STATE OF ARIZONA

Joint Legislative Budget Committee

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HOUSE OF REPRESENTATIVES

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JOINT LEGISLATIVE BUDGET COMMITTEE
Wednesday, September 28, 2005
9:30 a.m.
House Hearing Room 4

MEETING NOTICE

- Call to Order

- Approval of Minutes of September 1, 2005.

- DIRECTOR'S REPORT (if necessary).

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

1. ARIZONA BOARD OF REGENTS
   A. Review of Operational and Capital Plans for the Phoenix Medical Campus.
   B. Review of FY 2006 Tuition Revenues.

2. DEPARTMENT OF ECONOMIC SECURITY - Review of Arizona Specific Child Protective Services Caseloads.

3. JLBC STAFF - Consider Approval of Index for Construction Costs.

4. ARIZONA DEPARTMENT OF ADMINISTRATION
   A. Consider Approval of Mileage Reimbursement for State Travel by Motor Vehicles & Report on Tiered Rate Mileage Reimbursement System.
   B. Review of Risk Management Deductible.

The Chairman reserves the right to set the order of the agenda.
09/19/05

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HOUSE OF REPRESENTATIVES

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

September 1, 2005

The Chairman called the meeting to order at 9:40 a.m., Thursday, September 1, 2005, in House Hearing Room 4. The following were present:

Members:	Representative Pearce, Chairman	Senator Burns, Vice-Chairman
	Representative Biggs	Senator Bee
	Representative Boone	Senator Garcia
	Representative Burton Cahill	Senator Harper
	Representative Gorman	Senator Martin
	Representative Huffman	Senator Waring
	Representative Lopez	
	Representative Tully	
Absent:		Senator Arzberger
		Senator Cannell

APPROVAL OF MINUTES

<u>Representative Pearce moved</u> *that the Committee approve the minutes of July 21, 2005 as amended.* The motion carried.

EXECUTIVE SESSION

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

At 9:43 a.m., the Joint Legislative Budget Committee went into Executive Session to discuss the Arizona Department of Administration Risk Management Services Proposed Settlement under Rule 14 and the FY 2006 State Retiree Health Insurance Contribution Strategy.

<u>Senator Burns moved</u> *that the Committee reconvene into open session.* The motion carried.

At 11:35 a.m. the Committee reconvened into open session.

Representative Pearce said the Committee would not make a motion on the Risk Management Proposed Settlement under Rule 14 until more information could be provided.

<u>Senator Burns moved</u> *that the Committee, relative to Item B of Executive Session, approve the JLBC Staff recommendation that ADOA report back to the Committee possible ways to help retirees understand the difference between the ADOA and ASRS systems prior to the close of open enrollment.* The motion carried.

AHCCCS - Review of Capitation Rate Change.

Mr. Stefan Shepherd, JLBC Staff, said this item is a review of a capitation rate change. Most of the increase is related to cost increases in utilization, pharmacy, physicians and in-patient health benefits. The remainder is primarily adjustments for administrative and outpatient/emergency room increases. In total, the changes are estimated to create a shortfall of approximately $14 million General Fund and $14 million County Match in the FY 2006 AHCCCS budget, although that could change depending on actual caseloads levels. In addition to the options provided to the Committee by JLBC Staff on the capitation rate, they also recommend that the Committee ask AHCCCS for a response on their plans for using contractors' prior performance in evaluating their responses for a Request for Proposals that AHCCCS will issue for on the ALTCS plan.

<u>Senator Burns moved</u> *that the Committee give a favorable review to the AHCCCS capitation and fee-for-service inflationary rate changes with the stipulation that the favorable review does not constitute an endorsement of a supplemental request, and that AHCCCS provide a response on their plans for using contractors prior performance in evaluating their responses for a Request for Proposals that AHCCCS submitted for the ALTCS plan.* The motion carried.

DEPARTMENT OF ECONOMIC SECURITY (DES) – Review of Proposed Implementation of Developmental Disabilities Provider Rate Increase.

Mr. Russell Frandsen, JLBC Staff, said currently in FY 2005 the rates are at 95.75% of the FY 2005 benchmark. The department received $6 million to raise those rates to 97.61% of the FY 2005 benchmark. When adjusting the FY 2005 benchmark for inflation by 3.2%, as recommended by the federal Home Health Agency Market Basket, the real rate in FY 2006 will be 94.58%. Also, the department will not be able to meet its September 15 deadline for reimbursement but plans to have it done by November 15.

<u>Senator Burns moved</u> *that the Committee give a favorable review to the DES implementation plan for the Developmental Disabilities Provider rate increase.* The motion carried.

DEPARTMENT OF PUBLIC SAFETY (DPS) – Quarterly Review of the Arizona Public Safety Communications Advisory Commission (PSCC).

Mr. Martin Lorenzo, JLBC Staff, said in FY 2005 the PSCC hired 5 of 9 positions and expended approximately $520,000 of their $5 million appropriation. Of this amount, approximately $161,000 was expended in the fourth quarter. Regarding the positions, PSCC has only filled 5 of 9 positions. Currently, they are in the process of drafting the job description for the technical writer position as well as advertising the 3 available telecommunication engineer positions nationwide. The PSCC has indicated they have conducted interviews for the 3 telecommunication engineer positions but have been unsuccessful in finding qualified candidates due to the department's salary levels. The PSCC original expenditure plan assumed higher salary levels for the 3 engineer positions than the DPS classification/ compensation schedule allows.

The PSCC provided an updated timeline with specific goals and objectives for completion during FY 2006. Based on the revised timeline, the PSCC will begin to identify potential technical solutions for interoperability in mid FY 2006 (originally scheduled for early FY 2007), leading to the implementation of a pilot project in FY 2008 (previously not included in timeline). The PSCC anticipates fostering a full deployment plan in the beginning of FY 2009, consistent with the estimated completion date in the original timeline. Previously not indicated in the original timeline, the PSCC's estimates statewide interoperability will be achieved at the beginning of FY 2014.

The JLBC Staff recommends that in the next quarterly report DPS include progress relative to the updated timeline, as well as the extent of the PSCC involvement with the DEMA "short-term" interoperability solution and how the "short-term" solution will integrate with PSCC's solution.

Senator Waring questioned the lapsing of the $2 million of their appropriation.

Representative Pearce said they essentially got more money than they needed. It was an estimate when it was given to them.

Mr. Curt Knight, Department of Public Safety, said there was a delay in startup in hiring staff and setting up the office. The actual operation of the office did not begin until mid to late October 2004.

Representative Pearce said he knows this is a huge undertaking in terms of the direction of this project. He asked when there would be a comprehensive timeline available for the Committee regarding what the long-term liability is on this issue and how we can go forward on it.

Mr. Knight said that they anticipate in FY 2008 or FY 2009 actually publishing the long-term deployment plan. They will have selected a solution(s), piloted it and proved it useful.

Senator Waring asked if they are caught up since they got a late start. Also, regarding the $300 million figure, if the project is not going to be done until 2014 how do they project something like that with technology changing so fast.

Mr. Knight said that at this point they are probably behind the power curve. They have not hired all the staff they hope to, especially the technical staff. He said the $300 million figure came from a study that was completed in July 2004. Consultants said the estimate of $300 million would provide an integrated system across all public safety in Arizona to provide significant improvements to the radio interoperability.

Representative Pearce said that since the $300 million is a 2004 figure, will PSCC report back with what the basic system is and what the one with all the bells and whistles is so the Committee can decide what is needed in order to move forward.

Mr. Knight said that they would return to the Committee with that information.

Representative Huffman asked about the lag of 5 years in the DPS timeline.

Mr. Knight said that the start of the 5-year lag is at the end of the identifying phase and piloting the solution(s). The detailed design is ready to go to bid at that time. They also put a high priority on having a microwave solution in place as part of the solution to go forward.

In response to Representative Huffman, Mr. Knight said that they are staying on top of changes in bandwidths (700 MHz). They are also monitoring the rebanding of the 800 MHz that comes forth from a federal initiative based on the cell phone interference.

Senator Burns moved that the Committee request that the next quarterly report include an explanation regarding accomplishments that directly relate to the updated timeline. In addition, the report should include information regarding the extent of the PSCC's involvement with the Department of Emergency and Military Affairs (DEMA) "short-term" interoperability solution and an explanation of how DEMA's "short-term" solution is anticipated to integrate with the PSCC's "permanent" interoperability solution. The motion carried

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) – Review of Emergency Telecommunication Services Revolving Fund Expenditure Plan.

Mr. Tyler Palmer, JLBC Staff, said this item is a review of the wireless expenditure plan from the Emergency Telecommunication Services Revolving Fund. In distributing these monies ADOA provides an oversight and management role. The FY 2006 emergency plan has a $13.4 million wireless portion budgeted. Of that, approximately half is for ongoing costs and the other half is for one-time charges. By October 2005 Maricopa County will finish their Phase II deployment and will join Pima County as the only other county in the state with Phase II deployment. With the completion of Pima County and Maricopa Region, 80% of the access lines in Arizona will be Phase II compliant. At the end of FY 2008 ADOA projects a deficit of about $9 million in this revolving fund. This will grow to approximately $25.8 million by the end of FY 2010.

Another issue that needs to be resolved is a disagreement on how the statute should be interpreted between the Department of Revenue (DOR) and ADOA. DOR maintains that internet phones should be taxed and currently are taxed. ADOA says they are not taxed.

Senator Burns asked why the cost estimate increased significantly since the last report.

Ms. Barbara Jaeger, 911 Administrator, said actually the cost for deployment for Phase II has reduced. They had a $17 million negotiation with several carriers. At this point in time they have only paid out 1 carrier Phase II one-time cost, both in Pima and Maricopa County, which leaves 7 additional carriers that they have to pay out this next fiscal year. At this point, they have no history of recurring charges from the carriers.

Mr. Richard Stavneak, Director, JLBC Staff, referred members to a chart (Attachment A) that shows total expenditures in this fund compared to last year. When you look at the long-run costs they are about $8 million to $10 million higher than they were last year.

Ms. Jaeger said that those costs were not paid out in the last fiscal year so they rolled over to the next fiscal year to pay out.

Mr. Stavneak said that the chart shows that through FY 2010 they were previously projecting expenditures in the $20 million range and now those expenditures, in terms of the current estimate, are as high as $41 million.

Senator Burns asked how Arizona compares with other states and where does Arizona fit in with deployment around the country.

Ms. Jaeger said they are making significant progress on their tax. They provided to the Committee an overview of what the taxes are nationwide. Most of the taxes are increasing, however, our tax is very low. With regards to deployment, after October they will have 80% deployed, which is extremely high. Some states have only deployed Phase I. They are planning, in the next fiscal year, deploying Phase II in the northern part of Yavapai County.

In response to Senator Martin, Ms. Jaeger said the tax does not expire, it goes down to a minimum of 20¢ in FY 2008. She also stated that in FY 2003 $12 million was transferred out of the Emergency Telecommunications Revolving Fund into the General Fund and an additional $3 million in FY 2004.

Senator Burns moved that the Committee give a favorable review to the $13.4 million wireless portion of the Emergency Telecommunication Services Revolving Fund expenditure plan, with the provision that ADOA report back to the Committee by April 1, 2006 concerning the following:

- *The basis for long-term revenues and expenditures*
- *The estimated costs to implement Phase I and Phase II*
- *The historical cost to support ongoing services for each of the following: basic 911, enhanced 911 with automatic number identification (ANI), enhanced 911 with automatic location identification (ALI), wireless Phase I, and wireless Phase II*
- *The current annual operating costs and the annual operating costs assuming full deployment*

The motion carried.

ATTORNEY GENERAL – Review of Uncollectible Debts.

Ms. Leah Ruggieri, JLBC Staff, said this item is a request by the Attorney General for Committee review of its FY 2004 listing of $10.7 million in uncollectible debts referred to the Attorney General by state agencies. A favorable review by the Committee will allow the State Comptroller to remove debt, certified by the Attorney General as uncollectible, from the state accounting system. Approximately 81% are debts that were owed to 4 agencies, the Registrar of Contractors (ROC), the Arizona Department of Revenue, the Industrial Commission, and the Motor Vehicle Division. The remaining 19% are debts owed to 34 other agencies.

Senator Garcia asked why the uncollectible debt is so large for the Registrar of Contractor.

Mr. Stavneak said there are a lot of contractors that owe fines to the ROC and they then choose to go bankrupt rather than pay the fines or other fees, and those are what are appearing on the report.

Mr. Mike Kempner, Section Chief Counsel, Attorney General's Office, said at this time he did not know why there was such debt for the ROC.

Senator Burns asked if the Attorney General's Office uses any private contractors for debt collection.

Mr. Kempner said they do not generally use them for collections in Arizona. However, they do hire them for out-of-state collections. He said they have enough people to handle the debtors in Arizona.

Representative Pearce asked what the Attorney General's Office does to make sure that these debtors are not still living in a million dollar house, and if they do have any assets, what is being done to collect from them.

Mr. Kempner said that they have units that do nothing but try to collect debts. In the Bankruptcy Division they currently have 3 attorneys and are going to hire 1 more, plus the secretarial staff and 1 paralegal. In the State Court Collections Unit they have 4 full-time attorneys that do nothing but work on debt collection. These cases are open anywhere from between 2 years and 9 years before they are closed out. He said they file liens, and the debts that are being written off must be satisfied first.

Senator Burns asked if they have a method for tracking the cost of these collections and average cost to collect debt since it requires so many resources.

Mr. Kempner said that in FY 2004 the collection rate was 26.2%.

Representative Pearce asked what that meant in actual expenses.

Mr. Kempner said that he did not have that information but could provide it to the Committee. He said it would probably be calculated on the basis of the salaries of personnel, which would be the biggest cost. Most of the out-of-pocket expenses are for people who go out of state.

Senator Burns moved that the Committee give a favorable review, as recommended by JLBC Staff, to the Attorney General's FY 2004 listing of $10.7 million in uncollectible debts. The motion carried.

ARIZONA COMMISSION ON THE ARTS – Review of the Arizona Arts Endowment fund and Private Contribution.

Ms. Leatta McLaughlin, JLBC Staff, said each year the Committee reviews what the Commission receives in private monies that are donated for use in conjunction with public monies. In CY 2004 the Commission received $5 million in private donations. This was a $3 million increase from the previous calendar year. This increase is due to an improving economy and better communication with arts organizations.

Representative Pearce said that the commitment from the General Fund is $20 million with the Commission becoming self-sustaining after 2009, under present statute. He said he does not like to see long-term commitments against the General Fund that is unpredictable from year to year. He felt like it would be beneficial to just go ahead and make the full payment now, which would be $6 million.

Senator Harper said that he agrees with the principle of any budget surplus from the last budget, be spent primarily on one-time items so that the spenders do not try to put it in the base from year to year.

Senator Burns asked how the Commission is going to make up the difference once they stop receiving money from the General Fund.

Ms. Shelley Cohn, Executive Director, Arizona Commission on the Arts, said that it was her understanding that it was contributions to the Arts Endowment. She hoped they would continue to support the range of financial support for the Arts. She said that there has been a great effort on behalf of the Commission and the Arts community to look to long-term funding and building endowments over time. That is a product of the maturity and growth of the Arts community. As they are managing their own annual operating budgets they are looking towards the future.

Senator Waring noted that contributions have been up and down, and asked why there are such extremes.

Ms. Cohn said that in the context of endowment giving, it is not something that people give to each year. They give to the annual funds on a regular basis but endowment giving is not on an annual basis.

Senator Burns moved that the Committee give a favorable review, as recommended by JLBC Staff, of the Arizona Arts Endowment Fund and Private Contributions report. The motion carried.

Chairman Pearce adjourned the meeting at 12:15 p.m.

Respectfully submitted:

Cheryl Kestner, Secretary

Richard Stavneak, Director

Representative Russell Pearce, Chairman

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

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DATE: September 21, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Shelli Carol, Fiscal Analyst

SUBJECT: Arizona Board of Regents – Review of Operational and Capital Plans for the Phoenix Medical Campus

Summary

The FY 2006 Higher Education Budget Reconciliation Bill (Laws 2005, Chapter 330) directs the University of Arizona (UA), based in Tucson, to establish a medical campus of its Health Sciences Center (AHSC) at the former site of Phoenix Union High School (PUHS). To support the Phoenix Medical Campus (PMC), Chapter 330 appropriates $6 million from the General Fund to AHSC, as well as $1 million from the General Fund to create the Arizona State University (ASU) Department of Biomedical Informatics. Of the $7 million appropriation for the new campus, Chapter 330 provided only $3.5 million on July 1, 2005. The remaining $3.5 million will become available upon Committee review of the PMC plans, but no later than October 5, 2005.

At its July 2005 meeting, the Committee received an initial report on PMC and generated preliminary questions. Pursuant to Chapter 330, the Arizona Board of Regents (ABOR) submitted for Committee review detailed operational and capital plans for PMC, including 20-year budget projections, on September 1. ABOR also submitted answers to the preliminary questions on September 7. *(To receive additional copies of these submissions, please contact JLBC Staff.)*

The Joint JLBC/JCCR Subcommittee on the Phoenix Medical Campus deliberated on those reports during its September 15 meeting and forwarded them to the full Committee with the caution that several key questions remain unanswered and the recommendation of a provision that review does not constitute endorsement of any monies for PMC beyond $7 million. JLBC Staff sent a list of key questions to the university presidents on September 16. *(Please see Attachment A.)*

The highlights of the current PMC plan are as follows:

- Chapter 330 limited PMC to one class of 24 students, at an annual operating expense of $7 million. In FY 2006, UA will use $2.9 million to purchase equipment, $1.9 million to hire PMC faculty, and $1.2 million to fund staff and operational expenses, while ASU will use the remaining $1 million to hire faculty and staff for its Department of Biomedical Informatics. UA budgeted faculty and staff salaries for a full year, although all personnel were not in place at the beginning of FY 2006. If the FY 2007 appropriation remains at $7 million,

(Continued)

$1 million would finance lease costs, $3.3 million would pay PMC faculty salaries, $1.4 million would fund PMC staff salaries, $0.3 million would cover general operating expenditures, and $1 million would support the Bioinformatics Department.

- The first class will begin in fall 2007, housed in 90,000 square feet of 3 renovated buildings on a 4.8 acre campus. UA will finance the $19 million renovations through 30 years of $1.5 million lease payments, of which the General Fund appropriation will pay $1.0 million annually.
- The universities continue to hope for legislative support to expand PMC, explaining that private support would not precede state support. In FY 2007, UA does not anticipate requesting a General Fund appropriation greater than $6 million for PMC, but ASU plans to request $2 million for its Bioinformatics Department, for a total of $8 million. By FY 2009, the universities propose housing 128 medical students, 204 science graduate students, and 30 bioinformatics students at a General Fund cost of $15.5 million. By FY 2025, the universities plan for 680 medical students, 1,660 science students, and 140 bioinformatics students at a General Fund cost of $49 million.
- In the last year of Level I and every year thereafter, science graduate students supporting the PMC research mission would outnumber medical students.
- PMC growth would eventually require construction of 10 new structures, of at least 1.2 million square feet, costing over $460 million. The universities have not identified the land or funding sources for many of these projects.
- A national healthcare consulting firm states that the most likely growth scenario for PMC could provide $15.4 million in new state revenues and 6,400 new jobs by FY 2010 and $44.1 million in new state revenues and 14,600 new jobs by FY 2025. JLBC Staff has not had sufficient opportunity to analyze these results.
- If a physician shortage exists or will exist in Arizona, it is most likely to affect rural areas. The correlation between increases in medical school graduates and increases in Arizona physicians, especially in rural areas, is unclear and merits further study.
- When Arizona medical school graduates choose to practice in-state, residencies must be available for them. Of currently practicing Arizona physicians, 30% completed residencies here, suggesting a need to increase positions, which has not occurred substantially in over a decade. However, because the state currently has around 1,100 residency positions, UA believes in-state graduates would replace out-of-state graduates in Arizona residency positions.
- According to a UA consultant, PMC would likely require an on-site hospital to reach excellence. Whether or not UA chooses to construct this hospital, the consultant believes existing Phoenix hospitals would probably perceive continuing growth of PMC as a threat, would lobby against it, and would not provide opportunities for its students.

Recommendations

The Committee has, at least, the following options:

1) A favorable review, with the provision that this does not constitute endorsement of any level of General Fund appropriations for the Phoenix Medical Campus.

2) An unfavorable review. However, given that Laws 2005, Chapter 330 provides the Committee authority for only review, UA and ASU will still receive the remainder of their FY 2006 PMC appropriation on October 5.

PMC Justification

Physician Shortage

UA claims that a physician shortage exists in Arizona and that PMC can alleviate some of this shortage. Various industry experts are predicting nationwide physician shortages, although such estimates have proven highly unreliable in the past. However, medical industry trends, including an aging overall population, an aging population

(Continued)

of physicians (44% of Arizona physicians are over 50 years old), growing demand for healthcare beyond life-sustenance as a lifestyle-enhancing product, an increase in lifestyle-related illnesses (such as diabetes and heart disease), and an increase in the number of treatable diseases, may well point to future physician shortages. If such shortages are on the horizon, physician training requires a 5 to 13-year lead time, depending on specialization.

According to a physician workforce study, conducted primarily by the ASU W.P. Carey School of Business, Arizona has 207 physicians per 100,000 people, compared to 283 nationally. This comparison may not be straightforward, as population characteristics and medical productivity vary the needs for physicians in different areas. More importantly, while Maricopa County, at 220, and Pima County, at 276, are closer to the national average, 6 rural counties have ratios lower than 100 and 5 more have ratios lower than 200, with Apache County possessing only 48 physicians per 100,000 people.

Historically, 92% of UA medical graduates enter practice. The next largest employment category is government, which claims 5% of graduates. Past trends indicate that fewer than 1% of graduates would enter academia. In the past 5 years, 42% of UA medical graduates chose residencies in primary care. However, because medical graduates choose their specialty only through their residency, UA has little influence on these decisions.

UA does have 3 programs in place to encourage practice in rural areas. The Arizona Area Health Education Centers program has earned national recognition for recruiting students from underserved communities. Additionally, the Rural Health Professions Program currently sends 15 students per Tucson class to annual summer practica at one of 34 rural sites. Furthermore, UA plans a telemedicine supplemental curriculum for PMC, providing new clinical experiences through video conferencing at over 130 clinics in a wide variety of settings around the state.

The correlation between medical school growth and physician ratios is less clear. The state relies heavily on attracting physicians from elsewhere. Among the state's allopathic physicians, 89% graduated from medical schools outside the state, including 24% from outside the country. While the Board of Medical Student Loans has programs trading financial aid for practice in underserved areas, no other contractual arrangements exist to keep Arizona medical students in the state upon graduation. UA is willing to explore such arrangements if asked.

Residencies

Without increases in residency positions, PMC graduates would have few links to in-state practice. Residency location is somewhat more correlated with practice location, as 30% of all Arizona physicians completed their residencies here. Furthermore, nearly half of all state physicians cited professional opportunities as the primary reason they chose to practice here. Of UA graduates in the past 5 years, 46% chose residencies in the state.

For per capita residency positions, UA reports that Arizona ranks in the bottom 5th of states. The number of Arizona residency positions increased from 1,010 in 1992 to 1,076 in 2004, an increase of 6.5%. However, the number of practicing physicians in the state increased more than 50%. Arizona recently received an additional increase of 25 federally-funded residency positions. Therefore, assuming Arizona did not lose any residency programs since 2004, the state acquired 91 new residency positions in the past 13 years, or 7 new positions annually. If this trend continues, UA medical graduate growth, from 24 in spring 2011 to 150 in spring 2018, would quickly outstrip the state's total residency position growth. However, UA believes these patterns would lead to the replacement of out-of-state graduates in Arizona residency positions with in-state graduates. JLBC Staff has requested that UA provide additional analysis of anticipated in-state annual medical school graduates versus anticipated in-state annual residency openings.

UA indicates that residency training costs around $75,000 per doctor per year. Federal medical agencies do not have sufficient monies to increase the total number of residency positions they fund and lag in correcting their state allocations for population movements. Federal and state medical agencies use an application process to allocate funding for residency positions to the state's teaching hospitals, of which Maricopa County has 9. Additionally, hospitals and other private entities have been unwilling or unable to fund growth in state residency positions. UA states it is willing to explore new funding methods for residencies.

(Continued)

Economic Development

According to a 2000 report by Tripp Umbach, a national healthcare consulting firm, utilizing an economic impact database of the nation's 126 medical schools, biosciences accounted for 57% of total university research dollars, but 44% of those in Arizona. The National Institutes of Health (NIH) is one of the largest sources of academic health center funding. Half of all NIH grants go to academic health centers, and of those, the top 50 centers receive 81% of funds. Since larger institutions have more resources and more opportunities for research collaboration, academic health center rankings depend largely on an institution's size. UA currently ranks 55th in NIH funding, although some specialties are more highly ranked.

The healthcare and life sciences sectors comprise 13% of the national economy. Tripp Umbach conducted an economic impact study for the PMC to FY 2025, the results of which are summarized in *Table 1*. Economic impacts include direct business volume, re-spending from those businesses, and research and development spin-offs. Indeed, a recent joint report by several public policy consultants in surrounding states shows that research and development entities are attracted by top universities, research centers, and a collaborative culture.

Table 1

Phoenix Medical Campus
Economic Impact Study

	Government Revenue ($ in M)			Economic Activity ($ in B)			Employment (in thousands)		
Scenario*	A	B	C	A	B	C	A	B	C
FY 2007	3.6	3.6	3.6	0.1	0.1	0.1	1.0	1.0	1.0
FY 2010	6.4	15.4	20.2	0.2	0.4	0.5	2.2	6.4	7.4
FY 2015	10.6	23.7	52.2	0.2	0.6	1.4	3.4	9.6	16.4
FY 2025	25.6	44.1	84.6	0.6	1.0	2.1	6.8	14.6	24.0

* Scenario A involves PMC, the ASU Bioinformatics Department, and TGen. Scenario B adds research and outpatient functions. Scenario C adds a hospital.

Of the scenarios in *Table 1*, the current UA plan most resembles Scenario B. This circumstance could lead to $15.4 million in new state revenues and 6,400 new jobs by FY 2010, as well as $44.1 million in new state revenues and 14,600 new jobs by FY 2025. JLBC Staff has not had sufficient opportunity to analyze these results. Due to the face-to-face nature of medicine, any health jobs created in Arizona would be difficult to outsource overseas, or even to other states.

Location

UA believes any new medical campus should be located in Phoenix because it is the largest city in the country without an academic health center. PMC would have an immediate impact on Phoenix physician numbers through faculty recruitment, especially research and clinical faculty. In turn, the residents of Maricopa County would have better access to clinical trials.

Furthermore, Phoenix already possesses a growing biomedical community. UA has existing biomedical partnerships with the Translational Genomics Research Institute (TGen), the ASU Biodesign Institute, all the area's teaching and research hospitals, the City of Phoenix, and the Flinn Foundation. Collaboration between these institutions is an essential component of biomedical economic development. UA states that PMC would develop a unique curriculum to take advantage of these area-specific opportunities.

Class Size

The space at PUHS has limited initial class size to 24 students. However, for the fall 2005 Tucson class, UA believes it rejected around 50 applicants likely to be accepted given additional space. UA also states that it has based its class sizes in outlying years, up to a class size of 150 students, *(see Table 2 below)* on population growth and demand projections. It is uncertain how the opening of private medical schools in the area, at least 1 of which is in process, would affect this demand. Meanwhile, ASU derived the sizes of its biomedical informatics classes from the experiences of similar departments at other institutions.

(Continued)

PMC Proposed Growth

The Legislature, in Chapter 330, stated, "The Phoenix Medical Campus shall accommodate 24 first year medical students in instruction. The Phoenix Medical Campus shall continue to accommodate those 24 students through the remaining years of their instruction and clinical rotations." (Section 13.D) The Act also stated, "It is the intent of the Legislature that no more than $7,000,000 from the state General Fund be appropriated for the Phoenix Medical Campus in any fiscal year." (Section 13.G)

However, UA continues to envision PMC expanding annually, through two levels. In Level I, enrollment and funding would grow, from FY 2007 to FY 2009, to fill all the space available at PUHS. This first level would eventually accommodate 128 medical students, 204 science graduate students, and 30 bioinformatics students.

Science students would enroll through existing UA graduate programs in various specialties of biology, biochemistry, anatomy, physiology, genetics, and medicine, but would choose classes in Phoenix. Level I would annually graduate 24 doctors at a General Fund expense of $15.5 million, with the first class graduating in FY 2011.

Level II would begin in FY 2010, with 192 medical students, 346 science graduate students, and 70 bioinformatics students at a General Fund expense of $27.5 million. It would grow to serving 680 medical students, 1,660 science students, and 140 bioinformatics students in FY 2025 at a General Fund cost of $49 million. By 2025, PMC would graduate 150 doctors per year.

Table 2 summarizes PMC proposed growth by students and General Fund operating expenses.

Table 2

Phoenix Medical Campus
Proposed Growth – Students and GF Operating Budget

	University of Arizona			Arizona State University			Total	
Fiscal Year	GF (M)	Medical Students [1/]	Science Students	GF (M)	Undergrad	Grad	GF (M)	Students
Development								
2006	$ 6.0	0	0	$ 1.0	0	0	$ 7.0	0
Level I								
2007	6.0	80	0	2.0	0	10	8.0	90
2008	8.5	104	72	3.0	0	20	11.5	196
2009	12.0	128	204	3.5	0	30	15.5	362
Level II								
2010	23.5	192	346	4.0	20	50	27.5	608
2011	21.1	272	494	4.0	30	65	25.1	861
2012	24.1	352	642	4.0	35	80	28.1	1,109
2013	25.9	456	790	4.0	40	100	29.9	1,386
2014	26.0	536	938	4.0	40	100	30.0	1,614
2015	33.6	606	1,094	4.0	40	100	37.6	1,840
2025	45.0	680	1,660	4.0	40	100	49.0	2,480

1/ Medical students include 80 per year who complete their lower-division courses in Tucson, but choose clinical rotations in Phoenix.

