

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

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

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

HOUSE OF
REPRESENTATIVES

BOB BURNS
CHAIRMAN 1999
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BOB MCLENDON
CHRISTINE WEASON

JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, June 20, 2000

8:00 a.m.

Senate Appropriations Room 109

AGENDA

- Call to Order
- [Approval of Minutes of May 16, 2000.](#)
- EXECUTIVE SESSION
 - A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
 - B. Arizona Department of Administration, Risk Management Services - Annual Report.
- DIRECTOR'S REPORT (if necessary).
- 1. [SCHOOL FACILITIES BOARD - Report on Status of Deficiencies Corrections Assessment.](#)
- 2. DEPARTMENT OF HEALTH SERVICES
 - A. [Consider Approval of Transfer of Appropriations.](#)
 - B. [Review Capitation Rate Changes for Behavioral Health Services.](#)
- 3. [ARIZONA HISTORICAL SOCIETY - Consider Approval of Transfer of Appropriations.](#)
- 4. [ARIZONA PIONEERS' HOME - Consider Approval of Transfer of Appropriations.](#)
- 5. DEPARTMENT OF ECONOMIC SECURITY
 - A. [Review of Federal Social Services Block Grant FY 2001 Expenditure Plan.](#)
 - B. [Consider Approval of Transfer of Appropriations.](#)
 - C. [Bimonthly Report on Arizona Works.](#)
- 6. [ARIZONA COMMISSION ON THE ARTS - Review of the Arizona Arts Endowment Fund and Private Contributions.](#)
- 7. [DEPARTMENT OF CORRECTIONS - Review Private Prison Contract.](#)

(Continued)

8. DEPARTMENT OF TRANSPORTATION
 - A. Report on Grand Canyon Airport Funding.
 - B. Report on Highway Maintenance Levels of Service for Snow & Ice
9. ATTORNEY GENERAL - Report on Collection Enforcement Revolving Fund.
10. JLBC STAFF - REPORT ON JLBC RULES.

The Chairman reserves the right to set the order of the agenda.
06/14/00

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

May 16, 2000

The Chairman called the meeting to order at 9:17 a.m., Tuesday, May 16, 2000, in Senate Appropriations Room 109. The following were present:

Members:	Senator Randall Gnant, Chairman Senator Arzberger Senator Bowers Senator Cirillo Senator Lopez	Representative Bob Burns, Vice-Chairman Representative Blewster Representative McGrath Representative McLendon Representative Weason
Absent:	Senator Bundgaard Senator Jackson Senator Wettaw	Representative Daniels Representative Gonzales Representative McGibbon
Staff:	Richard Stavneak, Director Chris Earnest Gretchen Logan Tom Mikesell Stefan Shepherd Lynne Smith	Sharon Savage, Secretary Gina Guarascio Bruce Groll Brad Regens Paul Shannon
Others:	Kim Baker Debbie Johnston Chad Norris Greg Gemson Philip E. Geiger Tom Prose Patrick Cunningham Elliott Hibbs Frank Hinds Mike Schaiberger Clark Partridge	Senate Senate House of Representatives House of Representatives School Facilities Board Attorney General's Office Attorney General's Office ADOA ADOA, Risk Management ADOA, Benefits ADOA, General Accounting Office

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of March 20, 2000, Senator Gnant stated that the minutes would be approved as submitted.

Senator Gnant explained to the members that they were given a handout on health vendor performance. He asked if any of the members wished to hear about it before they adjourned into Executive Session. There were no requests.

EXECUTIVE SESSION

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

At 9:20 a.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 9:45 a.m. the Committee reconvened into open session.

DIRECTOR'S REPORT

Mr. Richard Stavneak, Director, JLBC, explained a memo given to the members describing wildland fire fighting. This was to update the members, especially with what was happening with the Coon Creek Fire. Most of the fires in the state so far have been on federal land. The federal government reimburses most of the cost of fighting those fires. The state also has \$3,000,000 in funds to fight fires if they occur on state or private land. The Governor is tapping into these funds for pre-positioning and using another \$1,000,000 for actually fighting fires. The newspaper said that the Coon Creek Fire has cost about \$4.6 million. Most all of that will be paid by the federal government.

Representative McGrath asked if pre-positioning meant taking fire fighting equipment out of the National Guard Armory and positioning it around the state.

Mr. Stavneak explained that it was a more active effort at having equipment and personnel ready at a moment's notice than a long-term mobilization effort. Equipment and personnel are positioned in different areas of the state to respond more rapidly when a fire does start. The state only has a small fire fighting force and this allows it to contract staff on a seasonal basis, ready to respond in a quicker fashion than normal.

SCHOOL FACILITIES BOARD - Update

Senator Gnant said that he had requested Dr. Geiger spend a few minutes with them to answer a number of questions from the Committee.

Representative McGrath asked why information of Flex-Tech's financial condition was withheld from the Committee at the December meeting.

Dr. Phil E. Geiger, Director, School Facilities Board, explained that the contract was awarded through the normal procurement process. The Procurement Office received the typically provided credit information, and Flex-Tech did receive a \$1.8 million bond, which is in full force. The bonding company is supporting Flex-Tech financially to ensure that the project is completed.

Senator Bowers said that it is presumed that the company is back on the job and that the job will be completed. He asked what was meant by completed, because the question of accuracy is important when it comes down to the bottom line of financing.

Dr. Geiger said that their goal is to complete the evaluation with a level of integrity and reliability so as to use the data correctly in the future. Flex-Tech could have provided them with initial reports, but that would not have given them satisfactory information. They have been very stringent when looking at the quality and comprehensiveness of the reports and the completeness of the data. The board has their own employees monitoring Flex-Tech and they have identified every area of on-site violations that were unsatisfactory or incomplete. Flex-Tech has been required to go back and recollect that information. The bonding company has agreed to support them in that process so there is no financial concern. The study was to be completed by the end of April, but now the estimate is that it will be completed by September or October.

Representative Blewster asked why the square footage of school space was so much more than what was originally estimated.

Dr. Geiger said that initially the state did not know how many square feet of school space there was in Arizona. The first estimate was about 64 million square feet. Over the last few years, the board has received more data on actual square footage and now believes the number to be 96 million square feet. When Flex-Tech first bid on the project there were two

documents—one that said 64 million square feet and the other was adjusted to say 96 million square feet. However, the bid was on a square foot basis. When they compared all the bids, Flex-Tech was approximately \$3 million lower than the next highest bid.

Representative Blewster asked if there was a schedule when the schools would start being built or refurbished.

Dr. Geiger said that schools with immediate needs can apply for Deficiencies Correction Fund monies for work over the summer months. If school districts are prepared to fund those projects from local funds and have the projects approved by the School Facilities Board as deficiency corrections, schools will be reimbursed some time in the future when that project would normally have been completed. The funds would not be paid to school districts until all deficiencies projects are funded so that poorer districts would not be punished because wealthier communities are able to pre-fund school projects. In October, the board expects to approve all the projects and the years in which they are to be completed, based on current regulations. The board is suggesting that they award some funding for districts to start the design for the subsequent years work. Dr. Geiger said that they have also made a special effort to look at statewide contracts for some services. They estimate that at least a half million dollars alone will be spent on roofing repairs. If each district were to go out and bid their own roofing projects, the cost would escalate dramatically.

Senator Cirillo asked how the \$50 million to purchase computers relates to the minimum acceptable standards required for computers in schools.

Dr. Geiger said that there are approximately 868,000 students in the state and normally 100,000 computers would be required. They estimate that 50% of the school districts already meet their requirements and that the 50,000 computers will bring every school district to the 1 to 8 ratio.

Senator Lopez asked if there was some assurance that the employees of Flex-Tech would be paid either by Flex-Tech, the bonding company, or the state, even if Flex-Tech were to go under.

Dr. Geiger said that the bonding company did provide the funding for the most recent payrolls. The board had withheld payment of the last invoice because the work was unsatisfactory. The board in the future will continue to make payments upon completed satisfactory work.

In response to further questions from Senator Lopez, Dr. Geiger explained that the law stipulates that by the year 2003 these projects will be underway and implemented. The board plans to award everything in a timely fashion and even exceed the obligation of the year 2001 award date. The board is preparing E-Rate applications so that districts can receive federal dollars for E-Rate networking. The federal government will give districts between 25% and 90% of the cost of networking. If these applications are not completed, the state could lose millions of dollars because it is obligated to pay for the networking under the current law.

Dr. Geiger said that they expect to issue the July 15th stratified report even if they have to use fewer districts in the sample. After the board receives the field assessments, the estimates and scope of the work is reviewed by the board and an independent consultant. Superintendents from the school districts then go over the assessment with the board. This will take about two hours for each school district and some of the larger districts will take longer.

Dr. Geiger said that they had advised all the investigators that when they leave a school district, to be sure that the district has given them everything they thought was a problem. The goal is to get all the data and then assess that data to make sure that it is the state's responsibility. Final decisions will be made by the School Facilities Board. He added that there are also priorities as to what gets done when. They have met with school personnel over this past year and have found them very appreciative of the fact that they are trying to collect comprehensive data. The districts are concerned, however, that they will not get everything they want.

In regard to the \$150 million available for use this summer, Dr. Geiger said approximately \$50 million will be distributed to school districts for the technology acquisition. All emergency issues from the districts have been addressed and much of that work is done. Some districts do not have adequate electrical circuitry for computers in all of their classrooms. In many cases, districts are working with teachers to make sure they understand how to use the technology in the classroom. Dr. Geiger said they have decided to delay the networking piece until the spring of 2001. Wireless networking would prevent drilling through the walls. With wireless networking, schools may be able to use battery-powered technology and also avoid the problem of having to install more electrical systems. On May 24, there is a conference with all the school districts and

one of the presentations is on wireless networking. They also want to have the schools complete all E-Rate applications and have even hired a person to submit the applications for the districts if need be.

In response to questions from Representative McLendon, Dr. Geiger explained that the performance bond had cost the State of Arizona \$63,000 so far. So far, Flex-Tech has been paid \$800,000 of the \$2 million contract and over 300 schools had to be re-inspected. The inspections are expected to be completed by the end of September or the early part of October. He added that he was not sure how long it would take the districts to comply with the court ruling; the state, however, will have complied by the year 2003.

Representative McLendon said that there was talk of a special session and part of that session will be education funding and a four-year extension from the year 2003. School districts feel that the need for new schools is being taken care of while they're still waiting for their repairs.

Dr. Geiger said the new schools are based on a formula and demographic studies. They are also funded from a funding source for new construction. Deficiencies Correction projects require a long process; and even though it has taken longer than expected, districts will be pleased when they are completed.

Senator Gnant asked if all schools were going to undergo this survey, even those that opened last September. He asked if the schools that do not want to be inspected waive their rights to receive any funds for the period of the Deficiencies Correction program.

Dr. Geiger said that some schools that have opened since 1989 indicated they do not wish to be evaluated and would not receive any funding. There are, however, some districts that built schools last year and want them assessed. This is required.

Senator Gnant thanked Dr. Geiger for coming and answering the many questions.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)

A. Consider Approval of an Increase in the Settlement Authority Levels.

Ms. Lynne Smith, JLBC Staff, said that this item was to increase the settlement authority for liability claims. Currently there are two different levels. The first would increase ADOA's settlement authority to \$100,000. The second would increase the Attorney General's authority to \$500,000. The JLBC Staff recommends approving the increase to ADOA's settlement authority, but does not recommend increasing that of the Attorney General. The JLBC Staff recommends retaining authority to approve settlements above \$150,000. If the Committee decides to accept the proposed increase, they would need to modify the Committee's Rule 14.

In reply to a question from Senator Cirillo, Ms. Smith explained that the Committee could set any limit they wished. However, over the last few years there have not been any claims settled between \$150,000 and \$200,000, so that limit would not affect much of a change.

Mr. Tom Prose, Assistant Attorney General, Office of the Attorney General, said that the request to raise ADOA's level to \$100,000 and the Attorney General's level to \$200,000 came initially from Risk Management. He had analyzed the request based upon the cases that came before the JLBC and agrees with the \$100,000 for ADOA. In the past, two hurdles had to be passed to settle a case. The plaintiffs could settle for Risk Management's authority of up to \$25,000 and not go to trial. There were also a number of cases settled at \$150,000 or less because the plaintiffs did not want to take the cases before the JLBC. If they wanted more than that, they would have to go to trial. Out of the 13 cases that settled for between \$100,000 and \$150,000, 10 were settled for exactly \$150,000. Mr. Prose explained that when he was making his recommendation to the Committee he wished to keep some space between Risk Management's authority and the Attorney General's so that there still will be two hurdles for plaintiffs to jump. He recommended \$500,000 because there were 30 cases that fell between \$100,000 and \$500,000. This would give them plenty of room to negotiate with plaintiffs. If they reduce that amount down to \$250,000, there would still be 20 cases that fell within that category. If they were to leave the settle authority at \$150,000, there would only be 13 cases. Mr. Prose explained that over the last two years, the Committee has seen a total of 35 cases. Increasing the settlement authority to \$250,000 would have resulted in the Committee seeing seven fewer cases. If they increased it to \$500,000, they would have seen 17 fewer cases.

Representative Weason asked if they had the number of cases that were settled for between \$150,000 and \$500,000 for the two prior years and if there were data available on the oversight the legislative committees in other states had regarding settlements.

Mr. Prose said that there were 18 cases settled within those amounts in FY 1996 and FY 1997. He explained that no other state has a system like Arizona's when it comes to oversight of settlements. Most states allow agencies to settle their own cases; and a number of western states have a cap, but the cap is so low that it does not go to oversight by the Legislature.

Senator Lopez asked how many cases in the last five years has the Committee changed from the recommendation proposed by the Attorney General Office or Risk Management.

Mr. Prose said that he recalled only one case where the Attorney General's Office recommended settlement and the Committee rejected that settlement. After going to trial, the award was more than the Attorney General's settlement recommendation. There have not been any changes to the Attorney General's recommendations by the JLBC for cases below \$500,000. Most of the serious cases seen by this Committee fall into two categories. They are either custody (pardons, parole, DJC, and DPS cases) or highway cases.

Senator Lopez said that it would be prudent of this Committee to adopt both settlement increases. While it is a good idea to review these cases to make sure that the state's interests are being protected, not raising the limit may cost the state more money in lawyers fees, etc. If there was any evidence of negligence on the part of the Attorney General's Office or Risk Management, he would recommend that they continue to review the cases.

Representative Weason asked if the Attorney General's Office would be working with Risk Management to oversee settlements if the cap were raised to \$100,000.

Mr. Frank Hinds, Risk Management Manager, ADOA, said they would be working with the Attorney General's Office to a lesser degree unless there is a lawsuit. Risk Management does not have an attorney on staff; however, the Attorney General's Office is available for advice anytime, whether or not there is a lawsuit. For the most part they get small claims, under \$100,000, that involve property damage, medical payments, or loss of wages resulting from a state driver that may be at fault in an accident. These cases would settle for more than \$25,000 but less than \$100,000. There could also be some small claims from inmates.

Representative Burns moved that the Committee approve the JLBC Staff recommendation to increase ADOA's settlement authority with regard to liability claims against the state to \$100,000. The motion carried.

Senator Lopez recommended that the Committee increase the settlement authority of the Attorney General's Office from \$150,000 to \$500,000.

Senator Cirillo felt \$500,000 was too high and recommended raising the Attorney General's settlement authority to \$250,000.

Representative McGrath said they should leave the limits where they are. Committee review enhances the understanding and oversight of state government. These real life cases provide members with a better opportunity to understand the inner workings of state agencies. The JLBC also lends substantial support to the efforts of ADOA and the Attorney General's Office to establish state policy and procedures that minimize liability claims against the state.

Representative Weason said she supported increasing the cap to \$500,000. The Attorney General's Office has highly qualified and experienced attorneys. Legal costs would be lower and customer service would be increased. The experience that legislators receive by reviewing these settlements would not be hindered because they would have oversight in the larger cases.

Senator Lopez moved that the Committee increase the settlement authority for the Attorney General's Office from \$150,000 to \$500,000. The motion failed.

Senator Cirillo moved that the Committee authorize an increase in the Attorney General's approval of settlement authority from \$150,000 to \$250,000. By a show of hands, the motion carried.

B. Semi-Annual Report on Health Plan Performance Standards.

Ms. Lynne Smith, JLBC Staff, was available for questions. Members had received a separate handout at the beginning of the meeting with additional information (Attachment 1). This was for information only and there were no questions.

AHCCCS - Review Transfer of Tobacco Tax Medically Needy Account Allocations.

Ms. Gretchen Logan, JLBC Staff, was available for questions. There were none.

Representative Burns moved that the Committee give a favorable review to the requested transfer of monies in the Medically Needy Account of the Tobacco Tax and Health Care Fund between the allocations specified in Laws 1999, Chapter 176. The motion carried.

ATTORNEY GENERAL - Review Allocation of Settlement Monies (QWEST Communications & Toys “R” Us).

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

Representative Burns moved that the Committee give a favorable review to the Attorney General’s allocation plan for settlement monies received pursuant to cases against Qwest Communications and Toys “R” Us. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY

A. Bimonthly Report on Arizona Works.

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

B. Determine Arizona Works Caseload Reduction Savings

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

Representative Burns moved that the Committee approve the JLBC Staff’s estimate of cash benefit dollar amount savings attributable to caseload reduction achieved by the Arizona Works pilot welfare program for calendar year 1999. Under the previously approved methodology, the Arizona Works vendor did not generate caseload reduction savings for calendar year 1999. The motion carried.

