

JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, October 10, 2023

9:30 a.m.

Senate Room 1



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

JOHN KAVANAGH
VICE-CHAIRMAN
LELA ALSTON
KEN BENNETT
SONNY BORRELLI
EVA DIAZ
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1716 WEST ADAMS
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REPRESENTATIVES

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STEPHANIE STAHL HAMILTON

JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, October 10, 2023

9:30 A.M.

Senate Hearing Room 1

MEETING NOTICE

- Call to Order
- [Approval of Minutes of June 13, 2023.](#)
- EXECUTIVE SESSION
 - A. Attorney General - Consideration of Proposed Settlements under Rule 14.
 - *B. Arizona Department of Administration - Risk Management Annual Report.
- 1. [ATTORNEY GENERAL - Review of Opioid Settlement Expenditure Plan.](#)
- 2. [*ARIZONA BOARD OF REGENTS - Review of FY 2024 Tuition Revenues.](#)
- 3. [*DEPARTMENT OF EDUCATION - Review of K-12 Broadband Connectivity Projects.](#)
- 4. [*DEPARTMENT OF PUBLIC SAFETY - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission \(GIITEM\) Border Security and Law Enforcement Subaccount.](#)
- 5. [SECRETARY OF STATE - Review of Help America Vote Act \(HAVA\) Expenditure Plan.](#)
- 6. [STATE DEPARTMENT OF CORRECTIONS - Review of FY 2024 Vacancy Savings Reallocation.](#)
- 7. [*ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND - Review of FY 2024 Judiciary Projects.](#)

8. *AHCCCS/DEPARTMENT OF ECONOMIC SECURITY - Review of Capitation Rate Changes for Plan Year 2024.

* Consent Agenda - These items will be considered in one motion and no testimony will be taken.

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

10/04/2023

KP

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

June 13, 2023

The Chairman called the meeting to order at 9:35 a.m., Tuesday, June 13, 2023, in House Hearing Room 1. The following were present:

Members:	Senator Kavanagh, Vice-Chairman	Representative Livingston, Chairman
	Senator Alston	Representative Biasiucci
	Senator Bennett	Representative Carter
	Senator Borrelli	Representative Gress
	Senator Diaz	Representative Salman
	Senator Fernandez	Representative Schwiebert
	Senator Mesnard	Representative Stahl Hamilton

Absent:	Senator Hoffman	Representative Chaplik
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APPROVAL OF MINUTES

Senator Kavanagh moved that the Committee approve the minutes of June 1, 2023. The motion carried.

CONSENT AGENDA

The following items were considered without further discussion:

EXECUTIVE SESSION - Arizona Department of Administration (ADOA) - Review for Committee the Planned Contribution Strategy for State Employee and Retiree Medical and Dental Plans Under A.R.S. § 38-658A.

A.R.S. § 38-658A requires that at least 10 days before ADOA enters into, or renews, contracts for medical and dental insurance coverage, the Director of ADOA shall meet with and review for the Joint Legislative Budget Committee, in Executive Session, the planned contribution strategy for each health plan. The JLBC Staff provided options.

(Continued)

1. ATTORNEY GENERAL (AG) - Review of Uncollectible Debts.

A.R.S. § 35-150E requires that the Attorney General's annual report on uncollectible debts owed to the state be reviewed by the Joint Legislative Budget Committee before the debt can be removed from the state accounting system. The AG requested Committee review of \$31,040,600 for debts listed as uncollectible in FY 2023 and prior years. The JLBC Staff provided options.

2A. ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND (ADOA) - Review of AHCCCS Prepaid Medicaid Management Information System.

A.R.S. § 41-714 requires Committee review prior to any monies being expended from ADOA's Automation Projects Fund (APF). ADOA requested review of \$2,000,000 in FY 2024 funds to begin the development of the Prepaid Medicaid Management Information System (PMMIS) Systems Integrator. The JLBC Staff provided options and a potential provision:

- A. *A favorable review is contingent on approval from the Information Technology Authorization Committee (ITAC).*

2B. ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND (ADOA) - Review of Business One-Stop Web Portal.

A.R.S. § 41-714 requires Committee review prior to any monies being expended from ADOA's Automation Projects Fund (APF). ADOA requested review of the expenditure of \$6,500,000 from the FY 2023 appropriation from the ADOA APF Subaccount for FY 2024 operating costs and development of the Business One Stop Portal. The JLBC Staff provided options.

Senator Kavanagh moved that the Committee give a favorable review of consent agenda items 1, 2A, 2B and the Executive Session item on State Employee and Retiree Medical and Dental Plans with the JLBC Staff provisions. The motion carried.

REGULAR AGENDA

3. SECRETARY OF STATE (SOS) - Review of FY 2023 Election Services Line Item Transfer.

Ms. Micaela Larkin, JLBC Staff, stated an FY 2023 General Appropriation Act footnote requires SOS to submit an expenditure plan for the Help America Vote Act (HAVA) monies to the Joint Legislative Budget Committee for review prior to transferring monies in or out of the Election Services line item. SOS requested review for transferring \$596,000 from the Election Services line item to the operating budget in FY 2023. The JLBC Staff provided options.

Gregory Ensell, Chief Finance Officer, Secretary of State, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review for transferring \$596,000 from the Election Services line item to the operating budget in FY 2023 as follows:

1. \$96,000 to pay additional Access Voter Information Database (AVID) operating costs.
2. \$500,000 to implement upgrades to AVID to comply with recent election legislation.

The motion carried.

(Continued)

4. ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2023 Line Item Transfer.

Mr. Geoff Paulsen, JLBC Staff, stated an FY 2023 General Appropriation-Act footnote requires ADC to submit an expenditure plan for review by the Joint Legislative Budget Committee prior to spending any monies appropriated for Personal Services and Employee Related Expenditures (ERE) on anything other than Personal Services or ERE. ADC requested review of its plan to utilize \$44,772,500 in FY 2023 General Fund vacancy savings appropriated for Personal Services and ERE to cover funding shortfalls in 3 areas: inmate health care injunction costs, operational needs and shortfalls, and a private prison per diem line item shortfall. The JLBC Staff provided options and a potential provision.

Ryan Thornell, Director, Department of Corrections, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review for the department to spend a total of \$38,465,700 as follows:

- a. \$10,775,000 for inmate health care injunction costs.
- b. \$11,000,000 for operational needs and vehicle replacement.
- c. \$16,690,700 for a shortfall in the private prison per diem line item.

As part of its review, the Committee included the following provision:

- A. The department shall work with the health care vendor to amend the existing contract to restore federal Medicaid funding for inmate inpatient services and to seek retroactive reimbursement to the extent possible. The department shall report their progress in the restoration of federal Medicaid reimbursement to the Committee by November 30, 2023.

The motion carried.

Without objection, the meeting adjourned at 10:38 a.m.

Respectfully submitted:

Kristy Paddack

Kristy Paddack, Secretary

Richard Stavneak

Richard Stavneak, Director

David Livingston

Representative David Livingston, Chairman



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DATE: October 3, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: Gordon Robertson, Fiscal Analyst

SUBJECT: Attorney General - Review of Opioid Settlement Expenditure Plan

Request

A.R.S. § 44-1531.02C requires the Attorney General (AG) to submit an expenditure plan for review by the Committee prior to spending any monies from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund. The AG requests the Committee review its plan to spend \$12,000,000 from the Remediation Subaccount to support a competitive grant program for reentry programs operated by rural county governments for individuals affected by the opioid crisis.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) As a result of litigation against pharmaceutical companies and distributors for promoting the use of opioid drugs, the state is receiving a share of court settlements.
- 2) These settlements require that the funds be expended on opioid amelioration programs.
- 3) The FY 2024 budget appropriated \$12 million of settlement proceeds to the Attorney General (AG).
- 4) The budget also required the AG to submit an expenditure plan to the Committee before spending these monies.
- 5) The AG is requesting to use the \$12 million for a competitive grant operated by rural county governments
- 6) The program would target "criminal-justice-involved individuals" who have been affected by the opioid crisis.

(Continued)

Analysis

Background

A.R.S. § 44-1531.02C establishes the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund consisting of monies associated with consumer protection case awards or settlements. The first \$4.0 million spent annually in the Remediation Subaccount is continuously appropriated and any amount above that requires legislative appropriation. The FY 2024 Criminal Justice BRB amends A.R.S. § 44-1531.02C to require, as permanent law, that all monies deposited into the Remediation Subaccount from opioid litigation be appropriated by the Legislature and not subject to the \$4.0 million continuously appropriated provision.

The AG is the recipient of numerous settlements on behalf of Arizona as part of multistate agreements with pharmaceutical companies and opioid distributors. Excluding the local share, the multi-year awards total approximately \$500 million. The state will be receiving these monies in most cases through some point in the 2030s. In FY 2023, the state received \$47 million.

The use of these settlement monies falls under the One Arizona Memorandum of Understanding between Arizona, all 15 counties, and 90 cities and towns in the state, with 56% of the settlement going to local governments and municipalities and the remaining 44% going to the state. One Arizona monies are to be used only for opioid amelioration programs. Per One Arizona, the state is to spend up to 30% of the state share on opioid education and advertising related to awareness, addiction, or treatment; Arizona Department of Corrections and related prison and jail opioid uses, and opioid interdiction and abatement on the southern border including grants to assist with the building, remodeling and/or operation of centers for treatment, drug testing, medication-assisted treatment services, probation, job training, and/or counseling services.

The FY 2024 budget appropriated \$12.0 million from opioid settlement monies in the Remediation Subaccount to the Opioid Abatement line item. The FY 2024 General Appropriation Act requires monies in the Opioid Abatement line item to be used to treat Opioid Use Disorders (OUD), to support people who are in opioid treatment and recovery, or for any other specified purposes that are included in a court order, settlement, or compromise that is entered into by the state and other parties to opioid litigation. The footnote also requires the AG to submit an expenditure plan for Committee review prior to spending any monies appropriated to the Opioid Abatement line item.

Expenditure Plan

The AG's proposed plan would spend the \$12.0 million FY 2024 appropriation on one-year competitive grants to fund programs operated by rural county government entities, including sheriff's departments, probation and parole departments, and human health services departments, for the purpose of facilitating successful reentry into the community for "criminal justice-involved" individuals affected by the opioid crisis. All county governments are eligible except for Maricopa and Pima. The plan caps grant funding at \$4.0 million per individual grant awarded to eligible government entities.

The state has previously provided support to these reentry programs. In FY 2022, the state appropriated \$10.0 million from the General Fund to establish coordinated reentry programs under A.R.S. § 11-392 in Mohave and Pinal counties and to continue the existing program in Yavapai County. The FY 2022 3-year budget plan also included \$7.0 million from the General Fund for coordinated reentry programs in FY 2023 and FY 2024. These \$7.0 million appropriations were distributed evenly between Mohave, Pinal,

(Continued)

and Yavapai counties. We understand that Coconino and Navajo counties also currently operate coordinated reentry programs.

These programs are designed to screen individuals who are booked into county jails and to connect individuals with resources "at the earliest stage in the criminal justice process" to facilitate reentry into the community following the successful completion of the individual's sentence. Under the existing statutory program, counties may provide participants with resources for mental health and substance abuse disorder treatment, peer support, housing assistance, transportation, and employment services.

The AG proposal appears similar to the existing reentry programs. The AG plan would require the counties to serve individuals "at risk" of developing opioid use disorders as well as individuals with these disorders who are already involved or at risk of being involved with the criminal justice system.

GR:kp



KRIS MAYES
ATTORNEY GENERAL

OFFICE OF THE ARIZONA ATTORNEY GENERAL
STATE OF ARIZONA

September 11, 2023

The Honorable David Livingston, Chair
Arizona House of Representatives
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

The Honorable John Kavanagh, Vice-Chair
Arizona State Senate
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007



Re: Expenditure Plan for \$12 Million of Opioid Settlement Funds

Dear Representative Livingston and Senator Kavanagh:

In accordance with A.R.S. 44-1531.02(C), the Arizona Attorney General's Office ("AGO") respectfully submits this Expenditure Plan for monies held in the remediation subaccount of the consumer restitution and remediation revolving fund ("Remediation Subaccount") as a result of three opioid settlements. These settlements require the Attorney General, with the advice and consent of the Arizona Legislature, to direct how and when the funds are used, provided that such uses conform to the requirements of the settlement agreements and the One Arizona Distribution of Opioid Settlement Funds Agreement ("One Arizona Agreement"). This Expenditure Plan is subject to a \$12 million appropriation for FY2024 and will be used in accordance with that appropriation.

Background

The recent multistate opioid settlement funds come from Consent Judgments filed in (1) *State of Arizona v. McKesson Corporation; Cardinal Health, Inc; and AmerisourceBergen Corporation* (Case No. CV2022-005454) (the "Distributor Settlement Agreement"); (2) *State v. Johnson & Johnson; Janssen Pharmaceuticals, Inc.; Ortho-McNeil-Janssen Pharmaceuticals, Inc.; and Janssen Pharmaceutica, Inc.* (Case No.

JLBC Expenditure Plan for \$12M in Opioid Settlement Funds

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CV2022-007393) (the “Janssen Settlement Agreement”); and (3) the Plan of Reorganization filed in *In re Mallinckrodt PLC, et al.* (Case No. 20-12522(JTD) (the “Mallinckrodt Settlement Agreement”).

The One Arizona Agreement provides the framework for distribution and uses of opioid settlement funds. It allocates 56% of opioid settlement funds to the local governments (counties, cities, and towns) and the remaining 44% to the State. Also, it restricts the use of all opioid settlement funds, whether distributed to the State or Regions, to the Approved Purposes listed in Exhibit A of the One Arizona Agreement and provides that the State will “endeavor to prioritize up to 30% of the State Share” for (1) opioid education, (2) addressing criminal justice related opioid use, and (3) opioid abatement on Arizona’s southern border. Section C.8.

To date, the total amount received by the AGO for deposit into the Remediation Subaccount is **\$48.1 million**. The legislature appropriated and the AGO distributed \$5 million in FY2023. Thus, the current balance in the Account is approximately **\$43.1 million**. For FY2024, the legislature appropriated **\$12 million** of these funds which are addressed by this Expenditure Plan.

Expenditure Plan

In conjunction with an appropriation from the Remediation Subaccount for FY2024, the AGO is requesting JLBC approval for a total of \$12 million from the opioid settlement funds for grants to address reentry programs in rural counties, namely, Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Mohave, Navajo, Pinal, Santa Cruz, Yavapai, and Yuma counties.

Needs Assessment. In 2020, nearly 550,000 people returned to the community from state and federal prisons, while millions more cycled through local jails. During the first two weeks following release, mortality rates among formerly incarcerated people are more than 12 times higher than among the general public. Overdose was the leading cause of death of persons on probation or parole in Arizona in 2022. Ensuring access to substance use and mental health treatment services is critical to saving the lives of incarcerated individuals with opioid use disorder. Nearly half of those in state and federal prisons met the criteria for a substance use disorder in the year prior to admission.

Successful reintegration after incarceration requires facilitating access to housing, food security, health care, education, and employment – breaking down silos between agencies. Participants in correctional education were 43 percent less likely to return to prison compared to their peers who did not access educational programming. The same analysis found that

JLBC Expenditure Plan for \$12M in Opioid Settlement Funds

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vocational training within prisons increased participants' likelihood of obtaining employment by 28 percent upon release. Programs begin on the first day of an individual's sentence.

Grant Program. The \$12 million competitive grant award plan for FY2024 will fund programs operated by rural county governments for purposes of facilitating successful reentry into the community of criminal-justice-involved individuals who have been affected by the opioids crisis. Rural county government entities, including Sherriff's Departments, Probation and Parole, and human health services departments are eligible to apply for these grants. All grants will be capped at \$4 million. Programs should not exceed one year (FY2024).

