# JOINT LEGISLATIVE BUDGET COMMITTEE

Wednesday, April 20, 2022

9:00 a.m.

Senate Appropriations Room 109



STATE OF ARIZONA

# Joint Legislative Budget Committee

STATE SENATE

DAVID M. GOWAN CHAIRMAN LELA ALSTON SEAN BOWIE RICK GRAY SINE KERR VINCE LEACH DAVID LIVINGSTON LISA OTONDO 1716 WEST ADAMS PHOENIX, ARIZONA 85007

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HOUSE OF REPRESENTATIVES

REGINA E. COBB VICE-CHAIRMAN SHAWNNA BOLICK KELLI BUTLER CÉSAR CHÁVEZ JOHN KAVANAGH JENNIFER LONGDON JOANNE OSBORNE BEN TOMA

# \*\* **REVISED** \*\*

JOINT LEGISLATIVE BUDGET COMMITTEE Wednesday, April 20, 2022 9:00 A.M. Senate Appropriations, Room 109

## MEETING NOTICE

- Call to Order
- Approval of Minutes of December 14, 2021.
- EXECUTIVE SESSION Arizona Department of Administration, Risk Management Services Consideration of Proposed Settlements under Rule 14.
- 1. ARIZONA DEPARTMENT OF ADMINISTRATION Consider Approval of Requested Transfer of Appropriations.
- 2. **\*\*\***AHCCCS/DEPARTMENT OF ECONOMIC SECURITY Review of Mid-Year Capitation Rate Changes for Plan Year 2022.
- 3. **\*\*\***DEPARTMENT OF CHILD SAFETY Review of Expenditure Authority Line Item Transfers.
- 4. ARIZONA DEPARTMENT OF CORRECTIONS
  A. Review of Proposed Reallocation of Personal Services and Employee Related Expenditures (ERE) Appropriations.
  B. Review of Request for Proposals to Operate Phoenix West Prison.
- 5. **\*\*\*DEPARTMENT OF ECONOMIC SECURITY Review of Developmental Disabilities Line Item** Transfers.

The Chairman reserves the right to set the order of the agenda. <del>04/13/2022</del> 04/18/2022 <del>Im</del> kp

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### STATE OF ARIZONA

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## MINUTES OF THE MEETING

## JOINT LEGISLATIVE BUDGET COMMITTEE

December 14, 2021

The Chairman called the meeting to order at 1:35 p.m., Tuesday, December 14, 2021, in House Hearing Room 1. The following were present:

Members:	Senator Gowan, Vice-Chairman	Representative Cobb, Chairman		
	Senator Bowie	Representative Bolick		
	Senator Gray	Representative Butler		
	Senator Leach	Representative Chávez		
	Senator Otondo	Representative Kaiser (Temporary Member in		
		place of Representative		
		Osborne)		
		Representative Longdon		
		Representative Nguyen (Temporary Member in place of Representative		
		Kavanagh)		
		Representative Toma		

Senator Alston Absent: Senator Kerr Senator Livingston

**Representative Kavanagh Representative Osborne** 

## **APPROVAL OF MINUTES**

Senator Gowan moved that the Committee approve the minutes of October 5, 2021. The motion carried.

## **CONSENT AGENDA**

The following items were considered without further discussion.

STATE SENATE

DAVID M. GOWAN VICE-CHAIRMAN LELA ALSTON SEAN BOWIE RICK GRAY SINE KERR VINCE LEACH DAVID LIVINGSTON LISA OTONDO

# DEPARTMENT OF CHILD SAFETY (DCS) - Review of Line Item Transfers.

The FY 2021 and FY 2022 General Appropriation Act footnotes require DCS to submit for Committee review any transfers between line items or the operating budget. DCS requested Committee review of the transfer of \$115,000 in FY 2021 Expenditure Authority and \$300,000 of FY 2022 Expenditure Authority from the Foster Home Placement line item into the Kinship Care line item. The JLBC Staff provided options.

# JLBC STAFF - Consider Approval of Index for Arizona Department of Administration (ADOA) - School Facilities Division Construction Costs.

A.R.S. § 41-5741D3(c) requires that the cost-per-square-foot factors used in School Facilities Board new school construction financing be adjusted annually for construction market considerations based on an index identified or developed by the Joint Legislative Budget Committee as necessary but not less than once each year. The JLBC Staff provided the following option that the Committee approved:

Approve a 6.63% adjustment in the cost-per-square-foot factors. The adjustment is based on the change in the Rider Levett Bucknall (RLB) Phoenix construction cost index since the cost factors were last adjusted in December 2020. The new revised per square foot dollar amounts apply to districts that were awarded new schools by the School Facilities Division on December 15, 2021 for funding in FY 2023. The revised rates are as follows:

Grade	\$ per square foot
K-6	\$288.16
7-8	\$304.22
9-12	\$352.20

<u>Senator Gowan moved</u> that the Committee give a favorable review, or approval, as appropriate, of the 2 consent agenda items. The motion carried.

# **EXECUTIVE SESSION**

<u>Senator Gowan moved</u> that the Committee go into Executive Session. The motion carried.

At 1:38 p.m. the Joint Legislative Budget Committee went into Executive Session.

<u>Senator Gowan moved</u> that the Committee reconvene into open session. The motion carried.

At 2:11 p.m. the Committee reconvened into open session.

# A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.

<u>Senator Gowan moved</u> that the Committee approve the recommended settlements proposed by the Attorney General's office in the cases of:

- 1. Myohanen v. State of Arizona
- 2. Schoen v. State of Arizona
- 3. Wallace/Flores v. State of Arizona

The motion carried.

## B. ARIZONA DEPARTMENT OF ADMINISTRATION - Risk Management Annual Report.

This item was for information only and no Committee action was required. The Committee received the Risk Management Annual Report pursuant to JLBC Rule 14. The Committee requests that future annual reports continue to include the following information:

- Status of open claims and lawsuits.
- Status of claims and lawsuits reported on the prior year annual report.
- Total number of claims and lawsuits filed with Risk Management during the prior fiscal year.
- Total settlement and judgment costs during the prior fiscal year.
- Number of liability settlements greater than the JLBC level and cost of each settlement.
- Number of liability cases taken to trial by Risk Management categorized by:
  - Number of verdicts for the state with detail of the associated judgment amounts.
  - Number of verdicts against the state with detail of the associated judgment amounts.
- Projected Risk Management Fund balance.
- Proposed changes to state insurance coverage, state statutes, and claim procedures.

# C. JLBC Annual Performance Review per Rule 7

This item was for information only and no Committee action was required.

# **REGULAR AGENDA**

# ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)/AUTOMATION PROJECTS FUND (APF) - Review of Child Care Attendance Tracker Project (Department of Economic Security Subaccount).

Ms. Alexis Pagel, JLBC Staff, stated pursuant to A.R.S. § 41-714, ADOA requested that the Committee review \$2,532,800 in proposed FY 2022 expenditures from the Automation Projects Fund (APF) - Department of Economic Security (DES) Subaccount for development of a child care attendance tracker. The FY 2022 budget included an appropriation of \$9,000,000 for the project. DES estimates the total project cost at \$4,982,800. The JLBC Staff provided options.

<u>Senator Gowan moved</u> that the Committee favorably review the FY 2022 expenditure plan of \$2,532,800 from the APF - DES Subaccount for development of a child care attendance tracker. The motion carried.

# ATTORNEY GENERAL (AG) - Review of Consumer Restitution and Remediation Revolving Fund - McKinsey Settlement Expenditure Plan.

Mr. Ryan Fleischman, JLBC Staff, stated A.R.S. § 44-1531.02C requires the AG to submit an expenditure plan for review by the Committee prior to spending any monies from the Consumer Remediation Subaccount of the Consumer Protection and Restitution Revolving Fund. The AG requested the Committee review its plan to spend \$12,000,000 from a settlement with McKinsey & Company, Inc. for grants to support opioid remediation and abatement programs at \$3,000,000 per year from FY 2022 through FY 2025. The JLBC Staff provided options.

Ms. Edith Lefevre, Legislative Liaison, Attorney General's Office, responded to member questions.

<u>Senator Gowan moved</u> that the Committee give a favorable review to the Attorney General's plan to spend \$12,000,000 from a settlement with McKinsey & Company, Inc. for grants to support opioid remediation and abatement programs at \$3,000,000 per year from FY 2022 through FY 2025. The motion carried.

## DEPARTMENT OF CHILD SAFETY (DCS) - Review of FY 2021 Quarterly Benchmarks.

Ms. Nicole Lovato, JLBC Staff, stated pursuant to an FY 2021 General Appropriation Act footnote, DCS submitted for Committee review a report of quarterly benchmarks for assessing progress made in increasing the department's number of Full-Time Equivalent (FTE) Positions, meeting caseload standards for caseworkers, reducing the number of backlog cases and open reports, and reducing the number of children in out-of-home care. The JLBC Staff provided options.

<u>Mr. Mike Faust, Director, DCS</u>, responded to member questions and circulated a document. *(Attachment 1)*.

<u>Senator Leach moved</u> that the Committee favorably review the department's FY 2021 fourth quarter benchmark report. The motion carried.

Without objection, the meeting adjourned at 2:52 p.m.