C. Review Expenditure Plan for the Long Term Care System Fund and Related Appropriation Transfers.

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

Representative Burns moved that the Committee give a favorable review of the expenditure plan for increased capitation rates in the Long Term Care program and a favorable review of the proposed transfer of \$2,605,000 from the Developmental Disabilities Home and Community Based Services line item to the Long Term Care Home and Community Based Services line item. The motion carried.

Mr. Stavneak explained that the last three items were for information only and no Committee action was required. As a point of clarification on an earlier agenda item, he noted that the Committee rules include the dollar level for the Risk Management settlements. By its earlier action, Mr. Stavneak wanted to clarify for members that the Committee rules would be revised to increase the level from \$150,000 to \$250,000.

DEPARTMENT OF ECONOMIC SECURITY/AHCCCS - Report on Competitive Bid Process for Services to the Developmentally Disabled.

This item was for information only and no Committee action was required. Senator Gnant asked if there were any questions. There were none.

COMMUNITY COLLEGES - Report on the Community College’s Arizona Learning Systems Private Vendor Contract.

This item was for information only and no Committee action was required. Senator Gnant asked if there were any questions. There were none.

DEPARTMENT OF ENVIRONMENTAL QUALITY - Report on the Vehicle Emission Inspection Program Contract Development Process.

This item was for information only and no Committee action was required. Senator Gnant asked if there were any questions. There were none.

Without objection, the meeting adjourned at 11:10 a.m.

Respectfully submitted:

Sharon Savage, Secretary

Richard Stavneak, Director

Senator Randall Gnant, Chairman

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DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

FROM: Lynne Smith, Senior Fiscal Analyst

SUBJECT: SCHOOL FACILITIES BOARD - REPORT ON STATUS OF DEFICIENCIES
CORRECTION ASSESSMENT

We invited the School Facilities Board to update the Committee on the deficiencies correction process, including the statewide assessment and purchase of computers. Attached is a letter from the board that we received today.

RS:LS:ss

STATE OF ARIZONA SCHOOL FACILITIES BOARD
INTEROFFICE MEMORANDUM

TO: JOINT LEGISLATIVE BUDGET COMMITTEE
SENATOR RANDALL GNANT, CHAIRMAN
REPRESENTATIVE ROBERT BURNS, VICE CHAIRMAN

FROM: DR. PHILIP E. GEIGER, EXECUTIVE DIRECTOR

SUBJECT: UPDATE ON DEFICIENCY ASSESSMENT PROCEDURE & TECHNOLOGY PURCHASE

DATE: 6/13/00

CC: BOARD MEMBERS, LYNNE SMITH, JAIME MOLERA, TOM BETLACH, CHRISTY ANDERSON



There are two major activities in which the School Facilities Board is currently engaged about which we want to report to you:

Statewide Assessment

Of the 1210 schools in the state, the School Facilities Board staff has advised the statewide assessment contractor, Flex-Tech, that they must re-visit approximately 700 schools to obtain additional data ranging from small pieces of information (e.g. CO₂ levels, reconciling inconsistent data, photos of affected areas, measurement of required space, etc.) to larger issues including inadequate definition of the scope of the project and inadequate or inaccurate estimating of the defined project. A copy of Flex-Tech's June 7th response to the Corrective Action plan presented by the State Procurement Department is attached for you information.

Flex-Tech now has a person working in the School Facilities Board office finalizing the equipment list contacting each district to determine the inventory of items on the list so we can proceed to acquire classroom equipment to correct those deficiencies. We will address equipment deficiencies in a manner similar to the way we addressed the statewide computer purchase. Once we have determined the actual need for each school, we will categorize the equipment and, with the assistance of the state procurement department, issue statewide bids for each category of equipment to reduce the cost of these purchases to the state and to ensure the quality of the equipment purchased. The first area we will address is science equipment, which is expected to be bid in July or August 2000.

We have proceeded to conduct deficiency corrections status meetings with several school districts on our way to meeting with all 228 school districts. These meetings consist of School Facilities Board personnel, the school district superintendent of schools, his/her staff generally consisting of facility supervisors or maintenance personnel, and the district business manager. Occasionally, the district also invites its consultants who have been working with them in this area and board of education members. To date, we met with approximately six districts and several more are scheduled for this week. We intend to complete as many of the 25 meetings of those districts in the stratified sample as possible before July 15th. On that date we will present the report to the legislature of the estimate of the total deficiency corrections costs based upon the stratified sample or a portion thereof. Obviously, this estimate is only a reasonable approximation of the total cost that we hope will be finalized by the end of September, early October when the evaluation of all school districts will be complete.

Flex-Tech has not been paid any additional funds since April, but the procurement office is considering a proposal prepared by Flex-Tech at the state's request to be certain that funds are paid for work satisfactorily completed. Flex-Tech will be offered an extension of the scope of their contract by procurement in the next several weeks as the project moves towards further completion. To date their contract only includes 63 million of the 96 million square feet to be assessed. As of this date, Flex-Tech has completed the reports for only eight districts but consisting of more than 50 schools. To meet the extended deadlines noted here it will still require incredible focus and cooperation of the districts as the process is completed district by district.

Statewide Systemic Technology Initiative

With the incredible cooperation of the Government Information Technology Agency, the State Procurement Department, and the School Facilities Board staff, we have been able to identify a deficiency of approximately 30,000 computers in order to meet the 1:8 ratio of computers to students that was approved as part of the School Facilities Board Minimum Adequacy Guidelines last year. Additional computers may be purchased based the School Facilities Board's recent decision to utilize either the 1999 or 2000 ADM count, whichever is higher, in order to accommodate rapidly growing school districts. The Board is also considering other possible modifications to the inventory count based upon appeals from local districts.

Under normal conditions, the School Facilities Board might simply have permitted each school district to purchase the computers through their own bidding process or to use of the purchasing consortiums in the state. However, we knew that purchasing a large number of computers (30,000-50,000) within a prescribed time frame (May 24-October 15,2000) would enable us to secure a better price with many additional benefits for school districts than they would secure on their own. **With nearly 30,000 computers allocated to date, we estimate that we have saved more than \$10 million through the statewide contract over standard contract pricing.** GITA has informed me that savings over state contract prices range from \$133.91 for each Apple IMac to \$649.20 for each Dell Optiplex GX110L, with the average savings exceeding \$360 per computer. In addition, districts received numerous other benefits that are described below. This listing represents the standard configuration for which vendors had to submit their bid. The cost of the equipment ranged from \$977.56 (NT version) to \$1273.65 (NT version). Ten of the 18 manufacturers previously on the GITA PC contract were awarded approval under this revised statewide education RFQ.

Clearly, there is no one vendor that could service, deliver, and install 30,000-50,000 computers in one year to all 228 school districts. We wanted to encourage multiple vendors to participate so this project would, in fact, be successful. We also knew that for a host of reasons, school districts would not have tolerated our requiring the purchase of one brand computer for the entire state, which would then have defeated the entire purpose of a statewide contract. So, we established a window of acceptable pricing for the standard configuration. ***The actual prices by computer are listed in Appendix A.***

Minimum Configuration Required for Computers Purchased to meet 1:8 ratio.

COMPUTERS FOR ARIZONA SCHOOLS - REIMBURSABLE DESKTOP MICROCOMPUTER CONFIGURATION

<u>Category</u>	<u>Minimum Requirements</u>
HARDWARE	
Processor	Pentium III 600MHz
RAM	64MB
Hard Drive	10gb
Video Memory	8MB; integrated or card
Monitor	17"
CD-ROM	8X
Networking	10/100 Ethernet; integrated or card
Sound	card or integrated
Removable media	1.44 MG diskette drive
Mouse	O/S Compatible
Keyboard	O/S Compatible
Casing	Desktop
Surge Protector	Included
Meets Wired for Mgmt Specification - Yes	Yes

Network Certification for Novell - Tested and Approved - Yes	Yes
MS Logo Certified - Yes	Yes
Class of Product	Business Class Machine (not Consumer class machine)
Current Technology	All equipment, materials, parts and other components incorporated in the hardware shall be new, in current and ongoing production, shall have been formally announced for general marketing purposes, and shall be a model or type currently functioning in a user (pay customer) environment
SOFTWARE	
Operating System	Windows 98 or NT as requested
Office Suite	MS Standard Office 2000
Anti-Virus Software	Norton Anti-Virus
WARRANTY	
3 years on-site warranty	Includes on-site - 8 business hour response; 2 business day repair; 3 (within 50 mile radius of Phoenix or Tucson metro areas) or 4 (elsewhere throughout the State) business day comparable and compatible loaner equipment installed and operational; Maintenance must be performed by fully qualified, factory trained and manufacturer certified technicians; All defective and unserviceable parts shall be replaced with parts approved by the manufacturer for replacement and carrying the manufacturer's standard warranty applicable to new parts.
SERVICES	
Assemble all Hardware Components to customer specifications	Including, motherboard, processor, power supply, Internal Peripherals, etc.
Install Operating System	Included
Burn-in Device for at least 12 hours	Burn-in must include executing software that provides a continuous loop to assure that the following functions properly: processor, motherboard and connections thereto (such as controllers, ports, etc.), hard drive subsystem (including read/write tests), memory subsystems (including read/write tests), video card (including refresh rates and resolution) and network card (including simulated network connection and read/write tests).
Install MS Office and Norton Anti-Virus - Hourly Rate	Included
Box for Shipment	Included
Ground Shipment	Included
Delivery	Unless agreed to in advance by the Customer, delivery within 20 days of order or, if not available, 45 days from the day of order provided that the Vendor informs the customer at least 5 days from the date of order it is not available
On-Site Installation, Unit Testing and Basic Operator Training - 3 business days from delivery	Includes: Take device out of the box, plug the device into the power source and peripherals, turn-on and test the device (not including printer or network testing), provide, when necessary, simple instructions to the end-user regarding basic operation of the Hardware
Remove all Boxes and Packing Materials (unless requested by the school)	Included
Statewide Coordinated and Quality Training	Included

Although we wanted to encourage all school districts to purchase from the state contract to receive the benefit of the volume discounts and the value added services, we also know that some school districts wanted to buy equipment that is not on the state contract (e.g. Gateway). Therefore, in keeping with the concept of local control, we permitted districts to receive \$885 to fund them for a purchase that meets all the specifications established (except for the statewide training program for which \$60 per computer is provided to ASSET, a non-profit, statewide technology training organization, affiliated with KAET at the Arizona State University. In most cases, districts will have to use some of their own funds to acquire computers "off the contract" while still meeting the specifications.

If there was more than one vendor offering the same equipment, only the low bidder was awarded the contract to sell that equipment except in the case of the Apple iMac where there was only a \$16 difference between vendors. We also had a desire to offer more than one vendor to deliver this unique product, which will generate significant volume purchases. Again, we wanted to drive down price, but also be certain that the product and services could be delivered in a timely and professional manner.

Quite frankly, in my brief but intensive experience here in state government, this project has generated the greatest amount of cooperation among state agencies to the benefit of both the taxpayers and the school districts they serve. An incredible number of hours have been spent assuring fairness of the offer, quality of the product and services, competitiveness of the pricing and the maintenance of local decision making at the local school district. Special thanks is extended to Lisa Meyerson and John Kelly of GITA; Bill Munch, Robert Pierson and Alex Turner at the State Procurement Office; Dr. Elizabeth Boepple at the School Facilities Board and Assistant Attorney General David Lujan. Without the conscientious assistance and diligence of these individuals this project would not have been possible and the state would have spent an additional \$10 million or more and the services received by the local school district would have been diminished.

Finally, on May 24th for the kick-off of our Statewide Systemic Technology Project, we held a Technology Fair at the Glendale Civic Center for 350 educators and technology personnel in order to be certain everyone understood the rules, had an opportunity to interact with every vendor, and to see all the equipment directly. In addition, we provided districts with their allocation, presentations on the future of technology including ASP's (application software providers), wireless networking, the future of technology in the classroom as seen by Intel and Microsoft, and the newly developed Arizona Department of Education draft technology standards. It was truly a marvelous day! Literally an historic day in this state, Arizona took steps to lead the nation in bringing technology to every student in every classroom—a feat not yet realized by any state using state funds to make this a reality. Special thanks should truly go to you the legislators who through your courage and foresight have propelled Arizona into the forefront of the technological age in education!

Appendix A

State of Arizona School Facilities Board Statewide System Technology initiative

School Districts qualifying to be reimbursed for selected computers will be able to select from the following list with 100% reimbursement regardless of the Brand, Model, or base price shown. All of the selected computers will, at minimum, be configured to include:

- ➤ Pentium III 600 MHz Intel processors with either Windows 98 or NT; or
- ➤ Apple 350 processors with OS9
- ➤ 17" color monitor (Intel) or 15" color integrated monitor (IMac)
- ➤ Pointing device (mouse, touchpad, etc.) and Keyboard
- ➤ MS Office or AppleWorks
- ➤ Norton Antivirus
- ➤ 64 MB RAM
- ➤ 20X CDROM
- ➤ 8MB Video Memory
- ➤ Sound
- ➤ 10 GIG Hard drive
- ➤ Network card (10/100 Ethernet; Token Ring or Wireless is optional but paid w local funds)
- ➤ 3 yr. On-site warranty service
- ➤ Installation and instruction in basic operation of the system

In addition to minimum standards, most vendors, in cooperation with the manufacturers that they represent, are offering a wide range of above-minimum configurations and value-added products and services at no additional charge. Thus, before deciding on your Brand or your Vendor, you should review and compare all offerings. [Click Here for Details.](#)

Should any district elect not to participate in the SFB purchase, this district may purchase computers using any procurement vehicle of their choice. After demonstrating that they have acquired the number of computers necessary to bring their district within the 1:8 ratio, and any newly purchased machine meet all the minimum standards offered through the SFB program, then they may apply to be awarded the sum of \$885.00 multiplied by the number of computers for which they are determined to be eligible for reimbursement ([Click Here for Complete Details](#)).

Successful Bidders to Supply Selected Computers

Bidder	Make/Model	OS	Price
ACT dba CLH	Ovation	98	\$944.77
	Ovation	NT	\$977.56
CompUSA	Apple iMac w external floppy	OS9	\$1,181.93
	ACER	98	\$1,184.16
	ACER	NT	\$1,253.68
IKON	Toshiba V3300D	98	\$1,161.98
	Toshiba V3300D	NT	\$1,220.38
	IBM PC 300	98	\$1,169.07
	IBM PC 300	NT	\$1,221.07
	HP Vectra P600 EB	98	\$1,172.55
	HP Vectra P600 EB	NT	\$1,220.16
	Compaq Deskpro EP 6667+	98	\$1,173.02
	Compaq Deskpro EP 6667+	NT	\$1,222.52
Inacom	Tangent	98	\$1,139.18
	Tangent	NT	\$1,203.23
MicroAge	Apple iMac w external floppy	OS9	\$1,165.40
	Dell Optiplex GX110 L	98	\$1,221.40
	Dell Optiplex GX110 L	NT	\$1,273.65
Transource	Mirage EP 600	98	\$966.62
	Mirage EP 600	NT	\$1,012.62
	Mirage P 650	98	\$998.62
	Mirage P 650	NT	\$1,044.62

FLX-TECH

PROFESSIONAL SERVICES, INC.

Flex Building, Suite 300
413 Columbus Avenue
Sandusky, Ohio 44870

"Your 21st Century Professional and Technical Staffing Solution"

(419) 625-3974
Fax: (419) 625-7417

Sent by Fax and Certified Mail

June 7, 2000

John O. Adler, C.P.P.O.
Procurement Administrator
Arizona Dept. of Administration
State Procurement Office
Capital Center, Suite 103
15 South, 15th Ave.
Phoenix, AZ 85007

SUBJECT: Corrective Action Plan Issues to be Addressed
Contract No. AD000077-001
(Ref. June 6, 2000 Letter)



Dear Mr. Adler,

The following is in response to your June 6, 2000 letter:

- 1.A.1 "Provide a completion date for the revisits of the 792 books assessed as of May 30, 2000 and develop an acceptable sign-off process for confirming that Flex-Tech has actually performed these revisits."

Flex-Tech needs reconciliation with respect to the 792 number. Flex-Tech notes indicate 700 that were determined by SFB to need additional information, and approximately 92 that needed to be reviewed by the SFB for determination.

However, Flex-Tech has started its review of all the approximately 1200 books, starting with the 700 books which were singled out by the SFB. To date, 400 books have been reviewed requiring 30 site revisits for reasons to include:

- ◆ ***Retake Photo's—Photo's to back up data never taken or taken incorrectly***
- ◆ ***Incomplete/Inconsistent data for: HVAC, roofing, electrical, plumbing, etc...***
- ◆ ***Inadequate site plans provided by the schools to correlate data***

♦ *Building numbers are different between the SFB database, district information, and school information*

♦ *Multiple categories of problems intermingled on one write-up*

It should be noted that the square foot measurement issue is being addressed, for the most part, through the use of documented Flex-Tech pay records.

The CO2 reading issue has been resolved on the basis that no additional readings will be taken unless there is a site revisit for some other need for information, or a specific request is made by the SFB.

Attachment A and A.1 forms will be used to document corrective action taken. The original completed forms with verifying signatures will be kept with the respective books. The corrective action information from the forms will be put into a computerized database for quick information retrieval.

We should point out, however, that while we volunteered and are pleased to provide this additional documentation pursuant to your request, this requirement exceeds our contractual requirement for reporting.

1.B.1 "By Monday June 5, 2000 a person hired by Flex-Tech will begin surveying the districts by phone from the SFB office regarding the equipment inventory list."

Ms. Ellen Cameron was hired by Flex-Tech and started the assignment in question at the SFB on Monday, June 5th, 2000.

