JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, June 13, 2023

9:30 a.m.

House Hearing Room 1

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

JOINT LEGISLATIVE BUDGET COMMITTEE
Tuesday, June 13, 2023
9:30 A.M.
House Hearing Room 1

MEETING NOTICE

- Call to Order

- Approval of Minutes of June 1, 2023.

- *EXECUTIVE SESSION - Arizona Department of Administration - Review for Committee the Planned Contribution Strategy for State Employee and Retiree Medical and Dental Plans as Required Under A.R.S. § 38-658A.

1. *ATTORNEY GENERAL - Review of Uncollectible Debts.

2. ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND
   *A. Review of AHCCCS Prepaid Medicaid Management Information System.
   *B. Review of Business One-Stop Web Portal.

3. SECRETARY OF STATE - Review of FY 2023 Election Services Line Item Transfer.

4. ARIZONA DEPARTMENT OF CORRECTIONS - Review of FY 2023 Line Item Transfer.

* Consent Agenda - These items will be considered in one motion and no testimony will be taken.

The Chairman reserves the right to set the order of the agenda.
06/07/2023
KP

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) 926-5491.

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE	1716 WEST ADAMS PHOENIX, ARIZONA 85007	HOUSE OF REPRESENTATIVES
JOHN KAVANAGH VICE-CHAIRMAN LELA ALSTON KEN BENNETT SONNY BORRELLI EVA DIAZ BRIAN FERNANDEZ JAKE HOFFMAN J.D. MESNARD	(602) 926-5491 azjlbc.gov	DAVID LIVINGSTON CHAIRMAN LEO BIASIUCCI NEAL CARTER JOSEPH CHAPLIK MATT GRESS ATHENA SALMAN JUDY SCHWIEBERT STEPHANIE STAHL HAMILTON

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

June 1, 2023

The Chairman called the meeting to order at 2:05 p.m., Thursday, June 1, 2023, in House Hearing Room 1. The following were present:

Members:	Senator Kavanagh, Vice-Chairman	Representative Livingston, Chairman
	Senator Alston	Representative Austin (Temporary Member in place of Representative Salman)
	Senator Bennett	Representative Biasiucci
	Senator Diaz	Representative Gress
	Senator Fernandez	Representative Quiñonez (Temporary Member in place of Representative Stahl Hamilton)
	Senator Mesnard	Representative Schwiebert
Absent:	Senator Borrelli	Representative Carter
	Senator Hoffman	Representative Chaplik
		Representative Salman
		Representative Stahl Hamilton

APPROVAL OF MINUTES

Senator Kavanagh moved that the Committee approve the minutes of May 4, 2023. The motion carried.

EXECUTIVE SESSION - Arizona Department of Administration/Automation Projects Fund- Review of Department of Revenue Integrated Tax System Modernization under A.R.S § 38-431.03 (A)(2) and (A)(9).

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

At 2:06 p.m. the Joint Legislative Budget Committee went into Executive Session.

(Continued)

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

At 3:48 p.m. the Committee reconvened into open session.

Senator Kavanagh moved that the Committee give a favorable review of the DOR project system requirements and $14,948,900 expenditure plan,-including the following provisions:

A. A favorable review is contingent on approval from the Information Technology Authorization Committee (ITAC).

B. In its required quarterly Automation Projects Fund report to the members of the Joint Legislative Budget Committee, ADOA in consultation with DOR, shall provide an update on the overall status of the tax system project. In addition, the report shall address the vendor's progress in complying with all required cyber security controls for the tax system.

The motion carried.

Without objection, the meeting adjourned at 3:49 p.m.

Respectfully submitted:

Kristy Paddack

Kristy Paddack, Secretary

Richard Stavneak

Richard Stavneak, Director

David Livingston

Representative David Livingston, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at http://www.azleg.gov/jlbc/meeting.htm

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

JOHN KAVANAGH
VICE-CHAIRMAN
LELA ALSTON
KEN BENNETT
SONNY BORRELLI
EVA DIAZ
BRIAN FERNANDEZ
JAKE HOFFMAN
J.D. MESNARD

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

HOUSE OF
REPRESENTATIVES

DAVID LIVINGSTON
CHAIRMAN
LEO BIASIUCCI
NEAL CARTER
JOSEPH CHAPLIK
MATT GRESS
ATHENA SALMAN
JUDY SCHWIEBERT
STEPHANIE STAHL HAMILTON

DATE: June 8, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: Ryan Fleischman, Senior Fiscal Analyst

SUBJECT: Attorney General - Review of Uncollectible Debts

Request

Pursuant to A.R.S. § 35-150E, the Attorney General (AG) requests Committee review of its listing of uncollectible debts to be removed from the state's accounting system. The listing totals $31,040,600 for debts listed as uncollectible in FY 2023 and prior years.

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) The State Comptroller may remove uncollectible debts from the state accounting system after their review by the Committee.
2) The FY 2023 listing includes $31.0 million in uncollectible debt.
3) The majority of the $31.0 million has been deemed uncollectible because the debtor is a defunct corporation/LLC (47.4%) or there are no assets/no wages/a negative credit report (27.6%).
4) A total of 93.1% of the total debt is owed to the Department of Revenue.

(Continued)

Analysis

When state agencies, boards, and commissions are unable to collect past due debts, the uncollected debt is processed in 2 ways: 1) the AG or state agencies may initiate debt collection proceedings; or 2) debt is determined to be uncollectible and then referred to the Committee for review. Upon review by the Committee, debt that is found to be uncollectible may be removed from the state's accounts receivable.

The AG's Collection Enforcement Unit functions as a collection service for debts owed to the state. The unit returns 65% of collected monies to the client agencies and retains the remaining 35% for unit operational costs. While the Collection Enforcement Unit is able to collect from many individuals and businesses that owe monies to the state, some debts are uncollectible for a variety of reasons. The AG's report to the Committee includes the following:

1. Debt owed to the state that was referred to the AG's Collection Enforcement Unit and determined to be uncollectible.
2. Debt owed to state agencies that was not referred to the Collection Enforcement Unit and was deemed to be uncollectible by the individual agency.

Since 2011 the Committee has given favorable reviews of uncollectible debt ranging from $16.4 million to $88.4 million *(see Table 1)*.

Table 1

Favorably Reviewed Uncollectible Debt

Year Reviewed	Uncollectible Debt Listing ($ in Millions)
2011	$17.2
2012	30.4
2013	44.9
2014/15	88.4
2016	78.3
2017	50.9
2018	41.3
2019	31.2
2020	34.2
2021	21.1
2022	16.4

Since its last report in FY 2022, the AG's office has again reviewed the cases assigned to the Collection Enforcement Unit. Based on this review, the AG advises that $31.0 million owed to the state is uncollectible as of April 30, 2023. Due to its length, the specific listing of uncollectible debts does not appear in the attached agency material. Please contact the JLBC Staff for the complete listing.

Of the $31.0 million in uncollectible debt:

- A total of 75.0% is uncollectible because the debtor is a defunct corporation/LLC (47.4%) or there are no assets/no wages/a negative credit report (27.6%). The remaining 25.0% is uncollectible for other reasons *(see Table 2).*

(Continued)

- A total of 93.1% of the total debt is owed to the Department of Revenue (DOR). The remaining debt is associated with 20 other specified agencies (*see Table 3*).
- Seven cases include debts of more than $300,000, totaling $3.8 million and making up 12.1% of all debts in this report. The debts are owed to DOR and the Board of Medical Student Loans (*see Table 4).*
- Of the total, 95.4% was determined uncollectible in FY 2022, 4.6% in FY 2023, and less than 0.1% for years prior to FY 2022 (*see Table 5).* Debts from years prior may not have been removed previously for a variety of reasons, including a failure to report by agencies.

Table 2

Uncollectible Debt by Reason

Reason	Amount Recommended for Write-Off	Percentage
Defunct Corporation/LLC	$ 14,722,900	47.4%
No Assets/No Wages/Negative Credit	8,576,900	27.6
Debt Discharged in Bankruptcy	3,239,500	10.4
Collection Cost Would Exceed Amount Owed	1,697,700	5.5
Settled	1,069,500	3.5
Unable to Locate Debtor	996,600	3.2
Debtor is Deceased	649,300	2.1
Insufficient Information/Evidence to File Suit	82,200	0.3
Debtor is Incarcerated	6,100	0.0
Total	$31,040,600 1/	**100.0%**

1/ Does not sum due to rounding.

Table 3

Uncollectible Debt Recommended for Write-Off by Client Agency

Agency	Amount Recommended for Write-Off	Percentage
Department of Revenue	$28,903,800	93.1%
Arizona Health Care Cost Containment System	1,338,600	4.3
Board of Medical Student Loans	314,200	1.0
Department of Transportation – Risk Management	161,300	0.5
State Retirement System	105,500	0.3
Department of Administration	64,600	0.2
All Others	152,600	0.5
Total	**$31,040,600**	**100.0%** 1/

1/ Does not sum due to rounding.

