

# **JOINT LEGISLATIVE BUDGET COMMITTEE**

**Wednesday, September 23, 2020**

**9:30 a.m.**

**JLBC**

STATE OF ARIZONA

## Joint Legislative Budget Committee

STATE  
SENATE

DAVID M. GOWAN  
CHAIRMAN  
LELA ALSTON  
SEAN BOWIE  
RICK GRAY  
VINCE LEACH  
DAVID LIVINGSTON  
J.D. MESNARD  
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BRET M. ROBERTS  
BEN TOMA

**\*\* REVISED \*\***

JOINT LEGISLATIVE BUDGET COMMITTEE

Wednesday, September 23, 2020

9:30 A.M.

Teleconference: The meeting will be held via teleconference software. Members of the public may access a livestream of the meeting here:

([https://azleg.granicus.com/MediaPlayer.php?publish\\_id=2](https://azleg.granicus.com/MediaPlayer.php?publish_id=2))

### MEETING NOTICE

- Call to Order
- [Approval of Minutes of June 24, 2020.](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION - Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
- 1. [\\*\\*\\*ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND - Review of the Concealed Weapons Tracking System \(Department of Public Safety Subaccount\).](#)
- 2. [\\*\\*\\*AHCCCS - Review of Health Care Investment Fund Assessment Pursuant to Laws 2020, Chapter 46.](#)
- 3. [ATTORNEY GENERAL - Review of Election-Related Litigation and Civil Division Expenditure Plans.](#)
- 4. [\\*\\*\\*DEPARTMENT OF CHILD SAFETY - Review of FY 2020 Quarterly Benchmarks.](#)



5. \*\*\*DEPARTMENT OF PUBLIC SAFETY - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount.
  6. ARIZONA DEPARTMENT OF EDUCATION
    - \*\*\*A. Review of K-12 Broadband Connectivity Projects.
    - \*\*\*B. Review of AzM2 Contract.
- \*\*\* Consent Agenda - These items will be considered in one motion and no testimony will be taken.

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

09/15/2020

09/21/2020

LM

kp

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.



STATE OF ARIZONA

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### MINUTES OF THE MEETING

#### JOINT LEGISLATIVE BUDGET COMMITTEE

June 24, 2020

The Chairman called the meeting to order at 9:40 a.m., Wednesday, June 24, 2020, via video conference. The following were present:

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

#### APPROVAL OF MINUTES

Representative Cobb moved that the Committee approve the minutes of April 29, 2020. The motion carried.

#### CONSENT AGENDA

The following items were considered.

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

A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Arizona Department of Administration's (ADOA) Automation Projects Fund (APF) for the Children's Information Library and Data Source (CHILDS) replacement project. ADOA requested Committee review of the expenditure of \$1,600,000 in FY 2020 funds and \$4,992,800 in FY 2021 for the CHILDS replacement project. The JLBC Staff provided options.

(Continued)

**ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND - Review of myDEQ Project Scope Change (Arizona Department of Environmental Quality Subaccount).**

Pursuant to A.R.S. § 41-714 and a provision at the December 2018 Joint Legislative Budget Committee (JLBC) meeting, the Arizona Department of Administration (ADOA) requested that the Committee review changes in expenditure plans exceeding 10% and a change in scope for the development of the Arizona Department of Environmental Quality (ADEQ)'s myDEQ project. The project was appropriated in FY 2019 from the Automated Projects Fund (APF). The JLBC Staff provided options.

**ATTORNEY GENERAL (AG) - Review of Report on Murdered and Missing Indigenous Women and Girls Study Committee Expenditure Plan.**

In April 2020, the Committee favorably reviewed the report on the expenditure of monies from the Consumer Remediation Subaccount to support expenses of the Missing and Murdered Indigenous Women and Girls (MMIWG) Study Committee and required that the AG provide an updated report to JLBC. The AG requested that the Committee review the progress of the MMIWG Study Committee. The JLBC Staff provided options and a potential provision:

- A. The AG and the MMIWG study committee shall report on their progress to JLBC by June 1, 2021.

**ATTORNEY GENERAL (AG) - Review of Uncollectible Debt.**

Pursuant to A.R.S. § 35-150E, the AG requests Committee review of its listing of uncollectible debts to be removed from the state's accounting system. The listing totals \$34,186,515 for debts listed as uncollectible in FY 2020 and prior years. The JLBC Staff provided options.

**ARIZONA CRIMINAL JUSTICE COMMISSION (ACJC) - Review of Edward Byrne Memorial Justice Assistance Grant Federal Application.**

Pursuant to A.R.S. § 41-2403, ACJC requested Committee review of the federal application for the Edward Byrne Memorial Justice Assistance Grant (JAG) that is administered by the United States Department of Justice, Bureau of Justice Assistance. The JLBC Staff provided options and a potential provision:

- A. ACJC shall submit a preliminary proposal by May 15, 2021 if the federal guidelines have not yet been received for 2021.

**DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Developmental Disabilities Line Item Transfers.**

Pursuant to an FY 2019 General Appropriation Act footnote, before transferring any funds into or out of certain Division of Developmental Disabilities (DDD) line items, DES must submit a report for review by JLBC.

DES requested Committee review of an FY 2019 transfer of \$718,800 in General Fund monies from the Case Management - State Only line item to the State-Funded Long Term Care Services line item. The JLBC Staff provided options.

(Continued)

**DEPARTMENT OF EDUCATION (ADE) - Review of Career Technical Education District Annual Report.**

ADE requested Committee review of its annual Career Technical Education District (CTED) report for FY 2019, as required by A.R.S. § 15-393.01. The JLBC Staff provided options.

**SECRETARY OF STATE (SOS) - Review of Expenditure Plans for Help America Vote Act (HAVA) Projects (March 2018 and December 2019 Allocations).**

Pursuant to FY 2019 and FY 2021 General Appropriation Act footnotes, SOS is requesting review of 2 expenditure plans for Help America Vote Act (HAVA) monies.

The first round of HAVA monies was allocated by the federal government to the state in March 2018. SOS currently estimates this March 2018 allocation has an available balance of \$2.4 million.

The second round of HAVA monies was allocated by the federal government in December 2019. Of this allocation, SOS was appropriated \$1.3 million in the enacted budget.

This agenda item addressed the review of FY 2021 expenditures of the following monies: 1) \$2.2 million from the March 2018 HAVA grant; and 2) \$695,000 from the December 2019 HAVA grant. The JLBC Staff provided options and a potential provision:

- A. The SOS shall notify the Committee of any changes to the FY 2021 expenditure plan exceeding \$100,000 and the Chairman may determine whether the changes require further Committee review.

**DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount.**

Pursuant to A.R.S. § 41-1724G and A.R.S. § 41-1724H, DPS is required to submit for Committee review the entire FY 2021 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expending any monies. The Subaccount is funded primarily from a \$4.00 surcharge on criminal violations.

DPS submitted for review its proposal to distribute \$1,346,100 of the \$2,396,100 FY 2021 appropriation from the Subaccount to continue to fund 3 existing programs: Detention Liaison Officer Program (\$456,800), Border County Officers (\$539,300), and Border Crimes Unit (\$350,000). DPS plans to submit to the Committee an allocation plan for the Border Security and Law Enforcement Grants (\$1,050,000) for review at a later date this year. The JLBC Staff provided options and a potential provision:

- A. DPS shall report to the Committee prior to implementing any changes to the proposed FY 2021 allocation of the grants. The Chairman shall decide whether the revisions require Committee review.

*Representative Cobb moved that the Committee provide a favorable review of the consent agenda with the JLBC Staff provisions along with a provision that the portions of the 2019 allocation for agenda item #6 - Secretary of State only include security enhancements and county assistance. Any expenditures for a public information campaign shall only be made in the form of grants to county recorders for that purpose and shall be distributed as follows: \$50,000 to each of the 5 largest counties according to the 2010 decennial census and \$25,000 to each of the remaining counties.*

(Continued)

Representative Friese made a substitute motion to place agenda item #6 - Secretary of State on a new meeting agenda for consideration in the next 72 hours. The substitute motion failed by a roll call vote of 5-8-0-3. (Attachment 1)

The original Cobb motion then passed by a roll call vote of 8-5-0-3. (Attachment 1)

#### EXECUTIVE SESSION

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

At 10:07 a.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 10:27 a.m. the Committee reconvened into open session.

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

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

- *Chatman v. State of Arizona, et al.*
- *Daschke, et al. v. State of Arizona, et al.*
- *Thompson, et al. v. state of Arizona, et al.*

The motion carried.

Without objection, the meeting adjourned at 10:28 a.m.

Respectfully submitted:



Kristy Paddack, Secretary



Richard Stavneak, Director



Senator David Gowan, Chairman

# JOINT LEGISLATIVE BUDGET COMMITTEE

Meeting Date: 6/24/20

ITEM # Substitute motion to place Agenda Item #6 on an agenda in the next 72 hours

ITEM # Consent Agenda

	<u>PRESENT</u>	<u>ABSENT</u>	<u>PASS</u>	<u>AYE</u>	<u>NAY</u>	<u>PRESENT</u>	<u>ABSENT</u>
SEN. ALSTON	<u>/</u>	<u>—</u>		<u>/</u>			
SEN. BOWIE	<u>/</u>	<u>—</u>		<u>/</u>			
REP. ESPINOZA	<u>—</u>	<u>/</u>					<u>/</u>
REP. FERNANDEZ	<u>/</u>	<u>—</u>		<u>/</u>			
REP. FRIESE	<u>/</u>	<u>—</u>		<u>/</u>			
SEN. GRAY	<u>/</u>	<u>—</u>			<u>/</u>		
REP. KAVANAGH	<u>/</u>	<u>—</u>			<u>/</u>		
SEN. LEACH	<u>/</u>	<u>—</u>			<u>/</u>		
SEN. LIVINGSTON	<u>—</u>	<u>/</u>					<u>/</u>
SEN. MESNARD	<u>/</u>	<u>—</u>			<u>/</u>		
SEN. OTONDO	<u>/</u>	<u>—</u>		<u>/</u>			
REP. PETERSEN	<u>/</u>	<u>—</u>					<u>/</u>
REP. ROBERTS	<u>/</u>	<u>—</u>			<u>/</u>		
REP. TOMA	<u>/</u>	<u>—</u>			<u>/</u>		
REP. COBB	<u>/</u>	<u>—</u>			<u>/</u>		
SEN. GOWAN	<u>/</u>	<u>—</u>			<u>/</u>		
TOTALS	<u>14</u>	<u>2</u>	<u>—</u>	<u>5</u>	<u>8</u>	<u>—</u>	<u>3</u>

TOTALS  
e:\jlbc\jlbcvote.doc  
04/27/20

	<u>PASS</u>	<u>AYE</u>	<u>NAY</u>	<u>PRESENT</u>	<u>ABSENT</u>
SEN. ALSTON			<u>/</u>		
SEN. BOWIE			<u>/</u>		
REP. ESPINOZA					<u>/</u>
REP. FERNANDEZ			<u>/</u>		
REP. FRIESE			<u>/</u>		
SEN. GRAY		<u>/</u>			
REP. KAVANAGH		<u>/</u>			
SEN. LEACH		<u>/</u>			
SEN. LIVINGSTON					<u>/</u>
SEN. MESNARD		<u>/</u>			
SEN. OTONDO			<u>/</u>		
REP. PETERSEN					<u>/</u>
REP. ROBERTS		<u>/</u>			
REP. TOMA		<u>/</u>			
REP. COBB		<u>/</u>			
REP. GOWAN		<u>/</u>			
TOTALS	<u>—</u>	<u>8</u>	<u>5</u>	<u>—</u>	<u>3</u>

Attachment 1







STATE OF ARIZONA

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**DATE:** September 16, 2020

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

**FROM:** Jordan Johnston, Fiscal Analyst

**SUBJECT:** Arizona Department of Administration/Automation Projects Fund - Review of the Concealed Weapons Tracking System (Department of Public Safety Subaccount)

### Request

Pursuant to A.R.S. § 41-714, the Arizona Department of Administration (ADOA) has requested that the Committee review \$410,000 in proposed FY 2021 expenditures from the Automation Projects Fund (APF) - Department of Public Safety (DPS) Subaccount for Phase 1 of upgrades to the Concealed Weapons Permit Tracking System (CWPT). The FY 2020 budget appropriated funding for the first year of a 2-year project. DPS estimates it will cost \$550,000 to complete Phase 2, with an additional \$44,100 in ongoing maintenance costs.

### Committee Options

The Committee has at least the following 2 options:

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

### Key Points

- 1) DPS proposes expending \$410,000 for the first year of a 2-year project to upgrade the Concealed Weapons Permit Tracking System (CWPT).
- 2) Phase 1 of the CWPT upgrade will consist of project scope and design, database model set-up and configuration, data mapping and conversion, training, and testing.
- 3) DPS estimates it will cost \$550,000 to complete Phase 2, with an additional \$44,100 in ongoing maintenance costs.

(Continued)

## Analysis

### Background

The CWPT tracks active concealed weapon permits and allows law enforcement to verify permits. The CWPT also maintains databases for initial applicants, renewal applicants, and archived permit data. The current system is on antiquated mainframe technology that retains a limited amount of historical data. The department has reported the current system often causes extensive delays as documents are stored across several different spreadsheet and database programs, with applicant correspondence printed and retrieved off-site. DPS requested funding for a new system which will interface with other law enforcement systems and allow the public to renew permits online.

### Current Request

The FY 2020 budget appropriated \$410,000 to ADOA from the APF DPS Subaccount to upgrade the CWPT. The budget funds this appropriation through a corresponding transfer from the Concealed Weapons Permit Fund to the APF DPS Subaccount. In addition to this \$410,000 funding being reviewed by the Committee, the department intends to use about \$14,900 from other FY 2020 appropriated funding for the project, for a total Phase 1 project cost of \$424,900.

Phase 1 of the CWPT upgrade will consist of the following action items:

- Project scope meetings to summarize the CWPT work process, document business rules, and configuration for the developer.
- Design and configuration for the new CWPT system, including: database design, user interfaces, update database communications, records search functions, and security roles.
- Server set-up, data mapping and conversion, application process workflow, training, and testing.

DPS intends to begin the project scope and design Phase 1 upgrade of the CWPT system at the end of September, and complete Phase 1 by the end of FY 2021. The department has provided an expenditure plan for the project's FY 2021 funding (*see Table 1 below*). The expenditures in FY 2021 are all one-time development costs.

**Table 1**

**DPS CWPT Project Phase 1 Expenditure Plan**

<u>Expense</u>	<u>Amount</u>
Professional Services	\$204,500
License and Maintenance Fees	220,400
<b>Total</b>	<b>\$424,900</b>

Phase 2 of the project will consist of fully automating the CWPT system. This automation includes Carrying a Concealed Weapon (CCW) record management, CCW records search, automated CCW permit processing, CCW approval process, Arizona Automated Fingerprint Identification System (AZAFIS) integration, printer integration, and automated letter and email generation. DPS estimates Phase 2 will cost \$550,000 to complete, with an additional \$44,100 in ongoing maintenance costs.

JJ:kp

Douglas A. Ducey  
Governor



Andrew Tobin  
Director

**ARIZONA DEPARTMENT OF ADMINISTRATION**

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401  
PHOENIX, ARIZONA 85007

(602) 542-1500

August 24, 2020

The Honorable David M. Gowan, Chairman  
Arizona House of Representatives  
Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, Arizona 85007

The Honorable Regina E. Cobb, Vice-Chairman  
Arizona State Senate  
Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, Arizona 85007



Dear Representative Cobb and Senator Gowan:

The Arizona Department of Administration (ADOA) is submitting this request for review of the fiscal year 2020 Automation Projects Fund (APF) with the project related to the Department of Public Safety, Concealed Weapons Tracking System. The monies have been appropriated to support the APF expenditure plan.

The attached documents contain a detailed explanation of the proposed project. We will be happy to meet with your staff to provide further explanation as appropriate.

Sincerely,

A handwritten signature in black ink, appearing to read "J.R. Sloan".

J.R. Sloan  
State CIO

Enclosures

cc: Richard Stavneak, Director, JLBC  
Matthew Gress, Director, OSPB  
Andrew Tobin, Director ADOA  
Derik Leavitt, Assistant Director, ADOA  
Rebecca Perrera, JLBC Staff  
Will Palmisano, OSPB Staff

**FY 2021 Automation Projects Fund (APF; A.R.S. § 41-714)**

**Favorable Review Request for  
August 2020 JLBC Meeting**

Agency-Division	Project Name	JLBC Favorable Review Request	JLBC Favorable Review Status
Dept. of Public Safety	Concealed weapons tracking system	\$410,000	Pending
	<b>Total FY20 APF August 2020 Request</b>	<b>\$410,000</b>	
	Total FY20 APF Funds Not Review Requested	\$0	
	Total FY20 APF Funds Favorably Reviewed	\$16,901,000	
	<b>Total FY20 Appropriated APF Budget</b>	<b>\$17,311,000</b>	

**Favorably Reviewed FY21 APF Projects**

Agency	Appropriation Name	FY21 APF Appropriation	JLBC Favorable Review Amount	JLBC Favorable Review Status
Dept. of Child Safety	Implement upgrades to the children's information library and data source system (CHILDS)	\$4,992,800	\$4,992,800	JLBC Favorable Review 6/24/2020
	<b>Total Favorably Reviewed FY21 APF Projects</b>		<b>\$4,992,800</b>	

### Favorably Reviewed FY20 APF Projects

Agency	Appropriation Name	FY20 APF Appropriation	JLBC Favorable Review Amount	JLBC Favorable Review Status
Dept. of Administration	Feasibility study of a business one-stop shop web portal and to initiate the system design	\$1,000,000	\$1,000,000	JLBC Favorable Review 9/25/2019
Dept. of Agriculture	Conduct a feasibility study to replace or upgrade information technology systems	\$200,000	\$200,000	JLBC Favorable Review 9/25/2019
Dept. of Child Safety	Implement upgrades to the children's information library and data source system (CHILDS)	\$10,100,000	\$10,100,000	JLBC Favorable Review 9/25/2019 & 6/24/2020
Dept. of Education	Replace the school finance data system	\$3,000,000	\$3,000,000	JLBC Favorable Review 12/11/2019
Arizona Medical Board	Information technology projects	\$300,000	\$300,000	JLBC Favorable Review 9/25/2019
Dept. of Public Safety	Concealed weapons tracking system	\$410,000	\$0	Pending
Dept. of Public Safety	Criminal Justice Information System (CJIS)	\$2,301,000	\$2,301,000	JLBC Favorable Review 9/25/2019
	<b>Total Favorably Reviewed FY20 APF Projects</b>		<b>\$16,901,000</b>	

# ARIZONA

DEPARTMENT OF ADMINISTRATION  
ARIZONA STRATEGIC ENTERPRISE TECHNOLOGY

**Agency:** Arizona Department of Public Safety

**Project:** Concealed Weapon Permit Tracking (CWPT) – Phase I

**Appropriation:** Concealed Weapon

## CURRENT REQUEST

The Department of Administration on behalf of the Arizona Department of Public Safety (AZDPS) is requesting a favorable review of \$410,000 appropriated from the Automation Projects Funds in FY20 to complete the development of phase I of the Concealed Weapons Permit Tracking (CWPT) application.

FY 2020 APF Appropriation	FY 2020 APF Favorably Reviewed	FY 2020 APF Current Request	FY 2020 APF Remaining Balance
\$410,000	\$0	\$410,000	\$0

FY 2020 Other Appropriation	FY 2020 Favorably Reviewed	FY 2020 Current Request	FY 2020 Other Appropriation Remaining Balance
\$14,924	\$0	\$14,924	\$0

## PROJECT DESCRIPTION

### *Background*

The Arizona Department of Public Safety (AZDPS) Permit Unit is responsible for receiving, approving, tracking, and maintaining databases for initial applicants for concealed weapon permits; renewal applicants for concealed weapons permits; archived concealed weapons permit applicants and Law Enforcement Officers Safety Act (LEOSA) Certificate of Firearms Proficiency applicants.

