

# **JOINT LEGISLATIVE BUDGET COMMITTEE**

**Tuesday, June 18, 2019**

**12:30 p.m.**

**House Hearing Room 1**

**JLBC**

STATE OF ARIZONA

## Joint Legislative Budget Committee

STATE  
SENATE

DAVID M. GOWAN  
VICE-CHAIRMAN  
LELA ALSTON  
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RICK GRAY  
VINCE LEACH  
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### JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, June 18, 2019

12:30 P.M.

House Hearing Room 1

### MEETING NOTICE

- Call to Order
- [Approval of Minutes of April 10, 2019.](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION
  - A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
  - B. Arizona Department of Administration - Review for Committee the Planned Contribution Strategy for State Employee and Retiree Medical and Dental Plans Under A.R.S. § 38-658A.
- 1. ARIZONA DEPARTMENT OF CORRECTIONS
  - \*\*\*A. [Review of Inmate Health Care Per Diem Rate Change.](#)
  - B. [Review of Adult Inmate Management System Expenditures.](#)
- 2. [SECRETARY OF STATE - Review of Expenditure Plan for Other Help America Vote Act \(HAVA\).](#)
- 3. \*\*\*ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Arizona Financial Information System Transaction Fee.
- 4. \*\*\*ATTORNEY GENERAL - Review of Uncollectible Debts.
- 5. \*\*\*ARIZONA CRIMINAL JUSTICE COMMISSION - Review of Edward Byrne Memorial Justice Assistance Grant Federal Application.

6. \*\*\*DEPARTMENT OF ECONOMIC SECURITY - Review of Developmental Disabilities Line Item Transfers.
  7. ARIZONA DEPARTMENT OF EDUCATION  
\*\*\*A. Review of AzMERIT Contract Renewal  
\*\*\*B. Review of Career Technical Education District Annual Report.
  8. \*\*\*DEPARTMENT OF ENVIRONMENTAL QUALITY - Review of Amendment to the Vehicle Emissions Inspection Contract.
  9. \*\*\*DEPARTMENT OF PUBLIC SAFETY - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount.
  10. \*\*\*OFFICE OF TOURISM - Certification of Expenditures related to ISM Raceway Renovations.
  11. \*\*\*DEPARTMENT OF TRANSPORTATION - Review of Motor Vehicle Modernization (MvM) Project Annual Progress Report.
- \*\*\* 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.

6/13/19

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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.



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### MINUTES OF THE MEETING

#### JOINT LEGISLATIVE BUDGET COMMITTEE

April 10, 2019

The Chairman called the meeting to order at 9:04 a.m., Wednesday, April 10, 2019, in House Hearing Room 1. The following were present:

Members:	Senator Gowan, Vice-Chairman	Representative Cobb, Chairman
	Senator Alston	Representative Espinoza
	Senator Gray	Representative Fernandez
	Senator Leach	Representative Friese
	Senator Livingston	Representative Kavanagh
	Senator Otondo	Representative Roberts
		Representative Toma
Absent:	Senator Bowie	Representative Petersen
	Senator Mesnard	

#### APPROVAL OF MINUTES

Senator Leach moved that the Committee approve the minutes of December 18, 2018. The motion carried.

#### DIRECTOR'S REPORT

Mr. Richard Stavneak, JLBC Director, informed Committee members that JLBC meetings are typically held in April, June, September and December. For the interim meetings, there will be quorum calls to ensure there are sufficient members. There could be special meetings outside of those 4 meetings depending upon their particular circumstances. These 4 meetings also let the Attorney General know when Risk Management cases could be heard before the Committee.

Mr. Stavneak state that one of the items that did not make this agenda because it came in too late, was a request relative to the Office of Tourism. This item will be on the June 2019 agenda. Legislation was passed several years ago to allow \$1,500,000 to go to Phoenix International Raceway for improvements

(Continued)



that they will have made exceeding \$100 million. That starts in FY 2022 and is contingent upon JLBC certifying that those expenditures have been made. Chairman Cobb stated that she wanted to make sure this item was on the June 2019 agenda and that the Committee receive a detailed report.

#### **ADOPTION OF COMMITTEE RULES AND REGULATIONS**

Senator Leach moved that the Committee adopt the Committee rules and regulations. The motion carried.

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

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

At 9:08 a.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 10:42 a.m. the Committee reconvened into open session.

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

- *Jane Doe v. State of Arizona, et al.*
- *Cardona v. Banner-UMC, UPH, ABOR, et al.*
- *Chevalier v. State of Arizona, et al.*
- *Derosier v. State of Arizona*

The motion carried.

#### **CONSENT AGENDA**

The following items were considered without discussion.

#### **ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND - Review of CHILDS (Department of Child Safety Subaccount).**

A.R.S. § 41-714 requires Joint Legislative Budget Committee review prior to any monies being expended from the Arizona Department of Administration's (ADOA) Automation Projects Fund (APF) for the Children's Information Library and Data Source (CHILDS) replacement project. ADOA requested Committee review of \$5,000,000 in FY 2019 funds to continue the project. The JLBC Staff provided options.

#### **DEPARTMENT OF CHILD SAFETY (DCS) - Review of FY 2019 Second and Third Quarter Benchmarks.**

The FY 2019 General Appropriation Act requires DCS to submit to the Committee for its review a quarterly report on benchmarks for assessing progress made in increasing the department's number of FTE Positions, meeting caseload standards for caseworkers, reducing the number of backlog cases and open reports, and reducing the number of children in out-of-home care. DCS submitted its report for the second and third quarters of FY 2019. The JLBC Staff provided options.

(Continued)

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

The FY 2019 General Appropriation Act requires DCS to submit proposed line item transfers to the Committee for its review. DCS requested Committee review of the transfer of \$208,000 Federal Temporary Assistance for Needy Families (TANF) Block Grant monies into the Kinship Care line item from the Out-of-Home Support Services line item. The JLBC Staff provided options.

**NORTHERN ARIZONA UNIVERSITY (NAU) - Review of Expenditure and Performance Report of Nonprofit Biotechnology Research Appropriation.**

The FY 2015 General Appropriation Act (Laws 2014, Chapter 18, Section 132) appropriates \$3,000,000 each year from FY 2015 to FY 2019 to NAU to grant to a nonprofit biomedical research entity. The Act requires NAU to provide a report to the Committee for its review on the expenditures and performance of the grant recipient by February 1 of each year. The JLBC Staff provided options.

*Senator Gowan moved that the Committee give a favorable review, including provisions as outlined in the JLBC Staff analysis, to the 4 consent agenda items listed above. The motion carried.*

**REGULAR AGENDA**

**AHCCCS/DEPARTMENT OF ECONOMIC SECURITY/DEPARTMENT OF CHILD SAFETY – Review of Capitation Rate Changes for Plan Year 2019.**

Mr. Patrick Moran, JLBC Staff, stated that an FY 2019 General Appropriation Act footnote requires the state Medicaid agencies to submit an expenditure plan to the Joint Legislative Budget Committee for review prior to implementing any changes in capitation rates. AHCCCS submitted rate changes for plan year 2019 for the following programs:

- Department of Economic Security's ALTCS - Developmental Disabilities program
- Department of Child Safety's Comprehensive Medical and Dental Program (CMDP) for children in foster care.

The JLBC Staff provided options.

Ms. Shelly Silver, Assistant Director, Division of Health Care Management, AHCCCS, responded to member questions.

*Senator Gowan moved that the Committee give an unfavorable review of AHCCCS' proposed capitation rate changes, with the following provision:*

- It is the intent of the Committee that the Department of Child Safety and the Arizona Health Care Cost Containment System request any budgetary changes associated with an integrated CMDP health plan in their FY 2021 budget submissions.*

The motion carried.

(Continued)

**ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of College Credit by Examination Incentive Program Report.**

Mr. Steve Schimpp, JLBC Staff, stated that A.R.S. § 15-249.06F requires ADE to provide to the Committee for review its annual report on the College Credit by Examination Incentive Program. The JLBC Staff provided options.

Ms. Cassie O'Quin, Government Relations & Communications Liaison, Policy Development & Government Relations, ADE, responded to member questions.

Senator Gowan moved that the Committee give a favorable review to ADE's report.

Representative Friese made a substitute motion that the Committee give an unfavorable review to ADE's report. The substitute motion failed by a roll call vote of 5-8-0-3. (Attachment 1)

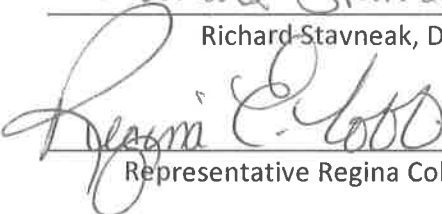
The original motion carried.

Without objection, the meeting adjourned at 11:51 a.m.

Respectfully submitted:

  
\_\_\_\_\_  
Kristy Paddock, Secretary

  
\_\_\_\_\_  
Richard Stavneak, Director

  
\_\_\_\_\_  
Representative Regina Cobb, 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>

**JOINT LEGISLATIVE BUDGET COMMITTEE**

Meeting Date: 4/16/19

ITEM # \_\_\_\_\_

ITEM # ADE Sub Vote

	<u>PRESENT</u>	<u>ABSENT</u>	<u>PASS</u>	<u>AYE</u>	<u>NAY</u>	<u>PRESENT</u>	<u>ABSENT</u>
SEN. ALSTON	/			/			
SEN. BOWIE		/					/
REP. ESPINOZA	/			/			
REP. FERNANDEZ	/			/			
REP. FRIESE	/			/			
SEN. GRAY	/				/		
REP. KAVANAGH	/				/		
SEN. LEACH	/				/		
SEN. LIVINGSTON	/				/		
SEN. MESNARD		/					/
SEN. OTONDO	/			/			
REP. PETERSEN	/	/					/
REP. ROBERTS					/		
REP. TOMA	/				/		
SEN. GOWAN	/				/		
REP. COBB	/				/		

TOTALS  
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Attachment 1

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					
SEN. BOWIE					
REP. ESPINOZA					
REP. FERNANDEZ					
REP. FRIESE					
SEN. GRAY					
REP. KAVANAGH					
SEN. LEACH					
SEN. LIVINGSTON					
SEN. MESNARD					
SEN. OTONDO					
REP. PETERSEN					
REP. ROBERTS					
REP. TOMA					
SEN. GOWAN					
REP. COBB					

TOTALS

3

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3

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TOTALS  
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01/04/19





STATE OF ARIZONA

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DATE: June 11, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Geoffrey Paulsen, Fiscal Analyst *GP*

SUBJECT: Arizona Department of Corrections - Review of Inmate Health Care Per Diem Rate Change

### Request

Pursuant to a FY 2019 General Appropriation Act (Laws 2018, Chapter 276) footnote, the Arizona Department of Corrections (ADC) submitted for Committee review its expenditure plan for inmate health care contract services. The FY 2020 budget included \$31 million in the FY 2020 budget to implement the new contract.

### Committee Options

The Committee has at least the following 2 options:

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

### Key Points

- 1) ADC has signed a 2-year contract that includes three 1-year optional extensions with a new vendor set to take effect July 1, 2019.
- 2) The new contract cost is based on a fixed inmate population of 33,777 and guarantees the vendor \$205 million in FY 2020, a \$31 million increase over the Baseline.
- 3) Based on the May 31, 2019 inmate population, this cost would equate to a per diem of \$16.50.

(Continued)

## Analysis

ADC issued a Request for Proposals on June 1, 2018 for its inmate health care contracted services. On January 18, 2019, ADC announced a contract with Centurion to replace the current vendor, Corizon. The contract is for a period of 2 years, with three 1-year renewal options. The contract assumes a fixed inmate population of 33,777. The vendor will receive \$205.2 million regardless of the prison population, less any sanctions or staffing offsets (see "Sanctions and Staffing Offsets" section below). As of May 31, 2019, the state-operated prison population was 33,999, which would equate to a per diem of \$16.50.

The FY 2020 budget includes a total of \$195 million in appropriated funds for the Inmate Health Care Contracted Services line item. In addition to these funds, ADC also annually receives reimbursement from Medicaid for the costs of outside health care that can be utilized to pay vendor costs. The budget assumes ADC will receive \$10 million in non-appropriated Medicaid reimbursement, giving the department \$205 million in total resources for the contract.

### Staffing Requirement and Sanctions

The contract requires 1,046 medical staff across the 10 prisons, including 204 mental health staff. If the vendor does not meet these staffing requirements or the performance measures required by the *Parsons v. Ryan* settlement, sanctions and staffing offsets will be incurred by the vendor.

GP:lm



DOUGLAS A. DUCEY  
GOVERNOR

# Arizona Department of Corrections

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[www.azcorrections.gov](http://www.azcorrections.gov)



CHARLES L. RYAN  
DIRECTOR

March 20, 2019

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



Re: Expenditure Plan for Inmate Health Care

Dear Representative Cobb:

Pursuant to Laws 2018, 2<sup>nd</sup> Regular Session, Chapter 276 (SB 1520), Section 22, the Arizona Department of Corrections (ADC) respectfully submits for review an expenditure plan for the Inmate Health Care Contracted Services SLI before implementing changes in the per diem rate.

On January 17, 2019, ADC awarded the inmate health care services contract to Centurion, LLC. This award concludes the Request for Proposal (RFP) solicitation process that began June 1, 2018. During the RFP process, five bid proposals were received. ADC evaluated all submitted proposals, and concluded Centurion's offer to be the most competitive and in the state's best interest.

While the contract has been awarded, it is contingent upon appropriation of funds by the legislature on an annual basis and review by the Joint Legislative Budget Committee. Centurion, LLC was notified of this contingency and affirmed its understanding in their proposal.

The contract continues to provide comprehensive inmate healthcare services at ADC's ten state-run prison facilities. The contract term with Centurion is two years with three supplemental one year periods for a total contract term of five years. The contract begins July 1, 2019. Staffing requirements in this contract are 1,046 medical staff, including 204 mental health staff, across all prisons. The cost structure of the contract is based on a fixed population of 33,777 and a per inmate per day (PIPD) cost of \$16.604. No adjustment in cost will be made for increases or decreases to the prison population.

In addition, in FY 2018 ADC identified a need for additional resources for the Health Services Contract Monitoring Bureau to enhance critical oversight of health care delivery and compliance



March 20, 2019  
The Honorable Regina E. Cobb  
Page 2

with the *Parsons v. Ryan and Pratt* stipulated agreement. Early in FY 2019, ADC established an additional 10.0 FTE positions to address this need with each initially assigned to the existing monitoring team at each of the 10 state prison sites. However, ADC will retain the flexibility to reassign the positions as needed to address specific issues of patient care and/or performance measures of the stipulated agreement. These positions, of which 6 are currently filled, enhance real-time communication with the contracted vendor and other stakeholders, assess progress and compliance with the performance measures of the stipulated agreement, and focus on individual, patient care.

The FY 2020 Executive budget includes \$985,900 for the 10.0 FTE positions that will enhance the Health Services Monitoring Bureau and \$31,348,800 to fully fund the recently awarded contract. The \$31,348,800 is comprised of \$14,000,000 that was unfunded in the FY 2019 enacted budget, an increase of \$16,900,000 for the recently awarded contract, and \$448,800 in one-time funding for leap year in FY 2020. Please refer to the enclosure for additional funding detail pertaining to the contracted rate increase and the Inmate Health Care Contracted Services SLI.

If you have any questions, please contact Michael Kearns, Division Director of the Department's Administrative Services Division, at (602) 542-1160.

Sincerely,



Charles L. Ryan  
Director

Enclosure

cc: The Honorable David M. Gowan, Vice-Chairman, Joint Legislative Budget Committee  
Matthew Gress, Director, Office of Strategic Planning and Budgeting  
Richard Stavneak, Director, Joint Legislative Budget Committee  
Ryan Vergara, Senior Budget Analyst, Office of Strategic Planning and Budgeting  
Geoffrey Paulsen, Fiscal Analyst, Joint Legislative Budget Committee

**ARIZONA DEPARTMENT OF CORRECTIONS  
INMATE HEALTH CARE CONTRACTED SERVICES SLI EXPENDITURE PLAN**

	<u>Inmate Population</u>	<u>Per Diem</u>	<u>Contract Amount</u>	<u>Medicaid</u>	<u>Net SLI Amount</u>
FY 2019 Inmate Health Care Contract	34,074	15.164	188,596,200	(10,784,500)	177,811,700
FY 2020 State Inmate ADP Adj. <sup>1</sup>	(297)	-	(1,643,900)	-	(1,643,900)
Medicaid Claims Adjustment	-	-	-	790,200	790,200
Reallocation of Base Funding	-	0.069	853,700	-	853,700
FY 2020 PIPD Rate Increase	-	1.371	16,900,000	-	16,900,000
Leap Year	-	-	448,800	-	448,800
FY 2020 Inmate Health Care SLI Funding Requirement	<u>33,777</u>	<u>16.604</u>	<u>205,154,800</u>	<u>(9,994,300)</u>	<u>195,160,500</u>
FY 2019 Inmate Health Care SLI Appropriation <sup>2</sup>					163,811,700
<b>FY 2020 Executive Budget</b>					<b><u>31,348,800</u></b>

<sup>1</sup> The State ADP is based on a fixed population of 33,777 with no variable rate for an increasing or declining population.

<sup>2</sup> The FY 2019 enacted budget of \$163,811,700 was underfunded by \$14,000,000. The FY 2020 Executive Budget includes a FY 2019 Supplemental Appropriation to address the shortfall.





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BEN TOMA

DATE: June 13, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Geoffrey Paulsen, Fiscal Analyst *GP*

SUBJECT: Arizona Department of Corrections - Review of Adult Inmate Management System Expenditures

### Request

Pursuant to an FY 2020 General Appropriation Act footnote, the Arizona Department of Corrections (ADC) submitted for Committee review its expenditure plan for the Adult Inmate Management System (AIMS). ADC plans to expend \$6.9 million above the projected \$24.0 million cost of the project.

### 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 provisions:

- A. Until the project is completed, the department shall submit the standard ASET monthly progress report to both the ASET and JLBC in a timely manner.
- B. Before spending any additional monies on the system above the current \$6.9 million request, the department shall submit an expenditure report to the Committee for review.

(Continued)

#### Key Points

- 1) The project was originally estimated to cost \$24.0 million
- 2) The project has run into significant problems in testing, resulting in a \$6.9 million cost overrun.
- 3) To finance the higher cost, ADC will transfer \$4.9 million from the operating budget and \$2.0 million from the Indirect Cost Fund.
- 4) The cost could be even higher because ADC has put a freeze on more change orders until the "go live" date of November 2019.
- 5) ASET and the third-party reviewer did not identify the magnitude of the problem until April 2019.

#### Analysis

##### Background

In 1985, ADC implemented AIMS, an automated system designed to track a variety of ADC data, including population management, intake processing, inmate identification, and sentence calculations, as well as to assist ADC in numerous reporting requirements to other public and private entities.

To update AIMS, ADC purchased a commercial "off the shelf" product, which reportedly met 80% of the department's needs. For the remaining 20%, ADC hired a vendor to oversee the modification and customization of the software to meet these specific requirements. Starting in FY 2015, the Legislature appropriated \$24.0 million for the project over 3 years.

The project has encountered several challenges resulting in additional work and delaying the project timeline. The Arizona Strategic Enterprise Technology (ASET) Office in the Department of Administration is responsible for monitoring and overseeing high-risk technology projects across state agencies. In November 2018, ASET labeled the project "off track", and noted that the reporting tool did not interface with the rest of the application. At that time, ADC acknowledged the project had encountered several challenges requiring additional customization, but maintained the project was on schedule for a June 2019 rollout and did not expect the project to exceed the overall \$24.0 million approved budget.

In April 2019, ASET again called the project "off track" due to ongoing vendor negotiations and the potential negative impact on the project end date and budget. Among ASET's concerns were the failure of ADC to submit required monthly status reports. According to ASET, ADC did not submit the December 2018 through March 2019 reports until April 2019. As a result, the Committee may consider Provision A, which would require ADC to submit these monthly reports in a timely manner to ASET and to provide a copy to JLBC.

In addition to ASET oversight, statute requires that if an information technology (IT) project exceeds \$5 million, the department must contract with a third party to review and provide guidance on the project. The third-party reviewer is required to submit quarterly reports on the progress of the project. Prior to April 2019, the third-party reviewer's quarterly reports did not reference a cost overrun. The April report stated that the project would likely exceed the initial budget by \$3.9 million. As part of that report, the reviewer warned there "remains a fundamental discord with basic communication" between ADC and the vendor and that the project could not be successful unless this is repaired.

(Continued)

Current Request

ADC attributes project challenges in part to the fact that the selected vendor for the project was acquired by another company during the project. However, there is also some question as to whether ADC correctly scoped out the project in the design phase. ADC and the vendor have agreed to a contract amendment and a new "go live" date of November 29, 2019.

ADC now estimates that with the contract amendment and extended "go live" date, the overall project will cost \$30.9 million, \$6.9 million more than the initial project appropriation. ADC proposes to use \$4.9 million from its operating budget and \$2.0 million from the Indirect Cost Fund, a non-appropriated fund.

The \$6.9 million may not provide enough funding for a fully functional product. ADC has frozen further change orders until the new "go live" date. This could potentially mean additional costs after that date. As a result, the Committee may also consider Provision B, which would require ADC to submit an expenditure report to the Committee for review prior to spending additional monies on the project above the current request.

GP:kp

**Douglas A. Ducey**  
Governor



**Andy Tobin**  
Director

**ARIZONA DEPARTMENT OF ADMINISTRATION**

ARIZONA STRATEGIC ENTERPRISE TECHNOLOGY  
100 NORTH FIFTEENTH AVENUE • SUITE 400  
PHOENIX, ARIZONA 85007  
(602) 364-4444

June 3, 2019

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



Dear Representative Cobb:

Pursuant to Laws 2019, Chapter 263, Section 24, the Arizona Department of Administration (ADOA) is requesting on behalf of Arizona Department of Corrections (ADC) that the expenditure plan below for the Adult Inmate Management System Replacement Project (AIMS2) be reviewed in the upcoming JLBC hearing.

On December 14, 2016 ADC appeared before the Joint Legislative Budget Committee to present its expenditure plan of the \$8,000,000 appropriated in fiscal year 2016-2017 for AIMS2. ADC received a favorable review of the \$8,000,000 expenditure plan. The favorable review included a provision that ADC submit an updated expenditure plan if they spend in total, more than \$100,000 of the \$1,307,400 contingency allocation.

In May 2017, January 2018, and November 2018 ADC submitted updated expenditure plans for the project. The November 2018 ADC JLBC submission updated the expenditure plan of \$24,000,000 with \$23,965,700 in designated project expenditures and retained \$34,300 for contingency purposes.

ADC also appeared before the Information Technology Authorization Committee (ITAC) for review of the AIMS Replacement project in November 2018. The ITAC and JLBC updates advised that the project had encountered several challenges, including required customization due to system complexity, data migration, system reporting requirements, and sentence calculation.

The project has encountered additional challenges since the vendor, Business and Decision (B&D), was purchased by Oracle in mid-2018. Oracle acquired the company with the AIMS2 project in its critical phases as opposed to being completed. This caused both the vendor and the State to work through difficult financial and operational challenges. The project has continued to encounter challenges since November 2018 due to additional change requests that were identified through system testing. In February 2019 three change requests (CRs #64-66)

The Honorable Regina E. Cobb

June 3, 2019

Page 2

were approved at a cost of \$1,056,374 and an estimated 10 week delay in the project timeline. Additional change requests and project difficulties required ADC and the contracted vendor to meet to discuss the fiscal implications of additional change requests and a firm project timeline.

The discussions between ADC and B&D resulted in a contract amendment and new timeline for Go Live of November 29, 2019. All pending change requests (CRs #67-75) will be completed at a cost of \$1,872,000. Based on the contract Amendment, there are no more change requests that will be programmed until after the Go Live date. Any additional change requests have been or will be placed on hold until after the Go Live date.

In addition to the expenditures from the Automation Projects Fund, ADC has worked with Arizona Strategic Enterprise Technology (ASET) Office to clearly reflect additional costs funded from base appropriations from FY 18 and FY 19.

As a result of the extended timeline and the fiscal impact of the change requests, the project is anticipated to exceed the original cost estimate of \$24,000,000 by approximately \$7,000,000. The detailed breakout of these costs is shown below:

Completed FY 2018 and 2019 Expenditures	1,877,237
Additional Project Costs (Go Live Extension)	
ADC costs (staff, contractors, bond, and licensing)	1,819,924
3rd party assessment	105,450
Subtotal: Project Extension Costs	1,925,374
Change Requests	
CR#'s 64 through 66	1,056,374
CR#'s 67 through 75	1,872,000
Contingency/Potential CR's (estimate)	146,252
Subtotal: Change Requests	3,074,626
Total Additional Project Cost	6,877,237
Less: Completed FY18 & FY19 Expenditures	(1,877,237)
Total Additional Project Need	5,000,000

ADC is allocating funds from two funding sources to complete the project. The funding sources include General Fund (FY 19 base appropriations - \$3,000,000) and Indirect Cost Fund (\$2,000,000). ADC will also be required to have the project reviewed by ASET and ITAC. ADC plans to have the ITAC review completed prior to appearing before JLBC.

If you have any questions please contact Michael Kearns, Division Director of the department's Administrative Services Division, at (602) 364-3815.



The Honorable Regina E. Cobb  
June 3, 2019  
Page 3

Sincerely,

  
Morgan Reed (Jun 4, 2019)

Morgan Reed  
State Chief Information Officer (CIO)  
Arizona Strategic Enterprise Technology

Enclosure

cc: The Honorable David M. Gowan, Vice-Chairman, Joint Legislative Budget Committee  
Matthew Gress, Director, Office of Strategic Planning and Budgeting  
Richard Stavneak, Director, Joint Legislative Budget Committee  
Ryan Vergara, Sr. Budget Analyst, Office of Strategic Planning and Budgeting  
Geoffrey Paulsen, Fiscal Analyst, Joint Legislative Budget Committee Staff,  
Andy Tobin, Director, Department of Administration  
Charles L. Ryan, Director, Department of Corrections





STATE OF ARIZONA

## Joint Legislative Budget Committee

STATE  
SENATE

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

DAVID M. GOWAN  
VICE-CHAIRMAN  
LELA ALSTON  
SEAN BOWIE  
RICK GRAY  
VINCE LEACH  
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(602) 926-5491

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HOUSE OF  
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WARREN PETERSEN  
BRET M. ROBERTS  
BEN TOMA

DATE: June 13, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Adam Golden, Assistant Fiscal Analyst **AG**

SUBJECT: Secretary of State - Review of Expenditure Plan for Help America Vote Act (HAVA) Projects

### Request

Pursuant to an FY 2019 General Appropriation Act footnote (Laws 2018, Chapter 276), the Secretary of State (SOS) is requesting review of its expenditure plan for the remaining Help America Vote Act monies. These monies were allocated by the federal government to the state in March 2018. At its June 2018 meeting, the Committee favorably reviewed SOS's FY 2019 HAVA expenditure plan of \$2.3 million for the cost of completing the development of a new statewide voter registration system and \$479,100 for an election security assessment.

After accounting for the voter registration spending and the election security assessment (which had an actual cost of \$380,000), there will be up to \$5.5 million of HAVA monies available from the 2018 federal grant.

### 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 provisions:

- A. The Committee's review only addresses FY 2020 expenditures. SOS shall return to the Committee for further review prior to expending any funds in FY 2021.

(Continued)

- B. The SOS shall notify the Committee of any changes to the FY 2020 expenditure plan that exceed \$100,000 and the Chairman may determine whether the changes require further Committee review.
- C. The SOS shall submit their monthly ASET status report on AVID to JLBC.
- D. The SOS shall submit to the Committee a report on the recipients of "security fortification" grants prior to distributing the funds.

#### **Key Points**

- 1) HAVA provides federal monies to states for implementing improvements in the administration of elections.
- 2) Arizona received a one-time allocation of \$7.5 million in federal monies in FY 2018 for this purpose.
- 3) The Committee reviewed \$2.3 million in spending to complete the development of a new voter registration system (AVID) at the June 2018 meeting and required the SOS to return to the Committee for review of future expenditures.
- 4) SOS is now seeking an additional \$935,800 for the cost overrun on the voter registration system. There is no third-party assessment of this IT project.
- 5) SOS would spend \$211,600 in HAVA monies to pay 25% of AVID operating expenses. The counties would pay at least 50% of these costs. The SOS may cover the remaining 25% of the cost with their operating budget.
- 6) SOS would distribute up to \$3.3 million to counties for cybersecurity issues. Of this amount up to \$500,000 would be spent on security fortification grants.
- 7) SOS would expend \$190,000 for both election department and public communications to promote safe cyber-practices.
- 8) SOS needs to provide a 5% state match of \$373,200 by March 2020 or forfeit a like amount of federal funding.
- 9) The source of the match could either be a FY 2020 supplemental or existing funds already appropriated to the SOS.
- 10) If no match is provided, the SOS would reduce county grants from \$3.3 million to \$2.7 million and reduce communication expenses from \$190,000 to \$40,000 in FY 2020.

#### **Analysis**

##### Background

Enacted in 2002, the federal Help America Vote Act (HAVA) imposes several requirements on states with respect to the conduct of federal elections. These restrictions were accompanied with one-time federal grant dollars to states to improve election security. Most recently, the federal government approved a new round of one-time funding for the program in 2018, including \$7.5 million for Arizona, with an emphasis on election cybersecurity.

##### Funding

After accounting for the statewide voter registration and election security assessment previously reviewed by the Committee, there is up to \$5.5 million of HAVA monies available from the 2018 federal grant. The SOS proposes to expend these monies as outlined in *Table 1*.

