STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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JOE EDDIE LOPEZ
JOHN WETTAW

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

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

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CHRISTINE WEASON

- R E V I S E D -
MEETING NOTICE

DATE: Thursday, August 10, 2000

TIME: 1:30 p.m.

PLACE: SENATE APPROPRIATIONS ROOM 109

TENTATIVE AGENDA

- Call to Order
- Approval of Minutes of June 20, 2000.
- EXECUTIVE SESSION - Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements undr Rule 14.
- DIRECTOR'S REPORT (if necessary).

1. SCHOOL FACILITIES BOARD - Report on Projection of Deficiencies Corrections Costs.
2. DEPARTMENT OF CORRECTIONS
   A. Review of Two Private Prison Request for Proposals.
   B. Consider Approval of Transfer of Appropriations.
3. ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Retiree Accumulated Sick Leave Rate.
4. DEPARTMENT OF ECONOMIC SECURITY
   A. Review of Plan to Provide Matching Monies to Navajo Nation to Operate a Tribal Cash Assistance Program.
   B. Report on FY 2001 Lump Sum Operating Budget Reduction Plan.
   C. Bimonthly Report on Arizona Works.
   D. Report on Case Management Satisfaction Survey.
   E. Report on Additional FY 2000 Child Support Expenditures.
5. GOVERNMENT INFORMATION TECHNOLOGY AGENCY/ARIZONA DEPARTMENT OF ADMINISTRATION - Report on Statewide Technology Licensing Agreement.

6. DEPARTMENT OF TRANSPORTATION - Report on Motor Vehicle Division Wait Times.

7. ARIZONA DEPARTMENT OF EDUCATION - Report on Proposed Transfer. (For Information Only)

8. DEPARTMENT OF VETERANS' SERVICES - Review of Proposed Expenditures from the Veterans' Home Contingency Special Line Item.

The Chairman reserves the right to set the order of the agenda.
08/07/00

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1716 WEST ADAMS
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HOUSE OF REPRESENTATIVES

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

June 20, 2000

The Chairman called the meeting to order at 8:05 a.m., Tuesday, June 20, 2000, in Senate Appropriations Room 109. The following were present:

Members:	Senator Randall Gnant, Chairman	Representative Bob Burns, Vice-Chairman
	Senator Arzberger	Representative Blewster
	Senator Bowers	Representative Daniels
	Senator Cirillo	Representative Gonzales
	Senator Jackson	Representative McGibbon
	Senator Lopez	Representative McGrath
		Representative McLendon
		Representative Weason
Absent:	Senator Bundgaard	
	Senator Wettaw	
Staff:	Richard Stavneak, Director	Cheryl Kestner, Secretary
	Gina Guarascio	Bob Hull
	Indya Kincannon	Tom Mikesell
	Brad Regens	Stefan Shepherd
	Lynne Smith	
Others:	Debbie Johnston	Senate
	Philip E. Geiger	School Facilities Board
	David Jankofsky	Department of Transportation
	Gary Adams	Department of Transportation
	Jim Dorre	Department of Transportation
	Dick Wright	Department of Transportation
	Mike Haener	Attorney General's Office
	Cari Harrison	Attorney General's Office
	Tracy Essex	Attorney General's Office
	Terry Stewart	Department of Corrections
	Chuck Ryan	Department of Corrections
	Carl Nink	Department of Corrections
	Alan Ecker	Department of Corrections
	Helen Gouvert	Department of Corrections
	Christine Boilini	Correctional Services Corporation
	Bill Greeney	OSPB
	Chad Norris	House
	Bill Ponder	Arizona Historical Society

EXECUTIVE SESSION

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

At 8:05 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 8:20 a.m. the Committee reconvened into open session.

Representative Burns moved that the Committee approve the recommended settlement proposals by the Attorney General's Office in the following cases.

1. Belin v. State of Arizona
2. Shweiri v. State of Arizona

The motion carried.

DIRECTOR'S REPORT

Mr. Richard Stavneak, Director, JLBC, discussed interim meeting dates and the Committee's responsibilities with regard to the Strategic Program Area of Reviews (SPAR's).

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of May 16, 2000, Senator Gnant stated that the minutes would be approved as submitted.

SCHOOL FACILITIES BOARD - Report on Status of Deficiencies Corrections Assessment.

Dr. Philip E. Geiger, Director, School Facilities Board, reported that they have about 700 schools that Flex-Tech needs to revisit out of 1,210 schools. To date Flex-Tech has about 120 schools that are actually fully completed. They have reviewed the analysis, and scope of the work and have prepared a report to the School Facilities Board so that they can now meet with the school districts. The School Facilities Board has met with about 8 school districts to date, and has an understanding with the school officials as to the scope of the work to be completed.

Dr. Geiger said they are meeting this afternoon with Procurement to review Flex-Tech's latest comments as well as their payment requests. Procurement then will communicate with Flex-Tech's executives as to how to proceed in terms of their payment and response to the corrected action plan.

Representative Blewster asked what are some examples of state responsibilities versus local responsibilities. Dr. Geiger said that, for example, in one school the fire alarm system needed new batteries and they also needed new lights; about $2,000 worth of maintenance items that the Board rejected and said those are not counted by the state as a deficiency. Some districts have non-instructional space, which the Board does not in fact do corrections on. Some districts have asked for significant upgrades to roof repair, or to put on a substantially better roof. The Board only provides them with a replacement of the same quality as what was there before. The balance will have to be paid by the school district.

Senator Cirillo asked about Attachment B of Dr. Geiger's letter that shows that the amount of the contract being roughly $2.7 million paid-to-date. It then shows 5 pay requests, and the next figure of $536,000 shows it is to be held until all districts have been submitted to the School Facilities Board. Senator Cirillo said that works out roughly to be 20% of the contract, and he wondered if Dr. Geiger was comfortable with that being enough withheld until they get the job finished. Dr. Geiger said that that was Flex-Tech's request, not the School Facilities Board's decision. Dr. Geiger's recommendation to Procurement is that they pay Flex-Tech strictly on the percentage of completed projects, and that would be on a square foot basis.

Senator Cirillo asked when you go on to the next step and complete the negotiation with the school board, is that one of the criteria before the School Facilities Board pays or not. Dr. Geiger said that they must have accurate data and the scope of the work successfully described before negotiations with the school district.

Senator Lopez asked whether the original contract with Flex-Tech was only for the 63 million square feet. Dr. Geiger responded yes. Senator Lopez asked if they would have to develop another contract for an additional 30 million square feet. Dr. Geiger said that when this was awarded it was awarded on a per square feet basis. Procurement indicates that we can extend this contract because all vendors bid on square feet.

In response to Senator Lopez's question, Dr. Geiger stated that all schools in the state have been assessed.

Senator Gnant stated that he assumed that by the end of the project that the School Facilities Board will, if for no other reason than as a benchmark, have reviewed one of the brand new schools that has opened in the last year or so. Dr. Geiger said that was correct.

Dr. Geiger said that to date they have awarded approximately 30,000 computers to school districts that do not maintain an 8 to 1 ratio between computers and students. They were able to use a state contract and redo it to get lower prices. As you can see from the report, of the 30,000 that they have estimated so far, they have saved $10 million over the state contract price that was previously in place. They are requiring districts to file an "E-Rate" application because the federal government will pay as much as 90% of networking costs. The School Facilities Board will make the E-Rate application on behalf of some districts because some are a 1 man or woman show, with low capability to file the application.

DEPARTMENT OF HEALTH SERVICES (DHS)

A. Consider Approval of Transfer of Appropriations.

Senator Gnant asked if there were any questions or comments on this item. There were none.

Representative Burns moved that the Committee approve the requested transfer of monies from the Children's Behavioral Health Title XIX State Match to the Seriously Mentally Ill Title XIX State Match and the General Mental Health/Substance Abuse Title XIX State Match. The motion carried.

The transfer is shown in the table below:

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

B. Review Capitation Rate Changes for Behavioral Health Services.

Senator Gnant asked if there were any questions. No one requested to speak.

Representative Burns moved that the Committee give a favorable review to the Capitation Rate Changes for Behavioral Health Services. The motion carried.

Representative McLendon asked the Chairman if there was anyone in the audience that would want to speak on this issue. No one requested to speak.

ARIZONA HISTORICAL SOCIETY - Consider Approval of Transfer of Appropriations.

Representative Burns moved *that the Committee approve the requested transfer of $45,000 in General Fund monies to Other Operating Expenditures and Professional and Outside Services.* The motion carried.

TRANSFER FROM:		TRANSFER TO:	
Personal Services	$39,400	Other Operating Expenditures	$26,000
Employee Related Expenditures	5,600	Professional and Outside Services	19,000
TOTAL	$45,000	TOTAL	$45,000

ARIZONA PIONEERS' HOME - Consider Approval of Transfer of Appropriations.

Representative Burns moved *that the Committee approve the requested transfer of $45,000 in General Fund monies from Personal Services to Other Operating Expenditures to cover higher than expected maintenance and drug costs.* The motion carried.

DEPARTMENT OF ECONOMIC SECURITY -

A. Review of Federal Social Services Block Grant (SSBG) FY 2001 Expenditure Plan.

Mr. Stavneak said that the JLBC Staff and the agency are asking that the review be deferred until they get a better sense from the federal government of what the final level of social services block grant funding will be.

Representative Burns moved *that the Committee defer its review of the Federal Social Services Block Grant FY 2001 Expenditure Plan.*

Representative Weason said that she had heard some talk that the feds may try to compensate for reductions in the social services block grant by requiring states to use some tobacco settlement.

Mr. Stefan Shepherd, JLBC Staff, said that he had heard of that possibility. Probably the greatest threat at this point is that the U.S. Senate cut the appropriation for the SSBG nationally, by nearly two-thirds, from $1.7 billion to $600 million. The U.S. House appropriated $1.7 billion, which is the current level.

Representative Weason asked Mr. Shepherd to keep the Committee updated.

Senator Gnant said that if there was no other discussion they would vote on Representative Burn's motion. The motion carried.

B. Consider Approval of Transfer of Appropriations.

Representative Burns moved *that the Committee approve the requested transfer of funds for FY 2001 in the Temporary Assistance for Needy Families Cash Benefits Special Line Item and other line items to ensure the state meets its federal maintenance of effort requirements.* The motion carried.

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

C. Bimonthly Report on Arizona Works.

This item was for information only. No action was required.

ARIZONA COMMISSION ON THE ARTS - Review of the Arizona Arts Endowment Fund and Private Contributions.

Representative Burns moved that the Committee give a favorable review of the agency's report regarding private monies that are donated for use in conjunction with public monies from the Arizona Arts Endowment Fund. The motion carried.

DEPARTMENT OF CORRECTIONS (DOC) - Review Private Prison Contract.

Representative Burns asked about the 400 privately-operated DWI beds that are up for rebid. It was his understanding that there was some question about the Request for Proposal (RFP) relative to the department's requirement to buy back the facility, and that the Attorney General is looking at that particular item within the RFP.

Mr. Terry Stewart, Director, Department of Corrections provided the Committee with background information regarding why the department has included purchase options in private prison RFP's and contracts.

Representative Burns said that if he owned the building he would not consider rent payment as payment for the building unless that was clear and agreed upon up front between the renter and the owner. Representative Burns said that apparently the Attorney General felt the language is not quite clear enough.

Senator Gnant asked if that leads to a slightly higher cost in those instances in which you do not end up buying the facility. Mr. Stewart said that their data indicates that is not the case. In response to Mr. Burns' question, Mr. Stewart said what they do is sit down before the contract is signed and determine what the value of that asset is and then they tell us how they are going to amortize it and how that amortization is reflected in the per diem. All that is worked out in advance so all parties agree with it. It is also worked out so that they are not inflating the capital asset.

Representative Weason asked whether the terms are negotiated in advance with the private entity. Mr. Stewart said that in the prior contract that was not the case. This is new with this particular vendor. Representative Weason asked what would happen if these terms were negotiated and approved and later down the line the vendor goes out of business. They may be able to allege that this is a void contract because statute does not specifically permit this. She wondered if that was an issue that they have discussed with the attorneys. Mr. Stewart said that they have not discussed that. However, it would be their position that they would be happy to consult with them, and that once they knowingly enter into the contractual provision they are bound by it. Representative Weason said she was concerned about the fact that it would be a voided contract. She also wondered about the 400 beds and if they are new beds coming online. Mr. Stewart said, no they are not; it is a renewal contract.

Representative McGrath asked if there are any other states where the vendor is forced to enter into a contract like this. It seemed to her that no building owner would willingly enter into this kind of a contract. She felt like if a private owner were selling their building they would have more luck with another private prison entity. She also asked the Attorney General if any other state agencies force the building owners of buildings they rent from into this type of contract.

Ms. Kristen Boilini, Correctional Services Corporation (CSC), responded that she did not know of any other state requiring this type of lease-purchase. CSC is the current contractor under the renewal bid so CSC is currently running the 400 beds. The lease-purchase option is in the existing contract and they did sign into that and have no problems with it. She said she would do some research and find out who else is requiring it.

Representative McGrath requested to hear from the Attorney General's office.

Mr. Michael Haener, Attorney General's Office, said that he does not have an answer as to whether other state agencies require this kind of contract, but would find out for her. Representative McGrath said that she felt the information would be good for the whole Committee to have.

Representative McLendon said he thought it sounded good for the taxpayers and since the contract was up front they have the option of going into business or not going into business.

Representative Burns moved that the Committee give a favorable review of the DOC private prison RFP which meets the intent of the appropriation for 400 private DWI beds and statutes related to privatized prison beds. The motion carried.

DEPARTMENT OF TRANSPORTATION

A. Report on Grand Canyon Airport Funding.

Senator Gnant asked if there were any questions. There were none.

B. Report on Highway Maintenance Levels of Service for Snow & Ice.

Senator Gnant asked if there were any questions. There were none.

ATTORNEY GENERAL - Report on Collection Enforcement Revolving Fund.

Senator Gnant asked if there were any questions. There were none.

JLBC STAFF - REPORT ON JLBC RULES

Senator Gnant said a copy of the rules were included in the JLBC Agenda book.

Without objection, the meeting adjourned at 8:55 a.m.

Respectfully submitted:

Cheryl Kestner, Secretary

Richard Stavneak, Director

Senator Randall Gnant, Chairman

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

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DATE: August 3, 2000

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

THRU: Richard Stavneak, Director

FROM: Patrick Fearon, Senior Fiscal Analyst

SUBJECT: SCHOOL FACILITIES BOARD - REPORT ON PROJECTION OF DEFICIENCIES CORRECTIONS COSTS

The School Facilities Board (SFB) has been asked to address and update the Committee on the status of deficiencies corrections costs. This is part of an on-going effort to update the Committee on the status of these issues. This memo provides our preliminary analysis of the projected $1.17 billion cost that was released by the SFB on July 17, 2000. (See Attachment 1, "News Release," provided by SFB.) In summary, we believe that the SFB's cost estimate is a reasonable starting point, but we stress that the actual cost could prove to be higher or lower than the SFB's current estimate once the bidding process takes place over the next two years.

Methodology

The SFB projection begins with a "stratified" sample of 16 Arizona school districts. The sample includes at least one district from each geographic type–urban, suburban, rural, and remote–and a total of 86 schools. Based on a detailed catalog of deficiencies at these schools and the expected cost to correct them, SFB computed per-square-foot, per-school, and per-student correction costs for each geographic type. To estimate correction costs statewide, SFB multiplied these costs by the statewide square footage, number of schools, and student counts by geographic type. The $1.17 billion cost is based on the square footage parameter. Using the number of schools to project statewide costs would suggest a total of $1.09 billion, while using student counts would suggest a cost of $1.07 billion. (See Attachment 2, "Assessment Program Estimate" provided by SFB.)

(Continued)

Analysis

Our analysis indicates that the SFB sample is a good representation of Arizona's school districts. The proportion of rural and isolated districts in the sample is slightly higher than the proportion statewide, and the average student count among the sample districts is slightly larger than the statewide average student count, but in neither case is the difference statistically significant. (See Attachment 3, "Evaluation of School Facilities Board Sample" provided by JLBC Staff.) The sample districts are growing somewhat faster than the state average, and the sample districts' property value per student is lower than the statewide average, but these differences also are not statistically significant.

There was some concern that the sole suburban district in the sample–Paradise Valley Unified– was a "richer" than average suburban school. Our analysis indicates that its property value per student is actually lower than the average for all state districts, which suggests that the 20% sample size adjustment applied to suburban costs by SFB is not necessary. However, eliminating the 20% adjustment would reduce the projected cost by only about $6.5 million because suburban districts are already projected to require very little deficiencies corrections.

We believe that SFB's methodology for projecting statewide costs is sound, but we caution that the many variables involved in this estimate means that there are many sources of potential errors. The main sources of potential errors include: the unique situation of each school, the uncertain costs and savings from statewide bidding and project management, and the uncertain impact that this large program will have on market construction prices.

Next Steps

The SFB plans to release its final projections in late October or November. However, the final costs will be known only after the awarding of bids over the next couple of years.

RS:PF:ck
Attachment

Attachment 1

STATE OF ARIZONA
SCHOOL FACILITIES BOARD

NEWS RELEASE

For more information, contact:

Dr. Philip E. Geiger, Executive Director
School Facilities Board
602-542-6143 (O)
480-419-7718 (H)
602-290-0471 (cellular)
pgeiger@sfb.state.az.us

Darla A. Jordan
Public Information Officer
602-542-6144 (0)
djordan@sfb.state.az.us

Released: July 17, 2000, 11:00 A.M. (MST)

The State of Arizona took a leadership role in addressing the US Department of Education's estimate of $127 billion in school construction needs nationwide. The State of Arizona School Facilities Board Executive Director Dr. Philip E. Geiger issued a $1.17 billion estimate to bring all of Arizona's 1210 schools to state approved minimum adequacy guidelines by 2003, in accordance with the Students FIRST law adopted in 1998. The price tag is about 17% higher than the funds generated by the proposed sales tax increase (Education 2000) and the funds previously allocated for the work. Geiger emphasized that this is a projection and as the work proceeds, revisions will be made to the cost estimates based upon actual bids received. He said that he believed with the passage of Education 2000 which raises the State's sales tax by 6¢ for every $10 spent, adequate state funds will be available to meet the needs of all 1210 schools.

"Without the additional $800 million of bonding which is provided for in the sales tax legislation, "Geiger said, "we will have a major crisis on our hands." Should the Education 2000 proposal fail and additional funds not be provided from other sources, the state could not comply with the Arizona Supreme Court's requirement to correct the deficiencies in all of the State's schools by 2003.

Geiger presented the results of a stratified sample of school inspections representing approximately 7% of the total 96 million square feet of school space in Arizona. Under the Students FIRST law, the School Facilities Board was required to conduct a physical examination of all schools through the use of consultants. In this case, Flex-Tech

Professional Services of Phoenix and Sandusky, Ohio was the lowest bidder at $2.6 million to: visit all schools; examine all reported and observed problems; note all deviations from the state adopted minimum adequacy guidelines; provide estimates for correction of all problems, and prepare an electronic database of all the information noted. Since the School Facilities Board has had difficulties getting Flex-Tech to satisfactorily complete the assessment, state personnel completed the stratified sample data and deducted the $77,000 cost from the Flex-Tech contract.

The highest projected costs to remedy these school deficiencies came from rural and remote school districts, which will cost the state approximately $966,790 in the rural areas to $1,280,979 in the remote areas **per school** to bring them to the state's minimum adequacy guidelines. Most often rural and remote schools require extensive renovation or replacement of entire buildings that would have cost more to renovate than replace. According to Geiger, "Many of 417 rural and remote schools have literally been hanging on by their fingertips. These school districts need major renovation and serious consideration so their children can have a safe and healthy environment to attend school."

As expected the schools in suburban and higher wealth districts need the least repair primarily because funds had been available to those districts through voter approved local bond elections. "When Students FIRST was approved," said Geiger, "the Supreme Court wanted to be sure that all students would receive educational infrastructure that meets a minimum state standard. For that to be accomplished in the urban and suburban areas the costs range from $141,866 per school in the suburban areas like Paradise Valley, which was part of the stratified sample to $857,893 per school in the urban areas like Murphy and Alhambra in Phoenix."

The School Facilities Board estimates also include $51 million in savings expected from Board issuing statewide bids for projects and by providing statewide project management through multiple project management companies assigned to multiple district projects. The state already saved $10 million by issuing a statewide bid for the 35,000+ computers it is purchasing under the program to bring the number of computers in each school to one computer for every eight students. Total price for the computers, including the savings, is $44.5 million.

Networking for all schools in the state which currently do not have access to the internet in each of its classrooms is expected to be approximately $49.9 million. New school buses are expected to cost approximately $1.4 million and a list of 30 items that must be in each school including microscopes, desks, chairs, white boards, books, dictionaries, a host of other items will cost another $6.5 million.

The state estimates that this projection has a margin of error of 7% +/- and that there is a possibility that the impact of so much construction being awarded within a short time frame may raise the cost by 8% which they have included in the projections.

Geiger said that the State of Arizona School Facilities Board would make the actual award of all projects in the fourth quarter of 2000 with work commencing in the beginning of 2001.

In addition to the Deficiency Corrections projects, the School Facilities Board is also funding new schools throughout the state. More than 90 facilities are currently under construction costing more than $850 million. The state's first school built under Students FIRST will open in Gilbert this August.

The School Facilities Board also manages the Building Renewal Funds awarded to schools annually to maintain their existing facilities. For the 2000-2001 school year the estimated cost for building renewal is $120 million.

The School Facilities Board has been working with land developers throughout the state and has been able to obtain more than $28 million in donated property and facilities from local developers since October 1999. Geiger indicated that the School Facilities Board works closely with land developers and expects a contribution of land and/or facilities for all new projects that may generate enough students to impact the local schools. Geiger said developers have been extremely community oriented and have been very responsive to meeting the school needs of the communities. With the 30% state tax credit the Legislature approved last year which takes effect January 1, 2001, Geiger estimates that the state will receive approximately $50 million in developer donations by next July.