The current legacy Arizona Concealed Weapons Tracking (ACWT) system resides on a mainframe and is written in the Natural programming language. The legacy ACWT System consists of the following:

- Multiple programs (batch and online)
- Several hard-coded tables which cannot be modified
- Multiple online screens to enter and maintain data utilizing Customer Information Control System (CICS), which is middleware designed to support transaction processing on a mainframe
- Multiple reports (batch and ad hoc) with limited search criteria

Spreadsheets and an Access database, stored on a network shared drive, are being used to track applications; capture and report financial data; track concealed weapon permits and LEOSA certificates; and capture/report routine compliance reviews.

All permit issuance letters, batch reports, daily and weekly production reports are processed through the IBM mainframe. These documents are printed by production control staff and must be retrieved off-site daily. This causes productivity issues and often causes extensive delays in releasing permits or conducting routine business when the IBM Mainframe is down.

Microsoft Word is utilized to prepare all administrative correspondence. The documents are then saved on the department's shared drive and are not linked to corresponding permit files in ACWT.

The ACWT system only retains limited historical data in a limited number of fields. Historical information and data entry tracking abilities are essential.

In order to reduce permit processing times, save on AZDPS man hours and migrate the existing system off the mainframe, AZDPS needs to move to a fully automated modern system.

### ***Solution***

Due to the cost of this project and current budget constraints, the AZDPS is proposing a 2-phase project. Phase 1 of this project will be completed by Computer Associates of Illinois, Inc. (CPI) who will deliver an OpenFox Messenger-based Concealed Weapons Permit Tracking (CWPT) workflow integrated with the OpenFox Message Switch and the new CWPT database (OpenFox is CPI's application). Phase 1 consists of:

- Discovery sessions to confirm and document business rules and configurations
- System design documentation and configuration for the CWPT database, interfaces, OpenFox message switch (message key configuration and required routing to support communication with the CWPT database), OpenFox Messenger (forms for querying records) and the OpenFox Configurator (security roles to support new message key processing)
- Server set-up, data mapping and conversion, application process workflow, training, and testing

Phase 1 also includes moving the current application off the mainframe to AZDPS's GreenLake cloud environment.

Phase 2 of the project, which will be handled when funding is available, will fully automate the system and includes Concealed Weapons (CCW) record management, CCW records search, automated CCW permit processing, CCW approval process, automated AZAFIS integration, printer integration, and automated letter and email generation.

### ***Benefits***

The Concealed Weapons Permit Tracking (CWPT) project will ensure that the AZDPS continues to provide the required and expected services to its criminal justice customers and the State of Arizona citizens. Updating the system technology will eliminate the need to use Excel spreadsheets and Access databases to track applications and other information, which will increase the efficiency of the process overall. In addition, workflow automation will be designed and implemented to optimize the user experience.

This solution also modernizes the current Concealed Weapons application and moves it off AZDPS's mainframe.



## PROJECT GOALS/MILESTONES

<i>Description</i>	<i>Start Date (Est.)</i>	<i>End Date (Est.)</i>	<i>Duration (weeks/months)</i>
Discovery and design	9/28/20	12/4/20	10 weeks
Database model setup and configuration, data table builds, data mapping and conversion	12/7/20	1/29/21	8 weeks
Concealed Carry Application processing	2/1/21	4/2/21	9 weeks
Training DPS staff on Messenger Application process	4/5/21	4/9/21	1 week
User Acceptance Testing (UAT)	4/12/21	5/28/21	7 weeks
Production roll-out, promote code to production, project closure	5/31/21	6/30/21	5 weeks

## PROJECT COST DETAIL

**Professional Services** – Database set up, data migration, application configuration and project implementation services by Computer Projects of Illinois, Inc. (CPI) \$204,525

**License & Maintenance Fees-** Concealed carry software licenses \$220,399

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**Total Development Cost for FY20** **\$424,924**

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\*\$410,000 will be from FY20 APF funds and the remaining \$14,924 will be from other appropriated funds.





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RANDALL FRIESE  
JOHN KAVANAGH  
WARREN PETERSEN  
BRET M. ROBERTS  
BEN TOMA

**DATE:** September 16, 2020

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

**FROM:** Maggie Rocker, Fiscal Analyst

**SUBJECT:** AHCCCS - Review of Health Care Investment Fund Assessment Pursuant to Laws 2020, Chapter 46

### Request

Pursuant to A.R.S. § 36-2901.08 and A.R.S. § 36-2999.72, the Arizona Health Care Cost Containment System (AHCCCS) must submit a report for Committee review before implementing modifications to the Hospital Assessment methodology. AHCCCS is requesting Committee review of its intent to 1) modify the methodology to collect the assessment and 2) implement an additional assessment, established by Laws 2020, Chapter 46 and effective October 1, 2020. Since AHCCCS has already implemented the methodology change, this review is limited to the changes mandated by Laws 2020, Chapter 46.

### Committee Options

The Committee has at least the following 2 options:

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

### Analysis

Since January 1, 2014, the Hospital Assessment has funded the acute care costs for the Proposition 204 population and individuals with income between 100% and 133% of the Federal Poverty Level. AHCCCS has traditionally levied the Assessment on hospitals' inpatient discharges, with the final SFY 2020 Hospital Assessment model yielding \$331 million.

Effective October 1, 2020, AHCCCS is proposing to increase the Assessment by an additional \$319 million to fund the Health Care Investment Fund (HCIF) pursuant to Laws 2020, Chapter 46. HCIF monies would

(Continued)

#### Key Points

- 1) AHCCCS is proposing to implement an additional Hospital Assessment to fund the Health Care Investment Fund (HCIF), pursuant to Laws 2020, Chapter 46.
- 2) The HCIF would be funded by a \$319 million increase in Hospital Assessment collections. With approximately \$1.3 billion in federal matching funds, AHCCCS would distribute:
  - \$1.28 billion for net hospital payment increases of approximately 40%
  - \$357 million for physician and dental fee schedule payment increases of 15%
  - \$6 million for administrative costs
- 3) The AHCCCS Hospital Assessment proposal requires federal approval from the Centers for Medicare and Medicaid Services.
- 4) AHCCCS also changed the base assessment to include charges to outpatient services effective July 1, 2020. Since this modification has already been implemented, it is not the subject of this review.

be used for directed payments to hospitals and increases in base reimbursement rates for dental/physician services. AHCCCS has named the directed payments program "Hospital Enhanced Access Leading to Health Improvements Initiative," otherwise known as HEALTHII (pronounced "healthy"). AHCCCS is proposing to charge the HCIF for both inpatient and outpatient hospital services.

Effective July 1, 2020, AHCCCS also broadened the services that are subject to the base Hospital Assessment to include outpatient hospital services. In FY 2020, only inpatient hospital services were subject to the existing Assessment. The agency estimates that it will need \$534 million of Hospital Assessment revenues to cover the acute care costs of Proposition 204 and Adult Expansion in Federal Fiscal Year 2021. The \$534 million, if levied on inpatient services alone, would cause the Hospital Assessment to exceed a federal cap of 6% of inpatient services revenues. By charging \$133 million of the \$534 million to outpatient hospital services instead, AHCCCS will be able to avoid exceeding the 6% federal cap. Since the broadening of the existing assessment to include outpatient services was already implemented, it is not the subject of this review.

#### HCIF Distributions

Chapter 46 stipulates that Assessment collections associated with the HCIF monies be distributed for the purposes described below. The figures below are from AHCCCS' "enhanced FMAP" Assessment model scenario.

- Make payments to hospitals to supplement the base reimbursement level for services provided to AHCCCS-eligible individuals. AHCCCS is proposing that \$248 million of the \$319 million of HCIF monies be distributed for this purpose. The \$248 million would draw down an estimated \$1.03 billion in federal funds, resulting in total additional payments to hospitals of \$1.28 billion.
- Increase base reimbursement rates under the dental and physician fee schedule to restore rates to the rate levels in place in FY 2009. AHCCCS is proposing to use \$68 million of the \$319 million of HCIF monies for this purpose. The \$68 million would draw down an estimated \$289 million in federal dollars, resulting in total additional payments to doctors and physicians of \$357 million. The total payments represent an average rate increase of 15%.
- Cover administrative costs incurred by AHCCCS in implementing the new Assessment, with a cap of 1%. AHCCCS is proposing \$3 million for this purpose. With an additional \$3 million in Federal Funds, administrative expenses would total \$6 million.

(Continued)

The \$1.28 billion of additional payments to hospitals, less the \$319 million of Assessment Collections, results in a net gain of \$956 million associated with the HCIF for hospitals. The \$956 million represents a net rate increase of approximately 40.3% given the \$2.37 billion in base payments to hospitals under current law.

HCIF requires CMS approval of the use of assessment money prior to any funds being expended. At the time of this writing, AHCCCS has submitted a waiver request and is still waiting for CMS approval.

MR:lm

September 1, 2020

The Honorable Regina E. Cobb  
Chairman, Joint Legislative Budget Committee  
1700 W. Washington St.  
Phoenix, AZ 85007



Dear Representative Cobb:

Since 2014, under the authority in A.R.S. § 36-2901.08, the Arizona Health Care Cost Containment System (AHCCCS) has assessed hospitals to provide the portion of state match funds for the costs of the Proposition 204 Expansion State Adult and the Newly Eligible Adult populations that are not covered by designated tobacco tax and tobacco master settlement account funds. Money collected from this initial assessment is deposited into the Hospital Assessment Fund (HAF).

In 2020, a second assessment was established by Laws 2020, Chapter 46. Monies from this assessment are to be deposited into the Health Care Investment Fund (HCIF) to 1) make directed payments to hospitals pursuant to 42 CFR § 438.6(c) to persons eligible for Title XIX services, 2) increase base reimbursement for services reimbursed by AHCCCS under the dental fee schedule and physician fee schedule, and 3) to pay for the state share of the costs for AHCCCS expenses to administer this program, not to exceed one percent of the total assessment monies collected.

A.R.S. § 36-2999.72(D). Includes the following requirement:

*The director shall present any change to the hospital assessment methodology to the joint legislative budget committee for review.*

Accordingly, AHCCCS is notifying the Joint Legislative Budget Committee (JLBC) of the establishment of the methodology to add monies collected through the Health Care Investment Fund beginning Federal Fiscal Year (FFY) 2021.

The combined anticipated hospital assessment amounts for FFY 2021 are as follows:

FFY 2021 Assessment	
Hospital Assessment Fund (HAF)	\$533.5 million
Health Care Investment Fund (HCIF)	\$359.6 million
Total Hospital Assessment	\$893.2 million

As previously noted, the HAF funds the costs of the Proposition 204 Expansion State Adult and the Newly Eligible Adult populations that are not covered by designated tobacco tax and tobacco master settlement account funds. Of the HCIF amount of \$359.6 million the majority, or \$259.6 million, provides the state match required to fund the hospital directed payments, \$70.4 million funds practitioner base rate increases, 1% or \$3.6 million is available for administrative costs, and \$26.0 million funds the health care premium tax associated with the increased provider payments that flow

The Honorable Regina E. Cobb

September 1, 2020

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through Managed Care Organizations. The practitioner base rate increase being implemented is approximately 15% and includes \$250.5 million federal funding, resulting in a \$320.9 million Total Fund increase.

The HCIF assessment uses the methodology already established for the original HAF assessment, assessing hospitals based on inpatient discharges and outpatient net patient revenues. The assessed rate varies by type of hospital and does not apply to all hospitals in Arizona. AHCCCS is expected to collect approximately \$359.6 million from the HCIF assessment in FFY 2021. The actual amount may be lower if the enhanced FMAP authorized under the Families First Coronavirus Response Act is extended beyond December 31, 2020. The HCIF assessment revenue, when matched with federal funds, will result in hospitals receiving approximately \$1.275 billion in quarterly directed payments, which after accounting for the HCIF collection amount, reflects a net increase of approximately \$915.9 million. AHCCCS has named the quarterly directed payments the Hospital Enhanced Access Leading to Health Improvements Initiative (HEALTHII) payments.

This methodology was developed with the help of consultants and through the AHCCCS stakeholder engagement process to allow providers to offer feedback on proposed changes to the model. AHCCCS incorporated stakeholder feedback while complying with federal requirements and legislative intent.

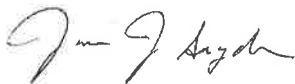
AHCCCS intends to promulgate administrative rules to implement this change. As of the date of this letter, AHCCCS is still waiting to receive approval from the Centers for Medicare and Medicaid Services (CMS) on the hospital assessment and HEALTHII payments.

Please see attached the following supporting documentation related to the change in the hospital assessment methodology and implementation of the HEALTHII payment program:

- CMS Waiver Request
- CMS Demonstrations Effective 10/1/2020 using enhanced FMAP
- CMS Demonstrations Effective 10/1/2020 without enhanced FMAP
- Assessment and HEALTHII FFY 2021 Model documentation with enhanced FMAP
- Assessment and HEALTHII FFY 2021 Model documentation without enhanced FMAP

Should you wish to have AHCCCS present at the next JLBC meeting, and/or have any questions about this issue, please feel free to contact me at (602) 417-4711.

Sincerely,



Jami Snyder  
Director

cc: The Honorable David Gowan, Arizona State Senate  
Richard Stavneak, Director, Joint Legislative Budget Committee  
Matthew Gress, Director, Governor's Office of Strategic Planning and Budgeting  
Christina Corieri, Governor's Office, Senior Policy Advisor







STATE OF ARIZONA

## Joint Legislative Budget Committee

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BEN TOMA

**DATE:** September 16, 2020

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

**FROM:** Ryan Fleischman, Fiscal Analyst

**SUBJECT:** Attorney General - Review of Election-Related Litigation and Civil Division Expenditure Plans

### Request

Pursuant to A.R.S. § 44-1531.02C, the Attorney General (AG) requests Committee review of its expenditure plans to use monies from the Remediation Subaccount of the Consumer Protection and Restitution Revolving Fund for 2 purposes: 1) \$400,000 for election-related litigation and election statutory defense expenses, and 2) \$200,000 to increase the general public's knowledge of the AG's Civil Division as well as pay for operating expenses.

### Committee Options

The Committee has at least the following 2 options:

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

### Key Points

- 1) Statute requires the AG to submit an expenditure plan to the Committee before spending money from the Consumer Remediation Subaccount.
- 2) The AG is requesting review of \$400,000 from the Subaccount for election-related litigation and election statutory defense expenses.
- 3) The AG is also requesting review of \$200,000 from the Subaccount to increase knowledge of Civil Division services and to pay for operating expenses, particularly for COVID-19 scams.

(Continued)

## **Analysis**

### Background

A.R.S. § 44-1531.02C requires the AG to submit an expenditure plan to the Committee before spending funds from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund. The fund consists of monies collected or received by the AG as the result of a court order, or as the result of a settlement or compromise, to rectify violations or alleged violations of consumer protection laws.

The AG has identified \$672,000 in available monies as the result of financial penalties originating from a 2019 settlement between the AG and Wells Fargo to resolve claims that the bank violated state consumer protection laws. During the 2019 Legislation Session, the AG transmitted \$20 million in penalties from this settlement to the state General Fund. Approximately \$672,000 of unobligated monies remains from the settlement.

### Election Expenses

The AG is requesting the Committee to authorize the expenditure of \$400,000 from the Consumer Remediation Subaccount for purposes of election-related litigation and election statutory defense expenses.

In FY 2018, the Legislature appropriated \$500,000 to the AG from the Risk Management Revolving Fund for election litigation defense. These funds were transferred to the Secretary of State (SOS) primarily for the defense of Laws 2016, Chapter 5 which was challenged in federal court. The case centered around the constitutionality of the law, which made it a crime for an individual to return someone else's early ballot.

In FY 2019, the Legislature appropriated an additional \$500,000 to the AG from the Risk Management Revolving Fund for election litigation expenses to pay for outside counsel and expert witnesses in ongoing litigation cases. There are currently 4 open election-related lawsuits.

The AG reports that \$33,100 of the FY 2019 appropriation remains. The AG anticipates the cases above will continue and that new lawsuits will be filed, thereby requiring the AG to expend additional funds for outside counsel and/or expert witnesses.

### Civil Division

The AG is also requesting the Committee to authorize the expenditure of \$200,000 from the Consumer Remediation Subaccount for the purposes of increasing knowledge of the Civil Division and increasing their operating funding.

The Civil Division consists of the Consumer Protection and Advocacy Section, Civil Rights, Community Outreach, Tobacco Enforcement Unity, and Bankruptcy Collection and Enforcement.

Due to COVID-19, the AG says that it is incurring additional operating costs to reach Arizona consumers and educate the public. The Civil Division is now identifying and investigating scams related to the pandemic.

(Continued)

The AG proposes the development of new community educational programs or expansion of current services for Community Outreach-related efforts including: an unwanted opioid destruction pilot program, educational efforts targeting data privacy and security, and a new program conducted in conjunction with grocery stores and retailers regarding scams involving gift cards.

The proposal does not include costs associated with new FTE Positions. Travel costs associated with presentations provided in rural counties (gas and overnight hotel room stays), however, are built into the expenditure plan.

The table below outlines the proposed Civil Division expenditure plan:

<b>Proposed Civil Division Expenditure Plan</b>	
Rural county consumer complaint outreach and awareness	\$ 45,000
Webinar-based education and instruction	25,000
Opioid destruction pilot program	20,000
Gift card scam awareness and education retailer pilot program	20,000
Civil rights awareness	15,000
Senior scams	15,000
Data privacy and security education	10,000
Additional "shred-a-thons"	10,000
Development and printing of e-cigarette/vaping educational materials	10,000
Life-care planning	10,000
"Train the trainer" and other educational efforts related to human trafficking awareness	10,000
Consumer education material translation (New Internet Safety booklet, E-cig trifold, Tobacco Enforcement Unit Presentation)	<u>10,000</u>
<b>Total</b>	<b>\$200,000</b>

The expenditure plan includes:

- Online, print, and radio advertising expenditures for the rural area consumer complaint outreach.
- New equipment and software for Community Outreach and online instruction purposes.
- Other mail, online, and print advertising pertaining to increasing awareness of educational services.
- Destruction packets costing around \$4 - \$5 per "pouch" for opioid destruction packet program.
- Additional funding to expand the senior scam program and mail information regarding the latest scams to seniors.
- Digital education and possibly a new community outreach educational booklet and presentation for data privacy and security education geared at young adults and adults.
- Rentals of trucks and equipment for shred-a-thons.
- Costs associated with translations of new and existing materials and the design and production and printing of new materials (such as tobacco cessation programs, a new Civil Rights brochure, and informational materials for gift card scam program).



MARK BRNOVICH  
ATTORNEY GENERAL

OFFICE OF THE ARIZONA ATTORNEY GENERAL

September 2, 2020

The Honorable David Gowan, Chairman  
Joint Legislative Budget Committee  
1716 W. Adams St.  
Phoenix, Arizona 85007



Dear Senator Gowan:

Pursuant to A.R.S. § 44-1531.02(C), this Expenditure Plan (Plan) is submitted by the Office of the Arizona Attorney General (AGO) to the Joint Legislative Budget Committee (JLBC) for review at its September 2020 meeting. The AGO is requesting authorization for \$400,000 from the Consumer Protection and Remediation Account (Remediation) to be allocated to the AGO for purposes of election-related litigation and election statutory defense expenses.

Funds identified in the Remediation account are available per financial penalties originating from a 2019 settlement between the AGO and Wells Fargo to resolve claims the bank violated state consumer protection laws. During the 2019 legislative session, the AGO transmitted \$20 million to the state General Fund in penalties from this same settlement. The settlement, among other things, provides for the AGO to use available funds to help further consumer protection enforcement efforts. Additionally, statute provides for the AGO to utilize monies in the Remediation subaccount for operating expenses incurred by the AGO and on programs identified by the AGO.

**Background**

In FY2018, the Legislature appropriated \$500,000 from the Risk Management Revolving Fund to the AGO for purposes of election litigation defense. These funds were transferred to then-Secretary of State Reagan primarily for the defense of *HB 2023 delivery; early ballots; limitation*, which was challenged in federal court (see *Brnovich v. Democratic National Committee* below for more information).

