

STATE OF ARIZONA

## Joint Legislative Budget Committee

STATE  
SENATE

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AMANDA AGUIRRE  
CHUCK GRAY  
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1716 WEST ADAMS  
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JOHN KAVANAGH  
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### JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, September 22, 2009

2:30 P.M.

House Hearing Room 4

### MEETING NOTICE

- Call to Order
- [Approval of Minutes of June 23, 2009](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION
  - A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
  - B. Arizona Department of Administration - Risk Management Annual Report.
- 1. [DEPARTMENT OF HEALTH SERVICES - Review of Behavioral Health Title XIX Capitation Rate Changes.](#)
- 2. [ATTORNEY GENERAL - Review of Allocation of Settlement Monies.](#)
- 3. [GOVERNMENT INFORMATION TECHNOLOGY AGENCY - Quarterly Review of the Arizona Public Safety Communication Advisory Commission.](#)
- 4. [DEPARTMENT OF EDUCATION - Review of Kinder Morgan and Xanterra Settlements.](#)
- 5. [ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Risk Management Deductible.](#)
- 6. [STATE PARKS BOARD - Review of Requested Exchange of Fund Transfers.](#)

The Chairman reserves the right to set the order of the agenda.

9/11/09

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People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.

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**MINUTES OF THE MEETING**

**JOINT LEGISLATIVE BUDGET COMMITTEE**

June 23, 2009

Vice-Chairman Pearce assumed the Chair and called the meeting to order at 8:10 a.m., Tuesday, June 23, 2009, in House Hearing Room 4. The following were present:

Members:	Senator Pearce, Vice-Chairman	Representative Kavanagh, Chairman
	Senator Aguirre	Representative Biggs
	Senator Gray	Representative Cajero Bedford
	Senator Harper	Representative Campbell
	Senator Pierce	Representative Heinz
	Senator Waring	Representative McComish
		Representative Williams
Absent:	Senator Aboud	Representative Murphy
	Senator Rios	

**APPROVAL OF MINUTES**

Hearing no objections from the members of the Committee to the minutes of April 28, 2009, Vice-Chairman Pearce stated that the minutes would stand approved.

**ARIZONA DEPARTMENT OF CORRECTIONS - Consider Approval and Review of Requested Transfer of Appropriations.**

Mr. Martin Lorenzo, JLBC Staff, stated that this item is a request to approve and review the transfer of nearly \$28.4 million within the Arizona Department of Correction's (ADC) budget line items.

*Senator Gray moved that the Committee adopt the JLBC Staff recommendation to approve the ADC request for the Personal Services and Employee Related Expenditures' transfers and give a favorable review of the remaining transfers (see transfers below). This would also include the approval and favorable review of the shift of up to \$250,000 in or out of any line item in the event that these requested transfers do not match department needs through the end of the fiscal year. The motion carried.*

<u>Line Item</u>	<u>JLBC Approved Transfers</u>
Correctional Officer Personal Services	\$ 9,734,000
Health Care Personal Services	2,000,600
All Other Personal Services	(5,154,600)
Employee Related Expenditures	11,731,100

(Continued)

<u>Line Item</u>	<u>JLBC Reviewed Transfers</u>
Overtime/Compensatory Time	\$(13,752,700)
Health Other Operating Expenditures	1,500,000
Non Health Other Operating Expenditures	3,100,800
County Jail Beds	(59,600)
Private Prison Per Diem	330,600
Provisional Beds	(9,430,200)

**ARIZONA DEPARTMENT OF EDUCATION - Review of Proposed Transfer of Funds from Basic State Aid to Special Education Fund under A.R.S. § 15-901.03.**

Mr. Steve Schimpp, JLBC Staff, stated that this item is the Arizona Department of Education's plan to transfer \$5,000,000 from Basic State Aid to the Special Education Fund in order to address a projected shortfall for the Special Education Fund for FY 2009.

*Senator Gray moved that the Committee give a favorable review to the transfer of \$5,000,000 in General Fund monies from Basic State Aid to the Special Education. The motion carried.*

**SECRETARY OF STATE - Review of Proposed Transfer of Funds from Election Services Line Item.**

Mr. Jack Brown, JLBC Staff, stated that this item is a review of the proposed transfer of funds for the Election Services Line Item. The Secretary of State (SOS) requests review of \$132,000 transfer from the Election Services Line Item. This is essentially an internal transfer that would allow the SOS to draw down an additional \$3,720,800 in federal election monies.

*Senator Gray moved that the Committee give a favorable review of the \$132,000 transfer from the Election Services Line Item in FY 2009 to the Election Systems Improvement Fund. This transfer would allow the Secretary of State to draw down an additional \$3,720,800 of HAVA funding. The motion carried.*

**ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Requested Exchange of Fund Transfers.**

Mr. Dan Hunting, JLBC Staff, stated that this item is a request from the Arizona Department of Administration (ADOA) to review a transfer of funds. Section 29 of the FY 2009 Budget Reductions and Transfers Bill allows state agencies to request transfers between its own funds in order to meet the requirements of the bill

*Senator Gray moved that the Committee give a favorable review of the proposed exchange of fund transfers (shown below). The motion carried.*

**FY 2009 Fund Transfer Switches**

<b><u>ADOA Program</u></b>	<b><u>Fund Specified in Laws 2009, Ch. 1</u></b> <sup>1/</sup>	<b><u>Ch. 1 Transfer Amount</u></b> <sup>2/</sup>	<b><u>Transfer Type</u></b>	<b><u>Agency Fund</u></b> <sup>3/</sup>	<b><u>Revised Transfer Amount</u></b> <sup>4/</sup>
Telecommunications Program Office	Telecommunications Fund	\$1,087,300	EBT <sup>5/</sup>	Risk Management Revolving Fund	\$1,087,300
FY09 Administrative Adjustments and Building Renewal	Capital Outlay Stabilization Fund	1,382,200	FRAT <sup>6/</sup> and SLS <sup>7/</sup>	Risk Management Revolving Fund	1,382,200
Human Resources Division and Human Resources Division, FY 2010 Working Capital	Personnel Division Fund	786,800	FRAT and SLS	Risk Management Revolving Fund	786,800
911 Office	Emergency Telecommunication Services Revolving Fund	13,000	SLS	Risk Management Revolving Fund	13,000
		<u>\$3,269,400</u> <sup>8/</sup>			<u>\$3,269,400</u> <sup>8/</sup>

<sup>1/</sup> Fund source for reductions mandated by Laws 2009, 1<sup>st</sup> Special Session, Chapter 1.  
<sup>2/</sup> Amount for reductions mandated by Laws 2009, 1<sup>st</sup> Special Session, Chapter 1.  
<sup>3/</sup> Funds from which agencies are requesting transfers in order to accommodate the mandated reductions.  
<sup>4/</sup> Transfer amounts.  
<sup>5/</sup> Excess balance transfers (EBTs) sweep money from anticipated FY 2009 ending balances into the General Fund.  
<sup>6/</sup> Fund reduction and transfers (FRATs) reduce annual FY 2009 spending from the agency's Other Funds. An amount equal to these reductions would be swept into the General Fund.  
<sup>7/</sup> Salary lump sum reductions (SLSs) reduce annual FY 2009 spending from the agency's Other Funds. An amount equal to these reductions would be swept into the General Fund.  
<sup>8/</sup> Numbers do not add due to rounding.

**DEPARTMENT OF ECONOMIC SECURITY**

**A. Review of Requested Exchange of Fund Transfers.**

Mr. Jay Chilton, JLBC Staff, stated that this item is a request from the Department of Economic Security (DES) for a review of fund transfers.

*Senator Gray moved that the Committee give a favorable review of the proposed exchange of fund transfers (shown below). The motion carried.*

**FY 2009 Fund Transfer Switches**

<b><u>Fund Specified in Laws 2009, Ch. 1</u></b> <sup>1/</sup>	<b><u>Ch. 1 Transfer Amount</u></b> <sup>2/</sup>	<b><u>Transfer Type</u></b>	<b><u>Agency Fund</u></b> <sup>3/</sup>	<b><u>Revised Transfer Amount</u></b> <sup>4/</sup>
Arizona Industries for the Blind Fund	\$266,600	EBT <sup>5/</sup>	Spinal and Head Injuries Trust Fund	\$417,800
Arizona Industries for the Blind Fund	\$151,200	Personnel Expense Reduction <sup>6/</sup>		
Long Term Care System Fund	\$1,650,000	EBT	Arizona Training Program at Phoenix Closure Fund	\$1,200,000
			Community-Based Marriage and Communication Skills Fund	\$450,000
	<u>\$2,067,800</u>			<u>\$2,067,800</u>

<sup>1/</sup> Fund source for reductions mandated by Laws 2009, 1<sup>st</sup> Special Session, Chapter 1.  
<sup>2/</sup> Amount for reductions mandated by Laws 2009, 1<sup>st</sup> Special Session, Chapter 1.  
<sup>3/</sup> Funds from which agencies are requesting transfers in order to accommodate the mandated reductions.  
<sup>4/</sup> Transfer amounts.  
<sup>5/</sup> Excess balance transfers (EBTs) sweep money from anticipated FY 2009 ending balances into the General Fund.  
<sup>6/</sup> Personnel Expense Reductions reduce annual FY 2009 spending from an agency fund attributable to reducing personnel expenditures.



**B. Review of Requested Transfer of Appropriations**

Mr. Jay Chilton, JLBC Staff, stated that this item is a review of requested transfer of appropriations for DES.

Senator Gray moved that the Committee give a favorable review of the proposed transfers (shown below). The motion carried.

<u>Funding Increases (Transfers To)</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
TANF Cash Benefits	\$2,000,000		\$2,000,000
Day Care Subsidy		\$7,000,000	7,000,000
CPS Emergency Placement	1,500,000		1,500,000
Foster Care Placement	1,250,000		1,250,000
CPS Residential Placement	<u>1,200,000</u>		<u>1,200,000</u>
<b>Subtotal</b>	<b>\$5,950,000</b>	<b>\$7,000,000</b>	<b>\$12,950,000</b>
<u>Funding Decreases (Transfers From)</u>			
Administration Division operating budget	\$(625,000)		\$ (625,000)
DBME operating budget	(625,000)		(625,000)
DERS operating budget	(750,000)		(750,000)
Transitional Child Care		\$(7,000,000)	(7,000,000)
Children Support Services	<u>(3,950,000)</u>		<u>(3,950,000)</u>
<b>Subtotal</b>	<b>\$(5,950,000)</b>	<b>\$(7,000,000)</b>	<b>\$(12,950,000)</b>

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

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

At 8:20 a.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 8:55 a.m. the Committee reconvened into open session.

No Committee action was required.

Without objection, the meeting adjourned at 8:56 a.m.

Respectfully submitted:

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Sandy Schumacher, Secretary

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Richard Stavneak, Director

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Representative John Kavanagh, Chairman

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

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DATE: September 15, 2009

TO: Representative John Kavanagh, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Art Smith, Fiscal Analyst

SUBJECT: Department of Health Services – Review of Behavioral Health Title XIX Capitation Rate Changes

**Request**

Pursuant to a General Appropriation Act footnote, the Department of Health Services (DHS) must present its plan to the Committee for its review prior to implementing any change in capitation rates for the Title XIX behavioral health programs. Capitation rates are the flat monthly payments made to managed-care health plans for each Title XIX recipient. DHS is requesting review of rate changes for the Children's Behavioral Health (CBH), Seriously Mentally Ill (SMI), and General Mental Health/Substance Abuse (GMH/SA) Title XIX rates.

**Summary of Changes**

The department's proposed capitation rate adjustment includes the following program changes:

- Further expanding services to address litigation involving behavioral health services to high-needs children.
- Increasing intense recovery teams in Pima County for SMI adults.
- Extending SMI and General Mental Health/Substance Abuse services to *JK v. Gerard* class members through age 20 from age 18.

It also changes the administrative rate for the department from 3.82% to 3.50%.

(Continued)

## Recommendation

The Committee has at least the following options:

1. A favorable review as the excess amount primarily addresses litigation requirements.
2. An unfavorable review as the capitation rate exceeds the budgeted amount by a net of \$651,600 from the General Fund due to program expansions.

## Analysis

Table 1 shows the budgeted and proposed capitation rates for each program. A capitation rate specifies the cost of care per member per month in a Title XIX program. The FY 2010 appropriation was developed during session by holding capitation rates flat for each program.

Table 1 Monthly Capitation Rate				
<u>Category</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Budgeted</u>	<u>FY 2010 Proposed</u>	<u>% Change Proposed Above FY 2009</u>
Children	\$63.58	\$63.58	\$67.66	6.4%
SMI	\$81.90	\$81.90	\$77.10	(5.9)%
General Mental Health	\$42.46	\$42.46	\$42.48	0.0%

## Program Changes

### *Children's Behavioral Health*

The proposed Children's Behavioral Health rate is 6.4% above the FY 2009 rate. The main drivers for this decline include:

- An increase of 4.7% (at a General Fund cost of \$6,628,700) for measures to address stipulations in the *JK v. Gerard* litigation, which alleged that the state failed to provide medically necessary behavioral health services accessible to children. Of this amount, 3.9% will increase the ratio of case managers for high-risk children from approximately 1:24 at the end of FY 2009 to 1:15 at the end of FY 2010. The other 0.8% will add more support and rehabilitative services in a child's home or another community setting for high-risk children.
- An increase of 0.8% to provide home-based services for children with complex mental health needs and for children in the Arizona State Hospital under the Arizona Department of Juvenile Corrections system who are Title XIX eligible.

### *Seriously Mentally Ill*

The proposed SMI rate is (5.9)% below the FY 2009 rate due to a (5)% fee-for-service reduction and a (1)% capitation rate reduction.

### *General Mental Health and Substance Abuse*

The proposed GMH/SA rate is 0% above the FY 2009 rate due to a (5)% fee-for-service reduction and a (1)% capitation rate reduction.

## Budget Impact

Table 2 shows the FY 2010 appropriations for each population and FY 2010 projections as adjusted for the new capitation rates. Without changes to the enrollment projections and other assumptions used in

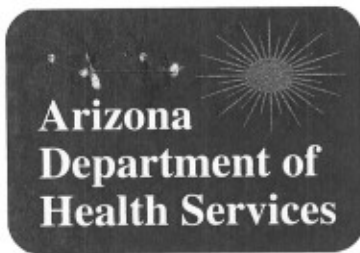
(Continued)

developing the FY 2010 appropriation, the capitation rate changes will exceed the existing FY 2009 appropriation by \$651,600 from the General Fund and \$1,251,400 from Federal Title XIX Expenditure Authority.

The actual costs of the new capitation rates may be higher or lower than shown in *Table 2*, depending upon the actual number of people that enroll in Title XIX programs.

<b>Table 2</b>				
<b>Capitated Behavioral Health Spending</b>				
<b>Category</b>	<b>FY 2010 Appropriation</b>		<b>Estimated Need with Capitation Rate Changes</b>	
	<b><u>Total Funds</u></b>	<b><u>General Fund</u></b>	<b><u>Total Funds</u></b>	<b><u>General Fund</u></b>
<b><u>Children's Behavioral Health</u></b>				
Title XIX	\$407,201,800	\$139,446,300	\$433,718,000	\$148,526,700
Proposition 204	5,097,600	1,745,700	5,442,800	1,863,900
<b><u>Seriously Mentally Ill</u></b>				
Title XIX	231,174,000	79,165,500	218,215,900	74,729,200
Proposition 204	233,660,900	80,017,200	220,698,300	75,578,100
<b><u>General Mental Health/Substance Abuse</u></b>				
Title XIX	121,065,400	41,458,800	121,525,500	41,616,400
Proposition 204	121,138,500	37,883,900	121,598,800	38,041,500
Medicaid Special Exemption Payments	<u>23,096,500</u>	<u>7,909,400</u>	<u>23,138,400</u>	<u>7,922,600</u>
<b>Total</b>	<b>\$1,142,434,700</b>	<b>\$387,626,800</b>	<b>\$1,144,337,700</b>	<b>\$388,278,400</b>
<b>Increase Above Appropriation</b>			<b>\$1,903,000</b>	<b>\$651,600</b>

RS/AS:sls



## *Office of the Director*

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JANICE K. BREWER, GOVERNOR  
WILL HUMBLE, INTERIM DIRECTOR

July 6, 2009



The Honorable John Kavanagh  
Chairman  
Joint Legislative Budget Committee  
1700 West Washington Street, Suite H  
Phoenix, AZ 85007

Dear Chairman Kavanagh:

Pursuant to a footnote in the General Appropriation Act, the Arizona Department of Health Services respectfully requests to be placed on the Joint Legislative Budget Committee's agenda for its next scheduled meeting to review the proposed changes to the Behavioral Health Services Title XIX, Title XXI, and HIFA II capitation rates for fiscal year 2010.

Enclosed please find the following final reports prepared to develop capitation rates for the Department for fiscal year July 1, 2009 to June 30, 2010 (FY10):

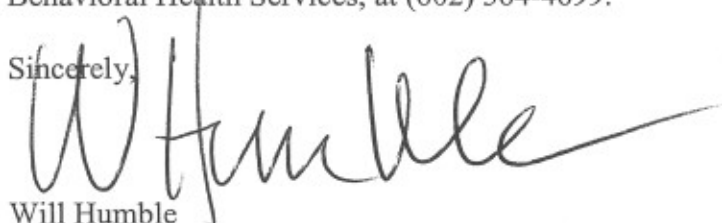
- Title XIX behavioral health services for Children, Seriously Mentally Ill, and General Mental Health/Substance Abuse populations
- Title XXI and HIFA II Behavioral Health Services Programs

In accordance with the Centers for Medicare & Medicaid Services and the Balanced Budget Act of 1997, the rates were developed using actuarially sound methodologies by Mercer Government Human Services Consulting. The Arizona Health Care Cost Containment System (AHCCCS) has reviewed and approved the proposed capitation rates.

Page Two  
July 6, 2009  
The Honorable John Kavanagh

If you have any questions please feel free to call David Reese, Chief Financial Officer for Behavioral Health Services, at (602) 364-4699.

Sincerely,

A handwritten signature in black ink, appearing to read "Will Humble", with a long, sweeping horizontal line extending to the right.

Will Humble  
Interim Director

WH/jh

Enc.

- C: Senator Russell Pearce, Senate Appropriations Chairman  
Richard Stavneak, Director, Joint Legislative Budget Committee  
Arthur Smith, Fiscal Analyst, Joint Legislative Budget Committee  
Eileen Klein, Budget Director, Office of Strategic Planning and Budgeting  
Chris Hall, Budget Analyst, Governor's Office of Strategic Planning and Budgeting  
Tom Manos, Deputy Chief of Staff, Finance/Budget, Governor's Office  
Beth Kohler Lazare, Policy Advisor for Health, Governor's Office  
Laura Nelson, MD, Deputy Director, ADHS/DBHS  
David Reese, Chief Financial Officer, ADHS/DBHS  
James Humble, Assistant Director/CFO, ADHS  
Duane Huffman, Legislative Liaison, ADHS  
Kathy Rodham, Financial Manager, AHCCCS, Division of Health Care Management

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

**Mike Nordstrom**

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May 4, 2009

Mr. David Reese  
Chief Financial Officer  
Arizona Department of Health Services  
Division of Behavioral Health Services  
150 N. 18th Avenue, Suite 200  
Phoenix, AZ 85007

## **Final and Confidential**

**Subject:** Behavioral Health Services State Fiscal Year 2010 Capitation Rates for the Title XIX Program

Dear Mr. Reese:

## **Introduction/Background**

The State of Arizona Department of Health Services (ADHS), Division of Behavioral Health Services (BHS) contracted with Mercer Government Human Services Consulting (Mercer), part of Mercer Health & Benefits LLC, to develop actuarially sound capitation rates for each of its Regional Behavioral Health Authorities (RBHAs) for State Fiscal Year 2010 (SFY10). Rates were developed for the Title XIX program.