Conclusion

Rural counties' criminal-justice-involved individuals suffering from the opioids crisis have experienced some of the most critical needs. This Expenditure Plan is designed to provide resources where they are most needed and most effective by facilitating successful reentry programs.

Thank you for your consideration.

Sincerely,



Nick Debus
Director of Government Affairs

CC//

Linley Wilson

Kelsey Jahntz

Fletcher Montzingo

Richard Stavneak

Gordon Robertson

Exhibit A

OPIOID ABATEMENT STRATEGIES

PART ONE: TREATMENT

A. TREAT OPIOID USE DISORDER (OUD)

Support treatment of Opioid Use Disorder (OUD) and any co-occurring Substance Use Disorder or Mental Health (SUD/MH) conditions, co-usage, and/or co-addiction through evidence-based, evidence-informed, or promising programs or strategies that may include, but are not limited to, the following:

1. Expand availability of treatment for OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, including all forms of Medication-Assisted Treatment (MAT) approved by the U.S. Food and Drug Administration.
2. Support and reimburse services that include the full American Society of Addiction Medicine (ASAM) continuum of care for OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, including but not limited to:
 - a. Medication-Assisted Treatment (MAT);
 - b. Abstinence-based treatment;
 - c. Treatment, recovery, or other services provided by states, subdivisions, community health centers; non-for-profit providers; or for-profit providers;
 - d. Treatment by providers that focus on OUD treatment as well as treatment by providers that offer OUD treatment along with treatment for other SUD/MH conditions, co-usage, and/or co-addiction; or
 - e. Evidence-informed residential services programs, as noted below.
3. Expand telehealth to increase access to treatment for OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, including MAT, as well as counseling, psychiatric support, and other treatment and recovery support services.
4. Improve oversight of Opioid Treatment Programs (OTPs) to assure evidence-based, evidence-informed, or promising practices such as adequate methadone dosing.
5. Support mobile intervention, treatment, and recovery services, offered by qualified professionals and service providers, such as peer recovery coaches, for persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction and for persons who have experienced an opioid overdose.
6. Support treatment of mental health trauma resulting from the traumatic experiences of the opioid user (e.g., violence, sexual assault, human trafficking, or adverse childhood experiences) and family members (e.g., surviving family members after an overdose).

or overdose fatality), and training of health care personnel to identify and address such trauma.

7. Support detoxification (detox) and withdrawal management services for persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, including medical detox, referral to treatment, or connections to other services or supports.
8. Support training on MAT for health care providers, students, or other supporting professionals, such as peer recovery coaches or recovery outreach specialists, including telementoring to assist community-based providers in rural or underserved areas.
9. Support workforce development for addiction professionals who work with persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.
10. Provide fellowships for addiction medicine specialists for direct patient care, instructors, and clinical research for treatments.
11. Provide funding and training for clinicians to obtain a waiver under the federal Drug Addiction Treatment Act of 2000 (DATA 2000) to prescribe MAT for OUD, and provide technical assistance and professional support to clinicians who have obtained a DATA 2000 waiver.
12. Support the dissemination of web-based training curricula, such as the American Academy of Addiction Psychiatry's Provider Clinical Support Service-Opioids web-based training curriculum and motivational interviewing.
13. Support the development and dissemination of new curricula, such as the American Academy of Addiction Psychiatry's Provider Clinical Support Service for Medication-Assisted Treatment.

B. SUPPORT PEOPLE IN TREATMENT AND RECOVERY

Support people in treatment for and recovery from OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction through evidence-based, evidence-informed, or promising programs or strategies that may include, but are not limited to, the following:

1. Provide the full continuum of care of recovery services for OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, including supportive housing, residential treatment, medical detox services, peer support services and counseling, community navigators, case management, and connections to community-based services.
2. Provide counseling, peer-support, recovery case management and residential treatment with access to medications for those who need it to persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.

3. Provide access to housing for people with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, including supportive housing, recovery housing, housing assistance programs, or training for housing providers.
4. Provide community support services, including social and legal services, to assist in deinstitutionalizing persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.
5. Support or expand peer-recovery centers, which may include support groups, social events, computer access, or other services for persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.
6. Provide employment training or educational services for persons in treatment for or recovery from OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.
7. Identify successful recovery programs such as physician, pilot, and college recovery programs, and provide support and technical assistance to increase the number and capacity of high-quality programs to help those in recovery.
8. Engage non-profits, faith-based communities, and community coalitions to support people in treatment and recovery and to support family members in their efforts to manage the opioid user in the family.
9. Provide training and development of procedures for government staff to appropriately interact and provide social and other services to current and recovering opioid users, including reducing stigma.
10. Support stigma reduction efforts regarding treatment and support for persons with OUD, including reducing the stigma on effective treatment.

**C. CONNECT PEOPLE WHO NEED HELP TO THE HELP THEY NEED
(CONNECTIONS TO CARE)**

Provide connections to care for people who have – or are at risk of developing – OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction through evidence-based, evidence-informed, or promising programs or strategies that may include, but are not limited to, the following:

1. Ensure that health care providers are screening for OUD and other risk factors and know how to appropriately counsel and treat (or refer if necessary) a patient for OUD treatment.
2. Support Screening, Brief Intervention and Referral to Treatment (SBIRT) programs to reduce the transition from use to disorders.
3. Provide training and long-term implementation of SBIRT in key systems (health, schools, colleges, criminal justice, and probation), with a focus on youth and young adults when transition from misuse to opioid disorder is common.

4. Purchase automated versions of SBIRT and support ongoing costs of the technology.
5. Support training for emergency room personnel treating opioid overdose patients on post-discharge planning, including community referrals for MAT, recovery case management or support services.
6. Support hospital programs that transition persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, or persons who have experienced an opioid overdose, into community treatment or recovery services through a bridge clinic or similar approach.
7. Support crisis stabilization centers that serve as an alternative to hospital emergency departments for persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction or persons that have experienced an opioid overdose.
8. Support the work of Emergency Medical Systems, including peer support specialists, to connect individuals to treatment or other appropriate services following an opioid overdose or other opioid-related adverse event.
9. Provide funding for peer support specialists or recovery coaches in emergency departments, detox facilities, recovery centers, recovery housing, or similar settings; offer services, supports, or connections to care to persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction or to persons who have experienced an opioid overdose.
10. Provide funding for peer navigators, recovery coaches, care coordinators, or care managers that offer assistance to persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction or to persons who have experienced on opioid overdose.
11. Create or support school-based contacts that parents can engage with to seek immediate treatment services for their child; and support prevention, intervention, treatment, and recovery programs focused on young people.
12. Develop and support best practices on addressing OUD in the workplace.
13. Support assistance programs for health care providers with OUD.
14. Engage non-profits and the faith community as a system to support outreach for treatment.
15. Support centralized call centers that provide information and connections to appropriate services and supports for persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.
16. Create or support intake and call centers to facilitate education and access to treatment, prevention, and recovery services for persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.

17. Develop or support a National Treatment Availability Clearinghouse – a multistate/nationally accessible database whereby health care providers can list locations for currently available in-patient and out-patient OUD treatment services that are accessible on a real-time basis by persons who seek treatment.

D. ADDRESS THE NEEDS OF CRIMINAL-JUSTICE-INVOLVED PERSONS

Address the needs of persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction who are involved – or are at risk of becoming involved – in the criminal justice system through evidence-based, evidence-informed, or promising programs or strategies that may include, but are not limited to, the following:

1. Support pre-arrest or post-arrest diversion and deflection strategies for persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, including established strategies such as:
 - a. Self-referral strategies such as the Angel Programs or the Police Assisted Addiction Recovery Initiative (PAARI);
 - b. Active outreach strategies such as the Drug Abuse Response Team (DART) model;
 - c. “Naloxone Plus” strategies, which work to ensure that individuals who have received naloxone to reverse the effects of an overdose are then linked to treatment programs or other appropriate services;
 - d. Officer prevention strategies, such as the Law Enforcement Assisted Diversion (LEAD) model;
 - e. Officer intervention strategies such as the Leon County, Florida Adult Civil Citation Network or the Chicago Westside Narcotics Diversion to Treatment Initiative;
 - f. Co-responder and/or alternative responder models to address OUD-related 911 calls with greater SUD expertise and to reduce perceived barriers associated with law enforcement 911 responses; or
 - g. County prosecution diversion programs, including diversion officer salary, only for counties with a population of 50,000 or less. Any diversion services in matters involving opioids must include drug testing, monitoring, or treatment.
2. Support pre-trial services that connect individuals with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction to evidence-informed treatment, including MAT, and related services.
3. Support treatment and recovery courts for persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, but only if these courts provide referrals to evidence-informed treatment, including MAT.

4. Provide evidence-informed treatment, including MAT, recovery support, or other appropriate services to individuals with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction who are incarcerated in jail or prison.
5. Provide evidence-informed treatment, including MAT, recovery support, or other appropriate services to individuals with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction who are leaving jail or prison have recently left jail or prison, are on probation or parole, are under community corrections supervision, or are in re-entry programs or facilities.
6. Support critical time interventions (CTI), particularly for individuals living with dual-diagnosis OUD/serious mental illness, and services for individuals who face immediate risks and service needs and risks upon release from correctional settings.
7. Provide training on best practices for addressing the needs of criminal-justice-involved persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction to law enforcement, correctional, or judicial personnel or to providers of treatment, recovery, case management, or other services offered in connection with any of the strategies described in this section.

E. ADDRESS THE NEEDS OF PREGNANT OR PARENTING WOMEN AND THEIR FAMILIES, INCLUDING BABIES WITH NEONATAL ABSTINENCE SYNDROME

Address the needs of pregnant or parenting women with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, and the needs of their families, including babies with neonatal abstinence syndrome, through evidence-based, evidence-informed, or promising programs or strategies that may include, but are not limited to, the following:

1. Support evidence-based, evidence-informed, or promising treatment, including MAT, recovery services and supports, and prevention services for pregnant women – or women who could become pregnant – who have OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, and other measures to educate and provide support to families affected by Neonatal Abstinence Syndrome.
2. Provide training for obstetricians or other healthcare personnel that work with pregnant women and their families regarding treatment of OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.
3. Provide training to health care providers who work with pregnant or parenting women on best practices for compliance with federal requirements that children born with Neonatal Abstinence Syndrome get referred to appropriate services and receive a plan of safe care.
4. Provide enhanced support for children and family members suffering trauma as a result of addiction in the family; and offer trauma-informed behavioral health treatment for adverse childhood events.

5. Offer enhanced family supports and home-based wrap-around services to persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, including but not limited to parent skills training.
6. Support for Children's Services – Fund additional positions and services, including supportive housing and other residential services, relating to children being removed from the home and/or placed in foster care due to custodial opioid use.

PART TWO: PREVENTION

F. PREVENT OVER-PRESCRIBING AND ENSURE APPROPRIATE PRESCRIBING AND DISPENSING OF OPIOIDS

Support efforts to prevent over-prescribing and ensure appropriate prescribing and dispensing of opioids through evidence-based, evidence-informed, or promising programs or strategies that may include, but are not limited to, the following:

1. Training for health care providers regarding safe and responsible opioid prescribing, dosing, and tapering patients off opioids.
2. Academic counter-detailing to educate prescribers on appropriate opioid prescribing.
3. Continuing Medical Education (CME) on appropriate prescribing of opioids.
4. Support for non-opioid pain treatment alternatives, including training providers to offer or refer to multi-modal, evidence-informed treatment of pain.
5. Support enhancements or improvements to Prescription Drug Monitoring Programs (PDMPs), including but not limited to improvements that:
 - a. Increase the number of prescribers using PDMPs;
 - b. Improve point-of-care decision-making by increasing the quantity, quality, or format of data available to prescribers using PDMPs or by improving the interface that prescribers use to access PDMP data, or both; or
 - c. Enable states to use PDMP data in support of surveillance or intervention strategies, including MAT referrals and follow-up for individuals identified within PDMP data as likely to experience OUD.
6. Development and implementation of a national PDMP – Fund development of a multistate/national PDMP that permits information sharing while providing appropriate safeguards on sharing of private health information, including but not limited to:
 - a. Integration of PDMP data with electronic health records, overdose episodes, and decision support tools for health care providers relating to OUD.

- b. Ensuring PDMPs incorporate available overdose/naloxone deployment data, including the United States Department of Transportation's Emergency Medical Technician overdose database.
- 7. Increase electronic prescribing to prevent diversion or forgery.
- 8. Educate Dispensers on appropriate opioid dispensing.

G. PREVENT MISUSE OF OPIOIDS

Support efforts to discourage or prevent misuse of opioids through evidence-based, evidence-informed, or promising programs or strategies that may include, but are not limited to, the following:

- 1. Corrective advertising or affirmative public education campaigns based on evidence.
- 2. Public education relating to drug disposal.
- 3. Drug take-back disposal or destruction programs.
- 4. Fund community anti-drug coalitions that engage in drug prevention efforts.
- 5. Support community coalitions in implementing evidence-informed prevention, such as reduced social access and physical access, stigma reduction – including staffing, educational campaigns, support for people in treatment or recovery, or training of coalitions in evidence-informed implementation, including the Strategic Prevention Framework developed by the U.S. Substance Abuse and Mental Health Services Administration (SAMHSA).
- 6. Engage non-profits and faith-based communities as systems to support prevention.
- 7. Support evidence-informed school and community education programs and campaigns for students, families, school employees, school athletic programs, parent-teacher and student associations, and others.
- 8. School-based or youth-focused programs or strategies that have demonstrated effectiveness in preventing drug misuse and seem likely to be effective in preventing the uptake and use of opioids.
- 9. Support community-based education or intervention services for families, youth, and adolescents at risk for OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.
- 10. Support evidence-informed programs or curricula to address mental health needs of young people who may be at risk of misusing opioids or other drugs, including emotional modulation and resilience skills.
- 11. Support greater access to mental health services and supports for young people, including services and supports provided by school nurses or other school staff, to

address mental health needs in young people that (when not properly addressed) increase the risk of opioid or other drug misuse.

H. PREVENT OVERDOSE DEATHS AND OTHER HARMS

Support efforts to prevent or reduce overdose deaths or other opioid-related harms through evidence-based, evidence-informed, or promising programs or strategies that may include, but are not limited to, the following:

1. Increase availability and distribution of naloxone and other drugs that treat overdoses for first responders, overdose patients, opioid users, families and friends of opioid users, schools, community navigators and outreach workers, drug offenders upon release from jail/prison, or other members of the general public.
2. Provision by public health entities of free naloxone to anyone in the community, including but not limited to provision of intra-nasal naloxone in settings where other options are not available or allowed.
3. Training and education regarding naloxone and other drugs that treat overdoses for first responders, overdose patients, patients taking opioids, families, schools, and other members of the general public.
4. Enable school nurses and other school staff to respond to opioid overdoses, and provide them with naloxone, training, and support.
5. Expand, improve, or develop data tracking software and applications for overdoses/naloxone revivals.
6. Public education relating to emergency responses to overdoses.
7. Public education relating to immunity and Good Samaritan laws.
8. Educate first responders regarding the existence and operation of immunity and Good Samaritan laws.
9. Expand access to testing and treatment for infectious diseases such as HIV and Hepatitis C resulting from intravenous opioid use.
10. Support mobile units that offer or provide referrals to treatment, recovery supports, health care, or other appropriate services to persons that use opioids or persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.
11. Provide training in treatment and recovery strategies to health care providers, students, peer recovery coaches, recovery outreach specialists, or other professionals that provide care to persons who use opioids or persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.
12. Support screening for fentanyl in routine clinical toxicology testing.

PART THREE: OTHER STRATEGIES

I. FIRST RESPONDERS

In addition to items C8, D1 through D7, H1, H3, and H8, support the following:

1. Current and future law enforcement expenditures relating to the opioid epidemic.
2. Educate law enforcement or other first responders regarding appropriate practices and precautions when dealing with fentanyl or other drugs.