In FY2019, the legislature appropriated an additional \$500,000 from the Risk Management Revolving Fund to the AGO for election litigation expenses to pay for outside counsel and expert witnesses in ongoing election litigation cases, including:

- *Brnovich v. Democratic National Committee* (filed April 15, 2016): Plaintiffs challenged Arizona's ballot harvesting ban and precinct-by-precinct voting. This case is currently on

appeal to the Supreme Court of the United States (SCOTUS) and pending a *petition for certiorari*. AGO attorneys are representing Attorney General Brnovich and the State who is the appellant and who intervened to defend the laws after the Secretary of State declined to defend them and then who later filed a legal brief with SCOTUS arguing the laws should be struck down.

- *Arizona Advocacy Network v. State of Arizona* (filed November 15, 2017): Plaintiffs challenged Arizona's election law changes related to coordinated spending between candidates and political parties and the designation of the Secretary of State as the chief elections officer. This case is on appeal before the Arizona Court of Appeals. The law firm of Fennemore Craig continues to defend the state as outside counsel.

The following election-related lawsuits have also been filed in recent years since the legislature appropriated funds specifically for election litigation expenses:

- *Miracle v. Hobbs* (filed July 11, 2019): Plaintiffs challenged Arizona's failure to appear law for circulators, which allows for the disqualification of initiative petitions of circulators who fail to show up to court after a subpoena is issued. Federal District Court Judge Susan Bolton ruled in favor of the state at the preliminary injunction stage, and plaintiffs filed an appeal with the Ninth Circuit Court of Appeals seeking an emergency injunction. While on appeal, the Secretary of State chose to take a nominal position in the case, thus requiring AGO attorneys to intervene in the case to ensure the law continued to be defended. The AGO prevailed at the Ninth Circuit before a 3-judge panel on May 1, 2020. Following this victory, the plaintiffs voluntarily dismissed the case.
- *Mecinas v. Hobbs* (filed November 1, 2019): Plaintiffs challenged Arizona's law that requires the ordering of ballot names to be based on the party that won the previous gubernatorial election. In the defense of this law, the Secretary of State is represented by AGO attorneys and attorney Mary O'Grady who was retained as outside counsel. Ms. O'Grady's firm is being paid out of funds appropriated to the AGO during FY2019 for election-related litigation purposes. After the trial court ruled in the State's favor, the plaintiffs filed an immediate appeal to the Ninth Circuit seeking an injunction. A 3-judge panel of the Ninth Circuit ruled in the State's favor. This case remains ongoing with the merits-stage briefing before the Ninth Circuit due in early 2021.
- *Voto Latino v. Hobbs* (filed November 26, 2019): Plaintiffs challenged Arizona's 7:00 p.m. Election Day deadline for receiving and counting mailed ballots. This case was before Federal District Court Judge Dominic Lanza, and plaintiffs sought an accelerated trial, potentially for June 2020. The Secretary of State was defended by AGO attorneys and attorney Mary O'Grady who was retained as outside counsel. Ms. O'Grady's firm was paid out of funds appropriated to the AGO during FY2019 for election-related litigation purposes. The parties settled the case, and the matter is now closed.
- *Arizonans for Fair Elections v. Hobbs* (filed April 2, 2020): Plaintiffs sued in federal court to force the State to accept signatures on initiative petitions through the E-Qual

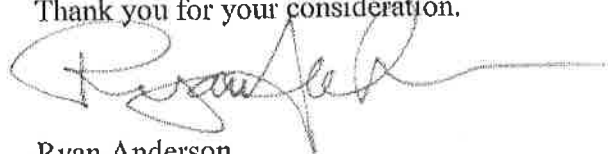
system. After the Secretary of State declined to defend the law, the AGO intervened to defend the law. The AGO prevailed at the district court. The plaintiffs appealed that decision to the Ninth Circuit Court, and the State prevailed again. The plaintiffs then dismissed the case.

- *Arizonans for Second Chances v. Hobbs* (filed April 1, 2020): Plaintiffs filed suit in the Arizona Supreme Court to force the State to accept signatures on initiative petitions through the E-Qual system. After the Secretary of State declined to defend the law, the AGO intervened to defend the law. The AGO prevailed in a 6-1 decision by the Arizona Supreme Court, ending the lawsuit.
- *Arizona Democratic Party v. Hobbs* (filed June 10, 2020): Plaintiffs challenged Arizona law that prohibits “curing” a mail-in ballot after the 7:00 p.m. Election Day deadline if there is no signature on the ballot. Based partly on previous statements made by the Secretary of State in favor of allowing no-signature ballots to be cured after election day, the AGO intervened to defend the law. The case is currently pending before Federal District Court Judge Douglas Rayes.

At the time of this letter, \$33,111.05 remains of the previous FY2019 appropriation for election-related litigation expenses. However, the AGO anticipates many of these cases will continue, and new lawsuits will be filed, thereby requiring the AGO to expend funds for outside counsel and/or expert witnesses. In addition, it is the position of the AGO that the Office must review all election law challenges in order to ensure Arizona’s laws are adequately defended in court.

Thus, we are requesting authorization for \$400,000 from the Consumer Protection and Remediation Account to be allocated to the AGO for purposes of election-related litigation and election statutory defense expenses.

Thank you for your consideration.

A handwritten signature in dark ink, appearing to read "Ryan Anderson", with a long horizontal flourish extending to the right.

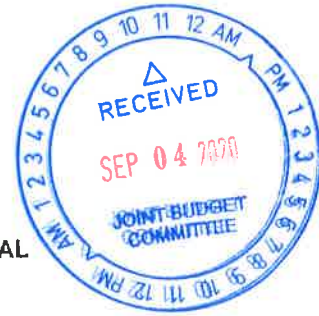
Ryan Anderson  
Arizona Attorney General's Office





MARK BRNOVICH  
ATTORNEY GENERAL

OFFICE OF THE ARIZONA ATTORNEY GENERAL



September 2, 2020

The Honorable David Gowan, Chairman  
Joint Legislative Budget Committee  
1716 W. Adams St.  
Phoenix, Arizona 85007

Dear Senator Gowan:

Pursuant to A.R.S. § 44-1531.02(C), this Expenditure Plan (Plan) is submitted by the Office of the Arizona Attorney General (AGO) to the Joint Legislative Budget Committee (JLBC) for review at its September 2020 meeting. The AGO is requesting authorization for \$200,000 from the Consumer Protection and Remediation Account (Remediation) to be allocated to the AGO for purposes of enhancing knowledge, services, and resources available from the Civil Division of the AGO for Arizona residents, with a specific emphasis on populations currently underserved and programs lacking funding. The funds will be utilized to enhance exposure of current programs and services to population's traditionally not accessing services or underutilizing services currently provided to the public, as well as develop new consumer-focused programs.

Furthermore, due to COVID-19, the AGO is incurring additional operating costs to reach Arizona consumers and educate the public. The Civil Division has rapidly adapted at identifying and investigating scams related to COVID-19. Similarly, the AGO is working to keep the public informed of the latest scams related to the pandemic. The financial impact of these scams and inability to have face-to-face contact will last months after the pandemic is no longer declared an emergency.

Funds identified in the Remediation account are available per financial penalties originating from a 2019 settlement between the AGO and Wells Fargo to resolve claims the bank violated state consumer protection laws. During the 2019 legislative session, the AGO transmitted \$20 million to the state General Fund in penalties from this same settlement. The settlement, among other things, provides for the AGO to use available funds to help further consumer protection enforcement efforts. Additionally, statute provides for the AGO to utilize monies in the Remediation subaccount for operating expenses incurred by the AGO and on programs identified by the AGO, including consumer fraud education programs.

The Civil Division is the most consumer-accessible and most public-facing Division in the AGO. The Civil Division consists of the Consumer Protection and Advocacy Section, Civil Rights, Community Outreach, Tobacco Enforcement Unit, and Bankruptcy Collection and

Enforcement. Recently, Community Outreach joined the Civil Division for purposes of augmenting and enhancing awareness of the services available to the public within the Civil Division.

## **Background**

### **CONSUMER PROTECTION SECTION**

Since 2015, the Consumer Protection Section of the AGO has helped secure more than \$100,000,000 for Arizona consumers in the form of restitution, refunds, and credits, including \$40.82 million for consumers in FY2019 alone (a 42% increase from FY2018). This amount is a record level of recovery for the AGO and far exceeds the total restitution secured by the AGO from 2000-2014 combined. Additionally, the AGO has helped consumers save an additional \$25 million in future timeshare fees as a result of a settlement with the Office allowing consumers to relinquish their timeshare contracts following allegations of misrepresentation by a timeshare company.

Notable high-dollar consumer restitution recent examples include:

- Arizona consumers who purchased certain General Motors and Volkswagen vehicles received over \$15 million in restitution (the AGO also transmitted \$20 million to the State General Fund in 2018 from this settlement);
- Arizona consumers who had certain loans from Santander are set to receive between \$22.7 million and \$41.5 million in relief;
- Arizona students have received nearly \$30 million in debt relief related to ITT Tech, Argosy University, and Collins College;
- Arizona consumers who did not receive promised discounts from CenturyLink received \$1.9 million in restitution;
- More than 76,000 Arizona consumers who bought Theranos tests received full refunds totaling \$4.65 million in restitution;
- Nearly \$2 million will be sent to Arizona rideshare drivers who were affected by Uber's data breach.

The AGO has accomplished record levels of recoveries for consumers by focusing on and prioritizing a restitution-based recovery effort and streamlining the complaint filing process by moving to a primarily online-driven complaint process. Historical data indicates the primary age group filing consumer complaints with our Office is individuals 45 years of age or older. The AGO would like to enhance outreach efforts to "Millennial" and "Baby Boomer" consumers who have been impacted by consumer fraud but are filing complaints at lower rates than their fellow Arizonans.

The AGO has made great strides in increasing outreach and presence to Arizona's senior and Hispanic communities. For example, the AGO has developed a regular "Senior Scam" series



designed to keep elderly populations up-to-date on the latest scams. These scam alerts are distributed both via mail and electronic means. Additionally, the AGO has translated the consumer complaint form and most complaint forms into Spanish (the first Administration to do so). The AGO proposes further translations of educational materials including vaping and internet safety. Broadly speaking, the AGO would like to expand its outreach and presence to younger age groups and other underserved populations, including rural counties. A review of recent historical consumer complaint filing data shows that Maricopa, Pima, Pinal, and Yavapai Counties account for more than 80% of all consumer complaints filed with the AGO. And while those percentages track with county population figures, the AGO believes the number of complaints filed in the other 10 counties would dramatically improve with greater community awareness of the complaint process, particularly in communities with higher retirement populations.

### COMMUNITY OUTREACH SECTION

The Community Outreach Section (Outreach) of the AGO assists the Civil Division, and the AGO as a whole, by providing a public face for the services available to the public within the AGO. Outreach continuously updates presentations and educational materials to ensure we are educating the public on the latest scams and providing the most up-to-date information. Outreach provides diverse presentations and programs designed to increase education and community awareness for children and adults on important topics such as:

- Anti-bullying
- Consumer scams
- Human trafficking
- Life-care planning
- Suicide prevention
- Opioid addiction and prevention
- Internet safety
- Vaping and tobacco cessation

In FY2019, Outreach conducted 784 presentations in 12 counties, including 25 in Spanish, reaching 67,038 seniors, parents, students, and other members of the community. Additionally, Outreach attended another 65 community events, providing free educational resources to another 12,500 Arizonans. In FY2019, Outreach provided or delivered 16,920 life-care planning packets, delivered 50,862 scam alerts to seniors, and assisted in the destruction of 32,390 pounds of sensitive documents through free community “shred-a-thons.”

From FY2015 to FY2020, Outreach has provided more than 3,300 community education presentations to more than 300,000 parents, seniors, students, and other members of the community, and has participated in nearly 300 other public events, reaching more than 100,000 Arizonans. **In total, Outreach has educated or touched more than 400,000 Arizonans in just six years.**

Before the COVID-19 pandemic, Outreach was on pace to have its best year to date in FY2020. Despite in-person presentations and events coming to a halt in March of 2020, Outreach still managed to provide 701 educational presentations in 13 counties to 60,056 Arizonans in FY2020, including 31 in Spanish. Additionally, Outreach attended another 48 community events, providing educational resources to another 17,500 Arizonans. In FY2020, Outreach delivered 4,900 life-care planning packets, in addition to another 20,000 downloads of the packet from the AGO website. Outreach delivered 14,449 scam alerts to constituents, and assisted in the destruction of 47,250 pounds of sensitive documents via "shred-a-thons."

Outreach relies heavily upon direct contact with the community to provide educational presentations, most of which take place in K-12 settings, retirement homes, and community centers. In response to the pandemic, Outreach shifted to an online format, providing live webinar presentations and pre-recordings of all presentations that can be viewed conveniently and remotely at an individual's leisure. The AGO is currently marketing heavily to school groups and districts, making parents and educators aware of free resources available to students that can be accessed in the comfort of a home.

Since the pandemic began, AGO Outreach has provided 112 free educational webinars across the state to more than 2,400 attendees to date. With most schools prohibiting assemblies and visits from outside visitors for the foreseeable future, more needs to be done to ensure the AGO can educate K-12 populations remotely.

#### **CIVIL DIVISION EXPENDITURE PROPOSAL**

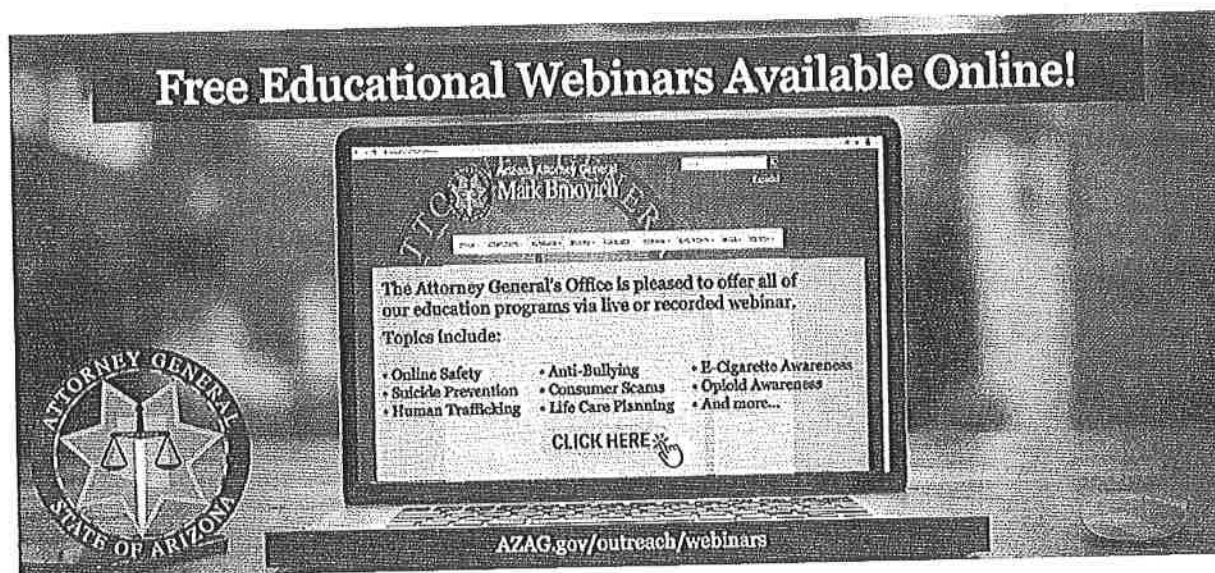
The AGO proposes a multi-pronged and coordinated effort to increase awareness of the consumer complaint process and improve access to resources available to the public within the AGO in populations currently underserved, with a strong focus on rural counties, and in turn increase the amount of restitution recovered for all Arizonans. Additionally, due to COVID-19, the AGO has incurred and will continue to incur additional operating expenses necessary to reach Arizona consumers in their homes.

In 2017-18, the AGO utilized funds from a civil settlement to increase public awareness of the consumer complaint process. The AGO utilized keyword search ads related to fraud to drive consumers to the consumer complaint process, posted notices in local papers with high populations of senior readers highlighting educational sessions and "shred-a-thons," developed Spanish radio ads detailing how to file a consumer complaint, and deployed a "Fraud Squad" digital campaign detailing the consumer complaint process and educating the public on their role in exposing consumer fraud. The effort had a direct impact on the number of consumer complaints the Civil Division received. A copy of an online video tied to that educational effort can be viewed here: [https://youtu.be/fGilyiWh\\_i0](https://youtu.be/fGilyiWh_i0)



Additionally, the AGO proposes using appropriated funds from the Remediation account to raise public awareness with school groups, educators, parents, and other organizations / individuals who benefit from existing educational and instructional programming accessed remotely via webinars. Many areas of the state lack adequate broadband coverage and the AGO is working on developing strategies to provide pre-recorded presentations to individuals who lack adequate access to reliable internet connectivity.

The AGO is currently developing corresponding worksheets and curriculum that will be accessed by teachers and parents to ensure comprehension of the educational webinars. Access to additional funds will provide the AGO with resources to expand these efforts with a greater participation rate statewide, and increase current technology capabilities and capacity to provide education to a greater number of individuals in a secure environment.



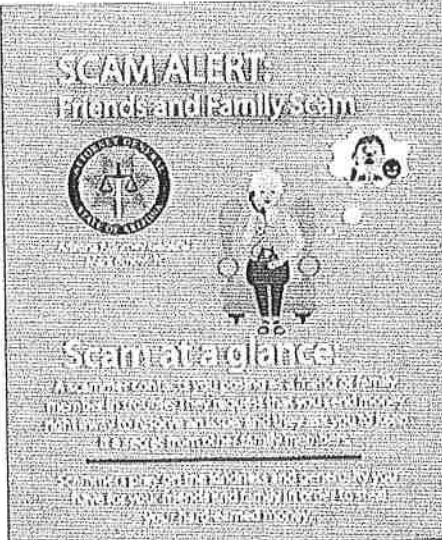
A sampling of upcoming currently scheduled upcoming webinars is detailed below:

Presentation	Date/Time	Register	Access
Anti-Bullying for Parents	Tue, 08/01/2020 - 10:00	Eventbrite	Watch Password: AB2020
Opioid Awareness & Prevention	Wed, 09/02/2020 - 10:00	Eventbrite	Watch Password: SaveLives
Consumer Scams with COVID-19 Scams	Thu, 09/03/2020 - 10:00	Eventbrite	Watch Password: Scams
Internet Safety for Parents	Fri, 09/04/2020 - 10:00	Eventbrite	Watch Password: ISP2020
Life Care Planning	Wed, 09/09/2020 - 10:00	Eventbrite	Watch Password: LCP2020
Consumer Scams with COVID-19 Scams	Thu, 09/10/2020 - 10:00	Eventbrite	Watch Password: CS9102020
Suicide Awareness and Prevention for Parents	Fri, 09/11/2020 - 10:00	Eventbrite	Watch Password: ChooseLife2020
Consumer Scams with COVID-19 Scams	Wed, 09/16/2020 - 10:00	Eventbrite	Watch Password: Scams
E-Cigarette Awareness and Prevention for Parents	Wed, 09/23/2020 - 10:00	Eventbrite	Watch Password: StopVaping
E-Cigarette Awareness and Prevention	Fri, 09/25/2020 - 10:00	Eventbrite	Watch Password: ECIG092520
Human Trafficking for Parents	Thu, 10/01/2020 - 10:00	Eventbrite	Watch Password: HTP101
Life Care Planning	Wed, 10/07/2020 - 10:00	Eventbrite	Watch Password: LCP10720
Consumer Scams with COVID-19 Scams	Thu, 10/08/2020 - 10:00	Eventbrite	Watch Password: CSC10820
Suicide Awareness and Prevention for Parents	Fri, 10/09/2020 - 10:00	Eventbrite	Watch Password: SaveLives
Human Trafficking for Parents	Thu, 10/15/2020 - 10:00	Eventbrite	Watch Password: HTP101

Due to COVID-19, the AGO has been unable to access retirement homes and other senior-based community centers to provide education on critical matters such as life-care planning or avoiding consumer scams. The AGO is one of the few entities in the state to provide free life-care education and packets to the public. In FY2019, Outreach provided or delivered 16,920 life care planning packets statewide. In FY2020, Outreach delivered 4,900 life-care planning packets, in addition to another 20,000 downloads of the packet from the AGO website. The AGO witnessed a significant increase in the number of life-care planning packets accessed electronically due to the pandemic from previous years. The AGO proposes using Remediation funds to develop a more interactive form and corresponding online tutorial that will guide seniors through the life-care planning process.

