STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

RANDALL GNANT
CHAIRMAN 2000
GUS ARZBERGER
RUSSELL W. "RUSTY" BOWERS
SCOTT BUNDGAARD
EDWARD J. CIRILLO
JACK C. JACKSON
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HOUSE OF REPRESENTATIVES

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CHAIRMAN 1999
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BOB MCLENDON
CHRISTINE WEASON

JOINT LEGISLATIVE BUDGET COMMITTEE
Thursday, September 14, 2000
1:30 p.m.
Senate Appropriations Room 109

AGENDA

- Call to Order
- Approval of Minutes of August 10, 2000.
- DIRECTOR'S REPORT (if necessary).

1. SCHOOL FACILITIES BOARD - Consider Approval of Index for Constructing New School Facilities and Report on Status of Deficiencies Corrections Assessment.
2. ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Proposed FY 2001 Classification Maintenance Review (CMR) Adjustments.
3. DEPARTMENT OF ENVIRONMENTAL QUALITY - Review of Request for Proposals on the Vehicle Emissions Inspection Program Contract.
4. OFFICE OF THE ATTORNEY GENERAL - Review Allocation of Settlement Monies (Nine West Group, Inc.).
5. JOINT LEGISLATIVE BUDGET COMMITTEE - Consider Approval of Year 2002 Strategic Program Area Review Candidates.
6. NATUROPATHIC PHYSICIANS BOARD OF MEDICAL EXAMINERS - Report on Expenditures for Inspections.
7. DEPARTMENT OF JUVENILE CORRECTIONS - Report on Education Technology Pilot Program Expansion.
8. ARIZONA BOARD OF REGENTS - Report on University Faculty Teaching Loads.
9. ARIZONA DEPARTMENT OF TRANSPORTATION
   A. Report on Highway Maintenance Levels of Service.
   B. Report on Motor Vehicle Division - Special Projects.

10. DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS - Report on Camp Navajo Fund.

11. DEPARTMENT OF ECONOMIC SECURITY
    A. Report on Long Term Care System Fund Fiscal Issues.
    B. Report Intended Use of Domestic Violence Shelter Fund.
    C. Report on the Electronic Benefits Transfer (EBT) Project.

The Chairman reserves the right to set the order of the agenda.
09/07/00

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

August 10, 2000

The Chairman called the meeting to order at 1:35 p.m., Thursday, August 10, 2000, in Senate Appropriations Room 109. The following were present:

Members:	Senator Gnant, Chairman	Representative Burns, Vice-Chairman
	Senator Arzberger	Representative Blewster
	Senator Bowers	Representative Gonzales
	Senator Bundgaard	Representative McGrath
	Senator Cirillo	Representative McLendon
	Senator Jackson	Representative Weason
	Senator Lopez	
Absent:	Senator Wettaw	Representative Daniels
		Representative McGibbon
Staff:	Richard Stavneak, Director	Cheryl Kestner, Secretary
	Patrick Fearon	Rebecca Hecksel
	Bob Hull	Indya Kincannon
	Gretchen Logan	Pat Mah
	Brad Regens	Paul Shannon
	Stefan Shepherd	
Others:	Debbie Spinner	Office of the Attorney General
	Debbie Johnston	Senate
	Philip E. Geiger	School Facilities Board
	Frank Hinds	State Risk Management, DOA
	David Jankofsky	Department of Transportation
	Chuck Ryan	Department of Corrections
	Pat Chorpenning	Department of Veterans' Home Services

APPROVAL OF MINUTES

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

EXECUTIVE SESSION

<u>Representative Burns moved</u> that the Committee go into Executive Session. The motion carried.

At 1:37 p.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 1:55 p.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. Garman v. State of Arizona
2. Grubbs v. State of Arizona
3. Moore v. the University of Arizona and ABOR, et al.
4. O'Connell v. Kirkland and State of Arizona

By a show of hands the motion carried.

DIRECTOR'S REPORT

Mr. Richard Stavneak, Director, JLBC Staff, handed out a memo regarding the status of the revenue picture (Attachment 1). He reported that the year ended with approximately $15 million in General Fund revenues above forecast.

SCHOOL FACILITIES BOARD (SFB) - Report on Projection of Deficiencies Corrections Costs.

Mr. Patrick Fearon, JLBC Staff, said that the focus of his report is on the quality of the sample that was used to project the deficiencies cost.

Representative McGrath, referencing a newspaper article she had read, asked what the process was for the School Facilities Board to acquire land for new school sites.

Dr. Philip E. Geiger, Director, School Facilities Board, said the Cave Creek School District requested the purchase of 15 acres of land inside a development. The developer said he had no interest in providing any donations or contributions. About 1 mile away was a state owned parcel of land that the state would provide the district in a land lease, which would cost the state virtually nothing. Basically Cave Creek School District said they wanted to buy land in that particular location. The land is being offered to the SFB at a price of $120,000 an acre. Cave Creek School District was again offered the option of a land lease, particularly since the school district indicated they would be bussing students. Even though they would be inside the development, most of the students would be bussed. The difference in bussing would be somewhere between 1 and 2 minutes longer and the savings to the state would be $1.8 million. We therefore declined to select the parcel which they felt was essential. The school district instead used local bond money and built one on their own.

In response to a question by Representative McGrath regarding the numbers of students being bussed, Dr. Geiger said that there is a school about 1 mile away but it is full and most, if not all the students, would have to be bussed. Dr. Geiger said that with free state land the state should not be paying $1.8 million for premium property.

Senator Cirillo noted when going through the assessment you add the potential that inflation may raise the cost 8%. You then add in the margin of error of 7%, and yet the statistical data on the study shows that the margin of error is plus or minus 7%. Why do you not add 3.5% rather than 7%. Dr. Geiger said they want to provide the most conservative numbers. Their hope is when they come back to give final numbers it is something less then $1.17 billion. To give a 95% confidence level they would have to have 320 schools in their sample and they only have 86.

Representative Weason stated that the Legislature passed a 30% state tax credit for developers who take the option to donate property to the schools. She asked how much that has cost Arizona so far. Dr. Geiger said the tax credit would not actually take effect until January 1, 2001. Since last October they have been able to obtain $29 million of donated property from developers. The developers have been very enthusiastic and eager to make this contribution and realize they have an obligation, after putting up hundreds of homes, to do something for the schools. Of the $29 million, there have been no tax credits, it has been strictly a contribution.

Representative Weason asked if any other states are going in this direction for acquiring land for schools. Dr. Geiger indicated that he wasn't aware of any but he would investigate it.

Representative McLendon asked how much FlexTech participated in the assessment or did the SFB do most of it.
Dr. Geiger said they deducted from the payment to FlexTech $77,000 for the SFB conducting this stratified sample. The SFB used FlexTech information, but the SFB visited every one of the school districts they evaluated. About one-fourth of the data came from FlexTech, however, the balance was from SFB staff.

Representative McLendon asked what was the original amount of the contract and how did they arrive at the amount of $77,000 to deduct. Dr. Geiger said it was $2.667 million, and they deducted the $77,000 on a per square foot basis. Dr. Geiger said that the SFB deducted 100% of what FlexTech would have gotten paid for doing the schools in terms of the stratified samples.

Senator Jackson said at the time the SFB was being formed and they were working on the standards, they were asked to look into new facilities for communities that must transport their children over long distances. Dr. Geiger said he has met with members of the school board association at their convention, and spoke to school board members who are on reservations in the state. They are discussing this item at their school board meeting on October 6 which is being held in Kingman. They have a study committee working on this to give the School Facilities Board some indication of the current parameters to be considered. Some students have as much as 2-1/2 hours to school one-way which is unacceptable for anyone to be travelling. In January he expects the Board to take a formal position on resolving this problem. Senator Jackson asked to be kept informed on this issue.

Representative McGrath suggested the School Facilities Board rethink their process. The state is having a problem with affordable housing and the costs developers put into a home include their cost of donated land, taxes, etc. The end result being that home buyers are having to pay more for their homes to cover those costs.

DEPARTMENT OF CORRECTIONS (ADC)

A. Review of Two Private Prison Request for Proposals.

Mr. Brad Regens, JLBC Staff, referred to his handout which showed an update on the inmate population (Attachment 2). Mr. Regens said that the graph shows there was only a growth of 19 new inmates a month in FY 2000, which is significantly below projections of 132 new inmates per month. The other tables on the handout show different scenarios for FY 2000 and FY 2001 year-end bed capacities.

Senator Cirillo asked if there were any studies at to what caused the inmate population decline. Mr. Regens indicated he has been working with the Courts and the Department of Corrections to try to determine why this decline happened. One possibility is a backlog of cases in Superior Court. However, the U.S. Department of Justice came out with a report which looks at prison population throughout the entire country and the growth in inmate population nationwide in total numbers was at its lowest point since 1988. Percentage growth was at its lowest point since 1979. Nationwide there appears to have been a slowdown and there is no solid information as to why that is happening.

Representative Weason requested a copy of the U.S. Department of Justice report on inmate population.

She asked how much money they were talking about for the appropriation of 132 inmates per month. Mr. Regens said approximately $4.5 million. Representative Weason asked what the agency has done with the $4.5 million in this past year since they have not used it on the 132 inmates per month as indicated. Mr. Regens said they do not have that data yet but they will be receiving the actuals for the department for FY 2000 this fall. Representative Weason asked if the $4.5 million is generally contained in the line item of Personal Services or Employee Related Expenditures (ERE). Mr. Regens responded it would be spread out through various line items. She asked what discretion the Director has to spend those funds on other things. Mr. Regens replied that the department's budget has been appropriated as a Modified Lump Sum. In order for them to take money from Personal Services or ERE they would need this Committee's approval.

Representative Weason asked what the shortage of correctional officers is at the Lewis Complex. Mr. Regens said ADC is about 500 FTE Positions short of capacity. Representative Weason asked if it was possible for ADC to come before the Committee to ask for approval to use the money for the 500 FTE Positions. Mr. Stavneak responded that they could for this upcoming year but unspent monies in FY 2000 would revert to the General Fund.
Representative Weason noted that in the analysis there is a bed deficit of 1,500 at the end of FY 2000. She asked where those individuals are being held right now. Mr. Regens said the department is utilizing tents, double-bunking, and other facilities that were not constructed to house inmates.

There was further discussion on inmate population and prison bed capacity.

Representative Weason asked why the JLBC Staff memo states that the department's proposal may meet the letter of the law but not the spirit. Mr. Regens said whether or not the proposal violates the letter of the law is a matter of debate. There are some individuals that believe it meets the letter of the law because the proposal groups many nationalities together. Others say because American citizen inmates are not going there, you therefore have segregated by nationality. While there is a debate regarding the letter of the law, this facility would house mostly Mexican Nationals, as they comprise approximately 90% of all foreign national inmates, which appears to violate legislative intent and thus the spirit of the law.

Senator Cirillo said if you look at the other side of the question there would be obvious productivity improvements to do this. It would seem to make great sense to have all Mexican Nationals in one place. They would all have similar demographic backgrounds, so if Mexican officials came here they would have everyone in one place which would be good from a productivity standpoint in the handling of prisoners.

Mr. Chuck Ryan, Deputy Director, Prison Operations, Department of Corrections, responded that ADC is supporting the privatization of the department's one-way population, including criminal aliens. One of Mr. Ryan's handouts (Attachment 3) shows ADC has just under 3,000 criminal aliens incarcerated throughout the state of Arizona. The vast majority happen to be from Mexico, however, there are 59 countries represented by this population.

In terms of the type of inmate population ADC would put in the private prison, it would be a level 2, 3 and 4 custody level. They would not support, nor have they asked for, maximum security inmates to be placed there. The idea of a 2, 3 and 4 level would allow this population to go up and down the custody levels based on their behavior or performance.

In response to the comment regarding the efficiency aspect, ADC currently has an arrangement with the Department of Justice and INS. ADC has agreed to keep the criminal aliens in a corridor institution in central Arizona for the ease of the hearing officers to conduct detainer hearings and/or deportation hearings. ADC has approximately 2,500 inmates in its deportable population eligible for placement in the 1,000 bed facility. All inmates, regardless of nationality that were deportable, would be assigned to this prison.

Senator Lopez asked how the state benefits by doing this. Mr. Ryan said the state benefits in a number of ways. One of the things they have done in the last several years throughout the prison system is to compartmentalize specialized populations throughout the prisons, for management, safety and security reasons. One of the realities in the agency is the growth of the security threat group population. ADC has validated 7 prison gangs and 500 inmates in the Arizona prison system as security threat gang members. Of that group, 200, or 40% comprise the gang called "Border Brothers." In order to manage and reduce the violence and ensure the safety of all, they are now at the point of isolating the Mexican Americans from Mexican Nationals either by cell block or by side's of a prison yard.

Representative Weason noted that ADC has about 2,800 foreign nationals and indicates they would be able to take care of 1,000 of them. She asked about the other 1,800 inmates and would they pose a problem. Mr. Ryan said approximately 300 are level 5 inmates, and would stay in maximum security until such time as they are eligible for a reduction. The balance of 1,500 inmates would transfer to the private prison as long as they had a detainer and were rendered deportable. The 1,500 inmates would be in level 2, 3 and 4 facilities, and ADC would continue their strategy to maintain some separation or control of the inmates within the prison unit to minimize the friction. Representative Weason asked how they determine what ratio of level is transferred to this kind of prison. Mr. Ryan said in terms of distribution of the beds it is proposed that 200 would be level 2, 400 level 3, and 400 level 4.

Representative Weason asked if there have been discussions on using the $4.5 million savings sustained because of the reduced inmates coming in per month, on a correctional officer pay enhancement package at the Lewis Complex. Mr. Ryan said there has and one of the things the Director is considering is a hiring bonus as a recruiting incentive. ADC is considering to offer a bonus of between $2,000-$5,000 plus the stipend they already receive, with the understanding that the employee would sign a commitment to stay with ADC for 2 years. If the officer were to leave they would have to reimburse the balance of the bonus on a pro rata basis.

Mr. Ryan said one of the other advantages to privatizing the prison population is it would provide them with an invoice. Every year they apply for a federal grant through the State Criminal Alien Assistance Program (SCAAP) administered by the federal government. For example this past year they received a return of 34 cents on the dollar in terms of what it costs to incarcerate a criminal alien. By having 1,000 criminal aliens in a private prison all they have to do is submit the invoice which will accompany the application. He said they would be looking at a much greater return. This last fiscal year in the state of Arizona, the majority of those funds, $9.5 million in SCAAP monies, were returned to the General Fund. This year 2,220 inmates fit the application criteria but ADC does not yet know what the return will be.

Senator Pete Rios, stated that ADC has a very difficult job dealing with a difficult population. However, he opposes this particular proposal because of what it could do to the Hispanic community. He said during the appropriations process a footnote was added stating that ADC could not segregate its inmates based on race, ethnicity, or nationality. Senator Rios said the ADC RFP does exactly that and he felt it violates the letter of the law. By segregating Mexican Nationals and putting them all in the same facility they are basically posing a major danger to prison guards, their families, and inmates and their families. Senator Rios said Mr. Ryan implies this would be a one-way placement and the inmates will be deported and never seen again. Senator Rios said these inmates are criminals, they will be deported, but they have family here, and will return after they are deported. Many of these inmates are gang members. There is a lot of conflict between Chicano inmates and it also exists out on the streets. The problem is when these inmates are all housed in the same facility they will know who the prison guards are and the other inmates as well. They will not be afforded the same protection as they are given at ADC. If there are threats against an inmate at ADC that inmate can be reassigned to a different unit. If there are death threats or extortion threats against a prison guard they can be reassigned as well. What will happen is many of these inmates are going to be right back in our communities. They are going to know who everybody is in these 1,000 beds and there will be widespread extortion. What this proposal does is it places this extortion squarely in our Hispanic communities.

Senator Gnant said if the ADC were to acknowledge the observations Senator Rios made about guards and/or inmates that are victims of threats or extortion with regards to the current transfer policy, and if that were to continue in this new prison, does that change your opinion at all. Senator Rios said that does nothing for prison guards. They would be the same guards because it is a private prison and could not be reassigned anywhere else. At an ADC facility you have a mixed population, maybe 25% Hispanic for purposes of deporting and hearings and that would be fine. In a mixed population you have checks and balances.

Senator Bowers asked, if you have extortion now why would it be any different for a guard at another prison who is under extortion. Senator Rios said that if a prison guard is being squeezed because somebody wants them to bring contraband into a particular unit then this prison guard could be moved to a different unit where he is not around that particular gang member. In a private company that reassignment is not a possibility. Senator Bowers said as long as a prison guard is in corrections this will happen because word spreads from one facility to another. Senator Rios said from people he has talked with when inmates are in a mixed facility the extortion and threats are lessened.

Mr. Ryan said he understands Senator Rios's perspective. However, in terms of who goes into the private prison, those gang members who are validated, regardless of their nationality, are not going to a private prison. They are in the special management unit for the balance of their sentence. ADC has a validation process, intelligence officers throughout the prison system that look for the cues, signals and conduct that tell them inmates are up to no good.

Senator Gnant said then as far as ADC knows this prison would be gang free. Mr. Ryan said absolutely. They would identify and validate them and the gang member inmate would be removed from that prison and sent to Florence. Senator Gnant asked what assurances ADC has that private prison management would be as good at identifying gang members as ADC. Mr. Ryan said ADC has staff on site with an intelligence gathering function. They have worked with the private prison contractors and have trained their staff in the same type of behavior.

Senator Lopez said most of the people he has talked with have been quite supportive because they thought these individuals were people who have crossed the desert and been picked up by Border Patrol. They do not realize that most of the cases are not these type of people. They are actually people who have committed a variety of crimes and have spent a lot of time in this country. When you explain that to them it makes it very difficult to try to explain why segregation is good. Senator Lopez said Mr. Ryan has not provided sufficient justification to merit segregation.

Mr. Ryan said in terms of the issue of public safety, ADC's role is to protect everyone that is in the prison environment. In order to provide that protection it is necessary to separate inmates on the basis of behavior and how they interact or react with each other. The Bureau of Prisons and INS here in Arizona have prisons at Eloy that are exclusively for inmates that are deportable and on their way to their country of origin. Without question, the majority of inmates there are from Mexico. Senator Lopez said if those inmates have been adjudicated and served their time, and their deporting status is unknown yet or are being detained, generally you do not have the criminal element environment that we are talking about. Mr. Ryan said at Eloy there are 2 distinct populations: the Bureau of Prisons facility operated by a private prison contractor that houses convicted criminal aliens; and INS, which has an adjacent facility that houses inmates such as Senator Lopez just described.

Senator Rios said in the Federal Detention Center in Eloy a lot of inmates come from all over the country and will be going back to their homes throughout the U.S. Under the ADC proposal those inmates will be from Arizona and once they are deported they will return to Arizona.

Senator Cirillo asked whether any other states are segregating inmates in prison. Mr. Ryan stated that he did not know but would find out.

Regarding the RFP, Representative McGrath noted that it requested that all bidders include a schedule that explains the amount of monies from the per diem that will be assigned to a purchase price should the department exercise the purchase option. Representative McGrath mentioned she had requested, at the last JLBC meeting, the Attorney General's Office find out if this is legal. She also requested DOA to check into this to see if we do this with any other of our privatization efforts in the state. She has not received a response from either of them on this issue. At the last meeting it was brought out that this was not part of statute. This was something that the Department has undertaken on their own. Why are they allowed to continue to do this since it appears to be illegal. Senator Gnant said that there is no requirement that anyone submit an RFP if they do not like the terms.

Senator Gnant informed the Committee that he was going to break this down into 2 motions.

Representative Burns moved that the Committee give a favorable review of the RFP for the 400 minimum-security Driving Under the Influence beds. The motion carried.

Representative Burns moved that the Committee give a favorable review to ADC's RFP for a 1,000 bed privately-operated prison facility to house non-U.S. National inmates.

Representative McLendon asked about a point of clarification. The motion is that we go against the JLBC Recommendation and adopt a favorable review for the 1,000-bed facility as has been described by ADC. Senator Gnant said that is the intent of the motion.

Representative Burns said it was not going against the JLBC Staff recommendation, which was that the Committee may wish to give an unfavorable review to the RFP. The motion is to recommend a favorable review of the RFP for 1,000 private beds.

Representative McLendon spoke in opposition to the motion. He said one thing the Committee is missing is that in the budget hearings the Appropriations Committee members had problems with this and thus inserted a footnote. The footnote says before ADC releases a RFP for the 1,000 privately-operated beds to be opened in June 2001 the ADC shall submit its plan for the category of beds to be privatized to the JLBC for review and the beds shall not be segregated by race, ethnicity or nationality. Budget hearings and a new budget cycle are coming up and this issue could be discussed and recommendations made by the full Legislature at that time. Senator Lopez also urged members to vote against this proposal.

By a show of hands of 7 ayes and 6 nays, the motion carried..

Chairman Gnant recessed the meeting until the sound of the gavel. The Meeting Recessed at 3:05 p.m.

The Meeting Reconvened at 3:20 p.m.

B. Consider Approval of Transfer of Appropriations.

Mr. Regens stated that this was a request to transfer appropriations in FY 2001 to privatize some of the inmate education programs at the Arizona State Prison Complex (ASPC) - Lewis. Representative Weason asked what the cost savings was to use private teachers. Mr. Regens said that ADC has estimated a savings of about $30,000 to the state. *Representative Burns moved that the Committee give a favorable review of the transfer of $1,751,000 in General Fund monies to privatize some of the inmate education programs at the Arizona State Prison Complex - Lewis.* The motion carried.

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		$1,751,000

DEPARTMENT OF ADMINISTRATION - Review of Retiree Accumulated Sick Leave Rate.

Ms. Rebecca Hecksel, JLBC Staff, said that the Department of Administration requested the Committee to review its recommendation to establish a FY 2001 Retiree Accumulated Sick Leave rate of 0.55% of the total benefit-eligible payroll. She stated that a 0.40% rate provides sufficient funding to operate the program in accordance with current law.

Representative Burns moved that the Committee give a favorable review of a FY 2001 Retiree Accumulated Sick Leave rate of 0.40% for the Department of Administration. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY

A. Review of Plan to Provide Matching Monies to Navajo Nation to Operate a Tribal Cash Assistance Program.

Mr. Stefan Shepherd, JLBC Staff, noted that there were members of the Navajo Nation available to address this item. Senator Gnant said since it was unlikely there were any objections by the Committee to this item he would acknowledge that the Navajo Nation members were there in support of this item.

Representative Burns moved that the Committee give a favorable review of the plan to provide matching monies to the Navajo Nation to operate a tribal cash assistance program. The motion carried.

B. Report on FY 2001 Lump Sum Operating Budget Reduction Plan.

Mr. Shepherd said that he and Ms. Pat Mah, JLBC Staff were available to answer any questions on items 4B through 4E. However, no Committee action is required, they are for information only.

C. Bimonthly Report on Arizona Works.

There was no discussion on this item and no Committee action was required.

D. Report of Case Management Satisfaction Survey.

Mr. Shepherd said as a point of clarification DES should submit the report when the survey is complete (expected by October 1, 2000). No Committee action was required.

E. Report on Additional FY 2000 Child Support Expenditures.

There was no discussion on this item and no Committee action was required.

GOVERNMENT INFORMATION TECHNOLOGY AGENCY/ARIZONA DEPARTMENT OF ADMINISTRATION - Report on Statewide Technology Licensing Agreement.

There was no discussion on this item.

DEPARTMENT OF TRANSPORTATION (ADOT) - Report on Motor Vehicle Division Wait Times.

No Committee action was required.

Mr. Bob Hull, JLBC Staff, responded to Representative Weason's question regarding the 17th Avenue construction project. Mr. Hull stated that it has been identified as an ADOT project. He spoke with Mr. David Jankofsky of ADOT, as to why ADOT was doing construction on a city street. Mr. Jankofsky said he wasn't aware but would check on it. Representative Weason also asked about all the mature palm trees that are being cut down and why they were not being sold to a developer or transplanted elsewhere on the capitol grounds. Representative Weason said she would talk with Mr. Hull about this out of Committee.

ARIZONA DEPARTMENT OF EDUCATION - Report on Proposed Transfer.

Senator Gnant stated this item was not being discussed at this time.

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

Mr. Stavneak said this item was added to the original agenda book and there are 2 components to it. One is a favorable review, the second is an unfavorable review. The Department would like to shift around some resources to do a more correct cost allocation plan. The basis of the JLBC Staff unfavorable review is that the full Legislature considered this in a bill earlier this year and did not include that language and secondly, it will cost General Fund money in the long run. JLBC Staff thought it more appropriate to wait until the FY 2002-2003 biennium to address it at that time.

<u>Representative Burns moved</u> *that the Committee give a favorable to the Department of Veterans' Services proposed expenditure plan for outstanding FY 2000 utility and water bills totaling $34,451.36 in FY 2000 from the Veterans' Home Contingency Special Line Item.*

Representative McLendon asked if Mr. Pat Chorpenning, Director of Veterans' Services, could address this issue. Mr. Chorpenning said in reference to the favorable recommendation, certainly the department concurs with the JLBC Staff recommendation. The reason this particular situation occurred is that in February of this past year they were working with ADOA for the purpose of coming up with specific stipends for the nursing staff. A mistake was made with the information that was put into HRMS and as a result those stipends were double paid. They did recognize the mistake as they were closing out, actually on July 13. On July 14 they had a meeting and put together a recovery program that will take payments each payday to recoup the money paid in error, which begins on August 25. It will be completely recovered by the December 1 paycheck. The problem is they have bills that need to be paid. What was requested and recommended by the JLBC Staff is they use the $34,451.36 from their Contingency Fund to pay those bills. Mr. Chorpenning wanted to emphasize that the monies they use at the Veterans' Home is nothing more than spending authority. It is monies they raise from charges from the Home itself. No taxpayer or General Fund monies are involved in either of these 2 issues.

The motion carried.

<u>Representative Burns moved</u> *that the Committee give an unfavorable review of the Department of Veterans' Services proposed expenditures for Personal Services, Employee Related Expenditures, and Rent for the Fiduciary Division for FY 2001 in the amount of $122,600.* The motion carried.

Without objection, the meeting adjourned at 3:35 p.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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JEAN HOUGH MCGRATH
BOB MCLENDON
CHRISTINE WEASON

DATE: September 7, 2000

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

THRU: Richard Stavneak, Director

FROM: Lynne Smith, Senior Fiscal Analyst

SUBJECT: SCHOOL FACILITIES BOARD - CONSIDER APPROVAL OF INDEX FOR CONSTRUCTING NEW SCHOOL FACILITIES AND REPORT ON STATUS OF DEFICIENCIES CORRECTIONS ASSESSMENT

Request

The School Facilities Board requests that the Committee identify an index for adjusting the cost per square foot for new school construction. The School Facilities Board recommends that the Committee select the Marshall Evaluation Service index for July 2000. The new school construction per square foot costs would be adjusted by the change in the comparative cost multiplier from July 1999 to July 2000 for the Phoenix Class C (masonry bearing walls) construction indicator. This would result in a 4.6% increase in the per square foot cost guidelines for new construction as of July 1, 2000.

We have also requested that the board provide at the meeting its monthly update on the status of the deficiency assessment process. This packet does not include any materials on that subject.

Recommendation

The JLBC Staff recommends that the Committee approve the request.

Analysis

Students FIRST (Laws 1998, 5th Special Session, Chapter 1) established cost guidelines per square foot of new school construction. A.R.S. § 15-2041.D3c provides that the cost of new school construction ". . . shall be adjusted annually for construction market considerations based on an index identified or developed by the Joint Legislative Budget Committee as necessary but not less than once a year." In the attached letter, the School Facilities Board requests that the Committee adopt the July 2000 Marshall Evaluation Service index. Previously, the Committee adopted the July 1999 figure from the same index. The current rates and the JLBC Staff recommendation for adjusted rates are as follows:

(Continued)

Grade Level	Urban Cost per Square Foot			Rural Cost per Square Foot (Urban x 1.05)		
	Current	Adjusted	% Increase	Current	Adjusted	% Increase
Preschool with Disabilities, Kindergarten to Grade 6	$ 93.15	$ 97.43	4.6%	$ 97.81	$102.31	4.6%
Grades 7 to 8	98.33	102.85	4.6%	103.25	108.00	4.6%
Grades 9 to 12	113.85	119.09	4.6%	119.54	125.04	4.6%

The School Facilities Board anticipated these growth rates and has indicated that it does not plan to request a supplemental increase to the FY 2001 new school construction amount of $200 million. For the upcoming budget, the School Facilities Board has not yet finalized the new school construction amount. However, the board currently estimates that the 4.6% adjustment would result in a FY 2002 General Fund increase of approximately $12 million. This is based on the board's current projection that, without the index adjustment, it would instruct the State Treasurer to transfer roughly $260 million for new school construction in FY 2002. This would result in a total of roughly $272 million, including the index adjustment. Per A.R.S. § 15-2022, the board will report the final FY 2002 and the estimated FY 2003 amounts to the Joint Committee on Capital Review by December 1, 2000.

The index also would make a relatively small adjustment to the building renewal amount, which results from increasing school building values by 4.6%. This would occur because building values are a component of the building renewal formula. The board is calculating this amount using its building renewal model and will have the amount available by the JLBC meeting. Again, the board does not plan to request a FY 2001 supplemental, but will adjust the FY 2002 amount.