1.C.1 "Flex-Tech acknowledges that it has only provided the SFB with three ***districts consisting of 21*** books identified in this paragraph. By Monday, June 5, 2000 Flex-Tech will provide the additional five ***districts*** identified in this paragraph and continue to provide additional completed ***districts*** on an expedited basis.

Friday, June 2, 2000, the five (5) districts consisting of 35 books were delivered to the SFB. The Project manager will provide the SFB with a weekly projection for delivery.

1.C.2 "Flex-Tech will hire and have on the job by Wednesday June 7, 2000 the project administrator described in this paragraph who will function from the SFB offices at 1700 West Washington Street."

Bill Kidwell was assigned 6/5/00 on a full time basis to function as project administrator and leader of the SFB funding review support team. Bill will be located at the SFB offices at 1700 W. Washington Street.

1.C.2. "Need current dates for SFB funding review team support."

The following named individuals and responsibilities were appointed 6/6/00, along with Mr. Kidwell, as members of Flex-Tech's funding review support team to the SFB.

- ♦ ***Paul Roitman—Reviewer/Assessor***
- ♦ ***Geffrey Wilson—Reviewer/Assessor***
- ♦ ***Arnold Russell—Estimator***

These above individuals will be "on call" with priority given to the SFB funding review needs.

Please find attached (Attachment B), for your review, a Payment Requisition along with a scheduled pay request plan proposal. The revision in the schedule of value now reflects a more accurate work segment significance. Allowances for quality concerns are based on completed units to date, and the "level of effort"/cost of corrective action in satisfactorily completing the remaining work.

The proposed scheduled pay request plan is based on a \$536,354 "hold back," and the SFB's bi-monthly approval of Flex-Tech's overall project progress.

Sincerely,

Cecil Weatherspoon
President & CEO

cc: Martha Lynch
Dr. Philip Geiger
David Styers

CONFIRMATION OF PREVIOUSLY OBTAINED INFORMATION				Page 1 of 2		
	Y/N		Phone	Assessor Interview	Revisit	In-House
1		Net room size				
2		CO-2 Readings				
3		Sound Levels				
4		Lighting Levels				
5		Part 2A District Identified Problems- No's. Addressed Adequately				
6		Part 2B School Identified Problems- No's. Addressed Adequately				
7		Part 3 - All Questions Answered (No's Followed by Yellows or Blues)				
8		Total Campus SF review complete (State Provided)				
9		School map with Building Identification complete				
10		Parking space Assessment calculated				
11		Administration sheet calculated accurately				
12		Are all Additional Building S/F requirements adequately addressed?				

CIRCLE ITEMS TO BE RE-CONFIRMED

SIGNATURE

PRINTED NAME

DATE

REVIEWER: _____

ASSESSOR: _____

SCHOOL REPRESENTATIVE: _____

ATTACHMENT A.1

CONFIRMATION OF PREVIOUSLY OBTAINED INFORMATION					Page 2 of 2
Y/N	Phone	Assessor Interview	Revised	In-house	
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					

ADDITIONAL INFORMATION:

PAYMENT REQUISITION

	<u>Original</u> <u>Schedules of Values</u>	<u>Revised</u> <u>Schedule of Values</u>	<u>Pct Complete</u> <u>(as of 5/15/00)</u>	<u>Allowance for</u> <u>Quality Concerns</u>	<u>Earned to Date</u>	<u>Units</u> <u>Complete</u>
Initial Assessment	\$1,119,996.00	\$1,493,328.00	95.74%	30.00%	\$1,000,798.56	1125
Estimates	373,332.00	466,666.00	61.79%	50.00%	144,176.46	726
Data Entry	186,666.00	93,333.00	13.36%	50.00%	6,234.64	157
Quality Control	186,666.00	93,333.00	6.72%	50.00%	3,135.99	79
Review	186,666.00	46,666.00	6.72%	50.00%	1,567.98	79
Final Submitted	186,666.00	46,666.00	1.96%	0.00%	914.65	23
Mobilization	90,000.00	90,000.00	100.00%	0.00%	90,000.00	
Oversight	90,000.00	90,000.00	40.90%	0.00%	36,810.00	
Other Deliverables	243,000.00	243,000.00	100.00%	0.00%	243,000.00	
	\$2,662,992.00	\$2,662,992.00			\$1,526,638.28	

SCHEDULED PAY REQUEST PLAN **(proposed)**

Total Amount of Contract	\$2,662,992.00
<u>Payments-to-date</u>	<u>900,955.00</u>
Balance on Contract	1,762,037.00
<u>Pay Request No 10 - 5/31/00</u>	<u>625,683.00</u>
Balance on Contract	1,136,354.00
<u>Pay Request No 11 - 6/15/00</u>	<u>200,000.00</u>
Balance on Contract	936,354.00
<u>Pay Request No 12 - 6/30/00</u>	<u>200,000.00</u>
Balance on Contract	736,354.00
<u>Pay Request No 13 - 7/15/00</u>	<u>100,000.00</u>
Balance on Contract	636,354.00
<u>Pay Request No 14 - 7/30/00</u>	<u>100,000.00</u>
Balance on Contract	536,354.00

* \$536,354.00 balance to be held until all districts have been submitted to SFB

ATTACHMENT B

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

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RUSSELL W. RUSTY BOWERS
SCOTT BUNDGAARD
EDWARD J. CIRILLO
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JOE EDDIE LOPEZ
JOHN WETTAW

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

HOUSE OF
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BILL MCGIBBON
JEAN HOUGH MCGRATH
BOB MCLENDON
CHRISTINE WEASON

DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Fiscal Analyst

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

Request

Pursuant to A.R.S. § 35-173(c) and footnotes contained in the General Appropriation bills, the Department of Health Services (DHS) requests approval of transfers of appropriations for FY 2000 to increase funds available for the Seriously Mentally Ill (SMI) Title XIX State Match Special Line Item and the General Mental Health/Substance Abuse (GMH/SA) Title XIX State Match Special Line Item. Specifically, DHS requests to transfer monies from the Children's Behavioral Health (CBH) Title XIX State Match to the Seriously Mentally Ill Title XIX State Match and the General Mental Health/Substance Abuse Title XIX State Match as shown below. The request is for both General Fund (GF) and Total Funds (TF). The latter includes the matching federal funds.

TRANSFER FROM:		TRANSFER TO:	
Children's Behavioral Health	\$(340,000) GF	Seriously Mentally Ill	\$225,000 GF
Title XIX State Match	(994,400) TF	Title XIX State Match	\$658,100 TF
		General Mental Health/ Substance Abuse	115,000 GF
		Title XIX State Match	<u>336,400 TF</u>
TOTAL	\$(340,000) GF (994,400) TF	TOTAL	\$340,000 GF \$994,400 TF

Recommendation

The JLBC Staff recommends that the Committee approve the requested transfers. As you will see in the agency letter attached at the end of this memorandum, DHS has provided the Committee members with minimal explanation and rationale for their request. We received most of our

(Continued)

information through phone conversations and e-mail. In the future, we suggest that DHS provide more information in its formal submission so as to permit the members to review the agency request first-hand, if they so desire.

Analysis

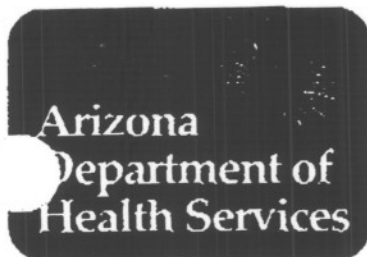
The Behavioral Health Title XIX programs, which are funded by state and federal matching funds, are budgeted based on enrollment in the Arizona Health Care Cost Containment System (AHCCCS) program. Only a small subset of those enrolled in AHCCCS actually utilize behavioral health services. Laws 2000, Chapter 3 provided a supplemental increase in appropriations for the Title XIX State Match Special Line Items for Children's Behavioral Health (CBH), General Mental Health/Substance Abuse (GMH/SA), and Seriously Mentally Ill based in part on expected increases in AHCCCS enrollment. The legislation anticipated growth in Children's enrollment of 12.3% for FY 2000, along with 2.2% enrollment growth in the SMI and General Mental Health Special Line Items. Title XIX enrollment growth, however, has actually been 10.2% in the Children's program versus the projected 12.3% growth. The SMI and General Mental Health programs have experienced 3% growth, compared to the 2.2% projection. Consequently, the SMI and General Mental Health Title XIX State Match Special Line Items are experiencing a shortfall, while a surplus exists in the Children's Special Line Item.

DHS is required by Federal law to provide funding for each person enrolled in Title XIX. As a result, DHS is requesting this transfer to provide the correct amount in each line item. Since this transfer will allow DHS to comply with Federal law and since the requested transfer amounts are consistent with AHCCCS enrollment, the JLBC Staff recommends a favorable review.

DHS provides Title XIX funding (discussed above) and Non-Title XIX funding (100% state funding) to its contractors, the Regional Behavioral Health Authorities (RBHAs), which manage services for the clients. DHS requires RBHAs to separately track expenditures according to the line item allocations. At the end of the fiscal year, however, the contract allows the RBHAs to offset losses in line items with surpluses achieved in other line items. RBHAs' profits are limited to 10% for all Title XIX programs combined and 4% overall (Title XIX and Non-Title XIX).

Recent newspaper articles have highlighted the RBHAs' use of surpluses in Children's programs (both Title XIX and Non-Title XIX) to cover shortfalls in the SMI programs (both Title XIX and Non-Title XIX). While RBHA profit margins in total are within the contract limits, surpluses and deficits in individual programs have been significantly larger. The articles discussed concerns that the surpluses have been caused by children receiving inadequate levels of service. Another perspective notes that RBHAs do not receive enough funding to comply with the Arnold vs. Sarn lawsuit, creating deficits. Under that line of thinking, if the SMI programs received more funding, RBHAs would not need to restrict services to children to cover the shortfall in SMI. Yet another perspective in Maricopa County is that the number of children receiving services is low due to a lingering perception among clients and providers that due to the large cuts implemented by ComCare several years ago, services still are not available.

As mentioned above, these concerns relate to the quality of services and the capitation rates provided at the RBHA level. It is a complex issue that the Committee may wish to further review. To clarify, however, DHS's current transfer request relates to adjusting the Title XIX state match amount to account for changes in the number of persons enrolled in AHCCCS. In addition, the state is required by Federal law to provide the appropriate state match.



Office of the Director

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

JANE DEE HULL, GOVERNOR
JAMES L. SCHAMADAN, M.D., ACTING DIRECTOR

MAY 12 2000



The Honorable Robert "Bob" Burns, Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Burns:

The Arizona Department of Health Services, Division of Behavioral Health Services is requesting to be placed on the June 2000 Joint Legislative Budget Committee's (JLBC) meeting agenda. The purpose of this request is a) to discuss the changes in the Behavioral Health Services capitation rates effective July 1, 2000 based on the new Regional Behavioral Health Authorities' (RBHAs) negotiated contracts, and b) to request reallocation of funds within the Title XIX special line items.

If you have any questions please contact Ron Smith, Assistant Director for Behavioral Health Services, at 553-9000.

Sincerely,

James Griffith
Deputy Director

JG:MB:ah

cc: Leslie Schwalbe, Deputy Director, ADHS
Ron Smith, Assistant Director, ADHS
✓ Maria Black, Administrator, ADHS
Jennifer Vermeer, Assistant Director, JLBC

Leadership for a Healthy Arizona

STATE OF ARIZONA

Joint Legislative Budget Committee

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JEAN HOUGH MCGRATH
BOB MCLENDON
CHRISTINE WEASON

DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Fiscal Analyst

SUBJECT: DEPARTMENT OF HEALTH SERVICES – REVIEW CAPITATION RATE CHANGES FOR
BEHAVIORAL HEALTH SERVICES

Request

Pursuant to a footnote in the General Appropriation Act, the Department of Health Services (DHS) must present an expenditure plan to the Committee for its review prior to implementing any change in capitation rates for the Title XIX behavioral health programs.

DHS has received approval from the Arizona Health Care Cost Containment System (AHCCCS) to change the capitation rates for the Children's Behavioral Health (CBH), Seriously Mentally Ill (SMI) and General Mental Health/Substance Abuse (GMH/SA) line items beginning July 1, 2000 and has submitted a plan showing the estimated cost of the rate changes for the Committee's review. DHS also received approval from AHCCCS to change the capitation rate for the DES-Developmental Disabilities (DD) population. This rate change, which will be retroactive to October 1, 1999, became effective April 1, 2000. The following table shows the budgeted and new capitation rates and the JLBC Staff estimates for the General Fund (GF) cost impact by program:

<u>Program</u>	<u>FY 00 Rate</u>	<u>FY 01 Budgeted Rate</u>	<u>FY 01 Actual Rate</u>	<u>% Change</u>	<u>FY 2001 GF Cost/ (Savings)</u>
CBH	\$23.60	\$24.43	\$24.15	(1.2)%	\$ (77,500)
SMI	50.71	52.48	51.83	(1.8)%	(1,994,900)
GMH/SA	12.88	13.33	13.36	0.2%	70,600
DES-DD	25.81	25.81	26.33	2.0%	25,000
TOTAL					<u>\$(1,976,800)</u>

Recommendation

The JLBC Staff recommends that the DHS plan receive favorable review. The proposed capitated rate changes are based upon an actuarial review, and may result in savings for the General Fund. Enrollment growth, however, may outweigh these savings in FY 2001. As you will see in the agency letter attached at the end of this memorandum, DHS has provided the Committee members with minimal explanation and rationale for their request. We received most of our information through phone conversations and e-mail. In the future, we suggest that DHS provide more information in its formal submission so as to permit the members to review the agency request first-hand, if they so desire.

(Continued)

Analysis

CBH, SMI, and GMH/SA Rates

Since Title XIX is a federal entitlement program and states are required to provide reimbursement rates that are actuarially sound, capitation rates are not set by the Legislature. DHS contracts with an actuarial firm, which uses claims and encounter data and projected enrollment to determine the actual costs of services and thereby recommends increases or decreases in the capitation rates. Once DHS requests a change in rates, the new rates must be approved by AHCCCS. AHCCCS generally consults with their own actuaries to evaluate DHS's requests.

As mentioned above, a footnote in the General Appropriation Act requires DHS to submit an expenditure plan to the Committee prior to implementing any change in capitation rates in the Title XIX behavioral health programs. In the past, capitation rate changes were implemented without notification of the Legislature. The footnote was added so that legislators would be made aware of these changes and the potential budget impacts before the new rates are implemented.

DHS has completed the actuarial process and has received AHCCCS's approval for new rates beginning July 1, 2000. These rates include costs associated with renewing contracts with all of the Regional Behavioral Health Authorities (RBHAs) except Value Options. DHS establishes different capitated rates for each RBHA within a pre-determined range, depending upon the price the RBHA bids to provide services. DHS anticipates that we may see further adjustment to the capitated rates when Value Options' contract is renewed October 1, 2000.

Based on enrollment projections used in developing the FY 2001 appropriations, the capitation rate changes will create a savings of \$(77,500) GF associated with the children's program, \$(1,994,900) GF associated with the SMI program, and an increase of \$70,600 GF associated with the general mental health program. These savings are relative to the FY 2001 supplemental General Fund set-asides of \$4,903,100 for the children's program, \$3,499,000 for the SMI program, and \$1,432,200 for general mental health. (We did not formally appropriate a FY 2001 supplemental to DHS, but sets aside General Fund monies to cover their anticipated costs.) Set-aside estimates for the children's and SMI programs were based on a higher projected capitation rate than is being requested. Thus, while the FY 2001 rates are higher than FY 2000 rates, they are less than the set-aside, resulting in a net savings.

The Behavioral Health Title XIX programs are budgeted based on enrollment in the AHCCCS program. Only a small subset of those enrolled in AHCCCS actually utilize behavioral health services. Title XIX enrollment growth, however, has actually been much less than anticipated in the children's program, while greater growth has been experienced in the SMI and general mental health program. The savings in the SMI and general mental health programs due to the capitation rate changes may be outweighed by increased costs due to higher than expected enrollment. Conversely, because enrollment in the children's program has been less than expected, the children's program may realize greater savings than projected by the change in capitation rate. The savings in CBH may offset some of the increased costs in SMI and GMH/SA.

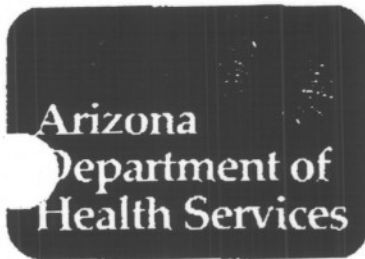
Since the rates are based upon an actuarial calculation required by federal law, the JLBC Staff recommends that the Committee give the rates afavorable review.

Developmentally Disabled

The Department of Economic Security (DES) contracts with DHS to provide behavioral health care for its developmentally disabled Title XIX population. DES negotiates the capitation rate that DHS will pay to its contracted RBHAs for the behavioral health needs of the developmentally disabled Title XIX population with AHCCCS. The proposed rate change would increase the capitation rate for behavioral health services to the developmentally disabled population, which includes children and adults, from \$25.81 to \$26.33, or 2%. The rate change, which will be retroactive to October 1, 1999, became effective April 1, 2000.

JLBC Staff anticipates minimal fiscal impact as a result of the proposed change in the DD capitation rate. For FY 2000, the fiscal impact to the GF would be less than \$100,000. For FY 2001, the fiscal impact to the GF would be less than \$25,000.