(Continued)

## Expenditure Plan

Completion of AVID Voter Registration System – At the June 2018 meeting, the Committee reviewed \$2.1 million in spending for the completion of the new AVID voter registration system and \$235,500 for consultant costs for the project. The AVID voter registration system will replace the current "VRAZII" system and will be used by all counties in the state except for Maricopa and Pima, which operate their own systems. The SOS is now proposing to spend an additional \$935,800 to complete the project due to cost overruns.

The SOS believes that the prior administration did not correctly estimate the cost of the project. Current Arizona law requires agencies to receive a third-party assessment of any information technology project that is expected to exceed a cost of \$5 million. Because the cost of the new voter registration system was not expected to exceed that amount, no third-party estimate was required.

The Arizona Strategic Enterprise Technology (ASET) Office in the Department of Administration currently requires that the SOS submit monthly status reports on the AVID project. To remain apprised of this project's status, the Committee may consider a provision that requires the SOS to also submit these reports to JLBC.

Voter Registration System Maintenance and Operation – The SOS proposes spending \$211,600 in FY 2020 and approximately \$170,000 annually from FY 2021 to FY 2024 for the state's share of operating costs for the AVID voter registration system (FY 2020 also includes \$68,400 in costs associated with the old "VRAZII" voter registration system). Prior to FY 2019, the state had paid 25% of the operating costs with the counties paying the remainder.

At the June 2018 meeting, the Committee adopted a provision that SOS maintain the 25%/75% state/county funding share, with the intent that these percentages be maintained until the full Legislature reviewed the issue. In FY 2019, however, the previous SOS administration paid 50% of the costs. The currently proposed SOS plan would have the state pay 50% of costs (25% HAVA funds, 25% from the SOS operating budget).

County Support Programs – The SOS is proposing to spend up to \$3.3 million in county support. Most of these monies (up to \$2.8 million) would be provided directly to counties through grants. Each county would receive a base level of \$100,000 and then a specified amount per active registered voter. The rate would vary based on the number of active registered voters in the county – counties with less voters receiving a higher per voter amount. See *Table 2* for more details.

Up to an additional \$500,000 of "security fortification" grants would be made available to counties that complete free vulnerability assessments conducted by the federal Department of Homeland Security (DHS). SOS would distribute the funds to address issues identified by DHS. The Committee may consider a provision requiring the SOS to report on the recipients of the security fortification grants prior to their disbursement. The remaining \$10,000 will be used to train election officials to respond to elections-related problems. Counties will be given the opportunity to provide feedback on the plan.

State Match – In receiving the federal HAVA funds, the state is required to contribute a 5% match requirement, with Arizona's amount totaling \$373,200. If the state fails to do so, the SOS must

(Continued)

return an equivalent \$373,200 to the federal government. In FY 2019, the previous SOS administration stated that the state match would be covered by the SOS operating budget. The match, however, was apparently never provided, and the current SOS administration does not believe it has sufficient funds to pay the match without a budget increase.

The expenditure plan provides 2 scenarios, one in which there is no state match and the SOS has to remit \$373,200 back to the federal government as a penalty and another in which they are provided the state match dollars, increasing available monies by \$746,400 (the state match amount plus the equivalent amount that would not be forfeited back to the federal government). Each scenario is listed in *Table 1*.

In the state match scenario, the extra \$746,400 would be used in FY 2020 to increase county grants from \$2.4 million to \$2.8 million, increase additional security fortification county grants from \$300,000 to \$500,000, and increase elections communications spending from \$40,000 to \$190,000. The state match may be resolved through a supplemental appropriation by March 2020 or by identifying possible existing funding in the SOS budget which can qualify as matching funds.

The federal Consolidated Appropriation Act of 2018 permits the additional 2018 HAVA funding to be used in accordance with Section 101 of the original Help America Vote Act of 2002 and allows any state spending for the specified activities to qualify towards the 5% state match. Section 101 includes activities such as educating voters concerning voting procedures, voting rights, and voting technology and improving voting systems and technology and methods for casting and counting votes, among other various elections related actions.

The SOS does not believe that any of its existing activities or expenditures can qualify for the state match under the specifications of the federal law. The JLBC Staff is currently discussing possible options with SOS to determine whether existing funding and/or newly enacted FY 2020 appropriations may qualify for the match.

*Communications and Other Secretary of State Expenses* – The SOS is proposing \$30,500 in total spending in FY 2020 through FY 2024 for the cost of election staff facilitating the HAVA grant program. The SOS is also proposing up to \$190,000 in spending in FY 2020 for elections communications costs. These monies would be used to support the development of internal content promoting election security among election departments and for an external public awareness campaign that would promote best security practices for voters.

*Server and Disaster Recovery Site Expenses* – The SOS proposes spending \$56,200 in FY 2020 for maintaining the physical disaster recovery site for VRAZII, the current voter registration system. This expense is only included in FY 2020, as the new AVID voter registration system is in the cloud and a physical disaster recovery site will no longer be needed.

Table 1						
FY 2019 – FY 2024 Expenditure Plan						
	FY 2020 - no match	FY 2020 - with match	FY 2021	FY 2022	FY 2023	FY 2024
Beginning Balance	\$5,130,000	\$5,130,000	\$772,200	\$534,900	\$358,300	\$181,300
State HAVA Match	(373,200)	373,200				
	<u>\$4,756,800</u>	<u>\$5,503,200</u>	<u>\$772,200</u>	<u>\$534,900</u>	<u>\$358,300</u>	<u>\$181,300</u>
 AVID Development Completion	 \$935,800	 \$935,800				
 <u>Voter Registration System M&amp;O</u>						
VRAZII-State Contributions	\$68,400	\$68,400				
Operating Costs	<u>143,200</u>	<u>143,200</u>	<u>171,200</u>	<u>170,500</u>	<u>170,900</u>	<u>175,200</u>
Voter Registration System M&O	<u>\$211,600</u>	<u>\$211,600</u>	<u>\$171,200</u>	<u>\$170,500</u>	<u>\$170,900</u>	<u>\$175,200</u>
 Server and Disaster Recovery Site Expenses	 \$56,200	 \$56,200				
 <u>Other Secretary of State Expenses</u>						
HAVA Grant Coordinator	\$6,100	\$6,100	\$6,100	\$6,100	\$6,100	\$6,100
Communications	<u>40,000</u>	<u>190,000</u>	<u>60,000</u>			
Other Secretary of State Expenses	<u>\$46,100</u>	<u>\$196,100</u>	<u>\$66,100</u>	<u>\$6,100</u>	<u>\$6,100</u>	<u>\$6,100</u>
 <u>County Support</u>						
Cybersecurity Grants	\$2,425,000	\$2,821,400				
Training	10,000	10,000				
Security Fortification Grants	<u>300,000</u>	<u>500,000</u>				
County Support	<u>\$2,735,000</u>	<u>\$3,331,400</u>				
 Year-End Cash Balance <u>1/</u>	 \$772,200	 \$772,200	 \$534,900	 \$358,300	 \$181,300	 \$0
<u>1/</u> Numbers may not add due to rounding.						

(Continued)

**Table 2**

**County Grants Disbursements**

<u>County</u>	<u>Active Voters</u>	<u>No State Match</u>	<u>With State Match</u>
Apache	50,320	130,200	140,300
Cochise	71,974	143,200	157,600
Coconino	84,308	150,600	167,400
Gila	30,092	122,600	130,100
Graham	18,273	113,700	118,300
Greenlee	4,609	103,500	104,600
La Paz	10,338	110,300	110,300
Maricopa	2,292,072	352,100	512,600
Mohave	119,168	159,600	177,500
Navajo	64,489	138,700	151,600
Pima	559,394	251,000	323,800
Pinal	206,164	203,100	234,000
Santa Cruz	28,784	121,600	128,800
Yavapai	143,337	171,700	193,200
Yuma	90,694	<u>154,400</u>	<u>172,600</u>
<b>Total <sup>1/</sup></b>		<b>2,426,300</b>	<b>2,822,700</b>

<sup>1/</sup> Statewide grant totals may not match Table 1 due to rounding.

AG:kp





**KATIE HOBBS**  
SECRETARY OF STATE  
State of Arizona

June 3, 2019



The Honorable Regina E. Cobb  
Chairman  
Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, Arizona 85007  
[rcobb@azleg.gov](mailto:rcobb@azleg.gov)

The Honorable David M. Gowan  
Vice-Chairman  
Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, Arizona 85007  
[dgowan@azleg.gov](mailto:dgowan@azleg.gov)

Re: Updated Expenditure Plan for Help America Vote Act Funds

Dear Representative Cobb and Senator Gowan:

As you know, the State of Arizona was awarded a 2018 Help America Vote Act ("HAVA") Election Security Grant in the amount of \$7,463,675. According to the Consolidated Appropriations Act, 2018 (Public Law 115-141), the purpose of the grant is to "improve the administration of elections for Federal office, including to enhance election technology and make election security improvements."

The fiscal year 2019 General Appropriation Act required the Secretary of State's Office to submit expenditure plans for these HAVA funds to the Joint Legislative Budget Committee ("JLBC"). At our June 19, 2018 meeting with JLBC, JLBC gave a favorable review of various expenditures and required that the Secretary of State's Office return to JLBC for any changes to the fiscal year 2019 expenditure plan and for further review prior to expending any funds in fiscal year 2020.

Accordingly, please accept this letter and the attached information as a request for the following fiscal year 2020 expenditures of the 2018 HAVA funds:

**TABLE 1: FY2020 Expenditure Plan for 2018 HAVA Election Security Grant**

<i>Amount</i>	<i>Description</i>
\$935,750	Completion of development and launch of Arizona Voter Information Database ("AVID"), the new statewide voter registration system

1700 West Washington Street, Floor 7  
Phoenix, Arizona 85007-2808  
Telephone (602) 542-4285 Fax (602) 542-1575  
[www.azsos.gov](http://www.azsos.gov)

\$211,607	Maintenance and Operations of statewide voter registration system
\$56,183	Upkeep of server & disaster recovery site for statewide voter registration system
\$46,100.00	Secretary of State expenses, including personnel costs for our HAVA grant coordinator and communications costs for the PPE
\$2,734,983	Cybersecurity sub-grants, training, and security fortification sub-grants for Counties
<b>\$3,984,623</b>	<b>Total FY2020 expenditure of HAVA funds</b>

The above fiscal year 2020 Expenditure Plan sets aside a portion of the 2018 HAVA Election Security Grant to cover 25% of the total maintenance and operation costs for AVID, the annual cost for HAVA grant coordination, and communications costs. Accordingly, the Secretary of State's Office also seeks approval to expend the remainder of the HAVA funds, \$772,189 in fiscal year 2021 to fiscal year 2024 as described in Table 2:

<b>TABLE 2: FY2021-FY2024 Expenditure Plan for 2018 HAVA Election Security Grant</b>				
	FY2021	FY2022	FY2023	FY2024
AVID M&O	\$171,197	\$170,485	\$170,862	\$175,246
HAVA grant coordinator	\$6,100	\$6,100	\$6,100	\$6,100
Communications	\$60,000	\$0	\$100,000	\$0
<b>Total</b>	<b>\$237,297</b>	<b>\$176,585</b>	<b>\$176,962</b>	<b>\$181,345</b>

The current total estimate for the AVID project is \$4,701,876, with \$3,603,018 of that amount being spent by year end of fiscal year 2019.

\$1,495,600 of previously available HAVA funding was appropriated for the AVID project and that funding will have been spent by the end of fiscal year 2019. We are requesting that the fiscal year 2019 year-end balance of previously available HAVA funding, which is projected to be \$163,108, be appropriated for AVID in fiscal year 2020.

\$2,063,300 of the 2018 HAVA Election Security grant was also appropriated for the AVID project. We are anticipating that \$2,107,168 is needed in fiscal year 2019 and an additional \$935,750 is needed in fiscal year 2020. The \$935,750 estimate assumes that the \$163,108 of previously available funds will be appropriated for the project. Therefore, we are requesting that an additional \$979,618 of the 2018 Election Security grant be appropriated for completion of the AVID project.

The attached 5 Year Spending Plan contains more detailed break-downs of the proposed expenditures.

Finally, we note that the full award amount is contingent on the State providing a match of 5% of the Federal funds (\$373,184) by March 23, 2020. In the absence of the required State match, 5% of the federal funds (\$373,184) must be returned to the Federal government. Because the State Legislature has not yet funded the State match, the above figures exclude a State match and the amount of the Federal funds that are contingent on a State match. Should the Legislature appropriate the required State match by March 23, 2020, an additional \$746,368 will be made available to the State and Counties for election security expenditures. These differences are represented in the two columns labeled "fiscal year 20" on the attached 5 Year Spending Plan.

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, Allie Bones, at 602-542-4919 or [abones@azsos.gov](mailto:abones@azsos.gov).

Sincerely,

A handwritten signature in black ink, appearing to read 'Katie Hobbs', followed by a long horizontal line extending to the right.

Katie Hobbs  
Arizona Secretary of State

CC: Richard Stavneak, Joint Legislative Budget Committee  
Adam Golden, Joint Legislative Budget Committee  
Jack Brown, Joint Legislative Budget Committee

HAVA-2018 101 Security Grant  
5 Year Spending Plan

	FY20	FY20	FY21	FY22	FY23	FY24
Beginning Fiscal Year Cash Balance	\$5,129,996	\$5,129,996	\$772,189	\$534,892	\$358,307	\$181,345
State HAVA Match*	<u>-\$373,184</u>	<u>\$373,184</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	<u>\$4,756,812</u>	<u>\$5,503,180</u>	<u>\$772,189</u>	<u>\$534,892</u>	<u>\$358,307</u>	<u>\$181,345</u>
New Statewide Voter Registration System Project (AVID)**,**						
Sutherland Implementation	\$813,387	\$813,387	\$0	\$0	\$0	\$0
Gartner Project Management	\$112,000	\$112,000	\$0	\$0	\$0	\$0
System Training	<u>\$10,363</u>	<u>\$10,363</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	<u>\$935,750</u>	<u>\$935,750</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Statewide Voter Registration System-Maintenance and Operations						
VRAZII-State Contributions****	\$68,424	\$68,424	\$0	\$0	\$0	\$0
AVID-State Contributions****	<u>\$143,183</u>	<u>\$143,183</u>	<u>\$171,197</u>	<u>\$170,485</u>	<u>\$170,862</u>	<u>\$175,245</u>
	<u>\$211,607</u>	<u>\$211,607</u>	<u>\$171,197</u>	<u>\$170,485</u>	<u>\$170,862</u>	<u>\$175,245</u>
Statewide Voter Registration System-VRAZII Other						
Server & disaster recovery site expenses	<u>\$56,183</u>	<u>\$56,183</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	<u>\$56,183</u>	<u>\$56,183</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Secretary of State Expenses						
HAVA Grant Coordinator	\$6,100	\$6,100	\$6,100	\$6,100	\$6,100	\$6,100
Communications*****	<u>\$40,000</u>	<u>\$190,000</u>	<u>\$60,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	<u>\$46,100</u>	<u>\$196,100</u>	<u>\$66,100</u>	<u>\$6,100</u>	<u>\$6,100</u>	<u>\$6,100</u>
County Support						
Sub Grants	\$2,424,983	\$2,821,351	\$0	\$0	\$0	\$0
Training	\$10,000	\$10,000	\$0	\$0	\$0	\$0
Security Fortification	<u>\$300,000</u>	<u>\$500,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	<u>\$2,734,983</u>	<u>\$3,331,351</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Fiscal Year End Cash Balance	<u>\$772,189</u>	<u>\$772,189</u>	<u>\$534,892</u>	<u>\$358,307</u>	<u>\$181,345</u>	<u>\$0</u>

\*The required HAVA state match has not been appropriated by the legislature as of 05/27/19. Per the EAC, the match is required within two years of Arizona receiving the federal funds, which falls within fiscal year 2020. If we do not make the 5% match we may be required to send 5% of the award back, which is represented in the first column labeled "FY20". Should the legislature fund the match an additional \$745,358 would be made available to the State and Counties for election security expenditures, which is represented in the second column labeled "FY20".

\*\*The total for the AVID section assumes the remaining \$163,108 of "Old" HAVA funding is appropriated for AVID project costs. Actual AVID costs for FY20 are estimated at \$1,098,858.

\*\*\*The overall budget for AVID is now projected at \$4,701,876, with \$3,603,018 of that amount being spent by year end of FY19.

\$1,495,600 of "Old" HAVA funding was previously appropriated for the AVID project and that funding will have been spent by the end of FY19. We are requesting that the FY19 year end balance of Old HAVA funding, which is projected to be \$163,108, be appropriated for AVID in FY20.

\$2,063,300 of the 2018 101 grant was also appropriated for the AVID project. We are anticipating that \$2,107,168 is needed in FY19 and an additional \$935,750 is needed in FY20. Therefore, we are requesting that an additional \$979,618 of the 2018 101 grant be appropriated for completion of the AVID project.

\*\*\*\*These amounts are based on 25% out of SOS operating budget, 25% SOS HAVA fund, and 50% County reimbursement. The SOS's ability to pay 25% out of the operating lump sum budget is contingent on the legislature appropriating the funding for election services. If the legislature does not appropriate funding then we would have to return to a 25% HAVA to 75% County reimbursement split in future years.

\*\*\*\*\*Were we to receive state matching funds we would add \$150,000 to the Communications line item which would be split between the 2020 PPE, 2020 Presidential, and 2022 Gubernatorial election years. Without the match we will be out of funding after the 2020 Presidential election cycle.

County	Base Minimum	Active Voters	Tier Level	Per Voter*	Total Amount Per Voter*	Total Amount to Counties*	Per Voter**	Total Amount Per Voter**	Total Amount to Counties**
Apache	\$100,000.00	50,320	2	\$0.80	\$40,256.00	\$140,256.00	\$0.60	\$30,192.00	\$130,192.00
Cochise	\$100,000.00	71,974	2	\$0.80	\$57,579.20	\$157,579.20	\$0.60	\$43,184.40	\$143,184.40
Coconino	\$100,000.00	84,308	2	\$0.80	\$67,446.40	\$167,446.40	\$0.60	\$50,584.80	\$150,584.80
Gila	\$100,000.00	30,092	1	\$1.00	\$30,092.00	\$130,092.00	\$0.75	\$22,569.00	\$122,569.00
Graham	\$100,000.00	18,273	1	\$1.00	\$18,273.00	\$118,273.00	\$0.75	\$13,704.75	\$113,704.75
Greenlee	\$100,000.00	4,609	1	\$1.00	\$4,609.00	\$104,609.00	\$0.75	\$3,456.75	\$103,456.75
La Paz	\$100,000.00	10,338	1	\$1.00	\$10,338.00	\$110,338.00	\$1.00	\$10,338.00	\$110,338.00
Maricopa	\$100,000.00	2,292,072	5	\$0.18	\$412,572.96	\$512,572.96	\$0.11	\$252,127.92	\$352,127.92
Mohave	\$100,000.00	119,168	3	\$0.65	\$77,459.20	\$177,459.20	\$0.50	\$59,584.00	\$159,584.00
Navajo	\$100,000.00	64,489	2	\$0.80	\$51,591.20	\$151,591.20	\$0.60	\$38,693.40	\$138,693.40
Pima	\$100,000.00	559,394	4	\$0.40	\$223,757.60	\$323,757.60	\$0.27	\$151,036.38	\$251,036.38
Pinal	\$100,000.00	206,164	3	\$0.65	\$134,006.60	\$234,006.60	\$0.50	\$103,082.00	\$203,082.00
Santa Cruz	\$100,000.00	28,784	1	\$1.00	\$28,784.00	\$128,784.00	\$0.75	\$21,588.00	\$121,588.00
Yavapai	\$100,000.00	143,337	3	\$0.65	\$93,169.05	\$193,169.05	\$0.50	\$71,668.50	\$171,668.50
Yuma	\$100,000.00	90,694	2	\$0.80	\$72,555.20	\$172,555.20	\$0.60	\$54,416.40	\$154,416.40
Totals	\$1,500,000.00	3,774,016			\$1,322,489.41	\$2,822,489.41		\$926,226.30	\$2,426,226.30

	Active Voters	Per Voter*	Per Voter**
Tier 1	1 - 50,000	1	0.75
Tier 2	50,001 - 100,000	0.8	0.6
Tier 3	100,001 - 500,000	0.65	0.5
Tier 4	500,001 - 1,000,000	0.4	0.27
Tier 5	1,000,001+	0.18	0.11

\* = state HAVA match

\*\* = no state HAVA match

Each county gets a base grant amount of \$100K (column B), plus a variable amount calculated based on total # active registered voters in the county (column F and I). The additional per voter amount depends on the size of the county, with larger counties getting less per registered voter than smaller counties (see per voter amounts for Tiers 1-5 in rows 21-25). Column G displays the total subgrant to each county assuming a state HAVA match, Column J displays the total subgrant to each assuming no state HAVA match.





STATE OF ARIZONA

## Joint Legislative Budget Committee

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DATE: June 11, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Rebecca Perrera, Senior Fiscal Analyst *RP*

SUBJECT: Arizona Department of Administration - Review of the Arizona Financial Information System Transaction Fee

### Request

Pursuant to A.R.S. § 41-740.01, the Arizona Department of Administration (ADOA) requests Committee review of its proposed 34 cent transaction fee charged to state agencies for the operation of the Arizona Financial Information System (AFIS).

### 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) Transaction fee is determined by dividing the cost of operating the AFIS system by the number of total transactions in the most recent year.
- 2) Current fee of 32.9 cents per transaction is based on FY 2019 operating costs and FY 2017 transaction count.
- 3) FY 2020 AFIS operating appropriation and FY 2018 AFIS transaction count results in a fee of 34 cents per transaction.

(Continued)

## **Analysis**

### Background

A.R.S. § 41-740.01 allows ADOA to collect a per transaction usage fee from agencies to recover the ongoing operating costs associated with AFIS and currently requires Committee review prior to ADOA changing the transaction fee.

At the Committee's June 19, 2017 meeting, ADOA proposed calculating the transaction fee by dividing the total AFIS operating costs by the total annual AFIS transactions. The Committee gave a favorable review of the 32.5-cent transaction fee at that meeting. Based on updated transaction data, at the June 19, 2018 the Committee gave a favorable review of the 32.9-cent transaction fee for FY 2019.

Agencies are not charged per transaction, but are charged based on the number of actual transactions from the most recent year, multiplied by the transaction fee. Agencies are typically billed at the beginning of the fiscal year.

### Fee Proposal

The FY 2020 General Appropriation Act included \$9,447,700 and 28 FTE Positions from the AFIS Collections Fund in FY 2020 for AFIS operations. ADOA reports that in FY 2018 AFIS processed 27.8 million transactions. This results in a charge of approximately 34 cents per transaction. Agencies' charges for FY 2020 may change from their FY 2019 charges, but the budget does not allocate any adjustments for this purpose.

The FY 2020 Budget Procedures Budget Reconciliation Bill permanently eliminates the JLBC review requirement for the AFIS transaction fee, instead requiring ADOA to report to the JLBC Staff annually the transaction fee and the transaction count by agency and fund source.

RP:kp



**Douglas A. Ducey**  
Governor



**Andy Tobin**  
Director

**ARIZONA DEPARTMENT OF ADMINISTRATION**

**GENERAL ACCOUNTING OFFICE**

100 NORTH FIFTEENTH AVENUE • SUITE 302  
PHOENIX, ARIZONA 85007

Phone: (602) 542-5601



June 4, 2019

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

Dear Representative Cobb:

We request placement on the next Joint Legislative Budget Committee (JLBC) meeting agenda to review the FY20 cost allocation to State agencies for the Arizona Financial Information System (AFIS). Pursuant to A.R.S. § 41-740.01, the department is required to submit a proposed fee to the JLBC before establishing or charging a fee.

The proposed fee related to the cost allocation is determined by dividing the \$9,447,700 FY20 appropriation amount for AFIS, by the allocable FY18 transaction count of 27,756,828. This results in a charge of approximately 34 cents per transaction. The detailed allocation has been submitted to staff. The amount will be appropriately revised for any back of the bill adjustments that affect the AFIS appropriation.

Thank you for your attention to this request. If you have any questions or need any additional information please call me at 602-542-5405.

Sincerely,

A handwritten signature in dark ink, appearing to read "D. Clark Partridge".

D. Clark Partridge  
State Comptroller

cc: Richard Stavneak, JLBC  
Rebecca Perrera, JLBC  
Jack Brown, JLBC  
Andy Tobin, ADOA  
Derik Leavitt, ADOA

Matthew Gress, OSPB  
Bill Greeney, OSPB  
Jacob Wingate, OSPB  
Elizabeth Thorson, ADOA  
Elizabeth Bartholomew, ADOA





STATE OF ARIZONA

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BEN TOMA

DATE: June 11, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Adam Golden, Assistant Fiscal Analyst *AG*

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 \$31,219,542 for debts listed as uncollectible in FY 2019 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 2019 listing includes \$31.2 million in uncollectible debt.
- 3) The majority of the \$31.2 million has been deemed uncollectible because the debtor is a defunct corporation/LLC (30.5%), there is insufficient information/evidence to file suit (19.9%), or the collection cost would exceed the amount owed (17.7%).
- 4) 92.3% of the total debt is owed to 2 state agencies - the Department of Revenue (74.5%) and AHCCCS (17.8%).

(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 JLBC for review. Upon review by the JLBC, 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. Pursuant to A.R.S. § 35-150E, the State Comptroller may remove uncollectible debts from the state accounting system after receiving an annual notice of uncollectible debt from the AG and its review by the Committee. The AG's report to JLBC 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 listings totaling \$351.4 million (*see Table 1*).

<b>Table 1</b>	
<b>Favorably Reviewed Uncollectible Debt</b>	
<b>Year</b>	<b>Uncollectible Debt Listing</b>
<b><u>Reviewed</u></b>	<b><u>(\$ in Millions)</u></b>
2011	\$17.2
2012	30.4
2013	44.9
2014/15	88.4
2016	78.3
2017	50.9
2018	41.3
<b>Total</b>	<b>\$ 351.4</b>

Since its last report in FY 2018, the AG's office has again reviewed the cases assigned to the Collection Enforcement Unit. Based on this review, the AG advises that \$31.2 million owed to the state is uncollectible as of April 30, 2019. 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 \$31.2 million in uncollectible debt:

- A total of 68.1% is uncollectible because the debtor is a defunct corporation/LLC (30.5%), there is insufficient information/evidence to file suit (19.9%), or the collection cost would exceed the amount owed (17.7%). The remaining 31.9% is uncollectible for other reasons (*see Table 2*).
- A total of 92.3% of the total debt is owed to 2 state agencies - the Department of Revenue (DOR) (74.5%) and AHCCCS (17.8%). The remaining debt is associated with 27 other specified agencies (*see Table 3*).

(Continued)

- Six cases include debts of more than \$500,000, totaling \$5.1 million and making up 16.4% of all debts in this report. Of these cases, 4 are owed to AHCCCS and 2 to are owed to DOR (see Table 4). The debts owed to AHCCCS represent cases in which the agency was unable to recoup overpayments made to vendors for various services.
- Of the total, 24.1% was determined uncollectible in FY 2017, 54.7% in FY 2018, and 21.2% in FY 2019 (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.

<b>Table 2</b>		
<b>Uncollectible Debt by Reason</b>		
<b>Reason</b>	<b>Amount Recommended for Write-Off</b>	<b>Percentage</b>
Defunct Corporation/LLC	\$9,509,500	30.5%
Insufficient Information / Evidence to File Suit	6,198,700	19.9
Collection Cost Would Exceed Amount Owed	5,325,200	17.1
No Assets/No Wages/Negative Credit	4,018,500	12.9
Debt Discharged in Bankruptcy	2,043,900	6.6
Debtor is Deceased	1,849,800	5.9
Debtor is Incarcerated	1,219,100	3.9
Settled	957,100	3.1
Debtor Lives and/or Works on Tribal Land	81,400	0.2
Unable to Locate Debtor	16,400	0.1
<b>Total</b>	<b>\$31,219,500<sup>1/</sup></b>	<b>100.0%<sup>1/</sup></b>

<sup>1/</sup> Does not sum due to rounding.

<b>Table 3</b>		
<b>Uncollectible Debt Recommended for Write-Off by Client Agency</b>		
<b>Agency</b>	<b>Amount Recommended for Write-Off</b>	<b>Percentage</b>
Department of Revenue	\$23,263,100	74.5%
Arizona Health Care Cost Containment System	5,553,200	17.8
Department of Administration	803,700	2.6
Registrar of Contractors	625,500	2.0
State Retirement System	353,100	1.1
All Others	620,900	2.0
<b>Total</b>	<b>\$31,219,500</b>	<b>100.0%</b>

(Continued)

**Table 4**

**Largest Individual Cases of Uncollectible Debt**

<u>Agency</u>	<u>Amount Recommended for Write-Off</u>	<u>Reason Uncollected</u>
AHCCCS	\$1,392,000	Insufficient Info / Evidence to File Suit
AHCCCS	1,203,700	Debtor is Incarcerated
AHCCCS	720,800	Insufficient Info / Evidence to File Suit
AHCCCS	714,900	Insufficient Info / Evidence to File Suit
Department of Revenue	556,700	Insufficient Info / Evidence to File Suit
Department of Revenue	<u>536,100</u>	No Assets / No Wages / Neg. Credit Report
<b>Total</b>	<b>\$5,124,200</b>	

1/ Does not sum due to rounding.