(Continued)

Table 4

Largest Individual Cases of Uncollectible Debt

Agency	Amount Recommended for Write-Off	Reason Uncollected
Department of Revenue	$1,281,600	Debt Discharged in Bankruptcy
Department of Revenue	621,600	Defunct Corporation/LLC
Department of Revenue	454,400	Defunct Corporation/LLC
Department of Revenue	397,500	Defunct Corporation/LLC
Department of Revenue	380,900	Defunct Corporation/LLC
Board of Medical Student Loans	314,200	Settled
Department of Revenue	301,500	Defunct Corporation/LLC
Total	**$3,751,700**	

Table 5

Uncollectible Debt Recommended by Fiscal Year Close Date

Fiscal Year	Amount Recommended For Write-Off	Percentage
Prior to 2022	1,700	0.0
2022	29,604,000	95.4
2023	1,435,000	4.6
Total	**$31,040,600**[1/]	**100.0%**

1/ Does not sum due to rounding.

RF:kp

OFFICE OF THE ARIZONA ATTORNEY GENERAL

KRIS MAYES
ATTORNEY GENERAL

CIVIL LITIGATION DIVISION
BANKRUPTCY COLLECTION AND ENFORCEMENT SECTION

DON J. LAWRENCE, JR.
SECTION CHIEF COUNSEL
DIRECT: 602-542-8300
DON.LAWRENCE@AZAG.GOV

May 31, 2023

HAND DELIVERED

The Honorable David Livingston, Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1716 West Adams
Phoenix, Arizona 85007

RE: FY2022 beginning April 1, 2022 through FY2023 March 31, 2023, for Not-Referred Non-DOR Uncollectible Debt Report
FY2022 beginning May 1, 2022 through FY2022 April 30, 2023, Referred Non-DOR Uncollectible Debt Report
FY2022 beginning July 1, 2021 through June 30, 2022, DOR Uncollectible Debt Report

Dear Representative Livingston:

As requested by the Joint Legislative Budget Committee ("JLBC") pursuant to A.R.S. § 35-150(E), enclosed are the FY2022 beginning April 1, 2022 through FY2023 March 31, 2023, for Not-Referred Non-DOR Uncollectible Debt Report FY2022 beginning May 1, 2022 through FY2023 April 30, 2023, Referred Non-DOR Uncollectible Debt Report and FY2022 beginning July 1, 2021 through June 30, 2022, DOR Uncollectible Debt Report ("the Reports").

The Reports include: 1) debt owed to the State that was referred to the Collection Enforcement Revolving Fund ("CERF") for collection and determined to be uncollectible; and 2) debt owed to the Department of Revenue ("DOR") and other State agencies, boards and commissions that was not referred to the CERF and was deemed uncollectible by the agencies. With respect to the DOR debt listed in the Reports as uncollectible, for FY 2020 the Attorney General's Office is relying upon the certification by DOR set forth in the memorandum dated May 14, 2021, from DOR to the Attorney General's Office and entitled, "Fiscal Year 2020 Certification of Cases for Abatement" ("Certification"). The Certification states that the debt described in the Certification meets the criteria pursuant to A.R.S. § 42-1004B, and for liabilities discharged in bankruptcy, pursuant to the United States Bankruptcy Code, and that DOR has validated through its internal policies and processes that it verified the reasons for abatement, as stated in the Certification, and that they are true and accurate.

With respect to the debt owed to State agencies other than DOR that was not referred to CERF, each respective agency Director certified that the agency has validated through its internal policies and processes that it verified the reasons for abatement, as stated in the Certifications, and that they are true and accurate.

The reporting of a debt as uncollectible, including the act of the State abating the debt, does not necessarily preclude the State from reopening a case and collecting a debt owed to the State at a later date. At times, we have been able to reopen a case and collect a debt because we have identified a debtor's assets or revenue source that previously did not exist or was not able to be located. There are three exceptions to when the State would be able to pursue a debtor post-abatement. They are: 1) debts discharged in bankruptcy; 2) debts where the statute of limitations has expired; and 3) debts that the State has agreed to settle for a lesser amount than what was owed.

The Reports provide a reason each debt is deemed uncollectible. The reasons include case settled, debtor deceased, unable to locate debtor, collection costs would exceed the amount to be collected, agency has no claim or interest, debtor has neither assets nor wages, debtor lives and/or works on a Reservation, debt discharged in bankruptcy and Corporation/LLC defunct.

Finally, the Reports also provide the amount uncollected for each debt. This amount may include all or a portion of the original debt and, if applicable, all or a portion of interest and penalties associated with the debt.

Please contact the undersigned if you have any questions.

Sincerely,

Don J. Lawrence, Jr.
Section Chief Counsel
Bankruptcy Collection & Enforcement
Arizona Attorney General's Office

Enclosures
cc: Senator John Kavanagh, JLBC Vice-Chairman (with attachments)
Richard Stavneak, JLBC Director (with attachments)
Sarah Brown, OSPB Director (with attachments)
Ryan Fleischman, JLBC Analyst (with attachments)
Ashley Retsinas, State Comptroller (with attachments)
Leslie Kyman Cooper, AGO Division Chief of Civil Litigation (with attachments)
Don J. Lawrence, Jr., AGO Section Chief Counsel of BCE (with attachments)
Dan Barr, AGO Deputy Attorney General for Law & Policy (with attachments)

Doc #4483909

Please contact the JLBC Staff for the complete list of uncollectible debt.

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

HOUSE OF REPRESENTATIVES

JOHN KAVANAGH
VICE-CHAIRMAN
LELA ALSTON
KEN BENNETT
SONNY BORRELLI
EVA DIAZ
BRIAN FERNANDEZ
JAKE HOFFMAN
J.D. MESNARD

DAVID LIVINGSTON
CHAIRMAN
LEO BIASIUCCI
NEAL CARTER
JOSEPH CHAPLIK
MATT GRESS
ATHENA SALMAN
JUDY SCHWIEBERT
STEPHANIE STAHL HAMILTON

DATE: June 8, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: Rebecca Perrera, Assistant Director

SUBJECT: Arizona Department of Administration/Automation Projects Fund - Review of AHCCCS Prepaid Medicaid Management Information System

Request

A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund (APF). On behalf of the Arizona Health Care Cost Containment System (AHCCCS), ADOA requests Committee review of $2,000,000 to begin the development of the Prepaid Medicaid Management Information System (PMMIS) Systems Integrator.

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.

Under either option, the Committee may also consider the following provision:

A. A favorable review is contingent on approval from the Information Technology Authorization Committee (ITAC).

Key Points

1) The FY 2024 budget includes $15.0 million from the General Fund for Health and Human Service agency IT projects.
2) ADOA/AHCCCS is proposing to expend $2.0 million of that amount for the Prepaid Medicaid Management Information System.
3) ITAC is scheduled to consider this project at its June 21, 2023 meeting.

(Continued)

Analysis

Background
PMMIS is a 30-year-old mainframe computer system that manages all of the Medicaid business functions for Arizona including processing all claims, and provider enrollment. AHCCCS is currently in the process of updating the system.

AHCCCS will use a Systems Integrator vendor to integrate each module (provider enrollment, claims, prior authorizations, etc.), manage the project, and provide technical oversight.

Request
The FY 2024 budget included a $15.0 million deposit into the Health and Human Services Information Systems (HHIS) APF Subaccount. ADOA is requesting, on behalf of AHCCCS, review of an expenditure plan of $2.0 million to contract with a vendor for the next of this project. The expenditure plan includes $1,714,400 for professional services, $180,000 for third-party review and $105,600 for software and licensing.

In FY 2024, the Systems Integrator will establish a platform infrastructure in the cloud which will serve as the foundation for the modular replacement of the PMMIS system. In addition, the Systems Integrator will, implement an electronic document management system and a managed file transfer service to "uncouple" from the current mainframe database.

The project has not yet been approved by the Information Technology Authorization Committee (ITAC) but is scheduled for the June 21, 2023 ITAC agenda. As a result, the Committee may consider a provision making its review contingent on ITAC approval.

RP:kp

Katie Hobbs
Governor

Elizabeth Alvarado-Thorson
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
100 NORTH FIFTEENTH AVENUE · SUITE 301
PHOENIX, ARIZONA 85007
(602) 542-1500

June 2, 2023

RECEIVED
JUN 02 2023
JOINT BUDGET COMMITTEE

The Honorable David Livingston, Chairman
Arizona House of Representatives
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable John Kavanagh, Vice-Chairman
Arizona State Senate
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Livingston and Senator Kavanagh:

The Arizona Department of Administration (ADOA) is submitting this request for review of fiscal year 2023 Automation Projects Fund (APF) with projects related to the Arizona Health Care Cost Containment System (AHCCCS), MES Modernization - Systems Integration Platform & Integrator Services project. The monies have been appropriated to support APF expenditure plans.