RS/GG:ag



Office of the Director

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

JANE DEE HULL, GOVERNOR
 JAMES L. SCHAMADAN, M.D., ACTING DIRECTOR

MAY 12 2000

The Honorable Robert "Bob" Burns, Chairman
 Joint Legislative Budget Committee
 Arizona House of Representatives
 1700 West Washington Street
 Phoenix, Arizona 85007

Dear Representative Burns:

The Arizona Department of Health Services, Division of Behavioral Health Services is requesting to be placed on the June 2000 Joint Legislative Budget Committee's (JLBC) meeting agenda. The purpose of this request is a) to discuss the changes in the Behavioral Health Services capitation rates effective July 1, 2000 based on the new Regional Behavioral Health Authorities' (RBHAs) negotiated contracts, and b) to request reallocation of funds within the Title XIX special line items.

If you have any questions please contact Ron Smith, Assistant Director for Behavioral Health Services, at 553-9000.

Sincerely,

A handwritten signature in cursive script that reads "James B. Griffith".

James Griffith
 Deputy Director

JG:MB:ah

cc: Leslie Schwalbe, Deputy Director, ADHS
 Ron Smith, Assistant Director, ADHS
 Maria Black, Administrator, ADHS
 Jennifer Vermeer, Assistant Director, JLBC

Leadership for a Healthy Arizona

**Arizona
Department of
Health Services**

***Division of Business and Financial Services
Strategic Planning and Budget Office***

1740 W. Adams, Room 301
Phoenix, Arizona 85007-2670
(602) 542-1035
(602) 542-1596 FAX

JANE DEE HULL, GOVERNOR
JAMES L. SCHAMADAN, M.D., ACTING DIRECTOR

May 10, 2000



The Honorable Robert "Bob" Burns, Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Burns:

The Arizona Department of Health Services, Division of Behavioral Health Services is requesting to be placed on the May 2000 Joint Legislative Budget Committee's (JLBC) meeting agenda. The purpose of this request is to discuss the changes in the Behavioral Health Services Department of Economic Security Developmental Disability (DES/DD) rates, which took effect retroactive to October 1, 1999.

If you have any questions, please contact Michael Priniski, Chief Financial Officer for Behavioral Health Services, at 553-9017.

Sincerely,

Leslie Schwalbe
Leslie Schwalbe
Deputy Director *by [signature]*

LS:MB:ah

cc: Ron Smith, Assistant Director, ADHS
Maria Black, Administrator, ADHS
Gina Guarascio, Fiscal Analyst, JLBC

Leadership for a Healthy Arizona

STATE OF ARIZONA

Joint Legislative Budget Committee

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PHONE (602) 542-5491

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CHRISTINE WEASON

DATE: June 13, 2000

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

THRU: Richard Stavneak, Director

FROM: Indya Kincannon, Fiscal Analyst

SUBJECT: ARIZONA HISTORICAL SOCIETY – CONSIDER APPROVAL OF
TRANSFER OF APPROPRIATIONS

Request

The Arizona Historical Society requests Committee approval to transfer appropriations in FY 2000. Specifically, the Society requests to transfer \$45,000 in General Fund monies as shown below:

TRANSFER FROM:

Personal Services	\$39,400
Employee Related Expenditures	<u>5,600</u>
TOTAL	\$45,000

TRANSFER TO:

Other Operating Expenditures	\$26,000
Professional and Outside Services	<u>19,000</u>
TOTAL	\$45,000

Recommendation

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

Analysis

A.R.S. § 35-173(E) requires the Committee to approve any transfer to or from Personal Services and Employee Related Expenditures (ERE) if those line items are separately delineated for an agency in the General Appropriation Act. The Arizona Historical Society's FY 2000 budget includes Personal Services and ERE as separate line items. The agency is proposing to transfer Personal Services and ERE funds to cover higher than expected utility and security costs.

(Continued)

The Society opens its facilities after hours for exhibits, meetings and special events throughout the year. In FY 2000 the Society estimates that its facilities have been open to the public for 1,800 non-traditional hours. This extended programming has caused security expenses, as funded from the Professional and Outside Services line item, to exceed the budget by \$19,000. The Society contracts with an approved provider for security services.

The extended programming has also resulted in higher than expected utility costs. In order to preserve the historical collections of artifacts, maps, manuscripts, photographs and other archival materials, the facilities must maintain constant climate controls of 70 degrees and 50 percent humidity. It takes more energy to maintain appropriate climate controls when the building is open to the public. As such, the Society's utility expenses have exceeded the budgeted amount for Other Operating Expenditures by \$26,000.

RS/IK:ag



Arizona Historical Society

founded by Arizona pioneers in 1884

Administrative Headquarters • 949 E. Second St. • Tucson • AZ 85719 • (520) 628-5774 • FAX (520) 628-5695

June 5, 2000

Senator Randall Gnant
Chair Joint Legislative Budget Committee
Arizona State Legislature
1700 W. Washington
Phoenix, Arizona 85007

Re: Reallocation of Appropriated Funding

Dear Senator Gnant:

The Arizona Historical Society (AHS) is a modified lump sum budget agency. As such AHS is required to seek JLBC approval for transfer of funds between Salaries and Operations.

The Society is requesting approval of the Joint Legislative Budget Committee to transfer funds from its Personal Services and ERE lines to its operating budget to cover the following costs: Utilities (\$26,000) and Security (\$19,000).

Utilities has been a continuing area of concern. In 1998, the Society requested and was approved to utilize over \$40,000 in vacancy savings for excess utility costs. In 1999, the figure approved for transfer was \$64,000.

The security guards are a direct reflection of increased public programming. The Society has been open to the public more than 1800 non-traditional hours (after 4pm weekdays and an average of 5 hours per day Saturdays and Sundays) this fiscal year. This has caused security expenses to exceed budget by \$19,000.

The Arizona Historical Society estimates that we will have vacancy savings of approximately \$90,000 this fiscal year.

As a modified lump sum budget agency, we are therefore requesting that the Joint legislative Budget Committee approve the transfer of \$45,000 from Salaries to Operating Expenses. We will revert \$45,000 of unused vacancy savings.

Your consideration of this matter is greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "W. L. Ponder". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

William L. Ponder
Chief Administrative Officer

c.

Representative Robert Burns, Co-Chair JLBC
Richard Stavneak, Director JLBC
Kristine Ward, OSPB Analyst
Joel Hiller, Interim Executive Director
Richard Shaw, AHS President

STATE OF ARIZONA

Joint Legislative Budget Committee

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PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

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CHRISTINE WEASON

DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

FROM: Indya Kincannon, Fiscal Analyst

SUBJECT: ARIZONA PIONEERS' HOME – CONSIDER APPROVAL OF TRANSFER
OF APPROPRIATIONS

Request

The Arizona Pioneers' Home requests Committee approval to transfer appropriations in FY 2000. Specifically, the Home requests to transfer \$45,000 in General Fund monies from Personal Services to Other Operating Expenditures to cover higher than expected maintenance and drug costs.

Recommendation

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

Analysis

A.R.S. § 35-173(E) requires the Committee to approve any transfer to or from Personal Services and Employee Related Expenditures (ERE) if those line items are separately delineated for an agency in the General Appropriation Act. The Arizona Pioneers' Home's FY 2000 budget includes Personal Services and ERE as separate line items. The agency is proposing to transfer Personal Services funds to cover higher than expected maintenance and drug costs.

A 1997 report by the Auditor General identified numerous fire and life safety deficiencies at the Home. In response to this report, and in conjunction with the Arizona Department of Administration (ADOA), the Home has completed several repair and improvement projects throughout the facility. ADOA's Risk Management and Building Renewal Funds covered the bulk of these costs. However, the Home incurred some unexpected costs that it now proposes to

(Continued)

cover via a transfer from the Personal Services line item. Of the \$45,000 transfer, approximately \$35,000 would pay for repairs to the fire alarm and sprinkler system, new insulation to replace asbestos insulation, replacement of dilapidated pipes and repainting one wing of the 2nd story. These items would normally be paid from the Capital Outlay Bill Building Renewal Funds, but there is not always a clear distinction between allowable uses of General Appropriation Act operating monies and Capital Outlay funds. Of the remaining transfer, approximately \$10,000 would also be used to pay increased drug costs.

The Home has approximately \$100,000 in surplus funds due to vacancy savings. After inspectors noted significant deterioration of the asbestos tiles on the 2nd floor, ADOA began an asbestos abatement project. During this project one wing of the Home could not be occupied. Accordingly, the Home had about 20% fewer residents than usual and did not need as many staff. Additionally, the Home has had some difficulty hiring nurse assistants and food service workers.

In completing the various fire and life safety upgrades, and in facing increased drug costs, Other Operating Expenditures are \$45,000 greater than appropriated. The Home requests a transfer of \$45,000 from the surplus in Personal Services to the Other Operating Expenditures line item to cover the shortfall. The Home plans to revert the \$55,000 remaining unused vacancy savings. The JLBC Staff recommends the Committee approve this request.

RS/IK:ss

Arizona Pioneers' Home

Jane Dee Hull
Governor

300 South McCormick Street
Prescott, Arizona 86303
(520)445-2181 - FAX (520)778-1148

Jeanine Dike
Superintendent

June 1, 2000

Senator Randall Gnant
Arizona State Senate
1700 W. Washington
Phoenix, AZ 85007

Dear Senator Gnant,

As the end of FY2000 draws to a close, there are areas in our budget that require transfers. JLBC approval is needed to transfer funds from Personal Services. During this fiscal year we have had unanticipated expenses related to remodeling a wing following asbestos abatement, increases in medical expenses, etc.

Because of vacancy savings, we have available funds in Personal Services. We are requesting authorization to transfer \$45,000 from Personal Services to Other Operating Expenses to facilitate closing out our FY without a shortfall in any line item area.

Please notify us of the time and location of the next JLBC meeting.

Sincerely,



Jeanine Dike
Superintendent

cc: Representative Bob Burns
Indya Kincannon, JLBC Budget Analyst
Richard Stavneak, Director JLBC

STATE OF ARIZONA

Joint Legislative Budget Committee

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BOB MCLENDON
CHRISTINE WEASON

DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

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

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY - REVIEW OF FEDERAL SOCIAL
SERVICES BLOCK GRANT FY 2001 EXPENDITURE PLAN

Request

Pursuant to a footnote in the FY 2000 and FY 2001 General Appropriation Act, the Department of Economic Security (DES) wishes to report to the Committee a preliminary distribution of federal Social Services Block Grant (SSBG) monies for FY 2001.

Recommendation

JLBC Staff recommends that the Committee defer its review of this FY 2001 SSBG Expenditure Plan report since the federal government has not yet finalized its SSBG allocations for federal fiscal year (FFY) 2001. JLBC Staff also recommends that the agency provide an updated report to the Committee within 30 days of Congressional approval of SSBG funding.

In its preliminary plan, DES proposes across-the-board cuts to reduce spending because of federal reductions in SSBG funding. Reductions to administration for the department would be about the same as reductions for state-planned and locally-planned service providers. This proposed plan is inconsistent with legislative intent as stated in the General Appropriation Act. The legislative intent was to minimize reductions for state and locally-planned service providers.

Analysis

The 1999 Legislature approved a transfer of monies from the federal TANF Block Grant to offset expected federal cuts in SSBG funding. The SSBG is a federal grant given to states to provide a variety of social services intended, in part, to maintain self-sufficiency, reduce and prevent dependency, and prevent and remedy neglect and abuse. In 1998, Congress and the President reduced SSBG funding for FFY 1999. The Legislature responded by approving the transfer of money from the TANF Block Grant

(Continued)

to the SSBG in FY 1999, FY 2000, and FY 2001. The additional funding was intended to cushion the impact of the federal reductions, making up 100% of the cut in FY1999, 67% of the expected cut in FY 2000, and 33% of the expected cut in FY 2001. The Legislature also directed the department to use the funding in a manner that minimizes the overall reduction in funding to local and state service providers.

The Legislature included a footnote in the General Appropriation Act so that it could review DES' plans if the actual SSBG allocation differed from that assumed in the budget. Table 1 shows the FY 2001 approved funding, along with the actual federal allocations for FY 1999 and FY 2000. It also shows the amount reflected in the department's preliminary FY 2001 SSBG planned expenditures.

	Approved <u>FY 1999</u>	Approved <u>FY 2000</u>	Approved <u>FY 2001</u>	Preliminary * SSBG Plan <u>FY 2001</u>
Federal SSBG allocation	\$32,939,500	\$30,452,000	\$29,508,800	\$29,361,500
TANF/SSBG appropriation	3,990,100	4,186,600	2,581,300	2,581,300
Expected Surplus TANF	<u>0</u>	<u>2,291,000</u>	<u>0</u>	<u>1,612,700</u>
Total Funding Level	\$36,929,600	\$36,929,600	\$32,090,100	\$33,555,500

* Assumes no changes to the anticipated federal allocation of \$1.7 billion.

The Committee reviewed and approved the FY 2000 SSBG Expenditure Plan during its January 2000 meeting. The plan included the approved funding of \$4,186,600 from TANF/SSBG to offset 67% of the federal cut in SSBG funding. It also included another \$2,291,000 transferred from a surplus TANF appropriation for job training and job search services. The reason for the surplus TANF funds in the JOBS Special Line Item was because the number of clients was lower and their stay in the JOBS program shorter than anticipated. Use of the \$2,291,000 in surplus TANF funds allowed FY 2000 SSBG funding to remain at the FY 1999 funding level of \$36,929,600.

The department also reported in January that it planned to transfer surplus TANF JOBS funding for FY 2001 to SSBG. The amount of surplus TANF was dropped from the \$2,291,000 in FY 2000 to \$1,612,700 in FY 2001 based on the expectation that there will be fewer SSBG clients eligible to use TANF funding instead of SSBG funding. The department's latest report continues to show use of the \$1,612,700 in surplus TANF for FY 2001. Use of this surplus TANF, however, could exceed the estimated \$1,612,700 if the TANF eligible caseload is higher than expected. (Please see Attachment 1 for the department's FY 2001 SSBG Reduction Plan.)

To meet the footnote requirement, DES has submitted a preliminary SSBG plan that assumes Arizona will receive a FY 2001 SSBG allocation of \$29,361,500. Combined with the \$2,581,300 of TANF-transferred SSBG to offset 33% of the federal cut in SSBG funding and \$1,612,700 of anticipated surplus TANF appropriated for FY 2001, this produces a FY 2001 total funding level of \$33,555,500. The amount assumed by DES for FY 2001, \$33,555,500, exceeds the amount assumed in the budget, \$32,090,100, by \$1,465,400 because of the proposed use of surplus TANF. Instead of a reduction of \$(4,839,500) in FY 2001 from FY 2000 because of the previous federal cuts to SSBG funding, the reduction in funding would be \$(3,374,100).

(Continued)

Under the department's plan, this (\$3,374,100) or 9.1% reduction in funding for FY 2001 would be spread equally between the department for its administrative costs and the local and state providers for services. However, the department reports that it will attempt to minimize SSBG reductions to service providers by using surplus TANF funds to pay for services whenever appropriate. The department also indicates that it is too early to submit a final plan to the Committee for its SSBG funding since the Congressional budget is not yet finalized and the department is still in the process of considering adjustments between its various programs to minimize SSBG reductions.

The department's preliminary plan, however, does not follow legislative intent in that it does not use the \$2,581,300 of TANF-transferred SSBG in a manner that minimizes the overall reduction in funding to local and state service providers. A footnote in the General Appropriation Act provides that "the \$2,581,300 allocated for use in restoring federal reductions shall be expended by the Department of Economic Security in a manner that minimizes the overall reductions in funding to state planned and local planned providers."

Table 2 compares reductions proposed by DES to reductions when the appropriated TANF/SSBG monies are used entirely for offsetting reductions to local and state service providers. The reductions for service providers would be much less or approximately half the amount proposed by the department if the TANF/SSBG funds were used as intended.

Table 2	<u>DES Proposed Plan</u>		<u>Legislative Intent-TANF/SSBG</u>	
	<u>Reductions</u>	<u>% Change from FY 2000</u>	<u>Reductions</u>	<u>% Change from FY 2000</u>
Administration	\$(1,257,564)	(8.7)	\$(2,330,913)	(16.1)
Service Providers - Contracted	(1,015,758)	(9.2)	(491,423)	(4.4)
Local Councils of Government	<u>(1,100,778)</u>	(9.6)	<u>(551,764)</u>	(4.8)
Total Adjustment	\$(3,374,100)	(9.1)	\$(3,374,100)	(9.1)

The department reports that it would have to reduce existing staff if required to implement higher reductions in administration. JLBC Staff has not yet seen the detail needed to evaluate the department's position. JLBC Staff agrees it is too early to know what Arizona's SSBG allocation will be, since federal appropriations are still undetermined and there is an ongoing discussion in Congress for further reductions in SSBG funding. As a result of the uncertainty, we recommend deferring a review of the SSBG report until the FY 2001 SSBG allocation is set. JLBC Staff recommends that the agency provide an updated report to the Committee within 30 days of congressional approval of SSBG funding.

RS/PM/SSh:ss
Attachment



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Jane Dee Hull
Governor

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

John L. Clayton
Director

JUN 6 2000

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

Dear Senator Gnant:

The Department of Economic Security respectfully requests to be placed on the June JLBC meeting agenda to: (a) review the bi-monthly Arizona Works status report pursuant to a provision in Arizona Revised Statute 46-344, (b) review the Social Services Block Grant SFY 2001 plan pursuant to a footnote in the FY 2000 General Appropriation Act, and (c) review and approve a transfer of funds in the Temporary Assistance for Needy Families Cash Benefits Line Item for SFY 2001 in the Division of Benefits and Medical Eligibility pursuant to a footnote in the FY 2000 General Appropriation Act.

