review of the drawdown in April.
Eligibility Error Rate Training and	AHCCCS DES	Provide technical assistance, training, and	Vendor proposes that an estimate of a 1% reduction	None at this time	AHCCCS and DES awarded Task	Pilot will be completed by

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Improvement		monitoring to five eligibility offices experiencing recurring problems with high error rates. If the pilot program is successful, then DES may expand the program to other offices.	<p>in eligibility errors in all offices would result in savings of \$9.3 million statewide annually. To realize this amount however may require an investment in DES processes and/or technology. Further, this project will be a pilot of 4 offices. Therefore, the initial programmatic savings will be less than the \$9.3M initially.</p> <p>This project could result in cost avoidance of future outlays by reducing the number of persons eligible for AHCCCS, thereby reducing the amount of capitation paid.</p>		<p>Order to Maximus. Maximus staff to begin working with AHCCCS reviewers 12/06/04.</p> <p>AHCCCS and DES are considering expansion of the review to additional offices.</p> <p>AHCCCS will recommend whether to expand the pilot to 8 or 12 offices at the next RevMax GB meeting.</p>	June, 2005.
I.H.S. Referrals	AHCCCS	Since 1999 AHCCCS has been claiming 100% federal funds for services provided to Native Americans referred through I.H.S. facilities to contracted providers. CMS has disallowed and paid at only the FMAP rate.	The retro claims amount to \$84.4 million and the agency would anticipate the annual benefit going forward to be about \$15 million	To get disallowance overturned and 100% federal participation will require successful court case.	Both sides have filed summary judgments in federal court. In addition the Eighth circuit court will be hearing an appeal by CMS on two rulings that favored the states in North and South Dakota.	2 years if there is a favorable judgement. It is expected that CMS will exhaust legal remedies in the 9 th Circuit Court, if it loses in the 8 th Circuit.

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
County Inmates Inpatient Hospital Costs	AHCCCS Counties	AHCCCS is working with the counties on a process similar to what is in place with the Department of Corrections. This would allow counties to make inmates eligible for Medicaid to cover inpatient hospital costs. These services may not be provided in a lock down unit.	Benefit would be to counties reducing medical costs for incarcerated individuals. Amount not determined. These new federal funds would offset county general fund expenditures. The County is not required to report to the Governance Board. Maricopa is expected to realize approximately \$2 million.	IGA will be required similar to what AHCCCS has in place with DOC	AHCCCS has had a number of meetings with county representatives. Currently quantifying impact. Have received several dozen applications, but too soon to know dollar impact.	Maricopa agreement will be completed by December 31st; Pima has expressed interest. System changes underway; expect remaining counties to be implemented by June 2005.
Potential Task Order Projects						
Program for children with special needs ages 0-5	AHCCCS DES	Explore the feasibility of developing a waiver for children 0-5 meeting special needs requirements to become a separate program in which all services would be provided through one agency	Estimates have not yet been completed. There are currently several million dollars in state only funds in DES that are paying for services that may be eligible for federal match.	Possible legislative changes to allow for service delivery under single agency	Task order to be issued pending positive review by Board on 12/9 GB instructed AHCCCS to proceed with issuing a task order.	.
AZEIP	AHCCCS DES	Increase amount of Medicaid funds used to support AzEIP program	Estimates have not yet been completed	None at this time	AHCCCS and DES have been working on this issue for some time, and 4 options are being reviewed by the agencies. At this	THIS PROPOSAL WILL BE ROLLED INTO THE SPECIAL NEEDS 0-5 TASK ORDER, AND

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
					time, the agencies do not believe an outside vendor is needed to implement any of these changes.	WILL NOT APPEAR IN FUTURE MATRICES.
Juvenile Justice and Title XIX reimbursement	AHCCCS, DHS, DJC	Identification of Title XIX Services and Funds for Youth in Arizona who are at risk for the Juvenile Justice System	Unknown. An estimate is one of the contractor deliverables for this project.	TBD	<p>Task order issued to EP&P on November 29; response due to AHCCCS by December 10.</p> <p>An initial meeting to start the process of data collection was held on December 14, 2004.</p>	April 2005
Public versus private status of UMC	AHCCCS	Determine whether change in status allows state to maximize federal dollars. Maximus proposal	Unknown	TBD	<p>AHCCCS will issue task order in early December pending positive review by Board at December meeting.</p> <p>AHCCCS was instructed to issue the task order if they felt appropriate.</p> <p>The GB expressed concern over the</p>	TBD