(Continued)

Meanwhile, *Table 3* summarizes PMC proposed growth in FTE Positions and other university funds. Level I would, by FY 2009, employ 72 faculty and 131 staff. Appropriated tuition collections, locally-retained tuition, and non-appropriated funds such as grants and donations would contribute $21.3 million to the PMC budget. For the purposes of planning, UA assumes it would raise PMC tuition 5% annually. Level II would begin in FY 2010, with 175 faculty and 465 staff, as well as other funds expenditures of $60 million. It would grow to employing 568 faculty and 2,077 staff, with an other funds budget of $185.5 million by FY 2025.

Table 3

Phoenix Medical Campus
Proposed Growth – FTE Positions and University Funds Operating Budget 1/

	University of Arizona			Arizona State University			Total	
Fiscal Year	UF (M)	Faculty FTE	Staff FTE	UF (M) 2/	Faculty FTE	Staff FTE	UF (M)	FTE
Development								
2006	$ 2.6	10	29	$ 0.5	2	2	$ 3.1	43
Level I								
2007	8.5	22	64	0.9	4	6	9.4	96
2008	12.6	44	93	1.5	8	11	14.1	156
2009	18.0	60	118	3.3	12	13	21.3	203
Level II								
2010	54.7	161	455	5.3	14	13	60.0	643
2011	69.1	212	597	6.7	16	15	75.8	840
2012	86.7	263	742	7.5	16	15	94.2	1,036
2013	94.5	311	881	8.0	16	15	102.5	1,223
2014	121.6	361	1,020	8.0	16	15	129.6	1,412
2015	135.3	415	1,179	8.0	16	15	143.3	1,625
2025	173.5	552	2,062	12.0	16	15	185.5	2,645

1/ University funds include appropriated tuition collections, locally-retained tuition, and non-appropriated funds.
2/ Excludes $2-3 million in private gifts expected between FY 2006 and FY 2010.

The general trend of these budgets over time reflects the realities of starting a new program. In initial years, PMC will be highly dependent upon General Fund appropriations. Administrative and fixed costs would be relatively high. In time, PMC would gain primary support from external sources, especially research grants. Faculty and operational expenses would outstrip administrative and fixed costs.

These distributions are similar to those at the Tucson campus of the UA College of Medicine, which graduates 110 doctors per year for an annual General Fund appropriation of around $44 million. JLBC Staff has requested a more detailed budget of the Tucson campus in order to conduct a deeper analysis of the PMC projected expenses.

If the Legislature does not provide the General Funding proposed in *Table 2*, UA has no contingency plan beyond slowing the development of PMC. The university states it is unlikely that private entities would invest in a project where the state was not willing to invest. Additionally, UA explains that public institutions seldom receive private funding for operational expenses.

(Continued)

Table 4

Phoenix Medical Campus
Proposed Construction Projects

Project	Cost (M)	Sq Ft	Cost/Sq Ft	Start	Description
Level 1					
PUHS Renovation	$ 19.2	89,200	$ 215	Apr 2005	3 buildings of 3 stories each; interactive classrooms, exam rooms, student services, student and faculty offices, conference center; City of Phoenix will retain property ownership
Arizona Biomedical Collaborative 1	27.2	85,600	318	Nov 2005	4 story research facility with wet and dry flexible labs, occupied 60% by UA and 40% by ASU; universities would lease-purchase underlying land
Level 2					
New Educational Facility	89.8	310,000	290	Jan 2008	Classrooms, laboratories, student services, business services
Arizona Biomedical Collaborative 2	73.0	160,000	456	?	
Imaging Laboratory	15.0	15,000	1,000	?	
New Basic Sciences Building	153.6	365,000	421	Post 2010	Laboratories, animal care facilities
New Clinical Sciences Building	48.2	145,000	332	Post 2010	Clinical laboratories, conference space
New Clinical Outpatient Facility	39.0	115,000	340	Post 2010	Patient facilities, diagnostic laboratories
Loading Dock	7.8	N/A	N/A	?	
Underground Infrastructure	10.0?	N/A	N/A	?	
Parking Structure					No information provided
TOTAL	**$482.8**	**1,284,800**	**$368**		

Table 4 summarizes the construction projects proposed for PMC. Level 1 requires the renovation of PUHS and a new Arizona Biomedical Collaborative Building, a total of 174,800 square feet, costing $46.4 million. UA has already secured funding for these projects. Meanwhile, Level II would likely require 9 new structures, with at least 1.1 million square feet, costing in excess of $430 million. At build-out, PMC would have similar square footage to the Tucson medical campus. The universities have not identified the land or funding sources for many of these projects.

Development Phase (FY 2003 – FY 2006)

Arizona University System expenditures to date on the PMC project total $541,000. Between FY 2003 and FY 2005, ABOR spent $224,000 mostly for site assessments and facilities design. Meanwhile, UA spent $310,000 in FY 2005 for project management, consulting, and the previously mentioned economic impact study. ASU spent $7,000 in FY 2005 researching departments of biomedical informatics at other universities.

Since no classes will run in FY 2006, the initial $7 million General Fund appropriation will finance startup expenses. Equipment, including specialized telecommunications infrastructure necessary for extension of the AHSC accreditation, will cost $2.9 million. UA will use another $1.9 million to hire PMC faculty and $1.2 million for staff and operational expenses. While personnel costs will not support a PMC class larger than 24 students per year, certain startup expenses, especially telecommunications infrastructure purchases, will. The nature of these fixed costs requires the same large up-front expenditure, whether serving 1 class or 4 classes of students. Faculty and staff will pursue curriculum development and planning before students arrive. UA budgeted faculty and staff salaries for a full year, although all personnel were not in place at the beginning of FY 2006.

(Continued)

ASU will use the remaining $1 million to hire faculty and staff for its Department of Biomedical Informatics. Additionally, UA will redeploy $2.6 million in existing university funds for other administrative and operational costs. UA also aims to raise $2 million in private donations during this phase.

Level I Operations (FY 2007 – FY 2009)

Level I is now shorter than originally envisioned, at 3 years instead of 5. This level would involve curriculum refinement and the beginning of PMC research activity. In fall 2006 (FY 2007), 80 upper-division medical students, who completed their lower-division courses in Tucson, but chose clinical rotations in Phoenix, would relocate from their current location at 3rd Street and Indian School in Phoenix to PMC.

In fall 2007 (FY 2008), PMC would accept the first class of 24 medical and 72 science graduate students. Science students would enroll through existing UA programs in various specialties of biology, biochemistry, anatomy, physiology, genetics, and medicine, but would choose classes in Phoenix. PMC would accept another 24 medical students and 132 science students in fall 2008. ASU would offer masters and doctoral programs to up to 30 bioinformatics students and provide all medical students one bioinformatics course during Level I.

Of the FY 2007 General Fund budget, $1 million would finance lease costs, $3.3 million would pay PMC faculty salaries, $1.4 million would fund PMC staff salaries, $0.3 million would cover general operating expenditures, and $2 million would support the ASU Department of Biomedical Informatics. By FY 2009, a proposed $15.5 million General Fund appropriation would support a $1.0 million lease, a $7.3 million faculty, a $0.8 million staff, $2.9 million in operations, and $3.5 million for ASU Bioinformatics. UA and ASU also plan to collectively raise $20 million in donations during Level I.

In developing these budgets, UA assumed that research faculty would recover 1/2 their salary and benefits from grants. UA realizes this is not possible immediately, because research requires setup time, and is seeking funding through its other partners. UA would not use state funds for research staff.

Level I Capital

PUHS is a 4.5-acre campus on the north side of Van Buren Street between 5th and 7th Streets in downtown Phoenix. The campus houses 3 buildings of 3 stories each, totaling 90,000 square feet. These facilities are undergoing a $19.2 million renovation to accommodate PMC.

UA will lease PUHS back from the renovating developer for 30 years at an annual lease cost of $1.5 million, which UA will pay with $1.0 million from the PMC General Fund appropriation and $0.5 million from locally retained tuition revenues. At the conclusion of the lease, the City of Phoenix will retain ownership of the buildings. JLBC Staff believes both the total renovation cost and the annual lease rate are reasonable.

However, the PUHS buildings are a very limited space. UA has indicated, if it is able to accept a second class of 24 students, it would hold gross anatomy classes elsewhere. Furthermore, PUHS cannot accommodate office needs moved from 3rd Street and Indian School.

The UA College of Pharmacy will likely open a program at the Mercado, the current site of the ASU Downtown Center, just south of PUHS. Additionally, the ASU College of Nursing will relocate to a facility at the ASU Downtown Campus to the west. *(Please see Attachment B.)* The ASU College of Nutrition will relocate to the ASU East Campus in Mesa.

UA has indicated that clinical rotations during Level I will preserve the current dispersed model, with students commuting to the 9 area teaching hospitals. UA is also contemplating a small ambulatory primary care clinic. Furthermore, a nearby hotel would provide student housing for Level I until the university constructs permanent housing.

During Level I, UA and ASU would also construct the Arizona Biomedical Collaborative Building 1, an 85,600 square foot research facility. The remaining research infrastructure appropriation from the 2 universities, set forth in Laws 2003, Chapter 267, would fund the building. Its anticipated per-square-foot expense of $318 is cost-effective as compared to similar projects.

(Continued)

Level II Operations (FY 2010 onwards)

Level II would be characterized by the growth of facilities and the PMC research enterprise. The FY 2010 entering class would consist of 64 medical students. The FY 2010 proposed General Fund budget of $27.5 million is higher than previous estimates due to the earlier beginning of Level II. That proposal includes $4.7 million in one-time capital funds, $11.4 million for faculty, $1.7 million for staff, $1 million for the PUHS lease, $4.7 million for other operational expenses, and $4 million for the ASU Department of Biomedical Informatics. By FY 2010, the universities would provide $60 million of their own funds, including $32.3 million in new grants.

In FY 2015, PMC would accept its first class of 150 medical students. By 2025, the entire UA College of Medicine would be graduating 260 doctors per year. The universities would match the proposed PMC General Fund budget of $49.0 million with $185.5 million in other funds, including $87.1 million from new grants and $31.2 million from new partnerships. For a budget comparable to the current UA Tucson program budget, with state support of around 20%, PMC would produce 40 more medical graduates annually than the Tucson campus, thanks to economies of scale between the two locations.

As UA adds clinical faculty, it expects 15% of their salary and benefits to come from the state, even though these positions spend close to 27% of their time teaching. UA believes it can secure another 67.5% from clinical activities and the remaining 17.5% from research. UA describes these goals as “aggressive”, but successfully practices them at its Tucson medical campus. ASU Bioinformatics expansions during Level II would provide undergraduate concentrations, joint degrees with the UA College of Medicine or the ASU College of Nursing, and a certificate program for current practitioners.

Level II Capital

Prior to accepting a class of 64 students, UA would need to complete construction of a new educational facility of around 310,000 square feet, likely to cost $89.8 million. UA aims to raise half of this amount from private donors in exchange for name recognition. UA is considering requesting $3.6 million from the General Fund to cover annual debt service for the rest of the expense. As a backup plan, UA might request assistance from the City of Phoenix. The anticipated per square foot cost of $290 is among the highest for this type of building and would have to be more closely evaluated with the completed design.

UA has largely avoided committing to a hospital in Level II, suggesting that a dispersed model might continue to be sufficient. However, that model would require all 9 area teaching hospitals to expand their programs, something they have not done in over a decade. Furthermore, Kurt Salmon Associates, a global health care management consulting firm, which has been aiding UA in the PMC planning process, states that a full hospital is a key ingredient of the nation’s best academic health centers and their contributions to state economic development. The Association of American Medical Colleges reports academic health center hospitals contribute an average of $43 million annually to their associated colleges of medicine.

Kurt Salmon Associates reports that the highly-competitive Phoenix hospital market poses particular challenges to the likely need for a clinical facility. The consultant believes that area hospitals are unlikely to be able to work together in some kind of co-venture at PMC and would probably lobby extensively against any one hospital, even a UA-owned specialty hospital, at PMC. According to Kurt Salmon Associates, these hospitals do not have the organization, resources, or programs to house Level II students, either for clinical rotations, research, or residencies. Even if UA largely succeeds with a dispersed model, it is probable that area hospitals would view patient treatments during research activities as a threat to their business.

Additional Requirements

Chapter 330 requires ABOR to submit for Committee review, by December 31, 2005, a progress report on PMC. Thereafter, any significant changes to the operational plan must receive Committee review and any significant changes to the capital plan must receive JCCR review.

RS/SC:ss
Attachments

ATTACHMENT A

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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FAX (602) 926-5416

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

September 16, 2005

Mr. Joel Sideman, Executive Director
Arizona Board of Regents
2020 N. Central Avenue, Suite 230
Phoenix, AZ 85004

Mr. Michael Crow, President
Arizona State University
Tempe, AZ 85287

Mr. Peter Likins, President
University of Arizona
702 Administration Bldg.
Tucson, AZ 85721

Dear Sirs:

The Joint JLBC/JCCR Subcommittee on the Phoenix Medical Campus appreciated the attendance of your representatives at its meeting yesterday, September 15, 2005. The Chairmen subsequently requested that I forward the following questions to you and they ask for your response by Monday, September 26. Please distribute your answers to all members and staff who received your earlier response to Laws 2005, Chapter 330. For ease of understanding, I have divided the list by topic area.

Overall Campus Plan

- You mentioned that the startup costs of the Phoenix Medical Campus (PMC) are substantially below those of similar campuses recently created in other states. Please more specifically compare PMC costs to those of other states' new medical campuses.
- Also for the purposes of comparison, please provide the FY 2005 actual expenditures and FTE Positions of the Tucson medical program in the same format as Table 3 on page 14 of your Laws 2003, Chapter 330 response.
- What is the specific cost of creating a new curriculum for PMC?

Shortage of Doctors

- Your report indicated there would eventually be 1,660 science graduate students compared to 680 medical students at PMC. Does this indicate that the primary focus of PMC will be research? How does your proposed science-to-medical student ratio compare to other medical campuses around the country?

(Continued)

- Of all practicing Arizona physicians (allopathic and osteopathic), what percentage graduated from medical schools outside the state?
- What is UA doing to partner with private medical schools to address a potential doctor shortage?
- The Arizona Physician Workforce Study you provided indicates that Pima County is near the national average of doctors per 100,000 people, while Maricopa County is about 60 doctors under, and rural Arizona is far below the average. Please describe the strategies in place and the strategies you are considering for bringing more doctors from urban medical schools to rural areas.

Residency/Training Doctors

- Considering your plans for PMC at full development, please provide an analysis of anticipated in-state annual medical school graduates versus anticipated in-state annual residency openings. Please compare the anticipated ratio of in-state medical graduates to in-state residency openings with the ratio in other states.

Clinical Beds and Practice

- We understand that your plans for PMC currently envision the continuation of dispersed clinical rotations for the foreseeable future. However, we believe that many of the nation's leading academic health centers include hospitals. Please cite examples of leading academic health centers in other states that operate without a hospital, along with a brief description of their operational model for clinical rotations.
- The Kurt Salmon Associates Interim Executive Report indicates, on pages 8 through 13, that UA can expect contention with area hospitals in Level II, as it seeks to expand clinical rotation positions, research activities, and any kind of clinical activity at PMC. What are your responses to these 3 concerns?
- Did UA conduct a specific site study for the campus? Since PMC would provide some level of medical service, how would that relate to the level of service already available in the area?

As you know, JLBC Staff is awaiting answers to a number of prior questions concerning the PMC plan. To permit your focus on the questions addressed in this letter, you need not proceed with responses to the earlier inquiries. However, to the extent you have already completed answers to certain questions, we would appreciate receiving them.

Please feel free to contact the universities analyst, Shelli Carol, with any questions at 602-926-5491.

Sincerely,

Richard Stavneak

Richard Stavneak
Director

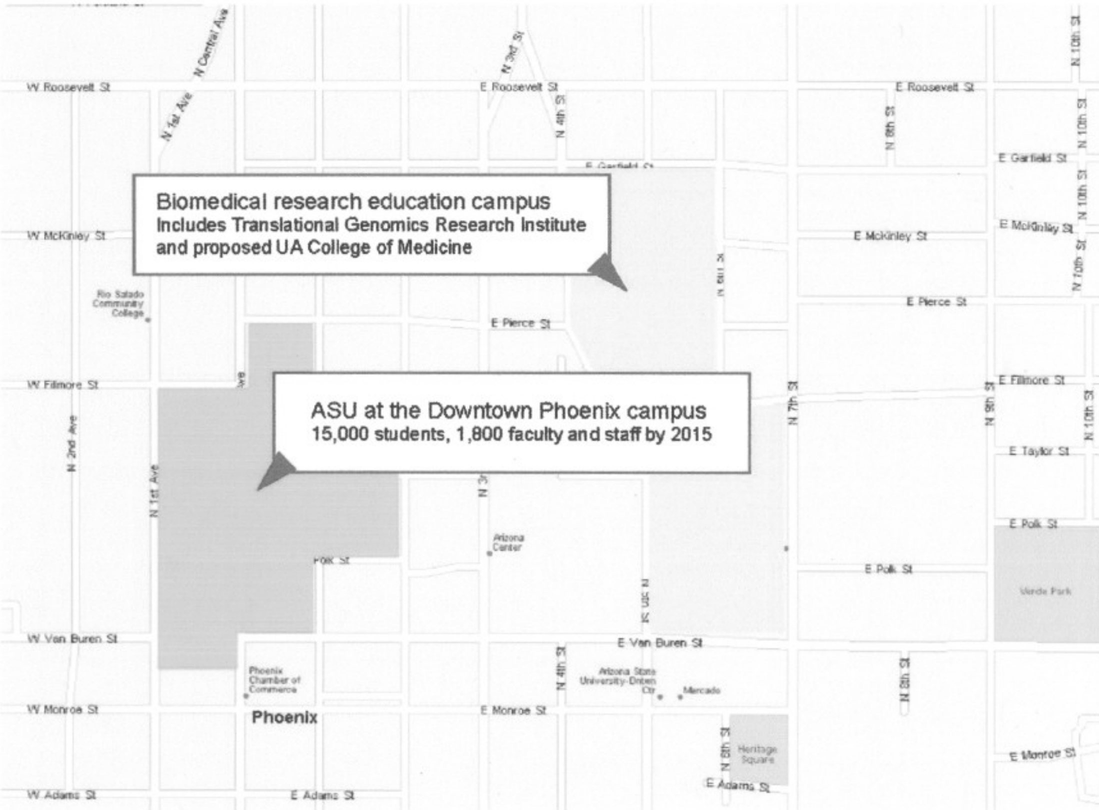
RS:ss

xc: Representative Russell Pearce, Chairman
Representative Pamela Gorman
Representative Phil Lopes
Senator Bob Burns, Chairman
Senator Robert Cannell
Senator Karen Johnson

Attachment B

ASU at the Downtown Phoenix Campus

Proposed Campus Site



Members received this report and additional responses.

ARIZONA BOARD OF **Regents**

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September 1, 2005

Representative Russell K. Pearce, Chair
Senator Robert L. Burns, Co-Chair
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Re: Arizona Board of Regents Response to SB 1517 Requests

Dear Representative Pearce and Senator Burns:

Pursuant to SB 1517 (Laws 2005, Chapter 330), the Arizona Board of Regents is pleased to submit for your review our responses to the seven specific requests relating to the operational and capital plans for The University of Arizona College of Medicine-Phoenix Program. These responses were authorized for submission by the Board of Regents at its August 16, 2005, meeting.

Our submission is limited to be responsive to the specific requests contained in SB 1517, and reflects the best thinking, to date, on the development of The University of Arizona College of Medicine-Phoenix Program. This is not intended to be a final plan for the Phoenix Program. A number of planning processes, both within the universities and in the larger community, are actively engaged in addressing the many complex issues which must be resolved to successfully implement both Level I and Level II of the Phoenix Program. This response, along with the other foundational work accomplished by The University of Arizona and Arizona State University this summer, will be used as tools for the Arizona Commission on Medical Education and Research (ACMER) to work towards finalizing a complete plan for the Phoenix Program.

We thank the Legislature and Governor for providing state funding to support this historic and critically important effort. We appreciate your Committee's oversight role, and trust that this submission is responsive to the statutory mandate.

Questions raised at the July 21, 2005, JLBC meeting and committed to writing in Director Stavneak's August 2, 2005, letter, will be addressed in a separate submission.

Sincerely,

Christina A. Palacios
President

cc: Governor Janet Napolitano
Members, Joint Legislative Budget Committee
Members, Joint Committee on Capital Review
Members, Arizona Board of Regents
President Peter Likins, The University of Arizona
President Michael Crow, Arizona State University
Executive Director Joel Sideman
Richard Stavneak, JLBC Director

STATE OF ARIZONA

Joint Legislative Budget Committee

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

DATE: September 20, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Amy Strauss, Fiscal Analyst

SUBJECT: Arizona Board of Regents – Review of FY 2006 Tuition Revenues

Request

The Arizona Board of Regents (ABOR) requests Committee review of its expenditure plan for tuition revenue amounts greater than the amounts appropriated by the Legislature. The footnotes for Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UofA) in the FY 2006 General Appropriation Act appropriate all tuition collections for operating expenditures, capital outlay, and fixed charges and mandate the Committee's review. ABOR is also reporting, for informational purposes, on the non-appropriated portion of tuition and fees.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review to the ABOR expenditure plan for tuition amounts above previously appropriated amounts.

ABOR estimates overall FY 2006 tuition collections applied to university operating budgets will reach $30.1 million above the tuition amounts appropriated by the Legislature. The higher revenue is due primarily to increases in tuition approved by ABOR in March 2005 (see *Table 2*). The universities plan on using the additional $30.1 million in the operating budgets to cover operating inflationary increases, unfunded enrollment from prior years, including the hiring of adjunct faculty, and academic and support planning priorities. The ABOR locally retained tuition and fee report requires no Committee action. Locally retained amounts are increasing by $525,000, after factoring a change in the way NAU accounts for tuition wavers.

(Continued)

Analysis

Tuition Revenue Changes

Table 1 displays FY 2005 and FY 2006 appropriations by fund for the Arizona University System.

Table 1

Arizona University System
FY 2005 and FY 2006 Appropriations (in millions)

	FY 2005	FY 2006 Before Tuition Adjustments	FY 2006 After Tuition Adjustments
General Fund	$ 787.0	$ 843.1	$ 843.1
Collections Fund	348.7	356.1	386.2
TOTAL	**$1,135.7**	**$1,199.2**	**$1,229.3**

Table 2 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2005 to FY 2006.

Table 2

Arizona University System
FY 2005 to FY 2006 Undergraduate Tuition Changes

	Resident				**Non-Resident**			
	FY 2005	FY 2006	$ Change	% Change	FY 2005	FY 2006	$ Change	% Change
ASU-Main	$4,062	$4,404	$342	8.4%	$12,917	$15,093	$2,176	16.9%
ASU-East/West	4,062	4,343	281	6.9%	12,917	15,092	2,175	16.8%
NAU	4,072	4,393	321	7.9%	12,592	13,023	431	3.4%
UofA	4,089	4,487	400	9.8%	13,067	13,671	604	4.6%

Table 3 presents FY 2006 appropriations, estimates of the ABOR FY 2006 All Funds Operating Budget Report, and resulting additional tuition revenues by campus.

Table 3

Arizona University System
FY 2006 Appropriations and Additional Tuition Revenues by Campus

Campus	FY 2006 Appropriation	FY 2006 All Funds Operating Budget Report	Additional Tuition
ASU–Main	$171,622,500	$192,239,200	$20,616,700
ASU–East	11,305,100	12,961,400	1,656,300
ASU–West	17,335,700	18,447,300	1,111,600
NAU	36,190,300	39,543,900	3,353,600
UofA–Main	107,128,500	108,131,300	1,002,800
UofA–Health Sciences Center	12,546,700	14,903,400	2,356,700
TOTAL	**$356,128,800**	**$386,226,500**	**$30,097,700**

Table 4 provides some information on the uses of additional tuition revenues by campus. Attached, ABOR has provided further detail, including an expenditure breakdown.

(Continued)

Table 4

Arizona University System
Uses of Additional Tuition Revenues by Campus

ASU–Main	University new start ups and initiatives account for $3 million of the tuition revenues, followed by health insurance premium costs at $2.1 million, and an increase in the cost of utilities at $1.4 million. Support of the downtown Phoenix Campus and University College is around $1.1 million. Additionally, about $900,000 of funding is set aside for new facilities support, and the nursing programs. The remaining monies will go towards student enrollment growth, including growing operating costs, and investment in new programs and activities. There is also program support for transition and parent programs, honors college enhancements, K-12 partnerships and outreach, and new facilities support.
ASU–East	Additional faculty for student enrollment growth account for $800,000 of the tuition revenues, followed by $500,000 for faculty associates to teach 140 course selections. Additionally, $100,000 is set aside for health insurance premiums, and $200,000 for new facilities and maintenance support. The remaining monies go to the restoration of vacant university positions.
ASU–West	The restoration of vacant university positions account for $400,000 of the tuition revenues, as well as $100,000 for increased utility costs, and business special program fees that support students. $500,000 is also set aside to support 138 additional class sections to deal with student enrollment increases.
NAU	A merit/market increase for faculty and staff account for $2.2 million of the tuition revenues, followed by $200,000 for custodial support for new building facilities. $600,000 is set aside to expand distance learning, and $150,000 for teacher education accreditation and $250,000 for undergraduate support.
UofA–All	The support of the College of Medicine in hiring faculty and staff accounts for $1.2 million of the tuition revenues, the remaining $1.1 million is set aside to increase funding to support programs and enrollment growth.

<u>Locally Retained Tuition and Fees Report</u>

ABOR reports that NAU has changed the way it manages financial aid, starting in FY 2005. Rather than awarding tuition waivers, NAU has chosen to offer cash scholarships. Such monetary grants are more attractive to potential students than waivers. Additionally, national financial aid statistics include cash scholarships, but not tuition waivers, in ranking universities around the country. Therefore, the change will reflect positively on the university. ASU and UofA adopted this accounting change last year. This modification does not alter the universities' accounting records. Based on amounts reported in the FY 2006 university requests, cash scholarships in FY 2006 totaled $17.8 million for NAU.

Systemwide, locally retained tuition and fees increased $18.3 million above originally budgeted amounts. Of the $18.3 million, $17.8 million was allocated for new cash waivers at NAU and $525,000 was allocated for university programs at ASU. *Table 5* shows the allocation of retained tuition and fees in ABOR's report.

(Continued)

Table 5

Arizona University System
Locally Retained Tuition and Feeds

	Original FY 2006	Revised FY 2006	FY 2006 Change
Programs	$27,449,700	$27,974,700	$525,000
Financial Aid	153,875,200	153,870,200	--
New Cash Waivers	--	17,757,000	17,757,000
Plant Fund	8,835,900	5,835,900	--
Debt Service	6,130,700	63,130,700	--
Other	18,948,800	18,948,800	--
Total Retention	**$269,240,300**	**$287,522,300**	**$18,282,000**

RS/AS:ss

x c: SC/AS/ LMa/RS

RECEIVED AUG 31 2005 JOINT BUDGET COMMITTEE

2020 N. Central Ave.
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August 26, 2005

The Honorable Russell Pearce, Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Pearce:

A footnote included in the General Appropriations Act requires that the Arizona Board of Regents report to the Joint Legislative Budget Committee of any tuition revenue amounts which are different from the amounts appropriated by the legislature, and to report (for informational purposes) the amount of tuition and fees retained locally by the universities. Enclosed for your information is a summary report of tuition revenues reported to the Board at its August 2005 meeting.

I would like to point out one significant change to NAU's locally retained tuition and fee schedule. NAU reports a change in processing tuition waivers consistent with how ASU and the UA process waivers. Beginning in FY 2005, both ASU and UA converted tuition waivers to cash scholarships. In the past, the value of tuition waivers was treated as non-cash transactions and therefore was not included in the budget process. From an accounting perspective, this change has no impact on either university. However, this conversion greatly impacts national reporting of financial aid since national statistics do not include the value of tuition waivers in financial aid totals (one reason why Arizona universities rank low in institutional aid reports). Converting waivers to cash scholarships enables the universities to include this institutional financial aid in national statistics. In addition, cash scholarships offers the universities greater flexibility in recruiting students, because cash scholarships are more enticing to a potential student than non-cash assistance. The value of waivers that NAU has converted to cash scholarships is $17.8 million. ASU and the UA cash scholarships (formally waivers) reported in their local retention schedules is $39.3 million and $49.4 million, respectively.

If you have any questions, please do not hesitate to call me at 229-2505.

