STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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http://www.azleg.state.az.us/jlbc.htm

R E V I S E D

MEETING NOTICE

DATE: Tuesday, May 7, 2002

TIME: 9:30 a.m.

PLACE: SENATE APPROPRIATIONS ROOM 109

TENTATIVE AGENDA

- Call to Order

- Approval of Minutes of February 28, 2002.

- DIRECTOR'S REPORT (if necessary).

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

1. DEPARTMENT OF HEALTH SERVICES - Consider Approval of Transfer of Appropriations.

2. DEPARTMENT OF ECONOMIC SECURITY
   A. Determine Arizona Works Caseload Reduction Savings.
   B. Determine Arizona Works Administrative Baseline Costs for Greenlee County.
   C. Review of Request to Spend FY 2003 Children Services Allocation in FY 2002.

3. OFFICE OF THE ATTORNEY GENERAL - Review Allocation of Settlement Monies.

4. REPORT ON RECENT AGENCY SUBMISSIONS
   A. Attorney General - Report on Model Court.
   B. Boxing Commission - Report on Boxing Events and Revenue.
   C. Arizona Criminal Justice Commission - Report on State Aid to County Attorneys Fund and the State Aid to Indigent Defense Fund.
   D. Department of Economic Security - Bimonthly Report on Arizona Works.
   E. Department of Economic Security - Bimonthly Report on Children Services Program.
   F. Department of Emergency and Military Affairs - Report on Declared Emergencies.

G. Government Information Technology Agency/Arizona Department of Administration - Report on Statewide Technology License Agreement Account Expenditures.
H. Department of Health Services - Report on 317 Vaccines Program.
I. Arizona State Retirement System - Semi-Annual Report on Information Technology Expenditures and Project Tasks.
J. Supreme Court - Report on Criminal Case Processing and Enforcement Improvement Fund and the State Aid to the Courts Fund.

The Chairman reserves the right to set the order of the agenda.
5/3/02

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.

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

February 28, 2002

The Chairman called the meeting to order at 11:07 a.m., Thursday, February 28, 2002, in Senate Appropriations Room 109. The following were present:

Members:	Senator Solomon, Chairman	Representative Allen
	Senator Arzberger	Representative Burton Cahill
	Senator Bee	Representative Gray
	Senator Bennett	Representative Pickens
	Senator Brown	
	Senator Cirillo	
	Senator Rios	
Absent:	Senator Bundgaard	Representative Knaperek, Vice-Chairman
		Representative May
		Representative Pearce
		Representative Weason
Staff:	Richard Stavneak, Director	Cheryl Kestner, Secretary
	Kim Hohman	Beth Kohler
	Paul Shannon	
Others:	Cynthia Odom	Attorney General's Office
	Sherri Collins	Executive Director, Commission for the Deaf and the Hard of Hearing
	Frank Hinds	State Risk Manager

APPROVAL OF MINUTES

Senator Solomon moved that the minutes of January 9, 2002 be approved. The motion carried.

DEPARTMENT OF HEALTH SERVICES (DHS) – Review of Behavioral Health Capitation Rate Changes.

Senator Bee moved that the Committee give a favorable review of the capitation rates for the Department of Health Services. The motion carried. The per member per month rate for the behavioral health developmentally disabled population is $27.10 and would increase to $57.46 retroactive to October 1, 2001.

OFFICE OF THE ATTORNEY GENERAL (AG) – Review of Uncollectible Debts.

Senator Bee moved that the Committee give a favorable review to the Attorney General's report on uncollectible debts. The motion carried.

ARIZONA COMMISSION FOR THE DEAF AND THE HARD OF HEARING – Update on Telecommunication Relay Services (TRS) Contract.

Senator Bee moved that the Committee give a favorable review to the Arizona Commission for the Deaf and the Hard of Hearing contract for telecommunications relay service. The motion carried.

Senator Solomon stated that the Committee would like MCI to report back regularly with regard to improvement in the TRS services.

EXECUTIVE SESSION

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

At 11:10 a.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 11:20 p.m. the Committee reconvened into open session.

Senator Bee moved that the Committee approve the recommended settlement proposals by the Attorney General's Office and State Risk Management, Department of Administration in the following cases:

1. Elmer v. Pima County, et al.
2. McMorris v. State

The motion carried.

Without objection, the meeting adjourned at 11:21 a.m.

Respectfully submitted:

_____
Cheryl Kestner, Secretary

_____
Richard Stavneak, Director

_____
Senator Ruth Solomon, Chairman

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

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DATE: April 29, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Beth Kohler, Fiscal Analyst

SUBJECT: DEPARTMENT OF HEALTH SERVICES – CONSIDER APPROVAL OF TRANSFER OF APPROPRIATIONS

Request

The Department of Health Services requests Committee approval to transfer appropriations in FY 2002 from the Seriously Mentally Ill (SMI) Non-Title XIX Special Line Item (SLI) and the Substance Abuse Non-Title XIX SLI to the Mental Health Non-Title XIX SLI to cover an anticipated shortfall in the Mental Health Non-Title XIX SLI. Specifically, the Department requests approval of the transfers shown below:

TRANSFER FROM:		TRANSFER TO:	
Seriously Mentally Ill Non-Title XIX	$2,462,700	Mental Health Non-Title XIX	$3,481,300
Substance Abuse Non-Title XIX	1,018,600		
TOTAL	$3,481,300	TOTAL	$3,481,300

Recommendation

The JLBC Staff recommends that the Committee approve the agency request.

Analysis

Pursuant to a footnote in the General Appropriation Act, any transfer to or from certain specified line items requires the approval of the Committee. The Department is requesting to transfer monies from the SMI Non-Title XIX SLI and the Substance Abuse Non-Title XIX SLI to the Mental Health Non-Title XIX SLI to cover an anticipated shortfall.

(Continued)

Laws 2001, 2nd Special Session, Chapter 5, reduced the appropriation for Non-Title XIX Mental Health Services from $9,862,100 to $947,300 due to savings in Non-Title XIX programs expected as a result of Proposition 204, which expanded Title XIX eligibility. However, DHS has already spent $4.4 million from the Mental Health Non-Title XIX SLI in contractual agreements, leaving a $3.5 million shortfall in the program.

The Department proposes transferring monies from the SMI Non-Title XIX SLI and the Substance Abuse Non-Title XIX SLI to cover the anticipated shortfall. The JLBC Staff recommends the Committee approve the requested transfer.

RS/BK:jb

Arizona Department of Health Services

Office of the Director

1740 W. Adams Street
Phoenix, Arizona 85007-2670
(602) 542-1025
(602) 542-1062 FAX

JANE DEE HULL, GOVERNOR
CATHERINE R. EDEN, DIRECTOR

March 7, 2002

The Honorable Ruth Solomon, Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Senator Solomon:

I previously reported to you that, prior to the legislative action in the 2nd Special Session of the 45th Legislature, we had already spent $4.4 Million in contractual agreements for the General Mental Health Non-Title XIX Special Line Item. However, the original appropriation of $9.9 Million was reduced by $8.9, leaving a revised appropriation of $0.9 Million. As a result, there is $3.5 Million more spent than is now available in this Special Line Item.

The Governor's Office of Strategic Planning and Budgeting has asked that we request the attached transfers to address this deficit. Also, a General Appropriation Act footnote requires that we bring the transfer request to the Joint Legislative Budget Committee for its review.

Please feel free to contact my staff or me if you have any questions.

Sincerely,

Cathy Eden

Catherine R. Eden
Director

CRE:pm

Attachment

General Fund Transfers by Special Line Item

TRANSFER FROM:		TRANSFER TO:	
Special Line Items:		Special Line Items:	
Seriously Mentally Ill Non-Title XIX	(2,462,700)	Mental Health Non-Title XIX	2,462,700
Substance Abuse Non-Title XIX	(1,018,600)	Mental Health Non-Title XIX	1,018,600
Grand Total - All Transfers	**($3,481,300)**	**Grand Total - All Transfers**	**$3,481,300**

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DATE: May 3, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY – DETERMINE ARIZONA WORKS CASELOAD REDUCTION SAVINGS

Request

Pursuant to A.R.S. § 46-342.01(B), the Joint Legislative Budget Committee each year shall determine the cash benefit dollar amount savings attributable to caseload reduction achieved by the Arizona Works pilot welfare program. Up to 25% of the savings calculation may be awarded by the Arizona Works Agency Procurement Board to the Arizona Works vendor as performance-based incentives. The JLBC Staff is presenting the Committee with its estimate of savings for calendar year (CY) 2001 based on methodology reviewed by the Committee at a February 1999 meeting.