**Table 5**

**Uncollectible Debt Recommended by Fiscal Year Close Date**

<u>Fiscal Year</u>	<u>Amount Recommended For Write-Off</u>	<u>Percentage</u>
2017	7,533,100	24.1
2018	17,071,900	54.7
2019	<u>6,614,600</u>	<u>21.2</u>
<b>Total</b>	<b>\$31,219,500<sup>1/</sup></b>	<b>100.0%</b>

1/ Does not sum due to rounding.

AG:kp



**MARK BRNOVICH**  
ATTORNEY GENERAL

**OFFICE OF THE ARIZONA 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

June 3, 2019

HAND DELIVERED

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



RE: FY2018 beginning May 1, 2018 through FY2019 May 15, 2019 for Not-Referred Non-DOR Uncollectible Debt Report  
FY2018 beginning May 1, 2018 through FY2019 May 15, 2019, Referred Non-DOR Uncollectible Debt Report  
FY2018 beginning June 30, 2017 through June 29, 2018 DOR Uncollectible Debt Report

Dear Representative Cobb:

As requested by the Joint Legislative Budget Committee ("JLBC") pursuant to A.R.S. § 35-150(E), enclosed are the FY2018 beginning May 1, 2018 through May 15, 2019 for Not-Referred Non-DOR Uncollectible Debt Report, FY2018 beginning May 1, 2018 through May 15, 2019, FY2018 Referred Non-DOR Uncollectible Debt Report and the FY2018 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 2018 the Attorney General's Office is relying upon the certification by DOR set forth in the memorandum dated May 29, 2019, from DOR to the Attorney General's Office and entitled, "Fiscal Year 2018 Certification of Cases for Abatement" ("Certification"). The Certification states that the debt described in the Certifications 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 process that it verified the reasons for

abatement, as stated in the Certifications, 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, 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  
Office of the Attorney General

Enclosures

cc: Senator David Gowan, JLBC Vice-Chairman (with attachments)  
Matthew Gress, OSPB Director (with attachments)  
Adam Golden, JLBC Analyst (with attachments)  
D. Clark Partridge, State Comptroller (with attachments)  
Richard Stavneak, JLBC Director (with attachments)  
Joseph Sciarrotta, AGO Division Chief of Civil Litigation



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





STATE OF ARIZONA

## Joint Legislative Budget Committee

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BEN TOMA

DATE: June 11, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Josh Hope, Fiscal Analyst *JH*

SUBJECT: Arizona Criminal Justice Commission - Review of Edward Byrne Memorial Justice Assistance Grant Federal Application

### Request

Pursuant to A.R.S. § 41-2403, the Arizona Criminal Justice Commission (ACJC) requests Committee review of the federal application for the Edward Byrne Memorial Justice Assistance Grant (JAG) that is administered by the United States Department of Justice, Bureau of Justice Assistance.

### 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. ACJC shall submit a preliminary proposal by May 15, 2020 if the federal guidelines have not yet been received for 2020.

### Key Points

- 1) Arizona receives \$3.5 million in federal "Byrne" Justice Assistance Grants.
- 2) The federal government requires legislative review of the state's grant application.
- 3) A total of \$3.1 million (90%) will be distributed to counties and state agencies; the other 10% will be retained by ACJC for administration costs.
- 4) The proposed distribution is similar to that in last year's grant application.

(Continued)

## Analysis

The Federal Edward Byrne Memorial JAG provides states, tribes, and local governments with funding to support a range of program areas including law enforcement, prosecution, indigent defense, courts, crime prevention and education, corrections and community corrections, and drug treatment and enforcement. Arizona first began receiving the JAG funding in March 1988. Going back to FFY 2012, ACJC has received an average of approximately \$3.6 million in JAG monies annually.

ACJC is Arizona's designated State Administering Agency for the JAG program. As part of the application process, the federal Bureau of Justice Administration requires the state agency to submit the application for review to the State Legislature, or an organization designated by the State Legislature, not less than 30 days before the submission of the grant. A.R.S. § 41-2403 tasks the JLBC with reviewing the application.

At the September 2018 meeting, the Committee adopted a provision that requires ACJC to submit a preliminary proposal by May 15, 2019 if the federal guidelines have not yet been received for 2019. The federal government has not yet announced the FFY 2019 State Solicitation for JAG or the submission deadline, so this application reflects ACJC's preliminary proposal.

*Table 1* shows the budget estimated by ACJC for the FFY 2019 JAG award. The monies can be expended through September 30, 2023. The proposed splits of funds are based on the actuals from the FFY 2018 JAG award. (See the FFY 2018 JAG Award section for more information.)

<b>Table 1</b>	
<b>Proposed FFY 2019 JAG Spending</b>	
<u>Projects</u>	
Apprehension/Prosecution	\$2,676,700
Forensic Support/Adjudication/Corrections	314,900
IT Infrastructure Set-aside	<u>157,500</u>
<b>Subtotal for Projects</b>	<b>\$3,149,100</b>
Administration (10%)	<u>349,900</u>
<b>Total Projects and Administration</b>	<b>\$3,499,000</b>

The Byrne JAG monies are combined with monies in the Drug and Gang Enforcement Fund, established under A.R.S. § 41-2402, to make up the state's Drug, Gang, and Violent Crime Control Grant (DGVCC Grant). There is a match requirement of 25% for DGVCC Grant recipients.

DGVCC Grant monies are awarded for programs and projects that align with the 2016-2019 Arizona Drug, Gang and Violent Crime Control Strategy.

A total of 85% of JAG monies will be used for grants, roughly 5% is for information technology (IT) infrastructure, and 10% is for ACJC administration. The \$3.5 million in grant monies must be expended by September 30, 2023. There is no breakout by recipient because the grant will be disbursed based on applications received.

(Continued)

For the IT infrastructure component, ACJC proposes to set aside 5% (\$157,500) for local law enforcement agencies to upgrade systems that support the National Incident-Based Reporting System (NIBRS) administered by the Arizona Department of Public Safety. NIBRS is an incident-based reporting system used by law enforcement agencies for collecting and reporting data on crimes. JAG funding will help facilitate the transmission of NIBRS data to the National Data Exchange (N-DEX), which is an unclassified national information sharing system that enables criminal justice agencies to search, link, analyze, and share local, state, tribal, and federal records. A total of 5% of FFY 2018 JAG funding was used for this purpose as well.

ACJC proposes using the final 10% (\$349,900) of the amount awarded as administrative funds to oversee the JAG Program. These monies would be used, in part, to fund 3.25 FTE Positions.

#### FFY 2018 JAG Award

The FFY 2018 Byrne JAG award was \$3,607,100. Of the \$3,607,100, \$3,084,100 (85%) is allocated to drug control projects, \$162,300 (5%) is allocated for information technology infrastructure, and \$360,700 (10%) is allocated for administrative expenses.

*Table 2* shows the awards made by purpose area and recipient. Project totals are broken out by funding source: federal FY 2018 Byrne JAG, state FY 2020 Drug and Gang Enforcement Fund, and local match monies.

Table 2

Drug, Gang, & Violent Crime Control Grant Approved Awards

<u>Award Recipient Agency</u>	<u>Total Proposed Project</u>	<u>FFY 18 Federal Byrne JAG</u>	<u>SFY 20 State Drug &amp; Gang Enforcement Fund</u>	<u>Recipient Match Funds</u>
<u>Apprehension</u>				
Apache County Sheriff's Office	\$ 225,300	\$ 78,900	\$ 90,100	\$ 56,300
Cochise County Sheriff's Office	123,000	43,000	49,200	30,700
Flagstaff Police Department	283,500	99,200	113,400	70,900
Gila County Sheriff's Office	331,700	116,100	132,700	82,900
Graham County Sheriff's Office	26,900	9,400	10,800	6,700
Greenlee County Sheriff's Office	32,000	11,200	12,800	8,000
Kingman Police Department	336,800	117,900	134,700	84,200
La Paz County Sheriff's Office	73,600	25,800	29,500	18,400
Navajo County Sheriff's Office	238,800	83,600	95,500	59,700
Pinal County Sheriff's Office	141,400	49,500	56,600	35,300
Santa Cruz County Sheriff's Office	155,900	54,800	62,400	38,300
Tucson Police Department	687,600	240,700	275,100	171,900
Yavapai County Sheriff's Office	353,900	123,900	141,600	88,500
Yuma County Sheriff's Office	<u>241,600</u>	<u>84,500</u>	<u>96,600</u>	<u>60,400</u>
<b>Subtotal</b>	<b>\$ 3,252,100</b>	<b>\$ 1,138,200</b>	<b>\$ 1,300,800</b>	<b>\$ 813,000</b>
<u>Prosecution</u>				
AG's Office - Medicaid Fraud	\$ 99,000	\$ -	\$ 99,000	\$ -
Apache County Attorney	90,600	31,700	36,300	22,700
Cochise County Attorney	152,200	53,300	60,900	38,100
Coconino County Attorney	132,500	46,400	53,000	33,100
Gila County Attorney	66,600	23,300	26,600	16,600
Graham County Attorney	55,000	19,300	22,000	13,800
Greenlee County Attorney	42,800	15,000	17,100	10,700
La Paz County Attorney	70,400	24,600	28,200	17,600
Maricopa County Attorney	1,076,500	376,800	430,600	269,100
Mohave County Attorney	156,300	54,700	62,500	39,100
Navajo County Attorney	123,100	43,100	49,200	30,800
Pima County Attorney	423,300	148,100	169,300	105,800
Pinal County Attorney	184,800	64,700	73,900	46,200
Tucson City Attorney	269,400	94,300	107,700	67,300
Yavapai County Attorney	123,700	43,300	49,500	30,900
Yuma County Attorney	<u>263,400</u>	<u>92,200</u>	<u>105,300</u>	<u>65,800</u>
<b>Subtotal</b>	<b>\$ 3,329,500</b>	<b>\$ 1,130,700</b>	<b>\$ 1,391,200</b>	<b>\$ 807,600</b>
<u>Prosecution - Forfeitures</u>				
Attorney General's Office	<u>\$ 637,400</u>	<u>\$ 223,100</u>	<u>\$ 255,000</u>	<u>\$ 159,400</u>
<b>Subtotal</b>	<b>\$ 637,400</b>	<b>\$ 223,100</b>	<b>\$ 255,000</b>	<b>\$ 159,400</b>
<u>Forensic Support</u>				
Department of Public Safety	\$ 380,200	\$ 133,100	\$ 152,100	\$ 95,100
Tucson Police Dept. - Forensics	<u>65,300</u>	<u>22,900</u>	<u>26,100</u>	<u>16,300</u>
<b>Subtotal</b>	<b>\$ 445,500</b>	<b>\$ 155,900</b>	<b>\$ 178,200</b>	<b>\$ 111,400</b>
<u>Drug Adjudication/Corrections</u>				
Administrative Office of the Courts	\$ 1,336,500	\$ 467,800	\$ 534,600	\$ 334,100
Department of Corrections	<u>100,000</u>	<u>35,000</u>	<u>40,000</u>	<u>25,000</u>
<b>Subtotal</b>	<b>1,436,500</b>	<b>502,800</b>	<b>574,600</b>	<b>359,100</b>
<b>TOTAL</b>	<b>\$ 9,101,000</b>	<b>\$ 3,150,700</b>	<b>\$ 3,699,800</b>	<b>\$ 2,250,500</b>



# Arizona Criminal Justice Commission

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Yavapai County Attorney

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STEVE WILLIAMS  
Navajo County Supervisor

C.T. WRIGHT, Chairperson  
Board of Executive Clemency

VACANT  
Former Judge

VACANT  
Sheriff

*Executive Director*  
Andrew T. LeFevre

1110 West Washington, Suite 230  
Phoenix, Arizona 85007  
PHONE: (602) 364-1146  
FAX: (602) 364-1175  
[www.azcjc.gov](http://www.azcjc.gov)

April 23, 2019

The Honorable John Kavanagh, Chairman  
Arizona State Senate  
Joint Legislative Budget Committee  
1716 West Adams Street  
Phoenix, AZ 85007



Dear Senator Kavanagh:

Pursuant to A.R.S. § 41-2403, the Arizona Criminal Justice Commission (ACJC) is submitting the 2019 Byrne Justice Assistance Grant (Byrne JAG) to the Joint Legislative Budget Committee (JLBC) for review. A.R.S. § 41-2403 requires ACJC to submit a copy of the application to JLBC for review at least 30 days before submission to the federal government. At the September 20, 2018 JLBC meeting, the Committee added a provision requiring ACJC to submit a preliminary proposal by May 15, 2019 if the federal guidelines have not yet been received for 2019. The guidelines have not been released by the federal government and ACJC is submitting a draft proposal for JLBC Committee review.

ACJC is the state administering agency (SAA) for the Byrne Justice Assistance Grant. Byrne JAG, authorized under 42 U.S.C. § 3751(a), is a formula grant that the State must apply for each year and is the leading source of federal justice funding to state and local jurisdictions. Byrne JAG awards may be used for seven purposes: (1) law enforcement, (2) prosecution and courts, (3) prevention and education, (4) corrections and community corrections, (5) drug treatment, (6) planning, evaluation, and technology improvement, and (7) crime victim and witness programs.

The ACJC uses a mix of federal funding from Byrne JAG and state funding from the Drug Enforcement Fund to cover grant costs of various state, county, and municipal drug control programs. Arizona has utilized Byrne JAG funding to implement multi-jurisdictional task forces (MJTFs) which include a tandem prosecutor component and forensic drug analysis support to impact and enhance downstream drug enforcement and monitoring activities. This downstream impact has led to funding probation-based drug monitoring programs and other probation-related services, drug courts, and indigent defense services for drug offenders.

The JAG allocation formula is based primarily on each state's share of the nation's violent crime and population data. For Arizona, ACJC is estimating the amount of the federal fiscal year (FFY) 2019 grant will be \$3,498,953. The following table summarizes the budget plan in the FFY 2019 Byrne JAG application.

<b>Summary of 2019 Byrne JAG Budget Plan (estimated)</b>	
Federal FY 2019 Grant Award	\$3,498,953
Proposed Expenditure Plan:	
Drug Control Projects <sup>1/</sup>	\$2,991,605
NIBRS Projects <sup>2/</sup>	\$157,453
Administration Expense Allotment <sup>3/</sup>	\$349,895
<b>Total: Projects and Administration</b>	<b>\$3,498,953</b>
1/ These funds will <u>be used</u> as part of the state FY 2021 Drug Control Grant. 2/ The draft proposal includes a 3% set-aside to <u>be used</u> toward National Incident-Based Reporting System compliance. This was a requirement of the FY 2018 grant. 3/ The Byrne grant program allows up to 10 percent of a JAG award may be used for costs to administer the award.	

Arizona first began receiving the Byrne JAG funding in March 1988. Byrne JAG is the cornerstone federal crime-fighting program, supporting the federal government's crucial role in a federal-state-local partnership that enables communities to target resources to their most pressing local needs. Each year, ACJC produces a comprehensive report on the projects funded, the amounts allocated to each project, and the activity reported using Byrne JAG funding in the Enhanced Drug and Gang Enforcement (EDGE) Report. The following bullet points show some of the critical activity supported by the Byrne JAG grant from the most recent EDGE report (FY 2018).

- 36 criminal justice projects funded
- 4,455 Drug-related arrests by funded task-forces
- Over \$139.5 million in illicit drugs seized by funded task-forces
- 504 weapons seized by funded task-forces
- 30,750 drug prosecutions reported by prosecution projects
- 20,316 drug convictions reported by prosecution projects
- 12,747 drug sentences reported by prosecution projects

These funds are critical to illicit drug reduction efforts throughout Arizona. If you have any questions, please contact Tony Vidale, ACJC Deputy Director, at 602-365-1155 or [tvidale@azcjc.gov](mailto:tvidale@azcjc.gov).

Sincerely,



Andrew T. LeFevre  
Executive Director





### Background

Recipients' financial management systems and internal controls must meet certain requirements, including those set out in the "Part 200 Uniform Requirements" (2.C.F.R. Part 2800).

Including at a minimum, the financial management system of each OJP award recipient must provide for the following:

- (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, and the name of the Federal agency.
- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program.
- (3) Records that identify adequately the source and application of funds for Federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest, and be supported by source documentation.
- (4) Effective control over, and accountability for, all funds, property, and other assets. The recipient must adequately safeguard all assets and assure that they are used solely for authorized purposes.
- (5) Comparison of expenditures with budget amounts for each Federal award.
- (6) Written procedures to document the receipt and disbursement of Federal funds including procedures to minimize the time elapsing between the transfer of funds from the United States Treasury and the disbursement by the OJP recipient.
- (7) Written procedures for determining the allowability of costs in accordance with both the terms and conditions of the Federal award and the cost principles to apply to the Federal award.
- (8) Other important requirements related to retention requirements for records, use of open and machine readable formats in records, and certain Federal rights of access to award-related records and recipient personnel.

### 1. Name of Organization and Address:

Organization Name: Arizona Criminal Justice Commission

Street1: 1110 W Washington Suite 230

Street2:

City: Phoenix

State: ARIZONA

Zip Code: 85007

### 2. Authorized Representative's Name and Title:

Prefix: First Name: Andrew Middle Name:

Last Name: LeFevre Suffix:

Title: Executive Director

3. Phone: (602) 364-1146

4. Fax:

5. Email: alefevre@azcjc.gov

6. Year Established: 1993

7. Employer Identification Number (EIN): 866004791

8. DUNS Number: 158553029

9. a) Is the applicant entity a nonprofit organization (including a nonprofit institution of higher education) as described in 26 U.S.C. 501(c)(3) and exempt from taxation under 26 U.S.C. 501(a)? ☐ Yes ☒ No

If "No" skip to Question 10.

If "Yes", complete Questions 9. b) and 9. c).



### AUDIT INFORMATION

9. b) Does the applicant nonprofit organization maintain offshore accounts for the purpose of avoiding paying the tax described in 26 U.S.C. 511(a)?

☐ Yes ☐ No

9. c) With respect to the most recent year in which the applicant nonprofit organization was required to file a tax return, does the applicant nonprofit organization believe (or assert) that it satisfies the requirements of 26 C.F.R. 53.4958-6 (which relate to the reasonableness of compensation of certain individuals)?

☐ Yes ☐ No

If "Yes", refer to "Additional Attachments" under "What An Application Should Include" in the OJP solicitation (or application guidance) under which the applicant is submitting its application. If the solicitation/guidance describes the "Disclosure of Process related to Executive Compensation," the applicant nonprofit organization must provide — as an attachment to its application — a disclosure that satisfies the minimum requirements as described by OJP.

For purposes of this questionnaire, an "audit" is conducted by an independent, external auditor using generally accepted auditing standards (GAAS) or Generally Governmental Auditing Standards (GAGAS), and results in an audit report with an opinion.

10. Has the applicant entity undergone any of the following types of audit(s) (Please check all that apply):

☒ "Single Audit" under OMB A-133 or Subpart F of 2 C.F.R. Part 200

☐ Financial Statement Audit

☐ Defense Contract Agency Audit (DCAA)

☐ Other Audit & Agency (list type of audit):

☐ None (if none, skip to question 13)

11. Most Recent Audit Report Issued: ☒ Within the last 12 months ☐ Within the last 2 years ☐ Over 2 years ago ☐ N/A

Name of Audit Agency/Firm: State of Arizona Auditor General

### AUDITOR'S OPINION

12. On the most recent audit, what was the auditor's opinion?

☒ Unqualified Opinion ☐ Qualified Opinion ☐ Disclaimer, Going Concern or Adverse Opinions ☐ N/A: No audits as described above

Enter the number of findings (if none, enter "0"): 0

Enter the dollar amount of questioned costs (if none, enter "\$0"): \$0

Were material weaknesses noted in the report or opinion? ☐ Yes ☒ No

13. Which of the following best describes the applicant entity's accounting system:

☐ Manual ☒ Automated ☐ Combination of manual and automated

14. Does the applicant entity's accounting system have the capability to identify the receipt and expenditure of award funds separately for each Federal award?

☒ Yes ☐ No ☐ Not Sure

15. Does the applicant entity's accounting system have the capability to record expenditures for each Federal award by the budget cost categories shown in the approved budget?

☒ Yes ☐ No ☐ Not Sure

16. Does the applicant entity's accounting system have the capability to record cost sharing ("match") separately for each Federal award, and maintain documentation to support recorded match or cost share?

☒ Yes ☐ No ☐ Not Sure



17. Does the applicant entity's accounting system have the capability to accurately track employees actual time spent performing work for each federal award, and to accurately allocate charges for employee salaries and wages for each federal award, and maintain records to support the actual time spent and specific allocation of charges associated with each applicant employee?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
18. Does the applicant entity's accounting system include budgetary controls to preclude the applicant entity from incurring obligations or costs that exceed the amount of funds available under a federal award (the total amount of the award, as well as the amount available in each budget cost category)?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
19. Is applicant entity familiar with the "cost principles" that apply to recent and future federal awards, including the general and specific principles set out in 2 C.F.R. Part 200?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
<b>PROPERTY STANDARDS AND PROCUREMENT STANDARDS</b>	
20. Does the applicant entity's property management system(s) maintain the following information on property purchased with federal award funds (1) a description of the property; (2) an identification number; (3) the source of funding for the property, including the award number; (4) who holds title; (5) acquisition date; (6) acquisition cost; (7) federal share of the acquisition cost; (8) location and condition of the property; (9) ultimate disposition information?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
21. Does the applicant entity maintain written policies and procedures for procurement transactions that – (1) are designed to avoid unnecessary or duplicative purchases; (2) provide for analysis of lease versus purchase alternatives; (3) set out a process for soliciting goods and services, and (4) include standards of conduct that address conflicts of interest?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
22. a) Are the applicant entity's procurement policies and procedures designed to ensure that procurements are conducted in a manner that provides full and open competition to the extent practicable, and to avoid practices that restrict competition?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
22. b) Do the applicant entity's procurement policies and procedures require documentation of the history of a procurement, including the rationale for the method of procurement, selection of contract type, selection or rejection of contractors, and basis for the contract price?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
23. Does the applicant entity have written policies and procedures designed to prevent the applicant entity from entering into a procurement contract under a federal award with any entity or individual that is suspended or debarred from such contracts, including provisions for checking the "Excluded Parties List" system ( <a href="http://www.sam.gov">www.sam.gov</a> ) for suspended or debarred sub-grantees and contractors, prior to award?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
<b>TRAVEL POLICY</b>	
24. Does the applicant entity: (a) maintain a standard travel policy? <input type="checkbox"/> Yes <input type="checkbox"/> No (b) adhere to the Federal Travel Regulation (FTR)? <input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>SUBRECIPIENT MANAGEMENT AND MONITORING</b>	
25. Does the applicant entity have written policies, procedures, and/or guidance designed to ensure that any subawards made by the applicant entity under a federal award – (1) clearly document applicable federal requirements, (2) are appropriately monitored by the applicant, and (3) comply with the requirements in 2 CFR Part 200 (see 2 CFR 200.331)?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure  <input type="checkbox"/> N/A - Applicant does not make subawards under any OJP awards



U.S. DEPARTMENT OF JUSTICE  
OFFICE OF JUSTICE PROGRAMS

Approved: OMB No. 1121-0329  
Expires 11/30/2020

26. Is the applicant entity aware of the differences between subawards under federal awards and procurement contracts under federal awards, including the different roles and responsibilities associated with each?

☒ Yes ☐ No ☐ Not Sure  
☐ N/A - Applicant does not make subawards under any OJP awards

27. Does the applicant entity have written policies and procedures designed to prevent the applicant entity from making a subaward under a federal award to any entity or individual is suspended or debarred from such subawards?

☒ Yes ☐ No ☐ Not Sure  
☐ N/A - Applicant does not make subawards under any OJP awards

**DESIGNATION AS 'HIGH-RISK' BY OTHER FEDERAL AGENCIES**

28. Is the applicant entity designated "high risk" by a federal grant-making agency outside of DOJ? (High risk includes any status under which a federal awarding agency provides additional oversight due to the applicant's past performance, or other programmatic or financial concerns with the applicant.)

☐ Yes ☒ No ☐ Not Sure

If "Yes", provide the following:

(a) Name(s) of the federal awarding agency:

(b) Date(s) the agency notified the applicant entity of the "high risk" designation:

(c) Contact information for the "high risk" point of contact at the federal agency:

Name:

Phone:

Email:

(d) Reason for "high risk" status, as set out by the federal agency:

**CERTIFICATION ON BEHALF OF THE APPLICANT ENTITY**

(Must be made by the chief executive, executive director, chief financial officer, designated authorized representative ("AOR"), or other official with the requisite knowledge and authority)

On behalf of the applicant entity, I certify to the U.S. Department of Justice that the information provided above is complete and correct to the best of my knowledge. I have the requisite authority and information to make this certification on behalf of the applicant entity.

Name: Patricia Hatwick

Date: 2019-04-22

Title: ☐ Executive Director ☒ Chief Financial Officer ☐ Chairman  
☐ Other:

Phone: (602) 364-1160

## **Abstract**

The Arizona Criminal Justice Commission is a statutorily authorized entity mandated to carry out various coordinating, monitoring, and reporting functions regarding the administration and management of criminal justice programs in Arizona.

The Commission, as the state-administering agency for the Byrne/JAG program, distributes these funds via competitive grants to state, tribal, county, and local government agencies to support the Drug, Gang, and Violent Crime Control (DGVCC) program. The *2016-2019 Drug, Gang, and Violent Crime Control State Strategy* is the Commission's primary decision-making tool for the allocation of funds and to guide project activity for the DGVCC program.

The goals of the project in accordance with the Strategy are to curtail the flow of illicit drugs, drug proceeds and instruments used to perpetuate violence across Arizona, and reduce violent crime and illicit drug use, and deter repeat offenders in Arizona. In response to drug, gang, and violent crime in Arizona, the following seven purpose areas have been identified as potential funding areas for the 2016-2019 time period:

- Apprehension
- Prosecution
- Forensic Support Services
- Adjudication and Sentencing
- Corrections and Community Corrections
- Substance Abuse Treatment for Corrections-Involved Individuals
- Prevention and Education

In addition to the seven purpose areas, a listing of strategic principles has been developed based on a thorough analysis of the strengths, weaknesses, opportunities and challenges of the DGVCC program. Both the seven purpose areas and strategic principles serve as the Commission's criteria for establishing funding priorities.

The top ten project identifiers associated with proposed project activities include the following: Task Forces, Prosecution, Asset Forfeiture, Forensic Science, Adjudication, Gangs, Drugs, Fraud, Drug Courts, and Policing.

## Program Narrative

### **Statewide Strategic Plan:**

The Arizona Criminal Justice Commission (ACJC) is the designated State Administering Agency (SAA) responsible for the coordinating, monitoring and reporting functions associated with the administration and management of criminal justice programs in the State of Arizona.

To make the best possible use of funds, ACJC developed a strategic plan to establish funding priorities. The first plan, the Arizona Drug Control Strategy, was developed in 1987 with extensive input from local, state, and federal agencies. Meetings were held in various parts of the state with members of the criminal justice system, related professional associations, and the general public. Information was provided in the following three areas: (1) drug control problems; (2) current resources devoted, and (3) resource needs.

Through the years, the Drug Control Strategy was updated, refined, and expanded to include gang and violent crime. The plan has followed an orderly progression with annual updates, culminating in an enhanced statewide drug, gang, and violent crime control strategy. The first multi-year strategy was written in 2000 and continued for three years, followed by four-year strategies developed in 2004, 2008, 2012 and most recently in 2016. The *2016-2019 Drug, Gang, and Violent Crime Control State Strategy* was approved by the Commission on January 21, 2016, and serves as the Commission's primary decision-making tool for the allocation of funds and to guide project activity for the Drug, Gang, and Violent Crime Control (DGVCC) program.

The 2016-2019 State Strategy was developed by utilizing data and analysis from the FBI's Uniform Crime Reports, Arizona Gang Threat Assessment, Arizona Department of Public Safety Crime in Arizona Report, National Survey on Drug Use and Health, ACJC Arizona Youth Survey, Arizona Health Status and Vital Statistics Report, grant-related performance measurement data, and reports prepared by the Arizona Department of Corrections and the Arizona Department of Juvenile Corrections. A public hearing was held in October of 2015 in Phoenix to gather stakeholder input on the effectiveness of the current program areas and to identify areas for inclusion in the 2016-2019 Strategy. Also, a video of the public hearing was posted on the ACJC website to allow public input for those that could not attend the meeting.

As detailed in the 2016-2019 Strategy, the DGVCC program seeks to curtail the flow of illicit drugs, drug proceeds and instruments used to perpetuate violence across Arizona, reduce violent crime and illicit drug use, and deter repeat offenders in Arizona. In response to drug, gang, and violent crime in Arizona, the following seven purpose areas have been identified as potential funding areas for the 2016-2019 period:

#### **Tier 1**

- Apprehension
- Prosecution

#### **Tier 2**

- Forensic Support Services
- Adjudication and Sentencing
- Corrections and Community Corrections

#### **Tier 3**

- Substance Abuse Treatment for Corrections-Involved Individuals

- Prevention and Education.

In addition to the seven purpose areas, a listing of strategic principles has been developed based on a thorough analysis of the strengths, weaknesses, opportunities and challenges of the DGVCC program. The seven purpose areas and strategic principles serve as the Commission's instruments for establishing funding priorities. Each grant year, the Commission establishes priorities based on statewide needs and the funding environment.