There are four RBHAs for which actuarially sound capitation rates were developed, covering six geographic service areas. They include:

<b>RBHA</b>	<b>Areas Served</b>
Community Partnership of Southern Arizona (CPSA 3 and CPSA 5)	Pima, Graham, Greenlee, Santa Cruz and Cochise Counties
Cenpatico Behavioral Health of Arizona (Cenpatico 2 and Cenpatico 4)	Yuma, LaPaz, Pinal and Gila Counties
Northern Arizona Regional Behavioral Health Authority (NARBHA)	Mohave, Coconino, Apache, Navajo and Yavapai Counties
Magellan Health Services (MHS)	Maricopa County

## Overview of Rate-Setting Methodology

Mercer assisted BHS with the development of a risk-based capitation rate methodology for RBHAs that complies with the Centers for Medicare & Medicaid Services (CMS) requirements and the regulations under the Balanced Budget Act of 1997 (BBA). As it relates to the rate-setting methodology checklist and Medicaid managed care regulations (42 CFR 438.6) effective August 13, 2002, CMS requires that capitation rates be "actuarially sound." CMS defines actuarially sound rates as meeting the following criteria.

- Have been developed in accordance with generally accepted actuarial principles and practices
- Are appropriate for the populations to be covered and the services to be furnished under the contract
- Have been certified by actuaries who meet qualification standards established by the American Academy of Actuaries and the Actuarial Standards Board

Actuarially sound capitation rates were developed for the contract period July 1, 2009, through June 30, 2010, covering SFY10. Mercer has utilized actuarially sound principles and practices in the development of these capitation rates.

The goal of capitation rate development is to take experience that is available during the base period and convert that experience, using actuarial principles, into appropriate baseline data for the contract period. Once the baseline data is determined, adjustments including trend, any unusual service utilization changes and provisions for administration and underwriting profit/risk/contingency are applied in order to determine actuarially sound capitation rates. The capitation rate development process was divided into the following steps.

1. Calculate base data
  - Collect, analyze, and adjust SFY08 and the first seven months of SFY09 RBHA financial statements
  - Utilize actual member months from SFY08 and the adjusted SFY08 total claim costs to calculate adjusted SFY08 per-member-per-month (PMPM) values
2. Calculate SFY10 actuarially sound rates
  - Apply trend factors to bring Base SFY08 claim costs forward to SFY10
  - Adjust for any unusual service utilization changes occurring between the base period and prior to the contract period, as well as those during the contract period (such as



High Needs Children, JK Support Services, DES Families First, Arizona Department of Juvenile Corrections (ADJC), Pima County Intense Recovery Teams, and Transition Age Youth)

- Apply acuity adjustment (if necessary) to account for changes in Behavioral Health penetration rates
- Certify actuarial equivalence of the populations
- Add provisions for administration and underwriting profit/risk/contingency

The end result of this capitation rate development process, completed jointly by BHS and Mercer, is actuarially sound capitation rates for SFY10.

Actuarially sound capitation rates were developed for each of the following population and RBHA combinations, shown in the table below.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
Children — Non-CMDP	\$ 40.49	\$ 49.86	\$ 43.65	\$ 35.66	\$ 57.72	\$ 30.72	\$ 37.33
Children — CMDP	\$ 1,555.14	\$ 1,397.29	\$ 1,393.37	\$ 1,442.14	\$ 862.64	\$ 1,069.48	\$ 1,203.21
SMI	\$ 49.50	\$ 66.13	\$ 33.65	\$ 40.76	\$ 49.44	\$ 97.39	\$ 70.30
GMH/SA	\$ 30.81	\$ 53.08	\$ 44.63	\$ 27.59	\$ 61.32	\$ 40.06	\$ 41.08

The rate development schedules are shown in Attachment A.

## Base Data

The base data consisted of adjusted financial statements from all current RBHAs for the July 1, 2007, through June 30, 2008, time period (MHS began operations September 1, 2007, so they had ten months of data). The financial statement expenses were reduced by the following factors for each RBHA and population. 0.5 percent of the reduction is for assumed RBHA increased efficiency and effectiveness in the management of service utilization. 5.0 percent of the reduction is for a provider fee schedule (rate) change implemented by BHS on their Fee For Service (FFS) claims for all providers and services. Given the current economic climate and the FFS fee schedule reduction, BHS and Mercer believe reimbursement expectations of the RBHA's contracted providers should be lowered. Hence, payments to BHS and the RBHAs have been reduced.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS
Children — Non-CMDP	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Children — CMDP	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
SMI	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
GMH/SA	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%

BHS has periodically performed reviews of the RBHA-submitted data and has determined that the data do not include any uncovered services.

### SFY09 Adjustment

The base data was further adjusted to reflect recent experience where there was significant adverse deviation from prior pricing assumptions. Impacts varied (in some cases no impact) by RBHA, as detailed below. Overall the adjustment added 0.8 percent to Non-CMDP Children, 0.6 percent to CMDP children, 0.7 percent to SMI, and 0.5 percent to GMH/SA.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS
Children — Non-CMDP	1.000	1.005	1.015	1.009	1.056	1.000
Children — CMDP	1.000	1.005	1.015	1.009	1.056	1.000
SMI	1.000	1.005	1.015	1.009	1.056	1.000
GMH/SA	1.000	1.005	1.015	1.009	1.056	1.000

### Trend

Trend is an estimate of the change in the cost of providing a specific set of benefits over time, resulting from both unit cost (price) and utilization changes. Trend factors are used to estimate the cost of providing services in some future year (contract year) based on the cost incurred in a prior (base) year.

In order to determine actuarially sound capitation rates, Mercer projected the base data forward to reflect utilization and unit cost trend by population. Mercer calculated trends from the historical financial data. The historical data that was used as a basis for trend development did not appropriately reflect the costs related to the separate service utilization changes described below. Mercer also utilized its professional experience in working with numerous state Medicaid behavioral health and substance abuse programs. Although the trends were developed using several years of historical data, the trend factors were applied only to the SFY08 base data, bringing it forward 24 months (23 months for MHS) to SFY10. The following trend estimates were used for the capitation rates.

Population	CPSA 3	CPSA 5	Cenpatenco 2	NARBHA	Cenpatenco 4	MHS	Statewide
Children	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
SMI	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
GMH/SA	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%

### Service Utilization Changes

BHS and Mercer reviewed changes for SFY10 that would unusually affect service utilization. It was determined that due to expected changes in utilization of specific existing Covered Services, adjustments to the base data would need to be made to account for these changes. In addition, Mercer adjusted the SFY08 base data for any service utilization changes that occurred for SFY09. The results of the annual "Lookback" report (Behavioral Health Services State Fiscal Year 2008 Assumptions Review) were considered in the development of the final SFY10 capitation rates.

The following two adjustments will take place in the contract period of SFY10.

### High Needs Children

The High Needs Children service expansion will add additional case managers throughout the State to continue progress towards the goal of one case manager for every 15 high needs children. Of these case managers, the vast majority will be behavioral health technicians and the remainder will be behavioral health professionals. Adequate case management is required to coordinate the variety of necessary covered behavioral health services, especially for children with complex needs. There are currently not enough case managers for children with complex needs to achieve the desired ratio.

The PMPM increases applied to the Non-CMDP and CMDP children's populations for this utilization adjustment for both the base period and the contract period are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
Non-CMDP	\$3.37	\$3.37	\$3.43	\$2.69	\$3.07	\$2.09	\$2.58
CMDP	\$90.92	\$91.02	\$92.53	\$72.71	\$82.78	\$56.31	\$71.91

### Transition Age Youth

The Jason K. Settlement Agreement stipulates that class members shall have services through age 20. In Arizona, at the age of 18, young adults enrolled in the public behavioral health system are transferred from the children's system to the adult system. While enrolled in the children's behavioral health system, they have the benefit of a case manager to assist in service planning and coordination of services, and are able to utilize an array of covered services to support them and their family in learning to cope with their behavioral health issues. This funding will allow for these services to be more fully utilized by the individual in the adult system, by providing case managers and generalist support services similar to those received in the Children's system.

The PMPM increases applied to the SMI and GMH/SA populations for this utilization adjustment for the contract period are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
SMI	\$0.04	\$0.05	\$0.06	\$0.03	\$0.06	\$0.03	\$0.04
GMH/SA	\$0.74	\$0.99	\$1.14	\$0.54	\$1.18	\$0.64	\$0.76

Estimates were updated but no further contract period SFY 10 adjustments were added for the following five adjustments which took place in SFY09.

### DES Families First

This program provides family-centered substance abuse and recovery support services to parents or caregivers whose substance abuse is a significant barrier to maintaining or reunifying the family or achieving self-sufficiency. The program provides an array of structured interventions to reduce or eliminate abuse of and dependence on alcohol and other drugs, and to address other adverse conditions related to substance abuse.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
GMH/SA	\$0.17	\$0.19	\$0.18	\$0.09	\$0.17	\$0.21	\$0.18

The behavioral health system requires ready access to direct supports and home-based services to effectively provide needed wraparound services for kids with complex needs and their families. This allows the child to remain at home with family instead of being placed out of home. A select list of 19 procedure codes is expected to have an increased utilization as a result of this settlement.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
Non-CMDP	\$0.59	\$0.60	\$0.59	\$0.47	\$0.54	\$0.39	\$0.47
CMDP	\$16.00	\$16.20	\$16.01	\$12.82	\$14.63	\$10.57	\$13.02

Children in the ADJC system and in the State Hospital are Title XIX eligible. The costs for these children had previously been paid for by the State Hospital, however starting in SFY09, the RBHAs are expected to cover the costs of these Title XIX eligible children.

[illegible]

### **Pima County Intense Recovery Teams (IRTs)**

It was determined that an increase to funding in Pima County for intense recovery teams was necessary for SFY09.

The PMPM increases applied to the SMI population for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
SMI	\$0.00	\$1.29	\$0.00	\$0.00	\$0.00	\$0.00	\$0.25

### **Behavioral Health Penetration – Acuity Adjustment**

An increase in penetration in some populations of the behavioral health program has been observed and is projected in these populations. Greater proportions of those eligible are accessing the behavioral health system. These increases have contributed to the projected increase in utilization for these populations and are reflected in overall claim costs. This change, as well as any projected decrease in penetration, was applied as an acuity adjustment to the SFY10 PMPM claim costs and represents a difference due to increased or decreased penetration (those enrolled, compared to those eligible), and does not adjust for any normal unit cost or utilization trends, which are handled above.

The acuity factors that were applied are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS
Non-CMDP	0.998	1.015	0.995	1.025	0.976	1.012
CMDP	1.011	1.003	0.928	1.000	1.048	1.046
SMI	0.989	1.001	0.935	1.001	0.975	0.985
GMH/SA	0.993	0.990	0.996	1.005	1.018	1.022

### **White Mountain Apache Tribal Regional Behavioral Health Authority**

The White Mountain Apache Tribe began as a Tribal Regional Behavioral Health Authority (TRBHA) October 1, 2007. NARBHA served the members that became the responsibility of the new TRBHA for the first three months of the financial data base period. Cost, eligibility

and enrollment data were reviewed for the zip codes affected by the new TRBHA. The resulting adjustment is an increase to the NARBHA capitation rates; however, total dollars projected to be paid to NARBHA are lower due to the eligibles that would no longer be served by NARBHA. The table below summarizes the adjustment to the NARBHA capitation rates by population.

	Non-CMDP	CMDP	SMI	GMH
NARBHA	\$0.28	\$12.86	\$0.27	\$0.02

### **Administration and Underwriting Profit/Risk/Contingency**

The actuarially sound capitation rates developed include provisions for RBHA administration. Mercer used its professional experience in working with numerous state Medicaid behavioral health and substance abuse programs in determining appropriate loads for administration and underwriting profit/risk/contingency. Mercer also reviewed current RBHA financial reports. The component for administration and underwriting profit/risk/contingency is calculated as a percentage of the final capitation rate. A 9 percent load was added across all populations, which is 1 percent less than the load applied for the SFY09 rates.

### **Risk Corridors and Performance Incentive**

BHS has in place a risk corridor arrangement with the RBHAs that provides motivation for the RBHAs to appropriately manage expenses, yet provides financial protection against unmanageable losses. The risk corridor provides impetus for the RBHAs to operate efficiently and generate net income, but also provides for the return of any excessive profit to the State.

The proposed SFY10 BHS risk corridor approach provides for gain/loss risk sharing symmetry around the service revenue portion of the capitation rates. This risk corridor model is designed to be cost neutral, with no net aggregate assumed impact across all payments. The RBHAs' contracts also provide for a potential one percent performance incentive. In Mercer's professional opinion, the risk corridor and performance incentive methodologies utilized by BHS are actuarially sound.

### **Tribal Fee-For-Service Claims Estimate**

Mercer received tribal claims and membership data from BHS for SFY08 through SFY09. This data was reviewed, projected, and trended forward. BHS also provided additional

information related to FFS rate decreases that would affect tribal claims. Based on this information, Mercer and BHS projected that Title XIX tribal claim costs for SFY10 will be approximately \$49.9 million.

### **BHS Administration/Risk/Contingency**

The Arizona Health Care Cost Containment System (AHCCCS) has placed BHS Administration at financial risk for the provision of BHS covered services for SFY10. Accordingly, the capitation rates were developed to include compensation to BHS for the cost of ensuring the delivery of all BHS covered services. The capitation rates paid to BHS include a 3.50 percent load, which was negotiated between AHCCCS and BHS Administration. The load represents the BHS costs of ensuring the efficient delivery of services in a managed care environment.

### **Development of Statewide Capitation Rates**

Statewide capitation rates were developed by blending the SFY10 capitation rates for each RBHA using projected SFY10 member months, the estimated dollar amount of SFY10 tribal claims, and the administrative percentage add-on component for BHS.

The statewide capitation rates are shown in Attachment B.

### **Certification of Final Rates**

In preparing the rates shown above and attached, Mercer has used and relied upon enrollment, eligibility, claim, reimbursement level, benefit design, and financial data and information supplied by BHS and the RBHAs. BHS and the RBHAs are responsible for the validity and completeness of this supplied data and information. We have reviewed the data and information for internal consistency and reasonableness but we did not audit it. In our opinion it is appropriate for the intended purposes. If the data and information are incomplete or inaccurate, the values shown in this report may need to be revised accordingly.

Mercer certifies that the above and attached rates, including risk-sharing mechanisms, incentive arrangements, or other payments, were developed in accordance with generally accepted actuarial practices and principles and are appropriate for the Medicaid covered populations and services under the managed care contract. The undersigned actuary is a member of the American Academy of Actuaries and meets its qualification standards to certify to the actuarial soundness of Medicaid managed care capitation rates.



Page 11  
May 4, 2009  
Mr. David Reese  
Arizona Department of Health Services

Final and Confidential

Rates developed by Mercer are actuarial projections of future contingent events. Actual RBHA costs will differ from these projections. Mercer has developed these rates on behalf of BHS to demonstrate compliance with the Centers for Medicare and Medicaid Services (CMS) requirements under 42 CFR 438.6(c) and accordance with applicable law and regulations. Use of these rates for any purpose beyond that stated may not be appropriate.

RBHAs are advised that the use of these rates may not be appropriate for their particular circumstance and Mercer disclaims any responsibility for the use of these rates by the RBHAs for any purpose. Mercer recommends that any RBHA considering contracting with BHS should analyze its own projected medical expense, administrative expense, and any other premium needs for comparison to these rates before deciding whether to contract with BHS.

This certification letter assumes the reader is familiar with the BHS program, Medicaid eligibility rules, and actuarial rating techniques. It is intended for BHS and CMS, and should not be relied upon by third parties. Other readers should seek the advice of actuaries or other qualified professionals competent in the area of actuarial rate projections to understand the technical nature of these results.

If you have any questions concerning our rate setting methodology, please feel free to contact me at 602 522 6510.

Sincerely,

Handwritten signature of Michael E. Nordstrom in cursive script, followed by the text "ASA, MAAA".

Michael E. Nordstrom, ASA, MAAA

Copy:  
Cynthia Layne, ADHS  
Sundee Easter, Mercer  
Bryan Wong, Mercer  
Rob O'Brien, Mercer

Enclosures

Attachment C  
SFY10 DBHS Capitation Rates  
Projection of Expenditures  
Title XIX

Final &amp; Confidential

Note: This section uses SFY10 Projected Member Months applied to both SFY09 and SFY10 Rates.

	SFY09	Statewide Rates			SFY10 Projected MMs	SFY09	Total Projected Expenditures			Percent Change Best	Percent Change Low	Percent Change High
		Best Estimate	SFY10 Low	High			Best Estimate	SFY10 Low	High			
TXIX												
Children	\$ 65.18	\$ 67.66	\$ 67.05	\$ 68.27	6,556,473	\$ 427,318,990	\$ 443,610,690	\$ 439,626,668	\$ 447,594,712	3.8%	2.9%	4.7%
SMI	\$ 81.90	\$ 77.10	\$ 76.33	\$ 77.86	6,094,153	\$ 499,093,476	\$ 469,832,901	\$ 465,195,918	\$ 474,469,883	-5.9%	-6.8%	-4.9%
GMH/SA	\$ 42.46	\$ 42.48	\$ 42.06	\$ 42.91	6,094,153	\$ 258,775,441	\$ 258,888,390	\$ 256,303,649	\$ 261,473,132	0.0%	-1.0%	1.0%
Total						\$ 1,185,187,907	\$ 1,172,331,981	\$ 1,161,126,235	\$ 1,183,537,727	-1.1%	-2.0%	-0.1%
	SFY09	Statewide Rates			SFY10 Projected MMs	SFY09	Total Projected Expenditures			Percent Change Best	Percent Change Low	Percent Change High
		Best Estimate	SFY10 Low	High			Best Estimate	SFY10 Low	High			
TXIX Children												
Non-CMDP Children	\$ 44.26	\$ 44.48	\$ 44.10	\$ 44.86	6,428,874	\$ 284,510,470	\$ 285,971,009	\$ 283,540,781	\$ 288,401,238	0.5%	-0.3%	1.4%
CMDP Children	\$ 1,119.20	\$ 1,235.43	\$ 1,223.25	\$ 1,247.61	127,599	\$ 142,808,520	\$ 157,639,681	\$ 156,085,887	\$ 159,193,474	10.4%	9.3%	11.5%
Total	\$ 65.18	\$ 67.66	\$ 67.05	\$ 68.27	6,556,473	\$ 427,318,990	\$ 443,610,690	\$ 439,626,668	\$ 447,594,712	3.8%	2.9%	4.7%

Note: This section uses SFY09 Actual/Projected Member Months applied to SFY09 Rates, and SFY10 Projected Member Months applied to SFY10 Rates.