The attached documents contain a detailed explanation of the proposed project. We will be happy to meet with your staff to provide further explanation as appropriate.

Sincerely,

DocuSigned by:
J.R. Sloan
9AFFC2A7FCFB49C...

JR Sloan
State CIO

Enclosures

cc: Richard Stavneak, Director, JLBC
Sarah Brown, Director, OSPB
Elizabeth Alvarado-Thorson, Director, ADOA
Rebecca Perrera, Assistant Director, JLBC
Ashley Retsinas, Assistant Director, ADOA
Jacob Wingate, Chief Financial Officer, ADOA/DBF
Cameron Dodd, OSPB Staff
Elizabeth Selby, OSPB Staff

ARIZONA
DEPARTMENT OF ADMINISTRATION
ARIZONA STRATEGIC ENTERPRISE TECHNOLOGY

Agency: Arizona Health Care Cost Containment System (AHCCCS)

Project: MES Modernization - Systems Integration Platform & Integrator Services

Appropriation: Automation Projects Funds

CURRENT REQUEST

The Department of Administration on behalf of Arizona Health Care Cost Containment System (AHCCCS), is requesting favorable review of $2,000,000 appropriated from the Automation Projects Funds in FY 2024 to contract the services of a Systems Integration (SI) contractor to design, develop and implement the Medicaid Enterprise Systems (MES) - Systems Integration Platform. This is the first phase in the overall transition of the Prepaid Medicaid Management Information System (PMMIS) to a new platform. The new system will enable AHCCCS to comply with rules and cybersecurity requirements established by the Centers for Medicare and Medicaid Services (CMS). The SI provider will be responsible for the development, configuration, and customization (DDI) of the Systems Integration Platform (SIP) and for the integration and testing of system modules, as well as monitoring and adjusting modules for continuous operation.

FY 2024 Appropriation	FY 2024 Favorably Reviewed	FY 2024 Current Request	FY 2024 APF Remaining Balance
$2,000,000	$0	$2,000,000	$0

**AHCCCS has been appropriated $7,500,000 federal expenditure authority for this project in FY 2024.*

PROJECT DESCRIPTION

Background

AHCCCS serves over 2.4 million members and 109,000 providers with a Prepaid Medicaid Management Information System (PMMIS) that was designed and implemented over thirty (30) years ago. The homegrown system uses technology that is no longer taught in schools and is becoming impossible to find resources to support. AHCCCS must transition PMMIS to a new platform that follows the modernization modularity rules and cybersecurity requirements established by the Centers for Medicare and Medicaid Services. Further, the new system must be sustainable into the future with the technology necessary to provide the flexibility, agility, scalability, and data security required by AHCCCS and its governing bodies.

Method of Procurement

A Current State Assessment of the Medicaid Enterprise System (MES) applications and a Modernization Strategy and Roadmap was developed utilizing an outside contractor in November 2022. A Requirements Traceability Matrix (RTM) for the initial Systems Integration Platform (SIP) and Integrator Services was completed in February 2023. AHCCCS published a Request for Quote (RFQ) for Systems Integration and received proposals from five bidders via the National Association of State Procurement Officers (NASPO) group contract.

The Agency conducted both independent, individual evaluations and group consensus evaluations from these proposals over a period of 2 weeks. Scoring of the bids was based upon Mandatory Security Certifications, Pricing, meeting the Requirements Matrix, overall Solution Approach and Contractor Experience. A contractor was selected and a contingent Contract Award Letter issued on May 16, 2023 . Previous to the award, CMS had approved the program's Implementation Advanced Planning Document (IAPD) containing the Systems Integrator at a 90% Federal match on May 9, 2023 .

Solution

This project will establish a core set of Systems Integration technologies, standards, and services that create a central platform and hub of the enterprise and is a critical anchor of modernized MES architectures. The Systems Integration platform will provide the standardized integration of current and future modules and systems, remove costly point-to-point integrations between current systems, and establish repeatable technologies and processes to enable the interoperability of both Arizona and Hawaii enterprises with each other and external entities.

It will achieve compliance with Centers for Medicare & Medicaid Services (CMS) requirements to improve interoperability and sustainability of technology solutions that support Medicaid service delivery.

It will provide the foundation for the replacement of the legacy infrastructure in which Arizona and Hawaii operates that will help modernize, organize, and efficiently integrate both state enterprises that currently operate in disparate and aging modular architectures. The MMIS is now an aged system that is complex, costly to maintain, and is no longer a feasible solution to address the necessary changes in technology. A long-tenured workforce approaching retirement and a limited marketplace with the necessary skills to maintain the existing system add complexity to the modernization efforts, placing significant risk and urgency on both agencies to seek transformative solutions that meet their program needs. Mainframe support for the database and programming environment will expire in 2027.

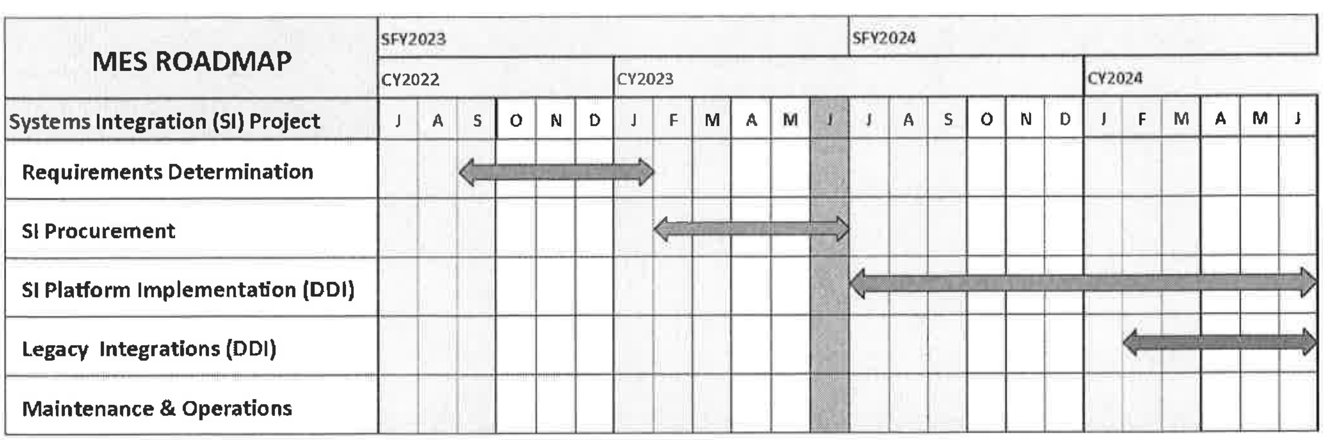
To implement the solution, AHCCCS requires the ongoing services of a Systems Integration (SI) provider to remain in compliance with CMS modernization modularity and cybersecurity requirements. In the initial building phase, the SI provider will be responsible for the integration of modules and providing technical oversight for the PMMIS program to validate all modules are integrated and tested end-to-end ensuring a successful, timely, and cost-effective completion.

In addition, the SI provider will establish technical standards and perform project oversight. The SI provider will also be responsible for monitoring all connections between different modules (provider enrollment, claims, encounters, prior authorizations, etc.) and for adjusting when necessary to ensure smooth continuous operation.

There are three primary components of the project:

1) Systems Integration Platform (SIP)
    a. Three (3) environments (Development, Test, Production) in the AHCCCS Azure cloud Tenant
    b. Primary Azure Services are Managed File Transfer (MFT), Enterprise Service Bus (ESB), Application Programming Interface (API) and Identity and Access Management (IAM)
2) Operational Data Store (ODS)
    a. Microsoft SQL Server/Synapse Relational Database Management System (RDBMS)
    b. Located in the AHCCCS Azure cloud Tenant
    c. Loaded with 3 years of PMMIS data
3) Electronic Document Management System (EDMS)
    a. New, cloud-based application
    b. Configured to accept most current document types
    c. Able to ingest documents from all current MES modules

Timeline



**The duration of the Design, Development, and Implementation (DDI) for the Project is 12 months – July '23 to June '24*

Benefits

- **SIP** – Uncouples current Mainframe Secure File Transfer (SFTP) service, APIs, ESB and IAM
- **ODS** – Uncouples Mainframe database system (Datacom) from Data Warehouse & T-MSIS reporting
- **EDMS** – Uncouples and replaces current document management system as repository for all MES modules
- **SIP/ODS/EDMS**
  - Collectively provides new and supportable Cloud-based Platform-as-a-Service (PaaS) infrastructure
  - Foundation for a modular replacement of MES Modules beginning with Legacy applications and concluding with PMMIS/HPMMIS by 2027.
  - Improves CMS' MITA maturity levels for AHCCCS MES applications and qualifies for Enhanced Federal Funding Percentage (FFP - 90/10) during the DDI phase
  - Implementation Advanced Planning Document (IAPD) and a 90% Federal match have already been approved by CMS for the DDI phase and 75% Federal match for Maintenance & Operations (M&O).