The AGO also recognizes many elderly individuals do not have access to technology or the experience necessary to utilize available online resources. The AGO proposes using available funding to develop new educational consumer material for seniors and increase traditional postal mailings of packets and educational material to seniors, including scam alerts. In FY2019, Outreach delivered 50,862 total scam alerts to seniors. The AGO believes it can significantly increase the number of Senior Scam Alerts delivered annually with the proper resources.

Examples of previous scam alerts can be viewed below:



**SCAM ALERT!**  
**Friends and Family Scam**

**Scam at a glance**

Be alert to the possibility of a scammer posing as a family member or friend, asking for money due to an emergency, most commonly an arrest, accident, or medical bill.

Contact is done by phone, email, mail, or social media.

The scammer may contact you at odd hours.


You are asked to send money immediately.

The scammer tells you not to tell anyone about the situation.

Card 7 of 12

**Protect Yourself:**

- Resist the urge to act immediately.
- Ask as many questions as possible to verify the person contacting you is who they claim to be. Birthdays, addresses, and ages are easy for scammers to lookup. Travel itineraries are also easy to lookup if it is posted on social media.
- Try to contact another family member of the person the caller is claiming to be, or anyone who would know of the real family member's or friend's whereabouts.
- Call or text your friend or family member directly. The easiest way to verify someone's identity may be via their cell phone.
- Never send money if you are even slightly skeptical about where it may be going.



**Resources:**

Arizona Attorney General's Office  
[www.azag.gov/complaints/consumer](http://www.azag.gov/complaints/consumer)  
 Phoenix: (602) 542-5763, Tucson: (520) 628-6648  
 or Toll-free: (800) 352-8431

Task Force Against Senior Abuse Helpline  
 (602) 542-2124 or (844) 894-4735

Federal Trade Commission  
[www.ftc.gov](http://www.ftc.gov) or (877) 382-4357  
[www.azag.gov/seniors/scamalert](http://www.azag.gov/seniors/scamalert)

Card 7 of 12



**ALERTA SOBRE LAS ESTAFAS:**  
**Fraude en la Venta y Reparación de Autos**



Procurador General de Arizona  
Mark Brink



**Detalles sobre las estafas:**  
Los concesionarios automovilísticos y los talleres de autos ayudan a los consumidores con las necesidades de sus vehículos; sin embargo, algunos a propósito engañarán o defraudarán a los consumidores con respecto a los términos de la compra o de la reparación de un vehículo.

Ya sea que usted esté comprando un vehículo o buscando a un mecánico con buena reputación, siempre es importante investigar.

**Señales de Advertencia:**

- Le apuraron para que firme los documentos.
- Los términos del contrato son distintos a lo que le prometió el agente de la concesionaria.
- El vendedor le sugiere que usted se lleve el vehículo a su hogar antes de que se pruebe su funcionamiento.
- No le permiten ver las partes o refacciones que necesitan ser reparadas.
- Usan terminología que usted no entiende.

Card 1 of 12

**Protéjase:**  
**Comprando un Auto**

- Investigue el valor del auto antes de negociar el precio.
- Negocie principalmente con respecto al precio real del vehículo, no sobre el pago mensual.
- No firme un contrato con espacios en blanco.
- Revise las tasas de financiamiento de su banco o unión de crédito antes de salir a comprar vehículos.

**Obteniendo Reparaciones**

- Si es posible, obtenga varias cotizaciones por escrito antes de realizar cualquier reparación mayor.
- Obtenga estimaciones de costo por escrito que identifiquen el problema y el costo estimado.
- No pague por cualquier cosa que usted no haya autorizado.
- Haga su tarea. Obtenga información sobre talleres de reparación de la oficina de mejores negocios Better Business Bureau.

**Recursos:**

Oficina del Procurador General de Arizona  
www.azag.gov/complaints/consumer  
Phoenix: 602-542-5763 Tucson: 520-628-6648  
Órgano de Atención al Cliente 1-800-352-1343

Línea de Ayuda de la Fuerza de Trabajo Contra el Abuso de Personas Mayores  
602-542-1243 1-844-694-4765  
Better Business Bureau  
1-877-291-1522

www.azag.gov/seniors/scamalert  
Card 1 of 12

The AGO continues to coordinate strategies to stop human trafficking through training and prosecutions, with the overall goal of improving public safety. Since January 2015, the AGO's Criminal Division has prosecuted or is currently prosecuting 267 cases involving 327 defendants that are connected to sex trafficking, child sex trafficking, sexual exploitation of minors, or illegal enterprises / money laundering in the trafficking arena. However, the AGO recognizes prosecution alone is not enough and more needs to be done in the educational arena to help individuals avoid becoming victims of trafficking in addition to educating the public about how to identify a trafficking victim.

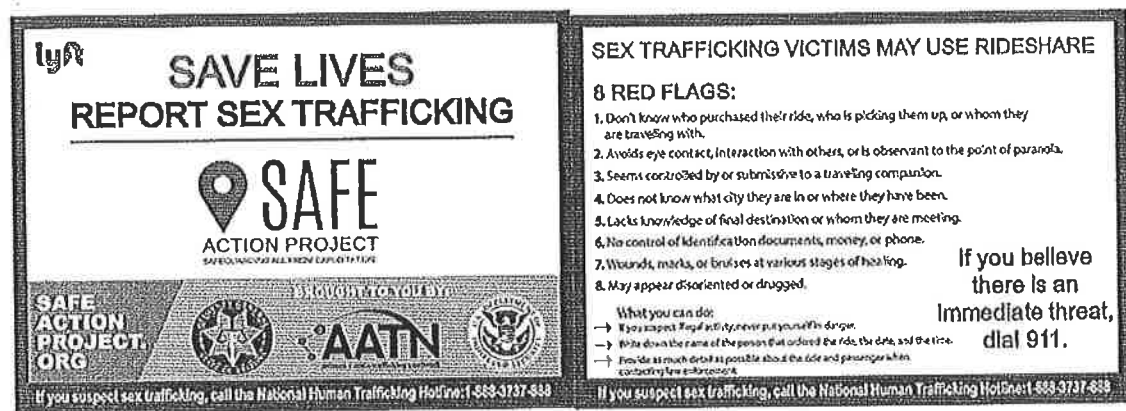
The AGO offers a human trafficking awareness program administered by Outreach that targets youth, parents, and the general public. The program focuses on prevention and is available to the public free of charge. Since January 2015, trainers have presented the program approximately 172 times to over 7,254 attendees while distributing over 8,000 education booklets. Eleven of these trainings were for staff and volunteers with foster care licensing agencies throughout Arizona and over 100 attendees were school resource officers.

The AGO also helps provide support for SAFE Action Project, a recently launched collaborative effort to train tourism professionals at all levels to identify, report, and prevent

human trafficking. This effort is done in conjunction with the AGO, the Arizona Anti-Trafficking Network, the U.S. Department of Homeland Security, and TRUST Arizona. To date, trainings have been provided to the airline industry, representatives from major hotel chains, and representatives from the trucking industry.

The AGO also works with partners such as the Arizona Office of Tourism, Truckers Against Trafficking, and Lyft to provide training and educational materials to help employees identify the signs of human trafficking and what to do if someone suspects a crime is being committed. An informational card was recently developed by the AGO in conjunction with Lyft to distribute to drivers and to be made available to customers in operator vehicles.

A sample of this card can be viewed below:



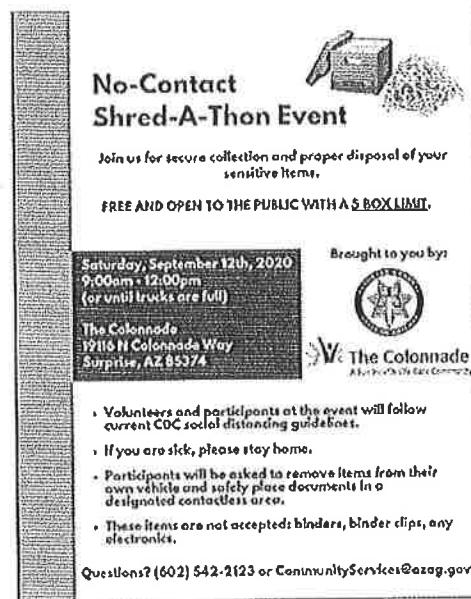
The AGO would like to develop and print similar educational materials for tourism professionals and operators, in addition to expand our "train the trainer" program. The AGO had been discussing launching a train the trainer program in conjunction with the Intertribal Agency of Arizona prior to COVID. Resources are needed to host these trainings in conjunction with community partners.

Outreach began providing vaping presentations in January 2019. Through August 2020, Outreach has provided 187 in-person vaping presentations to 16,715 people in addition to 12 webinars to another 108 people. Our vaping presentation has become one of the most popular education modules, with 143 of these presentations taking place in FY2020. Pre-pandemic, Outreach was educating approximately 928 people per month on the topic of vaping and e-cigarettes. The AGO would like to use Remediation funds to develop an educational booklet that corresponds to the presentation and translate both the booklet and the presentation into Spanish.

The AGO currently schedules approximately five to six large scale "shred-a-thons" per year across the state. In FY2019, the AGO assisted in the destruction of 32,390 pounds of sensitive documents through free community events. On September 12, 2020, the AGO held its first "shred-a-thon" since COVID-19, implementing our first ever "contactless" event. With additional funding, the AGO will be able to host more free community events across the state, providing a valuable resource to the public free of charge. Demand is often so great that we

unfortunately turn consumers away at the end of the event. In addition to scheduling more events, additional funding would allow the AGO to secure the additional storage necessary to ensure every member of the public is able to destroy their sensitive documents.

### September 12, 2020 Shred-A-Thon Event:



**No-Contact  
Shred-A-Thon Event**


Join us for secure collection and proper disposal of your sensitive items.

**FREE AND OPEN TO THE PUBLIC WITH A \$ BOX LIMIT.**

**Saturday, September 12th, 2020  
9:00am - 12:00pm  
(or until trucks are full)**

**The Colonnade  
19116 N Colonnade Way  
Surprise, AZ 85374**

Brought to you by:

  
**The Colonnade**  
Arizona's Quality Care Community

- Volunteers and participants at the event will follow current CDC social distancing guidelines.
- If you are sick, please stay home.
- Participants will be asked to remove items from their own vehicle and safely place documents in a designated contactless area.
- These items are not accepted: binders, binder clips, any electronics.

Questions? (602) 542-2123 or [CommunityServices@azag.gov](mailto:CommunityServices@azag.gov)

## CIVIL RIGHTS SECTION

During FY2020, 2,270 complaints were filed with the AGO's Civil Rights Section (Civil Rights) of the AGO. Over 80% of these complaints alleged discrimination in employment, with the most common allegations pertaining to disability and retaliation for engaging in protected conduct. Allegations of disability discrimination were also the most common within the second most common category, housing.

While the AGO cannot legally provide specific demographics regarding complaints filed with Civil Rights, historical filing trends with the Division demonstrate that the AGO has made civil rights enforcement a top priority. The current administration has received an average of 1,871 complaints per year; a 36.5% increase from the previous administration. Remarkably, there has been a 30% increase in complaints in just the last two years.

The AGO proposes increasing awareness of civil rights protections and resources by increasing access to and education regarding the resources available to the public, including developing a five-fold brochure with information concerning civil rights protections, FAQs, and services available to the public that will be distributed to courts, libraries, non-profits, other government agencies, and churches. The AGO may also utilize related keyword search ads targeting terms closely associated with civil rights and individuals seeking information and assistance.



Additionally, the AGO proposes providing free trainings for small businesses on complying with the Civil Rights Act. Civil Rights will typically schedule 15-20 free public trainings per year upon request at no cost. These trainings include topics such as sexual harassment, complying with public accommodation laws, and equal opportunity employment issues. In FY2020, Civil Rights trainings were limited to nine presentations due to COVID. The AGO would like to develop an informational campaign for small businesses and make owners aware of our free trainings, and in turn increase the number of educational opportunities available to Arizona small businesses.

#### **PROPOSED NEW OUTREACH PROGRAMS**

The AGO proposes development of new community educational programs or expansion of current services for Community Outreach related efforts including: (1) unwanted opioid destruction pilot program, (2) educational efforts targeting Millennials and Baby Boomers, including data privacy and security, and (3) launch of a new program in conjunction with grocery stores and retailers regarding scams involving gift cards.

#### **Proposed Expenditure Plan**

- \$20,000 – Opioid destruction pilot program
- \$15,000 – Civil rights awareness
- \$10,000 – Data privacy and security education
- \$10,000 – Additional “shred-a-thons”
- \$10,000 – For development and printing of e-cigarette / vaping educational materials
- \$20,000 – Gift card scam awareness and education retailer pilot program
- \$15,000 – Senior Scams
- \$10,000 – Life-care planning
- \$10,000 – “Train the trainer” and other educational efforts related to human trafficking awareness
- \$45,000 – Rural county consumer complaint outreach and awareness
- \$10,000 – Consumer education material translations (New Internet Safety booklet, E-cig trifold, Tobacco Enforcement Unit Presentation)
- \$25,000 – Webinar-based education and instruction

**Total: \$200,000**

Thank you for your consideration.



Ryan Anderson  
Arizona Attorney General's Office





STATE OF ARIZONA

## Joint Legislative Budget Committee

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DATE: September 16, 2020

TO: Members of the Joint Legislative Budget Committee

FROM: Nicole Lovato, Fiscal Analyst

SUBJECT: Department of Child Safety - Review of FY 2020 Quarterly Benchmarks

### Request

Pursuant to an FY 2020 General Appropriation Act footnote, the Department of Child Safety (DCS) is submitting for Committee review a report of quarterly benchmarks for assessing progress made in increasing the department's number of Full-Time Equivalent (FTE) Positions, meeting caseload standards for caseworkers, reducing the number of backlog cases and open reports, and reducing the number of children in out-of-home care.

### Committee Options

The Committee has at least the following 2 options:

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

### Key Points

- 1) DCS has filled 1,341 out of 1,406 funded direct line staff positions (caseworkers and hotline).
- 2) Caseworker workload continues to be above the caseload standard.
- 3) The department continues to meet its benchmarks for the backlog (less than 1,000 cases) and open reports (less than 8,000).
- 4) The out-of-home population of 14,165 exceeds DCS' benchmark by 201 children. Compared to June 2019, there are 40 fewer children in out-of-home settings.

(Continued)

## Analysis

DCS' benchmark report submissions include data through March 2020. The JLBC Staff has also included more recent data from DCS' Monthly Operational and Outcomes Report as of August 31, 2020.

### Filled FTE Positions

Table 1 outlines DCS' progress in hiring caseworkers by quarter. DCS is funded for 1,406 caseworkers. As of July 2020, the department had filled 1,341 direct line positions, or (65) fewer positions than the benchmark. The number of filled positions increased 69 compared to June 2019, including an increase of 46 case-carrying caseworker positions.

<b>Table 1</b>					
<b>Caseworker Hiring by Quarter</b>					
<u>Direct Line Staff Type</u>	<u>Benchmark</u>	<u>June 2019</u>	<u>Dec. 2019</u>	<u>Mar. 2020</u>	<u>July 2020</u>
Case-Carrying Caseworkers	1,190	990	996	1,035	1,036
Caseworkers in Training	140	210	257	216	233
Hotline Staff	76	72	67	63	72
<b>Total</b>	<b>1,406</b>	<b>1,272</b>	<b>1,320</b>	<b>1,314</b>	<b>1,341</b>

### Caseload Standard

DCS' caseload standards for case-carrying caseworkers include the following number of cases per worker: 13 for investigations, 33 for in-home cases, and 20 for out-of-home cases. The FY 2020 General Appropriation Act requires DCS to report the caseload for each DCS field office. Estimated caseworker caseload for individual offices can be found on page 4 and 5 of DCS' attached June 30, 2020 submission. DCS estimates that most field offices are above at least one of the caseload standards.

### Backlog and Open Reports

The backlog is defined as non-active cases for which documentation has not been entered into the child welfare automated system for at least 60 days and for which services have not been authorized for at least 60 days. Open reports are either under investigation or awaiting closure by a supervisor. DCS is to have no more than 1,000 backlog cases and fewer than 8,000 open reports. As of March 2020, there were 216 backlog cases and 6,973 open reports, continuing to meet both benchmarks. By July 2020, there were 81 backlog cases and 4,848 open reports, continuing to meet both benchmarks.

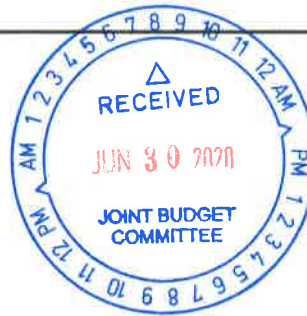
### Out-of-Home Children

DCS' benchmark is to reduce the out-of-home population to keep the out-of-home population at or below 13,964 children. As shown in Table 2, the out-of-home population in June 2020 was 14,165, or 201 above the benchmark. Compared to June 2019, the out-of-home population decreased by 40 children, or (0.03)%.

<b>Table 2</b>						
<b>Progress in Reducing the Out-of-Home Population</b>						
	<u>June 2019</u>	<u>Sept. 2019</u>	<u>Dec. 2019</u>	<u>Mar. 2020</u>	<u>Apr. 2020</u>	<u>June 2020</u>
Actual	14,205	14,186	14,142	14,180	14,209	14,165
Benchmark	13,964	13,964	13,964	13,964	13,964	13,964



**ARIZONA**  
**DEPARTMENT**  
*of* **CHILD SAFETY**



Mike Faust, Director  
Douglas A. Ducey, Governor

June 30, 2020

The Honorable Regina Cobb  
Chairman, Joint Legislative Budget Committee  
Arizona State Senate  
1700 West Washington  
Phoenix, Arizona 85007

Re: Department of Child Safety Quarterly Benchmark Progress Report

Dear Chairman Cobb:

Pursuant to Laws 2019, First Regular Session, Chapter 263, Sec. 19, the Department submits its report on the progress made increasing the number of filled FTE positions, meeting the caseload standard and reducing the number of backlog cases and out-of-home children for the third quarter of SFY 2020.

If you have any questions, please contact our office at (602) 255-2500.

Sincerely,

Mike Faust  
Director

Enclosure

cc: Richard Stavneak, Director, Joint Legislative Budget Committee  
Representative David Gowan, Chairman, Joint Legislative Budget Committee  
Matt Gress, Director, Governor's Office and Strategic Planning and Budgeting  
Nicole Lovato, Joint Legislative Budget Committee  
Angel Flores, Governor's Office and Strategic Planning and Budgeting

# **DEPARTMENT OF CHILD SAFETY**



## **Quarterly Progress Report (Reducing Out-of-Home Children and Inactive Cases)**

**Report Date: June 30, 2020  
Reporting Period: SFY2020, Quarter 3**

## **INTRODUCTION**

Pursuant to Laws 2019, First Regular Session, Chapter 263, Section 141, the Arizona Department of Child Safety (DCS) is required to continue this report for data through June 2020. Previous versions of this report required that data be reported on the last day of the quarter of the reporting period. Beginning September 2019, the Department submits this report covering data for the prior quarter.

In state fiscal year 2019 (SFY19), DCS realigned its five Regions. As a result, comparisons of regional data prior to July 2019 must be taken into account as some staff and cases previously assigned to one region in SFY19 were reassigned to a new region in SFY20. The implementation of these changes were footnoted in the March and June 2019 version of this report. The regional realignment resulted in changes in the regional names, reassignment of several counties to new regions; and moving specific sections and units to different regions and/or sections. A map of the new DCS Regions is provided as an attachment to this report (Attachment A).