The JLBC Staff recommends continuing use of the Marshall Evaluation Service index because it is a nationally recognized construction index that the Arizona Department of Administration (ADOA) has used for ADOA building renewal for approximately the last 30 years. ADOA subscribes to the service, has found it to be reliable, and has agreed to make the quarterly reports available for use in determining the School Facilities Board index.

The 4.6% construction inflation rate reported in the Marshall index was higher than the 1.5% inflation rate measured by the GDP deflator for the same period. This difference reflects a relatively high level of construction, both in Arizona and nationally. The resulting high demand for building materials and labor has driven up construction prices. In contrast, the GDP deflator is an average inflation rate that includes industries that did not grow as fast as construction.

The July 1998 to July 1999 interval from the Marshall index was used as the first adjustment period because 1) the Students FIRST legislation, which set the initial cost per square foot, was adopted in July 1998; 2) the state fiscal year begins July 1; and 3) the ADOA building system uses the July 1 date for this same index for ADOA system building renewal. For these same reasons, the JLBC Staff recommends using the July 1999 to July 2000 figure from the Marshall index for the current year adjustment. The adjustment will apply to all new school and building renewal funding that is distributed by the School Facilities Board in FY 2001. (Building renewal monies are distributed in November and May. New school construction monies typically are distributed between January and April.

The JLBC Staff also recommends continuing to use the Phoenix rate from the index. The Marshall index includes rates for selected cities in Arizona, including Phoenix, but does not include an overall "Arizona" rate. We believe the Phoenix rate is appropriate because statute already provides a 5% increase for rural schools. In addition, statute provides that the School Facilities Board may modify the cost per square foot for particular schools based on geographic or site conditions.

(Continued)

Finally the JLBC Staff recommends continuing use of the "Class C" figure in the index, which is defined as follows: "Class C buildings have masonry or concrete exterior walls, and wood or steel roof and floor structures, except for concrete slab on grade." The board has advised us that a majority of Arizona schools fit this description. Further, the Class C index tends to fall in the middle of the range of 5 classes published by the Marshall Valuation Service. The other classes include A) fireproofed steel frame, B) reinforced concrete frame, D) wood frame, and S) metal frame and walls.

RS:LS:ss

STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Jane Dee Hull

Executive Director
Dr. Philip E. Geiger

RECEIVED
SEP - 6 2000
JOINT BUDGET COMMITTEE

TO:	SENATOR RANDALL GNANT, CHAIRMAN
	MEMBERS, JOINT LEGISLATIVE BUDGET COMMITTEE
FROM:	DR. PHILIP E. GEIGER, EXECUTIVE DIRECTOR
SUBJECT:	INDEXING OF SCHOOL CONSTRUCTION COSTS
DATE:	09/06/2000
CC:	LYNN SMITH, CHRISTY ANDERSON, TOM BETLACH

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A.R.S. 15-2041, section 3(C). states in part "…The cost per square foot shall be adjusted annually for construction considerations based on an index identified or developed by the joint legislative budget committee as necessary but no less than once each year."

Last February, the JLBC approved a 3.5 percent increase based on the Marshall Evaluation Service index for class C (masonry bearing walls) construction in the Phoenix market. The increase reflected inflation between July 1998 and July 1999. At the same meeting, the Committee approved adjusting the index each July.

The impact of this increase on the dollars per square foot provided is reflected in Table 1. We recommend using this figure to update cost per square foot effective July 1, 2000.

Table 1

Grade Level	Current Amount	Adjusted Amount
K-6	$93.15	$97.43
7-8	$98.33	$102.85
9-12	$113.85	$119.09

The increase will affect both the building renewal and new construction programs. The FY 2001 impact on building renewal is relatively minor and will be covered by existing funds. We will provide more precise information at the meeting next week. The FY 2002 impact on new construction is estimated at $12 million; this estimation is based on currently defined new construction projects.

It is important for the JLBC members to recognize that even with approval of this index, school districts will be building schools with budgets that reflect building costs one to two years earlier than when the district is actually constructing the building. We also believe it is important that this remain a formula driven program. Otherwise, the School Facilities Board may be required to arbitrarily award funds to each school district as a result of the JLBC not awarding the index and the cost of building a minimally adequate facility exceeding the current square footage allocation. Your approval of the index adjustment is imperative and we are hopeful we can count on your support.

1700 WEST WASHINGTON, SUITE 602, PHOENIX, ARIZONA 85007
Phone: (602) 542-6501 • Fax: (602) 542-6529 • www.sfb.state.az.us

DATE: September 7, 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 PROPOSED FY 2001 CLASSIFICATION MAINTENANCE REVIEW (CMR) ADJUSTMENTS

Request

The Arizona Department of Administration (ADOA) requests the Joint Legislative Budget Committee (JLBC) review its recommendations for job classifications in the ADOA personnel system to receive Classification Maintenance Review (CMR) adjustments.

Recommendation

The JLBC Staff is continuing to review the request, given the complexity of the issue and the short time that we have had the information available for analysis. We are working with ADOA to address several concerns. While the selected job classes appear to cover positions with high turnover and disparity from market, we would like to understand the extent to which the CMR proposal addresses the most serious problems in state government, given that there are appropriated cost limits. For example, were any large job series (such as correctional service officers or nurses) excluded because their CMR adjustment would cost more than the appropriated amounts?

Second, we are seeking additional information on the Administrative Service Officer positions. The proposal grants this class series the largest portion of the CMR monies, $2,393,300 annualized, as well as the single largest increase given to one employee, $12,200 annualized. The JLBC Staff has found that this class tends to be a "catch all" category that is difficult to compare to market positions.

(Continued)

Finally, the JLBC Staff is concerned with the large number of CMR adjustments that still do not have a dedicated funding source. ADOA currently is uncertain of the fund source for over $341,800 ($683,600 annualized) of its recommended CMR adjustments. If the proposed adjustments are favorably reviewed and end up exceeding the appropriations, the Staff recommends that ADOA return to the Committee with its proposal for revising the CMR adjustments to stay within the appropriated amounts.

Background

Section 109 of the FY 2000 General Appropriation Act (Laws 1999, Chapter 1, 1st Special Session) appropriates monies for FY 2001 CMR adjustments and requires ADOA to report its CMR recommendations to the Committee for review on or before September 1, 2000. These CMR adjustments are raises that affect entire job classes. The General Appropriation Act specifies that CMR adjustments are intended to address job classifications within the ADOA system that are critical to the orderly conduct of state operations and that are experiencing substantially above average turnover or have current salary levels that are substantially below comparable positions outside state service. The adjustments shall be applied to all positions within a single job classification.

The original appropriation provides $1,650,000 from the General Fund and $400,000 from Other Appropriated Funds for the adjustments in FY 2001. In addition to these monies, $598,700 from the General Fund and $916,400 from Other Appropriated Funds were transferred from unallocated FY 2001 merit salary adjustments. This transfer was approved by the JLBC at the September 9, 1999 meeting. In addition, $94,000 from Other Appropriated Funds is available from unallocated supplemental CMR monies appropriated by the Supplemental Appropriation Act (Laws 2000, Chapter 3). The following chart details the amount available for FY 2001 CMR adjustments:

	General Fund	Other Appropriated Funds
Original Appropriation	$1,650,000	$ 400,000
Transfer from Unallocated	598,700	916,400
Supplemental	0	94,000
Total FY 2001	**$2,248,700**	**$1,410,400**
Annualized	**$4,497,400**	**$2,820,800**

The appropriated monies will cover the six-month period beginning January 1, 2001 through the end of FY 2001. These monies will then be annualized to provide for the full year adjustment. Any unallocated balance reverts to the fund from which it was appropriated on May 1, 2001 unless the Committee determines additional classification maintenance review adjustments are necessary.

Analysis

The department identified 24 job categories, which include 105 classes and approximately 2,349 FTE Positions in 58 agencies for adjustments. The job categories are listed in the attached tables, and the ADOA request letter includes a brief summary of each of the 24 job categories.

(Continued)

The department is recommending salary increases of 10% (or greater if needed to bring the positions to the new grade minimum). The average annual salary increase for the employees currently in the selected job classes ranges from $1,630 to $6,810. The average annual adjustment for the affected categories is $2,060.

To select the job categories for recommendation, the department used the following criteria: a recommendation from an agency in the ADOA personnel system, turnover equal to or greater than 20%, and average salary equal to or greater than 18.1% off-market. Current state turnover is approximately 17.1%. The current market average salary exceeds the state average salary by 15.1%. There were categories which met the above criteria but were not selected in order to stay within the amount appropriated from the General Fund. In addition, three classes were chosen by the department that were not specifically requested by an agency.

Based on discussions with the JLBC Staff, ADOA attempted to use the same methodology as last year to determine how many job classifications on its priority list to recommend for funding. The department allocated monies to the job classes under consideration, in priority order, until the General Fund appropriation was expended. ADOA then calculated the corresponding Other Fund amount. Allocating the monies without regard to fund source allowed ADOA to choose the job classes to receive CMR adjustments based only on the determined criteria (agency request, turnover, and disparity from market), rather than funding or by-passing a job category due to its fund source. The department had to deviate from this method when it discovered that the funding for the recommended positions exceeded the Other Fund appropriation. In order to bring the Other Fund CMR adjustments within appropriation limits, the department eliminated 4 classes consisting of a total of 22 positions. ADOA pulled these classes out of the CMR priority order because their proposed CMR adjustments equaled to the overage in appropriated Other Fund monies.

ADOA is still waiting for agencies to respond with the funding source for $341,800 of the proposed January 1, 2001 CMR adjustments. Once the funding sources are determined, ADOA may have to eliminate some proposed classifications, reduce the level of the pay raise, or adjust the rate at which the vacant positions are funded in order to remain within the General Fund and Other Fund appropriations. ADOA currently recommends that the vacant positions be funded at 80% of the full cost and that only this category be reduced if changes are necessary to stay within the appropriated amounts. Most of the positions are only temporarily vacant, although some vacancies will never be filled. This permits us to fund only a portion of the CMR adjustments for the vacant positions. However, the JLBC Staff is concerned that if the final funding level for vacant positions is substantially lower than 80%, it will cause funding problems for the agencies that receive CMR monies. In that circumstance, agencies will probably not receive full funding for the CMR adjustment. They will temporarily absorb the unfunded increase, but ask for these monies in the next budget cycle. We have not typically funded such requests.

RS:RH:ss
Attachments

ATTACHMENT 1

ANNUALIZED FY 2001 CMR INCREASES

Job Category	Number of Positions	Category % Turnover [1/]	Primary Class % Turnover [2/3/]	Primary Class % Off Market [3/]	Average CMR Increase $	Total CMR Increase $
Examiner Technician	305	27.41%	28.13%	22.00%	$2,300	$785,400
Dispatcher	27	46.15%	46.15%	20.00%	3,000	86,400
Groundskeeper	44	27.08%	25.00%	29.00%	3,700	127,400
Water Resource Specialist	130	30.28%	52.94%	53.00%	3,700	596,700
Budget Control Development Specialist	55	24.47%	66.67%	20.00%	4,300	282,100
Medical Technologist/Lab Technician	35	29.93%	29.93%	20.80%	3,400	120,200
Program Compliance Auditor	95	18.03%	n/a	43.00%	5,600	606,400
Environmental Engineer	106	25.79%	33.33%	25.00%	5,000	586,900
Human Service Worker	201	21.53%	16.78%	47.00%	1,900	470,200
Supplies Warehouse/Driver	170	14.73%	8.33%	31.89%	3,100	603,500
Natural Resources Technician	72	3.85%	n/a	32.00%	3,600	275,500
Personnel Analyst	96	14.51%	9.38%	26.00%	4,400	374,600
Public Health Sanitarian	9	n/a	n/a	25.00%	3,800	32,000
Administrative Services Officer	489	11.38%	13.19%	31.00%	4,500	2,393,300
Welder/Machinist	17	18.00%	n/a	18.00%	3,400	62,700
Health Program Manager	124	22.00%	14.29%	22.00%	5,900	805,000
Correctional Food Services	9	28.57%	28.57%	n/a	2,500	25,700
Park Ranger	138	12.88%	15.71%	41.00%	3,800	682,300
Recreational Therapist	28	14.29%	14.29%	30.00%	3,700	109,500
Data Entry Operator	49	44.90%	27.27%	16.00%	2,200	109,500
Mail Clerk	44	17.00%	28.57%	17.00%	2,300	113,400
Collection Supervisor	42	27.27%	27.27%	16.00%	3,300	153,900
Engineer Plans Technician	53	48.47%	75.00%	30.00%	3,600	213,400
Physical Plant Director	12	60.00%	60.00%	29.00%	4,700	63,400
TOTAL [4/]	**2,350**	--	--	--	--	**$9,679,400**
AVERAGE [4/5/]	--	**25.59%**	**31.04%**	**28.03%**	**$3,700**	--

1) The average shown is a weighted average. Turnover statistics were not provided by ADOA for each individual class.
2) The average shown is a weighted average.
3) The primary class is the position iniatally selected to receive a CMR adjustment. ADOA then allocated CMR adjustments to related classes that are affected by the increase given to the primary class.
4) Increases shown are annualized from the January 1, 2001 CMR adjustment.
5) Non-weighted average.

ATTACHMENT 2

ANNUALIZED FY 2001 CMR ADJUSTMENTS BY AGENCY

	Total CMR Increase $	Number of Positions
Accountancy, Board of	$2,500	1
Department of Administration	486,900	123
Agriculture, Arizona Department of	52,900	14
AHCCCS	559,400	92
Attorney General - Department of Law	49,400	9
Banking Department, State	4,000	1
Building and Fire Safety, Department of	23,400	6
Commerce, Department of	29,900	7
Contractors, Registrar of	57,200	21
Corporation Commission	136,500	46
Corrections, State Department of	737,400	181
Cosmetology, Board of	13,600	4
Deaf and Hard of Hearing, Commission for the	4,600	1
Economic Security, Department of	1,623,600	454
Education, Department of	201,400	40
Emergency and Military Affairs, Department of	109,800	29
Environmental Quality, Department of	659,100	124
Equalization, State Board of	4,000	1
Exposition & State Fair Board	14,900	5
Game and Fish Department, Arizona	120,800	33
Geological Survey	4,000	1
Health Services, Department of	1,098,800	220
Historical Society of AZ, Prescott	5,500	2
Industrial Commission	14,000	4
Insurance, Department of	82,900	20
Juvenile Corrections, Department of	122,500	33
Land Department, State	253,800	57
Liquor Licenses & Control, Department of	17,700	3
Lottery Commission, Arizona State	31,200	8
Medical Examiners, Board of	5,500	2
Mines & Mineral Resources, Dept. of	5,300	1
Nursing, Board of	16,900	6
Parks Board, Arizona State	722,200	147
Pioneers' Home, Arizona	20,200	7
Psychologist Examiners, Bd. Of	3,700	1
Racing, Arizona Department of	14,100	5
Radiation Regulatory Agency	3,600	1
Real Estate Department, State	29,300	9
Residential Utility Consumer Office	4,000	1
Retirement System, Arizona State	19,200	3
Revenue, Department of	506,500	175
Secretary of State, Department of State	4,000	1
Technical Registration, Board of	6,900	3
Transportation, Department of	1,194,600	312
Treasurer, State	23,000	5
Veterans' Services, Department of	28,600	8
Water Resources, Department of	540,800	120
Water Infrastructure Finance Authority	5,000	1
Weights and Measures, Department of	8,100	2
TOTAL	**$9,683,200**	**2,350**

JANE DEE HULL
Governor

J. ELLIOTT HIBBS
Director

ARIZONA DEPARTMENT OF ADMINISTRATION
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September 1, 2000

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

Dear Mr. Stavneak:

As required by House Bill 2001, the following report and recommendations on the classifications to receive the special market adjustments on January 1, 2001 are being submitted to the Joint Legislative Budget Committee for its review.

Criteria

The criteria established by the Legislature provide that adjustments be made to classifications that:

- Are critical to the orderly conduct of state operations, and
- Are experiencing substantially above average turnover; or
- Have current salary levels that are substantially below comparable positions outside state service.

Administrative Process

In order to determine those classifications critical to the orderly conduct of state operations, we contacted all agency heads and asked them to help identify the classes that should be considered for special market adjustments this year. The agency heads were advised of the requirements outlined in the appropriations bill and asked to apply the established criteria when identifying classes to recommend. We also asked that they provide us with the following information:

- Classes recommended;

- Basis for the recommendation – critical, salary, turnover, hiring, other; and,

- An explanation of the reason/rationale for the selection of each classification.

- To further refine the Legislative criteria, we felt it prudent to more precisely define "turnover" and "below market" in keeping with actual turnover in the ADOA Personnel System, and with salary survey data from the Joint Governmental Salary Survey (JGSS) and the Western States Governmental Salary Survey. Preliminary average annualized turnover for the 2000 fiscal year for covered state classes was 17.1%. Information from the 2000 JGSS and Western States shows that the average market salary exceeds the average salary of employees in the ADOA Personnel System by 15.1%. Based on these variances, we used the following numerical cutoffs to determine if the requested classifications should be included in our recommendation:

  - Turnover had to be equal to or greater than 20%.

  - Average salaries in the labor market had to be equal to or greater than 18.1% higher than average salaries in the ADOA Personnel System.

Considerations

Twenty-eight agencies submitted requests, which encompassed 235 classes, covering a total of approximately 9,630 positions.

While recommendations from the agencies were given primary consideration, we also applied the criteria against all of the salary survey and turnover information that we had available to determine if there were classes that were not recommended by an agency but met the criteria and also should be considered. This year we were able to include some of these classes.

Because of the inter-relationship of classes and the fact that making a change in one class in a series may and often does affect other classes, we also looked at and included classes related to those meeting the primary criteria.

There are twenty-four (24) class categories encompassing 105 individual classes included in the final recommendation. The classes included in this recommendation were either recommended by at least one agency or were classes not recommended but with significantly high turnover and salaries that were substantially off the market for the primary class when comparing the state's average salary to the survey average salary.

Rationale for Selection

First, we began with the classes having the highest priority for consideration, i.e., those classes meeting all three criteria, and determined the cost to implement the recommended adjustments.

Next, we considered classes that met all three criteria in the requests for the January 1, 2000 salary market adjustments, but were not included due to lack of funds.

Third, we considered those classes meeting two of the three criteria—considered as critical by the agency and one other. For those classes requested by an agency and meeting either the substantially below market or substantially above average turnover, we gave first consideration to those meeting the substantially below market.

Finally, we considered classes that were substantially below market and had above average turnover, but were not requested by an agency.

Classes Recommended:

The classes included in the January 1, 2001, special market adjustment recommendation are grouped into the following 24 categories:

1. Examiner Technician category - The Department of Revenue, Corporation Commission and Real Estate requested two classes in this category. In the primary class, Examiner Technician II, the market average salary exceeds our average salary by 22%, and the class has a turnover of 28.13%. Revenue stated, "Without these paraprofessionals, front line auditors would be pulled from their primary function." This was the Corporation Commission's first priority, and they stated, "...is a mission critical component ..." This was also the first priority for Real Estate who stated, "...demands a thorough knowledge of the agency's laws and rules pertaining to licensing requirements, applications and filings."

2. Dispatcher category - The Department of Administration requested one class out of the three in this category. In the primary class, Dispatcher II, the market average salary exceeds our average salary by 20% and the class has a turnover of 46.15%. The agency request stated, "The actions of these individuals impact on life, health and safety of employees and visitors to the capitol mall."

3. Groundskeeper category - The Department of Administration requested five classes in this category. In the primary class, Grounds Supervisor II, the market average salary exceeds our average salary by 29% and the class has turnover of 25%. The agency request stated, "...is a key position in Facilities Operation and Maintenance." "...position supervises the work of inmate labor crews."

4. Water Resource category - The Department of Water Resources requested the Water Resource Specialist series. The Water Resource Specialist II is the primary class in this category. The market average salary exceeds our average salary by 53% and the class has turnover of 52.94%. The agency request stated, "...positions are charged with planning, managing, and monitoring the state's water resources to protect the supply for current and future use."

5. Budget Control Development Specialist category - The Departments of Game and Fish, AHCCCS and Environmental Quality requested five of the six classes in the category. In the primary class, Budget Control Development Officer II, the market average salary exceeds our average salary by 20% and the class has a turnover of 66.67%. The request from AHCCCS stated, "...attempts to fill vacant positions have been unsuccessful due to a highly competitive job market."

6. Medical Technologist/Lab Technician category - The Department of Health Services requested the Medical Technologist II class and the Lab Technician II class which are also the primary classes. The market average salary for Medical Technologist exceeds our average salary by 26% and the class has a turnover of 33.33%. The market average salary for Lab Technician exceeds our average salary by 20% and the class has a turnover of 29.41%. The agency request stated, "...position is critical to ASH Laboratory Services in the performance of a variety of moderate to high complexity clinical laboratory blood and body fluid analysis..."

7. Program Compliance Auditor category - The Department of Transportation requested the five classes in this category. The primary class is Program Compliance Auditor II and the market average salary exceeds our average salary by 43%. The agency request stated, "In order to meet our agency's strategic plan objectives and help lead ADOT into the future, it is critical that we have highly qualified and experienced auditors available to audit, review, advise, and consult with management and employee teams in a variety of roles."

8. Environmental Engineers category - The Department of Environmental Quality requested this category. The primary class is Environmental Engineer and the market average salary exceeds our average salary by 25%. The agency request stated, "A high percentage of jobs are vacant due to the inability to attract applicants due to low salaries..."

9. Human Service Worker - This category was requested by Arizona Pioneers' Home and Department of Economic Security. The primary class is Human Service Worker II and the market average salary exceeds our average salary by 47%. The agency request from DES stated, "unless we are able to recruit and retain qualified workers...we are creating a greater risk of abuse, neglect or exploitation of vulnerable or incapacitated adults.... "

10. Supplies Warehouse/Driver category - The Department of Administration requested two classes out of this category. The primary class is Supplies/Warehouse Supervisor and the average market salary exceeds our salary by 39%. The agency request stated, "It is particularly frustrating to see quality employees seeking employment elsewhere just so they can put food on the table for their families..."

11. Natural Resources category - The Land Department requested one class in this category. The primary class is Natural Resources Manager I and the average market salary exceeds our salary by 32%. The agency request stated, "The lack of any market adjustments for these classifications is creating a large morale problem in the agency...."

12. Personnel Analyst category - The Game & Fish Department and the Department of Administration requested this category. The primary class is Personnel Analyst II and the average market salary exceeds our salary by 26%. The agency request from Game and Fish stated that with delegated authority to recruit and hire for the entire Wildlife series, external recruiting efforts have increased and will continue to do so in the future.

13. Public Health category - The Department of Health Services requested this category. The primary class is Public Health Sanitarian II and the average market salary exceeds our average salary by 25%. The agency request stated, "Because a professional registration is required to meet the minimum qualifications for these positions, they should be compensated at a greater rate...."

14. Administrative Services Officer category - The Departments of Administration, Transportation, Military Affairs and Game & Fish requested this category. The primary class is Administrative Services Officer III. The average market salary exceeds our average salary by 31%. The agency request from the Department of Transportation stated, "classification is critical to the orderly operation..."

15. Welder/Machinist category - The Department of Transportation requested one class out of this category. The primary class is Welder and the average market salary exceeds our average salary by18.6%. The agency request stated,"...a significant risk of loss of employees due to disparity in pay."

16. Health Program Manager category - AHCCCS requested this category and the primary class is Health Program Manager II. The average market salary of this class exceeds our average salary by 22%. The agency request stated, "...a large percentage of applicants called, decline interviews because of the salary levels."

17. Correctional Food Services category - The Department of Juvenile Corrections requested this class. The primary class is Correctional Food Service Supervisor II and the average market salary exceeds our average salary by 28.57%. The agency request stated, "the difference in recruitment rates has caused an inequity for similar positions... "

18. Park Ranger category - Arizona State Parks requested six classes in this category. The primary class is Park Ranger II and the average market salary exceeds our average salary by 41%. The agency request stated, "...we are unable to compete with other agencies for qualified candidates with specialized skills....law enforcement, water/wastewater, conservation and wildlife interpretive education backgrounds..." (Note: Only Park Ranger II received a previous salary market adjustment.)

19. Recreational Therapist category - The Department of Health Services requested this category. The primary class is Recreational Therapist II and the average market salary exceeds our average salary by 30%. The agency request stated, "...critical to the orderly conduct of State Hospital operations." (Note: Only Recreational Therapist II received previous salary market adjustment.)

20. Data Entry Operator category - The Departments of Revenue and Transportation requested three classes out of this category. The primary class is Data Entry Operator III and the turnover is 27.27%. This category was the #1 priority for the Department of Revenue. The agency request from Revenue stated, "We have had significant turnover in the past years because the current rate paid to hire for these positions was at or below competitive levels."

21. Mail Clerk category - This category was requested by four agencies: Department of Revenue, Department of Transportation, Arizona Lottery, and the Department of Emergency Services & Military Affairs. The primary class is Mail Clerk I and the turnover is 28.57%. The agency request from Revenue stated, "...turnover problem is exacerbated by the inability of the low entry rate to attract competent applicants."

22. Collection Supervisor category - The Department of Revenue requested this category. The primary class is Collection Supervisor I with the turnover rate being 27.27%.

23. Engineer Plans Technician category - This category was not requested by any agency, but was included because it has significant turnover of 75% and the average market salary exceeds our average salary by 30%.

24. Physical Plant Director category - This class was not requested by any agency. However, the average market salary exceeds our average salary by 29% and the turnover rate is 60%.

Recommendation

Attachment A shows the classifications included in the special market adjustment, the current and new minimums, the current and new maximums, and if the adjustment were a regrade, a new special recruitment rate, an increase in the existing special recruitment rate, or a combination of changes. Attachment B identifies those classifications, grouped by category, that the Department of Administration recommends to receive the funds appropriated for the January 1, 2001 salary market adjustments. This attachment indicates the six-month cost by fund source, total number of positions (all positions in the class are eligible) and, in matrix form, which of the criteria established by the Legislature that each of the classes chosen for inclusion meet.

We used information contained in the JGSS and in the Western States surveys to develop our special market adjustment recommendations. We compared survey average salary to our salary range midpoint to determine if a class were graded correctly, or if a regrade were appropriate. We used the formal (published) minimum salary to determine if our salary range minimum were correct, or if a special recruitment rate were appropriate. We checked the market formal maximum against our salary range maximum and did not propose a regrade if the new maximum would be greater than the market formal average maximum.

Costing

The following assumptions were made to arrive at the costs:

- Since the market formal minimums exceed our range minimums by 10.4%, our recommendation is to increase the salaries of employees in the affected classes by 10%. Employees would be brought to the new minimums or receive 10%, whichever is greater, as long as the salary would not exceed the maximum of the range.

- The marginal ERE amount was calculated at 13.44%, the average for the General Fund. The appropriate ERE related to each program or cost center will be on the final report to you.

- Vacant positions were funded at 80% of cost, as it was last year. If our initial costing calculations need to be adjusted to remain within the fund appropriations, we will adjust the funding of vacancies up or down, as appropriate.

Attachment C displays the six-month and annualized costs by class code and fund source within each classification. Attachment D shows those same costs by class within each agency. Attachment E shows the number of filled positions, minimum, maximum and average increase, July 11th, 2000 average salary, turnover and percent off market by class.

Summary

The recommendation identifies one hundred five (105) classes, covering approximately 2,349 positions in 58 agencies. The total cost for six months will be $3,623,021 or $7,246,042 annually, including ERE. Of these amounts, $2,222,764 ($4,445,528 annualized) is from the General Fund and $1,400,257 ($2,800,514 annualized) is from Other Appropriated Funds.

Conclusion

While we believe that the salary market adjustment dollars have had a significant impact on certain individuals, there are still many classes and many employees who have been unable to benefit from the salary market adjustment process. If any of the Other Appropriated Funds are available when the final costing has been done, additional categories we would like to include are Risk Management Claims Adjuster I and II, Risk Management Supervisor and Teacher Certification Specialist I. The market exceeds these classes between 16% and 33% with turnover as high as 50% in some of the related classes. However, we were unable to include these classes because there were not enough Other Appropriated Funds.

Should you need further information regarding the salary market adjustment, please feel free to contact Carolyn Friedman at 542-4943.