Sincerely,

Joel Sideman

Joel Sideman
Executive Director

XC: Senator Bob Burns
Richard Stavneak, Director, JLBC
Gary Yaquinto, OSPB

ARIZONA UNIVERSITY SYSTEM
TUITION AND FEES IN SUPPORT OF THE
2005-06 STATE OPERATING BUDGET

	STATE COLLECTIONS			
	AS REPORTED IN THE 2005-06 ALL FUNDS OPERATING BUDGET REPORT- INITIAL BUDGET REPORT	APPROPRIATED BY THE LEGISLATURE	CHANGE	USE OF INCREASED TUITION REVENUES
Arizona State University Tempe	192,239,200	171,622,500	20,616,700	The additional tuition and fee revenue will support increased student enrollments, growing operating costs, and investment in new programs and activities (amounts in millions). The increase includes $2.8 from program fees to help support academic programs charging the fee. Other needs include the following: Transition and Parent Programs, $0.1; Honors College enhancements, $0.1; Student Union renewal, $0.2; Latino Outreach programs, $0.2; American Indian Policy Center, $0.3; annual membership cost for California for Education Network Initiatives in California (CENIC), $0.3; support for faculty adjuncts to teach high demand class sections in liberal arts & sciences, $0.3; Economics Department enhancements, $0.3; School of Sustainability, $0.4; Transborder Center, $0.4; Seidman Institute, $0.4; Disability Student Resource Interpreters, $0.4; University -- K-12 Partnerships & Outreach, $0.4; increase library acquisitions, $0.5; Phoenix Urban Research Laboratory, $0.5; Institute for Sports Leadership, $0.5; Biomedical Informatics, $0.5; public safety security enhancements, $0.7; restore vacant positions left unfunded by the General Fund budget cut, $0.7; new facilities support, $0.9; enhance Nursing programs and increase graduates, $0.9; Downtown Phoenix Campus support, $1.1; University College, $1.2; increased utilities costs, $1.4; FY06 Health Insurance Premium costs not covered by the appropriation, $2.1; and university initiatives/faculty startup, $3.0.
Arizona State University Polytechnic	12,961,400	11,305,100	1,656,300	The additional tuition revenue will help address, but not resolve, academic and support needs relative to increased student enrollments and operating costs (amounts in millions). The additional tuition revenue will be used to accommodate new enrollments by hiring faculty associates to teach about 140 course sections, $0.5, and additional faculty to support student enrollment growth, $0.8. Other needs include unfunded FY06 health insurance premium costs, $0.1, and the restoration of the vacant positions General Fund budget cut, $0.1. New facilities and maintenance support requires $0.2.
Arizona State University West	18,447,300	17,335,700	1,111,600	The additional tuition and fee revenue will help address academic and support needs relative to increased student enrollments and operating costs (amounts in millions). The increase includes $0.1 from the business special program fees to support students enrolled in that program. Additional revenue will be used to restore vacant positions cut from the General Fund budget, $0.4 and increased utilities cost, $0.1. ASU will allocate $0.5 to support about 138 additional class sections in an effort to keep up with growing service demands.
Northern Arizona University	39,543,900	36,190,300	3,353,600	The additional tuition and fee revenue will help address academic and support planning priorities in the following areas: internally funded faculty and staff merit/market increase $2.2 million; undergraduate support $.25 million; distance learning expansion $.6 million, custodial support for new buildings $.2 million, teacher education accreditation $.15 million.
University of Arizona	108,131,300	107,128,500	1,002,800	Increase funding for undergraduate instruction, $1.0M; program support and enrollment growth, $.5M; academic advising, $.3M; recruitment and retention, $.3M; and Federal Agriculture, $.1M. Adjust collections to support the College of Medicine hiring commitment and annualize AHS FY05 General & Key Personnel adjustments, ($1.2M).
University of Arizona - AHSC	14,903,400	12,546,700	2,356,700	Adjust collections to support the College of Medicine hiring commitment and annualize FY05 General & Key Personnel adjustments, $1.2M; increase funding to support programs and enrollment growth, $1.1M.
TOTAL	386,226,500	356,128,800	30,097,700	

2005-06
LOCALLY RETAINED COLLECTIONS

ARIZONA STATE UNIVERSITY - TEMPE CAMPUS

		INITIAL BUDGET 2005-06	INCREASE/ (DECREASE)	REVISED 2005-06
DESIGNATED	Alumni Association	1,431,800		1,431,800
	American English and Cultural Program - ITA	97,300		97,300
	Associated Students - ASASU	901,800		901,800
	Child & Family Services	69,900		69,900
	Constituent Advocacy		150,000	150,000
	Distance Learning Technology	372,500		372,500
	Federal Direct Loan Administration	164,200		164,200
	Fine Arts Activities	296,200		296,200
	Fine Arts Theatres	574,900		574,900
	Forensics	106,100		106,100
	Interpreters Theatre	35,700		35,700
	KASR Radio	22,000		22,000
	Mona Plummer Aquatic Center	141,900		141,900
	Special Events		175,000	175,000
	Student Affairs Initiatives		200,000	200,000
	Student Financial Assistance Administration	394,600		394,600
	Teaching Assistant Tuition Benefit	6,386,900		6,386,900
	University Minority Culture Program	126,200		126,200
	Employee Benefit Adjustments/Contingencies	100,000		100,000
	Subtotal Designated	11,222,000	525,000	11,747,000
AUXILIARY	ASU Public Events	0		0
	Intercollegiate Athletics	560,000		560,000
	Memorial Union	1,096,300		1,096,300
	Recreational Sports	804,500		804,500
	Student Media	0		0
	Subtotal Auxiliary	2,460,800	0	2,460,800
	Total Operating Funds	13,682,800	525,000	14,207,800
FIN AID	Regents Financial Aid Set-Aside	21,373,400		21,373,400
	College of Architecture FA Set-Aside	44,700		44,700
	College of Business FA Set-Aside	418,900		418,900
	School of Engineering FA Set-Aside	240,000		240,000
	College of Law FA Set-Aside	649,200		649,200
	College of Liberal Arts FA Set-Aside	44,000		44,000
	College of Nursing FA Set-Aside	28,100		28,100
	Other Financial Aid - CRESMET/CONACY/NEEP		371,400	371,400
	Other Financial Aid - Top 15% AZ HS Grad	7,448,900		7,448,900
	Other F.A.- Graduate Scholars Program	600,000		600,000
	Other F.A - School of Engineering Program	60,000		60,000
	Other F.A.- Institutional FA (waivers to scholarships)	39,623,600	(371,400)	39,252,200
	Graduate Student Need-Based Financial Aid	300,000		300,000
	Subtotal Financial Aid	70,830,800	0	70,830,800
	Plant Fund	4,357,700		4,357,700
	ASU Downtown Center COP Payment	916,600		916,600
	Debt Service	27,151,100		27,151,100
TOTAL LOCAL RETENTION		116,939,000	525,000	117,464,000

2005-06
LOCALLY RETAINED COLLECTIONS

ARIZONA STATE UNIVERSITY - POLYTECHNIC CAMPUS

		INITIAL BUDGET 2005-06	INCREASE/ (DECREASE)	REVISED 2005-06
DESIGNATED	Aeronautical Management Technology Program	0		0
	Dining Services Management	20,000		20,000
	Intercampus Shuttle Services	106,000		106,000
	Learning Communities	6,500		6,500
	Student Counseling	5,000		5,000
	Student Health Services	225,000		225,000
	Student Organizations	41,000		41,000
	Student Orientation and Forums	5,000		5,000
	Student Recreation/Intramurals	167,500		167,500
	Student Recreation Pool	40,000		40,000
	Student Union/Activities	558,700		558,700
	Teaching Assistant Tuition Benefit	115,700		115,700
				0
	Subtotal Designated	1,290,400	0	1,290,400
AUXILIARY				
	Subtotal Auxiliary	0	0	0
	Total Operating Funds	1,290,400	0	1,290,400
FIN AID	Regents Financial Aid Set-Aside	1,517,600		1,517,600
	Special Program Fee FA Set-Aside	30,200		30,200
				0
	Subtotal Financial Aid	1,547,800	0	1,547,800
	Plant Fund			
	Debt Service			
TOTAL LOCAL RETENTION		2,838,200	0	2,838,200

2005-06
LOCALLY RETAINED COLLECTIONS

ARIZONA STATE UNIVERSITY - WEST CAMPUS

		INITIAL BUDGET 2005-06	INCREASE/ (DECREASE)	REVISED 2005-06
DESIGNATED	Academic Affairs	5,200		5,200
	Alumni Association - Devil's West	5,000		5,000
	Arts & Sciences Support	0		0
	ASU West Commencement	15,000		15,000
	ASUW Film Series	0		0
	ASUW Fine Arts Program	60,000		60,000
	Campus Environment Team	4,800		4,800
	Child Development & Visual Perception Lab	16,000		16,000
	Honors College	3,000		3,000
	Life Science Instructional Support	0		0
	Special Events	20,000		20,000
	Student Government	65,000		65,000
	Subtotal Designated	194,000	0	194,000
AUXILIARY				
	Subtotal Auxiliary	0	0	0
	Total Operating Funds	194,000	0	194,000
FIN AID	Regents Financial Aid Set-Aside	3,264,300		3,264,300
	Business Program Financial Aid Set-Aside	85,700		85,700
	Other Financial Aid-Top 15% AZ HS Grad	500,000		500,000
	Subtotal Financial Aid	3,850,000	0	3,850,000
	Plant Fund	100,000		100,000
	Lease Purchase	4,884,400		4,884,400
TOTAL LOCAL RETENTION		9,028,400	0	9,028,400

2005-06
LOCALLY RETAINED COLLECTIONS

NORTHERN ARIZONA UNIVERSITY

		INITIAL BUDGET 2005-06	INCREASE/ (DECREASE)	REVISED 2005-06
DESIGNATED	ADA Services	49,100		49,100
	Alumni Association	544,500		544,500
	Art Gallery	10,900		10,900
	Child Care	43,900		43,900
	Creative Arts	89,100		89,100
	Financial Aid Office Operations	337,300		337,300
	Honors Forum	11,200		11,200
	International Studies	60,000		60,000
	Mountain Campus ID	13,200		13,200
	NAU-Yuma	19,900		19,900
	Operations	400,800		400,800
	Performing Arts Series	39,900		39,900
	Registrar Office	120,400		120,400
	Special Events	28,300		28,300
	Student Activities	294,200		294,200
	SUN (Student Union Network)	65,800		65,800
	Salary Adjustments	272,000		272,000
	Tuition Differential - GIS	3,200		3,200
	Tuition Differential - MBA	80,800		80,800
	Tuition Differential - MSM	63,800		63,800
	Tuition Differential - Doctor of Physical Therapy (DPT)	106,300		106,300
	Information Technology Reserve (zero acct)	0		0
	Subtotal Designated	2,654,600		2,654,600
AUXILIARY	Associated Students (ASNAU)	188,300		188,300
	Intercollegiate Athletics *	1,600,000		1,600,000
	Intramurals/Recreation	63,700		63,700
	Skydome	157,900		157,900
	* Change of fund source, not change in funding level			
	Subtotal Auxiliary	2,009,900		2,009,900
	Total Operating Funds	4,664,500		4,664,500
FIN AID	Regents Financial Aid Set-Aside	7,150,000		7,150,000
	Set-Aside for Academically Meritorious AZ Residents	350,000		350,000
	DPT- FA Set-Aside	18,700		18,700
	MBA - FA Set-Aside	14,200		14,200
	MSM - FA Set-Aside	11,200		11,200
	GIS - FA Set-Aside	600		600
	Student Financial Aid Match (SSIG, SEOG, etc.)	318,400		318,400
	Other Financial Aid - (formerly tuition waivers)		17,757,000	17,757,000
	Subtotal Financial Aid	7,863,100		25,620,100
	Plant Fund	1,378,200		1,378,200
	Debt Service	13,590,200		13,590,200
TOTAL LOCAL RETENTION		27,496,000		45,253,000

2005-06
LOCALLY RETAINED COLLECTIONS

UNIVERSITY OF ARIZONA

		INITIAL BUDGET 2005-06	INCREASE/ (DECREASE)	REVISED 2005-06
DESIGNATED	Alumni Association	1,136,800		1,136,800
	College of Nursing - Accelerated BSN	427,300		427,300
	Department of Multicultural Programs and Services (DMPS)			
	DMPS - African American Student Affairs	21,000		21,000
	DMPS - Asian Pacific American Student Affairs	16,500		16,500
	DMPS - Early Outreach	19,700		19,700
	DMPS - Hispanic Student Affairs	8,600		8,600
	DMPS - Minority Student Recruitment	143,900		143,900
	DMPS - Minority Summer Institute for Writing	12,900		12,900
	DMPS - Multicultural Programs	136,700		136,700
	DMPS - Native American Student Affairs	11,300		11,300
	Fall Transition/University Learning Center	15,500		15,500
	Graduate and Professional Student Council	62,500		62,500
	Graduate College	166,700		166,700
	Graduate Teaching Assistants -Tuition Remission	5,051,100		5,051,100
	Interpreting/Disabilities (ADA)	136,700		136,700
	Law College Special Fee	421,800		421,800
	Learning Disabilities Mandated Services	377,600		377,600
	Library Acquisitions	461,200		461,200
	Merchant Credit Card Banking Fees	1,433,200		1,433,200
	Student Child Care Voucher Program	87,500		87,500
	VP Student Affairs	4,500		4,500
	Utility Costs Reserve	1,935,700		1,935,700
	Subtotal Designated	12,088,700		12,088,700
AUXILIARY	Admissions Recruiting	120,400		120,400
	Associated Students (ASUA)	239,700		239,700
	Campus Health Service	3,955,800		3,955,800
	Campus Recreation and Intramurals	544,700		544,700
	Student Faculty Relations	7,200		7,200
	Student Programs	450,600		450,600
	Student Union	1,234,800		1,234,800
	Subtotal Auxiliary	6,553,200		6,553,200
	Total Operating Funds	18,641,900		18,641,900
FIN AID	Regents Financial Aid Set-Aside	13,452,300		13,452,300
	UAS (SV) - Regents FA Set-Aside	234,700		234,700
	Supplemental Need-Based Set-Aside	1,893,700		1,893,700
	Other Financial Aid - (formerly tuition waivers)	49,379,200		49,379,200
	Architecture FA Set-Aside	3,800		3,800
	Eller MBA FA Set-Aside	315,300		315,300
	Law School FA Set-Aside	468,500		468,500
	Pharmacy FA Set-Aside	193,400		193,400
	Planning FA Set-Aside	1,800		1,800
	Public Health FA Set-Aside	7,200		7,200
	Undergraduate Scholars	3,619,300		3,619,300
	Nursing Special Fee FA	19,500		19,500
	Eller UG Special Fee FA	131,300		131,300
	SIRLS Special Fee FA	63,500		63,500
	Subtotal Financial Aid	69,783,500		69,783,500
	Plant Fund	0		0
	Utility Infrastructure	2,123,900		2,123,900
	Subtotal Plant Funds	2,123,900		2,123,900
	Debt Service	22,389,400		22,389,400
TOTAL LOCAL RETENTION		112,938,700		112,938,700

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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HOUSE OF REPRESENTATIVES

DATE: September 20, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Eric Jorgensen, Fiscal Analyst

SUBJECT: Arizona Department of Economic Security – Review of Arizona Specific Child Protective Services Caseloads

Request

Laws 2003, 2nd Special Session, Chapter 6 instructed the Department of Economic Security (DES) to develop and adopt Arizona specific caseload standards for Child Protective Services (CPS) and submit them to the Joint Committee on Children and Family Services (JCCFS) by July 1, 2004. As the department failed to meet this deadline, Laws 2005, Chapter 286 directed DES to submit those standards to the Joint Legislative Budget Committee for review by September 1, 2005. The footnote states that if the standards were submitted by that date, “upon the review of the Joint Legislative Budget Committee, but no later than October 1, 2005, an additional $1,388,400 from the state General Fund and $2,999,200 from the Federal Temporary Assistance for Needy Families Block Grant and 86.7 Full-Time Equivalent Positions shall be appropriated to the operating lump sum for additional caseworker staff,” which represents half of the new funding appropriated for CPS case managers and staff for FY 2006.

Recommendation

The Committee has at least the following options:

1. A favorable review with the provision that it does not constitute an endorsement of additional funding required to achieve the proposed staffing levels. Overall, the DES proposal is comparable to the Child Welfare League of America’s (CWLA) national standards. These standards, however, reflect DES’s best estimate of the time required to complete its Arizona-specific responsibilities.
2. An unfavorable review. The proposed standards simply reflect current workloads and procedures. They do not attempt to address what is the most appropriate level of staffing, and would serve to validate any inefficiencies currently in the system.

In addition, the JLBC Staff recommends the following additional provisions:

- DES reevaluate the standards in one year and report back to the Committee by September 1, 2006. The report should include any recommendations for changes to the standards as well as data to support those changes.

(Continued)

- DES and the Attorney General examine and resolve their differences in the reporting of the number of children awaiting placement, and submit their joint findings to the Committee by December 31, 2005.
- The statutorily required semi-annual Financial and Program Accountability Report include the following measures:
    - The number of children in licensed foster care, kinship care, or other family-style placements.
    - The number of children in group home, shelters, residential centers or other congregate care settings.
    - The number of children in shelter care more than 21 days and the average number of days in care for these children.
    - The number of children 0 to 3 years old in shelter care.
    - The number of children 0 to 6 years old in group homes.
    - Expenditures for services allowed under the Federal Title IV-E waiver including counseling, drug treatment, parenting classes, rent, furniture, car repairs and food expenditures.

DES has also separately submitted its semi-annual Financial and Program Accountability Report. The following are some highlights of the report covering January – June 2005:

- Investigations have remained fairly constant at about 3,200 cases per month. In-home cases have declined an average of (4)% per month to 4,516 at the end of FY 2005. Out-of-home cases have increased an average of 1% per month to 9,761.
- Case manager retention was about 80% for the second half of FY 2005. DES lost 70 case managers and another 13 were transferred or promoted within the system. These were replaced by 167 new-hires or transfers.
- Employee satisfaction remained stable with an average survey ranking of 3.4 out of 5 overall and a 4.3 for training.
- CPS complaints validated by the Office of the Ombudsman decreased from 16% in FY 2004 to 13% in the last six months of FY 2005.

Analysis

The department submitted its case manager caseload standards on August 31, 2005. The proposed standards are 10 cases per month for investigations, 19 cases per month for families receiving in-home services, and 16 children per month in out-of-home care. *Table 1* compares these standards to the CWLA standards and to national averages.

Table 1

Comparison of Caseload Standards

	Proposed	CWLA	FY2005 Actual [1/]	National Average [2/]
Investigations	10	12	15	14
In-home Services	19	17	32	16
Out-of-home Services[3/]	16	15	29	23

1/ Average monthly caseload does not include unfilled positions. Filling already appropriated positions would reduce these caseloads.
2/ National Average are reported by CWLA for 2002. Data represents the response of between 19 and 23 states, depending on the category.
3/ Out-of-home standard is number of children, whereas the other standards are number of cases.

(Continued)

DES reports that these standards were developed by assessing the time required to complete each of the functions in a specific type of case. This number was then weighted to represent the percentage of cases in which the action was performed. For example, in an investigation, when a worker decides that removal is warranted, DES estimates that it requires a minimum of 180 minutes of work with an additional 45 minutes of travel and 30 minutes of data entry for a total of 255 minutes to process the removal. This activity occurs in 13.2% of investigations. Multiplying these numbers gives us a weighted average time of 34 minutes to process a removal for all investigations. Adding all the activities for an investigation, DES calculates that it takes 14.8 hours to complete an investigation. DES then calculates that the total available time in a month to spend on casework is 148 hours (which excludes vacation and sick leave, meetings, training and other administrative duties). This number is then divided by the number of hours required to complete an investigation for a total of 10 cases per month (148 hours available per month / 14.8 hours per investigation). The standards for in-home and out-of-home case management were computed in the same manner.

Laws 2003, 2nd Special Session, Chapter 6 required DES to provide a semi-annual report that includes actual caseloads for CPS workers. *Table 2* shows the number of cases and the number of cases managers required to meet the proposed standards based on the data in the semi-annual report.

Table 2

CPS Staffing and Caseload Standards

	Investigations	In-home Services	Out-of-home Service	**Total**
FY 2005 Average Caseload	3,098	4,798	9,197	**17,093**
Caseworkers under CWLA	258	283	613	**1,154**
Caseworkers under Proposed	310	252	575	**1,137**
Appropriated (in FY 2006)	--	--	--	**957**
Difference CWLA	--	--	--	**(197)**
Difference Proposed	--	--	--	**(180)**

Based on this information, the department would need about 180 additional case managers to meet these caseload standards. For FY 2006, the cost per case manager was just under $76,000, which includes funding for additional support staff. Using this estimate, the total cost of 180 additional case workers would be $13.6 million.

Data Concerns

There are, however, some questions as to the workload methodology. In an October 2003 report, the Auditor General suggested that DES might overcount caseload and undercount case managers. For example, DES only reports CPS specialists as case managers; however, the Auditor General reports that Human Services specialists and CPS program specialists also carry cases. Case management is listed as part of their job specifications. The Auditor General also reported that in interviews with these positions, the incumbents stated that they understood case management to be an expected part of their job. Adding all case carrying positions could significantly reduce the difference between the current status and the proposed caseload standards. However, DES does not believe those positions should carry cases. Human Service specialists, for example, have generally have less training and a more limited educational background that affect their qualifications to carry active cases.

A second observation by the Auditor General is that the number of cases may include closed cases which have not been closed on the computer tracking system. The report specifically cites 1 case where there had been no documented activity in 4 years. In order to eliminate these extreme cases, DES only counts

(Continued)

cases on the system which have documented activity within the previous 60 days. While this does improve the accuracy of the count, it still creates the potential to count cases that have been closed for 2 months but are still open on the tracking system.

There is also some question as to the reliability of the data itself. The Auditor General makes the point that the tracking system does not classify each case as investigation, in-home or out-of-home. The result is a potential for not properly counting cases as they transfer, for example, from investigation to in-home, which would increase the number of allowable cases from 10 to 19.

There are also data issues between DES and the Attorney General. For each quarter in FY 2005, the Attorney General reports the total number of children awaiting placement 15% to 20% higher than the total reported by DES. For example, in December 2004 the Attorney General's reports shows a total of 10,448 children awaiting placement, whereas DES reported a total of 8,912. In discussion with both agencies, there is a consensus that these numbers should match; however, the reason for the large discrepancy is unknown.

Another critique of the analysis is that DES simply took the current procedures and quantified the time to complete them. There is no analysis of the effectiveness of the procedures. For example, the department reports that when timing the prescribed "planning" activity in out-of-home case management it took 240 minutes to complete. There is no discussion of whether 240 minutes is the right amount of time. By accepting these standards, the department validates the current procedures even if they might be inefficient.

Further, the fact that these caseload standards are lower than the actual reported caseloads shows that actual practices deviate from the prescribed methods. The department calculated the time required to complete each task as currently required; however, case managers are not taking the full time to complete those tasks, either because of efficiency or because they are not completing the required tasks. This finding is also documented by the Auditor General's report. For example, the data entry portion of the caseloads were determined by timing caseworkers' entry time in the CHILDS system; however, the Auditor General reported that this data entry is often not completed as required. While these caseloads shed some light on staff needs under current conditions, they do not address the larger picture of what the department should be doing to improve efficiency.

Semi-annual Report

Finally, in addition to the caseload standards, DES has separately submitted its semi-annual financial and program accountability report for CPS. In the second half of FY 2005, the number of investigations remained fairly constant at about 3,200 per month versus a total year average of 3,098. In-home services cases declined over that same period from 5,486 in January to 4,516 in June or an average of about (4)% per month. Out-of home placements, however, increased from 9,148 in January to 9,761 in June at an average of just over 1% per month.

Case manager retention for the second half of FY 2005 was 80.2%, with 83 managers leaving their current assignments (13 of which transferred districts or were promoted within the division). Over the same period, DES hired, promoted or transferred-in 167 new managers. Districts 3 and 4 had the lowest retention rates with 65% and 25%, respectively. (These districts encompass the northeastern and southeastern counties.) Employee satisfaction surveys report that, the average employee response is about 3.4 on a scale of 1 to 5 for FY 2005, which is consistent with previous reports. Satisfaction with training is reported at 4.3.

DES also reports that only 0.18% of CPS original dependency cases were denied or dismissed by the courts. The percent of Office of Administrative Hearings (OAH) cases where CPS findings are affirmed

(Continued)

has increased from 79% in FY 2004 to 89.4% in the second half of FY 2005. The report also shows that the percent of CPS complaints validated by the Office of the Ombudsman decreased from 16% in FY 2004 to just over 13% in the last six months of FY 2005.

DES recently published a report entitled *Strengthening Families: A Blueprint for Realigning Arizona's Child Welfare System.* According to the report, DES has set the following goals to be completed by June 2006:

- A 5% reduction in children in out-of-home care
- A 10% reduction in children in congregate care (group homes, shelters and residential facilities)
- Eliminate the placement of children ages 0-6 in group homes
- Eliminate the placement of children ages 0-3 in shelter care
- Reduce the length of stay in shelter care to no more than 21 days

Achieving these goals would move cases from the higher cost and caseload ratio out-of-home placements to in-home services, thus reducing the need for more case managers. In order to track these goals, JLBC Staff recommends that the measures listed in the Recommendation section be added to the semi-annual report.

RS/EJ:ym

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

Janet Napolitano
Governor

David A. Berns
Director

RECEIVED
AUG 31 2005
JOINT BUDGET COMMITTEE

AUG 31 2005

The Honorable Russell K. Pearce, Chairman 2005
Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Pearce:

The Department of Economic Security (DES) is pleased to submit the attached Arizona Caseload Standards Report for Child Protective Services (CPS). The submittal is pursuant to Laws 2003, 2nd Special Session, Chapter 6, Section 49 (H.B. 2024) and Laws 2005, Chapter 286, Section 29 (S.B. 1513).

The DES developed Arizona specific caseload standards for CPS in two phases. Phase 1 identified preliminary "best practice" caseload standards for CPS investigations and Phase 2 refined caseload standards for CPS investigations and developed standards for CPS case management, in-home and out-of-home. Phase 2 also considered the projected ongoing impact of DES' redesign of Arizona's child welfare program to improve child, family, and individual safety, permanency and well-being.

We appreciate the opportunity to submit these recommended caseload standards.

If you have any questions about this report, please contact Tracy Wareing, Acting Deputy Director for the Division of Children, Youth and Families at (602) 542-3598 or me at (602) 542-5678.

Sincerely,

David A. Berns

David A. Berns

Attachment

Final Report of the Arizona Specific Caseload Standards for Child Protective Services

Introduction

House Bill 2024 (Chapter 6, Laws 2003) and Senate Bill 1513 (Chapter 286, Laws 2005) call for the establishment of Arizona specific caseload standards for Child Protective Services (CPS).[1] The development of the standards was completed in two phases. Phase 1 assessed "best practice" caseload standards for CPS investigations and Phase 2 assessed caseload standards for CPS investigations and CPS case management.

The establishment of specific standards based upon real time data is challenging in an evolving system. Over the past two years, Arizona has implemented major child welfare system improvements to better meet the needs of children and their families. Examples include: implementation of child safety assessment and strengths and risks assessment tools; elimination of the Family Builders Program as an alternative response system in lieu of CPS investigations for certain potential CPS reports and the designation of CPS as the first response for all CPS reports; implementation of joint investigations with law enforcement for CPS reports involving extremely serious conduct allegations; provision of training in forensic interviewing and processes; and, continued efforts to streamline the Children's Information Library and Data Source (CHILDS), Arizona's child welfare automated information system.[2] Modification of CHILDS is considered an ongoing process to better meet the needs of workers and assist in the management of caseloads.

In addition, the Department of Economic Security (DES) continues to integrate service delivery across its Divisions, improve staff skills in family centered practice, enhance services to relative caregivers and other resource families within communities, and better meet the needs of children and families that DES serves through other practice and program improvements. Current efforts are underway to improve the array of services provided to children and families in their homes, including increased in-home case management services. The goal of this effort is to increase the number of children who

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[1] Previous caseload comparisons have been made using the Child Welfare League of America caseload standard, which is a general standard used by many states. An Auditor General report identified the need to develop an Arizona specific standard, which takes into account the complexities of cases that Arizona CPS workers carry, Model Court requirements, the high level of cases which involve substance abuse and the geographic challenges related to service provision in Arizona.

[2] The State of Arizona, Office of the Auditor General, in its Performance Audit of the Department of Economic Security-Division of Children, Youth and Families-Child Protective Services-CHILDS Data Integrity Process issued in May 2005, found that continued efforts were needed to help workers better manage their caseloads, including the modification of CHILDS to better meet users' needs. CHILDS was last modified in June 2005, to include enhancements that assist workers in CHILDS entry. Other recommendations related to the Auditor General findings are also in process.

can safely remain in their homes, or, for those children in out-of-home care, to safely expedite their return home with the delivery of intensive services.

All of these efforts to redesign Arizona's child welfare system impact CPS workers and the amount of time they spend on specific activities. Many of these key practice components have not been in place long enough to gather real time data. Given this, the recommended caseload standards are based upon the best information available and consensus of those who participated in the development of the standards.

The following two sections provide information regarding Phase 1 and Phase 2 of the development of Arizona specific caseload standards.

Phase 1 "Best Practice" Caseload Standards for CPS Investigations

Phase 1, beginning after enactment of House Bill 2024, involved obtaining the assistance of the National Resource Center on Child Maltreatment to develop caseload standards that would reflect best practice. DES established a workgroup consisting of staff experienced in CPS fieldwork; representing all six Districts within the Division of Children, Youth and Families (DCYF) and the DCYF Central Office. The National Resource Center on Child Maltreatment facilitated the workgroup and brought expertise in the development of workload management models and caseload standards.

The charge given to the workgroup was to arrive at an investigative caseload standard which considered the following factors:

1. the wide range of tasks performed by investigation staff;
2. the time needed to perform necessary tasks at the "best practice" standard to complete the investigation (rather than the actual time spent completing a task or leaving the task undone);
3. rural versus urban considerations (i.e., transportation time, etc.);
4. proficiency levels of staff; and
5. any other unique factors identified by field staff.