	SFY09	Statewide Rates			SFY09 Actual/ Projected MMs	SFY09	Total Projected Expenditures			Percent Change Best	Percent Change Low	Percent Change High
		Best Estimate	SFY10 Low	High			Best Estimate	SFY10 Low	High			
TXIX												
Children	\$ 65.41	\$ 67.66	\$ 67.05	\$ 68.27	5,925,263	\$ 387,565,732	\$ 443,610,690	\$ 439,626,668	\$ 447,594,712	14.5%	13.4%	15.5%
SMI	\$ 81.90	\$ 77.10	\$ 76.33	\$ 77.86	5,484,671	\$ 449,178,666	\$ 469,832,901	\$ 465,195,918	\$ 474,469,883	4.6%	3.6%	5.6%
GMH/SA	\$ 42.46	\$ 42.48	\$ 42.06	\$ 42.91	5,484,671	\$ 232,895,064	\$ 258,888,390	\$ 256,303,649	\$ 261,473,132	11.2%	10.1%	12.3%
Total						\$ 1,069,639,463	\$ 1,172,331,981	\$ 1,161,126,235	\$ 1,183,537,727	9.6%	8.6%	10.6%
						SFY10 Projected MMs						
						6,556,473						
						6,094,153						
						6,094,153						
	SFY09	Statewide Rates			SFY09 Actual/ Projected MMs	SFY09	Total Projected Expenditures			Percent Change Best	Percent Change Low	Percent Change High
		Best Estimate	SFY10 Low	High			Best Estimate	SFY10 Low	High			
TXIX Children												
Non-CMDP Children	\$ 44.26	\$ 44.48	\$ 44.10	\$ 44.86	5,808,659	\$ 257,062,793	\$ 285,971,009	\$ 283,540,781	\$ 288,401,238	11.2%	10.3%	12.2%
CMDP Children	\$ 1,119.20	\$ 1,235.43	\$ 1,223.25	\$ 1,247.61	116,604	\$ 130,502,940	\$ 157,639,681	\$ 156,085,887	\$ 159,193,474	20.8%	19.6%	22.0%
Total	\$ 65.41	\$ 67.66	\$ 67.05	\$ 68.27	5,925,263	\$ 387,566,732	\$ 443,610,690	\$ 439,626,668	\$ 447,594,712	14.5%	13.4%	15.5%
						SFY10 Projected MMs						
						6,428,874						
						127,599						
						6,556,473						

STATE OF ARIZONA

**Joint Legislative Budget Committee**

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SENATE

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DATE: September 15, 2009

TO: Representative John Kavanagh  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Fiscal Analyst

SUBJECT: Attorney General – Review of Allocation of Settlement Monies

**Request**

The General Appropriation Act (Laws 2009, Chapter 11) contains a footnote that requires Joint Legislative Budget Committee (JLBC) review of the expenditure plan for settlement monies over \$100,000 received by the Office of the Attorney General (AG) or any other person on behalf of the State of Arizona, prior to expenditure of the monies. Settlements that are deposited in the General Fund pursuant to statute do not require JLBC review.

This request is for review of a total of \$2,547,000 from 5 settlements to be deposited into the Consumer Protection – Consumer Fraud Revolving Fund: 1) a \$930,000 allocation resulting from mediation as part of ongoing Average Wholesale Price (AWP) litigation with pharmaceutical companies, 2) a \$117,000 allocation to the AG from a consent judgment with Tim's Auto Group, 3) a \$400,000 allocation to the AG from a consent judgment with Wal-Mart Stores, 4) a \$1,000,000 civil penalty from a consent judgment with Central Coast Nutraceuticals (CCN), and 5) a \$100,000 civil penalty from a consent judgment with Payless Car Rental.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review of the allocation plans from the AWP settlement agreement and the consent judgments for Tim's Auto Group, Wal-Mart, CCN, and Payless Car Rental. The allocation plans are consistent with A.R.S. § 44-1531.01, which relates to the distribution of monies recovered as a result of enforcing consumer protection or consumer fraud statutes.

**Analysis**

Average Wholesale Price (AWP) Litigation

The AWP of prescription drugs was a widely used benchmark for pricing prescription drugs, determining reimbursement levels for healthcare providers under Medicare and Medicaid programs, and establishing

(Continued)

payment amounts due from insurers and consumers under Medicare and private insurance. In December 2005, the AG filed suit against several pharmaceutical manufacturers alleging that the companies reported inaccurate prices to trade publications, which led to inflated reimbursement rates.

As a result of court-ordered mediation, the State of Arizona and some of the defendant pharmaceutical companies have reached an agreement that requires the defendants to pay \$930,000 to Arizona. Of the total, \$83,700 will go toward outside counsel attorney fees, as the case is being addressed in Massachusetts. The remaining \$845,400 will be deposited into the Consumer Protection-Consumer Fraud Revolving Fund to support consumer fraud investigations, consumer education, and enforcement of the Consumer Fraud Act. The settlement does not acknowledge any wrongdoing on the part of the pharmaceutical companies.

The lawsuit involving the remaining pharmaceutical companies is still ongoing, as are other AWP cases from different states and a nationwide class action suit that includes Arizona consumers. When the settlements receive final court approval, Arizona consumers will have the opportunity to submit claims for reimbursement.

#### Tim's Auto Group

The Attorney General entered into a settlement with Tim's Auto Group, an auto dealership based in Prescott, Arizona on May 22, 2009. The settlement resolves a lawsuit alleging misrepresentations in auto sales advertisements. The lawsuit included allegations that Tim's Auto Group did not disclose all terms and conditions of credit approval offers; distributed advertisements that were made to look like checks or as if they were from a government or public entity; and used misleading language for comparison pricing and the urgency of auto sales.

The settlement does not acknowledge any wrongdoing on the part of Tim's Auto Group. It requires Tim's Auto Group to accurately advertise their promotional discounts, use clear footnote language, and train its employees and marketing contractors accordingly.

The settlement also requires Tim's Auto Group to pay \$117,000 to the AG to be deposited into the Consumer Protection-Consumer Fraud Revolving Fund for attorneys' fees, investigation costs, and to support consumer fraud investigations, consumer education, and enforcement of the Consumer Fraud Act. If Tim's Auto Group fails to comply with the terms of the judgment, the settlement amount could increase up to \$175,000, with any additional monies also to be deposited into the Consumer Protection-Consumer Fraud Revolving Fund.

#### Wal-Mart

The AG entered into a consent judgment with Wal-Mart as a result of the consumer fraud investigation of Wal-Mart's pricing discrepancies. Between 2001 and 2006, the Department of Weights and Measures (DWM) repeatedly cited Wal-Mart for differences between posted prices and checkout prices and lack of posted shelf prices.

The settlement requires Wal-Mart to pay \$400,000 to the AG. This amount will be deposited into the Consumer Protection-Consumer Fraud Revolving Fund for attorneys fees, investigation costs, and to support consumer fraud investigations, consumer education, and enforcement of the Consumer Fraud Act. Wal-Mart also agreed to pay a penalty of \$2,500 to DWM and an additional \$5,000 penalty if the same store fails a re-inspection.

Parties have agreed that Wal-Mart will not be required to deposit an additional \$600,000 into the Consumer Protection-Consumer Fraud Revolving Fund if they comply with requirements of the

(Continued)

judgment. These requirements include notifying customers of policies for remedying price discrepancies by posting a notice at each register in all Arizona stores and to ensuring that all store managers are informed of the consent judgment requirements.

#### Central Coast Nutraceuticals (CCN)

The Attorney General entered into a settlement with CCN, a California corporation that sells nutritional products and related services, on June 16, 2009. The settlement resolves a lawsuit alleging misrepresentations in advertising and billing practices. The lawsuit included allegations that CCN did not appropriately disclose all conditions of purchasing “risk-free” products, enrolled consumers in a consultation service and charged them without their consent, failed to adequately represent that consumers would be automatically charged for product purchases unless they actively de-selected them, and did not respond promptly or at all to consumer complaints or refund requests.

The settlement does not acknowledge any wrongdoing on the part of CCN or its president and owner, Graham Gibson. It prohibits CCN from representing that a consumer has agreed to a purchase unless the consumer has actively consented to the purchase, charging a consumer’s credit card before a product trial and return shipping period expires, and using contradictory language on its website or materials regarding product trial periods.

The settlement requires CCN to pay \$350,000 in consumer restitution and establishes a 60-day period for consumers to file complaints with the AG. The AG has already received several hundred complaints.

The settlement also requires CCN to pay \$1,000,000 to the AG to be deposited into the Consumer Protection-Consumer Fraud Revolving Fund for attorneys’ fees, investigation costs, and to support consumer fraud investigations, consumer education, and enforcement of the Consumer Fraud Act. CCN is also required to pay an additional \$25,000 to the AG for attorneys’ fees and investigation costs.

#### Payless Car Rental

The Attorney General entered into a settlement on June 1, 2009 with Payless Car Rental, a corporation that maintains a car rental facility at Sky Harbor Airport. The settlement resolves an investigation that found that Payless Car Rental charged at least 80 customers for windshield damage for which they were not responsible. In some instances, Payless had already collected the cost of the windshield replacement from the customers who were in possession of the vehicles when the damaged occurred.

The settlement prohibits Payless Car Rental from collecting on any claim for damage to a rental vehicle unless it can establish that the damage occurred during the consumer’s rental period, charging or collecting a damage claim that exceeds the actual cost to repair damage to the vehicle, and asserting a loss-of-use claim for a vehicle if the damage can be repaired and the vehicle returned within 8 hours.

According the settlement, Payless Car Rental is required to reimburse consumers who were erroneously charged for windshield damage. Payless Car Rental ultimately paid \$39,000 in consumer restitution.

The settlement also requires Payless Car Rental to pay \$100,000 to the AG to be deposited into the Consumer Protection-Consumer Fraud Revolving Fund for attorneys’ fees, investigation costs, and to support consumer fraud investigations, consumer education, and enforcement of the Consumer Fraud Act.

RS/MZ:ss



Terry Goddard  
Attorney General

Office of the Attorney General  
State of Arizona

Dena Rosen Epstein  
Consumer Protection &  
Advocacy Section  
Direct: (602) 542-7717  
Dena.Epstein@azag.gov

August 18, 2009

The Honorable Robert L. Burns  
President of the Senate  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable Kirk Adams  
Speaker of the House  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable John Kavanagh  
Chairman, Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, AZ 85007



Re: *State ex rel Goddard v. Abbott Laboratories, et al.*, CV 2005-018711 (Ariz. Sup. Ct.), removed and transferred to *In re Pharmaceutical Industry Average Wholesale Price Litigation*, MDL No. 1456

Gentlemen:

The State of Arizona recently settled a case against several pharmaceutical companies<sup>1</sup> (the "Settling Defendants"), resolving claims asserted in the Average Wholesale Price Litigation described below.

In December 2005, our Office, through outside counsel, filed suit in Maricopa County Superior Court against several pharmaceutical manufacturers for manipulating the Average Wholesale Price ("AWP") of prescription drugs in connection with the marketing and sale of

---

<sup>1</sup> Abbott Laboratories, Abbott Laboratories Inc., Amgen Inc., Aventis Pharmaceuticals Inc., Hoechst Marion Roussel, Inc., Baxter Healthcare Corporation, Baxter International Inc., Bayer Corporation, Boehringer Ingelheim Pharmaceuticals, Inc., Ben Venue Laboratories, Inc., including its division Bedford Laboratories, Boehringer Ingelheim Roxane, Inc., Roxane Laboratories, Inc., Fujisawa Healthcare, Inc., Fujisawa USA, Inc., Immunex Corporation, Pharmacia Corporation, Pharmacia & Upjohn LLC (f/k/a Pharmacia & Upjohn, Inc.), Sicom, Inc., Gensia, Inc., Gensia Sicom Pharmaceuticals, Inc., Watson Pharmaceuticals, Inc., Watson Pharma, Inc., Schein Pharmaceutical Inc. (n/k/a Watson Pharma, Inc.), Watson Laboratories, Inc., and ZLB Behring, L.L.C. (collectively, the "Settling Defendants").

The Honorable Robert L. Burns  
The Honorable Kirk Adams  
The Honorable John Kavanagh  
August 18, 2009  
Page 2

certain prescription drugs sold in Arizona. AWP has been a widely utilized benchmark for pricing prescription drugs and for reimbursing physicians and other healthcare providers for the administration of certain drugs under the Medicare and Medicaid programs. It has also been used to determine amounts paid by insurers and co-pays by consumers under the Medicare program or through private insurance.

The State's Complaint alleges that the defendants violated the Arizona Consumer Fraud Act (A.R.S. § 44-1521 et seq.) by, among other things, providing false information about their reported prices to trade publications, which in turn led to inflated reimbursement rates. The lawsuit seeks various forms of relief, including injunctive relief, civil penalties, restitution for Arizona consumers, costs, and attorneys' fees.<sup>2</sup>

After the lawsuit was filed, the defendant pharmaceutical manufacturers successfully removed the case to federal district court in Massachusetts. Several other AWP cases are also pending in Massachusetts district court, including a nationwide consumer class action that includes Arizona consumers. Settlements on behalf of the consumer class have been reached with many of the defendants. Arizona consumers will have the opportunity to submit claims for reimbursement once the settlements receive final court approval.

Over the last several months, the State of Arizona and defendants have been participating in a court-ordered mediation. As a result of that mediation, Arizona reached an agreement resolving its claims against the Settling Defendants. Litigation against the remaining defendants, Astra Zeneca, B. Braun, Bristol-Myers Squibb, Dey, Johnson and Johnson and Schering-Plough Warrick Group, is still on-going.

The settlement agreement requires the Settling Defendants to pay \$930,000, in exchange for a release of the claims asserted in the lawsuit. As provided in our agreement with outside counsel and as approved by the court, outside counsel received nine percent, or \$83,700, of the settlement amount for their attorneys' fees. Pursuant to A.R.S. § 44-1531.01(B), the remaining 91 percent, or \$845,400, of the settlement funds was deposited into the Consumer Fraud Revolving Fund. In accordance with A.R.S. § 44-1531.01(C), these funds will be used for consumer fraud enforcement and education.

This settlement does not constitute an admission of liability.

Our notification of this settlement is made without prejudice to our Office's long-standing position that it is not under any legal obligation to provide notices of settlements to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

---

<sup>2</sup> The industry has moved away from its heavy reliance on AWP as a pricing benchmark in the years since Arizona filed this lawsuit.

The Honorable Robert L. Burns  
The Honorable Kirk Adams  
The Honorable John Kavanagh  
August 18, 2009  
Page 3

If you have any questions, please feel free to contact me at (602) 542-7717 or by e-mail at [dena.epstein@azag.gov](mailto:dena.epstein@azag.gov).

Thank you.

Sincerely,



Dena Rosen Epstein  
Acting Section Chief Counsel  
Consumer Protection and Advocacy Section

cc: The Honorable Russell K. Pearce  
The Honorable Jorge Luis Garcia  
The Honorable David Lujan  
Mr. Richard S. Stavneak  
Ms. Marge Zylla (Settlement Agreement enclosed)  
Mr. Joe Kanefield  
Mr. Ruben Alonzo  
Mr. Greg Stanton  
Mr. John T. Stevens, Jr.

#532085





Terry Goddard  
Attorney General

Office of the Attorney General  
State of Arizona

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August 3, 2009

The Honorable Robert L. Burns  
President of the Senate  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable Kirk Adams  
Speaker of the House  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable John Kavanagh  
Chairman, Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, AZ 85007



Re: State v. Tim's Auto Group

Gentlemen:

The State of Arizona recently settled a case against Tim's Auto Group ("Tim's"), resolving allegations that the Prescott-based motor vehicle dealership engaged in false and deceptive advertising.

The settlement, in the form of a Consent Judgment, resolves the State's investigation of Tim's advertising practices. According to the Complaint that was filed concurrently with the Consent Judgment, some of Tim's advertisements included facsimile checks that did not provide consumers with a true discount from what they otherwise would have paid. Tim's advertisements allegedly created a false sense of urgency and included footnotes that contradicted the offers they were supposed to explain. The Complaint further alleged that Tim's deceptively called one of its used car lots "Tim's Factory Outlet," although it had no relationship with a factory and was not an outlet.

The Consent Judgment does not constitute an admission of wrongdoing by Tim's. Under this settlement, Tim's has agreed to comply with the Arizona Consumer Fraud Act and engage in truthful and non-misleading advertising. Among other things, the Consent Judgment further prohibits Tim's from:

The Honorable Robert L. Burns  
The Honorable Kirk Adams  
The Honorable John Kavanagh  
August 3, 2009  
Page 2

- Advertising the price of used vehicles in comparison to the original MSRP of the vehicle;
- Creating the false appearance that consumers are receiving a check or negotiable instrument in its advertisements;
- Using footnotes that are confusing, contradictory or hard to read;
- Advertising that a sale is an event of urgent status, or that it is selling specially obtained inventory unless Tim's can document these claims;
- Stating that "all credit applications will be accepted," or making offers of credit approval without also clearly disclosing the material conditions of the credit approval offer such as credit score or employment; and
- Using mailers to create the false appearance that Tim's advertisements are from a governmental or public entity.

Under the Consent Judgment, Tim's must train its employees and ensure that its marketing contractors are informed of the requirements of this settlement.

The Judgment also requires Tim's to pay a total of \$117,000 to the State for civil penalties, investigation costs and attorney's fees, which could increase up to \$175,000 if Tim's fails to comply with either the payment or injunctive terms of the settlement. This recovery is to be deposited in the consumer fraud revolving fund in accordance with Arizona law, A.R.S. § 44-1531.01(B), as well as the Judgment, and will be used for consumer fraud enforcement and education pursuant to A.R.S. § 44-1531.01(C).

Our notification to you of this settlement is made without prejudice to this office's long-standing position that it is not under any legal obligation to provide notices of settlement to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

Thank you. If you have any questions, please feel free to contact me at (602) 542-7717 or by e-mail at [dena.epstein@azag.gov](mailto:dena.epstein@azag.gov).

Sincerely,



Dena Rosen Epstein  
Acting Section Chief Counsel  
Consumer Protection and Advocacy Section

cc: The Honorable Russell K. Pearce  
The Honorable Jorge Luis Garcia  
The Honorable David Lujan

The Honorable Robert L. Burns  
The Honorable Kirk Adams  
The Honorable John Kavanagh  
August 3, 2009  
Page 3

Mr. Richard S. Stavneak  
Ms. Marge Zylla ✓  
Mr. Joe Kanefield  
Ms. Ruben Alonzo  
Mr. Greg Stanton  
Mr. John T. Stevens, Jr.

