

STATE OF ARIZONA

# Joint Legislative Budget Committee

STATE  
SENATE

RANDALL GNANT  
CHAIRMAN 2000  
GUS ARZBERGER  
RUSSELL W. "RUSTY" BOWERS  
SCOTT BUNDGAARD  
EDWARD J. CIRILLO  
JACK C. JACKSON  
JOE EDDIE LOPEZ  
JOHN WETTAW

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

HOUSE OF  
REPRESENTATIVES

BOB BURNS  
CHAIRMAN 1999  
BARBARA BLEWSTER  
LORI S. DANIELS  
SALLY ANN GONZALES  
BILL MCGIBBON  
JEAN HOUGH MCGRATH  
BOB MCLENDON  
CHRISTINE WEASON

## MEETING NOTICE

DATE: Monday, March 20, 2000  
TIME: 8:00 a.m.  
PLACE: SENATE APPROPRIATIONS ROOM 109

## TENTATIVE AGENDA

- Call to Order
- [Approval of Minutes of February 7, 2000.](#)
- EXECUTIVE SESSION - Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
- DIRECTOR'S REPORT (if necessary).
- 1. ARIZONA DEPARTMENT OF ADMINISTRATION
  - A. [Approval of Rates of Reimbursement for State Travel by Motor Vehicle and Lodging and Meal and Incidental Expenses.](#)
  - B. [Review Revision of Classification Maintenance Review Adjustment.](#)
- 2. [AUTOMOBILE THEFT AUTHORITY - Review Expenditure Plan.](#)
- 3. [ARIZONA STATE UNIVERSITY - Approval to Transfer Nutrition Program from Main Campus to East Campus.](#)
- 4. DEPARTMENT OF ECONOMIC SECURITY
  - A. [Review ReDESIGN Contract for Phase II.](#)
  - B. [Fiscal Reporting and Accountability Issues.](#)
- 5. [AHCCCS - Report on Request for Interest on Competitively Bidding for Developmental Disabled Services.](#)
- 6. [DEPARTMENT OF ENVIRONMENTAL QUALITY - Report on the Vehicle Emissions Inspection Program Contract Development Process - Information Only.](#)

The Chairman reserves the right to set the order of the agenda.  
03/14/00

**People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 542-5491.**

STATE OF ARIZONA

# Joint Legislative Budget Committee

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## MINUTES OF THE MEETING

### JOINT LEGISLATIVE BUDGET COMMITTEE

February 7, 2000

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The Chairman called the meeting to order at 8:10 a.m., Monday, February 7, 2000, in Senate Appropriations Room 109. The following were present:

Members:	Senator Randall Gnant, Chairman Senator Arzberger Senator Bowers Senator Cirillo Senator Lopez Senator Wettaw	Representative Bob Burns, Vice-Chairman Representative Blewster Representative Daniels Representative McGrath Representative McLendon
Absent:	Senator Bundgaard Senator Jackson	Representative Gonzales Representative McGibbon Representative Weason
Staff:	Richard Stavneak, Director Pat Mah Jim Rounds Lynne Smith	Cheryl Kestner, Secretary Brad Regens Stefan Shepherd
Others:	Neal Young Karl Matzinger Greg Wetz Karen McLaughlin Mike Smarik Carl Nink Tom McClory Mark Wilson Debbie Spinner Ed Boot Susan Strickler Frank Hinds Frank Chow Bill Greeney	Department of Economic Security Department of Economic Security Department of Economic Security Department of Economic Security Department of Corrections Department of Corrections Attorney General's Office Attorney General's Office Attorney General's Office School Facilities Board Arizona Dept. of Administration Arizona Dept. of Administration Arizona State Lottery OSPB

## **APPROVAL OF MINUTES**

Hearing no objections from the members of the Committee to the minutes of December 14, 1999, Senator Gnant stated that the minutes would be approved as submitted.

## **EXECUTIVE SESSION**

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

At 8:12 a.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 8:18 a.m. the Committee reconvened into open session.

Representative Burns moved that the Committee adopt the recommended settlement proposals by the Attorney General's Office in the following cases.

1. Sarah Brown v. James Cruz, et al.
2. Jane Doe v. Cruz
3. Broderick v. State of Arizona, ADOC, et al.
4. Costello v. State of Arizona, et al.

The motion carried.

## **ARIZONA LOTTERY COMMISSION - Approval of Retailer Incentive Plan**

Mr. Jim Rounds, JLBC Staff, was available for questions. There were none.

Representative Burns moved that the Committee approve the JLBC Staff recommendation to approve the Retailer Incentive Plan and also approve that the performance based increase in retailer compensation be retroactive beginning January 1, 2000. The motion carried.

## **SCHOOL FACILITIES BOARD - Approve Index for Constructing New School Facilities**

Ms. Lynne Smith, JLBC Staff, was available for questions. There were none.

Representative Burns moved that the Committee adopt the JLBC Staff recommendation to approve the use of the inflation index published by the Marshall Valuation Service for adjusting the cost per square foot for new school construction. As of January 1, 2000, the new school construction per square foot costs would be adjusted by the change in the comparative cost multiplier for Phoenix from July 1998 to July 1999 for construction indicator class C (masonry bearing walls). The motion carried.

## **DEPARTMENT OF CORRECTIONS - Review Private Prison Contract**

Mr. Brad Regens, JLBC Staff, was available for questions. There were none.

Representative Burns moved that the Committee adopt the JLBC Staff recommendation to approve the Department of Correction's (DOC) private prison contract, including the purchase option. The Committee also approved the recommendation that requires DOC to seek approval from the full Legislature prior to exercising the purchase option. The motion carried.

**DEPARTMENT OF ECONOMIC SECURITY (DES)/ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Approval of Workers' Compensation Coverage for Arizona Works**

Mr. Stefan Shepherd, JLBC Staff, was available for questions. There were none.

*Representative Burns moved that the Committee adopt the JLBC Staff recommendation to approve the request extending ADOA's authorization to provide workers' compensation coverage through DES for level 3 and 4 participants in the Arizona Works program operated by MAXIMUS through September 30, 2000. If legislation is not enacted to resolve the issue by that date, the Committee requests that DES and ADOA report to the Committee with their recommendation on a permanent solution. The motion carried.*

**DEPARTMENT OF ECONOMIC SECURITY**

**A. Review of Federal Social Services Block Grant FY 2000 Expenditure Plan**

Ms. Pat Mah, JLBC Staff, was available for questions. There were none.

*Representative Burns moved that the Committee adopt the JLBC Staff recommendation to give a favorable review of the department's expenditure plan for Federal Social Services Block Grant monies in FY 2000. The motion carried.*

**B. Review of Plan to Provide Matching Monies to Salt River Pima-Maricopa Tribe to Operate a Tribal Cash Assistance Program**

Mr. Stefan Shepherd, JLBC Staff, was available for questions. There were none.

*Representative Burns moved that the Committee adopt the JLBC Staff recommendation to give a favorable review of the department's plan to provide matching monies to the Salt River Pima-Maricopa tribe to operate a Tribal Cash Assistance Program. The motion carried.*

**C. Arizona Works Bimonthly Review**

There was no discussion on this item.

Senator Gnant concluded by noting that the Committee waited longer than we were in session. He said that he supposed that members not wanting to be on the Committee could be taken off. He further stated that he expected the rest of the members to be on time for the meeting.

Without objection, the meeting adjourned at 8:22 a.m.

Respectfully submitted:

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Cheryl Kestner, Secretary

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Richard Stavneak, Director

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Senator Randall Gnant, Chairman

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



# Joint Legislative Budget Committee

## Staff Memorandum

1716 West Adams  
Phoenix, Arizona 85007

Telephone: (602) 542-5491  
Facsimile: (602) 542-1616

DATE: March 15, 2000

TO: Senator Randall Gnant, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION –APPROVAL OF RATES OF REIMBURSEMENT FOR STATE TRAVEL BY MOTOR VEHICLE AND LODGING AND MEAL AND INCIDENTAL EXPENSES

### Request

In accordance with A.R.S. § 38-624C, the Arizona Department of Administration (ADOA) requests that the Committee approve maximum lodging, meals/incidental expense, and mileage reimbursement rates effective May 1, 2000 for Travel - In State and Travel - Out of State.

### Recommendation

The JLBC Staff recommends that the Committee give a favorable review to ADOA's request for lodging and mileage reimbursement. JLBC Staff proposes alternate rate increases for In-State and Out-of-State meals/incidental expenses. JLBC Staff recommends that the costs and savings associated with these changes be absorbed in agencies' budgets without a change in the level of appropriations. The new rates would be as follows:

	<u>Current Rate</u>	<u>ADOA Proposed Rate</u>	<u>JLBC Proposed Rate</u>
Lodging per day	\$50-226	\$55-215	\$55-215
In-State meals per day	\$28	\$30	\$29.50
Out-of-State meals per day	\$28-40	\$28-\$46	\$28-42
Mileage reimbursement	31¢	32.5¢	32.5¢

### Analysis

The net cost of the department's request is an increase of \$41,370 from the General Fund (GF) and \$141,137 from Other Funds (OF). This includes a reduction of In-State and Out-of-State lodging rates, an increase for In-State and Out-of State meals/incidental expenses, and an increase for mileage reimbursement. (See Table 1)

#### Lodging

In summary, the federal lodging rates reflect a decrease that is consistent with the general trend of decline in the cost of commercial lodging. The federal government periodically conducts a cost survey based on market conditions across the nation. Lodging rates are established based on this survey data. Rates vary by city, with some cities experiencing an increase and some reflecting a decrease in price. On average, however, federal lodging rates have declined (1.5%). Lodging rates were last approved by the Committee June 4, 1998 and took effect July 1, 1998. ADOA calculations show total annual savings to the GF of (\$127,800) and (\$352,800) to all OF of implementing the federal lodging rates for a total of (\$480,600).

For In-State lodging, the resulting changes would range from a decrease of (\$13) per day during the summer months in Phoenix/Scottsdale to an increase of \$19 per day during the winter in Casa Grande. Overall, the changes would result in a decrease in In-State lodging costs of (7%), or (\$118,400) GF and (\$338,600) OF.

For Out-of-State lodging, changes range from a decrease of (\$77) per day from July 1 to November 30 in Aspen, Colorado, to an increase of \$87 per day June 1 to September 30 in Sun Valley, Idaho. ADOA calculations estimate a savings (1.1%), or (\$9,400) GF and (\$14,200) OF.

### *Meals*

Meal/incidental expense rates were last approved by the Committee July 30, 1998 and took effect July 1, 1998.

For In-State meals, ADOA proposes adding 7%, or \$2 a day to the current rate of \$28 dollars per day. This would result in an increase of \$69,300 in costs to the GF, and \$231,900 to OF. This amount is equal to the federal minimum for meals.

For Out-of-State meals, ADOA proposes adopting January 1, 2000 federal rates, which range from \$28 to \$46 per day, depending upon location. In July of 1998, this Committee declined to adopt the January 1, 1998 federal rates, which would have meant a 16% increase for Out-of-State meals. Instead, the Committee approved a 5.8% increase from the April 1, 1996 federal rates for each city. ADOA estimates an 18.23% increase in costs associated with Out-of-State meals associated with the new rates. The higher percentage growth mostly reflects catching up to the current federal rates, which the Committee previously rejected. The increase would result in a \$48,000 cost to the General Fund, and \$89,500 from other funds.

Consumer Price Index (CPI) increases for food away from home would not indicate such significant increases in meal rates are necessary. From December 1997 to December 1999, the period since the last rate increase, the CPI increased by 4.9%. This is significantly lower than ADOA's proposed increases. JLBC Staff recommends adjusting In-State Meal/Incidental Expense rate by \$1.50 or 5.4% to more closely match the CPI increase while minimizing administrative burden for ADOA by rounding to the nearest half dollar. Similarly, JLBC Staff recommends adjusting the Out-of-State Meal/Incidental Expense reimbursement rate range by approximately 4.9% to match the change in the CPI.

### *Mileage Reimbursement*

ADOA proposes an increase in the mileage reimbursement rate from 31¢ to 32.5¢ per mile. This will result in an increase of \$51,870 GF and \$172,537 OF. At the February 5, 1999 meeting, the Committee approved the department's request to reduce the reimbursement rate from 32.5¢ per mile to 31¢ per mile in order to match a corresponding decrease in the federal rate. With the rise of the federal reimbursement rate to 32.5¢, ADOA proposes restoring the state rate to this level.