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

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

Sincerely,


John L. Clayton

SSBG SFY 2001 Reduction Plan May 25, 2000

	SFY 1999 Base	Transfer \$	Reduction	2001 TANF	Revised
Administration					
Admin. Support Div.	4,843,421		427,893	-	4,415,528
OPPPC-State Planned	199,225	254,200	43,528	-	409,897
OPPPC-JLBC Approp. Report	208,212	(I&R Service)	20,081	-	188,151
Total Administration	5,250,858	254,200	491,482	-	5,013,576
CSA					
State Planned*	662,981	(I&R Service)	38,995	256,766	367,200
Program	961,565	(254,200)	67,907	-	639,458
JLBC Approp. Report	45,000		4,336	-	40,664
Total CSA	1,669,528	(254,200)	111,238	256,766	1,047,322
AAA					
State Planned	2,248,121		216,607	-	2,031,514
Program	1,442,380		138,971	-	1,303,389
JLBC Approp. Report	212,500		20,474	-	192,026
Total AAA	3,902,981		376,052	-	3,526,929
ACYF					
State Planned	406,960		39,210	-	367,750
Program	5,069,929		488,488	-	4,581,441
JLBC Approp. Report	6,232,720		600,523	-	5,632,197
Total ACYF SSBG Funds	11,709,609		1,128,221	-	10,581,388
DDD					
State Planned	16,420		1,582	-	14,838
Program	-		-	-	-
JLBC Approp. Report	-		-	-	-
Total DDD	16,420		1,582	-	14,838
RSA					
State Planned	603,982		58,193	-	545,789
Program	637,125		61,387	-	575,738
JLBC Approp. Report	372,005		35,843	-	336,162
Total RSA	1,613,112		155,423	-	1,457,689
CCA					
State Planned	-		-	-	-
Program*	995,325		-	995,325	-
JLBC Approp. Report	250,000		-	-	250,000
Total CCA	1,245,325		-	995,325	250,000
JOBS					
State Planned	-		-	-	-
Program	95,880		9,334	-	87,546
JLBC Approp. Report	-		-	-	-
Total JOBS	95,880		9,334	-	87,546
Locally Planned					
COGs*	8,966,081		862,918	360,590	7,732,573
AZ Indian Tribes	2,488,766		237,666	-	2,230,900
Total Locally Planned	11,424,847		1,100,784	360,590	9,963,473
State Totals (DES & Local Planned)	36,929,668		3,374,116	1,612,681	31,842,781
TANF/SSBG Children's Services	15,225,000		(7,725,000)		22,950,000
Locally Planned Total Reduction			1,100,784	360,590	1,461,374
DES Total Reduction			2,273,332	1,252,091	3,526,423
State Total Reduction			3,374,116	1,612,681	4,986,797

SFY-2001: the SSBG funding reductions of \$256,766 to CSA State Planned Services, \$360,590 to Locally Planned CSA Services and \$995,325 to CCA are replaced by \$1,612,681 of pure TANF funds (not SSBG/TANF funds).

STATE OF ARIZONA

Joint Legislative Budget Committee

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1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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CHRISTINE WEASON

DATE: June 13, 2000

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

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY - CONSIDER APPROVAL OF
TRANSFER OF APPROPRIATIONS

Request

Pursuant to a footnote in the FY 2000 - FY 2001 General Appropriation Act, the Department of Economic Security (DES) requests that the Committee approve a transfer of funds for FY 2001 in the Temporary Assistance for Needy Families (TANF) Cash Benefits Special Line Item (SLI) and other line items to ensure the state meets its federal maintenance of effort requirements.

Recommendation

JLBC Staff recommends the Committee approve the requested FY 2001 transfers. They represent technical adjustments to ensure compliance with federal regulations. The transfers are as follows:

Budget Affected	General Fund	TANF Block Grant	Total
Div. of Benefits & Medical Eligibility (DBME) Operating	\$(10,000,000)	\$10,000,000	\$0
Div. of Children, Youth & Families (DCYF) Operating	(7,828,500)	7,828,500	0
Administration Operating	(1,400,000)	1,400,000	0
DBME TANF Cash Benefits SLI	21,228,500	(21,228,500)	0
DCYF Family Builders SLI	(1,000,000)	1,000,000	0
DCYF Attorney General Legal Services SLI	(1,000,000)	1,000,000	0
TOTAL	\$ 0	\$ 0	\$0

(Continued)

Analysis

The FY 2000 - FY 2001 General Appropriation Act (Laws 1999, Chapter 1, 1st Special Session) contains the following footnote in the DES budget:

“Notwithstanding A.R.S. § 35-175C, any transfer to or from the \$125,957,200 appropriated for Temporary Assistance for Needy Families Cash Benefits in FY 2000 and FY 2001 requires approval of the Joint Legislative Budget Committee.”

DES is requesting a series of transfer into and out of the TANF Cash Benefits line item that results in no change in overall funding. The requested transfers are shown in the above table.

The 1996 federal welfare reform legislation creating the TANF Block Grant established a “maintenance of effort” (MOE) level for each state based on historical state welfare expenditures prior to the 1996 federal welfare reform legislation. The original federal TANF legislation instituted a 15% cap on administrative expenditures, both for TANF Block Grant expenditures as well as state General Fund (GF) expenditures counting toward the state’s required MOE spending. Administrative expenditures in excess of that 15% cap cannot be claimed as part of the state’s MOE. Previously, eligibility determinations were not considered as “administrative” expenditures and all GF monies spent on eligibility determination counted as MOE. The final TANF regulations, issued last summer by the federal government, changed the definition of administrative expenditures, however, to include eligibility determinations. This change places the state in excess of its 15% cap for administrative expenditures, reducing state MOE expenditures, which puts the state at risk of losing federal TANF Block Grant monies because it is below its minimum MOE level.

In addition, federal law prohibits counting monies spent on Children Services and associated case management as part of the state’s MOE. DES used to count these monies as MOE until it made a correction in FY 1999. This change in the federal regulations also puts the state at risk of losing federal TANF Block Grant monies for being below its minimum MOE level.

The requested FY 2001 transfers address these 2 issues by shifting \$21,228,500 GF out of budget areas where GF expenditures can no longer be counted as MOE and into TANF Cash Benefits where it can be counted as MOE. An equivalent amount of TANF Block Grant monies would also be transferred out of TANF Cash Benefits and shifted into the other budget areas.

At its December 1999 meeting, the Committee approved a similar set of FY 2000 transfers, shifting \$21,228,500 GF out of certain budget areas into TANF Cash Benefits and shifting \$21,228,500 TANF into those budget areas. The only difference between the approved FY 2000 transfers and the requested FY 2001 transfers is the amount of GF monies shifted out of Family Builders is decreased by \$(1,607,800), from \$(2,607,800) to \$(1,000,000) and the amount of GF monies shifted out of DCYF’s operating budget is increased by \$1,607,800, from \$(6,220,700) to \$(7,828,500). These changes are due to changes in the level of qualifying expenditures in the programs.

JLBC Staff recommends the Committee approve the requested transfers. If these transfers are not made, the state would be at risk of losing a portion of its TANF Block Grant. Since these transfers would not affect the levels of services provided by DES, we recommend the approval of these transfers.

RS:SSh:ss



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Jane Dee Hull
Governor

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

John L. Clayton
Director

JUN 6 2000

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

Dear Senator Gnant:

The Department of Economic Security respectfully requests to be placed on the June JLBC meeting agenda to: (a) review the bi-monthly Arizona Works status report pursuant to a provision in Arizona Revised Statute 46-344, (b) review the Social Services Block Grant SFY 2001 plan pursuant to a footnote in the FY 2000 General Appropriation Act, and (c) review and approve a transfer of funds in the Temporary Assistance for Needy Families Cash Benefits Line Item for SFY 2001 in the Division of Benefits and Medical Eligibility pursuant to a footnote in the FY 2000 General Appropriation Act.

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

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

Sincerely,


John L. Clayton

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

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1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

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DATE: June 13, 2000

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

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY - BIMONTHLY REPORT ON
ARIZONA WORKS

Request

Pursuant to a provision in A.R.S. § 46-344, the vendor for the Arizona Works pilot welfare program is providing its bimonthly report on the Arizona Works program.

Recommendation

This item is for information only and no Committee action is required. Recent total Arizona Works caseloads continue to decline faster than participation in the remainder of Maricopa County.

Analysis

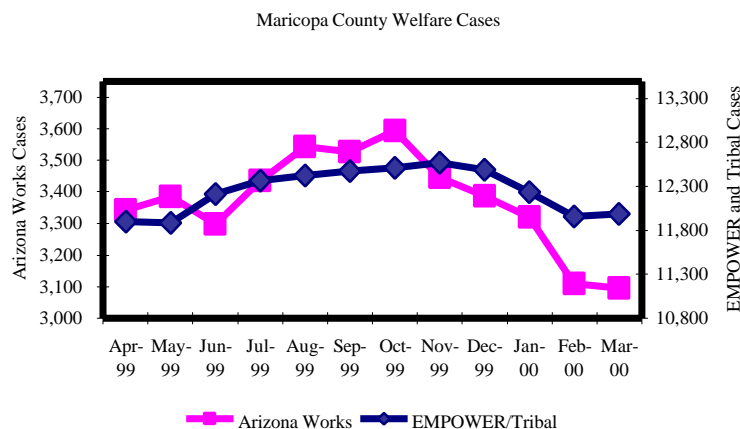
The Arizona Works pilot program, which replaces the Department of Economic Security (DES) EMPOWER Redesign welfare program in DES District I-E (eastern Maricopa County), is operated by the private vendor MAXIMUS. The attached report covers caseload data through the end of March.

The chart on the following page compares the total number of cases in the Arizona Works program with the caseload in the rest of Maricopa County. In recent months, the Arizona Works total caseload has decreased while the Maricopa County total caseload has remained flat, though it, too, has decreased in the past few months. JLBC Staff would note that the chart in our May

(Continued)

memo discussing December and January data was incorrect and reflected a slight increase in EMPOWER cases when cases, in fact, decreased slightly. Overall, however, since October 1999, decreases in the Arizona Works total caseload have been larger than those in EMPOWER and tribal areas, especially in early 2000.

The results presented on the chart below reflect changes in the total caseload. The total caseload includes child only cases (cases in which there is no adult subject to TANF work requirements) and tribal cases. As we noted in our review of the last bimonthly report in May, since child-only cases comprise 40-45% of the total caseload, and tribal cases comprise another 1-2%, their presence in the above figures may skew the results for cases with employable adults subject to work requirements, especially if child-only caseloads are responding differently in each area. JLBC Staff continues to work with DES and the Arizona Works vendor to improve the comparability of data, particularly regarding employable adults subject to work requirements.



The following table provides information on the total number of Arizona Works cases by type for the last 8 months. The table shows that the number of total cases continues to decrease a total of 12.6% in 7 months. This decrease has occurred almost entirely in the TANF population, while the number of cases for whom no work participation is required, i.e., child-only cases, has remained relatively flat. In fact, in March the number of those child-only cases exceeded the number of TANF cases.

<u>ARIZONA WORKS PROGRAM: TOTAL CASES BY TYPE</u>				
<u>Month</u>	<u>TANF</u>	<u>No Work Participation</u>	<u>New Transfer In</u>	<u>Total</u>
August	2,011	1,473	59	3,543
September	1,994	1,483	51	3,528
October	2,027	1,516	50	3,593
November	1,848	1,542	56	3,446
December	1,798	1,536	53	3,387
January	1,708	1,518	95	3,321
February	1,564	1,501	46	3,111
March	1,513	1,515	68	3,096

(Continued)

In our last bimonthly review, we noted that DES was working to obtain comparative data for months prior to October 1999 and hoped to present that information by June 1. Although we now have that data from DES, MAXIMUS is still working on obtaining some of that pre-October 1999 data. A representative of FOX Systems, the Procurement Board's technical contractor, has indicated that MAXIMUS should be submitting that data within the next week. As we noted above, however, the reports from DES are not perfectly comparable to those from MAXIMUS, especially regarding employable adults subject to work requirements. JLBC Staff will work with DES and the Arizona Works vendor to improve data comparability.

The MAXIMUS report notes that MAXIMUS attended the public hearings conducted by the Arizona Works Agency Procurement Board in Mohave, Cochise, and Pinal related to the requirement that the Procurement Board select a second, rural Arizona Works pilot site. The report also provides results of customer satisfaction surveys, which show no significant change from prior months in customer satisfaction with the program, ranging between "Good" and "Excellent."

We would continue to note that the information in both reports cannot, by itself, give an indication of the relative success of each program. This is in part because success may be measured by more than just caseload reduction; demographic differences may also affect program success. The evaluation conducted by JLBC Staff this year and the evaluation to be conducted by an independent evaluator hired by the Arizona Works Agency Procurement Board will look into program success in greater detail.

A.R.S. § 46-344 requires JLBC to conduct an evaluation of the Arizona Works program within one year after the first year of operation of Arizona Works. JLBC Staff intends to work on this evaluation during this summer and early fall and to present its results to the Committee before the end of calendar year 2000. The statutory requirements of the evaluation include determining the following:

- If the outside vendor has met the requirements of the contract
- If the vendor has met the goals of the Arizona Works program
- If the vendor has met the requirements of the performance bond
- The fiscal impact of Arizona Works implementation
- The impact of Arizona Works on:
 - Placement of recipients in paid employment
 - Caseload reduction
 - Development of community partnerships
 - Placement of individuals who were previously exempt under the job opportunities and basic skills program
 - Placement of individuals with higher than average lengths of stay on the program

JLBC Staff intends to use available data to evaluate the Arizona Works program as outlined in statute. Should members of the Committee have particular questions, or areas of interest regarding the evaluation, JLBC Staff recommends that the Committee convey those questions and areas of interest soon after this meeting so that we can integrate those concerns into our evaluation.



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Jane Dee Hull
Governor

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

John L. Clayton
Director

JUN 6 2000

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

Dear Senator Gnant:

The Department of Economic Security respectfully requests to be placed on the June JLBC meeting agenda to: (a) review the bi-monthly Arizona Works status report pursuant to a provision in Arizona Revised Statute 46-344, (b) review the Social Services Block Grant SFY 2001 plan pursuant to a footnote in the FY 2000 General Appropriation Act, and (c) review and approve a transfer of funds in the Temporary Assistance for Needy Families Cash Benefits Line Item for SFY 2001 in the Division of Benefits and Medical Eligibility pursuant to a footnote in the FY 2000 General Appropriation Act.

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

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

Sincerely,


John L. Clayton

May 24, 2000

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



Dear Chairman:

Attached is the May 15, 2000 report submitted to the Arizona Works Procurement Board by MAXIMUS, Inc.

FOX Systems will continue to work with MAXIMUS to update and revise this report as necessary to provide requested information to JLBC.

If you need further assistance or information, please feel free to call me at (480) 423-8184 extension 204.

Thank you,

A handwritten signature in cursive script that reads "Sherry Scott".

Sherry Scott
Project Analyst

cc:
Senator Bob Burns
Mr. Stefan Shepard



Administered by MAXIMUS

May 23rd, 2000

Mr. Alfredo Gutierrez, Chairman
Arizona Works Procurement Board
C/O Desh Ahuja
Fox Systems, Inc.
4110 N. Scottsdale Road, Suite 345
Scottsdale, Arizona 85251

Dear Chairman Gutierrez:

Attached is the report that JLBC has requested as an Arizona Works project deliverable due on May 15th. The report reflects progress made since the last report dated March 15th, 1999.

Should you have any questions, or if I can be of further assistance, please do not hesitate to contact me at 480.668.4998.

Sincerely,

Beth Hicks
Program Manager
Welfare Reform Division

BH/ct

MAXIMUS ARIZONA WORKS PROGRESS REPORT MAY 15, 2000

HIGHLIGHTS

- o MAXIMUS attended all public hearings that were held in Mohave, Cochise, and two in Pinal counties for the second site selection.
- o MAXIMUS was available and able to provide attendees at the public hearings the opportunity to have their questions/concerns addressed.

OPERATIONS

- o Support Services – Policy surrounding support services is an additional area being reviewed for potential process improvement. To ensure there are no roadblocks for a participant to receive needed services, staff are reviewing/updating/writing policy that supports a clear identification of needs, facilitates a smooth referral process, and ensures proper receipt of services from the provider. Participant, provider, and case manager feedback assists in this operation.
- o Facilities – The closure of the McKellips office was completed on March 24th.
- o Grant Diversion – No additional grant diversion cases have been approved.

COMMUNITY OUTREACH

- o One of the many contracts MAXIMUS has with community organizations is with the Child and Family Resources.
- o The Child and Family Resources offers a comprehensive custodial teen parent program through the Maricopa Center for Adolescent Parents (MCAP).
- o This contract/program enables many of our Arizona Works participants an opportunity to receive comprehensive services such as completing their education, self-sufficiency, parenting and life skills, and time management to name a few.
- o An additional service that is provided by MCAP, is on-site childcare. Which further reduces hurdles many participants run into.
- o As of April, MAXIMUS has 32 provider contracts that afford a wide range of support services for our participants.
- o Negotiations continue for additional contracts that are under development which will add to the service network.

COORDINATING COMMITTEE

- o A regular Arizona Works Coordinating Committee meeting has been scheduled for May 16th

CUSTOMER SATISFACTION

- o The attached Customer Satisfaction Survey compilation demonstrates that satisfaction continues to run above average. *See Attachment I*
- o Handwritten comments from participants are also attached. These comments provide a glimpse of some of the thoughts and feelings our participants have about various areas in Arizona Works. *See Attachment II*
- o The suggestion boxes that are available at all MAXIMUS offices continue to provide valuable input from both Arizona Works staff *and* participants.