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
					change in public/private status of the University Hospital, but felt that the idea should be explored.	
Nursing home payments	AHCCCS	Evaluate removal of special exemption from Insurance Premium Tax on nursing homes.	Unknown	TBD	On hold pending discussion with Governor's Office	TBD
School Based Claiming Rate Setting	AHCCCS, DOE	Increase reimbursement rates for schools claiming TXIX dollars to approximate actual costs by updating the fee-for-service rates	Unknown	None	AHCCCS does not recommend pursuing this. Because over 90% of AHCCCS business is covered through capitated payments, AHCCCS maintains a single fee-for-service rate schedule for all other payments, including school based claiming. If those rates are raised, they would apply to all FFS providers, costing the state millions in General Fund dollars. It is also possible that if a	TBD

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
					<p>decision were made to develop a separate fee schedule for school claiming, a review of the schools' costs could show that the existing rates are too high compared to medical institutions, which could result in them being reduced.</p> <p>The GB instructed AHCCCS to review one more time return next month with a final recommendation.</p>	
Transportation	AHCCCS, DES	Increase federal payments and reimbursement for the costs of offering transportation to needy families through TANF, Food Stamp Employment and Training, Medicaid and other programs	Vendor estimates drawing down from between \$3.1 and \$11 million from competitive grants, Medicaid, and school based transp. reimbursement. Project has additional components related to DES programs, for which no estimates were provided.	Unknown	<p>AHCCCS and DES are in the process of reviewing proposal; will report at January meeting.</p> <p>ADOT recently was awarded a federal grant to complete an assessment of</p>	TBD

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
					<p>human services transportation needs and service provision.</p> <p>AHCCCS will contact ADOT and discuss this proposal in terms of the grant, and will report back to the GB in January.</p>	
Potential Projects that Will Not be Pursued						
Upper Payment Limit	AHCCCS	Would have made supplemental hospital payments to eligible public facilities.	Payments were expected to be about \$28 million per year. The ability to make these payments was time limited to FFY 2004 and FFY 2005.	Legislation required to make payments was never authorized.	On hold due to no authorization from Legislature.	N/A
Ensuring that Medicaid is the payor of last resort	AHCCCS	Shifting TXIX expenditures to Medicare for aged and disabled	SGS proposal estimates that cost avoidance would be \$2-3 million.	None	AHCCCS currently contracts with a RevMax contractor to provide this service. Based on agency analysis vendor proposal will not yield additional funds.	N/A

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Medicaid in the Public Schools	AHCCCS	Review school based activities to determine whether they are eligible to be claimed as Medicaid covered administrative or direct services.	SGS proposal estimates that \$12-18 million in federal revenues would be gained by school districts.	CMS approval of services expansion	AHCCCS currently contracts with a RevMax contractor to provide this service. Based on agency analysis vendor proposal will not yield additional funds.	N/A
Ensuring that Medicaid is the payor of last resort	AHCCCS	Maximize third party liability payments through cost-avoidance and recoupments	SGS proposal estimates that cost avoidance would be \$10-15 million.	None	AHCCCS currently contracts with a RevMax contractor to provide this service. Based on agency analysis vendor proposal will not yield additional funds.	N/A
Outreach/ensuring that Medicaid is the payor of last resort	AHCCCS	Outreach for Medicare eligibility for aged, blind, and disabled Title XIX eligibles.	SGS proposal estimates that cost avoidance would be \$2-3 million.	None	AHCCCS currently contracts with a RevMax contractor to provide this service. Based on agency analysis vendor proposal will not yield additional funds.	N/A
Outreach/ensuring that Medicaid is the payor of last resort	AHCCCS	Outreach to KidsCare eligibles	SGS proposal estimates that cost avoidance would be \$2-3 million.	None	AHCCCS currently has processes that checks for TXIX eligibility when a	N/A

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
					person applies for Medicaid. Based on agency analysis vendor proposal will not yield additional funds.	
SCHIP Maximization of 10% administrative expenditures	AHCCCS	Determine whether currently optimizing the SCHIP administrative funds	Vendor indicates that projects they have done for other states the size of Arizona have yielded between \$1.5 and \$7 million.	None	AHCCCS already at 10% allowable limit. Based on agency analysis vendor proposal will not yield additional funds.	