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Attorney General

Office of the Attorney General  
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June 24, 2009

The Honorable Robert L. Burns  
President of the Senate  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable Kirk Adams  
Speaker of the House  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable John Kavanagh  
Chairman, Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, AZ 85007



Re: State v. Wal-Mart Stores, Inc.

Gentlemen:

The State of Arizona recently settled a case against Wal-Mart Stores, Inc. ("Wal-Mart"), resolving a lawsuit brought in July, 2006 for violations of the Arizona Consumer Fraud Act, A.R.S. §44-1521, *et. seq.*, relating to its pattern of failing to post accurate shelf price on items offered and advertised for sale in its Arizona stores.

Between 2001 and 2006, Wal-Mart was cited repeatedly by the Arizona Department of Weights and Measures ("DWM") for discrepancies between posted prices and checkout prices and for failing to post shelf prices on many products. Wal-Mart failed over half of the inspections conducted by DWM during that period. Although Wal-Mart paid a number of fines to the DWM over the years, the State's lawsuit alleged that Wal-Mart's continuing failure to correct the deficiencies that led to the pricing inaccuracies constituted an unlawful practice in violation of the Consumer Fraud Act.

The lawsuit was settled by way of a Consent Judgment. While the Consent Judgment does not constitute an admission of liability, Wal-Mart has agreed to correct the business practices that gave rise to the lawsuit. Under the Judgment, Wal-Mart must hire an independent monitor to design and conduct price accuracy and price posting inspections at its Arizona stores. If the independent monitor concludes an Arizona store has failed an

The Honorable Robert L. Burns  
The Honorable Kirk Adams  
The Honorable John Kavanagh  
June 24, 2009  
Page 2

inspection – meaning that less than 98% of the inspected merchandise has prices that are clearly and accurately marked – Wal-Mart will pay an agreed penalty of \$2500, plus another \$5000 if the same store fails a re-inspection. The Consent Judgment further requires Wal-Mart to:

- Clearly notify consumers of its policies for remedying price scanning discrepancies, by posting a notice at each point of sale register in every Arizona store;
- Comply with the Arizona Consumer Fraud Act, as it is written now and amended in the future; and
- Ensure its managers are informed of the requirements of the Consent Judgment.

The Judgment also provides that Wal-Mart will pay the State \$400,000, to be deposited in the consumer fraud revolving fund in accordance with Arizona law, A.R.S. § 44-1531.01. Although the Judgment calls for payment of an additional \$600,000, the parties agreed that Wal-Mart will have provided consideration equal to that amount and will have satisfied such payment obligation if, within 90 days of entry of the Consent Judgment, Wal-Mart certifies in writing under oath that it has undertaken and completed the actions necessary to establish and implement the injunctive terms of the Judgment.

Our notification to you of this settlement is made without prejudice to this office's long-standing position that it is not under any legal obligation to provide notices of settlement to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

Thank you. If you have any questions, please feel free to contact me at (602) 542-7717 or by e-mail at [dena.epstein@azag.gov](mailto:dena.epstein@azag.gov).

Sincerely,



Dena Rosen Epstein  
Acting Section Chief Counsel  
Consumer Protection and Advocacy Section

cc: The Honorable Russell K. Pearce  
The Honorable Jorge Luis Garcia  
The Honorable David Lujan  
✓ Mr. Richard S. Stavneak  
Ms. March Zilla  
Mr. Joe Kanefield  
Ms. Ruben Alonzo  
Mr. Greg Stanton  
Mr. John T. Stevens, Jr.



Terry Goddard  
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Office of the Attorney General  
State of Arizona

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August 28, 2009

The Honorable Robert L. Burns  
President of the Senate  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable Kirk Adams  
Speaker of the House  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable John Kavanagh  
Chairman, Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, AZ 85007

Re: *State ex rel Goddard v. Central Coast Nutraceuticals, Inc, et. al.*

Gentlemen:

The State of Arizona recently settled a case against Central Coast Nutraceuticals and its owner and president, Graham Gibson (collectively "CCN") resolving allegations of deceptive advertising and billing practices in connection with the sale of nutritional products such as "ColoPure" and "Green Tea Extreme."

Based on hundreds of consumer complaints, the State filed a consumer fraud lawsuit against CCN concerning the company's on-line sale of "risk-free" trial offers of various nutraceutical products in late December, 2008. The Complaint alleged that consumers who signed up for a \$1.00 "risk free" trial offer ended up paying far more than that, because CCN routinely charged consumers for products they did not request. For instance, the on-line order form included hard to read "up sell" products that consumers had to actively de-select to avoid an additional \$39.90 charge for Hoodiaburst and Hoodiawater. Using the credit card information consumers provided for the free trial offer, CCN also allegedly enrolled consumers in a fitness consultation service called Fit Factory – at a cost of \$29.95 a month – without their knowledge or consent. When consumers contacted CCN to obtain refunds or cancel unauthorized charges, they routinely faced hold times over an hour and their e-mails were not answered, according to the Complaint.

Shortly after suit was filed, CCN agreed to a preliminary injunction addressing the most egregious of its practices. After extensive negotiations, the parties settled all claims in the lawsuit by way of a Consent Judgment. The Consent Judgment, which does not constitute an admission of liability, requires CCN to comply with the Arizona Consumer Fraud Act and to clearly and conspicuously disclose all conditions that apply to the purchase of the product such as cost and refund policies, before it can obtain any payment information from a consumer. The Judgment also prohibits CCN from engaging in the following practices:

- representing that a product or service is offered without any obligation on the part of a recipient of the offer if, in fact, a charge will be assessed unless the consumer takes affirmative action;
- representing that a consumer has agreed to a particular purchase or transaction unless the consumer has affirmatively consented to the purchase;
- representing that consumers can easily cancel an order before they will be assessed charges, unless it provides adequate customer service;
- charging a consumer's credit card before the trial period expires, plus an additional 7 days, to allow the consumer to return any unused trial product and cancel further shipments;
- obtaining a consumer's credit card information before the consumer has agreed to purchase a product or service and been presented with all material terms and conditions; and
- using conflicting or contradictory language on its website and other materials regarding the length of the trial period or time frame for returning the product.

The Judgment requires CCN to pay \$350,000 for consumer restitution. The settlement establishes a 60 day period for consumers to file complaints with the Attorney General's Office. Our office has received several hundreds of consumer complaints and is now in the process of reviewing the claims to prepare to distribute restitution funds.

The Judgment further assesses a \$1,000,000 civil penalty against CCN and its president, Graham Gibson, pursuant to A.R.S. § 44-1531. Finally, the settlement includes a payment of \$25,000 for attorney's fees and investigation costs. This recovery is to be deposited in the consumer fraud revolving fund in accordance with Arizona law, A.R.S. § 44-1531.01(B), as well as the Judgment, and will be used for consumer fraud enforcement and education pursuant to A.R.S. § 44-1531.01(C).

Our notification to you of this settlement is made without prejudice to this office's long-standing position that it is not under any legal obligation to provide notices of settlement to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.



The Honorable Robert L. Burns  
The Honorable Kirk Adams  
The Honorable John Kavanagh  
August 28, 2009  
Page 3

Thank you. If you have any questions, please feel free to contact me at (602) 542-7717 or by e-mail at [dena.epstein@azag.gov](mailto:dena.epstein@azag.gov).

Sincerely,



Dena Rosen Epstein  
Acting Section Chief Counsel  
Consumer Protection and Advocacy Section

cc: The Honorable Russell K. Pearce  
The Honorable Jorge Luis Garcia  
The Honorable David Lujan  
Mr. Richard S. Stavneak  
Ms. Marge Zylla (enclosing copy of Consent Judgment)  
Mr. Joe Kanefield  
Ms. Ruben Alonzo  
Mr. Greg Stanton  
Mr. John T. Stevens, Jr.

#533173





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State of Arizona

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August 31, 2009

The Honorable Robert L. Burns  
President of the Senate  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable Kirk Adams  
Speaker of the House  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable John Kavanagh  
Chairman, Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, AZ 85007

Re: *State ex rel Goddard v. PCR venture of Phoenix, LLC, dba Payless Car Rental*

Gentlemen:

The State of Arizona recently settled a case against PCR venture of Phoenix, LLC, dba Payless Car Rental ("Payless") resolving allegations of deceptive advertising and billing practices.

Payless Car Rental maintains a car rental facility at the Sky Harbor Airport in Phoenix, Arizona. The State's investigation revealed that Payless charged at least 80 customers for windshield damage for which they were not responsible. Renters took possession of vehicles, unaware that the windshields had one or more pre-existing chips. When the renters returned the vehicles, Payless held them responsible for the damage and attempted to collect the cost of replacing the windshield from them.

In some instances, Payless had already collected the cost of windshield replacement from the customers who were in possession of the cars when the damage occurred. The State also found that in some instances Payless falsified repair invoices to collect payments from renters. In addition to charging consumers for windshield replacements, Payless also charged some renters for loss of use of the vehicle, claiming that the car could not be rented

The Honorable Robert L. Burns  
The Honorable Kirk Adams  
The Honorable John Kavanagh  
August 31, 2009  
Page 2

when it was being repaired. Although it took a relatively short period of time to replace a windshield, Payless charged some consumers for one or two days of loss of use according to the complaint.

The settlement, in the form a Consent Judgment, prohibits Payless from:

- Engaging in deceptive or unlawful practices;
- Asserting or collecting any claim for damage to a rental vehicle from a consumer, unless Payless can establish the damage occurred during the period the consumer rented the vehicle;
- Asserting or collecting any damage claim for more than the actual cost to Payless of repairing the damage to the rental vehicle; and
- Asserting a claim for loss of use of a rental vehicle if the windshield damage can be repaired and returned to Payless within 8 hours.

The Consent Judgment further requires Payless to reimburse all consumers who were charged for windshield damage for which they were not responsible. Under the Judgment, Payless must pay each eligible consumer restitution calculated as the total of (1) all monies paid by the consumer for replacement of the windshield (2) all monies collected by Payless for loss of use of the vehicle and (3) all monies collected by Payless for administrative fees. While the Judgment itself does not set forth the total amount of restitution due, Payless ended up paying a total of \$39,000 in restitution which has been distributed to consumers.

Finally, the Judgment assesses a \$100,000 civil penalty against Payless pursuant to A.R.S. § 44-1531. This recovery is to be deposited in the consumer fraud revolving fund in accordance with Arizona law, A.R.S. § 44-1531.01(B), as well as the Judgment, and will be used for consumer fraud enforcement and education pursuant to A.R.S. § 44-1531.01(C).

Our notification to you of this settlement is made without prejudice to this office's long-standing position that it is not under any legal obligation to provide notices of settlement to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

Thank you. If you have any questions, please feel free to contact me at (602) 542-7717 or by e-mail at [dena.epstein@azag.gov](mailto:dena.epstein@azag.gov).

Sincerely,



Dena Rosen Epstein  
Acting Section Chief Counsel  
Consumer Protection and Advocacy Section

The Honorable Robert L. Burns  
The Honorable Kirk Adams  
The Honorable John Kavanagh  
August 31, 2009  
Page 3

cc: The Honorable Russell K. Pearce  
The Honorable Jorge Luis Garcia  
The Honorable David Lujan  
Mr. Richard S. Stavneak  
Ms. Marge Zylla (enclosing copy of Consent Judgment)  
Mr. Joe Kanefield  
Ms. Ruben Alonzo  
Mr. Greg Stanton  
Mr. John T. Stevens, Jr.

#544797

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

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CHAIRMAN 2010  
PAULA ABOUD  
AMANDA AGUIRRE  
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HOUSE OF  
REPRESENTATIVES

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MATT HEINZ  
JOHN MCCOMISH  
RICK MURPHY  
VIC WILLIAMS

DATE: September 15, 2009

TO: Representative John Kavanagh, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Dan Hunting, Fiscal Analyst

SUBJECT: Government Information Technology Agency - Quarterly Review of the Arizona Public  
Safety Communication Advisory Commission

**Request**

Pursuant to A.R.S. § 41-3542C, the Government Information Technology Agency (GITA) has submitted for review its FY 2009 expenditures and progress report for the statewide interoperability design project.

**Recommendation**

The Committee has at least the following 2 options:

1. A favorable review of the proposed expenditure of \$639,500 from the General Fund.
2. An unfavorable review.

Expenditures for FY 2009 totaled \$639,500 of \$803,300 in FY 2009 appropriated funding.

Of the \$17.7 million in 2007 federal interoperable communications grant awards \$2.5 million has been expended statewide. Of this \$17.7 million, the state is eligible for 29%, or \$5.1 million of the total Arizona award, with local agencies allocated the remaining 71%, or \$12.6 million.

**Analysis**

Background

The Arizona Public Safety Communication Advisory Commission (PSCC) was established to develop a statewide, standard-based interoperability system that allows public safety personnel from one agency to communicate, via mobile radio, with personnel from other agencies. An interoperable system enhances the ability of various public safety agencies to coordinate their actions in the event of a large-scale

(Continued)

emergency, as well as daily emergencies. Construction costs of a statewide interoperability communication system have been estimated to be as high as \$300 million.

#### Activities

Laws 2008, Chapter 285 transferred the PSCC from the Department of Public Safety to GITA. The PSCC was appropriated \$880,600 from the General Fund in FY 2009. A lump sum reduction of \$(44,000) and a Personal Services reduction of \$(33,300) reduced the final PSCC appropriation to \$803,300.

In FY 2009, PSCC increased the number of Arizona Interagency Radio System (AIRS) user agencies to 134. This short-term solution, while allowing interagency communication, is limited to a single talk group, which is described as a single conversation between users in a geographical area. The PSCC describes this functionality as “basic interoperability” for first responders. The full deployment of AIRS, which includes the installation of equipment at over 40 sites, is expected by the end of the calendar year.

In May of 2009, the PSCC approved a revised list of strategic initiatives to be included in the Statewide Communications Interoperability Plan (SCIP). This plan provides coordination between agencies, specifies technical objectives, and establishes standard operating procedures for communication.

#### Expenditures

In FY 2009, the PSCC expended \$639,500 for operating costs associated with 4 filled FTE Positions. A total of \$2,363,900 remained at the close of FY 2009, including \$2,200,000 in non-lapsing funds from the Anti-Racketeering Fund. A footnote in the FY 2009 budget specifies legislative intent to use these non-lapsing funds for the detailed design of a long-term interoperability solution. Prior to expending these monies, GITA is required to submit expenditure plans to the Joint Legislative Budget Committee for review. To date, none of this funding has been spent.

Laws 2004, Chapter 275 included a non-lapsing appropriation of \$3 million to DPS in FY 2005 for the design costs of a statewide radio interoperability communication system. The FY 2010 budget reverted the remaining \$358,500 of this amount to the General Fund.

Table 1 indicates funds available and expenditures for FY 2009.

<b>Table 1</b>			
<b><u>PSCC Appropriation &amp; Expenditures</u></b>			
	<b>FY 2009 Funding</b>	<b>FY 2009</b>	<b>Remaining</b>
	<b><u>Available</u></b>	<b><u>Expenditures</u></b>	<b><u>Balance</u></b>
Personal Services	\$ 445,200	\$ 273,800	\$ 171,400
Employee Related Expenditures	140,000	65,200	74,800
Professional & Outside Services	75,000	238,300	(163,300)
Travel - In State	5,000	1,400	3,600
Travel - Out of State	5,000	5,200	(200)
Other Operating Expenditures	116,200	54,100	62,100
Non-Lapsing Expenditure Authority	2,200,000	0	2,200,000
Equipment	17,000	1,500	15,500
<b>Total Operating Expenditures</b>	<b>\$ 3,003,400</b>	<b>\$639,500</b>	<b>\$ 2,363,900</b>

RS/DH:ss

JANICE K. BREWER  
GOVERNOR



CHAD KIRKPATRICK  
DIRECTOR

STATE OF ARIZONA  
GOVERNMENT INFORMATION TECHNOLOGY AGENCY  
100 N. 15<sup>th</sup> Avenue, Suite 440  
Phoenix AZ 85007

August 31, 2009

Dan Hunting  
JLBC Analyst  
Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, AZ 85007



Dear Dan,

I am pleased to provide this quarterly report to the JLBC covering the activities of the Public Safety Interoperable Communications Office (PSIC) within the Government Information Technology Agency (GITA), the Public Safety Communications Advisory Commission (PSCC) and the Statewide Interoperability Executive Committee (SIEC).

On May 19, 2009, the PSCC approved a revised set of strategic initiatives and supporting objectives for inclusion in the Statewide Communications Interoperability Plan (SCIP). These strategic initiatives are published on the PSIC Office website ([www.azgita.gov/psic](http://www.azgita.gov/psic)). These new strategic initiatives guided our efforts during second quarter CY2009 and will guide our efforts going forward. The strategic initiatives are grouped into five key interoperability areas: Governance, Standard Operating Procedures, Technology, Training and Exercise, Usage and Outreach. Key accomplishments of GITA-PSIC in each area are outlined below.

### Governance

The updated SCIP Governance Initiatives and supporting objectives approved by the PSCC on May 19, 2009, are as follows:

#	Strategic Initiative ■ Supporting Objective	Target Completion Date	Lead
1	Expand and implement Interoperable Communications Governance Model & Plan.	2010	PSCC
1.1	■ Conduct an annual SCIP review and update the plan.	Annual	PSCC
1.2	■ Develop a Comprehensive Emergency Communications Plan addressing regional emergencies, catastrophic loss and mass evacuation/ingress.	2010	TBD
1.3	■ Develop TICPs and utilization of CASM.	2011	Regional Partners
1.4	■ Strengthen SIEC.	2009	PSCC/SIEC
2	Develop Long-term Plan for Statewide Interoperability for voice and data.	2011	PSCC
2.1	■ Develop Long-term Plan for Statewide Interoperability for voice.	2011	PSCC
2.2	■ Develop Long-term Plan for Statewide Interoperability for data.	2011	PSCC
3	Develop & implement Long-term Funding and Sustainability Strategy for interoperable communications.	2011	PSCC

During second quarter CY09, the PSIC Office made significant progress on Initiative #1: Expanding and implementing our interoperable communications governance model. This initiative was identified as both short term and high priority, and is viewed as an essential precursor to achieving other key strategic interoperability objectives. Key advances in Governance made during the second quarter include:

#### NGA Governance Policy Academy Progress

GITA-PSWIC continued its participation in the NGA Center for Best Practices *Interoperability Focus on Governance Policy Academy*. The Academy provided Arizona with an opportunity to obtain resources and subject matter expertise to address Governance issues. The NGA Policy Academy was designed to help states selected through a competitive grant, including Arizona, to improve their governance structures overseeing statewide communications interoperability planning and implementation.

Participation in the Academy motivated the Arizona team to conduct a thorough analysis of the Federal Department of Homeland Security's Office of Emergency Communications (OEC) best practices methodology of statewide governance. In accordance with the guide, stakeholders began viewing governance more broadly in terms of how it could support achieving progress on interoperability initiatives by strengthening key governance entities. Here are some highlights:

PSCC - The PSSC's meeting structure has been updated to strengthen its effectiveness:

- The PSSC now meets bi-monthly (rather than quarterly) to accelerate workflow.
- The meetings of PSSC and SIEC (technical and operational committee of PSSC) are alternated to facilitate more effective direction-setting and processing of recommendations.
- Regional updates are being incorporate into PSSC meetings to facilitate sharing of regional advances and identification of unmet regional needs.