The workgroup study included: (a) key best practice casework activity (b) local office variation (c) actual data for travel, and (c) actual data for CHILDS data entry.

The Caseload Standard Model which was used as the prototype for this project was one developed by ACTION for Child Protection, Inc. in 1994. This model provided a list of the required key child protection investigative activities as well as key non-case related activities. The workgroup began with this prototype and then tailored the model to fit with the Arizona's program design.

The methodology for Phase 1 included taking into consideration the diversity of location specific practice across the state. Some offices have investigation workers who do not provide any additional services on their cases; they transfer the case to an ongoing case manager at the completion of the investigation. Other offices have investigation workers who provide time-limited services on cases as part of the investigation function. Another category of significant variation is travel. Some offices cover a larger geographic area than other offices, and some areas of the state rely on caregivers and services that are located far from the local office. The workgroup took all of these variations in practice and local conditions into account to arrive at an average that would reflect the state in general.

At the time of the study, the child protection program had recently begun to use a new Strengths and Risk Assessment (SRA) tool as a key companion piece to the Child Safety Assessment (CSA) tool. These key practice components had not been in use long enough to gather any real data about actual time to complete this new tool. The time to complete the task of caseload standard development was limited; as a result, the workgroup felt the most viable option regarding the key casework activities was to use best practice estimates, with the exception of travel and CHILDS data entry. The workgroup initially defined all of the key casework activities. After identifying the activities, the workgroup estimated the average amount of time to complete each of these activities for best practice standards. The draft estimates were distributed to CPS supervisors statewide, requesting their input and reaction. After obtaining all of the comments, the workgroup analyzed the feedback and revised some of the estimates.

The workgroup used other methods to determine estimates for travel time and CHILDS data entry. In order to arrive at the most accurate assessment of average time needed for travel, the workgroup conducted a travel study to gather the data. The workgroup distributed a travel survey to investigation staff in selected offices, including both urban and rural representation, and asked them to record their travel time on key investigation activities. 203 travel surveys were completed and returned. The workgroup analyzed the data and developed an estimated average travel time.

The workgroup also used actual data to determine the best time estimate for CHILDS data entry. Computer documentation is a key requirement of the child protection investigative function. In order to get an accurate figure on the average amount of CHILDS data entry, the workgroup distributed CHILDS surveys to selected staff. Staff were asked to record their time spent on CHILDS data entry on a case by case basis. 175 CHILDS surveys were completed and returned to the workgroup. The workgroup used this data to determine the appropriate amount of time it takes to enter data into all the required CHILDS windows.

As a result of the caseload standard workgroup, a listing of casework activities and best practice time estimates to complete the activities was developed. Since not all activities apply to all cases, each activity was weighted according to the percentage of the time it is applicable. For example, not all investigations result in placement; CHILDS data indicates that 13.2% of all investigations result in the placement of at least one child. So, the estimated time for placement activity was multiplied by 13.2% and that is the amount of time used in the standard.

Based upon this methodology, it was determined that the average amount of time to complete all required casework activities on one case was 29.3 hours. This does not include the average travel time or the average CHILDS time.

The travel that supports the accomplishment of each of these casework activities was determined. The same percentage that applied to the casework activity was applied to the travel time for that activity. For example, 45% of all investigations result in some level of service provision, so 45% is applied to the 133 minutes of average travel for service provision. It was determined that 4.75 travel hours on average are required per case.

Regarding CHILDS case data entry time, the workgroup determined that there are three key differences that apply to CHILDS data entry time. Cases that involve court require the greatest amount of time for CHILDS data entry, followed by service only cases and then by cases that are opened and closed during the investigation process. The average amount of time per case is 4.1 hours for CHILDS data entry.

Combining travel and CHILDS with the casework activities results in an average per case of 38.15 hours.

There are a number of activities in which case managers must participate, such as unit meetings, supervisory consultations, training, etc. In addition, staff have annual leave, sick leave and holiday leave, which must be considered when developing a caseload standard. Time related to other than casework activity took into consideration unit meetings, general meetings, training, leave and other administrative activities.

The final step in calculating a caseload standard is to establish the total number of office hours available per month, and then subtract the average administrative time. This leaves the amount of time available, on average, for investigative caseworkers to complete casework activities.

The number of hours available for casework activity is then divided by the average amount of time it takes to complete each investigation case, which was identified earlier as 38.15 hours. This results in a caseload standard of 3.02 investigations per worker, per month.

The average investigative caseload standard is based upon a mix of investigation and case management activities. As the amount of case management activity provided in an investigation decreases, the caseload standard rises. For example, investigations that are opened and closed during the investigation process, or that do not involve a placement or court involvement, require less time. Services only cases (cases kept open by the CPS investigations worker), require more time, and therefore, reduce the caseload standard.

The caseload standard for investigative cases that are opened and closed during the investigation process is 5 cases per month (rounded from 4.8). The investigative caseload standard for cases that remain open for services is 3 cases per month (rounded from 3.08). The investigative caseload standard for cases that remain open and have a dependency petition filed is 2 cases per month (rounded from 1.5).

The Phase I work was completed in July 2004. At that time, the DES determined that Phase 2 was required to assess caseload standards for CPS staff that provide in-home case management and out-of-home case management services. In addition, based upon anticipated results of ongoing efforts to improve practice and service delivery, and streamline processes to enable workers to better manage their caseloads, Phase 2 included a reassessment of investigative caseload standards.

Phase 2 Case Load Standards for CPS Investigations and CPS Case Management

Phase 2 began immediately after Phase 1 completion. Although the work of Phase 1 was considered in Phase 2, the Phase 2 methodology was significantly different. Phase 1 was charged with the development of an investigative caseload standard based upon best practice. Phase 2 was charged with the development of caseload standards for CPS investigations, CPS in-home case management and CPS out-of-home case management taking into consideration the potential impact upon caseloads of system reform and efforts to redesign Arizona's child welfare program.

In order to determine the estimated amount of time to complete activities the caseload standards workgroup from Phase 1 was reconvened and followed a similar process as in Phase 1. The results of the workgroup's identification of staff time required to complete categories of activities, including CHILDS data entry and travel, are found in the following Tables in the Appendix to this report:

Table 1: Estimated Time to Complete CPS Investigation Activities by Activity Detail
Table 2: Estimated Time to Complete In-Home Case Management Activities by Activity Detail
Table 3: Estimated Time to Complete Out-of-Home Case Management Activities by Activity Detail

Travel and CHILDS data entry time were reduced for all categories of applicable activities based upon ongoing efforts to streamline CHILDS and provide other resources for CPS staff to assist in CHILDS data entry and transportation of clients.

Table 4 displays the time required for other non-casework activities. As shown, the minimum number of minutes per month for these activities was assessed as 1,492 minutes or 25 hours (rounded from 24.87) per worker per month.

Table 5 displays the total number of hours available for casework activity. The total number of hours available for work per month is 173 hours. After subtracting the 25 hours not available for casework activities, the number of hours available for casework activities is 148.

Table 6 displays a summary of the estimated amount of time required to complete casework activity for CPS investigations, CPS in-home case management, and CPS out-of-home case management. This Table also takes into consideration the percentage of cases to which the activity applies. Based upon these estimates, it was determined that 14.8 hours are required to complete a CPS investigation. On a monthly basis, 7.7 hours are required to complete CPS in-home case management activities and 9.3 hours are required to complete CPS out-of-home case management activities.

Table 7 provides the Arizona specific caseload standards based upon the number of hours available per month to complete casework activities. The average monthly caseload for CPS investigations is 10 investigations, 19 families for CPS in-home case management, and 16 children for CPS out-of-home case management (rounded to the nearest whole).

The following table provides a comparison of caseload standards as identified in Phase 1 and Phase 2, and by the CWLA caseload standards, per month.

	Phase 1	Phase 2	CWLA
CPS Investigations	3-5	10	12
CPS In-Home Case Management (Families)	NA	19	17
CPS Out-of-Home Case Management (Children)	NA	16	15

Conclusion

Based upon the work of Phase 1 and Phase 2, the DES recommends the following Arizona specific caseload standards:

CPS Investigations:	10 investigations/monthly
CPS In-Home Case Management:	19 families/average
CPS Out-of-Home Case Management:	16 children/average

The DES appreciates the opportunity to develop and present Arizona specific caseload standards given its continued efforts to redesign the Arizona child welfare system and the impact that redesign and increased expectations have upon casework activities. The recommended standards reflect where DES would like to be given its current reform.

DES is committed to evaluating these standards on a periodic basis dependent upon ongoing system reform and in view of other significant impacts upon the Arizona child welfare system.

DES continues to improve practice and better ensure the safety of children through the following efforts: increased training on the use of the Family-Centered Strengths and Risk Assessment and Child Safety Assessment tools to provide for comprehensive assessment of risk and child safety; continued skills building for supervisors and staff in family centered practice principles and building on family strengths; increased efforts to coordinate with law enforcement in joint investigation of extremely serious conduct allegations and other reports as determined appropriate, and; increased efforts to engage families in services to reduce current risk and better ensure that the needs of the family are met. It is projected that in order for DES to fully implement the aforementioned enhancements in Arizona, a caseload standard of 10 investigations per month would be appropriate.

DES continues to improve services for children and families in their homes, to better ensure the safety of children, and prevent, whenever possible, removal of children from their homes. Current efforts to improve the array and intensity of in-home services include: coordination of service integration across DES Divisions; partnering with providers of in-home services to improve the array and intensity of available services to better meet the needs of families; designation of CPS in-home case management specialists to better ensure child safety while children remain in the home and the delivery of appropriate services to the family, and; continued partnering with the Department of Health Services, Division of Behavioral Health Services, to enhance Title XIX behavioral health services for eligible families in their homes. It is projected that in order for DES to reduce the number of children entering out-of-home care through intensified in-home services, an Arizona caseload standard of 19 families for CPS in-home case management specialists would be required.

DES continues efforts to safely expedite the reunification of children with their families and achieve permanency for those children unable to return home. Current efforts include: participation in the Annie E. Casey Family to Family Program; implementation of a Title IV-E Waiver to expedite family reunification; Arizona participation in the Casey Family Programs Breakthrough Series on Kinship Care; increased skills building in family centered practice principles and consultation with the National Resource Center for Family Centered Practice and Permanency Planning; participation in the Casey Family Programs Breakthrough Series on Reducing Disproportionality and Disparate Outcomes for Children and Families of Color in the Child Welfare System, and; continued efforts to improve services through such programs as the Arizona Families F.I.R.S.T. substance abuse program. It is projected that in order for DES to intensify services to children in out-of-home care and their families, to safely expedite return home or other permanency for children, an Arizona caseload standard of 16 children for CPS out-of-home case management specialists would be required.

DES continues to improve child, family, and individual safety, permanency and well-being. It is believed that through system redesign, reform and best practice, that Arizona's children and families will be better served.

Table 1: Estimated Time to Complete CPS Investigation Activities by Activity Detail

Activity Category	Activity Detail	Minimum Time (Minutes)	Travel (Minutes)	CHILDS Entry (Minutes)	Percent of Cases[1]
Preparation	Reading records Reviewing CHILDS documentation Calling the source of the report, if necessary Getting law enforcement reports Contacting other states, if necessary Coordinating with law enforcement for co-investigations, if necessary Developing strategy for investigation Consulting with supervisor	45			100
Initial contact(s) with family and others (first day of investigation)	Interviewing children at home, school or other locations Interviewing family members Interviewing or contacting others with information about the report, including other professionals Collecting information for completion of the Family-Centered Strengths and Risk Assessment and Child Safety Assessment tools	270	50		100
Subsequent Contacts	Interviewing Contacting collaterals Gathering collateral information such as medical records, school records, evaluations, and etc. Continuing coordination with law enforcement, if necessary Continuing gathering of information to complete the Family-Centered Strengths and Risk Assessment and Child Safety Assessment tools	210	50		90

[1] Percentage of cases to which activity applies.

Activity Category	Activity Detail	Minimum Time (Minutes)	Travel (Minutes)	CHILDS Entry (Minutes)	Percent of Cases[1]
Placement	Locating a placement for the child Gathering information about the child to give to the placement provider Sharing information with the placement provider Assuring the child is settled in the placement Visiting the child in the placement	180	45	30	13.2
Planning	Completing the Family-Centered Strengths and Risk Assessment and Child Safety Assessment tools Coordinating the development of the initial case plan Participating in initial Child and Family Team meeting Initiating referral to community and contracted resources and services Initiating referral to other professionals for medical, mental health and educational assessment and services Participating in clinical supervision with supervisor Completing closing or transfer summary	60	30	30	100
Court	Serving of parents Temporary Custody Notice Preparing dependency petition Consulting with supervisor and Assistant Attorney General Arranging for and attending the Removal Review Team review Preparing court report Attending mediation hearing, preliminary protective hearing, and other hearings (average 3 per case) Consulting with parents and others	360	30	90	15

Activity Category	Activity Detail	Minimum Time (Minutes)	Travel (Minutes)	CHILDS Entry (Minutes)	Percent of Cases[1]
Non-CHILDS Documentation	Requesting birth certificates or records and social security numbers Requesting immunization records, other medical history and evaluations, and school records Requesting parent locator services, if necessary Requesting information to complete social history Completing family history non-id form for each child Completing kinship-foster care paperwork Completing criminal history checks for non-licensed caretakers Completing letter to incarcerated parents, if necessary Completing agreement for relative placement, if necessary Completing visitation agreement Completing letter to parents regarding outcome of the investigation Completing closure letter reporting source Completing other required documentation	30			100
Consultation		30			100

Table 2: Estimated Time to Complete CPS In-Home Case Management Activities by Activity Detail

Activity Category	Activity Detail	Minimum Time (Minutes)	Travel (Minutes)	CHILDS Entry (Minutes)	Percent of Cases
Planning	Revising the Family-Centered Strengths and Risk Assessment and Child Safety Assessment tools Monitoring the case plan and service delivery Revising the case plan as necessary Participating in Child and Family Team meeting Referring to other community and contracted resources and services, including referral to professionals for medical, mental health and educational assessment and services Participating in clinical supervision with supervisor Visiting with children and their families Completing closing summary	240	60	100	100
Non-CHILDS Documentation	Requesting further information to complete social history Requesting further information to complete the family history non-id form for each child Completing referrals Completing requests for services	30			100
Consultation		30			100

Table 3: Estimated Time to Complete CPS Out-of-Home Case Management Activities by Activity Detail

Activity Category	Activity Detail	Minimum Time (Minutes)	Travel (Minutes)	CHILDS Entry (Minutes)	Percent of Cases
Placement	Relocating a placement for the child if necessary Gathering information about the child to give to the placement provider Sharing information with the placement provider Assuring the child is settled in the placement Visiting the child and the placement provider in the provider's residence	60	45	30	30
Planning	Revising the Family-Centered Strengths and Risk Assessment and Child Safety Assessment tools Monitoring the case plan and service delivery Revising the case plan Participating in Child and Family Team meetings Referring to other community and contracted resources and services, including referral to professionals for medical, mental health and educational assessment and services Visiting with parents and children Facilitating visitation between siblings and parents and their children Participating in clinical supervision with supervisor	240	30	30	100
Court	Requesting and preparing court reports Preparing court report Attending court and Foster Care Review Board Hearings Participating in Child and Family Teams	60	30	90	100

Activity Category	Activity Detail	Minimum Time (Minutes)	Travel (Minutes)	CHILDS Entry (Minutes)	Percent of Cases
Non-CHILDS documentation (court cases only)	Requesting birth certificates or records Requesting immunization records, other medical history and evaluations, and school records Requesting social security numbers Requesting parent locator services, if necessary Requesting information to complete social history Completing family history non-id form for each child Completing kinship-foster care paperwork Completing criminal history checks for non-licensed caretakers Completing letter to incarcerated parents, if necessary Completing agreement for relative placement, if necessary Completing visitation agreement Completing other required documentation	30			100
Consultation		30			100

Table 4: Other than Casework Activity – Minimum Time on a Monthly Basis

Activity	Time (Minutes)
Unit Meeting	60
General Meetings	30
Training	120
Leave (10 days of vacation a year, 10 holidays a year, 12 sick days a year = 32 days/12 months = 2.67 days a month x 8 hours x 60 minutes	1282
Total Monthly Other Time	1492 Minutes = 25 Hours (rounded from 24.87) per Month per Worker

Table 5: Total Number of Office Hours Available per Month for Case Activity

Total Hours/Month Office Hours: (8 hours per day x 5 days per week x 4.33 weeks per month - rounded)	173
Minus Other than Case Activity Hours: (rounded)	25
Number of Hours Available for Casework Activity:	148

Table 6: Average Amount of Time per Month to Complete Casework Activity by Case Type

CPS Investigations	Activity	Activity Time (Minutes)	Travel (Minutes)	CHILDS (Minutes)	Total Time (Minutes)	Percent Application	Total Time per Activity (Minutes)
	Preparation	45			45	100	45
	Initial Contacts	270	50		320	100	320
	Subsequent Contacts	210	50		260	90	234
	Placement	180	45	30	255	13.2	34
	Planning	60	30	30	120	100	120
	Court	360	30	90	480	15	72
	Non-CHILDS Documentation	30			30	100	30
	Consultation	30			30	100	30
	Total Average Time Per Case (Hours)						885 Minutes/60 = 14.8* Hours *Rounded to the nearest tenth.
In-Home Case Management	Activity	Activity Time (Minutes)	Travel (Minutes)	CHILDS (Minutes)	Total Time (Minutes)	Percent Application	Total Time per Activity (Minutes)
	Planning	240	60	100	400	100	400
	Non-CHILDS Documentation	30			30	100	30
	Consultation	30			30	100	30
-	Total Average Time Per Case (Hours)						460 Minutes/60 = 7.7* Hours *Rounded to the nearest tenth.
Out-of-Home Case Management	Activity	Activity Time (Minutes)	Travel (Minutes)	CHILDS (Minutes)	Total Time (Minutes)	Percent Application	Total Time per Activity (Minutes)
	Placement	180	45	30	255	30	77
	Planning	180	30	30	240	100	240
	Court	60	30	90	180	100	180
	Non-CHILDS Documentation	30			30	100	30
	Consultation	30			30	100	30
	Total Time Per Case/ Hours						557 Minutes/60 = 9.3* Hours *Rounded to the nearest tenth.

Table 7: Arizona Specific Caseload Standards by Case Type by Month

Case Type	Minimum Time to Complete Case Work Activities (Hours)	Available Hours to Complete	Average Caseload per Month
CPS Investigations	14.8	148	10 Investigations
In-Home Case Management	7.7	148	19* Families *Rounded to the nearest whole.
Out-of-Home Case Management	9.3	148	16* Children *Rounded to the nearest whole.

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

Janet Napolitano
Governor

David A. Berns
Director

AUG 2 2 2005

The Honorable Janet Napolitano
Office of the Governor
1700 West Washington Street
Phoenix, Arizona 85007

Dear Governor Napolitano:

As required by A.R.S. § 8-818, the Department of Economic Security (DES), the Office of Strategic Planning and Budgeting (OSPB), and the Joint Legislative Budget Committee (JLBC) met to develop a financial and program accountability reporting system for Child Protective Services (referred to as the CPS Report). The CPS Report is required to be submitted bi-annually in August and February of each year. The August CPS report is attached.

Please let me know if the information provided requires clarification.

Sincerely,

David A. Berns

David A. Berns

Attachment

DB:JS:cf

C:
The Honorable Robert Burns
The Honorable Tom Boone
The Honorable Russell Pearce
The Honorable Karen Johnson
The Honorable Pete Hershberger

DEPARTMENT OF ECONOMIC SECURITY
CHILD PROTECTIVE SERVICES ACCOUNTABILITY FACTORS
Child Protective Service Bi-Annual Financial and Program Accountability Report (CPS Report)
August 2005

A.R.S. § 8-818 required the Department of Economic Security (DES), the Office of Strategic Planning and Budgeting (OSPB), and the Joint Legislative Budget Committee (JLBC) to develop a bi-annual financial and program accountability reporting system for Child Protective Services (CPS). Chapter 6 specified seven measures (*see Table 1)* to be included in the CPS Report. In addition, the five measures recommended by the JLBC are also included in the CPS Report. (*see Table 2*). The August 2005 CPS Report includes data on the 12 identified financial and program accountability measures.

Table 1

Factors Identified in the Special Session Legislation

1. Success in meeting training requirements.
2. Caseloads for child protective service workers.
3. The number of new cases, cases that remain open, and cases that have been closed.
4. The ratio of child protective services workers to immediate supervisors.
5. Employee turnover, including a breakdown of employees who remain with the department and employees who leave the department.
6. The source and use of federal monies in child protective services.
7. The source and use of state monies in child protective services.

Table 2

Factors Requested by the JLBC

8. Employee satisfaction rating for employees completing the CPS Training Academy (Scale 1-5).
9. Employee satisfaction rating for employees in the Division of Children, Youth and Families (Scale 1-5).
10. Percent of CPS original dependency cases where court denied or dismissed.
11. Percent of Office of Administrative Hearing where CPS case findings are affirmed.
12. Percent of CPS complaints reviewed by the Office of the Ombudsman where allegations are reported as valid by the Ombudsman.

TRAINING

1. Success in meeting training requirements.

FY 2004 and FY 2005

	Actual Qtr 1 & 2 FY 2005	Actual Qtr 3 & 4 FY 2005	Estimate Qtr 1 & 2 FY 2006
# new enrolled in CPS training academy[1/]	129	168	155
# new enrolled graduated[1/]	151	89	172
# new enrolled still in CPS training[1/]	127	163	80

1/ CPS academy training is 16 weeks.

CPS CASELOADS

2. Caseloads for child protective service workers.

3. The number of new cases, cases that remain open, and cases that have been closed.

Please see pages 4a – 4f for data collected on these measures for January - June 2005.

The following are definitions relevant to the "caseloads for child protective service workers" factor:

- The estimated staff (i.e., CPS Specialists) required for investigations, in-home and out-of-home cases by district based on national staffing standards. The total estimated staff required is then compared to the total number of authorized staff to determine the staffing need.
- Investigations – This represents the number of reports investigated by CPS in the month. Units for this measure are defined as reports. Staff represents the number of CPS Specialists required under national caseload standards to perform the work. National caseload standards for this measure indicate the case manager should handle no more than 12 investigations per month.
- In-Home Cases – This represents the number of cases where no children involved in the case have been removed from the home, but CPS is involved with the family and providing some service. Units for this measure are defined as cases. Staff represents the number of CPS Specialists required under national caseload standards to perform the work. National standards for this measure indicate that a case manager should handle 17 in-home cases per month.
- Out-of-Home Children – This represents the number of children placed in the custody of the Department who require placement in a foster care setting. Units for this measure are defined as children. Staff represents the number of CPS Specialists required under national caseload standards to perform the work. National standards for this measure indicate that a case manager should handle 15 children per month.
- Units – Depending on the service, the unit varies as follows: 1) investigation unit is defined as a report; 2) an in-home unit is defined as a case, which may involve one or more children; and, 3) an out-of-home unit is defined as an individual child.
- Staff – This represents the number of CPS Specialists required to meet national staffing standards at the caseload level presented.
- Contracted Case Management Staff – The Department currently contracts for 16 case management positions. CPS Unit Supervisors oversee the contracted case management staff who handles specialized cases such as intensive in-home cases and pre-adoption cases. For the purpose of identifying the number of case managers required to meet national standards and the number of case managers the Department lacks to achieve those standards, the 16 contracted FTE are included in the calculations.

- The following are definitions relevant to the "the number of new cases, cases that remain open, and cases that have been closed" factor:
  - Number of New In-Home Cases – This measure displays the number of in-home cases that were opened in the report month.
  - Number of Continuing In-Home Cases – This measure displays the number of in-home cases that remained open from the prior report month.
  - Number of Closed In-Home Cases – This measure displays the number of in-home cases from the prior month that were closed.
  - Number of New Out-Of-Home Children – This measure displays the number of children that entered care in the report month.

- Number of Continuing Out-of-Home Children – This measure displays the number of children that remained in care from the prior report month.
- Number of Children Leaving Care – This measure displays the number of children who left the custody of the Department from the prior month.
- Cases Identified as Non-Active – These are cases that had no case notes or services authorizations for 60 days or more. These cases are excluded from the case counts in the above measures.

Division of Children, Youth and Families
Case Count Summary Report
Data for January 2005

	Number of Units	# of Staff Required[1/5/]	# of Staff Filled	Workload per Worker
Investigations				
District I	1,808	150.7		
District II	692	57.7		
District III	202	16.8		
District IV	213	17.8		
District V	216	18.0		
District VI	162	13.5		
Total	3,293	274.4	220	15
In-Home Cases				
District I	3,169	186.4		
District II	898	52.8		
District III	474	27.9		
District IV	454	26.7		
District V	250	14.7		
District VI	241	14.2		
Total	5,486	322.7	164	33.5
Out-of-Home Children				
District I	4,688	312.5		
District II	2,520	168.0		
District III	706	47.1		
District IV	345	23.0		
District V	435	29.0		
District VI	355	23.7		
District VII	99	6.6		
Total	9,148	609.9	309	29.6
Total Staff Required		1207.0		
# of Staff (Authorized)[2/3/]		841.5		
Number of Staff Needed		(365.5)		
Number of New In-Home Cases	2,397			
Number of Continuing In-Home Cases	3,089			
Number of Closed In-Home Cases	2,167			
Number of New Out of Home Children	587			
Number of Continuing Out-of-Home Children	8,561			
Number of Children Leaving Care	492			
Cases Identified as Non-Active[4/]	6,468			

1/ Required staffing provided by district for informational purposes only. Staffing is not appropriated at the district level; instead being appropriated in total to allow the Division the ability to manage staffing to best address each locations needs and caseload levels.
2/ Includes 16 contracted case management staff.
3/ Includes 50 new case manager positions appropriated for FY 05.
4/ These cases have no case notes or service authorizations for 60 days or more, and are excluded from the above case counts. Represents closed removals or in-home cases that have not had case notes completed.
5/ Number of Staff required based on the following standards: a workload per case manager of 12 investigations, 15 In-Home cases, or 17 Out-of-Home children.

NOTE: Investigative caseload data as of 7/16/05. In-home and Out-of-home data as of 2/25/05.

Division of Children, Youth and Families
Case Count Summary Report
Data for February 2005

	Number of Units	# of Staff Required[1/5/]	# of Staff Filled	Workload per Worker
Investigations				
District I	1,836	153.0		
District II	566	47.2		
District III	245	20.4		
District IV	194	16.2		
District V	196	16.3		
District VI	121	10.1		
Total	3,158	263.2	211	15
In-Home Cases				
District I	2,883	169.6		
District II	924	54.4		
District III	438	25.8		
District IV	543	31.9		
District V	280	16.5		
District VI	212	12.5		
Total	5,280	310.6	165	32.0
Out-of-Home Children				
District I	4,886	325.7		
District II	2,542	169.5		
District III	717	47.8		
District IV	357	23.8		
District V	436	29.1		
District VI	373	24.9		
District VII	100	6.7		
Total	9,411	627.4	334	28.2
Total Staff Required		1201.2		
# of Staff (Authorized)[2/3/]		841.5		
Number of Staff Needed		(359.7)		
Number of New In-Home Cases	1,688			
Number of Continuing In-Home Cases	3,592			
Number of Closed In-Home Cases	1,894			
Number of New Out of Home Children	618			
Number of Continuing Out-of-Home Children	8,793			
Number of Children Leaving Care	366			
Cases Identified as Non-Active[4/]	6,652			

1/ Required staffing provided by district for informational purposes only. Staffing is not appropriated at the district level; instead being appropriated in total to allow the Division the ability to manage staffing to best address each locations needs and caseload levels.
2/ Includes 16 contracted case management staff.
3/ Includes 50 new case manager positions appropriated for FY 05.
4/ These cases have no case notes or service authorizations for 60 days or more, and are excluded from the above case counts. Represents closed removals or in-home cases that have not had case notes completed.
5/ Number of Staff required based on the following standards: a workload per case manager of 12 investigations, 15 In-Home cases, or 17 Out-of-Home children.

NOTE: Investigative caseload data as of 7/16/05. In-home and Out-of-home data as of 3/25/05.

Division of Children, Youth and Families
Case Count Summary Report
Data for March 2005

	Number of Units	# of Staff Required [1/5/]	# of Staff Filled	Workload per Worker
Investigations				
District I	1,839	153.3		
District II	628	52.3		
District III	227	18.9		
District IV	216	18.0		
District V	203	16.9		
District VI	154	12.8		
Total	3,267	272.3	218	15
In-Home Cases				
District I	2,769	162.9		
District II	880	51.8		
District III	479	28.2		
District IV	532	31.3		
District V	265	15.6		
District VI	207	12.2		
Total	5,132	301.9	168	30.5
Out-of-Home Children				
District I	4,903	326.9		
District II	2,522	168.1		
District III	721	48.1		
District IV	371	24.7		
District V	491	32.7		
District VI	379	25.3		
District VII	93	6.2		
Total	9,480	632.0	352	26.9
Total Staff Required		1206.1		
# of Staff (Authorized)[2/3/]		841.5		
Number of Staff Needed		(364.6)		
Number of New In-Home Cases	1,875			
Number of Continuing In-Home Cases	3,257			
Number of Closed In-Home Cases	2,023			
Number of New Out of Home Children	657			
Number of Continuing Out-of-Home Children	8,823			
Number of Children Leaving Care	588			
Cases Identified as Non-Active[4/]	6,695			

1/ Required staffing provided by district for informational purposes only. Staffing is not appropriated at the district level; instead being appropriated in total to allow the Division the ability to manage staffing to best address each locations needs and caseload levels.

2/ Includes 16 contracted case management staff.

3/ Includes 50 new case manager positions appropriated for FY 05.