Table 1: Comparison of Proposed Changes to the General Fund and Other Funds

	General Fund		Other Funds		Total	
	ADOA Request	JLBC Proposal	ADOA Request	JLBC Proposal	ADOA Request	JLBC Proposal
In-State Lodging	\$(118,400)	\$(118,400)	\$(338,600)	\$(338,600)	\$(457,000)	\$(457,000)
Out-of-State Lodging	<u>(9,400)</u>	<u>(9,400)</u>	<u>(14,200)</u>	<u>(14,200)</u>	<u>(23,600)</u>	<u>(23,600)</u>
<b>Lodging Sub-total</b>	<b>\$(127,800)</b>	<b>\$(127,800)</b>	<b>\$(352,800)</b>	<b>\$(352,800)</b>	<b>\$(480,600)</b>	<b>\$(480,600)</b>
In-State Meals	\$ 69,300	\$ 47,530	\$ 231,900	\$ 159,162	\$ 301,200	\$ 206,692
Out-of-State Meals	<u>48,000</u>	<u>12,912</u>	<u>89,500</u>	<u>24,035</u>	<u>137,500</u>	<u>36,947</u>
<b>Meals Sub-total</b>	<b>\$ 117,300</b>	<b>\$ 60,442</b>	<b>\$ 321,400</b>	<b>\$ 183,197</b>	<b>\$ 438,700</b>	<b>\$ 243,639</b>
Mileage Reimbursement	<u>\$ 51,870</u>	<u>\$ 51,870</u>	<u>\$ 172,537</u>	<u>\$ 172,537</u>	<u>\$ 224,407</u>	<u>\$ 224,407</u>
<b>Total</b>	<b><u>\$ 41,370</u></b>	<b><u>\$ (15,488)</u></b>	<b><u>\$ 141,137</u></b>	<b><u>\$ 2,934</u></b>	<b><u>\$ 182,507</u></b>	<b><u>\$ (12,554)</u></b>

JANE DEE HULL  
GOVERNOR



J. ELLIOTT HIBBS  
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION

STATE CAPITOL - FINANCIAL SERVICES DIVISION

GENERAL ACCOUNTING OFFICE

1700 WEST WASHINGTON, ROOM 290

PHOENIX, ARIZONA 85007



February 28, 2000

The Honorable Randall Gnant, Chair  
The Honorable Robert Burns, Chair  
Joint Legislative Budget Committee  
1716 W. Adams  
Phoenix, Arizona 85007

Dear Senator Gnant and Representative Burns:

The Arizona Department of Administration respectfully requests to be placed on the next agenda for the Joint Legislative Budget Committee (JLBC) for the purpose of discussing proposed changes to the State's Travel Reimbursement Rates for Lodging and Meals in accordance with A.R.S. § 38-624.C. and mileage in accordance with A.R.S. § 38-623.D. We also propose that the Arizona Department of Administration continue to be granted the authority to approve lodging exceptions to exceed policy limits, when properly documented.

The Arizona Department of Administration, General Accounting Office, will transmit, under separate cover, to the JLBC Director the appropriate documents containing the current and proposed rates for review and analysis prior to the meeting.

If you have any questions regarding this request, please call Mr. Robert Rocha at 542-5405.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Elliott Hibbs".

J. Elliott Hibbs  
Director

JEH:sg

CC: Robert Rocha  
Lee Baron

JANE DEE HULL  
GOVERNOR



J. ELLIOTT HIBBS  
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION

STATE CAPITOL - FINANCIAL SERVICES DIVISION

GENERAL ACCOUNTING OFFICE

1700 WEST WASHINGTON, ROOM 290

PHOENIX, ARIZONA 85007



February 28, 2000

Richard Stavneak, Director  
Joint Legislative Budget Committee  
Phoenix, Arizona 85007

Dear Mr. Stavneak:

On February 28, 2000, Mr. J. Elliott Hibbs requested that the Department of Administration be placed on the next agenda of the JLBC for the purpose of reviewing the travel rates for the state.

Attached for your review are the customary documents related to this request. We are requesting that the federal lodging rates be accepted as written and that the meal rates be adopted as published with the exception of Arizona. For Arizona we recommend a \$2 increase, the federal minimum of \$30 per day for meals, since the employees of the state are very familiar with eating establishments and should be able to subsist on this amount. The federal reimbursement rate for mileage also has been increased from .31 to .325 and we recommend the increase in the mileage reimbursement rate as well. Finally we request that the Department of Administration continue to be granted the authority to approve lodging exceptions to exceed policy limits, when properly documented.

If as you review these documents, you have any questions, please call me at 542-5405.

Sincerely,

A handwritten signature in cursive script that reads "Robert Rocha".

Robert Rocha  
State Comptroller

RR:sg

CC: J. Elliott Hibbs  
Lee Baron  
Scott Smith

Attachment

## Joint Legislative Budget Committee Staff Memorandum

1716 West Adams  
Phoenix, Arizona 85007

Telephone: (602) 542-5491  
Facsimile: (602) 542-1616

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DATE: March 15, 2000

TO: Senator Randall Gnant, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Lynne Smith, Senior Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION – REVIEW REVISION OF  
CLASSIFICATION MAINTENANCE REVIEW ADJUSTMENT

### Request

The Arizona Department of Administration (ADOA) requests that the Committee give a favorable review to its proposal to expend up to \$9,900 in unallocated General Fund monies remaining from the FY 2000 appropriation for Classification Maintenance Review (CMR) adjustments. After ADOA makes corrections to the CMR adjustments, remaining monies will revert to the General Fund. The department plans to spend approximately \$4,600 out of the unallocated General Fund balance of \$9,900.

### Recommendation

The JLBC Staff recommends that the Committee give a favorable review to the request.

### Analysis

CMR adjustments are salary increases that affect an entire job class. Section 109 of the FY 2000 General Appropriation Act (Laws 1999, 1<sup>st</sup> Special Session, Chapter 1) appropriates monies for CMR adjustments to positions in the ADOA personnel system. As required in Section 109, at the September 16, 1999 JLBC meeting, ADOA reported to the Committee its recommendations for the job classifications to receive FY 2000 CMR adjustments. The Committee gave a favorable review to that request.

For FY 2000 CMR adjustments, \$1,863,400 from the General Fund (GF) and a corresponding amount from Other Funds was available. The appropriated monies have been allocated to the selected positions, leaving an unallocated balance of approximately \$9,900 GF. Section 109 provides that these unallocated monies revert to the fund from which they were appropriated on May 1, 2000, unless the JLBC determines that additional CMR adjustments are necessary.

ADOA requests that the Committee determine that additional adjustments are necessary. The department intends to use approximately \$4,600 GF for the Correctional Food Service Supervisor I class. This job class was included in ADOA's original FY 2000 CMR plan. However, ADOA now proposes increasing this class's minimum salary by \$665 to \$22,704. The increase is intended to correct an inequity between the Correctional Food Service Supervisor I class and the Food Service Supervisor II class (both grade 15). The inequity was created by an October 1998 CMR adjustment for the other class. The proposal increases the salary of 12 employees in the Department of Juvenile Corrections by an average of \$657 each per year. The CMR adjustments for an additional 10 employees would not be revised because their salaries are already above the new minimum. The revised salary range for this job class would be \$22,704 to \$31,394. Without a special recruitment rate, the grade 15 salary range is \$20,694 to \$31,394.

RS:LS:ss

<b>JLBC</b>
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Jane Dee Hull  
Governor



J. Elliott Hibbs  
Director


Arizona Department of Administration  
Human Resources Division  
1831 West Jefferson - Phoenix, Arizona 85007

## MEMORANDUM



**DATE:** February 15, 2000

**TO:** Richard Stavneak, Staff Director  
Joint Legislative Budget Committee

**FROM:** James Matthews, Assistant Director  
Human Resources Division 

**SUBJECT: FY2000 SALARY MARKET ADJUSTMENTS (SMA)**

As required by the legislation authorizing the 01/01/00 salary market adjustments, attached are four reports for you on the fiscal year 2000 salary market adjustments.

- The first report is a costing report by agency and fund, in alphabetical order, by the two-digit agency code (January 2000 SMA Costing by Fund).
- The next report is a summary of General Fund and Other Appropriated Fund totals by agency (Agency Summary Salary Market Adjustment 01/01/00).
- The third report is a costing report by agency with the special cost center identification numbers assigned by the Office of Strategic Planning and Budgeting (FY 1999-2000 CSA Allocations [Excludes Security Aides]).
- The final report provides information only on Arizona Department of Administration Security Aide positions housed in other state agencies through ISA agreements (FY 1999-2000 CSA Allocations – Contracting Agencies [Security Aides Only]).

This Salary Market Adjustment includes positions that reside in the Department of Economic Security, but that are funded by AHCCCS (Public

FY 2000 Salary Market Adjustments

February 15, 2000

Page 2

Assistant Eligibility Interviewer classification series). Therefore, SMA funds are being allocated to AHCCCS for those DES positions.

Vacant positions have been funded at 80%.

Please note that nearly \$9,900 is still available in the General Fund. With your agreement, we would like to spend \$4,305 of this to enlarge the increase amounts currently dedicated to positions in the Correctional Food Service Supervisor I classification (class code 32723). By doing so, we will correct an inequity between that class and the Food Service Supervisor II (class code 32715). Both are grade 15.

Attachments

c: J. Elliott Hibbs, Director, Department of Administration  
William Bell, Deputy Director, Department of Administration  
Thomas Betlach, Director, Office of Strategic Planning & Budgeting  
Cecilia Dahl, Human Resources Division, ADOA  
Robert Rocha, General Accounting Office, ADOA  
Lynne Smith, Joint Legislative Budget Committee  
Kristine Ward, Office of Strategic Planning & Budgeting  
Carolyn Friedman, Human Resources Division, ADOA

# Joint Legislative Budget Committee

## Staff Memorandum

1716 West Adams  
Phoenix, Arizona 85007

Telephone: (602) 542-5491  
Facsimile: (602) 542-1616

---

DATE: March 15, 2000

TO: Senator Randall Gnant, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Indya Kincannon, Fiscal Analyst

SUBJECT: ARIZONA AUTOMOBILE THEFT AUTHORITY - REVIEW EXPENDITURE PLAN

### Request

The Arizona Automobile Theft Authority (ATA) requests Committee review of its expenditure plan to spend an additional \$391,300 pursuant to a footnote in the General Appropriations Act (Laws 1999, 1st Special Session, Chapter 1). The footnote allows ATA increased expenditure authority from its own fund if it collects excess revenue from the insurance policy assessment. ATA must submit an expenditure plan to the Committee for review prior to expending the monies.

### Recommendation

The JLBC Staff recommends that the Committee favorably review this request.

### Analysis

The Legislature appropriated \$2,220,400 to ATA in FY 2000. As of February 29, 2000 the ATA had collected \$3,765,625 from its assessment on auto insurance policies. A footnote in the General Appropriations Act states:

*All insurance premium fee revenues collected in excess of \$2,220,400 in FY 2000 and \$2,325,000 in FY 2001 are appropriated for public awareness and auto theft authority grants up to \$2,611,700 in FY 2000 and \$2,612,200 in FY 2001. Before the expenditure of these monies, the Authority shall submit an expenditure plan to the Joint Legislative Budget Committee for review.*

The agency has been able to collect more revenues than anticipated due to better collection efforts. Revenues in excess of the appropriation do not lapse to the General Fund and will remain in the fund absent any change in the footnote.

The agency plans to expend the additional \$391,300 on a grant to the Arizona Vehicle Theft Task Force to fund its on-going operations. Administered by DPS, the task force provides technical expertise, training and investigative support to law enforcement agencies targeting vehicle theft and related crimes. Members of the task force come from various state, county and local law enforcement agencies. Since this expenditure plan follows the intent of monies appropriated to ATA, the JLBC Staff recommends favorable review.