SIEC - The SIEC has been significantly strengthened:

- SIEC is now meeting bi-monthly to accelerate workflow.
- Operational and Technical Workgroups have been reconstituted with full and representative participation of public safety and services personnel from various disciplines, localities and organizations. Twenty-nine new members have been added.
- The cycle of Workgroup tasking and referral of recommendations back to the SIEC has been initiated and the workgroups are actively engaged in tasks.
- The frequency and quality of communication has been improved by incorporating electronic communications and teleconferencing tools.

PSIC:

- Formal and regular communications has been instituted at multiple levels with key partner agencies: AZDOHS, AZDPS, ADEM.
- The Statewide Interoperability Coordinator is now actively engaged with:
  - Federal Emergency Management Agency (FEMA)
  - Federal Partnership for Interoperable Communications (FPIC)
    - Southwest Border Communications Working Group (SWBCWG)
      - June 17-18, 2009 Conference Call

- Department of Homeland Security Office of Emergency Communications (OEC)
  - National Conference on Emergency Communications: *Communications for a Secure Nation*
    - April 22-24, 2009 (Paid for by OEC)
- National Governors Association (NGA)
  - National Statewide Interoperability Coordinators (National SWIC)
    - May 26, 2009 NGA Center SWIC Conference Call
    - June 24-26, 2009 NGA Center SWIC National Meeting (Paid for by NGA)
- National Native American Law Enforcement Association (NNALEA)
  - Regional Four Corners Homeland Security Coalition (R4C)
    - April 2, 2009 Conference Call
    - May 13, 2009 Conference Call
    - June 12, 2009 Conference Call
- National Public Safety Telecommunications Council (NPSTC)
  - Regional Emergency Communications Coordination Working Group (RECCWG)
    - May 14, 2009 (Paid for by NPSTC)
- US Department of Interior (DOI)

#### Stakeholder Resources:

- Arizona has strengthened its stakeholder resource pool by identifying and recruiting many new public safety stakeholders through extensive outreach efforts.
- Communities throughout the State and across disciplines are being engaged by the Outreach Manager.
- Regular communication between the Outreach Manager and stakeholders has been initiated to assure continuation of these efforts.

Overall, Arizona's governance model will need periodic updates to meet the State's ever changing interoperability challenges, but the State has strengthened its governance foundation.

#### Governance Documents

PSCC Charter Assessment: A State of Arizona Communications Interoperability Governance Assessment Report (analyzing the PSCC's Charter) was created by OEC's Interoperability Communications Technical Assistance Program staff, with guidance from PSIC staff. The Report's findings will be presented to the Governance workgroup of the PSCC in third quarter CY09 in order to determine next steps. The Report has also been published on the GITA-PSIC web site at [www.azgita.gov/psic/](http://www.azgita.gov/psic/).

SCIP Annual Update: A work plan was developed and a contract signed to conduct a significant SCIP review and update. A significant rewrite of the SCIP is planned based on revisions of key strategic initiatives and the requirement for each State to align its SCIP with the National Emergency Communication Plan (NECP) (issued after our initial SCIP was developed).



## Technology

The updated SCIP Technology Initiatives and supporting objectives were approved as follows:

#	Strategic Initiative ■ Supporting Objective	Target Completion Date	Lead
4	Complete the Arizona Interagency Radio System (AIRS) by deploying remaining AIRS suites.	2009	DPS/WSB
6	Implement, enhance and promote functional Regional Systems in support of interoperable communications.	On-going	Regional Partners
6	Upgrade the statewide Microwave (M/W) backbone infrastructure to digital technology.	2017	DPS/WSB
6.1	■ Complete the M/W Southern Loop Upgrade.	2009	DPS/WSB
6.2	■ Complete the M/W Western Loop Upgrade.	2012	DPS/WSB
6.3	■ Complete the M/W Northern Loop Upgrade.	2017	DPS/WSB
7	Implement the State Strategic Technology Reserve (STR).	2010	ADEM
8	Upgrade operable communication systems for State Agencies in support of interoperable communications.	2015	State Agency Committee
8.1	■ Implement immediate solutions to enhance operable communication systems for State agencies in support of interoperable communications.	2010	State Agency Committee
8.2	■ Implement upgrades to operable communication systems for State agencies in support of interoperable communications.	2015	State Agency Committee

More detailed plans outlining how GITA-PSIC will work with stakeholders to advance these Strategic Initiatives will be developed during second quarter FY10.

Technology related accomplishments during the second quarter by GITA-PSIC and our partners include:

- All - Targeted Capabilities Assessment (TCA) conducted by AZDOHS and supported by GITA to identify gaps in communications interoperability. The TCA includes a Capabilities Survey, Gap Analysis and Needs Assessment of the current status of emergency preparedness and response capability in Arizona. The Capabilities Survey and Gap Analysis involves agencies throughout the State of Arizona including law enforcement, public safety and emergency response organizations at the federal, tribal, State, county and local level. Non-profit and private sector organizations are also an integral part of the TCA. A comprehensive Gap Analysis and Needs Assessment report will be published September 10, 2009. Once the results are available we will utilize them in our planning.
- All - GITA-PSIC has continued to act as technical advisor to the Arizona Department of Homeland Security (AZDOHS) in reviewing grant applications from local communities and preparing investment justifications and other reports for the federal Department of Homeland Security as needed. This quarter, GITA-PSIC reviewed a City of Phoenix Transit Security Grant Program Request involving interoperable communications equipment.
- Project Oversight of AIRS projects (#4, 6 & 7). There was no change in the status of AIRS during the second quarter. The reasons for no activity this past quarter are primarily due to personnel availability, given the higher priority of maintaining the existing Land Mobile Radio (LMR) system for multiple state agencies. DPS/WSB is expected to update its plan to install the remainder of the AIRS suites by the end of this year. A complete list of AIRS user agencies is attached as Attachment A: June 2009 AIRS User Agencies.
- Project Oversight of DPS Microwave Project (#2). GITA-PSIC continues to work closely with the Wireless Systems Bureau (WSB) of DPS on interoperable communications issues and DPS is prepared to brief the JLBC on the status of their projects.

- Project Oversight of ADEM STR Project (#3). ADEM continued the configuration, programming & testing of STR equipment in preparation for deployment during the third and fourth quarter. The end date for this project has been amended to 10/17/09, to allow time to deliver the communications van equipment to the remaining counties (Pima, Navajo and Gila). Documentation/procedures are still being refined based on feedback.
- GITA-PSIC continues to work closely with the Wireless Systems Bureau (WSB) of DPS as well as other regional/local partners around the State, on long-term cost-effective approaches to furthering the interoperability goals of the State, including multi-band radios and other technology innovations. As those are identified, GITA-PSIC will report back to the JLBC and will continue to seek additional federal funding to further the State's technology objectives.
- #5 & #8 - Technical Assistance to Regional partners (GITA).

### **Standard Operating Procedures (SOPs)**

The updated SCIP Standard Operating Procedures (SOPs) Initiative was approved as follows:

#	Strategic Initiative ■ Supporting Objective	Target Completion Date	Lead
9	Establish Policies, Standards and Procedures (PSP) Framework, and implement PSPs, including SOPs, for interoperable communications.	2011	PSCC/SIEC

During second quarter CY09, efforts in regard to this initiative were focused on the development of the Arizona Interagency Radio System (AIRS) SOP as well as creation of template Memoranda of Understanding (MOU).

AIRS supports VHF, UHF and 800 MHz frequencies used throughout the State, with a cross-band repeater configuration that allows communication between bands. Interoperability capabilities vary from agency to agency and county to county; however, most areas have AIRS channels programmed in their radios. The Arizona SIEC has established a standardized nomenclature for the AIRS network mutual aid channels and related non-networked, national, and regional mutual aid channels. GITA-PSIC continued work on developing of an AIRS SOP in coordination with the Interoperable Communications Technical Assistance Program (ICTAP) representative from the Federal Department of Homeland Security Office of Emergency Communications (OEC).

Accomplishments during the second quarter include:

- All AIRS-related documents reviewed and assessed, with outdated material and gaps identified.
- Draft AIRS SOP recommendations developed.
- Information and initial feedback solicited from the SIEC, its Workgroups and public safety stakeholders through numerous meetings and teleconferences.
- Integration of initial feedback and recommendations.
- Development and editing of additional content with the assistance of subject matter experts from partner agencies and workgroup-related organizations.
- Outreach to AIRS monitoring and dispatching agencies and AIRS users to ascertain current usage and practices.
- Documentation of discussions, recommendations and items needing further consideration.

To complete the AIRS SOP, we still need to determine baseline monitoring and dispatching practices to be implemented statewide including:

- The primary monitoring communication center in each homeland security region.
- Agencies in each region who plan to lead multi-agency incidents using AIRS.
- More information from dispatchers and field users regarding actual usage scenarios that can serve as best practice models.

Once the AIRS SOP is complete, GITA-PSIC will move forward with developing and implementing an AIRS Training program (see Training and Exercise section below).

The PSIC Office also began the process of requesting copies of MOUs from public safety stakeholders throughout Arizona. In addition, national best practices and model MOU templates were researched. The PSIC Office is reviewing and comparing documents received to understand issues of importance to Arizona stakeholders needing to generate MOUs. GITA-PSIC will publicize and facilitate access to MOU templates from national interoperable communications organizations and provide education on the value and importance of formal Memoranda of Understanding. Arizona-specific MOUs shared by entities within the State will also be made available to Arizona stakeholders after they have been appropriately reviewed.

### **Training & Exercise**

The updated SCIP Training & Exercise Initiatives and supporting objectives were approved as follows:

#	Strategic Initiative ■ Supporting Objective	Target Completion Date	Lead
10	Develop and implement a Training Plan to address interoperable communications.	2011	PSCC
10.1	■ Develop and implement AIRS Training.	2010	PSCC
10.2	■ Implement COML training program.	2010	TBD
10.3	■ Implement COMT training program.	2011	TBD
11	Develop and implement a strategy for exercises focused on or incorporating interoperable communications.	2011	PSCC

During second quarter CY09, GITA-PSIC began implementing this initiative and objectives as follows:

**Training:** GITA-PSIC is working with the Arizona Division of Emergency Management (ADEM) and regional partners, to advance communications interoperability training initiatives. COM-L (Communications Unit Leader) training is a new nationally recognized training program. Through the efforts of the PSIC Office and our regional partners, at least six COM-L trainings are being offered in Arizona during 2009. A GITA-PSIC staff member has participated in COM-L training. Regarding objective 10.1, funds have been identified to create an AIRS Training (see SOPs section above) program statewide through an MOU of federal funds from a local jurisdiction.

**Exercise:** Through the Federal Department of Homeland Security's Office of Emergency Communications (OEC), GITA-PSIC participated in planning and implementing a Regional Communications Focused Tabletop Exercise (TTX). The OP-TTX, conducted on May 21, 2009, involved local, state, and federal responders from around the Yuma County Region. The exercise scenario focused on the communications required to resolve an evolving civil disturbance that begins at a border crossing. The TTX assessed communications plans, policies, and procedures, and emphasized the types of

communications assets needed to guide the prevention of, response to and recovery from the scenario's event. The TTX provided the Yuma Region's public safety personnel an excellent opportunity to reinforce their strong regional multi-agency relationships. As a follow up to the TTX, the PSIC Office was able to arrange with the OEC the development of a Tactical Interoperable Communication Plan (TICP) for the Yuma region that should be finalized during third quarter CY09.

### **Usage & Outreach**

The updated SCIP Usage & Outreach Initiative was approved as follows:

#	Strategic Initiative ■ Supporting Objective	Target Completion Date	Lead
12	Create and implement an education and outreach plan in support of interoperable communications.	2010	PSCC

During second quarter CY09, the PSIC Office developed an internal education and outreach plan for GITA-PSIC operations. Key Usage & Outreach activities included:

- PSCC, SIEC, and Stakeholder recruitment and support;
  - Working with ADEM to identify a possible AIRS site/agreement with the Havasupai Tribe;
  - Identifying a new site in the Grand Canyon Park for potential future AIRS suite;
  - Conducting outreach to stakeholders regarding upcoming FCC Narrowbanding requirements and AIRS; and
  - Developing recommendations to the Governor for appointments to the PSCC to fill vacant positions or to replace positions where initial terms are expired and members are no longer active.
- These recommendations reflect:

- Legislative requirements for Commissioners to represent all five emergency response regions; and
- A desire for the Commission to represent multiple disciplines, localities and organizations.

GITA-PSIC staff participated in many meetings throughout the State during the second quarter, including: Arizona Emergency Services Association Conference; Bureau of EMS Air-Ground Transport meeting; Grand Canyon Communications Roundup; R4C Regional Four Corners Initiative; PCWIN - Pima County Wireless Integrated Network; Eastern RAC; Northern RAC; Western RAC; Central RAC; Phoenix UASI; Tucson UASI; Phoenix Police Department; Tucson Airport Fire and Police Department; Air Guard at Tucson National Guard; Puerco Valley AIRS Training; City of Yuma; Yuma County; City of Glendale EOC; Havasupai Tribe; and APS. GITA-PSIC staff also actively engaged federal, tribal, border and regional interoperable communications groups.

GITA also launched a revised PSIC Office website ([www.azgita.gov/psic](http://www.azgita.gov/psic)) during second quarter CY09 to streamline access to all interoperable communications documents, reports and communications, and provide regular written updates regarding its activities to the PSCC, SIEC, and interested parties. The website contains sections with information on our strategic initiatives, plans, meetings, and a resource library consisting of publications & reports, technical standards and helpful links. In addition, GITA uses

the website to communicate information to public safety stakeholders regarding critical interoperability issues such as AIRS, Narrowbanding, and Communications Unit Leader (COM-L) trainings.

### **Public Meetings**

SIEC Meeting – April 28, 2009 – 10 AM to 12 PM - Agenda Items: Interoperability Governance; SIEC History; Operational & Technical Workgroups' Roles & Responsibilities; AIRS SOP Assessment & Discussion.

Governance Workgroup Meeting – April 28, 2009 – 1 to 3 PM - Agenda Items: AZDOHS Target Capabilities Assessment; Arizona Interoperability Governance Model; Governance Workgroups' Roles & Responsibilities; AIRS SOP Update; PSCC Charter Discussion.

Teleconference with SIEC Technical and Operational Workgroups on May 18, 2009: Discussion on key AIRS SOP issues to garner information and solicit feedback.

PSCC Meeting – May 19, 2009 – 1 to 3 PM - Agenda Items: Report on Stakeholder Input; Statewide Communications Interoperability Plan (SCIP) update plans; Approval of Strategic Initiatives; SIEC Status Report; AZDOHS Target Capabilities Assessment; Update on Yuma Region Communications Focused Table Top Exercise (TTX).

SIEC Meeting – June 10, 2009 – 10 AM to 12 PM - Agenda Items: PL Changes for Nogales Hill and Childs Mountain AIRS repeaters; Discussion and revisions to AIRS Standard Operating Procedures; Informational session on developing template Memoranda of Understanding (MOU).

### **Budget**

For FY 2009, \$880,600 was appropriated from the General Fund to the Government Information Technology Agency to transfer the public safety communications program from the Department of Public Safety. In the 49th Legislature, 1st Special Session, SB1001 reduced the FY09 GF funding by \$77,300 to \$803,400. As of June 30, 2009, \$639,485.51 had been expended or encumbered. A breakdown of expenditures by category is attached as Attachment B: FY2009 GITA-PSIC Budget. The PSIC support office within GITA continues to realize vacancy savings and utilize federal grants whenever possible to support its goal of advancing interoperable communications in Arizona in the most fiscally responsible manner.

The balance of \$358,500.52 in the FY2005 non-lapsing appropriation for design costs associated with a statewide radio interoperability communication remained intact through the end of the fiscal year. No expenditures associated with this appropriation occurred during the second quarter of CY2009. However, Laws 2009, 49th Legislature, 1st Regular Session, Chapter 12, HB2643, Section 1 amended Laws 2004, chapter 275, section 67 and reverted the \$358,500 appropriation to the General Fund.

Remaining funding includes the \$2.2M of non-lapsing Anti-Racketeering Fund monies specified in the General Appropriation Act footnote as legislatively intended for PSCC to use for the detailed design of the long-term interoperability solution. No expenditures associated with this fund occurred during the



Dan Hunting  
August 31, 2009  
Page 9

second quarter of CY2009. Prior to expending any of these monies, GITA-PSIC is required to submit an expenditure plan to JLBC for review.

GITA-PSIC continues to consult with AZDOHS on \$17.7 million in PSIC grant funds. A breakdown of PSIC projects and current expenditures is attached as Attachment C: 2007 Homeland Security Grant Program PSIC.

Please don't hesitate to contact me with any questions you might have.

Best wishes,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right. The signature is positioned above the printed name and title of the sender.