PROJECT GOALS/MILESTONES

Milestone / Task	Start Date	Finish Date	Duration
Kick-Off Meeting	**7/10/23**	**7/10/23**	**1 day**
Business Design/System Design Document & Approval	7/10/23	9/29/23	2.5 months
Data Integration / Interface Design & Control Document & Approval	7/10/23	9/29/23	2.5 months
Managed File Transfer (MFT)	10/2/23	11/3/23	1 month
Enterprise Service Bus (ESB)	11/6/23	12/8/24	1 month
API Gateway & Proxy	12/11/23	1/12/24	1 month
Dashboard & Reports (for ESB only)	1/15/24	2/16/24	1 month
DevOps CI/CD	2/19/24	3/22/24	1 month
Base Operational Data Store (ODS)	10/2/23	12/22/23	2.5 months
Base Electronic Document Management System (EDMS)	10/2/23	12/22/23	2.5 months
Operational Data Store (ODS)	3/25/24	5/3/24	1 month
Enterprise Documentation Management System (EDMS)	5/6/24	6/14/24	1 month
Systems Integrator Platform Base Complete	6/17/24	6/17/24	1 day
Training	6/17/24	7/5/2024	2 weeks
Go-Live	**7/8/24**	**7/8/24**	**1 day**

PROJECT COST DETAIL (APF)

Professional Services – HealthTech Solutions: SIP Platform DDI and Integration Services	**$1,714,400**
IV&V (When Applicable) **–** Independent Validation & Verification of Vendor DDI & PM Activities	**$180,000**
Design – N/A; included in Professional Services DDI	**$0**
Migration – N/A; included in Professional Services DDI	**$0**
Quality Management/Testing – N/A; included in Professional Services DDI	**$0**
Hardware – N/A; implementation is MS Azure cloud-based PaaS	**$0**
Software – license for (non-Azure) MFT software	**$10,200**
License & Maintenance Fees – All Azure PaaS Services (SIP, ODS, EDMS) Year 1	**$95,400**
Total Development Cost for FY 24	**$2,000,000**

**AHCCCS has been appropriated $7,500,000 federal expenditure authority for this project in FY 2024.*

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

DATE: June 8, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: Rebecca Perrera, Assistant Director

SUBJECT: Arizona Department of Administration/Automation Projects Fund - Review of Business One Stop Web Portal

Request

A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund (APF). The Arizona Department of Administration (ADOA) requests Committee review of $6,500,000 from the FY 2023 appropriation from the ADOA APF Subaccount for FY 2024 operating costs and development of the Business One Stop Portal.

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) ADOA proposes to spend $6.5 million of its $15.6 million FY 2023 APF appropriation for the Business One Stop project in FY 2024.
2) Of this amount, $1.9 million is for current operating costs and $4.6 million is to further develop the portal.
3) Due to new IT systems at Department of Revenue (DOR) and the Corporation Commission, ADOA will limit additional development in FY 2024 with those agencies.
4) ADOA reports that FY 2024 development will focus on the Secretary of State (SOS) and ADOT. ADOA will also add the Registrar of Contractors to the portal.

(Continued)

Analysis

Background
The Business One Stop portal will provide a single online location for an individual to apply for the applicable licenses and registrations across state agencies to operate a business in Arizona. The FY 2022 budget included $7.8 million from the ADOA APF Subaccount for Phase 1 design costs associated with the development of a Business One Stop Shop Web Portal. Subsequent phases of the project will expand the portal to include features to help manage, grow, relocate, and close a business.

Request
The FY 2023 budget included $15.6 million from the General Fund for the Business One Stop project. ADOA is requesting review of $6.5 million of the appropriation for $1.9 million in ongoing operating costs for the current system and $4.6 million in further portal development costs.

Due to new Information Technology (IT) system projects at the Department or Revenue (DOR) and the Corporation Commission, ADOA has limited developing new functionality at those agencies in FY 2024. ADOA plans to include new functionality for the Secretary of State (SOS) and ADOT. In addition, ADOA will add the Registrar of Contractors to the portal.

RP:kp

Katie Hobbs
Governor

Elizabeth Alvarado-Thorson
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
100 NORTH FIFTEENTH AVENUE · SUITE 301
PHOENIX, ARIZONA 85007
(602) 542-1500

June 5, 2023

The Honorable David Livingston, Chairman
Arizona House of Representatives
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable John Kavanagh, Vice-Chairman
Arizona State Senate
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Livingston and Senator Kavanagh:

The Arizona Department of Administration (ADOA) is submitting this request for review of fiscal year 2023 Automation Projects Fund (APF) with projects related to the Business One Stop project. The monies have been appropriated to support APF expenditure plans.

The attached documents contain a detailed explanation of the proposed project. We will be happy to meet with your staff to provide further explanation as appropriate.

Sincerely,
DocuSigned by:
J.R. Sloan
9AF7C2A7FCFB49C...
JR Sloan
State CIO

Enclosures
cc: Richard Stavneak, Director, JLBC
Sarah Brown, Director, OSPB
Elizabeth Alvarado-Thorson, Director, ADOA
Rebecca Perrera, Assistant Director, JLBC
The Honorable Adrian Fontes, Arizona Secretary of State
Jennifer Toth, Director, ADOT
Douglas Clark, Director, Arizona Corporation Commission

Sandra Watson, President and CEO, Arizona Commerce Authority
Ashley Retsinas, Assistant Director, ADOA
Jacob Wingate, Chief Financial Officer, ADOA/DBF
Cameron Dodd, OSPB Staff
Elizabeth Selby, OSPB Staff

ARIZONA
DEPARTMENT OF ADMINISTRATION
ARIZONA STRATEGIC ENTERPRISE TECHNOLOGY

Agency: Department of Administration

Project: Business One Stop Portal

Appropriation: Business One Stop Portal

CURRENT REQUEST

The Department of Administration, on behalf of the Department of Transportation, the Department of Revenue, the Secretary of State, the Arizona Corporation Commission, and the Arizona Commerce Authority, is requesting a favorable review of an initial $6.5M of the $15.6M appropriated from the Automation Projects Funds in FY 2023 for development of Phase II of Business One Stop, a single online location to help citizens & businesses plan, start, grow, move, & exit businesses in Arizona through a secure, digital experience that does not require in-person interaction. Additional funding will allow for the continued development of new features within Business One Stop and the maintenance and operations of the existing system across the next fiscal year. The annual Maintenance and Operations figures are provided in the appendix and include the minimal amount necessary to maintain the functionality created to date.

FY2020 - Assessment
In FY2021, the department utilized qualified outside contractors to conduct an assessment and feasibility study using $1M in APF funding. The assessment provided recommendations to the State on how best to achieve the goal of creating a Business One Stop online portal.

FY 2020 Appropriation	FY 2020 Favorably Reviewed	FY 2020 Current Request	FY 2020 Remaining APF Funds Yet to be Reviewed
$1,000,000	$1,000,000	$0	$0

FY2022 - Phase I
In FY2022, Business One Stop received $7.8M to support development in Phase I. The primary goal of this phase was to support launching the core application in the 'Plan' and 'Start' stages of the business lifecycle and operations and maintenance costs for the program. Phase I activities executed in FY23 included outreach to the business community; detailed planning and requirements gathering for Phase II; ongoing program operations such as maintenance, support, security, and hosting; call center operations; and the continuation of feature development to enhance the ability to register partnerships as well as access tax information. The Business One Stop program has used most of the funding for Phase I development. As of May 2023, the program anticipates that there will be only $500,000 remaining of these funds at the end of the fiscal year. In the FY2024 appropriations bill, the legislature allowed these funds to remain accessible through June 2024.

FY 2020 Appropriation	FY 2020 Favorably Reviewed	FY 2020 Current Request	FY 2020 Remaining APF Funds Yet to be Reviewed
$7,758,900	$7,758,900	$0	$0

FY2023-24 - Phase II Year 2 Initial Request
In FY2024, Business One Stop will begin accessing funds from the FY2023 appropriation for the first time. Arizona continues to enhance the Business One Stop online portal that provides a single online location to help entrepreneurs & businesses plan, start, grow, move, & exit businesses in Arizona through a secure, digital

experience that does not require in-person interaction. The program will expand the core application to include additional 'Start' features (including the systemization of all partnership registrations) as well as 'Grow,' 'Move,' and 'Exit' stage features to address all stages of the business lifecycle. Additionally, the program seeks to onboard an additional state agency partner into Business One Stop to allow entrepreneurs to access specialty trade licensing. The project will also continue supporting operations and maintenance costs for the program. A full projection of the FY2024 roadmap is included in this document's Project Goals/Milestones section.