Respectfully submitted:

Kristy Paddack, Secretary

Richard Stavneak

Richard Stavneak, Director

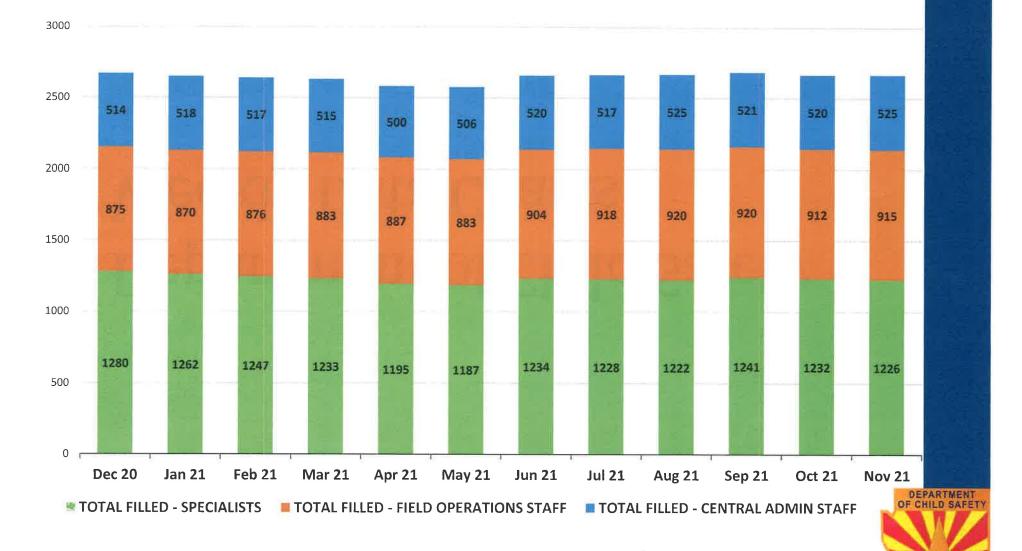
Representative Regina Cobb, Chairman

# Department of Child Safety Weekly Data Charts

\*Extract from full deck –includes updated charts only Data as of week beginning 12.6.2021



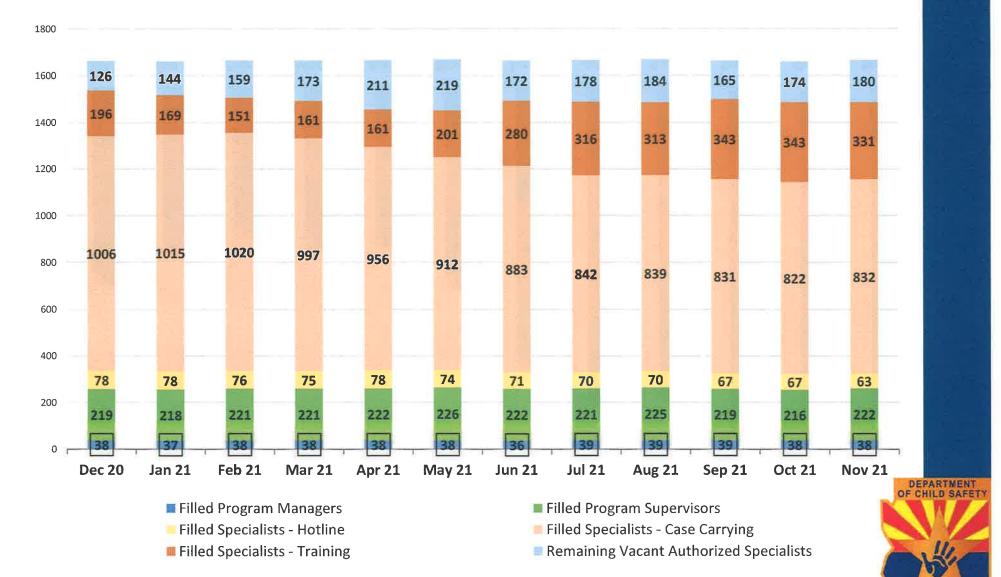
# **Total Agency Staff**



*Note: Chart is updated bi-monthly.* Current month data is preliminary. *Data Source: Director's Monthly Staff Chart via HR Team, 12.6.2021* 

# Field Staff

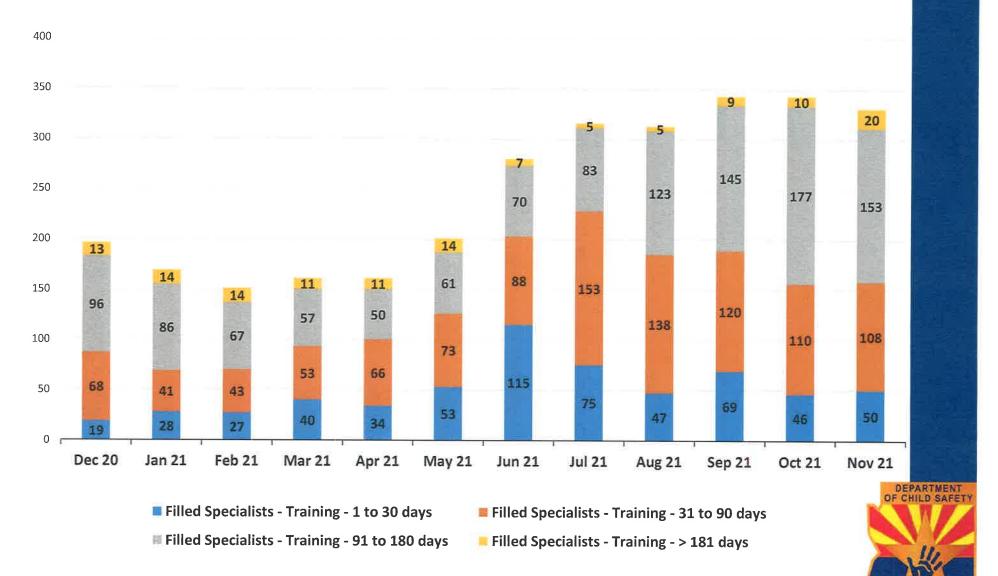
Number of Field Staff - Managers, Supervisors, Specialists, Trainees and Vacant Specialists



*Note: Chart is updated bi-monthly.* Current month data is preliminary. *Data Source: Director's Monthly Staff Chart via HR Team, 12.6.2021* 

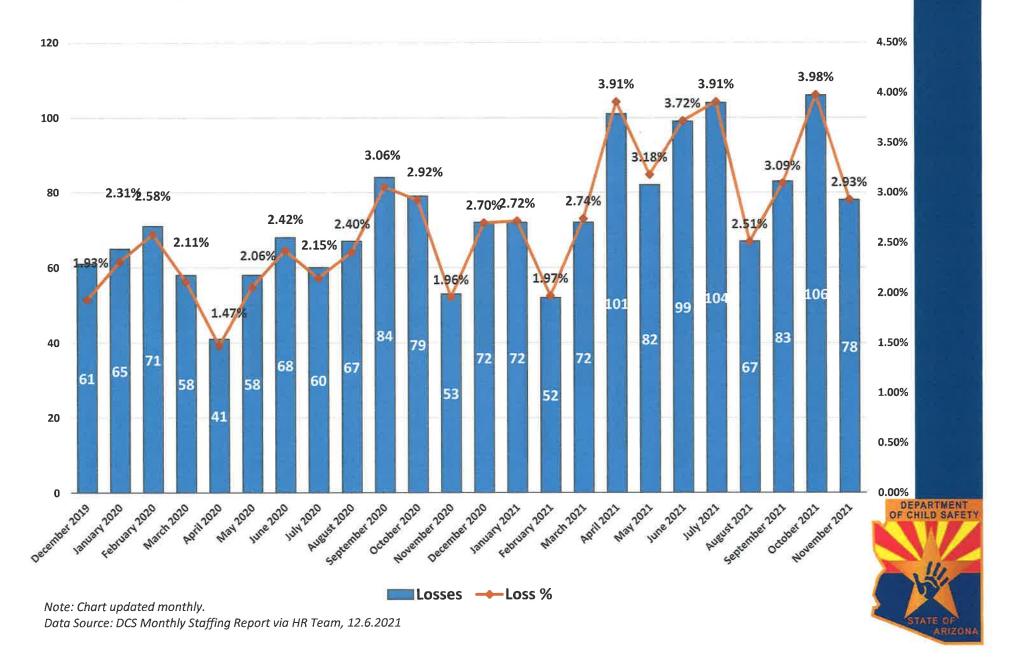
# **Field Specialists in Training**

Number of Field Specialists in Training by Days of Service

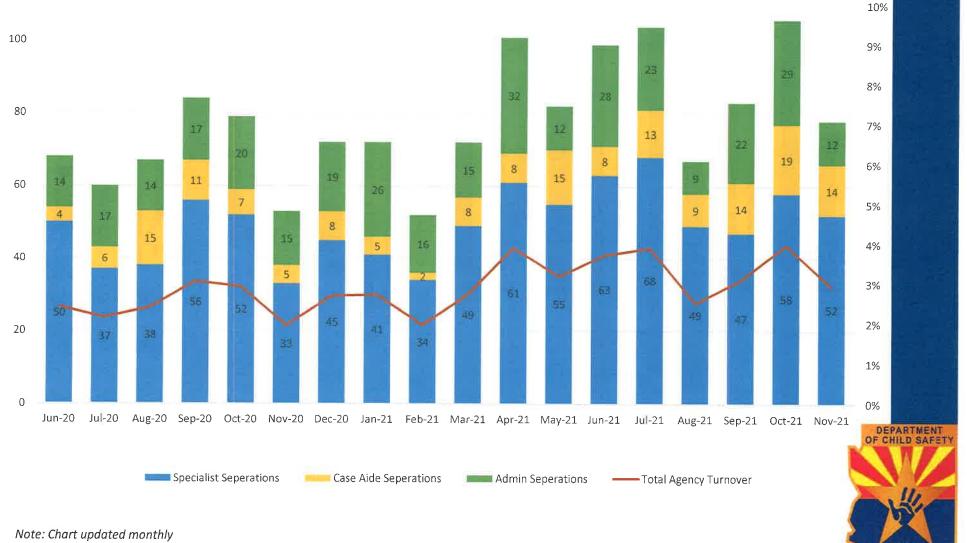


Note: Chart is updated bi-monthly. Last update 12.6.2021 Data Source: Director's Monthly Staff Chart via HR Team

# **Agency Turnover and Separation**



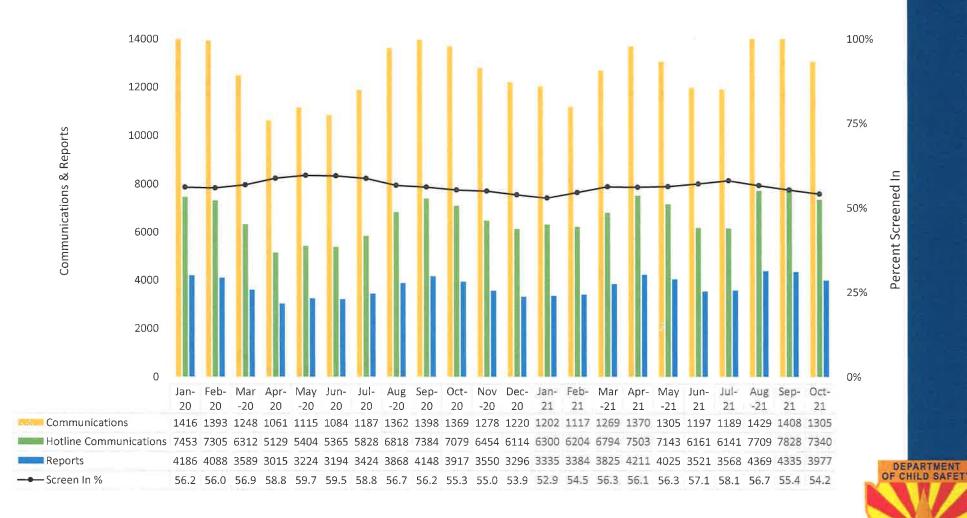
# Agency Turnover and Separation by Position