IK:jb  
xc: Richard Stavneak, Director

<b>JLBC</b>
-------------



**ARIZONA AUTOMOBILE THEFT AUTHORITY****3737 NORTH 7<sup>TH</sup> STREET, SUITE 150****PHOENIX, ARIZONA 85014-5079**

**Jane Dee Hull**  
Governor

**Board Members**

**Chairman**  
The Honorable  
Bob Robson

**Vice Chairman**  
Sheriff Ralph E. Ogden  
Yuma Sheriff's Office

The Honorable  
William J. Ekstrom  
Mohave County Attorney

Director Dennis Garrett  
Department of  
Public Safety

Director Alberto Gutier  
Governor's Office of  
Highway Safety  
Public Member

Chief Harold L. Hurtt  
Phoenix Police  
Department

Mr. Michael Payne  
State Farm Insurance  
Company

Ms. Ellen Poole  
Public Member

Director Stacey K. Stanton  
Arizona Department of  
Transportation  
Motor Vehicle Division

Paul Mortensen  
Executive Director

March 13, 2000

Ms Indya Kincannon, Fiscal Analyst  
Joint Legislative Budget Committee  
1716 West Adams Street  
Phoenix, AZ 85007

Dear Ms Kincannon:

Per our telephone conversation on Thursday, March 9, 2000, we concur that the correct amount of the JBLC expenditure review on March 20, 2000 should be \$391,300 not \$392,300 as we had originally requested.

Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul M. Boelhauf".

Paul M. Boelhauf  
Administrative Services Officer II



Watch Your Car

**TEL (602) 604-9034 FAX (602) 255-4802**  
**[www.aata.state.az.us](http://www.aata.state.az.us)**



## ARIZONA AUTOMOBILE THEFT AUTHORITY

3737 NORTH 7<sup>TH</sup> STREET, SUITE 150  
PHOENIX, ARIZONA 85014-5079

Jane Dee Hull  
Governor

### Board Members

Chairman  
The Honorable  
Bob Robson

Vice Chairman  
Sheriff Ralph E. Ogden  
Yuma Sheriff's Office

The Honorable  
William J. Ekstrom  
Mohave County Attorney

Director Dennis Garrett  
Department of  
Public Safety

Director Alberto Gutier  
Governor's Office of  
Highway Safety  
Public Member

Chief Harold L. Hurtt  
Phoenix Police  
Department

Mr. Michael Payne  
State Farm Insurance  
Company

Ms. Ellen Poole  
Public Member

Director Stacey K. Stanton  
Arizona Department of  
Transportation  
Motor Vehicle Division

Paul Mortensen  
Executive Director

March 6, 2000



Senator Randall Gnant, Chairman  
Joint Legislative Budget Committee  
Senate Wing, Room 110  
1700 West Washington  
Phoenix, AZ 85007

Dear Senator Gnant,

As Director of the Arizona Automobile Theft Authority, I ask the Joint Legislative Budget Committee to review this agency's request to use the additional \$392,300 as provided for in SB 1001. These funds will be expended as a grant to the Arizona Vehicle Theft Task Force.

SB 1001 states, "All insurance premium fee revenues collected in excess of \$2,219,400 in fiscal year 1999-2000" and \$2,319,400 in fiscal year 2000-2001 are appropriated for public awareness and **auto theft authority grants** up to \$2,611,700 in fiscal year 1999-2000 and \$2,612,200 in fiscal year 2000-2001. Before expenditure of these monies, the authority shall submit an expenditure plan to the joint legislative budget committee for review."

The Arizona Automobile Theft Authority has collected sufficient funds to increase our expenditures to \$2,611,700 for Fiscal Year 1999-2000. Accordingly, with JLBC approval, we wish to grant \$392,300 to the funding of the Arizona Vehicle Theft Task Force.

TEL (602) 604-9034 FAX (602) 255-4802  
[www.aata.state.az.us](http://www.aata.state.az.us)



Watch Your Car

Senator Randall Gnant

Page 2

March 2, 2000

Thank you for your consideration to our request.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Mortensen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Paul Mortensen  
Executive Director

CC: Richard Stavneak, Director, JLBC  
Representative Robert Burns, Vice Chair of JLBC  
Representative Marilyn Jarrett  
Indya Kincannon, Fiscal Analyst, JLBC  
Dawn Nazary, Budget Analyst, OSPB  
Lieutenant Mikel Longman, Commander, AVTTF  
Bob Robson, Chairman, AATA Board of Directors

**ARIZONA AUTO THEFT AUTHORITY  
REVENUE ANALYSIS  
AS OF FEBRUARY 29, 2000**

	<u>ESTIMATED NUMBER OF VEHICLES BY YEAR</u>	<u>COLLECTIONS BY YEAR</u>	<u>PAST DUE COLLECTIONS REC'D FY 2000</u>	<u>ESTIMATED STILL DUE BY YEAR IN FY 2000</u>		<u>YTD COLLECTIONS FY2000</u>	<u>ESTIMATED REVENUE FY 2000</u>	<u>TOTAL REC'D BY FISCAL YEAR</u>
<b>FISCAL 1998</b>	2,400,000 (1,2)	\$ 1,855,131	\$ 123,652	\$ 421,217		\$ 123,652	\$ 544,869	\$ 1,978,783
<b>FISCAL 1999</b>	3,000,000 (2,3)	\$ 2,001,034	\$ 769,231	\$ 229,735		\$ 769,231	\$ 998,966	\$ 2,770,265
<b>FISCAL 2000</b>	3,100,000 (2,3)	\$ 2,872,742	\$ -	\$ 227,258	(5)	\$ 2,872,742	\$ 3,100,000	\$ 2,872,742
<b>Totals</b>			\$ 892,883	\$ 878,210		\$ 3,765,625	\$ 4,643,835	

**Footnotes:**

1. Changed 12/97 from earned car years to number of vehicles insured, estimate reflects change, 1.5 million for second assessment.
2. Estimated number of vehicles based on AATA collection data, Department of Insurance, and MVD.
3. At present an audit is being conducted by a AATA staff member. This audit has concluded that a significant number of companies were using the earned car years method as opposed to the actual number of vehicles insured.
4. Steps are currently being taken by the AATA to collect all monies currently due or past due and verify that insurers calculate the assessment correctly.
5. AATA has granted extension to 2/29/00 to 30 insurance companies to allow them to change over to actual number of vehicles. This extension covers approximately 841,000 vehicles, of these 271,207 remain outstanding as of 2/29/00



# Joint Legislative Budget Committee

## Staff Memorandum

1716 West Adams  
Phoenix, Arizona 85007

Telephone: (602) 542-5491  
Facsimile: (602) 542-1616

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DATE: March 15, 2000

TO: Senator Randall Gnant, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA STATE UNIVERSITY — APPROVAL TO TRANSFER NUTRITION  
PROGRAM FROM MAIN CAMPUS TO EAST CAMPUS

### Request

Arizona State University (ASU) requests Committee approval to transfer the Nutrition Program and associated resources from the ASU Main Campus to the ASU East Campus.

### Recommendation

The JLBC Staff recommends the Committee approve the request.

### Analysis

The ASU Main Campus currently offers a bachelor's degree in Family Resources and Human Development with concentrations in Dietetics, Human Nutrition, and Food and Nutrition in Business. The main campus also offers a masters degree with a concentration in Nutrition. With the requested transfer, these degrees would be offered at the ASU East Campus beginning in FY 2001. ASU believes the transfer supports the strategic direction of effectively managing the university's enrollment profile by further enhancing academic programming at ASU East.

The following lists the resources that would be transferred from ASU Main to ASU East effective July 1, 2000.

<i>FTE Positions</i>	<i>11.0</i>
Personal Services	\$408,700
Employee Related Expenditures	72,700
All Other Operating	<u>22,200</u>
<b>TOTAL</b>	<b>\$503,600</b>
 Fund Sources:	
General Fund	\$10,400
University Collections Fund	<u>493,200</u>
<b>TOTAL</b>	<b>\$503,600</b>

(Continued)

<b>JLBC</b>
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Senator Randall Gnant, Chairman  
Members, Joint Legislative Budget Committee

- 2 -

March 15, 2000

Within one single broad appropriation to ASU, each of the 3 campuses (Main, East and West) has its own designated dollar amount. The requested transfer of expenditure authority would only affect the total amounts from the General Fund and the University Collections Fund. The individual line items are shown for information only.

RS:LM:jb

*Linda*  
*then*  
*linda* *284* *16*

**ASU**  
ARIZONA STATE UNIVERSITY

↑

**FEB 23 2000**  
**JOINT BUDGET**  
**COMMITTEE**

February 18, 2000

The Honorable Randall Gnant  
Chairman Joint Legislative Budget Committee  
Arizona State Senate  
1700 West Washington  
Phoenix, AZ 85007

Dear Senator Gnant:

Arizona State University asks to appear before the Joint Legislative Budget Committee (JLBC) at its next scheduled meeting. We request JLBC approval to permanently transfer 11.00 FTE positions and \$503,600 in expenditure authority (\$10,400 General Fund) for FY2001 from ASU Main to ASU East. This transfer moves the Nutrition program from ASU Main to ASU East. The transfer will have the effect of adjusting the ASU Main funded FTE enrollment from 39,654 to 39,398 for FY2001 (see attached documentation).

The transfer of the Nutrition program from the ASU Main College of Liberal Arts and Sciences Department of Family Resources and Human Development to ASU East supports our strategic direction of more effectively managing the university's enrollment profile. The transfer benefits ASU East, enabling offerings in Food and Nutrition to further enhance academic programming. ASU Main now offers a Bachelor's Degree in Family Resources and Human Development with concentrations in Dietetics, Human Nutrition, and Food and Nutrition in Business, as well as a Masters Degree with a concentration in Nutrition. With your approval of the transfer, ASU East would begin offering these degrees effective July 1, 2000.

We appreciate your consideration of this request and look forward to appearing before the JLBC. Please do not hesitate to call if you have any questions.

Sincerely,



Lattie F. Coor  
President

Attachments

LFC:js

c: Honorable Robert Burns, Vice Chairman  
Richard Stavneak, Director, JLBC  
Tom Betlach, Director, OSPB  
Linda Blessing, Executive Director, ABOR  
Milton D. Glick, Provost, ASU Main  
Charles E. Backus, Provost, ASU East  
Allan H. Price  
Alan W. Carroll  
Steve Miller

OFFICE OF THE PRESIDENT

PO BOX 872203, TEMPE, AZ 85287-2203  
(480) 965-5606 FAX: (480) 965-0865

AGENCY NAME & AFIS CODE: ARIZONA STATE UNIVERSITY MAIN (ASA)  
 COST CENTER/PROGRAM NAME: INSTRUCTION

**SCHEDULE 3B - DETAIL  
 CONTINUATION BUDGET ADJUSTMENT DETAIL**

**NUTRITION PROGRAM TRANSFER TO ASU EAST**

SUMMARY OF REQUEST:	INSTRUCTION	ORGANIZED RESEARCH	PUBLIC SERVICE	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT	TOTAL REQUEST FY 2001
FTE	(11.00)						(11.00)
PERSONAL SERVICES	(408,700)						(408,700)
ERE	(72,700)						(72,700)
ALL OTHER OPERATING	(22,200)						(22,200)
TOTAL REQUEST	(503,600)						(503,600)
COLLECTIONS	(493,200)						(493,200)
GENERAL FUND	(10,400)						(10,400)
TOTAL REQUEST	(503,600)	0	0	0	0	0	(503,600)

**DESCRIPTION OF TRANSFER REQUEST:**

The transfer of the ASU Main (ASUM) Nutrition Program from the College of Liberal Arts and Sciences supports the strategic direction of more effectively managing the university's enrollment profile. The transfer benefits Arizona State University East (ASUE) enabling offerings in Foods and Nutrition to further enhance academic programming. The ASUM now offers a Bachelor's Degree in Family Resources and Human Development with concentrations in Dietetics, Human Nutrition, and Food and Nutrition in Business; as well as a Masters Degree with a concentration in Nutrition. These degrees will be offered at ASU East effective July 1, 2000.