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Assessment Program Estimate

	By Sq. Foot			By School			By ADM		
Region	Total Sq. Foot	Cost per Sq. Foot	Total Cost	Total Schools	Cost per School	Total Cost	ADM	Cost per ADM	Total Cost
Urban	43,439,916	12.48	542,266,900	528	857,032.23	452,513,016	379,134	1,093.60	414,620,145
Suburban	22,904,509	1.72	39,501,027	214	141,886.73	30,363,759	177,716	166.84	29,650,488
Rural	19,983,806	13.53	270,413,689	317	966,790.00	306,472,430	131,489	2,529.92	332,656,887
Remote	5,244,143	17.08	89,551,280	66	1,280,979.64	84,544,656	25,656	2,984.07	76,559,913
Self Certified Sq. Footage	5,406,500	0.00	0	85	0.00	0	53,853	0.00	0
Subtotal	**96,978,874**	**9.71**	**941,732,895**	**1,210**	**722,226.33**	**873,893,861**	**767,848**	**1,111.53**	**853,487,433**
Networking*			49,837,500			49,837,500			49,837,500
Subtotal			**991,570,395**			**923,731,361**			**903,324,933**
Project Management (2.5%)			24,789,260			23,093,284			22,583,123
Busses**			1,440,000			1,440,000			1,440,000
Equipment			6,529,479			6,529,479			6,529,479
Subtotal			**1,024,329,134**			**954,794,124**			**933,877,535**
Statewide Bidding and PM Savings (5%)			(51,216,457)			(47,739,706)			(46,693,877)
Computer Purchase***			44,555,000			44,555,000			44,555,000
Impact on Market (8%)			81,946,331			76,383,530			74,710,203
Margin of Error (7%)			71,703,039			66,835,589			65,371,427
Total			**1,171,317,047**			**1,094,828,536**			**1,071,820,288**

Sample Size	Actual Amount			Percent of Assessed Total			Project Count	
	Sq. Footage	Schools	ADM	Sq. Footage	Schools	ADM	Total	Percent
Urban	1,510,413	22	17,241	3.5%	4.17%	4.55%	106	41.7%
Suburban	2,632,718	32	27,214	11.5%	14.95%	15.31%	13	5.1%
Rural	1,500,379	21	8,025	7.5%	6.62%	6.10%	117	46.1%
Remote	825,159	11	4,722	15.7%	16.67%	18.40%	18	7.1%
Total	6,468,669	86	57,202	7.06%	7.64%	8.01%	254	100.0%

* Assumes 25 percent of total sq. footage needs to be addressed @ 2.26 per sq. ft (based on sample results)
** Assumes 20 busses @ $72,000 per bus.
*** Assumes 35,000 computers @ $1,273.

Attachment 2

o:\johna\budget\assessment projection

Evaluation of School Facilities Board Sample (7/17/2000)

JLBC Staff

District Name	E Isol.	H Isol.	AY 1999 Actual P ADM	AY 1999 Actual E ADM	AY 1999 Actual H ADM	AY 1999 Actual Total	AY 1998-1999 Growth	1999 Route Miles	1999 Eligible Students	AY 1999 TSL	AY 1999 TRCL	Elem. CORL Adj. For Gr Factor	HS CORL Adj. For Gr Factor	2000 Effective NAV	Effective NAV per Student
Young Elementary	1	1	0.3	48.2	34.7	83.1	9.64%	110.0	73.0	36,241	111,290	14,811	12,853	10,974,650	132,002
Seligman Unified	0	0	-	103.1	79.1	182.1	12.33%	486.0	99.0	213,820	344,817	31,536	29,252	23,641,055	129,800
Palo Verde Elementary	0	0	-	223.8	-	223.8	8.61%	309.8	189.0	104,341	107,061	64,473	-	12,510,720	55,914
Antelope Union	0	1	-	-	363.8	363.8	-2.16%	1,029.2	371.0	438,302	399,423	-	111,648	16,181,612	44,479
Clarkdale-Jerome Elemen	0	0	0.5	365.6	-	366.1	2.52%	187.9	171.0	84,848	125,582	93,953	-	19,688,576	53,784
Grand Canyon Unified	1	1	-	282.7	84.5	367.2	5.47%	120.0	175.0	37,111	143,459	78,080	29,356	19,931,623	54,277
Williams Unified	0	0	1.8	464.7	211.1	677.6	-8.72%	666.0	402.0	204,156	326,618	116,731	67,515	56,283,397	83,065
Buckeye Union	0	0	-	-	942.6	942.6	1.44%	702.1	351.0	531,019	562,695	-	252,559	55,847,332	59,248
Tolleson Elementary	0	0	3.3	1,287.3	-	1,290.7	5.82%	249.9	582.0	89,339	158,780	307,548	-	43,968,956	34,067
Mammoth-San Manuel Ur	0	1	5.9	1,095.0	452.8	1,553.7	-1.87%	663.2	460.0	271,806	388,545	247,199	135,560	47,800,542	30,766
Sahuarita Unified	0	0	17.2	1,260.1	542.3	1,819.6	4.64%	1,991.5	1,724.0	734,882	877,436	284,490	153,880	74,577,091	40,985
Murphy Elementary	0	0	11.7	2,499.2	-	2,510.9	5.75%	464.6	1,009.0	193,500	311,153	596,680	-	77,616,863	30,913
Winslow Unified	0	0	6.1	1,707.8	818.2	2,532.0	1.16%	638.0	716.0	227,182	320,680	385,554	219,218	33,300,605	13,152
Chinle Unified	0	0	9.4	3,098.7	1,150.7	4,258.9	0.96%	5,063.0	3,424.0	2,109,547	2,664,430	699,563	308,331	2,942,188	691
Alhambra Elementary	0	0	26.5	12,197.3	-	12,223.8	5.76%	1,659.2	3,495.0	611,643	786,373	2,912,154	-	282,590,867	23,118
Paradise Valley Unified	0	0	73.0	23,309.7	9,876.5	33,259.3	2.31%	10,316.8	9,822.0	4,087,452	4,540,979	5,262,405	2,646,317	1,339,715,457	40,281
Total	2.000	4.000	155.6	47,943.2	14,556.2	62,655.1	2.89%	24,657.1	23,063.0	9,975,188	12,169,321	11,095,176	3,966,490	2,117,571,534	826,541
Sample Average	0.125	0.250	9.7	2,996.5	909.8	3,915.9	2.89%	1,541.1	1,441.4	623,449	760,583	693,449	247,906	132,348,221	33,797
State Average	0.091	0.100	10.2	2,410.4	909.4	3,355.0	2.26%	1,752.2	1,365.8	623,731	756,411	556,649	247,727	163,692,412	48,791
State Standard Dev.	0.287	0.299	21.7	5,774.4	2,658.8	3,332.3	14.96%	3,664.0	2,347.1	1,222,388	1,400,455	1,319,091	719,035	391,289,618	237,412
T-Statistic	0.119	0.502	(0.022)	0.101	0.000	0.168	0.042	(0.058)	0.032	(0.000)	0.003	0.104	0.000	(0.080)	(0.063)
Significant at 90% Level?	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No

Rural districts over-represented on elementary side and high school side.

Districts in sample have higher than average elementary counts, but high school counts are equal to state average.

Districts in sample are growing slightly faster than state average.

Districts in sample have less property wealth per student than state average.

Note: Effective NAV per student calculations do not count accomodation schools, NAVIT, or EVIT.

BOTTOM LINE: Because none of the differences noted above are statistically significant, the sample appears to be a valid representation of statewide schools.

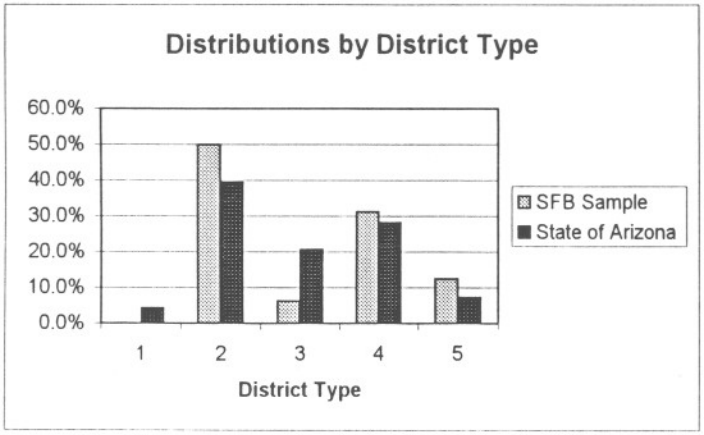
Attachment 3

Evaluation of School Facilities Board Sample (7/17/2000)

JLBC Staff

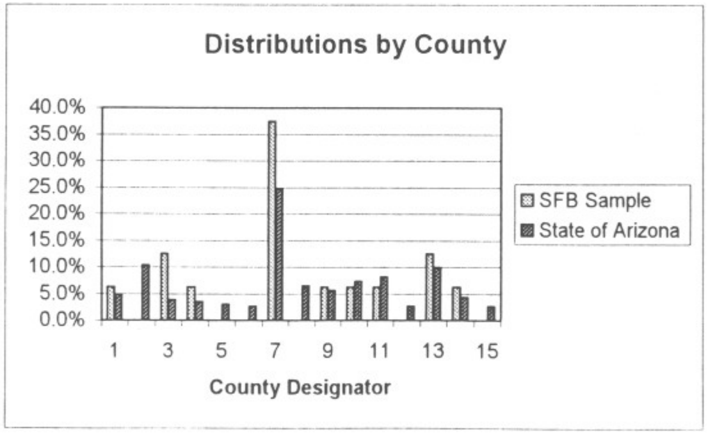
Distribution by District Type

		By Count		By Percent	
	Type #	Sample	State	Sample	State
Accomodation or Alt.	1	0	10	0.0%	4.3%
Unified School District	2	8	91	50.0%	39.4%
Elem. SD not in HS Dist.	3	1	48	6.3%	20.8%
Elem. SD in HS Dist.	4	5	65	31.3%	28.1%
High School District	5	2	17	12.5%	7.4%
Total		16	231	100.0%	100.0%



Distribution by County

		By Count		By Percent	
	Cty #	Sample	State	Sample	State
Apache County	1	1	11	6.3%	4.8%
Cochise County	2	0	24	0.0%	10.4%
Coconino County	3	2	9	12.5%	3.9%
Gila County	4	1	8	6.3%	3.5%
Graham County	5	0	7	0.0%	3.0%
Greenlee County	6	0	6	0.0%	2.6%
Maricopa County	7	6	57	37.5%	24.7%
Mohave County	8	0	15	0.0%	6.5%
Navajo County	9	1	13	6.3%	5.6%
Pima County	10	1	17	6.3%	7.4%
Pinal County	11	1	19	6.3%	8.2%
Santa Cruz County	12	0	6	0.0%	2.6%
Yavapai County	13	2	23	12.5%	10.0%
Yuma County	14	1	10	6.3%	4.3%
La Paz County	15	0	6	0.0%	2.6%
Total		16	231	100.0%	100.0%

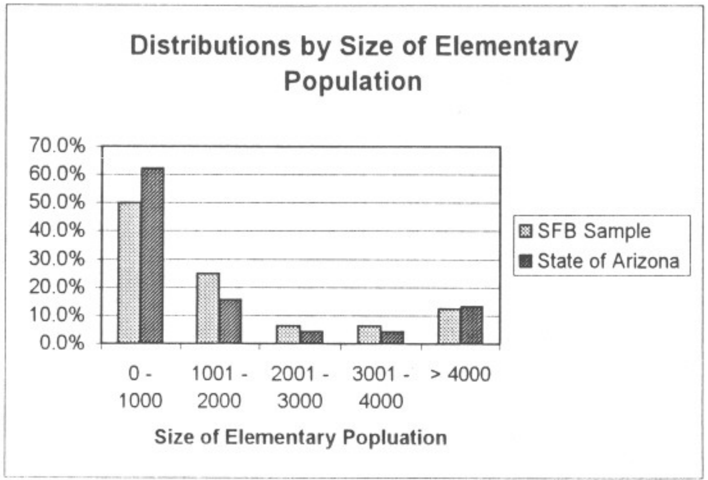


Evaluation of School Facilities Board Sample (7/17/2000)

JLBC Staff

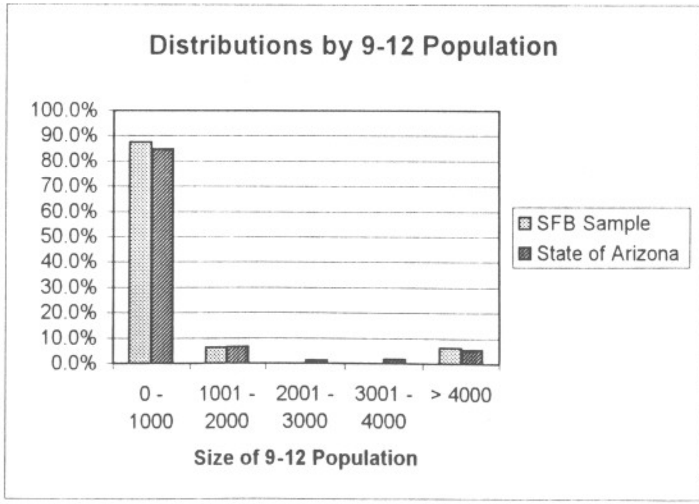
Distribution by Elementary Population

	Sample	State	Sample	State
0 - 1000	8	144	50.0%	62.3%
1001 - 2000	4	36	25.0%	15.6%
2001 - 3000	1	10	6.3%	4.3%
3001 - 4000	1	10	6.3%	4.3%
> 4000	2	31	12.5%	13.4%
Total	16	231	100.0%	100.0%



Distribution by 9-12 Population

	Sample	State	Sample	State
0 - 1000	14	196	87.5%	84.8%
1001 - 2000	1	15	6.3%	6.5%
2001 - 3000	0	3	0.0%	1.3%
3001 - 4000	0	4	0.0%	1.7%
> 4000	1	13	6.3%	5.6%
Total	16	231	100.0%	100.0%



STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

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

DATE: August 3, 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 OF TWO PRIVATE PRISON REQUEST FOR PROPOSALS

Request

The Arizona Department of Corrections (ADC) requests Committee review of 2 Request for Proposals (RFP) issued by the department for privately-operated prison beds.

Recommendation

The JLBC Staff recommends a favorable review of the ADC private prison RFP for 400 minimum-security Driving Under the Influence (DUI) beds. A favorable review of the RFP is recommended as the RFP, as amended, meets the intent of the appropriation for 400 DUI beds and statutes related to privatized prison beds.

The JLBC Staff has concerns about the second RFP issued by ADC soliciting bids for 1,000 privately-operated beds to house non-U.S. national inmates. As a public policy decision, the Committee may wish to give an unfavorable review to the RFP as it may meet the letter of the appropriation but not the spirit of the appropriation.

Analysis

400 New Minimum-Security DUI Beds

ADC's FY 2000 and FY 2001 appropriations include General Fund monies to enable the department to contract for 400 new privately-operated DUI beds beginning in June 2000. On June 13, 2000, ADC published a RFP to solicit bids for a private entity to provide 400 substance abuse intervention beds beginning June 2001. As a result, ADC has approximately $5.8 million in General Fund monies appropriated in FY 2001 for new DUI beds that may not come on-line until FY 2002. ADC has not yet indicated what the department intends to do with the monies during FY 2001.

(Continued)

Pursuant to A.R.S. § 41-1609.01, the private prison contractor must provide at least the same quality of service as the state at a lower cost or superior quality of service at the same cost. In addition, the department has included a purchase option in the RFP and has requested that all bidders include a schedule that displays the amount of monies from the per diem that will be applied to a purchase price should the department exercise the purchase option. A.R.S. § 41-1609.01 requires that any RFP issued by ADC pertaining to an adult incarceration contract be provided to the Joint Legislative Budget Committee for review.

After conversations with the JLBC Staff, ADC plans to amend the RFP to clarify that only DUI related offenders would be placed in the new private prison facility. We had concerns that the appropriation for the new beds was intended for only DUI offenders but the RFP could be interpreted to allow any type of substance abusing inmate to be placed at the privately-operated prison. ADC has stated to staff that the new 400 private beds will only house DUI related offenders and has agreed to issue an amendment clarifying the RFP.

We recommend a favorable review as the Committee has approved similar RFP's in the past and the amended RFP meets the intent of the appropriation and statutes related to privatized prison beds. The table of contents of the RFP is attached. The entire RFP is available upon request.

<u>1,000 New Privately-Operated Prison Beds</u>

ADC's FY 2001 appropriation also includes General Fund monies to enable the department to contract for 1,000 new privately-operated beds to be opened in June 2001. At the department's budget hearings during the 1999 legislative session, the Executive proposed contracting for a 1,000-bed facility to house inmates who are Mexican nationals. During the budget hearing, concerns were raised by Appropriations Committee members regarding the Executive's plan to segregate Mexican nationals from the general inmate population.

As a result of the concerns raised by committee members, the following footnote was attached to the appropriation for the 1,000 new private prison beds:

> "Before the State Department of Corrections releases a request for proposals for the 1,000 privately operated beds to be opened in June 2001, the State Department of Corrections shall submit its plan for the category of beds to be privatized to the Joint Legislative Budget Committee for review and the beds shall not be segregated by race, ethnicity or nationality."

ADC requests the Committee give a favorable review to a RFP entitled "Criminal Aliens Subject to United States Immigration and Naturalization Services Hearings and/or Deportation." ADC intends to house only non-U.S. national inmates at the new 1,000 bed private prison. ADC believes the intent of the footnote was to disallow the segregation of only Mexican national inmates and that the RFP complies with the footnote by segregating all types of foreign national inmates from inmates with U.S. citizenship.

While foreign nationals from other countries than Mexico will be housed at the new private facility, the vast majority of inmates will still be Mexican nationals. As a result, the RFP may meet the letter of the footnote but does not appear to meet the spirit. The JLBC Staff believes that whether this merits an unfavorable review is a matter of public policy for the Committee. The table of contents of the RFP is attached. The entire RFP is available upon request.

(Continued)

ADC Inmate Population vs Bed Capacity

Because ADC is requesting Committee review of 2 RFP's that combined will add 1,400 new private prison beds, we felt some additional information on ADC inmate population growth and prison bed capacity would be beneficial to the members.

At the end of FY 2000, ADC was operating with a bed deficit of approximately 1,500, or 6.2% above capacity. This bed deficit, however, does not take into account the funded but unopened beds at the Arizona State Prison Complex (ASPC) - Lewis. Due to the department's inability to hire sufficient numbers of Correctional Officers, there were approximately 1,700 funded but unopened beds at ASPC - Lewis at the end of FY 2000. As a result, if all constructed and funded beds were to become operational, the bed shortfall would become a surplus.

In addition to the unopened Lewis Complex beds, the current bed capacity also does not include the 1,400 new privately-operated prison beds discussed earlier in this memorandum. As mentioned earlier, ADC's FY 2000 and FY 2001 appropriations include General Fund monies to enable the department to contract for 400 new privately-operated DUI beds beginning in June 2000. A slowdown in inmate growth has enabled ADC to propose delaying the activation of these new beds until June 2001. In addition, ADC's FY 2001 appropriation includes additional General Fund monies to contract for an additional 1,000 new privately-operated beds beginning in June 2001. The RFP for those 1,000 beds states that the beds will not be activated until January 2002 instead of June 2001.

The potential for a bed surplus, even without opening the additional 1,400 private prison beds when scheduled, is possible because of a slowdown in the monthly growth rate in the ADC inmate population. ADC's FY 2000 and FY 2001 appropriations are based on a growth rate of 132 net new inmates per month; however, the actual FY 2000 monthly growth rate was 19 new inmates per month. While we currently do not have a good understanding of the reasons for the growth slowdown, the bottom line is that the ADC population is approximately 1,356 inmates lower than projected.

The slowdown in inmate population growth has also resulted in the Joint Committee on Capital Review delaying the construction of the New Southern Regional Prison Complex at Tucson (Tucson II). The following table displays various time scenarios for opening the Tucson II beds depending on different inmate growth rates and the activation of all Lewis Complex beds and new privately-operated beds.

Inmate Population Projections and Construction Schedule for Tucson II

Inmate Growth Per Month	2,000 Bed Deficit	Construction of Tucson II Begins [1/]
132 [2/]	October 2002	October 2000
103 [3/]	July 2003	July 2001
19 [4/]	November 2021	November 2019

1/ Construction of Tucson II must begin 24 months prior to ADC reaching a statewide bed deficit of 2,000.
2/ FY 2000 and FY 2001 appropriated monthly growth rate.
3/ Average monthly growth rate over past the 10 years.
4/ Actual FY 2000 monthly growth rate.

RS:BR:ck
Attachments

Arizona Department of Corrections

1601 WEST JEFFERSON
PHOENIX, ARIZONA 85007
(602) 542-5556

JANE DEE HULL
GOVERNOR

TERRY L. STEWART
DIRECTOR

June 29, 2000

JUL - 7 2000

The Honorable Randall Gnant
Chairman, Joint Legislative Budget Committee
1700 West Washington Street, Senate Wing
Phoenix, Arizona 85007

Dear Senator Gnant:

Pursuant to the provisions of Arizona Revised Statute § 41-1609.01 (A), I am providing to the Committee a copy of a Request for Proposal (RFP) which was published June 13, 2000. The RFP is a solicitation for submission of proposals for the provision of a 400 bed, Level 2 prison for male inmates who demonstrate a need for substance abuse intervention due to abuse of alcohol and other drugs. The RFP also provides a purchase option of the facility, which is subject to legislative approval.

This RFP is for a new privately operated prison and does not replace any existing contract, as was appropriated for fiscal year 2000. The Arizona Department of Corrections conducted a pre-proposal conference on June 27, 2000, and proposals will be accepted until August 15, 2000.

Please advise Charles L. Ryan, Deputy Director for Prison Operations, of the date and time the Committee has scheduled to review the RFP. Mr. Ryan will make himself available for the review. He may be reached at 542-3894.

Sincerely,

Terry L. Stewart
Director

TLS/CEN/tcl

cc: The Honorable Bob Burns, Vice Chairman, Joint Legislative Budget Committee
Richard Stavneak, Director, Joint Legislative Budget Committee
Tom Betlach, Director, Governor's Office for Strategic Planning and Budgeting
George Weisz, Governor's Executive Assistant for Law Enforcement and Criminal Justice
Charles L. Ryan, Deputy Director for Prison Operations, Arizona Department of Corrections
Carl E. Nink, Assistant Director for Administrative Operations, Arizona Department of Corrections
Alan Ecker, Legislative Liaison, Arizona Department of Corrections
Lacy L. Scott, Administrative Services Officer II, Arizona Department of Corrections

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STATE OF ARIZONA
DEPARTMENT OF CORRECTIONS

REQUEST FOR SEALED PROPOSALS (RFP) #7112

REQUEST FOR PRIVATIZED PRISON SERVICES
FOR 400 ADULT MALE INMATES
DEMONSTRATING A NEED FOR
SUBSTANCE ABUSE INTERVENTION
DUE TO ABUSE OF ALCOHOL AND
OTHER DRUGS (AOD)

Solicitation produced by the Arizona Department of Corrections - Prison Operations.