### **Strategic Plan Purpose Area Descriptions:**

The *2016-2019 Drug, Gang, and Violent Crime Control State Strategy* establishes seven purpose areas based on public comment, stakeholder input, identified gaps in state resources, and an analysis of drug, gang, and violent crime data pertinent to Arizona. These established purpose areas are as follows:

**Apprehension:** Serving as the entry point into the criminal justice system and having a primary role in maintaining public order and enforcing the law, law enforcement efforts play a critical role in contributing to the achievement of the goals of the *Strategy*. Key elements of focus include disrupting and dismantling trafficking and associated criminal networks, and interdicting drugs, proceeds, and weapons.

The apprehension purpose area may include, but is not limited to, efforts promoting enhanced information sharing and intelligence exchange, approaches to address locally distinct drug, gang, and violent crime-related challenges, and proactive policing strategies to address drug, gang, and violent crime such as multi-agency, multi-jurisdictional task forces. Over the years, the DGVCC program has provided consistent support to multi-agency, multi-jurisdictional drug, gang, and violent crime task forces and has regarded task forces and their tandem prosecution projects as the centerpiece of program efforts.

**Prosecution:** With the duty of seeking justice and protecting the public safety and welfare of the community, prosecutorial efforts have a critical function in cases pertaining to drug, gang, and violent crime move through the criminal justice system, from investigation to charging decisions and sentencing. Prosecutorial efforts are an important contributor to achieving the goals of the *Strategy*, with a primary role of holding offenders properly accountable.

The prosecution purpose area may include, but is not limited to, prosecutorial efforts in tandem with multi-agency, multi-jurisdictional drug, gang, and violent crime task forces, efforts to deny criminals currency, property and drugs such as statewide civil forfeiture efforts, and other effective prosecution strategies to address drug, gang, and violent crime. Historically, prosecution efforts in tandem with multi-agency, multi-jurisdictional task forces have been a primary focus for moving forward the goals of the DGVCC program.

**Forensic Support Services:** Forensic support services directed toward detecting crime and identifying criminals are fundamental to supporting law enforcement and prosecution agencies in addressing drug, gang, and violent crime. Providing expedient, reliable, accurate and unbiased forensic support services promotes efficient case processing and enhances the operation of law enforcement and prosecution functions in the state, contributing to the advancement of the goals of the *Strategy*. The Commission has provided continuous support to

the forensic support services purpose area over the years, as forensic support projects have provided significant utility to apprehension and prosecution efforts.

The forensic support services purpose area includes activities such as evidence examination and analysis, development of investigative leads, training, providing expert courtroom testimony and other forensic support services as they pertain to drug, gang, and violent crime-related cases.

**Adjudication and Sentencing:** When stability and workload balance are characteristic of adjudication and sentencing processes for drug, gang, and violent crime cases, there is greater system efficiency, offenders are held appropriately accountable and offenders often receive services to deter repeated offenses. Efficient, effective adjudication processes contribute to moving forward the goals of the *Strategy*. Traditionally, the Commission has regarded the adjudication and sentencing purpose areas as fulfilling a critical support role to apprehension and prosecution efforts and thus has provided consistent support to adjudication and sentencing projects.

The adjudication and sentencing purpose area may encompass a range of activities associated with court processes. Such activities include, but are not limited to, pre-trial services, improved criminal court case processing, supporting specialty courts and public defender services.

**Corrections and Community Corrections:** Corrections and community corrections are critical elements to assuring public safety and offender accountability in addition to providing opportunities to deter repeated offenses. Corrections and community corrections can be a pathway for impacting drug, gang, and violent crime and moving forward the goals of the *Strategy*.

This purpose area includes projects responding to the needs of prison and jail facilities and corrections practitioners to providing secure care for offenders of drug, gang, and violent crime. Projects could include, but are not limited to, safety and security improvements, inmate programming, corrections equipment and technology, and contraband control and detection. For community corrections, projects may include, but are not limited to, pre-release planning, coordinated reentry services, and supporting probation and parole services for offenders of drug, gang, and violent crime.

**Substance Abuse Treatment for Corrections-Involved Individuals:** Providing substance abuse treatment for corrections-involved individuals can reduce the likelihood of reoffending; consequently improving public safety and reducing the burden on the criminal justice system. Providing treatment and early intervention to youth involved in the juvenile justice system can prevent adjudicated youth from returning or entering the adult criminal justice system. Supporting such efforts contributes to moving forward the goals of the *Strategy*.

This purpose area includes, but is not limited to, providing residential substance abuse treatment for inmates, preparing offenders for reentry into the community, and supporting community-based treatment and other broad-based aftercare services upon release.

**Prevention and Education:** Effective prevention and education efforts designed to prevent and/or reduce drug, gang, and violent crime are cost-effective and result in increased public safety. A proactive approach that addresses drug, gang, and violent crime before its inception create an opportunity to thwart negative consequences related to safety, health, and academic



achievement. Prevention and education efforts are an effective means for moving forward the goals of the *Strategy*.

The prevention and education purpose area encompasses evidence-based interventions and environmental prevention strategies. Efforts should involve multiple sectors of the community and focus on reducing access and opportunity, enforcing consequences and decreasing the likelihood of engaging in drug, gang, and/or violent crime by addressing risk and protective factors.

### **Funding Coordination Efforts:**

The Drug, Gang, and Violent Crime Control program coordinates and leverages resources with other program funding sources to further Arizona's efforts to combat drug supply/demand, reduce criminal street gang and violent crime, and sustain programs that address crime problems consistent with program guidelines and the needs of the state. The funding sources for this program include:

- *Edward Byrne Memorial Justice Assistance Grant (Byrne/JAG)*. These federal funds are from the U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance (BJA).
- *Drug and Gang Enforcement Account (DEA)*. These are state funds collected pursuant to A.R.S. 41-2402. The DEA receives funds from mandatory fines and surcharges from drug offenders.
- *Matching funds*. These dollars are provided by each recipient to leverage the federal and state dollars committed to the program. Matching funds build buy-in and ownership for local criminal justice initiatives and increases the overall size and effectiveness of the program.

In the past, the Arizona Criminal Justice Commission has leveraged federal Byrne/JAG and state DEA funds to cushion the blow of sharp federal cuts. These funds have ensured that the Drug, Gang, and Violent Crime Control program continues to operate at consistent funding levels.

Given the economic downturn, offenders are frequently unable to pay the fines and surcharges that fund the state DEA account, therefore, the revenue stream to fund the program has declined. Although revenue collections are still lower than levels before the downturn, they appear to be rebounding. The program, therefore, will be in a better position to rely on state DEA funds along with federal Byrne/JAG funds.

Since 1990, Arizona has been part of the Southwest Border High Intensity Drug Trafficking Area (SWB HIDTA). The Arizona counties designated as a part of the SWB HIDTA are Cochise, La Paz, Maricopa, Mohave, Navajo, Pima, Pinal, Santa Cruz, and Yuma. Several of the ACJC Commissioners serve on the HIDTA Executive Committee. This dual role provides coordination between the Drug, Gang, and Violent Crime Control program and HIDTA Initiatives, so they work in concert with each other.

In addition, the Commission and its members are active participants in the Law Enforcement Coordinating Committee (LECC), the Arizona Prosecuting Attorney's Advisory Council (APAAC), the Arizona Substance Abuse Partnership (ASAP), and other working groups, task forces and

committees. These efforts ensure that complementary goals and objectives and non-duplicative efforts are effectively instituted and followed.

### **Timeline of Project and Sub-grantee Award Process:**

The Arizona Criminal Justice Commission's sub-grantee award process begins when a grant solicitation is simultaneously published online and transmitted to all known eligible agencies. After the application deadline passes, ACJC staff review grant applications and prepare funding recommendations for Commission consideration. At the designated ACJC Commission meeting, the Commission makes awards based on staff recommendations, the Drug Committee recommendations, and public comment. Agencies selected for funding receive grant agreements soon after the commission meeting.

Project period and activities typically commence July 1 and terminate June 30. During this period, ACJC program staff will monitor sub-grantee performance by conducting programmatic and financial reviews, in addition to reviewing financial and activity reports. Periodically, program staff will provide technical assistance to a sub-grantee by telephone or e-mail. Program staff conducts a quality assurance review of quarterly activity reports submitted by sub-grantees. Also, program staff may request assistance with data analysis from the in-house Statistical Analysis Center (SAC) staff to further assess project performance.

All interactions with the sub-grantees provide insight into their progress and allow program staff to address any areas that need assistance to guarantee that the grant-funded activities will be completed successfully.

### **Performance Measurement Data:**

Arizona Criminal Justice Commission staff provides guidance through the competitive solicitation process to assure sub-grantees develop appropriate performance measures. Prior to funding, a thorough review of each applicant's goals, objectives, and performance measures is conducted, and feedback, including requested performance measurement changes is provided to each funded applicant. On an as needed basis, ACJC staff will provide customized training and technical assistance regarding the development of performance measures. Performance measures data is collected and reported on a quarterly basis.

The quarterly performance measurement collection and reporting process is designed to document project progress toward achieving stated objectives and is designed for periodic review with the project official. Performance measurement data is utilized for continual project evaluation and improvement.

All sub-grantees are required to adopt prescribed goals, objectives and performance measures in tracking progress and measuring project success. Sub-grantees will be required to report on a quarterly basis the accountability measures developed by BJA that are applicable to the agency's respective project. All of the measures will be reported through BJA's PMT utilizing the measures outlined in the attached handout:

<https://www.bjaperformancetools.org/help/jagdocs.html>

## BUDGET DETAIL

A. **Personnel**- List each position by title and name of employee, if available. Show the annual salary rate and the percentage of time to be devoted to the project. Compensation paid for employees engaged in grant activities must be consistent with that paid for similar work within the applicant organization.

<u>Name/Position</u>	<u>Computation</u>	<u>Cost</u>
1 Drug Program Manager	80% @ \$ 79,800.00	63,840
2 Drug Grant Coordinator	80% @ \$ 55,000.00	44,000
3 Grant Program Coordinator	40% @ \$ 47,476.00	18,990
4 Program Compliance Auditor	50% @ \$ 50,354.00	25,177
5 Records Improv. Prog Manager	45% @ \$ 79,800.00	35,910
6 Records Improv. Grant Coor	30% @ \$ 53,040.00	15,912
7		
8		
<b>A. TOTAL</b>		<b>203,829</b>

B. **Fringe Benefits** - Fringe benefits should be based on actual known costs or an established formula. Fringe benefits are for the personnel listed in budget category (A) and only for the percentage of time devoted to the project. Fringe benefits on overtime hours are limited to FICA, Workman's Compensation, and Unemployment Compensation.

<u>Name/Position</u>	<u>Computation</u>	<u>Cost</u>
1 Drug Program Manager	29.94%	20,393
Health /Dental/Life	8.60% @ \$ 67,830	5,833
FICA/Medicare	7.65% @ \$ 67,830	5,189
Retirement	11.63% @ \$ 67,830	7,889
Workers Comp	0.63% @ \$ 67,830	427
Unemployment Ins	0.10% @ \$ 67,830	65
Accum Sick Leave	0.40% @ \$ 67,830	271
Pro Rata Personnel	0.86% @ \$ 67,830	583
IT Charge	0.20% @ \$ 67,830	136
2 Drug Grant Coordinator	31.82%	21,783
Health /Dental/Life	28.47% @ \$ 43,623	12,419
FICA/Medicare	7.65% @ \$ 43,623	3,337
Retirement	11.63% @ \$ 43,623	5,073
Workers Comp	0.63% @ \$ 43,623	275
Unemployment Ins	0.10% @ \$ 43,623	43
Accum Sick Leave	0.40% @ \$ 43,623	174
Pro Rata Personnel	0.86% @ \$ 43,623	375
IT Charge	0.20% @ \$ 43,623	87
3 Grant Program Coordinator	35.94%	6,827
Health /Dental/Life	14.60% @ \$ 18,990	2,774
FICA/Medicare	7.65% @ \$ 18,990	1,453
Retirement	11.50% @ \$ 18,990	2,184
Workers Comp	0.63% @ \$ 18,990	120

**Arizona Criminal Justice Commission****2019 Byrne/Justice Assistance Grant**

Unemployment Ins	0.10% @	\$	18,990	19
Accum Sick Leave	0.40% @	\$	18,990	76
Pro Rata Personnel	0.86% @	\$	18,990	163
IT Charge	0.20% @	\$	18,990	38
4 Program Compliance Auditor	54.83%			13,839
Health /Dental/Life	33.49% @	\$	25,177	8,433
FICA/Medicare	7.65% @	\$	25,177	1,926
Retirement	11.63% @	\$	25,177	2,928
Workers Comp	0.63% @	\$	25,177	159
Unemployment Ins	0.10% @	\$	25,177	25
Accum Sick Leave	0.40% @	\$	25,177	101
Pro Rata Personnel	0.86% @	\$	25,177	217
IT Charge	0.20% @	\$	25,177	50
5 Records Improv. Prog Manager	40.91% @			15,558
Health /Dental/Life	21.86% @	\$	35,910	7,850
FICA/Medicare	7.65% @	\$	35,910	2,747
Retirement	11.63% @	\$	35,910	4,176
Workers Comp	0.63% @	\$	35,910	226
Unemployment Ins	0.10% @	\$	35,910	34
Accum Sick Leave	0.40% @	\$	35,910	144
Pro Rata Personnel	0.86% @	\$	35,910	309
IT Charge	0.20% @	\$	35,910	72
6 Records Improv. Grant Coor	31.82%			5,085
Health /Dental/Life	10.48% @	\$	15,912	1,668
FICA/Medicare	7.65% @	\$	15,912	1,217
Retirement	11.63% @	\$	15,912	1,851
Workers Comp	0.63% @	\$	15,912	100
Unemployment Ins	0.10% @	\$	15,912	16
Accum Sick Leave	0.40% @	\$	15,912	64
Pro Rata Personnel	0.86% @	\$	15,912	137
IT Charge	0.20% @	\$	15,912	32

**B. TOTAL 83,485****TOTAL A. Personnel & B. Fringe Benefits from above 287,315**

C. **Travel** - Itemize travel expenses of project personnel by purpose (e.g., staff to training, field interviews, advisory group meeting, etc.). Show the basis of computation (e.g., two people to 3-day training at \$X airfare, \$X lodging, \$X subsistence). In training projects, travel and meals for trainees should be listed separately. Show the number of trainees and unit costs involved. Identify the location of travel, if known. Indicate source of Travel Policies applied, Applicant or Federal Travel Regulations.

<u>Purpose of Travel</u>	<u>Location</u>	<u>Computation</u>	<u>Source of Policy</u>	<u>Cost</u>
1 In-state site visits	15 counties	1500 miles @ \$ .445/ml		668

**Arizona Criminal Justice Commission****2019 Byrne/Justice Assistance Grant**

	15 nights@ 72/night X 1 staff	1,080
	25 days @ 34/day X 1 staff	850
2 In-state financial reviews 15 counties	1500 m @ \$ .445/ml	668
	15 nights@ 72/night X 1 staff	1,080
	25 days @ 34/day X 1 staff	850
2 Out-of-State Conferences	Airfare 2 trips @ \$550/trip x 2 staff	2,200
NAJIS & NCJA	Hotel 3 nights@ 200/night X 2 staff	1,200
	Per Diem 4 days @ 64/day X 2 staff	512
<b>C. TOTAL</b>		<b>9,108</b>

**D. Equipment** - List non-expendable items that are to be purchased. (Note: Organization's own capitalization policy for classification of equipment should be used). Expendable items should be included in the "Supplies" category. Applicants should analyze the cost benefits of purchasing versus leasing equipment, especially high cost items and those subject to rapid technical advances. Rented or leased equipment costs should be listed in the "Contractual" category. Explain how the equipment is necessary for the success of the project. Attach a narrative describing the procurement method to be used.

<u>Item</u>	<u>Computation</u>	<u>Cost</u>
1	@	-
2	@	-
3	@	-
4	@	-
<b>D. TOTAL</b>		<b>-</b>

**E. Supplies** - List items by type (office supplies, postage, training materials, copy paper, and other expendable items such as books, hand held tape recorders) and show the basis for computation. Generally, supplies include any materials that are expendable or consumed during the course of the project.

<u>Supply Item</u>	<u>Computation</u>	<u>Cost</u>
1 Office supplies/Printing/Paper/Toner		2,526
2		-
3		-
4	@	-
<b>E. TOTAL</b>		<b>2,526</b>

**F. Construction**

<u>Supply Item</u>	<u>Cost</u>	
1	-	
2	-	
3	-	
4	-	
F. TOTAL \$		-

**G. Consultants/Contracts** - Indicate whether applicant's formal, written Procurement Policy or the Federal Acquisition Regulations are followed.

Consultant Fees: For each consultant enter the name, if known, service to be provided, hourly or daily fee (8-hour day), and time on the project. Consultant fees in excess of \$450 per day require additional justification and prior approval from OJP. Name of Consultant

<u>Name of Consultant</u>	<u>Computation</u>	<u>Service Provided</u>	<u>Cost</u>
1			
2	@		-
Sub-TOTAL			-

**Consultant Expenses:** List all expenses to be paid from the grant to the individual consultant in addition to their fees (i.e., travel, meals, lodging, etc.)

<u>Item</u>	<u>Computation</u>	<u>Location</u>	<u>Cost</u>
1	@		
2	@		-
3	@		-
4	@		-
Sub-TOTAL \$			-

**Contracts:** Provide a description of the product or services to be procured by contract and an estimate of the cost. Applicants are encouraged to promote free and open competition in awarding contracts. A separate justification must be provided for sole source contracts in excess of \$100,000.

<u>Item - Sub Grants</u>	<u>Cost</u>
1	
2	
3	
4	
5	
6	
Sub-TOTAL \$	

**TOTAL** **G. Consultants/Contracts from** \$ -

**H. Other Costs** - List items (e.g., rent, reproduction, telephone, janitorial or security services, and investigative or confidential funds) by major type and the basis of the computation. For example, provide the square footage and the cost per square foot for rent, and provide a monthly rental cost and how many months to rent.

<u>Description</u>	<u>Computation</u>	<u>Cost</u>
1 Rent	183,000/yr X 21%	37,380.00
2 Phones	30,000 X 21%	6,300.00
3 Network/Technical Support	13,000 X 21%	2,730.00

**Arizona Criminal Justice Commission****2019 Byrne/Justice Assistance Grant**

4 State Risk Management	8,800 X 21%	1,806.00
5 Maintenance	13,000 X 21%	2,730.00
6		

**H. TOTAL \$ 50,946.00**

**I. Indirect Costs-** Indirect cost are allowed only if the applicant has a Federally approved indirect cost rate. A copy of the rate approval, (a fully executed, negotiated agreement), must be attached. If the applicant does not have an approved rate, one can be requested by contacting the applicant's cognizant Federal agency, which will review all documentation and approve a rate for the applicant organization, or if the applicant's accounting system permits, cost may be allocated in the direct costs categories.

<u>Description</u>	<u>Computation</u>	<u>Cost</u>
1	@	-
2	@	-
		<b>I. TOTAL \$ -</b>

**Budget Summary:** When you have completed the budget worksheet, transfer the totals for each category to the spaces below. Compute the total project costs.

<u>Budget Category</u>	<u>Amount</u>
A. Personnel	\$ 203,829
B. Fringe Benefits	\$ 83,485
C. Travel	\$ 9,108
D. Equipment	\$ -
E. Supplies	\$ 2,526
F. Construction	\$ -
G. Consultant/Contracts	\$ -
H. Other	\$ 50,946
<b>TOTAL DIRECT COSTS</b>	<b>\$ 349,895</b>
I. Indirect Cost	\$ -
<b>TOTAL PROJECT COSTS</b>	<b>\$ 349,895</b>

### **Budget Narrative**

Invitations to apply for Drug, Gang and Violent Crime Control grant funds from the Byrne/JAG funds will be sent to all current recipients and potentially eligible future recipients. Arizona continues to leverage state and federal funds to increase the effectiveness and collaborative enforcement efforts through continued funding of projects that reduce drug, gang, and violent crime in Arizona.

Byrne/JAG funds are anticipated to be used to fund apprehension and prosecution projects. Funding will also be used for the criminal justice information sharing projects, forensic analysis, detention, adjudication, which are all components of the criminal justice system. Funding priorities focus on personnel salaries, employee-related expenses (ERE), overtime, and professional/contractual services.

NIBRS Compliance: Arizona Criminal Justice Commission proposes to solicit applications for projects to local law enforcement agencies to upgrade technology infrastructure to allow for and support National Incident-Based Reporting System (NIBRS) to the Arizona Department of Public Safety (DPS) with special consideration given to solutions that support the subsequent submission of incident data to the National Data Exchange (N-DEx).

### **Request for Administrative Funds**

The Arizona Criminal Justice Commission is applying for FFY 2019 Edward Byrne Justice Assistance Grant and is requesting to use 10 percent (\$349,895) of the amount awarded as administrative funds. **Please see the attached budget detail worksheet for a full breakdown of requested administrative funds.**

The administrative funds are needed to cover the expenses incurred by Commission staff for administration of the federal grant program. Administrative expenses include personnel and office resources to set up, maintain and process program and individual project files, project monitoring activities, progress reporting, and ensuring proper compliance with all mandates and restrictions applicable to the Byrne JAG program.

Staff expends a significant amount of time conferring with sub-grantee agencies and other stakeholders interested in pursuing these funds. Every effort is made to provide information, answer questions, consult reference and technical assistance sources and ensure that sub-grantees have every opportunity for successful projects. Staff is required to travel to and from Byrne/JAG funded projects to conduct on-site programmatic and financial compliance monitoring visits, in addition to providing technical assistance.



### **FFY 2019 Budget Plan**

The following budget is an estimate based on the current state fiscal year funding plan. Funding estimates are provided as an overall total because specific budget category breakdown information is not available at this time. The Arizona Criminal Justice Commission will continue to recommend personnel salaries, employee-related expenses, overtime (including overtime ERE), and professional/contractual services as the main priority for funding.

The Arizona Criminal Justice Commission plans to initiate a sub-grantee solicitation for applications meeting the identified purpose areas. ACJC staff will conduct application reviews before presenting a recommendation for award to the Drug, Gang, and Violent Crime Committee and the full Commission. In addition, the Commission will solicit applications for projects to assist state and local jurisdictions in becoming NIBRS compliant.

The Arizona Criminal Justice Commission's budget plan is an estimate and is subject to change based on applications received within each purpose area. The estimated budget plan for the Edward Byrne Justice Assistance Grant award for the period through September 30, 2023, is as follows:

#### **Budget Plan**

##### **Projects**

Tier I Projects:	\$2,676,699
Tier II Projects:	\$314,906
NIBRS Set-aside:	<u>\$157,453</u>
<b>Subtotal for Projects:</b>	<b>\$3,149,058</b>

##### **Pass-through**

Initial 60% Allocation	\$3,498,953
Allowable Administrative Costs	<u>\$349,895</u>
Subtotal for Pass-through	\$3,149,058
Variable Pass Through Rate	66.9%
<b>Required VPT Amount:</b>	<b>\$2,106,719</b>

##### **Administration**

Admin (10%)	<u>\$349,895</u>
<b>Subtotal for Admin:</b>	<b>\$349,895</b>

<b>Total Projects and Administration</b>	<b>\$3,498,953</b>
------------------------------------------	--------------------

**Disclosure of High Risk Status**

The Arizona Criminal Justice Commission hereby affirms that the agency is not currently designated high risk by any federal grant making agency.

DRAFT

### **Review Narrative**

The Edward Byrne Memorial Justice Assistance Grant Program FY 2019 application was made available for review by the governing body of the state before the application was submitted to BJA.

This application has also been made public and an opportunity made available to citizens and neighborhood or community organizations in Arizona for public comment.

DRAFT





STATE OF ARIZONA

## Joint Legislative Budget Committee

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BEN TOMA

DATE: June 11, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Patrick Moran, Senior Fiscal Analyst *PM*

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

### Request

Pursuant to an FY 2018 General Appropriation Act footnote, before transferring any funds into or out of certain Division of Developmental Disabilities (DDD) line items, the Department of Economic Security (DES) must submit a report for review by the Joint Legislative Budget Committee (JLBC).

DES requests Committee review of a retroactive transfer of \$3,500,000 of Long Term Care System Fund monies out of the FY 2018 Home and Community Based Services - Medicaid line item as follows:

- \$1,000,000 into the FY 2018 line item for the DDD operating budget.
- \$2,500,000 into the FY 2018 line item for Medical Services - Medicaid.

### 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.

(Continued)

**Key Points**

- 1) DES is requesting transfers of \$1.0 million into DDD Operating and \$2.5 million into Medical Services for a retroactive FY 2018 adjustment to reflect actual costs.
- 2) The transfers would be financed by a decrease of \$(3.5) million from Home and Community-Based Services.
- 3) The FY 2019 budget rebases the DDD line items to reduce the need for future transfers.

**Analysis**

As a result of DES moving significant funding out of service lines into administration and case management in previous years, the FY 2018 budget continued a footnote requiring Committee review of any funding being transferred in or out of the DDD Operating Budget line and the Case Management lines to provide oversight if the department proposes to increase or decrease administrative resources.

DES plans to transfer \$(3.5) million of Long Term Care System Fund monies out of the Home and Community Based Services - Medicaid line item in FY 2018. The transfer will include a corresponding increase of \$1.0 million for DDD's operating budget and \$2.5 million for Medical Services - Medicaid. The transfer is a technical adjustment intended to align DES' actual costs by service category with the original amounts allocated by special line item.

To minimize the need for transfers in future years, effective FY 2019 and each year thereafter, the DES budget structure is aligned with the capitation rates established by AHCCCS actuaries. Since the capitation rates are required to be actuarially sound, the new budget structure should ensure that DES' actual expenses are similar to the amounts budgeted by line item. To date, DES has requested no transfers for FY 2019.

PM:kp



## DEPARTMENT OF ECONOMIC SECURITY

Your Partner For A Stronger Arizona

Douglas A. Ducey  
Governor

Michael Traylor  
Director

JUN 04 2019

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

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



Dear Representative Cobb and Senator Gowan:

The Arizona Department of Economic Security (Department) requests to be placed on the Joint Legislative Budget Committee's (JLBC) next agenda for review of appropriation transfer plans for the Division of Developmental Disabilities (DDD) as required in Laws 2018, Second Regular Session, Chapter 276, Section 29:

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

The Department plans to transfer Long Term Care System Fund - Federal Match appropriation authority out of the Home and Community Based Services (HCBS) – Title XIX line item into the DDD Administration and Medical Services line items. The Arizona Long Term Care System (ALTCS) program experiences annual growth in members and capitation which necessitates additional authority each fiscal year.

The table below outlines the necessary transfers for Fiscal Year 2018:

DDD FY 2018 Appropriation Transfers			
Special Line Item	Current Budget	Transfer Request	Adjusted Budget
HCBS - Title XIX	\$1,084,151,200	(\$3,500,000)	\$1,080,651,200
DDD Administration	\$36,419,600	\$1,000,000	\$37,419,600
Medical Services - Title XIX	\$192,226,600	\$2,500,000	\$194,726,600

Since Fiscal Year 2015, the approved budget has loaded all appropriation increases for the DDD Title XIX programs into the HCBS - Title XIX line item and the Department requests reallocation of the funds to the line items with actual cost increases. The Fiscal Year 2018 request to transfer \$1 million of Title XIX appropriation authority from the HCBS - Title XIX line item into the DDD Administration line item reflects these past requests to transfer funds to accurately align authority across line items. Additionally, the transfer of the \$2.5 million into the Medical Services - Title XIX line item will cover the costs incurred due to a 0.66 percent increase in service utilization.

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

If you have any questions, please contact Kathy Ber, Director of Legislative Services, at (602) 542-4669.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael Traylor", with a stylized flourish at the end.

Michael Traylor  
Director

cc: Karen Fann, President, Arizona State Senate  
Rusty Bowers, Speaker, Arizona House of Representatives  
Richard Stavneak, Director, Joint Legislative Budget Committee  
Matthew Gress, Director, Governor's Office of Strategic Planning and Budgeting  
Gilbert Davidson, Chief Operating Officer, Governor's Office  
Members of the Joint Legislative Budget Committee







STATE OF ARIZONA

## Joint Legislative Budget Committee

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WARREN PETERSEN  
BRET M. ROBERTS  
BEN TOMA

DATE: June 11, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Steve Schimpp, Deputy Director *SS*

SUBJECT: Arizona Department of Education - Review of AzMERIT Contract Renewal

### Request

Pursuant to A.R.S. § 15-741.03, the Arizona Department of Education (ADE) requests Committee review of its contract renewal for the statewide assessment ("AzMERIT").

### 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) ADE proposes to extend the current AzMERIT contract for 2 more years (through FY 2021).
- 2) Costs per test would not change.
- 3) Total AzMERIT costs would be approximately \$13 million in both years which would be approximately \$(3) million less than the estimated \$16 million cost for FY 2019.
- 4) Costs are decreasing because high school students will take AzMERIT tests once rather than 3 times starting in FY 2020.
- 5) The percentage of pupils taking less expensive online tests is also growing.
- 6) AzMERIT savings will be offset by unknown first-time contract costs for "menu of assessment" testing.

(Continued)

## Analysis

A.R.S § 15-741 requires the State Board of Education (SBE) to adopt a statewide assessment to measure student achievement in reading, writing, and mathematics in at least 4 grades, and allows the administering of assessments in social studies and science.

### 5-Year Assessment Plan

At its meeting on April 29, 2019 SBE approved a 5-year assessment plan for Arizona public schools that requires a renamed AzMERIT test to continue to be administered in FY 2020 and FY 2021. After FY 2021 the renamed AzMERIT test would be replaced with a new single statewide assessment that would continue to exist in parallel with "menu of assessment" (MOA) exams authorized by A.R.S. § 15-741.02. MOA exams currently exist only for high school pupils. The 5-year plan indicates that it is uncertain whether they also will be offered for pupils in Grades 3-8 after FY 2021. A summary of the SBE-approved 5-year assessment plan appears in *Table 1*.