Sincerely,

William Bell
Deputy Director

Attachments

c: J. Elliott Hibbs, Director, Department of Administration
Thomas Betlach, Director, Office of Strategic Planning & Budget
Rebecca Hecksel, Fiscal Analyst, JLBC

Attachment 1

ANNUALIZED FY 2001 CMR INCREASES

Job Category	Number of Positions	Category % Turnover [1/]	Primary Class % Turnover [2/3/]	Primary Class % Off Market [3/]	Average CMR Increase $	Total CMR Increase $
Examiner Technician	305	27.41%	28.13%	22.00%	$2,300	$785,400
Dispatcher	27	46.15%	46.15%	20.00%	3,000	86,400
Groundskeeper	44	27.08%	25.00%	29.00%	3,700	127,400
Water Resource Specialist	130	30.28%	52.94%	53.00%	3,700	596,700
Budget Control Development Specialist	55	24.47%	66.67%	20.00%	4,300	282,100
Medical Technologist/Lab Technician	35	29.93%	29.93%	20.80%	3,400	120,200
Program Compliance Auditor	95	18.03%	n/a	43.00%	5,600	606,400
Environmental Engineer	106	25.79%	33.33%	25.00%	5,000	586,900
Human Service Worker	201	21.53%	16.78%	47.00%	1,900	470,200
Supplies Warehouse/Driver	170	14.73%	8.33%	31.89%	3,100	603,500
Natural Resources Technician	72	3.85%	n/a	32.00%	3,600	275,500
Personnel Analyst	96	14.51%	9.38%	26.00%	4,400	374,600
Public Health Sanitarian	9	n/a	n/a	25.00%	3,800	32,000
Administrative Services Officer	489	11.38%	13.19%	31.00%	4,500	2,393,300
Welder/Machinist	17	18.00%	n/a	18.00%	3,400	62,700
Health Program Manager	124	22.00%	14.29%	22.00%	5,900	805,000
Correctional Food Services	9	28.57%	28.57%	n/a	2,500	25,700
Park Ranger	138	12.88%	15.71%	41.00%	3,800	682,300
Recreational Therapist	28	14.29%	14.29%	30.00%	3,700	109,500
Data Entry Operator	49	44.90%	27.27%	16.00%	2,200	109,500
Mail Clerk	44	17.00%	28.57%	17.00%	2,300	113,400
Collection Supervisor	42	27.27%	27.27%	16.00%	3,300	153,900
Engineer Plans Technician	53	48.47%	75.00%	30.00%	3,600	213,400
Physical Plant Director	12	60.00%	60.00%	29.00%	4,700	63,400
TOTAL [4/]	**2,350**	--	--	--	--	**$9,679,400**
AVERAGE [4/5/]	--	**25.59%**	**31.04%**	**28.03%**	**$3,700**	--

1) The average shown is a weighted average. Turnover statistics were not provided by ADOA for each individual class.
2) The average shown is a weighted average.
3) The primary class is the position iniatally selected to receive a CMR adjustment. ADOA then allocated CMR adjustments to related classes that are affected by the increase given to the primary class.
4) Increases shown are annualized from the January 1, 2001 CMR adjustment.
5) Non-weighted average.

Attachment 2

ANNUALIZED FY 2001 CMR ADJUSTMENTS BY AGENCY

	Total CMR Increase $	Number of Positions
Accountancy, Board of	$2,500	1
Department of Administration	486,900	123
Agriculture, Arizona Department of	52,900	14
AHCCCS	559,400	92
Attorney General - Department of Law	49,400	9
Banking Department, State	4,000	1
Building and Fire Safety, Department of	23,400	6
Commerce, Department of	29,900	7
Contractors, Registrar of	57,200	21
Corporation Commission	136,500	46
Corrections, State Department of	737,400	181
Cosmetology, Board of	13,600	4
Deaf and Hard of Hearing, Commission for the	4,600	1
Economic Security, Department of	1,623,600	454
Education, Department of	201,400	40
Emergency and Military Affairs, Department of	109,800	29
Environmental Quality, Department of	659,100	124
Equalization, State Board of	4,000	1
Exposition & State Fair Board	14,900	5
Game and Fish Department, Arizona	120,800	33
Geological Survey	4,000	1
Health Services, Department of	1,098,800	220
Historical Society of AZ, Prescott	5,500	2
Industrial Commission	14,000	4
Insurance, Department of	82,900	20
Juvenile Corrections, Department of	122,500	33
Land Department, State	253,800	57
Liquor Licenses & Control, Department of	17,700	3
Lottery Commission, Arizona State	31,200	8
Medical Examiners, Board of	5,500	2
Mines & Mineral Resources, Dept. of	5,300	1
Nursing, Board of	16,900	6
Parks Board, Arizona State	722,200	147
Pioneers' Home, Arizona	20,200	7
Psychologist Examiners, Bd. Of	3,700	1
Racing, Arizona Department of	14,100	5
Radiation Regulatory Agency	3,600	1
Real Estate Department, State	29,300	9
Residential Utility Consumer Office	4,000	1
Retirement System, Arizona State	19,200	3
Revenue, Department of	506,500	175
Secretary of State, Department of State	4,000	1
Technical Registration, Board of	6,900	3
Transportation, Department of	1,194,600	312
Treasurer, State	23,000	5
Veterans' Services, Department of	28,600	8
Water Resources, Department of	540,800	120
Water Infrastructure Finance Authority	5,000	1
Weights and Measures, Department of	8,100	2
TOTAL	**$9,683,200**	**2,350**

STATE OF ARIZONA

Joint Legislative Budget Committee

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

DATE: September 7, 2000

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

THRU: Richard Stavneak, Director

FROM: Tom Mikesell, Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY - REVIEW OF REQUEST FOR PROPOSALS ON THE VEHICLE EMISSIONS INSPECTION PROGRAM CONTRACT

Request

Pursuant to A.R.S. § 49-545 the Arizona Department of Environmental Quality (ADEQ) requests Committee review of the Request for Proposals (RFP) to be used to hire a contractor to operate the vehicle emissions inspection program beginning January 2, 2002.

Recommendation

The JLBC Staff is continuing to review the RFP given the complexity of the issues involved. In light of this, JLBC Staff will not provide a formal recommendation until next week. However, an initial look at the RFP reveals several highlights, including:

- Most fee changes will no longer be considered "contract amendments". Since JLBC is currently required to review all contract amendments, the Committee would no longer review most fee changes. The new contract, however, would result in the Legislature appropriating all test fees (currently only a small portion is subject to appropriation). To the extent that fee increases require increased appropriations, the Legislature would still have oversight of fee revisions.
- The contractor will be required to install On Board Diagnostics (OBD) testing capabilities at each station. The OBD test is to be conducted with the IM-147 test pursuant to federal law. The test can check for emission problems through a link with the vehicle's on board computer.
- The contractor will be required to report more useful performance measures. In addition, we will receive more accurate customer wait time data.
- Performance bonds and more extensive liquidated damages provisions are being added to guarantee performance.
- Fraud detection measures will be instituted, including videotaping of test lane operations and covert audits by third parties.

(Continued)

- Test stations will be designed to allow motorists to leave the line without passing through the testing bay. The value of adding this "exit" lane should be evaluated in light of the possible capital cost.
- Similar to the current contract, ADEQ is required to pay monetary penalties to the contractor if the program is repealed by the Legislature, which would limit our ability to switch from a centralized to a decentralized program during the contract time period.

Analysis

Background
As a result of federal air quality regulations and state law, ADEQ provides for the inspection of motor vehicle emissions in portions of Maricopa and Pima counties. Since 1976, some form of vehicle emissions inspection has been required in these areas. Over the years, more stringent federal standards coupled with population growth in Arizona led to enhancements in the operation of the inspection program. The current program, operated by an independent contractor, provides one of the most stringent levels of vehicle emissions control in order to comply with the federal air quality requirements.

From 1995 to December 1999 the program used an enhanced IM-240 test on vehicles made in 1981 and newer and a basic steady state loaded and curb idle test for vehicles made from 1967 to 1980. In January 2000, the enhanced IM-240 test was replaced with an IM-147 test to meet the state implementation plan. In addition, federal law requires the use of OBD testing of motor vehicle emissions in Maricopa County. The OBD check is a process by which a vehicle's computer can report emissions problems through plug-in test equipment. The OBD process is not currently allowed to be used in-lieu of other required modes of testing, but may if federal law changes. The RFP requests pricing for testing using OBD in conjunction with the IM-147 test. It also requests pricing of OBD testing in-lieu of other forms of testing should federal standards change.

The RFP Process
To continue it efforts toward meeting the federal standards, ADEQ must provide for the continued operation of the vehicle emissions program. The current contract is scheduled to end December 31, 2001; therefore ADEQ must hire a contractor to produce the program services when the current contract expires. The contractor hiring process requires that ADEQ advertise a RFP that details the program requirements and other expectations that must be met by the contractor. Interested parties in turn provide proposals that demonstrate how they would operate the program, how much it would cost motorists, and the elements of the program cost. A Selection Committee will then select the best proposal, based on method of approach, overall cost as determined by test fee amount, experience, expertise, and reliability of the contractor's organization, and conformity with the RFP requirements. The selected contractor will begin implementing an inspection network in order to begin actual testing on January 2, 2002.

Due to public document requests, ADEQ has already provided the RFP to interested parties in draft form. Based on discussions with staff from Legislative Council and the Attorney General's office, it appears that in general the release of this type of document for public records requests is appropriate if no material harm results. However, ADEQ does not plan to formally advertise the RFP until after the Committee reviews it.

ADEQ produced this RFP with input from the Arizona Department of Administration and the Arizona Attorney General's Office. In general terms, it explains how the proposed vehicle inspection program is to be constructed and operated, how contractor performance will be measured and assured, and how contract bids are to be prepared. Some sections of the RFP directly address requirements of state law such as minimum staffing, hours of operation, and contract length. Other sections of the RFP address elements developed at the discretion of ADEQ, such as method for calculating and adjusting test fees, performance guarantees and measurement, fraud protections, and customer service, as discussed below.

(Continued)

Motorist Test Fee

According to the RFP, when vehicle owners go to a test station, they will pay a Motorist Test Fee to the contractor. This fee will have two components: the ADEQ Program Costs and the Contractor's Test Fee. The ADEQ Program Costs component will fund ADEQ's administration of the vehicle emissions inspection program, and will be set by ADEQ based on legislative appropriation. The Contractor's Test Fee will compensate the contractor for expenses of operating the inspection program.

Under the existing contract, the contractor collects the full test fee and then gives a portion to ADEQ to cover program administrative costs and retains the remainder. Under the proposed RFP, the contractor will collect the Contractor Test Fee and the ADEQ administrative fee and then send the full amount to ADEQ for deposit in the Vehicle Emissions Inspection (VEI) Fund. ADEQ will then pay the contractor its share based on the total number of vehicles inspected, and retain the remainder for program administration costs. Because the VEI Fund is an appropriated fund, both the payments to the contractor and the ADEQ program cost component will be subject to annual legislative appropriation.

The RFP requires bidders to specify the test fees they would charge by type of test (IM-147 and/or OBD or basic test) and test area (Maricopa or Pima County). Also, the test fees will be based on varying initial contract lengths (5 ½ or 6 ½ years) and renewal periods. The test fee is expected to include all elements of contractor cost per test. The Contract Pricing Schedule to be used by bidders is attached.

In their proposals, bidders will include a Cost Model that shows the component costs (fixed and variable) of the test fees. The component costs are to be assumed over the life of the contract so as to minimize any fluctuations in the fee during the 5-7 year time period. Using this model together with data and instructions included in the proposal, ADEQ will be able to independently derive the test fee for the initial contract period and any renewal periods.

Though the Contractor's Test Fee is intended to be fixed for the life of the contract, there are two instances where the fee for any or all categories of tests may be adjusted. In one instance, a Cost Model Factor such as vehicle population, interest rates, or labor costs may change. In developing a Cost Model, the bidders must estimate a range of expected cost factor values over the life of the contract. Starting November 1, 2002, and annually thereafter, the contractor can submit data indicating a factor change within the range of expected values. After verifying the data, ADEQ may then recalculate the fee using the Cost Model. For example, if the vehicle population changes from what was originally estimated, it may be necessary to recalculate the test fee to account for the change in revenue to the contractor. If the population change is within the stated range, the new fee may be implemented on July 1 without an amendment to the contract.

Because a fee change of this type may be implemented without a contract amendment, JLBC review would not be required for it to become effective. While the Legislature would usually review any changes to the fee through the appropriations process under the new contract, ADEQ may no longer have to seek legislative input for every fee change, especially for any reductions. Because fee revenues will be appropriated, the Legislature appears to implicitly set fee amounts in setting the appropriation level. During the first year of the biennial budget, the legislature will review the recommended fees and associated revenues to determine an appropriation level for the following 2 years. If a fee increase is necessary in the second year of a biennium, the legislature may adjust the appropriation level as a supplemental adjustment to the biennial budget. If ADEQ decides to reduce the fees, however, the Legislature may not necessarily be involved as it would not require an appropriation increase. At its discretion, however, the Legislature could reduce the appropriation to account for reduced revenue that may be associated with a fee or population reduction.

(Continued)

Another instance in which the test fee may change is if the program requirements change or if a Cost Model Factor changes so much that it is outside the range used in the Cost Model. In either circumstance, ADEQ will negotiate necessary changes outside of the Cost Model with the contractor through an amendment to the contract. For example, if vehicle population changes to the extent that it is outside of the cost model range, it may require an infrastructure change to the network. Making this type of change would require a change to the cost model and, therefore, a contract amendment would be necessary. The JLBC has the statutory responsibility to review all emissions inspection contract amendments and would thus review all changes to the cost model.

Performance Measures

There are several performance measurement requirements in the RFP that will help ensure an effective testing program. While the previous contract had data reporting requirements, the data submissions were not targeted towards measuring effectiveness. These measures in the RFP include:

- Daily station loading, utilization, vehicle throughput, and queuing statistics.
- Weekly test counts, vehicle inspection reports, and inspector activity reports.
- Monthly test fee collections, pass/fail test results, no-final outcome vehicles, and waiver- related statistics.
- Acceptance test procedure to demonstrate that all processes successfully perform in a dry run mode and receive ADEQ approval prior to operation.

Performance Guarantees

To provide assurances that the vehicle emissions inspection program is built and operated properly, ADEQ included performance bond and liquidated damages provisions in the RFP. The contractor will be required to provide performance bonds of $4,000,000 and $2,000,000 as security to the state during the implementation and operation stages of the program, respectively. The current contract does not include a performance bond provision. Also, there are clearly specified monetary damages that the contractor must pay if certain program benchmarks and data reporting requirements are not met during the development and operation of the testing program. The liquidated damages provisions in the new contract are an improvement over those in the old contract because they are based on data measured over a smaller time frame and are based on more specific indicators of performance.

Motorist Wait Times

The RFP provides specific directions as to how long motorists will be expected to wait when they get their vehicles tested. According to the RFP, no more than 40% of all motorists shall wait longer than 15 minutes for an inspection and no more than 20% of all motorists shall wait longer than 30 minutes for an inspection. The current contract includes general wait time standards, however, the measurement of motorist wait times is based on the observations of testing station staff. With the new contract, a Wait Times Monitoring System will be required. This system will provide precise measurements of daily wait time statistics to show that the specified standards are being met. The contractor will be required to pay monetary damages to ADEQ if wait time benchmarks are not met.

Customer Service

The RFP requires the contractor to supply real-time testing information to the Motor Vehicle Division (MVD), which will allow motorists to obtain a vehicle registration immediately after their emissions test. Presently the contractor sends testing information to MVD four times a day, which can delay the registration process to the next day for motorists who receive emissions tests late in the day. Also, testing stations will need to be constructed in a manner that allows motorist waiting in line for a test to leave the line early if desired, rather than waiting to exit the station through the testing bay. The value of these improvements will depend on the incremental cost as part of the overall fee.

(Continued)

Fraud Protections
In order to protect against fraud or violence in the testing stations, the contractor will be required to install video surveillance equipment that will monitor activities in the testing lanes. Videotapes will be available for review by ADEQ. Also, the contractor will be required to hire a third party to perform covert performance audits of the testing station operations, a change from the existing contract's requirement that ADEQ pay for these services. Additional fraud prevention measures will include signage, vehicle inspection report security procedures, and rotation of personnel among stations. These measures will be in addition to any surveillance activities that may be undertaken by ADEQ.

Issues of Legislative Interest
There has been legislative interest in decentralization of the emissions testing program. Current law requires a centralized vehicle emissions inspection program. In the event that the centralized program is repealed in favor of a decentralized approach, RFP provisions require the state to compensate the contractor for its losses due to ending the contract early. There is no contingency in the RFP for the program format to switch from a centralized to a decentralized design.

Timeline
ADEQ plans to advertise the RFP in mid-September and targets December 15, 2000 as the date to hire a contractor. The contractor is expected to implement the program beginning January 2001, with full system operation expected January 2, 2002.

RS/TM:ck
Attachment

GOVERNOR
Jane Dee Hull

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

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• (602) 207-2300 • www.adeq.state.az.us •

DIRECTOR
Jacqueline E. Schafer

RECEIVED
AUG 28 2000
JOINT BUDGET
COMMITTEE

August 25, 2000

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

Dear Senator Gnant:

Pursuant to A.R.S. §49-545.H, this letter transmits the Arizona Department of Environmental Quality's (ADEQ) Request for Proposals (RFP) to operate the vehicle emissions inspection program effective January 2, 2002.

ADEQ has spent considerable time ensuring that the RFP will provide for the operation of a vigorous emissions inspection program which accurately identifies high polluting vehicles and facilitates their proper repair in order to improve air quality in metro Phoenix and Tucson. To accomplish this mission, while assuring good service to the public, the following factors are critical: an adequate network for good customer service throughout the life of the contract, quality management practices for good accountability and service, providing good value for motorists and the State, and assuring that participating motorists are well-informed. The enclosed RFP has received considerable management and external scrutiny to ensure it meets these essential factors.

Exhibits to the RFP are voluminous, and will gladly be provided upon request.

We will be pleased to answer questions regarding the the Request for Proposals. Please call me at (602) 207-2203, or Nancy Wrona, Director of the Air Quality Division, at 207-2308, if you have questions or need additional information.

Sincerely,

Jacqueline E. Schafer
Director

Enclosure

cc: Richard Stavneak, Director (w/ enclosure)

ATTACHMENT 2
CONTRACT PRICING SCHEDULE

Offeror shall provide pricing for two scenarios. In the first scenario, provide pricing based on a five and one-half year Operational period as well as pricing for a one year and a half-year renewal periods. In the second scenario, provide pricing based on a six and one-half year Operational Phase and a half-year renewal period. ADEQ will notify the awardee which of the pricing scenarios will be used during the Contract.

Pricing Scenario One - 5 ½ year Operational Phase with two renewal periods (may not be renewed for entire period)								
Time Period	Contractor's Test Fee, per vehicle by Test Type							
	Area A				Area B			
	Biennial, using OBD in lieu of IM147	Biennial, using IM147 and OBD	Annual, not using IM147	Annual, heavy duty diesel vehicle	Annual, not using IM147, in addition to OBD	Annual, not using IM 147, with OBD as a surrogate	Annual, using OBD	Annual, heavy duty diesel vehicle
January 2, 2002 - June 30, 2007								
July 1, 2007 - June 30, 2008								
July 1, 2008 - January 1, 2009								

Pricing Scenario Two - 6 ½ year Operational Phase with one renewal period (may not be renewed for entire period)								
Time Period	Contractor's Test Fee, per vehicle by Test Type							
	Area A				Area B			
	Biennial, using OBD in lieu of IM147	Biennial, using IM147 and OBD	Annual, not using IM147	Annual, heavy duty diesel vehicle	Annual, not using IM147, in addition to OBD	Annual, not using IM147, with OBD as a surrogate	Annual, using OBD	Annual, heavy duty diesel vehicle
January 2, 2002 - June 30, 2008								
July 1, 2008 - January 1, 2009								

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: September 8, 2000

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

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Senior Fiscal Analyst

SUBJECT: OFFICE OF THE ATTORNEY GENERAL – REVIEW ALLOCATION OF SETTLEMENT MONIES (Nine West Group, Inc.)

Request

Pursuant to a footnote in the General Appropriation Act, the Office of the Attorney General requests review of the allocation of funds received from the Nine West Group, Inc. settlement.

Recommendation

The JLBC Staff recommends a favorable review to the Attorney General's allocation plan. We are concerned, however, that the Attorney General's office appears to be funding programs that require continuing funds with this one-time settlement. The Attorney General's office, however, has said that grant recipients are aware that the monies are one-time.

Analysis

The FY 2000 and 2001 General Appropriation Act contains a footnote that requires JLBC review of the allocation or expenditure plan for settlement monies over $100,000 received by the Attorney General or any other person on behalf of the State of Arizona. The Office of the Attorney General recently settled a case that will result in the receipt of settlement monies over $100,000.

The case, filed in conjunction with each of the other states, the District of Columbia, and some U.S. territories, alleged a price-fixing scheme by the Nine West Group, Inc. Stores that did not follow pricing policy risked losing advertising dollars.

The settlement requires the Nine West Group, Inc. to pay a total of $34 million, of which $30.5 million will be set aside to benefit consumers, and $3.5 million will be used to pay costs and administrative expenses, including attorneys' fees. Arizona expects to receive between $5,000 and $10,000 for attorneys' fees, and approximately $525,000 to benefit consumers instead of consumer restitution.

According to the terms of the settlement, the Attorney General must allocate the $525,000 to "the State, a political subdivision, a not-for-profit corporation and/or a charitable organization with express conditions that the funds be used to fund women's health, educational, vocational and safety programs." The Attorney General's allocation plan is as follows:

Recipient	**Type of Program**	**Allocation**
Maricopa County Bar Foundation	- New program to provide safety planning and advocacy to victims of domestic violence	$133,000
Child and Family Resources, Inc.	and whose kids are at risk of being removed due to alleged neglect/abuse.	$ 67,000
Hopi and Navajo Nations	- Health education program.	$ 40,000
United Phoenix Fire Fighters Association	- Women's educational programs in 20 cities across state.	$ 20,000
	- Purchase of a van to provide transportation for women to medical clinics, job training and classes.	$ 15,000
	- Educational program for Spanish-speaking women.	$ 45,000
Women's Foundation of Southern Arizona	- Educational and mentoring services to young women.	$ 50,000
	- Media campaign regarding domestic violence.	$ 10,000
Citizens of Arizona to Prevent Gun Violence	- Gun Safety campaign.	$ 50,000
Fresh Start Women's Foundation	- Fund printing of guides to legal and financial services and a mentoring program.	$ 40,000
Arizona Coalition on Adolescent Pregnancy and Parenting	- Survey and program geared to the Latina community.	$ 20,000
YMCA	- Vocational training program for residents of transitional shelter.	$ 30,000
Junior League of Tucson	- Various projects.	$ 5,000
TOTAL		**$525,000**

The Attorney General's Office does not believe the General Appropriation Act footnote applies to these settlement monies but has supplied the JLBC with information on this settlement as a

(Continued)

matter of courtesy. The Attorney General notes that the footnote requires notification of settlements received on behalf of the state, and contends that since the State of Arizona was not an injured party, settlement dollars are on behalf of injured individual consumers and not the state.

The settlement, however, does not dictate who may expend the monies. A state agency could spend them, as long as the monies are spent for the benefit of women. The Attorney General's Office has made the public policy decision to allocate these funds in a particular manner. The intent of the footnote was to allow the JLBC to provide its input on just such a distribution plan as this proposal. As a result, the JLBC Staff recommends that these types of plans be brought before the Committee. Legislative Council concurs with the JLBC interpretation.

The JLBC Staff recommends a favorable review of the Attorney General's allocation plan for monies received pursuant to the Nine West Group, Inc. settlement. However, to the extent that new programs are being created with these one-time funds, the JLBC Staff has some concerns regarding future obligations for the state. According to the Attorney General's Office, recipients of settlement funds understand clearly that these funds are one-time, and do not create an on-going obligation on the part of the State.

RS/GG:ck

STATE OF ARIZONA

OFFICE OF THE ATTORNEY GENERAL

JANET NAPOLITANO
ATTORNEY GENERAL

1275 WEST WASHINGTON, PHOENIX, AZ. 85007-2926

MAIN PHONE: (602) 542-5025
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RECEIVED AUG 31 2000 JOINT BUDGET COMMITTEE

August 31, 2000

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

Re: Nine West Group, Inc.

Dear Chairman Gnant:

This letter is to inform you of recent developments in the Nine West litigation, in which this Office joined in a multi-state lawsuit to protect Arizona consumers. On March 6, 2000, Paul Bullis, Chief Counsel of the Civil Rights and Public Advocacy Division, notified you that a settlement agreement had been reached. As you may recall, the Nine West litigation, filed in the Federal District Court of New York, involves all fifty States, the District of Columbia and some U.S. territories. The Court has granted preliminary approval of the settlement agreement. The Court and the settlement agreement require each Attorney General's Office to submit a proposed distribution for its individual consumers.

As Mr. Bullis explained in his letter, the impracticability of identifying particular individual purchasers prompted the parties to propose a *cy pres* consumer distribution. The settlement agreement requires settlement funds to be distributed to a political subdivision, a not-for-profit corporation, a charitable organization and/or a State for the purposes of funding women's health, education, vocational and safety programs. Before the Court will grant final approval of the Settlement Agreement, it must review how the settlement funds will be distributed.

This Office is submitting a proposed distribution plan that allocates approximately $525,000 to fund several women's programs throughout Arizona. First, we propose that $133,000 be provided to the Maricopa County Bar Foundation and $67,000 to Child and Family Resources, Inc. for the creation of a new program to provide safety planning and advocacy services to women who are victims of domestic violence and whose children have been or are at risk of being removed by Child Protective Services due to alleged neglect and/or abuse. We propose to create three new programs in rural and outlying communities by distributing $40,000 for the development and implementation of a health education program for women of the Hopi and Navajo Nations, $20,000 to fund twenty programs in twenty cities throughout the state to develop and implement new women's educational programs, and $15,000 to purchase a van for a non-profit corporation for the transportation of women to and from medical clinics, job training, and classes that will serve women in Avondale, Buckeye, El Mirage, Goodyear, Litchfield Park, Surprise and Tolleson. These funds are to be distributed by and programs developed in conjunction with the United Phoenix Fire Fighters Association. Next, we propose that $50,000 of the settlement funds be provided to the Women's Foundation of Southern Arizona to fund shortfalls in existing funding for five programs, $10,000 each, that provide educational and mentoring services for young women in Southern Arizona, including Casa de Esperanza, Boys & Girls Club, Way of the Heart, Women, Money & Success and the Women's Transition Project.

To create a public awareness campaign about gun safety for women, which may include the creation of a video for mothers, a public service announcement campaign, a web site and the provision of safety locks for guns at major women's functions, we propose that $50,000 be used by the Citizens of Arizona to Prevent Gun Violence. Fresh Start Women's Foundation will receive $40,000 to fund the printing, in English and Spanish, of pamphlets entitled "Guide to Legal Services," "Guide to Financial Services" and to fund a mentoring program for women first entering the workforce. Next, we propose that $20,000 be provided to the Arizona Coalition on Adolescent Pregnancy & Parenting to conduct a survey of the Latina community and develop and implement a program geared toward preventing unwanted teen pregnancies. The Women's Foundation of Southern Arizona will receive $10,000 to create a follow-up campaign to a currently planned media campaign designed to raise awareness of domestic violence. The follow-up campaign will emphasize the need for public involvement in preventing domestic violence. We are proposing to dedicate $45,000 of the settlement monies to create and implement a statewide educational program geared toward Spanish-speaking women. The creation and implementation of the program will be overseen by the United Phoenix Fire Fighters Association. We also propose to use $30,000 of the settlement funds to fund a vocational training program for women living in the YWCA's domestic violence transitional shelter. Finally, we propose that the Junior League of Tucson receive $5,000 to fund any one or all of the following programs which have not been fully funded: a monthly meals program for domestic violence victims, a role modeling/mentoring program for at-risk elementary-aged girls and/or a child abuse educational program for mothers.

As stated in Mr. Bullis' letter, the injured parties in this matter were individual consumers who purchased Nine West products. The Defendant is paying money to the settlement fund on behalf of injured individual consumers. The State of Arizona was not an injured party. As such, we believe Footnote #4 in the State of Arizona's Appropriation Report for the Fiscal Years 2000 and 2001–Supplemental Adjustments, which requires notification of settlements resulting in the receipt of $100,000 or more on behalf of the State, is inapplicable to this settlement. Nonetheless, we are providing this notification in a spirit of openness and cooperation.

Please call me at the number below if you have any questions regarding this matter.

Sincerely,

Nancy M. Bonnell
Antitrust Unit Chief
Consumer Protection & Advocacy Section
Telephone: (602) 542-7711
Facsimile: (602) 542-9088

cc: The Honorable Robert Burns
The Honorable Richard Stavneak
Brad Regens, JLBC
John Stevens
Michael Haener

STATE OF ARIZONA

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March 6, 2000

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

Re: Nine West Group, Inc.

Dear Chairman Gnant:

This Office, in conjunction with each of the other States, the District of Columbia, and U. S. Territories, will be entering into an agreement with Nine West Group, Inc.,[1] regarding alleged violations of Federal and State antitrust laws. The agreement requires Nine West Group, Inc., to pay a total of $34 million dollars, of which $30.5 million dollars will be set aside to benefit consumers.[2] Arizona's share of the $30.5 million dollars is expected to be in excess of $500,000.00.

Due to the impracticability of identifying particular injured purchasers of Nine West Group, Inc., products, and the high costs of administering a refund program for individual purchasers, the $30.5 million dollars will be distributed according to specific conditions in lieu of customer restitution. According to the terms of the settlement, this money must be distributed to the State, a political subdivision, a not-for-profit corporation and/or a charitable organization with express conditions that the funds be used to fund women's health, educational, vocational, and safety programs. This must be "new money" and cannot supplant existing funding for any program. Within ninety (90) days of preliminary Court approval of the settlement, each Plaintiff

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[1]Nine West Group, Inc., is the parent company for divisions selling, among other things, brands of women's shoes such as Nine West, Easy Spirit, Enzo Angiloni, Bandolino, Calico, and others.

[2]$3.5 million will be paid to the States to pay the costs and administrative expenses, including attorneys' fees and experts' fees, incurred in investigation and negotiating the settlement, including the notice costs and administrative costs of the settlement. It is anticipated that Arizona will receive between $5,000.00 and $10,000.00 in fees.

State will be required to submit a plan of distribution for Court approval.