**DES Revenue Maximization Summary
As of December 31, 2004**

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Completed RevMax Projects						
None						
Ongoing Task Orders and Agency-Directed Projects						
Targeted Case Management and Increased Title IV-E Administrative Claiming	DES	<p>Establish reimbursement from Medicaid (Title XIX) for certain eligible case management activities performed by CPS workers.</p> <p>Increase federal Title IV-E revenue by focusing on the population and services used for claiming Title IV-E administrative costs.</p> <p>Project scope will focus on In-Home Targeted Case Management rather than also include out-of-home Targeted Case Management due to disallowances by CMS in other states.</p>	<p>Vendor original estimate of \$8.9 - \$11 million (net total funds)</p> <p>Vendor will reduce Medicaid estimate significantly due to recommendation to reduce scope based on experience of other states. It is likely that the new estimate will be no more than half of the initial estimate.</p> <p>Revenues, when received, will be used to fill in base funding shortfall in child welfare services.</p>	CMS approval on some of the action items	<p>Task Order #DES-2005-01 issued August 13, 2004.</p> <p>Public Consulting Group selected September 17, 2004</p> <p>Kick-Off October 29, 2004</p> <p>Targeted Case Management: PCG met with DES in November 2004 and now is meeting with AHCCCS to discuss the state plan amendment.</p> <p>Title IV-E Admin.</p>	First claim is estimated to be submitted in June of 2005.

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
					Claiming: PGC identified necessary documents to conduct work. DES providing documents to PCG	
Title IV-E Funding for Out-of-Home Placement and Adoption	DES	<p>Increase federal Title IV-E revenue by conducting an intensive review of all out-of-home placements during the past two years and completing retroactive claiming for eligible children.</p> <p>This project includes potential retro-claiming of Title IV-E and Title XIX funds in lieu of TANF expenditures.</p> <p>Based upon federal disallowances, the scope of the project is being redefined.</p>	<p>Vendor estimate of \$4 - \$10 million</p> <p>Revenues, when received, will be used to fill in base funding shortfall in child welfare services.</p> <p>It is likely that the vendor estimates will be reduced due to reductions in the scope of the project. This will be reported upon at a future meeting.</p>	None	<p>Task Order #DES-2005-02 issued on September 14, 2004</p> <p>Public Consulting Group selected October 25, 2004</p> <p>Due to staffing shortages in DCYF, unable to accommodate Vendor until December 1, 2004.</p> <p>DES/Vendor meetings held on December 1 & 2, 2004.</p> <p>Workplan from Vendor pending.</p> <p>Estimated project start date: January 2005.</p>	April or May of 2005

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Potential Task Order Projects						
<p>Expansion of SSI for Aged, Blind, Disabled and Child Welfare</p> <p>Capture SSI/SSA Assignments at Mental Health Facilities and Developmental Services Institutions</p>	DES	<p>Develop an SSI advocacy function to perform screening of potential SSI-eligible individuals, completing applications and developing supporting documentation.</p> <p>Assess the screening for client SSI/SSA benefits and assign benefits to room and board costs, thereby increasing the income offset for the State in residential programs.</p>	Vendor estimate of \$4 - \$6.5 million.	Not Determined	DES will meet with MAXIMUS to better understand proposal.	TBD
Cost of Care Billing for Children not Eligible for Title IV-E Funding	DES	This proposal addresses the establishment and collection of parental contributions for children in State-funded foster care (non-Title IV-E eligible children)	Vendor estimate of \$.2 - \$2 million	Not Determined	DES met with MAXIMUS on October 21, 2004. MAXIMUS will consider submitting a revised proposal.	TBD

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Medicaid Carve-out for Children's Services	DES AHCCCS	Develop a new Medicaid "carve-out" program using federal dollars to replace state dollars for service to eligible children age 0 to 5 who qualify for Medicaid and Division services	To be determined as component of task order work	To be determined as component of task order work	Joint AHCCCS/DES/Az EIP Work Group examined issues and opportunities. AHCCCS issuing a Task Order	MOVED TO AHCCCS. THIS WILL NOT APPEAR IN FUTURE DES MATRICES
Transportation	DES AHCCCS	Increase federal reimbursement for transportation services to residents utilizing certain health and human services programs	Vendor estimates \$3.1 - \$11 million from competitive grants and school-based transportation reimbursement. Project has additional components.	Not determined	Proposal under review	MOVED TO AHCCCS. THIS WILL NOT APPEAR IN FUTURE DES MATRICES
Potential Projects that Will Not be Pursued						
Qualify State Expenditures as TANF MOE Costs	DES	This project includes two strategies: (1) identifying additional TANF MOE through non-traditional sources (2) identifying additional MOE through best practice	Vendor estimate of \$5 – 16 million	N/A	The Department is meeting TANF MOE requirements. No additional revenue would be gained through these strategies	N/A