QUALITY ASSURANCE

- o The past few months have been very “improvement” focused.
- o Staff continually evaluates processes to determine effectiveness and potential for improvement as new situations arise.
- o The alignment of cases in the three state systems continues to ameliorate and much of this is due to better utilization of reports.
- o No agency grievances were reversed during the month of March
- o There continues to be no appeals to the Office of Administrative Hearings.
- o The following training occurred in the month of March: Facilitators training; OP/Case transfer training; and Transportation training.
- o Enhancements and changes are being made to the existing MAXAcademy. MAXAcademy is an activity/service where participants receive a variety of employment related services. The feedback from participants attending this activity and from Arizona Works staff has provided a method for continued process improvement in both the referral process as well as the curriculum.

OTHER

- o The April food drive to benefit the Salvation Army has moved into phase two. The first half of the month staff focused on donating “food” items that were in demand for the Easter holiday. Phase two comprises of a “needs” drive. Staff have begun donating much-needed items such as shampoo, tooth brushes/paste, soap, etc.
- o In addition to sponsoring the Salvation Army, MAXIMUS also choose to help another organization make the Easter holiday a little brighter. MAXIMUS employees put together and donated Easter baskets for 20 teenage boys at the Dorothy Mitchell Residence, one of the many residential centers that PREHAB of Arizona has.
- o PREHAB of Arizona responds to the behavioral health needs of children, adults and families. As well as providing shelters for Domestic Violence and homeless families. The Dorothy Mitchell Residence was specifically picked as this age group (12-17), unfortunately, gets fewer sponsors than other age groups.
- o The Easter baskets contained a plethora of items for each young man. Such things as underclothes, gift certificates, board games, sports balls, etc. were just some of the items donated.
- o The mini-job fairs held by MAXIMUS continue. These fairs create job opportunities for AZWORKS participants and assist employers.

- o Ongoing donation projects continue with the special needs students at the Washington Elementary School and with clothing items to the East Valley School.
- o With Mothers Day around the corner, plans are being made to help make that a special day for another organization.

Date: Mar-00

SUMMARY OF SURVEYS

Scale Point: (1) Poor (2) Average (3) Good (4) Excellent							
Survey Forms	1st QRT	2nd QRT	3rd QRT	Jan-00	Feb-00	Mar-00	YTD *
Orientation Participant Survey	3.60	3.60	3.61	3.56	3.44	3.64	3.59
Customer Service Survey	3.40	3.50	3.48	3.76**	3.66	3.72	3.74
Case Manager Satisfaction Survey	3.90	3.80	3.78	3.80	3.86	3.78	3.79
MAXAcademy Satisfaction Surveys	3.60	3.80	3.88	3.86	3.76	3.62	3.82

* Year To Date (YTD) figures are weighted averages, based on number of surveys submitted per month.

** The Customer Service Survey was restructured. New Survey format started 1/1/00.

ORIENTATION PARTICIPANT SURVEY COMMENTS

3/00

Comments made to the question "What did you like most about the presentation?"

- o 56 36.1%

Positive comments about the Presenter, such as, spoke to us naturally instead of reading to us, down to earth, paid attention to each individual, courteous, honest, concise, professional, smiling, helpful, loud, great, short and to the point, sweet, responsive, nice jokes, energetic, didn't judge, clear, cheerful, wants to help, positive, Good attitude, respectful, neat, prompt, willing to listen, upbeat, made me feel confident about getting a job, explained about job search, cool, happy, not boring, knowledgeable, friendly, pleasant, polite, positive attitude, patient, nice, took time with us, very understanding, enthusiastic.
- o 56 36.1%

Presentation/Presenter explained the Program requirements very well, explained subjects completely, fine details were explained, explained all the facts, clear, informative, understood everything, loud and clear, thorough, direct, to the point, informative, thorough, easy to understand, precise, complete, and clarity.
- o 21 13.6%

MAXIMUS Positive program, liked MAXAcademy plan, liked supportive services, Will benefit a lot of families, several options, liked the slides, Liked help with childcare, help with shelter, the many resources available, good skills assessment, really want to help us, helping people become more self-sufficient, help with finding jobs, help people get on their feet, gives hope, help with the paperwork, good program, understanding program, uplifting, hope and a chance to succeed, simple to follow.

- o 11 7.1% All questions were answered.
- o 11 7.1% Presentation was fast, quick, done in a timely manner.
- o 155 100.0%

Comments to question "What did you like least about the presentation?"

- o 18 30.0% Participants didn't like the time length, started late, paper work, took to long.
- o 11 18.3% Disruptive participants/children.
- o 11 18.3% Participant didn't want to be at orientation, second time being there, given no choice, same as before, participant was sick, participant didn't want to be on welfare, participant didn't like being around strangers.
- o 6 10.0% Participants wanted same day appointments with the Case Managers.
- o 6 10.0% Room was to cold/hot, room was crowded and too small.
- o 3 5.0% Participant didn't like policy on child support, amount of grants.
- o 2 3.3% The overhead projector was broke.
- o 1 1.7% There was no chocolate.
- o 1 1.7% No childcare was provided.
- o 1 1.7% The receptionist was rude.
- o 25 100.0%

Additional Comments

o	11	29.8%	Positive comments about the Program such as, better opportunities, help with job search, seems fair, excellent program, will go far with this program, help with training, willingness to help with several issues and personal problems, helps people find work.
o	7	18.9%	Positive comments about the presenter such as, responded with dignity and respect, clear, positive, projected a sense of caring, explained things well, tolerant, made to feel welcome.
o	7	18.9%	Thank you.
o	3	8.1%	Much help is needed, bills overdue, may become homeless.
o	3	8.1%	Participants want to get jobs.
o	3	8.1%	Participants want a pre-assessment, explain program prior to orientation.
o	1	2.7%	Participant thought all DES office should have MAXIMUS.
o	1	2.7%	Participant would have liked to be at a Spanish orientation.
o	1	2.7%	Participant liked the quick appointment time.
o	37	100.0%	

CASE MANAGER SATISFACTION SURVEY COMMENTS

3/00

Additional comments made on the survey.

- | | | | |
|---|----|--------|---|
| o | 10 | 90.9% | Positive comments made about the Case Managers such as, polite, understanding, courteous, helpful, greatest, nice, caring answered all my questions, knowledgeable, professional. |
| o | 1 | 9.10% | The MAXIMUS Programs helped a lot. |
| o | 11 | 100.0% | |

CUSTOMER SERVICE SURVEY

3/00

Additional comments made on the survey.

- | | | | |
|---|----|-------|---|
| o | 57 | 81.4% | Positive comments made about CSR, such as, courteous, good job, helpful, excellent service, professional, went out of the way to help, kind, caring, informative, fabulous, great help, very sweet, fast, very thorough, excellent, hospitable, efficient, cool, fantastic, pleasant, very respectful, nice, friendly, considerate, made to feel important, cheerful, sincere, treated with dignity, knowledgeable nice, polite, supportive, answered questions, nonjudgmental, understanding, genuine concern, wonderful job, patient, efficient, keep up the good work, and Thank you |
| o | 8 | 11.4% | Participants wanted faster service, more staff at the front desk, more Spanish speaking help. |

o	3	4.4%	CSR was rude, inattentive, slow.
o	1	1.4%	Restrooms were not clean.
o	1	1.4%	Need bigger signs at the front desk.
o	70	100.0%	

MAXACADEMY SURVEYS

3/00

Additional comments made on the survey.

o	25	61.0%	Positive comments about the Instructors such as, positive attitude, encourages us to find good employment, help with resume, great, exceptional, charming, helpful, knowledgeable, good teacher, enjoyable, patient, enthusiastic, well organized, good listener, friendly teacher, excellent instructor, nice, helps focus on goals, very attentive, enthusiastic, professional, shows genuine interest, motivated, encourages us, respectful.
o	11	34.4%	Positive comments about the curriculum such as, liked all the information given in classes, had a good time, liked resume writing, liked computers, fun, liked the interactions with the other students, liked the great speakers, liked the topics that were covered, liked the one on one interviewing, liked the application skills, I hope to be successful.
o	5	12.2%	Participants found the classes boring and depressing, didn't understand the purpose of workshops, classes at times were out of control.
o	41	100.0%	

ARIZONA WORKS QUANTITATIVE REPORT

As of March 31, 2000

Participant Activities*	As of March 31, 2000		As of February 29, 2000	
	Assigned	% of Total Assigned	Assigned	% of Total Assigned
Full Time Paid Employment**				
Unsubsidized (L1)	78	3.3%	58	2.6%
Subsidized (L2)	0	0.0%	0	0.0%
Employed Full Time - Follow Up Status				
30 Day	307	13.0%	291	13.0%
60 Day	276	12.0%	266	12.0%
90 Day	532	23.0%	472	21.0%
Part Time Paid Employment				
Unsubsidized (L3)	455	19.3%	435	19.2%
Unpaid Employment				
Unpaid Work Exp (L3)	39	1.7%	34	1.5%
Community Service (L4)	1	0.0%	0	0.0%
Other Activities				
Job Readiness	158	6.7%	224	9.9%
Training (Vocational/Skills)	174	7.4%	150	6.6%
Basic Skills	99	4.2%	96	4.2%
Other****	235	10.0%	238	10.5%
TOTAL	2354		2264	
PT & Subsidized (L2) Follow up Status***				
30 Day	265		251	
60 Day	189		185	
90 Day	413		372	

*Data reflects actual placement in an activity of all active (cash case open) participants as of the end of the reporting month (with the exception of FT follow-up data these may be closed).

**Throughout report, FT emp. means 40hrs/wk, except where a particular industry standard is different.

***Data is a subset of L2 (Paid FT Subsidized) and L3 (Paid PT Unsubsidized), not included in TOTAL.

****The Other category includes those activities/services not specified above. Examples of what 'Other' includes: Assessments, Character Trng, Childcare Trng, Life Skills, Counseling, Parenting Skills, Domestic Violence Life Skills, etc

PARTICIPANTS TEMPORARILY EXCUSED

Reason	As of March 31, 2000		As of February 29, 2000	
	Number	% of Clients	Number	% of Clients
Deferred				
Domestic Violence	5	1.4%	3	0.9%
Health Problems	162	45.8%	160	46.4%
Family Emergency	0	0.0%	2	0.6%
Childbirth	57	16.1%	52	15.1%
Other - Caretaker of Disabled family member, Teen Parent w/ child >12 weeks, Parent w/ child >1yr	130	36.7%	128	37.1%
Temporarily Excused				
Child Care Not Available	0	0.0%	0	0.0%
TOTAL	354	100.0%	345	100.0%

NEW EMPLOYMENT PLACEMENTS - FEBRUARY*

Type of Placement	New Placements			Wage Range						Emp. Health Ins			
	Number	% of Total	YTD***	< \$5.15	YTD	\$5.15 - \$8.14	YTD	> \$8.14	YTD	Yes	YTD	No	YTD
Paid Employed FT													
Unsubsidized (L1)	112	68.7%	1141	3	28	66	691	43	427	69	782	43	418
Subsidized (L2)	0	0.0%	0	0	0	0	0	0	0	0	0	0	0
Paid Employed PT													
Unsubsidized (L3)	51	31.3%	849	1	62	41	633	10	167	18	419	33	500
Subtotal	163	100.0%		4	90	107	1324	53	594	87	1201	76	918
Unpaid Work Experience**													
Unpaid Work Exp (L3)	0	0.0%											
Community Service (L4)	0	0.0%											
Subtotal	0	0.0%											
TOTAL	163	100.0%	1990										

NEW EMPLOYMENT PLACEMENTS - MARCH*

Type of Placement	New Placements			Wage Range						Emp. Health Ins			
	Number	% of Total	YTD***	< \$5.15	YTD	\$5.15 - \$8.14	YTD	> \$8.14	YTD	Yes	YTD	No	YTD
Paid Employed FT													
Unsubsidized (L1)	127	67.9%	1268	2	30	69	760	57	484	88	870	39	457
Subsidized (L2)	0	0.0%	0	0	0	0	0	0	0	0	0	0	0
Paid Employed PT													
Unsubsidized (L3)	59	31.6%	908	5	67	42	675	12	179	30	449	29	529
Subtotal	186	99.5%		7	97	111	1435	69	663	118	1319	68	986
Unpaid Work Experience**													
Unpaid Work Exp (L3)	0	0.0%											
Community Service (L4)	0	0.0%											
Subtotal	1	5.0%											
TOTAL	187	100.0%	2176										

*Start date of employment/unpaid work experience fell within month

**Unpaid does not include individuals in training or other non-employment activities

***YTD totals 4/99 -thru- Current month's data

SANCTIONS*

Sanction Type	As of March 31, 2000				As of February 29, 2000			
	Employment	Child Support	Total	% of Total	Employment	Child Support	Total	% of Total
Failure/Refusal to Participate***								
25%	235	64	299	39.92%	40	15	55	44.35%
50%	165	61	226	30.17%	13	7	20	16.13%
100%	159	65	224	29.91%	39	10	49	39.52%
TOTAL	559	190	749	100.00%	92	32	124	100.00%
Failure/Refusal to Participate								
Hourly**	0	0	0	0.00%	0	0	0	0.00%

*Reported sanctions are only those which have actually caused a reduction in the assistance benefit.

**If case has both a percentage sanction and hourly sanction, the hourly sanction is not reported to avoid duplication.

COOPERATING EMPLOYERS

Type of Employer	As of March 31, 2000		As of February 29, 2000	
	New	Total - YTD	New	Total - YTD
Subsidized	0	0	0	0
Unpaid	10	107	5	97

WORKMAN'S COMPENSATION

	As of March 31, 2000		As of February 29, 2000	
	New	Total - YTD	New	Total - YTD
Number of Participants Covered	68	410	48	342

FAIR HEARINGS

Action	As of March 31, 2000		As of February 29, 2000	
	Number	Total - YTD	Number	Total - YTD
Fair Hearing Requests				
TANF	9	94	6	85
General Assistance	2	29	3	27
Child Care	0	6	1	6
Total Requests	11	129	10	118
Fair Hearing Dispositions				
Pending	5		4	
Withdrawn	7		4	
Agency Upheld	3		2	
Agency Reversed	0		1	
Total Decisions	3		3	
Appeals Requested				
Pending	0		0	
Withdrawn	0		0	
Agency Upheld	0		0	
Agency Reversed	0		0	
Total	0		0	

TOTAL CASES BY TYPE

Case Type	As of March 31, 2000		As of February 29, 2000	
	Number	% of Total	Number	% of Total
TANF				
Pending Assignment	0	0.0%	0	0.0%
Unsubsidized (L1)	3	0.1%	2	0.1%
Subsidized (L2)	0	0.0%	0	0.0%
Work Exp (L3)	1276	42.1%	1304	42.5%
Community Service (L4)	234	7.7%	258	8.4%
Subtotal	1513	49.9%	1564	51.0%
No Work Participation Required				
Unwed Minor Parent Case	0	0.0%	0	0.0%
Child Only Case	1515	50.0%	1501	49.0%
Subtotal	1515	50.0%	1501	49.0%
New Transfer In	68		46	
TOTAL	3096	100.0%	3111	100.0%
General Assistance	312		304	
Grant Diversion	1		1	
FSET**	542		488	

*Data reflects actual payment level indicator of the case (not placement in an activity)

**Data is for a number of PARTICIPANTS not CASES

CHILD CARE

	As of February 29, 2000	
	FAMILIES	CHILDREN
Number Served		
JOBS Child Care - JB	324	523
AFDC Employed Child Care - EA	148	260
Transitional Child Care 1-12 months (TC)	591	1073
Transitional Child Care 13-24 months (WT)	329	636
TOTAL	1392	2492
Number Eligible		
JOBS Child Care (JB)		602
AFDC Employed Child Care (EA)		147
Transitional Child Care 1-12 months (TC)		1361
Transitional Child Care 13-24 months (WT)		799
TOTAL		2909
Co-Payments Collected		
Transitional Child Care 1-12 months (TC)	\$33,788.00	
Transitional Child Care 13-24 months (WT)	\$24,658.00	
TOTAL	\$58,446.00	

*As of 11/99 source of Data changed to Child Care Expenditure Report which is available approx. 45 days after the end of the month

NOTE: The numbers submitted in January were actual numbers for February. To stay within timeframes the same data is being submitted for this month's report - which is scheduled to provide February data.

CHILD CARE CO-PAYMENT LEVELS*

	Fee Level - L1		Fee Level - L2		Fee Level - L3		Fee Level - L4		Fee Level - L5		Fee Level - L6	
	Full Day	Part Day	Full Day	Part Day	Full Day	Part Day	Full Day	Part Day	Full Day	Part Day	Full Day	Part Day
1st Child	\$1.00	\$0.50	\$2.00	\$1.00	\$3.00	\$1.50	\$5.00	\$2.50	\$7.00	\$3.50	\$10.00	\$5.00
2nd Child	\$0.50	\$0.25	\$1.00	\$0.50	\$1.50	\$0.75	\$2.50	\$1.25	\$3.50	\$1.75	\$5.00	\$2.50
3rd Child	\$0.50	\$0.25	\$1.00	\$0.50	\$1.50	\$0.75	\$2.50	\$1.25	\$3.50	\$1.75	\$5.00	\$2.50
4th Child	No minimum required co-pay for 4th (or more) children in care											

*The only Child Care program administered by Arizona Works that requires a co-payment is the Transitional Child Care program.

FINANCIAL DATA

	FEBRUARY 2000	MARCH 2000
ADMINISTRATIVE	\$371,261.00	\$371,261.00
CHILD CARE**	\$0.00	\$0.00
SUPPORT SERVICES	\$180,835.69	\$198,679.74

**Child Care dollars are no longer reported to DES separately, these dollars are included in the Support Services amounts as requested by DES.