J. LEADERSHIP, PLANNING AND COORDINATION

Support efforts to provide leadership, planning, and coordination to abate the opioid epidemic through activities, programs, or strategies that may include, but are not limited to, the following:

1. Community regional planning to identify goals for reducing harms related to the opioid epidemic, to identify areas and populations with the greatest needs for treatment intervention services, or to support other strategies to abate the opioid epidemic described in this opioid abatement strategy list.
2. A government dashboard to track key opioid-related indicators and supports as identified through collaborative community processes.
3. Invest in infrastructure or staffing at government or not-for-profit agencies to support collaborative, cross-system coordination with the purpose of preventing overprescribing, opioid misuse, or opioid overdoses, treating those with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, supporting them in treatment or recovery, connecting them to care, or implementing other strategies to abate the opioid epidemic described in this opioid abatement strategy list.
4. Provide resources to staff government oversight and management of opioid abatement programs.

K. TRAINING

In addition to the training referred to in various items above, support training to abate the opioid epidemic through activities, programs, or strategies that may include, but are not limited to, the following:

1. Provide funding for staff training or networking programs and services to improve the capability of government, community, and not-for-profit entities to abate the opioid crisis.

2. Invest in infrastructure and staffing for collaborative cross-system coordination to prevent opioid misuse, prevent overdoses, and treat those with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, or implement other strategies to abate the opioid epidemic described in this opioid abatement strategy list (e.g., health care, primary care, pharmacies, PDMPs, etc.).

L. RESEARCH

Support opioid abatement research that may include, but is not limited to, the following:

1. Monitoring, surveillance, and evaluation of programs and strategies described in this opioid abatement strategy list.
2. Research non-opioid treatment of chronic pain.
3. Research on improved service delivery for modalities such as SBIRT that demonstrate promising but mixed results in populations vulnerable to opioid use disorders.
4. Research on innovative supply-side enforcement efforts such as improved detection of mail-based delivery of synthetic opioids.
5. Expanded research on swift/certain/fair models to reduce and deter opioid misuse within criminal justice populations that build upon promising approaches used to address other substances (e.g. Hawaii HOPE and Dakota 24/7).
6. Research on expanded modalities such as prescription methadone that can expand access to MAT.

**State of Arizona
Opioid Settlements
FY2022**

Settlement Source:	Distributors' Settlement (Cardinal Health, McKesson and Amerisource Bergen)	Janssen/Johnson & Johnson	Teva	Allergan	CVS	Walgreens
			TBD (subject to final approval by local governments	TBD (subject to final approval by local governments	TBD (subject to final approval by local governments	TBD (subject to final approval by local governments
Finalized Date:	6/3/2022	6/29/2022				
AFIS Fund:	AG2574	AG2574				
AFIS Sub-Funds:	001799	001819				
Any allowance for uncollectible:						
Other Comments:						
Actual amounts received						
Amounts received 60 days subsequent to FY2022 (July and August 2022)	\$ 9,320,618.29	\$ -	\$ -	\$ -	\$ -	\$ -
Total amounts received in FY2022	\$ 9,320,618.29	\$ -	\$ -	\$ -	\$ -	\$ -
Amounts projected to be received:						
FY2023	\$ 10,519,547.41	\$ 10,030,012.47	\$ 2,911,590.41	\$ 3,226,212.91	\$ 3,590,286.75	\$ 4,153,496.72
FY2024	10,390,080.06	5,856,432.87	3,214,828.66	3,253,593.88	2,872,508.43	2,794,100.42
FY2025	10,898,049.33	8,780,586.35	3,214,828.66	3,253,593.88	5,690,483.24	2,794,100.42
FY2026	10,898,049.33	9,373,255.56	3,214,828.66	3,253,593.88	5,753,059.90	2,794,100.42
FY2027	10,898,049.33	1,672,894.35	3,214,828.66	3,185,141.44	5,753,059.90	2,794,100.42
FY2028	10,898,049.33	1,672,894.34	3,214,828.66	3,185,141.44	5,640,421.92	2,846,615.52
FY2029	12,817,419.04	1,672,894.32	3,132,953.98	3,185,141.44	5,358,624.44	2,846,615.52
FY2030	12,817,419.04	2,129,887.11	3,132,953.98	-	5,076,826.96	4,153,496.72
FY2031	12,817,419.04	2,129,887.12	3,132,953.98	-	5,072,354.70	4,153,496.72
FY2032	10,774,334.25	2,129,887.11	3,132,953.98	-	5,072,354.70	4,153,496.72
FY2033	10,774,334.25	-	3,132,953.98	-	-	4,153,496.72
FY2034	10,774,334.25	-	3,132,953.98	-	-	4,153,496.72
FY2035	10,774,334.25	-	3,132,953.98	-	-	4,153,496.72
FY2036	10,774,334.25	-	-	-	-	4,153,496.72
FY2037	10,774,334.25	-	-	-	-	4,153,496.72
FY2038	10,774,334.25	-	-	-	-	-
FY2039	10,774,334.25	-	-	-	-	-
FY2040	-	-	-	-	-	-
Total projected future amounts to be received	\$ 189,148,755.92	\$ 45,448,631.62	\$ 40,916,411.55	\$ 22,542,418.87	\$ 49,879,980.95	\$ 54,251,103.18
Total settlement (actual and projected)	\$ 198,469,374.21	\$ 45,448,631.62	\$ 40,916,411.55	\$ 22,542,418.87	\$ 49,879,980.95	\$ 54,251,103.18

Walmart	Mallinckodt (Bankruptcy)	Endo Pharmaceuticals (Bankruptcy)	Purdue (Bankruptcy)	Total
TBD (subject to final approval by local governments)	effective date 6/16/2022	TBD (awaiting plan confirmation)	TBD (on appeal)	
\$ -	\$ -	\$ -	\$ -	\$ 9,320,618.29
\$ -	\$ -	\$ -	\$ -	\$ 9,320,618.29
\$ 7,503,732.01	\$ 1,602,167.24	\$ 663,084.40	\$ 3,135,785.38	\$ 47,335,915.70
7,288,747.35	1,260,585.72	517,471.07	3,658,416.28	41,106,764.73
7,498,999.68	1,283,581.48	517,471.07	3,658,416.28	47,590,110.40
1,985,716.42	1,158,150.07	550,625.29	3,658,416.28	42,639,795.83
1,985,716.42	1,162,331.12	550,625.29	3,658,416.28	34,875,163.22
1,985,716.42	1,161,285.85	583,779.51	3,135,785.38	34,324,518.38
-	1,161,285.85	583,779.51	10,452,617.95	41,211,332.04
-	1,161,285.85	550,625.29	4,964,993.53	33,987,488.47
-	1,388,107.66	550,625.29	4,181,047.18	33,425,891.68
-	-	550,625.29	2,090,523.59	27,904,175.64
-	-	550,625.29	2,090,523.59	20,701,933.82
-	-	-	-	18,060,784.95
-	-	-	-	18,060,784.95
-	-	-	-	14,927,830.97
-	-	-	-	14,927,830.97
-	-	-	-	10,774,334.25
-	-	-	-	10,774,334.25
-	-	-	-	-
\$ 28,248,628.31	\$ 11,338,780.86	\$ 6,169,337.26	\$ 44,684,941.73	\$ 492,628,990.24
\$ 28,248,628.31	\$ 11,338,780.86	\$ 6,169,337.26	\$ 44,684,941.73	\$ 501,949,608.53

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
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1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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DATE: October 3, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: Cameron Mortensen, Fiscal Analyst

SUBJECT: Arizona Board of Regents - Review of FY 2024 Tuition Revenues

Request

Pursuant to a FY 2024 General Appropriation Act footnote, the Arizona Board of Regents (ABOR) requests Committee review of its expenditure plan for all projected tuition and fee revenues in FY 2024.

Committee Options

The Committee has at least the following 2 options:

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

Gross FY 2024 tuition and fee collections are projected to be \$4.2 billion, which is an increase of \$279.7 million, or 7.1% above FY 2023. Gross tuition revenues reflect the amounts the universities would receive if all students paid full published tuition and fee rates. The actual amounts paid by students after accounting for tuition waivers and other gift aid awarded by the universities constitute net tuition. The universities estimate \$(1.1) billion in tuition waivers and awards in FY 2024, resulting in \$3.1 billion of net tuition. This \$3.1 billion level of net tuition is an increase of \$216.7 million, or 7.5%, above FY 2023.

Analysis

Table 1 shows ABOR-approved changes to resident and non-resident undergraduate tuition and mandatory fees in FY 2024. For resident undergraduate students, tuition will increase by 3.7% at ASU, 3.1% at NAU, and 2.6% at UA.

(Continued)

Key Points

- 1) Resident undergraduate tuition rates will increase by 3.7% at ASU, 3.1% at NAU, and 2.6% at UA.
- 2) Changes in net tuition revenues from FY 2023 to FY 2024 vary by university:
 - ASU estimates an increase of \$221.2 million, or 12.0%.
 - NAU estimates an increase of \$16.7 million, or 7.4%.
 - UA estimates a decrease of \$(21.2) million, or (2.6)%.
- 3) Net Tuition + General Fund revenues will increase by \$201.3 million, or 5.8%, systemwide.

Table 1

Arizona University System FY 2023 Tuition and Mandatory Fees ^{1/}								
	<u>Resident Undergraduate</u>		<u>Resident Graduate</u>		<u>Non-Resident Undergraduate</u>		<u>Non-Resident Graduate</u>	
	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>
ASU	\$12,051	3.7%	\$13,389	3.7%	\$32,193 ^{2/}	5.2%	\$35,303	5.2%
NAU ^{3/}	\$12,652	3.1%	\$13,146	4.0%	\$28,900	5.0%	\$30,638	5.0%
UA	\$13,615	2.6%	\$14,388	2.7%	\$41,084	3.8%	\$33,960	0.0%

^{1/} Reflects tuition rates for new students at UA and all classes at and NAU and ASU. UA provides a guaranteed tuition rate for each incoming class.

^{2/} ABOR also approved a rate increase for international undergraduate students at ASU, which will be set at \$35,141.

In addition to changes in tuition rates, the universities project systemwide enrollment will increase by 2.8% in FY 2024. Enrollment changes are expected to vary by university:

- ASU expects total enrollment will increase by 2.8%, with the largest increase being in online students.
- NAU expects total enrollment will increase by 2.5%, with the largest increases being in undergraduate resident students and graduate non-resident students.
- UA expects total enrollment will increase by 2.4%, with the largest increases being in non-resident and online students.

Table 2 displays FY 2023 and FY 2024 General Fund and tuition/fee monies for the Arizona university system. After enrollment changes and tuition rate adjustments, the universities project total gross tuition/fee collections of \$4.2 billion in FY 2024. This represents an increase of \$279.7 million, or 7.1%, above FY 2023:

- ASU gross tuition collections will increase by \$201.2 million, or 8.2% above FY 2023.
- NAU gross tuition collections will increase by \$27.0 million, or 7.2% above FY 2023.
- UA gross tuition collections will increase by \$51.5 million, or 4.7% above FY 2023.

The universities plan to forego \$1.1 billion in tuition revenue for institutional financial aid awards in FY 2024. This represents an increase of \$63.0 million from FY 2023, or 6.1%. Of this amount, \$(20.0) million will be for ASU students, \$10.3 million will be for NAU students, and \$72.7 million will be for UA students.

After accounting for financial aid awards, net tuition will total an estimated \$3.1 billion, which represents an increase of \$216.7 million, or 7.5%, compared to FY 2023:

(Continued)

	FY 2023	FY 2024	\$ Increase (Decrease)	% Increase (Decrease)
General Fund	\$ 1,047.6	\$ 933.4	\$(114.2)	(10.9)%
Gross Tuition/Fees	\$3,914.5	\$4,194.2	\$279.7	7.1%
Scholarship Allowance ^{1/}	<u>(1,040.7)</u>	<u>(1,103.7)</u>	<u>(63.0)</u>	<u>6.1%</u>
Net Tuition	\$2,873.8	\$3,090.5	\$ 216.7	7.5%
Total Net Tuition + General Fund	\$3,921.4	\$4,023.9	\$ 102.5	2.6%

^{1/} Scholarship allowance reflects institutional financial aid provided by the universities (excluding federal loans, private grants, etc.) to offset the cost of tuition. Amounts include scholarship awards and tuition waivers except employee tuition reductions, which are recorded as employee benefit expenses.

- ASU net tuition collections will increase by \$221.2 million, or 12.0% above FY 2023.
- NAU net tuition collections will increase by \$16.7 million, or 7.4% above FY 2023.
- UA net tuition collections will decrease by \$(21.2) million, or (2.6)% below FY 2023.

By comparison, net tuition collections for the entire university system increased 4.7% in FY 2022 and 10.6% in FY 2023. Prior to the COVID-19 pandemic (FY 2020), net tuition increased by 5.0%.

In addition to growth in tuition revenues, state General Fund support decreased by \$(114.2) million from FY 2023 to FY 2024. This was driven primarily by the removal of FY 2023 one-time funding issues. In total, General Fund and net tuition/fee resources will increase by \$102.5 million, or 2.6%, from \$3.9 billion in FY 2023 to \$4.0 billion in FY 2024 after enrollment and tuition rate changes.

As shown in *Table 3*, approximately \$2.9 billion of the \$4.2 billion in gross FY 2024 tuition will be used for operating expenditures. Approximately \$1.1 billion will be used to provide financial aid, while \$150.2 million and \$30.5 million will support debt service and plant funds, respectively.

Expenditures on operating costs are estimated to increase by \$199.6 million, financial aid allowances will increase by \$63.0 million, debt service costs are estimated to increase by \$15.1 million, and expenditures from plant funds will increase by \$2.0 million.

(Continued)

Table 3

Use of FY 2024 Tuition/Fees by University (In \$ Millions)

<u>University</u>	<u>Operating Expenditures</u> ^{1/}	<u>Financial Aid</u>	<u>Plant Fund</u>	<u>Debt Service</u>	<u>Total</u>
ASU	\$1,922.1	\$589.1	\$25.5	\$113.2	\$2,650.0
NAU	225.6	162.6	1.0	15.2	404.4
UA	<u>762.1</u>	<u>351.0</u>	<u>4.0</u>	<u>21.8</u>	<u>1,139.8</u>
Total	\$2,909.8	\$1,103.7	\$30.5	\$150.2	\$4,194.2

Increase in FY 2024 over FY 2023

<u>University</u>	<u>Operating Expenditures</u> ^{1/}	<u>Financial Aid</u>	<u>Plant Fund</u>	<u>Debt Service</u>	<u>Total</u>
ASU	\$205.1	\$(20.0)	\$2.0	\$14.1	\$201.2
NAU	15.7	10.3	-	1.0	27.1
UA	<u>(21.2)</u>	<u>72.7</u>	<u>-</u>	<u>-</u>	<u>51.5</u>
Total	\$199.6	\$63.0	\$2.0	\$15.1	\$279.7

^{1/} In addition to all appropriated tuition revenues, includes non-appropriated tuition revenues to be expended on instruction, organized research, public service, academic support, student services, auxiliary enterprises, and institutional support.

CM:kp



**ARIZONA BOARD OF
REGENTS**
ASU ♦ NAU ♦ UA

June 27, 2023

The Honorable David Livingston
Arizona House of Representatives
Joint Legislative Budget Committee
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Livingston,

A footnote included in the General Appropriations Act requires the Arizona Board of Regents report to the Joint Legislative Budget Committee (JLBC) projected fiscal year 2024 tuition and fee revenues. Enclosed is the report of projected gross tuition and fee revenues and planned uses as presented to the board at its June 2023, meeting.

If you have any questions, please do not hesitate to call me at (602) 229-2500.