**TRANSFER DETAIL:**

**PERSONAL SERVICES**

	FTE	FY 2001
Nutrition Faculty.....	(8.50)	(342,100)
Nutrition Support Staff.....	(2.50)	(57,400)
SUBTOTAL PERSONAL SERVICES.....		(399,500)
4/1/00 2% Merit Salary Adjustment Estimated Allocation.....		(7,400)
4/1/01 2% Merit Salary Adjustment Estimated Allocation.....		(1,800)
TOTAL PERSONAL SERVICES.....		(408,700)

**EMPLOYEE RELATED EXPENDITURES**

ERE @ 17.89 % for Base Salaries.....		(71,500)
ERE @ 13.00 % for 4/1/00 and 4/1/01 Merit Salary Adjustments.....		(1,200)
TOTAL ERE.....		(72,700)
TOTAL ALL OTHER OPERATING EXPENDITURES.....		(22,200)
TOTAL TRANSFER .....	(11.00)	(503,600)



AGENCY NAME & AFIS CODE: ARIZONA STATE UNIVERSITY EAST (ASE)  
 COST CENTER/PROGRAM NAME: SUMMARY

**SCHEDULE 3B - DETAIL  
 CONTINUATION BUDGET ADJUSTMENT DETAIL**

**NUTRITION PROGRAM TRANSFER FROM ASU MAIN**

<b>SUMMARY OF REQUEST:</b>	<b>TOTAL REQUEST</b>
	<b>FY 2001</b>
FTE	<u>11.00</u>
PERSONAL SERVICES	<u>408,700</u>
ERE	<u>72,700</u>
ALL OTHER OPERATING	<u>22,200</u>
TOTAL REQUEST	<u>503,600</u>
 COLLECTIONS	 493,200
GENERAL FUND	<u>10,400</u>
TOTAL REQUEST	<u>503,600</u>

**DESCRIPTION OF TRANSFER REQUEST:**

The transfer of the ASU Main (ASUM) Nutrition Program benefits Arizona State University East (ASUE) enabling offerings in Foods and Nutrition to further enhance academic programming. The ASUM now offers a Bachelor's Degree in Family Resources and Human Development with concentrations in Dietetics, Human Nutrition, and Food and Nutrition in Business; as well as a Masters Degree with a concentration in Nutrition. These degrees will be offered at ASU East effective July 1, 2000.

**TRANSFER DETAIL:**

	<u>FTE</u>	<u>FY 2001</u>
PERSONAL SERVICES		
Nutrition Faculty.....	8.50	342,100
Nutrition Support Staff.....	2.50	<u>57,400</u>
SUBTOTAL PERSONAL SERVICES.....		399,500
4/1/00 2% Merit Salary Adjustment Estimated Allocation.....		7,400
4/1/01 2% Merit Salary Adjustment Estimated Allocation.....		<u>1,800</u>
TOTAL PERSONAL SERVICES.....		408,700
EMPLOYEE RELATED EXPENDITURES		
ERE @ 17.89 % for Base Salaries.....		71,500
ERE @ 13.00 % for 4/1/00 and 4/1/01 Merit Salary Adjustments.....		<u>1,200</u>
TOTAL ERE.....		72,700
TOTAL ALL OTHER OPERATING EXPENDITURES.....		<u>22,200</u>
TOTAL TRANSFER .....	<u>11.00</u>	<u>503,600</u>

AGENCY NAME & AFIS CODE: ARIZONA STATE UNIVERSITY MAIN (ASA)  
 COST CENTER/PROGRAM NAME: INSTRUCTION

**SCHEDULE 3B - DETAIL**  
**CONTINUATION BUDGET ADJUSTMENT DETAIL**  
**ENROLLMENT GROWTH (22:1) FORMULA - 2000-01**

The ASU Main FY 2001 appropriation includes 22:1 Enrollment Growth formula funding based on a three year weighted rolling average enrollment of 39,737. The JLBC subsequently approved the transfer of the Environmental Resources Program to ASU East which reduced ASU Main's FY 2001 funded enrollment from 39,737 to 39,654. The proposed Nutrition Program transfer further reduces the FY 2001 Three Year Weighted Rolling Average enrollment to 39,398.

ORIGINAL FUNDED ENROLLMENT CALCULATION:

	FTE Students	Weight	FTE X Weight
Actual Fall 1998 FTE Student Enrollment.....	38,745	0.25	9,686
Estimated Fall 1999 FTE Student Enrollment.....	40,068	0.50	20,034
Estimated Fall 2000 FTE Student Enrollment.....	40,068	0.25	10,017
2000-01 Adjusted Three Year Weighted Rolling Average.....			<b>39,737</b>

FUNDED ENROLLMENT CALCULATION WITH TRANSFERS:

	FTE Students	ERS FTE Students to ASU East	Nutrition FTE Students to ASU East	Adjusted FTE Students	Weight	FTE X Weight
Actual Fall 1998 FTE Student Enrollment.....	38,745	(83)	(256)	38,406	0.25	9,602
Estimated Fall 1999 FTE Student Enrollment.....	40,068	(83)	(256)	39,729	0.50	19,864
Estimated Fall 2000 FTE Student Enrollment.....	40,068	(83)	(256)	39,729	0.25	9,932
2000-01 Adjusted Three Year Weighted Rolling Average.....						<b>39,398</b>

## Joint Legislative Budget Committee Staff Memorandum

1716 West Adams  
Phoenix, Arizona 85007

Telephone: (602) 542-5491  
Facsimile: (602) 542-1616

---

DATE: March 15, 2000

TO: Senator Randall Gnant, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Pat Mah, Senior Fiscal Analyst  
Stefan Shepherd, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY – REVIEW REDESIGN CONTRACT  
FOR PHASE II

### Request

Pursuant to a provision in Laws 1997, Chapter 300, the Department of Economic Security (DES) is requesting the Committee to review the contract from its Request for Proposal (RFP) for Phase II for the welfare eligibility technology system.

### Recommendation

The JLBC Staff recommends the Committee give the Phase II contract a favorable review. JLBC Staff also recommends that DES bring the Phase III contract to the Committee for its approval prior to its signing, but after the Government Information Technology Agency (GITA), the Information Technology Authorization Committee (ITAC), and the Governor's Office of Strategic Planning and Budgeting (OSPB) have given Phase III their approval.

### Analysis

Laws 1997, Chapter 300 permits DES to enter into a contract with a private provider to implement a "computer-based technology system that will determine eligibility for welfare programs" and support welfare reform recipients. The goals of the system, once referred to as an "expert system," include maximizing the return of existing and potential welfare recipients to the workforce, reducing caseworker error rates, and increasing staff productivity and fraud detection. The monies to pay for the system are to come from savings generated by the system through reductions in error rates and productivity savings. This approach is also known as a "risk/benefit sharing" approach because the price paid to a vendor is dependent upon the benefits generated by the vendor's system; if benefits increase or decrease, the money paid to the vendor would increase or decrease as well.

In March 1999, the Committee gave a favorable review to Phase I of the project. In Phase I, the state asked vendors to perform a 3-month "due diligence adaption study." The purpose of the due diligence study was to give selected vendors an opportunity to work with DES in "gathering information pertinent to preparing a comprehensive proposal for the remaining 2 project phases."

(Continued)

<b>JLBC</b>
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Since the Committee met on this issue last March, the department held meetings with vendors to discuss their risk from the risk/benefit sharing approach. They also met with GITA and decided to cancel the existing due diligence contracts that the Committee reviewed last time. They believed that the budget reductions approved during the 1999 session would result in insufficient administrative savings in the system for vendors to make any profit from the project.

The department has proceeded now to Phase II of the project. Phase II requires vendors to develop a business reengineering plan that "integrates applicable eligibility determination and other relevant service delivery processes." This reengineering plan outlines a specific integrated business model DES can implement to achieve the goals of the technology system discussed above. Once the plan is complete, DES will move on to Phase III of the project. Phase III will actually integrate services by developing, implementing, and operating the new business model outlined in the business reengineering plan for Phase II. The services in Phase III were to be funded through the risk/benefit sharing approach mentioned earlier. However, under DES's new plan, the state rather than an approved vendor will pay for implementation of Phase III of the project through an appropriation.

DES issued its new RFP for Phase II of the project in October 1999. The RFP for Phase II eliminates the risk/sharing provisions as authorized by Laws 1997, Chapter 300. DES also submitted in October a revised ReDESIGN Project and Investment Justification to GITA for review. In December 1999, they received approval from GITA and ITAC to proceed with the Business Process Reengineering plan for the project. Based on responses to its RFP, a contract has been awarded for the business reengineering phase of the project. Execution of the contract will not occur until the Committee has completed this review. The project will be paid for from a FY 1999 \$2,000,000 appropriation from the Temporary Assistance for Needy Families (TANF) Stabilization Fund authorized by Laws 1997, Chapter 300, as modified by Laws 1998, Chapter 208. We assume that DES has had its Attorney General division review its proposed contract for this phase of the project to be sure it complies with requirements under the law. We also assume that DES will have its Attorney General division review other future contracts for purchasing of equipment for the last phase of the project.

With regard to funding for Phase III of the project, the department asked for an appropriation in its supplemental request for FY 2000 and FY 2001. The Governor did not recommend the supplemental and separate legislation from the budget bills has not been pursued. We assume that DES will make another request for funding next session. The preliminary estimated total cost of the project from both appropriated and non-appropriated funds is \$44.6 million over a 4- to 5-year period. The first year costs are estimated at \$30,139,000. The appropriation would consist of \$4,897,600 from the state General Fund, \$10,548,500 from TANF Block Grant monies, \$4,897,600 from other appropriated funds, and \$9,795,300 from federal non-appropriated funds. The department reports that, once the reengineering plan is completed, it will be able to better estimate the actual cost for completing the project.

The winning bid for the contract is within the current budget. For this reason, the JLBC Staff recommends the Committee give the Phase II contract a favorable review. In addition, JLBC Staff recommends that DES bring the Phase III contract to the Committee for its approval prior to signing the contract but after GITA, ITAC and OSPB have provided their approval.

RS:PM:SS:ss



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Jane Dee Hull  
Governor

1717 West Jefferson - P.O. Box 6123  
Phoenix, Arizona 85005

John L. Clayton  
Director

MAR 6 2000



The Honorable Randall Gnant  
Chairman, Joint Legislative Budget Committee  
Arizona State Senate  
1700 W. Washington  
Phoenix, Arizona 85007

Dear Senator Gnant:

The Department of Economic Security respectfully requests placement on the March JLBC meeting agenda to (a) discuss the ReDESIGN quarterly report and related progress on business process reengineering that allows us to begin to implement the Governor's *No Wrong Door* strategic direction, and (b) review caseload reduction for the Arizona Works pilot program.


Karen McLaughlin, Administrator, Financial Services Administration, is prepared to discuss these issues in greater detail with Pat Mah and Stefan Shepherd prior to the committee meeting.

Please contact me at 542-5678 if you have any questions.

Sincerely,

  
John L. Clayton

c:	
T. Betlach	OSPB
R. Stavneak	JLBC
B. Chapko	OSPB
M. Gottheiner	OSPB
P. Mah	JLBC
S. Shepherd	JLBC
K. Matzinger	800A
K. McLaughlin	838Z
Day File	838Z

	<b>Scope of Work</b>		<b>State Procurement Office</b> Capital Center Suite 103 15 South 15th Ave Phoenix, AZ 85007-3223
	CONTRACT NO.: AD000027-001	PAGE 12	
	VENDOR: Renaissance Government Solutions	OF 26	

## ReDESIGN PROJECT SCOPE OF WORK

### I. INTRODUCTION

The Arizona State Procurement Office, on behalf of the Arizona Department of Economic Security (DES or the department) is soliciting proposals from qualified individuals or organizations to conduct a comprehensive Business Process Reengineering (BPR) project. The purpose of this project is to complete all necessary plans to reengineer, integrate, and streamline applicable eligibility determination, case management, and other functional service delivery processes of the programs included within the scope of the project. This plan must result in a proposal for a comprehensive integrated social service delivery process that fully complies with Federal and State law, including Welfare Reform Legislation. A comprehensive automated system to support this new business model will be produced in a future project phase under a separate vendor contract.

The Division of Business & Technology Services (DBTS), on behalf of the Department of Economic Security (DES), is seeking outside professional consultant support for the completion of a Business Process Reengineering (BPR) study. This study will document and establish baselines for existing and proposed functions and project the total costs and benefits from the implementation of the proposed business model and automated system functionality. The selected Contractor will assist in the development of an RFP for the implementation of the BPR and the proposed client information processing and tracking system for selected programs within the department's Division of Benefits & Medical Eligibility (DBME) and Division of Employment and Rehabilitation Services (DERS) but will be prohibited from bidding on the implementation project. The ReDESIGN Project will support the operations of the following programs:

Administration/

Division

State/Federal Program

DBME: Temporary Assistance to Needy Families (TANF)-Cash Assistance

DBME: Food Stamps (FS)

DBME: MEDICAID Title XIX (Eligibility determination component only)

DERS: Child Care

DERS: Job Opportunities through Basic Skills & Training (JOBS) Admin. TANF Work Program

DERS: Job Opportunities through Basic Skills & Training (JOBS) Admin. Food Stamps Employment and Training (FSE&T) Program

The Contractor will be responsible for the development of a BPR plan and associated materials to document a new integrated business and specifications for the new Information Technology (IT) processing model for the program areas included in this project. A baseline representing all functions and costs associated with the current operating processes will be established jointly with the project team in order to project costs and benefits of the newly designed model and complete the cost benefit analysis.