4/ These cases have no case notes or service authorizations for 60 days or more, and are excluded from the above case counts. Represents closed removals or in-home cases that have not had case notes completed.

5/ Number of Staff required based on the following standards: a workload per case manager of 12 investigations, 15 In-Home cases, or 17 Out-of-Home children.

NOTE: Investigative caseload data as of 7/16/05. In-home and Out-of-home data as of 4/25/05.

Division of Children, Youth and Families
Case Count Summary Report
Data for April 2005

	Number of Units	# of Staff Required [1/5/]	# of Staff Filled	Workload per Worker
Investigations				
District I	1,918	159.8		
District II	717	59.8		
District III	253	21.1		
District IV	217	18.1		
District V	226	18.8		
District VI	124	10.3		
Total	3,455	287.9	230	15
In-Home Cases				
District I	2,695	158.5		
District II	832	48.9		
District III	521	30.6		
District IV	448	26.4		
District V	278	16.4		
District VI	203	11.9		
Total	4,977	292.8	172	28.9
Out-of-Home Children				
District I	4,999	333.3		
District II	2,517	167.8		
District III	747	49.8		
District IV	385	25.7		
District V	513	34.2		
District VI	406	27.1		
District VII	102	6.8		
Total	9,669	644.6	378	25.6
Total Staff Required		1225.3		
# of Staff (Authorized)[2/3/]		841.5		
Number of Staff Needed		(383.8)		
Number of New In-Home Cases	1,942			
Number of Continuing In-Home Cases	3,035			
Number of Closed In-Home Cases	2,097			
Number of New Out of Home Children	703			
Number of Continuing Out-of-Home Children	8,966			
Number of Children Leaving Care	514			
Cases Identified as Non-Active[4/]	7,005			

1/ Required staffing provided by district for informational purposes only. Staffing is not appropriated at the district level; instead being appropriated in total to allow the Division the ability to manage staffing to best address each locations needs and caseload levels.
2/ Includes 16 contracted case management staff.
3/ Includes 50 new case manager positions appropriated for FY 05.
4/ These cases have no case notes or service authorizations for 60 days or more, and are excluded from the above case counts. Represents closed removals or in-home cases that have not had case notes completed.
5/ Number of Staff required based on the following standards: a workload per case manager of 12 investigations, 15 In-Home cases, or 17 Out-of-Home children.

NOTE: Investigative caseload data as of 7/16/05. In-home and Out-of-home data as of 5/25/05.

Division of Children, Youth and Families
Case Count Summary Report
Data for May 2005

	Number of Units	# of Staff Required [1/5/]	# of Staff Filled	Workload per Worker
Investigations				
District I	1,889	157.4		
District II	580	48.3		
District III	237	19.8		
District IV	226	18.8		
District V	189	15.8		
District VI	114	9.5		
Total	3,235	269.6	216	15
In-Home Cases				
District I	2,606	153.3		
District II	881	51.8		
District III	518	30.5		
District IV	409	24.1		
District V	274	16.1		
District VI	186	10.9		
Total	4,874	286.7	152	32.1
Out-of-Home Children				
District I	5,105	340.3		
District II	2,505	167.0		
District III	746	49.7		
District IV	402	26.8		
District V	513	34.2		
District VI	409	27.3		
District VII	92	6.1		
Total	9,772	651.5	346	28.2
Total Staff Required		1207.8		
# of Staff (Authorized)[2/3/]		841.5		
Number of Staff Needed		(366.3)		
Number of New In-Home Cases	1,608			
Number of Continuing In-Home Cases	3,266			
Number of Closed In-Home Cases	1,711			
Number of New Out of Home Children	721			
Number of Continuing Out-of-Home Children	9,051			
Number of Children Leaving Care	618			
Cases Identified as Non-Active[4/]	7,266			

1/ Required staffing provided by district for informational purposes only. Staffing is not appropriated at the district level; instead being appropriated in total to allow the Division the ability to manage staffing to best address each locations needs and caseload levels.
2/ Includes 16 contracted case management staff.
3/ Includes 50 new case manager positions appropriated for FY 05.
4/ These cases have no case notes or service authorizations for 60 days or more, and are excluded from the above case counts. Represents closed removals or in-home cases that have not had case notes completed.
5/ Number of Staff required based on the following standards: a workload per case manager of 12 investigations, 15 In-Home cases, or 17 Out-of-Home children.

NOTE: Investigative caseload data as of 7/16/05. In-home and Out-of-home data as of 6/25/05.

Division of Children, Youth and Families
Case Count Summary Report
Data for June 2005

	Number of Units	# of Staff Required 1/5/	# of Staff Filled	Workload per Worker
Investigations				
District I	1,430	119.2		
District II	447	37.3		
District III	210	17.5		
District IV	183	15.3		
District V	178	14.8		
District VI	96	8.0		
Total	2,544	212.0	170	15
In-Home Cases				
District I	2,398	141.1		
District II	762	44.8		
District III	501	29.5		
District IV	410	24.1		
District V	269	15.8		
District VI	176	10.4		
Total	4,516	265.6	148	30.5
Out-of-Home Children				
District I	5,133	342.2		
District II	2,482	165.5		
District III	768	51.2		
District IV	385	25.7		
District V	522	34.8		
District VI	392	26.1		
District VII	79	5.3		
Total	9,761	650.7	361	27.0
Total Staff Required		1128.4		
# of Staff (Authorized) 2/3/		841.5		
Number of Staff Needed		(286.9)		
Number of New In-Home Cases	1,674			
Number of Continuing In-Home Cases	2,842			
Number of Closed In-Home Cases	2,032			
Number of New Out of Home Children	926			
Number of Continuing Out-of-Home Children	8,835			
Number of Children Leaving Care	937			
Cases Identified as Non-Active 4/	7,219			

1/ Required staffing provided by district for informational purposes only. Staffing is not appropriated at the district level; instead being appropriated in total to allow the Division the ability to manage staffing to best address each locations needs and caseload levels.
2/ Includes 16 contracted case management staff.
3/ Includes 50 new case manager positions appropriated for FY 05.
4/ These cases have no case notes or service authorizations for 60 days or more, and are excluded from the above case counts. Represents closed removals or in-home cases that have not had case notes completed.
5/ Number of Staff required based on the following standards: a workload per case manager of 12 investigations, 15 In-Home cases, or 17 Out-of-Home children.

NOTE: Investigative caseload data as of 7/16/05. In-home and Out-of-home data as of 7/25/05.

EMPLOYEE RATIOS AND TURNOVER

4. The ratio of child protective services workers to immediate supervisors

5. Employee turnover, including a breakdown of employees who remain with the Department and employees who leave the department.

Please see pages 5a – 5n for data collected on these measures for January - June 2005.

- The following are definitions relevant to the employee ratio and turnover factors:
  - Authorized – The number of authorized FTE for the district. Authorized FTE are those received through appropriation and their matching federal or other fund share.
  - Filled – The number of staff who are placed in the authorized positions.
  - Vacant – The number of vacant positions (calculated by subtracting the filled positions from the authorized positions).
  - Training – The number of staff who are in the training institute to fill the vacant positions.
  - New Hires to State – Number of staff hired who did not come from another state agency or from within DES.
  - Transferred From Another DCYF District – Number of staff hired in the report district that transferred from another DCYF district (i.e. and employee from District II who moved to District I and wanted to retain employment with the Division).
  - Transferred from Another State Agency – An employee who was employed by another agency is hired by DCYF (i.e. a Department of Behavioral Health Services employee is hired as a CPS Specialist or CPS Unit Supervisor).
  - Promotion from Within DCYF – An employee who was previously in another DCYF position that promoted to a CPS Specialist or CPS Unit Supervisor (i.e. a CPS Case Aide who has attained a Bachelor's degree and now qualifies for a CPS Specialist position or a CPS Specialist who promotes to a CPS Unit Supervisor).
  - Promotion From Within DES – These are new hires to DCYF that came from elsewhere within DES (i.e. a DDD case manager may wish to become a CPS Specialist and promotes over to DCYF).
  - Separation from State Service – An employee who has left employment with the State of Arizona and gone to the private sector.
  - Transferred Outside DES – The employee has left DES employment, but is still employed by the State of Arizona (i.e. the employee may have left to work at the Department of Health Services).
  - Transferred Outside DCYF – Continued Employment with DES – The employee has left DCYF but went to work for another Division with DES (i.e. and employee who leaves DCYF and goes to work for DDD).
  - Transferred to Another DCYF District – Same as a Transferred from Another DCYF District.
  - Promoted Within DCYF – The employee takes a promotion within DCYF (i.e. a CPS Specialist promotes to a CPS Unit Supervisor or CPS Program Specialist).
  - Other – An employee who takes a voluntary demotion or some other occurrence (i.e. the employee is a CPS Program Specialist, but decides to go back to being a CPS Specialist).
  - Retention Rate – Calculated by taking the total filled positions less the positions leaving DCYF and dividing that number by the total filled. The annualized year to date turnover rate for the second half of FY 2005 is approximately 19.8% for case managers. However, when the training positions are incorporated into the turnover calculation, the annualized turnover rate is 16.1%. A primary contributor to this level of case manager turnover is the continuation of high caseload ratios.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS SPECIALISTS I'S, II'S, AND III'S										
AS OF 1/31/2005										
	AUTHORIZED(1)		435	201	66	53	45	29	42	871
	FILLED		388	144	63	31	25	26	42	719
	VACANT		47	57	3	22	20	3	0	152
	TRAINING (2)		44	48	9	12	14	1	0	128
--										
DURING THE PERIOD OF 1/01/2005 THRU 1/31/2005										
	NEW HIRE									
		NEW HIRES TO STATE	17	2	5	1				25
		TRANSFERRED FROM ANOTHER DCYF DISTRICT								0
		TRANSFERRED FROM ANOTHER STATE AGENCY								0
		PROMOTION FROM WITHIN DCYF								0
		PROMOTION FROM WITHIN DES								0
		OTHER								0
		TOTAL NEW HIRES	17	2	5	1	0	0	0	25
	LEAVING									
		SEPARATION FROM STATE SERVICE	3	1		1		1		6
		TRANSFERRED OUTSIDE DES								0
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES	2	1		1				4
		TRANSFERRED TO ANOTHER DCYF DISTRICT	1	1						2
		PROMOTED WITHIN DCYF								0
		OTHER(3)								0
		TOTAL LEAVING	6	3	0	2	0	1	0	12
	RETENTION RATE		98.7%	98.6%	100.0%	93.5%	100.0%	96.2%	100.0%	98.6%
	MONTHLY DCYF TURNOVER RATE (4)		1.3%	1.4%	0.0%	6.5%	0.0%	3.8%	0.0%	1.4%

(1) THE AUTHORIZED INCLUDES THE 50 CPS SPECIALISTS APPROPRORIATED FOR SFY 2005.

(2) STAFF IN THE TRAINING INSTITUTE ARE NOT REFLECTED IN THE FILLED NUMBERS BUT ARE REFLECTED IN THE VACANT NUMBERS.

(3) INCLUDES BOTH VOLUNTARY AND INVOLUNTARY GRADE DECREASES, DEMOTIONS, AND STAFF LEAVING THE SERIES FOR OTHER REASONS.

(4) THE MONTHLY TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS UNIT SUPERVISORS										
AS OF 1/31/2005										
	AUTHORIZED (1)		70	28	14	11	11	11	7	152
	FILLED		65	31	14	13	9	10	7	149
	VACANT		5	-3	0	-2	2	1	0	3
DURING THE PERIOD OF 1/01/2005 THRU 1/31/2005										
	NEW HIRE									
		NEW HIRES TO STATE								0
		TRANSFERRED FROM ANOTHER DCYF DISTRICT								0
		TRANSFER FROM ANOTHER STATE AGENCY								0
		PROMOTION FROM WITHIN DCYF								0
		PROMOTION FROM WITHIN DES								0
		OTHER								0
		TOTAL NEW HIRES	0	0	0	0	0	0	0	0
	LEAVING									
		SEPARATION FROM STATE SERVICE								0
		TRANSFERRED OUTSIDE DES								0
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES		1						1
		TRANSFERRED TO ANOTHER DCYF DISTRICT								0
		PROMOTED WITHIN DCYF								0
		OTHER(2)								0
		TOTAL LEAVING	0	1	0	0	0	0	0	1
	RETENTION RATE		100.0%	96.8%	100.0%	100.0%	100.0%	100.0%	100.0%	99.3%
	MONTHLY DCYF TURNOVER RATE (3)		0.0%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%

RATIO OF TOTAL SUPERVISOR POSITIONS TO TOTAL CPS POSITIONS IS: 1:5.7
TOTAL AUTHORIZED SUP. POSITIONS : TOTAL AUTHORIZED CPS SPECIALIST POSITIONS
RATIO OF FILLED SUPERVISOR POSITIONS TO FILLED SPECIALIST POSITIONS IS: 1:4.6
TOTAL FILLED SUP. POSITIONS : TOTAL FILLED CPS SPECIALIST POSITIONS

(1) THE AUTHORIZED INCLUDES THE 8 CPS SUPERVISORS APPROPRORIATED FOR SFY 2005 .
(2) INCLUDES BOTH VOLUNTARY AND INVOLUNTARY GRADE DECREASES, DEMOTIONS, AND STAFF LEAVING THE SERIES.
(3) THE MONTHLY TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS SPECIALISTS I'S, II'S, AND III'S										
AS OF 2/28/2005										
	AUTHORIZED (1)		435	201	66	53	45	29	42	871
	FILLED		392	160	63	31	22	26	42	736
	VACANT		43	41	3	22	23	3	0	135
	TRAINING (2)		37	35	9	13	15	1	0	110
DURING THE PERIOD OF 2/01/2005 THRU 2/28/2005										
	NEW HIRE									
		NEW HIRES TO STATE	11	3	1	1				16
		TRANSFERRED FROM ANOTHER DCYF DISTRICT		1						1
		TRANSFERRED FROM ANOTHER STATE AGENCY								0
		PROMOTION FROM WITHIN DCYF								0
		PROMOTION FROM WITHIN DES								0
		OTHER								0
		TOTAL NEW HIRES	11	4	1	1	0	0	0	17
	LEAVING									
		SEPARATION FROM STATE SERVICE	3	4	1	4				12
		TRANSFERRED OUTSIDE DES								0
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES		1						1
		TRANSFERRED TO ANOTHER DCYF DISTRICT						1		1
		PROMOTED WITHIN DCYF		1						1
		OTHER(3)								0
		TOTAL LEAVING	3	6	1	4	0	1	0	15
	RETENTION RATE		99.2%	96.9%	98.4%	87.1%	100.0%	100.0%	100.0%	98.2%
	MONTHLY DCYF TURNOVER RATE (4)		0.8%	3.1%	1.6%	12.9%	0.0%	0.0%	0.0%	1.8%

(1) THE AUTHORIZED INCLUDES THE 50 CPS SPECIALISTS APPROPRORIATED FOR SFY 2005.

(2) STAFF IN THE TRAINING INSTITUTE ARE NOT REFLECTED IN THE FILLED NUMBERS BUT ARE REFLECTED IN THE VACANT NUMBERS.

(3) INCLUDES BOTH VOLUNTARY AND INVOLUNTARY GRADE DECREASES, DEMOTIONS, AND STAFF LEAVING THE SERIES FOR OTHER REASONS.

(4) THE MONTHLY TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS UNIT SUPERVISORS										
AS OF 2/28/2005										
	AUTHORIZED		70	28	14	11	11	11	7	152
	FILLED		64	31	14	13	10	10	7	149
	VACANT		6	-3	0	-2	1	1	0	3
DURING THE PERIOD OF 2/01/2005 THRU 2/28/2005										
	NEW HIRE									
		NEW HIRES TO STATE								0
		TRANSFERRED FROM ANOTHER DCYF DISTRICT								0
		TRANSFER FROM ANOTHER STATE AGENCY								0
		PROMOTION FROM WITHIN DCYF		1						1
		PROMOTION FROM WITHIN DES								0
		OTHER								0
		TOTAL NEW HIRES	0	1	0	0	0	0	0	1
	LEAVING									
		SEPARATION FROM STATE SERVICE								0
		TRANSFERRED OUTSIDE DES								0
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES								0
		TRANSFERRED TO ANOTHER DCYF DISTRICT								0
		PROMOTED WITHIN DCYF								0
		OTHER(2)								0
		TOTAL LEAVING	0	0	0	0	0	0	0	0
	RETENTION RATE		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	MONTHLY DCYF TURNOVER RATE (3)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

RATIO OF TOTAL SUPERVISOR POSITIONS TO TOTAL CPS POSITIONS IS: 1:5.7

TOTAL AUTHORIZED SUP. POSITIONS : TOTAL AUTHORIZED CPS SPECIALIST POSITIONS

RATIO OF FILLED SUPERVISOR POSITIONS TO FILLED SPECIALIST POSITIONS IS: 1:4.6

TOTAL FILLED SUP. POSITIONS : TOTAL FILLED CPS SPECIALIST POSITIONS

(1) THE AUTHORIZED INCLUDES THE 8 CPS SUPERVISORS APPROPRORIATED FOR SFY 2005 .

(2) INCLUDES BOTH VOLUNTARY AND INVOLUNTARY GRADE DECREASES, DEMOTIONS, AND STAFF LEAVING THE SERIES.

(3) THE MONTHLY TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS SPECIALISTS I'S, II'S, AND III'S										
AS OF 3/31/2005										
	AUTHORIZED (1)		435	201	66	53	45	29	42	871
	FILLED		405	164	65	34	28	26	42	764
	VACANT		30	37	1	19	17	3	0	107
	TRAINING (2)		29	33	9	7	12	1	0	91
DURING THE PERIOD OF 3/01/2005 THRU 3/31/2005										
	NEW HIRE									
		NEW HIRES TO STATE	21		1	3		2		27
		TRANSFERRED FROM ANOTHER DCYF DISTRICT	1							1
		TRANSFERRED FROM ANOTHER STATE AGENCY								0
		PROMOTION FROM WITHIN DCYF	1							1
		PROMOTION FROM WITHIN DES								0
		OTHER								0
		TOTAL NEW HIRES	23	0	1	3	0	2	0	29
	LEAVING									
		SEPARATION FROM STATE SERVICE		1	2	2				5
		TRANSFERRED OUTSIDE DES		1						1
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES								0
		TRANSFERRED TO ANOTHER DCYF DISTRICT								0
		PROMOTED WITHIN DCYF	1							1
		OTHER(3)								0
		TOTAL LEAVING	1	2	2	2	0	0	0	7
	RETENTION RATE		100.0%	98.8%	96.9%	94.1%	100.0%	100.0%	100.0%	99.2%
	MONTHLY DCYF TURNOVER RATE (4)		0.0%	1.2%	3.1%	5.9%	0.0%	0.0%	0.0%	0.8%

(1) THE AUTHORIZED INCLUDES THE 50 CPS SPECIALISTS APPROPRORIATED FOR SFY 2005.

(2) STAFF IN THE TRAINING INSTITUTE ARE NOT REFLECTED IN THE FILLED NUMBERS BUT ARE REFLECTED IN THE VACANT NUMBERS.

(3) INCLUDES BOTH VOLUNTARY AND INVOLUNTARY GRADE DECREASES, DEMOTIONS, AND STAFF LEAVING THE SERIES FOR OTHER REASONS.

(4) THE MONTHLY TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS UNIT SUPERVISORS										
AS OF 3/31/2005										
	AUTHORIZED (1)		70	28	14	11	11	11	7	152
	FILLED		65	33	14	12	10	10	7	151
	VACANT		5	-5	0	-1	1	1	0	1

DURING THE PERIOD OF 3/01/2005 THRU 3/31/2005										
	NEW HIRE									
		NEW HIRES TO STATE								0
		TRANSFERRED FROM ANOTHER DCYF DISTRICT								0
		TRANSFER FROM ANOTHER STATE AGENCY								0
		PROMOTION FROM WITHIN DCYF								0
		PROMOTION FROM WITHIN DES	1							1
		OTHER								0
		TOTAL NEW HIRES	1	0	0	0	0	0	0	1
	LEAVING									
		SEPARATION FROM STATE SERVICE								0
		TRANSFERRED OUTSIDE DES								0
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES								0
		TRANSFERRED TO ANOTHER DCYF DISTRICT								0
		PROMOTED WITHIN DCYF								0
		OTHER(2)								0
		TOTAL LEAVING	0	0	0	0	0	0	0	0
	RETENTION RATE		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	MONTHLY DCYF TURNOVER RATE (3)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

RATIO OF TOTAL SUPERVISOR POSITIONS TO TOTAL CPS POSITIONS IS: 1:5.7

TOTAL AUTHORIZED SUP. POSITIONS : TOTAL AUTHORIZED CPS SPECIALIST POSITIONS

RATIO OF FILLED SUPERVISOR POSITIONS TO FILLED SPECIALIST POSITIONS IS: 1:4.6

TOTAL FILLED SUP. POSITIONS : TOTAL FILLED CPS SPECIALIST POSITIONS

(1) THE AUTHORIZED INCLUDES THE 8 CPS SUPERVISORS APPROPRORIATED FOR SFY 2005 .

(2) INCLUDES BOTH VOLUNTARY AND INVOLUNTARY GRADE DECREASES, DEMOTIONS, AND STAFF LEAVING THE SERIES.

(3) THE MONTHLY TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS SPECIALISTS I'S, II'S, AND III'S										
AS OF 4/30/2005										
	AUTHORIZED (1)		435	201	66	53	45	29	42	871
	FILLED		439	169	67	35	29	25	42	806
	VACANT		-4	32	-1	18	16	4	0	65
	TRAINING (2)		54	28	7	6	15	2	0	112
DURING THE PERIOD OF 4/01/2005 THRU 4/30/2005										
	NEW HIRE									
		NEW HIRES TO STATE	9	3	3	3	1	1		20
		TRANSFERRED FROM ANOTHER DCYF DISTRICT		1					1	2
		TRANSFERRED FROM ANOTHER STATE AGENCY								0
		PROMOTION FROM WITHIN DCYF								0
		PROMOTION FROM WITHIN DES					1			1
		OTHER								0
		TOTAL NEW HIRES	9	4	3	3	2	1	1	23
	LEAVING									
		SEPARATION FROM STATE SERVICE	4		1		1			6
		TRANSFERRED OUTSIDE DES								0
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES								0
		TRANSFERRED TO ANOTHER DCYF DISTRICT	1						1	2
		PROMOTED WITHIN DCYF								0
		OTHER (3)	1				1			2
		TOTAL LEAVING	6	0	1	0	2	0	1	10
	RETENTION RATE		98.9%	100.0%	98.5%	100.0%	93.1%	100.0%	100.0%	99.0%
	MONTHLY DCYF TURNOVER RATE (4)		1.1%	0.0%	1.5%	0.0%	6.9%	0.0%	0.0%	1.0%

(1) THE AUTHORIZED INCLUDES THE 50 CPS SPECIALISTS APPROPRORIATED FOR SFY 2005.

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(3) INCLUDES BOTH VOLUNTARY AND INVOLUNTARY GRADE DECREASES, DEMOTIONS, AND STAFF LEAVING THE SERIES FOR OTHER REASONS.

(4) THE MONTHLY TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS UNIT SUPERVISORS										
AS OF 4/30/2005										
	AUTHORIZED (1)		70	28	14	11	11	11	7	152
	FILLED		68	33	14	11	11	11	7	155
	VACANT		2	-5	0	0	0	0	0	-3
DURING THE PERIOD OF 4/01/2005 THRU 4/30/2005										
	NEW HIRE									
		NEW HIRES TO STATE								0
		TRANSFERRED FROM ANOTHER DCYF DISTRICT								0
		TRANSFER FROM ANOTHER STATE AGENCY								0
		PROMOTION FROM WITHIN DCYF								0
		PROMOTION FROM WITHIN DES								0
		OTHER								0
		TOTAL NEW HIRES	0	0	0	0	0	0	0	0
	LEAVING									
		SEPARATION FROM STATE SERVICE								0
		TRANSFERRED OUTSIDE DES								0
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES								0
		TRANSFERRED TO ANOTHER DCYF DISTRICT								0
		PROMOTED WITHIN DCYF								0
		OTHER(2)								0
		TOTAL LEAVING	0	0	0	0	0	0	0	0
	RETENTION RATE		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	MONTHLY DCYF TURNOVER RATE (3)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

RATIO OF TOTAL SUPERVISOR POSITIONS TO TOTAL CPS POSITIONS IS: 1:5.7

TOTAL AUTHORIZED SUP. POSITIONS : TOTAL AUTHORIZED CPS SPECIALIST POSITIONS

RATIO OF FILLED SUPERVISOR POSITIONS TO FILLED SPECIALIST POSITIONS IS: 1:4.6

TOTAL FILLED SUP. POSITIONS : TOTAL FILLED CPS SPECIALIST POSITIONS

(1) THE AUTHORIZED INCLUDES THE 8 CPS SUPERVISORS APPROPRORIATED FOR SFY 2005 .

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(3) THE MONTHLY TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS SPECIALISTS I'S, II'S, AND III'S										
AS OF 5/31/2005										
	AUTHORIZED (1)		435	201	66	53	45	29	42	871
	FILLED		377	166	68	36	26	25	42	740
	VACANT		58	35	-2	17	19	4	0	131
	TRAINING (2)		63	34	9	8	21	3	0	138
DURING THE PERIOD OF 5/01/2005 THRU 5/31/2005										
	NEW HIRE									
		NEW HIRES TO STATE	21	1	1	2	6			31
		TRANSFERRED FROM ANOTHER DCYF DISTRICT								0
		TRANSFERRED FROM ANOTHER STATE AGENCY								0
		PROMOTION FROM WITHIN DCYF				1				1
		PROMOTION FROM WITHIN DES								0
		OTHER					1			1
		TOTAL NEW HIRES	21	1	1	3	7	0	0	33
	LEAVING									
		SEPARATION FROM STATE SERVICE	11		3	2		1		17
		TRANSFERRED OUTSIDE DES								0
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES								0
		TRANSFERRED TO ANOTHER DCYF DISTRICT								0
		PROMOTED WITHIN DCYF	3							3
		OTHER(#)	1							1
		TOTAL LEAVING	15	0	3	2	0	1	0	21
	RETENTION RATE		96.8%	100.0%	95.6%	94.4%	100.0%	96.0%	100.0%	97.6%
	MONTHLY DCYF TURNOVER RATE (4)		3.2%	0.0%	4.4%	5.6%	0.0%	4.0%	0.0%	2.4%

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(3) INCLUDES BOTH VOLUNTARY AND INVOLUNTARY GRADE DECREASES, DEMOTIONS, AND STAFF LEAVING THE SERIES FOR OTHER REASONS.

(4) THE MONTHLY TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS UNIT SUPERVISORS										
AS OF 5/31/2005										
	AUTHORIZED (1)		70	28	14	11	11	11	7	152
	FILLED		68	32	13	10	11	11	7	152
	VACANT		2	-4	1	1	0	0	0	0
DURING THE PERIOD OF 5/01/2005 THRU 5/31/2005										
	NEW HIRE									
		NEW HIRES TO STATE								0
		TRANSFERRED FROM ANOTHER DCYF DISTRICT							1	1
		TRANSFER FROM ANOTHER STATE AGENCY								0
		PROMOTION FROM WITHIN DCYF								0
		PROMOTION FROM WITHIN DES								0
		OTHER								0
		TOTAL NEW HIRES	0	0	0	0	0	0	1	1
	LEAVING									
		SEPARATION FROM STATE SERVICE						1		1
		TRANSFERRED OUTSIDE DES								0
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES								0
		TRANSFERRED TO ANOTHER DCYF DISTRICT								0
		PROMOTED WITHIN DCYF								0
		OTHER(2)						1		1
		TOTAL LEAVING	0	0	0	0	0	2	0	2
	RETENTION RATE		100.0%	100.0%	100.0%	100.0%	100.0%	81.8%	100.0%	98.7%
	MONTHLY DCYF TURNOVER RATE (3)		0.0%	0.0%	0.0%	0.0%	0.0%	18.2%	0.0%	1.3%

RATIO OF TOTAL SUPERVISOR POSITIONS TO TOTAL CPS POSITIONS IS: 1:5.7

TOTAL AUTHORIZED SUP. POSITIONS : TOTAL AUTHORIZED CPS SPECIALIST POSITIONS

RATIO OF FILLED SUPERVISOR POSITIONS TO FILLED SPECIALIST POSITIONS IS: 1:4.6

TOTAL FILLED SUP. POSITIONS : TOTAL FILLED CPS SPECIALIST POSITIONS

(1) THE AUTHORIZED INCLUDES THE 8 CPS SUPERVISORS APPROPRORIATED FOR SFY 2005 .