Recommendation

The JLBC Staff recommends the Committee approve a calculation of cash benefit savings attributable to caseload reduction achieved by the Arizona Works pilot welfare program for calendar year 2001. The Committee originally approved a calculation methodology in 1999. If the Committee continues to use that methodology, the Arizona Works vendor generated $1,083,300 in caseload reduction savings for CY 2001. Current statute allows up to 25% of these savings (or $270,800, in this circumstance) to be awarded by the Arizona Works Agency Procurement Board if the Arizona Works vendor meets performance-based incentives specified in its contract. For CY 2000, the Arizona Works vendor earned a total of 8% of the $727,600 in total caseload reduction savings.

Analysis

Laws 1997, Chapter 300 created the Arizona Works pilot program. This program replaces the regular Temporary Assistance for Needy Families (TANF) assistance program, known as EMPOWER Redesign, in the Department of Economic Security's (DES) District I-E, centered around eastern Maricopa County. Laws 1998, Chapter 211 added A.R.S. § 46-342.01, which requires in part that "on or before February 15 of each year the Joint Legislative Budget Committee shall determine the cash benefit dollar amount savings attributable to caseload reduction, if any, achieved for the previous calendar year by Arizona Works." Up to 25% of these caseload reduction savings may be used by the Arizona Works Agency Procurement Board to award incentives to the vendor for satisfactory performance on several criteria.

(Continued)

The Procurement Board selected MAXIMUS as the vendor for the Arizona Works program, which began operation on April 1, 1999. The contract signed by MAXIMUS includes performance incentives using these caseload reduction savings based on MAXIMUS' success in meeting certain performance criteria.

At its February 1999 meeting, the Committee gave a favorable review to the JLBC Staff's blended caseload reduction methodology. This blended methodology combined 3 different options for calculating caseload reduction savings:

- Measuring caseloads against a fixed April 1, 1999 baseline
- Measuring caseloads against a moving baseline
- Adjusting caseloads for Maricopa countywide performance

Because each option had its own merits and because the statutory language gave little guidance to the Committee on how to calculated these savings, the reviewed methodology incorporated each option into its methodology. Measuring caseloads against a fixed baseline and a moving baseline were given a 25% weight, and adjusting caseloads for countywide performance were given a 50% weight. "Caseload" was defined as the unduplicated caseload in the Regular and Unemployed Parent programs, excluding child-only cases.

At its May 16, 2000 meeting, the JLBC approved the JLBC Staff's estimate of no caseload reduction savings attributable to the Arizona Works vendor for CY 1999. At its August 30, 2001 meeting, the JLBC approved the JLBC Staff's estimate of $727,600 in caseload reduction savings for CY 2000. Both estimates were based on the previously approved methodology discussed above.

Because caseload information for December 2001 was not available until after February 15, 2001 and has taken DES additional time to calculate, we are only able now to present the Committee with our estimate. The JLBC Staff has taken the data provided for Arizona Works and the rest of Maricopa County to calculate its caseload reduction savings estimate for CY 2001. The per case savings estimate of $273.35 per month (or $3,280.20 per year) reflects the average per-case payment in December 2001. The components of the calculation are described below.

Method 1: Measure Caseloads Against Fixed April 1, 1999 Baseline: This method compares the average caseload for each calendar year against a fixed April 1, 1999 baseline. The caseload in the Arizona Works pilot area on April 1, 1999 was 1,844 cases. The average end-of-month caseload for Arizona Works during CY 2001 was 1,613 cases. This means that the average decrease from the fixed April 1, 1999 baseline during CY 2000 was 231 cases, or (12.53)%. Assuming yearly savings of $3,280.20 per case, we estimate total savings for this method was $757,700.

Method 2: Measure Caseloads Against Moving Baseline: This method is similar to Method 1, but the baseline will be reset each year to the prior year's average caseload. The CY 2000 average caseload was 1,617 cases. As noted above, the average end-of-month caseload for Arizona Works during CY 2001 was 1,613 cases. This means that the average decrease from the CY 2000 average caseload during CY 2001 was 4 cases, or (0.25)%. Assuming yearly savings of $3,280.20 per case, we estimate total savings for this method was $13,100.

Method 3: Adjust Targets for Maricopa Countywide Performance: This method compares caseload performance in the Arizona Works pilot area with caseload performance in the rest of Maricopa County. The average caseload in the EMPOWER Redesign in Maricopa County during CY 2000 was 4,676 cases. The average end-of-month caseload for EMPOWER Redesign during CY 2001 was 6,235 cases. This means that the average increase in the EMPOWER Redesign area during CY 2001 was 1,559 cases, or 33.34%. The average caseload decrease in the Arizona Works pilot area (0.25%) exceeded the increase in the EMPOWER Redesign area (33.34%) by a total of 33.59%. Applying that percentage to the average number of cases during CY 2000, 1,617 cases, produces a total CY 2001 "Arizona Works only" decrease of 543 cases. Assuming yearly savings of $3,280.20 per case, we estimate total savings for this method was $1,781,100.

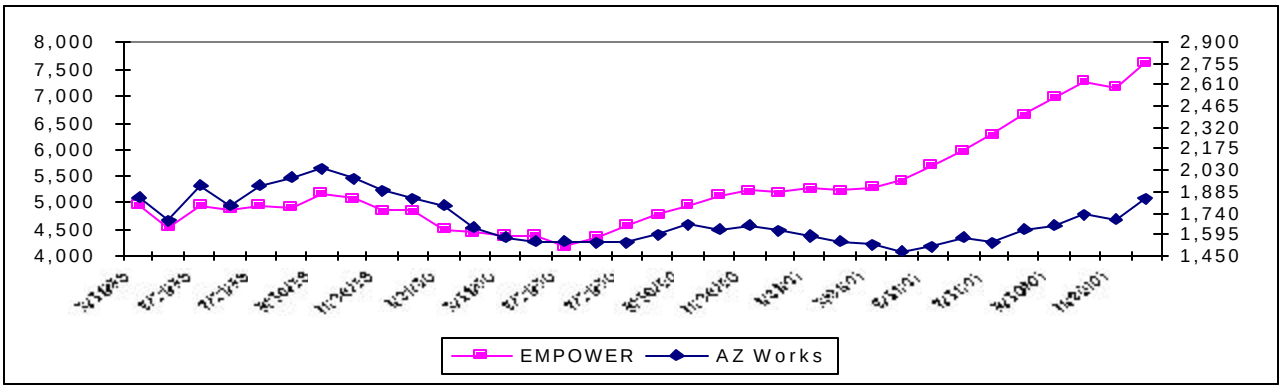
(Continued)

The table below summarizes the caseload figures used in calculating bonuses in each of the 3 methods.

Method	CY 1999/2000 Cases [1/]	Average # of CY 2001 Cases	Difference (% for "County" Method)	Total Savings
Fixed Baseline	1,844	1,613	231	$ 757,700
Moving Baseline	1,617	1,613	4	$ 13,100
County Performance				
Non-AZ Works	4,676	6,235	(1,559) (-33.34%)	
AZ Works	1,617	1,613	4 (0.25%)	
-- Total Difference	1,617	1,074	543 (10.03%)	$1,781,100

1/ "Fixed Baseline" method reflects 4/1/99 caseload; other 2 methods use average CY 2000 caseload.

The graph below depicts the caseloads in Arizona Works and EMPOWER Redesign in the rest of Maricopa County used in this calculation.



Blending the Methodologies: As noted above, the approved methodology blends the 3 methods of calculating caseload reduction savings. The results of the blending are shown in the table below:

Methodology	Bonus	Weighting	Blended Result
Fixed Baseline	$ 757,700	25%	$ 189,400
Moving Baseline	13,100	25%	3,300
Countywide Adjustment	1,781,100	50%	890,600
TOTAL Performance Bonus			$1,083,300

For CY 2000, the Arizona Works vendor earned a total of 8% of the $727,600 in total caseload reduction savings.