The injured persons on whose behalf the settlement payments will be made and distributed are the customers of Nine West Group, Inc., not the State of Arizona. Footnote #3 to this Office's appropriation, which requires notification of settlements that will result in the receipt of $100,000.00 or more "on behalf of the State of Arizona," therefore, does not apply. This notification is nevertheless being provided in a spirit of openness and cooperation.

The settlement will be filed with the United States District Court for the Southern District of New York today at 10:30 a.m., Arizona time. It is imperative that this matter be kept confidential until that time.

Sincerely

Paul A. Bullis

PAUL A. BULLIS
Economic Competition Section Chief
Civil Rights & Public Advocacy Division
Telephone: (602) 542-7713
Fax: (602) 542-9088

cc: The Honorable Robert Burns
The Honorable Richard Stavneak
Brad Regens, JLBC ✓
John Stevens
Patrick J. Cunningham

PB:se

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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CHRISTINE WEASON

DATE: September 6, 2000

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

THRU: Richard Stavneak, Director

FROM: Lynne Smith, Senior Fiscal Analyst

SUBJECT: JOINT LEGISLATIVE BUDGET COMMITTEE - APPROVAL OF 2002 STRATEGIC PROGRAM AREA REVIEW CANDIDATES

Request

The Joint Legislative Budget Committee (JLBC) Staff requests that the Committee consider a preliminary list of Strategic Program Area Review (SPAR) candidates.

Recommendation

This item is for information only and no Committee action is required. The JLBC Staff recommends that the Committee consider information during the next month and approve SPAR candidates at the next JLBC meeting.

Background Information

Laws 1999, Chapter 148 amended the Program Authorization Review (PAR) process into the Strategic Program Area Review (SPAR) process. A.R.S. § 41-1275 defines a "strategic program area" as a program, function or activity of state government conducted by one or more budget units, subdivisions, or entities and including all personnel, facilities, equipment, and funding (including federal, state, local, and other funding). While PARs looked at individual programs, SPARs emphasize cross-agency program areas. Following is a description of the current SPAR Process:

(Continued)

Determine Program Areas
A.R.S. § 41-1275, as amended, provides that the JLBC shall determine which program areas will be subject to each biennial SPAR process. (In prior years, the programs to be reviewed were named in a bill.) The JLBC Staff, in consultation with the Governor's Office of Strategic Planning and Budgeting (OSPB), shall recommend a list of program areas for the SPAR process to the JLBC by January 1, 2001 (per statute, by January 1 of each odd-numbered year). The statute also provides that state agencies may submit SPAR candidates. The JLBC shall determine those program areas that are subject to SPAR from the list of program areas submitted. The JLBC Staff has started to develop its recommendations and is seeking Committee input before finalizing the list of SPAR candidates.

Self-Assessment
By June 1, 2001, each agency involved with a program area that has been named by the Committee for the upcoming SPAR process shall complete a self-assessment. The self-assessment shall address the efficiency and effectiveness of each operation and whether current operations are consistent with legislative intent.

Report
By January 1, 2002, the JLBC Staff and OSPB shall evaluate the program areas and jointly produce a report of their findings and recommendations to the President of the Senate, Speaker of the House, and Governor. The findings and recommendations shall 1) describe the personnel, facilities, equipment, and funding by all entities; 2) address the efficiency, effectiveness, necessity, and, if applicable, whether the program area should be consolidated into one agency; and 3) recommend whether to retain, eliminate, or modify funding and related statutory references.

Consideration by Legislature
A.R.S. § 41-1275 provides that the Speaker of the House and President of the Senate shall assign all SPARs to the Appropriations Committees. The President and Speaker may additionally assign a SPAR to a standing committee. Per statute, the committees shall hold at least 1 public hearing to receive public input and develop recommendations to retain, eliminate, or modify funding and related statutory references.

Analysis

Choosing Program Areas
Attached are a list of SPAR suggestions from state agencies and a list of potential recommendations generated by the JLBC Staff. We have not yet finalized the JLBC Staff recommendations to the Committee. In addition, OSPB currently is developing its recommendations for SPAR candidate and plans to share these by late September. The JLBC Staff recommends that the Committee take the following month to consider various SPAR candidates and then approve a list at the October meeting. We will seek legislator input and make ourselves available for discussion with legislators prior to the October meeting. While the statute does not require recommendations to the Committee until January 2001, deciding them at the October meeting will allow agencies more time to complete the self-assessments and will allow the JLBC Staff to concentrate on FY 2002/2003 budget development during November and December.

(Continued)

Number of Program Areas

The Committee also must determine the number of program areas to undergo the 2002 SPAR process. Last year, the legislative committees reviewed the SPARs during the regular session. The Appropriations Subcommittees each reviewed 1 program area, for a total of 3 SPARs. We recommend that the Committee consider the workload for each legislative committee. In general, we would expect multi-agency SPARs to be more complex than previous 1-program PARs. If the chosen program areas are complex, you may want to choose only 1 SPAR per Appropriations Subcommittee. If the program areas are less complex, you might choose to do more. In addition, legislators may want to become involved in the SPAR process prior to the finalization of JLBC Staff findings and recommendations. For example, legislative committees could meet in September or October to review the self-assessments and direct the areas of emphasis for the JLBC Staff to investigate during its evaluation. Again, the JLBC Staff will seek legislator input on this issue prior to the October meeting.

RS:LS:ss
Attachments

2001-2002 SPAR Topics
Agency Nominations [1/]

Agency	Program Area	Description of Program
Administration, AZ Dept. of	Travel Reduction	Promotes a reduction in state employees' travel in single occupancy vehicles. There are also travel reduction requirements for the private sector and schools.
Suggested by the Auditor General	Investigators of Civil Enforcement	Numerous commissions and boards have complaint investigators. A SPAR could evaluate whether it would be more efficient to centralize the investigative role similar to the Office of Administrative Hearings.
Suggested by the Auditor General	Aircraft Operations	The Auditor General suggested reviewing the use of state aircraft and other aircraft programs at the Dept of Transportation, Dept. of Public Safety and the Game and Fish Dept.
Corporation Commission	Railroad Safety	Enforces railroad safety relating to track maintenance, equipment safety, and rail-highway crossings. This would be a single program/agency SPAR. Could also include ADOT with regard to rail-highway crossings.
	Corporations Division	Regulates public utilities and the securities industry, grants corporate status, and ensures safe railroads and gas pipelines. Could also include the Secretary of State's Business Services program, which is responsible for corporate filings and trademark registration.
Economic Security, Dept. of	Home & Community Based Services (DACS)	Provides home and community based services such as respite, housekeeping, and attendant care. Could also include home and community based services provided in AHCCCS and DHS.
	Coordinated Homeless Programs	Planning and coordination of community based organizations that provide services to assist the homeless. Could also include DHS behavioral health and housing programs provided by the Regional Behavioral Health Authorities and the Dept. of Commerce housing programs.
Game and Fish Dept., AZ	Game Management	Manages game-wildlife populations by regulating hunting and assessing habitats.
Regents, AZ Board	University Library Operations	Provides library services to the universities.

1/ Unless otherwise noted, each agency nominated its own programs.

Tax Appeals, State Board of	Appeals process	Provides a process for taxpayers to appeal decisions by the Department of Revenue (DOR) and the Office of Administrative Hearings (OAH). SPAR could also include DOR and OAH.
Transportation, Dept. of	MVD 3rd Party	This would be a single agency SPAR and might include comparing the efficiency of using 3rd Parties vs. doing the activity in-house.
	Highways Administration Traffic Operations	This would be a single agency SPAR and might include comparing the use of technology to relieve traffic congestion vs. building more roads.
Treasurer, State	Credit card usage	Bill passed during the 2000 legislative session allows agencies to accept credit cards. The State Treasurer suggested that a 2003-2004 SPAR could include the primary agencies that decide to take advantage of the new process.

Agencies Requesting Exclusion from 2002 SPAR Process

Agency	Reason
Banking Department, State	Too small - just one program
Corrections, State Dept. of	Undergoing performance audit
Dental Examiners, State Board of	Too small - just one program
Environmental Quality, Dept. of	Focus on 13 performance measures
Gaming, Dept. of	No suggestions
Health Services, Dept. of	Too many reviews
Public Safety, Dept. of	Undergoing performance audit
Real Estate, Dept. of	No suggestions

Attachment C

Possible 2001-2002 SPAR Topics
JLBC Staff

Agency	Program Area	Description of Program
Land Dept., State Mines & Mineral Resource, Dept. of Mines Inspector, Dept. of Geological Survey, Arizona	Dept. of Natural Resources	These agencies perform related functions. In some states these functions are centralized in one agency.
Economic Security, Dept. of Education, Dept. of Commerce, Dept. of Community Colleges, St. Board of	Job Training	All of these agencies provide some type of job training.
AHCCCS Health Services, Dept. of Courts Criminal Justice Commission, AZ Revenue Sharing Water Resources, Dept. of	County Assistance	State monies pass-through all of these agencies. SPAR could research whether it might be more efficient to consolidate the funding.
Pioneers' Home, AZ Veterans' Services, Dept. of U of A Medical School/Hospital Arizona State Hospital Juvenile Corrections, Dept. of Corrections, State Dept. of Health Services, Dept. of AHCCCS Economic Security, Dept. of	Prescription Drugs	All of these agencies purchase prescription drugs or contract with providers who purchase prescription drugs. Given the high cost of medication, the SPAR could examine implementing bulk purchasing or group discounts.
Commerce, Dept. of Water Resources, Dept. of	Greater AZ Development Authority/Water Infrastructure Finance Authority	The 2 agencies operate similar types of programs. The SPAR could research the effectiveness of this type of program.
Health Services, Dept. of Judiciary	Children's Behavioral Health	Both agencies contract for behavioral health services for, at times, similar populations.
Parks Board, Arizona State AZ State Museum in ABOR	Cultural Preservation	Both agencies perform cultural preservation. In some states this function is centralized.
Environmental Quality, Dept. of	Water Quality Assurance Revolving Fund (WQARF)	A.R.S. § 49-282H requires that the WQARF program undergo the PAR process at specified intervals, including 2002. PARs have subsequently been changed to SPARs.

Attachment D

PROPOSED AUDIT SCHEDULE
PERFORMANCE AUDIT DIVISION
SUNSET AUDITS, SPECIAL AUDITS, AND PROGRAM EVALUATIONS

Sunset Audits To Be Conducted by Performance Audit Division
A.R.S. 41-3001.01 through 41.3002.20

	Appropriation	Percent Of Agency Budget	FTE'S
1. Department of Agriculture (Due 10/1/2000)	**$21,758,000**	**100%**	**412**
PROGRAMS SELECTED FOR AUDIT:			
Program 1: Food Safety and Quality Assurance	$5,560,000	26%	111
Program 2: Non-Food Product Quality Assurance	$1,100,000	5%	18.5
Program 3: Animal Disease, Ownership & Welfare Protection	$2,500,000	12%	58
Program 4: Pest Exclusion and Management	$3,900,000	18%	90
Program 6: Pesticide Compliance and Worker Safety (followup to 1990 audit)	$849,000	4%	17.3
Program 8: Agriculture Laboratory	$1,800,000	9%	32.5
Program 10: Commodity Development and Promotion	$386,000	2%	4
TOTAL ASSOCIATED WITH ABOVE	$16,095,000	76%	331.3
PROGRAMS NOT SELECTED FOR AUDIT:			
Program 5: Native Plant and Cultural Resources Protection	$413,800	2%	9
Program 7: Administrative Services (received a PAR in 1998)	$4,500,000	21%	67
Program 9: Agricultural Consultation and Training (received a PAR in 1998)	$167,000	1%	3
TOTAL ASSOCIATED WITH ABOVE	$5,080,800	24%	80.3
2. Board Of Medical Student Loans (Due 10/1/2000)	**$316,000**	**100%**	**0**

Sunset Audits To Be Conducted by Performance Audit Division

	Appropriation	Percent Of Agency Budget	FTE'S
3. Office of Tourism (Due 10/1/2000)	**$8,826,600**	**100%**	**22**
PROGRAMS SELECTED FOR AUDIT:			
Program 1: Domestic Media Advertising	$3,630,100	41%	1
Program 2: Travel Counseling and Direct Mail Marketing	$1,421,700	16%	1
Program.3: International and & Domestic Trade Marketing	$894,000	10%	4
Program 4: Media Promotion and Communications	$286,100	3%	3.5
TOTAL ASSOCIATED WITH ABOVE	$6,231,900	70%	9.5
PROGRAMS NOT SELECTED FOR AUDIT:			
Program 5: Tourism Development and Funds Sharing	$790,000	9%	1
Program 6: Welcome Center Operations (received a PAR in 1998)	$327,600	4%	4
Program 7: Business Administration	$1,477,100	17%	7
TOTAL ASSOCIATED WITH ABOVE	$2,594,700	30%	12
4. Department of Corrections (Due 10/1/2001)	**$570,247,100**	**100%**	**10,065**
PROGRAMS SELECTED FOR AUDIT:			
Program 2.2: Security Operations	$270,576,600	47%	6,926
Program 2.3: Support Services	$104,905,300	18%	972
Program 2.5: Private Prisons	$21,407,500	4%	16
Program 3: Community Corrections	$7,950,600	1%	157
Program 5: Human Resources Management	$8,581,900	2%	136
Program 6: Agency Infrastructure	$20,873,600	4%	109
Program 8: Arizona Correctional Industries	$16,984,100	3%	95
TOTAL ASSOCIATED WITH ABOVE	$451,279,600	79%	8411

Sunset Audits To Be Conducted by Performance Audit Division

	Appropriation	Percent Of Agency Budget	FTE'S
PROGRAMS NOT SELECTED FOR AUDIT:			
Program 1: Policy, Management and Resource Allocation	$1,947,500	0.30%	34
Program 2.1: Prison Operations Management	$3,783,600	1%	53
Program 2.4: Inmate Programs (received a PAR in 1997)	$38,370,800	7%	635
Program 4: Inmate Health Care Management (received a PAR in 1998)	$66,903,700	12%	810
Program 7: Inspections and Investigations	$7,961,900	1%	123
TOTAL ASSOCIATED WITH ABOVE	$118,967,500	21.30%	1655
5. State Veterans Service Commission (Due 10/1/2001)	**$9,722,100**	**100%**	**247**
PROGRAMS SELECTED FOR AUDIT:			
Program 1: Veteran's Affairs	$1,005,100	10%	25
Program 2: Veteran's Conservatorship	$542,100	6%	16
Program 4: State Veteran Home	$8,009,200	82%	202
TOTAL ASSOCIATED WITH ABOVE	$9,556,400	98%	243
PROGRAMS NOT SELECTED FOR AUDIT:			
Program 3: Education	$165,700	All federal funds	4
6. Commission on the Arts (Due 10/1/2001)	**$6,416,000**	**100%**	**20**

Sunset Audits To Be Conducted by Performance Audit Division

	Appropriation	Percent Of Agency Budget	FTE'S
7. Real Estate Department (Due 10/1/2001)	**$3,322,900**	**100%**	**67**
PROGRAMS SELECTED FOR AUDIT:			
Program 2: Education and Licensing	$782,300	24%	18
Program 3: Regulation	$763,300	23%	16
Program 4: Land Development	$615,900	19%	13.5
Program 5: Recovery Assistance	$247,900	7%	1
TOTAL ASSOCIATED WITH ABOVE	$2,409,400	74%	48.5
PROGRAMS NOT SELECTED FOR AUDIT:			
Program 1: Central Administrative Services	$913,500	27%	18
8. Board of Chiropractic Examiners (Due 10/1/2001)	**$259,600**	**100%**	**4**
9. Board of Executive Clemency (Due 10/1/2001)	**$1,642,500**	**100%**	**33**
10. Game & Fish Department and Commission (Due 10/1/2001)	**$45,533,200**	**100%**	**573.8**
PROGRAMS SELECTED FOR AUDIT:			
Program 1: Wildlife Management	$40,513,100	89%	509.3
Program 2: Off-Highway Vehicles/Watercraft Management	$3,454,000	8%	42
TOTAL ASSOCIATED WITH ABOVE	$43,967,100	97%	551.3
PROGRAMS NOT SELECTED FOR AUDIT:			
Program 3: Administration	$1,566,100	3%	22.5

Sunset Audits To Be Conducted by Performance Audit Division

	Appropriation	Percent Of Agency Budget	FTE'S
11. Game and Fish Heritage Fund (Due 10/1/2001)	**$10,000,000**	**100%**	N/A
12. State Board of Dispensing Opticians (Due 10/1/2001)	**$71,000**	**100%**	**0.8**
13. Naturopathic Physician's Board of Medical Examiners (Due 10/1/2001)	**$116,400**	**100%**	**2**
14. Osteopathic Board (Due 10/1/2001)	**$389,800**	**100%**	**5.5**
15. Department of Public Safety (Due 10/1/2001)	**$142,544,600**	**100%**	**1865**
PROGRAMS SELECTED FOR AUDIT:			
Program 1.1: Highway Patrol	$45,030,300	32%	704
Program 1.2: Criminal Investigation	$15,173,500	11%	241
Program 2.4: Telecommunications	$6,669,500	5%	67
Program 2.5: Operational Communications	$2,839,900	2%	97
Program 3.1: Scientific Analysis	$7,734,800	5%	112
Program 3.2: Aviation	$4,904,500	3%	53
Program 3.3: AZAFIS Management	$2,411,900	2%	13
Program 3.4: Licensing	$1,361,200	1%	32
Program 3.5: Criminal Information	$5,636,600	4%	51
Program 5.2: Drug Abuse Resistance Education (DARE)	$555,600	0.50%	7
TOTAL ASSOCIATED WITH ABOVE	$92,317,800	65%	1377

Sunset Audits To Be Conducted by Performance Audit Division

	Appropriation	Percent Of Agency Budget	FTE'S
PROGRAMS NOT SELECTED FOR AUDIT:			
Program 1.3: Special Services (received a PAR in 1998)	$4,894,900	3%	95
Program 1.4: Anti-Gang Enforcement (received a PAR in 1997)	$6,172,100	4%	68
Program 1.5: Rocky Mountain Information Network	$2,021,000	mostly fed. $	30
Program 2.1: Human Resources	$994,300	1%	20
Program 2.2: Information Services	$4,711,700	3%	53
Program 2.3: Logistics	$9,998,100	7%	43
Program 2.6: Facilities	$3,155,600	2%	36
Program 2.7: Training and Education	$1,509,200	1%	24
Program 4.1: Executive Support	$4,222,400	3%	55
Program 4.2: Financial Services	$2,115,100	1%	25
Program 4.3: Crime Victim Services	$2,942,600	2%	2
Program 5.1: Highway Safety	$2,503,900	2%	12
Program 6: Peace Officer Standards and Training	$4,725,800	3%	25
TOTAL ASSOCIATED WITH ABOVE	$49,966,700	33%	488
16. Arizona Board of Regents (Due 10/1/2001)	**$16,152,100**	**100%**	**34**
PROGRAMS SELECTED FOR AUDIT:			
Program 1: Governance	$10,591,000	66%	34
PROGRAMS NOT SELECTED FOR AUDIT:			
Program 2: Financial Assistance	$5,561,100	34%	0
Program 3: Pass-Through Program	0	0	0

Sunset Audits To Be Conducted by Performance Audit Division

	Appropriation	Percent Of Agency Budget	FTE'S
17. Board of Nursing (Due 10/1/2001)	**$2,238,200**	**100%**	**32.7**
Program 1: Licensing and Regulation - RN/LPN	$1,649,200	74%	27.7
Program 2: Nursing Assistants	$589,000	26%	5
18. Automobile Theft Authority (Due 10/1/2001)	**$1,177,100**	**100%**	**6**

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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FAX (602) 542-1616

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

DATE: September 6, 2000

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

THRU: Richard Stavneak, Director

FROM: Steve Grunig, Research/Fiscal Analyst

SUBJECT: NATUROPATHIC PHYSICIANS BOARD OF MEDICAL EXAMINERS - REPORT ON EXPENDITURES FOR INSPECTIONS

Request

Laws 1999, Chapter 308 requires the Naturopathic Physicians Board of Medical Examiners to submit a report on its expenditures for inspecting schools of naturopathic medicine, clinical, internship, preceptorship and postdoctoral training programs, naturopathic graduate medical education programs and naturopathic continuing medical education programs.

Recommendation

This item is for information only and no Committee action is required. To date no expenditures have been made for inspections. The board has submitted rules which should be adopted in December. After rule adoption, $35,900 is expected to be spent on inspections in FY 2001.

Analysis

Laws 1999, Chapter 308 requires the Naturopathic Physicians Board of Medical Examiners to submit a report to the JLBC at the end of each fiscal year on its expenditures for inspecting schools of naturopathic medicine, clinical, internship, preceptorship and postdoctoral training programs, naturopathic graduate medical education programs and naturopathic continuing medical education programs. Chapter 308 appropriated $50,000 in FY 1999 from the Naturopathic Physicians Board of Medical Examiners Fund and allowed the board to employ one FTE employee for this purpose. The monies are non-lapsing through FY 2001.

The attached letter from the board indicates that there were no expenditures in FY 1999 or FY 2000 for inspections because the board had not adopted rules for the approval of naturopathic programs. In FY 2001, the board plans to spend $35,900 for Personal Services, Employee Related Expenditures, and related expenses for a program compliance specialist who will conduct inspections.

RS:SG:jb
Attachment

State of Arizona
Naturopathic Physicians
Board of Medical Examiners
"Protecting the Public's Health"
1400 West Washington • Suite 230 • Phoenix, Arizona 85007
Voice Telephone 602 542-8242 • FAX 602 542-3093

RECEIVED
AUG 21 2000
JOINT BUDGET COMMITTEE

August 18, 2000

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

RE: FY2000 Special Line Item Expenditure Report

Dear Senator Gnant:

Session Law 1999, Chapter 304, HB2484, Section 4, requires a special Expenditure Report by the Board to the Joint Legislative Budget Committee at the end of each fiscal year. The provisions enacted became effective May 19, 1999. The Session Law appropriated 1 FTE and $50,000 for the purpose of conducting inspections required in A.R.S. 32-1504. This letter provides information for the required report.

There were no expenditures in May and June 1999 for FY1999.

There were no expenditures in FY2000

In FY2000, the Board submitted a request to the Department of Human Resources to establish the position of Program Compliance Specialist. Human Resources approved and established the FTE position as requested.

In FY2000, the Board elected to use the services of a contract investigator and expended appropriated funds from Outside Professional Services for purposes of inspection and investigation as required in A.R.S. 32-1504.

The Board anticipates the following FY2001 expenditures for the Program Compliance Specialist:

1.	Personal services	$27,000 [1]	
2.	ERE	6,200	(.23 of personal services)
3.	In-state travel	2,100 [2]	
5.	Other operating expenses	600 [3]	
	Total	$35,900	

See expense details in page 2 footnotes.

The expenditures provided are anticipated estimates. For FY2001 the executive director arranged temporary office space for the compliance specialist at no cost with the Physical Therapy Board for 2 days a week. For 3 days a week, the compliance specialist will telecommute and be on field assignments. The program specialist requires office space in order to conduct interviews, receive and make inspection telephone calls, and, to complete and print inspection reports.

In a Staff Memorandum to Board members' the executive director explained interviews conducted by the director with 3 prospective applicants. All of the prospective applicants stated the beginning wage was lower than expected and did not desire to use their personal vehicles with reimbursement at .30 cents per mile.

Sincerely,
Naturopathic Physicians Board of Medical Examiners

By: John L. Brewer
John L. Brewer, Executive Director

JLB/jb s:\jlbc\CPS FY00 expenditure report

Enclosures (1)

Cc: File Copy
Board members
Marc Harris, Assistant Attorney General
Senator Bowers
Randy Hillier, Budget Analyst, Governor's Office of Strategic Planning and Budgeting
Steve Grunig, Budget Analyst, Joint Legislative Budget Committee

[1] Estimated beginning salary for a program compliance officer.

[2] Board is mandated to inspect 2 naturopathic medical school programs, 82 clinical training programs, 6 preceptorship training programs, 2 internship training programs, 4 postdoctoral training programs, and, 5 continuing medical education programs, that are conducted in the State. Most programs are located in the metropolitan Phoenix area. There are training programs located in Casa Grande, Flagstaff, Globe, Lake Havasu City, San Carlos, Rocky Point Arizona, and Tucson. Travel estimates are an average round trip of 70 miles with reimbursement at .30 per mile.

[3] Other operating expenses are to obtain a license for a computer notebook for *Microsoft Professional Office Suite,* ZIP drive diskettes, printing multiple copies of inspection notices, reports to Board members, additional postage and telephone calls relating to mandated inspections.

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: September 6, 2000

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

THRU: Richard Stavneak, Director

FROM: Indya Kincannon, Fiscal Analyst

SUBJECT: DEPARTMENT OF JUVENILE CORRECTIONS – REPORT ON EDUCATION TECHNOLOGY PILOT PROGRAM EXPANSION

Request

In response to the Committee's request, the Department of Juvenile Corrections (DJC) submitted a report evaluating its education technology pilot program at the Adobe Mountain facility. The report concludes that the pilot was successful. As a result, DJC intends to expand the pilot program to all of its facilities.

Recommendation

This item is for information only and no Committee action is required. Although the pilot program appears to be successful from a qualitative standpoint, the JLBC Staff believes that DJC could have made a better effort to quantitatively assess the program. The department has informed us, however, that it can absorb the expansion costs within existing resources and does not require an additional appropriation.

Analysis

At its meeting on June 4, 1998, the Committee favorably reviewed the Department of Juvenile Corrections' request to spend $400,000 of sudden growth monies deposited to the department's Juvenile Education Fund on an education technology pilot program at the Adobe Mountain facility. The Committee also requested that DJC submit a report on the pilot program once it had been adequately evaluated. The pilot program has been fully operational since December 1998.

(Continued)

Prior to the pilot program, computers were not a major part of DJC's educational curriculum. The pilot program brought computers, networks and other technical infrastructure improvements into Adobe Mountain's school system and introduced curricular changes to the school, such as orienting a student's academic training to his personal career goals. Under the pilot program, the student to computer ratio is approximately 4 to 1. The pilot program also enables a student to study core academic subjects at his own individual pace and level while a teacher is available to answer questions and provide further instruction.

In comparison, the educational programs at DJC's other facilities are more conventional. There are fewer computers and the computers are less integrated into the curriculum; the students are more likely to receive instruction as a class as opposed to individually; and, tailoring lessons to different ability levels is more difficult.

The department evaluated the program by comparing students in the pilot program to other students using the same curriculum across the nation. On average, the DJC students gained 2.3 semesters in math and 2.1 semesters in reading for every 1-semester gain by students nationwide. While promising, a better evaluation would have compared DJC students in the pilot program to DJC students not in the pilot program. This would have ensured that the populations being compared were comparable. Most DJC students, for instance, are several years below the typical grade level for their age, and may therefore gain more rapidly than the average student who is already at grade level. Although such controlled experiments are difficult to implement given the movement of juveniles among DJC facilities, it seems the department missed an opportunity to evaluate the pilot program in a more meaningful way.

Even though the quantitative results of the pilot program are unclear, the program appears to be successful from a qualitative standpoint. The JLBC Staff visited classrooms participating in the pilot program and observed that the students were engaged in their schoolwork, and the teacher was able to provide instruction on an individual basis while other students were working on the computers. Teachers and administrators also spoke favorably of the pilot program.

The department is already in the process of upgrading the technical capacities of its other schools. In May 2000, the Government Information Technology Agency approved a $245,450 project that will make the expansion of the pilot program feasible. The bulk of the costs will be one-time infrastructure and equipment upgrades. Ongoing costs for software licensing total $9,300 annually, but the department has stated that it can absorb those costs within its existing resources. The department expects the expansion to be complete by February 2001.

RS/IK:ag

JANE DEE HULL, GOVERNOR

ARIZONA DEPARTMENT
JUVENILE CORRECTIONS

DAVID A. GASPAR, DIRECTOR

May 15, 2000

RECEIVED
MAY 16 2000
JOINT BUDGET
COMM.

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

Dear Senator Gnant:

Please find attached the Arizona Department of Juvenile Corrections' (ADJC) report on the use of education technology for juveniles committed to the Department. In its meeting on June 4, 1998, the Joint Legislative Budget Committee requested a report on the use of technology assisted learning for committed juveniles funded by sudden growth monies.

We believe this pilot program has been very successful. As you know, unlike a traditional school setting, the composition of ADJC's classrooms is constantly changing as new youth are committed and others are released. As a result, the youth in a single class may range in education from the first to the twelfth grade level. In addition, 86% of ADJC's youth were expelled from school or were having extremely serious problems in school prior to their commitment to ADJC. To educate these juveniles, the Department must provide individualized instruction to each youth. The technology described in this report has allowed us to do this in a more effective and efficient way. As a result, ADJC has continued to make these services available to it's youth.

I look forward to an opportunity to show the members of the committee first hand ADJC's extensive efforts to create safer communities by equipping Arizona's most challenging students for success.