Data Source: DCS Monthly Staffing Report via HR Team, 12.6.2021

# **Communications & Reports to the Hotline**

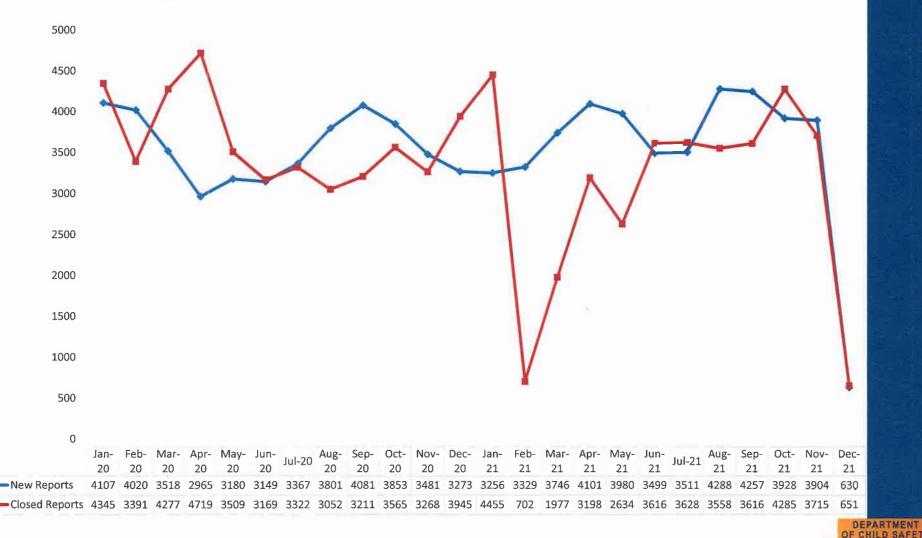
by date Intake received



Note: Period reported is based on Intake call date/time. Data is refreshed Jan 2021-date. All counts include finalized Intakes. Intake report counts include all dispositions (no jurisdiction, QA review, Action Taken, Field Investigation, null). Screen In % shows reports as a percentage of total Hotline Communications.

Data Source 1/1/2021 – 12/6/2021: Guardian Advance Find extract. Data Source through 12/31/2020: Hotline Scorecard

# Completed Reports vs. Assigned New Report

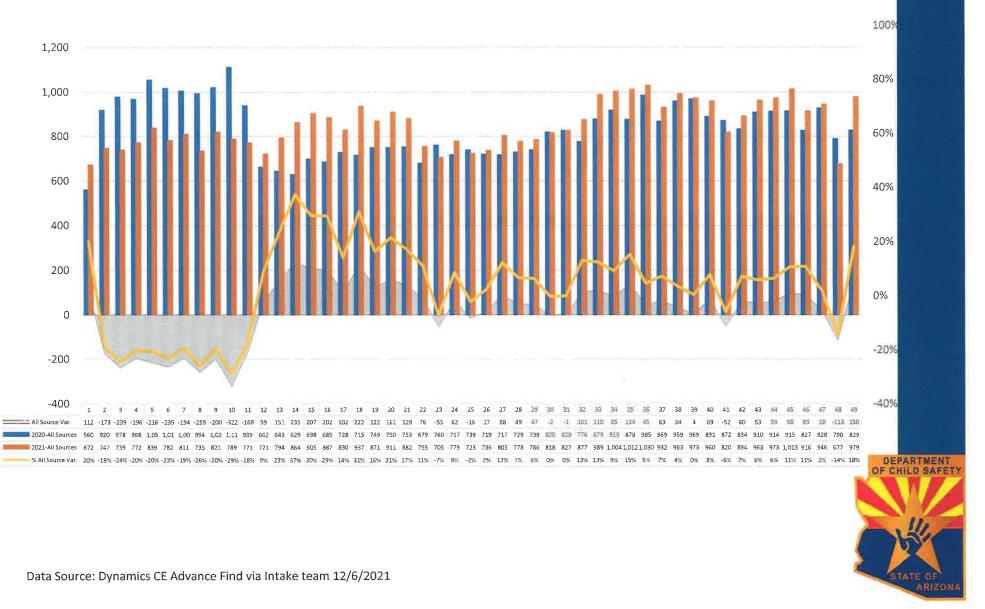


Note: Updates to Jan-Sept data resulted in a decrease in closed reports due to Assessments re-opened to complete required process/data entry. Counts exclude Intake reports with disposition of no jurisdiction, QA review and action taken.

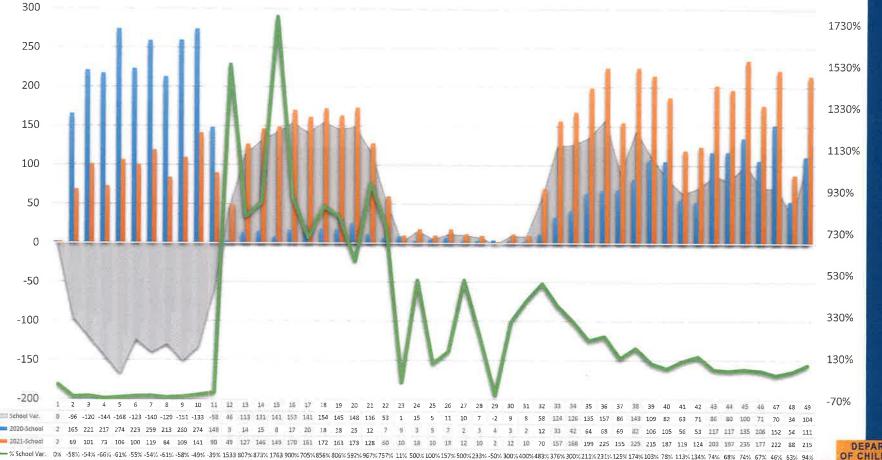
Data Source 1/1/2021 – 12/6/2021: Guardian Advance Find extract. New Intake report period is based on Intake Finalization Date. Closed Reports is based on Assessment End Date.

Data Source through 12/31/2020: Tableau – CPS Reports Open and Closed

# Reports Received - All Sources 2020 vs. 2021 weekly comparison



# Reports Received – \*School Setting Source 2020 vs. 2021 weekly comparison

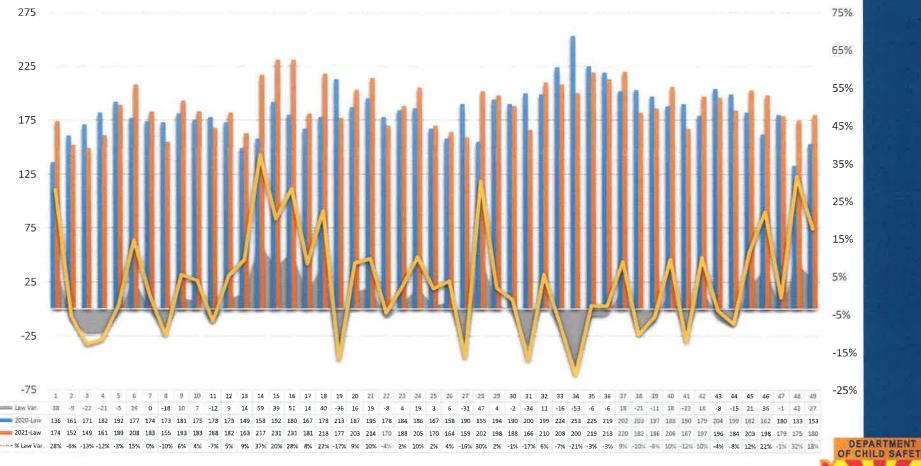


Data Source: Dynamics CE Advance Find via Intake team 12/6/2021. \*School setting parameters changed Week 5 of 2021 due to change in Source Type options with Guardian implementation. Week 25 replaced "Teacher" option with "School Personnel" to reduce frequency of "Other" being selected. All Guardian parameters for School Source Types are summarized in chart to the right.

Guardian Source Types	Parameters
Teachers/School Personnel	AJI
Counselor	Employers containing these words:
Therapist	Academy
Nurse	District
Psychologist	Elementary
Other	School
Social Worker	

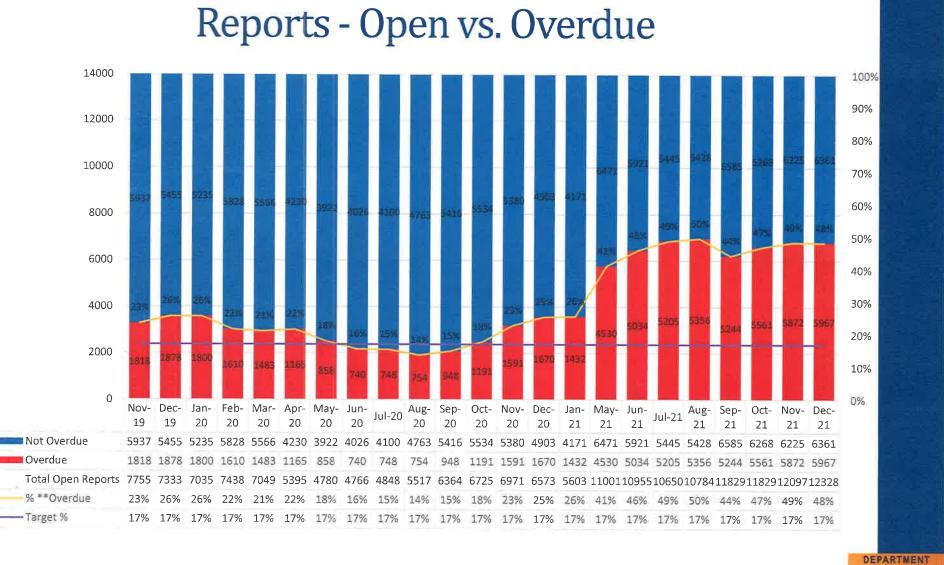


# Reports Received – Law Enforcement Source 2020 vs. 2021 weekly comparison



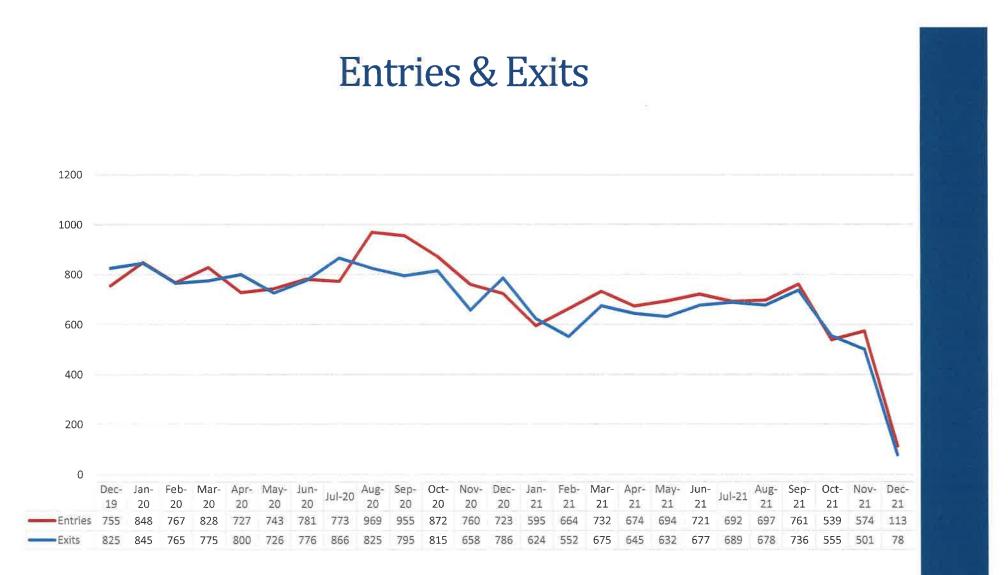
Data Source: Dynamics CE Advance Find via Intake team 12/6/2021