FY 2023 Appropriation	FY 2023 Favorably Reviewed	FY 2024 Current Request	FY 2023 Remaining APF Funds Yet to be Reviewed
$15,614,291	$0	$6,500,000	$9,114,291

Solution
Prior to Business One Stop, entities wishing to create a business in Arizona would interact with multiple State agencies using isolated processes, resulting in a complicated user experience, confusion, and poor information sharing between agencies. These isolated systems and experiences resulted in data duplication across systems, increased data errors, and increased time for customers to apply for services and achieve results.

Critical problems addressed by Business One Stop include:

- Too many agencies and touchpoints for a business owner
- Long waits and uncertainty around processing times
- Confusion in the planning and starting business phase leading to mistakes and potential delays in business registration
- Lack of a simple, consolidated fee payment solution
- Lack of a secure and simple to use online process.
- Required mail, in-person activities, and notary requirements leading to slower processing times

Benefits
Business One Stop has begun to:

- Provide agencies, businesses, and entrepreneurs with a central workflow platform (or one capable of seamlessly integrating with multiple disparate backend systems) for processing the identified core agencies' lines of business.
- Provide entrepreneurs and businesses with the experience of entering one environment to complete all tasks/requirements of multiple agencies online.
- Leverage existing State investments in enterprise systems, assets, and resources to the extent reasonable while maintaining alignment to achieve a singular portal experience.
- Provide entrepreneurs and businesses with simple user feedback channels to ensure the system meets users' needs and promptly addresses user problems.

Project Overview
The Business One Stop roadmap includes three phases. During Phase I of the Program, the teams have been able to plan, build and release the first version of the Business One Stop portal, a revamped BusinessOneStop.az.gov website, and a dedicated user support call center. Using Business One Stop, entrepreneurs who want a fast, entirely online, paperless experience can research, create, and manage their businesses in Arizona. In addition to providing them with the ability to launch businesses and access trade names and trademark applications, they can now make payments for such transactions online, enabling them to pay for the business licenses and filings related to their businesses through the portal. Individuals can also see real-time updates on their application status, providing enhanced clarity into the business formation process. Lastly, the portal also increases the turnaround time for most business applications, allowing users to be approved instantly upon submission of their application in the portal. (Currently, the LLC/PLLC registration applications and the trade name and tax license applications all allow for instant approvals.) While the primary focus of Phase I was to build the features required to enable a user to start a business, some features allow the user to manage/maintain their business. At this time, the owners of these businesses can register their business using Business One Stop, complete all amendments offered by the ACC, and even terminate an LLC should they desire. [Note: The only feature offered for these business owners not provided in Business One Stop is the ability to manage Statutory Agents. However, in reviewing nearly a years worth of data, the program has found that the majority of LLC/PLLCs formed using Business One Stop would not benefit from this feature as nearly all LLC/PLLCs included in Business One Stop are single-person businesses, and therefore they would not need to manage Statutory Agents.]

Phase II will continue to expand on the 'Start' features by expanding the types of businesses that can be formed within Business One Stop. Additionally, the program will support launching Business One Stop features in the

'Grow,' 'Move,' and 'Exit' stages of the business lifecycle. Phase II will include the development of 20-30 journeys to provide robust functionalities to enable foreign and domestic business owners to manage end-to-end critical functions of their businesses. Some of the highlights of this phase will include the systemization of all foreign and domestic partnership types (currently, this is a purely paper-based process); the ability to make amendments to partnerships, trade names, and trademarks; the ability to close or cancel partnerships, trade names, and trademarks; the ability to manage business taxes through a single-sign-on window from Business One Stop to AZTaxes; and the ability to manage any LLC or PLLC registered with the Arizona Corporation Commission. This phase will also include onboarding another State agency that provides licensing and permitting services and potential interaction with City and County level agencies and systems that support the goals of Business One Stop.

The program team will present a detailed plan regarding Phase II to the Information Technology Authorization Committee (ITAC), consistent with the high level Roadmap included here, for review and approval to include the approved schedule, scope, and budget.

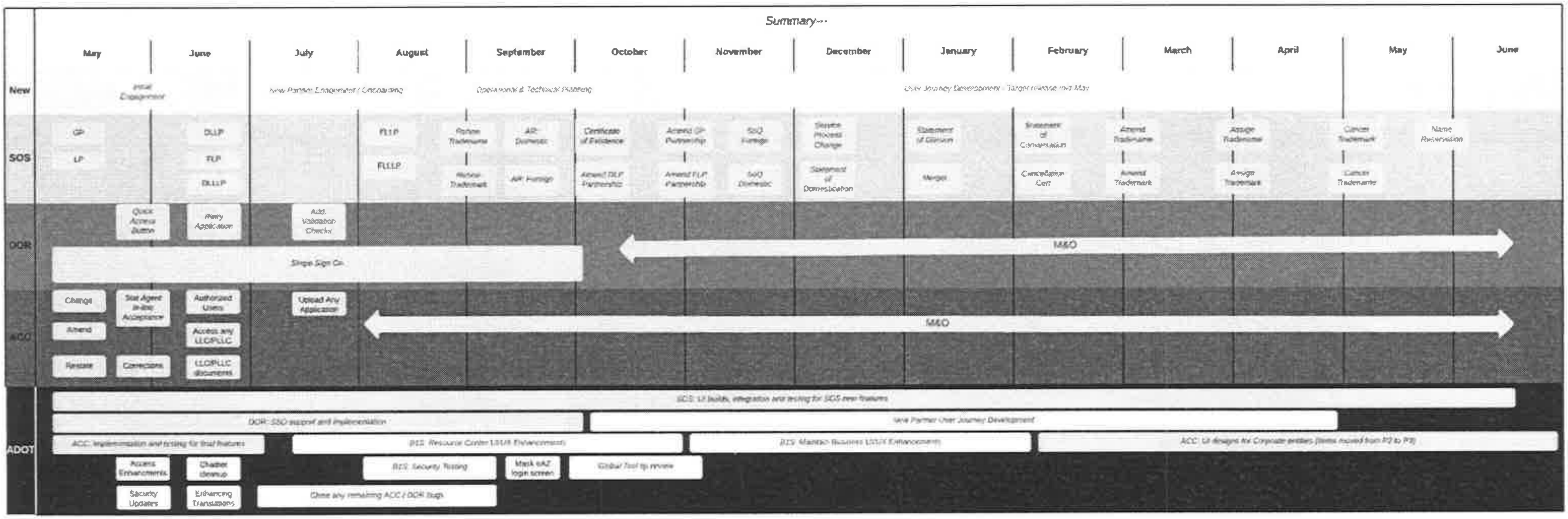
Phase II focuses on leveraging the Phase I investments to further the development of the Business One Stop user experience while also providing agencies with a modern, centralized workflow platform on the backend to complete the agency work required to optimize the citizen experience. The enhanced application will better serve our customers, increase interaction with the public and improve the delivery of agency services because it will provide a single point of interface with the State rather than requiring customers to work separately through multiple state agencies. It will also offer enhanced features to guide the customer through the process while avoiding duplicative data entry.

PROJECT GOALS/MILESTONES

Based on initial planning efforts for Phase II, the program team has developed the following one-year roadmap estimating the development and release of planned features. The roadmap will undergo additional refinement as detailed requirements gathering continues and user feedback is received.

Phase II Estimated Roadmap - FY23 Year 2

DocuSign Envelope ID: 0A0768E6-4B01-45BF-AD89-C7BE15ECC360



Note, the scope of work within FY23 Year 1 and FY24 Year 2 that is depicted for the ACC and ADOR is reduced from what was initially planned for both agencies though we have expanded scope for other participating agencies. The ACC is seeking approval to purchase the underlying code to their business registration platform. Following this purchase, ACC will be doing a full replacement of the platform. During this time, ACC does not intend to do any new Business One Stop development as the agency does not have the necessary resources to manage the associated development risks with sustaining both their internal platform as well as Business One Stop features that rely on it. Similarly, the DOR has prioritized the initiation of the STARs program - a full-scale system replacement of its internal platforms and programs used to sustain the agency's core processes. The expanded scope for Secretary of State, ADOT, and new partners is included above.