RS:SSH:jb

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
1717 W. Jefferson - P.O. Box 6123 - Phoenix, AZ 85005

Jane Dee Hull
Governor

John L. Clayton
Director

APR 02 2002

Mr. Stefan Shepherd
Senior Fiscal Analyst
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Dear Mr. Shepherd:

Attached is the data necessary to compute the Arizona Works caseload reduction savings for calendar year 2001. If you have any questions regarding this information, please contact Greg Wetz, DES Project Manager for Arizona Works, at 602/542-6017.

Sincerely,

Karen McLaughlin
Financial Services Administrator

c:
Attachment
Day File 838Z

TANF UNDUPLICATED CASES THAT HAD ADULT(S) IN THE HOUSEHOLD*			
	BALANCE OF		
MONTH	MARICOPA	MAXIMUMS	TOTAL
CASES OPEN ON 1/31/01 STILL OPEN ON 2/1/01	5,274	1,586	6,860
CASES OPEN ON 2/28/01 STILL OPEN ON 3/1/01	5,231	1,552	6,783
CASES OPEN ON 3/31/01 STILL OPEN ON 4/1/01	5,305	1,530	6,835
CASES OPEN ON 4/30/01 STILL OPEN ON 5/1/01	5,408	1,486	6,894
CASES OPEN ON 5/31/01 STILL OPEN ON 6/1/01	5,699	1,518	7,217
CASES OPEN ON 6/30/01 STILL OPEN ON 7/1/01	5,974	1,581	7,555
CASES OPEN ON 7/31/01 STILL OPEN ON 8/1/01	6,272	1,542	7,814
CASES OPEN ON 8/31/01 STILL OPEN ON 9/1/01	6,634	1,628	8,262
CASES OPEN ON 9/30/01 STILL OPEN ON 10/1/01	6,974	1,660	8,634
CASES OPEN ON 10/31/01 STILL OPEN ON 11/1/01	7,269	1,733	9,002
CASES OPEN ON 11/30/01 STILL OPEN ON 12/1/01	7,146	1,700	8,846
CASES OPEN ON 12/31/01 STILL OPEN ON 1/1/02	7,628	1,841	9,469
TOTAL	74,814	19,357	94,171
AVERAGE	6,235	1,613	7,848
* 1. ADULTS WERE RECIPIENTS AGE 18 AND ABOVE.			
2. EBT SITE CODE USED.			
3. PASCUA YAQUI AND SALT RIVER CASES EXCLUDED.			
ACT 7657			
F:\OSU\VOML8022\AZWORKS\JLBC2001.XLS			

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DATE: May 3, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY - DETERMINE ARIZONA WORKS ADMINISTRATIVE BASELINE COSTS FOR GREENLEE COUNTY

Request

Pursuant to a provision in A.R.S. § 46-342, the Department of Economic Security has requested that the Joint Legislative Budget Committee determine the total direct and indirect costs of administering the EMPOWER Redesign welfare program in the Arizona Works pilot area of Greenlee County. These administrative costs are used as a benchmark in determining the level of reimbursement for the Arizona Works contractor.

Recommendation

The JLBC Staff recommends that the Committee approve the JLBC Staff estimate of the total direct and indirect costs of administering the EMPOWER Redesign welfare program in Greenlee County for all of FY 2002. The Staff estimates the total cost to be $189,500, as outlined below:

- $53,700 is used to administer the state-controlled cash assistance, job training, child care, and General Assistance programs, along with central administration for those programs,
- $79,900 is used to administer the Food Stamps program, and
- $55,900 is used to administer the AHCCCS program.

Analysis

A.R.S. § 46-342 requires the Joint Legislative Budget Committee to determine the current total direct and indirect costs of administering the EMPOWER Redesign welfare program in the Arizona Works pilot areas. The cost estimate including comparable costs and functions for the Arizona Works program shall be used by the Arizona Works agency as the basis for the 10% savings in administrative cost.

The Arizona Works program consists of two phases. The first phase, located in District I-East (primarily the East Valley of Maricopa County), began on April 1, 1999. A.R.S. § 46-343 specifies that a "rural district or district selected by the Procurement Board" will be the location of the 2nd phase pilot site beginning on

(Continued)

January 1, 2001. The Procurement Board originally selected Mohave County in June 2000 to be the site of the 2nd phase pilot site. At its August 2001 meeting, the Committee determined the administrative baseline costs for Mohave County. Subsequent to that meeting, the Procurement Board rescinded its decision to select Mohave County and instead selected Greenlee County as the location of the 2nd phase pilot site. On February 13, 2002, DES sent JLBC a letter formally requesting that it determine the administrative baseline costs for the Greenlee County location.

Estimate Methodology

To estimate the baseline administrative costs for Mohave County, JLBC Staff employed the same methodology it used in estimating District I-East baseline administrative costs in July 1998. In our memorandum explaining our District I-East 1998 calculations, the JLBC Staff:

> "based its cost estimates for each program on FY 1999 appropriations and on DES estimates of FY 1998 charges for certain functions the department believes it will retain even after the Arizona Works program begins on January 1, 1999. These functions include the Office of Program Evaluation, occupancy charges, postage, computer systems development and service, appeals, and special investigations."

To allocate statewide costs for District I-East, we determined the percentage of statewide cases located in District I-East at a point in time in spring 1998, then applied that percentage to the estimated statewide costs.

For this calculation, we essentially updated each set of assumptions by 3 years. The FY 1999 appropriations and estimated FY 1998 charges used 3 years ago are now FY 2002 appropriations and estimated FY 2001 charges. Instead of using spring 1998 caseloads, we used spring 2001 caseloads for Greenlee County instead of District I-East.

The JLBC Staff estimate of full-year administrative costs for all 3 programs totals $189,500. The basic components of this estimate are shown below. The table lists the FY 2002 appropriation or FY 2001 estimate for each component, the total amount of deductions for functions that DES will retain, the percentage of the statewide caseload that is in Greenlee County, and the final estimate. Specific amounts for each retained task can be found in the attached spreadsheet.

Category of Administrative Costs	**FY02 Approp./ FY01 Estimate**	**Deductions for Retained Tasks**	**% of Caseload in Greenlee County**	**Total** [1/]
State-Controlled Programs				
Eligibility Determination for Cash Assistance	$12,943,700	$(1,067,382)	0.19%	$ 22,600
Job Training	10,177,000	-0-	0.24%	24,400
Child Care	7,777,200	(2,606,804)	32.16% * 0.08%	1,300
General Assistance	215,752	(15,907)	0.22%	400
Central (Indirect) Administration - Cash, Job Training, GA	11,328,267	(6,495,994)	0.19% * 50%	4,800 [2/]
Central (Indirect) Administration - Child Care	2,597,217	(1,324,650)	32.16% * 0.08% * 50%	200 [2/]
TOTAL - State-Controlled Programs				53,700
Food Stamps	52,442,312	(9,747,298)	0.18%	79,900 [2/]
AHCCCS Eligibility	45,472,900	(8,181,487)	0.15%	55,900 [2/]
TOTAL - ALL Programs				**$189,500**

1/ Derived by subtracting deductions for retained tasks from FY 02 appropriation, then multiplying by % of caseload.
2/ Includes small FY 02 adjustments for salary increases and other adjustments not included in FY 01 estimate base.

We would note that, as in 1998, the estimate above takes into account functions that DES will continue to perform that are specifically excluded from the RFP. These reductions, however, leave some central

(Continued)

administration expenditures that could be included in the administrative cost estimate. Some of this central administration, such as the DES Director's salary, will not be reduced as a result of hiring a vendor for Arizona Works. In order to recognize that some central administration costs will be reduced after Arizona Works is running with a vendor, the JLBC Staff estimate includes 50% of associated central administrative costs in its total cost estimate.

Impact of Estimates on Contract Reimbursement

The table below shows how the estimate of Greenlee County baseline administrative costs impact reimbursement levels to the Arizona Works vendor. These impacts are based upon the bid submitted by MAXIMUS in the fall of 1998 and are included directly in MAXIMUS' contract with DES. Please note that although MAXIMUS does not administer Food Stamps or AHCCCS eligibility determination, the contract approved by the Procurement Board and signed by MAXIMUS and DES incorporates those cost estimates into the total amount available for incentive funding. Please also note that these are full-year figures for FY 2002. Since the pilot site did not start until April 1, 2002, the vendor will only receive ¼ of these figures for the remainder of FY 2002.