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Rate Setting	DES	Increase federal Title IV-E reimbursement for maintenance services provided by residential facilities through a detailed review of rate setting methodology.	Vendor estimate of \$4 - \$10 million combined with Title IV-E eligibility project described above	N/A	The Department used the services of a consultant to establish the current rate, which already optimizes the federal Title IV-E maintenance funds available to the State of Arizona in the agency's opinion.	N/A
Food Stamp Outreach	DES	Vendor proposal to increase the number of people in poverty on Food Stamps	10% increase in food stamps requires \$13 million additional General Funds	N/A	Not a RevMax project since it is a program expansion that would require additional state matching funds.	N/A
Community Based/Local FFP enhancement	DES AO Courts	Obtain Title IV-E funding for entities other than the DES that provide child welfare services	Preliminary Vendor Estimate: \$.6 - \$1.75 million The additional federal funding under this proposal would go to local governments.	N/A	DES has current efforts in place with the Administrative Office of the Courts so that the State may receive Title IV-E funds for eligible juvenile probation youth. Local entities who wish to pursue Title	N/A

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
					IV-E funds can acquire RevMax assistance independently and DES would coordinate with those efforts.	
Assess Medicaid Funding at an enhanced match rate to support the replacement of ASSISTS	DES AHCCCS	Obtaining Medicaid funding at an enhanced match rate to support an IT system to replace the antiquated ASSISTS system.	Not Determined. Proceeding with this project would require an additional General Fund appropriation. It would not bring in net new revenues.	N/A	Consider seeking enhanced funding in conjunction with future revisions to AHCCCS PMMIS system, rather than build two stand alone systems.	N/A
Residential Treatment and Group Home Services – billing strategies	DES DHS	Obtaining increased Title XIX funded placements for Child welfare clients placed in residential treatment and group home settings. Focus is on three areas: Inpatient psychiatric services, rehabilitation services, and private non-medical providers.	Vendor estimate of \$2 - \$3 million	N/A	No additional assistance needed. DHS already has a fee structure that allows for TXIX billing for these services.	N/A

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Increase Federal Revenues through Cost Allocation and Grants Management	DES	Conduct a review of the State's cost allocation procedures and practices to identify federally reimbursable costs that are not being captured	Vendor estimate of \$.5 - 1 Million	N/A	DES' Cost Allocation Plan was substantially revised in SFY 03 and amended 7/04 and Auditor General reviews annually. Proposal to Review the Statewide Cost Allocation Plan (SWCAP) already reviewed by the Governance Board.	N/A
Increase Recoveries under the Child Care Development Block Grant	DES	Identify additional opportunities for expanding child care services or replacing general fund expenditures with federal funds	Vendor estimate of \$4 – 6 million annually	N/A	Agency believes it is currently maximizing available funds for child care services including each of the fund sources discussed in the proposal.	N/A
IV-D Child Support Disbursement to Child Welfare	DES	Conduct an automated match of children in foster care with undistributed child support collections owed to State	Vendor estimates \$2 - \$5 million in retroactive transfers and up to \$1 million annually in prospective transfers based on other states	N/A	DES has a process in place to ensure that undistributed collections are researched and distributed.	N/A

Revenue Maximization Summary
Department of Health Services
As of December 31th, 2004

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Completed RevMax Projects						
None						
Ongoing Task Orders and Agency-directed Projects						
Medicare TEFRA Exception Approach		Prepare TEFRA Exception appeals on behalf of the Arizona State Hospital that does not exceed the national TEFRA ceiling. The proposal states that this can be done both retrospectively and prospectively.	Proposal estimates \$300,000 per year. The revenues would cover the cost of the vendor contract with the balance going into the General Fund.	None	A Task Order has been issued. In addition to the TEFRA appeal for FY02 and FY03, there is a possibility for additional revenue maximization related to Medicare reimbursement. Other ideas are being discussed for further revenue maximization.	TBD
Potential Task Order Projects						
None						