Sincerely,

David A. Gaspar
Director

cc: Honorable Robert Burns, Vice-Chairman, JLBC
Richard Stavneak, Director, JLBC
Tom Betlach, Director, OSPB
Indya Kincannon, Fiscal Analyst, JLBC
Bill Greeney, Budget Analyst, OSPB

1624 WEST ADAMS
PHOENIX, ARIZONA 85007
PH (602) 542-3987 FAX (602) 542-5156

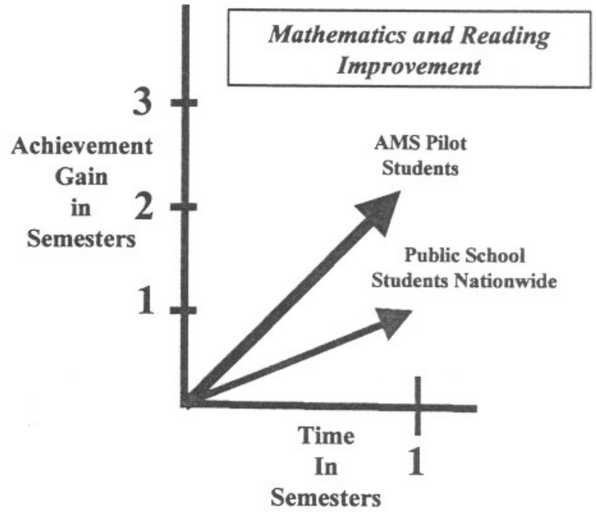
Arizona Department of Juvenile Corrections

Education System
Adobe Mountain School Pilot Project
Report to the Joint Legislative Budget Committee

April, 2000

The Adobe Mountain School Pilot Project Report

Background



In the Spring of 1998, the Joint Legislative Budget Committee (JLBC) approved the Arizona Depart of Juvenile Corrections (ADJC) Education System's request to expend $400,000 of sudden growth money as a pilot project for a technology-based education system. At that time, JLBC requested a progress report one year after the initial establishment of the pilot project. On September 23, 1998, the pilot project was implemented in the Esperanza building comprising 14 classrooms at Adobe Mountain School. ADJC is pleased to report the success of the pilot project in the Education System. Reading and math scores have increased on average among all students in the pilot project 2.3 semesters for every semester in the program in mathematics and 2.1 semesters per each semester for reading. The following is the one year report.

Project Description

The pilot project tested the use of computers in the classrooms and the use of a software program that integrates instruction and student progress management. The project was supported by targeted professional development. The Adobe Mountain pilot involved all ADJC Management Information System staff, Education Research, Development and Accountability staff, school administrators, approximately half the AMS faculty, juveniles, and facilities. The other half of the school proceeded with instruction without significant change.

Infrastructure

The Adobe Mountain Pilot networked the classrooms and the administrative offices on a Local Area Network for the first time. Previously, computers were used on a standalone basis in each classroom. The network provided access to instructional resources in any classroom through the integrated instructional management system on the file server.

Administrative System

The YouthBase system, ADJC's database for information pertaining to our youth, was expanded to include more education-related information. In particular, attendance information was added.

Technology Support Goals

In order to support ADJC'S strategic goals and the education system's evolving instructional master plan, a set of strategic technology goals were initially developed. They are:

- Individual learning plans for each student with an efficient method for each teacher to record and report the student's progress.
- A variety of instructional resources cross-referenced to specific items in the curriculum that they support.
- The availability of student information anywhere within the system including grades, assessment results, etc.
- A teaching and administrative staff that is knowledgeable and proficient with the technologies available to enhance their job performance.
- A planned budget for on-going technology refresh, maintenance, and support.

Progress Toward Goals

The Adobe Mountain School Pilot Project is currently being expanded in the following ways:

- The integrated instructional management system provides individual learning paths for students in reading, writing and mathematics and provides teachers with several different reporting formats to record student progress. Students at Adobe Mountain School initially achieved 2.3 semesters in mathematics and 2.1 semesters in reading for a comparable one semester's gain in traditional public schools.
- The integrated instructional management system has provided clear objectives that are correlated in several ways to allow for the cross-referencing of a wide variety of instructional resources such as SRA Reading, SRA Mathematics, Accelerated Reader, Accelerated Mathematics, and others that are being evaluated.
- The YouthBase database has been programmed and implemented to provide student information anywhere within the system. Attendance, schedules and assessment results are currently networked, the student progress report was developed in early Fall 1999 and will be available on YouthBase early FY 2000.
- The teaching and administrative staff have received over one hundred hours of staff development in the use of software and hardware.
- The model classroom is continually being evaluated for its appropriate application in classrooms throughout the Education System.
- File servers and networks will be implemented at all schools with an integrated instructional management system made available for use in a variety of methods in all schools by June 30, 2000.
- A structured curriculum framework is being developed that will utilize the capabilities of the networked classrooms for program delivery, assessment, reporting and training.

DATE: September 7, 2000

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

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst
Steve Grunig, Research Fiscal Analyst

SUBJECT: ARIZONA BOARD OF REGENTS - REPORT ON UNIVERSITY FACULTY TEACHING LOADS

Request

The Arizona Board of Regents (ABOR) is submitting an annual report documenting progress in increasing faculty teaching loads at Arizona universities.

Recommendation

This item is for information only and no Committee action is required. Average teaching loads for tenure track faculty increased slightly for the entire university system from Fall semester 1998 to Fall semester 1999.

Analysis

A General Appropriation Act footnote requires ABOR to "… submit an annual report to the Joint Legislative Budget Committee by July 31, 1999 and July 31, 2000 documenting the progress in increasing faculty teaching loads at Arizona universities." The report is to contain information on direct classroom teaching loads based on regularly scheduled student credit hours taught by tenure track faculty in each semester.

The report indicates that average teaching loads for tenure track faculty increased slightly for the entire university system from Fall semester 1998 to Fall semester 1999. Average teaching loads increased at Arizona State University (ASU)-West, ASU-East, and Northern Arizona University (NAU), while average teaching loads decreased at ASU-Main and the University of Arizona (U of A). Differences in teaching loads among campuses generally reflect differences in university missions. Faculty at the ASU and U of A main campuses devote a significant portion of their time to research. As a result, their teaching loads differ from teaching loads at NAU, where faculty devote less time to research.

(Continued)

Attachment A shows the Fall 1999 teaching load for each university campus by tenure track position. *Attachment B* shows the Fall teaching load averages from 1996 to 1999.

The ABOR cover letter references their use and tracking of other annual outcome measures and accountability reports. *Attachment C* is the cover letter from the ABOR Arizona University System 2000 Report Card. The letter highlights the measures selected to track the progress and performance of the Arizona university system. Faculty teaching load information is not included in the report card.

RS/LM/SG:jb
Attachments

University Faculty Teaching Loads, Fall 1999

		Number of Credit Hours Taught	Number of Faculty	Teaching Load-Hrs/FTE
ASU-Main	Full Professor	3,182	541	5.88
	Associate Professor	2,489	403	6.18
	Assistant Professor	1,271	225	5.65
	Total	6,942	1,169	5.94
ASU-West	Full Professor	144	21	6.86
	Associate Professor	245	43	5.70
	Assistant Professor	266	43	6.19
	Total	655	107	6.12
ASU-East	Full Professor	76	11	6.91
	Associate Professor	174	20	8.70
	Assistant Professor	78	11	7.09
	Total	328	42	7.81
U of A	Full Professor	2,505	544	4.60
	Associate Professor	1,871	353	5.30
	Assistant Professor	1,275	249	5.12
	Total	5,651	1,146	4.93
NAU	Full Professor	1,324	168	7.88
	Associate Professor	1,887	206	9.16
	Assistant Professor	1,308	150	8.72
	Total	4,519	524	8.62
System	Full Professor	7,231	1,285	5.63
	Associate Professor	6,666	1,025	6.50
	Assistant Professor	4,198	678	6.19
	Total	18,095	2,988	6.06

Sept. 1, 2000

Arizona Universities: Faculty Teaching Load Averages for Fall 1996 through Fall 1999

	Faculty Rank	Fall 1996 Teaching Load-Hrs/FTE	percent change 96 to 97	Fall 1997 Teaching Load-Hrs/FTE	percent change 97 to 98	Fall 1998 Teaching Load-Hrs/FTE	percent change 98 to 99	Fall 1999 Teaching Load-Hrs/FTE
ASU-Main	full	**5.74**	5.5%	**6.05**	-2.0%	**5.93**	-0.8%	**5.88**
	assoc	**5.94**	11.2%	**6.60**	-5.8%	**6.22**	-0.6%	**6.18**
	asst	**5.25**	13.3%	**5.95**	-6.1%	**5.59**	1.1%	**5.65**
		5.71	9.1%	**6.23**	-4.2%	**5.97**	-0.5%	**5.94**
ASU-West	full	**6.25**	-4.0%	**6.00**	12.5%	**6.75**	1.6%	**6.86**
	assoc	**5.68**	0.5%	**5.71**	-4.7%	**5.44**	4.8%	**5.70**
	asst	**5.69**	0.7%	**5.73**	3.6%	**5.94**	4.2%	**6.19**
		5.75	0.3%	**5.77**	1.8%	**5.87**	4.3%	**6.12**
ASU-East	full	**6.13**	2.9%	**6.30**	-9.5%	**5.70**	21.2%	**6.91**
	assoc	**7.56**	13.3%	**8.57**	-11.9%	**7.55**	15.2%	**8.70**
	asst	**7.22**	30.2%	**9.40**	-14.9%	**8.00**	-11.4%	**7.09**
		7.12	14.4%	**8.15**	-12.9%	**7.10**	10.0%	**7.81**
U of A	full	**4.12**	12.2%	**4.63**	1.6%	**4.70**	-2.1%	**4.60**
	assoc	**4.69**	9.5%	**5.13**	1.3%	**5.20**	1.9%	**5.30**
	asst	**4.41**	13.8%	**5.01**	4.9%	**5.26**	-2.7%	**5.12**
		4.37	11.4%	**4.86**	2.2%	**4.97**	-0.8%	**4.93**
NAU	full	**8.49**	-10.8%	**7.57**	-1.4%	**7.46**	5.6%	**7.88**
	assoc	**8.14**	-6.4%	**7.63**	0.6%	**7.67**	19.4%	**9.16**
	asst	**8.60**	0.0%	**8.60**	1.4%	**8.72**	0.0%	**8.72**
		8.40	-5.9%	**7.90**	0.2%	**7.91**	9.0%	**8.62**

		1996	% change	**1997**	% change	**1998**	% change	**1999**
System	full	**5.41**	3.9%	**5.63**	-0.1%	**5.62**	0.2%	**5.63**
	assoc	**5.94**	5.5%	**6.27**	-1.6%	**6.17**	5.3%	**6.50**
	asst	**5.83**	8.2%	**6.30**	0.4%	**6.33**	-2.2%	**6.19**
	total	**5.70**	5.3%	**6.00**	-0.6%	**5.96**	1.7%	**6.06**

UA total and System total figures do not include UA-Coll of Medicine.
Figures are for tenure-track faculty paid through all funding sources.

JLBC Staff September 1, 2000

Attachment C

ARIZONA BOARD OF REGENTS

2020 NORTH CENTRAL, SUITE 230
PHOENIX, ARIZONA 85004-4593
(602) 229-2500
FAX (602) 229-2555

March 9, 2000

Dear Citizens:

The Arizona Board of Regents monitors and reviews the progress of Arizona's public universities toward improving the quality of education for undergraduate students, enhancing the quality of instruction, becoming more innovative and using resources efficiently. The enclosed Report Card is one of the primary instruments we have to record that progress. Since implementing the Report Card in 1997, the Board has witnessed solid, steady improvement in the way Arizona's universities operate.

Highlights of improvements include:

The quality and effectiveness of undergraduate education is getting better:
- Graduation and retention rates have shown a steady increase over the past four years.
- University efforts to improve advising have been successful, with 70 percent of student satisfied or very satisfied.
- More than 91 percent of lower-division students have two or more courses taught by regular faculty.
- More transfer students are able to graduate in a timely manner after enrolling at a university.

The quality of instruction has improved:
- More of the top Arizona high school graduates are attending one of Arizona's public universities. Almost 73 percent of the top 1998 high school graduates enrolled in the university system.
- Nearly 200 National Merit Scholars enrolled in Arizona's public universities in Fall 1999, up from 100 in Fall 1995.

Innovation is expanding:
- The average number of patents increased from 26 per year for FY 93-95 to 76 for FY 97-99.
- Sponsored research at the universities continues to expand the body of knowledge, growing to $339 million in FY 1999, a 32 percent increase from last year.
- Enrollments in electronic delivered courses have increased by 24 percent since Fall 1997.

Resources are being used efficiently:
- An external review committee completed a study of privatization opportunities in the Arizona University System in mid-1999. The Board approved plans to implement 26 committee recommendations.
- Arizona's universities continue to fuel the engines of state and local economies, making an estimated $5.3 billion annual economic impact.

Please take a few minutes to read through the enclosed copy of the Arizona University System 2000 Report Card. We hope you will find it informative and meaningful. Your suggestions and comments are welcome. We value the opportunity to engage in a dialogue about the progress and performance of our university system.

Sincerely,

George H. "Hank" Amos, III
President

ARIZONA BOARD OF REGENTS

2020 NORTH CENTRAL, SUITE 230
PHOENIX, ARIZONA 85004-4593
(602) 229-2500
FAX (602) 229-2555

August 29, 2000

RECEIVED
SEP - 1 2000
JOINT BUDGET COMMITTEE

Representative Robert Burns
Senator Randall Gnant
Joint Legislative Budget Committee

Dear Representative Burns and Senator Gnant:

The state universities have collected and sent the 1999-2000 academic year data required by the legislative budget footnote regarding the credit-bearing instructional activity of ranked faculty. This letter accompanies the compiled separate reports and cover memos from the three institutions.

The data are presented as requested by the JLBC staff in the same format as prepared in the previous annual reports. These studies indicate performance that is consistent with previous reports as well. In addition to these reports, the Arizona Board of Regents has annual outcome measures and accountability reports to measure the efficiency and effectiveness of the use of state dollars.

If you would like to discuss these reports or have any questions, please contact me.

Sincerely

Linda J. Blessing

Linda J. Blessing
Executive Director

Arizona State University East

Faculty* Instructional Load Based on Regular Courses Using External Tri-University Business Rules

Fall Semester 1999

	Regularly Scheduled Course Credits**																						
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
Assistant Professor	—	—	—	—	—	—	7	1	1	—	1	1	—	—	—	—	—	—	—	—	—	—	11
Associate Professor	1	—	—	—	—	—	3	6	1	2	1	2	2	—	—	1	—	1	—	—	—	—	20
Full Professor	1	—	—	1	—	—	4	—	1	3	—	—	—	—	1	—	—	—	—	—	—	—	11
Total	2	0	0	1	0	0	14	7	3	5	2	3	2	0	1	1	0	1	0	0	0	0	42

Notes: While course credit is related to the amount of effort to complete a course, it does not represent the number of hours of faculty time required to prepare and present the course. The 1992 JLBC Faculty Workload Study documented the various categories of faculty effort related to instruction, which included:

- class preparation
- office hours
- Teaching Assistant supervision
- student teaching supervision
- paper / test grading
- student advising
- individualized instruction
- contact hours (actual time spent in classroom)

* Includes qualified full-time, tenure-eligible faculty with the ranks of Professor, Associate Professor, and Assistant Professor.

** Course credit shown is for regularly scheduled courses only and does not include additional instructional responsibilities associated with independent study assignments (thesis, dissertation, etc.). Course credit does not equate to contact hours.

Office of Institutional Analysis
August 21, 2000 / #4776

Arizona State University East

Faculty* Instructional Load Based on Regular Course and Independent Study Assignments

Fall Semester 1999

	Course Credits**																					
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
Assistant Professor	—	—	—	—	—	—	5	1	2	1	—	1	1	—	—	—	—	—	—	—	—	—	11
Associate Professor	—	1	—	—	—	—	2	2	4	3	2	1	—	1	1	1	1	1	—	—	—	—	20
Full Professor	—	1	—	—	—	1	2	2	—	1	1	—	1	1	—	—	—	—	—	—	—	1	11
Total	0	2	0	0	0	1	9	5	6	5	3	2	2	2	1	1	1	1	0	0	0	1	42

Notes: While course credit is related to the amount of effort to complete a course, it does not represent the number of hours of faculty time required to prepare and present the course. The 1992 JLBC Faculty Workload Study documented the various categories of faculty effort related to instruction, which included:

- class preparation
- office hours
- Teaching Assistant supervision
- student teaching supervision
- paper / test grading
- student advising
- individualized instruction
- contact hours (actual time spent in classroom)

* Includes qualified full-time, tenure-eligible faculty with the ranks of Professor, Associate Professor, and Assistant Professor, consistent with TIP methodology.

** Course credit shown is for all teaching assignments, including regularly scheduled courses, Music Studio Instructions, and independent study responsibilities (thesis, dissertation, etc.). Course credit does not equate to contact hours.

Office of Institutional Analysis
August 21, 2000 / #4776

Arizona State University East

Faculty* Instructional Load Based on Regular Courses
Using External Tri-University Business Rules

Spring Semester 2000

	Regularly Scheduled Course Credits**																					
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
Assistant Professor	—	—	—	1	—	—	3	—	2	3	1	1	—	—	—	—	—	—	—	—	—	—	11
Associate Professor	—	—	—	—	1	—	5	3	3	3	1	—	4	—	—	—	—	—	—	—	—	—	20
Full Professor	—	—	—	2	1	1	3	2	—	—	—	—	1	—	—	—	—	—	—	—	—	—	10
Total	0	0	0	3	2	1	11	5	5	6	2	1	5	0	0	0	0	0	0	0	0	0	41

Notes: While course credit is related to the amount of effort to complete a course, it does not represent the number of hours of faculty time required to prepare and present the course. The 1992 JLBC Faculty Workload Study documented the various categories of faculty effort related to instruction, which included:

- class preparation
- office hours
- Teaching Assistant supervision
- student teaching supervision
- paper / test grading
- student advising
- individualized instruction
- contact hours (actual time spent in classroom)

* Includes qualified full-time, tenure-eligible faculty with the ranks of Professor, Associate Professor, and Assistant Professor.

** Course credit shown is for regularly scheduled courses only and does not include additional instructional responsibilities associated with independent study assignments (thesis, dissertation, etc.). Course credit does not equate to contact hours.

Office of Institutional Analysis
August 21, 2000 / #4776

Arizona State University East

Faculty* Instructional Load Based on Regular Course and Independent Study Assignments

Spring Semester 2000

Course Credits**

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
Assistant Professor	—	—	—	1	—	—	1	2	—	2	4	1	—	—	—	—	—	—	—	—	—	—	11
Associate Professor	—	—	—	—	1	—	3	2	1	4	1	—	3	4	—	1	—	—	—	—	—	—	20
Full Professor	—	—	—	1	1	—	1	3	—	1	1	1	1	—	—	—	—	—	—	—	—	—	10
Total	0	0	0	2	2	0	5	7	1	7	6	2	4	4	0	1	0	0	0	0	0	—	41

Notes: While course credit is related to the amount of effort to complete a course, it does not represent the number of hours of faculty time required to prepare and present the course. The 1992 JLBC Faculty Workload Study documented the various categories of faculty effort related to instruction, which included:

- class preparation
- office hours
- Teaching Assistant supervision
- student teaching supervision
- paper / test grading
- student advising
- individualized instruction
- contact hours (actual time spent in classroom)

* Includes qualified full-time, tenure-eligible faculty with the ranks of Professor, Associate Professor, and Assistant Professor, consistent with TIP methodology.

** Course credit shown is for all teaching assignments, including regularly scheduled courses, Music Studio Instructions, and independent study responsibilities (thesis, dissertation, etc.). Course credit does not equate to contact hours.

Office of Institutional Analysis
August 21, 2000 / #4776

Arizona State University West

Faculty* Instructional Load Based on Regular Courses
Using External Tri-University Business Rules

Fall Semester 1999

Regularly Scheduled Course Credits**

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
Assistant Professor	—	—	—	5	2	3	23	1	2	5	—	2	—	—	—	—	—	—	—	—	—	—	43
Associate Professor	2	—	—	5	1	2	26	2	1	3	—	1	—	—	—	—	—	—	—	—	—	—	43
Full Professor	—	—	—	—	—	1	12	2	2	3	1	—	—	—	—	—	—	—	—	—	—	—	21
Total	2	0	0	10	3	6	61	5	5	11	1	3	0	0	0	0	0	0	0	0	0	0	107

Notes: While course credit is related to the amount of effort to complete a course, it does not represent the number of hours of faculty time required to prepare and present the course. The 1992 JLBC Faculty Workload Study documented the various categories of faculty effort related to instruction, which included:

- class preparation
- office hours
- Teaching Assistant supervision
- student teaching supervision
- paper / test grading
- student advising
- individualized instruction
- contact hours (actual time spent in classroom)

* Includes qualified full-time, tenure-eligible faculty with the ranks of Professor, Associate Professor, and Assistant Professor.

** Course credit shown is for regularly scheduled courses only and does not include additional instructional responsibilities associated with independent study assignments (thesis, dissertation, etc.). Course credit does not equate to contact hours.

Office of Institutional Analysis
August 28, 2000 / #4776

Arizona State University West

Faculty* Instructional Load Based on Regular Course and Independent Study Assignments

Fall Semester 1999

	Course Credits**																						
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
Assistant Professor	—	—	—	3	2	3	18	5	2	6	1	1	2	—	—	—	—	—	—	—	—	—	43
Associate Professor	1	—	1	2	2	2	23	2	4	1	2	2	—	1	—	—	—	—	—	—	—	—	43
Full Professor	—	—	—	—	—	1	9	4	2	3	1	—	1	—	—	—	—	—	—	—	—	—	21
Total	1	0	1	5	4	6	50	11	8	10	4	3	3	1	0	0	0	0	0	0	0	0	107

Notes: While course credit is related to the amount of effort to complete a course, it does not represent the number of hours of faculty time required to prepare and present the course. The 1992 JLBC Faculty Workload Study documented the various categories of faculty effort related to instruction, which included:

- class preparation
- office hours
- Teaching Assistant supervision
- student teaching supervision
- paper / test grading
- student advising
- individualized instruction
- contact hours (actual time spent in classroom)

* Includes qualified full-time, tenure-eligible faculty with the ranks of Professor, Associate Professor, and Assistant Professor, consistent with TIP methodology.

** Course credit shown is for all teaching assignments, including regularly scheduled courses, Music Studio Instructions, and independent study responsibilities (thesis, dissertation, etc.). Course credit does not equate to contact hours.

Office of Institutional Analysis
August 28, 2000 / #4776

Arizona State University West

Faculty* Instructional Load Based on Regular Courses
Using External Tri-University Business Rules

Spring Semester 2000

Regularly Scheduled Course Credits**

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
Assistant Professor	—	—	—	3	1	3	36	1	1	2	—	—	—	—	—	—	—	—	—	—	—	—	47
Associate Professor	2	—	—	7	3	2	24	1	4	5	—	—	—	—	—	—	—	—	—	—	—	—	48
Full Professor	—	—	1	1	4	2	7	4	1	2	—	—	—	—	—	—	—	—	—	—	—	—	22
Total	2	0	1	11	8	7	67	6	6	9	0	0	0	0	0	0	0	0	0	0	0	0	117

Notes: While course credit is related to the amount of effort to complete a course, it does not represent the number of hours of faculty time required to prepare and present the course. The 1992 JLBC Faculty Workload Study documented the various categories of faculty effort related to instruction, which included:

- class preparation
- office hours
- Teaching Assistant supervision
- student teaching supervision
- paper / test grading
- student advising
- individualized instruction
- contact hours (actual time spent in classroom)

* Includes qualified full-time, tenure-eligible faculty with the ranks of Professor, Associate Professor, and Assistant Professor.

** Course credit shown is for regularly scheduled courses only and does not include additional instructional responsibilities associated with independent study assignments (thesis, dissertation, etc.). Course credit does not equate to contact hours.

Office of Institutional Analysis
August 28, 2000 / #4776

Arizona State University West

Faculty* Instructional Load Based on Regular Course and Independent Study Assignments

Spring Semester 2000

	Course Credits**																					
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
Assistant Professor	—	—	—	2	2	3	25	7	2	3	1	1	1	—	—	—	—	—	—	—	—	—	47
Associate Professor	—	1	1	4	3	4	17	4	3	10	—	—	—	1	—	—	—	—	—	—	—	—	48
Full Professor	—	—	1	1	3	3	5	4	3	2	—	—	—	—	—	—	—	—	—	—	—	—	22
Total	0	1	2	7	8	10	47	15	8	15	1	1	1	1	0	0	0	0	0	0	0	0	117

Notes: While course credit is related to the amount of effort to complete a course, it does not represent the number of hours of faculty time required to prepare and present the course. The 1992 JLBC Faculty Workload Study documented the various categories of faculty effort related to instruction, which included:

- class preparation
- office hours
- Teaching Assistant supervision
- student teaching supervision
- paper / test grading
- student advising
- individualized instruction
- contact hours (actual time spent in classroom)

* Includes qualified full-time, tenure-eligible faculty with the ranks of Professor, Associate Professor, and Assistant Professor, consistent with TIP methodology.

** Course credit shown is for all teaching assignments, including regularly scheduled courses, Music Studio Instructions, and independent study responsibilities (thesis, dissertation, etc.). Course credit does not equate to contact hours.

Office of Institutional Analysis
August 28, 2000 / #4776

Arizona State University Main

Faculty* Instructional Load Based on Regular Courses Using External Tri-University Business Rules

Fall Semester 1999

	Regularly Scheduled Course Credits**																						
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
Assistant Professor	10	3	5	35	7	17	96	15	9	16	2	5	1	2	1	—	1	—	—	—	—	—	225
Associate Professor	11	2	7	55	18	21	147	35	19	66	6	6	6	—	1	2	1	—	—	—	—	—	403
Full Professor	22	5	12	95	30	35	205	31	14	45	8	11	8	8	2	2	1	1	2	1	1	2	541
Total	43	10	24	185	55	73	448	81	42	127	16	22	15	10	4	4	3	1	2	1	1	2	1,169

Notes: While course credit is related to the amount of effort to complete a course, it does not represent the number of hours of faculty time required to prepare and present the course. The 1992 JLBC Faculty Workload Study documented the various categories of faculty effort related to instruction, which included:

- class preparation
- office hours
- Teaching Assistant supervision
- student teaching supervision
- paper / test grading
- student advising
- individualized instruction
- contact hours (actual time spent in classroom)

* Includes qualified full-time, tenure-eligible faculty with the ranks of Professor, Associate Professor, and Assistant Professor.

** Course credit shown is for regularly scheduled courses only and does not include additional instructional responsibilities associated with independent study assignments (thesis, dissertation, etc.). Course credit does not equate to contact hours.

Office of Institutional Analysis
August 28, 2000 / #4776

Arizona State University Main

Faculty* Instructional Load Based on Regular Course and Independent Study Assignments

Fall Semester 1999

Course Credits**

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
Assistant Professor	7	1	2	22	12	12	66	34	19	20	9	8	4	4	2	—	1	1	1	—	—	—	225
Associate Professor	9	2	4	18	21	25	80	54	37	61	30	21	18	7	8	4	1	1	—	—	—	2	403
Full Professor	10	6	7	33	26	48	107	82	44	51	39	22	17	13	8	6	5	3	2	4	—	8	541
Total	26	9	13	73	59	85	253	170	100	132	78	51	39	24	18	10	7	5	3	4	0	10	1,169

Notes: While course credit is related to the amount of effort to complete a course, it does not represent the number of hours of faculty time required to prepare and present the course. The 1992 JLBC Faculty Workload Study documented the various categories of faculty effort related to instruction, which included:

- class preparation
- office hours
- Teaching Assistant supervision
- student teaching supervision
- paper / test grading
- student advising
- individualized instruction
- contact hours (actual time spent in classroom)

* Includes qualified full-time, tenure-eligible faculty with the ranks of Professor, Associate Professor, and Assistant Professor, consistent with TIP methodology.

** Course credit shown is for all teaching assignments, including regularly scheduled courses, Music Studio Instructions, and independent study responsibilities (thesis, dissertation, etc.). Course credit does not equate to contact hours.

Office of Institutional Analysis
August 28, 2000 / #4776

Arizona State University Main

Faculty* Instructional Load Based on Regular Courses Using External Tri-University Business Rules

Spring Semester 2000

	Regularly Scheduled Course Credits**																					
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
Assistant Professor	10	4	7	52	17	21	99	12	13	16	1	3	5	2	—	—	1	—	—	—	—	—	263
Associate Professor	16	6	10	65	29	24	145	21	18	40	10	5	9	2	1	2	—	—	—	—	—	—	403
Full Professor	38	4	14	129	32	27	187	20	14	37	13	7	9	1	5	4	3	—	—	—	—	3	547
Total	64	14	31	246	78	72	431	53	45	93	24	15	23	5	6	6	4	0	0	0	0	3	1,213

Notes: While course credit is related to the amount of effort to complete a course, it does not represent the number of hours of faculty time required to prepare and present the course. The 1992 JLBC Faculty Workload Study documented the various categories of faculty effort related to instruction, which included:

- class preparation
- office hours
- Teaching Assistant supervision
- student teaching supervision
- paper / test grading
- student advising
- individualized instruction
- contact hours (actual time spent in classroom)

* Includes qualified full-time, tenure-eligible faculty with the ranks of Professor, Associate Professor, and Assistant Professor.

** Course credit shown is for regularly scheduled courses only and does not include additional instructional responsibilities associated with independent study assignments (thesis, dissertation, etc.). Course credit does not equate to contact hours.