Technical management of this solicitation related to the State's procurement requirements provided by the Department of Corrections' Contracts Administration Unit.

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Arizona Department of Corrections

1601 WEST JEFFERSON
PHOENIX, ARIZONA 85007
(602) 542-5556

JANE DEE HULL
GOVERNOR

TERRY L. STEWART
DIRECTOR

RECEIVED
JUL 24 2000
JOINT BUDGET
COMM.

July 24, 2000

The Honorable Randall Gnant
Chairman, Joint Legislative Budget Committee
1700 West Washington Street, Senate Wing
Phoenix, Arizona 85007

Dear Senator Gnant:

Pursuant to the provisions of Arizona Revised Statutes § 41-1609.01 (A), I am providing to the Committee a copy of a Request for Proposal (RFP) which was published July 13, 2000. The RFP is a solicitation for submission of proposals for the provision of a 1000 bed, level 2, level 3 and level 4 prison for male criminal aliens subject to deportation upon completion of sentence. The RFP also provides a purchase option for the facility, which is subject to Legislative approval.

This RFP is for a new privately operated prison and does not replace any existing contract, as was appropriated for fiscal year 2001. The Arizona Department of Corrections will conduct a pre-proposal conference on July 27, 2000, and proposals will be accepted until September 12, 2000.

Please advise Charles L. Ryan, Deputy Director, Prison Operations, of the date and time the Committee schedules for reviewing the RFP. Mr. Ryan will make himself available for the review. He may be reached at 542-3894.

Sincerely,

Terry L. Stewart
Director

TLS/CEN/LLS

cc: The Honorable Bob Burns, Vice Chairman, Joint Legislative Budget Committee
Richard Stavneak, Director, Joint Legislative Budget Committee
Tom Betlach, Director, Governor's Office for Strategic Planning and Budgeting
George Weisz, Governor's Executive Assistant for Law Enforcement and Criminal Justice
Charles L. Ryan, Deputy Director, Prison Operations, Arizona Department of Corrections
Carl E. Nink, Assistant Director for Administrative Operations, Arizona Department of Corrections
Alan Ecker, Legislative Liaison, Arizona Department of Corrections
Lacy L. Scott, Administrative Services Officer II, Arizona Department of Corrections

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Arizona Department of Corrections

BR

1601 WEST JEFFERSON
PHOENIX, ARIZONA 85007
(602) 542-5556

JANE DEE HULL
GOVERNOR

TERRY L. STEWART
DIRECTOR

July 12, 2000

JUL 14 2000
JOINT BUDGET
COMMITTEE

The Honorable Randall Gnant
Chairman, Joint Legislative Budget Committee
1700 West Washington Street, Senate Wing
Phoenix, Arizona 85007

Dear Senator Gnant:

Pursuant to the General Appropriation Act Footnote for the Department of Corrections, Fiscal Year 2000 - 2002 budget which reads:

> "Before the State Department of Corrections releases a request for proposals for the 1,000 privarely operated beds to be opened in June 2001, the State Department of corrections shall submit its plan for the category of beds to be privatized to the Joint Legislative Budget Committee for review and the beds shall not be segregated by race, ethnicity or nationality."

I am providing the plan for the category of beds to be privatized. Request for Proposal #7113 titled, Criminal Aliens Subject To United States Immigration And Naturalization Services (USINS) Hearings And/Or Deportation will call for 1,000 beds to be provided in the following categories:

- Level 2 (400 inmates) shall be housed in dorm-style living accommodations
- Level 3 (200 inmates) shall be housed in dorm-style living accommodations
- Level 3 (200 inmates) shall be double-bunked cells
- Level 4 (200 inmates) shall be double bunked cells

Charles L. Ryan, Deputy Director for Prison Operations is available to discuss any questions you may have regarding the categorization of these beds. He may be reached at 542-3894.

Sincerely,

Terry L. Stewart
Director

TLS/LLS/s

cc: The Honorable Bob Burns, Vice Chairman, Joint Legislative Budget Committee
Richard Stavneak, Director, Joint Legislative Budget Committee
Tom Betlach, Director, Governor's Office for Strategic Planning and Budgeting
George Weisz, Governor's Executive Assistant for Law Enforcement and Criminal Justice
Charles L. Ryan, Deputy Director for Prison Operations, Arizona Department of Corrections
Carl E. Nink, Assistant Director for Administrative Operations, Arizona Department of Corrections
Alan Ecker, Legislative Liaison, Arizona Department of Corrections
Lacy L. Scott, Administrative Services Officer II, Arizona Department of Corrections

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STATE OF ARIZONA
DEPARTMENT OF CORRECTIONS

REQUEST FOR SEALED PROPOSALS (RFP) #7113

REQUEST FOR PRIVATIZED PRISON SERVICES

FOR 1000 ADULT MALE INMATES

CRIMINAL ALIENS
SUBJECT TO
UNITED STATES IMMIGRATION AND NATURALIZATION SERVICES (USINS)
HEARINGS
AND/OR DEPORTATION

Solicitation produced by the Arizona Department of Corrections - Prison Operations.

Technical management of this solicitation related to the State's procurement requirements provided by the Department of Corrections' Contracts Administration Unit.

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STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

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

HOUSE OF
REPRESENTATIVES

DATE: August 8, 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 - CONSIDER APPROVAL OF TRANSFER OF APPROPRIATIONS

Request

The Arizona Department of Corrections (ADC) requests Committee approval to transfer appropriations in FY 2001 to privatize some of the inmate education programs at the Arizona State Prison Complex (ASPC) - Lewis. Specifically, ADC requests to transfer $1,751,000 in General Fund monies as shown below:

TRANSFER FROM:		TRANSFER TO:	
Personal Services	$1,382,500	Professional and Outside Services	$1,751,000
Employee Related Expenditures	368,500		
TOTAL	$1,751,000	TOTAL	$1,751,000

Recommendation

The JLBC Staff recommends that the Committee approve the transfer request. The planned expenditure of the transferred monies is consistent with legislative intent, as the monies will be used to fund inmate education programs.

Analysis

A.R.S. § 35-173(E) requires the Committee to approve any transfer to or from Personal Services or Employee Related Expenditures (ERE) if those line items are separately delineated for an agency in the General Appropriation Act. ADC's FY 2001 appropriation includes Personal

(Continued)

Services and ERE as separate line items. As a result, ADC is requesting Committee approval to transfer monies to fund a pilot program to privatize some inmate education programs at ASPC - Lewis.

ADC currently contracts with Rio Salado College for vocational training and proposes to outsource the functional literacy education and general equivalency diploma (GED) preparation inmate education programs at ASPC - Lewis. ADC teaching staff will continue to provide special education services to inmates with learning disabilities who are 21 years old or younger and will oversee the contracted education services.

ADC initiated the pilot program during FY 2000 with monies available due to lower than projected inmate growth and a delayed opening of all funded beds at ASPC - Lewis. However, ADC hopes to hire sufficient Correctional Officers in FY 2001 to fully open the Lewis Complex and does not anticipate sufficient excess monies available to continue the pilot program. As a result, ADC requests authority to use monies appropriated to the department to hire teachers to continue the pilot program. ADC plans to pursue the elimination of the corresponding 44 teaching staff FTE Positions in the department's FY 2002 biennial budget.

ADC's contract with Rio Salado College will require the College to provide at least the same quality of service as the state at a lower cost or superior quality of service at the same cost. In addition, teachers hired by Rio Salado will be required to meet the same criteria as teachers hired by ADC. This includes both education and security standards established by the department.

Since the pilot program was only initiated during the past fiscal year, no evaluation of the effectiveness of contracting out some inmate education programs has been undertaken. Once ASPC - Lewis is fully operational, the department may wish to evaluate the pilot program's performance in comparison to the effectiveness of inmate education programs provided at other Arizona state prison complexes.

The JLBC Staff recommends the Committee approve the transfer as the monies will be used to provide inmate education programs as required by statute.

RS:BR:ck

Arizona Department of Corrections

1601 WEST JEFFERSON
PHOENIX, ARIZONA 85007
(602) 542-5556

JANE DEE HULL
GOVERNOR

TERRY L. STEWART
DIRECTOR

July 27, 2000

JUL 27 2000

The Honorable Randall Gnant
Arizona State Senate
1700 West Washington Street, Suite 110
Phoenix, Arizona 85007

The Honorable Robert Burns
Arizona House of Representatives
1700 West Washington Street, Suite 114
Phoenix, Arizona 85007

Dear Senator Gnant and Representative Burns:

The Arizona Department of Corrections (ADC) is requesting the addition of the following item to the next Joint Legislative Budget Committee (JLBC) meeting agenda: "Privatization of Inmate Education Programs at ASPC-Lewis."

The ADC proposes elimination of 44.0 teaching staff Full Time Equivalent (FTE) Positions and transfer of associated Personal Services and Employee Related Expenses to Professional and Outside Services funds. With approval of the funds transfer the ADC intends to outsource the Functional Literacy Education (A.R.S. 31-229) and General Equivalency Diploma Preparation (inclusive of requirements pursuant to A.R.S. 31-229.01) inmate education programs.

Proposal:

Eliminate Teaching Staff FTE	(44.0)
Personal Services	($1,405,900)
Employee Related Expenses	(374,800)
Professional and Outside Services	1,751,000
Net Agency Appropriation Decrease	($29,700)

The ADC intends to retain the remaining appropriated teaching staff at ASPC-Lewis to provide Special Education Services (A.R.S. 15-1372) and oversight of contracted education services.

Detailed information is available to your staff for analysis of this issue, or you may contact Helen Gouvert, Administrator, Office of Strategic Planning and Budgeting at 602-542-3460.

Sincerely,

Terry L. Stewart
Director

TLS/HG/jb

Arizona Department of Corrections

1601 WEST JEFFERSON
PHOENIX, ARIZONA 85007
(602) 542-5556

JANE DEE HULL
GOVERNOR

TERRY L. STEWART
DIRECTOR

July 27, 2000

JUL 27 2000

The Honorable Randall Gnant
Arizona State Senate
1700 West Washington Street, Suite 110
Phoenix, Arizona 85007

The Honorable Robert Burns
Arizona House of Representatives
1700 West Washington Street, Suite 114
Phoenix, Arizona 85007

Dear Senator Gnant and Representative Burns:

The Arizona Department of Corrections (ADC) is requesting the addition of the following item to the next Joint Legislative Budget Committee (JLBC) meeting agenda: "Privatization of Inmate Education Programs at ASPC-Lewis."

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Sincerely,

Terry L. Stewart
Director

TLS/HG/jb

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

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

DATE: August 3, 2000

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

THRU: Richard Stavneak, Director

FROM: Rebecca Hecksel, Assistant Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION - REVIEW OF RETIREE ACCUMULATED SICK LEAVE RATE

Request

The Arizona Department of Administration (ADOA) requests the Committee review its recommendation to establish a FY 2001 Retiree Accumulated Sick Leave (RASL) rate of 0.55% of the total benefit-eligible payroll.

Recommendation

The JLBC Staff recommends a favorable review of a FY 2001 RASL rate of 0.40%. ADOA's recommended rate of 0.55% would generate a very large fund balance. A 0.40% rate provides sufficient funding to operate the program in accordance with current law.

Analysis

A.R.S. § 38-616 provides that, subject to JLBC review, the ADOA Director shall establish a RASL pro rata share to be paid by each agency. The rate shall not exceed 0.40% of the total benefit-eligible payroll in FY 2000, and 0.55% in FY 2001 and thereafter. At the June 1999 meeting, JLBC gave a favorable review to the FY 2000 rate of 0.40%. The RASL charge is paid by each agency as a component of Employee Related Expenditures (ERE) to allow funding for the program which pays retirees for unused sick leave. In the 1999 legislative session, all agencies were budgeted for a FY 2000 contribution rate of 0.40% and a FY 2001 contribution rate of 0.55%.

(Continued)

The attached letter from ADOA includes a fund balance statement. The budgeted rate of 0.55% will result in payments into the RASL Fund of approximately $7.9 million from the General Fund, and $3.8 million from Other Funds, for total receipts of $11.7 million. ADOA projects expenditures to total $8.7 million in FY 2001, resulting in a FY 2001 ending fund balance of approximately $6.5 million. ADOA has stated that they would like to maintain a fund balance buffer of $2 million as it is difficult to accurately predict the number of new retirees that must be paid in the next fiscal year. ADOA is recommending the 0.55% option because they would like to make some changes to the program during the 2001 legislative session, including making the RASL payments in one year rather than spreading the payments over three years as required by current law. If the Legislature approves these changes, they can be funded in part from a 0.55% rate in FY 2002 and FY 2003.

JLBC Staff recommends that the RASL rate be maintained at 0.40% to prevent the build up of such a large fund balance. Retained at 0.40%, the RASL Fund will generate General Fund revenues of approximately $5.8 million and Other Fund revenues of approximately $2.7 million, for a total of $8.5 million. Anticipated expenditures total $8.7 million, resulting in a FY 2001 fund balance of approximately $3.4 million. This option provides a revenue amount that is roughly equal to projected expenditures and provides sufficient funding to operate the program in accordance with current law. Increasing the rate to 0.55%, as recommended by ADOA, generates a large fund balance to fund future statutory changes requested by ADOA. Since this is a policy decision for the entire Legislature, the JLBC Staff does not recommend this option.

If the Legislature opts to carry forward the FY 2000 rate of 0.40% into FY 2001, agencies will retain the level of expenditure authority appropriated in the 1999 session in which the RASL rate was assumed to be 0.55%. JLBC Staff does not anticipate large General Fund savings in FY 2001 from a lower RASL rate as agencies may choose to spend those monies on other programs rather than reverting them to the General Fund.

One consequence of leaving the rate at 0.40% is that ADOA may not receive enough funding for their administrative costs for the program. A.R.S. § 38-616 states that monies spent to administer the fund can be no more than 1.5% of total revenue. ADOA estimates that administrative expenses in FY 2001 will total $153,000. If the RASL rate is set at 0.40%, only $127,000 can be allocated for administrative costs. ADOA may be able to absorb the additional costs ($26,000) by using appropriations from the Personnel Division Fund. Historically, ADOA reverts over $500,000 from that fund each year.

RS:RH:ck
Attachment

JANE DEE HULL
GOVERNOR

J. ELLIOTT HIBBS
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION

FINANCE DIVISION - GENERAL ACCOUNTING OFFICE
STATE CAPITOL • 1700 WEST WASHINGTON, ROOM 290
PHOENIX, ARIZONA 85007

RECEIVED
AUG - 3 2000

August 3, 2000

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

Dear Mr. Stavneak:

A.R.S. §38-616 states that the pro rata payroll charge for the Retiree Accumulated Sick Leave (RASL) Fund shall be established by the Director of the Department of Administration, subject to review by the Joint Legislative Budget Committee (JLBC). Accordingly, we request that this item be included on the agenda for the upcoming JLBC meeting.

We recommend that the pro rata charge be established at the budgeted rate of .55 percent of the total benefit eligible payroll for fiscal year 2000-2001 as provided by statute. This will accommodate the timely disbursement of benefits to program participants, provide the necessary resources to administer the program, and continue the success of this developing program. The pro rata charge may be reduced to .49 percent of the total benefit eligible payroll without impairing the resources available to administer this program. This modification would impact the balance in the RASL Fund and the options available to the legislature on a long-term basis. Attached is a projection of the financial position of the RASL Fund based upon various projected pro rata charges.

If you have any questions or need any additional information, please call me at 542-5405 or Travis Swallow at 542-6261.

Sincerely,

D. Clark Partridge

for Robert Rocha
State Comptroller

RR:DCP:KO:ts

cc: J. Elliott Hibbs
Lee Baron
Tom Betlach
Rebecca Hecksel

Attachment

STATE OF ARIZONA
RETIREE ACCUMULATED SICK LEAVE FUND
RASL PROJECTION
7/28/00

	Actual 6/30/99	FYTD 6/30/00	0.55% Projected 6/30/01	0.49% Projected 6/30/01	0.40% Projected 6/30/01
Revenues	3,806,176	8,482,725	11,663,747	10,391,338	8,482,725
Total Revenues	3,806,176	8,482,725	11,663,747	10,391,338	8,482,725
Expenditures					
Participant Benefit Pmts	2,643,495	5,181,184	7,930,485	7,930,485	7,930,485
Employer FICA on Benefit Pmts	197,498	390,327	606,682	606,682	606,682
Administration (FY 01 1.5% of Revenues)	98,671	129,778	174,956	155,870	127,241
Total Expenditures	2,939,664	5,701,289	8,712,123	8,693,037	8,664,408
Revenues Over (Under) Expenditures	866,512	2,781,436	2,951,624	1,698,301	(181,683)
Operating Transfers In (Out)	(100,000)	-	-	-	-
Revenues and Operating Transfers In Over (Under) Expenditures and Operating Transfers Out	766,512	2,781,436	2,951,624	1,698,301	(181,683)
Beginning Fund Balance	-	766,512	3,547,948	3,547,948	3,547,948
Ending Fund Balance	$ 766,512	$ 3,547,948	$ 6,499,572	$ 5,246,249	$ 3,366,265

Projected Required Administrative Costs for FY 01	
Personal Services	$ 113,462
ERE's	$ 30,567
Other Operating	$ 9,100
	$ 153,129

DATE: August 3, 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 - REVIEW OF PLAN TO PROVIDE MATCHING MONIES TO NAVAJO NATION TO OPERATE A TRIBAL CASH ASSISTANCE PROGRAM

Request

Pursuant to a provision in Laws 1997, Chapter 300, the Department of Economic Security (DES) requests Committee review of a plan to provide matching monies to the Navajo Nation to operate a tribal cash assistance program.

Recommendation

The JLBC Staff recommends the Committee give the proposal a favorable review. The proposed General Fund amount is consistent with DES' budget. In addition, the proposal would exclude the Navajo clients from calculation of Arizona's work participation rate. Given the potential difficulties of moving clients into jobs on the Navajo reservation, this exclusion will help ensure the state is not subject to financial penalties for failing to meet these federally-mandated work participation rates.

Analysis

The 1996 Federal welfare reform legislation (P.L. 104-193) allows Native American tribes to petition the Federal government to operate their own tribal family assistance program. Those tribes with an approved plan may directly receive and administer Temporary Assistance for Needy Families (TANF) Block Grant monies; a state's TANF Block Grant distribution is reduced by the amount of money passed on directly to the tribe. Laws 1997, Chapter 300, Section 35 states that if a tribal government elects to operate a cash assistance program, the state shall provide matching monies "at a rate that is consistent with the applicable fiscal year budget and that is not more than the state matching rate for the Aid to Families with Dependent Children (AFDC) program as it existed on July 1, 1994." Laws 1997, Chapter 300 requires the Joint Legislative Budget Committee to review any plan to provide matching monies.

(Continued)

The Navajo Nation proposes to start its tribal cash assistance program on October 1, 2000 as permitted by P.L. 104-193. The Navajo Nation, DES, and the federal government have been in discussions regarding the Navajo Nation operating their own program in Arizona since early 1997. The Navajo Nation and DES are awaiting federal approval of the plan, but expect to receive that approval shortly and begin operation of their program on October 1, 2000. For the first six months of the program, the tribe will contract back with DES to administer their program. The program targets getting 5% of TANF recipients working in the first year of its program. The Navajo Nation already operates its employment services program; those services will be coordinated with the new Navajo TANF program.

DES is proposing to give the tribe 80% of the state GF expenditures for administrative functions and cash benefits in FFY 1994, or approximately $2,361,600 GF annually. This amount is consistent with DES' budget and is close to what DES is currently expending on services to the tribe. In addition to this GF amount, the Navajo Nation has requested that approximately $15,227,100 of TANF Block Grant monies be redirected to them yearly from Arizona's TANF grant. This amount is based on calculations of federal expenditures related to the Navajo Nation in FFY 1994. We would note that in the old AFDC program, Arizona only had to pay approximately 6.8% of the cash benefit costs (excluding administration) for the Navajo and Hopi tribes. As a result, the federal government paid a higher share of the cost of the total cash assistance program for the Navajo Nation. This results in a higher share of TANF Block Grant monies to be passed through to the tribe, and a lower share of General Fund monies.

The combination of the TANF Block Grant and GF monies proposed to be passed through to the tribe on an annual basis, approximately $17,588,700, reflects a decrease of approximately 2.9% from the amount spent on the tribe in FFY 1994, the year upon which the tribe's TANF Block Grant amount is based, pursuant to federal law. DES estimates that it provided Aid to Families with Dependent Children cash assistance to an average of 4,770 Navajo cases in FFY 1994. The caseload of Navajo tribal members in June 1999 was 3,564, or a decrease of 25.3%. (The June 1999 data is the latest data certified by the federal government.) Given this caseload decrease from FFY 1994, we believe a 2.9% total funding decrease from FFY 1994 levels will not adversely affect the tribe. We would also note that in addition to the $2,361,600 GF the plan proposes to pass through to the tribe, the tribe also receives approximately $550,000 TANF yearly from a $1 million TANF appropriation to Indian tribes to assist in their welfare reform efforts.

The figures presented above reflect annual totals. If the Navajo Nation begins operating their own program on October 1, 2000, the tribe will receive exactly ¾ of the above figures in FY 2001 (with the exception of the $550,000 TANF welfare reform grant, for which they will receive the full amount.) This reflects the 9 months of FY 2001 the tribe will be operating their own program. Starting in FY 2002, the Navajo tribe would receive the full annual amount.

JLBC Staff recommends the Committee give the proposal a favorable review. The proposed amount of General Fund match is consistent with DES' budget. In addition, although the reduction in funding from FFY 1994 is less than the reduction in caseload over the same amount of time, the high unemployment on the reservation, along with the large, rural nature of the reservation may make it more difficult to move clients into jobs. We would also note that if the Navajo Nation operates their own welfare program, their clients are not calculated in Arizona's work participation rate. This is important because Arizona's TANF Block Grant is subject to financial penalties if the state does not meet these federally-mandated work participation rates. Given the potential difficulties of moving clients into jobs on the Navajo reservation, it may be advantageous to the state to have the Navajo Nation operates their own program.

RS:SSH:jb

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Jane Dee Hull
Governor

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

John L. Clayton
Director

AUG 2 2000

AUG - 2 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 August JLBC meeting agenda to discuss the review of a plan to provide matching monies to the Navajo Nation to operate a tribal cash assistance program pursuant to a provision in Laws 1997, Chapter 300.