Sincerely,

John Arnold
Executive Director

xc: Richard Stavneak, Director, JLBC

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**ARIZONA UNIVERSITY SYSTEM
TUITION AND FEES IN SUPPORT OF THE
2023-24 STATE BUDGET**

	STATE COLLECTIONS		
	As Reported in the FY 2023-24 Annual Budget approved by ABOR	2023-24 University Collections Fund as reported in General Appropriations Act	CHANGE
Arizona State University	854,407,100	706,031,800	148,375,300
Northern Arizona University	135,319,600	138,249,800	(2,930,200)
University of Arizona	347,232,700	382,811,300	(35,578,600)
University of Arizona Health Sciences Center	69,546,500	66,675,300	2,871,200
TOTAL UA	416,779,200	449,486,600	(32,707,400)
TOTAL	1,406,505,900	1,293,768,200	112,737,700

\$ Millions

Total State Collections	\$1,406.5
Total Non-Appropriated Tuition & Fees Collections	\$2,787.7
Total Estimated Tuition Revenue (Gross)	\$4,194.2

ARIZONA STATE UNIVERSITY
FY 2024 USES OF APPROPRIATED AND NON-APPROPRIATED TUITION AND FEE REVENUES
APPROVED ANNUAL BUDGET vs. JLBC BASELINE

	Appropriated Tuition and Fees	Non-appropriated Tuition and Fees
FY 2024 Collections Fund As Reported In the Annual Budget	854,407,100	1,795,577,500
FY 2024 Collections Fund As Reported In the JLBC Baseline	706,031,800	
FY 2024 Collections Fund Increase/(Decrease) from the JLBC Baseline	148,375,300	1,795,577,500
ALLOCATIONS BY PROGRAM		
Instruction		
Investments in Programs Supported by Program Fees		84,271,000
Investments in Programs Supported by College Fees		123,751,100
Investments in Programs Supported by Summer Sessions Tuition		212,803,200
Investments in Faculty Hiring and Academic Support	36,765,800	79,893,500
EdPlus at ASU		405,089,200
Overseas Study Abroad Program Costs		4,080,000
Research Asst./Teaching Asst. Benefit Costs		26,311,000
Operating Support	28,443,600	78,479,700
Organized Research		
Public Service		
Operating Support	14,828,700	346,800
Academic Support		
Operating Support	11,198,000	376,100
Student Services		
Investments in Programs Supported by Mandatory Fees		18,500,600
Operating Support	43,039,600	6,237,900
Institutional Support		
Operations and Maintenance	3,720,000	
Operating Support	10,379,600	698,400
Scholarships/Fellowships/Financial Aid		
Financial Aid Set Aside/Other Financial Aid		589,159,000
Auxiliary Enterprises		
Investments in Programs Supported by Mandatory Fees		24,921,800
Auxiliary Operating Support		1,956,300
Debt Service		
Debt Service/COPs/Lease Purchase		113,201,900
Plant Funds		
Minor Capital Projects		25,500,000
	148,375,300	1,795,577,500

The Uses of Appropriated Collections report format calls for a line item explanation of the increase between the Board approved Annual Budget Collections and the JLBC Baseline Collections.

The sum of Appropriated and Non-appropriated tuition and fees ties to the total as presented to the Board at the June meeting, or \$2,649,984,600.

ARIZONA STATE UNIVERSITY - TUITION AND FEES REVENUE

(\$000)

	FY22	FY23 EST	FY24 BGT	Δ FY24 BGT/FY23 EST	
TUITION	1,190,788	1,296,783	1,392,207	95,424	7%
NR UG	526,202	585,618	645,641	60,024	10%
RES UG	437,393	438,983	450,004	11,021	3%
NR Grad	177,863	225,979	250,284	24,305	11%
RES Grad	49,330	46,203	46,277	74	0%
Online	527,014	570,458	619,902	49,444	9%
NR UG	353,851	376,657	409,918	33,260	9%
RES UG	65,690	62,782	67,806	5,024	8%
NR Grad	85,019	99,180	107,869	8,689	9%
RES Grad	22,454	31,839	34,310	2,471	8%
Prog Fees/Diff	102,271	123,141	123,170	29	0%
UG	87,045	14,275	14,406	132	1%
Grad	15,226	108,867	108,764	(102)	0%
College Fee	146,238	154,873	161,191	6,318	4%
UG	132,880	143,887	149,985	6,098	4%
Grad	13,358	10,986	11,206	220	2%
Course Fees	853	326	346	20	6%
UG	290	326	346	20	6%
Grad	563	0	0	0	-
Extended Ed				0	-
Non Degree				0	-
Summer & Winter Sessions	206,254	217,741	232,959	15,218	7%
Mandatory Fees	46,753	50,032	51,153	1,121	2%
UG	34,746	35,990	36,337	346	1%
Grad	12,007	14,041	14,816	775	6%
Other Misc.	56,142	68,580	69,056	476	1%
Total Tuition & Fees	2,276,313	2,481,934	2,649,985	168,050	7%

NORTHERN ARIZONA UNIVERSITY
FY 2024 USES OF APPROPRIATED AND NON-APPROPRIATED TUITION AND FEE REVENUES
FY24 APPROVED FY24 ANNUAL BUDGET vs. FY24 GENERAL APPROPRIATIONS ACT

	Other Appropriated Tuition and Fees	Non Appropriated Tuition and Fees
Collections Fund as Reported In the FY 2024 Annual Budget	135,319,600	269,080,400
Collections as Reported In the FY 2024 General Appropriations Act	138,249,800	
Increase/(Decrease) from FY 2024 General Appropriations Act	(2,930,200)	269,080,400
ALLOCATIONS BY PROGRAM		
Instruction		
Online and Educational Innovation and Partnership Investment		14,089,579
Investments in programs supported by program fees		8,200,100
Investments in programs supported by college fees		12,704,000
Investments in programs supported by summer session tuition		22,580,000
Investments in graduate assistants		2,400,000
Organized Research		
Public Service		
Academic Support		
Local Account Operating Support		-
Student Services		
Investments in programs supported by mandatory fees		29,646,000
Local Account Operating Support		140,010
Institutional Support		
Local Account Operating Support		552,300
Scholarships/Fellowships/Financial Aid		162,568,411
Debt Service Payments		15,200,000
Plant Funds		1,000,000
	(2,930,200)	269,080,400

NORTHERN ARIZONA UNIVERSITY - TUITION AND FEES REVENUE

(\$000)

	FY22	FY23 EST	FY24 BGT	Δ FY24 BGT/FY23 EST	
Base Tuition	263,250	268,021	291,268	23,247	9%
NR UG	98,024	92,221	89,796	(2,424)	-3%
RES UG	136,236	139,620	152,052	12,432	9%
NR Grad	11,429	17,420	29,708	12,288	71%
RES Grad	17,561	18,760	19,712	952	5%
Online	35,601	33,757	34,931	1,174	3%
NR UG	8,834	6,816	6,658	(158)	-2%
RES UG	13,722	13,003	12,528	(474)	-4%
NR Grad	4,519	5,250	6,504	1,254	24%
RES Grad	8,526	8,689	9,241	552	6%
Prog Fees	11,809	8,621	9,535	914	11%
UG	4,477	932	957	25	3%
Grad	7,332	7,689	8,578	889	12%
College Fee	-	12,047	12,704	656	5%
UG		12,047	12,704	656	5%
Grad				0	-
Course Fees	3,216	7	-	(7)	-100%
UG	3,153	6	-	(6)	-100%
Grad	63	1	-	(1)	-100%
Ext Ed Fees				0	-
Non Degree				0	-
Summer & Winter Sessions	22,960	22,340	22,580	240	1%
Mandatory Fees	27,353	27,469	29,834	2,365	9%
UG	24,530	24,639	26,592	1,953	8%
Grad	2,823	2,830	3,242	412	15%
Other Misc	3,570	3,191	3,570	380	12%
Total Tuition & Fees	367,759	375,453	404,422	28,969	8%

UNIVERSITY OF ARIZONA
FY 2024 USES OF APPROPRIATED AND NON-APPROPRIATED TUITION AND FEE REVENUES
APPROVED FY24 ANNUAL BUDGET vs. FY 2024 GENERAL APPROPRIATIONS ACT

	Other Appropriated Tuition and Fees	Non-Appropriated Tuition and Fees
Collections Fund as Reported In the FY24 Annual Budget Report	416,779,200	723,046,400
Collections as Reported in the FY24 General Appropriations Act	449,486,600	
Increase/(Decrease) from FY24 General Appropriations Act	(32,707,400)	723,046,400
ALLOCATIONS BY PROGRAM		
Instruction		
Investments in Programs Supported by Program Fees and Differential Tuition		30,726,400
Investments in Programs Supported by Class and Course Fees		7,518,100
Investments in Programs Supported by Summer Sessions Tuition		30,613,300
Investments in Programs Supported by Online Tuition		109,280,000
Investments in Programs Supported by Distance Education Tuition		15,515,800
Local Account Operating Support		24,661,200
Organized Research		
Public Service		
Local Account Operating Support		37,600
Academic Support		
Local Account Operating Support		21,882,900
Student Services		
Local Account Operating Support		36,047,800
Investments in Programs Supported by Mandatory Fees		58,665,200
Institutional Support		
Local Account Operating Support		6,220,800
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		57,631,000
Program Fees and Differential Tuition Set Aside		5,002,200
Student Financial Aid Awards		289,336,400
Auxiliary Enterprise		
Investments in Programs Supported by Mandatory Fees		3,374,700
Debt Service Payments		21,756,500
Plant Funds		
Building Renewal		4,000,000
Minor Capital Projects		776,500
	(32,707,400)	723,046,400

UNIVERSITY OF ARIZONA - TUITION AND FEES REVENUE

(\$000)

	FY22	FY23 EST	FY24 BGT	Δ FY24 BGT/FY23 EST	
Base Tuition	728,341	781,589	822,547	40,958	5%
NR UG	383,184	433,086	470,719	37,633	9%
RES UG	212,200	209,786	207,850	(1,936)	-1%
NR Grad	69,552	72,283	73,517	1,234	2%
RES Grad	63,404	66,434	70,461	4,027	6%
Online	92,149	100,358	109,280	8,922	9%
NR UG	34,807	47,102	53,507	6,405	14%
RES UG	13,679	12,111	13,758	1,647	14%
NR Grad	31,402	30,300	30,941	641	2%
RES Grad	12,262	10,845	11,074	229	2%
Prog Fees/Diff	34,863	35,729	35,729	0	0%
UG	18,784	19,312	19,312	0	0%
Grad	16,079	16,417	16,417	0	0%
College Fee				0	--
UG				0	--
Grad				0	--
Course Fees	7,348	7,518	7,518	0	0%
UG	6,760	6,917	6,917	0	0%
Grad	588	601	601	0	0%
Ext Ed Fees	30,712	36,011	36,371	360	1%
Non Degree	5,682	5,738	5,796	58	1%
Summer Session	32,853	33,182	33,513	331	1%
Mandatory Fees	52,559	58,169	62,040	3,871	7%
UG	43,099	47,699	50,873	3,174	7%
Grad	9,460	10,470	11,167	697	7%
Other Misc (incl Bad Debt)	22,770	23,958	27,031	3,074	13%
Total Tuition & Fees	1,007,278	1,082,252	1,139,826	57,574	5%



STATE OF ARIZONA

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DATE: October 3, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: Gordon Robertson, Fiscal Analyst

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

Request

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

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) In 2023 alone, ADE certified an additional \$4.4 million in projects (\$396,200 of state funds).
- 2) Between FY 2018 and 2023, ADE certified a cumulative total of \$136.3 million Total Funds (\$10.6 million of state funds) in broadband connectivity construction projects.
- 3) An additional \$5.4 million of state funds remain unobligated, including \$5.0 million of monies appropriated in the FY 2024 budget.
- 4) ADE intends to prioritize funding for new projects in rural and low-income school districts and libraries.

Analysis

Background

The federal E-Rate program provides federal matching funds for services to support broadband connectivity to schools and libraries as equipment and services needed for broadband connectivity

(Continued)

within schools and libraries. Overseen by the Federal Communications Commission (FCC), the program is administered by the Universal Service Administrative Company (USAC), and provides federal matching funds (i.e. a "discount rate") ranging from 20% to 90% for broadband projects depending on the percentage of students within the school that are eligible for free or reduced-price lunches (FRPL).

The FCC authorizes a dollar-for-dollar increase in federal matching funds up to a maximum of 10% above the base matching rates for broadband projects receiving funding from the state and that meet the FCC's long-term connectivity targets (currently equal to 1 Mbps of bandwidth per student). For example, a school qualifying for a base discount rate of 80% for a broadband project (an urban or rural school with a FRPL-eligible population of more than 50%, but less than 74%) would receive a final match rate of 90% if the state provided matching funds equal to 10% of the cost of the project.

The FY 2018 budget included a one-time appropriation of \$3,000,000 from the Automation Projects Fund for state matching funds to be allocated to broadband projects certified by ADE and the USAC for federal E-Rate funding. The \$3,000,000, in combination with \$8,000,000 collected by the Arizona Corporation Commission (ACC) via a one-time surcharge on Arizona consumers' phone bills authorized in March 2017, provided \$11,000,000 of state funding for total anticipated school and library broadband projects of \$130,000,000 Total Funds.

Through FY 2023, ADE has approved 85 projects at a total cost of \$136,309,100 Total Funds. *Table 1* summarizes project data by fiscal year. This cumulative total included one additional project approved in FY 2023 at a total cost of \$4,402,200. The 85 total projects are serving or will serve upon completion approximately 227,500 students statewide. This cumulative total consisted of \$124,434,300 (91%) from E-rate funding, \$10,619,000 (8%) from the "state match," and \$1,143,800 (1%) from local funding. The final funding source is required from participating schools with a discount rate of less than 80% (less than 50% FRPL eligibility).

Fiscal Year	Students Served	ADE-Certified Projects ^{3/}	E-rate Portion	State Portion	School Portion ^{4/}
2017	65,381	\$13,606,400	\$12,411,100	\$1,043,800	\$149,800
2018	62,211	59,307,700	53,708,600	4,629,000	954,200
2019	8,160	23,011,700	20,823,000	2,186,000	2,800
2020	16,663	7,461,300	7,013,900	409,900	21,600
2021	39,077	21,151,700	19,696,900	1,361,100	15,500
2022	24,150	7,368,000	6,775,100	591,000	0
2023	11,872	4,402,200	4,006,000	396,200	0
Cumulative	227,514	\$136,309,100	\$124,434,300	\$10,619,000	\$1,143,800
% of Total		100%	91%	8%	1%
^{1/} Numbers may not add properly due to rounding.					
^{2/} Reflects JLBC analysis of ADE data on E-rate project spending and students served as of July 28, 2023.					
^{3/} Represents dollar value of projects certified by ADE, including projects in process and projects awaiting USAC approval.					
^{4/} Schools with less than a 80% discount rate (less than 50% FRPL-eligibility) must fund part of their own project costs.					

(Continued)

New Broadband Appropriation

The FY 2024 budget included an additional one-time appropriation of \$5,000,000 from the General Fund into the Broadband Expansion Fund, increasing total monies available since FY 2018 for state matching of broadband projects to \$16,000,000. ADE intends to prioritize the use of the additional \$5,000,000 for rural districts that currently do not have access to fiber-based high speed broadband and are not on tribal land. Each year, ADE opens funding applications on July 1, and funding begins on June 1 of the following year. Accordingly, rewards for the additional \$5,000,000 will likely be primarily funded in FY 2025. ADE will prioritize schools and districts with the highest FRPL eligibility, as those projects will receive the most federal support. District applications for funding are due by March 2024.

Bandwidth Guidelines

Projects funded by the state matching contributions must provide bandwidth sufficient to meet the guidelines for educational services for the relevant funding year by the Federal Communications Commission (FCC). Since the 2020-21 school year, the FCC's connectivity goal has been for schools to have bandwidth of 1.0 megabits per second (mbps) of bandwidth per user (includes students and staff). We have asked ADE what percentage of students are in schools meeting the FCC guidelines.