Participating agencies have identified several opportunities for continued growth of the platform. ADOA is working with the participating agencies to outline a potential future development roadmap. From the SOS, this could include the public notary licensing as well as systemizing the UCC filings. From the ACC, this could include the full-cycle development of functionality to register and maintain corporations and non-profit organizations within Business One Stop.

Professional Services - This category includes the resources necessary to develop Business One Stop, including IV&V, Designers, Developers, UI/UX developer, Testers, DevOps, Security expert, Senior Architect, DBA, Business Analyst, Business SME, Product owner.	$4,477,991
Program Management - This category includes the resources necessary to run the program, including a Program Manager, Project Manager, Business Analyst, part-time Financial Analyst and application development support.	$652,640
Maintenance - production support*, maintenance support*, feature enhancement, Business One Stop Help Center	$437,980
Infrastructure - Network, storage and disaster recovery costs.	$193,000
Software - 3rd party license costs, automated testing tools, traffic analytics tools, application performance analytics tools, bug tracking software, code repository tool	$39,340
Miscellaneous Costs- User engagement, marketing and branding, penetration testing, performance testing	$280,000
Total Cost for FY 2024	**$6,080,951**

The Program is requesting $6,500,000 in order to help account for potential underestimations.

Note, while development of Business One Stop is occurring, the costs of production support and maintenance support are shared across all of the listed categories. If new development of Business One Stop was not occurring the professional resources being used to develop new components would be reduced to only managing production and maintenance support. There would be minimal reduction in the cost of infrastructure and software if no new development is ongoing. There would also be a reduction in miscellaneous costs as there would be less user engagement or outreach.

Below is a table that represents a comparison of the minimal costs to maintain Business One Stop versus the proposed FY24 Spend. The "Minimal Cost for M&O" represents the minimal cost for maintenance and operations of Business One Stop with no new development, while the "Proposed FY24 Spend" reflects the total spend by the partner agency including maintenance and operation as well as new feature development. These costs include the necessary infrastructure, software, program management personnel, technical professionals, and business SMEs:

	Minimal Cost for M&O	Proposed FY24 Spend
ADOA - PMO	$431,660.00	$1,139,780.00
ADOT	$765,400.00	$2,303,260.00
SOS	$155,424.00	$1,117,223.00
ACC	$241,322.00	$526,525.00
DOR	$115,872.00	$243,564.00
ROC	$155,424.00	$750,599.00
	$1,865,102.00	**$6,080,951.00**

Note: As the Business One Stop program continues to grow, the cost of maintenance will increase as there are fundamental expenses associated with infrastructure, software, and professional services that will grow as the program does.

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

HOUSE OF REPRESENTATIVES

DATE: June 8, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: Micaela Larkin, Assistant Director

SUBJECT: Secretary of State - Review of FY 2023 Election Services Line Item Transfer

Request

The FY 2023 General Appropriation Act allocated $8,000,000 from the General Fund to the Election Services line item and included a footnote requiring the Secretary of State (SOS) to submit a report for Committee review before transferring monies in or out of the line item. The Election Services line item funds specific election year costs for traditional state elections (primary and general elections). SOS is requesting review to transfer $1,079,500 from the Election Services line item for 3 agency funding initiatives in FY 2023.

Committee Options

The Committee has at least the following 3 options:

1. A favorable review of the $1,079,500 request.

2. A favorable review of transferring $596,000 from the Election Services line item to the agency's operating budget in FY 2023 as follows: $500,000 to implement upgrades to the Access Voter Information Database to comply with recent election legislation and $96,000 for additional Access Voter Information Database operating costs. (Chairman's Option)

3. An unfavorable review of the $1,079,500 request.

(Continued)

Key Points

1) SOS requests the transfer of $1.1 million in surplus General Fund election monies to pay for FY 2023 costs related to the Access Voter Information Database (AVID). These surplus monies would otherwise be returned to the General Fund at the end of FY 2023.
2) $500,000 would be used for one-time AVID development costs to update the system for recent changes to election statutory requirements.
3) $96,000 would pay for extra AVID operational costs in FY 2023, due to higher cloud hosting costs.
4) The FY 2023 budget already appropriated $483,500 from federal HAVA funds to pay for base state AVID operating costs of $483,500.
5) SOS proposes to pay these base state costs from the surplus election monies rather than HAVA.
6) The SOS plan does not specify how these freed-up HAVA dollars would be spent. The Chairman's Option excludes the $483,000 amount from the transfer.

Analysis

The Secretary of State currently reports $5.1 million in expenditures from the $8.0 million Election Services line item. Given that SOS is not expected to incur any further costs for the 2022 election, the line item has a projected balance of $2.9 million. Absent any action from the Committee, these remaining surplus monies would revert to the General Fund at the end of FY 2023 (June 30th).

Based on this surplus, SOS is requesting the one-time transfer of $1,079,500 from the Election Services line item in FY 2023 for the following 3 agency funding initiatives.

AVID Development Costs to Address Legislative Changes

SOS is requesting a transfer of $500,000 to update the AVID system to address legislative changes enacted in the 2021 and 2022 Legislative Sessions. This one-time funding would pay for implementing various changes such as: 1) Active Early Voting List changes (actions taken if a voter does not early vote in a certain number of elections); 2) Collection of data related to certain voter registration information (including residency, citizenship status, and death notifications); and 3) Changes related to federal-only voter registrations (including citizenship requirements and reporting provisions).

AVID Operational Costs

SOS is requesting a transfer of $96,000 for higher-than-expected AVID maintenance and operations costs in FY 2023. The system was expected to have a cost of $967,000, which is allocated 50/50 between state/counties under current state policy. SOS has indicated the total annual AVID maintenance operations cost is $1,063,000 in FY 2023 due to higher cloud hosting costs. The $96,000 request would have SOS cover the entire cost increase, rather than allocating these extra costs 50/50 between state/counties.

Change Fund Source of Existing AVID Funding

SOS is requesting a transfer of $483,500 to change the fund source for the state's existing 50% share of AVID maintenance and operations costs in FY 2023. The FY 2023 budget appropriated $483,500 to SOS for this purpose, funded from federal Help America Vote Act (HAVA) monies. SOS is proposing to instead pay the state's $483,500 base operating cost amount from the surplus General Fund monies in the Election Services line item. The net impact of this shift would be to free up additional HAVA monies for SOS to use for a different purpose in future years. SOS does not specify how they would propose to expend these freed-up HAVA dollars.

ML:kp

May 31, 2023

The Honorable David Livingston, Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable John Kavanagh, Vice-Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

Dear Chairman Livingston and Vice-Chairman Kavanagh:

Thank you for granting my May 5, 2023 request to transfer $261,000 from the Election Services line item to the operating lump sum in the Office of the Secretary of State's (the Office) FY2023 budget.

Pursuant to Laws 2022, Chapter 313, Section 83, the Office further requests the Joint Legislative Budget Committee (JLBC) review the proposal detailed below to transfer additional funds from the Election Services line item to the Election Systems Improvement Fund at its June meeting.

Specifically,

FY2023 Election Services Line Items
As of May 5, 2023, the Election Services line item has an estimated balance of $2,872,225 after paying allowable 2022 election expenses and completing the line-item transfer reviewed by JLBC.

The Office proposes that JLBC approve transferring an additional $1,079,496 of the monies remaining in the Election Services Line Item to the Election Services Improvement Fund from which it can be used to implement legislatively mandated changes to the Arizona Voter Registration Database (AVID) and provide a stable funding source for the state-portion of the AVID operating costs in FY24.

No state funds were dedicated to these items in the FY24 budget that was recently passed by the Legislature and signed by the Governor. In past years, Help America Vote Act (HAVA) funds have helped off-set these costs but the state allotment of HAVA funds to the Office is significantly reduced in the FY24 budget compared to past years, and there is no guarantee of ongoing HAVA funding to support AVID costs beyond FY24 if HAVA funds were used. A sustainable funding source is needed to cover the ongoing costs of AVID.

Implement Legislatively Mandated Changes to AVID

As stated above, currently the Office has no funding to implement legislatively mandated changes to AVID. Changes that need to be made to the AVID to address legislative changes, include, but are not limited to:

- HB2243 (2022): Identify active and inactive voters who self-report on the juror questionnaire that they are not a U.S. citizen or not a resident of a county or the state.
- HB2243: Notify counties of voters who have received an out of state driver license (or the equivalent) from reports received by ADOT and through the AVID interface.
- HB2243: Submit quarterly reports to the legislature on the number of:
    - Deaths reported by ADHS and the number of resulting voter registration cancellations.
    - Number of persons who have been issued a driver license in another state and the number of voter registrations that were placed on the inactive voter list.
    - Number of persons who stated on the juror questionnaire that the person is not a U.S. citizen or not a resident and the number of voter registrations that have been cancelled.
- HB2492 (2022): Adjust the proof of citizenship requirement for voters that register with the state form and not proven citizenship by prohibiting those voters from voting in the presidential election and prohibiting those voters from voting by mail.
- HB2492: Adjust the proof of citizenship requirement for voters that register with the federal form and have not proven citizenship, which will prohibit the voter from voting by mail.
- HB2492: Data to reflect that the person has provided proof of residence to register to vote.
- HB2492: Data to reflect that the person has provided birthplace to register to vote.
- SB1485 (2021): Change any reference to the permanent early voting list (PEVL) to the active early voting list (AEVL)
- SB1485: Prepare a notice to voters on AEVL who have failed to vote an early ballot in an election for two consecutive election cycles. This notice requests the voter confirm in writing if the voter decides to remain on the AEVL, and if confirmed, to return the completed and signed notice containing the voter's address and date of birth within 90 days of receipt. If the voter fails to respond to the notice within the 90-days of receipt, the voter shall be removed from AEVL.