JLBC Staff Estimate

Category of Administrative Costs	Allocation	Bid (80%)	Incentive Pool (Diff. between Bid and 90% of Allocation)
Total State-Controlled Programs	53,700	42,960	5,370
Food Stamps	79,900	63,920	7,990
AHCCCS	55,900	44,720	5,590
Total All Programs	189,500	151,600	18,950
	100% Incentives	57% Incentives	
Total Guaranteed Funding	42,960	42,960	
Incentive Funding	18,950	10,802	
Total Available Funding	61,910	53,762	

In calculating how much guaranteed funding MAXIMUS would receive were they to operate the Greenlee County site for all of FY 2002, the contract amendment multiplies the estimate for the state-controlled programs of $53,700 by 80%, for a total of $42,960. This percentage was derived from the amount of money MAXIMUS originally bid in 1998 for guaranteed funding in FY 2002 as a percentage of the originally-determined baseline costs.

The total incentive funding pool is calculated by taking the difference between the bid percentage (80%) and 90%, multiplied by the estimated costs for all 3 programs. This provision was based on the original contract. MAXIMUS would be eligible to receive funding from this administrative incentive pool based on its success on a variety of performance measures such as achieving at least a 30% higher rate of placement in subsidized and unsubsidized employment than EMPOWER Redesign in Graham County (the comparison county for the Greenlee County pilot).

As seen in the above table, under the JLBC Staff estimate, the Arizona Works vendor would be potentially eligible for $61,910 in administrative funding for all of FY 2002. As noted above, the pilot did not begin until April 1, 2002, so the vendor could only receive ¼ of that amount. We would note that over the 2-year period from April 1, 1999 through March 31, 2001, the Arizona Works vendor has earned approximately 57% of the performance incentives available to it in District I-East. If the Arizona Works vendor earned incentives at that same rate in FY 2002 in Mohave County, it would receive $53,762 in total funding for all of FY 2002. We would also note that the figures shown above do not include possible incentives from any caseload reduction savings estimates approved by the Joint Legislative Budget Committee.

RS/SSH:jb

Attachment

Arizona Works Administrative Costs: Greenlee County
C:\files\D.E.S\[AZ Works Administrative Costs.xls]GreenleeCounty
4/30/02 11:04

State-Controlled Programs

Eligibility Determination for Cash Assistance	
Appropriation - operating	$12,943,700
Office of Program Evaluation	($558,841)
Postage	($247,431)
Systems Development	($261,110)
	$11,876,318
% of TANF cases in Greenlee County	0.19%
	$22,600
Job Training	
Appropriation - operating + JOBS???	$10,177,000
% of JOBS cases in Greenlee County	0.24%
	$24,400
Child Care	
Appropriation - operating	$7,777,200
Payment Processing	($260,543)
Licensing and Certification	($2,068,161)
MIS (Systems Development)	($278,100)
	$5,170,396
% of TANF-related cases to total	32.16%
	$1,662,799
% of CCDF cases in Greenlee County	0.08%
	$1,300
General Assistance	
FY 1998 direct charges	$215,752
Office of Program Evaluation	($4,669)
Postage	($7,196)
DTS services	($4,042)
	$199,845
% of GA cases in Greenlee County	0.22%
	$400
Central Admin - Cash, JOBS, GA	
Appropriation - operating (estimated)	$11,328,267
Occupancy	($2,745,457)
DTS services	($2,774,315)
Office of Appeals	($100,342)
Office of Special Investigations	($875,880)
	$4,832,273
% of TANF cases in Greenlee County	0.19%
	$9,181
DES still has some admin costs	50%
Subtotal - Central Admin (Cash, JOBS, GA)	$4,591
FY 2001 adjustments	$0
FY 2002 adjustments	$161
TOTAL - Central Admin (Cash, JOBS, GA)	**$4,800**
Central Admin - Child Care	
Appropriation - operating (estimated)	$2,597,217
Occupancy	($531,392)
DTS services	($770,835)
Office of Appeals	($4,548)
Office of Special Investigations	($17,875)
	$1,272,567
% of TANF-related cases to total	32.16%
	$409,300
% of CCDF cases in Greenlee County	0.08%
	$327
DES still has some admin costs	50%
Subtotal - Central Admin (Child Care)	$164
FY 2001 adjustments	$0
FY 2002 adjustments	$5
TOTAL - Central Admin (Child Care)	**$200**
TOTAL - State-Controlled Programs	**$53,700**
Food Stamps	
Appropriation - operating (including Admin)	$37,960,662
Appropriation - Admin (estimated by DES)	$14,481,650
Office of Program Evaluation	($1,367,157)
Occupancy	($3,479,669)
DTS services	($3,594,191)
Systems Development	($667,231)
Postage	($639,050)
	$42,695,014
% of FS cases in Greenlee County	0.18%
Subtotal - Food Stamps	$76,851
FY 2001 FS adjustments	$0
FY 2002 FS adjustments	$3,039
TOTAL - Food Stamps	**$79,900**
AHCCCS	
Appropriation - operating	$45,472,900
Office of Program Evaluation	($802,535)
Occupancy	($3,023,630)
DTS services	($3,146,790)
Systems Development	($652,557)
Postage	($555,975)
	$37,291,413
% of AHCCCS recipients in Greenlee County	0.15%
TOTAL - AHCCCS	**$55,900**
TOTAL	**$189,500**

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
1717 W. Jefferson - P.O. Box 6123 - Phoenix, AZ 85005

Jane Dee Hull
Governor

John L. Clayton
Director

FEB 13 2002

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

Dear Mr. Stavneak:

On December 19, 2001 the Arizona Works Agency Procurement Board approved a contract amendment that established Greenlee County as the Arizona Works second pilot site. Pursuant to ARS 46-342 D.8, the Department requests the JLBC to determine the current DES comparable administrative costs for the Greenlee County site.

Attached is a copy of the contract amendment approved by the Board and the Department backup worksheets that support the contract budget. In the new site, the Department will provide postage, facility space, computer hardware and software, and connectivity to the DES main frame. Additionally, the Department will retain the same functions that were retained in the original pilot area, including quality control, special investigation functions, and non-TANF eligibility appeals.

If you have any questions or concerns please contact Andy Genualdi, Assistant Director, Division of Business and Finance, at 542-7166, or me at 542-5678.

Sincerely,

John L. Clayton

Enclosures

c: Senator Solomon
Representative Knaperek
Jodi Beckley
Tom Betlach

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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HOUSE OF REPRESENTATIVES

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RUSSELL K. PEARCE
MARION L. PICKENS
CHRISTINE WEASON

DATE: May 3, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY – REVIEW OF REQUEST TO EXPEND FY 2003 CHILDREN SERVICES ALLOCATION IN FY 2002

Request

Pursuant to a footnote in Chapter 2, Laws 2002, 3rd Special Session, the Department of Economic Security (DES) is asking the Committee review its request to spend in FY 2002 a total of $6,471,000 of federal Temporary Assistance for Needy Families (TANF) Block Grant monies transferred to the Social Services Block Grant (SSBG) and allocated for use to the Children Services program in FY 2003.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review to spend in FY 2002 a total $6,471,000 of TANF Block Grant monies transferred to SSBG and allocated for use to the Children Services program in FY 2003.

Analysis

The FY 2002 Supplemental Bill (Chapter 2, Laws 2002, 3rd Special Session) includes the following excerpted footnote:

> "Of the $32,066,500 appropriated from the federal Temporary Assistance for Needy Families Block Grant to the Social Services Block Grant for deposit into the Temporary Assistance for Needy Families Deposit to Social Services Block Grant special line item, $25,595,500 is allocated for use to the Children Services program in FY 2002. The balance of $6,471,000 is allocated for use to the Children Services program in FY 2003 and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, until June 30, 2003. The $6,471,000 may be expended during FY 2002 on review of the Joint Legislative Budget Committee."

DES is asking that the Committee review its request to expend in FY 2002 all $6,471,000 of the TANF transferred to SSBG and allocated for use in Children Services in FY 2003. The following table compares the FY 2002 appropriation for Children Services (including non-appropriated funding) with DES' estimated FY 2002 expenditures.