STATE OF ARIZONA

Joint Legislative Budget Committee

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1716 WEST ADAMS
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DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

FROM: Indya Kincannon, Fiscal Analyst

SUBJECT: ARIZONA COMMISSION ON THE ARTS – REVIEW OF THE ARIZONA
ARTS ENDOWMENT FUND AND PRIVATE CONTRIBUTIONS

Request

Pursuant to A.R.S. § 41-986(F), the Committee shall annually review the Arizona Commission on the Arts' records regarding private monies that are donated for use in conjunction with public monies from the Arizona Arts Endowment Fund.

Recommendation

The JLBC Staff recommends the Committee give afavorable review of the agency's report.

Analysis

The Arizona Arts Endowment Fund was created by Laws 1996, Chapter 186. The legislation was intended to encourage the establishment of arts endowments supported by public and private funds. The public component of the legislation began in FY 1998 and consists of an annual appropriation of up to \$2 million from FY 1998 through FY 2007 to the Arizona Arts Endowment Fund. These monies are then invested by the State Treasurer, who distributes the interest income to the Arts Commission to fund arts programs across the state. To date the fund has earned approximately \$238,600 in interest, \$67,000 of which has been expended in the form of grants.

(Continued)

The private component of the legislation allows the Arts Commission to partner with non-profits such that the non-profit may receive, invest and manage private donations 1) to its own endowment, 2) to the endowment of other arts organizations or 3) to the non-designated portion of the Arizona Arts Endowment Fund. Donors who wish to support endowments of a specific arts organization, such as the Phoenix Symphony, may do so. Such donations are administered by the individual arts organization, but must conform to the rules adopted by the Arts Commission to qualify as a contribution to the Arizona Arts Endowment Fund. Several smaller arts organizations have arranged for the Arizona Community Foundation to administer endowments on their behalf. For example, donors who wish to endow the Orpheum Theatre may do so via a designated fund administered by the Arizona Community Foundation. Donors who wish to endow the arts generally, without designating a particular arts organization, may do so by giving to the private non-designated portion of the Arizona Arts Endowment Fund. Such donations are invested and managed by the Arizona Community Foundation and not commingled with the public monies. The Arts Commission receives the interest income from these donations and distributes the earnings according to its rules.

The table below summarizes private contributions that have been collected since the establishment of the Arizona Arts Endowment Fund. As of December 1999, private contributions total approximately \$14 million. The public monies appropriated to the Arizona Arts Endowment Fund total \$4 million for FY 1998 and FY 1999, with another \$2 million in July 2000 for FY 2000. There is no statutory requirement that private donations match public appropriations for the Arizona Arts Endowment Fund.

<u>Private Donations to the Arizona Arts Endowment Fund, by Calendar Year</u>					
	<u>1996*</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Total</u>
Designated Donations	\$ 1,357,034	\$3,282,856	\$6,425,990	\$1,824,559	\$12,890,439
Non-Designated Donations	<u>0</u>	<u>76,481</u>	<u>545,336</u>	<u>475,921</u>	<u>1,097,738</u>
Total Private Donations	\$ 1,357,034	\$ 3,359,337	\$6,971,326	\$2,300,480	\$13,988,177

*The 1996 reporting period begins on April 15 when the legislation was passed.

Although private donors have contributed approximately \$14 million to arts endowments since 1996, the agency estimates that only about 40% of that total has actually been transferred from the donor to the recipient. Federal accounting laws require non-profit organizations to count all money in the year it was pledged, even if the pledged amount is to be transferred in several allotments over future years. This law allows donors to count their pledge as a tax deduction all in one year.

The impact of the Arizona Arts Endowment Fund may also be measured by the increase in the number of arts endowments. Prior to the legislation only 2 of the participating arts organizations had endowments, now all of them do. While it is clear that private support of arts endowments has grown significantly, it is difficult to determine how much of the growth is attributable to this legislation. Nevertheless, the records indicate that the Arizona Arts Endowment Fund is technically operating as the Legislature intended.



Arizona Commission on the Arts
the state arts agency

417 West Roosevelt St.
Phoenix, Arizona 85003-1326

phone: 602/255-5882; fax: 602/256-0282
e-mail: general@ArizonaArts.org
website: az.arts.asu.edu/artscomm

 an equal opportunity agency

June 8, 2000


Senator Randall Gnant
1700 West Washington
Phoenix, AZ 85007



Dear Senator Gnant:

Attached is a status report of the private income generated for arts endowments and required by ARS 41.986.f.

Sincerely,



Shelley M. Cohn
Executive Director

Cc: Rep. Robert Burns
Richard Stavneak
Tom Betlach

ARIZONA ARTSHARE

Summary of Endowment Income

Arts Organization	1996*	1997	1998	1999	Total
Arizona Opera	11,642		25,350		36,992
Ballet Arizona		50,000			50,000
Flagstaff Symphony			16,085		16,085
Heard Museum	329,591	1,880	817	2,742	335,030
Museum of Northern Arizona		15,000			15,000
Phoenix Art Museum	549,000	1,116,635	718,230	559,912	2,943,777
Phoenix Boys Choir			818,673		818,673
Phoenix Symphony	30,000		3,125,000	858,250	4,013,250
Scottsdale Cultural Council		692,208	1,634,634	57,000	2,383,842
Tucson Museum of Art	5,500	33,131	42,109	28,110	108,850
Tucson Symphony	23,455	316,380	41,500	223,500	604,835
Subtotal:	949,188	2,225,234	6,422,398	1,729,514	11,326,334

Community Foundations	1996*	1997	1998	1999	Total
Arizona Community Foundation (Orpheum Theatre, Cross Cultural Dance Resources, Bead Museum, Pickard Arts and Culture Fund)	407,846	957,622	3,592	95,045	1,464,105
Community Foundation for Southern Arizona		100,000			100,000
Subtotal:	407,846	1,057,622	3,592	95,045	1,564,105

Arizona ArtShare (non-designated)		76,481	545,336	475,921	1,097,738
--	--	---------------	----------------	----------------	------------------

TOTALS: **1,357,034** **3,359,337** **6,971,326** **2,300,480** **13,988,177**

*1996 reporting period is from April 15 to December 31

06/08/00

Universities	1996*	1997	1998	1999	Total
Northern Arizona University Foundation		--	162,470	257,089	419,559
Univ. of Arizona Center for Creative Photography		254,978	--	--	254,978
Subtotal:		254,978	162,470	257,089	674,537

Total Contributions: **1,357,034** **3,614,315** **7,133,796** **2,557,569** **14,662,714**

06/08/00

Summary of Endowment Income.xls

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DATE: June 13, 2000

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

THRU: Richard Stavneak, Director

FROM: Brad Regens, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF CORRECTIONS - REVIEW PRIVATE PRISON
CONTRACT

Request

The Department of Corrections (DOC) requests Committee review of a Request for Proposal (RFP) issued by the department for 400 privately-operated minimum-security DWI beds.

Recommendation

The JLBC Staff recommends a favorable review of the DOC private prison RFP. A favorable review is recommended as the RFP meets the intent of the appropriation for 400 private DWI beds and statutes related to privatized prison beds.

Analysis

DOC's FY 2000 and FY 2001 appropriations include General Fund monies to enable the department to contract for 400 privately-operated DWI beds. The current contract for those beds terminates on April 10, 2001. On May 23, 2000, DOC published a RFP to solicit bids for a private entity to provide 400 DWI beds once the current contract expires. A.R.S. § 41-1609.01 requires that any RFP issued by DOC pertaining to an adult incarceration contract be provided to the Joint Legislative Budget Committee for review.

The most significant change between the current contract and the RFP is the inclusion of a purchase option. As part of any bid, the department has requested that a schedule be included that displays the amount of monies from the per diem that will be applied to a purchase price

(Continued)

should the department wish to purchase the private prison facility. Pursuant to A.R.S. § 41-1609.01, the private prison contractor must provide at least the same quality of services as the state at a lower cost or superior quality of service at the same cost. In addition, the RFP requires the provider to meet the staff, treatment, health care, education and security standards established by the department for all Arizona prisons, both state-operated and privately-operated.

While the contract for the 400 privately-operated beds would include a purchase option, we do not believe that a favorable review of the RFP by the Committee would constitute an approval for any purchase. Pursuant to A.R.S. § 41-791.02, the department, in conjunction with the Arizona Department of Administration, may not purchase the facility without prior approval of the Joint Committee on Capital Review and an appropriation of monies by the full Legislature for such an acquisition.

The Committee has given a favorable review to previous private prison RFP's that include purchase options. The table of contents of the RFP is attached. The entire RFP is available upon request.

RS/BR:ck

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CHRISTINE WEASON

DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: DEPARTMENT OF TRANSPORTATION – REPORT ON GRAND CANYON
AIRPORT FUNDING

Request

The Arizona Department of Transportation (ADOT) Report requests that the Committee release \$397,500 (7½ months) of the FY 2001 appropriation to operate the Grand Canyon Airport until it is leased to a non-profit corporation.

Recommendation

The report is for information only and no Committee action is requested. The JLBC Staff recommends that ADOT report back to the Committee by December 1, 2000, regarding the status of the lease, if ADOT has not leased the airport by then.

Analysis

The ownership and management of the Grand Canyon Airport was transferred from ADOT to the then newly established Grand Canyon Airport Authority on October 1, 1999, in accordance with Laws 1999, Chapter 213. The Authority was envisioned as having more local control, more freedom from the state bureaucracy, and with the ability to borrow funds for capital needs. However, ADOT subsequently determined that the Authority was a semi-autonomous state entity, instead of an independent municipal corporation, which still had to use the state accounting system, personnel system, and administrative rule making process. To remedy these

(Continued)

shortcomings, Laws 2000, Chapter 99 was enacted. Chapter 99 eliminates the Grand Canyon Airport Authority, reverts any unexpended and unencumbered monies previously appropriated to the Authority to the State Aviation Fund, and returns the operation of the Grand Canyon National Park Airport to ADOT, effective July 18, 2000. ADOT must lease the airport to a nonprofit corporation, to operate and develop the airport as provided in the lease, by March 1, 2001.

Prior to the passage of Chapter 213, the General Appropriation Act included \$626,200 in FY 2000, and \$636,200 in FY 2001, for the operation of the Grand Canyon Airport. As a result, the airport had double funding in FY 2000 and FY 2001, with one appropriation from Chapter 213 and another from the General Appropriation Act. ADOT reports that all of the \$208,700 for FY 2000, which the Committee released at its June, 1999 meeting, has been expended. This leaves \$417,500 remaining for FY 2000, and \$636,200 for FY 2001, in the Grand Canyon Airport Special Line Item of ADOT's operating budget. A General Appropriation Act footnote requires that before the expenditure of any of these monies for the Grand Canyon Airport, the department must report to the Joint Legislative Budget Committee on the status and projected date of the privatization of the airport.

ADOT could potentially operate the airport for a maximum of 7½ months in FY 2001, from July 18, 2000 until March 1, 2001, before leasing it to a nonprofit corporation, per Chapter 99. To the extent that a lessee operates the airport from its own separate funding sources in FY 2001, ADOT has received double funding to run the airport in FY 2001. ADOT had originally intended to lease the airport effective July 18, 2000, and thus not have to operate the airport itself during this changeover. However, ADOT reports as of June 8, that it is still working internally on a draft of the proposed lease. After that, the lease must be reviewed by the Attorney General, and then it must be negotiated with the non-profit corporation. Finally, Chapter 99 requires ADOT to submit the lease for review by the JLBC at least 30 days before it intends to execute the lease. ADOT may not execute the lease until the JLBC submits a report summarizing the terms of the lease, within 30 days of receipt from ADOT, to the Speaker of the House of Representatives and the President of the Senate. Thus, ADOT reports that it is unlikely to execute the lease by July 18.

The JLBC Staff does not recommend that the Committee raise any concerns with regard to the expenditure of \$397,500 for 7½ months of funding in FY 2001 from the Grand Canyon Airport Special Line. The JLBC Staff further recommends that ADOT report back to the Committee by December 1, 2000, regarding the status of the lease, if ADOT has not leased the airport by then.

RS/BH:ag



Jane Dee Hull
Governor

Mary E. Peters
Director

Arizona Department of Transportation

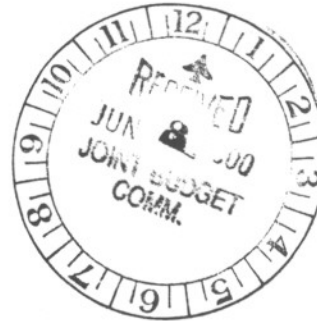
Office of the Director

206 S. 17th Ave. Phoenix, Arizona 85007-3213
Phone 602.712.7226 FAX 602.712.6941

Victor M. Mendez
Deputy Director

June 1, 2000

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



Dear Senator Gnant:

The Arizona Department of Transportation (ADOT) requests to be placed on the next agenda of the Joint Legislative Budget Committee, Appropriation's meeting for the purpose of releasing the FY 2001 appropriated funds for the Grand Canyon National Park Airport. This item is located under the "Special Line Item" category for the Aeronautics Division and is necessary for the continued operation of the Grand Canyon National Park Airport when the airport is returned to ADOT's control on July 18, 2000.

On March 31, 2000 Governor Hull signed HB 1335 which repealed the statutes creating the Grand Canyon Airport Authority to own and operate the airport. HB1335 returns the airport to ADOT's ownership and operation, and requires that ADOT lease the airport to a non-profit corporation on or before March 1, 2001. We are therefore requesting the release of seven and one-half (7-1/2) months of the FY 2001 appropriation. Although our goal is to lease the airport on July 18, 2000, we are requesting the release of 7 1/2 months of full funding, in case for some unforeseen reason the lease can not be finalized by July 18, 2000. The release of this funding will allow the Arizona Department of Transportation, Aeronautics Division to operate the airport until such time as the Grand Canyon National Park Airport is leased out.

Sincerely,

Mary E. Peters

MEP/GA/slb

c: Richard Stavneak, JLBC
Tom Betlach, OSPB
Gary Adams, ADOT
John Bogert, ADOT

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DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: DEPARTMENT OF TRANSPORTATION - REPORT HIGHWAY
MAINTENANCE LEVELS OF SERVICE FOR SNOW & ICE

Request

The Arizona Department of Transportation (ADOT) is due to present its determination of Highway Maintenance's level of service for Snow & Ice.

Recommendation

This report is for information only and no Committee action is required. ADOT reports that its level of service for Snow & Ice is that roads are open to traffic without restrictions 65% of the time during a snowfall.

Analysis

At its meeting held on November 17, 1999, the Committee received the department's report on Highway Maintenance levels of service. At that time, ADOT still needed to establish the percentage of roads statewide that meets minimum acceptable standards for Snow & Ice. Following that meeting, we sent a memo to ADOT dated November 29, 1999 requesting that they provide us with the subject information, when these figures are determined following this (past) winter. ADOT now reports that roads are open to traffic without restrictions (e.g., chains required, roads closed) 65% of the time during a snowfall.

(Continued)

The following table summarizes ADOT's current level of service for their 9 categories, their distribution of the \$1,000,000 appropriated to improve Highway Maintenance levels of service in FY 2000, and their respective percentage goals for these categories. Note that ADOT did not establish a percent goal for its \$50,000 of additional spending for Snow & Ice in FY 2000. ADOT spent its \$50,000 for increased effort on a stretch of State Highway 73 near Whiteriver, in an attempt to determine how much this would improve its level of service for that stretch of highway. ADOT reports that it still needs to analyze the data, and then to attempt to apply it statewide for future use.

Highway Maintenance Levels of Service			
<u>Category</u>	<u>Current % Meeting Minimum Standards</u>	<u>Distribution of \$1,000,000</u>	<u>% Goal for FY 2000</u>
Pavements	93.0%		
Traffic & Safety	64.9%	\$ 750,000	84.0%
Shoulders	90.6%	\$ 100,000	91.0%
Roadside	97.2%		
Drainage	94.4%		
Landscape	58.2%	\$ 100,000	64.0%
Snow & Ice	65.0%	\$50,000	----
Vegetation	77.1%		
Rest Areas	96.7%		
Total		<u>\$1,000,000</u>	

ADOT previously reported that they chose to use the \$1,000,000 appropriated to improve Highway Maintenance levels of service in FY 2000 in 2 areas. These include improving safety (\$750,000 for highway striping and \$100,000 to reduce pavement drop-off), and in areas where the results can be easily seen (\$100,000 for landscaping appearance and plant health and \$50,000 to reduce snow clearance time in a pilot project test section).

During the summer of 1998, ADOT began attempting to develop performance measures for Highway Maintenance, which would directly tie different funding levels to the quantities and quality of maintenance to be delivered. At that time, ADOT contracted with a private vendor to assess public perception of Arizona's highway maintenance program. The analysis indicated that Arizona residents are generally satisfied with current maintenance efforts and rated ADOT maintenance as better than maintenance by local jurisdictions and equal to or better than maintenance by other states. On a scale of 5 for "very poorly maintained" to 1 for "very well maintained," the public's rating for 9 categories averaged 2.3 (paved surfaces, roadside, traffic control, drainage, snow and ice, shoulder, rest area, vegetation, and landscape), while the public's desired level of maintenance averaged 1.7.

To encourage ADOT to continue working to make level of service a truly viable budgetary performance measure and to begin increasing the level of service of Highway Maintenance statewide, the department was appropriated \$1,000,000 from the State Highway Fund in FY 2000 and an additional \$1,000,000 in FY 2001. A 1999 General Appropriation Act footnote

(Continued)

requires that the department report by August 31, 1999, 2000 and 2001 to the Joint Legislative Budget Committee on the current levels of service for each of the 9 categories of Highway Maintenance. The reports shall explain the department's progress in improving its assessment of levels of service and of assigning costs to different levels of service. The department has not yet determined when or how often it will reassess public perception of Arizona's highway maintenance program, but thinks that they should wait a year or two to allow the public time to notice measurable improvement.