Karen McLaughlin, Administrator, Financial Services Administration, is prepared to discuss this issue 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

NAVAJO NATION

Facts:

• Population	165,614	
• Land Area	27,000	*square miles*
	65%	*in Arizona*
• TANF Population	9,000	*(est.)*

The Department of Economic Security is currently providing TANF assistance to the Navajo Nation. The Navajo Nation provides is own employment services through the Native Employment Works (NEW) Program. Federal legislation allows the residents of the Navajo Nation an exemption to the state and federal time limits because its unemployment rate exceeds 50%. There is no exception to the work requirements, however, the state accepts the Navajo Nation NEW work activities as meeting the requirements for TANF benefits.

Navajo Nation TANF Plan Highlights

- Navajo Nation TANF Plan has been prepared and submitted to the federal government
- Target start-up date is October 1, 2000
- Service Area is reservation and registered tribal members in surrounding areas
- The Nation plans to operate its own program – (they will contract back with the state for first six months)
- Targets 5% of TANF recipients working first year

New Program

- The NEW program can serve approximately 650 tribal members
- Allows for unique program design to meet tribal needs
- Coordination between DES and NEW program is ongoing

Welfare to Work

- The tribe has received a federal grant to expand its work program
- Funds will be used to create employment opportunities as well as training
- Long-term recipients are target group

Contacts for Further Information:

Alex Yazza
Department Director, TANF
Phone number: 520-810-8500

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

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

HOUSE OF REPRESENTATIVES

DATE: August 3, 2000

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

THRU: Richard Stavneak, Director

FROM: Pat Mah, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY - REPORT ON FY 2001 LUMP SUM OPERATING BUDGET REDUCTION PLAN

Request

Pursuant to a footnote in the FY 2001 General Appropriation Act, the Department of Economic Security (DES) is required to submit a plan for continuing a $1,573,800 General Fund lump sum reduction that began in FY 2000. The plan for the FY 2001 operating budget was due by July 1, 2000.

Recommendation

This item is for information only and no Committee action is required. The Committee had concerns about proposed reductions in videotaping and Attorney General staffing when it reviewed the initial lump sum reduction plan in August 1999 for FY 2000. The plan for FY 2000 was subsequently modified to address the Committee's concerns and minor modifications made for its continued use in FY 2001.

Analysis

The department reports that it will use in FY 2001 basically the same $1,573,800 reduction plan that was implemented for FY 2000. According to the department, the loss of $1,573,800 in General Fund monies will continue to reduce annual spending from Federal and Other Funds by $2,091,400, for a total reduction in annual spending of $3,665,200. The Federal and Other Funds dollars are reduced because of the elimination of 63.75 FTE Positions. The responsibilities of the positions were shifted to other personnel in the agency, but in some cases

(Continued)

the reduction also involved a loss in services. The department provided an analysis of the impact of its plan, which is attached for the Committee's review. According to the department, loss in services for clients will continue to be minimal. The greatest impact of the funding reduction will be to the department's administrative operations and its ability to complete work request in a timely manner. The following table summarizes by division the department's proposed FY 2001 lump sum operating budget reduction:

DEPARTMENT DIVISION	**GF REDUCTION**	**FEDERAL/OTHER FUNDS REDUCTION**
ADMINISTRATION		
Eliminates 41 FTE Positions	$ 809,800	$1,653,000
BENEFITS AND MEDICAL ELIGIBILITY		
Eliminates 4 FTE Positions	164,200	0
CHILDREN, YOUTH AND FAMILIES		
Eliminates 11 FTE Positions	351,100	213,800
DEVELOPMENTAL DISABILITIES		
Eliminates 7.75 FTE Positions	168,700	144,600
EMPLOYMENT AND REHABILITATION SERVICES		
Reduces Job Search Stipend Appropriation	80,000	80,000
TOTAL	**$1,573,800**	**$2,091,400**

To implement the lump sum reductions in FY 2000, the department reported that it would eliminate its Videotaping Unit and reduce Attorney General positions in the Division of Children, Youth and Families. However, these proposed reductions raised the Committee's concerns when the $1,573,800 lump sum reduction plan was first reviewed in August 1999. As a result, the department did not eliminate any Videotaping or Attorney General positions. Monies in a Special Line Item for the Videotaping Unit were eliminated, but all videotaping staff and activities continued by using vacancy savings in the operating budget. Two administrative support staff positions were eliminated in place of the proposed reduction in Attorney General staffing. The department made no other significant changes from its original lump sum reduction plan. The department reports that it will continue to use the FY 2000 plan in FY 2001 with just minor modifications.

In addition to expressing concerns in August 1999, the Committee asked the department to keep JLBC Staff apprised of any significant changes during the year and provide a summary report to Staff on the plan's FY 2000 implementation by July 31, 2000. During the year, the department reported no significant changes other than those discussed above. The written report for FY 2000, although past due, has not yet been received. In phone conversations, the department reported that the $1,573,800 lump sum reduction has resulted in delays in its administrative operations, but adjustments were made to minimize the impact to client services.

RS:PM:ss
Attachment

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

JANE DEE HULL
GOVERNOR

JOHN L. CLAYTON
DIRECTOR

JUN 3 0 2000

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

Dear Senator Gnant:

The Department of Economic Security is required to submit a plan for implementing a $ 1,573,800 General Fund lump sum reduction to the operating budget in FY 2001 pursuant to a footnote in the FY 2000 and FY 2001 General Appropriation Act. This plan is due by July 1, 2000.

At this point in time, the Department is submitting a plan for FY 2001 essentially the same as the FY 2000 plan with only minor modifications within the same line items. If changes are required to the plan because of changes at the federal or state level, we will provide a revised plan.

Karen McLaughlin, Administrator, Financial Services Administration, is prepared to discuss this plan with Pat Mah and Stefan Shepherd as necessary.

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

Sincerely

Michael Koppelman
for John L. Clayton

Enclosure

Department of Economic Security
Administrative Reduction Proposal for FY2001
Summaries/Impact Statements

Division	Description	State Funds	Decrease Fed/Other Funds	Total Funds

Administration

The Administrative Divisions share of the administrative cuts is $809,800. These reductions resulted in the elimination of 41 staff positions. The following areas were impacted by the reduction: computer programmers which will reduce the ability of the department to implement automation changes; internal audit and special investigations which will curtail the department's ability to investigate fraud and review internal controls; financial staff which provide budgetary, funding, and fiscal support to the department; and training staff which could prevent the department from providing mandatory training to employees. Reductions also impact operating funds within the Appellate Services staff could increase resolution time for legal and administrative actions. In addition, the cuts reduced the contracted funds to outside consultants who provide support to maintain the department's automated financial management system.

The cuts come from the following line items:

	State Funds	Decrease Fed/Other Funds	Total Funds
Administrative Divisions	$709,800	$1,420,000	$2,129,800
Closures due to reductions in Family Assistance Administration.	100,000	233,000	333,000
Administrative Total	$809,800	$1,653,000	$2,462,800

Benefits & Medical Eligibility

The Division of Benefits and Medical Eligibility (DBME) has eliminated four positions responsible for conducting General Assistance quality control reviews. Elimination of these positions is expected to result in overpayments to clients resulting in misspent dollars.

	State Funds	Decrease Fed/Other Funds	Total Funds
Benefits & Medical Eligibility Total	$164,200	0	$164,200

Children, Youth and Families

Professional and Outside Services. The division reduced the use of consultant services which provide support for management studies, computer programming and security services.

Administrative Support Staff Reduction. The division eliminated nine administrative support staff. Some of these staff were assigned to the division's licensing unit with the result that all requirements for surprise visits to facilities are not now met. The unit's licensing liaisons now must perform functions formerly conducted by support staff. Additionally, field staff are impacted by having to respond to more phone calls that could have been handled by the eliminated support staff.

	State Funds	Decrease Fed/Other Funds	Total Funds
	$52,300	$61,900	$114,200

Department of Economic Security
Administrative Reduction Proposal for FY2001
Summaries/Impact Statements

Division	Description	State Funds	Decrease Fed/Other Funds	Total Funds
Children, Youth and Families (continued)				
	The department continues to perform videotaping of child sex abuse victims but has absorbed these functions into its remaining Child Protective Services authorized funding. This special line item was 100% state funded for the Tucson videotaping unit.			
	The Comprehensive Medical and Dental Program (CMDP) also was impacted by this reduction. The staff eliminated assisted the payment unit in processing medical claims to providers. The department moved responsibility for medical care for foster children enrolled in the Long Term Care Program to the LTC program; that move negated further impacts of this administrative reduction.	$ 219,250	$ 96,900	$316,150
	Medical Consultant Reduction. The Comprehensive Medical and Dental Program contracts with medical and dental professionals to provide consultation, peer review, and prior authorization to ensure the delivery of high quality services appropriate to the needs of the children in care. Those contracted services were reduced which, at times, resulted in a backlog in approvals of services.	$15,000	0	$15,000
	DCYF Attorney General – Legal Services. The department reduced the operating funds available to the Attorney General. This delayed the implementation of migration of the Division of Child and Family Protection to the Attorney General Office computer network. No Model Court services were affected.	$64,550	$ 55,000	$119,550
	Children, Youth and Families Total	$351,100	$213,800	$564,900
Developmental Disabilities				
	Administrative Staff Reductions. The division eliminated 7.75 positions in the administrative area of the division. This impacted the division's efforts to monitor Family Support initiatives; created backlogs in claim and payment processing for providers; and increased the workload to support staff in the Assistant Director's office. In addition, the division eliminated a part-time medical director's position that had been covered through contracted services.			
	Developmental Disabilities Total	$168,700	$144,600	$313,300
Employment & Rehabilitation Services				
	The Division of Employment and Rehabilitation Services instituted changes to this program that resulted in lower spending. This may change if there is a downturn in the economy or if the Program or Arizona Works expands services for this program.			
	Employment & Rehabilitation Services Total	$ 80,000	$ 80,000	$ 160,000
	Grand Total	$1,573,800	$2,091,400	$3,665,200

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

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

HOUSE OF REPRESENTATIVES

DATE: August 3, 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

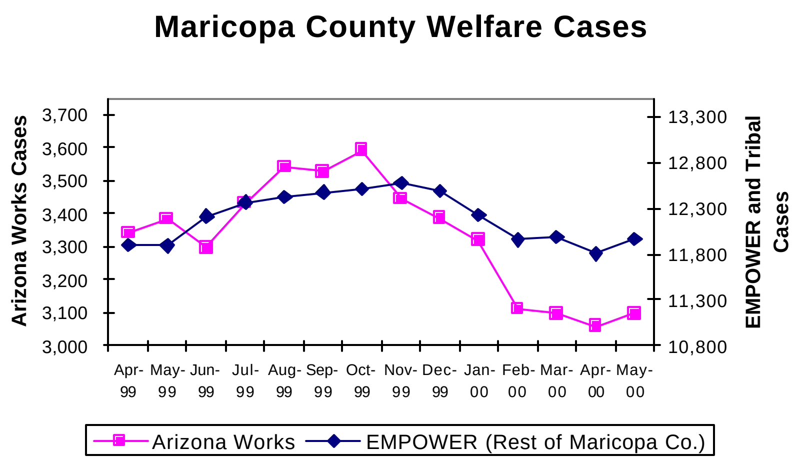
This item is for information only and no Committee action is required. Recent total Arizona Works caseloads continue to be lower than EMPOWER Redesign caseloads in the rest of Maricopa County, adjusted for relative caseload size. We are still working with the Department of Economic Security (DES) and MAXIMUS to ensure data comparability for caseloads of employable adults subject to work requirements.

Analysis

The Arizona Works pilot program, which replaces the 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 May.

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.

(Continued)



The total caseload in the above graph includes child only cases (cases in which there is no adult subject to TANF work requirements) and tribal cases. 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 has been working with DES and MAXIMUS to get comparable data for cases with employable adults subject to work requirements. We thought that we had obtained that data, but found out on the morning of August 3rd that the data was still not comparable. We expect to have this situation resolved shortly. We will continue to work with DES and MAXIMUS to resolve this longstanding issue.

The following table provides information on the total number of Arizona Works cases by type for the last 10 months. The table shows that although the number of total cases has decreased by 12.6% in 9 months, the population has stabilized in the last two months. The overall decrease has occurred solely in the TANF population, while the number of cases for whom no work participation is required, i.e., child-only cases, has actually increased slightly, approximately 5.0%. Since March the number of those child-only cases exceeded the number of TANF cases. As a comparison, EMPOWER Redesign child-only cases in Maricopa County (excluding tribes, and using an identical definition of "child-only case") have increased 8.6% over the same time period.

ARIZONA WORKS PROGRAM: TOTAL CASES BY TYPE

Month	TANF	No Work Participation	New Transfer In	Total
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
April	1,475	1,534	50	3,059
May	1,508	1,546	43	3,097

(Continued)

The MAXIMUS report notes that the second, rural pilot site has been selected. A.R.S. § 46-343 requires that the Arizona Works District I-E vendor operate this second pilot site beginning on January 1, 2001. The Arizona Works Agency Procurement Board has selected Mohave County as the location for this second pilot, operated by MAXIMUS; they will also continue to operate the first pilot in District I-E. The report also notes that the Procurement Board has approved 3rd quarter administrative bonuses based on performance measure results from October through December 1999. MAXIMUS will receive $180,000 out of a possible $599,900 in bonuses. The report shows no significant change from prior months in customer satisfaction with the program, with responses to client satisfaction surveys ranging between "Good" and "Excellent."

We 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.

RS:SSH:jb

FOX
Systems Inc.

JUL 26 2000

July 25, 2000

Chairman Bob Burns
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Chairman:

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

FOX Systems Inc. along with ADES and MAXIMUS are reviewing the current reporting structure, any proposed changes to future reports will be reviewed and approved by the Arizona Works Agency Procurement Board. FOX will also work with Mr. Stefan Shepard, JLBC, Senior Fiscal Analyst to ensure that All Data needed by JLBC is included in these reports.

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

Thank you

Sherry Scott

Sherry Scott
Project Analyst

cc:
Senator Randall Gnant
Mr. Stefan Shepard

4110 N. Scottsdale Road, Suite 345, Scottsdale, Arizona 85251-3920
voice (602) 423-8184 • fax (602) 423-8108

ARIZONA WORKS

Administered by MAXIMUS

July 16th, 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 July 15th. The report reflects progress made since the last report dated May 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 QUANTITATIVE REPORT

As of May 31, 2000

Participant Activities*	*As of May 31, 2000*		*As of April 30, 2000*	
	Assigned	% of Total Assigned	Assigned	% of Total Assigned
Full Time Paid Employment**				
Unsubsidized (L1)	69	4.0%	86	5.2%
Subsidized (L2)	0	0.0%	0	0.0%
Employed Full Time - Follow Up Status				
30 Day	82	5.0%	66	4.0%
60 Day	52	3.0%	42	3.0%
90 Day	294	17.0%	263	16.0%
Part Time Paid Employment				
Unsubsidized (L3)	491	28.2%	482	29.4%
Unpaid Employment				
Unpaid Work Exp (L3)	38	2.2%	38	2.3%
Community Service (L4)	2	0.1%	2	0.1%
Other Activities				
Job Readiness	240	13.8%	160	9.8%
Training (Vocational/Skills)	114	6.5%	159	9.7%
Basic Skills	74	4.3%	97	5.9%
Other****	284	16.3%	243	14.8%
TOTAL	**1740**		**1640**	
PT & Subsidized (L2) Follow up Status***				
30 Day	64		58	
60 Day	41		38	
90 Day	201		194	

**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 May 31, 2000		As of April 30, 2000	
	Number	% of Clients	Number	% of Clients
Deferred				
Domestic Violence	9	2.5%	4	1.0%
Health Problems	157	44.2%	173	45.3%
Family Emergency	1	0.3%	1	0.3%
Childbirth	55	15.5%	59	15.4%
Other - Caretaker of Disabled family member, Teen Parent w/ child >12 weeks, Parent w/ child >1yr	133	37.5%	145	38.0%
Temporarily Excused				
Child Care Not Available	0	0.0%	0	0.0%
TOTAL	**355**	**100.0%**	**382**	**100.0%**

NEW EMPLOYMENT PLACEMENTS - MAY*

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)	103	62.4%	228	0	3	60	117	45	110	41	105	62	124
Subsidized (L2)	0	0.0%	0	0	0	0	0	0	0	0	0	0	0
Paid Employed PT													
Unsubsidized (L3)	62	37.6%	112	5	9	46	77	12	27	12	28	50	84
Subtotal	**165**	**100.0%**		**5**	**12**	**106**	**194**	**57**	**137**	**53**	**133**	**112**	**208**
Unpaid Work Experience**													
Unpaid Work Exp (L3)	0	0.0%											
Community Service (L4)	0	0.5%											
Subtotal	**0**	**100.0%**											
TOTAL	**165**	**100.0%**	**340**										

NEW EMPLOYMENT PLACEMENTS - APRIL*

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)	125	70.6%	125	3	3	57	57	65	65	64	64	62	62
Subsidized (L2)	0	0.0%	0	0	0	0	0	0	0	0	0	0	0
Paid Employed PT													
Unsubsidized (L3)	50	28.2%	50	4	4	31	31	15	15	16	16	34	34
Subtotal	**175**	**98.8%**		**7**	**7**	**88**	**88**	**80**	**80**	**80**	**80**	**96**	**96**
Unpaid Work Experience**													
Unpaid Work Exp (L3)	0	0.0%											
Community Service (L4)	1	0.5%											
Subtotal	**1**	**100.0%**											
TOTAL	**176**	**100.0%**	**175**										

**Start date of employment/upaid work experience fell within month. Duplicated Count*

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

****New YTD totals begin on 4/00*

SANCTIONS*

Sanction Type	As of May 31, 2000				As of April 30, 2000****			
	Employment	Child Support	Total	% of Total	Employment	Child Support	Total	% of Total
Failure/Refusal to Participate* **								
25%	32	13	45	40.54%	37	24	61	42.36%
50%	23	10	33	29.73%	21	9	30	20.83%
100%	27	6	33	29.73%	38	15	53	36.81%
TOTAL	82	29	111	100.00%	96	48	144	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.*

****Preliminary Data - Contingent on internal/external validation*

*****Data contains duplicated numbers*

COOPERATING EMPLOYERS

Type of Employer	As of May 31, 2000		As of April 30, 2000	
	New	Total - YTD*	New	Total - YTD
Subsidized	0	0	0	0
Unpaid	4	12	8	8

WORKMAN'S COMPENSATION

	As of May 31, 2000		As of April 30, 2000	
	New	Total -YTD	New	Total - YTD
Number of Participants Covered	64	115	51	51

FAIR HEARINGS

Action	As of May 31, 2000		As of April 30, 2000	
	Number	Total - YTD	Number	Total - YTD
Fair Hearing Requests				
TANF	13	116	9	103
General Assistance	1	33	3	32
Child Care	1	9	2	8
Total Requests	**15**	**158**	**14**	**143**
Fair Hearing Dispositions				
Pending	8		7	
Withdrawn	6		10	
Agency Upheld	8		2	
Agency Reversed	0		0	
Total Decisions	**8**		**2**	
Appeals Requested				
Pending	1		0	
Withdrawn	0		0	
Agency Upheld	0		0	
Agency Reversed	0		0	
Total	**1**		**0**	

**YTD Totals begin 4/00*

TOTAL CASES BY TYPE

Case Type	As of May 31, 2000		As of April 30, 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)	1272	41.7%	1252	41.6%
Community Service (L4)	233	7.6%	221	7.3%
Subtotal	1508	49.4%	1475	49.0%
No Work Participation Required				
Unwed Minor Parent Case	0	0.0%	0	0.0%
Child Only Case	1546	50.6%	1534	51.0%
Subtotal	1546	50.6%	1534	51.0%
New Transfer In	43		50	
TOTAL	**3097**	**100.0%**	**3059**	**100.0%**
General Assistance	303		305	
Grant Diversion	0		0	
FSET**	596		580	

**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 April 30, 2000	
	FAMILIES	CHILDREN
Number Served		
JOBS Child Care - JB	303	500
AFDC Employed Child Care - EA	125	218
Transitional Child Care 1-12 months (TC)	607	1109
Transitional Child Care 13-24 months (WT)	317	636
TOTAL	**1352**	**2463**
Number Eligible		
JOBS Child Care (JB)		566
AFDC Employed Child Care (EA)		101
Transitional Child Care 1-12 months (TC)		1329
Transitional Child Care 13-24 months (WT)		751
TOTAL		**2747**
Co-Payments Collected		
Transitional Child Care 1-12 months (TC)	$35,304.00	
Transitional Child Care 13-24 months (WT)	$23,595.00	
TOTAL	**$58,899.00**	

CHILD CARE

	As of March 31, 2000	
	FAMILIES	CHILDREN
Number Served		
JOBS Child Care - JB	311	509
AFDC Employed Child Care - EA	117	187
Transitional Child Care 1-12 months (TC)	604	1081
Transitional Child Care 13-24 months (WT)	326	642
TOTAL	**1358**	**2419**
Number Eligible		
JOBS Child Care (JB)		604
AFDC Employed Child Care (EA)		104
Transitional Child Care 1-12 months (TC)		1326
Transitional Child Care 13-24 months (WT)		722
TOTAL		**2756**

Co-Payments Collected

Transitional Child Care 1-12 months (TC)	$36,380.00	
Transitional Child Care 13-24 months (WT)	$26,056.00	
TOTAL	**$62,436.00**	

**As of 11/99 source of data changed to Child Care Expenditure Report which is provided by DES approx. 45 days after the end of the month*

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.*

MAXIMUS ARIZONA WORKS PROGRESS REPORT
JULY 15, 2000

HIGHLIGHTS

- 3RD Quarter performance measure results were approved by the Arizona Works Procurement Board. ***See Attachment I***
- 2nd Pilot site selection update:
  - Mohave, Cochise, and Pinal counties were being evaluated for the 2nd pilot site.
  - Public Hearings were held in all three counties.
  - Letters of support were submitted to the Procurement Board from various entities.
  - No official opposition was received from Cochise County.
  - In a 2-1 final vote, Mohave County was selected as the 2nd pilot site location.
  - The Arizona works contract requires MAXIMUS to begin providing services in the second pilot site in January 2001.
- 2nd year performance measures were voted on and approved by the Arizona Works Procurement Board. MAXIMUS will continue to be evaluated on the same performance measures as the first year, no changes were made.