(Continued)

FY 2002 Children Services Expenditures			
Funding	Appropriated	Estimated	Surplus/(Deficit)
General Fund	$31,012,200	$ 31,012,200	$ 0
TANF	10,174,300	10,174,300	0
TANF-SSBG	25,595,500	32,066,500	(6,471,000)
Non-Appropriated Federal	33,517,000	30,521,000	2,996,000
Other Non-Appropriated	890,000	890,000	0
Total	$101,189,000	$104,664,000	$(3,475,000)

DES' overall expenditures are estimated to exceed the expenditures assumed in the appropriation by $3,475,000, or 3.4%. They are expected to exceed actual FY 2001 expenditures by $2,915,800, or 2.9%. The average number of clients is expected to decrease by 1.8% from FY 2001 to FY 2002. DES cites increases in the percentage of children in out-of-home care who require placement in more costly therapeutic and residential treatment settings as the reason for the costs increasing while the number of clients decrease.

There are two fund sources in which DES' estimated expenditures differ from the appropriation: TANF-SSBG and Non-Appropriated Federal. DES' estimated TANF-SSBG expenditures are $6,471,000 greater than the appropriation. Although the table shows a "surplus" of $2,996,000 of Non-Appropriated Federal monies, that projected surplus results from DES' estimate that the state will not draw down as much federal Title IV-E monies as assumed in the appropriation. As a result, DES estimates it will need $6,471,000 of additional TANF-SSBG monies in FY 2002.

DES has provided actual expenditures through March 2002 as shown in the table below. (Please note that the table in the attached letter from DES provides actual expenditures only through February 2002.)

Children Services Expenditures: FY 2002 vs. FY 2001				
Funding	Actuals (thru March 2002)	Estimated Rest of Year	YTD Actuals as % of FY 02 Total	FY 01 March YTD as % of Total
General Fund	$21,543,495	$ 9,468,705	69.5%	64.4%
TANF	6,289,014	3,885,286	61.8%	64.0%
TANF-SSBG	25,717,176	6,349,324	80.2%	67.6%
Non-Appropriated Federal	15,392,251	15,128,749	50.4%	59.3%
Other Non-Appropriated	890,000	0	100.0%	N/A
Total	$69,831,936	$34,832,064	66.7%	64.1%

Year-to-date non-appropriated Federal expenditures as a percentage of expected FY 2002 total non-appropriated Federal expenditures are below behind FY 2001 totals. Year-to-date total expenditures as a percentage of expected FY 2002 total expenditures are above FY 2001 totals. These two figures raise the possibility that federal expenditures could be below projected levels while total expenditures could be above projected levels.

JLBC Staff recommends, therefore, that the Committee give a favorable review to spend in FY 2002 a total $6,471,000 of TANF Block Grant monies transferred to SSBG and allocated for use to the Children Services program in FY 2003.

RS/SSh:jb

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Jane Dee Hull
Governor

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

John L. Clayton
Director

APR 2 3 2002

The Honorable Ruth Solomon, Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Dear Senator Solomon:

Pursuant to the footnote in the General Appropriation Act, the Arizona Department of Economic Security requests that $6,471,000 appropriated in the Temporary Assistance for Needy Families Deposit to Social Services Block Grant Special Line Item, but allocated for FY 2003, be approved for spending in FY 2002. The footnote provides that $6,471,000, allocated for use to the Children Services program in FY 2003, may be expended during FY 2002 on review of the Joint Legislative Budget Committee.

Attached is a copy of the Department's most recently submitted bimonthly report on the Children Services program, as required in the footnote. The Department has expressed the need to use these dollars in the last several bimonthly reports. Less than anticipated federal Title IV-E earnings and increases in the percentage of children in out-of-home care who require placement in therapeutic and residential treatment settings which are more costly have resulted in an increased dependence on appropriated resources.

Please contact Karen McLaughlin, Financial Services Administrator, at (602) 542-3786 if you have questions.

Sincerely,

John L. Clayton

Attachment

Department of Economic Security

Forecasted Children Services Funding Needs and Client Caseload Levels for SFY 2002

(with actual client counts and expenditures through February, 2002)

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	13th/AA	TOTAL
Projected Client Counts 1/														
Child Counts	15,315	15,301	16,223	15,796	16,737	15,430	16,135	16,239	16,551	15,987	15,795	15,589		
Projected Expenditures 2/														
General Fund	126,019	2,378,279	2,116,247	2,331,294	2,301,546	1,975,689	2,669,189	2,124,175	3,124,100	2,948,800	2,925,900	2,986,600	3,004,362	31,012,200
TANF	-	724,816	803,138	746,069	781,314	749,953	984,178	711,247	974,000	919,400	912,200	931,200	936,785	10,174,300
TANF to SSBG	5,370	3,468,944	2,377,103	3,700,767	3,623,789	3,556,600	3,770,979	3,843,019	1,608,900	1,518,700	1,506,900	1,538,100	1,547,329	32,066,500
Non-Appropriated Federal	-	1,924,821	1,869,237	1,873,056	2,096,744	2,048,673	2,022,044	1,811,333	3,183,700	3,005,100	2,981,700	3,043,600	4,660,992	30,521,000
Other Non-Appropriated	-	-	890,000	-	-	-	-	-	-	-	-	-	-	890,000
TOTAL	131,389	8,496,860	8,055,725	8,651,186	8,803,393	8,330,915	9,446,390	8,489,774	8,890,700	8,392,000	8,326,700	8,499,500	10,149,468	104,664,000
Projected Expenditures (Non-Appropriated Federal)														
Title IV-E	-	1,861,847	1,776,888	1,780,703	1,831,874	1,821,399	1,981,536	1,928,087	2,140,500	1,961,900	1,938,500	2,000,400	3,617,866	24,641,500
SSBG	-	30,199	58,374	55,949	68,505	40,422	40,508	79,264	1,047,900	1,047,900	1,047,900	1,047,900	1,047,679	5,612,500
CWS IV-B	-	32,775	33,975	36,404	196,365	186,852	-	(196,018)	(4,700)	(4,700)	(4,700)	(4,700)	(4,553)	267,000
TOTAL	-	1,924,821	1,869,237	1,873,056	2,096,744	2,048,673	2,022,044	1,811,333	3,183,700	3,005,100	2,981,700	3,043,600	4,660,992	30,521,000
Approved / Estimated Funding														
General Fund														31,012,200
TANF														10,174,300
TANF to SSBG 3/														25,595,500
Non-Appropriated Federal														33,517,000
Other Non-Appropriated														890,000
TOTAL														101,189,000
Variance														
General Fund														-
TANF														-
TANF to SSBG 3/														(6,471,000)
Non-Appropriated Federal														2,996,000
Other Non-Appropriated														-
TOTAL														(3,475,000)

1/ Forecasted child counts are for month of service.

2/ Forecasted expenditures are for month or period of payment.

3/ Excludes 6,471,000 TANF - SSBG allocated for use in FY 2003. This amount may be made available in FY 2002 upon JLBC review.

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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CHRISTINE WEASON

DATE: May 3, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Kim Hohman, Fiscal Analyst

SUBJECT: OFFICE OF THE ATTORNEY GENERAL – REVIEW ALLOCATION OF SETTLEMENT MONIES

Request

Pursuant to a footnote in the General Appropriation Act, the Office of the Attorney General (AG) has notified the Committee of the allocation of monies to be received from 4 settlement agreements.

Recommendation

The JLBC Staff recommends a favorable review of the allocation plan for each of the settlement agreements.

Analysis

The FY 2002 and 2003 General Appropriation Act contains a footnote that requires JLBC review of the allocation or expenditure plan for settlement monies over $100,000 received by the Attorney General or any other person on behalf of the State of Arizona, and specifies that the Attorney General shall not allocate or expend these monies until the JLBC reviews the allocations or expenditures. Settlements that are deposited in the General Fund pursuant to statute do not require JLBC review or approval.

The Office of the Attorney General recently settled 4 cases that will result in the receipt of settlement monies over $100,000. The first case involved violations of the Arizona Consumer Fraud Act (A.R.S. § 44-1521) relating to the failure of Bridgestone/Firestone's fifteen inch tires. Bridgestone/Firestone agreed to pay the State of Arizona $500,000 in civil penalties as part of a $10 million settlement with all of the states. Additionally, Arizona has received $30,000 in recovered

(Continued)

attorney costs. Pursuant to A.R.S. § 44-1531.01, any court costs, attorney fees, or civil penalties recovered by the state as a result of violations of consumer protection laws are deposited in the Consumer Fraud Revolving Fund. Monies in this fund are used for consumer fraud education, investigations and enforcement operations.