OF CHILD SAFETY



OF CHILD SAFET

Note: Updates to Jan-Sept data resulted in an increase to Open/Overdue reports due to Assessments re-opened to complete required process/data entry. Counts exclude Intake reports with disposition of no jurisdiction, QA review and action taken. Counts exclude Intake reports with disposition of no jurisdiction, QA review and action taken. Data Source 1/1/2021 – 12/6/2021: Guardian Advance Find extract. Intake report period is based on Intake Finalization Date. Data Source through 12/31/2020: DCS Tableau Dashboard, Overdue Reports



— Entries — Exits



1. Counts exclude entries added in error.

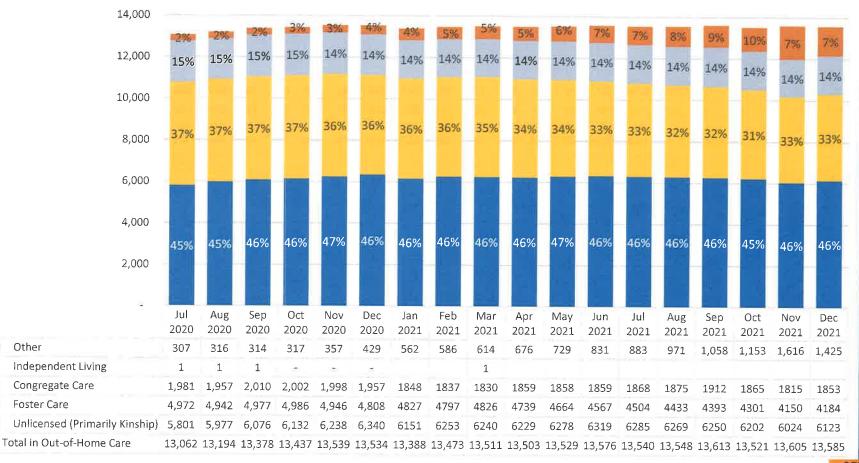
2. Counts include removal entries in Guardian without the child's name - this issue has been resolved and is being monitored

3. Comprehensive data validation is still in process. Currently estimating ~5% error margin on removals with removal date after Feb 1, 2021. Data Source as of 12/6/2021: Guardian Advance Find extract.



# Children in Out-of-Home Care

(0-17 years old)



NOTE: Sep-Nov 2021 updated to capture lagging data. Other category includes Runaway, Missing/Abducted & No Placement Entry (placement not yet entered or date is misaligned). Data includes: Child removal date is <= report period end date, return date is null or > than report period end date, most recent caregiver date entered on Guardian Placement table is >= removal date, caregiver end date is null or > report period end date. Estimated margins of error in distribution of caregiver categories Jan-Oct 2021 is ~4-10%.

Data Source 1/1/2021-12/8/2021: CE Advance Find exports

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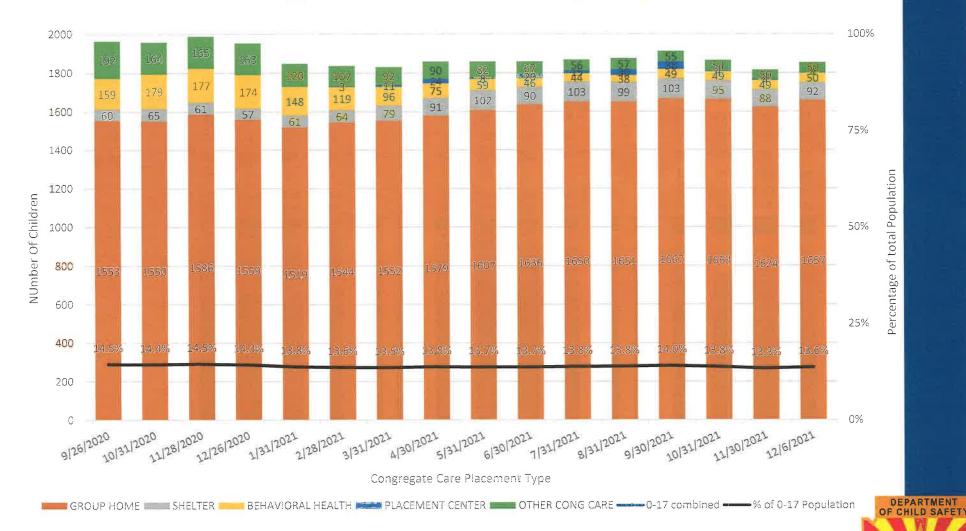
0

Other

Data Source through 12/31/2020: DCS Monthly Out-of-Home Care Report



# Children Age 0 -17 in Congregate Care



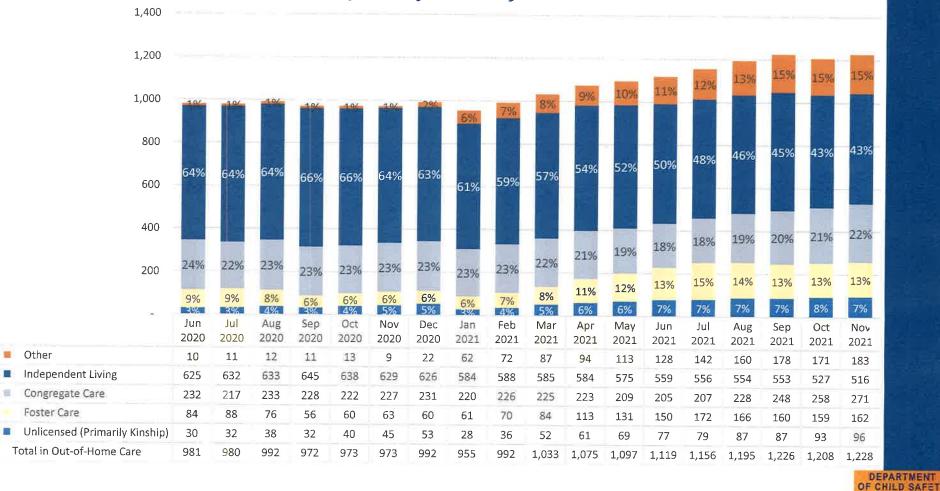
NOTE: Sep-Nov 2021 updated to capture lagging data. Data inclusions - Child removal date is <= report period end date, return date is null or > than report period end date, most recent caregiver date entered on Guardian Placement table is >= removal date, caregiver end date is null or > report period end date. Estimated margins of error in distribution of all caregiver categories is ~4-10% Jan-Oct 2021. Margins of error in distribution of Shelter and Other Congregate Care buckets is higher – root cause analysis was performed and a solution is in process.

Data Source 1/1/2021-12/8/2021: CE Advance Find exports

Data Source through 12/31/2020: DCS Monthly Out-of-Home Care Report

# Young People in Extended Foster Care

(18-21 years old)



NOTE: Sep-Nov 2021 updated to capture lagging data. Data inclusions: Child removal date is <= report period end date, return date is null or > than report period end date, most recent caregiver date entered on Guardian Placement table is >= removal date, caregiver end date is null or > report period end date. Estimated 6-14% margin of error in distribution of caregiver categories Jan-Oct 2021.

Data Source 1/1/2021-11/28/2021: CE Advance Find exports

Data Source: DCS Monthly Out-of-Home Care Report, 1.20.2021

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DAVID M. GOWAN CHAIRMAN LELA ALSTON SEAN BOWIE RICK GRAY SINE KERR VINCE LEACH DAVID LIVINGSTON LISA OTONDO

DATE: April 13, 2022

TO: Members of the Joint Legislative Budget Committee

FROM: Rebecca Perrera, Assistant Director

SUBJECT: Arizona Department of Administration - Consider Approval of Requested Transfer of Appropriations

## Request

A.R.S. § 35-173 requires Committee approval of any transfer of spending authority within the Arizona Department of Administration (ADOA). ADOA is requesting authorization to transfer \$3,000,000 of Risk Management Revolving Fund monies from its Workers' Compensation line item to the Risk Management Administrative Expenses line item in FY 2022.

## **Committee Options**

The Committee has at least the following 3 options:

- 1. Approval of the transfer.
- 2. Partial approval of the transfer for \$1,700,000 which is the amount the department currently expects to spend in FY 2022. ADOA may request the remaining \$1.3 million at the June meeting, if necessary.
- 3. Disapproval of the transfer.

Under any option, the Committee may consider the following provision:

A. On or before the last day of April, May, June, and July 2022, ADOA shall report to the JLBC Staff on the monthly expenditures for contracted Risk Management legal expenses from either the operating budget or the Risk Management Administrative Expenses line item.

(Continued)

# **Key Points**

- 1) ADOA is requesting a transfer of \$3.0 million of surplus monies to pay for increased non-Attorney General contracted legal costs.
- 2) ADOA projects an actual need of \$1.7 million, but is requesting an additional \$1.3 million for unexpected costs.

# Analysis

ADOA requests to transfer \$3.0 million of Risk Management Revolving Fund monies in its FY 2022 Workers' Compensation line item to the Risk Management Administrative Expenses line item. The Workers' Compensation line item fund expenses related to workers' compensation claims and has sufficient funding available for the transfer. The Administrative Expenses line item funds a variety of expenses including outside legal costs for defending the risk management claims against the state. The Attorney General's Office determines if outside legal services are required for a risk management case. ADOA reports increased costs associated with these cases.

In FY 2021, ADOA requested 2 line item transfers totaling \$2.4 million from its operating budget to Risk Management Administrative Expenses line item. The total available funds for the Risk Management Administrative Expenses line item in FY 2021 was \$11.2 million. ADOA, however, only ultimately spent \$10.2 million in FY 2021 before administrative adjustments in FY 2022.

ADOA reports that \$1.3 million of the FY 2022 request is for a "buffer" to cover unexpected legal defense costs. We have asked ADOA for more information on how they determined the need for a \$1.3 million buffer. Given the uncertainty about the level of expenditures, the Committee may consider a provision requiring ADOA to report monthly on their use of the reviewed amount.