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Potential Projects that Will Not be Pursued						
Residential Treatment and Group Home Services	DHS DES	The proposal states that Public Works can assist the State in using Medicaid reimbursement rather than Title IV-B, Title IV-E or Title XX for residential treatment centers (RTC) and group homes	Proposal states \$2-\$3 million in increased federal revenues.	None.	The State of Arizona already utilizes Medicaid funding for RTC and Level II and III Residential Behavioral Health settings. Group Homes that are licensed by DES are not Behavioral Health Treatment settings, but do provide necessary social services.	N/A
Medicare Bad Debt	DHS	Enhance payments made by Medicare to the State Hospital by including unrecovered costs such as bad debts in the State Hospital's allowable calculation for reimbursement.	Proposal estimates \$66,000 in increased revenues per year.	None	Agency estimates that, due to federal requirements including, <i>inter alia</i> , that collection agency must have tried to collect debt prior to it being eligible for reimbursement, that this proposal not cost effective.	N/A
Institution for Mental Disease Exclusion	DHS	Reclassify the Arizona State Hospital as a facility other than an Institution for Mental Disease in order	Proposal estimates \$1,750,000, or 5% savings (x70% FFP) of the FY 02 budget.	Statute Change	The proposal would result in privatization of the State Hospital. This would require consolidating the	N/A

		to draw down federal funds for Medicaid eligibles that have a length of stay greater than 30 days			State Hospital with another hospital so that less than 50% of the beds would be designated as psychiatric. DHS does not agree with privatizing the State Hospital.	
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Revenue Maximization Summary
All Agencies Except for AHCCCS, DES, and DHS
As of December 31th, 2004

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Completed RevMax Projects						
Maximizing Title XIX Funding for the Juvenile Justice system	ADJC AHCCCS	Several measure are being under taken by ADJC and AHCCCS to ensure that services provided to Title XIX eligible youth are eligible for Title XIX funding including in-patient hospital costs.	ADJC is working on getting an estimate. Based upon prior year hospitalization, there could be \$250K in federal funding that could supplant general fund expenditures.	AHCCCS will make a policy change to not suspend Title XIX eligibility when a youth is adjudicated into Juvenile corrections.	Since these are internally generated initiatives, no task order is needed.	November 2004. Please note that this is an ongoing project that does not have a specific termination date. However, initial efforts and identification of process improvements are completed. These efforts will fold into the larger Juvenile Justice project which is referenced in the AHCCCS matrix.
Ongoing Task Orders and Agency-directed Projects						
Workforce Investment Act (WIA)	Commerce DES	Utilize previous years' WIA funding. This project is a "fund flexibility" type	There is approximately \$1.7 million in unexpended pass-through WIA funding for	Legislative action is may be necessary for an	Commerce has issued a task order to SGS. Initial	April 2005

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
		of RevMax as defined in the Governance Board Guidelines and the Request for Proposal. The purpose is to develop new innovative methods of ensuring that state allotment of federal WIA funds allocated to Rapid Response funding are expended and not reverted to the federal government.	Rapid Response activities that can be reallocated for other purposes. There is no new federal funding.	appropriation of these funds.	meetings have held with Commerce, DES, and the LWIBS.	
Amendments for Statewide Cost Allocation Plans and Agency Cost Allocation Plans (SWCAP) a. Statewide Cost Allocation Plan b. Agency Cost Allocation Plan	Governor's Accounting Office	Review cost allocation plans to determine if more federal revenues can be brought into the state. Although OSPB reviewed the initial statewide proposal did not feel that there would be a benefit, the Governor's Office Accounting Office did their own review and believe that there is potential for additional revenues.	TBD from Request For Proposal Responses	None	Competitive Task Order issued. Responses to be received December 9 th 2004.	TBD
Potential Task Order Projects						
None						

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
Potential Projects that Will Not be Pursued						
Amendments for Statewide Cost Allocation Plans and Agency Cost Allocation Plans (SWCAP) b. Statewide Cost Allocation Plan b. Agency Cost Allocation Plan	ADOA All other agencies	Review cost allocation plans to determine if more federal revenues can be brought into the state	SGS estimated that \$14-21 million in federal revenues would be brought in to supplant general fund expenditures.	None	OSPB did an analysis with ADOA and determined that there would be little benefit to doing a full review of the indirect cost allocation. However, at the August Governance Board meeting the contractors were invited to meet with OSPB if they felt that there was potential that the analysis did not show.	N/A
Workforce Investment Act (WIA)	Commerce DES	Utilize previous years' WIA funding. Approximately \$10 million of unexpended funds do not have the type of flexibility that expiring rapid response funding has (see task order above). However, an expenditure plan should be developed in	There is approximately \$10 million in unexpended pass-through WIA funding. There is no new federal funding.	Legislative action is likely necessary for an appropriation	This funding has previously been identified by DES. Developing an expenditure plan for these funds does not meet any definition of RevMax. DES and Commerce will work together to	Spring 2005

Topic	Agencies	Project Description	Revenue Estimate	Legislation, Rule or Policy Changes Required?	Status	Estimated Completion Date
		order to ensure that no funds are reverted back to the federal government.			develop an expenditure plan	