The second case also involved violations of the Arizona Consumer Fraud Act (A.R.S. § 44-1521) by First Alliance Mortgage Company (FAMCO), related to the company's mortgage lending practices. Pursuant to the settlement agreement, FAMCO will pay approximately $70 million into a recovery fund, administered by the Federal Trade Commission, for the benefit of approximately 21,000 consumers nationwide. Of this amount, the AG's Office estimates that 600 Arizona consumers will receive a total of approximately $2 million. In addition, the settlement agreement allows states to petition for recovery of legal expenses. The AG's Office believes the amount recovered for attorney costs for Arizona will not exceed $100,000.

The third case involved violations of age discrimination provisions of the Arizona Civil Right Act (A.R.S. § 41-1463) by Tucson Newspaper, Inc (TNI). In the settlement, TNI agreed to pay 6 employees a total of $650,000. In addition, the Civil Rights Division within the AG's Office will receive $5,000 to monitor the compliance with the settlement agreement and to enforce state civil rights laws.

The fourth and final settlement involved violations of antitrust laws by 6 vitamin manufacturers. Arizona is one of 23 jurisdictions involved in the case against F. Hoffman-La Roche Ltd., BASF Corp., Aventis Animal Nutrition, Takeda Chemical, Esai Co. Ltd., and Daiichi Pharmaceutical Co. Ltd. to help recover damages arising from a price-fixing scheme. The vitamin manufacturers have agreed to pay approximately $187 million to consumer and commercial interests in the 23 jurisdictions involved in the settlement. Of this amount, Arizona will receive approximately $5.1 million for distribution to Arizona charities to improve the state's nutritional health.

The Master Settlement Agreement identifies the following 4 criteria for distributing settlement monies: 1) monies must be distributed to qualifying political subdivisions, not-for-profit corporations, or charitable organizations, 2) settlement monies must be used only for activities that have not been previously funded or would not be fully funded without receipt of settlement funds, 3) monies must be used for the improvement of the state's nutritional health or the advancement of nutritional, dietary or agricultural science, and 4) not more than 5% of the settlement amount can be deposited in a state's antitrust or consumer protection account.

Pursuant to the settlement agreement, each state's Attorney General was required to submit a settlement distribution plan in accordance with the provisions of the settlement. The $5.1 million received by Arizona will be distributed as follows: $200,000 to the Anti-Trust Enforcement Revolving Fund, $2.2 million to regional food banks throughout the state, and $2.7 million to the Arizona Community Foundation to establish and administer the Senior Dental Health Fund and the Arizona Nutritional Health Fund.

The Arizona Community Foundation is a non-profit organization that administers and distributes funds for charitable purposes statewide. An evaluation committee within the Foundation will review proposals and award grants to qualifying charitable organizations for the purposes of dental and nutritional health. The Foundation will provide quarterly reports to the AG's Office on the expenditures from each fund. The Senior Dental Health Fund will provide grants to organizations that can arrange dental care for low-income seniors. Qualifying seniors will be eligible to receive

(Continued)

dentures, preventative dental care, and nutritional supplements tied to poor oral health. The Arizona Nutritional Health Fund will provide grants for programs and services to improve health and nutrition statewide. Additionally, if Arizona's share of the settlement differs from what is anticipated, the difference will be deducted from, or credited to, this fund.

The distribution of $2.2 million to regional food banks throughout the state is listed below.

- $500,000 – Borderland Food Bank
- $250,000 – Yuma Community Food Bank
- $200,000 – St. Vincent de Paul, Westside Food Bank, Community Food Bank of Tucson, and Association of Arizona Food Banks (each food bank receives $200,000)
- $125,000 – Care and Share Food Bank, Northern Arizona Food Bank, United Food Bank, and St. Mary's Food Bank (each food bank receives $125,000)
- $100,000 – Southeast Arizona Food Bank
- $50,000 – Desert Mission Food Bank

The Superior Court approved the distribution plan for Arizona's portion of the settlement on April 5, 2002.

RS/KH:jb

STATE OF ARIZONA

OFFICE OF THE ATTORNEY GENERAL

JANET NAPOLITANO
ATTORNEY GENERAL

1275 WEST WASHINGTON, PHOENIX, AZ. 85007-2926

MAIN PHONE : (602) 542-3881
FACSIMILE : (602) 542-5997

February 15, 2002

The Honorable Randall Gnant
President of the Senate
State Senate
1700 West Washington
Phoenix, Arizona 85007

The Honorable Jim Weiers
Speaker of the House
House of Representatives
1700 West Washington
Phoenix, Arizona 85007

The Honorable Laura Knaperek
Chair, Joint Legislative Budget Committee
1700 West Washington
Phoenix, Arizona 85007

Re: *State of Arizona v. Bridgestone/Firestone, Inc.*

Dear Madam and Gentlemen:

This Office has entered into a consent judgment, dated November 20, 2001, with Bridgestone/Firestone, Inc., as part of a nationwide settlement with respect to the failure of the company's fifteen inch tires. In addition to injunctive relief, Bridgestone/Firestone agreed to pay Arizona $500,000 as a civil penalty as part of a ten million dollar settlement with all of the states. In addition, Arizona has received $30,000 for costs & attorneys' fees. These funds have been deposited in the consumer protection revolving fund, pursuant to A.R.S. § 44-1531.01 to be used for the consumer protection purposes specified therein. As part of the consent judgment, Bridgestone/Firestone also agreed to establish a program to review and re-examine its denial of consumer claims for replacement of defective tires. Bridgestone/Firestone has estimated that this re-examination program will result in the payment of approximately ten million dollars to consumer nationwide.

Please accept my apology for not reporting this settlement earlier, and please accept my assurance that we will promptly report all settlements of $100,000 or more, as we have in the past.

Sincerely,

Robert A. Zumoff
Chief Counsel
Consumer Protection & Advocacy Section
(602) 542-7701
Fax: (602) 542-4377

cc: The Honorable Ruth Solomon
The Honorable Jack Brown
The Honorable Ken Cheuvront
Mr. Richard Stavneak
Ms. Gina Guarascio
Mr. Michael Haener
Mr. John Stevens

STATE OF ARIZONA

OFFICE OF THE ATTORNEY GENERAL

JANET NAPOLITANO
ATTORNEY GENERAL

1275 WEST WASHINGTON, PHOENIX, AZ. 85007-2926

MAIN PHONE : (602) 542-5025
FACSIMILE : (602) 542-4085

March 21, 2002

The Honorable Randall Gnant
President of the Senate
State Senate
1700 West Washington
Phoenix, Arizona 85007

MAR 22 2002

The Honorable Jim Weiers
Speaker of the House
House of Representatives
1700 West Washington
Phoenix, Arizona 85007

The Honorable Ruth Solomon
Chair, Joint Legislative Budget Committee
1700 West Washington
Phoenix, Arizona 85007

Re: *Federal Trade Commission, et al., v. First Alliance Mortgage Company, et al.*

Dear Madam and Gentlemen:

This Office will be entering into a settlement with First Alliance Mortgage Company (FAMCO) and related persons and entities as part of a settlement with six states, the Federal Trade Commission (FTC), and various private plaintiff classes. The settlement arises out of FAMCO's alleged violations of the Arizona Consumer Fraud Act, A.R.S. § 44-1521, *et seq.*, in connection with its mortgage lending practices. The settlement is being entered in the Federal District Court for the Central District of California as part of FAMCO's bankruptcy proceeding.

In addition to requiring injunctive relief, the settlement also provides that defendants will pay or relinquish various funds and interests with a total estimated net value of approximately $70 million. This fund will be paid into a recovery fund administered by the FTC for the benefit of approximately 21,000 consumers nationwide. We believe that there are approximately 600 Arizona consumers in this group who should ultimately receive a total of approximately $2 million. The states will be permitted to make claims for costs and attorneys fees against the recovery fund, with the amount to be decided by the FTC and approved by the District Court. The amount of costs and fees that will be allowed is not known at this time, but is expected to be less than $100,000.

It is the position of this Office that we are not obligated under the budget footnote to provide notice of this settlement to the Joint Legislative Budget Committee. We are providing this notice as a courtesy.