OPERATIONS

- Support Services:
  - The TCC Call Center is doing very well. Improved communication and timeliness of services have been some of the results of establishing this center.
  - Transitional Childcare appropriations continue to be evaluated. The appropriations are not sufficient to cover participants needs. The demand for TCC is directly related to the placement of Arizona Works participants in employment as well as for participants that become employed and transfer into the area
  - Support services usage shows an increase in the use of rental assistance, childcare and clothing needs. Transportation usage showed a decrease for the month of May.
- Facilities
  - No changes have occurred in the facility area.
  - Facility issue concerns are ongoing and have not been resolved yet.
  - These issues directly affect our ability to effectively administer the program.
- Grant Diversion
  - No additional grant diversion cases have been approved.

COMMUNITY OUTREACH

- A Provider breakfast is scheduled for the month of June to provide information on the Arizona Works program.

- In May, Arizona Works made presentations to a variety of community agencies/events such as Mesa Salvation Army, Transitional Living Center, and the Maricopa County Community Action Programs 1st annual Resource Sharing event.
- No new contracts were fully executed during the month of May
- Several contracts are under development or in final signature phase for services surrounding Vocational Training, In-Home Family Support Services, and Transportation.
- As of May, MAXIMUS has 31 provider contracts that afford a wide range of support services for our participants.
- A list of the pre-existing contracts (contracts that were with the State as of 4/1/00) and current contracts are attached for review. ***See Attachment II***

COORDINATING COMMITTEE

- The Arizona Works Coordinating Committee meetings are held quarterly.
- On May 30th, the committee meeting was held with approximately half of the committee members present.
- An orientation was held for new members, providing information regarding the Arizona Works project and overall services.
- The next meeting is scheduled for August 29, 2000.

CUSTOMER SATISFACTION

- The attached Customer Satisfaction Survey compilation and comments demonstrate that satisfaction continues to run above average. ***See Attachment III, IV***
- Feedback on the new MAXAcademy curriculum continues to be very positive.
- The Goldwater Institute continues to gather information as part of their research paper that they are currently putting together. The information, in the area of performance, is being collected in the form of surveys that are being completed by staff.

QUALITY ASSURANCE

- No agency grievances were reversed during the month of May.
- Currently, there is one-second level appeal pending a hearing at the Office of Administrative Hearings.
- During the month of May, training occurred in the follow areas:
  - Excel and Access
  - EBT
  - Appeals
- A procedure for processing overpayments is being developed in coordination with the Office of Special Investigations.
- Case reads for the month of May, resulted in 100% dollar accuracy.

OTHER

- One change in key personnel occurred, Shawna Margaritis has been hired as the Manager of Operations. ***See Attachment V***

- Cookies and Corsages were provided to moms at Autumn House (DV Shelter) for mother's day.
- Weekly mini-job fairs held by MAXIMUS are still providing positive participant and employer connections.
- Ongoing donation projects continue with the special needs students at the Washington Elementary School and with clothing items to the East Valley School.

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

1717 W. Jefferson • P.O. Box 6123 • Phoenix, AZ 85005

Jane Dee Hull
Governor

John L. Clayton
Director

RECEIVED

JUL 24 2000

JUL 24 2000

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

Dear Mr. Shepherd:

The DES comparison data for April and May 2000, as requested, is attached.

If you have any questions, please contact Greg Wetz, Project Manager, Arizona Works, at (602) 542-6017.

Sincerely,

Karen McLaughlin

Karen McLaughlin
Administrator
Financial Services Administration

Attachment

DES EMPOWER COMPARISON QUANTITATIVE REPORT FOR JLBC

As of May 31, 2000

Assigned Activity by Participant

Employment Assigned	As of May 31, 2000		As of April 30, 2000	
	Assigned	% of Total Assigned	Assigned	% of Total Assigned
Paid Employed Full time				
Unsubsidized	349	16.1%	309	14.9%
Subsidized	0	0.0%	0	0.0%
FT Employed Follow Up Status				
30 Day	70	3.2%	89	4.3%
60 Day	211	9.7%	207	10.0%
90 Day	472	21.8%	430	20.8%
Paid Employed Part Time				
Unsubsidized	244	11.3%	257	12.4%
Unpaid Employment				
Unpaid Work Exp	126	5.8%	130	6.3%
Community Service	3	0.1%	2	0.0%
Other Activities				
Job Readiness	233	10.7%	136	6.5%
Training	91	4.2%	91	4.4%
Basic Skills	62	2.8%	73	3.5%
Other	297	13.7%	339	16.4%
TOTAL	**2158**		**2063**	

Participants Temporarily Excused

Reason	Current Month - As of May 31, 2000		Previous Month - As of April 30, 1999	
	Number	% of Clients	Number	% of Clients
Deferred				
Domestic Violence	16	0.9%	11	0.6%
Disability	474	28.3%	467	29.0%
Caretaker of Disabled Family	187	11.1%	189	11.7%
Parent/Caretaker of child under 1	988	59.0%	935	58.1%
Teen parent w/child under 12 wks.	5	0.2%	5	0.3%
Total	**1670**		**1607**	

New Employment Placements – Current* Period

Placements	New Placements			Wage Range			Emp. Health Ins	
	Number	% of Total	YTD***	< $5.15	$5.15 - $8.14	> $8.14	YES	NO
							No Comparison to AZW	
Paid Employed FT								
Unsubsidized	413	70.2%		4	285	124	67	346
Subsidized	0	0.0%		0	0	0	0	0
Paid Employed PT								
Unsubsidized	79	13.4%		14	54	11	7	72
Subtotal Paid Employment	492	83.6%		18	339	135	74	418
Unpaid Work Experience								
Unpaid Work Exp	95	16.1%						
Community Service	1	0.1%						
Subtotal Unpaid Employment	96	16.2%						
TOTAL	**588**							

Sanctions – Current Period

	Current Month - As of May 31, 2000				Previous Month - As of April 30, 2000			
	Employment	Child Support	Total	% of Total	Employment	Child Support	Total	% of Total
Sanctions								
Failure/Refusal to Participate								
25%	220	36	256	37%	246	49	295	41.0%
50%	185	33	218	31%	127	26	153	22.0%
100%	203	19	222	32%	207	58	265	37.0%
TOTAL	608	88	696	100%	580	133	713	100.0%

Cooperating Employers – Current Period

Not Tracked

Type of Employer	Current Month - As of May 31, 2000		Previous Month - As of May 31, 1999	
	New	Total - YTD	New	Total - YTD
Subsidized				
Unpaid				

Fair Hearings

There is no comparison to AZW on Fair Hearings as the AZW Fair Hearing process is completely different from the ADES.

Action	Current Month - As of May 31, 2000		Previous Month - As of April 30, 1999	
	Number	Total - YTD	Number	Total - YTD
Fair Hearing Requests				
TANF				
General Assistance				
Child Care				
Total Requests				
Fair Hearing Dispositions				
Pending				
Withdrawn				
Agency Upheld				
Agency Reversed				
Total Decisions				
Appeals Requested				
Pending				
Withdrawn				
Agency Upheld				
Agency Reversed				
Total				

Total Cases by Type

	Current Month - As of May 31, 2000		Previous Month-As of April 30,1999	
	Number	% of Total	Number	% of Total
TANF Cases				
Total Cases	11,301	n/a	11,504	n/a
Total Adults	7,251	n/a	7,216	n/a
Total Children	20,980	n/a	20,695	n/a
No Work Participation Required				
Unwed Minor Parent Case	13		15	
Child Only Case	5976*		5871*	
Total	5,989		5,886	

*Indicates a true comparison to AZW definition of a child only case

General Assistance	679		675	
Grant Diversion	0		0	
Transitional Child Care	1371		1391	
Other TANF Child Care	845		849	
FSET**Referrals	342		414	

DRAFT

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

Jane Dee Hull
Governor

John L. Clayton
Director

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

Dear Mr. Shepherd:

The DES comparison data for the child only cases (utilizing the same definition as AZW) from April 1999 through May 2000 are provided below, as requested. This calculation is being added to the monthly report beginning with the June, 2000 data.

APRIL 1999	5,255	JULY 1999	5,459
MAY 1999	5,272	AUGUST 1999	5,502
JUNE 1999	5,342	SEPTEMBER 1999	5,557
OCTOBER 1999	5,751	JANUARY 2000	5,739
NOVEMBER 1999	5,698	FEBRUARY 2000	5,736
DECEMBER 1999	5,695	MARCH 2000	5,785
		APRIL 2000	5,871
		MAY 2000	5,976

If you have any questions, please contact Greg Wetz, DES Project Manager, Arizona Works, at (602) 542-6017.

Sincerely,

Karen McLaughlin
Administrator
Financial Services Administration

Arizona Governor's Award for Quality

1998 PIONEER AWARD FOR QUALITY

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

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

HOUSE OF REPRESENTATIVES

DATE: August 3, 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 - REPORT ON CASE MANAGEMENT SATISFACTION SURVEY

Request

Pursuant to a provision in Laws 1999, Chapter 292, Section 5, the Department of Economic Security (DES) is presenting the results of a developmental disabilities case management satisfaction survey designed by the Developmental Disabilities Case Management Pilot Projects Committee as established by Laws 1999, Chapter 292.

Recommendation

This item is for information only and no Committee action is required. Since the report only discusses results from a small "field test" and not from the full baseline survey sent out to many families, however, JLBC Staff recommends that DES submit an updated report to the Committee by October 1. Since DES has completed the full baseline survey and expects to finish compiling the results by the end of August or beginning of September, this should be sufficient time for DES to include the results from the full baseline survey in the updated report.

Most of the people who responded to the "field test" survey rated their current case manager highly in areas such as knowledge of available resources, ability to understand their needs, and courtesy toward family and self. A total of 87% of those responded indicated they would choose case management provided by a DES employee; the other 13% indicated they would choose an agency or individual provider for those services. We would note, however, that these results are based on the responses of just 17 clients and, therefore, cannot present an accurate picture of current satisfaction with DD case management.

(Continued)

Analysis

Part of Laws 1999, Chapter 292 created a Developmental Disabilities Case Management Pilot Projects (DD) Committee, consisting of a broad range of members with interests in the area of developmental disabilities. With the exception of Senator Bowers, who was the representative of the Joint Legislative Budget Committee as required by the legislation, the DD Committee was made up of parents, clients, providers, and staff. One task of the DD Committee was to design a survey to determine the degree of satisfaction with the current case management system for developmentally disabled clients. This survey was to be conducted by DES and mailed to parents by November 1, 1999. The DD Committee would then present the results of the survey to JLBC and other entities on or before March 30, 2000.

The attached report provides an overview of the case management pilot, which will be overseen by the DD Committee and implemented by DES. The chief feature of the pilot is that it will provide clients the opportunity to choose one of the following groups to provide them case management services: Division of Developmental Disabilities (DDD) employees, community agencies under contract with DDD, individuals under contract with DDD, parents of clients, or clients themselves. The pilot sites include the western area of Maricopa County, Pima County, and Graham, Cochise, Greenlee, and Santa Cruz Counties. We would note that although the report indicates the pilot would start on July 1, 2000, DES indicates that the pilot has not yet received a waiver from the federal Health Care Financing Authority (HCFA). Since the pilot will affect Title XIX clients subject to HCFA rules, a HCFA waiver is necessary for the pilot to begin. DES has indicated that they believe the pilot may now start in December 2000 or January 2001.

The discussion of the satisfaction survey begins on page 5 of the attached report. It explains the purpose of the survey, which is to collect "baseline" information on case management satisfaction so that the impact of the case management pilot may be better evaluated. It discusses how the survey was "field tested" with a telephone survey. The results of this telephone survey can be found on page 6 of the attached report. Although they seem to indicate general satisfaction with current case management practices, we would note that these results are based on the responses of just 17 clients who responded (out of the 40 clients surveyed by telephone.) As a result, JLBC Staff believes that the figures presented in the report cannot provide an accurate picture of current satisfaction with DD case management. The telephone survey did, however, help the DD Committee and DES refine their survey, which they conducted earlier this summer.

No Committee action is required for this item. While JLBC Staff would commend DES for the background provided in the attached report and the effort in designing the survey, we believe that the spirit of Laws 1999, Chapter 292, Section 5 intended for the Committee to receive full baseline survey data, which is not provided in the attached report. As a result, JLBC Staff recommends that DES submit an updated report to the Committee by October 1. Since DES has now completed the full baseline survey and expects to finish compiling the results by the end of August or beginning of September, this should be sufficient time for DES to include the results from the full baseline survey in the updated report.

RS:SSh:ck

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

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

Jane Dee Hull
Governor

John L. Clayton
Director

APR 1 4 2000

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

Dear Senator Gnant:

Pursuant to House Bill 2077 (Laws 1999, Chapter 292, Section 5) please find the report which presents the findings of the Case Management Satisfaction Survey.

If you have any questions, please call Roger Deshaies, Assistant Director for the Division of Developmental Disabilities at (602) 542-6857.

Sincerely,

John L. Clayton

John L. Clayton

Enclosure

Arizona Department of Economic Security

Division of Developmental Disabilities

Case Management Pilot

Report Number 1

March 30, 2000

TABLE OF CONTENTS

DIVISION OF DEVELOPMENTAL DISABILITIES

CASE MANAGEMENT PILOT

OVERVIEW

Background

The Department of Economic Security (DES), Division of Developmental Disabilities (DDD) is pursuing various projects to enhance family and consumer choice regarding the provision of services including self-determination, fair and equitable rates and electronic benefit transfers. A policy is already in place which encourages DDD eligible individuals to select their own case manager.

During the 1999 Legislative session, House Bill 2077 (Laws 1999, Chapter 292) was passed and required the establishment of case management pilot projects. Since its enactment, a committee, whose diverse membership was specified in the bill, has met to provide recommendations on the implementation of the case management pilots.

Case Management Pilot Scope and Design

The Case Management Pilot provides a range of choices for provision of case management services by offering families and individuals the following options:

1. Employees of the DDD
2. Community agencies under contract with the DDD
3. Individuals under contract with the DDD
4. Parents of family members
5. Consumers

The Case Management Pilot Committee has recommended three pilot sites within which the various case management options will be available. The pilot sites include the western area of Maricopa County (District I), Pima County (District II) and Graham, Cochise, Greenlee, and Santa Cruz Counties (District VI).

Case management services provided through agencies and individuals and through a family member or consumer will include Individual Program Plan Development, Plan Implementation and Coordination and Monitoring of Service Delivery.

The same services will be available through DDD case management staff who will also perform Intake, Eligibility Determination and Service Authorization functions for all DDD eligible individuals.

The pilot will begin July 1, 2000 and end July 1, 2002.

Pilot Project Constraints

The Pilot will be subject to the following constraints which are required by legislation:

1. The DDD shall continue to perform intake, eligibility determinations, service authorizations, and monitoring of service delivery.

2. Persons who perform case management services shall comply with Title XIX of the Social Security Act and pilot program requirements determined by the DDD.

3. If a consumer, parent or family member is unable to comply with a specific service requirement, the DDD shall perform that function.

4. A consumer, parent or family member who provides case management services shall be trained by the DDD and shall not be paid to provide these services.

5. An agency or individual that is contracted to provide case management services shall not provide other services to the same consumer except as provided by Public Law 105-17, Part C, Section 637 for children who are under four years of age.

6. The Pilot Project shall be conducted within and is limited by the existing appropriation made to the DDD.

7. The Pilot is subject to the approval of the federal Health Care Financing Administration (HCFA).

Pilot Project Oversight

Primary oversight and monitoring of the case management pilot rests with the DDD. Additionally, the legislation established a Case Management Pilot Committee. The Director of the DES appoints fifteen members of the Committee. One member is appointed by the Governor representing the Governor's Office of Strategic Planning and Budgeting and one is appointed by the President of the Senate and the Speaker of the House representing of the Joint Legislative Budget Committee.

The Case Management Pilot Committee is charged with:

1. The development of recommendations regarding training needs of persons who will provide case management services;

2. The identification of the pilot sites.

3. The design of pilot projects.

4. The establishment of quality assurance measures.

5. The evaluation of the pilot.

Evaluation of Pilot Projects

The primary mechanism for the pilot project evaluation is specified in the legislation. This will be a Consumer Satisfaction Survey of the current case management system. The survey will be conducted through telephone interviews of a random sample of pilot site participants. The survey will provide baseline information for the pilot and will also be used to assess changes in consumer satisfaction following implementation of the pilot.

Additional evaluation components will be developed with input from the Case Management Pilot Committee. The committee will also monitor the progress of the pilot.

CASE MANAGEMENT PILOT

STATUS REPORT

The Case Management Pilot Implementation Plan has been implemented and the following action has been taken to date:

1. The Case Management Pilot Committee has been appointed and has met once each month since the first meeting in October, 1999.

2. Sub-committees have been established to develop recommendations and strategies for the implementation of the pilot in accord with legislative requirements including quality assurance, training, evaluation, request for proposals, automation/MIS and marketing.

3. Three pilot sites have been selected.

4. DDD staff have been identified in each pilot site to assist in carrying out legislative mandates and committee recommendations.

5. A Case Management Satisfaction Survey Instrument and Process has been designed with input from the committee.

6. The survey instrument has been mailed out to over 1500 individuals and families across all pilot sites.

7. An initial survey has been conducted by telephone in all three pilot sites to field test the instrument and survey design.

8. Based on findings from the initial survey, revisions have been made to the design and telephone surveys are underway with a random sample of all DDD eligible individuals in the pilot sites.

9. A Quality Assurance Plan has been developed as required by the legislation.

10. Training requirements and a training plan have been developed for all individuals who will deliver case management services under the pilot.

11. A request for proposals is under development with publication planned for July, 2000.

12. A first draft of the waiver request to the Health Care Financing Administration has been written and is now being revised for submission by AHCCCS.

CASE MANAGEMENT SATISFACTION SURVEY

DESIGN AND PROCESS

A Case Management Satisfaction Survey is required to establish a baseline prior to the start of the pilot. It is the primary mechanism that will be used to evaluate consumer and parent response to the introduction of various case management options. The DES Office of Evaluation provided technical assistance to the Case Management Pilot Committee in the design of the Survey Instrument and Process. The DES volunteer services provided individuals to perform the survey.

The survey focuses on a random sample of all individuals who are enrolled with the DDD in the three pilot sites. There are over 1500 persons in the sample that has been identified across the sites.

A copy of the survey instrument with a cover letter from the Assistant Director of the DDD was sent to everyone in the sample group. The letter advised the recipient that they would be contacted by telephone to participate in the survey (survey instrument and transmittal letter, see Appendix 1).

An initial telephone survey was conducted in each pilot district to field test the survey instrument and the surveyor script. As a result of this initial survey, modifications were made to the script and the survey approach (survey script, see Appendix 2).

The full survey is being conducted by dividing the random sample into three groups in each of the three pilot sites. The groups are:

1. All individuals who are eligible for the Arizona Long Term Care System (ALTCS).
2. All individuals who are eligible for Targeted Case Management.
3. All individuals who are eligible only for state funded services.

This approach was developed following a review of the findings from the initial telephone survey.

The survey approach will allow for analysis of responses by district and by eligibility group. The data will provide comparisons of the level of satisfaction and interest in case management options within and across different levels of eligibility and funding.

INITIAL SURVEY RESULTS

An initial telephone survey was conducted to field test the Survey Instrument and Survey script as well as to gather information about the Survey design and approach. A random sample of the 1500 individuals who received the Survey by mail were called by telephone and asked to complete the Survey. A summary of key results and findings is as follows:

- In order to get meaningful results, the Survey should be conducted by dividing the Survey participants into three separate groups based on eligibility for funding and services.

- The Survey sample for ALTCS and Targeted Case Management eligible individuals would likely have validity when approximately 400 participants in each group were contacted by the telephone surveyors.

- The Survey sample for individuals who are only eligible for state funded services would likely need to include 600 or more participants in order to have validity.

- 43% of all potential participants completed the telephone survey.

- Survey participants were asked to rate their case manager across a range of activities by giving a rating from 1 to 5 (with 1 being very poor and 5 being excellent). A sample of the results are as follows:

  Knowledge of available resources:
  12% rated at 3; 24% rated at 4; 59% rated at 5

  Ability to understand my needs:
  6% rated at 3; 24% rated at 4; 59% rated at 5

  Courtesy toward family and self:
  0% rated at 3; 13% rated at 4; 88% rated at 5

  Speed in responding to needs:
  6% rated at 2; 8% rated at 3; 24% rated at 4; 47% rated at 5

  Amount of time spent with me:
  12% rated at 1; 6% rated at 2; 18% rated at 3; 12% rated at 4; 53% rated at 5

- Survey participants were asked to indicate which case management option they would most likely choose when the range of options are available under the pilot. The results are as follows:

  87% indicated they would choose case management provided by a DDD employee

  13
  ~~18~~% indicated they would choose case management provided by a person who was not an employee of DDD (agency or individual provider)

6
~~9~~% indicated they would choose case management provided by a family member

7
~~10~~% indicated they would choose case management provided by a person receiving services

STATE OF ARIZONA

Joint Legislative Budget Committee

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FAX (602) 542-1616

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DATE: August 3, 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 - REPORT ON ADDITIONAL FY 2000 CHILD SUPPORT EXPENDITURES

Request

Pursuant to a footnote in the General Appropriation Act, as modified by the supplemental bill (Laws 2000, Chapter 3), the Department of Economic Security (DES) is reporting to the Committee its intent to spend an estimated $600,000 of State Share of Retained Earnings (SSRE) and federal incentives in excess of the appropriated amount in FY 2000 in the Division of Child Support Enforcement (DCSE).

Recommendation

This item is for information only and no Committee action is required. DCSE intends to spend the monies to address a deficit resulting from a transfer of funds to the Developmental Disabilities cost center and from additional costs related to processing child support payments. JLBC Staff believes that the proposed use of the monies is an appropriate use of the excess revenues.

Although JLBC Staff believes DCSE's plan for the excess monies is appropriate, their notification did not meet the spirit of the law. We recommend that DES make any future requests pursuant to this footnote with sufficient advance notice to allow the Committee the opportunity to conduct a meaningful review. The timing of this request, made just 2 days prior to the end of FY 2000 and after the last JLBC meeting of the fiscal year, clearly did not allow the Committee this opportunity.

Analysis

The General Appropriation Act, as modified by the supplemental bill (Laws 2000, Chapter 3), includes the following footnote:

(Continued)

> "All State Share of Retained Earnings and federal incentives above $8,508,900 in FY 2000 and $8,556,400 in FY 2001 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New Full-Time Equivalent Positions may be authorized with the increased funding. The Division of Child Support Enforcement shall report the intended use of the monies to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Senate and House Appropriations Committees and the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting."

SSRE comes from child support owed to the state while the custodial parent received Temporary Assistance for Needy Families (TANF) cash benefits. Federal incentives are currently earned by states based on the level of child support collections, but that is being transitioned to a system in which states earn incentives based on their performance relative to other states on key performance measures such as paternity establishment, current support collection, and cost effectiveness.