Contractors should be aware of the following legislation and pilot projects underway when considering the scope of this project.

- A. Three Native American Tribes (Pasqua Yaqui Tribe, White Mountain Apache Tribe, and Salt River Pima Maricopa Indian Community) are administering their own TANF (Cash Assistance) programs. Five more Native American Tribes (Hopi, San Carlos, Gila River, Tohono O'Odham, and Navajo tribes) are in various stages planning to implement and administer their own TANF programs. These programs should be reviewed to determine possible inclusion or exclusion to the scope of this RFP.
- B. The Contractor should review Laws 1997, Chapter 300, enacted during the 1997 Arizona State Legislative Session. Additionally, the Contractor should be advised to review any subsequent changes that were passed in the 1998 session (i.e., HB2620). Provisions of this law are now in effect statewide and determine payment levels and types of benefits available for Department clients. These provisions are in addition to and supplemental to changes created by the Federal Welfare Reform provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Pub. L 104-193, as enacted and amended by Pub. L 104-327 and Pub. L 105-33 and Laws 1998, Chapter 208).
- C. Arizona Works – Privatization Pilot Project (excludes portions of District I-East from ReDESIGN Project)



## Scope of Work

CONTRACT NO.: AD000027-001

VENDOR: Renaissance Government Solutions

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### State Procurement Office

Capital Center Suite 103

15 South 15th Ave

Phoenix, AZ 85007-3223

State legislation (Laws 1997, Chapter 300 and Laws 1998, Chapter 208) authorized the state to contract with a private vendor to conduct a pilot project which processes applications and performs eligibility determinations for Cash Assistance, Temporary Assistance to Needy Families (TANF), TANF related Child Care, Food Stamps, Medicaid, and state funded General Assistance within a limited geographic area of the state. Federal waivers for Medicaid and Food Stamps were not approved and these programs are being administered by the Arizona Department of Economic Security (DES).

The Arizona Works Agency pilot implementation is in two phases:

- Phase I, implemented in April 1999, in an urban district, DES District 1-East. DES District 1-East includes the cities or parts of the cities of Tempe, Chandler, Mesa, Gilbert, Scottsdale, Phoenix, and Glendale. DES operates eight (8) public assistance offices in the Phase I pilot area. These eight offices serve approximately twelve to thirteen percent (12%-13%) of the state caseload.
- Phase II in a rural district or districts of the state. The rural district(s) will be selected and implemented after a one year evaluation of the fully implemented Phase I urban pilot.

## II. PROJECT TERMS & CONDITIONS

1. This project will be funded through a traditional 'fixed price per deliverable' funding model in accordance with State procurement regulations.
2. The Contractor awarded the contract to conduct this BPR will be excluded from bidding on the development and implementation RFP.
3. The Contractor will provide the DES with project management plans, reports, status updates, issue and problem reports etc., as determined necessary by the ReDESIGN Project Manager. Proposals must include the Contractor's recommendations for reporting progress, status, and issues to the department. Sample reports and a proposed delivery schedule must be included. In addition, the Contractor will assist in the preparation of a variety of federal and state reports delineating project status. The offeror will make all text deliverables, including status reports, plans, and documentation, available on Microsoft Word 97.
4. The Contractor shall be responsible for including in the specifications all policy and procedural changes that will be required, or advantageous, for the effective design of the new application.
5. Specifications for the proposed information processing system must include the ability to communicate and transfer client information to the DES legacy environment in support of data sharing and financial processing functions.
6. DES will provide, at a site of DES' choosing, office space, furniture, office equipment, and personal computer work stations, hardware and software sufficient to support up to six vendor staff. DES will also provide copy machines, fax machines, and fax lines. The contractor will be responsible for long distance phone charges.
7. All development work will be performed at DES work sites, except as approved specifically by DES. Any work done at an Contractor's site, subsequent to DES approval, will utilize equipment funded by the Contractor.
8. DES will retain administrative rights for the DES project participants.
9. If necessary, DES host capacity and resources will be available during normal working hours for the duration of this project.
10. The Contractor shall work with DES Facilities Management personnel in conjunction with the ReDESIGN Project Team to define the specifications and requirements for reengineering site/space locations, furnishings, and equipment and/or personnel in DES statewide Program Office facilities (excluding Central Office) proposed in the new reengineered business model.
11. The Contractor shall work with the Project Management Team to define the responsibilities of the ReDESIGN staff assigned to the project. The ReDESIGN staff responsibilities will be defined at the earliest possible date. At a minimum, ReDESIGN staff will perform the following activities and functions: (Refer to Project Management Section VI, Item D).





## Scope of Work

CONTRACT NO.: AD000027-001

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VENDOR: Renaissance Government Solutions

OF  
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### State Procurement Office

Capital Center Suite 103

15 South 15th Ave

Phoenix, AZ 85007-3223

- Participate in the development of the BPR, the Business Case Analysis, the Cost/Benefit Analysis, and Metrics Analysis Plans.
- Provide signoff and approval on all new business functions, activities, all BPR plans, benefit projections, metrics analysis plans, and flows.
- Act as an interface and liaison with other DES divisions and other entities involved in the Welfare Reform business processes.
- Assist with the definition of system design and processing requirements.
- Approve deliverables.
- Act as an interface/liaison for activities with the FAA, CCA JOBS Administration and the DBTS.

12. The Contractor and State will jointly develop a payment schedule plan for the project. The Contractor will be paid in installments by deliverable, per their fixed price bid. In addition, a ten (10%) percent retainage of each payment will be held until successful completion of all project activities.

### III. OPERATIONAL ENVIRONMENT

The DES currently operates three separate programs (FAA, CCA, JOBS) that the department would like to reengineer and consolidate. Each program maintains its own office, staff, equipment and automated system. The three programs involved perform like functions (i.e., eligibility determination) independently of each other through their own legacy system.


#### STAFFING COUNTS BY DES PROGRAM (WORKSTATION REQUIREMENTS)

Program	Staff Count	Contracted Staff	Sites
DBME/FAA	2305	10	107
DERS/Child Care	197	0	57 (4 Itinerant)
DERS/JOBS Admin.	273	0	35

The department's current automated systems for the social service programs involved in this project are mainframe platform based legacy systems. The systems are CICS, 3270 terminal systems, which make use of ADABAS and were coded in either COBOL or Software A.G.'s NATURAL. A limited number of personal computers are currently in use by program personnel and few are LAN or WAN connected. Refer to Section VII for a detailed list of the department's current hardware/software.

It is the desire of the department to obtain proposals from Contractors that design IT system requirements that comply with the department's IT environment and future architecture. However, consideration will be given to viable alternatives that clearly define the benefits of their proposed designs (i.e., products, cost, and support impacts), and the technical justification for the product in relation to the defined standards and guidelines.



	<b>Scope of Work</b>		<b>State Procurement Office</b>  Capital Center Suite 103  15 South 15th Ave  Phoenix, AZ 85007-3223
	CONTRACT NO.: AD000027-001	PAGE 15	
	VENDOR: Renaissance Government Solutions	OF 26	

#### IV. BUSINESS PROCESS REENGINEERING ACTIVITIES

The ReDESIGN Project includes the following work activities and anticipated deliverables:

The Contractor, in conjunction with DES assigned personnel, will perform a Business Process Reengineering (BPR) study addressing all operational aspects of the programs that are included in this project. The BPR will consist of a planning activity, a current environment assessment activity, and a proposed environment assessment activity. The department anticipates that this project should be completed within six (6) months.


##### Planning Activity:

- A. The Contractor will provide a document outlining the specific methodology that will be utilized in conducting the BPR. Enough detail should be included in this document to provide the DES with a clear and concise understanding of the methodology. This document is a deliverable.
- B. The Contractor will be responsible for developing and maintaining a Detailed Work Plan that commences with the award of this contract. The Detailed Work Plan must include a detailed schedule of the activities necessary to fulfill the requirements of this RFP showing start and end dates, deliverables, resource assignments, effort estimates, and major milestones. The Detailed Work Plan must be kept current through the life of the project. The Detailed Work Plan is a deliverable.
- C. The Contractor will develop and maintain an automated, organized, cataloged database which contains all of the project management work products, including all work plans, status reports, meeting notes, research papers, working papers, correspondence, and all deliverables. This deliverable will be developed at the inception of the project and maintained throughout the project. The DES Project Manager and designated Project Team members will have access to this file. The Contractor must use Microsoft Project 5.0 for Windows 98 for detailed project plan information and Microsoft Office 97 for Windows 98 for all documentation including word processing, spreadsheets, presentations, etc. The Contractor will provide hard copy and electronic status reports weekly or as requested by the Project Manager. These reports will include a high-level schedule of activities; deliverable target dates; a list of items to indicate whether the project is within the estimates of time, cost, and resources, resolved issues, and unresolved issues and/or problems with target dates for resolutions. The Automated Database is a deliverable.

##### Current Environment Assessment Activity:

- A. The Contractor will review all state and ReDESIGN library documentation associated with the department's current policies, procedures, and practices. The deliverable is a written statement that this activity has been completed.
- B. The Contractor will refine and update all existing documentation pertaining to the ReDESIGN functional requirements. This document is a deliverable.
- C. The Contractor will establish and document the assessment methodology, performance metrics, and assumptions used in evaluating the current business and technical environments. This document is a deliverable.
- D. The Contractor will evaluate the current business, technical (IT), organizational, and physical infrastructure and architecture. The deliverable is a document that states the Contractor's assessment of these factors.
- E. The Contractor will develop/enhance the current environment process flow charts and models with their findings. These charts and models are a deliverable.
- F. The Contractor will develop the performance metrics/measurements methodologies and establish, jointly with State staff, a baseline of current costs in the current environment. These documents are a deliverable.

##### Proposed Environment Activity:

	<b>Scope of Work</b>		<b>State Procurement Office</b>  Capital Center Suite 103  15 South 15th Ave  Phoenix, AZ 85007-3223
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	VENDOR: Renaissance Government Solutions	OF 26	

- A. **Business Plan** - This deliverable will consist of a Business Planning document that includes the Contractor's findings and recommendations resulting from the completion of the following activities:
1. The Contractor will provide a plan delineating all new business model components, functions, processes, and supporting IT requirements. In addition, the cost of these components must be identified.
  2. This plan should be a delineation of all existing and new positions, job titles, roles and responsibilities, and activities and costs by position.
  3. The Contractor will be responsible for analyzing and augmenting agency and interagency business and automated system processes and synthesizing these items into a single plan that separately details the reengineered business process.
  4. This plan must reflect a method of achieving continuous improvement in process flow and automated systems, and clearly describe alternatives that require external facilitation, such as state legislation or waivers of federal statutory or regulatory requirements. Verification of the need for Federal waivers should occur early in the analysis so that the appropriate requests can be submitted timely by the State.
  5. The Contractor will be responsible for performing a Business Case Analysis and associated Cost/Benefit Analysis of the elements of the plan for integrated eligibility determination, case management, and reengineered service delivery, etc. The analysis must thoroughly assess the costs, benefits, advantages, and disadvantages of each element and in the overall plan. The purpose of the analysis is to enable the DES to determine whether it is cost effective to proceed with a comprehensive development and implementation approach or if not, what elements are considered cost beneficial.
  6. The Contractor will develop a Benefits Projection Plan which will identify and validate all benefits to be achieved in support of the new ReDESIGN business model based upon the agreed upon baselines established by DES and the Contractor. In addition, the Contractor will verify the cost/benefit projections for items already developed by the DES and add any new items as justification for this project.
  7. The Contractor will develop a plan documenting the necessity for federal waivers. The Contractor should identify any and all waivers that might be necessary from the Federal Agencies as soon as possible to avoid costly delays in the project. The State will then develop and submit all appropriate requests for Federal Waivers identified as recommended by the Contractor when appropriate.
- B. **IT Conceptual Model** - This deliverable will consist of a Conceptual Model document that includes the Contractor's findings and recommendations resulting from the completion of the following activities:
1. The Contractor, in conjunction with State staff will be responsible for providing comprehensive IT functional requirements and specifications to support the reengineered business process. These requirements should adhere to the department's standards and guidelines whenever possible. The requirements should, at a minimum include:
    - A conceptual design/model
    - Enterprise system architecture options and constraints
    - System /business process standards, guidelines, and methodologies
    - System/business process performance requirements
    - Technology transition planning and support requirements
  2. When defining the conceptual model, the Contractor should consider hardware and software requirements where possible. Consideration should also be given to utilizing Artificial Intelligence in the proposed automated system
  3. The Contractor will provide a plan delineating all new business model components, functions, processes, and supporting IT requirements including costs for all of the components.