ADOT's ability to meet its goals for FY 2000 has no impact on its FY 2001 funding for level of service. However, we will consider their results when developing our budget recommendations for FY 2002 and FY 2003.

No Committee action is required.

RS/BH:ag



Jane Dee Hull
Governor

Mary E. Peters
Director

Arizona Department of Transportation

Office of the Director

206 S. 17th Ave. Phoenix, Arizona 85007-3213
Phone 602.712.7226 FAX 602.712.6941

Victor M. Mendez
Deputy Director

June 1, 2000

Mr. Bob Hull, Principal Research/Fiscal Analyst
Joint Legislative Budget Committee Staff
1716 West Adams
Phoenix, Arizona 85007



Dear Bob,

Following up our letter of May 5, we have established a baseline level of service for snow and ice for a test area during the 1999-2000 Winter Season.

We have established as our benchmark the percent of time that a roadway will be open to traffic without restrictions during a snowfall. During our test period, 35 % of the time, roadways had some type of restriction due to snow and ice (e.g., chains required, roadway closed). Hence 65 % of the time roadways are open to traffic without restrictions during such events.

Thank you for your patience in this matter as we have worked through this process.

If you need further information, please do not hesitate to contact David Jankofsky, Manager of Strategic Planning and Budgeting (712-8981) or me.

Very truly yours,

Mary E. Peters

C: Marcel Benberou, Governor's Office of Strategic Planning and Budgeting
Dick Wright, State Engineer
William J. Higgins, Deputy State Engineer

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CHRISTINE WEASON

DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

FROM: Brad Regens, Senior Fiscal Analyst

SUBJECT: OFFICE OF THE ATTORNEY GENERAL - REPORT ON COLLECTION
ENFORCEMENT REVOLVING FUND

Request

Pursuant to a footnote in the General Appropriation Act, the Office of the Attorney General has submitted a report on the revenues and expenditures of the Collection Enforcement Revolving Fund (CERF). The report was intended to assess the cost-effectiveness of 8 new collection enforcement positions added to the FY 2000 budget.

Recommendation

This item is for information only and no Committee action is required. The Attorney General's Office reports that fiscal year to date its Collection Enforcement unit has expended \$1,464,800 for operations of the unit and collected \$8,966,000 in outstanding debt owed to the state. The report shows that the unit's operating expenditures are below the statutorily allowable limit of 35% of collections. While the report details the performance of the unit as a whole, it does not address the marginal benefits gained from the additional FTE Positions.

Analysis

The Office of the Attorney General operates a Collection Enforcement unit that functions as a collection service for past due debts owed to state agencies, boards, or commissions. The unit returns collected monies to the client agency, except that the Collection Enforcement Revolving Fund may retain up to 35% of the amounts collected to support the unit's operations.

For FY 2000, the unit was appropriated 35 FTE Positions and \$2,042,400 from CERF. The appropriated FY 2000 amount included an additional 8 FTE Positions and \$493,300 to increase

the unit's collection level. The Office of the Attorney General reports that, as of May 19, 2000, 31 FTE Positions were utilized with operating expenditures of \$1,464,800. The unit represented 49 client agencies and collected \$8,966,000 in debt. Fiscal year to date, the unit's operating expenditures constitute 16% of collections.

The reporting requirement was included in the General Appropriation Act as additional monies and FTE Positions were appropriated for FY 2000. The intent of the footnote was to determine the performance of the Collection Enforcement unit with the additional appropriation. The footnote requests that the Attorney General provide data that demonstrates "the changes to the Collection Enforcement Revolving Fund resulting from the additional FTE and expenditure authority." The Attorney General report details the performance of the unit as a whole but does not address the marginal benefit from adding the additional resources. It does not appear that the fiscal year to date collections of \$8,966,000 will match or exceed FY 1999 collections of approximately \$11,670,900 even though additional resources were added in FY 2000.

The report also states that \$550,000 was transferred to the Model Court program. Laws 1999, Chapter 6, 1st Special Session enabled the Attorney General to transfer monies from CERF to the Model Court program to be used to eliminate a backlog of child abuse cases and to meet new child dependency case processing time lines. The backlog of pending child abuse cases has dropped from approximately 6,000 in FY 1999 to 3,000 in FY 2000. The Attorney General's Office anticipates that a majority of the remaining pending cases will be resolved by the end of FY 2001.

The reporting requirement was not continued for FY 2001, as no additional FTE Positions were added to the unit. No further reports are required for this program at this time.

RS/BR:ck



STATE OF ARIZONA

OFFICE OF THE ATTORNEY GENERAL

JANET NAPOLITANO
ATTORNEY GENERAL

1275 WEST WASHINGTON, PHOENIX, AZ. 85007-2926

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

June 1, 2000

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



Dear Mr. Stavneak:

The following information is provided in accordance with the requirements of Footnote 5 of the General Appropriations Act for Fiscal Year 2000. The report for the Collection Enforcement Revolving Fund is as follows:

• Number of FTE positions utilized as of May 19, 2000 (see note)	31.0
• Amount of collections as of April 30, 2000	\$8,966,049
• Program expenditures as of April 30, 2000	\$1,461,773
• Number of client agencies served as of April 30, 2000	49
• Number of cases opened - July 1, 1999 through April 30, 2000	1,940
• Dollars transferred to Model Court program in FY2000	\$550,000
• Open cases per attorney: State Court	3,250
Bankruptcy	433
• Number of seminars attended July 1, 1999 through April 30, 2000	55
• Number of seminars presented July 1, 1999 through April 30, 2000	27

If you have any questions, do not hesitate to contact me at 542-8031.

Sincerely,

John T. Stevens, Jr.
Director, Budget and Finance

Note: All thirty-five (35) positions have been created through ADOA Personnel. All but four have been filled this fiscal year, and the Section has been actively recruiting/interviewing to fill these last four FTEs.

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

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CHAIRMAN 2000
GUS ARZBERGER
RUSSELL W. RUSTY BOWERS
SCOTT BUNDGAARD
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1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

HOUSE OF
REPRESENTATIVES

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

DATE: June 9, 2000

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

FROM: Richard Stavneak, Director

SUBJECT: REPORT ON JLBC RULES

At its meeting on May 16, 2000, the Committee agreed to raise the dollar limit for its consideration of risk management settlements to \$250,000. At that time, the Committee also agreed to make the corresponding change to its Committee Rule 14. For your information, we also are enclosing the new Committee Rules with a Revised Rule 14.

RS:lm

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 1

NAME OF COMMITTEE AND METHOD OF APPOINTMENT

The name of the Committee is the Joint Legislative Budget Committee, hereinafter referred to as the Committee, consisting of sixteen members designated or appointed as follows:

1. The majority leaders of the Senate and House of Representatives, the Chairmen of the Senate and House of Representatives Appropriations Committees, the Chairman of the Senate Finance Committee and the Chairman of the House of Representatives Ways and Means Committee.
2. Five members of the Senate and five members of the House of Representatives who are members of their Appropriations Committees shall be appointed to the Committee by the President of the Senate and the Speaker of the House of Representatives, respectively.

RULE 2

STATUTORY POWERS AND DUTIES OF THE COMMITTEE

1. The Committee shall ascertain facts and make recommendations to the Legislature relating to the State budget, revenues and expenditures of the State, future fiscal needs, the organization and functions of State agencies or divisions thereof and such other matters incident to the above functions as may be provided for by rules and regulations of the Committee.
2. The Committee shall promulgate rules and regulations for the operation of the Committee.
3. The Committee shall have the powers conferred by law upon legislative committees.
4. The Committee shall make studies, conduct inquiries, investigations and hold hearings.
5. The Committee may meet and conduct its business any place within the State during the sessions of the Legislature or any recess thereof and in the period when the Legislature is not in session.
6. The Committee may establish subcommittees from the membership of the Legislature and assign to such subcommittees any study, inquiry, investigation or hearing, with the right to call witnesses, which the Committee has authority to undertake.

RULE 3

CHAIRMAN OF THE COMMITTEE

The Chairman of the House of Representatives Appropriations Committee shall have a term as Chairman of the Committee from the first day of the First Regular Session to the first day of the Second Regular Session of each Legislature and the Chairman of the Senate Appropriations Committee shall have a term from the first day of the Second Regular Session to the first day of the next Legislature's First Regular Session.

RULE 4

COMMITTEE PROCEEDINGS

The Committee proceedings shall be conducted in accordance with Mason's Manual of Legislative Procedure, except as otherwise provided by these rules.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 5

SUBCOMMITTEES

The Committee may establish subcommittees from the membership of the Legislature and assign to such subcommittees any study, inquiry, investigation or hearing with the right to call witnesses which the Committee has authority to undertake. Each such subcommittee shall include in its membership an equal number of Senate and House of Representatives members.

RULE 6

QUORUM

A majority of the members of the Committee shall constitute a quorum for the transaction of business.

RULE 7

LEGISLATIVE BUDGET ANALYST

The Legislative Budget Analyst (hereinafter "Director") shall be the Staff Director and the Chief Executive Officer of the Committee. The Director shall be appointed by the Committee and shall serve on a full-time basis with compensation fixed by the Chairman and Vice-Chairman of the Committee within the limits prescribed by law. In addition to the responsibilities prescribed by A.R.S. § 41-1273, the duties of the Director shall include any duties which shall be assigned by the Committee, including the following:

1. Compilation of information for the Committee.
2. A continuous review of State expenditures, revenues and analysis of the budget to ascertain facts, compare costs, workload and other data and make recommendations concerning the State's budget and revenue of the departments, boards, commissions and agencies of the State.
3. Act as administrative head of the Committee Staff, with authority to hire and dismiss such personnel as may be necessary for the proper conduct of the office, and fix compensation of staff members within any limits set by the Committee.
4. Maintain the records and files of the Committee.
5. Shall make special reports for presentation to the Committee and to others as directed by the Committee.
6. Attend all meetings of the Committee and such other meetings and hearings as are necessary to facilitate the work of the Committee.
7. Examine as to correctness all vouchers for the expenditure of funds appropriated for the use of the Committee.

RULE 8

AGENDA FOR MEETINGS

An agenda for each Committee Meeting shall be prepared by the Director and, whenever possible, mailed or delivered to members of the Committee, not less than one week prior to the meeting. The Director must have at least two weeks prior notice for any state agency-requested items that appear on the agenda, unless the Chairman of the Committee approves of a later submission.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 9

ORDER OF BUSINESS

The Order of Business at a Committee meeting shall be determined by the Chairman of the Committee. It shall normally be as follows:

1. Call to order and roll call
2. Reading and approval of minutes
3. Executive Session (including Rule 14 items)
4. Director's Report [if any]
5. Items requiring Committee review and/or approval
6. Other Business
For Information Only
7. Adjournment

RULE 10

DISBURSEMENTS

1. All expenditures of the Committee shall be by vouchers properly itemized and supported by receipts and shall be approved by the Director when authorized by the Chairman of the Committee.
2. All contracts and studies authorized by the Committee shall be approved by the Committee after examination.

RULE 11

MEETINGS OF THE COMMITTEE

The Committee shall meet at such times and places as the Committee may determine, but in any event, no less than once in each calendar quarter. Additional special meetings may be called by the Chairman or by a majority of the members of the Committee.

RULE 12

ADOPTION AND AMENDMENT OF THE RULES AND REGULATIONS

These rules and regulations shall be adopted and may be amended by a majority vote of the members of the Committee, provided that a quorum is present.

RULE 13

FISCAL NOTES

1. The President of the Senate and the Speaker of the House of Representatives or their designees may each designate bills that shall have a fiscal note prepared regarding their impact.
2. The JLBC Staff shall prepare the fiscal notes utilizing an impact period of three years. The fiscal notes shall indicate any local fiscal impact, where appropriate.
3. Fiscal notes shall not contain comments or opinions on the merits of the bill.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 13 (CONTINUED)

4. Exceptions to the procedure set forth in this rule shall be permitted with the approval of the Chairman and Vice Chairman of the Committee.
5. The Committee may amend or suspend this rule or any subsection hereof by a majority vote of those present and eligible to vote.
6. Procedures to implement this rule shall be prepared by the Director and approved by the Chairman and Vice Chairman of the Committee.

RULE 14

STATE LIABILITY CLAIMS - PROCEDURE FOR SETTLEMENT WHEN COVERED BY RISK MANAGEMENT SELF-INSURANCE FUND

1. General provisions for presentation of settlement to the Committee:
 - A. Settlements of \$250,000 or less do not require approval of the Committee pursuant to A.R.S. § 41-621(M). All proposed liability settlements must be presented to the Committee in accordance with these provisions and accompanied by a report containing the information specified in Paragraph 3.
 - B. The report shall be filed with the Chairman of the Committee five days before the meeting scheduled to consider the settlement proposal.
 - C. A limited number of items may be excluded from the written report and presented orally at the Committee meeting, if the Attorney General and Risk Management Division find the exclusion to be absolutely necessary for the protection of the State's case.
 - D. All Committee settlement proceedings and material prepared for such proceedings shall be required to be kept confidential.
 - E. Any plaintiff's inquiries regarding Committee meeting dates, times and agendas should be directed to the Attorney General's Insurance Defense Section which shall consult with the JLBC Staff Director.
2. At a Committee meeting at which a settlement proposal is considered:
 - A. Material shall be presented by the Attorney General or retained defense counsel who had primary responsibility over negotiation of the settlement and/or handling of the case, together with the Manager of the Risk Management Division of the Department of Administration.
 - B. The Committee Chairman or a majority of the Committee, may request other witnesses to attend and testify at any settlement proposal meeting. When requested by a Committee member, the director of an agency named in a lawsuit for which a settlement is proposed shall be requested to appear at the meeting at which the settlement is proposed.
 - C. The presentation of the settlement proposal at the Committee meeting shall contain, at a minimum, the information required to be submitted pursuant to Paragraph 3.
 - D. In addition to the report, additional drafts, charts, pictures, documents or other items may be presented to the Committee by the Attorney General or Risk Management Division, if helpful in reviewing the merits of the settlement. Additional items shall be presented when requested by the Committee Chairman, or a majority of the Committee at a prior meeting, or a JLBC subcommittee to which the matter has been referred.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 14 CONTINUED

STATE LIABILITY CLAIMS (CONT'D)

- E. Upon a conclusion of the presentation, the Committee may accept the settlement as proposed, reject the settlement as proposed, recommend an alternative settlement with the advice of the Attorney General and Risk Management Division, request additional information, evaluations or appearances of witnesses, or the matter may be referred to a JLBC subcommittee for further study.
- 3. The written settlement proposal report submitted to the Committee for each settlement offer shall contain the following information:
 - A. A one to two page executive summary of pertinent information related to the case that, at a minimum, summarizes information contained in items B, D, G, H, I, K, L, N and P below.
 - B. The names of the plaintiffs or claimants.
 - C. Whether a lawsuit has been filed, the date on which it was filed and the current status of the lawsuit. If a lawsuit has not been filed, the last date upon which a lawsuit could be filed.
 - D. The basic facts of the case including, first, the undisputed facts and secondly, those facts in dispute.
 - E. A summary of the basis or bases of liability claimed by plaintiff or claimant and the State's defenses to such liability, including the key evidence relied upon by each party.
 - F. The amount originally claimed by the plaintiff or claimant.
 - G. The identifiable damages and/or costs incurred by plaintiff or claimant to date.
 - H. Costs incurred by the State in defending the claim or suit to date.
 - I. Estimated costs to the State of defending the claim or suit through trial.
 - J. Attorney for plaintiff, Attorney General assigned to the case, retained defense counsel, if any.
 - K. Estimate of plaintiff or claimant's chances of prevailing in suit against the State.
 - L. Range of recovery likely at trial for plaintiff's claims.
 - M. Complete terms of settlement including:
 - 1. To whom payment is to be made;
 - 2. The amount of payment;
 - 3. The conditions, if any, attached to the payment; and
 - 4. Deadline for settlement, if any.
 - N. Settlement recommendations of Attorney General and Risk Management and recommended response to settlement offer.
 - O. Whether the State has any claim or right of recovery against other parties, e.g., subrogation or indemnification.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 14 CONTINUED

STATE LIABILITY CLAIMS (CONT'D)

- P. An agency response that shall contain the following information:
 - 1. Actions taken to eliminate or limit the future risk of liability to the state.
 - 2. Statement as to any disciplinary action(s) taken against any employee(s) that were negligent in carrying out their duties.
- 4. In conjunction with the settlement procedures prescribed pursuant to this rule, the Risk Management Division shall:
 - A. Annually report to the Committee on the operations of the Division, the status of pending claims and lawsuits, information on actual judgments and settlements, and projected fund balances.
 - B. With the assistance of the Attorney General, propose to the Committee any changes in State insurance coverage, State statutes, State liability principles or claims procedures which may help to limit future State liability.

RULE 15

CONFIDENTIAL NATURE OF SERVICES

The Director, members of the JLBC Staff, and those charged with the duty of processing in any manner proposed budget estimates, recommendations or research, shall not, without consent of the recipient legislator(s), disclose to any other person whomsoever, the contents of any letter, memorandum, report, newsletter, or any other written communique.

This provision does not apply to regular JLBC Staff reports nor information which the Staff prepares and disseminates under the general authority of the Director that was not specifically requested by a legislator(s).

The violation of any provision of this rule by the Director, a member of his staff, or any person charged in any manner with the duty of processing proposed analysis or research may be deemed sufficient cause for dismissal by the Director and in the case of the Director, by the Committee.