Office of Institutional Analysis
August 28, 2000 / #4776

Arizona State University Main

Faculty* Instructional Load Based on Regular Course and Independent Study Assignments

Spring Semester 2000

	Course Credits**																					
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
Assistant Professor	7	4	5	26	14	22	63	39	27	23	11	3	7	4	3	2	1	1	1	—	—	—	263
Associate Professor	8	5	11	21	23	22	79	62	39	45	28	21	15	11	3	1	4	1	—	2	—	2	403
Full Professor	12	5	15	50	41	33	88	75	60	49	31	24	18	7	9	8	6	2	3	2	—	9	547
Total	27	14	31	97	78	77	230	176	126	117	70	48	40	22	15	11	11	4	4	4	0	11	1,213

Notes: While course credit is related to the amount of effort to complete a course, it does not represent the number of hours of faculty time required to prepare and present the course. The 1992 JLBC Faculty Workload Study documented the various categories of faculty effort related to instruction, which included:

- class preparation
- office hours
- Teaching Assistant supervision
- student teaching supervision
- paper / test grading
- student advising
- individualized instruction
- contact hours (actual time spent in classroom)

* Includes qualified full-time, tenure-eligible faculty with the ranks of Professor, Associate Professor, and Assistant Professor, consistent with TIP methodology.

** Course credit shown is for all teaching assignments, including regularly scheduled courses, Music Studio Instructions, and independent study responsibilities (thesis, dissertation, etc.). Course credit does not equate to contact hours.

Office of Institutional Analysis
August 28, 2000 / #4776

NORTHERN ARIZONA UNIVERSITY
EXTERNAL TIP ELIGIBILITY RULES: FACULTY SCHEDULED CLASS UNITS REPORT
FALL SEMESTER 1999

All Fund Sources

Instructional Course Credits Taught

Faculty Type	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	AVG	21+	AVG	Total
Regent Professor	1		1	1		1	2	2	2	3	1											6.36	1	7.33	15
Professor	10		1	7	4	10	26	5	11	47	4	3	13	2	1	4	1		2			7.76	2	7.93	153
Associate Professor	1	1	3	12	1	5	36	12	8	67	8	6	13	6	4	7	2	1	3	3		8.74	7	9.16	206
Assistant Professor				8	2	8	36	11	9	35	10	3	10	2		5	2	1	4	1	1	8.55	2	8.72	150
Total	12	1	5	28	7	24	100	30	30	152	23	12	36	10	5	16	5	2	9	4	1	8.33	12	8.62	524

Notes:

1) Course credits shown reflect activity in regularly scheduled courses, but do not include additional responsibilites associated with individual studies courses, see tri-university rules for details.

2) Faculty eligibilty was determined in accordance with the tri-university eligibility rules.

NORTHERN ARIZONA UNIVERSITY
INTERNAL TIP ELIGIBLE FACULTY SCHEDULED CLASS UNITS REPORT
FALL SEMESTER 1999

All Fund Sources

Instructional Course Credits Taught

Faculty Type	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	AVG	21+	AVG	Total
Regent Professor		1		1	1	1	2		2	5	1				1							7.3		7.33	15
Professor	3	1		8	3	9	18	5	11	38	5	5	18	2		8	2	2	5			8.9	5	9.34	148
Associate Professor	1	1	3	9	2	3	33	11	10	50	13	8	20	6	4	8	3	4	7	1		9.3	9	9.83	206
Assistant Professor				7	3	7	29	14	7	29	11	5	12	1		9	3	1	5	1	1	9	5	9.42	150
Total	4	3	3	25	9	20	82	30	30	122	30	18	50	9	5	25	8	7	17	2	1	9.1	19	9.5	519

Notes:

1) Faculty eligibility was determined in the same manner as for the external analysis.
2) Course credits were counted as regular credits plus 1/7 of independent study student credit hours. See tri-university rules for details.
3) Some Teacher education classes were calculated using a CEE credit hour formula.

NORTHERN ARIZONA UNIVERSITY
EXTERNAL TIP ELIGIBILITY RULES: FACULTY SCHEDULED CLASS UNITS REPORT
SPRING SEMESTER 2000

All Fund Sources

Instructional Course Credits Taught

Faculty Type	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	AVG	21+	AVG	Total
Regent Professor		1	2	2		3	4			1												4.54		4.54	13
Professor	7		2	9	8	7	33	7	3	38	3	2	4	4	1	4		1			1	7.27		7.27	134
Associate Professor	2	1	7	13	13	9	44	12	8	49	6	8	9	3	2		2		3			7.4	2	7.54	193
Assistant Professor	1		2	14	7	7	31	15	11	33	3	4	4	4	1	1			4	1	2	7.72	2	7.9	147
Total	10	2	13	38	28	26	112	34	22	121	12	14	17	11	4	5	2	1	7	1	3	7.38	4	7.49	487

Notes:

1) Course credits shown reflect activity in regularly scheduled courses, but do not include additional responsibilites associated with individual studies courses, see tri-university rules for details.

2) Faculty eligibilty was determined in accordance with the tri-university eligibility rules.

NORTHERN ARIZONA UNIVERSITY
INTERNAL TIP ELIGIBILITY RULES: FACULTY SCHEDULED CLASS UNITS REPORT
SPRING SEMESTER 2000

All Fund Sources

Instructional Course Credits Taught

Faculty Type	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	AVG	21+	AVG	Total
Regent Professor		1	2	3		2	5	1		1												4.67	0	4.67	15
Professor	2	1	1	10	7	7	29	9	7	39	6	7	5	3	2	4	1		2	1		7.94	2	8.12	145
Associate Professor	2		3	5	11	10	45	19	13	53	7	7	11	5	3	7	2	2	1			8.13	4	8.37	210
Assistant Professor			2	13	7	6	33	15	10	30	9	7	11	1	1	5	1		4	1	1	8.17	3	8.41	160
Total	4	2	8	31	25	25	112	44	30	123	22	21	27	9	6	16	4	2	7	2	1	7.99	9	8.21	530

Notes:

1) Faculty eligibility was determined in the same manner as for the external analysis.
2) Course credits were counted as regular credits plus 1/7 of independent study student credit hours. See tri-university rules for details.
3) Some Teacher education classes were calculated using a CEE credit hour formula.

Office of the Senior Vice President
for Academic Affairs and Provost

THE UNIVERSITY OF
ARIZONA®
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ARIZONA BOARD OF REGENTS
AUG 30 2000

DATE: **August 30, 2000**

TO: **Arizona Joint Legislative Budget Committee Staff**

FROM: **George Davis, Sr. Vice President and Provost**

RE: **Data on Credit Bearing Instruction by Ranked Faculty**

Attached find The University of Arizona's data on credit bearing instruction by ranked faculty for Fall 1998 and Spring 1999. As requested by the JLBC staff, these data are formatted in the same manner as in previous such reports.

The data are organized in two stages:

- Stage 1 includes regularly scheduled courses only.
- Stage 2 includes regularly scheduled courses together with independent study courses. In compliance with Arizona Board of Regents standards, the independent study courses have been discounted at a ratio of 7:1, so that 7 registered units of independent study equal 1 teaching credit.

As in previous years, the numbers shown in the report are for The University of Arizona Main Campus only, excluding the College of Medicine. Because of state and federal requirements, the College of Agriculture data are presented separately. The reports show faculty headcount by rank and the number of units taught.

Please do not hesitate to call if there are any questions on this report.

xc: Peter Likins
Linda Blessing

The University of Arizona

Stage I: Regularly Scheduled Courses Only

Faculty Headcount by Rank and Number of Units Taught

Fall 1999

Excludes College of Agriculture and College of Medicine

	<1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	21+	Total
	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n
Assistant Professor	17	9	5	47	13	12	82	11	2	11	3	4	4	1	1	2		1	2		1	228
Associate Professor	25	8	14	47	14	19	93	20	13	25	4	2	6	1	2	2	1			3	2	301
Professor	57	13	22	115	22	29	135	17	19	26	5	3	8		3	3		3	1	2	2	485
Total	99	30	41	209	49	60	310	48	34	62	12	9	18	2	6	7	1	4	3	5	5	1,014

Note: Excludes Administrators, Department Heads, Non-Benefits Eligible and Sabbaticals.

The University of Arizona

Stage II: Regularly Scheduled & Independent Courses

Faculty Headcount by Rank and Number of Units Taught

Fall 1999

Excludes College of Agriculture and College of Medicine

	<1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n
Assistant Professor	10	11	7	36	22	12	62	26	11	9	6	3	3	3		2	1		2	1		1	228
Associate Professor	15	9	11	38	19	21	67	40	27	22	12	3	4	2	3	2	1			3		2	301
Professor	36	24	23	76	42	34	111	41	33	17	13	9	12		1	2	2	4		2	1	2	485
Total	61	44	41	150	83	67	240	107	71	48	31	15	19	5	4	6	4	4	2	6	1	5	1,014

Note: Excludes Administrators, Department Heads, Non-Benefits Eligible and Sabbaticals.

The University of Arizona

Stage I: Regularly Scheduled Courses Only

Faculty Headcount by Rank and Number of Units Taught

Spring 2000

Excludes College of Agriculture and College of Medicine

	<1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n
Assistant Professor	32	4	9	50	17	21	65	5	5	14	3		5	1		2		1			1	1	236
Associate Professor	26	10	10	67	14	23	82	14	5	20	5	4	6		5	2	1	1		1		3	299
Professor	56	20	21	122	30	28	112	14	14	16	7	6	7	1	1	1	2	3	2	2	1	1	467
Total	114	34	40	239	61	72	259	33	24	50	15	10	18	2	6	5	3	5	2	3	2	5	1,002

Note: Excludes Administrators, Department Heads, Non-Benefits Eligible and Sabbaticals.

The University of Arizona

Stage II: Regularly Scheduled & Independent Courses

Faculty Headcount by Rank and Number of Units Taught

Spring 2000

Excludes College of Agriculture and College of Medicine

	<1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+	Total
	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n
Assistant Professor	23	8	8	34	28	23	55	17	7	18	2	2	2	4		1	1	1			1	1	236
Associate Professor	20	8	10	50	20	26	70	23	14	20	8	7	5	5	4	2	1	2		1		3	299
Professor	36	24	22	86	46	35	88	37	27	24	9	6	9	3	3		2	3	3	1	2	1	467
Total	79	40	40	170	94	84	213	77	48	62	19	15	16	12	7	3	4	6	3	2	3	5	1,002

Note: Excludes Administrators, Department Heads, Non-Benefits Eligible and Sabbaticals.

The University of Arizona

Stage I: Regularly Scheduled Courses Only

Faculty Headcount by Rank and Number of Units Taught

Fall 1999

College of Agriculture Only

	<1	1	2	3	4	5	6	7	8	9	10	17	Total
	n	n	n	n	n	n	n	n	n	n	n	n	n
Assistant Professor	3	1	2	9	1	3	1			1			21
Associate Professor	12	1	2	15	5	4	4	4		3	1	1	52
Professor	20	8	5	11	4		7	2	1	1			59
Total	35	10	9	35	10	7	12	6	1	5	1	1	132

Note: Excludes Administrators, Department Heads, Non-Benefits Eligible and Sabbaticals.

The University of Arizona

Stage II: Regularly Scheduled & Independent Courses

Faculty Headcount by Rank and Number of Units Taught

Fall 1999

College of Agriculture Only

	<1	1	2	3	4	5	6	7	8	9	10	11	13	18	Total
	n	n	n	n	n	n	n	n	n	n	n	n	n	n	n
Assistant Professor	2	1	3	1	5	4	2			2	1				21
Associate Professor	5	2	3	11	4	5	10	2	2	2	3	1	1	1	52
Professor	10	8	6	7	9	5	4	1	4	2	3				59
Total	17	11	12	19	18	14	16	3	6	6	7	1	1	1	132

Note: Excludes Administrators, Department Heads, Non-Benefits Eligible and Sabbaticals.

The University of Arizona

Stage I: Regularly Scheduled Courses Only

Faculty Headcount by Rank and Number of Units Taught

Spring 2000

College of Agriculture Only

	<1	1	2	3	4	5	6	7	8	9	10	12	15	Total
	n	n	n	n	n	n	n	n	n	n	n	n	n	n
Assistant Professor	2	1	5	4	2	2	3	2						21
Associate Professor	13	5	4	7	6	4	6	4			1	1	1	52
Professor	21	4	4	20	5	1	3	1	1	1				61
Total	36	10	13	31	13	7	12	7	1	1	1	1	1	134

Note: Excludes Administrators, Department Heads, Non-Benefits Eligible and Sabbaticals.

The University of Arizona

Stage II: Regularly Scheduled & Independent Courses

Faculty Headcount by Rank and Number of Units Taught

Spring 2000

College of Agriculture Only

	<1	1	2	3	4	5	6	7	8	9	10	15	16	Total
	n	n	n	n	n	n	n	n	n	n	n	n	n	n
Assistant Professor	2		3	3	2	4	2		4	1				21
Associate Professor	7	3	6	8	3	6	6	1	4	4	1	2	1	52
Professor	12	8	1	9	11	8	8		1	3				61
Total	21	11	10	20	16	18	16	1	9	8	1	2	1	134

Note: Excludes Administrators, Department Heads, Non-Benefits Eligible and Sabbaticals.

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: September 7, 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 HIGHWAY MAINTENANCE LEVELS OF SERVICE

Request

The Arizona Department of Transportation (ADOT) is presenting its report on Highway Maintenance levels of service, which was due August 31, 2000.

Recommendation

This report is for information only and no Committee action is required. The report indicates that the levels of service improved for the 4 categories of Highway Maintenance which received additional funding in FY 1999. Focusing attention on Highway Maintenance levels of service has increased ADOT's awareness and has helped ADOT to improve in this area, but more work remains to be done. ADOT needs to continue refining its Highway Maintenance level of service performance measurements. ADOT has reported verbally that they cannot yet tie Highway Maintenance funding levels to levels of service, but they believe that they will be able to begin using such ties in their FY 2004 and FY 2005 biennial budget request two years from now.

Analysis

Highway Maintenance levels of service refers to the percentage of roads statewide that meet ADOT's minimum acceptable standards for 9 categories of Highway Maintenance (pavements, traffic safety, shoulders, roadside, drainage, landscape, snow & ice, vegetation, and rest areas). To make level of service a truly viable budgetary performance measure and to begin increasing the level of service of Highway Maintenance statewide, ADOT was appropriated $1,000,000 from the State Highway Fund in FY 2000 and $2,000,000 in FY 2001. A 1999 General Appropriation Act footnote requires ADOT to report to the Committee by August 31, 2000 and 2001 on the current levels of service for each of the 9 categories of Highway Maintenance. The reports are required to include the results of the additional funding, and an explanation of ADOT's progress in improving its assessment of levels of service and of assigning costs to different levels of service.

(Continued)

After receiving training, personnel in ADOT's 9 maintenance district offices are asked to evaluate the 9 maintenance categories on a pass/fail basis using quantitative standards. For example, Pavement is evaluated by the number of cracks in the roadway, and surface roughness. A review of their results is provided by Highway Maintenance management. This past year ADOT refined some of its standards and level of service data. For instance, ADOT decided to raise their pass/fail criteria for their minimum acceptable standard for Pavements. This caused ADOT to restate the level of service for Pavements in FY 1999 from the 93% reported last year to 72% meeting ADOT's current higher minimum standard for Pavements.

ADOT used its $1,000,000 of funding for FY 2000 to improve safety (Traffic Safety and Shoulders) and in areas of high visibility (Landscape and Snow & Ice). Traffic Safety, which includes signs and striping, received $750,000 and improved from 65% in FY 1999 to 94% in FY 2000. ADOT used $100,000 to improve Shoulders drop-offs, which improved fractionally within the 91% range. ADOT discovered that the reason Shoulders did not improve more, was because the maintenance management costing system had overstated how many miles of Shoulders could be repaired for a given amount of money. Focusing attention on levels of service has increased ADOT's awareness and has helped ADOT to improve in this area. Landscape, which covers the Phoenix and Tucson areas, received $100,000 and improved from 58% in FY 1999 to 88% in FY 2000. ADOT used the $50,000 for Snow & Ice to establish the 65% level of service based on a targeted study in the White Mountains. The following table summarizes ADOT's results for FY 2000.

Highway Maintenance Levels of Service for FY 1999 & FY 2000

Category	FY 1999 % Meeting Minimum Standards	FY 2000 Distribution of $1,000,000	FY 2000 % Goal	FY 2000 Actual % Meeting Minimum Standards
Pavements	72%			70%
Traffic Safety	65%	$ 750,000	84%	94%
Shoulders	91%	$ 100,000	91%	91%
Roadside	97%			95%
Drainage	94%			90%
Landscape	58%	$ 100,000	64%	88%
Snow & Ice	----	$50,000	----	65%
Vegetation	77%			83%
Rest Areas	97%			94%
Total	**80%** 1/	**$1,000,000**		**86%**

1/ Total is calculated using 65% for the Snow & Ice category, which ADOT did not determine until FY 2000.

ADOT chose to use $1,050,000 of their $2,000,000 of funding for FY 2001 in the same 4 categories as the previous year in order to equalize the level of service between districts, and to use the remaining $750,000 to improve Drainage and $200,000 to improve Roadside (barriers, fencing and guardrails). With this money ADOT will target several sub-categories for Drainage and Roadside that are low in particular districts to raise these sub-categories to 90%. ADOT did not choose to increase funding for Pavements, because they believe that Pavements is in generally good shape and a small amount of money will not significantly improve the Pavements level of service. ADOT increased Snow & Ice from $50,000 in FY 1999 to $150,000 in FY 2000 in order to expand the targeted study area to include both the White Mountains and Flagstaff and to refine their standard of measurement for Snow & Ice. The following table summarizes ADOT's distribution of the $2,000,000 appropriated for FY 2001, and their respective percentage goals for each category.

(Continued)

Highway Maintenance Levels of Service for FY 2000 & FY 2001

Category	**FY 2000 % Meeting Minimum Standards**	**FY 2001 Distribution of $2,000,000**	**FY 2001 % Goal**
Pavements	70%		
Traffic Safety	94%	$ 50,000	95%
Shoulders	91%	$ 750,000	94%
Roadside	95%	$ 200,000	96%
Drainage	90%	$ 750,000	94%
Landscape	88%	$ 100,000	91%
Snow & Ice	65%	$ 150,000	70%
Vegetation	83%		
Rest Areas	94%		
Total	**86%**	**$2,000,000**	

During the summer of 1998, ADOT began attempting to develop performance measures for Highway Maintenance, which would directly tie different funding levels to the quantities and quality of maintenance to be delivered. At that time, ADOT contracted with a private vendor to assess public perception of Arizona's highway maintenance program. The analysis indicated that Arizona residents are generally satisfied with current maintenance efforts and rated ADOT maintenance as better than maintenance by local jurisdictions and equal to or better than maintenance by other states. On a scale of 5 for "very poorly maintained" to 1 for "very well maintained," the public's rating for 9 categories averaged 2.3 (paved surfaces, roadside, traffic control, drainage, snow and ice, shoulder, rest area, vegetation, and landscape), while the public's desired level of maintenance averaged 1.7. ADOT has reported verbally that they might reassess public perception of Arizona's highway maintenance program during FY 2002.

As the State moves toward program budgeting, we would like to make level of service a truly viable budgetary performance measure, which relates levels of funding to different levels of service. This would allow the Legislature to make policy decisions regarding Highway Maintenance funding levels based on projected levels of service for given funding levels. While focusing attention on Highway Maintenance levels of service has increased ADOT's awareness and has helped ADOT to improve in this area, more work remains to be done. ADOT needs to continue refining its Highway Maintenance level of service performance measurements, and also needs to tie funding levels to levels of service. ADOT has reported verbally that they cannot yet tie Highway Maintenance funding levels to levels of service, but they believe that they will be able to begin using such ties in their FY 2004 and FY 2005 biennial budget request two years from now.

No Committee action is required.

RS:BH:jb

BOB HULL

Arizona Department of Transportation

Central Maintenance Office

206 S. 17th Ave. Mail Drop 176A Phoenix, Arizona 85007

Phone 602.712.7410 Fax 602.712.6745

ADOT

Jane Dee Hull
Governor

Mary E. Peters
Director

Dick Wright
State Engineer

August 31, 2000

RECEIVED
AUG 31 2000
JOINT BUDGET COMMITTEE

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

Dear Mr. Stavneak,

Enclosed please find the Arizona Department of Transportation's report on the Maintenance Subprogram's Level of Service Project.

The report marks the second measurement year and the results of the Level of Service funding for the fiscal year ending June 30, 2000. The report also identifies the funding allocation for fiscal year 2001 and the target level of service from the funding.

If you or any member of your staff have any questions please do not hesitate to contact me at 712-7949 or the department's Strategic Planning and Budgeting office, David Jankofsky, manager, at 712 8981.

Sincerely,

James E. Dorre

James E. Dorre
Maintenance Group Administrator

Enclosure

cc: Thomas Betlach, OSPB

In 1995/1996 the Arizona Department of Transportation Maintenance program was the subject of a Program Authorization Review. One of the major findings of the review was the inability to benchmark maintenance on the Arizona State highway system with similar programs in other states. In June of 2000, Arizona hosted a workshop on Commonly Recognized Maintenance Measures sponsored by the American Association of State Highway and Transportation Officials, AASHTO. The purpose of the workshop was to determine if other states were measuring similar features of their highway systems. Six areas were discussed at the workshop attended by 25 states and similar features were now being measured by the states.

For FY 00 the Arizona Department of Transportation received $1 million to improve the condition of the Arizona highway system maintained by ADOT. Nine areas are annually measured by ADOT.

MEASURE	FY 99	TARGET FOR FY 00	FY 00	TARGET FOR FY 01
PAVEMENT *	72%	--	70%	--
SHOULDERS	91%	91%	91%	94%
ROADSIDE	97%	--	95%	96%
DRAINAGE	94%	--	90%	94%
LANDSCAPE	58%	64%	88%	91%
TRAFFIC SAFETY	65%	84%	94%	95%
VEGETATION	77%	--	83%	--
REST AREAS	97%	--	94%	--
SNOW & ICE	0%	--	65%	70%

* When the FY 99 and FY 00 measurements were reviewed an error was detected in the thresholds for the sub categories. The FY 99 Pavement numbers are corrected from the 93% reported previously.

The allocated $1M funding was applied as follows:

Traffic Safety-	$750,000
Shoulders **-	$100,000
Landscape-	$100,000
Snow and Ice **-	$ 50,000

** For Shoulders, a limited amount of funding was applied relative to the expected improvements to verify costs. For Snow and Ice, a limited funding was applied to help with the development of baseline measurements.

An analysis of the FY 00 measurements and the benefit of the $1 million funding indicates that Traffic Safety and Landscape had the greatest improvement for the funding applied. Shoulders moved within the 91% range, which was expected. The Pavement, Roadside, Drainage and Rest Area measurements show a decrease. Four explanations are offered. First, two measurements may not be sufficient to show the specific impact of funding but would begin to establish a trend. Second, the method for predicting the improvements vs. the funding, with the limited data and the assumptions necessary at this stage of the LOS development, need refinement. Third, except for Landscape which is only measured in the Phoenix and Tucson areas, the other measurements are statewide numbers which are influenced by many variables. Finally, the Districts that received the additional funding concentrated their attention to their target condition rating. The Vegetation increase can be attributed to the special Right of Way Vegetative Treatment funding that has been received for the last four years to improve clear zone and reduce animal-vehicle collisions. The Pavement decrease may be related to a reduction in the Pavement Preservation Program funding for FY 00.

One concern is the decrease in the areas not funded. Explanations for this could include a trend towards inadequate funding to maintain or hold the condition constant. We have also discovered a fluctuation in the quality of the measurements conducted in the individual District. Before the FY 00 measurements, each District received 4 hours of training on the proper procedures for measuring their condition. A central staff position has also been assigned to review the District measurements, both passing and failing samples, to establish consistency between Districts.

The public survey completed in 1998 indicated that the same level of service is expected in all parts of the state and the LOS funding is being used to balance the conditions statewide. As can be seen on the table above, some of the areas that decreased in condition will be targeted with the level of service funding which is $2M this fiscal year. Other areas will continue to be targeted to equalize the level of service in all districts. The $2M is distributed as follows:

Shoulders	$750,000
Roadside	$200,000
Drainage	$750,000
Landscape	$100,000
Traffic Safety	$ 50,000
Snow & Ice	$150,000

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DATE: September 7, 2000

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

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF TRANSPORTATION - REPORT ON MOTOR VEHICLE DIVISION - SPECIAL PROJECTS

Request

The Arizona Department of Transportation (ADOT) submits a report on the results of its FY 1999 Special Projects in the Motor Vehicle Division, which was due August 31, 2000.

Recommendation

This report is for information only and no Committee action is required. ADOT has had difficulty documenting and quantifying how much actual change in revenue might be due to any given special project. However, ADOT's special projects have helped the department to improve customer service and efficiency of the Motor Vehicle Division.

Analysis

Attached is ADOT's report to the Joint Legislative Budget Committee, as required by a footnote in the 1998 General Appropriation Act. It gives the status of each special project included in the FY 1999 appropriation for the Motor Vehicle Division. Special Projects are computer and enforcement enhancement projects, designed to increase vehicle registration and driver license revenues and compliance. The reports are designed to demonstrate that increased revenues exceed the costs of the projects. The footnote also required a report on these projects by August 31, 1999, which we presented to the Committee last year.

(Continued)

Last year we pointed out to the Committee several deficiencies with ADOT's report for FY 1999, including the following:

1) What ADOT had reported as "actual" accelerated and additional revenues for FY 1999 were not actual hard revenue numbers that could be verified. They were calculated estimates made by the department based on its assumptions for each project.
2) We questioned the viability of some of ADOT's assumptions and calculations. We also noted that ADOT's reported total revenue of $38,766,500 for FY 1999 included $16,830,400 of increased revenue and $21,936,100 of accelerated revenue from biennial registration (not additional revenue from the registration of more cars).
3) ADOT reported the approved amounts for each project instead of the actual expenditures as envisioned in the footnote because they had not tracked the costs by project.

The following table summarizes ADOT's reports for FY 1999 and FY 2000.

STATUS OF ADOT'S FY 1999 SPECIAL PROJECTS

		FY 1999 Revenue		FY 2000 Revenue	
Special Project	**Approved Cost**	**Estimate**	**Actual** [1/]	**Expenditures** [2/]	**Revenue**
Accelerated Revenue					
Biennial Registration Phase III	$ 105,000	$17,000,000	$ 21,936,100 [3/]	$ 0	$(4,541,900) [4/]
Additional Revenue					
Registration Compliance	$1,232,000	$16,848,000	$11,741,900	$ 400,000	$ 0
Customer Based Driver License and Title & Registration Systems	1,689,000	305,000	211,800	1,060,000	(254,200) [5/]
Automated Vehicle Valuation	109,300	3,646,000	4,876,700	0	0
National Motor Vehicle Title Information System	262,000	112,000	0	150,000	0
Expansion of Service Alternatives	445,000	0	0	0	0
Subtotal	$3,737,300	$20,911,000	$16,830,400	$1,610,000	$(4,796,100)
Total	**$3,842,300**	**$37,911,000**	**$38,766,500**	**$1,610,000**	**$(4,796,100)**

1/ ADOT's calculated estimate based on their assumptions.
2/ Carry-over balances from FY 1999 for one-time computer programming costs, which did not revert until June 30, 2000 in accordance with a FY 1999 General Appropriation Act footnote.
3/ This $21,936,100 of accelerated revenue from FY 2000 into FY 1999, needs to be partially offset in FY 1999 by a total decreased revenue of $(10,900,000) due to Phase II of Biennial Registration, including decreases of $(10,000,000) of revenue accelerated from FY 1999 into FY 1998, and $(900,000) of second year $8 transaction fees not paid in FY 1999.
4/ ADOT will lose $(4,541,900) of revenue annually beginning in FY 2000 by not collecting the $8 transaction fee and $0.33 postage fee in the second year of registration for half of the 1,090,500 biennially registered vehicles each fiscal year.
5/ Reflects the decreased amount of bad checks collected in FY 2000 compared to FY 1999.

Here is a brief description of each of the six special projects:

- Biennial Registration/Phase III - Accelerates a portion of vehicle registration revenue into the prior fiscal year by allowing certain vehicles to be registered for two years instead of for one year. This also reduces the customer service workload and the number of annual vehicle registrations. Thus, any revenue increase which is accelerated into a given year is a revenue decrease by the same amount in the following year. Since Biennial Registration was fully implemented in August 1999, ADOT reports that the revenue acceleration effect has been completely accounted for.

(Continued)

- With 1,090,500 vehicles now registered biennially, ADOT will lose $(4,541,900) of revenue annually beginning in FY 2000, by not collecting the $8 transaction fee and $0.33 postage fee in the second year of registration for half of the 1,090,500 biennially registered vehicles each fiscal year.
- Registration Compliance - Additional revenue resulting from several initiatives to locate and register unregistered vehicles. Registration compliance includes following-up on items such as on citizen complaints, internal leads from mandatory insurance, exchanges of out-of-state drivers licenses for an Arizona driver's license, and conducting sweeps of business parking lots. ADOT reports that they have completed computer programming enhancements, but no significant additional revenue has been generated due to the Governor's veto of special projects in FY 2000 and FY 2001, which included $1,310,000 and 36 FTE Positions for registration enforcement.
- Customer Based Driver License and Title and Registration Systems - Various projects to link separate Motor Vehicle Division customer databases. Additional or decreased revenue reported here is the increased or decreased amount of bad checks collected compared to the prior fiscal year. This project did not generate any additional revenues in FY 2000.
- Automated Vehicle Valuation - Uses list prices based on vehicle identification numbers to register vehicles. Additional revenue for FY 1999 was based on correcting existing incorrect list prices. The list prices are now updated quarterly and entered directly from the database so that newly registered vehicles are valued correctly. This project did not generate any additional revenues in FY 2000.
- National Motor Vehicle Title Information System - Uses a national database to check vehicle histories. No additional revenue has occurred yet since the customer inquiry function will not be available until December 2000.
- Expansion of Service Alternatives - ADOT discusses its increased use of third parties and electronic alternatives, such as interactive voice response and the Internet, to reduce its customer service workload. No additional revenue is associated with this project.