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(3) THE MONTHLY TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS SPECIALISTS I'S, II'S, AND III'S										
AS OF 6/30/2005										
	AUTHORIZED (1)		435	201	66	53	45	29	42	871
	FILLED		356	164	58	32	29	25	42	706
	VACANT		79	37	8	21	16	4	0	165
	TRAINING (2)		77	46	9	9	19	3	0	163
DURING THE PERIOD OF 6/01/2005 THRU 6/30/2005										
	NEW HIRE									
		NEW HIRES TO STATE	25		4	4	2	2		37
		TRANSFERRED FROM ANOTHER DCYF DISTRICT	1							1
		TRANSFERRED FROM ANOTHER STATE AGENCY							1	1
		PROMOTION FROM WITHIN DCYF						1		1
		PROMOTION FROM WITHIN DES								0
		OTHER								0
		TOTAL NEW HIRES	26	0	4	4	2	3	1	40
	LEAVING									
		SEPARATION FROM STATE SERVICE	7		3	2	1		1	14
		TRANSFERRED OUTSIDE DES								0
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES								0
		TRANSFERRED TO ANOTHER DCYF DISTRICT								0
		PROMOTED WITHIN DCYF	1			2				3
		OTHER (3)						1		1
		TOTAL LEAVING	8	0	3	4	1	1	1	18
	RETENTION RATE		98.0%	100.0%	94.8%	93.8%	96.6%	96.0%	97.6%	97.9%
	MONTHLY DCYF TURNOVER RATE (4)		2.0%	0.0%	5.2%	6.3%	3.4%	4.0%	2.4%	2.1%

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(4) THE MONTHLY TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS UNIT SUPERVISORS										
AS OF 6/30/2005										
	AUTHORIZED (1)		70	28	14	11	11	11	7	152
	FILLED		69	30	14	13	10	11	7	154
	VACANT		1	-2	0	-2	1	0	0	-2
DURING THE PERIOD OF 6/01/2005 THRU 6/30/2005										
	NEW HIRE									
		NEW HIRES TO STATE								0
		TRANSFERRED FROM ANOTHER DCYF DISTRICT								0
		TRANSFER FROM ANOTHER STATE AGENCY								0
		PROMOTION FROM WITHIN DCYF				2				2
		PROMOTION FROM WITHIN DES								0
		OTHER								0
		TOTAL NEW HIRES								2
	LEAVING									
		SEPARATION FROM STATE SERVICE								0
		TRANSFERRED OUTSIDE DES								0
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES								0
		TRANSFERRED TO ANOTHER DCYF DISTRICT								0
		PROMOTED WITHIN DCYF								0
		OTHER(2)								0
		TOTAL LEAVING								0
	RETENTION RATE		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	MONTHLY DCYF TURNOVER RATE (3)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

RATIO OF TOTAL SUPERVISOR POSITIONS TO TOTAL CPS POSITIONS IS: 1:5.7

TOTAL AUTHORIZED SUP. POSITIONS : TOTAL AUTHORIZED CPS SPECIALIST POSITIONS

RATIO OF FILLED SUPERVISOR POSITIONS TO FILLED SPECIALIST POSITIONS IS: 1:4.6

TOTAL FILLED SUP. POSITIONS : TOTAL FILLED CPS SPECIALIST POSITIONS

(1) THE AUTHORIZED INCLUDES THE 8 CPS SUPERVISORS APPROPRORIATED FOR SFY 2005 .

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(3) THE MONTHLY TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY
(SUMMARY FOR THE PERIOD 1/01/05 - 6/30/05)

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS SPECIALISTS I'S, II'S, AND III'S										
AS OF 6/30/2005										
	AUTHORIZED (1)		435	201	66	53	45	29	42	871
	FILLED		356	164	58	32	29	25	42	706
	VACANT		79	37	8	21	16	4	0	165
	TRAINING (2)		77	46	9	9	19	3	0	163
DURING THE PERIOD OF 1/01/2005 THRU 6/30/2005										
	NEW HIRE									
		NEW HIRES TO STATE	104	9	15	14	9	5	0	156
		TRANSFERRED FROM ANOTHER DCYF DISTRICT	2	2	0	0	0	0	1	5
		TRANSFERRED FROM ANOTHER STATE AGENCY	0	0	0	0	0	0	1	1
		PROMOTION FROM WITHIN DCYF	1	0	0	1	0	1	0	3
		PROMOTION FROM WITHIN DES	0	0	0	0	1	0	0	1
		OTHER	0	0	0	0	1	0	0	1
		TOTAL NEW HIRES	107	11	15	15	11	6	2	167
	LEAVING									
		SEPARATION FROM STATE SERVICE	28	6	10	11	2	2	1	60
		TRANSFERRED OUTSIDE DES	0	1	0	0	0	0	0	1
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES	2	2	0	1	0	0	0	5
		TRANSFERRED TO ANOTHER DCYF DISTRICT	2	1	0	0	0	1	1	5
		PROMOTED WITHIN DCYF	5	1	0	2	0	0	0	8
		OTHER (3)	2	0	0	0	1	1	0	4
		TOTAL LEAVING	39	11	10	14	3	4	2	83
	RETENTION RATE		82.0%	89.0%	65.5%	25.0%	79.3%	76.0%	95.2%	80.2%
	ANNUALIZED DCYF TURNOVER RATE (4)		18.0%	11.0%	34.5%	75.0%	20.7%	24.0%	4.8%	19.8%

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(3) INCLUDES BOTH VOLUNTARY AND INVOLUNTARY GRADE DECREASES, DEMOTIONS, AND STAFF LEAVING THE SERIES FOR OTHER REASONS.
(4) TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED TOTAL FILLED POSITIONS.

POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY
(SUMMARY FOR THE PERIOD 1/01/05 - 6/30/05)

			DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS UNIT SUPERVISORS										
AS OF 6/30/2005										
	AUTHORIZED (1)		70	28	14	11	11	11	7	152
	FILLED		69	30	14	13	10	11	7	154
	VACANT		1	-2	0	-2	1	0	0	-2
--										
DURING THE PERIOD OF 1/01/2005 THRU 6/30/2005										
	NEW HIRE									
		NEW HIRES TO STATE	0							0
		TRANSFERRED FROM ANOTHER DCYF DISTRICT	0	0	0	0	0	0	1	1
		TRANSFER FROM ANOTHER STATE AGENCY	0	0	0	0	0	0	0	0
		PROMOTION FROM WITHIN DCYF	0	1	0	2	0	0	0	3
		PROMOTION FROM WITHIN DES	1	0	0	0	0	0	0	1
		OTHER	0	0	0	0	0	0	0	0
		TOTAL NEW HIRES	1	1	0	2	0	0	1	5
	LEAVING									
		SEPARATION FROM STATE SERVICE	0	0	0	0	0	1	0	1
		TRANSFERRED OUTSIDE DES	0	0	0	0	0	0	0	0
		TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES	0	1	0	0	0	0	0	1
		TRANSFERRED TO ANOTHER DCYF DISTRICT	0	0	0	0	0	0	0	0
		PROMOTED WITHIN DCYF	0	0	0	0	0	0	0	0
		OTHER(2)	0	0	0	0	0	1	0	1
		TOTAL LEAVING	0	1	0	0	0	2	0	3
	RETENTION RATE		100.0%	93.3%	100.0%	100.0%	100.0%	63.6%	100.0%	96.1%
	ANNUALIZED DCYF TURNOVER RATE (3)		0.0%	6.7%	0.0%	0.0%	0.0%	36.4%	0.0%	3.9%

RATIO OF TOTAL SUPERVISOR POSITIONS TO TOTAL CPS POSITIONS IS: 1:5.7

RATIO OF FILLE TOTAL AUTHORIZED SUP. POSITIONS : TOTAL AUTHORIZED CPS SPECIALIST POSITIONS

RATIO OF FILLED SUPERVISOR POSITIONS TO FILLED SPECIALIST POSITIONS IS: 1:4.6

(1) THE AUTHOR TOTAL FILLED SUP. POSITIONS : TOTAL FILLED CPS SPECIALIST POSITIONS

(1) THE AUTHORIZED INCLUDES THE 8 CPS SUPERVISORS APPROPRORIATED FOR SFY 2005 WHICH WILL BE HIRED BY JUNE 2005.

(2) INCLUDES BOTH VOLUNTARY AND INVOLUNTARY GRADE DECREASES, DEMOTIONS, AND STAFF LEAVING THE SERIES.

(3) TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS. TURNOVER RATES HAVE BEEN ANNUALIZED BASED ON THE FIRST 6 MONTHS OF THE FISCAL YEAR.

FEDERAL AND STATE EXPENDITURES

6. The source and use of federal monies in child protective services.
7. The source and use of state monies in child protective services.

Please see pages 6a-b for data collected on these measures for FY 2005 and FY 2006. Costs include anticipated 13th Month expenditures and administrative adjustments.

The FY 2005 reported expenditures include June transfers to cover shortfalls in the Adoption Services, Children Services, and Permanent Guardianship Subsidy special line items. The FY 2006 reported expenditures reflect appropriated amounts as shown in the JLBC Appropriations Report, as well as matching and other funding. Amounts do not yet include additional potential requirements as may be displayed at a future date in the 30th of the Month Report.

FY 2005 TOTAL DCYF ESTIMATED EXPENDITURES 1/

(AND ASSOCIATED SUPPORT COSTS)

	Appropriated Funds					Non- Appropriated Funds											All Funds
	GF	TANF	Child Abuse Preven-tion	CPS Training	**Total Approp. Funds**	Title IV-B CWS Part I	Title IV-B Part II	Title IV-E	Indepen-dent Living	CA&N (+) Com. Base	Social Services Block Grant	Gover-nor's Office of Drug Policy	Client Trust Fund	DHS-BHS	Title XIX	Other 5/	**Total Approp.& Non-Approp.**
FTE	921.7	277.3	1.0	1.0	1,201.0	71.0	18.0	309.7	1.0	1.0	154.0				35.8		1,791.5
Operating	33,620.8	29,167.1		209.6	62,997.5	2,302.3	1,216.2	22,089.5	237.4	184.2	4,097.6				2,233.0	12.7	95,370.4
Adoption Services 1/	18,460.7	8,986.1			27,446.8			25,324.2					50.0				52,821.0
Children Services 1/	62,740.7	8,112.1	750.0		71,602.8	267.0	1,500.0	47,359.6			5,579.8		890.0			1,000.0	128,199.2
Intensive Family Svcs	1,985.6				1,985.6												1,985.6
CMDP	2,057.0				2,057.0										22,079.4		24,136.4
Healthy Families	3,915.8	5,034.2			8,950.0							750.0				2,766.9	12,466.9
Family Builders		4,500.0			4,500.0												4,500.0
TANF Deposit to SSBG		22,613.1			22,613.1												22,613.1
CPS Appeals 2/	639.2				639.2												639.2
CPS Exp. Sub. Abuse	224.5				224.5												224.5
AG Special Line Item 2/	8,098.9	48.7			8,147.6	596.8	160.4	2,463.2	24.8	24.8	745.5				24.8	0.8	12,188.7
Child Abuse Prevention			817.5		817.5												817.5
Permanent Guardianship 1/	2,144.5	1,759.3			3,903.8												3,903.8
Homeless Youth Intervention		400.0			400.0												400.0
Substance Abuse Treatment	3,000.0	2,000.0			5,000.0												5,000.0
Residential Drug Treatment	250.0				250.0												250.0
Other Non-Appr Programs 3/					-		4,141.8		2,300.0	450.0	2,712.1					2.5	9,606.4
Total DCYF	137,137.7	82,620.6	1,567.5	209.6	221,535.4	3,166.1	7,018.4	97,236.5	2,562.2	659.0	13,135.0	750.0	940.0	-	24,337.2	3,782.9	375,122.7
Percent of Total	36.6%	22.0%	0.4%	0.1%	**59.1%**	0.8%	1.9%	25.9%	0.7%	0.2%	3.5%	0.2%	0.3%		6.5%	1.0%	**100%**
Support Services 4/	11,024.5	2,699.8	-	-	13,724.3	1,249.3	294.4	5,250.7	40.3	57.2	1,905.7				480.8		23,002.7
Total DCYF/Adm Sup	148,162.2	85,320.4	1,567.5	209.6	235,259.7	4,415.4	7,312.8	102,487.2	2,602.5	716.2	15,040.7	750.0	940.0		24,818.0	3,782.9	398,125.4
Percent of Total	37.2%	21.4%	0.4%	0.1%	**59.1%**	1.1%	1.8%	25.7%	0.7%	0.2%	3.8%	0.2%	0.2%		6.2%	1.0%	**100%**

1/ Costs (displayed in thousands) include anticipated additional General Fund (GF) requirements as well as additional associated Title IV-E matching expenditures.
2/ In addition to FTE displayed above, the CPS Appeals Special Line Item includes 10.5 G.F. FTE; the A.G. Special Line Item includes 197.0 total FTE (150.8 G.F, .3 TANF, 45.9 Non-appr).
3/ Other Non-appropriated program services include Adoption Promotion, Independent Living, Family Preservation, and pass thru SSBG funding to local governments.
4/ The legislature appropriates funding to the Administration portion of the Department to support other essential administrative needs of Child Protective Services, such as rent for offices for CPS case managers, Risk Management, and automation mainframe support.
5/ Includes one-time ancillary revenue sources such as Family Conference, CPS Donations, Food Stamp Collections, Tobacco Settlement, and Lottery Funding.

FY 2006 TOTAL DCYF ESTIMATED EXPENDITURES 1/

(AND ASSOCIATED SUPPORT COSTS)

	Appropriated Funds					Non- Appropriated Funds											All Funds
	GF	TANF	Child Abuse Preven-tion	CPS Training	**Total Approp. Funds**	Title IV-B CWS Part I	Title IV-B Part II	Title IV-E	Indepen-dent Living	CA&N (+) Com. Base	Social Services Block Grant	Gover-nor's Office of Drug Policy	Foster Care Client Trust	DHS-BHS	Title XIX	Other 5/	**Total Approp.& Non-Approp.**
FTE	976.7	396.2	1.0	1.0	1,374.9	71.0	18.0	347.9	1.0	1.0	154.0				35.8		2,003.6
Operating	47,993.8	27,295.8		209.6	75,499.2	2,302.3	1,216.2	19,963.9	237.4	184.2	4,097.6				2,220.3	12.7	105,733.8
Adoption Services	23,560.7	10,686.1			34,246.8			24,073.0									58,319.8
Adopt Svcs - Fam Pres Prj		1,000.0			1,000.0												1,000.0
Children Support Services	29,316.6	12,129.1	750.0		42,195.7	267.0		2,073.6			814.1						45,350.4
Emergency Placement	3,685.8	4,206.4			7,892.2			7,098.7			486.9						15,477.8
Residential Placement	7,788.0	13,966.6			21,754.6			16,856.5			3,683.2						42,294.3
Foster Care Placement	6,004.4	6,223.1			12,227.5			8,271.9			595.6		890.0				21,985.0
Intensive Family Svcs	1,985.6				1,985.6												1,985.6
CMDP	2,057.0				2,057.0										20,561.6		22,618.6
Healthy Families	8,715.8	5,034.2			13,750.0							750.0					14,500.0
Family Builders	-	5,200.0			5,200.0												5,200.0
CPS Appeals 2/	659.4				659.4												659.4
CPS Exp. Sub. Abuse	224.5				224.5												224.5
AG Special Line Item 2/	9,000.2	47.8			9,048.0	596.8	160.4	2,582.7	24.8	24.8	745.5				48.6	0.8	13,232.4
Child Abuse Prevention			819.7		819.7												819.7
Permanent Guardianship	3,337.2	859.3			4,196.5												4,196.5
Homeless Youth Intervention		400.0			400.0												400.0
Substance Abuse Treatment	3,000.0	2,000.0			5,000.0												5,000.0
Residential Drug Treatment	75.0				75.0												75.0
Other Non-Appr Programs 3/					-		4,141.8		2,300.0	450.0	2,712.1					2.5	9,606.4
Total DCYF	147,404.0	89,048.4	1,569.7	209.6	238,231.7	3,166.1	5,518.4	80,920.3	2,562.2	659.0	13,135.0	750.0	890.0	-	22,830.5	16.0	368,679.2
Percent of Total	40.0%	24.2%	0.4%	0.1%	**64.6%**	0.9%	1.5%	21.9%	0.7%	0.2%	3.6%	0.2%	0.2%		6.2%	0.0%	**100%**
Support Services 4/	11,024.5	2,699.8	-	-	13,724.3	1,249.3	294.4	5,250.7	40.3	57.2	1,905.7				480.8		23,002.7
Total DCYF/Adm Sup	158,428.5	91,748.2	1,569.7	209.6	251,956.0	4,415.4	5,812.8	86,171.0	2,602.5	716.2	15,040.7	750.0	890.0		23,311.3	16.0	391,681.9
Percent of Total	40.4%	23.4%	0.4%	0.1%	**64.3%**	1.1%	1.5%	22.0%	0.7%	0.2%	3.8%	0.2%	0.2%		6.0%	0.0%	**100%**

1/ Expenditures (displayed in thousands) are as displayed in the JLBC Appropriations Report. Estimates do not include additional requirements which may be identified in the 30th of the Month Report.

2/ In addition to FTE displayed above, the CPS Appeals Special Line Item includes 10.5 G.F. FTE; the A.G. Special Line Item includes 197.0 total FTE (150.8 G.F, .3 TANF, 45.9 Non-appr).

3/ Other Non-appropriated program services include Adoption Promotion, Independent Living, Family Preservation, and pass thru SSBG funding to local governments.

4/ The legislature appropriates funding to the Administration portion of the Department to support other essential administrative needs of Child Protective Services, such as rent for offices for CPS case managers, Risk Management, and automation mainframe support.

5/ Includes one-time ancillary revenue sources such as Family Conference, CPS Donations.

EMPLOYEE SATISFACTION

8. Employee satisfaction rating for employees completing the CPS academy. (Scale 1-5)

FY 2005

	Actual Qtr 1 & 2 FY 2005	Actual Qtr 3 & 4 FY 2005	Estimate Qtr 1 & 2 FY 2006
Employee satisfaction rating for training in the Division of Children, Youth and Families (Scale 1-5).	4.3	4.3	4.4

9. Employee satisfaction rating for employees in the Division of Children, Youth and Families. (Scale 1-5)

FY 2004 and FY 2005

	Actual Qtr 1 & 2 FY 2005	Actual Qtr 3 & 4 FY 2005	Estimate Qtr 1 & 2 FY 2006
Employee satisfaction rating for employees in the Division of Children, Youth and Families (Scale 1-5).	3.43	3.47	3.5

CPS DECISION MAKING RELATED TO REPORTS OF ABUSE AND NEGLECT

10. Percent of CPS original dependency cases where court denied or dismissed.

FY 2004 and FY 2005

	Actual Qtr 1 & 2 FY 2005	Actual Qtr 3 & 4 FY 2005	Estimate Qtr 1 & 2 FY 2006
Percent of CPS original dependency cases where court denied or dismissed.	0.00%	0.18%	0.20%

11. Percent of Office of Administrative Hearing where CPS case findings are affirmed.

FY 2004 and FY 2005

	Actual Qtr 1 & 2 FY 2005	Actual Qtr 3 & 4 FY 2005	Estimate Qtr 1 & 2 FY 2006
Percent of Office of Administrative Hearing where CPS case findings are affirmed.	80.3%	89.4%	90.0%

12. Percent of CPS complaints reviewed by the Office of the Ombudsman where allegations are reported as valid by the Ombudsman.

FY 2004 and FY 2005

	Actual Qtr 1 & 2 FY 2005	Actual Qtr 3 & 4 FY 2005	Estimate Qtr 1 & 2 FY 2006
Percent of CPS complaints reviewed by the Office of the Ombudsman where allegations are reported as valid by the Ombudsman.	15.4%	13.2%	12.5%

Joint Legislative Budget Committee

STATE
SENATE

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HOUSE OF
REPRESENTATIVES

DATE: September 20, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Fiscal Analyst

SUBJECT: JLBC Staff – Consider Approval of Index for Construction Costs

Request

A.R.S. § 15-2041D.3c requires that the cost-per-square-foot factors used in the School Facilities Board (SFB) building renewal and new school construction financing "shall be adjusted annually for construction market considerations based on an index identified or developed by the Joint Legislative Budget Committee as necessary but not less than once each year." The School Facilities Board staff recommends that the Committee approve an adjustment for FY 2006 based on the Marshall Valuation Service (MVS) construction cost index.

The SFB staff also asks the Committee to consider an additional retroactive adjustment of up to 9.6% over the next 2 years.

Summary

The Committee has at least 3 options:

1) Approve an increase in the cost-per-square-foot factors based on the U.S. Department of Commerce: Bureau of Economic Analysis (BEA) index for "State and Local Government Investment – Structures." Approving this 5.8% adjustment may cost an estimated $652,500 for new construction in FY 2006 and an additional $12.4 million once fully implemented over the next 4 years. In addition, this adjustment would increase the building renewal formula by $7.5 million. Since its September 2003 meeting, the Committee has approved an adjustment based on this index.

2) Approve an increase in the cost-per-square-foot factors based on the MVS construction cost index for "Class C – Masonry Bearing Walls." Approving this 6.4% adjustment may cost an estimated $720,000 for new construction in FY 2006 and an additional $13.7 million once fully implemented over the next 4 years. In addition, this adjustment would increase the building renewal formula by $8.3 million. Prior to the August 2002 meeting the Committee based the adjustment on this index.

(Continued)

3) Approve a 6.4% increase in the cost-per-square-foot factors based on the MVS construction cost index in the current year, plus a retroactive adjustment of 9.6% to be implemented over the next 2 years. JLBC staff assumes that half of the retroactive adjustment, or 4.8%, would be implemented in FY 2006, while the other 4.8% would be implemented in FY 2007. Approving this 11.2% (6.4% + 4.8%) adjustment may cost an estimated $1.3 million for new construction in FY 2006 and an additional $23.9 million once fully implemented over the next 4 years. This adjustment would increase the building renewal formula by $14.6 million.

Analysis

This section includes background information regarding the SFB inflation index, details on rising construction costs, an explanation of the options available for the current adjustment, and discussion on the SFB's guidelines for funding new school construction projects.

Background Information

The original Students FIRST legislation (Laws 1998, Chapter 1, 5th Special Session) established funding amounts per square foot of space for new construction and building renewal (e.g., $90 per square foot for Grades K-6). It required, however, that those amounts be adjusted periodically for inflation. (A.R.S. § 15-2041D.3c). The latter provision states that the funding amount per square foot "shall be adjusted annually for construction market considerations based on an index identified or developed by the Joint Legislative Budget Committee as necessary but not less than once each year." The SFB also has statutory authority to modify a particular project cost per square foot for geographic factors or site conditions above the approved amounts.

Prior to 2002, the Committee used the MVS construction cost index for Class C structures (masonry bearing walls) for Phoenix. At the August 2002 meeting the Committee elected not to approve an adjustment in the cost-per-square-foot factors. Due to the decision not to approve an adjustment for that year, 5 school districts brought suit against the Committee, claiming the Committee had failed to perform its statutory duty under A.R.S. § 15-2041D.3c to adjust the index not less than once per year. The following year, at the September 2003 meeting, the Committee approved a 2-year adjustment. The adjustment made was based on the BEA index for "State and Local Government Investment – Structures." The Committee again approved the BEA index at the September 2004 meeting.

For building renewal, the inflation adjustment is applied to the *formula* amount. In FY 2006 the state funded $70.0 million of the $130.1 million building renewal formula amount. An inflationary adjustment, therefore, would increase the formula amount to at least $137.6 million in FY 2007 prior to any other possible formula adjustments.

Construction Costs

Construction costs are still on the rise due to increasing prices of construction inputs. Input prices that have been increasing considerably since 2003 are cement, steel, oil, labor, gypsum, fiberglass insulation, and lumber. Increasing costs of construction inputs are due to the surge in China's infrastructure building, the housing boom in the U.S., and the war in Iraq, amongst other reasons. The cost of construction materials rose as much as 15-25% in the U.S. last year as compared to 3-5% in previous years. The world price of steel increased by 87%, or by $338 per ton, from January 2003 to January 2005.

(Continued)

As a result of these inflationary pressures, school districts in Arizona have been experiencing higher costs. For example, according to the Chandler Unified School District, they have built 2 almost identical elementary schools over the last 3 years. The first school cost $4 million to build while the second school cost $5.2 million, an increase of $1.4 million, or 30%. *(See Attachment 1 for additional detail.)*

Options for the Current Adjustment

The JLBC Staff has identified at least 3 possible adjustments that could be considered.

U.S. State and Local Structures

The BEA index for "State and Local Government Investment – Structures" for FY 2005 is 5.8%. This index measures price changes for all U.S. state and local gross investment in structures, which includes all buildings. Unlike the MVS data, this index only measures government activity, so it may better reflect school district market conditions. This data, however, is only available nationwide. The total estimated new construction and building renewal impacts would be $13.1 million and $7.5 million, respectively.

Phoenix Masonry Construction

The MVS index for "Class C – Masonry Bearing Walls" structures for Phoenix for FY 2005 is 6.4%. School buildings typically fall into the Class C structure category. Class C structures are characterized by masonry or reinforced concrete construction and generally include office buildings of 3 stories or less. The MVS Class C index has a greater likelihood, as a single construction measurement, of year-to-year fluctuation. The total estimated new construction and building renewal impacts would be $14.4 million and $8.3 million, respectively.

Phoenix Masonry Construction plus retroactive adjustment

A third option would be the MVS index of 6.4%, plus a retroactive 2-year adjustment of 9.6%. The 9.6% retroactive adjustment would be implemented over 2 years, so the additional adjustment would be 4.8% in both FY 2006 and FY 2007. This would result in a total adjustment of 11.2% for the first year. The total estimated new construction and building renewal impacts would be $25.2 million and $14.6 million, respectively. In FY 2007, the 4.8% adjustment would be prior to any other adjustments the Committee would make.

The SFB staff has requested this increase to adjust for levels of construction inflation in Arizona that the board believes the national index did not adjust for in the previous 2 years. According to the SFB, the BEA adopted indexes for the previous 2 years lag the MVS index by 9.6%.

Attachment 2, titled "School Construction Indexes," depicts the MVS and BEA index amounts since FY 2001.

The new construction amounts are based on SFB's current estimate of $225 million in project approvals for FY 2006. Based on its projected construction schedule, the SFB does not believe current new construction cost estimates should require the board to seek supplemental funding in the current year as its existing $250 million budget would cover this cost. For building renewal, though an inflation adjustment would increase the formula cost in future years, in FY 2006 the state appropriated $70.0 million for building renewal. Adjusting for inflation would not change the existing appropriation.

(Continued)

<u>New School Construction Funding Guidelines</u>

SFB provides new construction funding based on the product of the following statutory New School Facilities (NSF) formula:

No. of pupils x Sq. foot per pupil x Cost per sq. foot = Allocation amount

SFB has the authority to provide additional funding above and beyond the statutory allocation amount to a district if it cannot build a school within the NSF formula amount. A district can prove they cannot build a minimum guidelines school by demonstrating they are building the least expensive school they possibly can but are still over the formula amount. Since the enactment of Students FIRST , some of these projects have been funded above the formula with SFB monies. We have asked SFB for more detail on this, which we will provide to JLBC at the meeting.

RS/LMc:ck
Attachments

September 12, 2005

Jake Corey
Fiscal Analyst
1716 W Adams St.
Phoenix, AZ 85007

Re: Cost comparisons for elementary schools

Dear Mr. Corey:

Recently I prepared for Jeanette Polvani, Assistant Superintendent of Chandler Unified School District, a cost comparison of the major items of work making up the cost for two elementary school projects. This cost comparison was based on the building construction cost for the Hancock Elementary School which was constructed from 7/03 to 7/04 and the Old Stone Ranch Elementary School which will be constructed from 8/05 to 6/06. These two projects were selected for comparison because they are virtually identical elementary schools, with the only exception being that Old Stone Ranch includes an additional building. In our budgeting and bidding process, the value of each of the buildings is identified. I therefore was able to adjust the total cost for each item of work for the Old Stone project to delete the cost of the additional classroom building. Also, while the buildings are identical, the site improvements were considerably different. For this reason, site work costs were not compared. With the cost for Old Stone adjusted to exclude the additional building and site costs excluded, the similarity in projects affords us the rare opportunity of evaluating the cost of identical scopes of work currently as compared to two years ago.

The cost data used in the comparison was derived from actual subcontractor bids that were utilized in establishing the Guaranteed Maximum Price for the projects. In fact, most of the subcontractors selected to perform the work for Old Stone Ranch are the same subcontractors that performed the work for Hancock Elementary. Note that for this exercise, site work, general contractor fees and taxes were not evaluated, and therefore these figures are not intended to represent the total cost of construction of the schools. Rather the comparison is on the items of work subcontracted and that make up the bulk of the cost of the project.

In reviewing the results of our analysis, one can clearly see the impact that construction cost inflation has had on overall project cost. Our empirical data suggests inflation of the order of 15% to 20% per year over the past two years. A review of this cost comparison indicates a verified cost increase of 30%, similar to the empirical data.

I hope this information is helpful. If you have any questions, you can reach me at 602-296-1496.

Sincerely,
Haydon Building Corp

Fritz Behrhorst
Vice President – Pre-Construction

Haydon Building Corp 8/24/05

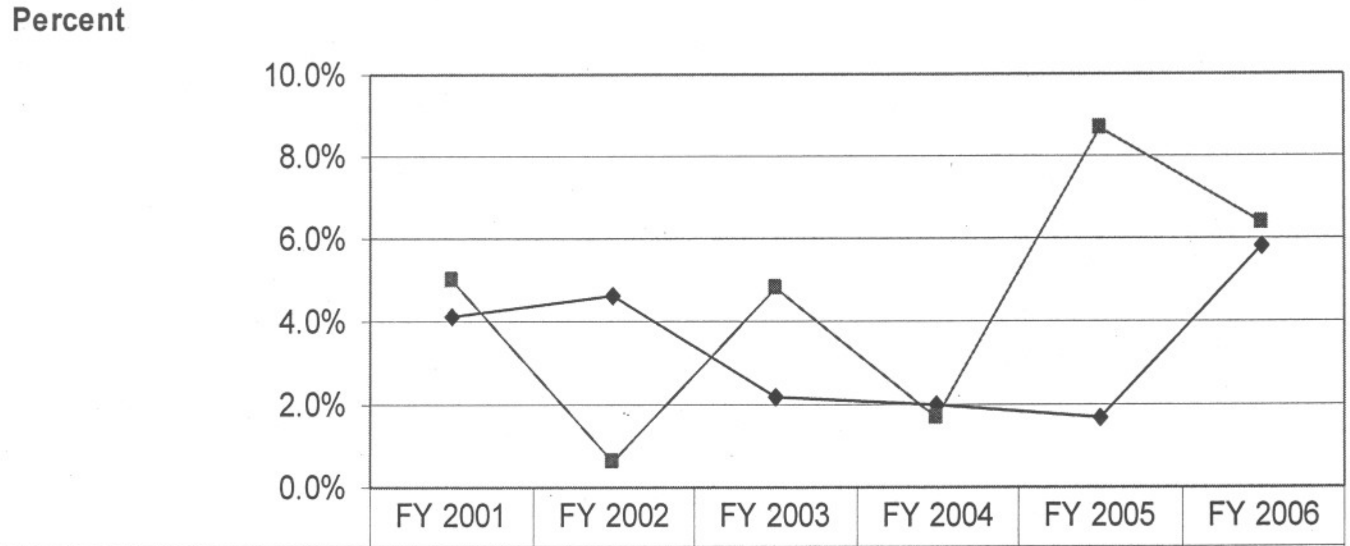
This spread sheet illustrates the difference in cost between two elementary schools of identical design and size that were built two years apart. Site costs (Except concrete which is similar in scope) have not been included because of differences between the two schools.