Sincerely,

Robert A. Zumoff
Chief Counsel
Consumer Protection & Advocacy Section
(602) 542-7701
Fax: (602) 542-4377

cc: The Honorable Laura Knaperek
The Honorable Jack Brown
The Honorable Ken Cheuvront
Mr. Richard Stavneak
Ms. Kim Hohman
Mr. Michael Haener
Mr. John Stevens

728560

STATE OF ARIZONA
OFFICE OF THE ATTORNEY GENERAL
CIVIL RIGHTS DIVISION
1275 WEST WASHINGTON
PHOENIX, AZ 85007-2926

JANET NAPOLITANO
ATTORNEY GENERAL

MAIN PHONE: 602 542-5263
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TOLL-FREE 1-877-491-5742

HAND DELIVERED

March 18, 2002

The Honorable Randall Gnant
President of the Senate
Arizona State Senate
1700 West Washington, Room 204
Phoenix, Arizona 85007

MAR 18 2002

The Honorable James Weiers
Speaker of the House
Arizona House of Representatives
1700 West Washington, Room 223
Phoenix, Arizona 85007

The Honorable Ruth Solomon
Chair, Joint Legislative Budget Committee
1700 West Washington
Phoenix, Arizona 85007

Re: *State of Arizona v. TNI Partners*
Cause No. C20012421

Dear Madam and Gentlemen:

Please be advised that this Office has negotiated a Settlement Agreement with TNI Partners (d/b/a Tucson Newspapers, Inc.), on behalf of the State of Arizona and six victims of age discrimination, in the above-captioned lawsuit.

In this lawsuit, the State alleged that TNI Partners violated the age discrimination provisions of the Arizona Civil Rights Act, A.R.S. § 41-1463(B), when it terminated six older composing room employees, allegedly because they had signed a buy-out agreement in 1977 and/or 1978. Five of those terminated

employees intervened in the State's action as parties and raised additional claims under the federal Age Discrimination in Employment Act of 1968. These five employees were represented by private counsel in this matter.

The six employees are recovering $650,000 directly from TNI in this matter, and the Civil Rights Division will recover $5,000. The $650,000 settlement, after withholding taxes are deducted, will be divided directly among the discrimination victims and their counsel as follows: Blaise Richard will receive $117,000; Frank Urias will receive $117,000; Michael Huff will receive $117,000; Robert Rodriguez will receive $117,000; Vernon Scott will receive $117,000; Bob Min Lee will receive $40,625; and Raven & Awerkamp, P.C. will receive $24,375. *See* A.R.S. § 41-1481(G).

Pursuant to the Court's equitable powers under A.R.S. § 41-1481(G), TNI was ordered to pay $5,000 to the Civil Rights Division of the Arizona Attorney General's Office to monitor compliance with the Settlement Agreement and to enforce civil rights laws in Arizona.

The settlement resolves the litigation involving these age discrimination issues, will avoid additional litigation expenses and provides a substantial and fair remedy to the victims.

It is the position of this Office that we are not obligated under the budget footnote to provide notice of this settlement to the Joint Legislative Budget Committee. We are providing this notice as a courtesy.

Respectfully,

Virginia Herrera-Gonzales
Chief Counsel, Civil Rights Division

cc: The Honorable Laura Knaperek
The Honorable Jack Brown
The Honorable Ken Cheuvront
Mr. Richard Stavneak
Ms. Kim Hohman
Mr. Michael Haener
Mr. John Stevens

STATE OF ARIZONA

OFFICE OF THE ATTORNEY GENERAL

JANET NAPOLITANO
ATTORNEY GENERAL

1275 WEST WASHINGTON, PHOENIX, AZ. 85007-2926

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April 5, 2002

VIA HAND-DELIVERY

The Honorable Randall Gnant
President of the Senate
1700 West Washington
Phoenix, Arizona 85007

The Honorable Jim Weiers
Speaker of the House
House of Representatives
1700 West Washington
Phoenix, Arizona 85007

The Honorable Ruth Solomon
Chair, Joint Legislative Budget Committee
1700 West Washington
Phoenix, Arizona 85007

Re: *Richardson, et al. v. F. Hoffman-LaRoche, Ltd., et al.*, CV99-006005 (Super. Ct. Maricopa Co.)

Dear Madam and Gentlemen:

This morning, our office joined private plaintiff's counsel in seeking and obtaining court approval of an antitrust settlement with six of the world's largest vitamins manufacturers. Arizona is one of 23 jurisdictions that intervened in private lawsuits against F. Hoffman-La Roche Ltd., BASF Corp., Aventis Animal Nutrition, S.A., Takeda Chemical, Esai Co. Ltd. and Daiichi Pharmaceutical Co. Ltd. to help recover damages from a massive price-fixing conspiracy. The defendants have agreed to pay approximately $187,000,000 to consumer and commercial interests in the 23 jurisdictions. Approximately $5,126,000 of this sum will benefit Arizona, primarily in the form of distribution to Arizona charities to improve the State's nutritional health. A copy of the settlement agreement is attached.

The Court and the settlement agreement require the Attorney General's Office of each settling state to submit to the Court a distribution plan for nutritional health-related organizations in their jurisdiction. A copy of our distribution plan, which was also approved this morning by the Court, is enclosed for your reference.

The settlement agreement also allows each Attorney General to devote up to 5% of the State's Consumer Class Settlement Amount to the State's antitrust revolving fund, and the Court approved our request to devote $200,000 (an estimated 4.26% of Arizona's Consumer Class Settlement Amount) to our State's antitrust revolving fund, which was in serious need of replenishment. Apart from this sum, no other funds from the settlement are permitted to go to the settling states themselves.

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

Please call me at (602) 542-7711 if you have any questions regarding this matter.

Sincerely,

Timothy A. Nelson
Special Counsel and Antitrust Unit Chief

Enclosures

cc: Hon. Jack Brown
Hon. Ken Cheuvront
Richard Stavneak
Kim Hohman
Michael Haener
Paul Bullis
John Stevens
(w/ out enclosures)

STATE OF ARIZONA

Joint Legislative Budget Committee

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CHRISTINE WEASON

DATE: May 3, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

FROM: Richard Stavneak, Director

SUBJECT: REPORT ON RECENT AGENCY SUBMISSIONS

Request

The JLBC has received a number of statutorily required reports during the past month. Each report is briefly described below.

Recommendation

The reports are for information only and no Committee action is required. We do not intend to discuss the reports at the JLBC meeting unless a member has a question. If any member knows in advance that they will have questions, we would appreciate knowing that before the meeting so as to ensure the relevant agency is available.

Reports

A. Attorney General - Report on Model Court.

Laws 2001, Chapter 238 requires the Office of the Attorney General to submit a quarterly report summarizing program information related to Model Court. The agency's summary for the 2nd Quarter of FY 2002 reports total expenditures at approximately $681,100. As of January 1, 1999 there were approximately 6,000 open dependency cases (cases open before statewide implementation of Model Court). By the end of the 2nd Quarter of FY 2002, 885 of the original 6,000 remain. The total number of children (both new and existing) placed during the 2nd Quarter was 482. Of this amount, 154 children represent backlog cases. A case is considered a "backlog" case if it was open before January 1, 1999, or before statewide implementation of Model Court. The number of cases does not correspond directly to the number of children (i.e. each case may involve more than one child). Of the 482 children placed, 42 were adopted by a relative, 177 were adopted by a non-relative, 59 were placed with a guardian related to the child, 32 were placed with a guardian not related to the child, and 172 were reunited with a parent. The agency reports a total of 6,727 children still awaiting placement. Of this amount, 1,781 children represent backlog cases.

B. Boxing Commission - Report on Boxing Events and Revenue.

Pursuant to a General Appropriation Act footnote, the Boxing Commission is required to report semiannually on the number of boxing events, gross receipts, state revenues, and licensing fee collections. The Commission submitted its latest report on April 24.

As of April 24, 2002, 25 events have been held in Arizona with the total for gross receipts and license fees equaling $19,850. The total receipts represent 25% of the Commission's FY 2002 General Fund appropriation of $78,000.

C. Arizona Criminal Justice Commission - Report on State Aid to County Attorneys Fund and the State Aid to Indigent Defense Fund.

Pursuant to A.R.S. § 41-2409E, the Arizona Criminal Justice Commission (ACJC) is required to report on the expenditures of monies in the State Aid to County Attorneys Fund and State Aid to Indigent Defense Fund by January 8, 2002. Monies in the funds are distributed to counties based on a statutory formula that uses population and criminal case filings. ACJC reports that counties used the monies in three main areas: additional staffing to process more cases, equipment purchases to improve case management, and contracts for outside services to improve criminal case processing. The legislation establishing the funds and the reporting requirement included a legislative intent section that set timelines for criminal case processing. The report, however, does not contain information about the impact of the monies on the time to process a criminal case. In the future, we believe the report should contain a measurement of the progress of improving criminal case processing times.