<b>Table 1</b>		
<b><u>5-Year Assessment Plan</u><sup>1/</sup></b>		
<b><u>Fiscal Year</u></b>	<b><u>Grades 3 – 8</u></b>	<b><u>High School</u></b>
2019	AzMERIT	AzMERIT (Grades 9 -11) or MOA exam (SAT or ACT)
2020	AzMERIT <sup>2/</sup>	AzMERIT <sup>2/</sup> (Grade 10 only) (mandatory) + MOA exam (optional) (ACT, Cambridge, Pearson)
2021	AzMERIT <sup>2/</sup>	AzMERIT <sup>2/</sup> (Grade 10 only) (mandatory) + MOA exam (optional) (ACT, Cambridge, Pearson & TBD)
2022 - 2024	New Single Statewide Assessment (NSSA) <sup>3/</sup>	Nationally Recognized College Entrance Assessment administered in 9 <sup>th</sup> or 10 <sup>th</sup> Grade and 11 <sup>th</sup> Grade <u>OR</u> different (MOA) Nationally Recognized College Entrance Assessment Administered in 9 <sup>th</sup> or 10 <sup>th</sup> and 11 <sup>th</sup> Grade
<sup>1/</sup> Starting in FY 2020. <sup>2/</sup> Name would be changed. <sup>3/</sup> Possibly with optional "menu of assessments" exam for Grades 3-8.		

The 5-year plan requires all 10<sup>th</sup> Graders to take AzMERIT tests in Math and English Language Arts (ELA) during FY 2020 and FY 2021. After FY 2021 high school students (not just 10<sup>th</sup> Graders) instead would be required to take a "Nationally Recognized College Entrance Assessment" (currently only the ACT and SAT meet that description) which students would take in the 9<sup>th</sup> or 10<sup>th</sup> Grade (such as the PSAT) and 11<sup>th</sup> Grade (such as the SAT). At that point the MOA exam for high school students would become whichever of the 2 "Nationally Recognized College Entrance Assessments" (ACT or SAT) was NOT chosen to be the "default" high school assessment. Current MOA exams that are not a "Nationally Recognized College Entrance Assessment" (such as Cambridge exams) and that do not achieve that status prior to FY 2022 would not be authorized as MOA exams after FY 2021.

(Continued)

#### AzMERIT Testing for High School Students

Prior to FY 2019, high school students took AzMERIT Math and ELA tests 3 times rather than once. For FY 2019, AzMERIT testing was made optional for high school students if they instead took a MOA exam. The U.S. Department of Education, however, informed ADE in April 2019 that making AzMERIT optional for high school students violated federal testing requirements. The SBE 5-year plan therefore re-establishes mandatory AzMERIT testing for high school pupils, but for 10<sup>th</sup> Graders only. Because of this re-establishment and the need to continue existing AzMERIT testing for pupils in Grades 3-8, ADE needs to renew the current AzMERIT contract for an additional 2 years.

#### Estimated AzMERIT Renewal Costs

ADE estimates that AzMERIT testing will cost approximately \$13 million per year in both FY 2020 and FY 2021 which would be approximately \$(3) million less per year than the currently-estimated \$16 million cost for FY 2019 (not yet final) (*see Attachment 1*). AzMERIT contract costs are expected to decrease for FY 2020 and FY 2021 because high school students would take AzMERIT once versus 3 times previously (for most students) and due to ongoing growth in the proportion of students are taking less expensive online rather than paper-based versions of AzMERIT tests.

Prices per test would remain unchanged for FY 2020 and FY 2021 under the proposed contract renewal. They would range from a low of \$8.63 per test for high school math (online), for example, to a high of \$18.43 per test for English Language Arts (ELA) for Grade 7 (paper test), for example (*see Attachment 1*).

#### Prior Committee Review

At its meeting on September 17, 2018, the Committee favorably reviewed the department's request to renew the AzMERIT contract for FY 2019 (the initial renewal). That favorable review came with the following provision:

By September 1, 2019, ADE shall report the status of all contracts for the statewide assessment and the menu of assessments, including exam vendors, pricing agreements, and an estimate of the number of students taking each exam in FY 2020.

The department's current submittal fulfills the above provision for AzMERIT testing. Corresponding information for MOA testing, however, will still need to be provided to the JLBC Staff by September 1, 2019.

SSC:kp  
Attachment

## Estimated AzMERIT Costs for FY 2019 (current contract) versus FY 2020 and FY 2021 (proposed renewal)

JLBC Staff

6/3/2019

## Notes:

1. Estimates have been compiled from ADE worksheets. Those worksheets assume no changes in test prices for FY 2020 or FY 2021.
2. The cost estimates for FY 2020 and FY 2021 are lower than for FY 2019 even though test prices remain the same because a) fewer students (15%) are expected to take the more expensive paper-based tests in those years than the 31% originally assumed for FY 2019, and b) high school students will take only one math and one English Language Arts (ELA) AzMERIT test during their high school years starting in FY 2020 versus three of both tests in FY 2019.
3. Part of the anticipated savings for AzMERIT for FY 2020 and FY 2021 will be offset or partially offset by new state costs for voluntary "menu of assessment" (MOA) testing for those years. The costs of MOA testing for FY 2020 and FY 2021 are highly uncertain because of uncertainty regarding the number of students who will take MOA exams.

Subject/Grade/Version	Price	FY 2019		FY 2020		FY 2021	
		Estimated Students	Estimated Cost	Estimated Students	Estimated Cost	Estimated Students	Estimated Cost
ELA Grade 3 Online	11.27	61,738	695,656	76,467	\$ 861,619	77,997	\$ 878,859
ELA Grade 3 Paper	18.43	26,459	487,612	13,494	\$ 248,683	13,764	\$ 253,659
ELA Grade 4 Online	11.27	61,738	695,656	76,467	\$ 861,619	77,997	\$ 878,859
ELA Grade 4 Paper	18.43	26,459	487,612	13,494	\$ 248,683	13,764	\$ 253,659
ELA Grade 5 Online	11.27	64,014	721,302	79,285	\$ 893,379	80,872	\$ 911,251
ELA Grade 5 Paper	18.43	27,434	505,580	13,992	\$ 257,850	14,271	\$ 263,008
ELA Grade 6 Online	11.27	64,316	724,705	79,660	\$ 897,603	81,254	\$ 915,561
ELA Grade 6 Paper	18.43	27,564	507,976	14,058	\$ 259,069	14,339	\$ 264,252
ELA Grade 7 Online	11.27	63,337	713,674	78,447	\$ 883,935	80,016	\$ 901,616
ELA Grade 7 Paper	18.43	27,144	500,236	13,844	\$ 255,124	14,121	\$ 260,227
ELA Grade 8 Online	11.27	62,348	702,530	77,223	\$ 870,134	78,767	\$ 887,537
ELA Grade 8 Paper	18.43	26,720	492,422	13,628	\$ 251,141	13,900	\$ 256,164
Math Grade 3 Online	8.83	61,586	543,935	76,279	\$ 673,705	77,805	\$ 687,181
Math Grade 3 Paper	13.00	26,394	343,226	13,461	\$ 175,046	13,730	\$ 178,547
Math Grade 4 Online	8.83	61,586	543,935	76,279	\$ 673,705	77,805	\$ 687,181
Math Grade 4 Paper	13.00	26,394	343,226	13,461	\$ 175,046	13,730	\$ 178,547
Math Grade 5 Online	8.83	63,871	564,116	79,108	\$ 698,689	80,691	\$ 712,668
Math Grade 5 Paper	13.00	27,372	355,944	13,960	\$ 181,538	14,240	\$ 185,170
Math Grade 6 Online	8.83	64,195	566,978	79,511	\$ 702,248	81,101	\$ 716,294
Math Grade 6 Paper	13.00	27,512	357,765	14,031	\$ 182,462	14,312	\$ 186,112
Math Grade 7 Online	8.83	63,182	558,031	78,256	\$ 691,167	79,822	\$ 704,996
Math Grade 7 Paper	13.00	27,078	352,121	13,810	\$ 179,583	14,086	\$ 183,176
Math Grade 8 Online	8.83	62,029	547,847	76,827	\$ 678,547	78,364	\$ 692,121
Math Grade 8 Paper	13.00	26,583	345,684	13,558	\$ 176,304	13,829	\$ 179,831
High School or Gr 9 ELA Online	11.07	50,731	561,472	68,000	\$ 752,599	69,360	\$ 767,651
High School or Gr9 ELA Paper	18.22	23,872	434,968	12,000	\$ 218,650	12,240	\$ 223,023
High School Math or Algebra 1 Online	8.63	56,831	490,586	68,000	\$ 587,001	69,360	\$ 598,741
High School Math or Algebra 1 Paper	12.80	26,744	342,297	12,000	\$ 153,588	12,240	\$ 156,660
High School Gr10 ELA Online	11.07	54,464	602,788				
High School G10 ELA Paper	18.22	25,630	467,000				
High School G11 ELA Online	11.07	50,127	554,787				
High School G11 ELA Paper	18.22	23,589	429,811				
High School Geometry Online	8.63	46,897	404,832				
High School Geometry Paper	12.80	22,068	282,449				
High School Algebra 2 Online	8.63	42,586	367,618				
High School Algebra 2 Paper	12.80	20,040	256,493				
Miscellaneous Savings			(1,740,804)		(744,609)		(759,504)
<b>Total</b>		1,520,632	<b>16,112,067</b>	1,258,599	<b>12,944,112</b>	1,283,776	<b>13,203,047</b>



Arizona Department of Education  
Office of Superintendent Kathy Hoffman

May 31<sup>st</sup>, 2019

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



Dear Representative Cobb,

The purpose of this letter is to request that one item be included on the agenda for consideration at the June 18, 2019 meeting of the Joint Legislative Budget Committee (JLBC) to fulfil the statutory requirements as outlined below.

1. A.R.S. 15-741.03, relating to the renewal of a statewide assessment contract. Under this law, the Department of Education may not renew any current contract for any portion of the statewide assessment adopted pursuant to section 15-741 or reestablish a new contract for any portion of the statewide assessment adopted pursuant to section 15-741 without a review by JLBC.

The enclosed spreadsheet includes the cost estimated to extend the contract for AzMERIT for an additional two years. **In FY20, or year six of the contract, the cost is \$12,944,112; and for FY21, year seven of the contract, the cost is \$13,203,047.**

The extension of our AzMERIT contract is part of the five-year assessment planned approved by the Arizona State Board of Education on April 29, 2019. Under this plan, the State of Arizona must maintain a statewide standardized assessment, while issuing an RFP for a new statewide 3-8 assessment and a high school menu of assessments. Please see enclosed plan for more details.

Thank you for your attention to this matter. Please do not hesitate to contact my office with any questions.

Sincerely,

Callie Kozlak  
Associate Superintendent, Policy Development and Government Relations  
Arizona Department of Education





STATE OF ARIZONA

## Joint Legislative Budget Committee

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DATE: June 11, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Steve Schimpp, Deputy Director *SS*

SUBJECT: Arizona Department of Education - Review of Career Technical Education District Annual Report

### Request

The Arizona Department of Education (ADE) requests Committee review of its annual Career Technical Education District (CTED) report for FY 2018, as required by A.R.S. § 15-393.01.

### 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. For future reports, ADE shall include data totals or averages for each CTED, including their satellite site data, for each data element appearing in *Table 1*.

(Continued)



#### Key Points

- 1) For FY 2018, 14 CTEDs with 99 member school districts operated in the state.
- 2) They enrolled 129,319 students (duplicated count) and 24,296 Average Daily Membership (ADM).
- 3) CTED ADM ranged from 256 for the Cobre Valley Institute of Technology (CVIT) to 7,515 for EVIT.
- 4) CTEDs collectively reported \$116 million in expenditures including \$39 million (34%) for central campus sites and \$77 million (66%) for satellite sites (excludes costs of new construction).
- 5) An average of 38% of CTE seniors who took the first course of a CTED program during their high school years also took the second course (retention rate).
- 6) An average of 89% of those seniors passed the second course.

### Analysis

#### Annual Report

ADE's annual CTED report provides data on CTED enrollment, location, expenditures, retention rates, and pass rates. Detailed data for individual CTEDs were reported in electronic format due to the volume of data involved. *Appendices 1-4* show sample data pages from the electronic files.

Appendix 1: lists the 14 CTEDs and their 99 member districts

Appendix 2: shows Average Daily Membership (ADM) and enrollment

Appendix 3: shows reported costs by program

Appendix 4: shows retention and pass rates by program

*Table 1* summarizes data from the submitted electronic files.

*Table 1* shows that CTEDs collectively enrolled 129,319 students during the 2017-2018 school year, which reflects duplication for pupils enrolled in more than one CTED course. CTEDs served 24,296 Average Daily Membership (ADM) students, which is substantially less than reported enrollment because most CTED students attend CTEDs on a part-time basis and because 9<sup>th</sup> Graders are excluded from CTED ADM counts. Reported CTED ADM ranged from a low of 256 for the Cobre Valley Institute of Technology (CVIT) to a high of 7,515 for the East Valley Institute of Technology (EVIT).

*Table 1* indicates that CTEDs collectively reported \$116 million in total costs (excluding construction expenditures) for FY 2018. That total included \$39 million (34%) for central campus costs and \$77 million (66%) for satellite costs.

*Table 1* also summarizes CTED retention and pass rate data from the electronic files. It shows that for the 2017-2018 school year an average of 38% of CTED seniors who took the first course in a CTED program during their high school years also took the second course during their high school years, as a measure of CTED retention rates. It also shows that an average of 89% of those seniors passed the second CTED course.

The electronic data files did not include state totals or totals by CTED (including satellite site data) for some of the data elements appearing in *Table 1*, so they had to be hand-compiled. The JLBC Staff has requested that future reports include those totals to help facilitate data summarization. The JLBC Staff notes, however, that the School Year (SY) 2017-2018 report includes extensive data on costs, retention rates, and pass rates for Individual CTED programs that were not included in previous reports and that provide valuable new insights into CTED effectiveness and operations.

(Continued)

Table 1

Summary of CTED Annual Report Data <sup>1/</sup>

CTED	Students		Reported Costs (\$)			Retention Rate (%) <sup>4/</sup>	Pass Rate (%) <sup>5/</sup>
	Enrollment <sup>2/</sup>	ADM <sup>3/</sup>	Central Campus	Satellites	Total		
CAVIAT	3,608	454	692,300	1,422,100	2,114,400	41.7	94.1
CAVIT	921	930	3,651,900	1,156,100	4,808,000	46.1	90.9
CTD	6,031	717	191,000	3,420,900	3,611,900	44.7	95.7
CVIT	1,516	256	730,700	621,100	1,351,800	50.1	95.2
EVIT	41,464	7,515	14,966,200	19,056,600	34,022,800	31.3	90.5
GIFT	2,009	331	918,000	870,900	1,788,900	71.2	92.5
MICTED	1,565	471	1,260,500	845,300	2,105,800	49.0	95.7
NATIVE	613	483	440,100	1,338,200	1,778,300	63.9	74.5
NAVIT	5,418	947	1,987,800	2,834,900	4,822,700	56.4	93.1
Pima CTED	23,971	3,375	5,559,500	9,195,800	14,755,300	41.0	91.4
STEDY	5,418	947	792,200	4,368,100	5,160,300	25.1	87.5
VACTE	1,672	267	289,700	748,700	1,038,400	50.7	94.1
WAVE	5,039	661	946,200	1,626,600	2,572,800	44.5	92.3
West-MEC <sup>6/</sup>	<u>30,074</u>	<u>6,943</u>	<u>7,002,000</u>	<u>29,535,000</u>	<u>36,537,000</u>	<u>37.2</u>	<u>85.3</u>
<b>TOTALS</b>	<b>129,319</b>	<b>24,296</b>	<b>39,428,100</b>	<b>77,040,300</b>	<b>116,468,400</b>	<b>38.1</b>	<b>88.8</b>

<sup>1/</sup> Figures shown for each CTED are for its central campus(es) and satellite sites combined unless otherwise indicated.

<sup>2/</sup> Duplicated for students enrolled in 2 or more CTED courses.

<sup>3/</sup> Is less than enrollment because most students attend CTEDs on a part-time basis and 9th Graders are included in CTED enrollment data but are excluded from their ADM data.

<sup>4/</sup> The percentage of SY 2017-2018 seniors who enrolled in the first course of a CTED eligible program during their years in high school and also enrolled in the second course.

<sup>5/</sup> The percentage of SY 2017-2018 seniors who received a passing grade for the second course of a CTED eligible program during their years in high school.

<sup>6/</sup> Reported costs for satellites are estimated for West-MEC based on ADE Annual Report data (excluding bond building expenditures), as West-MEC did not report cost data for its satellite programs.

SSc:kp  
Attachments

Excerpts from ADE's electronic report appear in Appendices 1 - 4. (See electronic version of this memo on the JLBC website.)

**ARIZONA CAREER AND TECHNICAL EDUCATION DISTRICTS**  
(CTED Member Districts- Unified and Union High School Districts\*)

**CAVIAT – Coconino Association for Vocations, Industry & Technology**

- Flagstaff Unified SD
- Fredonia-Moccasin Unified SD
- Grand Canyon Unified SD
- Page Unified SD
- Williams Unified SD

**CAVIT – Central Arizona Valley Institute of Technology**

- Casa Grande Union HSD
- Coolidge Unified SD
- Florence Unified SD
- Maricopa Unified SD
- Santa Cruz Valley Union HSD

**CTD – Cochise Technology District**

- Benson Unified SD
- Bisbee Unified SD
- Bowie Unified SD
- Douglas Unified SD
- San Simon Unified SD
- Sierra Vista Unified SD
- St. David Unified SD
- Tombstone Unified SD
- Valley Union HSD
- Willcox Unified SD

**CVIT – Cobre Valley Institute of Technology**

- Globe Unified SD
- Hayden-Winkelman Unified SD
- Miami Unified SD
- San Carlos Unified SD
- Superior Unified SD

**EVIT – East Valley Institute of Technology**

- Apache Junction Unified SD
- Chandler Unified SD
- Fountain Hills Unified SD
- Gilbert Unified SD
- Higley Unified SD
- J.O. Combs Unified SD
- Mesa Unified SD
- Queen Creek Unified SD
- Scottsdale Unified SD
- Tempe Union HSD

**GIFT – Gila Institute for Technology**

- Duncan Unified SD
- Ft. Thomas Unified SD
- Morenci Unified SD
- Pima Unified SD
- Safford Unified SD
- Thatcher Unified SD

MICTED – Mountain Institute CTED

- Ash Fork Unified SD
- Bagdad Unified SD
- Chino Valley Unified SD
- Humboldt Unified SD
- Mayer Unified SD
- Prescott Unified SD
- Seligman Unified SD

NATIVE – Northeast Arizona Technological Institute of Vocational Education

- Chinle Unified SD
- Ganado Unified SD
- Kayenta Unified SD
- Pinon Unified SD
- Red Mesa Unified SD
- Sanders Unified SD
- Tuba City Unified SD
- Window Rock Unified SD

NAVIT– Northern Arizona Vocational Institute of Technology

- Blue Ridge Unified SD
- Heber-Overgaard Unified SD
- Holbrook Unified SD
- Joseph City Unified SD
- Payson Unified SD
- Round Valley Unified SD
- Show Low Unified SD
- Snowflake Unified SD
- St. Johns Unified SD
- Whiteriver Unified SD
- Winslow Unified SD

Pima County JTED

- Ajo Unified SD
- Amphitheater Unified SD
- Baboquivari Unified SD
- Catalina Foothills Unified SD
- Flowing Wells Unified SD
- Mammoth-San Manuel Unified SD
- Marana Unified SD
- Sahuarita Unified SD
- Santa Cruz Valley Unified SD
- Sunnyside Unified SD
- Tanque Verde Unified SD
- Tucson Unified SD
- Vail Unified SD

STEDY- Southwest Technical Education District of Yuma

- Antelope Union High School District
- Yuma Union High School District

VACTE – Valley Academy of Career and Technology Education

- Camp Verde Unified SD
- Mingus Union HSD
- Sedona-Oak Creek Unified SD

WAVE – Western Arizona Vocational Education

- Colorado River Union HSD
- Kingman Unified SD
- Lake Havasu Unified SD
- Parker Unified SD

West-MEC – Western Maricopa Education Center
----------------------------------------------

- Agua Fria Union HSD
- Buckeye Union HSD
- Deer Valley Unified SD
- Dysart Unified SD
- Glendale Union HSD
- Paradise Valley Unified SD
- Peoria Unified SD
- Saddle Mountain Unified SD
- Tolleson Union HSD
- Wickenburg Unified SD

\* Some CTED member districts include elementary districts. Typically, this includes elementary districts located within the geographical boundaries of a CTED member union high school district.

<b>EVIT- East Valley Institute of Technology</b>	<b>2017-2018 40th Day 10-12 Grade CTE Student ADM <u>By</u> <u>Location</u></b>	<b>2017-2018 40th Day 9-12 Grade CTE Student Count* <u>By Location</u></b>
Central Campus	2,377.20	3,039.00
Leased Campus	162.18	546.00
Chandler Unified School District	1,054.00	6,751.00
Gilbert Unified School District	808.40	7151.00
Higley Unified School District	220.19	1,591.00
J.O. Combs Unified School District	135.13	723.00
Mesa Unified School District	1,209.76	8,705.00
Queen Creek Unified School District	196.99	1343.00
Scottsdale Unified School District	457.75	2035
Tempe Union High School District	893.25	9580
<b>CTED and Satellites Total</b>	<b>7,514.85</b>	<b>41,464.00</b>

\*This is a duplicated count

How to fill out this page (see detailed instructions to the right of the tables)

1. Enter statewide and local occupational need program costs in Form B below.
2. Enter costs in the Reconciliation of Central CTED Costs to the right.
3. Retain documentation to support all direct and indirect costs reported, including cost allocation bases.

RECONCILIATION OF CENTRAL CTED COSTS	
1. CENTRAL CAMPUS COST TOTAL (from table below)	\$ 14,966,225.10
2. Costs for CTED Satellite Programs	\$ 19,056,552.49
3. Costs for Adult CTE programs	\$ 2,253,137.13
4. Total costs (Sum of lines 1 - 3 above, should agree to line 5)	\$ 36,275,914.72
5. Total costs from the CTED's accounting records (should agree to line 4)	\$ 36,275,914.72

CTED District	Name	CTD	FORM B 2017-2018 CTED Program Cost
			LEASED CENTRAL DISTRICT SUMMARY FORM
CTED District	EVIT- East Valley Institute of Technology	070801	

Program Number (CIP)	USFR Chart of Accounts Program Code	ADE Program Title	Program Cost	ALL Funds							Allocated Indirect Costs (from all object codes)
				Direct Costs							
				Salaries 61XX	ERE 62XX	Purchased Services 63XX, 64XX, 65XX (excluding 6450)	Supplies 66XX (Including Textbooks & Inst Aids)	Property 6450, 67XX, 6832, 6842 (Including Land & Bldg, Equipment purchases and leases)	Other 68XX (excluding 6832 & 6842)		
52 0300.00	301	Accounting and Related Services									
01 0100.90	302	Agribusiness Systems									
49 0100.00	303	Air Transportation	\$ 469,468.17	\$ 149,162.67	\$ 42,555.35	\$ 5,949.63	\$ 2,627.03	\$ 50,204.49	\$ 521.18	\$ 218,447.82	
47 0600.50	304	Aircraft Mechanics									
01 0100.40	305	Animal Systems									
10 0200.60	306	Animation	\$ 389,561.58	\$ 107,653.68	\$ 33,675.61	\$ 484.39	\$ 6,801.53	\$ 29,068.37	\$ 850.45	\$ 210,827.55	
15 1300.20	307	Architectural Drafting									
48 0500.20	309	Automation/Robotics									
47 0600.30	310	Automotive Collision Repair	\$ 108,238.52	\$ 29,783.40	\$ 8,587.94	\$ 3,204.32	\$ 3,129.41		\$ 31.18	\$ 63,502.27	
47 0600.20	311	Automotive Technologies	\$ 615,537.10	\$ 146,194.22	\$ 48,174.77	\$ 9,736.76	\$ 12,940.28	\$ 4,026.23	\$ 750.75	\$ 393,714.09	
41 0100.00	312	Bioscience									
52 0200.00	313	Business Management and Administrative Services									
52 0400.00	314	Business Operations Support and Assistant Services									
46 0400.40	315	Cabinetmaking									
46 0400.30	316	Carpentry									
15 1200.20	317	Computer Maintenance	\$ 162,878.67	\$ 58,603.44	\$ 15,323.83	\$ 428.99	\$ 2,965.80	\$ 1,205.31	\$ 508.30	\$ 83,823.00	
46 0400.20	318	Construction Technologies	\$ 158,601.10	\$ 77,351.58	\$ 21,483.47	\$ 992.54	\$ 12,334.02	\$ 462.60	\$ 255.25	\$ 45,721.64	
12 0400.00	319	Cosmetology and Related Personal Grooming Services	\$ 2,329,799.00	\$ 838,431.47	\$ 224,997.48	\$ 17,521.48	\$ 7,940.87	\$ 12,113.86	\$ 4,470.04	\$ 1,224,323.80	
12 0500.00	320	Culinary Arts	\$ 898,283.66	\$ 297,736.56	\$ 77,121.46	\$ 31,153.94	\$ 187,430.51	\$ 19,317.06	\$ 13,734.40	\$ 271,789.73	
51 0600.00	321	Dental Assisting	\$ 670,597.74	\$ 98,677.72	\$ 31,253.70	\$ 5,924.83	\$ 1,683.59	\$ 8,899.99	\$ 421.57	\$ 523,736.34	
47 0600.40	322	Diesel Engine Repair	\$ 277,289.38	\$ 62,820.40	\$ 21,680.76	\$ 2,563.82	\$ 18,294.45		\$ 11,904.22	\$ 160,025.73	
10 0200.40	345	Digital Communications									
10 0200.50	323	Digital Photography	\$ 346,941.20	\$ 151,606.60	\$ 43,973.29	\$ 1,327.88	\$ 957.81	\$ 39,270.32	\$ 381.39	\$ 109,223.91	
10 0200.20	324	Digital Printing									
13 1210.00	325	Early Childhood Education	\$ 202,094.48	\$ 81,042.24	\$ 21,421.72	\$ 1,343.47	\$ 1,763.60			\$ 96,523.45	
13 1200.00	326	Education Professions									
15 0300.00	327	Electronic Technologies									
15 1300.30	328	Electronics Drafting									
51 0900.30	329	Emergency Medical Services	\$ 384,759.26	\$ 70,848.46	\$ 14,702.14	\$ 10,004.96	\$ 4,225.44	\$ 6,391.32		\$ 278,586.94	
15 0000.00	330	Engineering Sciences	\$ 104,076.53	\$ 29,712.29	\$ 6,435.19	\$ 407.03	\$ 6,013.34	\$ 3,224.05	\$ 2,402.63	\$ 55,862.00	
01 0100.20	332	Food Products and Processing Systems									
52 1900.20	333	Fashion Design and Merchandising	\$ 145,910.84	\$ 21,426.56	\$ 5,636.40	\$ 2,355.98	\$ 6,895.48		\$ 372.51	\$ 109,223.91	
10 0200.90	334	Film & TV	\$ 108,528.64	\$ 29,824.55	\$ 10,215.57	\$ 157.65	\$ 1,648.00		\$ 640.51	\$ 66,042.35	