ADOA's total transfer request of \$3.0 million would bring the Risk Management Administrative Expenses line item to \$12.3 million; without the \$1.3 million buffer, a \$1.7 million transfer would bring the Risk Management Administrative Expenses line item to \$11.0 million. If the Committee only wants to review the \$1.7 million at this time, ADOA could request another transfer at the June committee meeting if additional costs materialize.

To reduce the cost of contracted legal expenses, the FY 2023 Executive budget proposes to increase the Attorney General budget by \$2.6 million and 17 FTE Positions to hire in-house attorneys.

RP:kp

Douglas A. Ducey Governor



Andy Tobin Director

# ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR 100 NORTH FIFTEENTH AVENUE • SUITE 302 PHOENIX, ARIZONA 85007 (602) 542-1500

March 30, 2022

ALL COMMITTEE

The Honorable Regina E. Cobb, Chairman Joint Legislative Budget Committee Arizona House of Representatives 1700 West Washington Street Phoenix, Arizona 85007

The Honorable David M. Gowan, Vice-Chairman Joint Legislative Budget Committee Arizona State Senate 1700 West Washington Street Phoenix, Arizona 85007

Matthew Gress, Director Governor's Office of Strategic Planning and Budgeting 1700 West Washington Street; 6th Floor Phoenix, Arizona 85007

Dear Representative Cobb, Senator Gowan, and Director Gress:

Section 35-173, Arizona Revised Statutes, directs that a transfer of spending authority within the Arizona Department of Administration shall be made only with the approval of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting.

The ADOA requests a transfer of spending authority in the amount of \$3,000,000 across FY 2022 Special Line Item appropriations (SLIs) in the Risk Management Fund. This amount will be moved from the Workers' Compensation Losses and Premiums SLI to the Risk Management Administrative Expenses SLI, as shown in *Table 1* below. The requested transfer is necessary to cover a projected shortfall in the Risk Management Administrative Expenses SLI.

Special Line Item	Original Appropriation	Proposed Transfer	Adjusted Appropriation
Workers' Compensation Losses and Premiums	\$ 31,171,600	\$ (3,000,000)	\$ 28,171,600
Risk Management Administrative Expenses	\$ 9,294,300	\$ 3,000,000	\$ 12,294,300

Table 1: Summary of Proposed Appropriation Transfer

The Risk Management Administrative Expenses SLI is used for non-operating administrative expenses such as actuarial analyses, relevant investigation, and related travel. When the Attorney General's Office determines it is in the best interest of the State to have external legal defense in risk management cases, this SLI covers the associated costs.

Given the two appropriation transfers that occurred in FY 2021, the \$3 million appropriation transfer request includes a buffer of \$1.3 million to cover any unexpected legal defense fees that may be incurred through the end of the fiscal year. The Department believes that this built-in buffer, along with improvements to internal budgeting processes, will resolve the shortfall in FY 2022 without the need for additional action.

If you have any questions regarding ADOA's request for a transfer of spending authority, please contact Jacob Wingate, at (602) 291-0208.

Sincerely,

h.M. Toli

Andy Tobin Director

cc: Richard Stavneak, Director, JLBC Staff
 Rebecca Perrera, Assistant Director, JLBC Staff
 Theresa Vencill, Budget Analyst, OSPB
 Ray DiCiccio, Deputy Director, ADOA
 Keith Johnson, Assistant Director, ADOA
 Elizabeth Bartholomew, Chief Legislative Liaison, ADOA
 Jacob Wingate, Chief Financial Officer, ADOA



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REGINA E. COBB VICE-CHAIRMAN SHAWNNA BOLICK KELLI BUTLER CÉSAR CHÁVEZ JOHN KAVANAGH JENNIFER LONGDON JOANNE OSBORNE BEN TOMA

DATE:	April 13, 2022
то:	Members of the Joint Legislative Budget Committee
FROM:	Maggie Rocker, Fiscal Analyst
SUBJECT:	AHCCCS/Department of Economic Security - Review of Mid-Year Capitation Rate Changes for Plan Year 2022

### Request

Pursuant to an FY 2022 General Appropriation Act footnote, the state Medicaid agencies must present their plans to the Committee for review prior to implementing any changes in capitation rates. The request includes mid-year adjustments to CYE 2022 capitation rates for the Arizona Health Care Cost Containment System (AHCCCS) and the Department of Economic Security's (DES) Arizona Long Term Care System (ALTCS) program.

## **Committee Options**

The Committee has at least the following 2 options:

- 1. A favorable review.
- 2. An unfavorable review.

## Analysis

The Federal government agrees to pay a flat per-member, per-month amount for each type of Medicaid enrollee. AHCCCS is proposing mid-year capitation changes to the Elderly and Physically Disability (EPD) program within AHCCCS and the Division of Developmental Disabilities (DDD) within DES.

The capitation rates are updated annually for changes in utilization and unit costs, as well as AHCCCS fee schedule changes and programmatic adjustments. Federal regulations require that AHCCCS establish

(Continued)

## **Key Points**

- 1) AHCCCS is increasing the current year capitation rates for ALTCS EPD by 0.09% and for DES DDD by 0.33%.
- 2) The increase primarily funds continuation through at least June 2022 of temporary service expansions associated with the COVID-19 pandemic.
- 3) The cost of the increase is \$9.5 million and is being covered with one-time federal ARPA monies.
- 4) AHCCCS states that most of the remaining one-time ARPA monies, including additional funding for providers, will be funded outside of capitation rates.

rates that are "actuarially sound," meaning that the rates "are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract" with the managed care plan. The proposed rates must be certified by an actuary and approved by the federal Centers for Medicare and Medicaid Services (CMS), among other requirements specified in federal law.

AHCCCS and DES are proposing capitation increases associated with federal American Rescue Plan Act (ARPA) funding for home and community-based services (HCBS). AHCCCS received approval of its ARPA HCBS expenditure plan from the Centers for Medicare and Medicaid Services (CMS) on January 19, 2022. The proposed capitation rate adjustments only reflect federal monies and do not require an increase in state General Fund dollars.

# AHCCCS – ALTCS EPD Rate Adjustment

AHCCCS is proposing a mid-year rate increase of 0.09% for AHCCCS EPD, which AHCCCS estimates will generate approximately \$1.4 million in additional Total Funds costs in CYE 2022. Most of the increase will cover the costs associated with an extension for at least one quarter of select temporary benefit expansions associated with the COVID-19 pandemic, including reimbursement for HCBS delivered by parents and provision of personal care services in acute care settings. The original capitation rates assumed these services would expire by March 31, 2022. Due to the federal government's extension of the Public Health Emergency for an additional quarter, these service expansions will now be available through at least June 30, 2022. The rates also include \$163,000 for new information technology devices used by case management staff for care planning.

The increases will be financed by one-time federal ARPA monies for HCBS service expansions. As a result, there is no General Fund cost associated with the \$1.4 million increase.

# DES DDD Rate Adjustment

AHCCCS is also requesting to adjust capitation rates for the DDD program administered by DES. In total, the rates will increase by 0.33%, or \$8.1 million additional Total Fund costs in CYE 2022. As with ALTCS EPD, most of the increase is funding an extension for at least one additional quarter of temporary service expansions associated with the COVID-19 pandemic, including reimbursement for HCBS delivered by parents, home-delivered meals, and personal care services in short-term acute settings. The rates also include \$237,000 for new information technology devices used by case management staff for care planning and \$50,000 for development of a dashboard of HCBS quality metrics.

The increases will be financed by one-time federal ARPA monies for HCBS service expansions. As a result, there is no General Fund cost associated with the \$8.1 million increase.

(Continued)

## **ARPA Spending Plan**

The above adjustments represent only a portion of AHCCCS's larger ARPA HCBS expenditure plan, which totals \$1.5 billion between FY 2022 and FY 2024. Most of the spending plan will be funded outside of the capitation rate process in the form of one-time directed payments to providers. Pursuant to a provision adopted by the Committee at its October 2021 meeting, AHCCCS estimates that these directed payments will provide funding increases ranging from 13.0% to 22.0% for covered long-term care services. AHCCCS's estimated percent increase by category can be found in Appendix C and Appendix D of the agency's cover letter.

MR:kp



February 18, 2022

The Honorable David Gowan Chairman, Joint Legislative Budget Committee 1700 W Washington Phoenix, Arizona 85007



Dear Senator Gowan:

In a letter from Richard Stavneak dated October 6, 2021, AHCCCS was requested to report to the Joint Legislative Budget Committee (JLBC) on the impact of the federal American Rescue Plan Act (ARPA) funding for home and community-based services (HCBS) within 30 days of receiving approval of the spending plan by the Centers for Medicare and Medicaid Services (CMS). AHCCCS received such approval on January 19, 2022. This letter is intended to serve the request that is stated as follows.

"Consistent with the General Appropriation Act footnote reporting requirement, AHCCCS shall report to the Committee on the impact of the federal American Rescue Plan Act (ARPA) funding for home and community-based services on long term care provider rates. The report shall delineate the percentage increase in rates by service category. The agencies shall provide the report within 30 days of receiving approval of their spending plan by the federal Centers for Medicare and Medicaid Services."

As part of the capitation rate development for contract year ending (CYE) 2022, AHCCCS explained that a mid-year modification to the capitation rates would be necessary due to the additional funds for HCBS offered under ARPA. This letter details the mid year amendment of rates for CYE 22 from October 1, 2021 through September 30, 2022 for the following programs:

- Arizona Long Term Care System/Elderly and Physical Disability (ALTCS-EPD)
- Arizona Long Term Care System Department of Economic Security/Division of Developmental Disabilities (ALTCS DES/DDD)

There are no changes necessary for the capitation rates covering AHCCCS Complete Care (ACC), Regional Behavioral Health Authorities (RBHAs), or Department of Child Safety Comprehensive Health Plan (DCS CHP) programs.

Before implementing the new capitation rates, AHCCCS is reporting its expenditure plan for review by the JLBC. A summary of the components of the changes in the CYE 22 capitation rates and their financial impacts follows.

The Honorable David Gowan February 18, 2022 Page 2

# **Capitation Rate Changes**

In accordance with federal regulations, capitation rates paid to managed care organizations (MCOs) must be actuarially sound, meaning they must cover all anticipated costs for providing medically necessary services to AHCCCS members. As such, capitation rates are developed to reflect the costs of services provided as well as utilization of those services. Note that all capitation rate changes summarized here are considered non-baseline capitation rate growth from the original CYE 22 capitation rates that were sent to JLBC for review on September 1, 2021. Non-baseline changes are defined as anything that represents changes to the rates that have been authorized by the legislature.