The total revenue decrease of $(4,796,100) for FY 2000 shown in the summary table needs to be considered in conjunction with the $38,766,500 of accelerated and increased revenue reported for FY 1999. In addition, $(4,541,900) of this total decrease is due to foregone vehicle registration transaction and postage fees associated with a workload decrease of 545,250 fewer annual vehicle registration renewals due to biennial registration.

The 1999 General Appropriation Act included $8,538,400 in each of FY 2000 and FY 2001 for 13 special projects in the Motor Vehicle Division's lump sum budget. The Governor line item vetoed the administrative footnotes associated with the special projects, which had the effect of eliminating this funding. ADOT reports that monies spent in FY 2000 on special projects were carry-over balances from FY 1999 for one-time computer programming costs, which did not revert until June 30, 2000 in accordance with a 1998 General Appropriation Act footnote.

ADOT has had difficulty documenting and quantifying how much actual change in revenue might be due to any given special project. However, ADOT's special projects have helped the department to improve customer service and efficiency of the Motor Vehicle Division.

No Committee action is required.

RS:BH:jb

Arizona Department of Transportation

MEMORANDUM

ADOT

To: Richard Stavneak Director Joint Legislative Budget Committee	**Date:** August 31, 2000
From: Mary E. Peters Director Arizona Department of Transportation	**Subject:** H.B. 2001: General Appropriations Act Footnote (#4): Special Projects

Pursuant to House Bill 2001 and in accordance with the requirements established in the Special Projects Line Item for the Motor Vehicle Division, Footnote # 4, of the Fiscal Year 1999 General Appropriations Act, the attached report provides the status of each special project. Included in this report are the dollar amounts of one-time expenditures, operating expenditures and reversions for each special project, a project implementation date, the Department's methods of calculating additional revenue received and any cost savings derived from each project, and the realized benefit to the State, both in additional revenue and cost savings derived from each project.

If you have any questions, please call David Jankofsky, Manager, Office of Strategic Planning and Budget, at 712 - 8981, or Stacey Stanton, Director, Motor Vehicle Division, at 712 – 8152.

Cc: Thomas Betlach, Director, OSPB
Marcel Benberou, OSPB
Bob Hull, Fiscal Analyst, JLBC
David Jankofsky, ADOT
Stacey Stanton, Director, MVD
John Bogert, Chief of Staff, ADOT

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Attachment

Arizona Department of Transportation

MEMORANDUM

To: Mary Peters Director Arizona Department of Transportation	**Date:** August 31, 2000
From: Stacey K. Stanton QH for SKS Division Director Motor Vehicle Division	**Subject:** H.B. 2001: General Appropriation Act Footnote (#4): Special Projects Line

According to General Appropriation Act footnote (#4): Special Projects Special Line, "The department shall report to the Joint Legislative Budget Committee not later than August 31, 1999 and August 31, 2000, as to the status of each special project included in the Special Projects Special Line. Included in the report will be the dollar amount of one-time expenditures, operating expenditures and reversions, for each special project, a project implementation date, the department's methods of calculating additional revenue received from each project, the department's method of calculating any cost savings derived from each project, and the realized benefit to the state, both in additional revenue and cost savings, derived from each project."

In FY 1999, the Special Projects line item consisted of the following:

1. Biennial Registration, Phase III
2. Registration Compliance
3. Customer Based Driver's License and Title Registration System
4. Automated Vehicle Valuation System
5. National Motor Vehicle Title Information System (NMVTIS)
6. Expansion of Third Parties

The Legislature did appropriate $8.5 million for Special Projects in the FY 2000 budget process. However, this funding was line-item vetoed by the Governor. Dollars spent in FY 2000 on specific Special Projects were the carry over balances from FY 1999 as follows:

1. Registration Compliance - $400,000
2. Customer Based Driver's License and Title Registration System - $1,060,000
3. National Motor Vehicle Title Information System (NMVTIS) - $150,000

The following narratives address the information requested in General Appropriation Act footnote (#4).

1. Biennial Registration, Phase III

Description:
Biennial Registration allows customers to register their vehicles for a two year period. The purpose of biennial registration is to improve customer service through reduction of customer registration requirements; reduce the number of customer interactions with the Motor Vehicle Division (MVD) resulting in a workload decrease; and increase revenue for the State of Arizona. Vehicles that qualify for biennial registration are those that do not require an annual emissions test and are not proportionally registered.

One-Time Expenditures, Operating Expenditures and Reversions:
No monies were spent specifically on Biennial Registration in FY 2000. However, the Department was required to implement an 81/2" by 11" registration with both one and two year fees printed if applicable. By doing this, Biennial Registration was fully implemented rather than being completed in phases.

Project Implementation Date:
This project was implemented in three phases. The first phase, changing the Vehicle License Tax (VLT) qualifying threshold, was implemented on September 1, 1998. The "Take Two" program (Phase II) for newly liened and leased vehicles was implemented on January 1, 1999. The biennial registration program was fully implemented with the VLT change in August of 1999 (Phase III). This change required MVD to print one year and two year fees for all vehicles that qualified for biennial registration. Therefore, the original method of implementing vehicles in ranges was changed.

Methodology For Calculating Additional Revenue:
No additional revenue identified in FY 2000.

Methodology For Calculating Any Cost Savings:
No cost savings identified.

Realized Benefits to the State:
a) Additional Revenue
No additional revenue identified.

b) Cost Savings
No cost savings identified.

c) Other
FY2000 Totals – Number of Vehicles Registered Biennially By VLT Range

VLT Range =	01 to 10.00	Vehicle Count = 1,878
VLT Range =	10.01 to 50.00	Vehicle Count = 505,933
VLT Range =	50.01 to 75.00	Vehicle Count = 109,365
VLT Range =	75.01 to 100.00	Vehicle Count = 67,943
VLT Range =	100.01 to 250.00	Vehicle Count = 230,489
VLT Range =	250.01 to 500.00	Vehicle Count = 109,226
VLT Range =	500.01+	Vehicle Count = 65,650
		Total = 1,090,484

Over 1,090,000 vehicles are now registered biennially which has reduced the number of renewal transactions processed each year by approximately 545,000 and has also reduced office visits and the renew by mail volume.

Cumulatively, 1.09 million citizens of Arizona using Biennial Registration have saved over $9 million per two year registration period, which is calculated as indicated.

$8.00 registration fee not paid for second year - $8 x	1.09 million	=	8,720,000
$0.33 not paid to Division for postage fee in second year - $ .33 x	1.09 million	=	359,700
			$9,079,700

2. Registration Compliance

Description:
Generally, some Arizona citizens avoid registering their vehicle for a number of reasons including: cost, the vehicle is not insured, or it fails the emissions test. Two major problems result when citizens do not register their vehicle. First, there is a loss of revenue to the State because the Vehicle License Tax and registration fees are collected at the time of registration. Second, a reduction in enforcement and insurance compliance programs results.

MVD is involved on numerous fronts to increase the registration compliance rate. This effort is dependent on development and implementation of a central customer database.

One-Time Expenditures, Operating Expenditures and Reversions:

Estimated Cost:	$1,732,000
Less:	
One-Time expenditures – FY 1999	832,000
One-Time expenditures – FY 2000	400,000
Reversion	$ 500,000

Project Implementation Date:
Enhancements to the registration compliance program were implemented November 1, 1998. However, due to lack of new funding in FY 2000, automated passive registration compliance activities have been stopped.

Methodology For Calculating Additional Revenue:
No additional revenue identified in FY 2000.

Methodology For Calculating Any Cost Savings:
No cost savings identified.

Realized Benefits to the State:
a) Additional Revenue
No additional revenue in FY 2000.

b) Cost Savings
No cost savings identified.

c) Other

3. Customer Based D/L & T/R Systems

Description:
To conduct its business with Arizonans, MVD currently has seven separate and distinct automated systems. They are as follows: Title and Registration, Drivers License, Mobile Homes, Abandoned Vehicles, Mandatory Insurance, Dealers, Tax and Revenue Group Automated Tracking System (TARGATS) .

These seven systems independently store the same customer information. Storing redundant data is costly in terms of physical storage requirements and research required to validate relationships between these systems. There are many MVD business activities that require the systems be tied or "linked." The Customer Database allows for the "linking" of these databases which will enable more effective and efficient record matching. This increase in efficiency of record matching allows for certain revenue enhancement programs.

Registration Compliance Passive Enforcement

The central Customer Database is mandatory for the passive Registration Compliance program. It allows MVD to effectively link customers to the vehicles they own.

Non Sufficient Fund (NSF) Check Collection (Dishonored Check Recovery)

If an NSF check is written by a citizen to pay for titling and registration, the current procedure is to place a "hold" in any of the applicable systems to prevent future titling and registration on any of the other vehicles a citizen may own. This can be a time consumptive and inefficient process. Instead, if a "hold" is placed in a central Customer Database, the process becomes less time consuming and more efficient.

One-Time Expenditures, Operating Expenditures and Reversions:

Estimated Cost:	$1,689,000
Less: One-Time expenditures – FY 1999	629,000
One-Time expenditures – FY 2000	1,060,000
Reversion	-0-

Project Implementation Date:
The goal of this effort is to redesign all MVD systems with the customer as the focal point while minimizing the possibility of a service interruption. The system will not be converted via one major implementation, but in small manageable, low impact steps. Each step will focus on a specific subset of applications and specific areas within these applications. Each group of enhancements is organized so that all business not related to that particular enhancement remains unchanged. The purpose of the small manageable parts is to be able to deliver enhancements to MVD soon and often.

The main revenue enhancement phase of Customer Database was implemented on April 1, 1999. Screen and field size changes to the D/L system were implemented in December, 1999. Screen and field size changes to T/R system are scheduled to be implemented September 3rd, 2000.

Methodology For Calculating Additional Revenue:
The measurement for Customer Based D/L and T/R Systems is based on Dishonored Check Recovery (DCK) or (Non Sufficient Fund) revenue. Revenue loss or gain is based on comparisons of FY 2000 to FY 1999 collections.

Methodology For Calculating Any Cost Savings:
No cost savings identified.

Realized Benefits to the State:

a) Additional Revenue
Revenue collected under Customer Based D/L and T/R Systems was approximately $254,200 less in FY 2000 than in FY 1999, computed as indicated. Because of the nature of bad check collections, there can be significant delays in terms of revenue recovery.

Amount DCK revenue – FY 2000	$1,112,500
Less: Amount DCK revenue collected – FY 1999	1,366,700
Difference -	$ (254,200)

b) Cost Savings
No cost savings identified.

c) Other
This enhancement has always been primarily an efficiency and data accuracy measure rather than a revenue generator. Benefits that MVD has obtained with the Customer Database include:

- Accuracy of Data - The Customer Database will allow a Customer Service Representative (CSR) to enter a customer number and then let the system default populate the rest of the screen with the name and address.
- Reduction in Keystrokes - The CSR will be entering less data with the Customer Database.
- Reduction in Transaction Time – The Customer Database changes allow for such improvements such as automatic AKA generation which will save the CSR time on every new driver transaction.
- Enable Electronic Service Delivery – The integrated Customer Database will allow for more possibilities of services provided by alternative service delivery methods.
- Name Search/Soundex –This will allow name searches to be more forgiving and allow users not to have an "exact" match.
- Enable Accurate Address Change for Customers

4. Automated Vehicle Valuation System

Description:
This project will result in development of enhancements to the Automated Vehicle Valuation System (AVVS) which is integrated into the Title and Registration system. AVVS utilizes a Vehicle Identification Number (VIN) edit package which provides list price information from the National Automobile Dealers Association. AVVS is designed to improve data consistency, reduce data entry errors and keystrokes, and increase revenues.

One-Time Expenditures, Operating Expenditures and Reversions:
No additional funding received for this project in FY 2000.

Project Implementation Date:
Enhancements to AVVS were implemented on August 1, 1998. Quarterly updates to the manufacturer information are loaded into the Title and Registration System. This project was implemented without additional funding.

Methodology For Calculating Additional Revenue:
For FY 2000, MVD is unable to collect the number of registrations. For the FY 1999 calculation, this number came from Registration Compliance activities.

Methodology For Calculating Any Cost Savings:
No cost savings identified.

Realized Benefits to the State:
a) Additional Revenue
No additional revenue identified.

b) Cost Savings
No cost savings identified.

c) Other
Over 600,000 records are added to the Title and Registration System each year. Every record is checked for consistency and the vehicle model, make, factory list price, fuel, and other information is automatically entered for each record. This reduces the amount of keystrokes that the CSR has to input per transaction.

5. National Motor Vehicle Title Information System (NMVTIS)

Description:
NMVTIS is a federally funded program which will:

- Reduce titling of stolen vehicles; title and odometer fraud; vehicle fraud by identifying all brands ever assigned to a VIN; and fraudulent insurance claims due to brand information
- Increase the accuracy of title and vehicle data and provide vehicle purchase information including vehicle history, condition, safety and title validity.

User information available from this system includes the following data: registration and title, brand history, detailed vehicle and stolen records.

In FY 1998, MVD received a $300,000 grant from AAMVAnet for development of the Prospective Purchaser Inquiry (PPI) function of the project. This function will allow a prospective buyer to review the history of the vehicle based on review of a new motor vehicle title record.

One-Time Expenditures, Operating Expenditures and Reversions:

Estimated Cost:	$ 262,000
Less: One-Time expenditures – FY 1999:	112,000
One-Time expenditures – FY 2000:	150,000
Reversion	-0-

Project Implementation Date:
The PPI function, which is the mechanism to realize revenue for this project, will not be available until December of 2000 due to changes in partners, delays in business decisions, and other unforeseen external issues. Other portions of NMVTIS have been implemented including processes to receive and automatically reply to other states' title and registration inquires/update requests. NMVTIS will be fully implemented minus the PPI on September 3rd, 2000.

Methodology For Calculating Additional Revenue:
MVD will measure the number of sales of a new motor vehicle title record multiplied by the cost of the new motor vehicle title record (This portion of the project is scheduled for implementation in December of 2000).

Methodology For Calculating Any Cost Savings:
No cost savings identified.

Realized Benefits to the State:

a) Additional Revenue
No additional revenue identified.

b) Cost Savings
No cost savings identified.

c) Other
From June 1, 1999 to August 26, 1999, MVD received 528 stolen vehicle "hits" (a positive response from the national database indicating stolen) that were pursued further. For FY 2000, MVD had a total of 5,855 stolen vehicle "hits".

6. Expansion of Third Parties

Description:
The Motor Vehicle Division uses third parties to increase customer service through enhancement of service delivery to reduce workload and wait times.

Third parties provide the citizens of Arizona an alternative method for performing the following motor vehicle services: registration renewals, title and registrations; identification card, driver license application and endorsement processing; operator, motorcycle and commercial driver license skill tests; port pre-clearance, customer telephone calls, motor vehicle records, and level I vehicle inspections (excluding for bond title application, reconstructed/specially constructed vehicles, restored salvage, abandoned vehicles, operation of the law, form 97 and gray market vehicles).

One particular area of specialization a third party provides is electronic delivery, giving citizens of Arizona an alternative method for performing motor vehicle services. The three types of electronic service delivery methods are: 1) Internet, 2) Interactive Voice Response (IVR), and 3) ATM/Kiosk.

One-Time Expenditures, Operating Expenditures and Reversions:
No funding in FY 2000.

Project Implementation Date:
Expansion of the third party program is ongoing. New third parties were added to the motor vehicle system network each month during FY 1999. Enhancements to Service Arizona were made in November 1998. This enhancement only focused on title and registration transactions in FY 1999. The following chart shows the transactions for Service Arizona and the growth since inception in November of 1997.

IVR = Interactive Voice Response; Web = Internet

MONTH	IVR	WEB		TOTAL
Jun 2000	17,152	15,608		32,760
May 2000	15,720	16,737		32,828
Apr 2000	13,716	14,561		28,277
Mar 2000	14,740	14,467		29,208
Feb 2000	13,144	12,023		25,265
Jan 2000	14,147	12,756		26,903
Dec 1999	14,228	11,331		25,559
Nov 1999	13,839	10,525		24,364
Oct 1999	15,018	11,142		26,160
Sep 1999	14,778	10,787		25,565
Aug 1999	16,527	10,970		27,497
Jul 1999	17,664	11,907		29,571
Jun 1999	16,622	10,102		26,724
May 1999	17,279	10,961		28,240
Apr 1999	14,867	8,194		23,061
Mar 1999	14,688	7,995		22,683
Feb 1999	11,820	6,516		18,336
Jan 1999	12,515	6,440		18,955
Dec 1998	15,592	3,894		19,486
Nov 1998	13,844	3,487		17,331
Oct 1998	11,013	2,116		13,129
Sep 1998	4,759	769		5,528
Aug 1998	4,918	838		5,756
Jul 1998	4,910	680		5,590
Jun 1998	4,364	623		4,987
May 1998	4,415	622		5,037
Apr 1998	3,760	471		4,231
Mar 1998	3,933	427		4,360
Feb 1998	3,113	287		3,400
Jan 1998	3,260	311		3,571
Dec 1997	3,949	149		4,098
Nov 1997	2,522	41		2,563

Methodology For Calculating Additional Revenue:
No additional revenues identified.

Methodology For Calculating Any Cost Savings:
No cost savings identified.

Realized Benefits to the State:
a) Additional Revenue
No additional revenue identified. The benefits came from the alternative service delivery which helped reduce MVD field office wait times and reduced MVD workload.

b) **Cost Savings**
No cost savings identified.

(c) Other
Title and registration transactions not performed in field offices increased by approximately 426,000 from FY 1999 to FY 2000 for a total of approximately 1,136,000. Third Parties and different types of electronic service delivery methods enable customers of Arizona to receive MVD services at non-traditional times.

Self-service terminals providing a link to the Internet have been operating since July 1999. However, electronic delivery had expanded to perform more vehicle renewals and offered this service 24 hours, 7 days a week.

MVD added an additional 12 third parties in FY 2000 that performed motor vehicle services. Sixty (60) third parties are currently performing work for the division.

Measurement of the impact on MVD workload is provided monthly by calculating the percentage of MVD business performed by third parties.

No additional funding was provided to expand third parties further.

U:fy2001/special projects footnote report.doc

STATE OF ARIZONA

Joint Legislative Budget Committee

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CHRISTINE WEASON

DATE: September 6, 2000

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

THRU: Richard Stavneak, Director

FROM: Beth Kohler, Fiscal Analyst

SUBJECT: DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS – REPORT ON CAMP NAVAJO FUND

Request

Pursuant to A.R.S. § 25-152(F), the Adjutant General of the Department of Emergency and Military Affairs (DEMA) is required to report by August 31 of each year on the activity in the Camp Navajo Fund.

Recommendation

This item is for information only and no Committee action is required. DEMA reports the fund received $7.2 million in revenues and interest earnings and expended $7.6 million in FY 2000. The fund balance at the end of FY 2000 was $6.5 million.

Analysis

A.R.S. § 25-152(F) requires the Adjutant General to report to the Governor, the Speaker of the House, the President of the Senate, and the JLBC by August 31 on the activity in the Camp Navajo Fund during the prior fiscal year. Camp Navajo, located near Flagstaff, serves as both a National Guard training site and a munitions storage area. The site currently stores munitions for the United States Navy, the United States Air Force, the Defense Logistics Agency, the Defense Intelligence Agency, and NASA.

The Camp Navajo Fund is non-appropriated and consists of monies from federal and other government sources that are received in exchange for storage and maintenance of munitions at

(Continued)

Camp Navajo. The fund also consists of interest earned on the investment of fund monies. These monies are used for the operation and maintenance of Camp Navajo, with expenditures for Personal Services, general operations, and capital projects.

The table below reflects FY 2000 revenues and expenditures for the Camp Navajo Fund.

Beginning Fund Balance	$ 6,894,700
Revenue	6,835,200
Interest Earnings	345,800
Total Revenue	$ 7,181,000
Total Available	$14,075,700
Expenditures	
Personal Services and ERE	$ 3,949,000
Other Operating Expenditures	2,342,600
Capital Expenditures	1,319,400
Total Expenditures	$ 7,611,000
Balance Forward [1/]	$ 6,464,700

1/ Capital expenditures of $3.4 million have been approved for FY 2001, which may substantially draw down the balance in FY 2001.

In FY 2000, the fund received a total of $7.2 million in revenue and interest earnings and expended $7.6 million. This reduced the fund balance by $0.4 million to $6.5 million at the end of FY 2000.

DEMA predicts that this fund balance will be reduced further as capital expenditures increase. Officials indicate that maintaining the Camp Navajo capital infrastructure is a high priority for the department and a main use for Camp Navajo Fund monies. As of July 13, 2000, Camp Navajo had $3.4 million in approved capital projects for FY 2001. Projects include a $1.5 million new Missions Complex, a $0.5 million water distribution system, and a $0.4 million waste water treatment plant.

It is not clear, however, whether the entire planned amount will be spent in FY 2001. The FY 1999 report indicated $3.6 million in approved capital projects for FY 2000, however, only $1.3 million was spent. DEMA officials indicate that the department typically does not complete all approved projects within a given year because total available revenue may not be sufficient to cover all projects. Given that the FY 2001 fund balance should be large enough to cover both operating expenditures and a majority of the approved capital projects, DEMA expects capital expenditures to increase this year.

RS/BK:ck

STATE OF ARIZONA
Department of Emergency And Military Affairs
5636 EAST McDOWELL ROAD
PHOENIX, ARIZONA 85008-3495
(602) 267-2700 DSN: 853-2700

JANE DEE HULL
GOVERNOR

THE ADJUTANT GENERAL
MAJ. GEN. DAVID P. RATACZAK
DIRECTOR

July 14, 2000

Reply to Attention of:
Office of the Adjutant General of Arizona

Honorable Jane Hull
Governor, State of Arizona
Executive Officer
1700 W. Washington Street
Phoenix, Arizona 85007

Dear Governor Hull,

1. Camp Navajo Fund. Summary of financial activity in the Camp Navajo Fund for the period July 1, 1999 through June 30, 2000 (as per compliance with Arizona Revised Statutes 26-152 (F)):

Cash Account:	
Beginning Cash Balance at July 1,1999	$ 532,655.71
Add: Receipts	6,835,176.59
Add: Transfers From the Investment Account	2,050,000.00
Less: Payroll Expenditures	(3,948,994.96)
Less: Operating Expenditures	(3,662,029.80)
Less: Transfers To the Investment Account	(1,500,000.00)
Ending Cash Balance at June 30, 2000	**$ 306,807.54**
Investment Account:	
Beginning Balance at July 1,1999	$ 6,362,025.08
Add: Deposits	1,500,000.00
Less: Withdrawals	(2,050,000.00)
Add: Earned Interest	345,819.18
Ending Balance at June 30, 2000	**$ 6,157,844.26**

2. Approved Capital Projects. As of July 13, 2000, the General Staff has approved the following Capital Projects:

1. Repair & Maintenance of Roads.	$ 250,000.00
2. Building Analysis of J-Standards	75,000.00
3. Prime Beef Supplies & Expenses.	100,000.00
4. New Missions Complex.	1,500,000.00
5. Waste Water Treatment Plant	400,000.00
6. Building #243 Refurbishment.	360,000.00
7. Repair Docks at Building #15.	100,000.00
8. GSA Warehouse Doors	125,000.00
9. Water Distribution System	500,000.00
Total Approved Capital Projects at June 30, 2000.	**$ 3,410,000.00**

3. Camp Navajo Organization. As of June 30, 2000, Camp Navajo has 99 State Employees in the areas of Administration, Facilities Management, Maintenance, Fire, Security, Logistics, Environmental and Rocket Motor Storage. Camp Navajo provides services to Department of Defense Agencies, such as, Space Missile Command and Air Launch Cruise Missile Program of the U.S. Air Force, Defense Logistics Agency, and the Strategic Systems Program of the U.S. Navy. As of June 30, 2000, Camp Navajo has 209 of 778 igloos in use for a 27% capacity.

David P. Rataczak

DAVID P. RATACZAK
Major General, AZARNG
The Adjutant General

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The President of the Senate
The Joint Legislative Budget Committee

STATE OF ARIZONA

Joint Legislative Budget Committee

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CHRISTINE WEASON

DATE: September 7, 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 LONG TERM CARE SYSTEM FUND FISCAL ISSUES

Request

Pursuant to a request made by the Committee at its May 16 meeting, the Department of Economic Security (DES) is presenting an update on issues related to fiscal control and future capitation rates for the Long Term Care (LTC) and Developmental Disabilities programs.

Recommendation

This item is for information only and no Committee action is required. DES indicates that it is working with the Arizona Health Care Cost Containment System (AHCCCS) to have a Federal Fiscal Year (FFY) 2001 capitation rate by November 1, 2000. If this timetable is met, it will be a significant improvement over prior years. The time and effort the two agencies are making by meeting biweekly on this issue may help in achieving this goal.

Regardless of the final decision on the capitation rate, DES appears to have a FY 2001 budget shortfall. In part, this shortfall is due to the excess FY 2000 costs not being fully funded in the FY 2001 budget. The ultimate size of the shortfall is yet to be determined and will depend on caseload and the level of federal capitation. DES' current high-side estimate of their unfunded General Fund supplemental is $4.9 million.

DES will present the Committee with another update on these issues on November 1. In addition, we request that DES provide information on the potential fiscal impact of its new Request for Proposal for boarding and habilitation costs in the November 1 update, rather than in late December as indicated in the attached report. Late December will be too late to incorporate the correct FY 2001 base expenditures in the development of the FY 2002-2003 budget.

(Continued)

Analysis

The LTC program is the federal Title XIX portion of DES' Division of Developmental Disabilities (DDD) program. AHCCCS contracts with DDD to provide services to developmentally disabled (DD) clients meeting specific developmental and financial eligibility requirements in AHCCCS' Arizona Long Term Care System (ALTCS). AHCCCS provides DDD a fixed capitation rate for each ALTCS client it serves; the required state match is appropriated in the DES budget. Rates set by AHCCCS are required to be actuarially sound, based on claims and encounter data.

At its May 16 meeting, the Committee reviewed an expenditure plan presented by DES for increased capitation rates in the LTC program and a transfer of monies from the Developmental Disabilities cost center to the LTC cost center to help pay for the plan. The transferred monies were to be used to match increased capitation rates for FFY 2000, to pay for FY 2000 expenditures in excess of the increased capitation rates, and to help pay outstanding FY 1999 LTC claims.

Although the Committee gave favorable reviews to both the expenditure plan and the funding transfer, it requested this update from DES because of concerns raised by JLBC Staff in its memorandum for the May 16 meeting. Two concerns in particular raised questions about DES' ability to control expenditures in this program. The first concern related to a 5% provider rate increase in FY 1999 that was in addition to the FY 1999 direct care staff increase. There was no funding set aside in the FY 1999 budget for such an increase, nor was such an increase presented to the Legislature. The second concern related to a per person increase in "unmet need." Although DES presented JLBC Staff with anecdotal examples of how per person costs may be increasing (e.g., aging caregivers, children with medical needs, new providers serving previously unserved clients), they were unable to provide data showing how this affected overall costs. We noted that DES needs to do a better job in documenting these effects, presenting the data to AHCCCS and the Legislature, and figuring out how DES can control costs where possible.

We received from DES on August 3 an update related to these issues. We have attached the DES response to the end of this memorandum. Highlights from the update are below.

<u>Negotiating capitation rates with AHCCCS</u>: DES/DDD has been meeting with AHCCCS every two weeks with the goal of having final FFY 2001 capitation rates by November 1. We discussed with AHCCCS the potential for receiving final capitation rates by November 1. They believed that the November 1 target date was a reasonable one. DES has, up to this point, been able to provide AHCCCS with financial statements and encounter data to help AHCCCS set its capitation rate. A financial audit of ALTCS by the Auditor General will be used to determine the final capitation rate. A draft of the audit is due from the Auditor General by September 30.

<u>New Request for Proposals (RFP) on Room and Board and Habilitation</u>: DES hired a contractor to develop a new RFP for Room and Board and Habilitation services, effective January 1, 2001. The RFP was scheduled to be released in mid-August. DES decided to delay the RFP because the original RFP did not give providers enough time to respond. DES will set a new release date for the new RFP shortly. The update indicates that the fiscal impact of the RFP will be shared with JLBC Staff in late December. We are concerned by this timeline because this may be too late for JLBC Staff to incorporate potential fiscal impacts into our analysis of the FY 2002 and FY 2003 budget. JLBC Staff hopes DES will be able to present some information on the fiscal impact of the new RFP along with the November 1 update, rather than in late December.

(Continued)

Managing Costs: DES continues to undertake administrative reviews prior to the development of any new group setting and reviews support plans whose costs are 50% or more of the Intermediate Care Facilities for the Mentally Retarded (ICF/MR) rate. DES also believes that a couple of pilot projects – one allowing families to use vouchers to purchase services and the other implementing “fair and equitable” rates for services – may reduce costs.