52.0800.00	335	Financial Services	\$	36,278.91			\$	10,818.00			\$	60.00	\$	25,400.91				
43.0200.00	336	Fire Service	\$	434,648.21	\$	136,664.00	\$	41,130.89	\$	3,025.51	\$	7,459.67	\$	70,236.09	\$	865.78	\$	175,266.27
10.0200.30	337	Graphic/ Web Design	\$	112,443.93						\$	2,693.98			\$	526.04	\$	109,223.91	
51.0707.00	338	Health Information Technology																
47.0200.00	339	Heating, Ventilation and Air Conditioning	\$	111,198.91	\$	30,062.57	\$	7,158.26	\$	1,249.49	\$	3,945.73		\$	200.41	\$	68,582.45	
49.0200.00	340	Heavy Equipment Operations																
47.0300.00	341	Heavy/Industrial Equipment Maintenance Technologies																
52.0900.00	342	Hospitality Management																
46.0300.30	343	Industrial Electrician																
52.1900.30	344	Interior Design and Merchandising	\$	73,758.72	\$	54,157.60	\$	12,789.07	\$	3,258.71	\$	993.25		\$	20.00	\$	2,540.09	
51.0800.30	346	Laboratory Assisting																
43.0100.00	347	Law, Public Safety and Security	\$	389,484.00	\$	120,627.54	\$	36,975.67	\$	1,404.84	\$	1,513.99	\$	17,118.90	\$	1,015.51	\$	210,827.55
15.1300.40	348	Mechanical Drafting																
51.0800.60	349	Medical Assisting Services	\$	1,446,592.78	\$	225,982.99	\$	70,060.32	\$	6,064.47	\$	8,277.16	\$	4,747.55	\$	431.86	\$	1,131,028.43
51.0800.40	350	Medical Imaging Support Services																
51.1500.00	351	Mental and Social Health Services	\$	181,772.44	\$	51,639.56	\$	10,203.97	\$	3,098.73	\$	399.66		\$	2,126.43	\$	114,304.09	
10.0200.00	352	Music/Audio Production	\$	734,981.05	\$	265,981.00	\$	74,432.62	\$	70,739.41	\$	13,718.25	\$	93,194.14	\$	13,708.36	\$	203,207.27
15.1200.30	353	Network Technologies	\$	311,515.83	\$	60,209.89	\$	16,786.33	\$	2,150.95	\$	440.57	\$	23,135.64		505.00	\$	208,267.45
51.3900.00	354	Nursing Services	\$	1,197,470.81	\$	253,089.72	\$	62,547.41	\$	6,836.80	\$	8,012.17	\$	2,043.22	\$	1,337.22	\$	863,604.27
51.0800.20	355	Pharmacy Support Services	\$	220,383.60	\$	54,179.74	\$	16,906.38	\$	2,703.08	\$	924.53	\$	807.71			\$	144,862.16
01.0100.30	356	Plant Systems																
46.0500.30	357	Precision Machining	\$	125,482.15	\$	51,558.20	\$	12,727.20	\$	385.28	\$	7,331.43		\$	138.13	\$	53,341.91	
52.1800.20	358	Professional Sales and Marketing																
46.0300.20	359	Residential Electrician																
51.0900.20	360	Respiratory Therapy Technician																
15.1200.40	361	Software Development	\$	254,819.06	\$	47,372.63	\$	13,893.66	\$	44.91	\$	2,005.30	\$	46,226.86	\$	490.52	\$	144,785.18
51.0800.50	362	Sports Medicine and Rehabilitation Services																
51.0900.40	363	Surgical Technician																
50.0500.20	364	Technical Theatre																
51.3500.00	365	Therapeutic Massage	\$	242,372.37	\$	99,426.93	\$	33,298.43	\$	1,102.82	\$	4,613.55	\$	2,324.57	\$	2.53	\$	101,603.64
51.0808.00	366	Veterinary Assistant	\$	944,985.87	\$	262,095.07	\$	63,744.42	\$	4,075.83	\$	13,961.02	\$	26,944.86		104.12	\$	574,080.55
15.1200.50	367	Web Page Development																
48.0508.00	368	Welding Technologies	\$	513,090.71	\$	141,911.74	\$	37,846.69	\$	3,622.60	\$	35,778.20	\$	12,483.22	\$	2,038.26	\$	279,410.00
Local Occupational Need Programs—Enter the CIP #, program code assigned by the CTED in the 380-399 range, program title, and costs for programs approved by ADE that meet local occupational needs																		
51.0806.00	390	Physical Therapy Assistant	\$	244,599.24	\$	62,904.94	\$	19,167.88	\$	921.52	\$	608.39	\$	4,996.97			\$	155,999.54
46.0503.00	382	Plumbing Trade Specialty	\$	17,780.64													\$	17,780.64
CENTRAL CAMPUS COST TOTAL			\$	14,966,225.10	\$	4,168,939.86	\$	1,157,107.88	\$	215,060.60	\$	390,348.01	\$	478,443.33	\$	60,814.55	\$	8,495,510.67



Western Maricopa Education Center			A) Number of SY17-18 SENIORS who enrolled in the first course of a CTED eligible program during their years in high school:	B) Number of SY17-18 SENIORS who enrolled in the second course of a CTED eligible program during their years in high school:	Percentage B/A	C) Number of SY17-18 SENIORS who received a passing grade for the second course of a CTED eligible program during their years in high school:	Percentage C/B
	Location	Program Name					
	Central Campus	Aircraft Mechanics	41	36	87.80%	33	91.67%
		Electronic Technologies	10	10	100.00%	10	100.00%
		Law, Public Safety & Security	42	37	88.10%	31	83.78%
		Precision Machining	10	9	90.00%	8	88.89%
		Welding Technologies	20	20	100.00%	19	95.00%
	Northeast Campus	Automotive Collision Repair	13	12	92.31%	10	83.33%
		Automotive Technologies	39	33	84.62%	32	96.97%
		Construction Technologies	2	1	50.00%	1	100.00%
		Electrical Trade	5	5	100.00%	5	100.00%
		Diesel Engine Repair	15	15	100.00%	15	100.00%
		Heating Ventilation & Air Conditioning	6	6	100.00%	6	100.00%
		Medical Assisting Services	78	75	96.15%	73	97.33%
		Pharmacy Support Services	45	42	93.33%	42	100.00%
		Veterinary Assistant	70	69	98.57%	69	100.00%
	Northwest Campus	Cosmetology & Related Personal Grooming Services	2	1	50.00%	1	100.00%
		Law, Public Safety & Security	1	1	100.00%	0	0.00%
		Information Technology	1	1	100.00%	1	100.00%
		Physical Therapy	29	25	86.21%	21	84.00%
	Southwest Campus	Energy & Industrial Technology	20	19	95.00%	19	100.00%
		Pharmacy Support Services	46	45	97.83%	43	95.56%
		Construction Technologies	13	11	84.62%	9	81.82%
		Information Technology	32	28	87.50%	27	96.43%
		Medical Assisting Services	67	65	97.01%	64	98.46%
		Welding Technology	3	3	100.00%	3	100.00%
	START Campus	Software Development	51	43	84.31%	37	86.05%
	Partner Campus	Therapeutic Massage	19	19	100.00%	19	100.00%
		Emergency Medical Services	40	34	85.00%	34	100.00%
		Fire Service	53	50	94.34%	45	90.00%
		Aesthetics	44	38	86.36%	34	89.47%
		Cosmetology & Related Personal Grooming Services	137	130	94.89%	127	97.69%
			954	883		838	



State of Arizona  
Department of Education  
Office of Kathy Hoffman  
Superintendent of Public Instruction



April 17, 2019

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

Mr. Stavneak:

Pursuant to Arizona Revised Statutes (A.R.S.) § 15-393.01(C), the Arizona Department of Education Career and Technical Education Program has prepared the attached report with supporting documents on the enclosed disc. The report summarizes data submitted by Arizona's 14 Career and Technical Education Districts for school year 2017-2018. If you have any questions regarding the information provided, please feel free to contact me at the email below. You may also contact Marilyn Gardner, CTE Director of Fiscal, Grants & Accountability at [Marilyn.Gardner@azed.gov](mailto:Marilyn.Gardner@azed.gov).

Sincerely,

Cathie Raymond  
Deputy Associate Superintendent/State Director  
Career and Technical Education  
High Academic Standards for Students Division  
Arizona Department of Education  
1535 W. Jefferson, Bin 42  
Phoenix, AZ 85250  
[Cathie.Raymond@azed.gov](mailto:Cathie.Raymond@azed.gov)

cc: Steve Schimpp, Deputy Director  
Joint Legislative Budget Committee



1535 West Jefferson Street, Phoenix, Arizona 85007 • (602) 542-5282 • [www.azed.gov](http://www.azed.gov)



## **2019 Career & Technical Education District (CTED) Report**

Pursuant to Arizona Revised Statutes (ARS) §15-393.01(C)

Submitted by the Arizona Department of Education  
Career & Technical Education Section

Cathie Raymond  
Deputy Associate Superintendent, Career & Technical Education

Heather Cruz  
Associate Superintendent, High Academic Standards for Students



Arizona Department of Education

## **2019 Career & Technical Education District (CTED) Report**

### **Scope of the Report**

Under the provisions of the Arizona Revised Statutes (ARS) §15-393.01(C), the Arizona Department of Education, Career & Technical Education (ADE-CTE) unit is required to collect and analyze information submitted by each Career & Technical Education District (CTED) and make this information available to select individuals and groups as specified below. Please note: The title of this report has been changed due to a modification of the naming convention for CTEDs, which were formerly called Joint Technical Education Districts or JTEDs. The reference to JTEDs still exists on many of the enclosed forms as they occurred during this transition. The enclosed information is based on data available during the previous school year (SY2017-2018).

ARS §15-393.01(C)- On or before December 31 of each year, the Career and Technical Education division of the Department of Education shall submit a Career & Technical Education District annual report to the Governor, the President of the Senate, the Speaker of the House of Representatives, the Secretary of State and the Joint Legislative Budget Committee. The annual report shall include the following:

- 1) The average daily membership of each joint district, including the average daily membership of each centralized campus, satellite campus and leased centralized campus as defined in section §15-393.
- 2) The actual student count of each joint district, including the student count of each centralized campus, satellite campus and leased centralized campus as defined in section §15-393.
- 3) The programs and corresponding courses offered by each joint district, including the location of each program and course.
- 4) For each joint district based on program or course location:
  - a) The student enrollment of each program and corresponding course.
  - b) The percentage of students who enrolled in the second year of each program and corresponding course relative to the number of students in the same cohort who enrolled in the first year of each program and corresponding course.
  - c) The percentage of students who completed each program relative to the number of students in the same cohort who began the program.
- 5) The costs associated with each program offered by the joint district.

- 6) A listing of any programs or courses that were discontinued by review of the Career and Technical Education division pursuant to section §15-393, subsection V.
- 7) A listing of any programs or courses that were continued by review of the Career and Technical Education division pursuant to section §15-393, subsection V.
- 8) A listing of any programs or courses that were added by the Career and Technical Education division.
- 9) For applicable school districts, the required maintenance of effort and how monies were used to supplement and not supplant base year career and technical education courses, including expenditures related to personnel, equipment and facilities.
- 10) Any other data or information deemed necessary by the Department of Education.

The enclosed information is intended to be summative in nature and provide an overview of the processes and data collection methods used for each component required by statute. ***Supplemental documents are listed at the conclusion of each section of the report (indicated by an \*) and are available for review on the enclosed digital file.***

- \* 2017-2018 List of Career & Technical Education Districts in Arizona (includes member school districts)

## **Section One:**

**Section one of the report addresses the following required elements pursuant to ARS §15-393.01(C):**

- 1) The average daily membership of each joint district, including the average daily membership of each centralized campus, satellite campus and leased centralized campus as defined in Section §15-393.**
- 2) The actual student count of each joint district, including the student count of each centralized campus, satellite campus and leased centralized campus as defined in Section §15-393.**
- 5) The costs associated with each program offered by the joint district.**

The ADE-CTE annual CTED Report utilizes data gathered from the previous school year for analysis (currently the 2017-2018 school year). Expenditures in support of career and technical education programs are reported from all funding sources rather than simply CTED funding. The cost reporting spreadsheet utilized for this report was reviewed in conjunction with the Arizona Office of the Auditor General (AOAG) to efficiently gather all required data. The Program 300 codes in the Chart of Accounts listed in the Uniform System of Financial Records for Arizona School Districts (USFR) has been identified for use in tracking local expenditures related to career and technical education programs. During the 2017-2018 school year, use of these program codes to track expenditures shifted from voluntary to mandatory for the first time.

CTED member districts typically receive state and federal grants, as well as, other local funding (such as local tax levy revenues, State Aid, State Vocational Block Grant funding, Carl D. Perkins funding, tax credit contributions, gifts of equipment/supplies and other secondary sources). It is important to note that, apart from the East Valley Institute of Technology (EVIT), CTED districts do not typically apply for federal Carl D. Perkins grant funds. Historically, teacher salaries and benefits have been the strongest indicator of total program costs, followed by the equipment/supplies utilized to implement career and technical education programs. The ADE-CTE will continue to work with the AOAG should any modifications become necessary to gather appropriate program cost information for future reports.

The statute also requires that the ADE-CTE provide the Average Daily Membership (ADM) and actual student count of CTE students for each CTED including the central campus, leased central campus and satellite locations. This information was solicited through the completion of spreadsheets by each CTED in consultation with their member districts. The ADM for 10<sup>th</sup> - 12<sup>th</sup> grade CTE students was requested, along with the actual student count of the 9<sup>th</sup> - 12<sup>th</sup> grade students attending CTE programs. Although 9<sup>th</sup> grade students do not generate CTED ADM, they were included in the student count since the cost reporting spreadsheet includes all funding sources. Their inclusion in the actual student counts gives a broader picture of student participation in career and technical education programs across the state.

For further information please see:

- \* Link to AAGO Cost Reporting Guidance Webinars-  
<https://www.azauditor.gov/reports-publications/school-districts/webinars>
- \* 2017-2018 Cost Reporting Summaries by CTED
- \* 2017-2018 ADM-Student Count by Location

## **Section Two:**

**Section two of the report addresses the following required elements pursuant to ARS §15-393.01(C):**

**3) The programs and corresponding courses offered by each joint district, including the location of each program and course.**

**4) For each joint district based on program or course location:**

- a) The student enrollment of each program and corresponding course.**
- b) The percentage of students who enrolled in the second year of each program and corresponding course relative to the number of students in the same cohort who enrolled in the first year of each program and corresponding course.**
- c) The percentage of students who completed each program relative to the number of students in the same cohort who began the program.**

ADE-CTE has traditionally gathered student enrollment data through the satellite districts every year by means of the CTE Data Portal application (available through ADE Connect). This data includes enrollment in all the programs and corresponding courses being offered to students throughout the state. District students attending programs at locations other than their local high school are also specifically identified. Student enrollment in internship, cooperative education and diversified cooperative education courses are included to document programs that provide a work-based learning component but are not eligible for CTED funding.

One historical challenge to data gathering on student enrollment is the fact that districts have been allowed to enter "shared courses" into the application. A shared course is an entry level course that is the same for two separate programs. For example, Plant Systems and Animal System have sometimes had a shared first course. Students enrolling in a shared course will subsequently move onto the second course in one of the two programs. For those districts using shared courses, the ADE-CTE manually changed the data and redistributed the enrollment to the appropriate programs for the benefit of this report. Beginning with the 2018-2019 school year, shared courses will be eliminated, with each course having a distinct course number in the data system. This should enhance the quality of the data reports and remove the need for manual changes to the data.

A relatively new segment of the annual CTED report requires information on the enrollment of students in CTE programs and their subsequent completion rate. Data was first gathered during the 2016-2017 school year by means of a spreadsheet submitted by each CTED. The ADE-CTE maintains enrollment data in the aggregate rather than tracking enrollment patterns at the student level. The spreadsheet focused on creating a clear cohort of students, while also accommodating the various scheduling formats utilized across all CTED and member district sites. Feedback regarding this method was provided to the ADE-CTE throughout the data gathering process. One of the most frequent comments illustrated the fact that students may not elect to take courses in consecutive school years, but at different times throughout their high school career. Because the original reporting requirement utilized a consecutive year cohort measure, those students who chose to skip years between program courses would not be omitted from the data.

Based on this experience, the ADE-CTE chose to elect a different cohort model for reporting the 2017-2018 school year data. The challenge remained to create a clear enough cohort definition for all participants to provide accurate and complete data for the annual report. As a result, the switch was made to focus on the career and technical education enrollment and completion patterns of 2017-2018 graduating seniors. This cohort model provides a more comprehensive picture of the success of students throughout their high school years in completing CTE programs.

For further information please see:

- \* 2017-2018 Student Enrollment in Programs-Courses by Location
- \* 2017-2018 Course Enrollment/Completion Data by Program

### **Section Three:**

**Section three of the report addresses the following required element pursuant to ARS §15-393.01(C):**

**6) A listing of any programs or courses that were discontinued by review of the Career and Technical Education division pursuant to section §15-393, subsection V.**

The criteria utilized for course approval was revised with the introduction of SB1525, which became law in February 2016 as amended ARS §15-393.01(C). ADE immediately began reviewing the compliance and eligibility of all CTED programs/courses currently in effect based on the new requirements set forth in this act. In March 2016, eight meetings were held collaboratively between the CTED Superintendents and the ADE-CTE to discuss the implementation of ARS §15-393.01(C) to determine career and technical education program eligibility for CTED funding. The ADE-CTE held meetings internally to develop processes to review the 73 CTE programs for CTED eligibility and provide supporting documentation for the program and course requirements.

From the original review of programs that meet CTED eligibility in 2016, no new programs have been reviewed for compliance with the new criteria. The list of eligible programs did not change during the 2017-2018 school year. The ADE-CTE continued to conduct program monitoring for all eligible programs throughout the state to meet the December 2018 deadline as required by law. The monitoring rotation schedule has been updated to allow for on-boarding and training of new staff (ensuring consistent implementation of program monitoring guidelines) prior to conducting on-site monitoring for every CTED program.

For further information please see:

- Meeting Schedule for SB1525 Compliance

### **Section Four:**

**Section four of the report addresses the following required element pursuant to ARS §15-393.01(C):**

**7) A listing of any programs or courses that were continued by review of the Career and Technical Education division pursuant to section §15-393, subsection V.**

Using the methodology described in Section Three, a total of 58 CTE programs meet the compliance criteria of a CTED eligible program as described in statute. One program has been placed on hold due to lack of enrollment as noted at the Joint Legislative Budget Committee meeting held on September 21, 2016.

All approved CTE programs require a coherent sequence of courses incorporating a minimum of two Carnegie Units of instruction. CTED Superintendents are required to submit to the ADE-CTE an annual Statement of Assurance affirming that CTED eligible programs include (at a minimum) the required sequence of courses and are implemented with programmatic fidelity. The ADE-CTE Program Specialists monitor the CTED programs at central and member district levels in a structured rotation to ensure compliance to the law. Please note: the documents included in this section were still utilizing the previous JTED naming convention during the 2017-2018 school year.

For further information please see:

- \* 2017-2018 CTE Program List- JTED Eligibility
- \* 2017-2018 JTED Statement of Assurance Form
- \* 2017-2018 JTED Statement of Assurance Instructions

**Section Five:**

**Section five of the report addresses the following required element pursuant to ARS §15-393.01(C):**

**8) A listing of any programs or courses that were added by the Career and Technical Education division.**

The CTE Program List provides options for approved CTE programs and is compiled every two years based on a formula using Arizona Labor Market Information through the Office of Economic Opportunity. The formula focuses on high skill, high wage and high demand occupations in Arizona within the educational span that begins with job training and ends with the associate degree level. Considering the occupational diversity across Arizona, there are some occupations that are critical to the local economy of a community, while not having a significant presence in other communities. These occupations do not currently appear on the primary CTE Program List (due to the geographic nature of the jobs) but do provide sound occupational opportunities for the members of the community. In 2013, the ADE-CTE developed a process that enables school districts who are members of a CTED to offer programs that are vital to the local community, but do not appear on the approved CTE Program List. Based on local labor market data, a CTED can submit a "Proposed Occupational Program" request that outlines how the program will meet the required components of an approved CTE/CTED program. The ADE-CTE reviews and provides approval of all local occupational programs that meet these requirements. Note: A listing of the approved CTE Program List for 2017-2018 is provided in section 7) of this report.

For further information please see:

- \* Proposed Local Occupational Program Request Form
- \* Proposed Local Occupational Program Request Instructions
- \* 2017-2018 Local Occupational Program List

**Section Six:**



**Section five of the report addresses the following required element pursuant to ARS §15-393.01(C):**

**9) For applicable school districts, the required maintenance of effort and how monies were used to supplement and not supplant base year career and technical education courses, including expenditures related to personnel, equipment and facilities.**

A new section to the CTED Annual Report was introduced this year which includes data illustrating that applicable districts show maintenance of effort with regards to their CTED funding. Districts must also show that funds were used to supplement rather than supplant the amount of used during the "base year" for career and technical education courses. The report specifically requires the inclusion of common expenditure types for career and technical education courses, which covers staffing, equipment and facilities.

The applicable districts must include a copy of the "Work Sheet for Determining the Appearance of Supplanting with JTED Monies" form when submitting their Annual Financial Report (AFR) to the ADE each year. The AFR is submitted to the ADE School Finance for their review. A request was made to the ADE School Finance to provide a summary document of the data provided by applicable districts for FY2017-2018. The enclosed spreadsheet is a summary of all the data provided to the ADE, arranged by CTED.

For further information please see:

- \* 2017-2018 Supplement Not Supplant Data Spreadsheet





STATE OF ARIZONA

## Joint Legislative Budget Committee

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**DATE:** June 11, 2019

**TO:** Members of the Joint Legislative Budget Committee

**FROM:** Josh Hope, Fiscal Analyst *JH*

**SUBJECT:** Department of Environmental Quality - Review of Amendment to the Vehicle Emissions Inspection Contract

### Request

Pursuant to A.R.S. § 49-545G, the Department of Environmental Quality (DEQ) requests Committee review of an amendment to the Vehicle Emissions Inspection (VEI) contract with Gordon-Darby Testing, Inc (GDAT). The amendment would extend the contract's expiration date by 1 year from June 30, 2020 to June 30, 2021.

### 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 proposed amendment would extend the Vehicle Emissions Inspection contract by 1 year to June 30, 2021.
- 2) The original contract went into effect July 1, 2013.
- 3) All the other terms and conditions of the contract would remain unchanged.
- 4) DEQ reports the extension is related to Laws, 2019, Chapter 141, which permits DEQ to establish a remote emissions testing pilot program.

(Continued)

## Analysis

A.R.S. § 49-545G states that any proposed modification or amendment to the contract is subject to prior review by the Committee. Pursuant to federal law, DEQ has operated a VEI program in the Phoenix Metropolitan Area (Area A) and Tucson Metropolitan Area (Area B) through a contract with a private vendor. GDAT has operated Arizona's VEI program since 1991. The current contract has been in effect since July 1, 2013.

DEQ now proposes an amendment to the contract to extend its expiration date by 1 year from June 30, 2020 to June 30, 2021. All the other terms and conditions of the contract would remain unchanged.

The 1-year extension is related to Laws 2019, Chapter 141. Chapter 141 allows remote vehicle emissions inspections in Area A and Area B and requires DEQ to establish a remote pilot program for 3 consecutive years before it may implement a full-scale remote VEI program. Under previous law, emissions inspections may be conducted only at permitted official emissions inspection stations or fleet emissions inspection stations. DEQ is planning to further research remote vehicle emissions inspections, which can be implemented in a variety of ways, in FY 2020. The current contract with GDAT does not authorize the use of remote inspections. DEQ is planning to submit a request for proposals (RFP) for new emissions inspection contracts for onsite and remote inspections in about a year. In the past, DEQ has submitted an RFP about 1 year before a new contract would go into effect. The proposed contract extension to the end of FY 2021 gives DEQ a year to research the remote pilot program before initiating the RFP process.

JH:kp



Douglas A. Ducey  
Governor

# ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY



Misael Cabrera  
Director

May 31, 2019



The Honorable Regina E. Cobb, Chair  
Joint Legislative Budget Committee  
1716 West Adams Street  
Phoenix, Arizona 85007

Re: Review of Vehicle Emissions Contract Amendment

Dear Representative Cobb:

A.R.S. §49-545(G) requires the Arizona Department of Environmental Quality (ADEQ) to seek review of any proposed modification or amendment to the Vehicle Emissions Inspection (VEI) contract to the Joint Legislative Budget Committee (JLBC).

We seek review of the following amendment, which ADEQ and Gordon Darby Testing, Inc. (GDAT) would like to execute.

- Amendment 6 is an extension to the current contract amending the previous expiration date of June 30, 2020 to June 30, 2021.

The enclosed modifications display the changes to the contract. We are willing to offer any additional information as necessary.

Sincerely,

Misael Cabrera, P.E.  
Director



## CONTRACT AMENDMENT



CONTRACT NO.:  
AMENDMENT NO.:  
TITLE:  
CONTRACTOR:

ADEQ14-052318  
6  
ARIZONA VEHICLE INSPECTION PROGRAM  
GORDON DARBY ARIZONA TESTING, INC.

ADEQ PROCUREMENT  
1110 W. Washington Street  
Phoenix, AZ 85007  
602-771-4730

### THE PURPOSE OF THIS AMENDMENT IS TO:

1. ADEQ desires to extend the contract between the Arizona Department of Environmental Quality ("ADEQ") and Gordon Darby Arizona Testing, Inc. ("GDAT"), for the Vehicle Emissions Inspections Program contract (the "Contract") set to expire on June 30, 2020.
2. Contract is hereby extended to June 30, 2021.
3. All other Terms and Conditions remain unchanged.

GORDON DARBY ARIZONA TESTING, INC.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

The Contractor hereby acknowledges receipt and understanding of the above Amendment.

The above referenced contract Amendment is hereby executed this day at Phoenix, Arizona.

Signature of Authorized Individual

Date

Day of \_\_\_\_\_ 2019

Typed or Printed Name and Title

Louis Anaya  
Senior Procurement Specialist

Available online at <https://appstate.az.gov/>

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STATE OF ARIZONA

## Joint Legislative Budget Committee

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BEN TOMA

DATE: June 13, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Jordan Johnston, Fiscal Analyst JJ

SUBJECT: Department of Public Safety - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount

### Request

Pursuant to Laws 2019, Chapter 268 (the FY 2020 Criminal Justice Budget Reconciliation Bill) and A.R.S. § 41-1724G, the Arizona Department of Public Safety (DPS) is required to submit for Committee review the entire FY 2020 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expending any monies. The Subaccount is funded primarily from a \$4.00 surcharge on criminal violations.

DPS has submitted for review its proposal to distribute \$1,345,800 of the \$2,395,800 FY 2020 appropriation from the Subaccount to continue to fund 3 existing programs: Detention Liaison Officer Program (\$456,800), Border County Officers (\$539,000), and Border Crimes Unit (\$350,000). DPS plans to submit to the Committee an allocation plan for the Border Security and Law Enforcement Grants (\$1,050,000) for review at a later date this year.

### 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. DPS shall report to the Committee prior to implementing any changes to the proposed FY 2020 allocation of the grants (*see Table 1*). The Chairman shall decide whether the revisions require Committee review.

(Continued)



#### Key Points

- 1) DPS is requesting review of \$1.3 million of its \$2.4 million GIITEM Subaccount appropriation.
- 2) DPS proposes continuing to fund 3 existing programs:
  - Detention Liaison Officers Program (\$456,800), 4 jurisdictions
  - Border County Officers Program (\$539,000), 5 jurisdictions
  - Pima County Border Crimes Unit (\$350,000)
- 3) DPS will submit to the Committee for review at a later date an allocation plan for the Border Security and Law Enforcement Grants (\$1.05 million).
- 4) DPS indicates the participation of the agencies is subject to change based on the jurisdictions' willingness to meet the requirements of the program.

#### Analysis

Pursuant to A.R.S. § 12-116.04, the GIITEM Border Security and Law Enforcement Subaccount receives revenues from a \$4.00 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.

The subaccount monies are distributed by DPS to county sheriffs and other local law enforcement agencies to fund border security programs, personnel, and equipment. The proposed DPS expenditure plan would allocate the entire FY 2020 GIITEM Border Security and Law Enforcement Subaccount appropriation to 4 existing programs. They are currently requesting review of the following 3:

Detention Liaison Officers Program - \$456,800 to fund detention and correctional officers that serve within jails and state prisons to gather intelligence from inmates about illegal activities along the border. This is \$(43,200) less than the amount that the Committee reviewed in FY 2019. The FY 2020 plan proposes to fund detention officers in Cochise and Pima Counties, correctional officers/investigators in the Department of Corrections, and a youth correctional officer in the Department of Juvenile Corrections (DJC).

DPS made several changes to their proposed \$500,000 FY 2019 allocation, which was reviewed by JLBC in June 2018. Pinal and Santa Cruz Counties did not participate as planned. DPS states that the 2 counties were unable to commit personnel and funding. Local agency recipients of the funding pay 25% of the payroll costs of the positions. In addition, DJC was not a part of DPS' original proposal, but they subsequently received \$49,400. Given these types of changes, the Committee may consider a provision which would require DPS to report to the Committee prior to implementing any changes to the proposed FY 2020 allocation of the grants.

Border County Officers Program - \$539,000 to hire county sheriff deputies and municipal police officers that work as part of the GIITEM Task Force's Border District investigating border-related crimes such as drug trafficking and human smuggling. The FY 2020 plan proposes to fund officers and deputies in the Oro Valley Police Department, Yuma County Sheriff's Office, and Cochise County Sheriff's Office. The department has expressed that Coolidge and Eloy Police Departments plan on joining the program and will receive funding in FY 2020. Recipients of the funding pay 25% of the payroll costs of the positions.

In June 2018, the Committee reviewed the DPS FY 2019 plan to expend \$495,800 on this program. DPS, however, has only expended \$314,200 through early June. The police departments for the cities of Casa Grande and San Luis received considerably less than the original FY 2019 plan as they were unable to commit the requisite personnel and/or matching funding. As a result, in the upcoming year these 2 cities are not part of the DPS FY 2020 plan.

(Continued)

The Detention Liaison Officer program reporting provision would also apply to this program (as well as the Border Crimes Unit).

Pima County Border Crimes Unit - \$350,000 to fund a portion of the costs of 10 Pima County Sheriff's deputies that focus exclusively on border-related crimes. This allocation is the same as the amount reviewed by the Committee in FY 2019. Pima County did receive all \$350,000 in FY 2019.

Table 1 below provides the full FY 2019 expenditure plan reviewed by the Committee and the proposed FY 2020 plan. The department has stated that the participation of the agencies is subject to change based on the jurisdictions' willingness to meet the requirements of the program.