Chad Kirkpatrick  
State CIO & Director

Cc: Matt Morales, Director of Communications & Intergovernmental Affairs, GITA  
Lisa Dee Meyerson, Manager, PSIC Office, GITA

Attachment A: June 2009 AIRS User Agencies  
Attachment B: FY2009 GITA-PSIC Budget  
Attachment C: 2007 Homeland Security Grant Program PSIC

## Participating Agencies as of January 2009

1	Apache County
2	Apache Junction Police Department
3	Arizona Wing, Civil Air Patrol
4	Arizona City Fire District
5	Arrowhead Mobile Healthcare, Inc.
6	Avra Valley Fire District
7	AZ Board of Regents for/on behalf of NAU
8	AZ Board of Regents for/on behalf of U of A
9	AZ Game and Fish Department
10	AZ Public Service Company
11	AZ State University Police Department
12	Benson, City of
13	Blue Ridge Fire District
14	Buckeye Police Department
15	Bullhead City Fire District
16	Bullhead City Police Department
17	Bureau of Alcohol, Tobacco, Firearms & Explosives
18	Bureau of Land Management
19	Canyon Fire District
20	Casa Grande, City of
21	Catholic Healthcare West - East Valley
22	Central AZ Project/Protective Svcs Dept.
23	Central AZ College Police Department
24	Chandler Fire Department
25	Chandler/Chandler Police Dept., City of
26	Cochise County Government
27	Coconino County a Political Sub of AZ
28	Coconino County Sheriff's Office
29	Coolidge Police Department
30	Coronado National Memorial - Nat'l Park Svc
31	Crown King Fire District
32	Department of Agriculture, AZ
33	Department of Corrections, AZ
34	Department of Health Services, AZ
35	Department of Juvenile Corrections, AZ
36	Department of Liquor Licenses & Control, AZ
37	Department of Transportation, AZ
38	Desert Fire and Rescue Services
39	Desert Hills Fire District
40	Division of Emergency Management, AZ
41	Douglas Police Department
42	Drexel Heights Fire District
43	Eagar Police Department
44	Eloy Police Department

SIGNED AIRS MOUs

45	Federal Bureau of Investigation
46	Flag. Area Monuments - Nat'l Park Service
47	Flagstaff, City of
48	Fry Fire District
49	Ft. Thomas Volunteer Fire Department
50	Game and Fish Department, AZ
51	Ganado Fire District
52	Gila County Sheriff's Office
53	Gila River Indian Community
54	Golden Valley Fire Department
55	Golder Ranch Fire District
56	Goodyear Police Department
57	Graham County Sheriff's Office
58	Grand Canyon National Park
59	Guardian Air
60	Guardian Medical Transport
61	Heber-Overgaard Fire Department
62	Highlands Fire Department
63	Holbrook EMS Inc.
64	Hualapai Valley Fire District
65	John C. Lincoln Deer Valley Hospital
66	Kaibab Estates West
67	Lake Havasu City Fire Department
68	Lake Havasu City Police Department
69	La Paz County Sheriff's Office
70	Life Line Ambulance
71	LifeNet Arizona
72	Linden Fire Department
73	Marana, Town of
74	Maricopa County Sheriff's Office
75	Maricopa Fire District
76	Mayer Fire District
77	Mesa, City of
78	Mescal Volunteer Fire Department
79	Mohave Co. Amateur Radio Emergency Svcs.
80	Mohave Co Dept of Public Health
81	Mohave Co Public Works
82	Mohave Co. Sheriff's Office
83	Nogales Police Department, City of
84	Nat'l Park Svc-Organ Pipe Cactus Nat'l Monument
85	Navajo County Sheriff's Office
86	Navajo Nation Dept. of Emergency Mgmt.
87	Oro Valley Police Department
88	Page Fire Department
89	Page Police Department
90	Payson Fire Department, Town of



## SIGNED AIRS MOUs

91	Payson Police Department
92	Peoria, City of Police Department
93	Phoenix Fire Department
94	Picture Rocks Fire District
95	Pima Fire Department
96	Pima County Community College
97	Pima County Sheriff's Department
98	Pinal County
99	Pinewood Fire District
100	Ponderosa Fire District
101	Portal Rescue Inc.
102	Prescott Valley Police Department
103	Quartzsite Police Department
104	Rural Metro Fire Department
105	Safford Police Department
106	Sahuarita Police Department
107	Sedona Fire District
108	Sedona Police Department
109	Sierra Vista Police Department
110	Somerton, City of dba Somerton/Cocopah Fire Department
111	Sonoita-Elgin Fire District
112	Sonoran Search and Rescue
113	Southwest Ambulance
114	Springerville Police Department
115	St. Johns Emergency Services
116	State Land, Forestry Division, AZ
117	Summit Fire Department
118	Summit Healthcare
119	Surprise Police Department
120	Taylor Fire & EMS
121	Tempe, City of
122	Three Points Fire District
123	TriState CareFlight
124	Tucson, City of
125	Tucson Electric Power Co-Springerville
126	Tusayan Fire District
127	Union Pacific Railroad Police Department
128	US Forest Service -Albuquerque, NM
129	US Marshals Service
130	Western Fire Department
131	White Mountain Ambulance Service, Inc.
132	Williams Police Department
133	Yuma Regional Medical Center
134	Yuma Regional Communications System (YRCS)

## PUBLIC SAFETY COMMUNICATIONS COMMISSION BUDGET FY 2009

**FY 09 Quarterly Expenditures**  
**Allocated Funds**

	ALLOCATED AMOUNT	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	REMAINING BALANCE
PERSONAL SERVICES	\$ 445,200.00	\$ -	\$ 54,425.38	\$ 133,917.32	\$ 85,421.64	\$ 171,435.66
ERE	\$ 140,000.00	\$ 10,850.00	\$ 12,305.34	\$ 26,021.87	\$ 16,038.66	\$ 74,784.13
PROFESSIONAL/OUTSIDE SVCS	\$ 75,000.00	\$ 6,213.55	\$ 74,195.58	\$ 9,052.43	\$ 148,855.97	\$ (163,317.53)
TRAVEL (IN STATE)	\$ 5,000.00	\$ 52.54	\$ 221.17	\$ 323.35	\$ 772.12	\$ 3,630.82
TRAVEL (OUT OF STATE)	\$ 5,000.00	\$ -	\$ 699.86	\$ 2,039.24	\$ 2,486.07	\$ (225.17)
OTHER OPERATING EXPENDITURES	\$ 116,200.00	\$ 597.22	\$ 31,560.23	\$ 10,821.39	\$ 11,149.97	\$ 62,071.19
CAPITAL EQUIPMENT	\$ -				\$ -	\$ -
NON CAPITAL EQUIPMENT	\$ 17,000.00	\$ -	\$ -	\$ 237.77	\$ 1,226.84	\$ 15,535.39
INDIRECT COSTS					\$ -	\$ -
	<b>\$ 803,400.00</b>					<b>\$ 163,914.49</b>
QUARTERLY EXPENDITURES TOTALS		\$ 17,713.31	\$ 173,407.56	\$ 182,413.37	\$ 265,951.27	
FY 09 TOTAL EXPENDITURES					\$ 639,485.51	

**FY 09 Quarterly Expenditures**  
**Non Lapsing Funds**

	ALLOCATED AMOUNT	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	REMAINING BALANCE
PERSONAL SERVICES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ERE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PROFESSIONAL/OUTSIDE SVCS	\$ 358,500.52	\$ -	\$ -	\$ -	\$ -	\$ 358,500.52
TRAVEL (IN STATE)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TRAVEL (OUT OF STATE)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OTHER OPERATING EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NON CAPITAL EQUIPMENT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CAPITAL EQUIPMENT		\$ -	\$ -	\$ -	\$ -	\$ -
INDIRECT COSTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>\$ 358,500.52</b>					<b>\$ 358,500.52</b>
QUARTERLY EXPENDITURES TOTALS		\$ -	\$ -	\$ -	\$ -	
FY 09 TOTAL EXPENDITURES					\$ -	

2007 Homeland Security Grant Program PSIC - Source: AZ Department of Homeland Security (Terry Riordan, Asst Director, Finance/Administration, triordan@azdohs.gov)							
<u>Jurisdiction</u>	<u>Project Name</u>	<u>Project #</u>	<u>Allocated</u>	<u>Pending</u>	<u>Expended</u>	<u>Balance</u>	<u>Percent Expended</u>
<b>STATE AGENCIES</b>							
Arizona Division of Emergency Management	Strategic Technology Reserve	333602-08	\$1,371,850.00		\$1,169,158.62	\$202,691.38	
Arizona Department of Public Safety (PSCC)	SCIP Planning costs	333600-15	\$191,827.00		\$191,827.00	\$0.00	
Arizona Department of Public Safety (WSB)	Oatman Site Building Replacement	333600-08	\$0.00		\$0.00	\$0.00	
Arizona Department of Public Safety (WSB)	Power Upgrade: South Mountain	333600-19	\$140,000.00		\$0.00	\$140,000.00	
Arizona Department of Public Safety (WSB)	Microwave Off-ramp from Hillcrest	333600-10	\$140,000.00	\$100,321.67	\$0.00	\$39,678.33	
Arizona Department of Public Safety (WSB)	Mt. Elden Microwave Link	333600-09	\$140,000.00		\$0.00	\$140,000.00	
Arizona Department of Public Safety (WSB)	PSCC Demo Project Expansion	333600-13	\$2,203,849.00		\$0.00	\$2,203,849.00	
Arizona Department of Public Safety (WSB)	State Microwave Replacement	333600-14	\$208,000.00		\$0.00	\$208,000.00	
Government Information Tech Agency (GITA)	PSIC Planning-SCIP Update	333603-01	\$133,173.00		\$0.00	\$133,173.00	
AZDOHS	M&A		\$531,392.00		\$246,420.00	\$284,972.00	
<b>SUBTOTAL</b>			<b>\$5,060,091.00</b>	<b>\$100,321.67</b>	<b>\$1,607,405.62</b>	<b>\$3,352,363.71</b>	<b>31.77%</b>
<b>CENTRAL</b>							
Phoenix Police Department	Phoenix Metro High-Site Initiative	333200-05	\$7,377,000.00	\$11,395.37	\$15,767.34	\$7,349,837.29	
Surprise Police Department	Public Safety 700/800 MHz Radios	333214-02	\$100,000.00		\$0.00	\$100,000.00	
<b>SUBTOTAL</b>			<b>\$7,477,000.00</b>	<b>\$11,395.37</b>	<b>\$0.00</b>	<b>\$7,449,837.29</b>	<b>0.00%</b>
<b>NORTH</b>							
City of Flagstaff	Northern AZ 700/800 MHz Enhancements	333101-14	\$60,000.00		\$58,974.00	\$1,026.00	
<b>SUBTOTAL</b>			<b>\$60,000.00</b>	<b>\$0.00</b>	<b>\$58,974.00</b>	<b>\$1,026.00</b>	<b>98.29%</b>
<b>SOUTH</b>							
City of Yuma	Microwave Off-ramp Cunningham Site	333400-07	\$140,000.00		\$0.00	\$140,000.00	
City of Yuma	Stone Cabin Site	333400-05	\$140,000.00	\$93,126.06	\$7,270.64	\$39,603.30	
City of Yuma	Telegraph Pass, Mohawk, Oatman Microwave	333400-06	\$544,000.00	\$176,097.53	\$140,764.08	\$227,138.39	
City of Yuma	Public Safety 700/800 MHz Radios and West Loop	333400-04	\$210,000.00		\$210,000.00	\$0.00	
City of Yuma	YRCS/Cunningham Site	333400-03	\$365,000.00		\$365,000.00	\$0.00	
City of Yuma	YRCS/Stone Cabin Site	333400-02	\$91,000.00		\$31,811.42	\$59,188.58	
Nogales Police Department	Microwave Off-ramp Nogales Hill	333403-11	\$140,000.00		\$0.00	\$140,000.00	
Pima County Sheriff's Department	Wireless Integrated Network (PCWIN)	333420-03	\$3,323,658.00		\$0.00	\$3,323,658.00	
San Luis Police Department	Public Safety 700/800 MHz Radios	333428-01	\$69,488.00		\$0.00	\$69,488.00	
Somerton/Cocopah Fire Department	Public Safety 700/800 MHz Radios	333401-02	\$92,814.00		\$86,047.37	\$6,766.63	
<b>SUBTOTAL</b>			<b>\$5,115,960.00</b>	<b>\$269,223.59</b>	<b>\$840,893.51</b>	<b>\$4,005,842.90</b>	<b>16.44%</b>
<b>TOTAL</b>			<b>\$17,713,051.00</b>	<b>\$380,940.63</b>	<b>\$2,507,273.13</b>	<b>\$14,809,069.90</b>	<b>14.15%</b>

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

RUSSELL K. PEARCE  
CHAIRMAN 2010  
PAULA ABOUD  
AMANDA AGUIRRE  
CHUCK GRAY  
JACK HARPER  
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HOUSE OF  
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JOHN MCCOMISH  
RICK MURPHY  
VIC WILLIAMS

DATE: September 15, 2009

TO: Representative John Kavanagh  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Steve Schimpp, Deputy Director

SUBJECT: Department of Education – Review of Kinder Morgan and Xanterra Settlements

**Request**

Pursuant to A.R.S. § 15-915B, the Arizona Department of Education (ADE) requests a favorable review of its plan to provide school districts in Pinal and Coconino Counties with a total of \$153,900 in corrected Basic State Aid funding due to settlements in Arizona Tax Court regarding property taxes paid in prior years by the Xanterra and Kinder Morgan Corporations. Similar requests received favorable reviews from the Committee in prior meetings. The 2 new requests are for school districts that did not submit reimbursement requests to ADE in time for those prior meetings.

**Summary**

The JLBC Staff recommends that the Committee give a favorable review of the requests, as they conform to statutory requirements regarding state aid corrections required as a result of Arizona Tax Court rulings.

**Analysis**

Subject to review by the JLBC, A.R.S. § 15-915B requires the Superintendent of Public Instruction to reimburse school districts for K-12 “local share” taxes that they must refund to a taxpayer due to an Arizona Tax Court ruling that reduces the taxpayer’s assessed property value for prior fiscal years. In this regard, the Santa Cruz Valley Union High School District recently requested a reimbursement of \$144,600 for taxes refunded to the Kinder Morgan Corporation and the Coconino Association for Vocations, Industry and Technology (a joint technological education district) requested a reimbursement of \$9,300 for taxes refunded to Xanterra Parks and Resorts, LLC as a result of Arizona Tax Court rulings (*see Attachments*). The total amount requested by the 2 school districts combined is \$153,900.

RS/SSC:ss  
Attachments



State of Arizona  
Department of Education

Tom Horne  
Superintendent of  
Public Instruction

June 29, 2009

Mr. John Kavanagh  
Joint Legislative Budget Committee  
1716 W. Adams  
Phoenix, AZ 85007



Re: Santa Cruz Valley Union High School District #840—Correction to State Aid pursuant to A.R.S. Section 15-915, subsection B for Fiscal Year 2008 due to the Kinder Morgan SFPP, L.P. Property Tax Judgment for Tax Years 2000, 2001, 2002, 2003 and 2004.

Dear Mr. Kavanagh,

This memorandum is submitted to you pursuant to A.R.S. Section 15-915, subsection B which provides that corrections to state aid based on a change in assessed valuation, pursuant to A.R.S. Section 42-16213, are subject to review by the JLBC.

The Santa Cruz Valley Union High School District #840 is requesting an adjustment to Tax Years 2000, 2001, 2002, 2003 and 2004 due to the Kinder Morgan SFPP, L.P. Property Tax Judgment.

As a note, the JLBC has already reviewed and approved a number of school districts in Pinal County, however, Santa Cruz Valley Union High School District #840 only recently provided the ADE with this request. If you have any questions or concerns, please contact Yousef Awwad at 602-542-8250 or via email at [Yousef.awwad@azed.gov](mailto:Yousef.awwad@azed.gov).

Sincerely,

  
Yousef Awwad

Cc: Vicki Salazar, Associate Superintendent of Business and Finance, Arizona Department of Education  
Richard Stavneak, Staff Director, JLBC



**Santa Cruz Valley Union High School District #840**

900 North Main Street  
Eloy, Arizona 85231-2040

Telephone 520.466.2220  
Facsimile 520.466.2222

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May 20, 2009

ADE – School Finance  
1535 W. Jefferson Street, Bin #13  
Phoenix, AZ 85007

Re: Request to Correct for State Aid pursuant to A.R.S. 15-915

→ Santa Cruz Valley Union High School District No. 840, CTDS 11-05-400000, requests a correction of state aid for Fiscal Year 2008. In September 2007, the District paid the amount of \$144,625.19 to Kinder Morgan SFPP, L.P. in principal and interest through September 20, 2007, as its pro rata share of the tax refund due as the result of the Tax Court's judgment in favor of Kinder Morgan on the issue of the Department of Revenue's valuation of the taxpayer's property within the State.

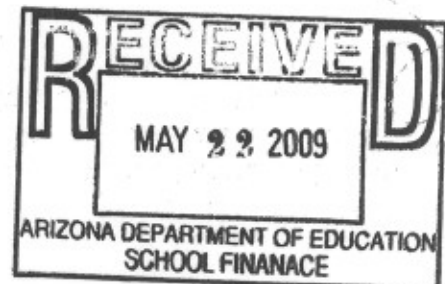
Documentation of the District's delay of payment and payment in FY2008 are enclosed.

The contact person will be the Superintendent, Charie Wallace. Telephone (520) 466-2237.  
Email [cwallace@scvuhs.org](mailto:cwallace@scvuhs.org)

Respectfully submitted,

*Linda L. Good*

Linda L. Good  
Business Manager/General Counsel





State of Arizona  
Department of Education

Tom Horne  
Superintendent of  
Public Instruction

July 1, 2009

Mr. John Kavanagh  
Joint Legislative Budget Committee  
1716 W. Adams  
Phoenix, AZ 85007



Re: Coconino Association for Vocations, Industry and Technology—Correction to State Aid pursuant to A.R.S. Section 15-915, subsection B for Fiscal Year 2009 due to the Xanterra Parks and Resorts Property Tax Judgment.

Dear Mr. Kavanagh,

This memorandum is submitted to you pursuant to A.R.S. Section 15-915, subsection B which provides that corrections to state aid based on a change in assessed valuation, pursuant to A.R.S. Section 42-16213, are subject to review by the JLBC.

The Coconino Association for Vocations, Industry and Technology Joint Technological Education District is requesting an adjustment due to the Xanterra Parks and Resort Property Tax Judgment. Please see attached.

If you have any questions or concerns, please contact Yousef Awwad at 602-542-8250 or via email at [Yousef.awwad@azed.gov](mailto:Yousef.awwad@azed.gov).

Sincerely,

A handwritten signature in dark ink, appearing to read "Yousef Awwad".

Yousef Awwad

Cc: Vicki Salazar, Associate Superintendent of Business and Finance, Arizona Department of Education  
Richard Stavneak, Staff Director, JLBC



CAVIAT

Joint Technological Education District

Coconino Association for Vocations, Industry and Technology

February 3, 2009

Tom Horne  
Superintendent of Public Instruction  
Attention: School Finance  
Arizona Department of Education  
1535 W. Jefferson St., Bin #13  
Phoenix, Arizona 85007

COPY

Re: Tax Settlement (Xanterra Parks & Resorts) and ARS 15-915(B) State Correction Request

Dear Superintendent Horne:

Xanterra Parks & Resorts was awarded a judgment for excess property tax valuations against numerous entities in Coconino County, including CAVIAT (Coconino Association for Vocations, Industry & Technology) District #030801000, which will be required to pay back an amount of this excess property tax in FY 2009.

Under the provisions of ARS 42-16213, the district governing board requests a correction to state aid, which will be distributed during FY 2009, pursuant to ARS 15-915(B) on behalf of CAVIAT (Coconino Association for Vocations, Industry & Technology) District #030801000 for the amount of the district's portion of the excess property taxes.

In accordance with ARS 42-16214, the district's general budget limit will be increased by \$9,253.00 in the budget revised on or before May 15, 2009 in anticipation of payment of this excess property tax valuation judgment.

Sincerely,

Lee Trece  
CAVIAT Governing Board President

cc: Philip G. Williams  
Arizona Department of Education  
1535 W. Jefferson St.  
Phoenix, AZ 85007

Attachments: Email (including payment report) from Coconino County Treasurer dated 01/27/09.



STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

RUSSELL K. PEARCE  
CHAIRMAN 2010  
PAULA ABOUD  
AMANDA AGUIRRE  
CHUCK GRAY  
JACK HARPER  
STEVE PIERCE  
REBECCA RIOS  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
CHAIRMAN 2009  
ANDY BIGGS  
OLIVIA CAJERO BEDFORD  
CLOVES C. CAMPBELL, JR.  
MATT HEINZ  
JOHN MCCOMISH  
RICK MURPHY  
VIC WILLIAMS

DATE: September 15, 2009

TO: Representative John Kavanagh, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Dan Hunting, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Review of Risk Management Deductible

**Request**

Deductible amounts charged to agencies for property, liability, or workers' compensation losses are subject to annual review in accordance with A.R.S. § 41-621. The Arizona Department of Administration (ADOA) recommends a continuation of the current \$10,000 deductible and requests Committee review of this request.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review of the \$10,000 deductible amount.