For the investment from ARPA that is in the form of capitation rates, EPD receives:

- Additional medical services:
  - Parents as paid caregivers (+\$623k)
  - Provision of personal care services (PCS) in acute inpatient settings (+\$587k)
- Additional administrative expenses:
  - Devices for Health Plan Case Management Staff (+\$158k)

For the investment from ARPA that is in the form of capitation rates, DES/DDD receives:

- Additional medical services:
  - Parents as paid caregivers (+\$6.04M)
  - Home delivered meals (+\$98k)
  - Provision of PCS in acute inpatient settings (+\$70k)
- Additional administrative expenses:
  - Devices for Health Plan Case Management Staff (+\$237k)
  - Online Dashboard Detailing HCBS Quality Funding (+\$50k)

All ARPA investments are due to enhanced federal match and do not require additional state funding. The total impact to the capitation rates is shown below in the form of non-baseline additions of per member per month (PMPM) amounts, total dollar amounts, and the percentage changes from the original CYE 22 rates and these amended CYE 22 rates.

Program	Non-COVID	COVID	Total	Non-Baseline Additions	Total	% Change	Total Dollars Added
ACC RBHA	\$414.99 \$61.30	\$0.94 \$0.24	\$415.93 \$61.54	\$0.00 \$0.00	\$415.93 \$61.54	0.00%	
EPD	\$4,759.68	\$9.33	\$4,769.01	\$4.38	\$4,773.39	0.09%	\$1,409,881
AHCCCS Total	\$267.34	\$0.68	\$268.02	\$0.03	\$268.05	0.01%	\$1,409,881
DD	\$5,384.14	\$21.84	\$5,405.98	\$17.87	\$5,423.86	0.33%	\$8,115,912
TCM	\$181.03	\$0.00	\$181.03	\$0.00	\$181.03	0.00%	\$0
DES Total	\$4,709.31	\$19.01	\$4,728.32	\$0.00	\$4,743.88	0.33%	\$8,115,912
AHCCCS and DES Total	\$318.68	\$0.89	\$319.57	\$0.03	\$319.78	0.07%	\$9,525,793

These non-baseline increases to the capitation rates, and any ARPA adjustments that will occur in CYEs 23 and 24, will subsequently be removed at the end of the ARPA period (March 31, 2024).

Additional details on the amended capitation rates can be found in Appendices A and B.

# **Provider Rates**

AHCCCS is not proposing any provider base rate changes associated with ARPA due to their appearance as permanent rate changes. Instead, AHCCCS has requested and received approval from CMS to make time-limited payments to providers in the form of "directed payments." Unlike capitation, these are not tied to membership and are paid in lump sum amounts from AHCCCS to the MCOs. These types of payment arrangements permit states under 42 CFR 438.6(c) to direct specific payments made by MCOs to healthcare providers. AHCCCS will instruct the MCOs regarding the providers and the amount of directed payment that each provider must receive. Directed payments will include a notation to providers indicating that these payments are one-time in nature.

It is AHCCCS' intention that ARPA CYE 22 directed payments be paid to MCOs by the end of March 2022, for their distribution to providers in the weeks following release of funds. Additional directed payments related to ARPA are expected to be made in calendar years 2023 and 2024, with AHCCCS noting that there is no expectation of further payment beyond 2024.

The CYE 22 directed payment is associated with the AHCCCS ARPA <u>Spending Plan</u> initiative "Attracting and Retaining the Workforce" (ARW). All five managed care programs will receive an allocation of this funding, as follows:

The Honorable David Gowan February 18, 2022 Page 4

- ACC
- RBHA
- DCS CHP
- ALTCS-EPD
- ALTCS-DD

Providers will be directed to use funds in the following manner.

- 1. Increased funding to pursue recruitment and retention options such as sign-on bonuses, retention payments, mileage reimbursement, reimbursement for tuition or continuing education, or reimbursement for childcare.
- 2. Recruitment and retention strategies that are short-term in duration and do not create an expectation of ongoing benefits, given the time-limited nature of this funding opportunity.

As reference, the projected ARPA directed payment adjustments for CYE 22 are included in Appendices C and D, split by category of service. These are also referenced, along with the capitation rate increases unrelated to the directed payments, within the amended actuarial certifications, which are attached.

Should you have any questions on any of these issues, please feel free to contact Colby Schaeffer, Chief Actuary, at colby.schaeffer@azahcccs.gov.

Sincerely,

9-i 9 Angola

Jami Snyder Director

cc: The Honorable Regina Cobb, Vice Chairman, Joint Legislative Budget Committee Richard Stavneak, Director, Joint Legislative Budget Committee Christina Corieri, Senior Advisor, Office of the Governor Matthew Gress, Director, Office of Strategic Planning and Budgeting Cameron Dodd, Budget Analyst, Office of Strategic Planning and Budgeting

# APPENDIX A - CAPITATION RATE EXHIBIT (ALTCS-EPD)

Rate Cell	Contractor	GSA	CYE 22 Capitation Rate (Original)	CYE 22 Capitation Rate (Revised)	Percentage Change	Dollar Change	Projected MMs
Dual	UnitedHealthCare	North	\$3,531.10	\$3,533.18	0.06%	\$56,231	27,034
Dual	Banner-UFC	South	\$4,154.29	\$4,156.68	0.06%	\$94,668	39,610
Dual	Mercy	South	\$4,059.84	\$4,062.17	0.06%	\$56,975	24,453
Dual	UnitedHealthCare	Central	\$3,505.61	\$3,507.31	0.05%	\$112,076	65,927
Dual	Banner-UFC	Central	\$4,405.27	\$4,407.40	0.05%	\$50,796	23,848
Dual	Mercy	Central	\$4,418.60	\$4,420.74	0.05%	\$190,634	89,081
NonDual	UnitedHealthCare	North	\$7,184.79	\$7,190.97	0.09%	\$23,395	3,786
NonDual	Banner-UFC	South	\$7,785.85	\$7,796.30	0.13%	\$63,526	6,079
NonDual	Mercy	South	\$7,806.89	\$7,817.37	0.13%	\$44,640	4,260
NonDual	UnitedHealthCare	Central	\$8,328.60	\$8,346.19	0.21%	\$184,099	10,466
NonDual	Banner-UFC	Central	\$9,463.04	\$9,483.03	0.21%	\$87,441	4,374
NonDual	Mercy	Central	\$9,082.97	\$9,102.16	0.21%	\$445,409	23,210

# **APPENDIX B - CAPITATION RATE EXHIBIT (ALTCS-DD)**

	Effective 10/1/2021 through 12/31/2021				
	Original	Revised	Percentage Change	Dollar Change	Projected MMs
Regular DDD	\$5,370.51	\$5,388.24	0.33%	\$1,988,359	112,202
Targeted Case Management	\$181.02	\$181.02	0.00%	\$0	16,318

	Effective 1/1/2022 through 9/30/2022				
	Original	Revised	Percentage Change	Dollar Change	Projected MMs
Regular DDD	\$5,417.63	\$5,435.55	0.33%	\$6,127,553	341,842
Targeted Case Management	\$181.02	\$181.02	0.00%	\$0	51,346

	Weighted A	verage CYE		Dollar Change	Projected MMs
	Original	Revised	Percentage Change		
Regular DDD	\$5,405.99	\$5,423.86	0.33%	\$8,115,912	454,045
Targeted Case Management	\$181.02	\$181.02	0.00%	\$0	67,664

The Honorable David Gowan February 18, 2022 Page 7

# APPENDIX C - DIRECTED PAYMENT BY CATEGORY OF SERVICE (ALTCS-EPD, ACC, RBHA, DCS CHP)

	% of AHCCCS	Annualized %
Category of Service	Payments	Adjustment
Attendant Care	23.7%	17.8%
Assisted Living	17.2%	17.8%
Mental Health - Case Management	16.6%	17.8%
Mental Health - BH Counseling And Therapy	13.9%	17.8%
Mental Health - Skills Training, Education, Self Help	6.6%	17.8%
Mental Health - Assessments/Screens	5.3%	17.8%
Mental Health - Assorted	4.5%	17.8%
Mental Health - Alcohol And/Or Drug Services	3.2%	17.8%
Mental Health - Crisis Intervention	2.7%	17.8%
Respite Care Services	2.1%	17.8%
Home Health Nurse Service	2.0%	17.8%
Adult Foster Care	0.7%	17.8%
Home Delivered Meals	0.5%	17.8%
Personal Care Services	0.4%	17.8%
Physical Therapy	0.2%	17.8%
Homemaker Service	0.12%	17.8%
Adult Day Health Service	0.08%	17.8%
Specialized Services	0.08%	17.8%
Habilitation	0.07%	17.8%
Occupational Therapy	0.05%	17.8%
Home Health Aid Service	0.01%	17.8%
Speech/Hearing Therapy	0.01%	17.8%

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# **APPENDIX D - DIRECTED PAYMENT BY CATEGORY OF SERVICE (ALTCS-DD)**

	% of DDD	Annualized %
Category of Service	Payments	Adjustment
Habilitation - Group Homes	35.6%	21.0%
Attendant Care	17.1%	17.0%
Habilitation - Hab Hourly/IDLA	11. <del>9</del> %	14.0%
Respite Care Services	8.4%	17.0%
Habilitation - Day Programs/Employment	5.9%	13.0%
Therapies/Rehabilition	5.3%	15.0%
Habilitation - Development Homes	5.1%	21.0%
Home Health Nurse Service	4.6%	22.0%
Habilitation - Nursing Supported Group Homes	2.9%	21.0%
Mental Health and Other HCBS	2.5%	17.8%
Non-Emergency Transportation	0.6%	13.0%



### STATE OF ARIZONA

# Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

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DAVID M. GOWAN CHAIRMAN LELA ALSTON SEAN BOWIE RICK GRAY SINE KERR VINCE LEACH DAVID LIVINGSTON LISA OTONDO REGINA E. COBB VICE-CHAIRMAN SHAWNNA BOLICK KELLI BUTLER CÉSAR CHÁVEZ JOHN KAVANAGH JENNIFER LONGDON JOANNE OSBORNE BEN TOMA

HOUSE OF

REPRESENTATIVES

DATE: April 13, 2022

TO: Members of the Joint Legislative Budget Committee

FROM: Alexis Sammon, Fiscal Analyst

SUBJECT: Department of Child Safety - Review of Expenditure Authority Line Item Transfers

Request

Pursuant to an FY 2022 General Appropriation Act footnote, the Department of Child Safety (DCS) requests Committee review of a transfer of \$1,312,300 of FY 2022 Expenditure Authority monies out of the Foster Home Placement line item and into the Extended Foster Care line item.

### **Committee Options**

The Committee has at least the following 2 options:

- 1. A favorable review of the request.
- 2. An unfavorable review of the request.

#### **Key Points**

- 1) DCS is requesting a transfer of \$1.3 million into Extended Foster Care to cover expected caseload increases.
- 2) This transfer will be funded by the Foster Home Placement surplus due to caseload decreases in FY 2022.