In addition to the FCC guidelines, the State Educational Technology Directors Association (SETDA) has established bandwidth guidelines that vary by number of students served by the district or charter schools. ADE sets standards higher than the FCC's minimums, based on SETDA's 2020-21 broadband access recommendations. We asked ADE what percentage of students are in schools that are meeting the SETDA recommendations. ADE reports that 87% of Arizona students receive at least 1.5 mbps/student (based on SETDA 2017-18 target) and 12% receive 4.4mbps/student (based on SETDA 2020-21 target). 2023-24 SETDA standards range from 1.4mbps/student to 2.8mbps/student depending on the size of the district (see *Table 2* below for details).

Table 2	
SETDA School Broadband Access Recommendations	
<u>District Size</u>	<u>2023-24</u>
Small School District (fewer than 1,000 students)	At least 2.8 Mbps per user (Minimum 300 Mbps for district)
Medium School District (1,000 – 10,000 students)	At least 2.0 Mbps per user
Large School District (more than 10,000 students)	At least 1.4 Mbps per user

Emergency Connectivity Fund

The federal American Rescue Plan Act (ARPA) of 2021 included \$7,171,000,000 in federal monies for the Emergency Connectivity Fund (ECF). Schools that are eligible for the E-Rate program are also eligible for these monies and no state match is required. ECF monies may be expended on Wi-Fi hotspots, modems, routers, devices that combine a modem or router, laptop computers, or tablets for use by students, school staff, and library patrons who would otherwise lack sufficient connectivity to engage in remote learning. The monies generally may not be used on construction of new networks owned, operated and maintained by the district or charter school. The third and final application filing window for ECF monies closed on May 13, 2022. ECF monies are available to awardees for qualified purchases made by June 30, 2024, when the program sunsets. As of the FCC's most recent award announcement on July 12, 2023, 1,123 Arizona awardees have been allocated \$177,867,300 of ECF monies, of which \$122,510,300 has already been authorized for disbursement.



MEMO



TO: Representative David Livingston, JLBC Chair
Senator John Kavanagh, JLBC Vice Chair

FROM: Milan Eaton
State Erate Director for Schools

DATE: June 30, 2023

RE: **A.R.S. 15-149.07 (H) Broadband expansion fund; requirements;
disbursements to certified applicants; reports**

In compliance with Arizona Revised Statute (A.R.S.) 15-149.07 (H), On or before June 30 and December 31 of each year, the department shall report to the Joint Legislative Budget Committee the following information for each broadband connectivity construction project that the department has certified to receive a state matching contribution:

1. The applicant's name.
 2. Whether the project is in process or complete.
 3. The federal e-rate discount calculation.
 4. The total project cost and the share of funding provided by local, state, and federal monies.
 5. The number of students served.
- I. The information reported on or before June 30 each year pursuant to subsection H of this section shall be submitted to the joint legislative budget committee for review.



ARIZONA BROADBAND FOR EDUCATION INITIATIVE

2023 Q2 Update

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

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

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

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

May 2023 the Arizona Legislature approved \$5M in additional funding to bring the total investment in our schools and libraries to \$13M.

To date, we have completed \$140M in broadband projects across the state providing high-speed internet access via internet services providers and wide area networks.



ARIZONA BROADBAND FOR EDUCATION INITIATIVE

Erate Broadband Special Construction
“Arizona Broadband for Education Initiative”

FundingYear	Students Served	Projects In Process or Awaiting Approval	Erate Portion	State Portion	School Portion	Total Paid Out	Left to Complete
2017-2018	71065	\$13,606,423.92	\$12,411,066.38	\$1,043,757.54	\$149,800.00	\$1,043,757.54	\$0.00
2018-2019	65,547	\$59,433,788.20	\$53,758,143.73	\$4,612,017.45	\$979,597.31	\$4,612,017.45	\$0.00
2019-2020	42226	\$48,495,431.01	\$46,305,149.04	\$2,313,603.54	\$2,780.10	\$2,313,603.54	\$0.00
2020-2021	19232	\$7,439,882.98	\$7,005,750.01	\$581,413.53	\$21,600.00	\$341,009.73	\$240,403.80
2021-2022	60371	\$21,242,743.70	\$19,739,105.81	\$1,540,832.25	\$51,467.00	\$895,693.52	\$645,138.73
2022-2023	24150	\$6,263,134.03	\$5,726,658.90	\$772,963.20	\$0.00	\$330,953.07	\$442,010.13
2023-2024	0	\$4,402,157.00	\$4,005,962.87	\$576,194.13	\$0.00	\$180,000.00	\$396,194.13
2024-2025							
Program	282591	\$160,883,560.84	\$148,951,836.74	\$11,440,781.64	\$1,205,244.41	\$9,717,034.85	\$1,723,746.79
AVAILABLE				\$4,559,218.36			

Numbers reflect an additional \$5M from the 2023 Arizona Legislative session.



STATE OF ARIZONA

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DATE: October 3, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: Jordan Johnston, Senior Fiscal Analyst

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

Request

Pursuant to A.R.S. § 41-1724G and A.R.S. § 41-1724H, the Arizona Department of Public Safety (DPS) is required to submit for Committee review the entire FY 2024 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expending any monies. The Subaccount is funded primarily from a \$4.00 surcharge on criminal violations.

DPS has submitted for review its proposal to distribute \$1,346,400 of the \$2,396,400 FY 2024 appropriation from the Subaccount to continue to fund 3 existing programs: Detention Liaison Officers Program (\$458,300), Border County Officers Program (\$538,100), and Pima County Border Crimes Unit (\$350,000). DPS plans to submit to the Committee an allocation plan for the Border Security and Law Enforcement Grants (\$1,050,000) for review at a later date this year.

Committee Options

The Committee has at least the following 2 options:

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

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

- A. DPS shall report to the Committee prior to implementing any changes to the proposed FY 2024 allocation of the grants (*see Table 1*).

(Continued)

Key Points

- 1) DPS is requesting review of \$1.3 million of its \$2.4 million GIITEM Subaccount appropriation.
- 2) DPS proposes continuing to fund 3 existing programs:
 - Detention Liaison Officers Program (\$458,300), 3 jurisdictions
 - Border County Officers Program (\$538,100), 5 jurisdictions
 - Pima County Border Crimes Unit (\$350,000)
- 3) DPS will submit to the Committee for review at a later date an allocation plan for the Border Security and Law Enforcement Grants (\$1.05 million).
- 4) DPS indicates the participation of the agencies is subject to change based on the jurisdictions' willingness to meet the requirements of the program.

Analysis

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

The subaccount monies are distributed by DPS to county sheriffs and other local law enforcement agencies to fund border security programs, personnel, and equipment. The proposed DPS expenditure plan would allocate the entire FY 2024 GIITEM Border Security and Law Enforcement Subaccount appropriation to 4 existing programs. They are currently requesting review of the following 3:

Detention Liaison Officers Program - \$458,300 to fund detention and correctional officers that serve within jails and state prisons to gather intelligence from inmates about illegal activities along the border. This is the same as the amount reviewed by the Committee in FY 2023. The FY 2024 plan proposes to fund detention officers in Cochise (1 position) and Pima (2 positions) Counties and correctional officers/investigators in the Department of Corrections (4 positions), the same 3 entities in the FY 2023 plan reviewed by the Committee.

Recipients of the funding pay 25% of the payroll costs of the positions. Because the Detention Liaison Officers Program is dependent on local governments providing the 25% match, the department has indicated it may shift funding between recipients as circumstances dictate.

Border County Officers Program - \$538,100 to hire county sheriff deputies and municipal police officers that work as part of the GIITEM Task Force's Border District investigating border-related crimes such as drug trafficking and human smuggling. This is the same as the amount reviewed by the Committee in FY 2023. The FY 2024 plan proposes to fund officers and deputies in the Oro Valley Police Department (1 position), Coolidge Police Department (1 position), Marana Police Department (1 position), Eloy Police Department (1 position) and Cochise County Sheriff's Office (3 positions). The Eloy Police Department, which did not participate in the Border County Officers Program in FY 2023 due to staffing shortages, has decided to rejoin the program in FY 2024. Recipients of the funding pay 25% of the payroll costs of the positions.

Pima County Border Crimes Unit - \$350,000 to fund a portion of the costs of 10 Pima County Sheriff's deputies that focus exclusively on border-related crimes. This allocation is the same as the amount reviewed by the Committee in FY 2023.

Table 1 below provides the full FY 2023 expenditure plan reviewed by the Committee and the proposed FY 2024 plan. The department has stated that the participation of the agencies is subject to change based on the jurisdictions' willingness to meet the requirements of the program.

(Continued)

DPS Expenditure Plan – GIITEM Subaccount			
	FY 2023 Reviewed Allocation	FY 2023 Projected Allocation ^{1/}	FY 2024 Proposed ^{2/} Allocation
<u>Detention Liaison Officers Program</u> ^{3/}			
Cochise County Sheriff's Office	\$ 65,500	\$ 48,100	\$ 65,500
Pima County Sheriff's Office	130,900	105,800	130,900
Department of Corrections	<u>261,900</u>	<u>193,700</u>	<u>261,900</u>
Subtotal	\$458,300	\$347,600	\$458,300
<u>Border County Officers Program</u> ^{3/}			
Cochise County Sheriff's Office	\$ 269,000	\$ 244,100	\$ 230,500
Coolidge Police Department	89,700	61,100	76,900
Eloy Police Department	-	-	76,900
Oro Valley Police Department	89,700	71,600	76,900
Marana Police Department	<u>89,700</u>	<u>110,600</u>	<u>76,900</u>
Subtotal	\$538,100	\$487,400	\$538,100
<u>Pima County Border Crimes Unit</u>	\$350,000	\$350,000	\$350,000
<u>Border Security and Law Enforcement Grants</u>			
Cochise County Sheriff's Office	-	\$ 250,000	-
Graham County Sheriff's Office	-	100,000	-
Greenlee County Sheriff's Office	-	-	-
La Paz County Sheriff's Office	-	100,000	-
Santa Cruz County Sheriff's Office	-	250,000	-
Yuma County Sheriff's Office	-	250,000	-
Unallocated ^{4/}	<u>\$1,050,000</u>	<u>-</u>	<u>\$1,050,000</u>
Subtotal	\$1,050,000	\$950,000	\$1,050,000
Total	\$2,396,400	\$2,135,000	\$2,396,400
^{1/} Represents year-to-date actual expenditures, plus projections through June 30, 2023. ^{2/} Represents estimated new proposed FY 2024 allocation from the subaccount. ^{3/} The department stated they are unable to estimate precise allocations by agency in FY 2024 due to variations in assignment of personnel. As such, the displayed FY 2024 allocations reflect prorated shares of the overall funding. ^{4/} DPS will submit an expenditure plan to the Committee for the Border Security and Law Enforcement Grants FY 2023 allocation at a later date.			

Border Security and Law Enforcement Grants - The department plans to work with the Arizona Sheriff's Association to determine how the Border Security and Law Enforcement Grants will be distributed. DPS has allocated \$1,050,000 for this program. This total allocation amount is unchanged from FY 2023. DPS will submit an expenditure plan for this allocation to the Committee for review at a later date.

JJ:jbu



ARIZONA DEPARTMENT OF PUBLIC SAFETY

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

"Courteous Vigilance"

KATIE HOBBS
Governor

JEFFREY GLOVER
Director

August 3, 2023

Representative David Livingston, Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Dear Representative Livingston:

Pursuant to A.R.S. § 41-1724(H), the Department of Public Safety is submitting its FY 2024 expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount (Subaccount) to the Joint Legislative Budget Committee for review.

The FY 2024 General Appropriations Act appropriates \$2,396,400 from the Subaccount to DPS. Pursuant to A.R.S. § 41-1724, "...monies in the subaccount shall be used for law enforcement purposes related to border security, including border personnel". The monies may also be used for "...safety equipment that is worn or used by a peace officer who is employed by a county sheriff."

DPS intends to continue funding the four existing programs that have previously been given a favorable review by the JLBC. The Department's overall FY 2024 expenditure plan is as follows:

Detention Liaison Officer Program	\$ 458,300
Border County Officers	538,100
Border Crimes Unit	350,000
Border Security and Law Enforcement Grants	1,050,000
TOTAL	\$2,396,400

The above expenditure plan is substantially like the FY 2023 plan.

Detention Liaison Officer Program

The Detention Liaison Officer (DLO) Program provides funding for detention and correctional officers in southern Arizona jails and prisons. The concept of the program is to utilize these specially trained officers to glean as much intelligence as possible from detainees and inmates about activities related to border crimes. Information gathered by these officers is fed into DPS-managed databases (e.g., GangNet) and shared among law enforcement agencies throughout the State.

The program currently funds a total of seven detention/correctional officers in Cochise (1) and Pima (2) Counties, and in southern Arizona prisons operated by the Department of Corrections, Rehabilitation, and Reentry (4). At any given time, the agencies participating in the DLO Program may shift based on jurisdictions' ability and willingness to participate and on program budget

constraints. The Department wishes to retain the ability to move modest amounts of money between the DLO and Border County Officer Program, as circumstances dictate. DPS has allocated \$458,300 for the DLO Program in FY 2024.

Local agencies pay 25% of the payroll costs of their positions. The DLO Program was first reviewed by the JLBC in August 2007.

Border County Officers

The Border County Officers Program provides funding for county sheriff deputies and municipal police officers who work as part of the GIITEM Task Force's Southern District. The district investigates border crimes and disrupts criminal organizations involved in drug trafficking, human smuggling, and other border-related crimes.

The program currently funds a total of seven officer and deputy positions with the Coolidge (1), Eloy (1), Marana (1), and Oro Valley (1) Police Departments, and the Cochise County (3) Sheriff's Office. As referenced in the DLO Program discussion, DPS wishes to retain the ability to move modest amounts of money between the DLO and Border County Officer Programs, as circumstances dictate.

At any given time, the agencies participating in the program may shift based on jurisdictions' ability and willingness to participate and on program budget constraints. DPS has allocated \$538,100 for the program in FY 2024. Local agencies pay 25% of the payroll costs of their positions. The Border County Officers Program was first reviewed by JLBC in August 2007.

Border Crimes Unit

Subaccount monies fund a portion of the costs of 10 deputies from the Pima County Sheriff's Department who operate as part of the Border Crimes Unit. The BCU works in cooperation with GIITEM and conducts interdiction efforts in remote areas of Pima County.

DPS has allocated \$350,000 for the project in FY 2024. Pima County pays for all costs above the \$350,000 level. The Pima County portion exceeds 25% of the payroll costs for the 10 positions. The BCU was first reviewed by JLBC in August 2007.

Border Security and Law Enforcement Grants

In recent years, DPS has conferred with the Arizona Sheriffs' Association (ASA) on the distribution of the Border Security and Law Enforcement Grants. We have contacted the ASA about the FY 2024 distribution plan but have not reached a resolution. For historical perspective, the following table shows the FY 2022 and FY 2023 allocations of these monies:

County Sheriff	FY22 Allocations	FY23 Allocations	FY24 Plan
Apache	\$0	\$0	TBD
Cochise	250,000	250,000	TBD
Coconino	0	0	TBD
Gila	0	0	TBD
Graham	100,000	100,000	TBD
Greenlee	100,000	100,000	TBD

August 3, 2023

County Sheriff	FY22 Allocations	FY23 Allocations	FY24 Plan
La Paz	100,000	100,000	TBD
Maricopa	0	0	TBD
Mohave	0	0	TBD
Navajo	0	0	TBD
Pima ^{1/}	0	0	TBD
Pinal ^{2/}	0	0	TBD
Santa Cruz	250,000	250,000	TBD
Yavapai	0	0	TBD
Yuma	250,000	250,000	TBD
TOTAL	\$1,050,000	\$1,050,000	\$1,050,000

^{1/} Per the submitted distribution plan, DPS intends to reimburse the Pima County Sheriff's Department an additional \$350,000 for eligible Border Crimes Unit costs


^{2/} The Pinal County Sheriff's Office has been allocated an additional \$500,000 in FY 2017 through FY 2024 from the GIITEM Fund pursuant to A.R.S. § 41-1724.