## Scope of Work

CONTRACT NO.: AD000027-001

VENDOR: Renaissance Government Solutions

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OF  
26

### State Procurement Office

Capital Center Suite 103

15 South 15th Ave

Phoenix, AZ 85007-3223

- C. Transition/Change Management Plan - This deliverable will consist of a Transition/Change management Planning document that includes the Contractor's findings and recommendations resulting from the completion of the following activities:
1. The Contractor will develop an initial Transition/Change Management Plan to transition State and contracted staff to the newly reengineered business model.
  2. The Contractor will provide recommendations for the implementation of process and procedural changes that would provide for a new integrated case management focused business model and ensure the efficient and effective utilization of the proposed automated system.
  3. The Contractor shall be responsible for providing the department/programs with documentation on the policy changes, procedural changes, and organizational changes that will be required for the effective implementation and use of the new business model and resultant automated system. The plan should include data flow diagrams and explanations, position descriptions, transition plans, and other documentation necessary to support implementation activities.
  4. The Contractor and the State will, jointly develop a metrics analysis plan for evaluating and monitoring the performance measurements anticipated with the implementation of the reengineered business process and automated system.
- D. Next Phase RFP - This deliverable will consist of a Next Phase RFP document that includes the Contractor's findings and recommendations resulting from the completion of the following activities:
1. The Contractor will assist the Department in preparing an RFP for the development, implementation, pilot, statewide rollout, and maintenance of the new business model and associated automated system which will ultimately support the BPR.
- E. Final Report - This deliverable will consist of a Final Report that includes the Contractor's findings and recommendations resulting from the completion of the following activities:
1. The Contractor's Final Report and Recommendations must summarize the work of the Project Team and the Contractor's review and analysis of the business process re-engineering and streamlining effort and the proposed model for an automated solution. It must reflect business, economic, and practical realism that takes into account the resources and capabilities of the participating agencies and programs, and where appropriate, opportunities and innovations of the private marketplace. The activities in this phase are expected to result in a comprehensive, concise, and fully documented business plan to develop, implement, and maintain the ReDESIGN project. Included are associated cost/benefit projections for project implementation. The Contractor will be required to revise all existing project documentation, including business models and IT plans to reflect the results of the activities, and to update all cost/benefit ratio projections for the project.
  2. The Contractor will be responsible for providing a plan of interim and final measures (quick fixes) that will result in improved service and reduced costs. The Contractor shall give priority to identifying or validating measures that may be immediately implemented to improve service to clients and produce immediate cost avoidance. The proposed measures must support or facilitate implementation of the final plan and must be further supported by a cost benefit analysis that specifies potential or estimated savings from the implementation of the measures.

## V. PROJECT MANAGEMENT

- A. The Contractor will agree to the establishment and on-going use of a project focused ReDESIGN Project Executive Council for the approval of vendor payments, and resolution of all problems and issues that cannot be resolved at the project team level.
1. The Executive Council will be comprised of representatives from each involved DES program division and the DBTS, a Deputy Director, two (2) AHCCCS representatives, and two vendor representatives who are not part of the Project Team.

# **Joint Legislative Budget Committee**

## **Staff Memorandum**

1716 West Adams  
Phoenix, Arizona 85007

Telephone: (602) 542-5491  
Facsimile: (602) 542-1616

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DATE: March 15, 2000

TO: Senator Randall Gnant, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Senior Fiscal Analyst  
Pat Mah, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY – FISCAL REPORTING AND  
ACCOUNTABILITY ISSUES

### **Request**

At the request of the Chairman, the JLBC Staff has placed this item on the agenda to bring to the Committee's attention issues of concern regarding the Department of Economic Security's (DES) fiscal reporting and accountability.

### **Recommendation**

No Committee action is required, but the JLBC Staff recommends that DES provide the Committee with a monthly update on certain Division of Developmental Disabilities (DDD) issues, including Federal Fiscal Year (FFY) 2000 capitation rate negotiations, progress on establishing a faster FFY 2001 capitation rate negotiation progress, and the short-term and long-term methods to reduce DDD expenditures in the Long Term Care program.

### **Analysis**

The JLBC Staff is concerned about the lack of fiscal controls within DES. Our concerns are two-fold. At times, the department has seemingly lacked key fiscal information we have requested or been unwilling to share it. In other circumstances, DES has appeared to implement policies without understanding their full fiscal ramifications. There are 3 items addressed in this report: 1) the failure to comply with the "25<sup>th</sup>-of-the-month report" requirement, which provides a monthly summary of DES expenditures, surpluses, and shortfalls; 2) the recent DES decision to increase payments to adoption agencies for placement of a child; and 3) the expenditures in DDD's Long Term Care program.

We would credit DES for recently taking several steps to correct these specific problems. We would suggest on-going oversight of DES and DDD issues, however, to ensure that fiscal accountability is achieved in the long run.

(Continued)

<b>JLBC</b>
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25<sup>th</sup>-of-the-Month Report

Since FY 1990, each year's General Appropriation Act has included a footnote requiring DES to provide the Legislature with a monthly report on its spending, including a projection of potential surpluses and deficits. These reports are due 25 days after the end of each month. Given DES's frequent need for supplementals, this report is designed to be an early warning for policymakers with regard to the department's financial status. With the move to biennial budgeting, it is even more important that the Legislature be updated regularly on the ongoing fiscal status of agencies such as DES with large entitlement programs.

In recent years, however, DES has not complied with the law and has issued its financial reports only sporadically. At the beginning of February, the department had produced 2 reports during the previous 18 months; the latest report arrived in May 1999, covering only spending through February 1999.

On February 9, 2000, JLBC Staff sent a letter to John Clayton, DES Director, on this issue. The letter criticized the department for its failure to meet this basic fiscal reporting requirement and requested that the Director provide both an explanation for DES's noncompliance with the legal requirement, as well as the department's plans for issuing the reports every month in a timely fashion.

DES has prepared 3 reports, however, since the JLBC Staff sent the letter. The table below lists recent reports, when they should have been received, and when they were actually received. DES believes the report covering expenditures through February will be issued timely by March 25.

<u>Last Month of Data in Report</u>	<u>Legal Due Date</u>	<u>Actual Date of Receipt</u>
November 1999	December 25, 1999	February 15, 2000
December 1999	January 25, 2000	February 29, 2000
January 2000	February 25, 2000	March 8, 2000
February 2000	March 25, 2000	March 25, 2000 (expected)

We would note that the January report received March 8 does not provide sufficient explanation of the assorted surpluses and deficits within the DES budget. JLBC Staff indicated to DES prior to receipt of the December 1999 report on February 29; that this monthly report should provide a clearer description of surpluses and deficits, reasons for those surpluses and deficits, and proposed remedies. DES has written to JLBC Staff indicating that such a description would be sent shortly as an addendum to the January report dated March 8. We hope that the February report will include this information as part of the report.

Adoption Placement Contracts

On February 17, we first learned from an article in the *Mesa Tribune* that DES had renegotiated its contract for paying adoption agencies for when a child is placed. Under the renegotiated contracts, the department agreed to increase its maximum allowed payment from \$6,300 to \$9,200, an increase of \$2,900. We asked the agency to provide us with the fiscal impact of the change by February 25. We got a response on March 7 indicating the new contract was not in place for all of FY 2000 so expenditures would not exceed existing appropriations.

Our analysis of the information DES provided indicates that there are fiscal implications. For FY 2001, the department reports that it will analyze the efficacy of its new contract payments prior to renewing the contract, which is due to expire at the end of FY 2000. We think it very unlikely that providers will be willing to accept less money for services in FY 2001 than they were paid in FY 2000. If you annualize the department's estimated impact of the new contract changes in FY 2000, the cost could be an

(Continued)

additional \$471,744 for FY 2001. The department's response to our inquiry leads us to believe they did not look beyond FY 2000 before implementing the contract changes.

DDD Long Term Care Program

On February 28, our office learned that DES had instituted a hiring freeze the previous week. According to DES, a major factor in instituting such a freeze was concern over the Long Term Care program operated by DDD, particularly over the issue of the FFY 2000 capitation rate DDD receives from AHCCCS for each DD client in the Long Term Care program.

We understand that AHCCCS initially proposed a FFY 2000 capitation rate of about \$2,333 per member per month for most DD clients. The FY 2000 supplemental appropriation for DES, signed by the Governor on February 24, included a JLBC-recommended increase in funding for the Long Term Care program and assumed a capitation rate of \$2,351 per member per month. This capitation rate reflected an increase of 3.25% over the FFY 1999 rate. The Executive budget recommended an increase of 3% above the FFY 1999 rate.

We found out recently, however, that year-to-date FY 2000 expenditures reflect spending of approximately \$2,409 per member per month, an increase of 5.8% above the FFY 1999 rate. This rate of spending is significantly higher than the increase funded in the supplemental appropriation signed by the Governor, let alone the capitation rate initially proposed by AHCCCS.

Since these percentage increases reflect per person increases, it would appear that the department is either providing significant increases in provider contracts or additional services to clients. The JLBC Staff is concerned that the department has implemented these adjustments without presenting them to the Legislature as a policy issue.

In the attached letter to John Clayton, we asked DES to respond to several questions regarding the DDD Long Term Care program. JLBC Staff did meet with DES last week on this issue. At that meeting, DES indicated that the significant increase from FY 1998 to FY 1999 in DDD per person expenditures resulted in part from contract rate negotiations (including funding for direct care staff appropriated by the Legislature). Another factor contributing to the expenditure increase reported by DES was provider agencies expanding the availability of their services into rural areas previously unserved or underserved.

DES indicated that they had presented additional information supporting their requested \$2,409 capitation rate to AHCCCS after receiving AHCCCS's proposed rate of \$2,333. According to AHCCCS, however, AHCCCS had made a request for additional information in November and DES provided minimal information to AHCCCS at that time.

DES has indicated that they have identified sufficient resources within their budget to match federal capitation rate revenues in excess of the \$2,351 assumed in the budget and to cover expenditures in excess of whatever capitation rate they end up receiving from AHCCCS. They have also developed short-term and long-term methods of addressing the expenditure growth in the program. The short-term methods include the above-mentioned hiring freeze, a freeze on overtime, and a freeze of all Individual Service Plans at the existing unit levels except as noted for health and safety. Long-term methods include altering the method used to negotiate capitation rates, auditing a sample of current cases to determine if the level of need and level of service correspond, and improving the recruitment and retention of key positions within DDD's Business Operations office. Another long-term focus will be the new Request for Proposal

(Continued)

on Room and Board and Habilitation services, which comprise over 70% of Long Term Care expenditures. Both the short-term and long-term methods could cause difficulties for DDD, its clients, and providers.

Because of the importance of this issue, JLBC Staff recommends that DES provide the Committee with a monthly update on DDD issues discussed above, including FFY 2000 capitation rate negotiations, progress on establishing a faster FFY 2001 capitation rate negotiation progress, and the short-term and long-term methods to reduce DDD expenditures in the Long Term Care program.

RS:SS:PM:ss  
attachment





STATE OF ARIZONA

## Joint Legislative Budget Committee

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CHAIRMAN 2000  
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RUSSELL W. "RUSTY" BOWERS  
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1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

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CHRISTINE WEASON

March 7, 2000

Mr. John Clayton, Director  
Department of Economic Security  
1717 W. Jefferson  
Phoenix, Arizona 85007

Dear Mr. Clayton:

As I wrote to you on March 1, 2000, the Chairman of the Joint Legislative Budget Committee has requested your attendance at the Committee's meeting on March 20. Pending time availability, several issues could be raised with you and I want to let you know of them in advance.