## Analysis

The Extended Foster Care line item provides support for youth ages 18-21 who have aged out of the foster care system and are pursuing higher education and/or employment. DCS requests to transfer \$1.31 million to address caseload increases in the Extended Foster Care line item. The FY 2022 budget assumed a caseload of 866 cases at \$1,390 per month. DCS forecasts the program will reach an average 952 youth in FY 2022 at an average monthly cost of \$1,379. DCS reports that 1,131 youth were served by the program in February 2022. The department attributes this increase to its effort to increase participation in the program. The Extended Foster Care appropriation is currently \$14.4 million. DCS forecasts expenditures of \$15.7 million, resulting in a shortfall forecasted at \$1.31 million.

DCS plans to transfer \$(1.31) million in Expenditure Authority from the Foster Care line item to fund the transfer. Due to ongoing difficulties in recruiting and maintaining licensed foster care families, the department reports a decline in the number of children in this placement type. DCS reports the average monthly caseload in FY 2022 was 4,330, down from the department's initial projection of 4,936.

AS:Im



Mike Faust, Director Douglas A. Ducey, Governor

March 22, 2022

Regina E. Cobb Chairman Joint Legislative Budget Committee 1716 West Washington Phoenix, Arizona 85007



Re: Appropriation Transfer Request

Dear Representative Cobb:

The Department requests to be placed on the Joint Legislative Budget for Expenditure Authority appropriation transfer request below:

Summary of Requested Appropriation Transfer for FY22

Special Line Item	Expenditure Authority (in \$1,000)
Extended Foster Care	\$1,312.3
Foster Care	(\$1,312.3)
TOTAL	\$0.0

Special Line Item	Current Expenditure Authority (in \$1,000)	Proposed Expenditure Authority (in \$1,000)
Extended Foster Care	\$7,153.9	\$8,466.2
Foster Care	\$26,830.9	\$25,518.6

# Expenditure Authority Appropriation Requests – FY22

Pursuant to Laws 2021, Chapter 408, Section 14, the amount appropriated for any line item may not be transferred to another line item or the operating budget unless the transfer is review by the Joint Legislative Budget Committee. The Department requests that the committee review the following Expenditure Authority (EA) transfer request:

- Extended Foster Care: The Department requests a total of \$1.31 Million in FY 22 . Expenditure Authority to be transferred from the Foster Care line item to address the structural shortfall and allow the ability to expend available federal funding.
  - a. Caseload: In FY 21, the Extended Foster Care averaged monthly caseload of 867. Through FY 22, the Department experienced a caseload increase, which is forecasted to reach a monthly average of 952. The increase has been driven by the Department's effort to increase youths participating in extended foster care program, where young adults have continuous assistance and support while pursuing higher education and/or employment. Caseload in Extended Foster Care group homes increased 5.8% year over year compared to FY 21.
  - b. Structural Shortfall: Table 1 demonstrates FY 22 Extended Foster Care line item projected financial position. The Extended Foster Care appropriation is currently \$14.4 million. The Department forecasts expenditures of \$15.9 million, which is resulting in shortfall forecasted at \$1.31M.

Extende	ed Fost	ter Care SLI				
	(in \$1	000)				
	FY21 FY22 Est					
Caseload		867	952			
Annualized Cost	\$	14,436.2	\$15,749.5			
<b>Fund Sources</b>						
		GF	\$7,283.3			
		EA	\$7,153.9			
SLI Total \$14,437.2						
		Shortfall	\$1,312.3			

Table 1: FY 2022

• Licensed Foster Care Maintenance Line Item: FY22 surplus resulting from the Department's present difficulty to recruit and maintain foster care families. Decrease in number of licensed foster care families impacted the number of out of home children placed in this type of licensed placement. As a result, the Department has experienced 12% caseload decrease in FY22 or 4,330 average caseload/month from initially projected average of 4,936.

Sincerely,

supalles /. Jame.

Reynaldo Saenz Assistant Director of Finance and Accounting, CFO

Page 3

Cc:

Mike Faust, Director, Arizona Department of Child Safety Robert Navarro, Deputy Director, Arizona Department of Child Safety Jonathan Perkins, Budget Analyst, Governor's Office of Strategic Planning and Budgeting Blake Tonn, Budget Analyst, Governor's Office of Strategic Planning and Budgeting Alexis Sammon, JLBC Analyst, Joint Legislative Budget

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## STATE OF ARIZONA

# Joint Legislative Budget Committee

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HOUSE OF REPRESENTATIVES

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DAVID M. GOWAN CHAIRMAN LELA ALSTON SEAN BOWIE RICK GRAY SINE KERR VINCE LEACH DAVID LIVINGSTON LISA OTONDO

DATE: April 13, 2022

TO: Members of the Joint Legislative Budget Committee

FROM: Geoffrey Paulsen, Principal Fiscal Analyst

SUBJECT: Arizona Department of Corrections - Review of Proposed Reallocation of Personal Services and Employee Related Expenditures (ERE) Appropriations

### Request

Pursuant to an FY 2022 General Appropriation Act footnote, the Arizona Department of Corrections (ADC) requests review of its plan to utilize \$16,986,100 in FY 2022 General Fund vacancy savings appropriated for Personal Services and Employee Related Expenditures (ERE) on security equipment.

# **Committee Options**

The Committee has at least the following 2 options:

- 1. A favorable review of the request.
- 2. An unfavorable review of the request,

# **Key Points**

- 1) ADC expects to underspend their FY 2022 Personal Services and Benefits budget by at least \$17 million.
- 2) A footnote requires ADC to seek Committee review if they plan to spend this funding on anything except Personal Services and ERE.
- 3) ADC proposes to use \$17.0 million for security equipment purchases, including body scanners, metal detectors, anti-theft pedestals, and tasers.

(Continued)

## Analysis

In FY 2022 ADC was appropriated a total of \$699.8 million in the operating budget for Personal Services and ERE. An FY 2022 General Appropriation Act footnote requires that ADC seek Committee review before spending any of this funding on anything but Personal Services and ERE.

ADC projects that this funding will exceed the department's costs in FY 2022 and proposes to reallocate \$17 million to pay for security equipment, including 37 body scanners, 10 metal detectors, 24 anti-theft pedestals, and 2,478 tasers. *Table 1* below details the per unit and total cost of each of the proposed equipment purchases.

Table 1					
Security Equipment Cost Detail					
	Per Unit Cost	<u>Total Cost</u> 1/			
Body Scanners (37)	\$172,475.00	\$ 6,955,900			
Metal Detectors (10)	18,132.25	198,000			
Anti-Theft Pedestals (24)	7,412.20	182,200			
Tasers (2,478)	1,720.00	9,650,000			
Total		\$16,986,100			
1/ Includes tax, software, and installation costs.					

## **Body Scanners**

ADC proposes to purchase 37 "dual view" body scanners at a cost of \$7.0 million. These scanners are similar to airport scanners but also use algorithms to detect narcotics, weapons, explosives, electronic and cellular devices, and ceramic knives. Each scan takes 6 seconds. ADC would deploy them at all 10 state-operated prisons (see *Table 2* below for a detailed distribution). The cost includes shipping, installation and training on the system.

ADC plans to use these scanners for inmates only. These scanners will be installed at a centralized location near the facility intake for incoming inmates, inmates returning from outside work detail, and inmates returning from the yard.

The Executive's FY 2023 budget proposal included the purchase of 58 body scanners at a cost of \$9.5 million but identified other fund sources for this purpose. ADC reports the 37 scanners would be in addition to that Executive request.

Table 2						
<b>Proposed Number of Scanners</b>						
by	by Prison					
Scanners						
Eyman	4					
Florence	2					
Lewis	7					
Phoenix	1					
Winslow	2					
Douglas	2					
Perryville	7					
Safford	3					
Tucson	6					
Yuma	3					
Total	37					

# Metal Detectors

ADC proposes to purchase 10 ferromagnetic (metal) detectors at a cost of \$198,000. These detectors are used to identify metal contraband that has entered the prison complex. The detectors are portable and more sensitive than the standard hand wand. This type of metal detector is commonly used to identify magnetic material prior to a patient undergoing an MRI. ADC reports they can detect metal in a certain radius, allowing officers to scan large stacks of mail, a group of inmates, and an entire cell for hidden contraband. Because they are lightweight and portable, they can be deployed nearly anywhere in the prison.

### Anti-Theft Pedestals

ADC proposes to purchase 24 anti-theft pedestals at a cost of \$182,200. The purchase includes the detectors and 6,500 security tags. These devices are commonly found in retail stores to prevent theft. These would be distributed to Douglas (3), Lewis (2), Perryville (3), Florence (2), Phoenix (2), Winslow (3), Yuma (4), Tucson (2) and Safford (3). ADC reports that correctional staff often leave their units with security keys. ADC plans to attach the security tags to certain key chains and install these pedestals at the unit exit to notify a correctional officer if they were still carrying the keys.

### <u>Tasers</u>

ADC proposes to purchase 2,478 tasers for correctional officers at a cost of \$9.6 million. The purchase cost includes live and inert cartridges, training cartridges, battery packs, holsters and licenses. ADC reports that they do not currently use tasers. ADC plans for to utilize these primarily in close and maximum security settings.

GP:Im



# Arizona Department of Corrections Rehabilitation & Reentry

1601 WEST JEFFERSON PHOENIX, ARIZONA 85007 (602) 542-5497 www.azcorrections.gov



DAVID SHINN DIRECTOR

DOUGLAS A. DUCEY GOVERNOR

April 4, 2022

The Honorable David M. Gowan Chairman, Joint Legislative Budget Committee Arizona House of Representatives 1700 West Washington Phoenix, AZ 85007



The Honorable Regina E. Cobb Vice-Chairman, Joint Legislative Budget Committee Arizona State Senate 1700 West Washington Phoenix, AZ 85007

RE: Request to utilize salary savings for the purchase of security and safety equipment

Dear Senator Gowan and Representative Cobb:

Pursuant to footnote number 3 in the Fiscal Year 2022 Appropriations Report, the Arizona Department of Corrections, Rehabilitation & Reentry (ADCRR) requests placement on the next meeting agenda of the Joint Legislative Budget Committee to review our request to transfer from the Personal Services and Employee Related Expenses line items to the Non-Healthcare All Other Operating line item. The funds will be used to purchase 37 Body Scanners, 10 Ferro-Magnetic Detectors, 24 Anti-Theft Pedestals, and 2,478 Tasers with Certification Training.

If additional information is needed, please do not hesitate to contact me at (602)-542-5225.