**Analysis**

A.R.S. § 41-621 provides that the ADOA Director may impose deductibles of up to \$10,000 per risk management loss on state agencies. Such deductible amounts are subject to annual review by the Joint Legislative Budget Committee.

ADOA may charge a \$10,000 deductible for each claim of \$150,000 or more unless the agency implements an ADOA approved plan to limit or eliminate similar future losses. ADOA may also impose the deductible in cases where there has been a significant violation of agency policy and procedures. ADOA maintains the right to waive any deductible for just cause or in the best interests of the state. ADOA assesses this deductible early in the claim process, rather than waiting until a final settlement has been established. Actual payment of the deductible is deferred until the final settlement has been reached.

Prior to FY 2007, ADOA had never imposed the deductible. The deductible has been assessed twice since then, once in FY 2007 and again in FY 2008. ADOA did not assess the deductible in FY 2009.

RS/DH:ss

JANICE K. BREWER  
GOVERNOR



DAVID RABER  
INTERIM DIRECTOR

**ARIZONA DEPARTMENT OF ADMINISTRATION  
RISK MANAGEMENT DIVISION**

100 North 15<sup>th</sup> Ave., Suite 301  
PHOENIX, ARIZONA 85007-2635  
(602) 542-2182 FAX (602) 542-1473



August 11, 2009

The Honorable John Kavanagh, Chairman  
The Joint Legislative Budget  
Arizona House of Representatives  
1700 West Washington  
Phoenix, AZ 85007

Dear Representative Kavanagh:

Pursuant to A.R.S. §41-621E, the Director of the Department of Administration may impose on state departments, agencies, boards and commissions a deductible of not more than ten thousand dollars per loss that arises out of a property, liability or workers' compensation loss pursuant to this subsection. Deductible amounts established by the Director shall be subject to annual review by the Joint Legislative Budget Committee.

The deductible amount established by the Director is \$10,000 and has not changed for at least the last ten years. Risk Management has used the deductible program as an incentive for state agencies to provide an adequate mitigation plan for large civil liability settlements or judgments. No deductibles have been issued since our prior report.

We do not plan to make any changes to the deductible amount.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ray Di Ciccio".

Ray Di Ciccio  
State Risk Manager

xc: David Raber, ADOA Interim Director  
Paul Shannon, ADOA Assistant Director  
Dan Hunting, Fiscal Analyst, JLBC  
Matt Cloninger, Budget Analyst, OSPB

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

RUSSELL K. PEARCE  
CHAIRMAN 2010  
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AMANDA AGUIRRE  
CHUCK GRAY  
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1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
CHAIRMAN 2009  
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OLIVIA CAJERO BEDFORD  
CLOVES C. CAMPBELL, JR.  
MATT HEINZ  
JOHN MCCOMISH  
RICK MURPHY  
VIC WILLIAMS

DATE: September 15, 2009

TO: Representative John Kavanagh  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Art Smith, Fiscal Analyst

SUBJECT: Arizona State Parks Board - Review of Requested Exchange of Fund Transfers

**Request**

The FY 2010 General Appropriation Act (Laws 2009, Chapter 11, Section 111) requires JLBC review of agency requests to transfer monies between their own funds in order to comply with transfers required by the act. The Arizona State Parks Board has requested Committee review of fund transfers pursuant to this bill.

**Recommendation**

The Committee has at least the following 2 options:

1. A favorable review of the proposed exchange of fund transfers.
2. An unfavorable review.

**Analysis**

The General Appropriation Act (Laws 2009, Chapter 11) requires the Parks Board to complete \$7,134,200 in fund transfers in FY 2010. These transfers are comprised of EBTs, FRATs, and Salary Lump Sums. EBTs sweep money from the anticipated FY 2010 ending balances into the General Fund. FRATs reduce the annual FY 2010 spending from the agency's other funds and sweep the savings into the General Fund. Salary lump sums reduce the annual FY 2010 spending for agency personnel costs and sweep the savings into the General Fund. *Table 1* summarizes the requested fund transfers.

(Continued)

**Table 1**

**State Parks Board Requested FY 2010 Fund Transfer Switches**

<b>Fund Specified in Laws 2009, Ch. 11 <sup>1/</sup></b>	<b>Ch. 11 Transfer Amount <sup>2/</sup></b>	<b>Transfer Type</b>	<b>Agency Proposed Fund <sup>3/</sup></b>	<b>Revised Transfer Amount <sup>4/</sup></b>
State Lake Improvement Fund	\$3,048,200	EBT <sup>5/</sup>	Arizona Heritage Fund Off-Highway Vehicle Recreation Fund	\$2,548,200 \$500,000
State Parks Enhancement Fund	\$1,901,500	EBT <sup>5/</sup>	Arizona Heritage Fund	\$1,901,500
State Parks Enhancement Fund	725,900	FRAT <sup>6/</sup>	Arizona Heritage Fund	725,900
State Parks Enhancement Fund	557,600	Salary <sup>7/</sup>	Arizona Heritage Fund	557,600
Arizona Heritage Fund	163,900	Salary <sup>7/</sup>	Arizona Heritage Fund	163,900
Reservation Surcharge Fund	54,800	Salary <sup>7/</sup>	Arizona Heritage Fund	54,800
Reservation Surcharge Fund	41,800	FRAT <sup>6/</sup>	Arizona Heritage Fund	41,800
Publications and Souvenirs Fund	22,700	Salary <sup>7/</sup>	Arizona Heritage Fund	22,700
State Parks Fund	19,700	Salary <sup>7/</sup>	Arizona Heritage Fund	19,700
Partnerships Fund	14,000	Salary <sup>7/</sup>	Arizona Heritage Fund	14,000
<b>Total</b>	<b>\$6,550,100</b>			<b>\$6,550,100</b>

<sup>1/</sup> Fund source for reductions mandated by Laws 2009, Chapter 11.

<sup>2/</sup> Amount for reductions mandated by Laws 2009, Chapter 11.

<sup>3/</sup> Funds from which agencies are requesting transfers in order to accommodate the mandated reductions.

<sup>4/</sup> Transfer amounts proposed by agencies.

<sup>5/</sup> Excess balance transfers (EBTs) sweep money from anticipated FY 2010 ending balances into the General Fund.

<sup>6/</sup> Fund reduction and transfers (FRATs) reduce annual FY 2010 spending from the agency's Other Funds. An amount equal to these reductions would be swept into the General Fund. The Parks Board proposal would sweep from Arizona Heritage Fund balances.

<sup>7/</sup> Salary lump sums reduce annual FY 2010 personnel spending from the agency's Other Funds. An amount equal to these reductions would be swept into the General Fund. The Parks Board proposal would sweep from Arizona Heritage Fund balances.

Under Chapter 11, \$3.0 million is transferred from the State Lake Improvement Fund (SLIF), \$3.1 million is transferred from the State Parks Enhancement Fund (SPEF) and \$400,000 is transferred from 5 smaller funds.

SLIF generates revenue primarily from the Highway User Revenue Fund based on a formula that estimates state gasoline taxes paid for boating purposes. It also receives revenue from a portion of the watercraft license tax collected by the Arizona Game and Fish Department. The fund is used to fund projects at boating sites, including launching ramps, parking areas, lake improvement and construction, campgrounds, and acquisition of property to provide access to boating sites.

SPEF generates revenue from state parks user fees and concession sales. Half of the fund is appropriated for parks operations and the other half is used for park acquisition and development.

The Parks Board is instead requesting to transfer \$6,050,100 from the Arizona Heritage Fund and an additional \$500,000 from the Off-Highway Vehicle Recreation (OHV) Fund. There would be a remaining OHV Fund transfer of \$584,100.

The Arizona Heritage Fund receives an annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings. The Lottery transfer funds acquisition and development of local, regional, and state parks (35%); development of trails (5%); acquisition of natural areas (17%); maintenance and operation of natural areas (4%); environmental education (5%); State Parks acquisition and development (17%); and historic preservation projects (17%). Interest earnings are used for program administration.

(Continued)

The OHV Recreation Fund receives a transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel. Monies from the fund are used to plan, administer, and enforce off-highway vehicle recreation.

According to the agency, if the fund transfers are completed as required by statute, the agency's board-approved FY 2010 budget would be reduced from \$21,402,700 to \$14,852,600. In FY 2009, total operating expenditures were \$22,693,200. The department is projecting a 30% drop in revenues to funds within its operating budget. According to the Parks Board, primary drivers for the overall revenue decline are lost SPEF monies due to parks closures and reductions of hours and lower SLIF revenues due to an adjustment in the allocation of the watercraft license tax.

The Parks Board estimates that if it were to continue to operate at its approved level, ending balances would be negative in SLIF - \$(1,870,800), SPEF - \$(1,334,700), and the Reservation Surcharge Fund - \$(21,600). They state that operating expenditures would have to be reduced in order to complete the Chapter 11 transfers and avoid negative fund balances. If, instead, the fund transfers are completed using monies available in the balances of the Heritage Fund and the OHV Recreation Fund, SLIF would have an FY 2010 ending balance of \$1,177,400, SPEF would have an ending balance of \$1,850,300, and the Arizona Heritage Fund would have an ending balance of \$15,313,900.

RS/AS:sls

September 4, 2009



Mr. D. Clark Partridge, State Comptroller  
General Accounting Office  
Arizona Department of Administration  
100 N. 15<sup>th</sup> Avenue, Ste. 302  
Phoenix, AZ 85007



**RE: CASH TRANSFER REQUEST PER S.B. 1188, SECTION 111**

Dear Mr. Partridge:

Arizona State Parks requests permission to transfer cash of \$6,050,100 from the Arizona Heritage Fund and \$500,000 from the Off-Highway Vehicle Recreation Fund to various other agency funds. Per S.B. 1188, Section 111, please coordinate this request with the Governors Office of Strategic Planning and Budgeting, and please forward to the Joint Legislative Budget Committee for review.

These cash transfers will enable the agency to: 1) comply with the fund reductions and transfers required by H.B. 2643, Section 44, A.33, 2) maintain reduced agency operations during FY 2010 at 82.7% of the original FY 2009 operating budget, and 3) provide for the minimum cash balance forward required to continue operations into FY 2011 with further reductions.

Enclosed are the most recent FY 2010 projected cash flow documents for all agency funds, including an overall summary. Also enclosed is a summary of the agency funds to which the cash will be transferred. Also enclosed are two versions of the estimated sources and dispositions of agency operating funds for FY 2009 through FY 2011. One of the versions shows the requested FY 2010 cash transfers, while the other version shows the result of operating at the current projected levels without the cash transfers.

The fund reductions and transfers required by H.B. 2643 Section 44 total \$7,134,200. Of this amount, more than \$6,550,100 directly impacts our FY 2010 available operating cash and revenues. Our FY 2010 operating budget is currently \$21,402,700 with the requested cash transfers. Without the transfers, the FY 2010 budget would be reduced to \$14,852,600.

Janice K. Brewer  
Governor

State Parks  
Board Members

Chair  
Reese Woodling  
Tucson

Tracey Westerhausen  
Phoenix

Larry Landry  
Phoenix

Walter D. Armer, Jr.  
Vail

Arlan Colton  
Tucson

William C. Scalzo  
Phoenix

Maria Baier  
State Land  
Commissioner

Renée E. Bahl  
Executive Director

Arizona State Parks  
1300 W. Washington  
Phoenix, AZ 85007

Tel & TTY: 602.542.4174  
AZStateParks.com

800.285.3703 from  
(520 & 928) area codes

General Fax:  
602.542.4180

Director's Office Fax:  
602.542.4188

Mr. D. Clark Partridge, State Comptroller  
September 4, 2009  
Page 2

In FY 2009, the agency expended \$17,373,000 for personal services and ERE, and \$5,190,000 for all other operating expenses. Operating expenditures for the park system alone were \$15,134,000. This level of expenditure represents 86.9% of the original FY 2009 agency operating budget of \$25,965,000. The agency ended the fiscal year with a vacancy rate of nearly 30%.

If you have any questions or require any further information, please contact me at (602) 542-7102 or [rbahl@azstateparks.gov](mailto:rbahl@azstateparks.gov); or you may contact Kent T. Ennis, Assistant Director of Administrative Services at (602) 542-6920, or [kennis@azstateparks.gov](mailto:kennis@azstateparks.gov).

Sincerely,



Renée E. Bahl  
Executive Director

:dab

cc: ✓ Arthur Smith, JLBC  
Thomas Soteros-McNamara, OSPB

Enclosures

# Staff Recommended Fund Sources for Reductions and Sweeps

Fund	Amount	OHV Cash Balance	HF-Natural Areas Acq. (FY 2010)	Heritage Fund Cash Balance	Total
Enhancement All Sweeps	\$ 3,185,000		\$ (1,700,000)	\$ (1,485,000)	\$ (3,185,000)
Reservation Surcharge	\$ 96,600			\$ (96,600)	\$ (96,600)
Heritage Fund Reduction	\$ 163,900			\$ (163,900)	\$ (163,900)
Publications Reductions	\$ 22,700			\$ (22,700)	\$ (22,700)
Partnerships Reduction	\$ 14,000			\$ (14,000)	\$ (14,000)
Donations Reductions	\$ 19,700			\$ (19,700)	\$ (19,700)
SLIF Sweep	\$ 3,048,200	\$ (500,000)		\$ (2,548,200)	\$ (3,048,200)
<b>Subtotal</b>	<b>\$ 6,550,100</b>	<b>\$ (500,000)</b>	<b>\$ (1,700,000)</b>	<b>\$ (4,350,100)</b>	<b>\$ (6,550,100)</b>
OHV Reduction*	\$ 116,600				No Backfill
OHV Sweep*	\$ 467,500				No Backfill
<b>Total</b>	<b>\$ 7,134,200</b>				<b>\$ (6,550,100)</b>

\*Staff does not recommend backfilling OHV sweeps or reductions as these monies cannot be used for operating



FY 2009, FY 2010 and FY 2011  
Arizona State Parks - Agency Operating Funds

Source of Funds	<u>FY 2009</u> <u>Actual</u>	<u>Estimated</u> <u>FY 2009 / FY 2010</u> <u>Change</u>	<u>Estimated</u> <u>FY 2010</u> <u>Budget</u>	<u>Estimated</u> <u>FY 2010 / FY 2011</u> <u>Change</u>	<u>Estimated</u> <u>FY 2011</u> <u>Budget</u>
Operating Cash Beginning Balance	\$ 23,189,105	\$ (11,901,193)	\$ 11,287,912	\$ (2,529,255)	\$ 8,758,657
Operating Revenue	27,831,105	(8,385,805)	19,445,300 /2	-	19,445,300 /2
Cash Transfers In (Backfills) /1	1,000,000	5,550,100	6,550,100	(6,550,100)	-
<b>Total - Source of Funds</b>	<b>\$ 52,020,210</b>	<b>\$ (14,736,898)</b>	<b>\$ 37,283,312</b>	<b>\$ (9,079,355)</b>	<b>\$ 28,203,957</b>
<b>Disposition of Funds</b>					
Operating Expenditures	\$ 22,693,242	\$ (1,217,287)	\$ 21,475,955 /3	\$ (431,792)	\$ 21,044,163 /4
Tonto COP Lease Payment	372,700	75,600	448,300	(74,500)	373,800 /5
Legislated Reversions and Transfers	17,666,356	(11,065,956)	6,600,400	(6,600,400)	-
<b>Total - Disposition of Funds</b>	<b>\$ 40,732,298</b>	<b>\$ (12,207,643)</b>	<b>\$ 28,524,655</b>	<b>\$ (7,106,692)</b>	<b>\$ 21,417,963</b>
<b>Ending Cash Balance</b>	<b>\$ 11,287,912</b>	<b>\$ (2,529,255)</b>	<b>\$ 8,758,657</b>	<b>\$ (1,972,663)</b>	<b>\$ 6,785,994</b>
<b>Ending Cash Balance Fund Sources:</b>					
General Fund	\$ 824	\$ (824)	\$ -	\$ -	\$ -
Reservation Surcharge	75,000	-	75,000	-	75,000
Federal Fund	886,206	(136,200)	750,006	-	750,006
State Lake Improvement Fund	1,677,363	(500,000)	1,177,363	(177,363)	1,000,000
Enhancement Fund	2,520,141	(669,800)	1,850,341	(595,300)	1,255,041
Off Highway Vehicle Fund	22,431	(22,431)	-	-	-
Arizona Heritage Fund	4,319,406	(1,200,000)	3,119,406	(1,200,000)	1,919,406
Land Conservation Fund Interest	500,000	-	500,000	-	500,000
Partnerships Fund	454,622	-	454,622	-	454,622
Donations Fund	569,451	-	569,451	-	569,451
Publications & Souvenirs Fund	262,469	-	262,469	-	262,469
<b>Ending Cash Balance</b>	<b>\$ 11,287,913</b>	<b>\$ (2,529,255)</b>	<b>\$ 8,758,658</b>	<b>\$ (1,972,663)</b>	<b>\$ 6,785,995</b>

Notes and Adjustments:

/1 Backfills - Cash Transfers In from other agency non-operating funds. JLBC review required.

/2 FY 2010 and FY 2011 Operating Revenue includes:

\$19,345,000 current year operating, \$50,000 park and program donations,  
and \$50,300 of the Off Highway Vehicle Fund 12% administration that will be reverted to the State general fund during FY 2010.

/3 FY 2010 Operating Expenditures of \$21,475,955 include:

\$21,402,700 current year operating, \$50,000 park and program donations, and \$23,255 FY 2009 administrative adjustments.

/4 FY 2011 Operating Expenditures are reduced by \$431,792 from FY 2010 levels to allow minimum ending cash balances for cash flow into FY 2012.

/5 The FY 2012 Tonto lease payment will be \$606,800. This payment is funded from the Enhancement Fund.