On February 17, 2000, we first learned from an article in the *Mesa Tribune* that you had renegotiated the maximum amount the state pays to an adoption agency when a child is placed. The maximum amount increased by \$2,900, from \$6,300 to \$9,200. Using data in the article, we estimated the maximum fiscal impact could be as much as \$1.8 million annually. We were uncertain, however, as to the validity of our estimate. Therefore, we immediately sent a letter to your staff inquiring about the fiscal impact of the change and plans for covering the additional cost. We requested a response by February 25. To date, we have not received the information.

There are two possible explanations for the Department's failure to respond, both of which are troubling. First, the department may still be attempting to determine the cost. I believe that would be unfortunate as it would once again demonstrate the department's lack of fiscal controls. It is not sound fiscal policy to implement this type of contractual change without knowing the impact on your budget. The second possible reason for the failure to respond is that the department knew the cost of the policy change at the time of its implementation, but over two weeks later is still unwilling to share that information with us.

Questions may also be raised at the JLBC meeting concerning the developmental disabilities program. On Monday, February 28, our office learned third-hand that DES had instituted a hiring freeze the previous week. In the course of gathering additional information on the hiring freeze, we learned that a major factor in instituting such a freeze was concern over the Long Term Care (LTC) program operated by the Division of Developmental Disabilities (DDD), particularly over the issue of the Federal Fiscal Year (FFY) 2000 capitation rate DDD receives from AHCCCS for each DD client in the LTC program.

It is our understanding that AHCCCS initially proposed a FFY 2000 capitation rate of about \$2,333 per member per month for most of your clients. In January, the JLBC supplemental recommendation was released, assuming a FFY 2000 capitation rate of \$2,351 per member per month, an increase of 3.25% from the

(Continued)



FFY 1999 rate. It is our understanding that the Governor's Office of Strategic Planning and Budgeting's supplemental recommendation assumed a capitation rate of approximately \$2,345 per member per month, an increase of 3.0% from the FFY 1999 rate.

Yet we found out this week that data from the first 6 months of SFY 2000 reflects expenditures of approximately \$2,409 per member per month, an increase of 5.8% above the FFY 1999 rate. This expenditure rate is significantly higher than the capitation rate recommended by either budget office, let alone AHCCCS' initial proposed rate. It is also significantly higher than general inflation, which in 1999 was approximately 2.2%.

I would highlight that the percentages cited above represent per person increases, so they already account for enrollment growth. At face value, these statistics seem to indicate that you are providing significant increases in provider contracts or that you are providing additional services to clients. Such adjustments may have merit, but they should be presented beforehand to the Legislature as a policy issue and debated, and if the Legislature and Governor agree, funded.

The Department, however, may have a different explanation of these events. In that circumstance, it would be useful for the Department to respond to the following questions regarding the DDD LTC program:

- Why have expenditures increased markedly in FY 2000?
- When did DDD realize its expenditures had increased to \$2,409 per member per month?
- What did the department do when it realized that its expenditures exceeded not only AHCCCS' initial proposed rate but also the capitation rates assumed by both budget offices?
- How does DES plan to address the shortfall created by this expenditure rate?

We have previously indicated our concern with DES' ability to manage its expenditures and keep policymakers and staff completely informed of budgetary problems. This DD reimbursement issue is not new. With your new disclosure about FY 2000, it appears that the DDD LTC program is likely to exceed the actuarial reimbursement level from AHCCCS for a third straight year.

To make the JLBC meeting more productive, I believe it would be useful to provide your responses to the Committee members by **Friday, March 17<sup>th</sup>**. Thank you very much for your cooperation.

Sincerely,



Richard Stavneak  
Director

RS:ck

xc: Senator Randall Gnant, Chairman, Joint Legislative Budget Committee  
Representative Bob Burns, Vice-Chairman, Joint Legislative Budget Committee  
Michael Bradley, Policy Advisor to the House Majority  
Greg Gemson, House Appropriations Analyst  
Chad Norris, House Minority Research Analyst  
Reed Spangler, Policy Advisor to the Senate Majority  
Debbie Johnston, Senate Appropriations Analyst  
Kim Baker, Senate Minority Senior Research Analyst  
Tom Betlach, Director, Governor's Office of Strategic Planning and Budgeting

# Joint Legislative Budget Committee

## Staff Memorandum

1716 West Adams  
Phoenix, Arizona 85007

Telephone: (602) 542-5491  
Facsimile: (602) 542-1616

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DATE: March 15, 2000

TO: Senator Randall Gnant, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Senior Fiscal Analyst  
Gretchen Logan, Fiscal Analyst

SUBJECT: ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM – REPORT ON REQUEST  
FOR INTEREST ON COMPETITIVELY BIDDING FOR DEVELOPMENTALLY  
DISABLED SERVICES

### Request

Pursuant to a request made at the Committee's August 5, 1999 meeting, the Arizona Health Care Cost Containment System (AHCCCS) is submitting this report. The report summarizes the responses to the AHCCCS Request For Interest (RFI) proposal which was distributed to determine whether there is sufficient interest to competitively bid for services to developmentally disabled (DD) clients within the current budget for these services.

### Recommendation

No Committee action is required. Given our concerns about current Department of Economic Security (DES) / Division of Developmental Disabilities (DDD) fiscal management, however, JLBC Staff believes that this issue is worthy of further consideration. JLBC Staff recommends, therefore, that the Committee requests a formal response from the Executive Branch regarding its interest in pursuing a competitive bid for these services, particularly on a pilot basis. No action could be taken in any event until the next regular session as it would require statutory changes.

### Analysis

A footnote in the FY 1999 General Appropriation Act was intended to explore the feasibility of competitively bidding for services to DD clients in the Arizona Long Term Care Services (ALTCS) program. DES/DDD has contracted with AHCCCS to provide services to these DD ALTCS clients since ALTCS started serving DD clients in FY 1989. Under the concept considered, the state would essentially privatize the administration of ALTCS services. The vendor could then further subcontract the actual provision of services. This structure might look similar to how the Department of Health Services contracts with Regional Behavioral Health Authorities to provide mental health services throughout the state.

The report AHCCCS submitted to the Committee this summer indicated that competitively bidding for these services to DD clients was feasible. It also noted that differences between the ALTCS program and the 100%-state-only program might make it difficult to competitively bid out all services to DD clients. In addition, a successful bid for services would require a well-constructed plan developed in collaboration with stakeholders.

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<b>JLBC</b>
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The report recommended that if the Legislature wished to pursue a competitive bid process, a Request For Interest (RFI) proposal should be issued to determine if there is sufficient interest in the project within the "allowable budget."

At its August 5, 1999 meeting, the Committee recommended that AHCCCS issue such a RFI proposal to determine if there is sufficient interest in competitively bidding for services to DD clients within the current budget. AHCCCS was to provide the Committee a report summarizing the RFI responses by February 28, 2000. That report is attached to this memorandum.

AHCCCS issued its RFI proposal on November 15, 1999. It sent approximately 200 copies of the RFI to assorted DD service agencies, advocacy groups, and current AHCCCS health plans and program contractors. It received a total of 8 responses. Of the 8 respondents, 7 do business in Arizona and have current relationships with the AHCCCS program. Of the 8, 5 are for-profit corporations, 2 are non-profit, and 1 is a government entity.

Respondents addressed a variety of issues raised in the RFI:

- Type of Individuals Served: All 8 respondents were interested in providing services to ALTCS recipients and 100%-state-only recipients.
- Geographic Configuration: Respondents believed that the bid process should be conducted either by county or grouping of counties.
- Areas Respondents are Interested in Bidding: Some respondents were interested only in serving areas where they currently conduct business. Five respondents stated they would bid by county or ALTCS Geographic Service Areas (GSA), which is a grouping of counties. Two respondents mentioned that each bid area should contain sufficient members (500+) in order to increase the potential for profit.
- Medicaid experience: All respondents had experience with Medicaid programs. Only one respondent did not have experience with ALTCS or DES/DDD.
- Managed care experience: All respondents indicated they had managed care experience. Five of the respondents have contracts with AHCCCS to provide either long term care or acute care to AHCCCS members.
- DD experience: All respondents had experience serving DD clients, although most experience was in providing acute care services, since DES/DDD is the only LTC provider for DD clients.

Based on the responses to RFI, AHCCCS could not determine whether a bid in a future Request For Proposal (RFP) would be within the current budget. Several respondents indicated they would only be interested in bidding if capitation payments would ensure profit. In addition, since neither DES/DDD nor AHCCCS has experience in capitation for services to the 100%-state-only population, it is difficult to determine whether a RFP including that population could be done within the current budget.

In addition to highlighting the uncertainty of the fiscal impact of competitively bidding for DD services, the report also discusses the need to assess the reaction of consumers and providers to the change suggested by competitively bidding for services. The report also notes that legislation would be required to permit competitive bidding for DD services since DES/DDD is the only program contractor for DD ALTCS clients permitted in statute.

Given our concerns about current DES/DDD fiscal management, JLBC Staff believes that this issue is worthy of further consideration. We recommend, therefore, that the Committee requests a formal response from the Executive Branch regarding its interest in pursuing a competitive bid for these services, particularly on a pilot basis. No action could be taken in any event until the next regular session as it would require statutory changes. We agree that if the Legislature wishes to proceed with competitively bidding for DD services, it should proceed with caution. Introducing competition into the administration of DD services could result in better services and/or cost savings. JLBC Staff recognizes, however, that the fiscal impact of competitively bidding for DD services is uncertain, especially as related to 100%-state-only clients. It may not resolve the issues of DES/DDD fiscal management. And, finally, we agree that stakeholders, especially consumers and providers, need to be included in any process looking at competitively bidding for DD services.



## ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

*Committed to excellence in health care*

Jane Dee Hull  
Governor

Phyllis Biedess  
Director

February 24, 2000

The Honorable Randall Gnant  
Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, Arizona 85007



Dear Senator Gnant:

As requested by the Joint Legislative Budget Committee, AHCCCS issued a Request For Interest (RFI) to determine whether there is sufficient interest from prospective bidders to respond to a competitive bid for services to individuals with developmental disabilities.

On November 15, 1999 AHCCCS sent over 200 RFI's to local and national health plans, developmental disabilities' service agencies, advocacy groups, and other interested parties. AHCCCS has summarized the eight responses in the attached summary and table.

As the attached report shows, there is interest in a competitive bid process. However, based on the responses to the RFI, AHCCCS can not determine whether a future bid would be within the current budget when compared with the current funding levels to the Department of Economic Security.

Please feel free to contact Lynn Dunton, Assistant Director, Office of Policy and Coordination, at 602-417-4447, if you or your staff have any questions.

Sincerely,

Phyllis Biedess  
Director

c: JLBC Committee Members  
Richard Stavneak, JLBC  
Jennifer Vermeer, JLBC  
Tom Betlach, OSPB

Enclosures (3)

**REQUEST FOR INTEREST FOR SERVICES TO INDIVIDUALS WITH  
DEVELOPMENTAL DISABILITIES  
SUMMARY OF RESPONSES RECEIVED**

**Requests For Interest Sent**

Approximately 200 copies of the DDD RFI were sent to groups both locally and nationwide. These groups included DD service agencies, advocacy groups, and current AHCCCS Health Plans and Program Contractors.

**Responses Received**

Eight responses were received from the following groups:

- Arizona Bridge To Independent Living (ABIL)
- Arizona Physicians IPA, Inc.
- Creative Networks
- Dungarvin
- Health Choice
- Lifemark
- Mercy Care
- Yavapai County Long Term Care

With the exception of Dungarvin, all respondents do business in Arizona and have current relationships with the AHCCCS program.

**Interest in Serving Individuals By Pay Type**

All eight respondents are interested in providing services to both ALTCS Title XIX members and non-Title XIX members.

**Corporate Structure**

Five respondents (Arizona Physicians IPA, Creative Networks, Dungarvin, Health Choice, Lifemark) are for-profit corporations. Two respondents (Mercy Care and Arizona Bridge To Independent Living) are not-for-profit. One respondent (Yavapai County Long Term Care) is a government entity.

**Geographic Configuration For a Bid**

Respondents were asked what type of geographic configuration (statewide, by county, etc.) they felt would be appropriate for bidding. Five respondents agreed that it would be appropriate to conduct the bid process by county. Two respondents felt the appropriate

configuration would be to use the Arizona Long Term Care System Geographic Service Areas (GSA), which are groupings of counties (i.e.: Cochise, Graham, and Greenlee counties are a GSA). One respondent favors using the current DDD Districts, which are also groupings of counties.