Figures for Old Stone Ranch have been adjusted to delete bldg 6, which was not included in the Hancock and Navarette schools.

Hancock & Navarette construct 7/03 to 7/04 Bid Ph1-5/13/03 Ph 2 - 11/26/03
Old Stone Ranch Elementary construct 8/05 to 6/06 Bid 6/29/05

		Old Stone Value w/o Bldg 6	**Navarette & Hancock**	**Cost Diff**	**%**
2900	SOIL POISONING	$5,157	$4,550	$607	13.34%
3300	CONCRETE	$702,000	$490,445	$211,555	43.14%
4200	MASONRY	$679,415	$449,240	$230,175	51.24%
5100	STEEL	$140,975	$78,000	$62,975	80.74%
6100	ROUGH CARPENTRY	$430,000	$339,640	$90,360	26.60%
6200	DOOR INSTALLATION	$16,145	$17,900	($1,755)	-9.80%
7200	INSULATION	$70,322	$46,668	$23,654	50.69%
7540	FOAM ROOFING	$167,420	$117,705	$49,715	42.24%
7610	METAL ROOFING, PANELS, GS	Not comparable - Major scope changes			
7700	ROOF HATCHS	$4,550	$3,864	$686	17.75%
7900	CAULKING	$11,051	$14,490	($3,439)	-23.73%
8100	DOORS & HARDWARE	$138,446	$117,586	$20,860	17.74%
8800	GLASS & STOREFRONT	$32,100	$23,657	$8,443	35.69%
9100	FRAME, DRYWALL, PAINT	$406,550	$290,099	$116,451	40.14%
9300	CERAMIC TILE	$68,760	$49,550	$19,210	38.77%
9500	ACOUSTICS	$57,550	$58,080	($530)	-0.91%
9600	FLOOR COVERING	$123,175	$103,150	$20,025	19.41%
9950	FRP	$1,745	$1,195	$550	46.03%
10100	CHALK & TACK BOARDS	$26,453	$23,550	$2,903	12.33%
10800	TOILET PARTITIONS & ACCESS	$34,106	$26,478	$7,628	28.81%
11060	STAGE CURTAIN	$4,645	$3,400	$1,245	36.62%
11400	KITCHEN EQUIPMENT	$81,496	$64,710	$16,786	25.94%
11500	ATHLETIC EQUIPMENT-INDOOI	$8,839	$5,755	$3,084	53.59%
12300	CASEWORK	$177,210	$163,475	$13,735	8.40%
15400	PLUMBING	$282,689	$244,238	$38,451	15.74%
15500	FIRE SPRINKLERS	$119,270	$81,100	$38,170	47.07%
15800	HVAC	$480,750	$379,350	$101,400	26.73%
15900	TEST & BALANCE	$11,825	$9,280	$2,545	27.42%
16100	ELECTRICAL	$692,887	$578,052	$114,835	19.87%
17100	SPECIAL SYSTEMS	$189,624	$176,475	$13,149	7.45%
	Total value of these items	$5,165,155	$3,961,682	$1,203,473	30.38%

School Construction Indexes



	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
S & L Gov't.-Structures	4.1%	4.6%	2.2%	2.0%	1.7%	5.8%
Marshall Class C	5.0%	0.6%	4.8%	1.7%	8.7%	6.4%

Attachment 2

STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janet Napolitano

Executive Director
William Bell

AUG 22 2005
JOINT BUDGET COMMITTEE

August 22, 2005

The Honorable Russell Pearce
Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Representative Pearce,

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

The Marshall index lists the July 2004 to July 2005 increase in building costs at 6.4 percent. The impact of this increase on the dollars per square foot provided is reflected in Table 1. We recommend using this figure to update cost per square foot.

Table 1

Grade Level	Current Amount	Adjusted Amount
K-6	103.56	110.19
7-8	109.32	116.32
9-12	126.58	134.69

The increase will affect both the building renewal and new construction programs. For building renewal, while there is no FY 2006 impact, the estimated FY 2007 increase to the building renewal formula is $8.3 million. The new construction impact is estimated at $14.4 million. This impact will be spread across fiscal years 2006 through 2010. The FY 2006 impact is estimated at $720,000 or 5 percent of the total impact. The new construction estimate assumes total FY 2006 new construction awards of $225 million.

In addition to the FY 2006 increase, SFB staff also asks the committee to consider a retroactive adjustment. For the last two years, the inflation adjustment has been based on a national index that does not reflect the high levels of construction inflation experienced in the Arizona market. Attached to this letter is a graph that shows the disparity between the cost per square foot given under the national index and what the cost per square foot would be if the specific Arizona index had been followed. The graph shows the current dollars per square foot lag the Arizona market by 9.6 percent.

1700 WEST WASHINGTON, SUITE 230, PHOENIX, ARIZONA 85007
Phone: (602) 542-6501 • Fax: (602) 542-6529 • www.sfb.state.az.us

This lag in inflation adjustments reduced new construction awards by $24.9 million in FY 2005 or almost $900,000 per project. This reduction has eliminated a district's ability to make choices in designing their facilities or has forced districts to add dollars to build the same schools they were able to build three years ago with SFB funding.

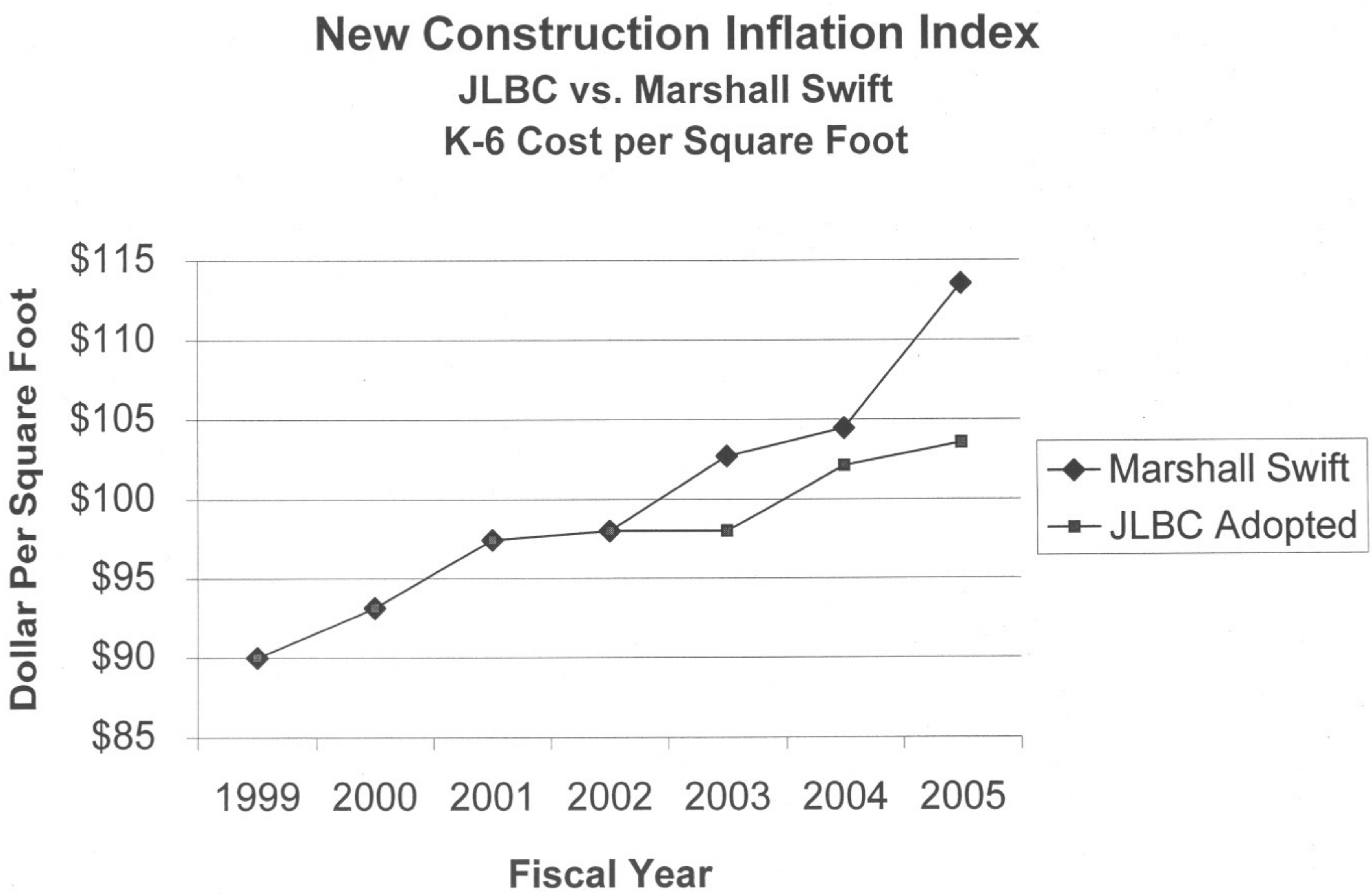
While an additional adjustment of 9.6 percent may not be feasible in a single year, SFB staff recommends the committee abandon the national index and make retroactive adjustments over the next two years to realign the new school construction index with the Arizona market.

If you or your staff have any questions regarding this letter, please contact me.

Sincerely,

William Bell

CC
Jake Corey JLBC Staff
Dawn Nazary OSPB Staff
Members Arizona School Facilities Board


New Construction Inflation Index
JLBC vs. Marshall Swift
K-6 Cost per Square Foot
Dollar Per Square Foot
$115
$110
$105
$100
$95
$90
$85
1999
2000
2001
2002
2003
2004
2005
Fiscal Year
Marshall Swift
JLBC Adopted

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF REPRESENTATIVES

DATE: September 12, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Tyler Palmer, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Consider Approval of Mileage Reimbursement for State Travel by Motor Vehicles & Report on a Tiered Rate Mileage Reimbursement System

Request

A.R.S. § 38-623D requires the Arizona Department of Administration (ADOA) to set the rates of reimbursement for state travel by motor vehicle, taking into consideration the amounts established by the United States Internal Revenue Service (IRS). The rates compensate state employees who use their own vehicles to travel on official state business. The statute also mandates Committee approval of any rate change.

At its December 16, 2004 meeting, the Committee adopted an increase from 34.5 cents per mile to 37.5 cents per mile. The Committee also requested that ADOA report on the establishment of a tiered rate reimbursement system for mileage driven in personal vehicles depending on the availability of state motor pool vehicles. This information was requested in reference to the tiered rate reimbursement system utilized by the federal government.

ADOA requests Committee approval for another increase in the mileage reimbursement rates, from 37.5 cents per mile to 40.5 cents per mile for motor vehicles. If the Committee approves the suggested rate, ADOA asks that the adjustment become effective immediately. The proposed rate is less than federal reimbursement level established for the remainder of calendar year 2005. In response to recent gas price increases, the Internal Revenue Service (IRS) has increased the mileage reimbursement rate from 40.5 to 48.5 cents per mile effective September 1, 2005 through December 31, 2005 *(See Attachment A)*. The calendar year 2006 rate will not be determined and announced until December.

(Continued)

Recommendation

The Committee has at least the following options in approving a mileage rate:

1. 40.5 cents per mile as recommended by ADOA. In January 2005, the IRS adopted a 40.5 cent rate for all of calendar year 2005. This would represent an increase of 3 cents above the current rate.
2. 48.5 cents per mile in line with recent federal decision to adjust IRS rate from 40.5 to 48.5 through the end of December. This would represent an increase of 11 cents above the current rate.
3. Retain the current 37.5 cents per mile rate.

The Committee could also approve a tiered mileage reimbursement rate. A tiered mileage reimbursement structure reimburses at a lower rate for higher mileage trips if a state vehicle is available but is not used. If the reimbursement rate of 40.5 cents per mile is approved, the rate for using a Privately Owned Vehicle (POV) instead of the state vehicle would be 30.5 cents per mile. ADOA would set tiered rates based on when it is cheaper to use a fleet vehicle than a POV depending on the estimated mileage of a trip. Due to a lack of sufficient data, potential savings from adopting a tiered rate reimbursement system cannot be estimated.

Committee approval of a reimbursement rate increase would not constitute an endorsement of additional appropriations to cover higher travel costs. Agencies may request funding increases through the regular budget process.

Analysis

Mileage Reimbursement
Annually, the federal government hires a specialized transportation consulting firm to study nationwide travel market conditions. Factors considered include the average costs of depreciation, maintenance, repairs, fuel, and insurance. On January 1, 2005, the U.S. General Services Administration (GSA) published the current travel reimbursement rates of 40.5 cents per mile for motor vehicles.

The current request of a motor vehicle rate change from 37.5 cents per mile to 40.5 cents per mile represents an 8% increase. Across state agencies, ADOA approximates that the new rates would have an annualized impact of $66,000 on the General Fund and $237,000 on all other appropriated and non-appropriated funds. This is the same dollar impact as the prior increase of 3 cents.

Although they are not mandated to do so, the state’s public universities also use ADOA mileage reimbursement rates. Increasing the state reimbursement rate will lead to increases in reimbursements paid by the state’s public universities. For the prior increase of 3 cents, Arizona State University reported its yearly travel expenditures would increase $14,000 from all state funds, and $33,000 from all non-appropriated funds. Northern Arizona University estimated an increase of $33,000 from all state funds, and $69,000 from all non-appropriated funds. The University of Arizona could not isolate mileage costs from other travel expenses.

Tiered Rate Reimbursement Schedule
According to General Services Administration staff, the Federal Travel Regulation adopted a tier structure for POV’s more than 30 years ago. The basic concept is that the federal government reimburses at a higher rate when a government vehicle is not available and a lower rate when a government-owned vehicle is available and an employee chooses not to use one. ADOA projects that its taxi fleet (short-term-use vehicles) is currently employed at only 63.5% of capacity. Theoretically, adopting a tiered reimbursement schedule would result in increased use of state-owned vehicles and a more efficient fleet system.

(Continued)

In order to generate cost savings through the implementation of a tiered rate system requires stipulations concerning which mode of transportation should be used depending on the number of miles to be driven. The stipulations would need to be based on a breakeven mile point; a breakeven mile point is the distance at which it becomes less costly to operate a state vehicle than to operate a POV. The current breakeven mile points are determined by the daily vehicle checkout rates, which are determined by vehicle costs, maintenance costs, fuel costs, insurance costs, and other costs.

ADOA concluded the following concerning the miles driven for different modes of travel, and the cost effectiveness of a tiered rate reimbursement schedule:

- State employees should use Extended Dispatch vehicles any time one is available to the agency. Extended Dispatch vehicles are vehicles that are permanently assigned to state office locations.
- State employees located within 5 miles to a state motor pool, and traveling a minimum of 68 miles (74 miles at 37.5 cent rate) should rent a state taxi. State taxi vehicles are vehicles checked out for short-term use from a state motor pool.
- State employees located outside Maricopa County and without access to an extended dispatch vehicle or state taxi vehicle, should use the state's contracted vendor (Enterprise Rent-A-Car) if the trip is greater than 100 miles (108 miles at 37.5 cent rate).

For trips driving distances greater than these breakeven mile points (note the breakeven mile point is different depending on the type of vehicle driven), the tiered reimbursement policy would benefit the state. However, for trips with distances shorter than these breakeven mile points, without a requirement concerning the miles to be driven the tiered reimbursement policy would be a detriment to the state.

Estimating the cost savings from implementing a tiered rate system is difficult because detailed information on current usage is not available, and changes in the usage of fleet versus private vehicles can not be projected.

<u>Other Items of Consideration</u>
Notwithstanding the potential cost savings, 2 unknown factors include any potential administrative costs to track and implement a tiered system and increased investment in the fleet system if a tiered structure increases the use of fleet vehicles.

RS/TP:ck

Attachment A

Internal Revenue Service IRS.gov

DEPARTMENT OF THE TREASURY

IRS Increases Mileage Rate Until Dec. 31, 2005

IR-2005-99, Sept. 9, 2005

WASHINGTON — The Internal Revenue Service and Treasury Department announced today an increase to the optional standard mileage rates for the final four months of 2005.

The rate will increase to 48.5 cents a mile for all business miles driven between Sept. 1 and Dec. 31, 2005. This is an increase of 8 cents from the 40.5 cent rate in effect for the first eight months of 2005, as set forth in Rev. Proc. 2004-64.

"This is about fairness for taxpayers," said IRS Commissioner Mark W. Everson. "People are entitled to deduct the real cost of operating a vehicle. We've responded to the recent gas price increases by making this special adjustment so taxpayers get the tax benefit they deserve."

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2005. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

"With many predicting a decline in gas prices over coming months, we will hold off on setting the 2006 rate until closer to January," Everson said. Next year's rate could be lower than 48.5 cents.

While gasoline is a major factor in the mileage figure, other items enter into the calculation of mileage rates, such as the price of new vehicles and insurance.

The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of the extra burden of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage.

The new four-month rate for computing deductible medical or moving expenses will be 22 cents a mile, up from 15 cents for the first eight months of 2005. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

The annual Revenue Procedure includes limitations on who is not eligible to use the standard mileage rate.

JANET NAPOLITANO
GOVERNOR

BETSEY BAYLESS
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION
FINANCIAL SERVICES DIVISION • GENERAL ACCOUNTING OFFICE
100 NORTH 15TH AVENUE • SUITE 302
PHOENIX, ARIZONA 85007
Phone: (602) 542-5601 • Fax: (602) 542-5749

August 19, 2005

Representative Russell Pearce, Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Dear Representative Pearce:

Given the significant recent rise in gas prices, and that there is no foreseeable significant decrease to gas and oil prices over the remainder of the calendar year, we request placement on the next Joint Legislative Budget Committee (JLBC) Meeting to increase the privately owned vehicle mileage reimbursement rate from 37.5 to 40.5 cents per mile. This matches the rate established by the United States Internal Revenue Service (IRS) for calendar year 2005.

The current national average is $2.55 per gallon. Further, the national average of gas prices has increased 67.5 cents (about 36%) over the last year and 18.2 cents (about 7.5%) in the last week. Gas and oil prices are at an all-time high, and this is the largest one-week increase for gasoline on record.

Thank you for your urgent attention to this dramatic change. If you have any questions or need any additional information, please call me at 542-5405.

Sincerely,

D. Clark Partridge

D. Clark Partridge
State Comptroller

Enclosure

cc: Richard Stavneak
Shelli Carol
Gary Yaquinto
Matt Gottheiner
Jerry Oliver
Alan Ecker
Paul Shannon

JANET NAPOLITANO
GOVERNOR

BETSEY BAYLESS
DIRECTOR

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RECEIVED
APR 27 2005
JOINT BUDGET
COMMITTEE

April 26, 2005

Richard Stavneak, Executive Director
Joint Legislative Budget Committee
11716 West Adams
Phoenix, AZ 85007

Dear Mr. Stavneak:

At the December 16, 2005 Joint Legislative Budget Committee (JLBC) Meeting, the request to increase the privately owned vehicle mileage reimbursement rate to 37.5 cents per mile was approved. The JLBC requested that the Department report on the establishment of a tiered rate system depending on the availability of State motor pool vehicles.

Enclosed is the April 15, 2005 Report on the Possible Adoption of the Federal Tier Structure for Privately Owned Vehicle (POV) Mileage Reimbursement in Arizona State Travel Policy. Certainly, an Extended Dispatch Vehicle (EDV) should be used for State business travel when available. This report also focused on the cost/benefit to the State of adopting this type of policy. Based upon reasonable assumptions, the breakeven point was established between the use of a POV and the Fleet. Essentially, for agencies within 5 miles (approximately 15 minutes) of the ADOA Fleet, a POV is appropriate for trips less than 75 miles, while the ADOA Fleet should be utilized for trips of 75 miles or more. For agencies located more than 5 miles from the ADOA Fleet, a POV is appropriate for trips less than 110 miles, while the ADOA Fleet/Enterprise Rent-A-Car should be used for trips of 110 miles or more.

Utilizing this methodology, no mileage reimbursement would be allowed if an EDV was available. If a Taxi-Fleet vehicle is required and available, but not used, POV mileage would be reimbursed at 27.0 cents per mile. Authorized POV mileage would be reimbursed at 37.5 cents per mile. Special needs would be addressed as exceptions to policy and approved as appropriate. The report also presents the concept of applying the same policy for agencies operating their own fleets, with the option of using the ADOA Fleet prior to authorizing POV use.

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

Sincerely,

D. Clark Partridge

D. Clark Partridge
State Comptroller

Enclosure

cc: Gary Yaquinto
Kristine Ward
Shelli Carol
Matt Gottheiner
Paul Shannon
Bill Hernandez

ARIZONA DEPARTMENT OF ADMINISTRATION

Report on the Possible Adoption of the Federal Tier Structure for Privately Owned Vehicle (POV) Mileage Reimbursement in Arizona State Travel Policy

April 15, 2005

Executive Summary

At its December 16, 2004 meeting, the Joint Legislative Budget Committee (JLBC) approved increasing the employee mileage reimbursement rate from $0.345 per mile to $0.375 per mile for travel in privately owned vehicles (POV). Further, the JLBC requested that ADOA report by April 15, 2005 on the establishment of different motor vehicle rates, depending on the availability of state motor pool vehicles. The JLBC cited the federal government approach to mileage reimbursement that pays $0.405 per mile when a government vehicle is not available, but only $0.285 per mile when a government vehicle is available and an employee chooses not to use one. The purpose of this document is to examine the possible impact of adopting the federal tier structure for POV mileage reimbursement and to gather feedback from state agencies.

The information in this report demonstrates:

- Mileage reimbursement for privately owned vehicles (POV) is a significant expense in state government and warrants serious consideration for policy change by the JLBC.

- State employees should use Extended Dispatch vehicles before using a POV for state business.

- State employees located within 5 miles (approximately 15 minutes) from a pertinent state motor pool and traveling a minimum of 74 miles should rent a state rental vehicle.

- State employees located outside of Maricopa County without access to an Extended Dispatch vehicle should use a POV if planned state business travel is projected to be less than 108 miles. If the trip is greater than 108 miles, the state employee should use the private contractor: Enterprise Rent-A-Car.

Federal Tier Structure for POV Mileage Reimbursement

According to General Services Administration (GSA) staff, Federal Travel Regulation adopted a tier structure for POV mileage reimbursement more than 30 years ago. The basic structure is as follows:

a. If you are committed (assigned directly to you) to use a Government owned vehicle and you use your POV, mileage reimbursement is limited to $0.105 per mile. See 301-10.310(b).

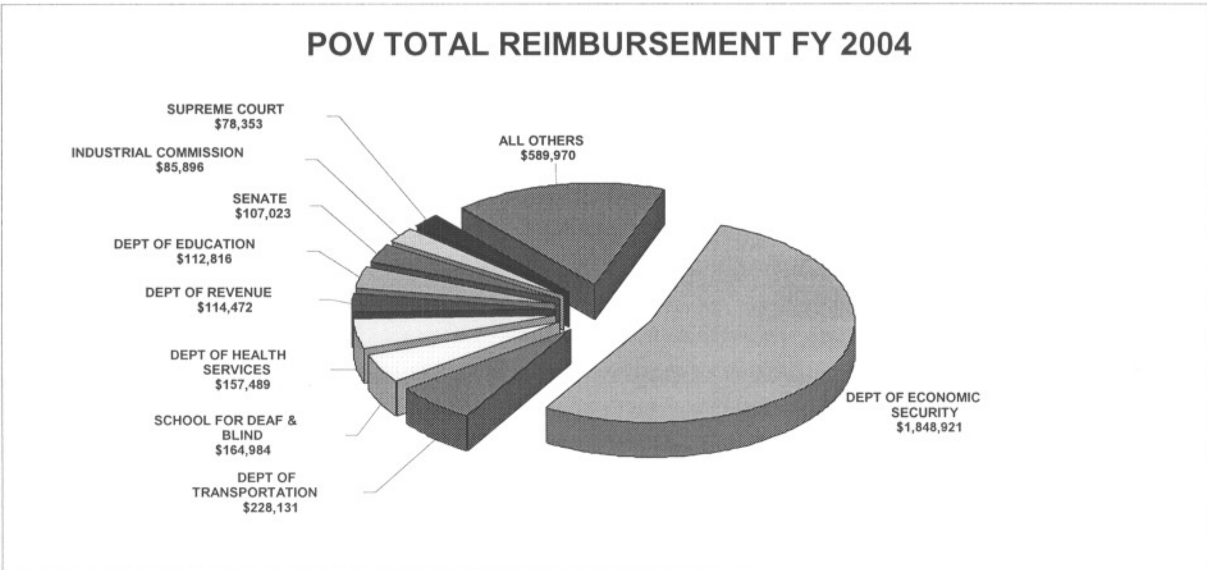
b. If your agency has a Government vehicle available for your use, but you decide to use your POV, mileage reimbursement is limited to $0.285 per mile. See 301-10.310(a).

c. If your agency authorizes you to use your POV as being advantageous to the Government, mileage reimbursement is $0.405 per mile. See 301-10.303.

In terms of effectiveness, the GSA does not measure the impact of this policy. Moreover, GSA does not audit employee mileage reimbursement claims pursuant to the non-availability of motor pool vehicles. Therefore, while the tier structure for POV mileage reimbursement rate has merit as a concept, the cost-effectiveness of the strategy has not yet been determined.

Estimated Impact of the State of Arizona Adopting the Federal Tier Structure for POV Mileage Reimbursement

According to the Arizona Department of Administration General Accounting Office, mileage reimbursement for Privately Owned Vehicles (POV) totaled $3.5 million in FY 2003-2004. While significant, total POV mileage reimbursement has declined two consecutive years from a high of $4.8 million in FY 2001-2002 and $4.0 million in FY 2002-2003.



To implement the federal tier structure for state POV mileage reimbursement, financial controllers will need to work together with state fleet administrators to make the transition to the new system successful.

With regard to mileage reimbursement for POV, the ADOA General Accounting Office administers the State Travel Policy. ADOA GAO would need to amend the Travel Policy and create a uniform set of policies and procedures to ensure that the proposed POV tier structure is properly and consistently administered.

The Department of Administration provides fleet services to approximately 70 state agencies statewide and operates a motor pool in Phoenix for intermittent use. It is important to point out that there are an additional ten state agencies that are authorized to operate fleets pursuant to ARS§41-803.E: Department of Public Safety, Department of Transportation, Department of Economic Security, Department of Corrections, University of Arizona, Arizona State University, Northern Arizona University, Community Colleges, Arizona State Schools for the Deaf and Blind, and Cotton Research and Protection Council.

Each of the fleets varies in terms of operational requirements and their respective organizational structures reflect this. For example, ADOA and ADOT operate formal motor pools but the other agencies operate "pools" on a more informal basis. Organizational differences notwithstanding, state fleets will be responsible for implementing the following proposed policies and procedures for their respective employees.

POV Mileage Reimbursement Policy and Procedures for State Agencies that Utilize ADOA for Fleet Services

1. Employees will be reimbursed on the following tiered schedule:

   a. If you are assigned to use an ADOA fleet vehicle (long term lease) and you use your POV, mileage reimbursement is $0.00 per mile.
   b. If your agency has an ADOA fleet vehicle (long term lease, motor pool or a private rental vehicle) available for your use, but you decide to use your POV, mileage reimbursement is limited to $0.270 per mile.
   c. If your agency authorizes you to use your POV as being advantageous to state government, mileage reimbursement is $0.375 per mile.

2. If the ADOA Fleet customer or ADOA division does not have an assigned vehicle available, they shall request a short term (Taxi) rental from the ADOA Fleet. If the ADOA Fleet is unable to provide the requestor neither a motor pool vehicle nor a private rental vehicle, ADOA Fleet staff will provide the vehicle requestor with documentation (e-mail) stating that the request could not be fulfilled and the date, time and type of vehicle requested. A copy of the e-mail should be attached to the Travel Reimbursement Form (GAO-503EZ).

3. Employees are exempt from the policy if: a) the employee is stationed more than 5 miles (approximately 15 minutes) or more from the ADOA Fleet site, b) the round trip distance of the travel is insufficient to warrant the expense of the motor pool rental (less than 74 miles), or c) the travel requires a specialized vehicle not owned or unobtainable by the ADOA Fleet.