## **PROGRESS SUSTAINING OPEN REPORTS, INACTIVE CASES, & IMPROVING CASELOADS**

DCS has maintained the inactive cases well below the legislative benchmark of 1,000 since April 2017. In March 2017, DCS fell below the legislatively required benchmark of 1,000 inactive cases. From a peak of 16,014 in January of 2015, the Department now has only 216 inactive cases as of March 31, 2020, representing a 99 percent decrease. To avoid a return to higher numbers of inactive cases and to help improve caseloads, the Department uses performance management and other elements of the management system. DCS employed several sustainment measures to ensure inactive cases remain well below the benchmark. These include the implementation of performance management metrics to monitor and control the total number of open reports and the percentage of those reports that are overdue for investigation, completion and closure and the implementation of leader standard work to ensure routine follow-up.

The Department achieved the initial benchmark of less than 13,000 open reports six months ahead of the established target date in December 2016 having reduced the number of open reports to 9,611. From a peak of 33,245 open reports in April 2015, the Department reduced that to only 6,973 as of March 2020 (see Table 1) representing a 79 percent decrease. The benchmark was decreased to 8,000 starting the first quarter of SFY 2019 where the Department has remained below each reporting period.

Additionally, DCS HR continues its efforts to hire and place DCS Specialists at a rate equal to or greater than departures from the Department. Sustained staffing levels help contribute to the reduced number of inactive cases, total open reports, and foster care population. The overall caseloads for DCS investigators continue to decline across most offices (see Table 2).

## **PROGRESS MADE REDUCING THE OUT-OF-HOME POPULATION**

The Department continues to maintain a safe reduction in the historical out-of-home foster care population. The Department experienced a slight increase in the number of children (67) in OOH care in the third quarter of SFY20 compared to the second quarter of SFY20. The total OOH population includes all youth ages zero (0) through the age of twenty (20).

While the Department experienced a slight increase in the overall number of children in OOH care, it is important to note the number of youth in extended foster care (i.e. 18-20 year olds) continues to increase. This is intentional as the Department implemented a strategic initiative to increase the successful transition of youth to adulthood, which includes providing more youth over the age of eighteen with independent

## DCS Quarterly Progress Report on Reducing OOH Child and Inactive Cases June 2020

living services and supports. During the 2019 legislative session (Arizona fifty-fourth legislature), Senate Bill 1539 was passed which allowed the Department to expand the extended foster care program for qualified young adults and allows the adoption subsidy to continue through the age of 20.

By slowing the entry rate and sustaining performance for children exiting care, the Department has been able to maintain a safe reduction of the foster care population since its historical high of 19,044 in 2016 to 14,209 in March 2020 representing a 25% decrease. The reduction in the number of children entering out-of-home care is the result of several factors. These include, but are not limited to, the additional standardized process tools including supervisory administrative and case progress review checklists, as well as standardized safety discussion guides and training staff to better engage a family's network to identify in-home options in order to maintain children safely in the home. In 2017, DCS renovated and completed statewide training for the Safe AZ Model. Improved response times also contribute to the reduction of children entering care as this enables DCS Specialists to make decisions that will help support families, provide services in a timely manner and avoid entry into care. In addition, this safe reduction in the number of children in out-of-home care is highlighted by no significant change in the re-entry rate for children who left care within the past 12 months.<sup>1</sup>

Through the continued application of monthly clinical staffings on reunification cases using a standardized process, ongoing workers have been able to maintain the rate of children exiting care. By way of these standard process activities, paired with the continued use of cursory case reviews and Fostering Sustainable Connections (the Title IV-E Waiver demonstration project), the Department has safely maintained a reduction of the out-of-home care population during SFY2020.

**Table 1 – Benchmark Performance**

		Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
<b>Inactive Cases <sup>1</sup></b>									
	<i>Benchmark (less than)</i>	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	<i>Actual</i>	225	183	302	355	179	177	308	216
<b>Inactive Cases by disposition</b>									
	<i>Investigation Phase</i>	115	74	188	227	155	149	271	188
	<i>Out-of-Home Cases</i>	12	16	16	16	2	3	5	3
	<i>In-Home Cases</i>	98	93	98	112	22	25	32	25
<b>Number of Open Reports</b>									
	<i>Benchmark (less than)</i>	13,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
	<i>Actual</i>	5,871	6,562	6,695	6,554	6,586	7,569	7,326	6,973
<b>Number of Out-of-Home Children</b>									
	<i>Benchmark (less than)</i>	15,503	15,192	14,889	14,591	14,299	13,964	13,964	13,964
	<i>Benchmark (% reduction)</i>	2%	2%	2%	2%	2%	n/a	n/a	n/a
	<i>Actual</i>	14,869	14,241	14,209	13,841	14,205	14,223	14,142	14,209

**Footnotes**

<sup>1</sup> Number of inactive cases is the actual figure as of the last Monday of the reporting period.

<sup>2</sup> As a result of Laws 2019, 1st Regular Session Ch. 263, Sec. 141 which continued this report, the benchmark established by the Legislature for number of out-of-home children was no longer based on a 2 percent reduction but a static number of 13,964.

Tables 2 and 3 show the caseload by section (field office) for investigations, out-of-home children, and in-home cases. Investigations are the number of reports assigned to each office. Out-of-home represents the number of children in ongoing cases assigned to each office. In-home cases represents the number of cases assigned to each office. Maricopa West, Maricopa East and South Regions have designated in-home units in specific sections. During CY2020, Northwest Region established two in-home units. Northeast Region has mixed units where DCS Specialists may carry ongoing cases of children in out-of-home care as well as some in-home cases.

<sup>1</sup> DCS Monthly Operational and Outcome Report (MOOR): <https://dcs.az.gov/news-reports/performance-measures>



DCS Quarterly Progress Report on Reducing OOH Child and Inactive Cases  
June 2020

**Table 2 – Headcount and Caseload Performance (SFY20-Second Quarter)**

Region <sup>1</sup> Section #      Section name			Quarter 2   FY 2020							
			FTE		Workload					
			Investigators	Case Managers	As of	# of In home cases	as of	Investigation (reports per worker)	In Home (cases per worker)	Out of Home (children per worker)
					12/31/20		12/31/20			
# Open Reports (investigations)	# of Out-of-Home Children <sup>2</sup>									
Maricopa-East (10)	3	Osborn	19	19	311	---	504	17	---	27
	4	In Home	---	47	37	551	24	1	12	1
	5	Mesa	19	19	315	---	378	17	---	20
	6	Gilbert	18	18	377	---	495	21	---	28
	7	Tempe	19	19	414	---	636	22	---	33
	8	South Mountain	15	15	282	---	380	18	---	25
	9	North Central	19	19	355	---	531	18	---	27
	10	Permanency - South Mountain		41	3	---	1499	0	---	37
South (20)	1	Eastside Loop	15	18	133	---	229	9	---	13
	2	Tucson North - Oracle	14	14	175	---	272	13	---	20
	3	Tucson South - Valencia	13	13	143	---	328	11	---	25
	4	Tucson Midtown - Oracle	9	9	233	---	181	25	---	19
	5	Madera A - 4th Ave.	14	14	164	---	232	11	---	16
	6	Permanency - Alvernon	0	29	---	---	523	---	---	18
	7	Alvernon	12	12	138	---	265	11	---	21
	8	Cochise County	12	12	160	---	189	14	---	16
	9	Madera C / Nogales	15	15	195	---	260	13	---	18
	10	In Home	0	31	18	305	103	0	14	3
	11	Yuma	13	13	140	---	223	11	---	17
Northwest (30)	1	Prescott/Prescott Valley	13	13	176	13	194	13	1	15
	3	Coconino County / Cottonwood	12	12	120	41	248	10	3	21
	4	Bullhead City/Lake Havasu	9	9	137	33	224	15	4	25
	5	Kingman	10	18	77	15	567	8	1	31
Northeast (40)	3	Globe / Payson / Safford	7	13	99	45	226	15	3	17
	4	St. Johns/Winslow/Show low	5	10	80	17	110	16	2	11
	5	Apache Junction/Kearney	17	17	222	73	527	13	37	31
	6	Casa Grande/Coolidge	16	16	219	72	476	14	36	30
Maricopa-West (50)	1	AHIT	28	---	2	---	0	0	---	---
	3	In Home	0	45	38	643	37	1	14	1
	4	Thunderbird	18	18	385	---	554	21	---	30
	5	Peoria	17	17	297	---	422	18	---	25
	6	Glendale/Durango	19	19	252	---	478	13	---	25
	7	Avondale/Advocacy	20	20	209	---	519	10	---	26
	8	Permanency	---	42	2	---	1205	---	---	29
	12	West 101	21	21	371	---	687	18	---	33
	13	Pinnacle Peak	14	14	201	---	351	14	---	25
					0					
105, 106 - Other	various	OCWI, GH/FH, Other	62	---	846	---	65	14	---	---
					7,326	1,808	14,142			

- As of Q1 FY2019, Specialists in a trainee status are accounted for in FTE figures in each section with an equal distribution of 66% caseload.

- In Home cases are based on a hand count of cases actively managed in each respective Region.

- In Home cases assignments differ Regionally. Maricopa East, Maricopa West and South Regions employ specific in-home units who manage in-home cases only. In-Home units in Northeast Region were fully established in 2020, thus data across quarters varies by Section. Northeast Region and portions of South Region have mixed units that may carry in-home or out-of-home cases.

- FTE assignments to investigations or case management are based on assignment of 50% investigative and 50% ongoing in Maricopa East, Maricopa West and Northwest Regions. South and certain Northeast Regions sections employ a distribution of 34% Investigations and 66% ongoing.

DCS Quarterly Progress Report on Reducing OOH Child and Inactive Cases  
June 2020

**Table 3 – Headcount and Caseload Performance (SFY20-Third Quarter)**

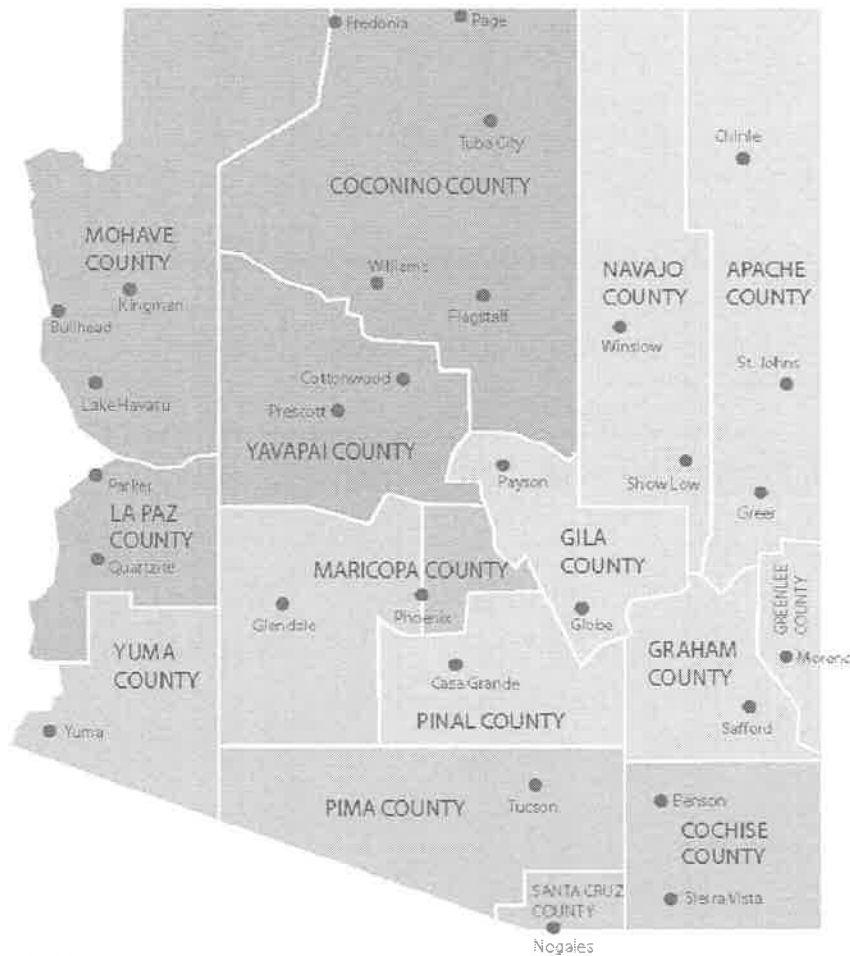
Region <sup>1</sup> Section #      Section name			Quarter 3 FY 2020							
			FTE		Workload					
			Investigators	Case Managers	As of 3/31/20	# of In home cases	as of 3/31/20	Investigation (reports per worker)	In Home (cases per worker)	Out of Home (children per worker)
					# Open Reports (investigations)		# of Out-of-Home Children <sup>2</sup>			
Maricopa-East (10)	3	Osborn	18	18	261	---	473	14	---	26
	4	In Home	---	46	28	491	35	1	11	1
	5	Mesa	19	19	250	---	414	13	---	22
	6	Gilbert	18	18	349	---	458	20	---	26
	7	Tempe	19	19	312	---	616	16	---	32
	8	South Mountain	15	15	250	---	394	16	---	26
	9	North Central	19	19	350	---	548	18	---	28
	10	Permanency - South Mountain	---	44	6	---	1497	0	---	34
South (20)	1	Eastside Loop	15	18	145	---	259	10	---	15
	2	Tucson North - Oracle	14	14	190	---	300	14	---	22
	3	Tucson South - Valencia	14	14	170	---	339	12	---	24
	4	Tucson Midtown - Oracle	9	9	196	---	171	21	---	19
	5	Madera A - 4th Ave.	15	15	153	---	262	10	---	17
	6	Permanency - Alvernon	0	30	---	---	539	---	---	18
	7	Alvernon	12	12	160	---	281	13	---	23
	8	Cochise County	11	11	156	---	181	14	---	17
	9	Madera C / Nogales	16	16	213	---	264	13	---	17
	10	In Home	0	32	13	254	82	0	12	3
	11	Yuma	12	12	174	---	229	14	---	18
Northwest (30)	1	Prescott/Prescott Valley	13	13	158	58	197	12	4	15
	3	Coconino County / Cottonwood	13	13	133	---	258	10	---	20
	4	Bullhead City/Lake Havasu	9	9	109	38	188	12	4	21
	5	Kingman	11	21	99	---	566	9	---	27
Northeast (40)	3	Globe / Payson / Safford	7	14	101	27	258	14	2	18
	4	St. Johns/Winslow/Show low	4	8	81	7	123	20	1	16
	5	Apache Junction/Kearney	16	16	221	38	517	14	19	32
	6	Casa Grande/Coolidge	15	15	244	56	483	16	28	33
Maricopa-West (50)	1	AHIT	25	---	1	---	0	0	---	---
	3	In Home	0	45	34	608	26	1	14	1
	4	Thunderbird	18	18	390	---	566	21	---	31
	5	Peoria	16	16	235	---	381	14	---	23
	6	Glendale/Durango	19	19	243	---	476	12	---	24
	7	Avondale/Advocacy	20	20	268	---	573	13	---	28
	8	Permanency	---	44	3	---	1255	---	---	29
	12	West 101	20	20	300	---	628	15	---	32
	13	Pinnacle Peak	13	13	174	---	326	13	---	24
105, 106 - Other	various	OCWI, GH/FH, Other	68	---	803	---	46	12	---	---
					6,973	1,577	14,209			

- As of Q1 FY2019, Specialists in a trainee status are accounted for in FTE figures in each section with an equal distribution of 66% caseload.

- In Home cases are based on a hand count of cases actively managed in each respective Region.

- In Home cases assignments differ Regionally. Maricopa East, Maricopa West and South Regions employ specific in-home units who manage in-home cases only. In-Home units in Northeast Region were fully established in 2020, thus data across quarters varies by Section. Northeast Region and portions of South Region have mixed units that may carry in-home or out-of-home cases.

- FTE assignments to investigations or case management are based on assignment of 50% investigative and 50% ongoing in Maricopa East, Maricopa West and Northwest Regions. South and certain Northeast Regions sections employ a distribution of 34% Investigations and 66% ongoing.



## Regional Map

### NORTHWEST REGION

Coconino, Mohave, La Paz Counties

### NORTHEAST REGION

Apache, Graham, Greenlee, Gila and Pinal Counties

### MARICOPA - WEST

Maricopa County - West of 7th Avenue

### MARICOPA - EAST

Maricopa County - East of 7th Avenue

### SOUTH REGION

Cochise, Pima, Santa Cruz, and Yuma Counties

### OFFICE OF CHILD WELFARE INVESTIGATIONS

Maricopa and Pima Counties

### CHILD ABUSE HOTLINE-1-888-SOS-CHILD

1-888-767-2445





STATE OF ARIZONA

## Joint Legislative Budget Committee

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BEN TOMA

**DATE:** September 16, 2020

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

**FROM:** Jordan Johnston, Fiscal Analyst

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

### Request

Pursuant to A.R.S. § 41-1724G and A.R.S. § 41-1724H, the Arizona Department of Public Safety (DPS) is required to submit for Committee review the entire FY 2021 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expending any monies. The Subaccount is funded primarily from a \$4.00 surcharge on criminal violations.

DPS has submitted for review its proposal to distribute \$1,050,000 of the \$2,396,100 appropriation from the Subaccount to fund the Border Security and Law Enforcement Grants program. Six County Sheriffs will receive funding from the program, which is the same number that were funded last year.

### Committee Options

The Committee has at least the following 2 options:

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

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

- A. DPS shall report to the Committee prior to implementing any changes to the proposed FY 2021 allocation of the grants (*see Table 2*). The Chairman shall decide whether the revisions require Committee review.

(Continued)

**Key Points**

- 1) The Committee gave a favorable review of \$1.3 million of the \$2.4 million GIITEM Subaccount appropriation in June to continue funding 3 existing programs.
- 2) DPS is requesting review of the expenditure plan for the remaining \$1.1 million to continue funding the Border Security and Law Enforcement Grants program.
- 3) 6 rural counties would receive funding, which are the same 6 counties that were funded in FY 2020.
- 4) DPS worked with the Arizona Sheriff's Association to determine the FY 2021 allocation of these funds.

**Analysis**

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

The subaccount monies are distributed by DPS to county sheriffs and other local law enforcement agencies to fund border security programs, personnel, and safety equipment. At its June 2020 meeting, the Committee gave a favorable review of \$1.3 million of the total \$2.4 million Subaccount appropriation to continue funding the Detention Liaison Officers Program (\$456,800), Border County Officers Program (\$539,300) and the Pima County Border Crimes Unit (\$350,000).

The department has worked with the Arizona Sheriff's Association (ASA) to determine how the Border Security and Law Enforcement Grants will be distributed. DPS has allocated \$1,050,000 for this program. This total amount and estimated allocation of monies to each county is unchanged from FY 2020.

Table 1 provides the FY 2020 GIITEM Border Security and Law Enforcement Grants expenditure plan reviewed by the Committee and the proposed FY 2021 plan. Table 2 displays the entire expenditure plan for the DPS GIITEM Subaccount.