D. Department of Economic Security - Bimonthly Report on Arizona Works.

As the vendor for the state's Arizona Works pilot welfare program, MAXIMUS is required to report bimonthly on Arizona Works. It submitted its latest report in March. Total caseloads in Arizona Works increased by 22.0% from January 2000 through January 2001. Over the same period of time, welfare caseloads in the rest of Maricopa County increased 29.5%. We would note, however, that any difference in recipient and economic characteristics in both areas may contribute to differences in caseloads. Services began in Greenlee County, the second (rural) pilot site, on April 1. JLBC is statutorily required to approve the baseline administrative costs for this second pilot; this can be found in a separate agenda item.

E. Department of Economic Security - Bimonthly Report on Children Services Program.

Pursuant to a footnote in the FY 2002 Supplemental Bill, the Department of Economic Security has submitted the bimonthly Children Services report for April 1. The report includes actual expenditure and caseload data through February 2002. Year-to-date expenditures totaled $60,405,600, or 3.3% higher than the $58,502,700 projected in DES' last bimonthly report. DES continues to project a FY 2002 state funds deficit of $(6,471,000). DES is permitted to spend in FY 2002 $6,471,000 of federal Temporary Assistance for Needy Families Block Grant monies transferred to the Social Services Block Grant and reserved for use in FY 2003. The Committee must review the proposed use of any of the $6,471,000. DES' request to use all $6,471,000 of these monies is under a separate agenda item. The number of children receiving services in February was 16,239, an increase of 809 (5.2%) from December 2001.

F. Department of Emergency and Military Affairs - Report on Declared Emergencies.

Pursuant to A.R.S. § 35-192, on February 19, 2002, the Governor's Emergency Council approved the expenditure of $376,459 from the General Fund to provide additional funding for the Cochise County Flash Flood Emergency (PCA 20002). The funds are needed to continue work on the High Road Retaining Wall, Brewery Gulch Retaining Wall and Brooks Apartments Drainage projects in Cochise County.

Pursuant to A.R.S. § 35-192, on February 19, 2002, the Governor's Emergency Council approved the expenditure of $127,613 from the General Fund for the Arizona 2000 Flood Emergency (PCA 21104). The funds are needed to provide public assistance and individual family grants in Cochise, La Paz, Maricopa, Pinal and Santa Cruz counties.

Pursuant to A.R.S. § 35-192, on February 19, 2002, the Governor's Emergency Council approved the expenditure of $1,186,928 from the General Fund for the September Terrorism Incident Emergency (PCA 22002). The additional funds are needed to pay existing claims by political subdivisions and state agencies and to support ongoing security operations.

Under A.R.S. § 35-192, the Governor is authorized to approve the expenditure of $200,000 or less for any single disaster, emergency or contingency. Authorization of larger expenditures cannot be made without consent of a majority of the members of the State Emergency Council. The total amount of all expenditures for States of Emergency cannot exceed $4,000,000 for any fiscal year. There have been eleven emergency declarations, amendments or other actions in FY 2002, with total authorized expenditures of $3,975,000 from the General Fund.

G. Government Information Technology Agency/Arizona Department of Administration - Report on Statewide Technology License Agreement Account Expenditures.

Laws 2000, Chapter 110 requires the Government Information Technology Agency (GITA) and the Arizona Department of Administration (ADOA) to jointly report on "activities identified for and authorized expenditures from the Statewide Technology Licensing Agreement (STLA) Account." The STLA account is to be used as a conduit for statewide large volume contracts with software vendors. Savings from these volume contracts are to be retained in the STLA account for use on future large volume contract negotiations. The report is to include a description of the estimated savings and benefits from using the STLA account.

According to GITA and ADOA, there has been only one large volume enterprise agreement authorized for the STLA account. This agreement was signed with Computer Associates (CA) in March 2000, and covered all CA products used by the state at a total 5-year contract cost of $30,600,000. At the time, GITA estimated that this contract would generate $6 million in savings for the state.

However, several assumptions on which the contract was negotiated, including growth in processing speed, consolidations of applications, and the cost of bringing Hawaii on the contract, proved inaccurate. As a result, no savings were realized and the contract was renegotiated to extend for an additional 2 years at the same contract cost. Since there were no savings identified, however, the STLA account has not been used and agencies have paid the vendor directly for services covered by the contract. The next report on STLA activities is required on January 1, 2003.

As additional information, by September 30, 2002 the Auditor General is to conduct a review of the STLA account and the ability of GITA to contract and enter into intergovernmental agreements. This review shall include a determination of whether GITA's ability to enter into contracts affects their ability to independently evaluate agency information technology plans.

H. Department of Health Services - Report on 317 Vaccines Program.

A footnote in the General Appropriation Act requires the Department of Health Services (DHS) to report by February 1, 2002 to the Committee on the amount of federal monies received for FY 2002 for the Federal 317 vaccines program. We received the report on February 22, 2002. The department reports that to date, it has received $1,162,433 in Federal 317 monies.

The FY 2002 appropriation for the Vaccines Special Line Item (SLI) included $576,600 to supplement federal monies for the Federal 317 vaccines program, which provides immunizations to children in public settings such as malls and clinics. DHS was anticipating a shortfall for the program, so General Fund monies were added to fill in the shortfall. The footnote also specifies that, if DHS receives more than $1,188,000 in Federal 317 monies for vaccines purchase in FY 2002, the General Fund amount of the state FY 2002 appropriation for the Vaccines SLI equal to the amount by which the federal monies exceed $1,188,000, up to $576,600, shall revert to the General Fund. At this point the department has received slightly less than $1,188,000 in federal monies, so no monies are expected to revert to the General Fund. It is possible that DHS will receive additional federal monies before the end of the fiscal year, in which case, some of the General Fund appropriation may be required to revert to the General Fund. The department, however, believes this is unlikely.

I. Arizona State Retirement System - Semi-Annual Report on Information Technology Expenditures and Project Tasks.

Pursuant to a footnote in the General Appropriation Act, the Arizona State Retirement System (ASRS) is submitting a semi-annual update on the ASRS Information Technology (IT) Plan. ASRS received a favorable review of the FY 2002 expenditures at the May 2001 JLBC meeting, and is required to submit a semi-annual update on the status of the IT Plan expenditures.

This submission details the FY 2002 IT Plan expenditures as of December 31, 2001. As of December 31, 2001 approximately $2.1 million had been expended or encumbered, compared to the total appropriation of $9 million. Much of the consulting and equipment costs have not been incurred as of December 31 due to delays in bringing consultants on board and in processing the equipment purchases. ASRS estimates that by June 30, 2002 approximately $8.9 million will have been expended or encumbered. The update also details the progress toward specified objectives, such as additional staffing, equipment needs, and internal planning.

The Committee also requested that ASRS address security concerns stemming from members' pension information being accessed through the Internet. ASRS has submitted information discussing the login process for members wishing to access their pension information over the Internet, and has included information on the encryption of the data being shared with the member.

Prior to the expenditure of the FY 2003 appropriation, ASRS must submit their expenditure to JLBC for review.

J. Supreme Court - Report on Criminal Case Processing and Enforcement Improvement Fund and the State Aid to the Courts Fund.

The Supreme Court is required to report on the Criminal Case Processing and Enforcement Improvement Fund and the State Aid to the Courts Fund yearly by January 8th. The report includes an evaluation of statewide court collection efforts for FY 2001, as well as the progress of criminal case processing projects in each Arizona county. The Administrative Office of the Courts (AOC) reports an increase of 11% in criminal felony case filings and a 16.9% increase in criminal case terminations. In addition, the AOC identifies numerous projects within each county designed to improve case processing.

In FY 2001, statewide court revenue collections increased by 7.1% while case filings decreased by 0.4%. In the area of restitution, the courts reported an increase in collections by 14.2% from FY 2000 to FY 2001. Lastly, the report identifies three statewide strategic projects to improve court collections: 1) administering the Judicial Collection Enhancement Fund and Traffic Case Processing Fund, 2) working with the Arizona Judicial Enforcement Network to identify "best practices", and 3) developing a section of the Court Order Enforcement Standards manual to highlight the best collection practices from around the state and the nation. In addition, the report identifies specific court collection projects within each county.

RS:lm