4. All travel claims that include travel by POV will be audited by agency Controllers and/or ADOA GAO.

POV Mileage Reimbursement Policy and Procedures for Employees Working for State Agencies Authorized to Operate Fleets Pursuant to ARS§41-803.E

1. Employees will be reimbursed on the following tiered schedule:

    a. If you are assigned to use a vehicle provided by your state agency and you use your POV, mileage reimbursement is $0.00 per mile.
    b. If your agency has a state government vehicle available for your use, but you decide to use your POV, mileage reimbursement is limited to $0.270 per mile.
    c. If your agency authorizes you to use your POV as being advantageous to the state government, mileage reimbursement is $0.375 per mile.

2. If the agency fleet does not have a vehicle available, agency fleet staff will provide the vehicle requestor with documentation stating that the request could <u>not</u> be fulfilled and the date, time and type of vehicle requested.

3. Employees are exempt from the policy if: a) the employee is stationed more than 5 miles (approximately 15 minutes) from the nearest agency fleet site, b) the round trip distance of the travel is insufficient to warrant the expense of the motor pool rental (less than 74 miles), or c) the travel requires a specialized vehicle not owned or unobtainable by the agency motor pool.

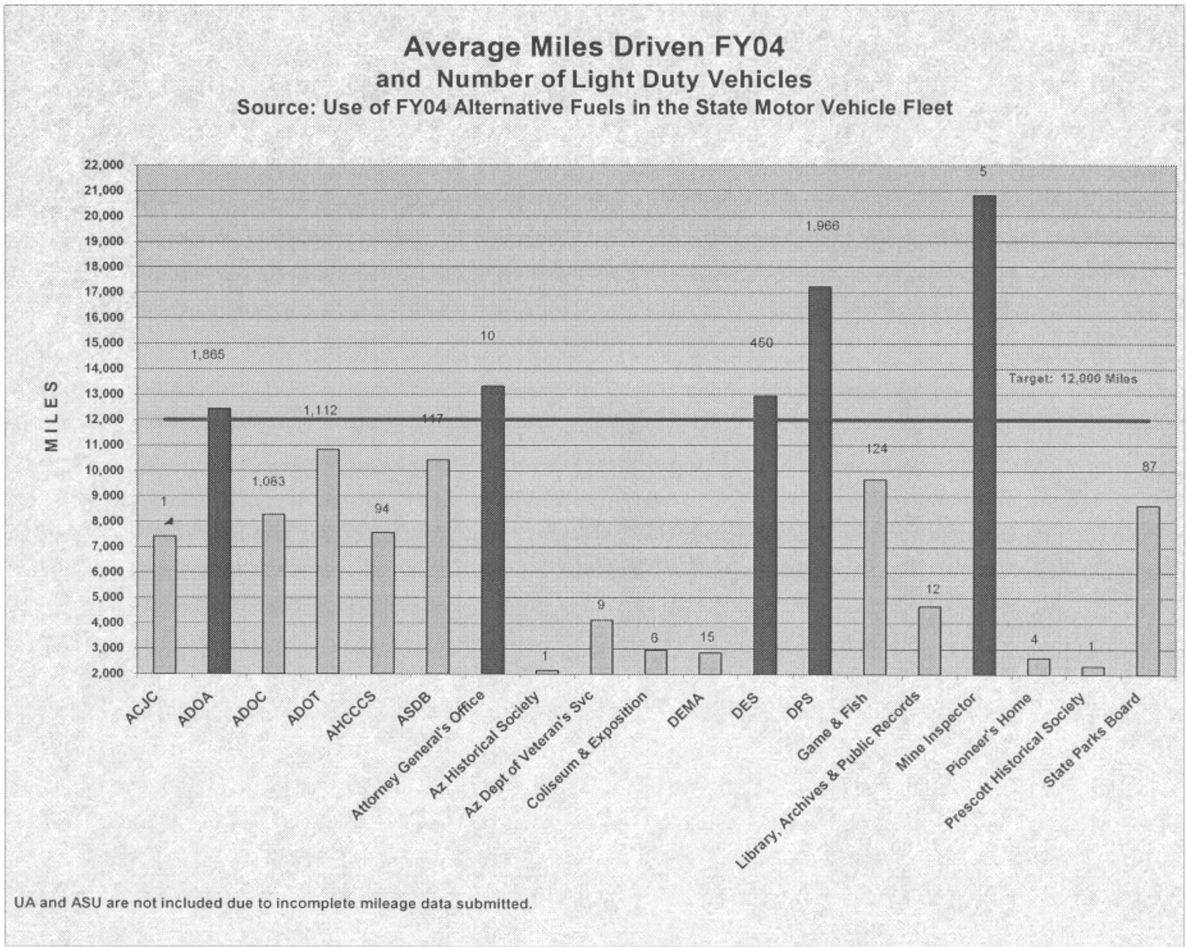
4. All travel claims that include travel by POV will be audited by agency Controllers and/or ADOA GAO.

5. Agency Directors authorized to operate fleets <u>may</u> add a requirement that their employees also request rental vehicles from ADOA motor pool prior to authorizing travel by POV.

Additional Information Requested by JLBC

1. ***Current Usage Statistics for all Executive Branch fleets, as well as any state university fleets.***

   In FY 2004, state fleets averaged 12,181 miles per year per vehicle. The chart below illustrates utilization for state agency fleets against the 12,000 miles per year target established via directive from Governor Napolitano's Office to ADOA Fleet in December, 2004.



2. ***An estimate of the impact on the various Executive Branch fleets, as well as any state university fleets of the tiered rates. The impact would include usage and cost estimates.***

   ADOA projects a 20% increase their rental activity. However, due to a lack of pertinent benchmarking from the federal government, this figure is speculative.

3. ***Annual savings to state agencies from reduced private mileage reimbursement.***

ADOA lacks data necessary to project impact of policy change.

4. ***Rate detail on the ADOA fleet overflow contract with private providers and an estimate of the increased use on that contract.***

The chart below contains rate information for the Enterprise Rent-A-Car.

Enterprise Rent-A-Car Daily Rentals Price Sheet

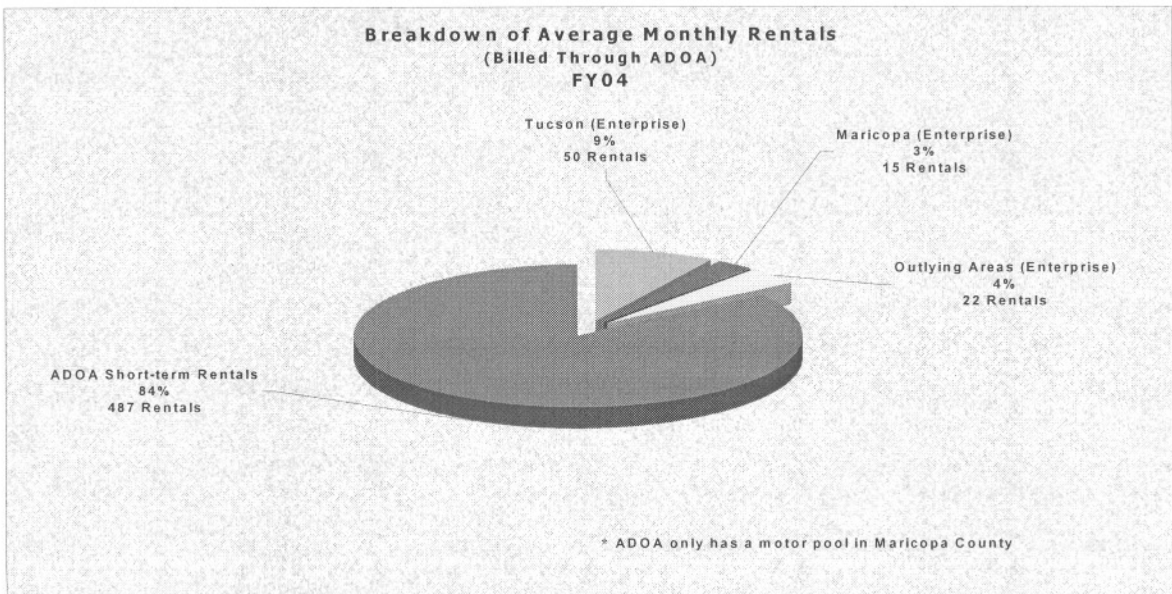
Item Description	Phoenix Metropolitan Area	Tucson Area	Outlying Areas
Compact Sedan	$30.00	$30.00	$34.00
Intermediate Sedan	$36.00	$34.00	$40.00
7 Passenger Minivan	$55.00	$55.00	$65.00
15 Passenger Van	$75.00	$75.00	$115.00
1/2 Ton 4x2 Pickup	$50.00	$50.00	$60.00
1/2 Ton 4x4 Pickup	$50.00	$50.00	$60.00
4-Door 4x4 Sport Utility Vehicle-Full Size	$75.00	$59.00	$70.00
4-Door 4x4 Sport Utility Vehicle-Small	$59.00	$50.00	$60.00
Cargo Van, Full Size	$50.00	$50.00	$60.00

*No mileage charge for daily rentals
**The above rates do not include tax (Please see below for Phoenix and Tucson tax structures.)

Non-Airport Locations:	City of Phoenix	City of Tucson
Sales Tax	10.1%	7.6%
Vehicle License Tax (VLT)	5.0%	5.0%
Stadium Tax	3.25%	$3.50

Airport Locations:	Phoenix Airport	Tucson Airport
Sales Tax	10.1%	5.6%
Vehicle License Tax (VLT)	5.0%	5.0%
Stadium Tax	3.25%	$7.00
Airport Access Tax	11.11%	11.1%
Consolidated Facility Charge (CFC)	$4.50 Per day	N/A

ADOA Fleet Management Office anticipates a 20% increase in rental activity. At present, Enterprise Rent-A-Car handles approximately 15% of ADOA Fleet rental activity. We anticipate that this proportion of ADOA Fleet rental business will remain constant. However, as cited earlier, there is a lack of benchmarking data which renders this projection speculative.



5. ***A description of how the department monitors misuse of state vehicles.***

ADOA Fleet Management Office (FMO) operates under guidelines established in the Arizona Administrative Code (R2-15-201 through R2-15-209) and A.R.S. 38-538.02. These rules and guidelines set clear expectations on operator's responsibilities. While each of the fleets vary in their respective policies for misuse of state vehicles, all utilize A.R.S. §38-538.02 and comparable rules.

The statutes are listed below:

Arizona Revised Statutes §38-538.02. Use of state motor vehicles; personal vehicle reimbursement

A. A motor vehicle owned or leased by this state shall not be provided to an employee, including an elected official, for the employee's personal use except as provided in subsection D of this section.

B. This State shall restrict the use of all motor vehicles owned or leased by it for motor pool use only. An employee may use a motor vehicle in the motor pool for business purposes only.

C. Reimbursement for travel for business purposes with an employee's own motor vehicle shall only be based on actual miles traveled.

D. This section does not apply to a person who is exempt under section 38-538.03 or a motor vehicle that is leased or rented pursuant to section 41-805 or section 41-1713, subsection B, paragraph 9.

E. For purposes of this section, use for business purposes does not include normal commuting to and from the employee's residence at any time unless the employee is on duty or on call for duty during the time that the employee is at the employee's residence.

ADOA monitors misuse of state vehicles through multiple means. When misuse is discovered by or reported to the ADOA Fleet Management Office, Fleet contacts the responsible agency to report the conduct. The employee's agency will then administer corrective action.

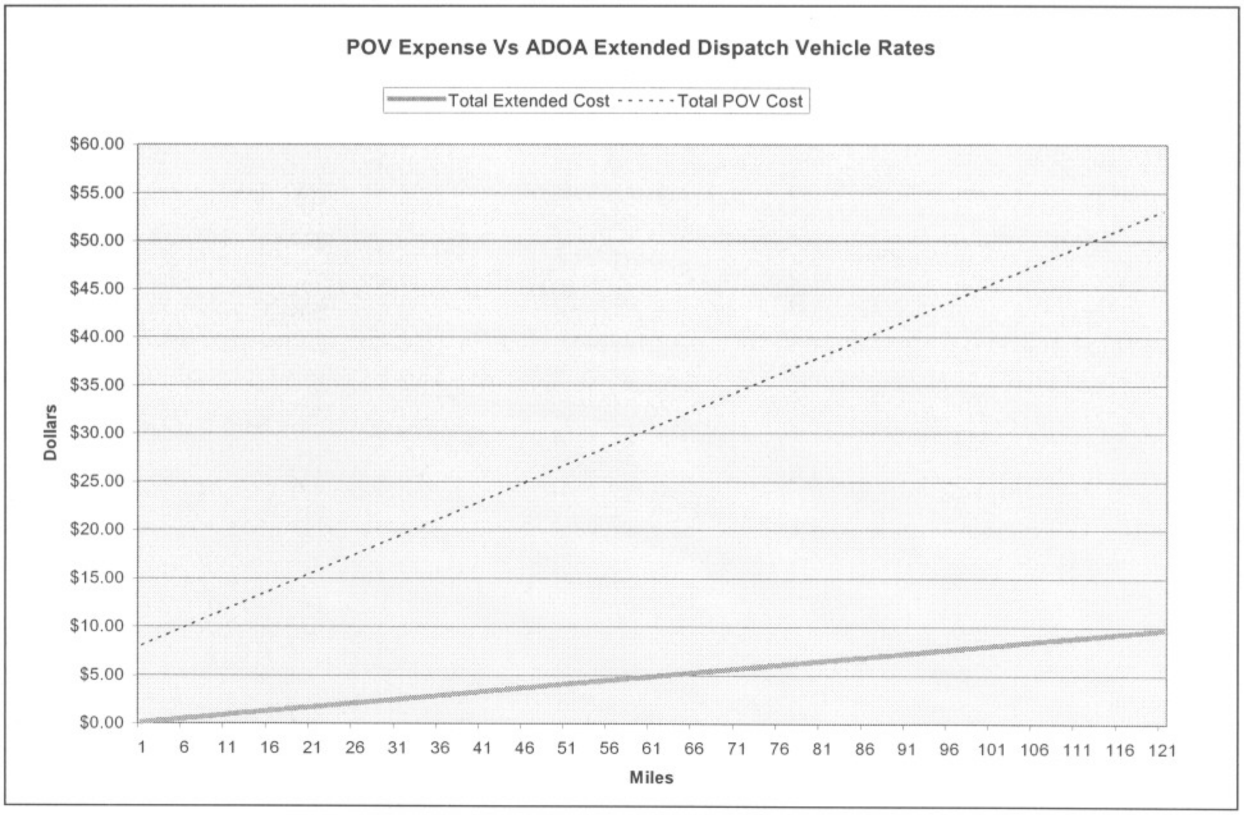
6. ***Any input regarding employee reactions to and concerns with the tiered rate plan.***

This report was coordinated with staff from the Arizona Department of Transportation, Equipment Services Division.

7. ***Please explain how you derived your estimates.***

Three spreadsheets are attached that display factors used to estimate POV cost against the cost for: a) Extended Dispatch (long term) vehicles, b) Taxi (short term) vehicles and c) private contractor vehicles (Enterprise Rent-A-Car).

Chart 1: Extended Dispatch (long term) Vehicles



For calculations please see Attachment 1

Assumptions

1. Average annual salary for covered employees published in ADOA Human Resources Division Annual Advisory Recommendation for System A agencies: $32,013 or $15.39 per hour.

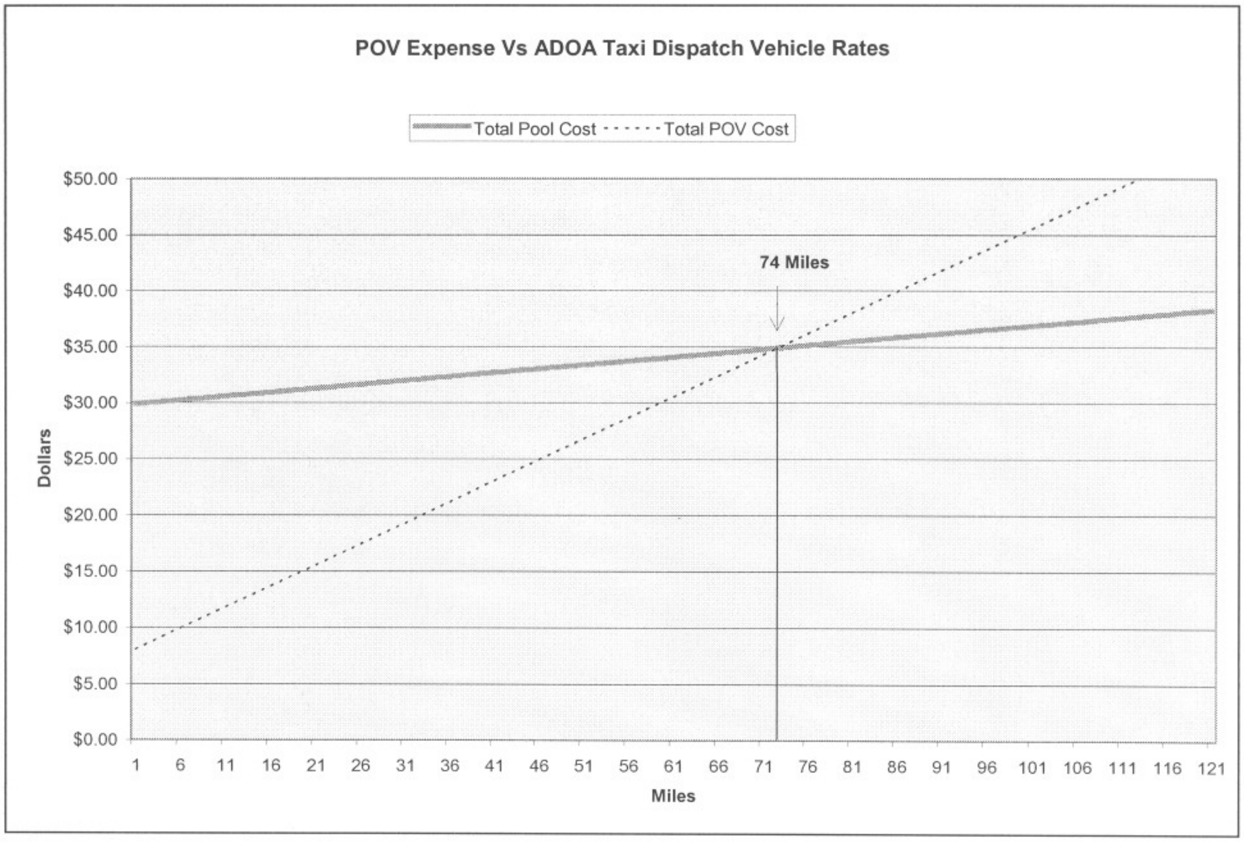
2. ADOA Extended Dispatch average rate for a sedan average is $13.26 per day. This rate is charged regardless of utilization. Thus, the cost displayed on the chart represents incremental expense for maintenance (.05 cents per mile) and fuel (.08 cents per mile).

3. Travel cost is not applicable as Extended Dispatch vehicles are normally assigned to state office locations. Thus, there is no staff time cost incurred for traveling to the motor pool to rent a vehicle.

4. POV rate of $.375/mile approved by Joint Legislative Budget Committee on December 16, 2004.

5. Processing cost based upon estimated one-half hour of staff time required to process State of Arizona Employee Travel Claim Travel Form GAO-503-EZ: \$15.39/2 = \$7.70. The steps included are: a) employee fills out form, b) supervisor signs form, c) form entered into AFIS accounting system, d) form is released, e) warrant printed, f) warrant is delivered.

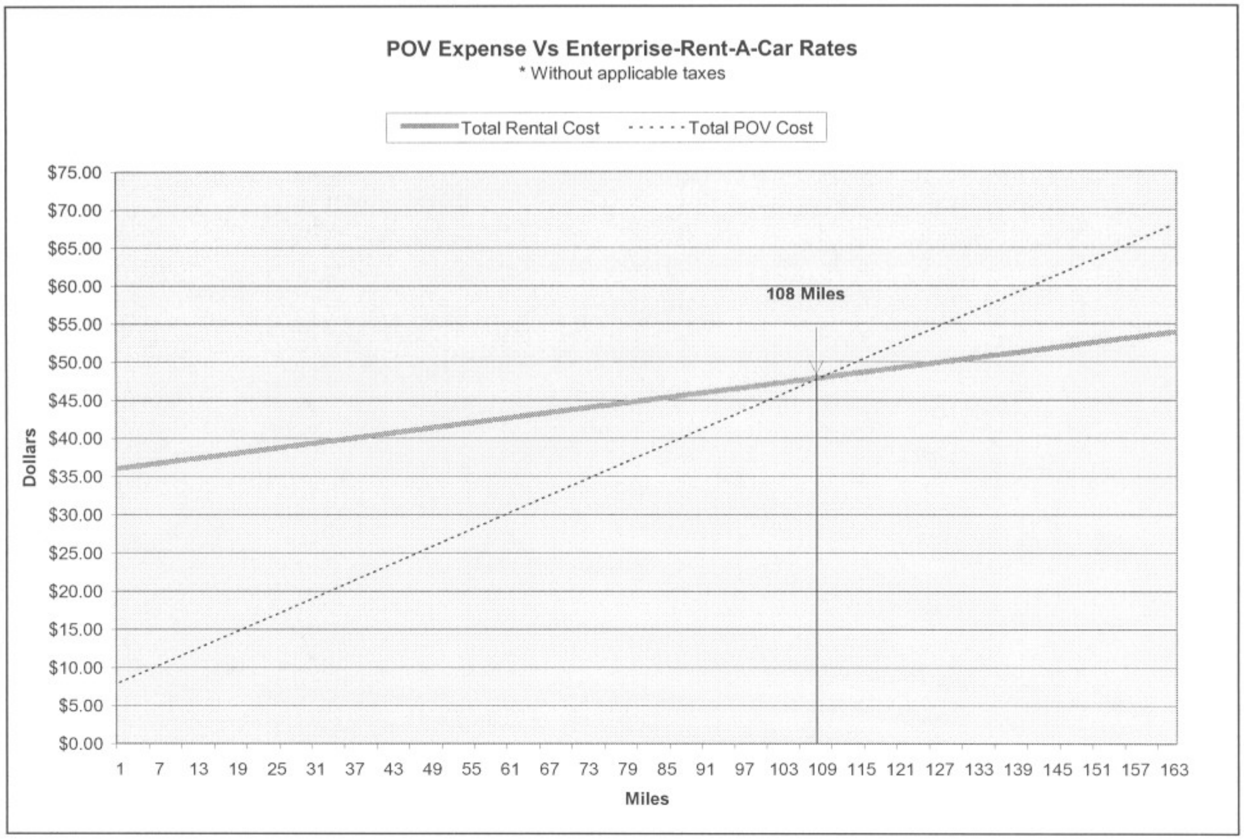
Chart 2: Taxi (short-term) Vehicles



For calculations please see Attachment 2

ADOA Taxi Rentals													
Month	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Overall Average
Number of Rentals	449	461	457	496	407	380	431	461	522	600	552	627	487
Average Days	5.3	5.9	5.3	4.7	5.1	5.1	4.5	4.9	4.7	4.4	4.3	5.1	5
Average Mileage	374.3	374.2	369.2	344.4	358.7	334.8	287.6	436.1	390.3	349.5	374.5	424.7	368

Chart 3: Private Contractor Vehicles (Enterprise Rent-A-Car)



For calculations please see Attachment 3

Tucson (Enterprise)													
Month	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Overall Average
Number of Rentals	45	44	56	57	61	45	55	46	53	46	49	45	50
Average Days	2	2	2	2	2	2	2	2	2	2	3	2	2
Average Mileage	307	262	302	353	336	290	277	255	301	251	315	326	298

Outlying Areas (Enterprise)													
Month	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Overall Average
Number of Rentals	20	26	28	36	28	19	13	17	17	25	17	21	22
Average Days	2	3	3	3	2	2	3	2	3	2	2	2	2
Average Mileage	422	447	475	475	358	465	536	404	397	394	422	328	427

Maricopa County (Enterprise)													
Month	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Overall Average
Number of Rentals	29	16	10	21	13	12	10	9	14	22	18	10	15
Average Days	12	8	6	3	4	4	5	6	6	6	4	5	6
Average Mileage	881	559	796	361	311	390	517	387	414	436	605	469	511

Conclusions

1. Clearly, state employees should use Extended Dispatch vehicles before using a POV for state business.

2. State employees located within 5 miles (approximately 15 minutes) of a pertinent state motor pool and traveling a minimum of 74 miles should rent a state rental vehicle. For ease of administration, this would be rounded to 75 miles for application in the State Travel Policy.

3. State employees located outside of Maricopa County without access to an Extended Dispatch vehicle should use a POV if the planned state business travel is projected to be less than 108 miles. If the trip is greater than 108 miles, the state employee should use the private contractor: Enterprise Rent-A-Car. For ease of administration, this would be rounded to 110 miles for application in the State Travel Policy.

STATE OF ARIZONA

Joint Legislative Budget Committee

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

DATE: September 28, 2005

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Tyler Palmer, Fiscal Analyst

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

Request

A.R.S. § 41-621(E) requires the Arizona Department of Administration (ADOA) to submit for annual review deductible amounts charged to agencies for risk management losses. ADOA requests that the Committee approve the current deductible amounts, with no changes from the previous year.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request.

Analysis

Laws 1997, Chapter 85 provided that the ADOA Director may impose deductibles of up to $10,000 per risk management loss on state agencies. Such deductible amounts are subject to annual review by the Joint Legislative Budget Committee (JLBC). ADOA maintains the right to waive any deductible for just cause or in the best interests of the state. To date, ADOA has not assessed any deductibles.

During FY 2005, ADOA planned to assess a deductible against the Arizona Department of Transportation (ADOT) resulting from a case related to inadequate highway maintenance. However, ADOT avoided being assessed a deductible by submitting an accepted Agency Response regarding its maintenance program.

The deductible program has three components, as described below:

(Continued)

1) Rule 14 Settlements and Judgments
ADOA will charge a $10,000 deductible for each claim of $250,000 or more (those claims requiring JLBC approval under Rule 14), unless the agency implements an approved plan to limit or eliminate similar future losses. ADOA helps agencies develop these plans.

2) Workers' Compensation Early Notification
ADOA requires state agencies to report workers' compensation claims within 10 days of the employee's incident notification to a supervisor or other agency representative. If an agency fails to report within 10 days, Risk Management would charge a deductible of 20% of the claim, up to $10,000. If an agency reports 75% of all occurrences of industrial injury or illness within two days of the employee's notification to a supervisor or other agency representative, Risk Management will waive this deductible. ADOA provides extensive training to agencies on early reporting.

3) Opportunistic Loss Prevention
ADOA and each agency reach agreements on the agency's most significant opportunity for loss prevention. ADOA will assess a $10,000 deductible for each loss of this type unless the agency implements an approved loss prevention plan. All state agencies have submitted such plans. ADOA continues to work with agencies to update and improve those plans.

RS/TP:ym

JANET NAPOLITANO
GOVERNOR

BETSEY BAYLESS
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT SECTION
100 North 15th Ave., Suite 301
PHOENIX, ARIZONA 85007-2635
(602) 542-2180 FAX (602) 542-1943

June 28, 2005

The Honorable Robert Burns
Arizona State Senate
1700 West Washington
Phoenix, AZ 85007

The Honorable Russell K. Pearce
Arizona House of Representatives
1700 West Washington
Phoenix, AZ 85007

Dear Senator Burns and Representative Pearce:

Pursuant to ARS 41-621E, the Director of the Department of Administration (ADOA) may impose on state agencies deductibles of up to $10,000 per Risk Management covered loss. Deductible amounts established by the Director shall be subject to annual review by the Joint Legislative Budget Committee. The Risk Management Section of the Department of Administration maintains the right to waive any deductible for just cause or in the best interest of the state.

The deductible program has three components, as described below:

1. **Rule 14 Settlements and Judgments**
   The Risk Management Section shall charge a $10,000 deductible for each claim of $250,000 or more (i.e., those claims approved by the JLBC under Rule 14) unless the agency implements an approved plan to eliminate or limit similar future losses.

   The Risk Management Section helps agencies develop these plans.

2. **Workers' Compensation Early Notification**
   The Risk Management Section shall charge each agency a deductible on each workers' compensation claim the agency fails to report to RM within 10 days after an employee notifies the employee's supervisor or other agency representative of an injury. The deductible amount of the claim shall be equal to 20% of the total claim, not to exceed $10,000.

The Risk Management Section shall waive the deductible on all of the agency's workers' compensation claims reported after the 10-day period, if the agency reports 75% of all occurrences of industrial injury or illness within 2 days of being reported by an employee to the employee's supervisor, or other agency representative. To make this computation RM shall use a rolling 12-month average, and apply the deductible to claims filed during the individual months of 2001 and all years forward.

The Risk Management Section has provided agencies with extensive training and informational materials for use in educating their employees of the need for early reporting of workplace injuries.

3. **<u>Opportunistic Loss Prevention Program</u>**
The Risk Management Section and each agency shall agree on the agency's most significant opportunity for loss prevention. The Risk Management Section will assess a $10,000 deductible for each loss of this type unless the agency implements an approved loss prevention plan. All state agencies have submitted loss prevention plans. The Risk Management Section continues to work with agencies to update and improve those plans.

During fiscal year 2005, no agency has been assessed a deductible.

We believe that the deductible program provides a good incentive for state agencies to avoid losses covered by Risk Management. This is an important counter-balance to the possible adverse effect of The Risk Management Section bearing the cost for another agency's decision that may result in a loss.

Sincerely,

Frank Hinds
State Risk Manager

cc. Betsey Bayless, Director, Department of Administration
Jerry Oliver, Deputy Director, Department of Administration
Paul Shannon, Budget Manager, Department of Administration
Shelli Carol, Budget Analyst, JLBC
Matt Gottheiner, Budget Analyst, OSPB