FY 2009, FY 2010 and FY 2011  
Arizona State Parks - Agency Operating Funds - Without FY 2010 Cash Transfers (Backfills)

Source of Funds	<u>FY 2009</u> <u>Actual</u>	<u>Estimated</u> <u>FY 2009 / FY 2010</u> <u>Change</u>	<u>Estimated</u> <u>FY 2010</u> <u>Budget</u>	<u>Estimated</u> <u>FY 2010 / FY 2011</u> <u>Change</u>	<u>Estimated</u> <u>FY 2011</u> <u>Budget</u>
Operating Cash Beginning Balance	\$ 23,189,105	\$ (11,901,193)	\$ 11,287,912	\$ (9,079,355)	\$ 2,208,557
Operating Revenue	27,831,105	(8,385,805)	19,445,300 /2	-	19,445,300 /2
Cash Transfers In (Backfills) /1	1,000,000	(1,000,000)	-	-	-
<b>Total - Source of Funds</b>	<b>\$ 52,020,210</b>	<b>\$ (21,286,998)</b>	<b>\$ 30,733,212</b>	<b>\$ (9,079,355)</b>	<b>\$ 21,653,857</b>
<b>Disposition of Funds</b>					
Operating Expenditures	\$ 22,673,242	\$ (1,217,287)	\$ 21,475,955 /3	\$ (431,792)	\$ 21,044,163 /4
Tonto COP Lease Payment	372,700	75,600	448,300	(74,500)	373,800 /5
Legislated Reversions and Transfers	17,666,356	(11,065,956)	6,600,400	(6,600,400)	-
<b>Total - Disposition of Funds</b>	<b>\$ 40,732,298</b>	<b>\$ (12,207,643)</b>	<b>\$ 28,524,655</b>	<b>\$ (7,106,692)</b>	<b>\$ 21,417,963</b>
<b>Ending Cash Balance</b>	<b>\$ 11,287,912</b>	<b>\$ (9,079,355)</b>	<b>\$ 2,208,557</b>	<b>\$ (1,972,663)</b>	<b>\$ 235,894</b>
<b>Ending Cash Balance Fund Sources:</b>					
General Fund	\$ 824	\$ (824)	\$ -	\$ -	\$ -
Reservation Surcharge	75,000	(96,600)	(21,600)	-	(21,600)
Federal Fund	886,206	(136,200)	750,006	-	750,006
State Lake Improvement Fund	1,677,363	(3,548,200)	(1,870,837)	(177,363)	(2,048,200)
Enhancement Fund	2,520,141	(3,854,800)	(1,334,659)	(595,300)	(1,929,959)
Off Highway Vehicle Fund	22,431	(22,431)	-	-	-
Arizona Heritage Fund	4,319,406	(1,363,900)	2,955,506	(1,200,000)	1,755,506
Land Conservation Fund Interest	500,000	-	500,000	-	500,000
Partnerships Fund	454,622	(14,000)	440,622	-	440,622
Donations Fund	569,451	(19,700)	549,751	-	549,751
Publications & Souvenirs Fund	262,469	(22,700)	239,769	-	239,769
<b>Ending Cash Balance</b>	<b>\$ 11,287,913</b>	<b>\$ (9,079,355)</b>	<b>\$ 2,208,558</b>	<b>\$ (1,972,663)</b>	<b>\$ 235,895</b>

Notes and Adjustments:

/1 Backfills - Cash Transfers In from other agency non-operating funds. JLBC review required.

/2 FY 2010 and FY 2011 Operating Revenue includes:

\$19,345,000 current year operating, \$50,000 park and program donations, and \$50,300 of the Off Highway Vehicle Fund 12% administration that will be reverted to the State general fund during FY 2010.

/3 FY 2010 Operating Expenditures of \$21,475,955 include:

\$21,402,700 current year operating, \$50,000 park and program donations, and \$23,255 FY 2009 administrative adjustments.

/4 FY 2011 Operating Expenditures are reduced by \$431,792 from FY 2010 levels to allow minimum ending cash balances for cash flow into FY 2012.

/5 The FY 2012 Tonto lease payment will be \$606,800. This payment is funded from the Enhancement Fund.

Agency Name: Arizona State Parks  
Fund Name: State Lake Improvement Fund  
Fund Number: 2106 FY Ending: 6/30/10

Prepared by: Miriam Snyder  
Date: July 31, 2009  
E-Mail: msnyder@azstateparks.gov Phone: 602 542-6938

	OBJT	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total	Interest Rate	1.00%
Beginning Cash Balance	Note	\$3,227,296	\$3,501,531	\$3,613,759	\$3,458,891	\$3,303,894	\$3,148,767	\$2,993,512	\$2,846,527	\$2,490,853	\$2,335,049	\$2,179,115	\$2,023,051	\$3,227,296	Budget	
Revenues:																
Taxes	4100	\$687,496	\$616,250	\$375,942	\$375,942	\$375,942	\$375,942	\$375,942	\$375,942	\$375,942	\$375,942	\$375,942	\$375,942	\$5,063,163	\$4,511,300	
Intergovernmental	4200													\$0		
Sales & Charges for Services	4300													\$0		
Licenses, Permits & Fees	4400	\$0	\$38,842	\$32,942	\$32,942	\$32,942	\$32,942	\$32,942	\$32,942	\$32,942	\$32,942	\$32,942	\$32,942	\$401,200	\$395,300	
Fines, Forfeitures & Penalties	4500													\$0		
Other	4600	\$0	\$23,899	\$3,011	\$2,882	\$2,753	\$2,624	\$2,495	\$2,206	\$2,076	\$1,946	\$1,816	\$3,372	\$49,079	\$75,000	over (short) rev
Total Revenues		\$687,496	\$678,991	\$411,895	\$411,768	\$411,637	\$411,507	\$411,378	\$411,089	\$410,959	\$410,829	\$410,699	\$445,197	\$5,513,442	\$4,981,600	\$531,842 per ppd or 1/12 budget
Expenditures:																
Personal Services	6000	\$276,081	\$383,200	\$383,200	\$383,200	\$383,200	\$383,200	\$574,800	\$383,200	\$383,200	\$383,200	\$383,200	\$383,200	\$4,682,881	\$4,981,600	\$191,600
Employee Related	6100	\$120,085												\$120,085		\$0
Professional & Outside Svcs	6200	\$0												\$0		\$0
Travel In State	6500	\$793												\$793		\$0
Travel Out of State	6600													\$0		\$0
Food	6700													\$0		
Aid to Organizations	6800	\$0	\$21,858	\$21,858	\$21,858	\$21,858	\$21,858	\$21,858	\$21,858	\$21,858	\$21,858	\$21,858	\$21,858	\$240,439	\$240,439	
Operating	7000	\$11,385	\$41,667	\$41,667	\$41,667	\$41,667	\$41,667	\$41,667	\$41,667	\$41,667	\$41,667	\$41,667	\$41,667	\$469,718	\$500,000	\$41,667
Capital Outlay	8100	\$4,917	\$120,038	\$120,038	\$120,038	\$120,038	\$120,038	\$120,038	\$120,038	\$120,038	\$120,038	\$120,038	\$120,038	\$1,325,337	\$1,325,337	
Capital Equipment	8400													\$0		
Non Capital Equipment	8500													\$0		
Debt Service	8600													\$0		
Cost Allocation	9000													\$0		
Total Expenditures		\$413,261	\$566,763	\$566,763	\$566,763	\$566,763	\$566,763	\$758,393	\$566,763	\$566,763	\$566,763	\$566,763	\$566,763	\$6,639,253	\$7,047,376	
Transfers in	4900													\$0	\$0	
Transfers Out - Backfills	9100													(\$3,048,200)	(\$3,048,200)	
Transfers Out - Sweeps	9100													\$3,048,200	\$3,048,200	
Ending Cash Balance		\$3,501,531	\$3,613,759	\$3,458,891	\$3,303,894	\$3,148,767	\$2,993,512	\$2,846,527	\$2,490,853	\$2,335,049	\$2,179,115	\$2,023,051	\$1,901,485	\$1,901,485		
		\$408,344	\$833,211	\$1,258,077	\$1,682,944	\$2,107,811	\$2,532,677	\$3,149,144	\$3,574,011	\$3,998,877	\$4,423,744	\$4,848,611	\$5,273,477			
		Cumulative FY 2009 operating only exp. from above (no Aid 6800 or Cap 8100)														
Req Bal FY2009	Fund Balance:	JUL EOM	AUG EOM	SEP EOM	OCT EOM	NOV EOM	DEC EOM	JAN EOM	FEB EOM	MAR EOM	APR EOM	MAY EOM	JUN EOM			
\$1,661,520	Operating	\$1,940,672	\$2,164,798	\$2,181,824	\$2,168,724	\$2,155,493	\$2,142,134	\$1,937,045	\$1,923,267	\$1,909,360	\$1,895,322	\$1,881,155	\$1,901,485	see below		
\$240,439	Aid	\$240,439	\$218,581	\$196,723	\$174,865	\$153,007	\$131,149	\$109,290	\$87,432	\$65,574	\$43,716	\$21,858	(\$0)			
\$1,325,337	Capital	\$1,320,420	\$1,200,382	\$1,080,344	\$960,305	\$840,267	\$720,229	\$600,191	\$480,153	\$360,115	\$240,076	\$120,038	(\$0)			
\$0	Unobl	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
\$3,227,296	Total Fund	\$3,501,531	\$3,613,759	\$3,458,891	\$3,303,894	\$3,148,767	\$2,993,512	\$2,846,527	\$2,490,853	\$2,335,049	\$2,179,115	\$2,023,051	\$1,901,485			

NOTES on State Lake Improvement Fund are on second page

Agency Name: Arizona State Parks  
Fund Name: Enhancement Fund - All Appropriations - Values Only  
Fund Number: 2202

Prepared by: Mayson Snyder  
Date: July 31, 2009  
E-Mail: msnyder@azstateparks.gov

Phone: 602 542 6938

OBJT	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total	Budget
Beginning Cash Balance	\$2,212,563	\$2,184,293	\$1,762,866	\$1,629,780	\$1,876,873	\$1,923,566	\$1,970,460	\$1,702,161	\$1,749,054	\$1,795,947	\$1,842,841	\$1,889,734	\$2,512,563	
<b>Revenues:</b>														
4100 Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4200 Intergovernmental	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4300 Sales & Charges for Services	\$353,159	\$695,736	\$695,736	\$695,736	\$695,736	\$695,736	\$695,736	\$695,736	\$695,736	\$695,736	\$695,736	\$695,736	\$8,006,258	\$8,196,000
4400 Licenses, Permits & Fees	\$196,480	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$196,480	\$0
4500 Fines, Forfeitures & Penalties	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4600 Other	\$2,262	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,262	\$0
<b>Total Revenues</b>	<b>\$541,891</b>	<b>\$695,736</b>	<b>\$695,736</b>	<b>\$695,736</b>	<b>\$695,736</b>	<b>\$695,736</b>	<b>\$695,736</b>	<b>\$695,736</b>	<b>\$695,736</b>	<b>\$695,736</b>	<b>\$695,736</b>	<b>\$695,736</b>	<b>\$8,195,000</b>	<b>\$8,195,000</b>
<b>Expenditures:</b>														
6000 Personal Services	\$775,852	\$630,385	\$630,385	\$630,385	\$630,385	\$630,385	\$845,577	\$630,385	\$630,385	\$630,385	\$630,385	\$630,385	\$7,825,275	\$8,195,000
6100 Employee Related	\$258,565	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$258,565	\$0
6200 Professional & Outside Svcs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6300 Travel In State	\$2,017	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,017	\$0
6400 Travel Out of State	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6500 Food	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6600 Aid to Organizations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6700 Operating	\$33,737	\$18,458	\$18,458	\$18,458	\$18,458	\$18,458	\$18,458	\$18,458	\$18,458	\$18,458	\$18,458	\$18,458	\$230,779	\$221,000
6800 Capital Outlay	\$0	\$448,300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$448,300	\$448,300
6900 Capital Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7000 Non-Capital Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8000 Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9000 Cost Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Expenditures</b>	<b>\$870,171</b>	<b>\$1,097,143</b>	<b>\$648,843</b>	<b>\$648,843</b>	<b>\$648,843</b>	<b>\$648,843</b>	<b>\$964,035</b>	<b>\$648,843</b>	<b>\$648,843</b>	<b>\$648,843</b>	<b>\$648,843</b>	<b>\$648,843</b>	<b>\$8,770,836</b>	<b>\$8,894,000</b>
Transfers In	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfers Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfers Out - Swaps	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Ending Cash Balance</b>	<b>\$2,184,293</b>	<b>\$1,762,866</b>	<b>\$1,829,780</b>	<b>\$1,676,673</b>	<b>\$1,923,566</b>	<b>\$1,970,460</b>	<b>\$1,702,161</b>	<b>\$1,749,054</b>	<b>\$1,795,947</b>	<b>\$1,842,841</b>	<b>\$1,889,734</b>	<b>\$1,936,627</b>	<b>\$1,936,627</b>	

Quarterly allotment %	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Cum. max of net annual oper approp	8,416,500	2,104,125	4,208,250	6,312,375	8,416,500	10,520,625	12,624,750	14,728,875	16,833,000	18,937,125	21,041,250	23,145,375	25,249,500	27,353,625
Cum allot, % end of quarter	25%	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%	325%
Cum operating appn. expended (no cap or transfers)	2,167,857	4,114,386	6,060,915	8,007,444	9,953,973	11,900,502	13,847,031	15,793,560	17,740,089	19,686,618	21,633,147	23,579,676	25,526,205	27,472,734
\$ amt under/over cum. max appn.	(63,732)	(63,732)	(63,732)	(63,732)	(63,732)	(63,732)	(63,732)	(63,732)	(63,732)	(63,732)	(63,732)	(63,732)	(63,732)	(63,732)

See notes for ENHANCEMENT FUND on second page

Agency Name: Arizona State Parks  
Fund Name: Heritage Fund - ALL COMPONENTS - Values Only  
Fund Number: 2296 FY Ending: 6/30/10

Prepared by: Miryom Snyder  
Date: July 31, 2009  
E-Mail: msnyder@azstateparks.gov Phone: 602 542-8938

	OBJT	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total	ENTER RATE HERE	1.00%
Beginning Cash Balance		\$26,024,262	\$25,590,589	\$24,228,404	\$23,248,961	\$22,268,701	\$21,287,625	\$20,305,731	\$19,436,019	\$20,114,584	\$20,791,712	\$19,969,405	\$20,646,413	\$26,024,262	Interest Rate	
Revenues:															Budget	
Taxes	4100													\$0		
Intergovernmental	4200													\$0		
Sales & Charges for Services	4300													\$0		
Licenses, Permits & Fees	4400													\$0		
Fines, Forfeitures & Penalties	4500													\$0		
Other	4600	\$0	\$102,148	\$20,190	\$19,374	\$18,557	\$17,740	\$16,921	\$16,198	\$16,762	\$17,326	\$16,841	\$17,305	\$279,065	act rev over (short) est	9,065
Total Revenues		\$0	\$102,148	\$20,190	\$19,374	\$18,557	\$17,740	\$16,921	\$16,198	\$16,762	\$17,326	\$16,841	\$17,305	\$279,065	270,000	
Expenditures:															per pcd or	
Personal Services	6000	\$135,402	\$99,091	\$99,091	\$99,091	\$99,091	\$99,091	\$144,091	\$99,091	\$99,091	\$99,091	\$99,091	\$99,091	\$1,270,402	1,270,000	48,846
Employee Related	6100	\$47,074	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$47,074	0	0
Professional & Outside Svcs	6200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	0
Travel In State	6500	\$290	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$290	0	0
Travel Out of State	6600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	0
Food	6700	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	0
Aid to Organizations	6800	\$0	\$279,323	\$279,323	\$279,323	\$279,323	\$279,323	\$279,323	\$279,323	\$279,323	\$279,323	\$279,323	\$279,323	\$3,072,551	3,072,551	
Operating	7000	\$1,138	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$1,101,138	1,200,000	100,000
Capital Outlay	8100	\$249,479	\$521,220	\$521,220	\$521,220	\$521,220	\$521,220	\$521,220	\$521,220	\$521,220	\$521,220	\$521,220	\$521,220	\$5,942,899	5,858,160	
Capital Equipment	8400	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	0
Non Capital Equipment	8500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	0
Debt Service	8600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	0
Cost Allocation	9000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	0
Total Expenditures		\$433,373	\$999,634	\$999,634	\$999,634	\$999,634	\$999,634	\$1,044,634	\$999,634	\$999,634	\$999,634	\$999,634	\$999,634	\$11,474,342	11,400,711	
Transfers In	4900	\$0	0	0	0	0	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	0	\$10,000,000	10,000,000	
Transfers Out - Backfills	9100	\$0	0	0	0	0	0	340,000	340,000	340,000	340,000	340,000	4,186,200	\$5,886,200	5,886,200	
Transfers Out - Sweeps	9100	\$0	465,000	0	0	0	0	1,500,000	0	0	1,500,000	0	183,900	3,629,900	3,629,900	
Ending Cash Balance		\$25,590,589	\$24,228,404	\$23,248,961	\$22,268,701	\$21,287,625	\$20,305,731	\$19,436,019	\$20,114,584	\$20,791,712	\$19,969,405	\$20,646,413	\$15,313,885	\$15,313,885	15,304,820	with EST rev
YEAR-TO-DATE CHECK - Cash Values Used:																
CURR EOM FUND BAL		\$25,590,589	\$24,228,404	\$23,248,961	\$22,268,701	\$21,287,625	\$20,305,731	\$19,436,019	\$20,114,584	\$20,791,712	\$19,969,405	\$20,646,413	\$15,313,885			
REV YTD		\$0	\$102,148	\$122,338	\$141,713	\$160,270	\$178,010	\$194,931	\$211,130	\$227,582	\$245,218	\$261,858	\$279,065			
LOTTERY TSP IN YTD		\$0	\$0	\$0	\$0	\$0	\$0	\$2,000,000	\$4,000,000	\$6,000,000	\$8,000,000	\$10,000,000	\$10,000,000			
EXPENDED YTD		(\$433,373)	(\$1,433,007)	(\$2,432,640)	(\$3,432,274)	(\$4,431,907)	(\$5,431,541)	(\$6,475,174)	(\$7,475,808)	(\$8,475,441)	(\$9,475,075)	(\$10,474,708)	(\$11,474,342)			
BACKFILLS YTD		\$0	\$0	\$0	\$0	\$0	\$0	(\$340,000)	(\$680,000)	(\$1,020,000)	(\$1,360,000)	(\$1,700,000)	(\$2,040,000)			
LEGISLATIVE SWEEPS YTD		\$0	(\$465,000)	(\$465,000)	(\$465,000)	(\$465,000)	(\$465,000)	(\$1,965,000)	(\$1,965,000)	(\$1,965,000)	(\$3,465,000)	(\$3,465,000)	(\$3,629,900)			
FY09 BEO FUND BAL (no AA - formula)		\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262			
ACTUAL ADM ADJ		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
NET		\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262	\$26,024,262			
ACTUAL BEO FUND BAL - NO AA		\$26,025,589	\$26,025,589	\$26,025,589	\$26,025,589	\$26,025,589	\$26,025,589	\$26,025,589	\$26,025,589	\$26,025,589	\$26,025,589	\$26,025,589	\$26,025,589			
DIFF = AA		\$1,427	\$1,427	\$1,427	\$1,427	\$1,427	\$1,427	\$1,427	\$1,427	\$1,427	\$1,427	\$1,427	\$1,427			

#### Year End Fund Balance Projections:

Remaining Grant & Aid Obligations	\$3,072,550
Remaining Capital Obligations	\$5,733,420
Unobligated Funds	\$6,507,916
TOTAL AHF projected ending fund balance	\$15,313,885

#### Source of Unobligated Funds:

Interest	\$1,382,260
A&D	\$0
EE	\$946,735
LRSP	\$2,800,000
NAACQ	\$0
NAO&M	\$850,084
Trails	\$400,000
HP	\$129,817
Check Total - Unobl. funds	\$6,507,916

(From suspended SHPO set asides not used for backfills)  
Check Total - Unobl. funds

See HERITAGE FUND - ALL COMPONENTS notes on second page.