Though some of these mandates are subject to litigation, the Office must move forward with development to ensure the changes are in place, pending a court decision, before the upcoming elections in 2024.

The Office must receive additional funds to make the extensive development changes and testing required by legislation. Respectfully, in our view, this cannot be completed with the annual operating budget.

The Office requests that JLBC approve re-allocation of $500,000 in Election Services line item funds to implement the legislatively mandated AVID changes detailed above.

Fund State Portion of AVID

We estimate total AVID operating expenses for FY2023 will be $1,062,996. The operation and enhancement costs of AVID are funded by a combination of state and county funds. Soon the Office will be sending invoices to counties requesting reimbursement for $483,500 of the FY23 AVID operating costs. The Office requires $579,496 in state funds to offset county costs of operating AVID to cover the full cost of M&O and hosting. We request that JLBC approve re-allocating $579,496 in Election Services line-item funds to the Office to cover the state share of AVID costs since no designated state funds were allocated in the FY24 budget.

INXEL Annual M&O	$ 822,996.00
Estimated Microsoft Hosting	$ 240,000.00
Total	$ 1,062,996.00
FY23 State Budget Appropriation	$ 483,500.00
State Share	$ 579,496.00

An ongoing, sustainable state funding source for AVID must be established to ensure the continuity of the state voter registration system and ensure it receives the enhancements and maintenance it requires. Concerns ranging from the availability of HAVA funds to whether or not the share of individual county allotments is justified are repeatedly raised year after year, placing the funding for AVID and the state's voter registration integrity in jeopardy. The Office feels strongly that the Office, the counties and Legislature should come together to establish a long-term solution for this funding issue and we would be happy to facilitate that discussion with the goal of legislation to be considered next Session.

Thank you for your time and consideration of this matter. Should you have any questions, please do not hesitate to reach out to Assistant Secretary of State, Keely Varvel, at (602) 542-9781 or kvarvel@azsos.gov.

Sincerely,

Adrian Fontes
Arizona Secretary of State

cc: Richard Stavneak, Director, JLBC
Micaela Larkin, Assistant Director, JLBC
Sarah Brown, Director, OSPB
Sara Bogus, Budget Analyst, OSPB

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

DATE: June 8, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: Geoffrey Paulsen, Principal Fiscal Analyst

SUBJECT: Arizona Department of Corrections - Review of FY 2023 Line Item Transfers

Request

Pursuant to an FY 2023 General Appropriations Act footnote, the Arizona Department of Corrections (ADC) requests review of its plan to utilize $44,772,500 in FY 2023 General Fund vacancy savings appropriated for Personal Services and Employee Related Expenditures (ERE) to cover funding shortfalls in 3 areas: inmate health care injunction costs, operational needs and shortfalls, and a private prison per diem line item shortfall.

We received the ADC request on Tuesday, June 6, which has limited our ability to analyze the proposal in depth. We have, however, asked ADC for clarification on a number of their proposals.

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.

Under either option, the Committee may also consider the following provision:

A. The department shall work with the health care vendor to amend the existing contract to restore federal Medicaid funding for inmate inpatient services and to seek retroactive reimbursement to the extent possible. The department shall report their progress in the restoration of federal Medicaid reimbursement to the Committee by November 30, 2023.

(Continued)

Since we are awaiting answers from ADC on several issues, we may have suggestions for additional provisions by the time of the JLBC meeting.

Key Points

1) ADC expects to underspend their FY 2023 salaries and benefits by at least $52 million due to an inability to fill vacant positions.
2) If left unexpended, these savings would be returned to the General Fund.
3) A footnote requires ADC to seek Committee review if they plan to move this funding to other line items in their budget.
4) ADC proposes to transfer $44.8 million of the surplus salary/benefit funds to other line items for 3 main initiatives:
   a. $10.8 million for inmate health care injunction costs
   b. $17.3 million for operational needs and vehicle replacement
   c. $16.7 million for a shortfall in the private prison per diem line item.

Analysis

In FY 2023 ADC was appropriated a total of $672.7 million in the operating budget for salaries and benefits, otherwise known as Personal Services and Employee Related Expenditures (ERE). An FY 2023 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 2023 and proposes to reallocate $44.8 million to pay for inmate health care injunction costs, operational needs and vehicle replacement, and a shortfall in the private prison per diem line item. *Table 1* below details the amount of each proposed reallocation.

Table 1

Proposed Personal Services/ERE Reallocation

	Amount
Inmate Health Care Injunction Costs	$ 10,775,000
Operational Needs and Vehicle Replacement	17,306,800
Private Prison Per Diem Line Item Shortfall	16,690,700
Total	**$ 44,772,500**

Inmate Health Care Injunction Costs

ADC proposes to reallocate $10.8 million for costs related to the inmate healthcare injunction resulting from the *Jensen v. Thornell* litigation. ADC reports this funding would be used as follows:

- $6.4 million for litigation, fines and assessments related to the court injunction,
- $4.0 million to pay for Hepatitis C treatment and for medication assisted treatment (MAT) for those with substance use disorder,
- $250,000 to fund court-ordered monitoring, and
- $125,000 to fund information technology (IT) system updates.

ADC did not provide additional detail on these expenditures. We have asked ADC for that information.

(Continued)

Inmate health care costs are eligible for Medicaid reimbursement if the inmate is admitted for inpatient treatment at a hospital or nursing facility for more than 24 hours. ADC's prior health care contracts required the vendor to track Medicaid-eligible expenditures to ensure that the state can seek federal reimbursement for those costs. In previous years, the state received approximately $10 million per year in reimbursements from the federal government, which was used to offset the General Fund cost of the contract. The current health care contract has been in place since October 2022. This latest contract, however, does not require the vendor to track these expenditures. As a result, the state cannot claim the federal Medicaid reimbursements.

The Committee may consider a provision requiring the department to work with the vendor to restore this tracking requirement. ADC would report its progress to the Committee by November 30, 2023.

Operational Needs and Vehicle Replacement

ADC proposes to reallocate $17.3 million for operational needs, which they describe as "critical," and vehicle replacements. This amount includes:

- $6.9 million for department fleet costs, which would include replacing part of their vehicle inventory at a cost of $3.5 million and addressing a shortfall in their fuel budget,
- $7.2 million for prison facility funding needs and shortfalls,
- $1.8 million for other program shortfalls, and
- $1.4 million for IT projects

Table 2 provides a listing of each of the subcomponents of these 4 initiatives. The ADC submission does not include any further detail beyond the listing in *Table 2.* We have asked ADC for additional information.

Table 2

Operational Needs and Vehicle Replacement

	Amount
Department Fleet	
Vehicle Replacement	$ 3,500,000
Fleet Critical Needs/Shortfalls	2,447,200
Vehicle Fuel Shortfall	950,000
Department Fleet Subtotal	*$ 6,897,200*
Facility Funding	
Facility Critical Needs/Shortfalls	$ 7,001,000
ASPC-Yuma Wastewater Compliance	200,000
Facility Funding Subtotal	*$ 7,201,000*
Other Program Allocations	
Prison Operations Critical Needs/Shortfalls	$ 945,500
Work Incentive Pay Plan Shortfall (inmate labor)	386,100
HR Shortfall	220,000
Planning, Information, Research Shortfall	102,000
Medical Services Contract Monitoring Bureau Shortfall	67,000
Inmate Programs and Reentry Shortfall	58,000
Training Academy Food Shortfall (cadet meals)	30,000
Other Program Allocations Subtotal	*$ 1,808,600*
IT Projects	
Roster Management System	$ 850,000
Security Camera Replacement (ASPC - Eyman)	550,000
IT Projects Subtotal	*$ 1,400,000*
Grand Total	**$ 17,306,800**

(Continued)

Private Prison Per Diem Shortfall

Finally, ADC proposes to allocate $16.7 million to cover a funding shortfall in the private prison per diem line item. This amount would fund the following:

- The full cost of the FY 2023 approved salary increase for private prison staff. The FY 2023 budget included a 20% salary increase for ADC staff, including a commensurate increase for private prison staff. Contract per diems were adjusted to reflect the increase, but the amount allocated to the private prison per diem line item was insufficient to cover the cost.
- Higher per diem costs from the Phoenix West and Florence West management-only contracts. The Phoenix West contract increase became effective July 23, 2022. The Florence West contract increase became effective October 28, 2022. Due to the timing of the contract awards, the FY 2023 budget did not include funding for these increases.
- The accelerated usage of Florence prison replacement beds at La Palma prison. The FY 2023 budget included funding for about 1,400 of the 2,706 contracted beds, consistent with the Florence Closure Plan. By October 2022, however, ADC had begun utilizing more beds than the amount funded. As of June 8, 2023 ADC is housing 2,347 inmates at La Palma.