DPS will present a grant allocation plan to the JLBC for review at a future meeting. We anticipate the plan will be finalized over the summer. The "delay" in reviewing the grant allocations should have no effect on the receiving counties operations, as the allocations are typically made in October (50%) and April (50%) due to cash flow limitations of the GIITEM Subaccount.

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

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

Sincerely,



Jeffrey Glover, Colonel
Director

C: Senator John Kavanagh, Vice-Chairman
Sarah Brown, OSPB Director
Richard Stavneak, JLBC Director

<u>Detention Liaison Officers</u>	<u>FY 2023 Estimated ^{1/}</u>	<u>FY 2024 Estimated ^{2/}</u>
Cochise County SO	\$ 48,100	\$ 65,500
Pima County SO (2 officers)	105,800	130,900
Department of Corrections (4 officers)	193,700	261,900
Subtotal - DLO	\$ 347,600	\$ 458,300
<u>Border County Officers</u>		
Oro Valley PD	\$ 71,600	\$ 76,900
Marana PD	110,600	76,900
Cochise County SO (3 deputies)	244,100	230,500
Coolidge PD	61,100	76,900
Eloy PD	-	76,900
Subtotal - BCO	\$ 487,400	\$ 538,100
<u>Border Crime Unit</u>		
Pima County Sheriffs Department	\$ 350,000	\$ 350,000
<u>Border Security and Law Enforcement Grants</u>		
Cochise SO	\$ 250,000	TBD
Graham SO	100,000	TBD
Greenlee SO	-	TBD
La Paz SO	100,000	TBD
Santa Cruz SO	250,000	TBD
Yuma SO	250,000	TBD
Subtotal - Grants	\$ 950,000	\$ 1,050,000
TOTAL	\$ 2,135,000	\$ 2,396,400

^{1/} FY 2023 Estimated data are through August 25, 2023. It is possible that additional charges for activity worked through June 30, 2023 may be paid.

^{2/} FY 2024 Estimates for the DLO and Border County Officer programs are based on prorated shares of the overall program funding. Due to variations in assignment of personnel, it is not possible to estimate precise amounts by agency.



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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VICE-CHAIRMAN
LELA ALSTON
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DATE: October 3, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: Micaela Larkin, Assistant Director

SUBJECT: Secretary of State - Review of Help America Vote Act (HAVA) Expenditure Plan

Request

The FY 2024 General Appropriation Act allocated \$5,000,000 of funding for the Secretary of State (SOS) in the Help America Vote Act (HAVA) Projects line item, with the following requirements: 1) SOS is required to submit an expenditure plan to the Committee prior to spending monies from the HAVA line item; and 2) SOS must distribute 75% of the monies in the line item to counties for election system improvements. The federal HAVA grant program provides financial assistance to states for election security and administration costs.

The SOS requests review of an expenditure plan of \$4,881,000 for the HAVA Projects line item, comprised of \$3,660,800 for distributions to the counties (75%) and \$1,220,200 for Secretary of State projects (25%). SOS indicates this \$4,881,000 request covers all available unencumbered HAVA funds the state has currently received from the federal government.

Committee Options

The Committee has at least the following 2 options:

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

(Continued)

Key Points

- 1) HAVA provides federal monies to states for implementing improvements to election security and administration. SOS proposes an expenditure plan of \$4.9 million pursuant to a budget footnote:
- 2) The plan allocates \$3.7 million for allotments to counties (75%) for 3 distributions:
 - a) \$2.8 million for election security grants (\$50,000 a county plus the remainder allocated based on proportion of registered voters)
 - b) \$650,000 for to pay county Access Voter Information Database (AVID) annual charges
 - c) \$250,000 for grants to rural counties to hire temporary election workers
- 3) The plan allocates \$1.2 million for SOS to spend directly:
 - a) \$353,700 to update state web portal that provides voters with status updates/election data
 - b) \$300,000 for education campaign for upcoming Presidential Preference Election
 - c) \$250,000 for mailing voter registration postcard reminders to eligible voters on 18th birthday
 - d) \$166,500 for additional state AVID annual maintenance costs
 - e) \$150,000 for coordinator/operational costs of the rural temporary election workers program
- 4) This expenditure plan would effectively obligate the remainder of the state's HAVA funds

Analysis

Background

The Secretary of State requests review of an expenditure plan of \$4,881,100 for HAVA projects. The FY 2024 budget included a \$5,000,000 appropriation from the federal HAVA monies. After accounting for the FY 2024 budget's direct HAVA appropriation of \$483,500 for state AVID costs, the Secretary of State reports the state's current balance of unobligated HAVA funds is \$4,881,000. The SOS does not expect additional federal HAVA allocations in the near future. Please see *Table 1* below for a summary of the proposed spending including the year of expected expenditure.

Table 1

SOS FY 2022 Expenditure Plan – HAVA Monies

	<u>Allocation</u>
<u>County Distributions (Expected Expenditure Year)</u>	
Election Security Grants (FY 2024/FY 2025)	\$ 2,760,800
FY 2024 County AVID Costs (FY 2024)	650,000
Rural County Temporary Election Workers (FY 2024/FY 2025)	<u>250,000</u>
<i>Subtotal</i>	<i>\$ 3,660,800</i>
<u>SOS State Initiatives</u>	
Upgrade Statewide Elections Portal (FY 2024/FY 2025)	353,700
Presidential Preference Election Education Campaign (FY 2024)	300,000
18 th Birthday Mailer (FY 2024/FY 2025/FY 2026)	250,000
Increase State 2024 AVID Costs above \$483,500 Base (FY 2024)	166,500
Rural County Temporary Election Workers Coordinator (FY 2024/FY 2025)	<u>150,000</u>
<i>Subtotal</i>	<i>\$ 1,220,200</i>
Total	\$ 4,881,000

(Continued)

County Distributions

Election Security Grants – SOS proposes spending \$2,760,800 for county grants for uses consistent with federal HAVA Security grant requirements. Each county would receive \$50,000 plus the remainder based on the percentage of the state's total registered voters as of January 2, 2023 residing in the county. SOS modeled this after a HAVA appropriation made in FY 2020 using similar format (except that the previous appropriation allocated the proportion based on total population).

FY 2024 County Access Voter Information Database (AVID) Costs – SOS proposes allocating \$650,000 to pay for county AVID charges in FY 2024, instead of these costs being paid from individual county budgets. The annual total cost of AVID (operating costs, cloud hosting, routine maintenance) is \$1,300,000. Under current policy, counties are assessed 50% of the annual AVID operating costs with the state paying the remaining 50%.

Rural County Temporary Election Workers - SOS proposes \$250,000 for grants of up to \$50,000 (excludes Maricopa/Pima County) to hire temporary election workers through a proposed SOS program. Counties would use the grants to provide a stipend/housing for the workers during the election season. The SOS proposes (in the projects in the next section) hiring a coordinator to develop a program and coordinate with one or more universities/community colleges to recruit and deploy students with an interest in public affairs/public administration for this program.

For proposed distributions for each county, please see the table entitled *HAVA - By County - By Program* in the attached agency request letter.

Secretary of State Projects

Upgrade Statewide Elections Portal – SOS proposes spending \$353,700 in total across FY 2024 and FY 2025 to upgrade the my.arizona.vote website. The portal would provide voters with early ballot status updates and other election information including historical data. It would allow voters to track the status of their ballot, inform voters of issues with their early ballot, and include dashboards for voters to visualize/access current and historical election/voter registration data.

Presidential Preference Election (PPE) Education Campaign – SOS proposes spending \$300,000 in FY 2024 for an education program relating to the 2024 PPE, including informing voters that only members of a party conducting a PPE may vote and that independents may not vote in the PPE.

18th Birthday Mailer – SOS proposes spending \$250,000 in total through FY 2026 to send a postcard to eligible voters when they turn 18 that includes information about their eligibility and registering to vote.

Increase State 2024 AVID Costs above \$483,500 Base - Apart from the \$5,000,000 HAVA appropriation, the FY 2024 budget separately appropriated \$483,500 of HAVA monies for the state's 50% share of AVID costs. SOS proposes spending \$166,500 for additional AVID costs which would bring total state-level AVID spending to \$650,000. This funding level would match the proposed county payments of \$650,000, as described in the County Distributions section above. The increase of the total operational cost of the AVID system is due to higher cloud hosting fees and the cost of routine technical updates.

Rural County Temporary Election Workers Program – In addition to the county grants for the temporary election workers program detailed above, SOS proposes \$150,000 in total across FY 2024 and FY 2025 for a coordinator and additional program costs.



September 21, 2023

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

The Honorable John Kavanagh, Vice-Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

Dear Chairman Livingston and Vice-Chairman Kavanagh:

HAVA funds are awarded to Secretaries of State by the Election Assistance Commission (EAC) to improve the administration of elections for Federal office by means including technology enhancement and security advancements. In Arizona these federal funds are subject to legislative appropriation and multiple HAVA appropriations have been issued to the Arizona Secretary of State (SOS) over many fiscal years.

Laws 2023, Chapter 133, Section 83 appropriates HAVA funds totaling \$5,483,500 in two separate special line items (SLIs):

- | | |
|--------------------------------------------|------------|
| • Access Voter Information Database (AVID) | 483,500 |
| • Help America Vote Act projects | 5,000,000* |

It also requires the SOS to submit an expenditure plan for review by the Joint Legislative Budget Committee (JLBC) before expending any monies in the Help America Vote Act SLI. In accordance with the above referenced law, the SOS submits this proposed expenditure plan and requests the JLBC review it at its next meeting.

The SOS believes \$4,881,036 is available to be distributed via the Help America Vote Act projects SLI with approximately \$3,660,777 allotted to the counties and \$1,220,259 allotted to the SOS (see below).

Available HAVA Funds			
Appropriated by Laws 2023, Chapter 133, Section 83	Total	Counties	SOS
Laws 2020, Chapter 58, Section 104 - SOS Allocation - Lapsed	\$ 498,088		
Previously Unappropriated	\$ 3,511,448		
FFY23 ES Grant	\$ 1,355,000		
Total	\$ 5,364,536		
FY24 AVID SLI	\$ 483,500		
Total Available for Help America Vote Act Projects SLI	\$ 4,881,036	\$ 3,660,777	\$ 1,220,259

Counties \$3,660,777

The SOS recommends the county allotment be used to address three priorities:

- Infrastructure and Security Subgrants (FY24/FY25) \$2,760,776**
Distribute \$2,760,776 to counties for election systems improvements using a distribution formula like that found in Laws 2020, Chapter 58, Section 104. Specifically, each county shall receive \$50,000 and remaining funds shall be distributed to each county based on the percentage of the state's total number of registered voters residing in that county (see below). Counties must use subgrant monies in a manner consistent with the restrictions imposed on all HAVA Election Security Grants: <https://www.eac.gov/payments-and-grants/grants-faqs#How-can-states-use-the-funds>
- County FY2024 AVID Payment Subgrants (FY24) \$650,000**
Distribute \$650,000 to counties in the amount of their respective FY2024 AVID obligation upon verification of payment (see below and attachment). A county AVID payment is based on the percentage of the state's total number of registered voters residing in that county. The SOS believes this subgrant will help counties struggling to compensate for increased AVID operational costs and also ensure full payment is received from all counties.
- Rural County Elections Workforce Subgrants (FY24/FY25) \$250,000**
Distribute \$250,000 to counties with fewer than 500,000 residents for grants related to using "Arizona Election Administration Fellows" (see attachment) to assist with election work. These fellows will be temporary employees, recruited from community colleges and universities, who are deployed to counties to support election operations. The money would be used by counties to pay costs associated with providing compensation to these workers (e.g. stipends, housing, etc.). Grants would be limited to \$50,000 per county, per election.

HAVA - By County - By Program					
County	Registered Voters 01/02/2023	Percent of Voters	County Subgrants (\$50,000 each + % of registered voters)	FY24 AVID Limited Subgrants	Rural County Elections Workforce Subgrants
Apache	52,705	1.27%	\$ 75,464.85	\$ 8,231.72	
Cochise	78,383	1.88%	\$ 87,871.39	\$ 12,242.23	
Coconino	92,076	2.21%	\$ 94,487.27	\$ 14,380.87	
Gila	34,053	0.87%	\$ 66,452.99	\$ 5,318.56	
Graham	19,595	0.47%	\$ 59,467.48	\$ 3,060.44	
Greenlee	4,809	0.12%	\$ 52,323.51	\$ 751.09	
La Paz	11,546	0.28%	\$ 55,578.54	\$ 1,803.31	
Maricopa	2,457,349	59.05%	\$ 1,237,288.25	\$ 383,800.62	Ineligible
Mohave	139,944	3.36%	\$ 117,615.09	\$ 21,857.13	
Navajo	69,851	1.68%	\$ 83,749.08	\$ 10,909.67	
Pima	644,809	15.49%	\$ 361,544.74	\$ 100,709.38	Ineligible
Pinal	254,740	6.12%	\$ 173,079.71	\$ 39,786.52	
Santa Cruz	29,567	0.71%	\$ 64,285.54	\$ 4,617.92	
Yavapai	166,955	4.01%	\$ 130,665.67	\$ 26,075.84	
Yuma	105,354	2.53%	\$ 100,902.65	\$ 16,454.70	
Total	4,161,736	100.00%	\$ 2,760,776.76	\$ 650,000.00	\$ 250,000.00
				Grand Total	\$ 3,660,776.76

SOS \$1,220,259

The SOS recommends the SOS allotment be used to address five priorities:

- FY2024 AVID Special Line Item Supplemental (FY24) \$166,500**

The SOS estimates the FY2024 cost of operating the AVID voter registration system will be approximately \$1,300,000. The SOS will be responsible for 50% or \$650,000 of this cost; however, the FY2024 AVID special line item only appropriated \$483,500. An additional \$166,500 is required to fulfill the SOS' responsibility (see attachment).
- Upgrade My.Arizona.Vote Website Portal (FY24/FY25) \$359,949**

The My.Arizona.Vote portal provides voters statewide with general and voter-specific information (e.g. early ballot status updates) about elections. Because most counties do not have the capacity to provide this type of website themselves, they rely on the state website to provide this information and services to their voters. Upgrades and enhancements are needed to ensure the system can continue to provide intuitive searching capability for these features and to expand its functionality and interactive communication with voters about election issues. This capacity is needed to enable features such as the ability of voters to connect with counties via the website to cure ballot signatures or track the status of their ballot, a feature often requested by voters. Additionally, dashboards and other visual tools for users to utilize in reviewing and analyzing voter registration and election data is in demand from the public and would be added to the site.

- PPE Public Education Program (FY24) \$300,000
 Arizona counties will hold a Presidential Preference Election in March 2024. Unlike other elections, only members of a party holding an election may vote in that election. Without clear and concise education, it is likely that voters registered as "no party designated" (commonly referred to as "independents") will arrive at polling places, creating lines and confusion.
- Rural County Elections Workforce Coordination (FY24/FY25) \$150,000
 As referenced above, the SOS recommends giving rural counties grants to pay for the costs associated with using "Arizona Election Administration Fellows"(see below) to support election operations. However, many of the rural counties most in need of these temporary employees do not have the administrative bandwidth to coordinate the necessary recruitment, hiring, training, relocation, and housing of these individuals. The SOS will use these funds for a project coordinator to establish a program through a college or university to recruit and deploy fellows to county election offices. Funds will also be used to support logistics related to this program.
- 18th Birthday Eligible Voter Mail Piece (FY24/FY25/FY26) \$250,000
 This would revive a civic engagement project utilized under the Brewer, Bennett and Reagan administrations aimed at reminding newly eligible 18yearolds to register to vote. The SOS will send a post card, wishing the citizen a happy birthday, and will include information on registering to vote. Attached are samples of the post cards used during the Brewer and Bennett Administrations.