Sincere

David Shinn Director

cc: Matthew Gress, Director, Governor's Office of Strategic Planning and Budgeting Richard Stavneak, Director, Joint Legislative Budget Committee Ryan Vergara, Budget Manager, Governor's Office of Strategic Planning and Budgeting Geoffrey Paulsen, Senior Fiscal Analyst, Joint Legislative Budget Committee Rebecca Perrera, Senior Fiscal Analyst, Joint Legislative Budget Committee

# ARIZONA DEPARTMENT OF CORRECTIONS Office of the Assistant Director Prison Operations

# Memorandum

TO: Lance Hetmer, Assistant Director, Prison Operations

FROM: Ronald Towles, Deputy Security Operations Administratory

SUBJECT: Quote Requests

DATE: 03/18/2022

Please see the attached quotes from Adani Systems, Grainger, Watcher Products and Axon.

Quantities were calculated based on the following:

One (1) Adani Systems Conpass DV X-Ray Body Scanner per Prison Unit.

One (1) Metrasens Cellsense Ultra with XACT ID Ferro-Magnetic Detector per Prison Complex.

One (1) Sensormatic 1170 Dual Anti-Theft Pedestals per Prison Unit.

One (1) Taser 7 for each Security Staff member in all Max, Close and Detention Units.

- (37) Adani Systems Conpass DV X-Ray Body Scanner to include DruGuard (Narcotics Detection Algorithm), shipping, installation and training. \$172,475 per unit \$6,955,916.75 total
- (10) Metrasens Cellsense Ultra with XACT ID Ferro-Magnetic Detector to include shipping and training.
   \$18,132.25 per unit
   \$198,004.17 total
- (24) Sensormatic 1170 Dual Anti-Theft Pedestals to include Ultra Tag Lanyards, shipping and installation.
   \$7412.20 per unit \$182,193.40
- (2,478) Taser 7 Certification Bundle, (1) Dynamic Bundle which includes holsters, live cartridges, inert cartridges, training cartridges, battery packs, licenses, training, and warranty. Upfront Purchase \$1,720.00 per Taser 7 device \$9,649,992.77



#### STATE OF ARIZONA

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DAVID M. GOWAN CHAIRMAN LELA ALSTON SEAN BOWIE RICK GRAY SINE KERR VINCE LEACH DAVID LIVINGSTON LISA OTONDO

DATE:

TO: Members of the Joint Legislative Budget Committee

April 13, 2022

FROM: Geoffrey Paulsen, Principal Fiscal Analyst

SUBJECT: Arizona Department of Corrections - Review of Request for Proposals to Operate Phoenix West Prison

### Request

Pursuant to A.R.S. § 41-1609.01, the Arizona Department of Corrections (ADC) requests review of the published Request for Proposals (RFP) for the management and operation of the Phoenix West prison, a 500-bed male, minimum security facility, effective July 23, 2022.

### **Committee Options**

The Committee has at least the following 2 options:

- 1. A favorable review of the RFP.
- 2. An unfavorable review of the RFP.

Under either option the Committee may consider the following provision:

A. Upon selecting a vendor, the department shall report to the Committee on the contracted per diem rate and the annual value of the contract.

(Continued)

# **Key Points**

- 1) Phoenix West is a 500-bed minimum security (400 rated and 100 temporary) prison currently owned and operated by a private prison vendor.
- 2) As part of its per diem payments, ADC has purchased the prison over the course of the existing contract and will take ownership of the prison in July 2022.
- 3) ADC has published a new RFP for the management and operation of the Phoenix West prison.
- 4) The 5-year contract would reduce capacity to 400 beds.

# Analysis

The Phoenix West prison was built in 1984 and is currently owned and operated by a private prison vendor that contracts with ADC to provide housing for up to 500 minimum security inmates. As allowed by statute, ADC has purchased the prison over the course of the contract as part of its per diem payments and will take ownership on July 23, 2022.

This change in ownership requires ADC to either staff the prison with ADC corrections officers or contract with a private vendor to operate the prison. ADC published an RFP on March 9, 2022 soliciting vendors to manage and operate the prison. Responses are due by April 14, 2022. The contract is for 5 years and reduces the operating capacity of the prison from 500 beds to 400 beds. As of April 12, 2022, the facility houses 450 inmates.

The RFP's provisions are similar to other existing private prison contracts. The contract would guarantee a 90% inmate population and requires the vendor to provide comprehensive inmate health care and maintain the facility in the same or better condition through the life of the contract.

The current per diem for Phoenix West is \$57.37 or an annual value of \$8.4 million for 400 beds. The current contract also permits 100 temporary beds at per diem of \$10.00, or an additional \$365,000. The dollar level of the proposed contract will depend on the responses to the RFP. The Committee may consider Provision A, which would require ADC to report back to the Committee on the contract financials once a vendor is selected.

GP:lm



# Arizona Department of Corrections Rehabilitation & Reentry

1601 WEST JEFFERSON PHOENIX, ARIZONA 65007 (602) 542-5497

www.azcorrections.gov



DIRECTOR

DOUGLAS A. DUCEY GOVERNOR

March 9, 2022

The Honorable David M. Gowan, Chairman Joint Legislative Budget Committee 1716 West Adams Phoenix, AZ 85007 NAR 1 0 2022 JOINT BUDGET COMMUTTEE

The Honorable Regina E. Cobb, Vice-Chairman Joint Legislative Budget Committee 1716 West Adams Phoenix, AZ 85007

Re: Request for Proposal (RFP) No. BPM004230, 400 Minimum Custody Contract Beds, Phoenix West Correctional Facility

Dear Senator Gowan and Representative Cobb:

In accordance with A.R.S. § 41-1609.01.A, ADCRR published the attached RFP on March 9, 2022, and is submitting it for Joint Legislative Budget Committee review.

Please inform my office of a date when a hearing will be scheduled by the Joint Legislative Budget Committee for the RFP review. Also, for your information, please note that the responses to the RFP are due from the offerors no later than April 5, 2022.

As always, if I can provide additional information, please do not hesitate to contact me.

Sincerely,

FR David Shinn Director

# Enclosures

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
 Geoffrey Paulsen, Senior Fiscal Analyst, Joint Legislative Budget Committee
 Matthew Gress, Director, Governor's Office of Strategic Planning and Budgeting
 Ryan Vergara, Budget Manager, Governor's Office of Strategic Planning and Budgeting

Please contact the JLBC Staff for a copy of the Request for Proposals.



### STATE OF ARIZONA

# Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

HOUSE OF REPRESENTATIVES

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DATE: April 13, 2022

TO: Members of the Joint Legislative Budget Committee

FROM: Maggie Rocker, Fiscal Analyst

SUBJECT: Department of Economic Security - Review of Developmental Disabilities Line Item Transfers

## Request

Pursuant to an FY 2021 General Appropriation Act footnote, before transferring any funds into or out of certain Division of Developmental Disabilities (DDD) line items, the Department of Economic Security (DES) must submit a report for review by the Joint Legislative Budget Committee (JLBC).

DES requests Committee review of a retroactive transfer of \$9,550,000 of federal Long Term Care System Fund (LTCSF) monies out of the FY 2021 DDD Administration line item as follows:

- \$9,000,000 into the FY 2021 line item for Physical and Behavioral Health Services Medicaid
- \$550,000 into the FY 2021 line item for Premium Tax.

DES also requests a retroactive transfer of \$15,000,000 LTCSF monies out of the FY 2021 Case Management - Medicaid line item as follows:

- \$10,000,000 into the FY 2021 line item for Physical and Behavioral Health Services Medicaid.
- \$5,000,000 into the FY 2021 line item for Home and Community Based Services Medicaid.

# **Key Points**

- 1) DES is requesting FY 2021 transfers of \$19 million into Physical and Behavioral Health Services, \$5 million into Home and Community Based Services Medicaid, and \$0.6 million into Premium Tax to reflect actual costs.
- 2) The FY 2021 transfers would be financed by a decrease of \$(9.6) million from DDD Administration and \$(15) million from Case Management Medicaid.

(Continued)

# **Committee Options**

The Committee has at least the following 2 options:

- 1. A favorable review of the transfer.
- 2. An unfavorable review of the transfer.

### Analysis

As a result of DES moving significant funding out of service lines into Administration and Case Management in previous years, the FY 2022 budget continued a footnote requiring Committee review of any funding being transferred in or out of the DDD Administration line and the Case Management lines to provide oversight if the department proposes to increase or decrease administrative resources.

The FY 2021 transfers are intended to align DES's actual costs by service category with the amounts allocated by line item.

MR:kp



Your Partner For A Stronger Arizona

Douglas A. Ducey Governor Michael Wisehart Director

March 29, 2022

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

The Honorable Regina E. Cobb Vice Chairman, Joint Legislative Budget Committee Arizona State House of Representatives 1700 West Washington Street Phoenix, Arizona 85007



Dear Senator Gowan and Representative Cobb:

The Arizona Department of Economic Security (Department) requests to be placed on the Joint Legislative Budget Committee agenda for review of appropriation transfer plans for the Division of Developmental Disabilities (DDD), as required by Laws 2021, First Regular Session, Chapter 408, Section 28:

Before transferring any monies in or out of the case management — medicaid, case management — state-only and DDD administration line items, the department shall submit a report for review by the joint legislative budget committee.

The Department requests to transfer General Fund appropriation authority out of the DDD Operating Title XIX Special Line Item (SLI) into the Premium Tax and the Physical and Behavioral Health SLIs in order to cover an appropriation shortfall in these line items for State Fiscal Year (SFY) 2021. Additionally, the Department is requesting to transfer appropriation authority out of the Case Management Title XIX SLI into the Home and Community Based Services (HCBS) Title XIX and the Physical and Behavioral Health SLI's to cover appropriation shortfalls for SFY 2021.

### FY 2021 Appropriation Transfer Request

Special Line Item	Amount
DDD Operating - Title XIX	(\$9,550,000)
Premium Tax - Title XIX	\$550,000
Physical & Behavioral Health Title XIX	\$9,000,000
Case Management - Title XIX	(\$15,000,000)
HCBS - Title XIX	\$5,000,000
Physical & Behavioral Health - Title XIX	\$10,000,000

The Honorable David Gowan The Honorable Regina E. Cobb Page 2

These transfers are necessary in order to align appropriation authority and funding with expenditures for SFY 2021. Funding is allocated based on DDD membership and utilization projections that vary each year. This request is made to support the Department's goal of assisting the greatest number of Arizonans in need.

If you have any questions, please contact Kathy Ber, Director of Public Affairs, at (602) 542-4669 or KBer@azdes.gov.

Sincerely,

Michael Wisehart Director

CC:

Members of the Joint Legislative Budget Committee Richard Stavneak, Director, Joint Legislative Budget Committee Matthew Gress, Director, Governor's Office of Strategic Planning and Budgeting Jonathan Perkins, Budget Analyst, Governor's Office of Strategic Planning and Budgeting Blake Tonn, Budget Analyst, Governor's Office of Strategic Planning and Budgeting Holly Henley, Director, Arizona State Library, Archives and Public Records