The FY 2024 budget did appropriate additional funding to address these 3 issues, but did not address the FY 2023 funding shortfall.

GP:kp

Arizona Department of Corrections
Rehabilitation & Reentry

701 E. Jefferson St.
PHOENIX, ARIZONA 85034
(602) 542-5497
corrections.az.gov

KATIE HOBBS
GOVERNOR

RYAN THORNELL
DIRECTOR

June 6, 2023

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

The Honorable John Kavanagh
Vice-Chairman, Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington
Phoenix, AZ 85007

RE: Personal Services and Employee-Related Expenditures Expenditure Plan

In accordance with Laws 2022, 2nd Regular Session, Chapter 313 (HB2862), Section 23, the Arizona Department of Corrections, Rehabilitation, and Reentry (ADCRR) is required to submit an expenditure plan to the Joint Legislative Budget Committee (JLBC) for review prior to spending any of the $421,203,300 designated for personal services and $268,815,300 designated for employee-related expenditures on other items or services.

Based on current analysis, ADCRR projects $72M will be available from personal services and employee related expenditures through fiscal year end. ADCRR has identified $44.8M to address critical needs for which there is no provision in the appropriation or expenses were unanticipated.

Jensen Injunction Costs	$10,775,000
Critical/Operational Needs & Vehicle Replacement	$17,306,800
Private Prison SLI Shortfall	$16,690,700

One notable critical funding need surrounds the "Jensen Injunction Costs." On April 7, 2023, the Court in Jensen v. Thornell issued a final Injunction Order against ADCRR as a result of more than ten years of inadequate healthcare services, inadequate conditions of confinement for subclass populations, and lack of substantive action to improve the system, among other specific findings. This Injunction requires ADCRR to implement numerous new or expanded healthcare services, including widespread access to Hepatitis C treatment medications, medications for the treatment of substance use disorder, expanded infirmary and special needs medical beds, and enhanced technology for more accessible and efficient healthcare tracking and records access. ADCRR anticipates nearly $85 million in new healthcare costs for FY 2024 but seeks to use $10.8M of FY

2023 personal services savings to fund appropriate and applicable costs to mitigate some of the needs in FY 2024.

An overview of personal services and employee related expenditures and a brief description of the critical, current needs are included in the enclosure. If I can provide additional information, please do not hesitate to contact me.

Sincerely,

Ryan Thornell
Director

Enclosure

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
Sarah Brown, Director, Governor's Office of Strategic Planning and Budgeting
Rebecca Dial, Deputy Director, Governor's Office of Strategic Planning and Budgeting
Will Palmisano, Senior Budget Manager, Governor's Office of Strategic Planning and Budgeting
Geoffrey Paulsen, Senior Fiscal Analyst, Joint Legislative Budget Committee
Caroline Dudas, Budget Analyst III, Governor's Office of Strategic Planning and Budgeting

Arizona Department of Corrections Rehabilitation and Reentry

FY 2023 Budget Summary

May 25, 2023

		Projected Available Funds
Appropriation Sources:		
Operating Lump Sum		$71,995,600 [1,2]
Special Line Item Appropriations (SLI):		
Private Prisons		($16,690,700) [1]
Inmate Health Care Contracted Services		$5,400,100 [1,4]
Potential Funds Identified for Reallocation		$60,705,000

Current Needs/Expenditure Plan	Timing	Potential Funding Uses	
Jensen Injunction Costs - Litigation, Fines, Assessments		$6,400,000	
Jensen Injunction Costs - Medications		$4,000,000	
Jensen Injunction Costs - ACIS Sentence Calculation updates		$125,000	
Jensen Injunction Costs - Court Ordered Monitoring		$250,000	
Jensen Injunction Costs - Contract Adjustments		TBD [4]	
Critical Needs List/Operational Needs/Vehicle Replacement	for goods/services rec'd on or before June 30, 2023	$17,306,800 [1,3]	
Compensatory Time Payoff	pay date 6/15	$1,531,900 [1,3]	note: these are payroll related expenditures
Holiday Liability	pay date 6/15	$8,282,200 [1,3]	
Merit	pay date 6/1	$9,800,000 [1,3]	
Total Other Identified Needs		**$47,695,900**	
FY 2023 Revised Available Balance		$13,009,100	

[1] SLI appropriations transfers require OSPB approval. Transfers from PS/ERE/OT to other lines require OSPB approval and submission of expenditure plan to JLBC prior to transferring appropriations.

[2] Assumes PS&ERE and Overtime remain around $26.5M per pay period (PS $16.5M, ERE $6M, and OT $4M)

[3] Notification & discussion with OSPB is recommended.

[4] The capacity within the Inmate Health Care SLI appropriation will be applied to the Jensen Injunction Costs Contract Adjustments. This would apply to contract adjustments applicable to FY 2023.

Arizona Department of Corrections Rehabilitation and Reentry

FY 2023 Critical Needs List/Operational Needs

Other Needs/Considerations (not in order of importance/priority)	estimate
HR shortfall	220,000
Correctional Officer Training Academy Food (cadet meals)	30,000
Prison Ops critical needs/shortfalls	945,500
Work Incentive Pay Plan (inmate labor) shortfall	386,100
DVR Replacement (PIJ)	550,000
Roster Management (PIJ)	850,000
Facilities critical needs/shortfalls	7,001,000
Facilities ASPC-Yuma Waste Water compliance issues	200,000
Fleet critical needs/shortfalls	2,447,200
Fleet - vehicle fuel shortfall	950,000
Fleet - vehicle replacement	3,500,000
Planning, Information, Research shortfall	102,000
Inmate Programs and Reentry shortfall	58,000
Medical Services Contract Monitoring Bureau shortfall	67,000
	17,306,800

Arizona Department of Corrections Rehabilitation and Reentry
2023 Fiscal Summary

	Appropriation Summary								
	Operating Lump Sum [1/2]	Community Corrections SLI [2/3]	Private Prison SLI [2/4]	Inmate Health Care SLI [2/5]	One Time Vehicle Purchase SLI [2/6]	Community Treatment Program for Imprisoned Women SLI [2/7]	Substance Abuse Treatment SLI [2/8]	FY 2023 Salary Increase SLI [9]	Total
Potential Funding Available at Year End	$ 71,995,600	$ 2,453,100	$ (16,690,700)	$ 5,400,100	$ 1,518,400	$ 2,000,000	$ 5,343,700	$ -	$ 72,020,200
Projected Staffing Offsets and Contract Sanctions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Appropriation Transfer	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Potential Funds Available	$ 71,995,600	$ 2,453,100	$ (16,690,700)	$ 5,400,100	$ 1,518,400	$ 2,000,000	$ 5,343,700	$ -	$ 72,020,200

[1] Assumes PS&ERE and Overtime remain around $22.5M and $4.0M per pay period respectively.

[2] SLI appropriations transfers require OSPB approval. Transfers from PS/ERE/OT to other lines require OSPB approval and submission of expenditure plan to JLBC prior to transferring appropriations.

[3] The appropriation includes $1.3M for the Mental Health Transition Program. Allows placement of up to 500 inmates that meet specific criteria to receive 90 days of mental health transition services.

[4] A prior discussion with OSPB gave verbal approval to move lump sum appropriation capacity to the private prison SLI appropriation to address the shortfall. A follow-up conversation with OSPB is recommended

[5] Current funds available are mostly the result of the contracted rate increase funded for the full FY while the transition to current vendor occurred later in the FY.

[6] Appropriation has an extended end date. Recommend utilization for remaining funding to replace vehicles that are at or above the useful life standard.

[7] Appropriation does not have an end date. Recommend utilization of funding in accordance with legislation (contract with a private vendor to house inmates that have given birth in prison, and to provide specialized treatment and services).

[8] Current funds available are mostly the result of contracted staffing issues.

[9] FY 2023 Appropriation of $116,656,800 was transferred to payroll related appropriations.