#### **Areas Respondents are Interested in Bidding**

Respondents were asked to indicate areas of the State where they would be interested in submitting a bid. Several responses were very specific and tended to reflect where the respondents are currently in business. For example, Arizona Bridge To Independent Living is only interested in doing business in Maricopa County. Yavapai County Long Term Care wants only the ALTCS GSA which they now serve. Creative Networks also only wants the Maricopa and Northern Arizona areas they now serve.

The five other respondents would bid by county or GSA. Two respondents, Dungarvin and Arizona Physicians IPA, both mentioned that a sufficient number of members in each area bid (500+) is necessary in order to increase potential for profit.

#### **Medicaid Experience**

All respondents indicate they have experience with Medicaid programs. Only Dungarvin, which does not do business in Arizona, does not have experience with AHCCCS and/or DES/DDD. Dungarvin does have Medicaid experience in other states.

#### **Managed Care Experience**

All respondents indicate they have had experience in the managed care environment. Five of the respondents have contracts with AHCCCS to provide either long term care or acute care to AHCCCS members.

#### **DD Experience**

All respondents have experience serving persons with developmental disabilities, although most of the experience is in providing acute care services. This is understandable, since DES/DDD is the only long term care provider for persons with developmental disabilities in Arizona.

Currently Arizona Physicians IPA and Mercy Care contract with DES/DDD for the provision of acute care services in twelve Arizona counties. Creative Networks contracts with DES/DDD for a variety of Home and Community Based Services (HCBS). Dungarvin manages residential service programs for individuals with developmental disabilities in several states.

### **Issues For Further Exploration**

If the Committee should decide to further explore the feasibility of competitively bidding for services to persons with developmental disabilities, there are several issues for consideration. Among them are:

- **Budget Issues.** Several respondents indicate they would only be interested in bidding if capitation payments would ensure profit. Dungarvin indicated it would want to make at least a 5% profit on revenues. Competitive bidding must be at least as cost effective as the current system. Neither AHCCCS nor DDD has experience in capitation for services to the non-ALTCS DDD population.
- **Stakeholder Reaction:** The reaction of consumers and providers should be assessed in light of these stakeholders keen interest in the program and their current level of input into the program. In addition, the impact of such a dramatic change on the consumers should be considered.
- **Legislation:** Legislative change would be required, as DDD is currently the only program contractor, by law, allowed to serve individuals with developmental disabilities.

# REQUEST FOR INTEREST FOR SERVICES TO INDIVIDUALS WITH DEVELOPMENTAL DISABILITIES

											MANAGED CARE			
RESPONDENTS	CORP STRUCTURE	WILL SERVE TITLE XIX/ NON ALTCS MEMBERS	GEOGRAPHIC BID CONFIGURATION BY:	INTEREST IN BIDDING:	DD EXPERIENCE					MEDICAID	ACUTE	LONG TERM	COMMERCIAL	
										EXPERIENCE		CARE		
					ACUTE	LTC	HCBS	CASE MGT	RES					
MERCY CARE	NOT FOR PROFIT	X	COUNTY	BY COUNTY	X					X	X	X	X	
DUNGARVIN	FOR PROFIT	X	COUNTY	POPULATION DENSITY		X	X	X	X	X	X	X		
LIFEMARK	FOR PROFIT	X	ALTCS GSAS	ALL COUNTIES	X			X		X	X	X	X	
ARIZONA PHYSICIANS IPA	FOR PROFIT	X	GSAS	ALL COUNTIES	X					X	X	X	X	
HEALTH CHOICE	FOR PROFIT	X	COUNTY	BY COUNTY	X					X	X	X	X	
ARIZONA BRIDGE TO INDEPENDENT LIVING	FOR PROFIT	X	COUNTY	MARICOPA COUNTY			X	X		X		X	X	
CREATIVE NETWORKS	FOR PROFIT	X	DES/DD DISTRICTS	MARICOPA COUNTY & NORTHERN ARIZONA		X	X	X	X	X		X		
YAVAPAI COUNTY	GOV'T	X	ALTCS GSAS	YAVAPAI COCONINO COUNTIES	X					X	X	X	X	



## Joint Legislative Budget Committee Staff Memorandum

1716 West Adams  
Phoenix, Arizona 85007

Telephone: (602) 542-5491  
Facsimile: (602) 542-1616

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DATE: March 15, 2000

TO: Senator Randall Gnant, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Tom Mikesell, Fiscal Analyst

SUBJECT: DEPARTMENT OF ENVIRONMENTAL QUALITY - REPORT ON THE VEHICLE  
EMISSIONS INSPECTION PROGRAM CONTRACT DEVELOPMENT PROCESS -  
INFORMATION ONLY

### Request

Pursuant to ARS § 49 - 545.H.1., the Department of Environmental Quality (DEQ) is reporting its activities for the quarter ending December 31, 1999, in developing the Request for Proposals (RFP) to be used to select a contractor to operate the Vehicle Emissions Inspection program starting January 1, 2002.

### Recommendation

No action is required of the Committee. Preliminary work is in process. DEQ has formed a Contractor Selection Committee, looked at other states' RFPs, and is in the process of developing an initial framework. DEQ has targeted August of 2000 to select a contractor. Prior to selection, JLBC will have an opportunity to review the proposed contract.

### Analysis

To comply with Federal Clean Air Act requirements, the Arizona Department of Environmental Quality (DEQ) contracts with a private entity who operates a Vehicle Emissions Inspection (VEI) program in Maricopa and Pima counties. The contract between DEQ and Gordon-Darby, Inc., the current contractor, began on January 2, 1989 and will expire on December 31, 2001. DEQ is currently developing a RFP that will be used to hire a contractor to operate the VEI program starting January 1, 2002. Under current law the next contract will extend through June 2009. HB 2104, which is currently undergoing legislative consideration, would change that time period to between 7 and 5 years.

So far, DEQ has taken three steps in developing a RFP. The first step was to look at the RFPs used by other states to develop a template for Arizona. Ultimately, the state of Missouri's RFP was chosen for this purpose, because of its clarity, understandability, focus on customer service, contractor performance assessment provisions, and because Missouri's program bears some similarity to Arizona's.

DEQ's next step was to form a Contractor Selection Team. The members of this group were picked according to their familiarities with the VEI program, the use of performance measures, and the state Procurement Code.

(Continued)

<b>JLBC</b>
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In addition to helping develop the RFP, this group will also play a role in choosing the 'winning' proposal sent to the state. DEQ's third accomplishment was progress on the framework for the scope of work for the RFPs. The scope of work generally outlines what will be expected of the contractor, and tells the contractor what should be included in its proposal to operate Arizona's VEI program. DEQ is developing the framework for the scope of work with the assistance of the Selection Group, the Attorney General's Office, and the Department of Administration.

DEQ plans on completing the RFP in sufficient time to have a new contractor hired by August of 2000. This will provide the contractor enough preparation time to have the VEI program operating on January 1, 2002 based on DEQ's past observations of prior contractors' set-up times. Current law requires that JLBC review the RFP prior to it being used to solicit responses from potential private contractors.

RS:TM:jb

## Joint Legislative Budget Committee Staff Memorandum

1716 West Adams  
Phoenix, Arizona 85007

Telephone: (602) 542-5491  
Facsimile: (602) 542-1616

DATE: March 14, 2000

TO: Senator Randall Gnant, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RS*

FROM: Tom Mikesell, Fiscal Analyst *TM*

SUBJECT: DEPARTMENT OF ENVIRONMENTAL QUALITY - REPORT ON THE VEHICLE  
EMISSIONS INSPECTION PROGRAM CONTRACT DEVELOPMENT PROCESS -  
INFORMATION ONLY

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(Continued)

JLBC

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RS:TM:jb

REPORT OF THE ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY  
TO THE JOINT LEGISLATIVE BUDGET COMMITTEE  
ON THE VEHICLE EMISSIONS INSPECTION PROGRAM  
CONTRACT DEVELOPMENT PROCESS

For the Period of October 31, 1999 to December 31, 1999

During this period, ADEQ made substantial progress on the development of the Request for Proposals (RFP) for a new Vehicle Emissions Inspection Program contract to operate the vehicle inspection portion of the Program beginning January 1, 2002. Major activities conducted during this period included bench marking other jurisdictions' programs and RFPs, formation of and consultation with the Contractor Selection Committee, and development of the Scope of Work and Special Provisions of the RFP.

ADEQ established working relationships in support of the contract development process with both the Attorney General's Office and the Department of Administration. Laurie Woodall, Assistant Attorney General has provided guidance to ADEQ in the contract development process. The Department of Administration, State Procurement Office, assigned John Adler, Professional Services Unit Administrator, to assist ADEQ.

Program Bench Marking

Recognizing the need to develop an RFP that reflects state-of-the-art program innovations, ADEQ contacted jurisdictions with centralized, contractor-operated basic and enhanced emission inspection programs to secure copies of their most recent RFPs, for internal review and evaluation. RFPs from Maryland, Colorado, Missouri and Florida were received and evaluated. Criteria used in this assessment included similarity to Arizona program requirements, clarity, understandability, focus on service to motorists, and inclusion of provisions to assess the quality of contractor performance. Based upon those criteria, ADEQ chose to benchmark the new RFP issued by the State of Missouri for its Car Care Program, now operating in the greater St. Louis Area.

Contractor Selection Team

The Contractor Selection Team was formed to develop the RFP and evaluate the proposals. In developing the Team, ADEQ sought representatives with a variety of qualities: internal staff familiar with the requirements of the Program, individuals with experience in other jurisdictions' programs, expertise in quality and performance measures, and familiarity with the requirements of the Procurement Code. Because the Motor Vehicle Division is a direct customer of this Program, their inclusion was essential. Individuals also had to be available for the considerable time it would take to develop the RFP, evaluate proposals and select a contractor. The Contractor Selection Team members were originally:

Don Bea, Western States Petroleum Association and member of the California IM  
Advisory Committee;

Marge Cawley, Strategic Planning Officer, Arizona Supreme Courts;  
Penny Martucci, Assistant Division Director for Competitive Government Partnerships,  
MVD;  
Sandy Keeling, EDP Business Specialist, ADOT;  
Dan Grubbe, Vehicle Emissions Program Manager, ADEQ;  
Peter Hyde, Air Quality Assessment, ADEQ; and  
Bill Bishop, Contract Officer, ADEQ.

Unfortunately, the Western States Petroleum Association representative retired in February. A new representative is being sought to participate beginning with the evaluation process.

Throughout this period, the Committee met approximately every other week to review progress made in developing the Scope of Work and Special Provisions.

#### Scope of Work and Special Provision Development

This Missouri Car Care Program differs significantly from Arizona's Program, and as a result, considerable time was needed to strip out irrelevant Missouri provisions, and accurately and completely describe all of the components of the Arizona Program in the Scope of Work. The Scope of Work has been organized into the following seven chapters.

- Introduction and General Information, including the objective, background information and terminology.
- IM Program Requirements, including network design, site acquisition, facility construction, inspection system equipment, Car Care Program operation, inspection of vehicles, documentation and test data, and in-process inspections.
- Data Management and Operation Requirements, including general requirements, data management reporting, previous inspections data, operations and maintenance data, final system documentation, documentation of system changes and off-site data repository requirements.
- Equipment Requirements, including general and functional requirements, test equipment specifications for Areas A and B, general system design, quality assurance and control, maintenance, and waiver/referee facility equipment requirements.
- Acceptance Test Procedures.
- Inspection Procedures, including pre-emissions visual safety check, gasoline vehicle inspection procedures, diesel vehicle inspection procedures, visual emission control device inspection and tampering, post-test procedures, procedures for waiver and referee action, and waiver/referee software function.

- Public Information Requirements, including informational handouts, telephone hotlines, program information website, and public relations plan.

ADEQ staff worked to draft the Scope of Work, with regular input from and review by the Contractor Selection Committee members, and with advice from the Attorney General's Office. The Department of Administration was advised of the approach and progress.

#### Schedule

ADEQ is committed to provide for vigorous competition. As a result, based upon our experience, any new contractor will need a minimum of 66 weeks between the time of the award and operation of the program. As a result, ADEQ anticipates advertisement and release of the RFP after JLBC review, contract award in August 2000, and operation of the new contract beginning on January 1, 2002.