**Table 1**

**FY 2021 GIITEM Border Security and Law Enforcement Grants  
Proposed Expenditure Plan**

	<b>FY 2020 Reviewed Allocation</b>	<b>FY 2021 Proposed Allocation</b>
<b><u>County Sheriff</u></b>		
Cochise County Sheriff's Office	\$ 250,000	\$ 250,000
Graham County Sheriff's Office	100,000	100,000
Greenlee County Sheriff's Office	100,000	100,000
La Paz County Sheriff's Office	100,000	100,000
Santa Cruz Sheriff's Office	250,000	250,000
Yuma County Sheriff's Office	250,000	250,000
<b>Total</b>	<b>\$1,050,000</b>	<b>\$1,050,000</b>

(Continued)

	<b>FY 2020 Reviewed Allocation</b>	<b>FY 2020 Actual Allocation <sup>1/</sup></b>	<b>FY 2021 Proposed Allocation <sup>2/</sup></b>
<b><u>Detention Liaison Officers Program</u></b>			
Cochise County Sheriff's Office	\$ 50,800	\$ 36,400	\$ 65,300
Pima County Sheriff's Office	101,500	150,600	130,500
Department of Corrections	253,700	128,100	261,000
Department of Juvenile Corrections	<u>50,800</u>	<u>-</u>	<u>-</u>
<b>Subtotal</b>	<b>\$456,800</b>	<b>\$315,100</b>	<b>\$456,800</b>
<b><u>Border County Officers Program</u></b>			
Cochise County Sheriff's Office	\$ 231,000	\$ 200,900	\$ 231,300
Coolidge Police Department	77,000	18,600	77,000
Eloy Police Department	77,000	47,900	77,000
Oro Valley Police Department	77,000	49,700	77,000
Yuma County Sheriff's Office	<u>77,000</u>	<u>68,200</u>	<u>77,000</u>
<b>Subtotal</b>	<b>\$539,000</b>	<b>\$385,300</b>	<b>\$539,300</b>
<b><u>Pima County Border Crimes Unit</u></b>	<b>\$350,000</b>	<b>\$350,000</b>	<b>\$350,000</b>
<b><u>Border Security and Law Enforcement Grants</u></b>			
Cochise County Sheriff's Office	\$ 250,000	\$ 250,000	\$ 250,000
Graham County Sheriff's Office	100,000	-	100,000
Greenlee County Sheriff's Office	100,000	100,000	100,000
La Paz County Sheriff's Office	100,000	100,000	100,000
Santa Cruz County Sheriff's Office	250,000	250,000	250,000
Yuma County Sheriff's Office	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
<b>Subtotal</b>	<b>\$1,050,000</b>	<b>\$950,000</b>	<b>\$1,050,000</b>
<b>Total</b>	<b>\$2,395,800</b>	<b>\$2,000,400</b>	<b>\$2,396,100</b>
<sup>1/</sup> Represents actual FY 2020 allocation from the subaccount through June 30, 2020.			
<sup>2/</sup> Represents proposed allocation from the Subaccount.			

JJ:kp



## ARIZONA DEPARTMENT OF PUBLIC SAFETY

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

*"Courteous Vigilance"*

**DOUGLAS A. DUCEY** **HESTON SILBERT**  
Governor Director

August 24, 2020



Senator David M. Gowan, Chairman  
Joint Legislative Budget Committee  
1716 W. Adams  
Phoenix, AZ 85007

Dear Senator Gowan:

Pursuant to the FY 2021 Criminal Justice Budget Reconciliation Bill, Section 2, the Department of Public Safety (DPS) is submitting the remainder of its FY 2021 expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount (Subaccount). The JLBC gave a favorable review to the initial portion of the expenditure plan at its meeting on June 24, 2020.

DPS has allocated \$1,050,000 from the Subaccount in FY 2021 for border security and law enforcement grants to county sheriffs. Consistent with previous years, DPS consulted with the Arizona Sheriffs' Association (ASA) on the distribution of the grants. The ASA voted for the money to be distributed to the counties as outlined below.

County Sheriff	FY 2021 Plan
Cochise	\$ 250,000
Graham	100,000
Greenlee	100,000
La Paz	100,000
Pima <sup>1/</sup>	0
Pinal <sup>2/</sup>	0
Santa Cruz	250,000
Yuma	250,000
<b>TOTAL</b>	<b>\$1,050,000</b>

<sup>1/</sup> The Pima County Sheriff's Department has been allocated \$400,000 in FY 2021 from the GIITEM Fund pursuant to the Criminal Justice Budget Reconciliation Bill.

<sup>2/</sup> The Pinal Sheriff's Office has been allocated \$500,000 in FY 2021 from the GIITEM Fund pursuant to A.R.S. § 41-1724.



Recipient agencies may use the funding for any purpose consistent with statute. As required by A.R.S. § 41-1724, in order to receive the funding, recipient agencies must certify each fiscal year to the DPS Director that the agency is complying with A.R.S. § 11-1051. If one or more sheriffs' offices do not accept the funding, DPS intends to prorate unobligated amounts over those agencies that do accept the grants.

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Heston Silbert", written in a cursive style.

Heston Silbert, Colonel  
Director

c: Representative Regina Cobb, Vice-Chairman  
Matthew Gress, OSPB Director  
Richard Stavneak, JLBC Director





STATE OF ARIZONA

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BEN TOMA

**DATE:** September 16, 2020

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

**FROM:** Lydia Chew, Fiscal Analyst

**SUBJECT:** Arizona Department of Education - Review of K-12 Broadband Connectivity Projects

### Request

Pursuant to A.R.S. § 15-249.07, the Arizona Department of Education (ADE) requests Committee review of its annual report on K-12 broadband connectivity construction projects.

### Committee Options

The Committee has at least the following 2 options:

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

### Key Points

- 1) In 2019, ADE had certified a cumulative total of \$122 million in broadband connectivity construction projects.
- 2) In 2020, ADE certified an additional \$7 million in projects, for a cumulative total of \$130 million.
- 3) In 2019, the Committee requested that ADE report the number of students lacking access to a certain bandwidth. This information was not included in the 2020 report.

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

- A. ADE shall include in each report that it submits pursuant to A.R.S. § 15-249.07 an updated estimate of the number of Arizona K-12 students lacking access to bandwidth of at least 4.3 megabits per second (Mbps) per pupil.

(Continued)

## Analysis

At its September 25, 2019, meeting the Committee favorably reviewed ADE's 2019 report. The background of the broadband program is described in detail in last year's staff memorandum (see Attachment A).

### Project Status

ADE has approved 478 projects costing \$129.6 million through FY 2020. *Table 1* summarizes project data by fiscal year. The 478 projects are serving or will serve upon completion nearly 301,900 students statewide. The \$129.6 million cumulative funding total for approved projects through FY 2020 consisted of \$118.2 million (91%) from E-rate funding, \$10.9 million (8%) from the "state match," and \$1.1 million (1%) from local funding. The final funding source is required from participating schools with a federal free and reduced price lunch eligibility rate of less than 60%.

*Table 1* shows that approximately \$10.9 million of the \$11.0 million in state matching funds for broadband construction have been spent or committed, so approximately \$0.1 million remain. Those monies will be used to draw down additional E-rate monies in the future as additional project applications are approved by the USAC.

<b>Table 1</b>					
<b>K-12 Broadband Construction Project Summary <sup>1/</sup></b>					
<b><u>Fiscal Year</u></b>	<b><u>Students Served</u></b>	<b><u>ADE-Certified Projects <sup>2/</sup></u></b>	<b><u>E-rate Portion</u></b>	<b><u>State Portion</u></b>	<b><u>School Portion <sup>2/</sup></u></b>
2017	96,652	\$13,606,400	\$12,411,100	\$1,043,800	\$149,800
2018	152,425	59,405,100	54,504,400	4,611,300	954,200
2019	33,110	48,672,000	43,848,600	4,838,200	2,800
2020	19,710	7,911,500	7,440,900	433,000	21,600
Cumulative	301,897	\$129,595,100	\$118,205,000	\$10,926,300	\$1,128,400
% of Total		100%	91%	8%	1%
<sup>1/</sup> Numbers may not add properly due to rounding. <sup>2/</sup> Represents dollar value of projects certified by ADE, including projects in process and projects awaiting USAC approval. <sup>3/</sup> Schools with less than 60% pupil eligibility for federal free or reduced price lunches must fund part of their own project costs.					

### FCC Bandwidth Guidelines

Projects funded by the state matching contributions must provide bandwidth sufficient to meet the guidelines for educational services for the relevant funding year by the Federal Communications Commission (FCC) and may not exceed those guidelines without good cause. *Table 2* shows the current bandwidth guidelines and the higher guidelines that the FCC will establish starting in the 2020-21 school year. For example, the FCC recommended a minimum of 1.5 megabits per second (Mbps) per student for schools with fewer than 1,000 students for the 2017-2018 school year but will increase that recommendation to a minimum of 4.3 Mbps per student for the 2020-2021 school year. Under the higher requirements, it is anticipated that additional schools and libraries will fall below FCC-recommended bandwidth levels in the future.

At its September 25, 2019, meeting the Committee favorably reviewed ADE's 2019 report with the following provision: "ADE shall include in each report that it submits pursuant to A.R.S. § 15-249.07 an updated estimate of the number of Arizona K-12 students lacking access to bandwidth of at least 1.5 megabits per second (Mbps) per pupil." An estimate of the number of students without access to 1.5

(Continued)

Mbps was not provided in the 2020 report. A 1.5 Mbps per student level of broadband would meet current FCC guidelines but not the guideline of 4.3 Mbps per pupil that it recommends for small schools, for example, for the 2020-2021 school year and thereafter. As a result, the Committee may consider Provision A, which is similar to last year's provision and would require ADE to incorporate estimates of students lacking at least 4.3 Mbps of broadband access in their next report.

**Table 2**

**National Guidelines for Available Bandwidth in Schools**

<b><u>School Year</u></b>	<b><u>2017-18</u></b>	<b><u>2020-21</u></b>
Small School District (fewer than 1,000 students)	At least 1.5 Mbps per user (Minimum 100 Mbps for district)	At least 4.3 Mbps per user (Minimum 300 Mbps for district)
Medium School District (1,000 – 10,000 students)	At least 1.0 Gbps per 1,000 users	At least 3.0 Gbps per 1,000 users
Large School District (more than 10,000 students)	At least 0.7 Gbps per 1,000 users	At least 2.0 Gbps per 1,000 users

The Executive announced in June 2020 that approximately \$40 million from the Governor's Emergency Education Relief Fund will be used to install broadband conduit and fiber along I-17 from Sunset Point to Flagstaff and along I-19 between Tucson and Nogales, to be completed by December 30, 2021. The Executive is analyzing the impact that this construction may have on future K-12 broadband connectivity projects.

LC:lm  
Attachment



STATE OF ARIZONA

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BEN TOMA

DATE: September 18, 2019

TO: Members of the Joint Legislative Budget Committee

FROM: Patrick Moran, Principal Fiscal Analyst

SUBJECT: Arizona Department of Education - Review of K-12 Broadband Connectivity Projects

### Request

Pursuant to A.R.S. § 15-249.07, the Arizona Department of Education (ADE) requests Committee review of its most recent report on K-12 broadband connectivity construction projects. While statute requires an annual review, ADE reports the status of these projects twice a year.

### Committee Options

The Committee has at least the following 2 options:

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

### Key Points

- 1) Additional federal "E-rate" funding has been available in recent years to help schools and libraries fund broadband construction.
- 2) ADE received \$11 million one-time to help school districts and libraries draw down the additional E-rate funding:
  - a. \$8 million from Corporation Commission (from temporary cell phone service surcharge).
  - b. \$3 million from one-time Automation Projects Fund balances.
- 3) The \$11 million "state match" is drawing down roughly \$130 million in Federal Funds (match rate varies)
- 4) ADE has approved funding for 234 projects costing \$122 million and serving 282,200+ students. 68 of these projects costing \$50 million are awaiting federal approval.
- 5) At least \$545,000 in non-expiring ADE state match remains.

(Continued)

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

- A. ADE shall include in each report that it submits pursuant to A.R.S. § 15-249.07 an updated estimate of the number of Arizona K-12 students lacking access to bandwidth of at least 1.5 megabits per second (Mbps) per pupil.

## Analysis

As of spring 2017, the Education SuperHighway (a nonprofit that assists schools with upgrading their internet access) estimated that providing broadband internet to Arizona schools and libraries without that capability could cost roughly \$130 million. To address this need, the FY 2018 General Appropriation Act included a one-time \$3 million appropriation from the Automation Projects Fund to the newly-established Broadband Expansion Fund (BEF) for state matching contributions for broadband construction projects for schools and libraries.

In addition, the Arizona Corporation Commission (ACC) on March 14, 2017 approved a temporary 12-month surcharge on Arizona consumers' phone bills (approximately 15 cents per month) in order to generate \$8 million of additional state matching funds. Together, the \$3 million legislative appropriation and the \$8 million surcharge were intended to provide \$11 million of state matching contributions to draw down approximately \$130 million in federal "E-Rate" monies.

The E-Rate program provides matching Federal Funds that can cover up to roughly 95% of the installation costs of telecommunications and internet services to schools and libraries. Before any state matching funds are released, each project proposal must be certified by ADE and approved for federal E-Rate funding by the Universal Service Administrative Company (USAC), which administers the program. ADE must give priority to schools with higher "discount rates" (a measure of poverty and rural/urban status, defined by the federal E-Rate program) when certifying projects.

### Project Status

ADE indicates that it has certified 234 projects costing \$122.2 million through of FY 2019. Of the 234 projects, ADE reports that 79 were completed, 87 were in progress and 68 are currently awaiting USAC approval as of September 12, 2019. Based on information from ADE, approximately \$49.7 million of ADE-certified projects are still pending-approval. The 234 completed, in-progress, or pending-approval sites include 73 libraries.

*Table 1* summarizes project data by fiscal year. It shows that the 234 projects certified by ADE through FY 2019 are serving or will serve upon completion more than 282,000 students statewide. It also shows that the \$122.2 million cumulative funding total for approved projects through FY 2019 consisted of \$110.6 million (91%) from E-rate funding, \$10.5 million (8%) from the "state match," and \$1.1 million (1%) from local funding. The latter is required from participating schools with a federal free and reduced price lunch eligibility rate of less than 60%.

*Table 1* shows that approximately \$10.5 million of the \$11.0 million in state matching funds for broadband construction have been spent or committed, so approximately \$0.5 million remain. Those monies will be used to draw down additional E-rate monies in the future as additional project applications are approved by the USAC.

(Continued)

**Table 1**

**K-12 Broadband Construction Project Summary <sup>1/</sup>**

<b>Fiscal Year</b>	<b>Students Served</b>	<b>ADE- Certified Projects <sup>2/</sup></b>	<b>E-rate Portion</b>	<b>State Portion</b>	<b>School Portion <sup>2/</sup></b>
2017	96,652	\$13,604,600	\$12,411,100	\$1,043,800	\$149,800
2018	152,425	55,166,600	50,077,000	4,135,400	954,200
2019	33,160	53,397,800	48,119,400	5,275,700	2,800
Cumulative	282,237	\$122,170,900	\$110,607,500	\$10,454,800	\$1,106,800
% of Total		100%	91%	8%	1%

<sup>1/</sup> Numbers may not add properly due to rounding.

<sup>2/</sup> Represents dollar value of projects certified by ADE. Based on information from ADE, approximately \$49.7 million of ADE-certified projects are still awaiting USAC approval.

<sup>3/</sup> Schools with less than 60% pupil eligibility for federal free or reduced price lunches must fund part of their own project costs.

The majority of projects ADE certified by ADE have a federal funding rate of at least 80%, meaning the federal E-Rate program covers 80% of project costs (90% once the currently available, temporary federal "enhanced match" is included). For those projects, \$100,000 of state matching funding for a \$1 million project, for example, generates \$900,000 in Federal Funds (\$800,000 from the 80% E-Rate federal rate + an additional \$100,000 for the "enhanced" 10% match = \$900,000).

Long-Term Status of "Enhanced" Federal Match

The long-term status of the additional (up to) 10% "enhanced" federal E-rate match for broadband construction is uncertain, as it will depend on how long the U.S. Congress continues to appropriate funding for that program. As long as it remains funded, however, the state could continue to provide "state match" funding to draw down additional "enhanced" E-rate funding and help more schools and libraries fund broadband expansion.

In addition, the state could continue to provide state matching funds for broadband expansion even if the "enhance match" program becomes discontinued because the federal E-rate program would continue to fund up to 80% of broadband construction costs for most eligible schools (the long-term historical rate) even without the "enhanced" match. In this case, the additional "state matching" funds would continue to help school districts qualify for federal E-rate monies for broadband construction, but at a lower federal-to-state dollar matching rate.

FCC Bandwidth Guidelines

Projects funded by the state matching contributions must provide bandwidth sufficient to meet the guidelines for educational services for the relevant funding year by the Federal Communications Commission (FCC) and may not exceed those guidelines without good cause. *Table 2* shows the current bandwidth guidelines and the higher guidelines that the FCC will establish starting in the 2020-21 school year. For example, the FCC recommended a minimum of 1.5 megabits per second (Mbps) per student for schools with fewer than 1,000 students for the 2017-2018 school year but will increase that recommendation to a minimum of 4.3 Mbps per student for the 2020-2021 school year. Under the higher requirements, it is anticipated that additional schools and libraries will fall below FCC-recommended bandwidth levels in the future.

(Continued)



<b>Table 2</b>		
<b>National Guidelines for Available Bandwidth in Schools</b>		
<b><u>School Year</u></b>	<b><u>2017-18</u></b>	<b><u>2020-21</u></b>
Small School District (fewer than 1,000 students)	At least 1.5 Mbps per user (Minimum 100 Mbps for district)	At least 4.3 Mbps per user (Minimum 300 Mbps for district)
Medium School District (1,000 – 10,000 students)	At least 1.0 Gbps per 1,000 users	At least 3.0 Gbps per 1,000 users
Large School District (more than 10,000 students)	At least 0.7 Gbps per 1,000 users	At least 2.0 Gbps per 1,000 users

At its September 20, 2018 meeting the Committee favorably reviewed ADE's 2018 report with the following provision: "ADE shall include in each report that it submits pursuant to A.R.S. § 15-249.07 an updated estimate of the number of Arizona K-12 students lacking sufficient broadband access in their schools. ADE shall differentiate between the number of students with access to broadband speeds less than 100 kilobits per second, less than 500 kilobits per second, and less than 1,000 kilobits (1 megabit) per second."

ADE's submitted report for FY 2019 does not include this information, but the agency is working on putting together a response as of this writing that focuses on students with less than 1.5 Mbps of bandwidth per student, which they believe is most feasible to report and most indicative of pupils having sufficient bandwidth currently. As a result, the Committee may consider Provision A, which would require ADE to incorporate estimates of students lacking at least 1.5 Mbps of broadband access in their next report, which is due in December 2019. A 1.5 Mbps per student level of broadband would meet current FCC guidelines but not the guideline of 4.3 Mbps per pupil that it recommends for small schools, for example, for the 2020-2021 school year and thereafter.

PM:lm

# ARIZONA BROADBAND FOR EDUCATION INITIATIVE

2020 Q2 Update



**"High-speed Internet is the necessary foundation for taking advantage of technology in the classroom. I support expanding broadband connectivity in every classroom in our state to ensure our students have the tools and skills they need to succeed in school and beyond".**

**Arizona Governor Doug Ducey**

The Arizona Broadband for Education Initiative is a partnership between the Governor's Office of Education, the Arizona Department of Education, the Arizona Corporation Commission and the nonprofit organization EducationSuperHighway. The program's goal is to ensure that every public K-12 instructional building in the state is connected via high-speed and reliable broadband connections to enable digital learning in the classroom.

One major component of the Initiative includes supporting schools and libraries as they take advantage of the federal Schools and Libraries (E-rate) Program. The E-rate program provides discounts of up to 90% of the monthly cost of telecommunications services to keep students and library patrons connected to high-speed broadband. It is administered by the Universal Service Administrative Company (USAC), a non-profit designated by the Federal Communications Commission (FCC).

The E-rate Modernization Order, adopted in July 2014, allows states to establish "matching funds" that may contribute up to ten percent in funding to subsidize the cost of Category I "special construction" projects. If a state provides eligible schools and libraries with funding for special construction charges for high-speed broadband that meets the FCC's long-term connectivity targets, the E-rate Program will increase an applicant's discount rate for these charges up to an additional ten percent to match the state funding on a one-to-one dollar basis. The combination of E-rate and state match funding can cover up to 100% of an applicant's out of pocket cost for the infrastructure necessary to supply high speed Internet.

In March 2017, the Arizona Corporation Commission updated the Arizona Universal Service Fund (AUSF) rules to provide \$8M in funding for "Special Construction" projects in Arizona. Used in combination with the E-rate program, this funding will result in approximately \$150M in new construction projects within the state. In April 2017 the Arizona State Legislature approved an additional \$3M for "Special Construction" projects.