<b>Table 1</b>			
<b>DPS Expenditure Plan – GIITEM Subaccount</b>			
	<b>FY 2019 Reviewed Allocation</b>	<b>FY 2019 Current Allocation <sup>1/</sup></b>	<b>FY 2020 Proposed Allocation <sup>2/</sup></b>
<b><u>Detention Liaison Officers Program</u></b>			
Cochise County Sheriff's Office	\$ 40,500	\$ 38,100	\$ 50,800
Pima County Sheriff's Office	94,300	96,400	101,500
Pinal County Sheriff's Office	51,500	-	-
Santa Cruz County Sheriff's Office	56,300	-	-
Department of Corrections	257,400	212,000	253,700
Department of Juvenile Corrections	-	49,400	50,800
<b>Subtotal</b>	<b>\$500,000</b>	<b>\$395,900</b>	<b>\$456,800</b>
<b><u>Border County Officers Program</u></b>			
Casa Grande Police Department	\$ 67,500	\$ 56,300	\$ -
Cochise County Sheriff's Office	210,800	174,600	231,000
Coolidge Police Department	-	-	77,000
Eloy Police Department	-	-	77,000
Oro Valley Police Department	80,400	59,100	77,000
San Luis Police Department	69,600	2,100	-
Yuma County Sheriff's Office	67,500	22,100	77,000
<b>Subtotal</b>	<b>\$495,800</b>	<b>\$314,200</b>	<b>\$539,000</b>
<b><u>Pima County Border Crimes Unit</u></b>	<b>\$350,000</b>	<b>\$350,000</b>	<b>\$350,000</b>
<b><u>Border Security and Law Enforcement Grants</u></b>			
Cochise County Sheriff's Office	\$ 230,000	\$ 230,000	-
Graham County Sheriff's Office	100,000	100,000	-
Greenlee County Sheriff's Office	100,000	100,000	-
La Paz County Sheriff's Office	100,000	100,000	-
Navajo County Sheriff's Office	60,000	60,000	-
Santa Cruz County Sheriff's Office	230,000	230,000	-
Yuma County Sheriff's Office	230,000	230,000	-
Unallocated <sup>3/</sup>	-	-	\$1,050,000
<b>Subtotal</b>	<b>\$1,050,000</b>	<b>\$1,050,000</b>	<b>\$1,050,000</b>
<b>Total</b>	<b>\$2,395,800</b>	<b>\$2,110,100</b>	<b>\$2,395,800</b>
<sup>1/</sup> Represents allocation from the subaccount through June 6, 2019. Figures are expected to increase by the end of FY 2019.			
<sup>2/</sup> Represents estimated new proposed allocation from the subaccount.			
<sup>3/</sup> DPS will submit an expenditure plan to the Committee for the Border Security and Law Enforcement Grants FY 2020 allocation at a later date.			

(Continued)

Border Security and Law Enforcement Grants – The department plans to work with the Arizona Sheriff's Association (ASA) to determine how the Border Security and Law Enforcement Grants will be distributed. DPS has allocated \$1,050,000 for this program. This total allocation amount is unchanged from FY 2019. DPS will submit an expenditure plan for this allocation to the Committee for review at a later date.

JJ:kp



## ARIZONA DEPARTMENT OF PUBLIC SAFETY

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

### *"Courteous Vigilance"*

DOUGLAS A. DUCEY FRANK L. MILSTEAD  
Governor Director

May 31, 2019

Representative Regina Cobb, Chairman  
Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, AZ 85007



Dear Representative Cobb:

Pursuant to the FY 2020 Criminal Justice Budget Reconciliation Bill, Section 10, the Department of Public Safety is submitting its FY 2020 expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount (Subaccount) to the Joint Legislative Budget Committee for review.

The FY 2020 General Appropriations Act appropriates \$2,395,800 from the Subaccount to DPS. Pursuant to A.R.S. § 41-1724, "...monies in the subaccount shall be used for law enforcement purposes related to border security, including border personnel". The monies may also be used for "...safety equipment that is worn or used by a peace officer who is employed by a county sheriff."

DPS intends to continue funding the four existing programs that have previously been given a favorable review by the JLBC. The Department's overall FY 2020 expenditure plan is as follows:

Detention Liaison Officer Program	\$456,800
Border County Officers	539,000
Border Crimes Unit	350,000
Border Security and Law Enforcement Grants	1,050,000
<b>TOTAL</b>	<b>\$2,395,800</b>

The above expenditure plan is substantially similar to the FY 2019 plan.

#### Detention Liaison Officer Program

The Detention Liaison Officer (DLO) Program provides funding for detention and correctional officers in southern Arizona jails and prisons. The concept of the program is to utilize these specially trained officers to glean as much intelligence as possible from detainees and inmates about activities related to border crimes. Information gathered by these officers is fed into DPS-managed databases (e.g., GangNet) and shared among law enforcement agencies throughout the State.

The program currently funds detention officers in Cochise and Pima (2) Counties, 5 correctional officers/investigators in southern Arizona prisons operated by the Department of Corrections, and one youth correctional officer at the Department of Juvenile Corrections. Santa Cruz and Pinal Counties, who have participated in the past, have expressed an interest in re-joining the program but are unable to commit personnel and funding at this time. If one or both of these counties are able to join, DPS is interesting in having them do so, pending the availability of funds.

Representative Cobb  
May 31, 2019

At any given time, the agencies participating in the DLO Program may shift based on jurisdictions' ability and willingness to participate and on program budget constraints. The Department wishes to retain the ability to move modest amounts of money between the DLO and Border County Officer Program, as circumstances dictate. DPS has allocated \$456,800 for the DLO Program in FY 2020. Local agencies pay 25% of the payroll costs of their positions. The DLO Program was first reviewed by the JLBC in August 2007.

#### **Border County Officers**

The Border County Officers Program provides funding for county sheriff deputies and municipal police officers who work as part of the GIITEM Task Force's Southern District. The district investigates border crimes and disrupts criminal organizations involved in drug trafficking, human smuggling, and other border-related crimes.

The program currently funds officer and deputy positions with the Oro Valley and Yuma Police Departments and with the Cochise County Sheriff's Office (3). We anticipate officers from the Coolidge and Eloy Police Departments joining the program soon. As referenced in the DLO Program discussion, DPS wishes to retain the ability to move modest amounts of money between the DLO and Border County Officer Programs, as circumstances dictate.

At any given time, the agencies participating in the program may shift based on jurisdictions' ability and willingness to participate and on program budget constraints. DPS has allocated \$539,000 for the program in FY 2020. Local agencies pay 25% of the payroll costs of their positions. The Border County Officers Program was first reviewed by JLBC in August 2007.

#### **Border Crimes Unit**

Subaccount monies fund a portion of the costs of 10 deputies from the Pima County Sheriff's Department who operate as part of the Border Crimes Unit. The BCU works in cooperation with GIITEM and conducts interdiction efforts in remote areas of Pima County.

DPS has allocated \$350,000 for the project in FY 2020. Pima County pays for all costs above the \$350,000 level. The Pima County portion exceeds 25% of the payroll costs for the 10 positions. The BCU was first reviewed by JLBC in August 2007.

#### **Border Security and Law Enforcement Grants**

In recent years, DPS has conferred with the Arizona Sheriffs' Association (ASA) on the distribution of the Border Security and Law Enforcement Grants. We have contacted the ASA about the FY 2020 distribution plan but have not reached a resolution. For historical perspective, the following table shows the FY 2018 and FY 2019 allocations of these monies:

Representative Cobb  
May 31, 2019

County Sheriff	FY18 Allocations	FY19 Allocations	FY20 Plan
Apache	\$0	\$0	TBD
Cochise	\$350,000	\$230,000	TBD
Coconino	0	0	TBD
Gila	0	0	TBD
Graham	0	\$100,000	TBD
Greenlee	0	\$100,000	TBD
La Paz	0	\$100,000	TBD
Maricopa	0	0	TBD
Mohave	0	0	TBD
Navajo	0	\$60,000	TBD
Pima <sup>1/</sup>	0	0	TBD
Pinal <sup>2/</sup>	0	0	TBD
Santa Cruz	\$350,000	\$230,000	TBD
Yavapai	0	0	TBD
Yuma	\$350,000	\$230,000	TBD
<b>TOTAL</b>	<b>\$1,050,000</b>	<b>\$1,050,000</b>	<b>\$1,050,000</b>

<sup>1/</sup> Per the submitted distribution plan, DPS intends to reimburse the Pima County Sheriff's Department an additional \$350,000 for eligible Border Crimes Unit costs. In addition, the Criminal Justice Budget Reconciliation Bill has allocated \$400,000 from the GIITEM Fund to PCSD in FY 2018 through FY 2020.

<sup>2/</sup> The Pinal County Sheriff's Office has been allocated an additional \$500,000 in FY 2017 through FY 2020 from the GIITEM Fund pursuant to A.R.S. § 41-1724.

DPS will present a grant allocation plan to the JLBC for review at a future meeting. We anticipate the plan will be finalized over the summer. The "delay" in reviewing the grant allocations should have no effect on the receiving counties operations, as the allocations are typically made in October (50%) and April (50%) due to cash flow limitations of the GIITEM Subaccount.

Grant recipient agencies may use the funding for any purpose consistent with statute. As required by statute, in order to receive the funding, recipient agencies must certify each fiscal year to the DPS Director that the agency is complying with A.R.S. §11-1051 to the fullest extent of the law. If one or more sheriffs' offices do not accept the funding, DPS intends to prorate unobligated amounts over those agencies that do accept the grants.

If you have any questions, please contact Phil Case, DPS Budget Director, at 602-223-2463 or [pcase@azdps.gov](mailto:pcase@azdps.gov).

Sincerely,



Frank L. Milstead, Colonel  
Director

C: Senator David Gowan, Vice-Chairman  
Matthew Gress, OSPB Director  
Richard Stavneak, JLBC Director





STATE OF ARIZONA

## Joint Legislative Budget Committee

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SENATE

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RICK GRAY  
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1716 WEST ADAMS  
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(602) 926-5491

azleg.gov

HOUSE OF  
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BRET M. ROBERTS  
BEN TOMA

DATE: June 11, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Henry Furtick, Fiscal Analyst *HF*

SUBJECT: Arizona Department of Tourism - Certification of Expenditures related to ISM Raceway Renovations

### Request

Pursuant to A.R.S. § 41-2308, ISM Raceway, acting on behalf of the Arizona Department of Tourism (AOT), requests Committee certification of expenditures related to the ISM Raceway Renovation Project in Avondale. ISM Raceway was formerly named Phoenix International Raceway.

### Committee Options

The Committee has at least the following 2 options:

1. Certify the expenditure of at least \$100.0 million.
2. Do not certify the expenditures.

#### Key Points

- 1) If \$100.0 million is expended on raceway repairs, statute annually appropriates \$1.5 million to the Arizona Office of Tourism (AOT) for 30 years.
- 2) In 2016, International Speedway Corporation (ISC) announced plans to renovate ISM Raceway. Renovations to the ISM Raceway began in February 2017 and were completed in October 2018.
- 3) ISC has reported that renovations have been completed at a cost of \$178.0 million, which exceeds the \$100.0 million statutory threshold.
- 4) Once JLBC certifies the expenditure of \$100.0 million, the AOT appropriation begins in FY 2022.
- 5) AOT is to spend these funds promoting a sporting event at the host facility.

(Continued)



## **Analysis**

A.R.S. § 41-2308 provides funding for the Arizona State Treasurer (Treasurer) to distribute to AOT if an eligible auto racing sporting event spends at least \$100.0 million on land acquisitions, construction, improvements, or renovations of their facilities. Once these investments are made, A.R.S. § 41-2308 requires the eligible auto racing sporting event to receive JLBC certification of the expenditures. After certification is received, the Treasurer is then appropriated \$1.5 million in General Fund monies annually for distribution to AOT from FY 2022 through FY 2051. The funds are to be used to promote a sporting event at the host facility.

### Background

Located in Avondale, ISM Raceway is a 1-mile race track which opened in 1964. The track hosts 2 annual National Association for Stock Car Auto Racing (NASCAR) events in addition to various other auto-racing competitions. In March of 2019, NASCAR announced that ISM Raceway will be the host facility for the 2020 NASCAR Championship Final.

### Expenditures

As part of its submission, ISC provided a copy of its 2018 Annual "10-K" Report. The annual report is a federally-required document which ISC is required to submit to the U.S. Securities and Exchange Commission. The report stated that renovations to the ISM Raceway totaled \$178.0 million but did not delineate expenditures for the individual project cost. Apart from the 10-K report, ISC provided a list of the individual projects. A selective list of the projects is shown below.

### Track Upgrades

- Relocating the finish line to a new area of the track
- A new 460 x 210-foot O'Reilly Auto Parts logo across the track
- A new giant, light-up saguaro cactus that flashes white, green, yellow, and red (in place of a traditional traffic light)
- Reconfiguration of pit areas

### Infield Upgrades

- 5 new "garage offices"
- Additional standing room
- 3 new VIP suites
- A new beer garden
- A mobile 'Chill Zone' with portable coolers
- A new full margarita tequila bar

### Seating Upgrades

- 45,000 new grandstand seats with armrests and cupholders
- A new pedestrian tunnel running from fan seats to the infield
- 51 new suites that can fit up to 48 guests each
- 4 new escalators and 9 new elevators

### Technology Upgrades

- Free wi-fi connectivity in all common areas, midway, infield, and seating areas
- New Public Address (PA) system

(Continued)

Other upgrades

- Construction of a new 24,000-square-foot media center
- New souvenir areas
- A new First Aid and Emergency Medical Services (EMS) location
- A new fire support station and a new tire support station
- A new guest services area
- A new ticketing building
- A new corporate hospitality building
- Multiple new restrooms including Americans with Disabilities compliant restrooms

HF:kp

April 1, 2019

Joint Legislative Budget Committee  
Attn: Richard Stavneak  
1716 W. Adams  
Phoenix, AZ 85007

Governor's Office of Strategic Planning & Budgeting  
Attn: Matthew Gress  
1700 W. Washington  
6<sup>th</sup> Floor  
Phoenix, AZ 85007



Re: ISM Raceway's compliance with AZ Rev Stat § 41-2308 (2017).

Dear Mr. Stavneak and Mr. Gress:

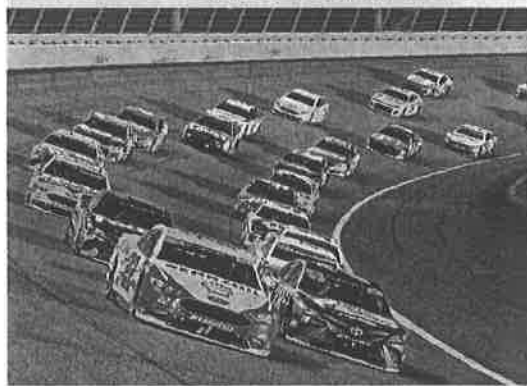
We are contacting you pursuant to the above mentioned statute. As you may be aware, ISM Raceway has recently completed the Renovation Project at ISM Raceway. In accordance with AZ Rev Stat § 41-2308, ISM Raceway hereby reports to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting that it has incurred special sporting event project costs in excess of one hundred million dollars, in connection to the Renovation Project.

Should you have any questions or require any additional information, please contact me directly at 623.463.5628 or [jgiese@ismraceway.com](mailto:jgiese@ismraceway.com). Thank you for your consideration.

Best Regards,

Julie Giese  
President, ISM Raceway

ISM RACEWAY



2 0 1 8   A N N U A L   R E P O R T

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

(Mark One)

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the fiscal year ended November 30, 2018

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-02384



**INTERNATIONAL SPEEDWAY CORPORATION**

(Exact name of registrant as specified in its charter)

**FLORIDA**

(State or other jurisdiction of incorporation)

**59-0709342**

(I.R.S. Employer Identification No.)

**ONE DAYTONA BOULEVARD,  
DAYTONA BEACH, FLORIDA**

(Address of principal executive offices)

**32114**

(Zip code)

**Registrant's telephone number, including area code: (386) 254-2700**

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Name of each exchange on which registered
Class A Common Stock — \$.01 par value	NASDAQ/National Market System

**Securities registered pursuant to Section 12 (g) of the Act:**

**Common Stock — \$.10 par value**  
**Class B Common Stock — \$.01 par value**  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
YES ☒ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
YES ☐ NO ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

development experience and expert property management systems. Prime Group is proceeding with the development in ONE DAYTONA for approximately 282 luxury apartment rental units that will add critical mass to the overall ONE DAYTONA campus. Similar to the hotel partnership, our portion of equity will be limited to our land contribution and we will share proportionately in the profits from the joint venture. Construction of the residential component will commence in 2019.

In April 2017, our Board approved an additional approximate \$12.0 million of capital expenditures to further develop Volusia Point, which was previously purchased in 2011. Volusia Point is our retail property adjacent to ONE DAYTONA and has been re-branded as the Shoppes at ONE DAYTONA ("the Shoppes"). Several new tenants have executed lease agreements in the Shoppes as a result of the revitalization. We expect the improvements to the Shoppes will generate an incremental EBITDA of approximately \$1.0 million to the ONE DAYTONA pro-forma through increased square footage and securing tenants for currently vacant spaces (see "GAAP to Non-GAAP Reconciliation - Adjusted EBITDA" for discussion on Non-GAAP financial forward looking measures).

Several new-to-market tenants have already commenced operations at ONE DAYTONA with additional tenants having commenced operations throughout fiscal 2018. Bass Pro Shops®, America's most popular outdoor store, and Cobb Theatres, the highly respected Southeastern-based exhibitor, are anchor tenants of ONE DAYTONA.

At stabilization in fiscal 2020, we expect this first phase of ONE DAYTONA and the Shoppes to deliver a combined incremental annual revenue and EBITDA of approximately \$13.0 million and approximately \$10.0 million, respectively, and deliver an unlevered return above our weighted average cost of capital (see "GAAP to Non-GAAP Reconciliation - Adjusted EBITDA" for discussion on Non-GAAP financial forward looking measures).

A Community Development District ("CDD") has been established for the purpose of installing and maintaining public infrastructure at ONE DAYTONA. The CDD is a local, special purpose government framework authorized by Chapter 190 of the Florida Statutes for managing and financing infrastructure to support community development. The CDD has negotiated agreements with the City of Daytona Beach and Volusia County for a total of up to \$40.0 million in incentives to finance a portion of the infrastructure required for the ONE DAYTONA project. The CDD purchased certain infrastructure assets, and specific easement rights, from ONE DAYTONA and in October 2018, ONE DAYTONA received approximately \$20.0 million of the total incentive amount in cash, with \$10.5 million to be received in annual payments derived from a long-term note receivable issued by the CDD. The first payment of the note receivable is expected in fiscal 2019 with maturity no later than fiscal 2046. The remainder of the incentives can be received based on certain criteria met by the project through fiscal 2046.

Total capital expenditures for ONE DAYTONA and the Shoppes, excluding capitalized interest and net of anticipated public incentives, are expected to be approximately \$111.0 million. From inception, through November 30, 2018, capital expenditures totaled approximately \$80.8 million, exclusive of capitalized interest and labor, net of the aforementioned public incentives. We anticipate additional spending on ONE DAYTONA and the Shoppes of approximately \$26.0 million in fiscal 2019. At this time, there is no project specific financing in place for ONE DAYTONA. Ultimately, we may secure financing for the project upon stabilization. However, accounting rules dictate that we capitalize a portion of the interest on existing outstanding debt during the construction period. Through November 30, 2018, we recorded approximately \$3.8 million of capitalized interest related to ONE DAYTONA, since inception.

Any future phases will be subject to prudent business considerations, for which we will provide discrete cost and return disclosures.

### **The ISM Raceway Project Powered by DC Solar**

On November 30, 2016, we announced our Board of Directors had approved a multi-year redevelopment project ("The ISM Raceway Project") to elevate the fan and spectator experience at ISM Raceway, ISC's 54-year-old motorsports venue. The redevelopment project focused on new and upgraded seating areas, vertical transportation options, new concourses, enhanced hospitality offerings and an intimate infield experience with greater accessibility to pre-race activities. In 2017, we announced a multi-year partnership with DC Solar that included naming the project "The ISM Raceway Project Powered by DC Solar" during the redevelopment phase, and in September 2017, we announced a long-term partnership with ISM Connect, a pioneer in smart venue technology, which included naming rights to Phoenix Raceway. Beginning in 2018, the venue is now known as ISM Raceway.

The ISM Raceway Project Powered by DC Solar is included in our aforementioned \$500.0 million capital allocation plan covering fiscal years 2017 through 2021. The ISM Raceway Project cost approximately \$178.0 million, including maintenance capital, before capitalized interest. Okland Construction ("Okland") was selected as general contractor of the project. Effective November 30, 2016, ISM Raceway entered into a Design-Build Agreement with Okland. The Design-Build Agreement obligated ISM Raceway to pay Okland approximately \$136.0 million for the completion of the work described in the Design-

Build Agreement. This amount is a guaranteed maximum price to be paid for the work, which may not change absent a requested change in the scope of work by ISM Raceway.

Construction commenced in early fiscal 2017 and was completed in November 2018. Based on the plans for the project, we have identified existing assets that were impacted by the redevelopment and required accelerated depreciation, or losses on asset retirements, totaling approximately \$8.0 million in non-cash charges through November 30, 2018.

From inception, through November 30, 2018, we have incurred capital expenditures related to The ISM Raceway Project, exclusive of capitalized interest and labor, of approximately \$160.9 million. Despite us not anticipating the need for additional long-term debt to fund this project, accounting rules dictate that we capitalize a portion of the interest on existing outstanding debt during the construction period. Through November 30, 2018, we recorded approximately \$5.1 million of capitalized interest related to The ISM Raceway Project.

At stabilization in fiscal 2019, the redevelopment is expected to provide a full fiscal year incremental lift in ISM Raceway's EBITDA of approximately \$8.5 million to \$9.0 million (see "GAAP to Non-GAAP Reconciliation" for discussion on Non-GAAP financial forward looking measures). We began recognizing revenue and expense associated with the project, as a result of assets placed in service and/or benefits provided to partners, beginning late fiscal 2017.

### **Richmond Raceway**

In June 2017, the Board of Directors approved a capital project for the redevelopment of the infield of Richmond Raceway ("Richmond Reimagined"). The new infield offers a variety of enhanced amenities for fans, teams, sponsors and other stakeholders to the iconic Richmond infield. Fan access is the focus of Richmond Reimagined, which showcases new Monster Energy NASCAR Cup Series garages with a fan-viewing walkway. The new infield continues the track's mission of being the most fan-friendly track on NASCAR's schedule.

Richmond Reimagined is included in our aforementioned \$500.0 million capital allocation plan covering fiscal years 2017 through 2021. Groundbreaking occurred immediately following the Monster Energy NASCAR Cup Series event in September 2017. The approximate \$30.0 million project was completed in September 2018.

### **Talladega Infield Project**

In June 2018, the Board of Directors approved a capital project for the redevelopment of the infield of Talladega Superspeedway (known as "Transformation - the Talladega Superspeedway Infield Project"). The infield redevelopment project will offer new attractions and enhanced amenities for fans, sponsors, teams and stakeholders in the famous, historic Talladega infield. The infield redevelopment project will include new interactive Garage Fan Zone Experience, a paddock club to enhance the experience for fans and corporate guests, new Gatorade Victory Lane with up-close fan view, expanded premium RV camping and amenities with new spots near the Alabama Gang Superstretch and frontstretch by the start-finish line, and a new turn 3 vehicle tunnel providing unobstructed ingress/egress access to the infield for haulers and RV's.

The infield redevelopment project is included in our aforementioned \$500.0 million capital allocation plan covering fiscal years 2017 through 2021. The project is expected to cost approximately \$50.0 million, which includes maintenance capital, before capitalized interest. Construction commenced in the fall of 2018 and will be complete in fall of 2019.

### **Racing Electronics**

In November 2018, we announced our Board of Directors approved an investment for ISC to acquire the assets of Racing Electronics, including trademarks and certain other intellectual property, from Racing Electronics, and certain other assets required to provide the business services of Racing Electronics. Racing Electronics is known worldwide as a leader in motorsports communications technology and equipment for motorsports drivers, teams, series, venues, and fans, as well as the exclusive provider of FanVision technology to NASCAR and NHRA. Racing Electronics is also the Official Two-Way Radio and Race Communications Provider of 14 major sanctioning bodies including ARCA, IndyCar, NHRA, World Racing Group and USAC.

The agreement with Racing Electronics was effective January 2019, at which time we commenced operations. The approximate \$8.5 million total asset investment will be reflected in our fiscal 2019 net cash used for investing activities. We expect the operations of Racing Electronics to be immediately incremental to our earnings and will be included in our 2019 earnings guidance.

### **Speedway Developments**

In light of NASCAR's publicly announced position regarding additional potential realignment of the Monster Energy NASCAR Cup Series schedule, we believe there are still potential development opportunities for public/private partnerships in new, underserved markets across the country that would create value for our shareholders. However, we are not currently pursuing any new speedway development opportunities.







STATE OF ARIZONA

## Joint Legislative Budget Committee

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DATE: June 13, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Ben Murphy, Fiscal Analyst **Bm**

SUBJECT: Arizona Department of Transportation - Review of Motor Vehicle Modernization (MvM) Project Annual Progress Report

### Request

Pursuant to an FY 2019 General Appropriation Act footnote, the Arizona Department of Transportation (ADOT) requests Committee review of its annual progress report on the Motor Vehicle Modernization (MvM) Project. Subsequent to this February report, however, ADOT changed its revenue sharing agreement with its vendor. In response to a JLBC Staff request, ADOT submitted an update to its report.

Pursuant to a provision from the Committee's September 2018 favorable review of last year's annual progress report, ADOT also submitted a report on its progress in remediating risks associated with the MvM Project's interface/integration implementation and its proposal for how to spend the ADOT-dedicated portion of the ServiceArizona vendor's fee retention upon completion of the MvM Project in FY 2020.

### Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the report.
2. An unfavorable review of the report.

(Continued)

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

- A. On or before July 31, 2019, ADOT shall submit to the Joint Legislative Budget Committee a report detailing revenue estimates for FY 2019, FY 2020, and FY 2021 for the ServiceArizona vendor's fee retention. This report shall categorize the revenue as ServiceArizona retention, AZ MVD Now retention or any other retention and detail the revenue according to where it is deposited, including the ADOT Technology Reserve Fund, ADOT Portal Enhancement Fund, or any other ServiceArizona vendor accounts.

#### **Key Points**

- 1) ADOT's MvM Project is an 8-year, \$58 million MVD IT update.
- 2) The project is scheduled to be completed in FY 2020.
- 3) The annual third-party review assesses the project as having low-medium risk.
- 4) The project was funded through a ServiceArizona transaction fees agreement.
- 5) The existing agreement has been changed in terms of schedule and compensation structure.

#### **Analysis**

The MvM Project is a \$58 million custom software development project designed to enhance ADOT's Motor Vehicle Division (MVD) vehicle registration, driver licensing, finance, partner licensing and contracting, and other customer and business services.

The project is funded through an agreement with the vendor for ServiceArizona, the state's vehicle registration renewal website. Under A.R.S. § 28-5101G, compensation for the ServiceArizona vendor is determined by a written agreement between the vendor and ADOT. The current agreement states that the vendor retains the standard authorized third-party portion of each transaction but keeps 45% of such collections as compensation and deposits 55% in an outside bank account to be spent at the direction of ADOT. ADOT is currently directing these monies to the MvM Project.

The MvM monies are non-appropriated and the project is scheduled for completion in FY 2020. However, the statutory provision allowing the ServiceArizona vendor's compensation to be negotiated into a written agreement continues after the completion of the project. At its September 2018 meeting, the Committee favorably reviewed the FY 2018 report with a provision that required ADOT to report by February 1, 2019 on its proposal for how to spend the ADOT-dedicated portion of the vendor's fee retention beyond FY 2020, including any plans to modify the existing agreement or enter into a new agreement.

In its February 2019 report, ADOT responded that it planned to make minor changes to the current agreement and enter a post-implementation stage for its operational period per the original contract. This stage could last through FY 2024. The department indicated that the basic structure of the compensation agreement would remain the same. However, in March 2019, ADOT submitted to the vendor a project change request to the existing agreement. This alteration was not referenced in the February 2019 report. Based on a JLBC Staff request, ADOT provided a follow up report earlier this month to explain the differences between the February 2019 report and the March 2019 project change request. ADOT described the change request as "minor." To evaluate whether this modified agreement will have a fiscal impact on the department's IT project resources, the Committee may consider a provision requiring ADOT to provide revenue estimates for the new compensation agreement.

(Continued)

The project change request made the following changes to the existing agreement:

- Rather than enter into a post-implementation stage of the operational period through FY 2024 upon implementation of the project, the project change request modifies the agreement to enter an entirely new schedule where the agreement concludes December 31, 2021. The agreement may be mutually extended beyond the agreement end date but not beyond March 2022.
- AZ MVD Now is the MvM solution's new consumer-centric portal that will serve as the primary portal for vehicle registration transactions. ServiceArizona, on the other hand, is transaction-centric and customer-anonymous and will only have 5 services available (including vehicle registration).
- For the 18 months following MvM solution implementation, or roughly from September 2019 to March 2021, the ServiceArizona vendor will keep 30% of AZ MVD Now retention for its own use and will deposit the remaining 70% into the ADOT Technology Reserve Fund, an ADOT-dedicated ServiceArizona vendor account for ADOT IT projects.
- From the end of the 18-month period following implementation to December 2021, the ServiceArizona vendor will keep 15% of AZ MVD Now retention for its own use and deposit the remaining 85% into the ADOT Technology Reserve Fund.
- The vendor will continue to keep 45% of ServiceArizona retention and deposit 55% into the ADOT Technology Reserve Fund for the length of the modified agreement, consistent with the original agreement.
- The agreement eliminates the ADOT-dedicated ServiceArizona vendor account, the ADOT Portal Enhancement Fund, after the MvM solution is implemented in September 2019. This account receives 3% off the top of all the ServiceArizona vendor's retention and was used specifically for ServiceArizona enhancements. With the account eliminated, monies that otherwise would have gone to the account now flow to the ServiceArizona vendor portion of retention and the ADOT Technology Reserve Fund.