HAVA - SOS - By Program	
FY24 AVID Special Line Item Supplemental	\$166,500
Upgrade My.Arizona.Vote Website Portal	\$353,759
PPE Public Education Campaign	\$300,000
Rural County Elections Workforce Coordination	\$150,000
18th Birthday Eligible Voter Mail Piece	\$250,000
Total	\$1,220,259

Thank you for your time and consideration of this matter. Should you have any questions, please do not hesitate to reach out to Assistant Secretary of State, Keely Varvel, at (602) 542-9781 or kvarvel@azsos.gov.

Sincerely,



Adrian Fontes
 Arizona Secretary of State

cc: Richard Stavneak, Director, JLBC
 Micaela Larkin, Assistant Director, JLBC
 Sarah Brown, Director, OSPB
 Rudy Cen, Budget Analyst, OSPB

Estimated FY24 AVID Costs and Funding Sources

Arizona's Access Voter Information Database (AVID) is the state's central repository for voter registration data. The AVID system is used as the primary voter registration database for 13 of the state's 15 counties and is relied upon by the other two for their respective systems. Since its implementation, AVID has been funded by a combination of state and county monies; however, the ability to continue to do so is in jeopardy for several reasons: First, the maintenance and operations (M&O) cost of AVID has increased due to a number of factors, including cloud hosting fees, and the increased internal support required to comply with federal and state mandates. Second, the increased M&O cost has strained some counties' abilities to meet their contributions.

Estimated FY24 AVID COSTS	
INXEL M&O	\$ 830,000.00
Cloud/Servers	\$ 270,000.00
Other Operational Costs	\$ 200,000.00
Total Cost	\$ 1,300,000.00
50% of Total Cost	\$ 650,000.00

First, it appears previous AVID budget estimates failed to include the full number and amounts of M&O-related direct and indirect costs. For example, the FY2023 state budget appropriated \$483,500 to cover the state's half of the predicted \$967,000 total AVID M&O costs. The JLBC acknowledged the concerns from this office at its June 13, 2023 meeting when it authorized the transfer of \$96,000 from the Election Services Special Line Item to compensate for higher-than-expected cloud-hosting fees. The SOS believes the total direct and indirect M&O cost of AVID will be approximately \$1,300,000 in FY2024.

FY24 AVID STATE CONTRIBUTION	
FY24 AVID SLI	\$ 483,500.00
Purposed Supplemental HAVA for FY24 AVID	\$ 166,500.00
Total State Contribution	\$ 650,000.00
Percent of Cost	50%

Second, as mentioned above, AVID M&O costs are intended to be split between the state and counties. The counties' individual portion of the cost is determined by multiplying the percentage of total Arizona voters living in that county by half of the M&O cost (e.g., a county with 50% of registered voters would pay 25% of total AVID M&O costs). However, some counties have been unable or unwilling to pay their portions of AVID costs, leaving the SOS unable to meet the full AVID M&O obligations. When this occurred in FY2023, at its May 4, 2023 meeting, JLBC authorized the SOS to transfer \$160,000 from the Election Services Line Item to cover underpayments by counties. The SOS is concerned the increasing and/or more accurately accounted for M&O costs will result in a larger aggregate amount of underpayment by counties.

County	FY2022 Billed	FY2022 Paid	FY2022 Variance	FY2023 Billed	FY2023 Paid	FY2023 Variance	FY2024 Estimate
Apache	\$ 4,145	\$ 4,145	\$ -	\$ 6,110	\$ 6,110	\$ -	\$ 8,232
Cochise	\$ 6,568	\$ 6,568	\$ -	\$ 9,088	\$ 9,088	\$ -	\$ 12,242
Coconino	\$ 7,446	\$ 7,446	\$ -	\$ 10,675	\$ 10,675	\$ -	\$ 14,381
Gila	\$ 2,835	\$ 2,835	\$ -	\$ 3,948	\$ 3,948	\$ -	\$ 5,319
Graham	\$ 1,630	\$ 1,630	\$ -	\$ 2,272	\$ 2,272	\$ -	\$ 3,060
Greenlee	\$ 391	\$ 391	\$ -	\$ 558		\$ 558	\$ 751
La Paz	\$ 890	\$ 890	\$ -	\$ 1,339	\$ 1,339	\$ -	\$ 1,803
Maricopa	\$ 211,112	\$ 50,000	\$ 161,112	\$ 284,898	\$ 200,000	\$ 84,898	\$ 383,801
Mohave	\$ 11,560	\$ 11,560	\$ -	\$ 16,225	\$ 16,225	\$ -	\$ 21,857
Navajo	\$ 5,779	\$ 5,779	\$ -	\$ 8,098	\$ 8,098	\$ -	\$ 10,910
Pima	\$ 50,279	\$ 50,279	\$ -	\$ 74,757	\$ 60,000	\$ 14,757	\$ 100,709
Pinal	\$ 20,486	\$ 20,486	\$ -	\$ 29,534	\$ 29,534	\$ -	\$ 39,787
Santa Cruz	\$ 2,440	\$ 2,440	\$ -	\$ 3,428	\$ 3,428	\$ -	\$ 4,618
Yavapai	\$ 13,162	\$ 13,162	\$ -	\$ 19,356	\$ 19,356	\$ -	\$ 26,076
Yuma	\$ 8,487	\$ 8,487	\$ -	\$ 12,214		\$ 12,214	\$ 16,455
Total	\$ 347,208	\$ 186,096	\$ 161,112	\$ 482,500	\$ 370,073	\$ 112,427	\$ 650,000

Proposed "Arizona Election Administration Fellowship" Program

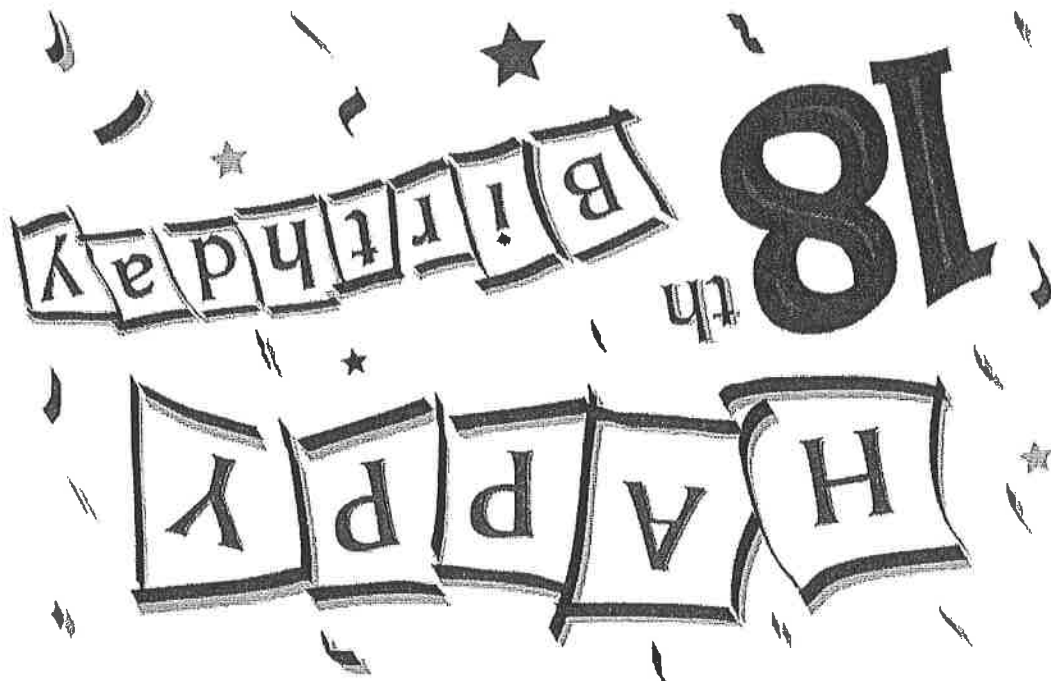
Due to the high turn-over rate among Arizona's election officials and the need to recruit and train a new election administration workforce for the future, the Secretary of State's Office is proposing using a total of \$400,000 in Help America Vote Act (HAVA) funding – divided between the counties and the SOS – to establish the Arizona Election Administration Fellowship program.

The Arizona Election Administration Fellowship program will work with one or more of Arizona's college or universities to identify students who are interested in learning more about the election administration field by gaining hands-on training as a student worker, serving side-by-side with election officials in Arizona's rural county Recorder and Election Department offices to administer the upcoming general elections. The types of tasks these workers might be engaged in are assisting with securing voting locations, poll worker recruitment/management, ballot processing and tabulation, election warehouse logistics and community outreach and education.

Students participating in the Fellowship program would agree to live in one of Arizona's rural counties and work for that county's Recorder's Office or Election Department for the Fall semester of the 2024 and/or 2026 school years. The students would be paid a stipend for their work and housing expenses would also be covered.

The total cost of the Fellowship program would be \$400,000. In the proposed HAVA spending plan, \$250,000 would go to the counties to provide compensation to and cover housing costs of students participating in the program and \$150,000 would be allocated to the SOS to administer the program. Specifically, the SOS would use HAVA funds allocated to it for the program to pay for a program coordinator to work with the academic institutions to recruit students, provide basic election administration training of the student workers (in consultation with the counties) and arrange for the logistics related to placement of workers with county offices (including identifying housing, establishing payroll, etc.).

It is the goal of the Fellowship program to integrate itself in to one or more academic institutions to become the cornerstone of a "workforce pipeline," aimed at training public administration and public policy students to become election administrators. It is anticipated that the program would be fashioned after the very successful Arizona Legislative Internship Program which provides a similar structure and stipend, but the students work during the spring semester when the State Legislature is in session. The hope is that this Arizona Election Administration Fellowship program would become a sustainable program that lives beyond the current SOS administration to provide highly trained professionals for the challenging public administration field of election administration in Arizona and around throughout the country.



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*Jan Brewer
Secretaria de Estado*

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DATE: October 3, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: Geoffrey Paulsen, Principal Fiscal Analyst

SUBJECT: Arizona Department of Corrections - Review of FY 2024 Vacancy Savings Reallocation

Request

Pursuant to an FY 2024 General Appropriations Act footnote, the Arizona Department of Corrections (ADC) requests review of its plan to utilize \$4,263,000 in FY 2024 General Fund vacancy savings appropriated for Personal Services and Employee Related Expenditures (ERE) to cover operating costs related to the *Jensen v. Thornell* injunction and for increased correctional officer uniform allowances.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) ADC expects to underspend their FY 2024 salaries and benefits by \$28 million due to an inability to fill vacant positions.
- 2) If left unexpended, these savings would be returned to the General Fund.
- 3) A footnote requires ADC to seek Committee review if they plan to spend this funding on anything other than salary and benefits.
- 4) ADC proposes to reallocate \$4.3 million of the surplus salary/benefit funds for 2 main initiatives:
 - a. \$2.7 million for inmate health care injunction costs, such as food, pest control, and sanitation
 - b. \$1.5 million for an increased correctional officer uniform allowance.

(Continued)

Analysis

In FY 2024 ADC was appropriated a total of \$737.7 million in the operating budget for salaries and benefits, otherwise known as Personal Services and Employee Related Expenditures (ERE). An FY 2024 General Appropriation Act footnote requires that ADC seek Committee review before spending any of this funding on anything but Personal Services and ERE.

ADC projects that this funding will exceed the department's costs in FY 2024 and proposes to reallocate \$4.3 million to pay for operating costs associated with the *Jensen v. Thornell* inmate health care injunction and to increase the annual correctional officer (CO) uniform allowance in FY 2024 from \$720 to \$1,200. ADC reports that the uniform allowance has not been adjusted for 20 years. The 67% increase in the uniform allowance roughly matches the growth in the Consumer Price Index over that period. *Table 1* below details the amount of each proposed reallocation.

Table 1	
Proposed Personal Services/ERE Reallocation	
	<u>Amount</u>
Food	\$ 1,664,000
Pest Control	533,400
Enhanced Sanitation Supplies	491,500
Tablet Applications Deployment	<u>39,000</u>
<i>Injunction-Related Subtotal</i>	<i>2,727,900</i>
Correctional Officer Uniform Allowance	1,535,100
Total	\$ 4,263,000

GP:kp

Arizona Department of Corrections Rehabilitation & Reentry



KATIE HOBBS
GOVERNOR

701 E. Jefferson St.
PHOENIX, ARIZONA 85034
(602) 542-5497
corrections.az.gov



RYAN THORNELL
DIRECTOR

September 18, 2023

The Honorable David Livingston
Chairman, Joint Legislative Budget
Committee
Arizona House of Representatives
1700 W. Washington
Phoenix, Arizona 85007

The Honorable John Kavanagh
Vice-Chairman, Joint Legislative Budget
Committee
Arizona State Senate
1700 W. Washington
Phoenix, AZ 85007

Subject: Review of expenditure plan to spend from Personal Services and Employee-related Expenditures designated amounts on Other Operating Expenditures

Dear Representative Livingston and Senator Kavanagh:

The Arizona Department of Corrections, Rehabilitation, and Reentry (ADCRR) requests placement on the next meeting agenda of the Joint Legislative Budget Committee (JLBC) to review an expenditure plan to spend from the amounts designated in the Lump Sum for Personal Services and Employee Related Expenditures on Other Operating Expenditures.

ADCRR's FY 2024 current annual salary savings approximation is \$28M. This request is seeking approval to utilize a total of \$4,263,000 of the payroll allocation for operating costs which are not supported by existing appropriations for Jensen Federal Court Injunction-related costs and Correctional Series Uniform Allowance.

Many of the Jensen Federal Court Injunction-related costs are yet undetermined. The following are estimates of known cost increases.

<u>Jensen Federal Court Injunction Costs</u>	
Food	\$1,664,000
Pest control	\$ 533,400
Enhanced Sanitation Supply Requirements	\$ 491,500
Tablet Applications Deployment	<u>\$ 39,000</u>
	\$2,727,900

In FY 2023, ADCRR increased the Correctional Officer series staff uniform allowance from \$720 per year to \$1,200 per year without seeking additional funding. The ADCRR had not adjusted the Uniform Allowance rate in over 20 years. The increase to annual cost, assuming

September 18, 2023

Review of expenditure plan to spend from Personal Services and Employee-related Expenditures
designated amounts on Other Operating Expenditures


Page 2

funding only 85% of the 7,525 total eligible positions is \$3,070,200. The current request is for one-half of this amount, or \$1,535,100.

	<u>Correctional Series Staff Uniform Allowance</u>	
Other Operating Expenditures		\$1,535,100

If I can provide additional information, please do not hesitate to contact me.

Sincerely,



Ryan Thornell
Director

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
Sarah Brown, Director, Governor's Office of Strategic Planning and Budgeting
Rebecca Dial, Deputy Director, Governor's Office of Strategic Planning and Budgeting
Will Palmisano, Senior Budget Manager, Governor's Office of Strategic Planning and Budgeting
Geoffrey Paulsen, Senior Fiscal Analyst, Joint Legislative Budget Committee
Caroline Dudas, Budget Analyst III, Governor's Office of Strategic Planning and Budgeting



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STEPHANIE STAHL HAMILTON

DATE: October 3, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: James Martinez-Burney, Fiscal Analyst

SUBJECT: Arizona Department of Administration/Automation Projects Fund - Review of FY 2024 Judiciary Projects

Request

A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund (APF). The Arizona Department of Administration (ADOA) is requesting review for 2 projects. The ADOA request includes \$3,270,000 for the Arizona Supreme Court to replace its case management system (CMS) for adult probation. The request also includes \$2,500,000 for the Arizona Supreme Court to provide web-based services for community supervision electronic monitoring.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

ADOA requests the review of 2 automation projects:

- 1) \$2.3 million to be used in the developing a replacement for the probation case management system at the Arizona Supreme Court.
- 2) \$2.5 million to implement a smartphone application to track and contact probationers.