► ARIZONA BROADBAND FOR EDUCATION INITIATIVE

	Students Served	Total Funding Requested	Projects In Process or Awaiting Approval	Erate Portion	State Portion	School Portion	Total Paid Out
2017	96652	\$ 14,403,208.25	\$ 13,606,423.92	\$ 12,411,066.38	\$ 1,043,757.54	\$ 149,800.00	\$415,309.01
2018	152,425	\$ 122,095,618.03	\$ 59,405,118.03	\$ 54,504,390.64	\$ 4,611,327.42	\$ 954,170.26	\$652,552.95
2019	33110	\$ 48,671,992.01	\$ 48,671,992.01	\$ 43,848,587.09	\$ 4,838,177.27	\$ 2,780.10	\$120,431.35
2020	19710	\$7,911,534.00	\$ 7,911,534.00	\$7,440,911.98	\$433,022.03	\$21,600.00	
Program	301897	\$ 193,082,352.29	\$ 129,595,067.96	\$ 118,204,956.09	\$ 10,926,284.26	\$ 1,128,350.36	\$1,188,293.31
AVAIL					\$ 73,715.74		

**2017 Year End Status (July 2017 – June 2018)**

During the E-rate funding year 2017-2018 (July 2016-June 2017), the Department of Education approved requests for \$1,043,757 which provided \$14,403,209 in total construction projects for 84 sites with 96,652 students served.

- Apache County
  - 7 sites
  - Construction Cost: \$8.3M
  - Current Status: In process to be completed by 3-30-20
- Cochise County
  - 1 site, Tombstone School District
  - Construction Cost: \$500
  - Current Status: Complete
- Coconino County
  - 1 site, Page School District
  - Construction Cost: \$750
  - Current Status: Complete
- Gila County
  - 1 WAN, Payson USD
  - Construction Cost: \$159,000
  - Current Status: Complete
- La Paz
  - 1 Site, Bicentennial HS
  - Construction Cost: \$25,303.25
  - Current Status: Complete
- Maricopa
  - 2 Districts
  - Construction Cost: \$810,917
  - Current Status:
    - Arizona Call A Teen – Complete
    - Agua Fria District WAN - Complete
- Pinal
  - 2 Districts
  - Construction Cost: \$1.4M
  - Current Status:

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- JO Combs – Complete
    - Stanfield - Complete
  - Santa Cruz
    - I District, Santa Cruz HS
    - Construction Cost: \$874,320
    - Current Status: Complete
  - Yavapai
    - 53 sites (County Wide Consortium)
    - Construction Cost: \$1.8M
    - Current Status: Complete
  - Yuma
    - I WAN
    - Construction cost: \$236,000
    - Current status: Complete

### 2018 Status (July 2018 – June 2019)

During the E-rate funding year 2017-2018 (July 2017-June 2018), the Department of Education approved requests for \$4,135,395 which provided \$122,763,344 in total construction projects for 170 sites in Arizona. 152,425 students served.

- Apache County
    - 11 Districts
    - Construction Cost: \$2,500,000
    - Current Status:
      - Completion scheduled for July 2020
  - Cochise County
    - 6 Districts
    - Construction Cost: \$408,000
    - Current Status:
      - Cochise Elementary complete
      - Tombstone Library / ESD complete by 6-30-19
      - Douglas WAN – In process
      - Huachuca Library – Complete
      - Tombstone USD WAN - Complete
  - Coconino County
    - 1 District (Grand Canyon)
    - Construction Costs: \$5M
    - Current Status:
      - Completion scheduled for June 2021
  - Gila County
    - 1 District (Globe WAN)
    - Construction Cost: \$587,000
    - Current Status: Scheduled completion December 2021
  - Graham
    - 1 District
    - Construction Cost: \$14,518
    - Discovery Plus Academy - Complete
  - La Paz
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▶ ARIZONA BROADBAND FOR EDUCATION INITIATIVE

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- 11 Districts (County wide consortium)
  - Construction cost: \$4M
  - Current Status:
    - Completions scheduled for December 2020
- Maricopa
  - 2 Districts funded
  - Construction Cost: \$2,400,000
  - Current Status: Complete
- Mohave
  - 2 Districts
  - Construction Cost: \$1,000,000
  - Current Status: Complete
- Navajo
  - 3 Districts
  - Construction Cost: \$500,000
  - Current Status: Complete
- Pima
  - 2 Districts
  - Construction Cost: \$5,500,000
  - Current Status:
    - PPEP Complete
    - Vail Scheduled for completion July 2020
- Pinal
  - 38 Districts (County wide Consortium)
  - Construction Cost: \$35.7M
  - Current Status: All in process
- Santa Cruz
  - 12 Districts
  - Construction Cost: \$1.2M
  - Current Status: CenturyLink backed out of the contract. Cancelled.
- Yavapai
  - 4 Districts
  - Construction Cost: \$485,000
  - Current Status:
    - Cottonwood – Oak Creek – Completion July 2020
    - Cupertino – Complete
    - Yavapai ACD - Complete
- Yuma
  - 2 sites
  - Construction Cost: \$837,550
  - Current Status: Complete

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**2019 Status (July 2019 – June 2020)**

During the E-rate funding year 2019-2020, the Department of Education approved requests for \$5,275,657 which provided \$53,397,844 in total construction projects for 170 sites in Arizona. 33,160 students served.

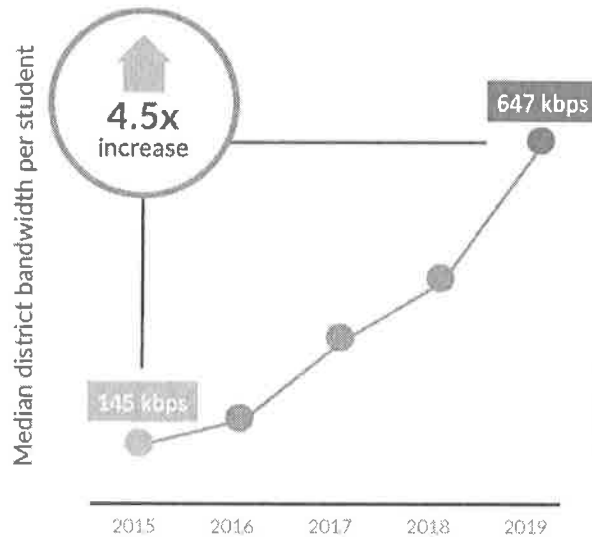
- Cochise County
  - 21 sites – County wide Consortium
  - Construction Costs - \$29,858,515
  - Current Status:
    - Awaiting USAC approval
- Coconino County
  - 1 Site – Shonto Prep
  - Current Status: Scheduled for completion August 2020
- Gila County
  - 23 sites – County Wide Consortium
  - Construction Costs: \$19,490,128
  - Current Status:
    - USAC Funding approved and in process
- Mohave County
  - 2 Sites
  - Construction costs: \$380,000
  - Current Status: Complete
- Navajo County
  - 3 sites
  - Construction costs: \$2,125,446
  - Current Status:
    - Heber – Overgaard – Complete
    - Little Singer School – Scheduled for completion August 2020
    - Navajo County Consortium – Awaiting USAC approval
- Pinal County
  - 1 Site (WAN) – JO Combs
  - Construction costs: \$27,801
  - Current Status:
    - Awaiting USAC approval
- Yavapai County
  - 2 sites
  - Construction costs: \$1,255,058
  - Current Status:
    - Orme School – Funded, in process
    - Beaver Creek School – Funded in process

## 2020 Q2 Status

During the E-rate funding year 2020-2021, the Department of Education approved requests for \$433,022.03 which provided \$7,911,534 in total construction projects for 54 sites in Arizona. 19,710 students served.

- Cochise County
  - 1 District (Douglas USD)
  - Current Status:
    - Awaiting USAC funding approval
- Apache County
  - Hunters Point School
    - Awaiting USAC funding approval
  - Navajo Nation
    - 43 Chapter Houses Converting to Libraries
    - Current Status:
      - Converting to Libraries and awaiting USAC approval
- Maricopa County
  - 5 Districts
  - Current Status:
    - Awaiting USAC funding approval
- Graham County
  - 1 District (Safford USD)
  - Current Status:
    - Awaiting USAC funding approval

Arizona has made huge improvements in our goal of providing 1 Mbps per student regardless of physical location



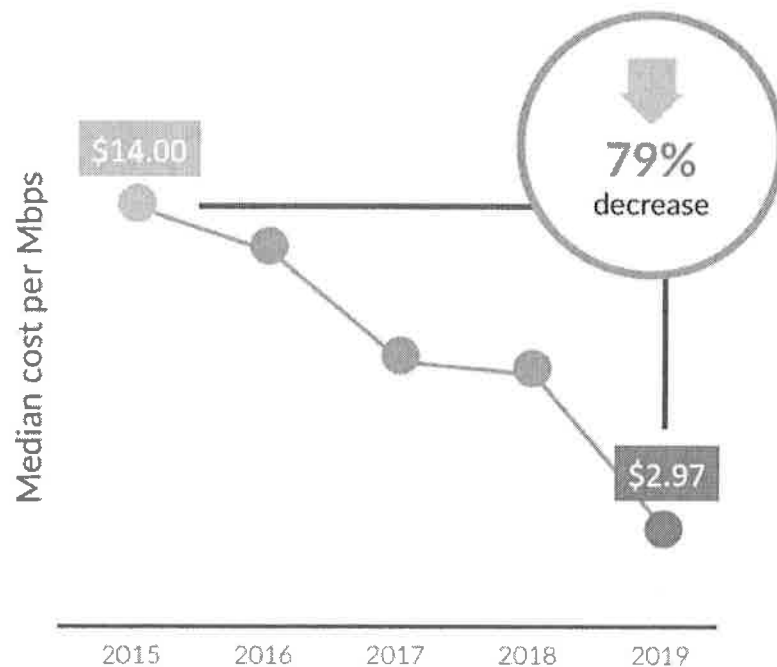
**MEETING FCC BANDWIDTH GOALS:**

96% of your students are meeting 100 kbps per student, and

**16%**

of your students are meeting 1 Mbps per student, in comparison to 24% nationally

Amazing progress has been made in creating bandwidth that's both reliable and affordable





# Full Site Listing

Year	District	Status	NSLP Discount Percentag	Student Count	Total Erate Portion	State Matching Portion	School Potion	Total Funding Request to USAC
2018	Pinal County Consortium	In process	85%	0	\$31,245,940.37	\$2,533,454.63	\$0.00	\$33,779,395.00
2019	Cochise County Consortium	Awaiting FCDL	80%	25000	\$22,935,340.21	\$2,548,371.14	\$0.00	\$25,483,711.35
2019	Gila County Consortium	In process	83%	6800	\$17,541,115.61	\$1,949,012.85	\$0.00	\$19,490,128.46
2017	Apache County Consortium	In process	85%	4062	\$7,750,865.14	\$628,448.53	\$0.00	\$8,379,313.67
2018	Grand Canyon USD	In process	80%	283	\$5,094,180.34	\$566,020.03	\$0.00	\$5,660,200.37
2020	Navajo Nation	Awaiting FCDL	90%	0	\$4,964,552.85	\$261,292.26	\$0.00	\$5,225,845.11
2018	Vail District	In process	60%	12860	\$3,182,054.40	\$454,579.20	\$909,158.40	\$4,545,792.00
2018	LaPaz County	In process	90%	0	\$3,776,227.20	\$198,748.80	\$0.00	\$3,974,976.00
2018	Maricopa Unified	Complete	80%	6636	\$1,665,000.00	\$185,000.00	\$0.00	\$1,850,000.00
2017	Yavapai County Education Technology Consor	Complete	80%	26000	\$1,627,488.00	\$180,832.00	\$0.00	\$1,808,320.00
2020	Paloma Elementary	Awaiting FCDL	90%	123	\$1,568,483.25	\$82,551.75	\$0.00	\$1,651,035.00
2018	Apache County Consortium	In process	85%	0	\$1,286,724.95	\$104,329.05	\$0.00	\$1,391,054.00
2018	Saddle Mountain School District	Complete	80%	1764	\$1,034,100.00	\$114,900.00	\$0.00	\$1,149,000.00
2019	Heber-Overgaard Unif Sch Dst 6	Complete	80%	520	\$900,308.20	\$100,034.26	\$0.00	\$1,000,342.46
2017	Stanfield School District 24	Complete	90%	529	\$902,500.00	\$47,500.00	\$0.00	\$950,000.00
2018	Nogales USD	Complete	90%	8500	\$899,650.00	\$47,350.00	\$0.00	\$947,000.00
2018	Laveen ESD	Complete	90%	6831	\$855,000.00	\$45,000.00	\$0.00	\$900,000.00
2017	Santa Cruz Valley HS	Complete	90%	395	\$830,604.00	\$43,716.00	\$0.00	\$874,320.00
2018	Lake Havasu USD	Complete	80%	5508	\$757,803.60	\$84,200.40	\$0.00	\$842,004.00
2019	Little Singer School	In process	90%	150	\$738,777.01	\$38,883.00	\$0.00	\$777,660.01
2018	Canyon State Academy	Cancelled	90%	385	\$750,000.00	\$0.00	\$0.00	\$750,000.00
2017	Agua Fria UHSD	Complete	60%	7649	\$524,300.00	\$74,900.00	\$149,800.00	\$749,000.00
2019	Orme School	In process	80%	140	\$654,703.30	\$72,744.81	\$0.00	\$727,448.11
2018	Littleton School District	Complete	90%	387	\$597,550.00	\$31,450.00	\$0.00	\$629,000.00
2018	Globe USD	In process	80%	1668	\$527,144.40	\$58,571.60	\$0.00	\$585,716.00
2019	Navajo County Consortium	Awaiting FCDL	80%	0	\$486,361.62	\$51,043.38	\$0.00	\$537,405.00
2019	Beaver Creek School	In process	80%	275	\$474,849.00	\$52,761.00	\$0.00	\$527,610.00
2018	Ganado Unified District 20	In process	90%	1513	\$448,440.51	\$23,602.13	\$0.00	\$472,042.64
2018	Antelope Union High School	Complete	90%	230	\$448,189.91	\$23,588.94	\$0.00	\$471,778.85
2018	Mohawk Valley Elementary	Complete	90%	1141	\$347,482.98	\$18,288.58	\$0.00	\$365,771.56
2020	Buckeye Elementary	Awaiting FCDL	80%	5614	\$324,000.00	\$36,000.00	\$0.00	\$360,000.00
2017	Combs Unified School District 44	Complete	80%	4634	\$324,000.00	\$36,000.00	\$0.00	\$360,000.00
2019	Yucca School	Complete	90%	50	\$333,496.55	\$17,552.45	\$0.00	\$351,049.00
2020	Douglas Unified School District	Awaiting FCDL	90%	4225	\$253,175.00	\$13,325.00	\$0.00	\$266,500.00
2018	Santa Cruz County	Cancelled	84%	0	\$243,800.00	\$0.00	\$0.00	\$243,800.00
2017	Hayden-Winkelman USD	Cancelled	90%	270	\$0.00	\$0.00	\$0.00	\$241,015.00
2018	Cottonwood - Oak Creek	In process	80%	2079	\$216,503.82	\$24,055.99	\$0.00	\$240,559.81
2017	Somerton School District	Complete	90%	2973	\$224,200.00	\$11,800.00	\$0.00	\$236,000.00
2018	Snowflake School District	Complete	70%	2542	\$174,240.00	\$21,780.00	\$21,780.00	\$217,800.00
2020	Liberty School District	Awaiting FCDL	70%	3899	\$172,800.00	\$21,600.00	\$21,600.00	\$216,000.00
2018	Show Low School District	Complete	80%	2324	\$179,593.56	\$19,954.84	\$0.00	\$199,548.40
2018	Cedar Hills - Hackberry	Complete	90%	123	\$152,000.00	\$8,000.00	\$0.00	\$160,000.00
2020	Saddle Mountain School Distirct	Awaiting FCDL	80%	2179	\$128,000.00	\$16,000.00	\$0.00	\$160,000.00
2017	Payson Unif School Dist 10	Complete	80%	2843	\$143,100.00	\$15,900.00	\$0.00	\$159,000.00
2018	Huachuca Library	Cancelled	80%	0	\$154,000.00	\$0.00	\$0.00	\$154,000.00
2018	Cochise Elementary School District	Complete	80%	87	\$138,000.00	\$15,300.00	\$0.00	\$153,300.00
2018	Prescott USD	Complete	60%	4003	\$69,282.06	\$10,118.01	\$21,780.03	\$101,180.10
2018	Holbrook USD	Complete	90%	2066	\$78,310.90	\$4,121.63	\$0.00	\$82,432.53

# Full Site Listing

Year	District	Status	NSLP Discount Percentag	Student Count	Total Erate Portion	State Matching Portion	School Portion	Total Funding Request to USAC
2018	Pinal County Schools	In process	80%	0	\$67,510.80	\$7,501.20	\$0.00	\$75,012.00
2019	Shonto Prep	In process	90%	430	\$67,866.69	\$3,571.93	\$0.00	\$71,438.62
2018	Douglas USD	Cancelled	86%	3778	\$0.00	\$0.00	\$0.00	\$68,025.71
2017	Arizona Call A Teen Center	Complete	90%	261	\$58,821.15	\$3,095.85	\$0.00	\$61,917.00
2017	Pinal County Library District	In process	90%	0	\$0.00	\$0.00	\$0.00	\$41,000.00
2018	Yavapai ASD #99	Complete	80%	168	\$27,741.50	\$3,082.84	\$0.00	\$30,828.34
2019	Desert Star Academy	Complete	90%	500	\$27,024.65	\$1,422.35	\$0.00	\$28,447.00
2019	JO Combs	Awaiting FCDL	70%	5164	\$22,240.80	\$2,780.10	\$2,780.10	\$27,801.00
2017	Bicentennial Un H S Dist 76 (Salome High)	Complete	90%	113	\$24,038.09	\$1,265.16	\$0.00	\$25,303.25
2018	Tombstone Library	Complete	80%	0	\$22,500.00	\$2,500.00	\$0.00	\$25,000.00
2018	Discovery Plus Academy	Complete	80%	119	\$11,614.63	\$1,451.83	\$1,451.83	\$14,518.29
2018	Cupertino PLA	Complete	90%	5	\$12,651.71	\$665.88	\$0.00	\$13,317.59
2017	Mohave Excellerated Learning Charter	Cancelled	80%	1381	\$0.00	\$0.00	\$0.00	\$13,128.88
2020	Safford Unified School District	Awaiting FCDL	80%	3047	\$11,615.85	\$1,290.65	\$0.00	\$12,906.50
2020	Hunters Point	Awaiting FCDL	90%	145	\$10,168.70	\$535.19	\$0.00	\$10,703.89
2020	Gila Bend USD	Awaiting FCDL	90%	478	\$8,116.33	\$427.18	\$0.00	\$8,543.50
2018	PPEP, Inc	Complete	90%	800	\$7,125.00	\$375.00	\$0.00	\$7,500.00
2018	Tombstone USD	Complete	80%	742	\$3,600.00	\$400.00	\$0.00	\$4,000.00
2017	Page USD	Complete	80%	2200	\$675.00	\$75.00	\$0.00	\$750.00
2017	Tombstone USD	Complete	90%	970	\$475.00	\$25.00	\$0.00	\$500.00
2018	Alpine Library	In process	85%	0				
2019	Apache ESD**	Awaiting FCDL	90%	10				
2018	Apache Junction USD	In process	80%	3762				
2018	Arizona City Library	In process	90%	0				
2019	Ash Creek ESD	Awaiting FCDL	90%	23				
2017	Ash Fork Library	Complete	80%	0				
2017	Bagdad Library	Complete	70%	0				
2017	Bagdad School District	Complete	70%	402				
2019	Benson USD	Awaiting FCDL	80%	1438				
2019	Bisbee Branch	Awaiting FCDL	80%	0				
2019	Bisbee USD	Awaiting FCDL	80%	697				
2017	Black Canyon Library	Complete	90%	0				
2018	Blackwater Community School	In process	90%	355				
2018	Bouse ESD	In process	90%	35				
2019	Bowie USD***	Awaiting FCDL	80%	52				
2017	Camp Verde Library	Complete	80%	0				
2017	Canon Elem School District 50	Complete	90%	135				
2018	Casa Blanca Community School	In process	90%	320				
2018	Casa Grande ESD	In process	90%	7007				
2018	Casa Grande Library	In process	90%	0				
2018	Casa Grande UHSD	In process	80%	3637				
2018	Central Arizona Valley Institute of Technology	In process	80%	0				
2017	Chino Valley School District	Complete	80%	2451				