Potential FY 2001 Shortfall: At our request, DES put together a preliminary estimate of its FFY 2001 capitation rate for per person costs. DES projects that its new monthly rate could be as high as $2,564.45 per person. This amount is a 7.0% increase over the FFY 2000 budgeted amount of $2,396.79 per person. In FY 2001, we budgeted for a 3.2% increase over FY 2000. However, we have assumed that the rate would be higher than the budgeted amount given that DES exceeded the budget’s assumptions for per person expenditures in FY 2000. Assuming 3.8% of the 7.0% increase is necessary to make up for FY 2000 actual costs, the department’s FFY 2001 high-side preliminary estimate provides for a further increase of 3.2%, which is approximately the budgeted rate of FY 2001 inflation. Funding for FY 2001 included a supplemental set-aside estimate of $11,106,000 General Fund. This set-aside estimate was not formally added to the department’s budget. DES believes that the $11,106,000 set-aside is not enough to fund their preliminary estimate and plans to request additional supplemental funding. According to DES, a supplemental of $4.9 million General Fund above the set-aside would be needed to fund its preliminary estimate.

RS/SSH: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

AUG 3 1 2000

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

Dear Senator Gnant:

The Department of Economic Security respectfully requests to be placed on the September Joint Legislative Budget Committee meeting agenda to discuss three issues:

1. An update on the short- and long-term methods to reduce the Division of Developmental Disabilities - Long Term Care expenditures. This is an update requested at the May 2000 JLBC meeting. Information was provided to JLBC staff in August.

2. The department's plan to utilize additional funds within the Domestic Violence Shelter Fund. Pursuant to the footnote contained in the General Appropriations Act, the department is to report to the JLBC its intention to use monies above the amount identified in the appropriation bill. Details of the plan will be provided to JLBC staff.

If you have any questions or need additional information, please contact Karen McLaughlin, Financial Services Administrator, at (602) 542-3786.

Sincerely,

John L. Clayton

John L. Clayton

c:
Representative Robert Burns
Richard Stavneak, Director, JLBC

DIVISION OF DEVELOPMENTAL DISABILITIES

LONG TERM CARE SYSTEM FUND

LONG TERM SOLUTIONS

The status of the long-term solutions presented in March of 2000 follows:

1. **Altering the method historically used in the negotiation with AHCCCS in capitation rates.**

   DES/DDD has been meeting, and will continue to meet, with AHCCCS every two weeks. The purpose of the meetings is to identify and resolve any barriers, such as encounter data reporting, to the development of the capitation rate. The goal is to include in the September budget submission tentative capitation rates. The ALTCS draft audit is due September 30, 2000. The audit is essential to the determination of the final capitation rate. Therefore, final capitation rates will be included in the November 1 revisions.

2. **A performance audit sampling cases to determine if the level of need and the level of service correspond. If the audit reveals managerial or process deficits in the authorization of services then corrective, action will be undertaken to ensure the proper service levels.**

   The consulting firm of Engquist, Pelrine and Powell Inc. will audit 50 cases. The 50 case files are being collected from the appropriate Districts. The results of Engquist, Pelrine and Powell Inc.'s review will be available to the JLBC staff.

3. **New Request for Proposal on Room and Board and Habilitation. These service categories comprise over 70% of the ALTCS expenditures. New RFPs will be issued with the goal of reducing expenditures.**

   The firm of Engquist, Pelrine and Powell is developing a Request for Proposal (RFP) that is scheduled to be released in mid- August. Effective date of the new contracts will be January 1, 2001. The fiscal impact of the RFP cost evaluation will be shared with Joint Legislative Budget Committee staff in late December.

4. **Contract management assistance will be obtained to lead and help the Division in the negotiations of new contracts.**

   The firm of Engquist, Pelrine and Powell Inc will lead and help Division staff in the negotiations of the new contracts to be effective January 1, 2001.

5. The Division is developing a plan that will expedite the shift away from higher cost services.

The shift away from higher cost services is underway. The Division continues to require administrative review prior to the development of any new group setting. The review entails an examination of options available that can address the individual's support need while minimizing costs. Second, the Division undertakes regular reviews for all support plans whose costs are 50% or more of the ICF/MR rate. Third, there are program model changes underway which will have an impact on reducing cost. There are two pilots planned that while separate are in many ways interrelated. A pilot is underway where people with developmental disabilities and or their families will utilize voucher-like authorizations to purchase services. Experience in other states paired with antidotal experience in Arizona indicates that when families and or individuals are in higher control of decisions, spending decreases. The other pilot is scheduled for January 1, 2001. This pilot is on fair and equitable rates and on the "shifting" of services from congregate settings to more individualized supports. The number of agencies will be limited during the pilot. The initial assumptions are that a 5-7% shift to less costly services will occur.

6. Implementing the Design Team model.

There are three pilots planned relating to the Design Team. One is underway and this focuses on the voucher-like model mentioned. The second was also already mentioned and is on the fair and equitable rates, which is scheduled for January 1, 2001. The third centers on what is referred to as "member directed services" and this pilot is designed to allow for greater flexibility. One of the outcomes of greater flexibility is the ability to elect more generic community service which are generally less expensive.

7. Prioritizing the establishment, recruitment and retention for key positions within the Division's Business Operations.

Recruitment for the Business Operations Administrator and other key positions is ongoing.

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

Jane Dee Hull
Governor

John L.Clayton
Director

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SEP - 5 2000
JOINT BUDGET COMMITTEE

Date: September 5, 2000

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

From: Andy Genualdi, Acting Business Operations Administrator
Department of Economic Security/Division of Developmental Disabilities

Through: Karen McLaughlin, Administrator
Department of Economic Security/Financial Services Administration

SUBJECT:
Projected level of expenditure per member the Department is anticipating for FY2001

As you requested the projected average level of expenditure per member per month in the Arizona Long Term Care System (ALTCS), anticipated for FFY2001 follows:

> As you know, DES/DDD is working with AHCCCS to determine the final capitation rate for FFY2001. We anticipate that the actual capitation rate will be included in the October 29th revision to the Department's budget. DDD has been meeting with AHCCCS every two weeks, since June 9th, in order to meet the October 29th deadline. However, the final rate is dependent in part on the ALTCS audit which will not be completed until October 2000. Therefore, at this time we can only identify a range of 5-7% increase over FFY2000. The per member per month amount excluding ventilator dependent would be $2,516.66 at the 5% level and $2,564.45 at the 7% level.

Please contact me at 602-542-6893 if you require any further information.

Cc: Roger Deshaies
Pat Mah
Karl Matzinger

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: September 7, 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 INTENDED USE OF DOMESTIC VIOLENCE SHELTER FUND

Request

Pursuant to a footnote in the General Appropriation Act, the Department of Economic Security (DES) is reporting intended use of Domestic Violence Shelter Fund monies above $1,509,100 in FY 2001 by $190,900.

Recommendation

This item is for information only and no Committee action is required. The fund has adequate carry-forward balances to support the requested increase in expenditure authority from $1,509,100 to $1,700,000 for FY 2001. The fund's ending balance for FY 2000 was $217,764 greater than FY 1999.

Analysis

The General Appropriation Act contains a footnote that requires the department to report to the Committee any intended use of monies above the appropriated $1,509,100 in the Domestic Violence Shelter Fund. The footnote is intended to allow the department to make use of any unanticipated receipts to the fund once the appropriated amount has been set by the Legislature. The additional new receipts and carry forward balances will allow expenditures of $1,700,000 for FY 2001, an increase of $190,900 over the $1,509,100 appropriation.

(Continued)

The monies are for the purpose of providing financial assistance to shelters for victims of domestic violence. Grant application procedures, eligibility requirements, and distribution of the monies are outlined in A.R.S. § 36-3004 through A.R.S. § 36-3006.

Currently monies from the fund are distributed to 27 shelters across the state. The $190,900 in additional expenditures would be spread among the current 27 shelters.

The Domestic Violence Shelter Fund was first established in 1982. Receipts credited to the fund were from marriage and divorce fees. Laws 1997, Chapter 79 changed the revenue source for the fund to 8.87% of statutory filing and copy fees annually collected by the Clerk of the Superior Court. Pursuant to Laws 1998, Chapter 303, the fund also gets monies from voluntary contributions using tax returns filed for FY 1999 and thereafter. In addition, receipts may come from federal grants, private grants, or other private gifts or contributions.

The following table shows past and anticipated receipts and expenditures from FY 1999 through FY 2002. The fund appears to have high ending balances, but distribution of the monies is usually done only twice annually. The first distribution occurs every July. The fund has adequate carry-forward balances to support the requested increase in expenditures of $190,900 for FY 2001. The ending balance for FY 2000 was $217,764 greater than FY 1999.

Domestic Violence Shelter Fund

	FY 1999	FY 2000	FY 2001	FY 2002
Beginning Balance	$ 737,777	$1,037,973	$1,255,737	$1,216,498
New Receipts	1,595,128	1,726,395	1,660,761	1,660,761
Total	2,332,905	2,764,368	2,916,498	2,877,259
Expenditures	(1,294,932)	(1,508,631)	(1,700,000)	(1,700,000)
Ending Balance	$1,037,973	$1,255,737	$1,216,498	$1,177,259

RS:PM:ss

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

Jane Dee Hull
Governor

John L. Clayton
Director

AUG 3 1 2000

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AUG 3 1 2000

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

Dear Senator Gnant:

The Department of Economic Security respectfully requests to be placed on the September Joint Legislative Budget Committee meeting agenda to discuss three issues:

1. An update on the short- and long-term methods to reduce the Division of Developmental Disabilities - Long Term Care expenditures. This is an update requested at the May 2000 JLBC meeting. Information was provided to JLBC staff in August.

2. The department's plan to utilize additional funds within the Domestic Violence Shelter Fund. Pursuant to the footnote contained in the General Appropriations Act, the department is to report to the JLBC its intention to use monies above the amount identified in the appropriation bill. Details of the plan will be provided to JLBC staff.

If you have any questions or need additional information, please contact Karen McLaughlin, Financial Services Administrator, at (602) 542-3786.

Sincerely,

John L. Clayton

John L. Clayton

c:
Representative Robert Burns
Richard Stavneak, Director, JLBC

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

HOUSE OF
REPRESENTATIVES

PHONE (602) 542-5491

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

DATE: September 7, 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 THE ELECTRONIC BENEFITS TRANSFER (EBT) PROJECT

Request

The Department of Economic Security (DES) has been submitting quarterly reports on implementing the EBT project, as required under Laws 1997, Chapter 300. The department reports in the attached letter dated August 25, 2000 its plan to discontinue these reports after June 2000, since the project has been fully implemented.

Recommendation

This item is for information only and no Committee action is required. The EBT project was implemented to create cost savings. Current data indicate that state savings have accrued faster and are greater than anticipated. Because the system has been fully implemented, the JLBC Staff agrees that provisions of the law have been met. Therefore, quarterly reports may be discontinued.

Analysis

The EBT is a method of distributing Food Stamp and cash public assistance benefits through the use of a plastic debit card. Laws 1997, Chapter 300 authorized the EBT project, including establishing a temporary oversight committee of private and public members that was abolished in January 1998.

(Continued)

The EBT project both automated and privatized the issuance of Food Stamp and Temporary Aid to Needy Families (TANF) benefits. The vendor for the electronic system is Citibank Services, Inc., under a contract signed on October 1, 1997. The signing of this contract occurred after it was reviewed and approved by the Committee at its meeting in August 1997.

Once the contract was awarded, Laws 1997, Chapter 300 required the department to report quarterly "on the implementation of the electronic benefits transfer system." Full implementation of the project occurred in 1999 and the department is now indicating its intent to discontinue the reports. An attached chart shows the time schedule for implementing the project. The EBT system began as a pilot project in Pima County in July 1998 and was operating statewide by August 1999.

Laws 1997, Chapter 300 also appropriated $308,400 from the General Fund in FY 1998 for new FTE Positions to assist with needed interfacing between the department's automated eligibility determination data system for public benefits to recipients and the contracted vendor's host EBT transaction processing system. The department began the EBT project with a staff of 5.5 FTE Positions. Staffing was reduced to 3.3 FTE Positions in FY 2001 since the implementation phase had been completed.

Funds from already existing resources were used for the cost of the private vendor to operate the electronic system. This was money that had been used to support the old manual system of providing benefits. These reallocated funds were a combination of federal and state monies, including $2,117,400 from the General Fund.

Cost savings were the reason for implementing the EBT project. In the initial stages of the project, the department estimated that there would be <u>accumulated</u> savings between FY 1999 and FY 2004 of $1,394,900 for the state and $16,700,000 for the federal government. In <u>annual</u> terms, state savings of $333,300 were anticipated in FY 2001. The department's estimate was based on the assumption that operating the EBT system statewide would cost approximately $1,784,100 General Fund annually in FY 2001 versus the cost of the old manual system of providing benefits at a cost of $2,117,400 General Fund annually.

Current data indicate that annual costs of the new EBT system are less. Therefore, savings have accrued faster and are greater than anticipated. The new system under the private vendor is reported to cost $1,105,025. Since the old manual system cost $2,117,400, the new estimate of FY 2001 savings is $(1,012,375). The Legislature has already taken action to recoup some state savings. Because it was anticipated that the EBT system would create efficiency savings, the 1998 Legislature reduced the department's General Fund monies by $(425,300) beginning in FY 1999.

We have asked the department to prepare an updated cost-benefit analysis for the project. That information will be sent to Committee members when we receive it. We note from this analysis, however, that a further reduction in the department's General Fund appropriation may be necessary if the Legislature wishes to recoup total savings from the project. As we noted above, we have recouped $425,300 of the $1,012,375 in FY 2001 savings.

Expenditures for the EBT project are summarized in the table below by fund source for FY 1998 through FY 2001.

(Continued)

EBT Project Expenditures				
	FY 1998	FY 1999	FY 2000	FY 2001
Expenditures - DES Administration				
General Fund	$308,400	$240,000	$255,400	$119,300
TANF – Appropriated Federal Funds	0	54,400	55,000	25,800
Non - Appropriated Federal Match Funds	308,400	186,000	200,400	93,500
Subtotal	$616,800	$480,400	$510,800	$238,600
Expenditures - EBT Vendor Service Contract				
General Fund	$1,738	$492,156	$1,105,025	$1,105,025
TANF – Appropriated Federal Funds	404	114,475	257,029	257,029
Non - Appropriated Federal Match Funds	1,334	377,680	847,996	847,996
Subtotal	$3,476	$984,311	$2,210,050	$2,210,050
TOTAL – GENERAL FUND	$310,138	$732,156	$1,360,425	$1,224,325
TOTAL – TANF	404	168,875	312,029	282,829
TOTAL - FEDERAL MATCH FUNDS	309,734	563,680	1,048,396	941,496
GRAND TOTAL	**$620,276**	**$1,464,711**	**$2,720,850**	**$2,448,650**

In its last quarterly report dated June 2000, the department reports that there was nationwide technical problems to EBT systems in May and June 2000. The vendor, Citibank, switched contractors for the system's communications processor. The result was processing delays, erroneous transactions, and frustrations for merchants and customers. The fix for the communications problems, new operating software, was initiated in August. The system is now operating smoothly, but DES continues to monitor the performance of the system to prevent any reoccurrence of the problems.

Future plans for the EBT project include adding the distribution of benefits for JOBS Training Related Expense. In addition, the department is exploring the use of EBT technology for making direct payments to child day care providers. These are enhancements that were not included in the original proposal.

Since the project has been fully implemented in the state, the JLBC Staff agrees that statutory reporting requirements have been met. Therefore, quarterly reports to the Committee may be discontinued.

RS:PM:ss
Attachments

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

Jane Dee Hull
Governor

John L. Clayton
Director

AUG 25 2000

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AUG 28 2000
JOINT BUDGET COMMITTEE

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

Dear Mr. Stavneak:

Pursuant to Laws 1997, Chapter 300, Section 80, the Arizona Department of Economic Security has been submitting quarterly reports on the status of the Electronic Benefits Transfer (EBT) Project to members of the Joint Legislative Budget Committee (JLBC). The reports began with the quarter ending September 1998, with the latest report submitted for the quarter ending June 2000.

The EBT Project has accomplished the specific goals and objectives approved by the legislation. The Department is now operating a stable, statewide EBT system to distribute Food Stamp benefits, TANF cash assistance, General Assistance benefits, and Supplemental Payments Program benefits. We will add JOBS Training Related Payments this fall.

The Department believes that the requirements of the original legislation, to provide quarterly reports on the status of the project, have been met, and that quarterly reporting on the operational system should be discontinued. There would appear to be negligible benefit in continued reporting on operational matters.

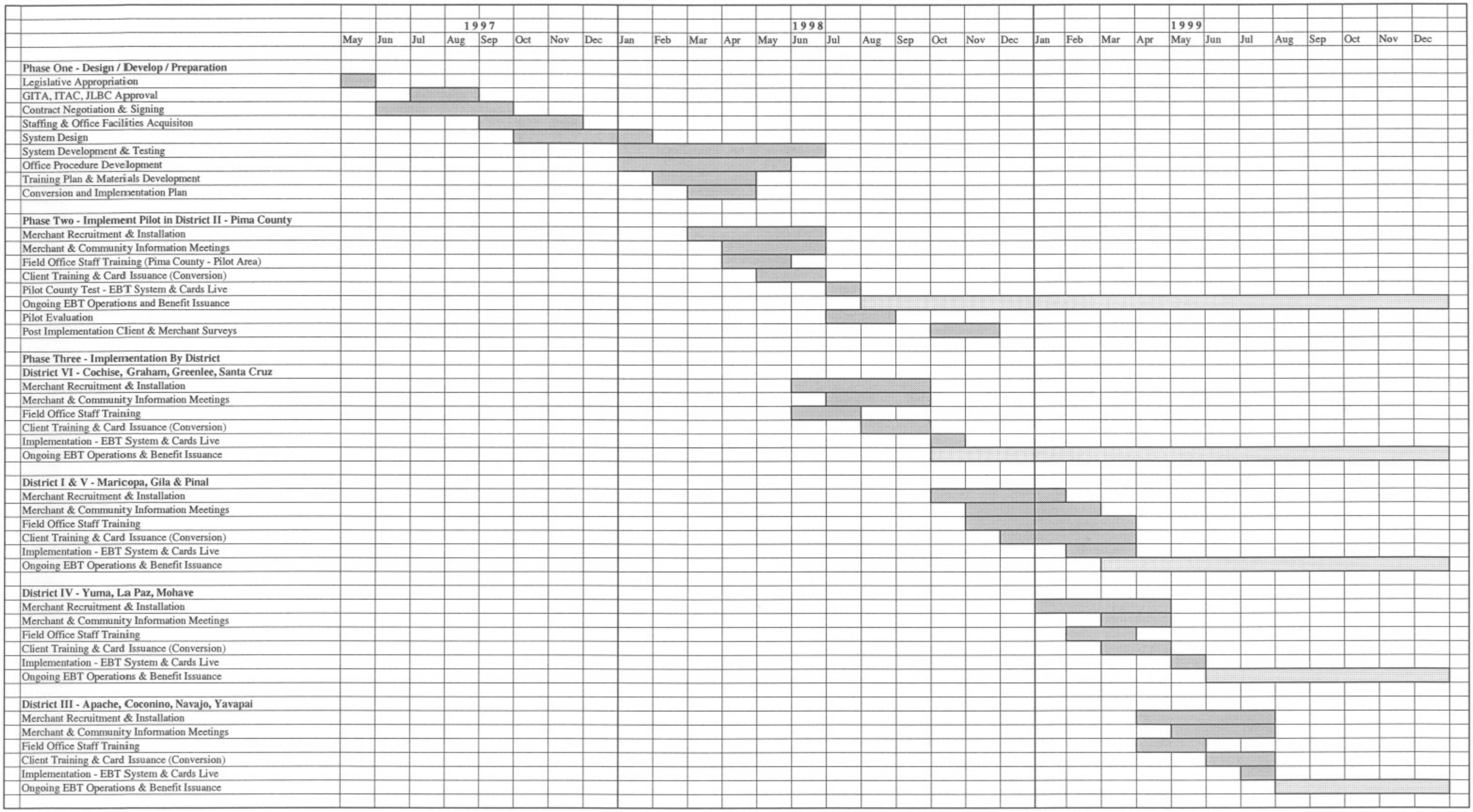
Therefore, the June 2000 quarterly report will serve as a final report. If you have any questions please contact me at 542 - 5678.

Sincerely,

John L. Clayton

John L. Clayton

Arizona Department of Economic Security Electronic Benefit Transfer Project



Arizona Department of Economic Security

June 2000 Quarterly Status Report

Electronic Benefits Transfer (EBT) Project

Dayne A. Coffey
Project Director

July 2000

Electronic Benefits Transfer Project - Status Report

Quarter Ending June 2000

Current Activities and/or Significant Changes:

- TANF, GA, RA, SPP and Food Stamp benefits have been distributed to eligible households per the normal EBT processes. With the exception of the last bullet in this report, recipients continue to access benefits normally.

- System design and coding was completed on the effort to add the JOBS Training Related Expense (TRE) to the EBT issuance system. The final system integration tests will be completed in July 2000. The JOBS Administration will implement the distribution of benefits via EBT by September 30, 2000. The delay between completion of testing and implementation is due to the heavy workload that the JOBS Administration faces in implementing other program initiatives.

- Discussions have continued with the Navajo Nation, regarding the development of EBT inter-operability between Arizona, and the new Navajo Nation TANF Case Management system. The Navajo Nation is planning to operate their TANF program beginning in October 2000. Current plans are for DES to continue un-interrupted EBT service on October 1, 2000.

  The Navajo Nation has long term plans to implement an EBT system within the boundaries of the Navajo Nation, that would provide seamless service to Navajo tribal members regardless of their State of residence. This seamless service would be accomplished by a contract between the Navajo Nation and the State of New Mexico, with New Mexico providing EBT service on the Navajo reservation in Arizona, New Mexico, and Utah. This goal of the Navajo Nation will require significant coordination between the three western States, and the federal program authorities. This will not be a quickly achieved objective, as there are substantial technical and legal issues to be resolved.

- The Department's Child Care Administration will conduct a high level feasibility analysis of the application of EBT systems to their business processes. There have been several new developments in EBT technology that include the provision of direct payments to day care provider accounts, and real-time accounting for children receiving day care. Preliminary review efforts will begin in July 2000.

- EBT systems throughout the nation encountered a series of technical problems in May and June 2000. One of the two major EBT providers, Citibank, had elected to contract with a new communications processor, and discontinued their "EBT Gateway" communications contract in favor of a new contract with the national communication processor "EDS". Unfortunately, the transfer of processing functions to EDS was accompanied with a series of EDS system outages. These outages caused delays, erroneous transactions, and frustration for merchants and customers. The specific errors in transaction processing have been dealt with. A conference is scheduled in July 2000, to discuss possible means to prevent future incidents, or mitigate their impact.

- **See Historical Addendum for SFY98, SFY99, and SFY00 through March 2000.**

- **SFY 2000 Expenditure Data through March 2000 - See Following Page**

Expenditure data (thru March 2000) for **SFY2000** is as follows:

	Sept 1999 Quarter	**Dec 1999 Quarter**	**March 2000 Quarter**	**June 2000 Quarter**	**SFY2000 Total**
State Appropriated	63,850	63,850	63,850	63,850	255,400
State Expended	**44,120**	**47,639**	**44,707**	**0**	**136,466**
Federal Appropriated	13,750	13,750	13,750	13,750	55,000
Fed Appr Expended	**9,706**	**10,481**	**9,633**	**0**	**29,820**
Federal Match	50,100	50,100	50,100	50,100	200,400
Fed Match Expended	**34,413**	**37,159**	**35,074**	**0**	**106,646**
Total Budgeted	127,700	127,700	127,700	127,700	510,800
Total Expended	**88,239**	**95,279**	**89,414**	**0**	**272,932**

Note: State Appropriated funds are matched with federal funds.
Federal Appropriated funds are TANF funds (Federal)
Federal match funds are from the USDA Food and Nutrition Service (FNS) at 50/50 rate.

Expense data does not include agency indirect allocated costs.

Expense data for the June 2000 quarter will be available in the September 2000 report.

Electronic Benefits Transfer Project

Historical Addendum

Background:

- The Department of Economic Security has implemented an Electronic Benefits Transfer (EBT) method of issuing Food Stamps and Temporary Assistance to Needy Families (TANF) cash public assistance. The EBT project was authorized by the Arizona State Legislature during the spring 1997 session. Funding for the project is as follows:

	SFY98	SFY99	SFY2000
State General Fund Appropriation	$308,400	$240,000	$255,400
TANF (Federal Appropriated)	$ 0	$ 54,400	$ 55,000
Federal Matching Funds	$308,400	$186,000	$200,400
Total	$616,800	$480,400	$510,800

- The Department submitted the project plan to the Government Information Technology Agency (GITA), the Information Technology Advisory Committee (ITAC), the Joint Legislative Budget Committee (JLBC) and the Office of Strategic Planning and Budgeting (OSPB) for review and approval, before contracting with an EBT vendor. All four entities provided approval in the first quarter of SFY98.

- The Department joined the Western States EBT Alliance (WESA) in February 1996. By joining the six-state alliance and participating in the WESA competitive procurement of an EBT vendor, the Department was provided the option to contract with the winning vendor (Citibank Services Inc.). The WESA is lead by Colorado, and includes Arizona, Idaho, Washington, Alaska, and Hawaii.

- The Department completed contract negotiations and signed a contract with Citibank Services Inc., on October 1, 1997. The contract provides that Deluxe Electronic Payment Systems (Deluxe Data) be the EBT processor in Arizona, through September 2004.

Accomplishments – SFY98, SFY99, and SFY2000 Through March 2000:

- The Department's EBT Project Team and the Deluxe Data Development Team completed the systems analysis and software coding required for the Arizona implementation by April 1998. Testing of the system was completed in May 1998.

- The Project Team conducted a successful pilot implementation of the EBT system in Pima County on July 1, 1998. Over 18,500 cash assistance and/or food stamp recipient families were trained and issued an Arizona QUEST EBT card. Over 300 retail merchants in Pima County were contracted by the EBT vendor to participate in the system. Merchants selected the participation options that best suited their stores. Retail food merchants provide food products for purchase by food stamp benefits, and most provide access to cash benefits. Arizona banks, credit unions, and other ATM operators were also recruited to provided additional cash access.

- After the successful Pima County pilot, the Project Team moved rapidly to complete the statewide rollout schedule. During the twelve months after the July 1998 Pilot, preparations similar to those made for the Pima County implementation were conducted in Cochise, Graham, Greenlee and Santa Cruz Counties (Phase II), Gila, Maricopa, and Pinal Counties (Phase III), La Paz, Mohave, and Yuma Counties (Phase IV), and Apache, Coconino, Navajo, and Yavapai Counties (Phase V).

- EBT Policy and Procedures Training was provided to Family Assistance Administration (FAA) local office staff in each subsequent rollout area. Over 2,500 local office staff were trained statewide.

- From August 1998 through November 1999, an additional 85,100 Food Stamp and TANF benefit recipients were provided EBT training, issued an Arizona Quest EBT card, and selected their PIN. As of November 30, 1999, there were over 103,600 families using the Arizona Quest card.

- Merchant and community information meetings were conducted in each subsequent rollout area. The EBT Project team held a total of 24 merchant meetings throughout the State, and an additional 28 community information meetings in the same communities. The EBT vendor, Deluxe Data, recruited and contracted 1,880 Arizona Food Stamp certified merchants to participate in the project.

- The Arizona Quest EBT system is currently distributing over $30,028,000 in Food Stamp, TANF, General Assistance, Refugee Assistance, and Supplemental Payments Program benefits each month.

- As of November 1999, all large retail chains operate through commercial debit processing networks, including ABCO, Albertsons, Bashas, Frys, Fred Meyer (Smiths/Smittys), Safeway, Southwest Supermarkets, and Circle K.

- As of November 1999, only small independents and a very small number of larger independents were using State provided POS systems. A total of 910 State provided POS terminals have been installed.

- As of November 1999, the major Arizona banks participating in EBT are the Bank of America, Bank One, Norwest Bank, Community First Bank, First Federal Credit Union (Tucson) and Desert Schools Federal Credit Union. There are over 400 ATMs statewide that support the Arizona Quest EBT card.

- The General Assistance (GA), Refugee Assistance (RA), and the Supplemental Payments Program (SPP) were moved to the AZTECS/EBT system during February and March 1999. The GA, RA, and SPP caseloads of several FAA offices began paying benefits via EBT on April 1, 1999. The remainder of the State moved to EBT issuance between June and August 1999.

- The EBT Project Team held discussions with Arizona city and county governments to assess the feasibility of placing POS terminals at public housing administrative centers, to enable the payment of public housing rents via an EBT debit to TANF Cash Assistance accounts. This overture has been well received by local government housing administrators. Yuma County Public Housing was the first local government to contract for EBT services.

- Statewide rollout also required coordination with merchants operating in communities bordering Arizona (Gallup, New Mexico, Kanab, Utah, and Blythe, California) where many rural Arizona residents shop. Merchants in these border locations were invited to participate on the same terms as Arizona merchants.

- The EBT Team served as the coordinating focal point of DES Division of Benefits and Medical Eligibility (DBME) Y2K planning, readiness, and reporting. There were no Y2K failures within the DES Division of Benefits and Medical Eligibility, as of March 31, 2000.