On June 29, DES notified the parties specified in the footnote that it intended to spend "approximately $500,000 of SSRE and federal incentives in excess of the appropriated amounts for those fund sources in FY 2000." In subsequent conversations with department, we discovered that DES actually intended to spend an additional $600,000 of SSRE and federal incentives; the $500,000 figure discussed in the June 29 letter referred to expenditure authority, not actual cash. The attached document, sent subsequent to the June 29 letter, explains the background behind the excess expenditures.

DES reports that DCSE earned approximately $1.5 million more than they had projected to earn in FY 2000. The final amount, however, is approximately $600,000 higher than the revenue assumed in the FY 2000 budget (i.e., DCSE's estimate of projected FY 2000 revenues was a little less than $1 million below the level assumed in the FY 2000 budget.) The excess monies were used to target two particular issues. The first issue was a $156,000 deficit occurring as a result of a $156,000 transfer to the Division of Developmental Disabilities (DDD) cost center to address FY 2000 deficits in that cost center.

The second, larger issue was a deficit within the Central Payment Processing (CPP) Special Line Item. Monies in this line item primarily fund payments to the vendor processing child support payments in non-Title-IV-D cases. Non-Title-IV-D cases are those cases for which the division does not perform establishment and enforcement. Because the number of cases actually processed by the vendor increased by 17% over FY 1999, significantly higher than expected in the FY 2000 budget, costs for vendor payments were higher than expected.

This line item also funds "misapplied" expenditures, previously non-appropriated but appropriated for the first time in the FY 2000 budget. There are three types of "misapplied" expenditures: Non-Sufficient Funds (NSF) losses, custodial parent overpayments, and forgery and fraud. A total of $30,000 was added to the budget for NSF losses, but the actual losses due to all three types of "misapplied" expenditures was expected to be $650,000 to $700,000. The federal government does not allow federal funds to be used on these expenditures. In previous years, DCSE funded these "misapplied" expenditures using the same SSRE and federal incentive revenue they propose to use this year to help solve this issue.

JLBC Staff believes that the proposed use of the monies is an appropriate use of the excess revenues. The excess revenues will address the transfer of funds to the DDD cost center. The excess revenues will also address issues in the Central Payment Processing line item in the DCSE cost center that are largely out of the division's control. Since the division's contract with the processing vendor is based on the number of cases they process, a higher than expected level of cases will obviously increase costs. "Misapplied" losses may be more within the division's ability to control, although the losses are a small percentage of the total child support collections processed. The division, however, is required to fund these losses.

(Continued)

Although there are no specific timing requirements associated with this footnote, the spirit of the footnote includes presentation of the request with sufficient time for the Committee (and JLBC Staff) to review such a request in the current fiscal year. This did not occur for FY 2000. As a result, JLBC Staff recommends that DES make any future requests pursuant to this footnote with sufficient advance notice to allow the Committee the opportunity to conduct a meaningful review. The timing of this request, made just 2 days prior to the end of FY 2000, clearly did not allow the Committee this opportunity.

RS:SSh:ck

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

Jane Dee Hull
Governor

John L. Clayton
Director

RECEIVED
JUN 29 2000
JOINT BUDGET COMMITTEE

JUN 29 2000

Mr. Richard Stavneak
Director
Joint Legislative Budget Committee
1700 West Washington
Phoenix, Arizona 85007

Dear Mr. Stavneak:

The Department of Economic Security, in accordance with laws 2000, Chapter 3 (HB 2564), 2nd regular session, is reporting its intent to spend approximately $500,000 state share of retained earnings (SSRE) and federal incentives in excess of the appropriated amount in FY 2000. The Division of Child Support Enforcement has increased its collections resulting in additional SSRE and incentives this year. The additional expenditures are to replace $156,500 of State General Fund dollars transferred to the Long Term Care Division in accordance with SB 1007. In addition, the increase will fund additional costs in the central payment processing special line item associated with misapplied payments and resulting from greater transactions volume.

If you have any questions, please contact Karen McLaughlin, Administrator, Financial Services Administration, Division of Business and Technology Services at 542-3786.

Sincerely,

John L. Clayton

Division of Child Support Enforcement
FY 2000 Expenditure Authority Rationale

ISSUE

Recently, the Division of Child Support Enforcement (DCSE) invoked the provision footnoted in the General Appropriations Act, which stipulates,

> "All state share of retained earnings and federal incentives above $8,508,900 in FY 2000 and $8,556,400 in FY 2001 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. The Division of Child Support Enforcement shall report the intended use of the monies to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Senate and House Appropriations Committees and the directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting."

The Division did not anticipate exceeding its total funds expenditure authority appropriated for Fiscal Year 2000, but unforeseen conditions occurred late in the fiscal year which caused DCSE to go over the authorized amounts. It is expected that the Division will surpass its operating lump sum total funds authority by an anticipated $200,000 to $500,000 by the close of Fiscal Year 2000.

Revenue forecasts in DCSE have traditionally been based on historical revenue trends. The FY 2000 projected program revenues would have been insufficient to cover normal operating expenditures for the year and left the program in a shortfall position. However, the Division did outperform its projection and exceeded its revenue forecasts by over $1.5 million in FY 2000, enabling the program to cover the necessary program expenditures.

DDD APPROPRIATIONS TRANSFER

The first condition causing the Division to exceed its authority was an appropriations transfer of $156,500 to the Division of Developmental Disabilities (DDD) to offset a portion of their shortfalls during Fiscal Year 2000.

CPP SPECIAL LINE AUTHORITY

A second condition occurred due to funding authority problems in the Central Payment Processing (CPP) special line. Expenditures over the appropriated special line item amount caused the Division to initiate an appropriation transfer from the operating budget to cover the authority shortfalls. The amount of state share of retained earnings and federal incentive funds moved from the operating budget was $300,000.

The intent of the Joint Legislative Budget Committee (JLBC) in its FY 2000/2001 budget recommendations was to appropriate all funds expended by DCSE. In previous years, three types of expenditures were paid through non-appropriated means and the approach taken by the JLBC eliminated the non-appropriated expenditures.

One of the non-appropriated expenditure categories was called "misapplied" expenditures and the adding of this category of expenditure to the special line item was one factor in causing the program to exceed its CPP expenditure authority. The amount of authority appropriated to the CPP line included funding for anticipated privatized payment processing costs and an amount of $30,000 for first-time net Non-Sufficient Fund (NSF) losses. The intent of funding and authorizing NSFs in the special line appropriated "misapplieds" for the first time in program history.

However, these NSF losses were just a small portion of the previously non-appropriated monies that the Division expended on "misapplieds" annually. A majority of losses are due to vendor, employer and Division errors and omissions, and occur for many reasons. Misapplied losses (expenditures) were at approximately $490,000 in FY 1998 and increased to $603,000 in FY 1999 due to the centralization of all non-Title IV-D child support collections. Losses for FY 2000 due to NSFs and customer overpayments were expected to be between $650,000 and $700,000. These losses are a very small percentage of the child support collections processed (0.31% in FY 1998, 0.18% in FY 1999, and 0.14% in FY 2000).

A second factor of expenditure authority concern within the CPP line was the program's underestimate of IV-D payments processed by the private vendor. The number of payments processed for Title IV-D cases increased by 17% over FY 1999. This increase in IV-D payments combined with a full year of non IV-D processing, caused the private vendor costs (based on a flat rate per payment) to exceed $2.1 million in FY 2000. As a result of these two factors, the amount of expenditures in the special line was expected to be at nearly $2.8 million. The total funds appropriated in the special line was $1,972,600 (all but $30,000 was for payment processing), creating an expenditure authority shortfall of over $800,000.

The remainder of the special line authority funding issues were resolved through an appropriation transfer of $600,000 of federal funds from the county participation special line.

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

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

DATE: August 3, 2000

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

THRU: Richard Stavneak, Director

FROM: Gretchen Logan, Fiscal Analyst

SUBJECT: GOVERNMENT INFORMATION TECHNOLOGY AGENCY/ARIZONA DEPARTMENT OF ADMINISTRATION – REPORT ON STATEWIDE TECHNOLOGY LICENSING AGREEMENT

Request

Laws 2000, Chapter 110 requires the Government Information Technology Agency (GITA) and the Arizona Department of Administration (ADOA) to jointly report on the activities identified for and authorized expenditures from the Statewide Technology Licensing Agreement (STLA) Account prior to the expenditure of STLA monies.

Recommendation

This report is for information only and no Committee action is required. GITA and ADOA have signed a statewide technology agreement, which is projected to result in state savings.

Analysis

The STLA Account was established pursuant to Laws 2000, Chapter 110 and is designed to allow for the centralized payment and purchase of information technology products and services that are under a statewide technology agreement. Currently, a statewide technology agreement has been executed with Computer Associates, which enables state agencies to purchase the company's software at enhanced discounts. Many state agencies already have contracts with Computer Associates; however, the STLA Account established a mechanism for the state to consolidate its purchasing and negotiate discounted rates.

The statewide technology agreement with Computer Associates is for 5 years and expires on March 30, 2005. The cost associated with this agreement is $30,600,000 over the 5-year period. This amount is

(Continued)

paid from the STLA Account, which receives revenues from state agencies who are charged for their use of Computer Associates' software products. The rates charged to state agencies are established jointly by ADOA and GITA. GITA estimates that charges to state agencies for their use of Computer Associates' mainframe software will generate approximately $31,300,000 in revenue over 5 years; therefore, these charges will cover the cost of the agreement. The funding for these charges is currently in the affected agencies' budgets and will not require additional funding in FY 2002 – 2003. Additional revenue above the cost of the agreement is then available to leverage additional statewide technology agreements with other vendors. The revenue estimate provided by GITA is based on the assumption that mainframe MIPS (millions of instructions per second) capacity will increase by 5% per year over the 5 years of the contract. GITA reports that MIPS growth has exceeded 10% per year over the past 5 years.

In addition to providing discounted access to mainframe software and maintenance, the statewide technology agreement with Computer Associates also applies to the company's distributed software products. Distributed software products run on personal computers (PC's) that are connected by networks. Prior to the negotiation of enhanced discounts under the statewide technology agreement, the state was generally unable to afford Computer Associates' distributed software products, some of which are considered leading products in the industry. The statewide technology agreement with Computer Associates includes access to 30 distributed software products, ranging from inventory to performance evaluation to disk drive and network management. If agencies were to fully utilize these products (instead of using the distributed software products currently used), GITA estimates that the STLA Account would receive $11,233,100 in revenue over 5 years from changes to state agencies. This revenue projection takes into account the GITA policy of not billing the agency for the new Computer Associates product until migration from the old system is complete. This revenue would then be available to leverage additional statewide technology agreements with other vendors, which often require substantial "seed" or up-front monies.

The expenditures and estimated revenue associated with the statewide technology agreement with Computer Associates is displayed in the table below.

Revenues & Expenditures Associated with Computer Associates' Statewide Technology Agreement	
STLA revenue associated with agency use of Computer Associates':	
Mainframe software products	$31,300,000
Distributed software products	11,233,100
Total STLA Revenue	**$42,533,100**
STLA Expenditures	
Computer Associates Agreement	$30,600,000
Funding available for additional statewide technology agreements	11,933100
Total STLA Expenditures	**$42,533,100**

RS:GL:ck
Attachment

JANE DEE HULL
GOVERNOR

ARTHUR D. RANNEY
DIRECTOR

STATE OF ARIZONA
GOVERNMENT INFORMATION TECHNOLOGY AGENCY
1102 West Adams
Phoenix, AZ 85007

July 31, 2000

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

Dear Mr. Stavneak:

Per the requirements of Laws 2000, Chapter 110 (SB1131), the Government Information Technology Agency and the Department of Administration are to present to the Joint Legislative Budget Committee any proposed activities and expenditures using the Statewide Technology License Agreement Account. The purpose of this account is to provide a funding repository for savings gained from statewide computer software and service agreements. The savings are to be used to further state information technology policies, standards, innovations and strategic directions.

An agreement has been reached with Computer Associates, Inc., (CA), which covers all CA software products used by State of Arizona government for a term of five years. Included are other CA products not used by the State. The total amount of this agreement is $30,600,000. The products are divided into mainframe and distributed (non-mainframe) categories. By following the enclosed pricing structure and the usage projections, the State should save more than $6 million over 5 years.

The documentation includes a summary of highlights, other benefits and general information. An enclosed sheet is the proposed pricing method to be used. Also enclosed are copies of the scope of the contract for mainframe and distributed products.

I will attend the assigned meeting to provide any additional information and to answer any questions that you or the members of the committee may have on this matter.

Sincerely,

Arthur D. Ranney
Director

Enc.

Phone: (602) 340-8538 ❖ Fax: (602) 340-9044
Web: http://www.gita.state.az.us

GOVERNMENT INFORMATION TECHNOLOGY AGENCY
STATEWIDE SOFTWARE LICENSE AGREEMENT
COMPUTER ASSOCIATES

Highlights of the Computer Associates Statewide License Agreement:

- $30.6 million for 5 years, including sales tax
- For the use by all State of Arizona departments, agencies, commissions and boards
- For the State of Hawaii, Med-Quest Division of the Dept. of Human Resources processing
- For the use of two additional deals like Hawaii
- Includes a annual MIPS growth rate of 20% to a max of 3000 MIPS (Currently 1619 MIPS)
- Includes all mainframe products, currently in use plus Intertest (Batch, CICS), Trans Century (File Master, File Age, Data Sim.), Optimizer (I, II) and Symdump
- Includes the following Distributed products Unicenter TNG, Opal, Jasmine, Datahousing, Application Life Cycle Management and Project and Process Management
- Maintenance is capped at 600 MIPS for pricing and will remain at this level after the end of contract.
- Centralized billing and product distribution

Other Key Benefits Based on Agreement:

- Total license flexibility
- Standardization on software products
- Pricing of other new products at 30% discount
- Services and Education on Mainframe products are included at no additional cost
- Data warehousing software included
- E-government development software included

General Information:

- Escrow repository of all software
- State can consolidate, mix, match and vary plans in any way that may seem feasible and prudent
- No other mainframe charges for Hawaii processing
- Mainframe products are listed in Statewide MIPS Based License Addendum to License Agreement, Exhibit A.
- Distributed programs are listed in Non-Mainframe Licensed Programs Addendum
- Distributed programs have volume limitations (See Non-Mainframe Addendum for details)
- Sales information for replacement of other vendor's products and programs are included
- Using the current contract and pricing, a 5% mainframe growth for five years would total $31 million. Historically the State has a 7% to 12% annual increase.

- ADOA/GITA will price distributed programs at 35%, 40% or 45% discounts

The detail information is included in the enclosed documents.

- Projected MIPS Growth and Pay Stream Based on Historical Trends
- Distributed Products and Estimated Usage by Year
- Statewide MIPS Based License Addendum
- Statewide Distributed, Non Mainframe License Programs Addendum

Government Information Technology Agency

Projected MIPS Growth and Pay Stream
Based on Historical Trends

Agency	2000	2001	2002	2003	2004	2005	Total
Dept. of Economic Security							
MIPS	830	900	990	1,090	1,200	1,320	
Current Pay Stream	781,622	961,105	961,105	1,223,972	1,260,691	1,298,512	6,487,007
Upgrade for MIPS		701,142	1,028,733	1,304,864	1,605,351	1,938,338	6,578,428
Total	**781,622**	**1,662,247**	**1,989,838**	**2,528,836**	**2,866,042**	**3,236,850**	**13,065,435**
Dept. of Administration							
MIPS	260	822	1,022	1,102	1,397	1,487	
AHCCCS Hawaii FM Plan	87,882	140,669	145,354	150,194	150,194	150,194	824,487
Current Pay Stream	491,580	627,126	763,521	809,804	938,527	969,247	4,599,805
Upgrade for MIPS		1,926,251	2,146,238	2,549,873	2,903,874	3,143,349	12,669,585
Total	**579,462**	**2,694,046**	**3,055,113**	**3,509,871**	**3,992,595**	**4,262,790**	**18,093,877**
Dept. of Revenue							
MIPS	86						
Current Pay Stream	68,547						68,547
Upgrade for MIPS							
Total	**68,547**						**68,547**
Dept. of Transportation							
MIPS	264						
Current Pay Stream	130841						130,841
Upgrade for MIPS							
Total	**130,841**						**130,841**
Dept. of Public Safety							
MIPS	23	23					
Current Pay Stream	12587	12965					25,552
Upgrade for MIPS							
Total	**12,587**	**12,965**					**25,552**
GRAND TOTAL	**1,573,059**	**4,369,258**	**5,044,951**	**6,038,707**	**6,858,637**	**7,499,640**	**31,384,252**

Government Information Technology Agency

Distributed Products and Estimated Usage by Year

Descriptipn of Distributed Products	First Year	Second Year	Third Year	Fourth Yeat	Fifth Year	Total Charges
Enterprise Management Power Units:	7500	15000	22500	30000	30000	
Unicenter TNG and Options (30,000 Power Units)	712500	712500	712500	712500	0	
Maintenance:	142500	285000	427500	570000	570000	
Discounted off list price + gradual maintenance	**855000**	**997500**	**1140000**	**1282500**	**570000**	**$4,845,000**
Opal	1500 Users	2500 Users	3000 Users	4000 Users	4000 Users	
Concurrent Users	1500000	1000000	500000	1000000		
Opal Server 1000 CU's	60000					
Opal Integrators (25)	87500					
List Price	1,647,500	1000000	500000	1000000	0	
Payment calculated at 1.07% of Maintenance	334,937	334,937	334,937	334,937	334,937	
Payment calculated at 1.07% of Maintenance		203,300	203,300	203,300	203,300	
Payment calculated at 1.07% of Maintenance			101,650	101,650	101,650	
Payment calculated at 1.07% of Maintenance				203,300	203,300	
Total license fee and maintenance:	**334,937**	**538,237**	**639,887**	**843,187**	**843,187**	**$3,199,434**
Jasmine 10,000 CU's	108000	108000	108000	108000	108000	
Maintenance	190000	190000	190000	190000	190000	
Total license fee and maintenance:	**298,000**	**298,000**	**298,000**	**298,000**	**298,000**	**$1,490,000**
Application Life Cycle (Change and Config. Mngmt.):						
CCC/Harvest(67) copies, List = $340,000 (1 extra platform)	36,720	36,720	36,720	36,720	36,720	
CCC/Openmake (33) copies, List = $49,500	5346	5346	5346	5346	5346	
Rapid Imp. Manager (Silver), List = $27,500	5400	5400	5400	5400	5400	
Soft. Integration Kit (4), List = $30,000	3240	3240	3240	3240	3240	
Forms Cust. Package (4), List = $30,000	3240	3240	3240	3240	3240	
Power Gen (10), List = $7,000	756	756	756	756	756	
Oracle Runtime for Unix (67), List = $50,250	5,427	5,427	5,427	5,427	5,427	
License Fee's:	60,129	60,129	60,129	60,129	60,129	
20% of selling price per annum for maintenance	0	0	0	0	0	
Total license fee and maintenance:	**60,129**	**60,129**	**60,129**	**60,129**	**60,129**	**$300,645**
Process and Project Management:						
Process Library (200) List = $200,000	21,600	21,600	21,600	21,600	21,600	
Process Engineer (5) List = $80,000	8640	8640	8640	8640	8640	
Project Engineer (15) List = $52,500	5670	5670	5670	5670	5670	
Advisor (301), List = $397,320	42,911	42,911	42,911	42,911	42,911	
License Fee's:	78,821	78,821	78,821	78,821	78,821	
20% per selling price per annum for maintenance:	0	0	0	0	0	
Total license fee and maintenance:	**78,821**	**78,821**	**78,821**	**78,821**	**78,821**	**$394,103**
Datawarehousing:						
Decision Base Transformer (3 Class IV Servers), List = $855,000	94,050	94,050	94,050	94,050	94,050	
Additional Database Interfaces(4 per server, 3 servers), List=$60,000	6,480	6,480	6,480	6,480	6,480	
Forest and Trees (25 builders, 250 users), List = $69,250	38,088					
Decision Base Reporter(250 users Windows), List = $127,500	13,770	13,770	13,770	13,770	13,770	
Decision Base Reporter(2 Class II servers), List = $30,000	16,500					
Erwin (50 users), List = $174,750	18,873	18,873	18,873	18,873	18,873	
Repository/MVS (1 group P mainframe), List = $260,000 with 50 Repository directors, (2) dev. Lang. Interfaces	28,080	28,080	28,080	28,080	28,080	
Info Refiner (1 group P mainframe), List = $265,000	28,620	28,620	28,620	28,620	28,620	
License Fee's:	244,461	189,873	189,873	189,873	189,873	
20% per selling price per annum for maintenance:	0	0	0	0	0	
Total license fee and maintenance:	**244,461**	**189,873**	**189,873**	**189,873**	**189,873**	**$1,003,953**
Totals:	**1,871,347**	**2,162,559**	**2,406,709**	**2,752,509**	**2,040,009**	**$11,233,134**

STATEWIDE MIPS BASED LICENSE ADDENDUM
TO
LICENSE AGREEMENT
OF
THE STATE OF ARIZONA ("LICENSEE")
AND
COMPUTER ASSOCIATES INTERNATIONAL, INC. ("CA")

This Statewide MIPS Based License Addendum for the Licensed Programs listed in Exhibit A is an addendum to and subject to the terms of the License Agreement between the Licensee and CA dated as of March 31, 2000.

1. Definitions.

   (a) The "Licensee Sites" shall mean Licensee's current data center sites identified on the Order Form which Licensee represents are owned, operated or controlled by Licensee as well as all future data center sites which Licensee shall identify by written notice to CA from time to time during the term hereof.

   (b) "MIPS Capacity" shall mean the aggregate computing power (expressed in millions of instructions per second) of all computers located at the Licensee Sites, irrespective of the platform designation of the hardware or operating systems.

   (c) The Initial Term shall commence on March 31, 2000, and shall expire on March 30, 2005, except that with respect to certain Licensed Programs identified on Exhibit A with a double asterisk (**), the Initial Term shall expire on December 30, 2000.

2. License Fee.

   (a) The License Fees, inclusive of maintenance of the Licensed Programs during the Initial Term, shall be a total of $21,116,050 and shall be payable in accordance with the following schedule:

Amount	License Period	Payment Due Date
$1,331,975	March 31, 2000 - August 31, 2000	March 31, 2000
$3,234,171	September 1, 2000 - March 30, 2001	September 1, 2000
$5,410,702	March 31, 2001 - March 30, 2002	March 31, 2001
$4,673,689	March 31, 2002 - March 30, 2003	March 31, 2002
$3,234,907	March 31, 2003 - March 30, 2004	March 31, 2003
$3,230,606	March 31, 2004 - March 30, 2005	March 31, 2004

   Maintenance shall include periodic updates, patches and version upgrades. Continued maintenance of the Licensed Programs after expiration of the Initial Term shall be subject to paragraph 8 hereof.