Blanks indicate membership in a consortium

# Full Site Listing

Year	District	Status	NSLP Discount Percentage	Student Count	Total Erate Portion	State Matching Portion	School Portion	Total Funding Request to USAC
2017	Clarkdale-Jerome School District	Complete	80%	480				
2019	Cochise County Library District	Awaiting FCDL	80%	0				
2019	Cochise Tech JTED	Awaiting FCDL	80%	0				
2018	Concho ESD	In process	85%	247				
2018	Concho Library	In process	85%	0				
2017	Congress Elementary School Dist	Complete	90%	104				
2017	Congress Library	Complete	90%	0				
2018	Coolidge Library	In process	90%	0				
2018	Coolidge USD	In process	90%	2127				
2017	CORDES LAKES PUBLIC LIBRARY	Complete	90%	N/A				
2017	COTTONWOOD PUBLIC LIBRARY	Complete	80%	N/A				
2017	Cottonwood-Oak Creek SD	Complete	80%	2212				
2017	CROWN KING PUBLIC LIBRARY	Complete	90%	N/A				
2017	Crown King School	Complete	90%	2				
2019	Destiny School	In process	90%	327				
2017	Dewey - Humboldt Library	Complete	80%	N/A				
2019	Double Adobe School	Awaiting FCDL	80%	44				
2019	Douglas USD	Awaiting FCDL	80%	3778				
2019	Elfrida Branch*****	Awaiting FCDL	80%	0				
2018	Eloy ESD	In process	90%	289				
2018	Eloy Santa Cruz Library	In process	90%	0				
2018	Florence Community Library	In process	80%	0				
2018	Florence USD	In process	80%	9343				
2017	FRANKLIN PHONETIC	Complete	90%	464				
2019	Gila County District Library	In process	90%	0				
2019	Globe Public Library	In process	80%	0				
2019	Globe Unified School District	In process	80%	1709				
2018	Greer Library	In process	85%	0				
2019	Hayden Public Library	In process	90%	0				
2019	Hayden-Winkleman USD	In process	90%	268				
2017	Hillside School	Complete	70%	22				
2017	Humboldt Unified School District	Complete	80%	5631				
2019	Isabelle Hunt Memorial Library	In process	90%	0				
2017	JEROME PUBLIC LIBRARY	Complete	80%	0				
2019	Jimmy Libhart Branch*****	Awaiting FCDL	80%	0				
2018	Kearny Public Library	In process	80%	0				
2018	La Paz County Library - Bouse	In process	90%	0				
2018	La Paz County Library - Centennial	In process	n/a	0				
2017	LA TIERRA	Complete	90%	90				
2019	Liberty HS	In process	90	125				
2018	Mammoth Library	In process	80%	0				

# Full Site Listing

Year	District	Status	NSLP Discount Percentag	Student Count	Total Erate Portion	State Matching Portion	School Portion	Total Funding Request to USAC
2018	Mammoth San Manuel USD	In process	80%	85				
2018	Maricopa Public Library	In process	80%	0				
2017	MAYER PUBLIC LIBRARY	Complete	90%	0				
2017	Mayer School District	Complete	90%	566				
2017	Mcnary School District	In process	90%	134				
2018	Mexicayotl Academy, Inc.	Cancelled	90%	180				
2019	Miami Memorial Library	In process	90%	0				
2019	Miami USD	In process	90%	0				
2017	MIJTED	Complete	85%	135				
2017	MINGUS SPRINGS	Complete	90%	174				
2017	Mingus Union School	Complete	90%	894				
2017	MOUNTAIN OAK	Complete	90%	132				
2018	Nogales Library	Cancelled	90%	0				
2018	Nogales Unified District	Cancelled	90%	5738				
2017	NORTHPOINT	Complete	90%	168				
2018	Oracle ESD	In process	80%	638				
2018	Oracle Public Library	In process	80%	0				
2017	PACE	Complete	90%	98				
2018	Parker Apostolic Church School	In process	90%	0				
2018	Parker Public Library**	In process	90%	0				
2018	Parker USD	In process	90%	2024				
2018	Patagonia High School District	Cancelled	90%	67				
2017	PAULDEN COMMUNITY	Complete	90%	106				
2017	PAULDEN PUBLIC LIBRARY	Complete	90%	0				
2019	Payson Christian School	In process	85%	90				
2019	Payson Public Library	In process	85%	0				
2019	Payson USD	In process	80%	2453				
2019	Peridot Lutheran	In process	90%	141				
2018	Picacho ESD	In process	90%	187				
2018	Pinal County Library - Florence	In process	80%	0				
2019	Pine - Strawberry	In process	80%	138				
2019	Portal Branch	Awaiting FCDL	80%	0				
2017	PRESCOTT PUBLIC LIBRARY	Complete	80%	0				
2017	Prescott Unified School District	Complete	60%	4215				
2017	PRESCOTT VALLEY CHARTER	Complete	90%	295				
2017	PRESCOTT VALLEY PUBLIC LIBRARY	Complete	90%	0				
2018	Quartzsite ESD (142989) - Ehrenberg	In process	90%	57				
2018	Quartzsite ESD (142989) - Quartzsite	In process	90%	149				
2018	Quartzsite Public Library**	In process	90%	0				
2018	Ray USD	In process	80%	444				
2017	Red Mesa Unified School District	In process	90%	720				
2018	Rio Rico Library	Cancelled	90%	0				

# Full Site Listing

Year	District	Status	NSLP Discount Percentag	Student Count	Total Erate Portion	State Matching Portion	School Portion	Total Funding Request to USAC
2017	Round Valley	In process	70%	1422				
2018	Round Valley Library	In process	85%	0				
2018	Sacaton ESD	In process	90%	577				
2018	Sacred Heart Catholic School	Cancelled	90%	197				
2019	San Carlos	In process	90%	1530				
2019	San Carlos Public Library	In process	90	0				
2018	San Manuel Public Library	In process	90%	0				
2019	San Simon USD**	Awaiting FCDL	80%	116				
2018	Sanders Library	In process	85%	0				
2017	Sanders USD	In process	90%	823				
2018	Santa Cruz Valley UHSD	In process	90%	3391				
2017	Sedona - Oak Creek SD	Complete	70%	1220				
2017	SEDONA CHARTER	Complete	80%	126				
2017	SEDONA PUBLIC LIBRARY	Complete	80%	N/A				
2017	SELIGMAN PUBLIC LIBRARY	Complete	90%	N/A				
2017	Seligman SD	Complete	80%	147				
2017	SKYVIEW SCHOOL	Complete	90%	211				
2018	Sonoita Elementary District	Cancelled	70%	122				
2018	Sonoita Library	Cancelled	70%	0				
2019	St Charles Parochial	In process	70%	75				
2018	St Johns Library	In process	85%	0				
2017	St Johns USD	In process	80%	852				
2019	St. David USD*	Awaiting FCDL	70%	362				
2018	Stanfield ESD	In process	90%	515				
2019	Sunizona Branch	Awaiting FCDL	80%	0				
2019	Sunsites Branch	Awaiting FCDL	80%	0				
2018	Superior Public Library	In process	90%	0				
2018	Superior USD	In process	90%	381				
2018	Toltec ESD	In process	90%	1018				
2019	Tombstone USD	Awaiting FCDL	80%	902				
2019	Tonto Basin	In process	80%	62				
2019	Tonto Basin Community Library	In process	80%	0				
2017	TRI-CITY	Complete	90%	217				
2018	Tubac Library	Cancelled	90%	0				
2017	VACTE CONSTRUCTION CAMPUS	Complete	90%	50				
2017	VACTE MEDICAL CAMPUS	Complete	90%	20				
2017	Vernon Elementary	In process	90%	111				
2018	Vernon Library	In process	85%	0				
2018	Wenden ESD	In process	90%	96				
2019	Wilcox USD	Awaiting FCDL	80%	1093				
2017	WILHOIT PUBLIC LIBRARY	Complete	90%	0				
2017	YARNELL PUBLIC LIBRARY	Complete	90%	0				

# Full Site Listing

Year	District	Status	NSLP Discount Percentag	Student Count	Total Erate Portion	State Matching Portion	School Potion	Total Funding Request to USAC
2017	Yamell School District	Complete	90%	37				
2017	YAVAPAI ACCOMODATION	Complete	80%	168				
2019	Yavapai Consortium	Complete	85%	0				
2017	YAVAPAI COUNTY LIB DISTRICT	Complete	90%	0				
2019	Young Public Library	In process	90%	0				
2019	Young School	In process	90%	24				
2018	Alpine School District	In process	85%	71				
2018	Apache Junction Library	In process	80%	0				
2017	Ash Fork School District	Complete	80%	237				
2018	Patagonia Elementary School District	Cancelled	90%	77				

## ▶ ARIZONA BROADBAND FOR EDUCATION INITIATIVE

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This program has been hugely successful and is a model for other states in providing high speed internet access to schools in rural areas. Made possible by;

Funding for this initiative:

- Governor's Office – Doug Ducey
- Arizona Corporation Commission

Fully Supported by:

- Arizona Department of Administration - Director Andy Tobin
- Arizona Corporation Commission - Commissioner Lea Marquez Peterson
- Arizona State School Superintendent – Kathy Hoffman
- Education SuperHighway
- Apache County School Superintendent – Barry Williams
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- Cochise County School Superintendent – Jacqui Clay
- Gila County School Superintendent – Roy Sandoval
- Navajo County School Superintendent – Jalyn Gerlich
- La Paz County School Superintendent – Jacqueline Price
- Coconino County School Superintendent – Risha Vanderway
- Santa Cruz County School Superintendent – Alfredo Velasquez
- Yuma County School Superintendent – Tom Tyree
- Mohave County School Superintendent – Mike File

For questions or concerns regarding the “Arizona Broadband for Education Initiative”, contact:

**Milan Eaton**

**State Erate Director for Schools**

**[Milan.eaton@azed.gov](mailto:Milan.eaton@azed.gov)**

**623-332-6357**

**<http://www.broadband4arizona.com/>**







STATE OF ARIZONA

## Joint Legislative Budget Committee

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DATE: September 16, 2020

TO: Members of the Joint Legislative Budget Committee

FROM: Patrick Moran, Principal Fiscal Analyst

SUBJECT: Arizona Department of Education - Review of AzM2 Contract

### Request

Pursuant to A.R.S. § 15-741.03, the Arizona Department of Education (ADE) requests Committee review of its proposed new statewide assessment contract for AzM2 (formerly called "AzMERIT").

### Committee Options

The Committee has at least the following 2 options:

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

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

- A. On or before October 15, ADE shall report the status of all contracts for all portions of the statewide assessment and the menu of assessments, including exam vendors, pricing agreements, and an estimate of the number of students taking each exam in FY 2022.

### Key Points

- 1) ADE is proposing a new contract to replace the AzM2 exam (formerly called "AzMERIT") in FY 2022.
- 2) AzM2 costs would increase from \$13.9 million to \$17.5 million, or \$3.6 million in FY 2022.
- 3) The cost per exam for high schoolers is increasing from \$21.83 to \$39.15 due to replacement of the AzM2 exam with the ACT as the default statewide assessment for high schoolers.
- 4) The number of statewide assessment exams for high schoolers will also increase from 1 exam currently (only 10<sup>th</sup> graders) to 2 exams (9<sup>th</sup> or 10<sup>th</sup> grade, and 11<sup>th</sup> grade).
- 5) ADE is requesting \$5.0 million in FY 2022 to cover the cost increase for AzM2 and other exams.

(Continued)

## Analysis

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

### 5-Year Assessment Plan

In 2019, SBE approved a 5-year assessment plan for Arizona public schools that requires the AzM2 test (formerly called "AzMERIT") to be replaced with a new single statewide assessment that will continue to exist in parallel with "menu of assessment" (MOA) exams authorized by A.R.S. § 15-741.02. MOA exams currently exist only for high school pupils. A summary of the SBE-approved 5-year assessment plan appears in *Table 1*.

<b>Table 1</b>		
<b><u>5-Year Assessment Plan</u><sup>1/</sup></b>		
<b><u>Fiscal Year</u></b>	<b><u>Grades 3 – 8</u></b>	<b><u>High School</u></b>
2019	AzMERIT	AzMERIT (Grades 9 -11) or MOA exam (SAT or ACT)
2020	AzM2 <sup>2/</sup>	AzM2 <sup>2/</sup> (Grade 10 only) (mandatory) + MOA exam (optional) (ACT, Cambridge, Pearson)
2021	AzM2 <sup>2/</sup>	AzM2 <sup>2/</sup> (Grade 10 only) (mandatory) + MOA exam (optional) (ACT, Cambridge, Pearson & TBD)
2022 - 2024	New Single Statewide Assessment (NSSA)	Nationally Recognized College Entrance Assessment administered in 9 <sup>th</sup> or 10 <sup>th</sup> Grade and 11 <sup>th</sup> Grade <u>OR</u> different (MOA) Nationally Recognized College Entrance Assessment Administered in 9 <sup>th</sup> or 10 <sup>th</sup> and 11 <sup>th</sup> Grade
<sup>1/</sup> Starting in FY 2020.		
<sup>2/</sup> Previously called AzMERIT.		

Through FY 2021, The 5-year plan requires all students in grades 3-8 and 10<sup>th</sup> Graders to take AzM2 tests in Math and English Language Arts (ELA). LEAs may, at their option, also administer a MOA exam to 11<sup>th</sup> graders that is in addition to the mandatory AzM2 exam. For FY 2021, approved MOA exams include the ACT, SAT, and Cambridge exams.

Beginning in FY 2022, pupils in grade 3-8 will take a new statewide assessment that will replace the AzM2 exam. At its June 22, 2020 meeting, SBE adopted ADE's recommendation that the contract for the development of the new statewide assessment be awarded to NCS Pearson. High school students, however, will instead be required to take a "Nationally Recognized College Entrance Assessment" in the 9<sup>th</sup> or 10<sup>th</sup> Grade and in 11<sup>th</sup> Grade. The College Entrance Assessment will serve as the statewide assessment for high school students. At its June 22, 2020 meeting, the State Board of Education adopted ADE's recommendation to select the ACT as the Nationally Recognized College Entrance Assessment. The Menu of Assessments option for LEAs that opt not to administer the ACT will be the SAT. Cambridge exams will therefore no longer be an option under the Menu of Assessments program.

(Continued)

Estimated Testing Contract Costs

Under the current contract for FY 2021, ADE estimates that the AzMERIT exam will generate costs of approximately \$13.9 million, including:

- \$12.2 million for tests administered to approximately 549,000 pupils in grades 3 through 8 at an average cost per test of \$22.24 (includes both ELA and Math).
- \$1.7 million to administer to 80,000 pupils in grade 10 at an average cost per test of \$21.83 (includes both ELA and Math).

Under ADE's proposed contract with NCS Pearson, total statewide assessment costs would be \$17.5 million in FY 2022, or an increase of \$3.6 million, including:

- \$10.6 million for tests administered to 552,000 pupils in grades 3 through 8 at an average cost per test of \$19.18, resulting in a decrease of \$(1.6) million compared with FY 2021.
- \$6.9 million for ACT tests administered to 175,000 high schoolers once in 9<sup>th</sup> or 10<sup>th</sup> grade and again in 11<sup>th</sup> grade at a cost of \$39.15 per exam. The \$6.9 million represents a cost increase of \$5.2 million compared with FY 2021. The increase is based on the higher the cost per exam (\$39.15 versus \$21.83) and number of pupils taking the exam (175,000 versus 80,000).

While ADE has selected NCS Pearson as the vendor for AzM2, it will not formally sign the contract until after the Committee has reviewed the contract.

The above increases do not include any additional costs associated with LEAs that choose to administer the SAT instead of the ACT under the Menu of Assessments program. ADE estimates that the SAT costs \$53-68 per exam, compared to \$39.15 for ACT. ADE's current estimate is that the SAT will add an estimated \$3.6 million to ADE's total testing costs in FY 2022, but the actual cost will depend on how many LEAs decide to adopt the SAT in lieu of the ACT, which is unknown. The \$3.6 million represents a \$600,000 cost increase for MOA compared with FY 2021.

ADE estimates that its total testing costs will rise from \$28.8 million in FY 2021 to \$37.5 million in FY 2022, or an increase of \$8.7 million. The AzM2 contract only accounts for \$3.6 million of the \$8.7 million increase. ADE projects, however, that it only has \$32.5 million in combined resources from the General Fund, Proposition 301 monies, and federal monies to cover its testing budget. As a result, in its FY 2022 budget submittal, ADE is requesting an ongoing increase of \$5.0 million from the General Fund to cover cost changes in its testing budget.

Given ADE is projecting cost increases for other tests besides the AzM2, the Committee may consider Provision A, which would require ADE to provide a status update on contracts for all other portions of the statewide assessment, including exam vendors, pricing agreements, and an estimate of the number of students taking each exam in FY 2022.

PM:kp



**Arizona Department of Education**  
Office of Superintendent Kathy Hoffman

September 2, 2020

The Honorable David Gowan  
Chairwoman, Joint Legislative Budget Committee  
Arizona State House of Representatives  
1700 West Washington Street  
Phoenix, AZ 85007



Dear Senator Gowan,

The purpose of this letter is to request that one item be included on the agenda for consideration at the next meeting of the Joint Legislative Budget Committee (JLBC) in order to fulfill the statutory requirements as outlined in A.R.S. 15-741.03, which prohibits the Arizona Department of Education (Department) from renewing any portion of a statewide assessment contract or reestablishing a new contract for any portion of the statewide assessment without JLBC review.

In 2019, the Arizona State Board of Education adopted a 5-year assessment plan which includes the adoption of a new assessment for administration in FY 2022 after the contract for AzM2 (previously AzMERIT) expires. At the June 2020 meeting, the State Board of Education approved NCS Pearson as the new vendor for the statewide assessment beginning in FY 2022. However, due to language in A.R.S. 15-741.03, the Department has not been able to implement the contract until it goes through JLBC review. This item is to review the contract award for the statewide assessment in FY 2022 to replace AzM2.

This submission contains the following documents:

- The award letter to NCS Pearson
- The award determination/notice of award
- A spreadsheet comparing assessment costs from AzMerit/AzM2 to the newly awarded assessment
- An executive summary from the RFP process
- The executive summary for the State Board of Education Meeting

As noted in the cost comparison document, while cost between AzM2 and the new assessment are relatively comparable, the Department will need additional assessment appropriations for FY 2022 and has submitted a budget request for \$5 million annually. This budget request is to fund the new statewide assessment in addition to the other assessments (MSAA, AzSci, Science Alternate Assessment, AZELLA and the menu of assessments). The increased cost comes from the addition of a second high school assessment in both ELA and math, additional field testing on Arizona developed assessment items, new science assessments aligned to Arizona's standards, standard setting, transitioning AZELLA to align with new English Language Proficiency Standards and ensuring menu of assessment tests are comparable and can be used in school accountability measures.

For FY 2022, the Department will not have any carryover Proposition 301 funds to cover assessment costs and is currently expecting a total of \$32.5 million in allocations for FY 2022 as follows:

- \$7.2 million from Title VI-A federal grant allocations
- \$5.1 million from state allocations for AZELLA testing
- \$7 million from Proposition 301 allocations
- \$9.4 million from state testing allocations.

The Department is anticipating a total assessment cost of \$37.5 million for FY 2022 resulting in the \$5 million shortfall, which is included in the Department's FY 2022 budget submission.

Please do not hesitate to contact my office with any questions or if there is additional support documentation that would be helpful.

Sincerely,

A handwritten signature in black ink that reads "Callie Kozlak". The script is cursive and fluid.

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