ADOT anticipates several different uses for monies in the ADOT Technology Reserve Fund, including:

- Stabilization and enhancements to the MvM solution, including completion of interface implementation.
- Maintenance of legacy mainframe processing and support capability.
- Ongoing operations, maintenance and support of MvM solution.
- Various other ADOT system projects outside the scope of MvM project, including motor carrier management and commercial permitting, aircraft registration, business suite applications and self-service device expansion.

A General Appropriation Act footnote requires ADOT to contract with an independent third-party consultant to annually evaluate and assess the MvM Project. Gartner Consulting (Gartner), the contracted consultant, presented its FY 2019 assessment in early December 2018. The assessment builds on the FY 2018 assessment, which was favorably reviewed at the September 2018 JLBC meeting.

Gartner's methodology identifies areas of risk and early signs of potential failure in IT enterprise projects during 4 stages: strategy, planning, execution, and product support. The report assesses the project as a well-planned and executed initiative, and evaluates it as having low-medium risk. Gartner found no high-risk areas, 6 medium-risk areas, and 27 low-risk areas.

(Continued)

Interface/Integration Implementation Risk Remediation

The FY 2018 assessment identified interagency interface/integration implementation as a high-risk area. The MvM project needs to establish an automated interface with 60 partners, including state agencies, local governments, and private entities who perform business on behalf of the state.

At its September 2018 meeting, the JLBC included in its favorable review of the FY 2018 assessment a provision requiring ADOT to report on its progress in addressing this issue. ADOT responded in the attached report that it had adopted an interface mitigation approach, including mapped out plans for the development and testing of interfaces, weekly meetings with state agencies to facilitate communication regarding interfaces, and an internal goal to have all interfaces developed and tested by the end of CY 2019. The FY 2019 assessment now identifies the project's integration/interface implementation as a medium-risk area.

BM:kp

June 3, 2019

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



Subject: Follow-up to February report on the Independent Assessment of Motor Vehicle Division Motor Vehicle Modernization Project

Dear Mr. Stavneak:

In light of changes to the eGov2U contract that occurred during the month of March, Joint Legislative Budget Committee staff has requested that the Department provide a follow-up to its report dated February 1, 2019, which was submitted pursuant to Laws 2018, Chapter 276.

The Department understands that, because there are several documents covering different parts of the eGov2U contract, there has been some confusion about the end date of the contract. We would like to take this opportunity to clarify that, per our most recent discussions with the Arizona Department of Administration (ADOA), the maximum end date for the contract is March 14, 2022, however, the current planned end date is December 31, 2021. The Department is currently in the early planning stages of what a successor contract to the eGov2U contract will look like. During calendar year 2020 or early in 2021, the Department plans to issue a request for proposals for vendors to bid on the successor to the current contract. This will give the Department and its new vendor ample time to transition and implement the new contract prior to the expiration of the current one.

In the report dated February 1, 2019, the Department noted that it was working with its vendor on minor changes to the agreement to continue into the post-implementation period. These changes are reflected in Project Change Request (PCR) 5, which was signed on March 29, 2019. The purpose of PCR 5 is to continue current services provided under the contract, as well as to describe future changes that will go into effect in conjunction with the go-live of MAX, which is the new MVD system that is being funded with revenue generated via the eGov contract.

Under the agreement, some services will continue to be available on Service Arizona, while others will transition to the AZ MVD Now portal, which also includes services that have never been available on Service Arizona. In the future, Service Arizona will be the Department's customer anonymous portal—meaning that there is no need for the customer to log in or create an account to transact on Service Arizona. The Service Arizona portal validates the customer only by requiring the customer to provide certain pieces of information that only they have. On AZ MVD Now, the customer must create an account, which gives the Department greater confidence in the customer's identity and allows transactions that require more trust, like electronic titles.

PCR 5 also provides the mechanism for IBM to update the business suite of portals for functions like dealer, motor carrier, and fuel tax services to interface with MAX rather than with the old mainframe system. These portal functionalities are out of scope for the Motor Vehicle Modernization (MvM) project, and will remain on Service Arizona.

In addition, PCR 5 will provide an opportunity to upgrade the kiosks in its offices to AZ MVD Now kiosks rather than Service Arizona.

Finally, because AZ MVD Now is operated by ADOT rather than by the vendor as in the case of Service Arizona, transactions processed on AZ MVD Now do not require the same use of vendor resources, so as noted in the Fee Retention & Compensation of PCR 5, the amount retained by the vendor for AZ MVD Now transactions will gradually step down over the course of the remainder of the current contract. As noted in our February letter, this will allow the Department to make investments in information technology infrastructure across its enterprise.

Even in the prior contract, the third party electronic service provider has always used a portion of the money that it retained from processing transactions on Service Arizona to make enhancements to MVD systems. The current contract reflects the Department and the vendor agreeing that the Department should have greater control to direct the vendor's investments in state systems.

There are various ADOT systems that are outside the scope of the current MvM project that are in need of modernization. These include systems for motor carrier management and commercial permitting, aircraft registration, as well as initiatives like in-office kiosks and self-service device expansion, development and delivery of new online services and expansion of MAX to include Service Arizona business suite applications used by commercial organizations to access MVD services.

If you have any questions, please do not hesitate to contact us.

Sincerely,



Eric Jorgensen  
Director, Motor Vehicle Division  
Arizona Department of Transportation

cc: Seth Walter, OSPB  
Keith Fallstrom, ADOT Budget Planning and Research

Enclosure

February 1, 2019

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



Subject: Independent Assessment of Motor Vehicle Division Motor Vehicle Modernization Project and Response to September JLBC Meeting Request

Dear Mr. Stavneak:

Laws 2018, Chapter 276 requires the Department of Transportation (ADOT) Motor Vehicle Division (MVD) to contract with an independent third-party consultant for the duration of the MVD Legacy System Replacement project. The project is now known as the Motor Vehicle Modernization (MvM) project. Chapter 276 requires an annual progress report evaluating and assessing the project's success in meeting and incorporating the tenets of the Project Investment Justification (PIJ), as well as assessing any potential project deficiencies and the incorporation of the Auditor General's April 2015 recommendations.

The Independent Assessment for 2018 (attached) identifies six focus areas where risk may exist for the project. These risks are similar to the risks identified in prior years, and the report identifies each of them as either proactively managed or manageable. The report also refers to the project as "one of the better managed projects that we've seen in either public or private sector," and goes on to note that the recommendations are cautionary so as to raise an awareness of risks that the team needs to continue to monitor.

The project's success in meeting PIJ goals and the incorporation of the Auditor General's April 2015 recommendations has not changed since our last report. This report is also attached.

In its September 2018 meeting, the Joint Legislative Budget Committee requested that ADOT report on its progress in remediating risks associated with the MvM project's interface/integration execution, as identified in the Independent Assessment report from the prior year. This continues to be a risk area for the project as identified in the most recent Independent Assessment report. The risk is identified as manageable, and the report notes that ADOT has adopted an interface mitigation approach and has mapped out plans to develop and test interfaces and has been holding weekly meetings to facilitate communications with interface partners.

In the early development phases of this project, ADOT made the commitment that interface partners would not be required to change their interfaces, though there would be significant opportunity for modernization of interfaces. As the MvM project has progressed, ADOT has kept this commitment, though long term it does come with significant costs—maintaining existing interface infrastructure will

require maintaining at least some mainframe processing and support capability. In addition, development of short term ‘throw away’ capabilities and operation of legacy / MvM data synchronization are required to support continued legacy interfaces.

The JLBC also asked ADOT to report on how it proposes to spend the ADOT-dedicated portion of the vendor’s fee retention upon completion of the MvM project in fiscal year 2020, including any plans to modify the existing vendor agreement or enter into a new agreement.

The original RFP included a post-implementation period to allow for stabilization, performance optimization, and completion of interface implementation, among other activities. As a result, the contract and funding source are expected and needed to continue beyond the end of the project. This period may continue through fiscal year 2024, per the original contract documents. ADOT plans to prepare Project Investment Justification documents as required for these activities.

In addition, ADOT anticipates various needs for the ADOT-dedicated portion of the vendor’s fee retention once the MvM project is complete.

First, while we are attempting to modernize as many interfaces as possible, we have always committed to not requiring other agencies and stakeholders to modernize their interfaces if they do not have the means. As a result and as noted above, we anticipate that we will need to maintain some mainframe processing and support capability, even once the MvM project is complete and the Max system is deployed using a modern, cloud-based architecture. This means that until those interfaces are modernized, ADOT will need to continue to operate some portions of the old system alongside the new one.

While the funds that ADOT has historically used for mainframe processing and support will be freed up once all interfaces are modernized and all legacy systems are retired, those funds will be used for ongoing operations, maintenance and support of the MvM solution. ADOT, like many state agencies, has for many years underinvested in technology including data management, solutions and technical infrastructure. This underinvestment is particularly problematic given the dramatic changes occurring in the transportation industry in general. Beyond the ongoing operations, maintenance and support of the MvM solution, ADOT will have to engage in continuous improvement of the system to ensure that it stays functional and does not require an additional overhaul in the near future.

In addition, there are various other ADOT systems that are outside the scope of the MvM project that are in need of modernization. Within MVD, these include systems for motor carrier management and commercial permitting, aircraft registration, as well as initiatives like in-office kiosks and self-service device expansion, development and delivery of new online services and expansion of Max to include Service Arizona business suite applications used by commercial organizations to access MVD services.

Regarding plans to modify the existing vendor agreement, ADOT is working with its vendor on minor changes to the agreement to continue into the post-implementation period as noted above. These changes, which were anticipated in the original RFP, will not be a material change and will not alter the basic structure of the agreement—the vendor will continue to retain a percentage or fixed amount from each transaction it processes, and a portion of what the vendor retains will continue to be set aside for



ADOT projects. Beyond that timeline, ADOT anticipates an arrangement with an electronic partner to continue to provide certain contractual requirements such as business suite transactions, customer anonymous transactions, failover support, and payment processing functionality, but has not developed the details of any future arrangement at this time.

If you have any questions, please do not hesitate to contact us.

Sincerely,



Eric Jorgensen  
Director, Motor Vehicle Division  
Arizona Department of Transportation

cc: Ben Blink, OSPB  
Seth Walter, OSPB  
Keith Fallstrom, ADOT Budget Planning and Research

Enclosures



## Arizona Department of Transportation – Motor Vehicle Division

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### Third Recurring Independent Assessment of the Motor Vehicle Modernization Project (MvM)

Final Version

Prepared for



Gartner Consulting

December 6, 2018

#### GARTNER CONSULTING

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## Executive Summary

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Engagement: 330052010

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## Independent Assessment Background and Objectives

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- The Arizona Department of Transportation (ADOT) Motor Vehicle Division (MVD) provides services that impact nearly every Arizona citizen as well as thousands of organizations, including:
  - Vehicle registration and titling
  - Driver licensing
  - Motor carrier regulation
  - Dealer services and licensing
- To help improve delivery of these services, the MVD has initiated the Motor Vehicle Modernization (MvM) Project – a large custom software development project to replace its core legacy systems. The MvM Project is expected to take at least five years to develop and implement core functionality and has an approved budget of approximately \$57.6 million.
- To meet oversight requirements and recommendations of the State of Arizona Information Technology Authorization Committee (ITAC) and the Arizona Strategic Enterprise Technology organization (ADOA-ASET), ADOT has engaged Gartner to provide Independent Assessment (IA) services of the MvM Project.
- The State's objective in conducting these reviews is to objectively determine if the MvM Project is on track to be completed within the estimated schedule and cost, and that the delivered system will provide the functionality required by ADOT's employees and customers. A key outcome of these IA services is the identification and quantification of issues and risks affecting the MvM Project.

## Independent Assessment Background and Objectives (cont.)

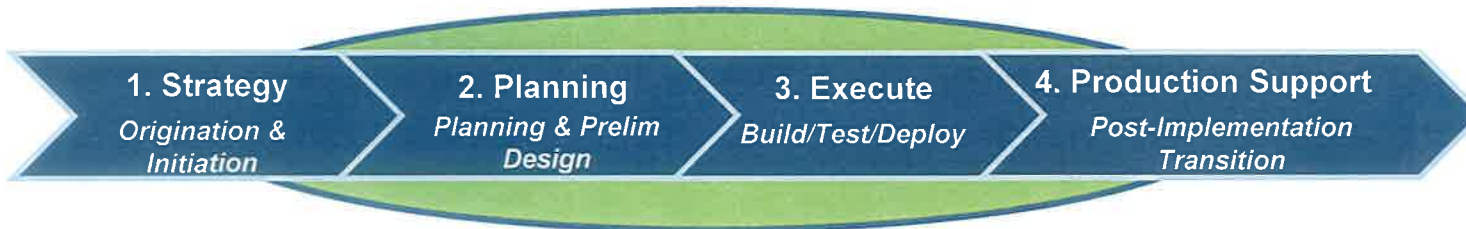
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- Gartner's Independent Assessments for the MvM Project also provide an additional source of Project oversight for stakeholders, validating that the Project is progressing as planned. Results of the Independent Assessment will be communicated to ITAC, ADOA-ASET and related stakeholders.
- Gartner's engagement activities are designed to provide an objective, third-party assessment of project management and control practices for the MvM Project. Our assessment activities do not focus on software code, development practices, technical approaches, or other software quality practices.
- This report summarizes results from Gartner's third recurring Independent Assessment of the MvM Project. Previous assessments include:
  - Initial Baseline Assessment, Final Report submitted December 2015.
  - First Recurring Assessment, Final Report submitted November 2016.
  - Second Recurring Assessment, Final Report submitted January 2018.

## Assessment Focus Areas and Approach

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- The purpose of Gartner's MvM Project Independent Assessment is to support and contribute to the overall success of the MvM Project.
- To help address this goal, Gartner assessed the MvM Project's effectiveness in managing the complexities associated with the design, configuration, deployment, and adoption of the new system into the organization's culture and ongoing operations.
- Gartner's second recurring assessment focuses on risk areas relevant to the current stage of the MvM Project's lifecycle – primarily in Strategy, Planning and Execution.



- Gartner's Assessment Report is intended to provide MVD Project leadership and the Oversight Committee with our assessment of the Project team's activities to date, identifies key risk areas, and provides actionable recommendations to avoid or mitigate these risks.

## Gartner interviewed key MvM project stakeholders and subject matter experts listed below as part of its independent assessment approach

---

- Eric Jorgensen – MVD Director and MvM Project Sponsor
- Steve West – CIO, ADOT
- David Knigge – MvM Project Director
- Jeff Kearns – MvM Project Team Foundation Server Lead
- Don Logue – MvM Senior Business Analyst
- Heather Franek – MvM Project Organizational Change Management Lead
- Craig Stender – MvM Project Functional Manager
- Sandy Dolson – MvM Project Trainer and User Readiness
- Stefano Esposito – MvM Project Technical Manager
- Mike Keeler – MvM Project Security Lead/SME
- Bronco Brings – MvM Project Data Conversion Lead
- Lezlie Jo Perkins – CSR Lead
- Erika Poorman – CSR Lead
- Mark Zimmerman – Product Specialist/Finance
- Jay Chilton – Project Budget Executive

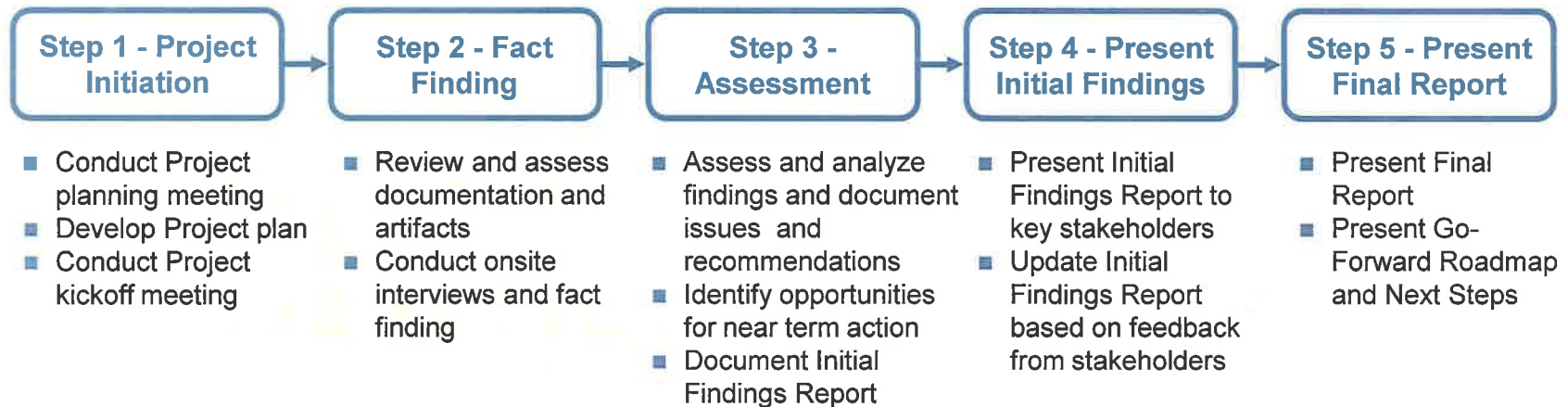


## Gartner also reviewed the MvM Project artifacts listed below

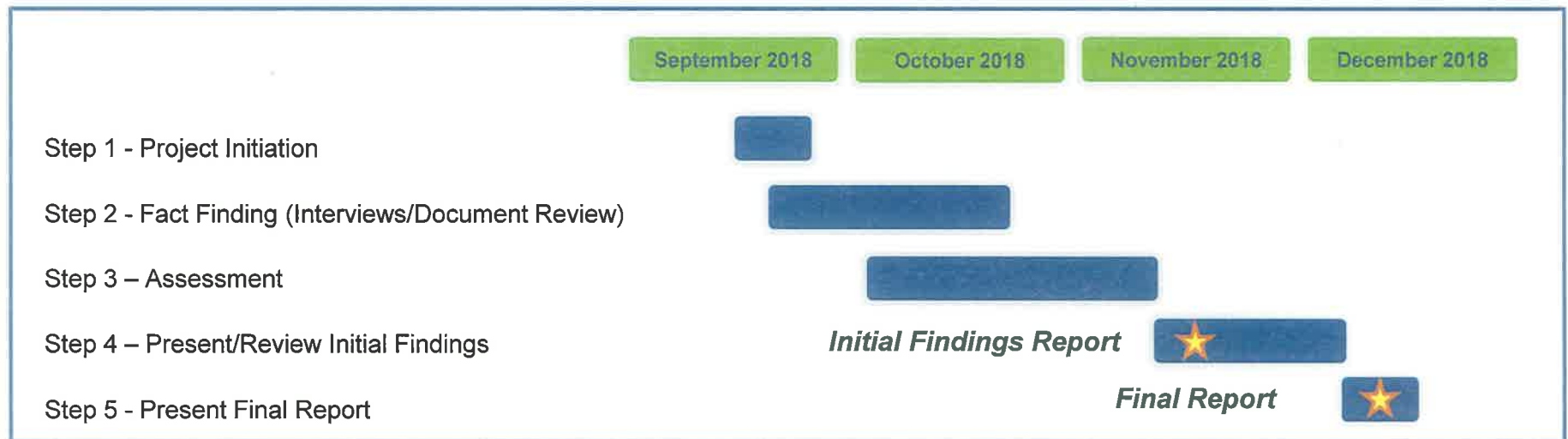
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- MvM Staffing Workbook (updated September 2018)
- Monthly MvM Project Status Reports and Dashboards (through August 2018)
- Quarterly Risk and Performance Log (through Q2 2018)
- Quarterly Risk Assessment Reports (through Q2 2018)
- ASET Status Reports (through March 2018)
- MvM Steering Committee Updates (January and July 2018)
- MvM Change Management Plan (updated May 2018)
- Project Quarter Planning Report (updated September 2018)
- MvM Ops Plan Resources by Budget Category - DK 927 (updated September 2018)
- Appointment Scheduling Software High-Level Alternatives Analysis (September 2018)
- 2018 MvM Security Review Package
- MAX/MvD Now Timeline (updated June 2018)
- MAX Implementation Training Plan v3
- MAX Training Implementation and Content Development Timeline
- MvM Project Lessons Learned from Recent Releases (September 2018)
- MvM Project Success Metrics (September 2018)
- User Readiness Blueprint (February 2017)
- User Readiness Overview (Updated September 2018)
- User Readiness Team Roles and Responsibilities (updated January 2018)
- User Readiness Update (March 2018)
- MvM Operational Transition Plan – MAX & AZ MVD Now Transition to Production Support (September 2018)

## Schedule for 3<sup>rd</sup> Recurring Independent Assessment



***Gartner conducted its MvM Project assessment activities from September through October 2018***



Engagement: 330052010

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Gartner evaluated all relevant risk areas for the MvM project using its Risk Assessment Framework and the rating levels defined below

Risk Levels	Risk Rating Definitions
Low	<b>Green</b> – Risk area is being managed according to best practices and there is no material impact from this risk area on Project success at this time.
Medium	<b>Yellow</b> – Risk area is being managed according to some best practices, but others are missing. There is a potential material impact from this risk area on Project success that needs to be addressed proactively at this time. Recommendations for risk areas assigned this rating are important to ensure optimal Project operation.
High	<b>Red</b> – Risk area is in need of best practices mitigation to avoid downstream ramifications. There is a definite material impact from this risk area on Project success if this area is not addressed now. Recommendations for risk areas assigned this rating are essential for mitigating Project risk.
White	<b>White</b> – Risk area is not being evaluated because it is too early in the Project. Risk area will be evaluated in future assessments.
Gray	<b>Gray</b> – Risk area has been completed due to the progression of the Project. Any remaining risks have been carried forward to the appropriate risk area in a subsequent phase.

Recommendations for improvement and risk mitigation are provided for areas assessed as “yellow” or “red” in the specific findings section of this presentation.

In some cases, recommendations are provided for areas assessed as “green”.

Our dashboard (below) for this assessment shows that the MvM project remains on a positive trajectory with only a few areas of moderate risk to address

1. Strategy <i>Origination &amp; Initiation</i>	2. Planning <i>Planning &amp; Prelim Design</i>	3. Execute <i>Build/Test/Deploy</i>	4. Production Support <i>Post-Implementation Transition</i>
1.1 Program/Project Governance	2.1 Program/Project Governance	3.1 Program/Project Governance	4.1 Governance Transition
1.2 Business Case	2.2 Risk Management	3.2 Risk Management	4.2 Operational Budget Transition
1.3 Risk Mitigation Strategy	2.3 Schedule Management	3.3 Schedule Management	4.3 IT Operations Transition
1.4 Executive Support	2.4 Budget Planning	3.4 Budget Management	4.4 Bus Ops Support Transition
1.5 Scope Definition	2.5 Scope Refinement	3.5 Scope Management	4.5 Vendor Maintenance Support Transition
1.6 Sourcing Strategy	2.6 Resource Planning	3.6 Resource Management	4.6 Ongoing Business Value Management
1.7 Project Management Capabilities	2.7 Communication Planning	3.7 Communication Management	4.7 Technical Infra Support
1.8 Technology Infra Procurement Strategy	2.8 OCM Planning	3.8 OCM Execution	4.8 Disaster Recovery / Business Continuity Support
	2.9 Vendor Support Planning	3.9 Vendor Implementation Support	4.9 Benefits Harvesting
	2.10 Security Planning	3.10 Requirements Management	
	2.11 Development Planning	3.11 Security Execution	
	2.12 Overall Test Planning	3.12 Development Execution	
	2.13 Data Conversion Planning	3.13 Overall Test Management	
	2.14 Training Strategy & Planning	3.14 Data Conversion Execution	
	2.15 Deployment Planning	3.15 Training Design & Delivery	
	2.16 Integration/Interface Planning	3.16 Deployment Execution	
	2.17 Reporting & BI Planning	3.17 Integration/Interface Implementation	
	2.18 Portal Planning	3.18 Legacy Decommission Exec	
	2.19 Benefit Realization Planning	3.19 Reporting & BI Implementation	
	2.20 Tech Infra & Process Planning	3.20 Benefits Delivery & Tracking	
		3.21 Operational Trans Planning	

**Risk Level**

■ = High

■ = Medium

■ = Low

**Other Status**

■ = Element not applicable for this assessment

See the Detailed Findings section for Best Practices, Key Findings and Observations and Recommendations for each assessed risk area.

## Key Assessment Findings

### Overall MvM Project Risk Rating – October 2018

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#### OVERALL PROJECT RISK RATING

(As of October 2018)



**The Overall Project Is rated Low-Medium Risk in terms of readiness to continue project work.**

This high-level assessment of the project is based on Gartner's review of 33 focus areas across Strategy, Planning and Execution Phases:

- ☐ There were **0 Red** areas identified
- ☐ There were **6 Yellow** areas identified
- ☐ There were **27 Green** areas identified
- ☐ There were 16 areas left unrated

#### **RATING GUIDE**

**Red** = Risks are imminently or currently threatening the project (high risk)

**Yellow** = Risks exist but are manageable (medium risk)

**Green** = Risk is proactively managed (low risk)



## Key Assessment Findings

### Strengths

- The MvM Project remains on schedule and budget, hitting every key milestone to date – even as new functionality is approved and added.
- The MvM Project schedule has been revised for a unified release of both the Title and Registration (T&R) and Driver Services components, reducing risk for the project and providing better timing for training and ramping up users before the MVD's busiest season (January through March).
- The MvM Steering Committee continues to provide effective business-driven direction for the project.
- The MvM Project continues to enjoy strong executive support from the MVD Director, who is visibly committed to the project's success, regularly visiting the Division's field offices to sustain enthusiasm for the new solution - particularly among CSR's.



## Key Assessment Findings

### Strengths (cont.)

- Organizational Change Management (OCM) planning and execution continues to be effective in preparing stakeholders to use new MvM functionality as it is deployed.
  - CSR concerns for job security is being addressed as managers continue to discuss the evolving roles in MVD offices.
  - Vacated positions that are no longer needed are not being filled, and there have been highly effective preliminary efforts to streamline and improve customer experiences in MVD offices.
  - Many CSR's continue to feel the new system will allow them to do their jobs more effectively, and early feature releases and conferences have built a healthy anticipation for new functionality.
- The MvM training strategy has been finalized, along with a training schedule, which includes plans to close field offices for one week to allow for team training.
  - MvM training audiences include approximately 600 CSR's, as well as documents records team, call center staff and 3rd party processors across the State.
  - Module based training content has been developed so modules can be repurposed and restructured as needed with any potential changes to the MvM over time.
  - A "Train the Trainer (T3)" program is being developed to facilitate training for third parties who will interact with the MvM software.



## Key Assessment Findings

### Strengths (cont.)

- The MAX Advocates program has been very successful in helping to increase awareness and support for launch of the new system among the CSR's.
  - Advocates aide in discussions and expectations regarding the MvM solution.
  - The MVD is currently leveraging the MAX Advocates for refining and testing the feedback loop from CSR input to development of the MvM solution.
  - The MVD held a leadership conference with 80 field managers to further spread awareness and excitement for the MvM software solution.
- Partners with the FMS TRAILS project (branded TRAIL Guides) have been stationed within the MVD office to streamline communication and collaboration between the TRAILS and MvM projects.
- The MvM project has established a committee that meets weekly to review impacts to the project and make tactical decisions (e.g. when to charge fees for license reinstatement) which has allowed project leadership to focus on core feature delivery.





## Key Assessment Findings

### Strengths (cont.)

- The MVD has enlisted an advertising agency to build customer awareness of new features, both existing and upcoming.
  - Customers are directed to the MVD website which is regularly updated with educational information regarding new services which can be started or completed at home.
- The MvM Project continues to leverage a series of metrics defined and/or approved by the MVD Director to assess the team's development efforts, as well as the degree to which the project is achieving stated business goals and objectives.
  - Graphs and reports are used to identify anomalies to address in future work, as well as improving work plan estimates
  - Reports identify issues to delve into further – e.g., missed due dates, over budget/schedule for a sprint
- The Project Team continues to effectively leverage Microsoft Team Foundation Studio (TFS) and custom add-on functionality to closely monitor and manage scope, schedule and budget – at the epic, story and sprint level.



## Key Assessment Findings

### Suggested Focus Areas Going Forward

Based on Gartner's experience and the evidence presented in interviews and information provided to us in documentation/artifacts, we consider the MvM project to be a very well planned and executed technology initiative – one of the better managed projects that we've seen in either public or private sector. The recommendations we provide below, as well as in our Detailed Findings are cautionary in most cases – so as to raise an awareness of risks the MvM project team needs to monitor going forward.

#### ***Key Focus Areas to Monitor Going Forward:***

1. Reassess FMS staff assigned to MvM development and testing work to ensure they are knowledgeable about the functionality required in TRAILS 2 and empowered to make decisions concerning solution design.
2. Leverage the OCM plan to ensure all staff in FMS view MAX as an ADOT project that demands appropriate interest and effort, and not a MVD initiative they've been asked to support.
3. Consider establishing more quantitative measurements and success metrics for OCM and user readiness training for varying levels of MAX users to ensure all feedback can be appropriately monitored and incorporated into the development and ongoing support of the MvM solution.
4. Continue to engage other Arizona state agencies and other external partners to develop (or reaffirm) agreements integral to establishing critical interfaces to the MAX solution, and develop and test as many of these interfaces as possible by the end of 2018 or Q1 of 2019 to mitigate any further risks or areas of concern.
5. Develop, and prepare to implement, strategies and services to mitigate issues which may arise in offices that may be impacted by network connectivity issues, particularly in remote areas.
6. Finalize and continue to refine the MvM operational transition plan to ensure that MVD and ITG have agreed on a viable strategy for ongoing support for the MAX solution after go-live.