   (b) The parties acknowledge that nothing herein shall effect Licensee's obligation to pay to Platinum Technology, Inc., or its successor or assignee, the fees as provided in that certain agreements between Licensee and Platinum.

3. Authorized Use. The use of the Licensed Programs in accordance with the terms of the License Agreement shall be subject to the condition that the MIPS Capacity does not exceed the respective Licensed MIPS Capacity specified below up to a maximum of 3000 MIPS (the "Licensed MIPS Capacity"):

Applicable Period	Licensed MIPS Capacity
March 31, 2000 - March 30, 2001	1800
March 31, 2001 - March 30, 2002	2100
March 31, 2002 - March 30, 2003	2400
March 31, 2003 - March 30, 2004	2700
March 31, 2004 - March 30, 2005	3000

Any increase in Licensed MIPS Capacity shall be subject to paragraph 4 hereof.

Such License is for the processing of Licensee's data except as follows:

(a) Licensee represents that it has undertaken the operation of the Licensed Programs identified on Exhibit A with an asterisk (*) on behalf of The Med-QUEST Division of the Department of Human Resources of The State of Hawaii in connection with its application processing administration for its own benefit and the benefit of such Department of certain social welfare programs under authorizations and grants from The Health Care Finance Administration of the United States and not in connection with any other purpose. Such expanded operation will be for a maximum period of 60 months from the date expanded operations for Hawaii begin ("Live Operation Date") renewable by the Licensee at one (1) year intervals on the first five (5) anniversary dates of the Live Operation Date. Licensee will continue to operate the Licensed Programs for such purpose in accordance with the terms and conditions of the License Agreement. The employees of the Med-QUEST Division of the Department of Human Services of The State of Hawaii, with access to any Licensed Program or maintenance releases or technical support information or materials, shall agree in writing to be bound by the "Title, Confidentiality and Restrictions" provisions of the License. At all times, CA's maintenance and support services and contacts under the License Agreement will be directed and limited to the employees of Licensee and not to The State of Hawaii.

(b) CA hereby provides that the Licensee may entertain other instances of such expanded operation under similar circumstances during the Initial Term. The parties agree that the calculation of additional License Fees for no more than two (2) additional instances of such expanded operation shall be mutually determined using the same pricing methodology and discounts used to calculate the additional License Fees for the Med-QUEST license described in (a) above. Any other proposed instances of expanded operation shall be subject to approval by CA and negotiation of additional license fees in accordance with CA's usual business practices.

4. Supplemental License Fee. Notwithstanding anything herein to the contrary, the parties recognize that Licensee's data processing environment may vary from time to time and agree that in any one year of the above limitations of Licensed MIPS Capacity (other than the Licensed MIPS Capacity of 3,000 MIPS) shall be subject to an additional 200 MIPS over and above the specified Licensed MIPS Capacity which shall be utilized prior to the application of any Supplemental License Fee.

   If the Licensed MIPS Capacity exceeds this threshold, a one-time Supplemental License Fee (including the associated conversion charge) shall be payable by Licensee and shall be calculated in accordance with CA's then prevailing fee schedule for additional MIPS. In each instance, the one-time Supplemental License Fee shall be billable upon Licensee giving CA notice of its desire to increase Licensed MIPS Capacity. Such fees shall be paid within thirty (30) days notwithstanding any established payment schedule set forth herein.

5. MIPS Capacity Calculation. MIPS Capacity shall be calculated by reference to CA's published schedules of the MIPS capacity of processors. In the event that any particular processor is not accounted for on CA's schedule, the manufacturer's published specification of MIPS capacity shall control. With respect only to the IBM 9672E Series of processors, the MSU standard (expressed in millions of service units), shall be multiplied by a factor of 5.4 to yield the corresponding MIPS Capacity.

6. Annual Reports; Audit. On or before March 30 of each year during the term hereof, Licensee shall report to CA in writing the MIPS Capacity at each Licensee Site as of the preceding annual period , listing each CPU located at each Licensee Site by manufacturer, model, operating system, location and (except for micro processors) the serial number thereof. CA shall thereupon review such report and advise Licensee of any applicable Supplemental License Fees due. The parties agree that in order to verify the accuracy of Licensee's report, Licensee will, at CA's request upon reasonable notice, grant CA access to each Licensee Site, and Licensee shall provide any further information as CA may reasonably require.

7. License Termination. All licenses and Order Forms previously issued and existing on the effective date of this license respecting use of the Licensed Programs granted to Licensee by CA or any of its predecessors are hereby terminated, subject, however, to the obligations of Licensee (a) to pay all contracted payments if due and payable prior to such termination, and (b) to comply with the confidentiality and non-disclosure provisions of such terminated licenses. Any future use of or access to the Licensed Programs by Licensee shall be

controlled exclusively by the terms of the referenced License Agreement including this and any other Addendum thereto.

8. Term and Renewal. The License shall be renewable and extendable past the Initial Term by licensee, in its sole discretion, by its written notice to CA, not less than 90 days prior to the scheduled expiration date, for additional periods of one year each, without any requirement that licensee pay any additional fees for continued use of the Licensed Programs, provided that:

   (a) The MIPS Capacity of the Licensee shall be frozen at 200 MIPS over and above the actual MIPS in use as of the end of the Initial Term (the "Final Licensed MIPS Capacity").

   (b) Use of the Licensed Programs in excess of the "Final Licensed MIPS Capacity" shall be subject to Licensee's payment of CA's then prevailing published one-time supplemental license fee (including the associated conversion charge).

   (c) If Licensee elects to continue receiving support and maintenance services for the Licensed Programs, under no circumstances shall Licensee be required to pay any annual maintenance fee ("MF") for a MIPS capacity in excess of 600 MIPS. Subject to the foregoing limitation, the annual maintenance shall be calculated based upon CA's then applicable Maintenance Plan Rate ("MPR") for the type of arrangement represented by the License.

9. Total Client Care (TCC) Program. Licensee will be, and will remain, enrolled in CA's TCC Program during the Initial Term, and any renewal term hereof, as well as any period after expiration of this License for which Licensee pays CA's annual maintenance fee in accordance with paragraph 8(c).

10. Amendment. Any amendment of this Addendum or the underlying License Agreement must be in writing signed by the parties.

COMPUTER ASSOCIATES INTERNATIONAL, INC.

(Authorized Signature)

(Name)

(Title)

(Date)

LICENSEE: THE STATE OF ARIZONA

(Authorized Signature)

(Name)

(Title)

03/31/2000

(Date)

EXHIBIT A
LICENSED PROGRAMS

ACF2
ACF2 DB2 OPTION
ACF2/VIEWPOINT
ASTEX COMPLETE
CONVERTOR
* DATACOM SERVER
* DATACOM/CICS SERVICES
* DATACOM/DATADICTIONARY
* DATACOM/DATAQUERY W/MFL
* DATACOM/DB
* DATACOM/DL1 TRANSPARENC
* DATACOM/EXT SQL
* DATACOM/TOTAL TRANSPARE
* DATACOM/VSAM TRANSPAREN
DELIVER
DISPATCH
* DYNAM/TLMS
EARL
EASYTRIEVE PLUS
EASYTRIEVE PLUS DB2 OPT
EASYTRIEVE PLUS IDMS/R
* EASYTRIEVE PLUS IMS OPT
EASYTRIEVE/IQ CICS
EASYTRIEVE/IQ CICS DB2
EASYTRIEVE/IQ TSO
EMAIL+
ETC
EZ/KEY CICS
FAVER
* IDEAL
* IDEAL VSAM OPTION
IDEAL/PC
INFO HUB
INTERTEST/BATCH
INTERTEST CICS
INTERTEST W/XA-ESA
LIBRARIAN (BASE)
LIBRARIAN ACCESS METHOD
LOG ANALYZER
METACOBOL+/PC
MULTI-IMAGE ALLOCATION
MULTI-IMAGE CONSOLE
MULTI-IMAGE INTEGRITY W
NETMAN
**NETMAN/DB
NETMAN/OLCF
NETMAN/PC LAN PRO
* ONE
ONE/COPYCAT
ONE/VIEWPOINT
OPTIMIZER I
OPTIMIZER II
OS/EASYTRIEVE
OS/EASYTRIEVE EFP
OS/EASYTRIEVE IMS
PAN/APT
PANAUDIT PLUS
PANAUDIT PLUS CPS CICS
PANAUDIT PLUS CPS VTAM
PANAUDIT PLUS EZTP IMS
PANEXEC
PANVALET
PANVALET ISPF
PANVALET TSO
PLEU FOR MVS
PMO
QUICK-FETCH
RAMIS SITE LICENSE
RC/COMPARE
RC/MIGRATOR
RC/QUERY
RC/UPDATE
REALIA COBOL
REMOTE CONSOLE
SCHEDULER
SEVEN
SEVEN/NOTEPAD
SEVEN/REPORT BALANCING
SEVEN/REPORTS+
SEVEN/SMART CONSOLE
SEVEN/VIEWPOINT
SPACEMAN FOR MVS
SPOOL PACKAGE
SUPERCALC/MF PORTFOLIO
SYMDUMP
SYSVIEW/E
SYSVIEW/E CICS OPTION
SYSVIEW/E DATACOM OPTIO
TPX ACL/E(AUT CONV LANG
TPX MAILBOX OPTION
TPX VIEW OPTION
TPX-MULTIPLE SESSION MG
TRANSCENTURY FILE MASTER
TRANSCENTURY FILE AGE
TRANSCENTURY DATE SIM
**UNIPACK DCA W/MRM
VERIFY
VIEW
VIEW CICS INTERFACE
VIEW ERO OPTION
VIEW TSO/SPF/ISPF INTER
WORKLOAD MANAGEMENT PAC
XCOM FOR MVS

* Licensed Programs authorized for use in Hawaii Med-Quest Program as well as for other Licensee purposes
** Licensed Programs with term expiring on December 30, 2000

STATEWIDE DISTRIBUTED, NON-MAINFRAME LICENSED PROGRAMS ADDENDUM
TO
LICENSE AGREEMENT
BETWEEN
COMPUTER ASSOCIATES INTERNATIONAL, INC. ("CA")
AND
THE STATE OF ARIZONA ("LICENSEE")
FOR
UNICENTER TNG OPTIONS, OPAL ENTERPRISE EDITION, JASMINE ENTERPRISE EDITION, DECISION BASE, CCC/HARVEST, CCC/OPENMAKE, RAPID IMPLEMENTATION MANAGER, SOFTWARE INTEGRATION KIT, FORMS CUSTOMIZATION PACKAGE, POWERGEN, ORACLE UNIX RUNTIME LICENSES, PROCESS LIBRARY, PROCESS ENGINEER, PROJECT ENGINEER, ADVISOR, DECISIONBASE TRANSFORMER, DATABASE INTERFACES, REPOSITORY/MVS, GUI CLIENT TO REPOSITORY/MVS, INFO REFINER, ERWIN, FOREST AND TREES BUILDER EDITION, AND FOREST AND TREES RUNTIME LICENSES
("LICENSED PROGRAMS")

This Distributed, Non-Mainframe Licensed Programs Addendum is subject to the terms of the License Agreement, between the Licensee and CA dated as of March 31, 2000.

1. License Fee. The License Fee for usage, inclusive of maintenance and support services ("Maintenance"), of the Licensed Programs during the Initial Term, commencing on March 31, 2000, and expiring on March 30, 2005 (the "Initial Term"), shall be a total of $9,483,950 and shall be payable in accordance with the following schedule:

Amount	License Period	Payment Due Date
$1,168,025	March 31, 2000 - August 31, 2000	March 31, 2000
$1,265,829	September 1, 2000 - March 30, 2001	September 1, 2000
$1,389,298	March 31, 2001 - March 30, 2002	March 31, 2001
$2,126,311	March 31, 2002 - March 30, 2003	March 31, 2002
$1,765,093	March 31, 2003 - March 30, 2004	March 31, 2003
$1,769,394	March 31, 2004 - March 30, 2005	March 31, 2004

Maintenance shall include period updates, patches and version upgrades. Thereafter, continued usage of the Licensed Programs as provided herein shall not require further payment, but continued maintenance shall require payment in accordance with paragraph 7 hereof.

2. For the purposes of Opal Enterprise Edition ("Opal E.E."), consisting of Opal Server and Opal Player, during the Initial Term, Licensee may use the Licensed Programs and receive maintenance solely on Licensee CPUs using the specified Operating Systems. Such use shall be subject to the specified restrictions relating to the Licensed Capacity Units ("LCU"), the Maximum Concurrent User Sessions ("MCUS") specified in the table below and, solely with respect to Opal Integrator, the maximum number of Developer users. LCU are determined by multiplying CA's published Hardware Unit ratings for such CPUs by the Capacity Unit factor applicable to each Product. A Concurrent User Session is an employee, agent or consultant of Licensee running an application developed or modified through use of Opal Integrator. Use of the Product(s) beyond the above restrictions shall be subject to CA' s prior written consent and payment of the applicable fee. LCU, MCUS and Developers for the Licensed Programs may not be exchanged for any other CA Product.

Product(s)	Operating System(s)	LCU	MCUS	Developers
Opal E.E.	NT	1000	4000	N/A
Opal Integrators	Win/NT	N/A	N/A	25

During the initial term, the MCUS limitation shall be as follows:

Applicable Period	MCUS
March 31, 2000 - March 30, 2001	1500
March 31, 2001 - March 30, 2002	2500
March 31, 2002 - March 30, 2003	3000
March 31, 2003 - March 30, 2004	4000
March 31, 2004 - March 30, 2005	4000

3. For the purposes of Unicenter TNG options set forth on the following table:

Licensed Programs	Platforms
Unicenter TNG Options: Advanced Help Desk	IBM AIX, NT INTEL, HPUX, SOLARIS SPARC
Advanced AntiVirus	NT, Netware
Change and Configuration	IBM AIX, HPUX, SOLARIS SPARC, NT
CICS Agent	OS 390 V1-R3
DASD Manager	NT
Microsoft Exchange	NT INTEL, NT ALPHA
Microsoft SQL Server Agent	NT INTEL, ALPHA NT
NT Agent	NT INTEL
UNIX Agent	HPUX, IBM AIX, SOLARIS SPARC
Win 3.1, 95, 98 Agents	WINDOWS 3.1, 95, 98
MVS Agent	OS 390 V1-R3
MVS Event Manager	NT
Netware Agent	NETWARE
Network Security	SOLARIS SPARC, HPUX
Oracle Agent	NT INTEL, HPUX, IBM AIX, SOLARIS SPARC, DEC, UNIX, NCR SGI, SCO
Response Manager	NT
Single Sign-on	NT, HPUX, IBM AIX, SOLARIS SPARC, ALPHA NT
Sybase Agent	NT INTEL, HPUX, IBM AIX, SOLARIS SPARC
UNIX/SMTP	SOLARIS SPARC, HP
Web Management	NT
SAP R/3	NT INTEL, NT ALPHA, HPUX, IBM AIX, SOLARIS SPARC, DEC UNIX
Lotus Notes/Domino	NT INTEL
Automation Point	NT
Automation Point 3270	NT
SNA Manager	NT
Response Manager Probe	DOS, NT
DFSM Sham	NT
Delivery Management Agents	NT, HPUX, IBM AIX, SOLARIS SPARC, SOLARIS, INTEL, MICROSOFT EXCHANGE, TANDEM
Performance Neugent	NT
SSO Agents	NT, HPUX, SOLARIS, SUN, AIX, WINDOWS, ALPHA NT, DEC ALPHA
Data Transport	NT, WIN95/98, HPUX, SOLARIS, AIX, NETWARE, AS/400, MVS, DG, INTEL, NCR, DIGITAL UNIX

The following additional provisions shall apply:

(a) The Licensed Programs may be used and maintenance may be received only on the operating system(s) identified on the above table. Such use may not at any time exceed the Maximum Power Units specified in the table in section (c) below, except with the prior written consent of CA and on payment of the applicable fees. If Licensee notifies CA of its desire to increase the Maximum Power Units, CA shall consent to such increase and CA may invoice Licensee for the additional license fee and maintenance fee associated with such expanded use.

(b) Hardware Unit Capacity is determined in accordance with CA's published schedules of the Hardware Unit Capacity of processors. Power Units are calculated by multiplying the Hardware Unit Capacity of each

CPU on which a Licensed Program is to be installed by the percentage multiplier applicable to each Licensed Program as specified in CA's published schedule of Unicenter TNG Options.

(c) During the Initial Term, the Power Units limitation shall be as follows:

Applicable Period	Maximum Power Units
March 31, 2000 - March 30, 2001	7,500
March 31, 2001 - March 30, 2002	15,000
March 31, 2002 - March 30, 2003	22,500
March 31, 2003 - March 30, 2004	30,000
March 31, 2004 - March 30, 2005	30,000

4. For the purposes of Jasmine Enterprise Edition, during the Initial Term, Licensee may use the Licensed Programs and receive maintenance solely on CPUs using the specified Operating Systems and having a computing capacity of up to the specified Licensed Capacity Units ("LCU") (determined by multiplying CA's published Hardware Unit ratings for the Authorized CPUs by the Capacity Unit factor applicable to each Licensed Program) specified in the table below. Use of the Licensed Programs beyond the above restrictions shall be subject to CA' s prior written consent and payment of the applicable fee. LCU for the Product(s) may not be exchanged for any other CA Product.

Product(s)	Operating System(s)	Licensed Capacity Units
JASMINE	NT	10,000

5. For the purposes of CCC/Harvest, CCC/Openmake, Rapid Implementation Manager, Software Integration Kit, Forms Customization Package, PowerGen, Oracle Unix Runtime Licenses, Process Library, Process Engineer, Project Engineer, Advisor, DecisionBase Transformer, Database Interfaces, Repository/MVS, GUI Client to Repository/MVS, Info Refiner, Erwin, Forest and Trees Builder Edition, and Forest and Trees Runtime Licenses, the following additional provision shall apply:

   Use of the Licensed Program and receipt of maintenance may not at any time exceed the usage limitations specified in the following table, except on payment of CA's applicable fee. Licensee shall implement reasonable controls to assure that it does not exceed such usage limitations. CA reserves the right to include means within the Licensed Program to limit Licensee's use thereof to such usage limitations and CA may audit Licensee's deployment and use of the Licensed Program for compliance with such limitation at any time during Licensee's normal business hours upon reasonable advance notice. If Licensee notifies CA of its desire to increase the usage limitations, CA shall consent to such increase and CA may invoice Licensee for the additional license fee and maintenance fee associated with such increase at a rate not to exceed 35% off the then prevailing fees.

Licensed Programs	Copies	Users	Concurrent Users	Designated Hardware	Authorized Servers	Additional Interfaces
CCC/Harvest	67		200			
CCC/Openmake	33		33			
Rapid Implementation Manager	Silver					
Software Integration Kit	4					
Forms Customization Package	4					
PowerGen	10	10				
Oracle Unix Runtime Licenses	67		200			
Process Library		200				
Process Engineer	5	5				
Project Engineer	15	15				
Advisor		301				
DecisionBase Transformer					(3) Class 3	

Licensed Programs	Copies	Users	Concurrent Users	Designated Hardware	Authorized Servers	Additional Interfaces
Database Interfaces					3	4
Repository/MVS				(2) Group P CPUs		2
Repository Director Gui Client		50				
Info Refiner				(1) Group P CPU		
Erwin		50				
Forest and Trees Builder Edition		10				
Forest and Trees Runtime Licenses		250				

6. Additional License Units. If during the Initial Term Licensee desires to increase the maximum number of Power Units or other applicable usage limitations as provided herein, CA shall consent to such increase upon payment of CA's then prevailing additional License Fees and Maintenance Fees associated with such increase. Optional Maintenance shall be available to Licensee with respect to any such increase only if the Maintenance shall have also been subscribed and paid in accordance with paragraphs 1, 2, 3 or 4 as applicable.

7. Term, Renewal and Expiration. The License shall be renewable and extendable past the Initial Term by Licensee, in its sole discretion, by its written notice to CA, not less than 90 days prior to the scheduled expiration date, for additional periods of one year each, without any requirement that Licensee pay any additional fees for continued use of the Licensed Programs, provided that:

   (a) Use of the Licensed Programs in excess of the applicable usage limitations in effect at the end of the Initial Term shall be subject to Licensee's payment of CA's then prevailing published one-time supplemental license fee (including the associated conversion charge) for any such excess.

   (b) If Licensee elects to continue receiving support and maintenance services for the Licensed Programs, the annual maintenance shall be calculated based upon CA's then applicable Maintenance Fee for the type of arrangement represented by the License.

8. License Termination. All licenses and Order Forms respecting use of the Licensed Programs granted to Licensee by CA or any of its predecessors are hereby terminated, subject, however, to the obligations of Licensee (a) to pay all contracted payments if due and payable prior to such termination, and (b) to comply with the confidentiality and non-disclosure provisions of such terminated licenses. Any future use of or access to the Licensed Programs by Licensee shall be controlled exclusively by the terms of the referenced License Agreement, including this and any other Addendum thereto.

9. Amendment. Any amendment of this Addendum or the underlying License Agreement must be in writing signed by the parties.

COMPUTER ASSOCIATES INTERNATIONAL, INC.	LICENSEE: THE STATE OF ARIZONA
(Authorized Signature)	(Authorized Signature)
(Name)	(Name)
(Title)	(Title)
(Date)	03/31/2000 (Date)

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

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

DATE: August 3, 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 MOTOR VEHICLE DIVISION WAIT TIMES

Request

The Arizona Department of Transportation (ADOT) is required to submit monthly reports to the Committee regarding customer wait times in Motor Vehicle Division (MVD) offices.

Recommendation

This report is for information only and no Committee action is required. ADOT reports that its average customer wait time in MVD offices has improved from 29.1 minutes in FY 1999, to 14.9 minutes in FY 2000.

Analysis

Reducing customer service wait times in MVD offices has been a legislative priority. Additional funding and FTE Positions were appropriated in both FY 2000 and FY 2001, to reduce the statewide customer wait time average in MVD field offices to between 15 and 20 minutes. In this vein, Laws 2000, Chapter 343 (which continues MVD through July 1, 2005) requires that ADOT submit monthly written reports that include the average monthly wait times from door to counter for the previous month in every MVD office. ADOT is to distribute these reports to the Speaker of the House of Representatives, the President of the Senate, the minority leader of the House of Representatives, the minority leader of the Senate and the Joint Legislative Budget Committee. This requirement is effective from July 18, 2000 through July 1, 2005, when it is repealed.

In anticipation of this requirement, ADOT began submitting monthly wait time reports in May 2000. ADOT reports that its average customer wait times have improved from 29.1 minutes in FY 1999, to 14.9 minutes in FY 2000. The following table summarizes the average customer wait times and transaction times for FY 1999 and FY 2000.

(Continued)

MVD's Average Statewide Wait Times and Transaction Times (Minutes)

Time Period	Wait	Transaction	Total
FY 1999	29.1	8.4	37.5
FY 2000	14.9	8.5	23.4
2000			
April	13.2	8.4	21.6
May	13.9	8.2	22.1
June	15.2	8.1	23.3

The overall statewide wait time monthly averages can be further broken out by Q-Matic and Non-Q-Matic offices, as shown in the following table. The term Q-Matic refers to an automated customer numbering and scheduling system, which ADOT uses in larger offices.

MVD's Average Statewide Wait Times (Minutes)

	Q-Matic Offices		Non-Q-Matic Offices		Statewide Total	
2000	**Customers**	**Wait**	**Customers**	**Wait**	**Customers**	**Wait**
April	309,436	14.2	60,707	8.2	370,143	13.2
May	332,736	15.2	67,747	7.7	400,483	13.9
June	338,107	16.5	67,138	8.7	405,245	15.2

For wait times for each MVD office for May, 2000 and June, 2000, please see ADOT's July 13, 2000 report, which follows this memo.

We intend to continue to provide the Committee with periodic reports for information only summarizing ADOT's continuing results regarding customer wait times.

No Committee action is required.

RS:BH:jb

ADOT

Arizona Department of Transportation

Motor Vehicle Division
1801 W. Jefferson St. Phoenix, Arizona
Mail address: PO Box 2100 Phoenix, Arizona 85001-2100
Phone 602.712.7011

BH

Jane Dee Hull
Governor

Mary E. Peters
Director

Stacey K. Stanton
Division Director

July 13, 2000

JUL 17 2000
JOINT BUDGET
COMMITTEE

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

Dear Mr. Stavneak:

Per HB2256, Section 72, the Arizona Department of Transportation, Motor Vehicle Division is to submit a monthly report of the average wait times for all of the Customer Service offices statewide. The enclosed report is for the month of June 2000.

If you have any questions regarding the report, please direct them to Diane Minton, Assistant Division Director at (602) 712-8968.

Sincerely,

Charlene A. Foggs /for

Stacey K. Stanton
Division Director
Motor Vehicle Division

SKS/mjc
Enclosure
cc: Representative Bob Burns, Vice Chairman, JLBC
John Carlson, Office of the Governor
Mary Peters, ADOT Director
Nadine Berrett, State Transportation Analyst, Arizona State Senate
Victor Riches, Special Assistant to Majority Staff, Arizona State Senate
Guadalupe Valencia, Legal Research Analyst, Arizona State Senate
John Halikowski, Director of Research, Arizona House of Representatives
Helena Whitney, House Democratic Staff, Arizona House of Representatives

Arizona Department of Transportation

Motor Vehicle Division

Customer Service Program

Monthly Wait Time Report

	June 2000 Monthly Average Wait Time		May 2000 Monthly Average Wait Time		Variance	
	Total Number of Customers	Average Wait Time	Total Number of Customers	Average Wait Time	Total Number of Customers	Wait Time Variance
Q-Matic Offices						
Apache Junction	4801	5.77	5203	9.13	-402.00	-3.37
Avondale	9855	15.20	11218	10.43	-1363.00	4.77
Bullhead City	6136	4.70	6260	5.93	-124.00	-1.23
Casa Grande	5680	11.80	5822	12.73	-142.00	-0.93
Central Phoenix	8938	7.00	6385	11.60	2553.00	-4.60
Chandler	12664	24.63	13095	26.17	-431.00	-1.53
East Mesa	12692	10.27	13954	10.43	-1262.00	-0.17
Flagstaff	8247	8.50	7636	10.73	611.00	-2.23
Glendale	19693	19.33	20067	13.77	-374.00	5.57
Kingman	5278	10.77	5123	7.27	155.00	3.50
Lake Havasu City	5830	3.53	6202	3.40	-372.00	0.13
Mesa	24742	12.57	24198	13.90	544.00	-1.33
Nogales	3989	13.10	4159	12.43	-170.00	0.67
Northwest Phoenix	18015	15.43	16753	11.87	1262.00	3.57
Prescott	8150	34.00	7602	36.17	548.00	-2.17
Scottsdale	18776	23.43	18922	14.27	-146.00	9.17
Sierra Vista	5852	6.10	6005	7.50	-153.00	-1.40
South Mountain	16736	18.90	16348	14.77	388.00	4.13
Southeast Mesa	5441	4.60	3489	3.63	1952.00	0.97
Surprise	9889	16.03	10181	17.40	-292.00	-1.37
Tempe	15769	21.97	16935	17.97	-1166.00	4.00
Tucson East	17229	14.53	16495	13.60	734.00	0.93
Tucson North	15399	17.03	14835	17.53	564.00	-0.50
Tucson Regional	33182	19.50	31157	17.00	2025.00	2.50
West Phoenix	31177	22.67	31058	20.20	119.00	2.47
Yuma	13947	11.63	13634	18.20	313.00	-6.57
Number of Customers/Monthly Average	**338107**	**16.49**	**332736**	**15.20**	**5371**	**1.29**
Non-Q-Matic Offices						
Ajo	334	3.34	374	2.41	-40.00	0.93
Benson	1318	12.13	1715	8.75	-397.00	3.38
Bisbee	1250	4.06	1110	3.44	140.00	0.62
Buckeye	1680	7.71	1859	6.49	-179.00	1.22
Camp Verde	2597	6.52	2655	7.59	-58.00	-1.07

Arizona Department of Transportation

Motor Vehicle Division

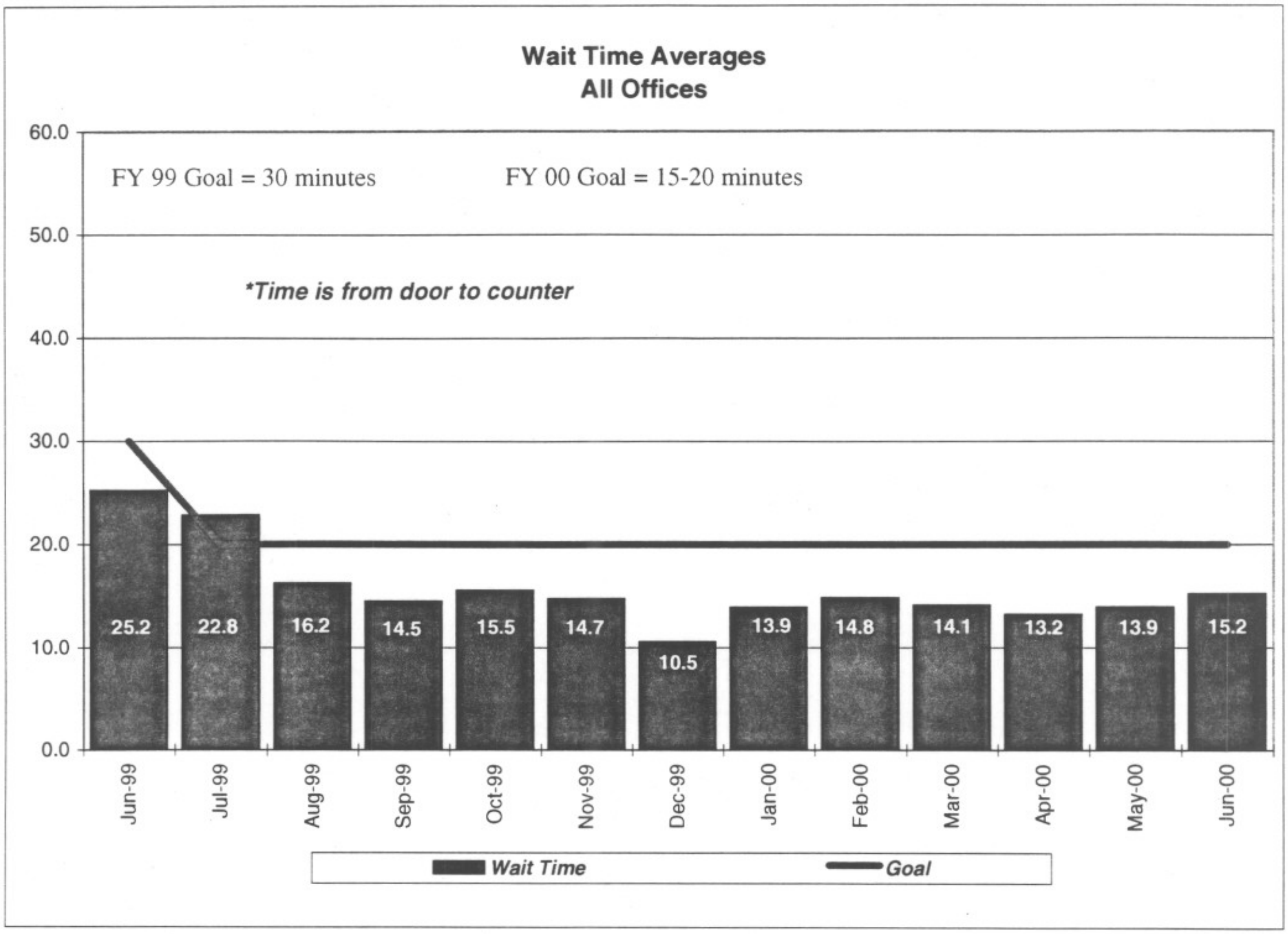
Customer Service Program

Monthly Wait Time Report

	June 2000 Monthly Average Wait Time		May 2000 Monthly Average Wait Time		Variance	
	Total Number of Customers	Average Wait Time	Total Number of Customers	Average Wait Time	Total Number of Customers	Wait Time Variance
Chinle	1858	23.92	1807	16.76	51.00	7.16
Clarkdale	3225	5.26	3059	4.20	166.00	1.06
Clifton	711	4.24	741	2.53	-30.00	1.72
Colorado City	227	11.54	191	14.89	36.00	-3.35
Coolidge	2619	7.30	2757	8.54	-138.00	-1.24
DMAFB	1873	5.03	1635	5.31	238.00	-0.28
Douglas	3227	17.19	3334	10.36	-107.00	6.83
Fredonia	340	5.32	285	6.05	55.00	-0.73
Globe/Claypool	2511	7.96	2452	7.39	59.00	0.57
Goodyear CDL	558	1.81	738	1.67	-180.00	0.14
Green Valley	2509	12.18	2613	8.56	-104.00	3.62
Holbrook	2226	9.60	2065	7.59	161.00	2.01
Kearny	805	4.23	828	2.63	-23.00	1.60
Littlefield	233	13.74	360	15.56	-127.00	-1.82
Page	1593	8.89	1395	9.93	198.00	-1.03
Parker	2628	7.03	2760	9.10	-132.00	-2.08
Payson	2994	8.08	3189	8.19	-195.00	-0.11
Phoenix Courthouse	4053	11.52	4332	9.87	-279.00	1.64
Safford	2964	3.26	3012	6.15	-48.00	-2.90
San Manuel	1491	8.43	1464	4.66	27.00	3.76
Sedona	2241	6.10	2077	6.46	164.00	-0.35
Show Low	5734	13.75	6122	11.33	-388.00	2.42
St Johns	1218	4.28	1172	4.25	46.00	0.03
Superior	467	3.65	392	6.40	75.00	-2.75
Tuba City	1315	7.81	1136	4.90	179.00	2.91
Tucson CDL	1107	4.97	959	5.43	148.00	-0.47
Tucson City Court DL	1387	6.37	1526	7.48	-139.00	-1.10
Wickenburg	1172	5.37	1238	4.79	-66.00	0.58
Willcox	1832	1.69	1647	1.10	185.00	0.59
Williams	1122	2.84	1214	3.09	-92.00	-0.26
Window Rock	2167	10.42	1897	10.25	270.00	0.17
Winslow	1552	8.18	1637	5.41	-85.00	2.77
Number of Customers/Monthly Average	67138	8.67	67747	7.66	-609	1.01
Statewide	405245	15.19	400483	13.92	4762.00	1.27

Arizona Department of Transporation
Motor Vehicle Division
Customer Service Program

Average Customer Wait Time



DISTRICT 28

STATE SENATOR
FORTY-FOURTH LEGISLATURE

CAPITOL COMPLEX, SENATE BUILDING
PHOENIX, ARIZONA 85007-2890
PHONE (602) 542-4138
TOLL FREE 1-800-352-8404, X4138
FAX (602) 542-3429
E-MAIL rgnant@azleg.state.az.us

Arizona State Senate

APPROPRIATIONS, Chair
COMMERCE, AGRICULTURE AND NATURAL RESOURCES
FINANCIAL INSTITUTIONS AND RETIREMENT

JOINT LEGISLATIVE BUDGET COMMITTEE
Vice-Chair 1999 - Chair 2000
JOINT COMMITTEE ON CAPITAL REVIEW
Chair 1999 - Vice Chair 2000
JOINT LEGISLATIVE TAX COMMITTEE

August 1, 2000

The Honorable Jane Dee Hull
Governor of Arizona
1700 West Washington Street
Phoenix, Arizona 85007

Dear Governor Hull:

We request the executive authorize a transfer in the Arizona Department of Education of $450,000 from Fiscal Year 2001 basic state aid for the purpose of funding intervention/dropout prevention programs that meet the specific performance criteria outlined in HB 2405. This transfer is consistent with our understanding of the circumstances under which HB 2405 was transmitted to you for signature. It is understood this transfer of FY 2001 monies will likely add to the potential education budget shortfall resulting from student growth.

The Department of Education has issued a fund alert for HB 2405 with an application deadline of July 31. It is essential the transfer occur by August 1, as these monies are intended for programs at the start of the school year.

Thank you for your prompt attention to this matter.

Sincerely,

Randall Gnant
Chairman
Senate Appropriations Committee

Rep. Robert Burns
Chairman
House Appropriations Committee

State of Arizona
Department of Education

Lisa Graham Keegan
Superintendent of
Public Instruction

August 2, 2000

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

The Honorable Robert Burns
Arizona House of Representatives
1700 W. Washington
Phoenix, AZ 85007

Dear Senator Gnant and Representative Burns:

This letter is to inform the Joint Legislative Budget Committee that the Arizona Department of Education requested a $450,000 transfer from fiscal year 2001 Basic State Aid to carry out the purposes of Chapter 377, Laws 2000 Second Regular Session. As you know, a commitment was made to award $450,000 to public agencies and private entities to provide Arizona Instrument to Measure Standards (AIMS) Intervention and Dropout Prevention support to students according to the criteria specified in Chapter 377 (HB 2405). At that time, all of the interested parties agreed to conduct this transfer in fiscal year 2001.

An appropriation transfer request was forwarded to the Governor's Office of Strategic Planning and Budgeting in April and a duplicate was sent on June 29, 2000. Funds will be distributed as soon as the monies become available, so selected providers can begin serving students at the start of the school year. Thank you very much.

Sincerely,

L. Graham Keegan

Lisa Graham Keegan
Superintendent of Public Instruction

cc. Rick Collins

1535 West Jefferson, Phoenix, Arizona 85007 • 602-542-4361 • www.ade.state.az.us

DATE: August 8, 2000

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

THRU: Richard Stavneak, Director

FROM: Indya Kincannon, Fiscal Analyst

SUBJECT: DEPARTMENT OF VETERANS' SERVICES – REVIEW OF PROPOSED EXPENDITURES FROM THE VETERANS' HOME CONTINGENCY SPECIAL LINE ITEM

Request

The Department of Veterans' Services requests Committee review of its plan to spend $34,451.36 in FY 2000 and $122,600 in FY 2001 from the Veterans' Home Contingency Special Line Item. The proposed expenditures are as follows:

FY 2000 Proposed Expenditures	
Outstanding utility and water bills	$34,451.36
TOTAL	**$34,451.36**

FY 2001 Proposed Expenditures	
Personal Services and Employee Related Expenditures	$ 84,700
Rent for Fiduciary Division	$ 37,900
TOTAL	**$122,600**

Recommendation

The JLBC Staff recommends that the Committee give a favorable review to the department's proposed expenditures for outstanding FY 2000 bills. We are concerned, however, that the unpaid bills were the result of the department accidentally double-paying nursing staff stipends for over three months.

The JLBC Staff recommends that the Committee give an unfavorable review to the department's proposed expenditures for Personal Services, Employee Related Expenditures and Rent for FY 2001. The department would shift the cost of these items from the Veterans' Home Fund to the contingency line item. The basis of our unfavorable review is that during the 2000 Regular session the Legislature as a whole explicitly considered and rejected this request. We recommend considering this issue as part of the FY 2002-2003 biennial budget, as the department's proposal will permanently increase their General Fund requirement.

Analysis

Laws 1999, 1st Special Session, Chapter 1, Section 105 (as amended by Laws 2000, 2nd Regular Session, Chapter180), requires the Committee to review all proposed expenditures from the Veterans' Home Contingency Special Line Item. The department's proposed expenditure plan is analyzed by fiscal year below.

<u>FY 2000 Proposed Expenditures</u>
The department proposes to spend $34,451.36 from the Home's contingency line item to pay utility and water bills from June 2000. The department requests monies from the contingency line item because the Home has fully expended its FY 2000 operating budget. The Home did not discover the shortfall until over a month after the end of the fiscal year. This shortfall occurred because the agency overpaid its nurses during the last quarter of FY 2000 and during the first part of FY 2001. The overpayment stemmed from mismanagement in the Human Resources Division of the department.

The Veterans' Home has had difficulty hiring and retaining nurses for several years. In February 2000 the Arizona Department of Administration (ADOA) notified the department that it could offer recruitment and retention stipends to nurses at the Veterans' Home. The department intended to absorb the cost of the stipends by reducing its nurse registry costs. In a letter dated February 25, 2000, ADOA stated that the stipends should be paid on a monthly basis, not added to the base salary. At some later date, ADOA verbally told the Department's Human Resources Manager that in order to comply with federal labor laws stipends had to be added to the base salary. This correction was not sent in writing until July 14, 2000.

The change in instructions from ADOA led to data input errors by the Human Resources Division, which was responsible for implementing the stipends. As a result, since April, 2000 the department has double paid recruitment and retention stipends, transposed numbers on hourly rate changes, paid stipends to nurses that were not supposed to get stipends, and failed to pay stipends to nurses who were entitled to stipends. These mistakes were not detected until July 14, 2000. In sum, the department overpaid its nurses $32,911.66 in FY 2000 and $11,756.29 in FY 2001, for a total error of almost $45,000.

The department has since stopped double-paying the stipends, but is still working with ADOA on a plan to recoup the losses. The proposed plan would reduce the nurses' future stipends by a certain amount in order to recoup the losses over 6 to 9 months. Nurses who resign would have the entire overpayment deducted from their final paycheck. ADOA began an audit of the Human Resources Division on Friday, August 4th, 2000.

After spending more than budgeted for nurses' salaries, the Veterans' Home does not have sufficient expenditure authority to cover its water and utility bills from June 2000. Although the overpayment had been occurring for more than 3 months, the Home did not discover they would not have sufficient funds to pay their bills until over a month after the end of the fiscal year. To avoid further penalties, the Home requests to use monies in the Home's contingency line item to pay these bills. The Committee does not have statutory authority to approve transfers after the end of the fiscal year. The Home has proposed using accounting entries called administrative adjustments to charge their expenditures against the contingency line item. Since this mechanism appears to be allowed under state law, and since the Home is now working to address the overpayment issue, the JLBC Staff recommends the Committee give this portion of the department's request a favorable review. However, we are concerned that this problem was not discovered until after the fiscal year was closed and that the Home appeared prepared to proceed with the expenditures without the Committee's review.

FY 2001 Proposed Expenditures

The department proposes to spend $122,600 from the Home's contingency line item on Personal Services, Employee Related Expenditures and Rent costs in FY 2001. The department believes that the Home is paying for costs associated with other divisions and wishes to remedy this by using the Home's contingency line item. This proposed expenditure is similar to the agency's budget request submitted in Fall 1999. The Legislature reviewed that request during the 2000 Regular session and, since it is not critical to agency operations and would result in a permanent increase in the department's General Fund requirement, delayed consideration of it until the FY 2002-2003 biennial budget. Accordingly, this renewed request can be deferred until the next budget cycle. Since this proposal has already been rejected by the Legislature as a whole, the Staff does not recommend a favorable review of these expenditures.

RS:IK:jb

JANE DEE HULL
GOVERNOR

STATE OF ARIZONA
DEPARTMENT OF VETERANS' SERVICES
OFFICE OF THE DIRECTOR
3225 NORTH CENTRAL AVENUE, SUITE 910
PHOENIX, ARIZONA 85012-2410
(602) 255-3373 FAX (602) 255-1038

PATRICK F. CHORPENNING
DIRECTOR

August 4, 2000

RECEIVED
AUG - 7 2000
JOINT BUDGET
COMMITTEE

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

Dear Senator Gnant:

In accordance with Laws 1999, First Special Session, Chapter 1, Section 105 (as amended by House Bill 2626, Laws 2000, Second Regular Session, Chapter 180), the Arizona Department of Veterans' Services shall not expend monies in the Veterans' Home contingency special line item without the prior review of the Joint Legislative Budget Committee (JLBC). This letter is to serve as the Department's formal request to be placed on the JLBC agenda so the JLBC can review the Department's planned expenditures in regards to the Veterans' Home contingency special line item.

The Department's Veterans' Home contingency special line item planned expenditures are as follows:

- The Department plans on charging $34,451.36 pertaining to outstanding vendor invoices against the Veterans' Home contingency special line item.

- The Department plans on charging $84,700.00 pertaining to personal service and employee related expenditure costs against the Veterans' Home contingency special line item.

- The Department plans on charging $37,900.00 pertaining to rent (space) costs against the Veterans' Home contingency special line item.

If you have any questions or concerns, please contact me at (602) 255-3373.

Sincerely,

Patrick F. Chorpenning

Patrick F. Chorpenning, Director

cc: Mike Bielecki, Executive Assistant, Governor's Office
J. Elliott Hibbs, Director, ADOA
Tom Betlach, Director, OSPB
Richard Stavneak, Director, JLBC