(Continued)

Analysis

Arizona Supreme Court – Probation CMS Replacement

The FY 2024 budget appropriated \$3.3 million from the APF to the Arizona Supreme Court for the replacement of a 20-year-old Adult Probation Enterprise Tracking System (APETS). This project was financed by a transfer from the General Fund into the APF.

APETS is a statewide system that manages the state's probation cases. The current system has reached its end-of-life expectancy with increased cost of maintenance.

ADOA is requesting Committee review of \$3.3 million to develop a new statewide CMS. The system will run on a cloud-based system. The Supreme Court initiated this project in FY 2023 utilizing existing courts funding. The total cost of development is estimated at \$7.6 million. The FY 2024 funding from the APF will pay for license and maintenance fees.

Arizona Supreme – Statewide Community Supervision Electronic Monitoring and Reporting System

The FY 2024 budget appropriated from \$2.5 million from the APF to the Arizona Supreme Court to implement a smartphone application. This project was financed by a transfer from the General Fund into the APF.

The app will allow probation officers to monitor individuals by providing court reminders, curfew monitoring (with GPS location), and other services. This app will reduce travel time and mileage costs and will make random check-ins more efficient. The Supreme Court is currently evaluating 8 vendor submissions. ADOA reports that \$2.3 million will be allocated to counties with more than 5,000 users, and the remaining \$185,000 will be used for license fees and Supreme Court staff costs.

JMB:kp

Katie Hobbs
Governor



Elizabeth
Alvarado-Thorson
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

Office of the Director

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(602) 542-5601

September 19, 2023

The Honorable Representative David Livingston, Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable Senator John Kavanagh, Vice-Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Livingston and Senator Kavanagh,

The Arizona Department of Administration (ADOA) is submitting this request for review of fiscal year 2024 and fiscal year 2025 Automation Projects Fund (APF) with projects related to the Arizona Supreme Court, Probation Case Management System Replacement project & the Statewide Community Supervision Electronic Monitoring and Reporting System Req. project. The monies have been appropriated to support APF expenditure plans.

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

Sincerely,

J.R. Sloan

JR Sloan
State CIO

The Honorable David Livingston
The Honorable John Kavanagh
September 19, 2023
Page 2

Enclosures

cc: Richard Stavneak, Director, JLBC

Sarah Brown, Director, OSPB
Elizabeth Alvarado-Thorson, Director, ADOA
Rebecca Perrera, Assistant Director, JLBC
Ashley Retsinas, Assistant Director, ADOA
Jacob Wingate, Chief Financial Officer, ADOA/DBF
Cameron Dodd, OSPB Staff
Elizabeth Selby, OSPB Staff



Agency: Arizona Supreme Court

Project: Probation CMS Replacement

Appropriation: Automation Project Funds (APF)

CURRENT REQUEST

The Department of Administration on behalf of the Arizona Supreme Court, is requesting favorable review of \$3,270,000 appropriated from the Automation Projects Funds in BFY24 to cover the Software as a Service (SaaS) fees for FY24 and a portion of FY25 for the Probation Case Management System Replacement project.

FY 2024-2025 Appropriation	FY 2024-2025 Favorably Reviewed	FY 2024-2025 Current Request	FY 2024-2025 APF Remaining Balance
\$3,270,000	\$0	\$3,270,000	\$0

PROJECT DESCRIPTION

Background:

The custom-developed Adult Probation Enterprise Tracking System (APETS) has served as the statewide case management system (CMS) for adult probation for over twenty years. It has provided a stable and reliable tool for case management but has reached the end of its lifecycle and is in need of replacement. The Court requires a statewide approach using a solution that meets the needs of our very diverse user groups for probation in the state of Arizona. As automation systems age, the cost of maintaining them increases dramatically. Custom-developed systems suffer the additional risk of losing their development staff to retirement over time. Technical support for the tools used to develop and enhance the software also falls into obsolescence. The current legacy system lacks support for a more virtualized workforce and the needs of a distributed client base.

Solution:

Tyler Technologies' cloud-based system can provide a single comprehensive CMS solution for probation. Tyler Supervision provides full case monitoring and reporting capabilities. The solution provides mobility so that officers can access system data while in the field; this also includes offline capabilities. Tyler Supervision provides the ability to scan and store imaged documents and electronic files. The solution also offers secure online portals for client/officer communications and for provider interactions.

Benefits:

The selected system provides support for a mobile workforce with internet-based portals to interact with our client base, along with managerial analytics. The new COTS (custom off the shelf) product is based on modern, vendor-supported technology on a cloud-based platform reducing future support costs and complexity of operations.

PROJECT GOALS/MILESTONES

Define your goals and milestones, Start Date, End Date, and duration.

Description	Start Date (Est.)	End Date (Est.)	Duration (weeks/ months)
Track 1 Adult (planning, configure, develop, build conversion, testing, training, implement solution in 4 pilot counties)	11/1/22	11/28/23	13 months
Track 2 Adult (planning, configure, develop, build conversion, testing, training, implement solution in Maricopa county)	2/14/23	9/17/24	19 months
Track 3 Adult (conversion, testing, training, implement solution in 3 counties)	11/27/23	3/26/24	4 months
Track 4 Adult (conversion, testing, training, implement solution in 3 counties)	4/1/24	7/30/24	4 months
Track 5 Adult (conversion, testing, training, implement solution in 3 counties)	8/5/24	12/3/24	4 months
Track 6 Adult (planning, configure, develop, build conversion, testing, training, implement solution in Pima county)	12/5/23	1/17/25	13 months

PROJECT COST DETAIL

Professional Services - Explanation	\$0
IV&V (If Applicable)	\$0
Design - Design of the new cloud architecture	\$0
Migration - Explanation	\$0
Quality Management/Testing Explanation	\$0
Hardware- Explanation	\$0
Software Explanation	\$0
License & Maintenance Fees- SaaS fees	\$3,270,000
Total Cost for FY [2024-2025]	\$3,270,000

ARIZONA

DEPARTMENT OF ADMINISTRATION
ARIZONA'S BUDGET & FINANCIAL TECHNOLOGY

Agency: Arizona Supreme Court Administrative Office of the Courts

Project: Statewide Community Supervision Electronic Monitoring and Reporting System Req.

Appropriation: Automation Project Funds (APF)

CURRENT REQUEST

The Department of Administration on behalf of the Arizona Supreme Court, is requesting favorable review of \$2,500,000 appropriated from the Automation Projects Funds in BFY24 to cover costs as noted below associated with the Statewide Community Supervision Electronic Monitoring and Reporting System project for FY24 and FY25.

FY 2024-2025 Appropriation	FY 2024-2025 Favorably Reviewed	FY 2024-2025 Current Request	FY 2024-2025 APF Remaining Balance
\$2,500,000	\$0	\$2,500,000	\$0

PROJECT DESCRIPTION

Background: Our local probation departments currently supervise 80,000 adult felons and 3,000 juveniles, plus individuals on pretrial release pending trial. Probation departments have been short-staffed since the Covid-19 pandemic. Salaries for probation personnel are set by local boards of supervisors (per statute) and remain extremely low, making hiring and retaining staff a hardship over the last three years. Probationers must periodically report to their probation officers, taking them away from work sites. Employers have asked probation officers to find more creative ways to monitor probationer activity to avoid lost job time.

In Fiscal Year 2023 the Governor's Office and legislature requested that we implement a product to enhance supervision using web-based technology, capable of access via cellular phone to provide increased public safety, reduce the workload of supervision staff, improve verification of offender compliance, help avoid time away from work and that will be user-friendly and simple for the justice-involved individual to satisfy the court's orders.

Solution: The solution will provide more opportunities for officers to randomly check-in on justice-involved individuals at their exact location and to verify compliance with court ordered terms.

Benefits: An application (app) that can be used to directly communicate with justice-involved individuals to set court reminders, offer curfew monitoring and exclusion zone monitoring, submit pictures, upload worksheets/forms of compliance or thinking reports, conduct virtual meetings, exchange messages with 'read receipts' that meet HIPAA compliance, calendar events for compliance and organization, schedule and prioritize accountability tasks, acknowledge accomplishments by sending group announcements and individual affirmations, and electronic monitoring (EM) with check-in responses.

Procurement Method: Solicitation of RFP 23-01, Community Supervision Electronic Monitoring and Reporting Solution was published on April 6, 2023 for the purpose of selecting a vendor or vendors to help create a program that will enable probation and pretrial supervision staff the opportunity to electronically monitor and communicate with a justice-involved individual via a cell phone app. The RFP Schedule was provided below. Publication notice

was posted in the Arizona Business Gazette and the RFP was posted on the Arizona Judicial Branch Procurement site.

Published:	April 6, 2023
Vendor Conference	April 11, 2023
Vendor Questions	April 21, 2023
Proposals Due	May 10, 2023

Eight proposals were received and announced at the Public Opening on May 10, 2023 at 4:00 pm.

Chronology of Evaluation Events

Administrative Review

The Procurement Officer and Evaluation Committee Chair conducted an administrative review of the proposals on April 1, 2023. The review was conducted to ensure that the material listed in Section 5 of the RFP were submitted as required by the RFP so the Evaluation Committee could sufficiently evaluate the proposal. All proposals were determined to be responsive.

Evaluation Review and Scoring

Procurement met with the Evaluation Committee on May 18 and May 19, 2023 to provide procurement rule instructions, proposals, and proposal evaluation protocols.

The Evaluation Committee members were provided with scoring instructions, score sheets and proposals to begin independent review and scoring.

Initial scoring sheets were due to Procurement June 6, 2023. Procurement collated, combined and summarized scoring sheets. Evaluation committee met on June 9, 2023. Procurement provided summary scores and requested that the committee determine which vendors would be requested to provide a solution demonstration. Based on proposals provided and summary scoring, the committee instructed Procurement to schedule five demonstrations.

Email notifications and demonstration topic scripts were sent out to all vendors.

Vendor Product Demonstrations

Virtual Product demonstrations were conducted on May 22 and May 23, 2023. Vendors were provided 90 minutes to demonstrate the product solution. In advance, each vendor was provided an identical agenda of specific topics.

Upon conclusion of the demonstrations, the Evaluation Committee met to discuss and debrief information based upon the product demonstrations. This meeting was conducted on June 23, 2023. At the conclusion of this meeting, the Evaluation Committee was instructed by Procurement to provide independent scoring evaluations to the Procurement Officer for scoring tabulation by July 14, 2023.

Committee Evaluation

On July 17, 2023, the Evaluation Committee met, and the members were provided with cumulative scoring results. The Committee followed a fair and consistent process under the Arizona Judicial Procurement Code.

The Supreme Court is in the process of contracting with the selected vendor.

PROJECT GOALS/MILESTONES

Define your goals and milestones, Start Date, End Date, and duration.

<i>Description</i>	<i>Start Date (Est.)</i>	<i>End Date (Est.)</i>	<i>Duration (weeks/months)</i>
Identify key reporting needs: macro & micro-level, any custom fields needed/general data requirements, timelines for delivery	8/25/23	8/31/23	1 week
Local training plan/implementation/key performance indicators	8/25/23	9/6/23	2 weeks
Create communication plan for Directors, managers, and staff (include preliminary solution material, schedule options, and overarching goals)	TBD	TBD	TBD
Discuss and modify training and implementation plans. Finalize agency communication needs and strategies for September and October.	9/6/23	9/13/23	1 week
Create training schedule	9/6/23	9/18/23	1 week
Execute first wave training	9/18/23	11/23/23	8 weeks
Execute App Implementation (live client enrollment)	9/12/23	ongoing	ongoing
Execute second wave training	12/1/23	2/5/24	8 weeks

PROJECT COST DETAIL

Professional Services - Allocation to the counties to utilize the app (greater than 5,000 users statewide)	\$2,315,325
IV&V (If Applicable)	\$0
Design - Design of the new cloud architecture	\$0
Migration -	\$0
Quality Management/Testing -	\$0
Hardware -	\$0
Software -	\$0
License & Maintenance Fees - SaaS fees (\$4,800 annually)	\$9,600
Supreme Court Staffing Salary/ERE	\$175,075
Total Cost for FY [2024-2025]	\$2,500,000

* AOC will be submitting a PIJ and going to the October or November ITAC meeting.



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DATE: October 3, 2023

TO: Members of the Joint Legislative Budget Committee

FROM: Maggie Rocker, Fiscal Analyst
Chandler Coiner, Fiscal Analyst

SUBJECT: AHCCCS/Department of Economic Security - Review of Capitation Rate Changes for Plan Year 2024

Request

Pursuant to an FY 2024 General Appropriation Act footnote, the state's Medicaid agencies must present their plans to the Committee for review prior to implementing any changes in capitation rates. The request includes CYE 2024 capitation rates (October 2023 – September 2024) for the Arizona Health Care Cost Containment System (AHCCCS) and the Department of Economic Security's (DES) Arizona Long Term Care System (ALTCS) program.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the capitation rates.
2. An unfavorable review.

Analysis

The Federal government agrees to pay a flat per-member, per-month amount for each type of Medicaid enrollee.¹ Below, we discuss proposed changes to capitated programs within AHCCCS and DES.

¹ The capitation rates are updated annually for changes in utilization and unit costs, as well as AHCCCS fee schedule changes and programmatic adjustments. Federal regulations require that AHCCCS establish rates that are "actuarially sound," meaning that the rates "are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract" with the managed care plan. The proposed rates must be certified by an actuary and approved by the federal Centers for Medicare and Medicaid Services (CMS), among other requirements specified in federal law.

(Continued)

Key Points

- 1) AHCCCS is proposing a capitation adjustment across the state's Medicaid programs, both within AHCCCS and DES – Developmental Disabilities (DD).
- 2) The adjustment includes an average 1.3% increase across AHCCCS programs, which would cost \$16 million above the enacted General Fund budget.
- 3) We do not have sufficient AHCCCS enrollment data to know whether this cost would be offset by caseload savings.
- 4) DD rates would decline by (0.8%) which would result in \$(41.5) million of General Fund savings.
- 5) This DD rate reduction is related to a decline in the average utilization of services.

Unless otherwise specified, the dollar values in this memo represent Total Funds. This memo also reflects updated information provided by AHCCCS after its initial submission.

AHCCCS Rate Adjustment

Within AHCCCS, the rates are increasing by 1.3%, or approximately \$153.6 million, in Contract Year Ending 2024 (October 1, 2023 – September 30, 2024).

Although the overall 1.3% rate increase appears within budget, we estimate the effective rate increase tends to be larger among population categories with a larger General Fund component. Due to this, we estimate the rate adjustment results in a \$15.9 million General Fund cost above what was budgeted. This cost may be offset by caseload-related or other savings. However, we do not have sufficient AHCCCS enrollment data at this time to know whether these savings will materialize.

The overall AHCCCS rate adjustment consists of the following components:

1. \$(43.3) million for utilization-related factors. This includes the following: 1) a rebase associated with lower-than-anticipated utilization than the actuaries projected in developing the capitation rates last year, 2) projected changes in utilization (i.e. more use of services), 3) unit cost changes (i.e. changes in the "mix" of services used), and 4) a COVID-19-related "acuity adjustment."

Based on actual utilization in CYE 2022 and recent trends, AHCCCS actuaries determined that use and cost of services was lower than anticipated in last year's capitation rates, resulting in a reduction of (2.9)%. The actuaries anticipate, however, that with the end of the pandemic-era prohibition on disenrollment in April 2023, the remaining AHCCCS population will likely have higher average health needs than in CYE 2022. As a result, the actuaries included an acuity adjustment of 2.6%, partially offsetting the savings from lower utilization trends.

2. \$72.8 million for fee schedule and programmatic changes. Most programmatic changes were already reflected in the CYE 2023 capitation rates and are now receiving a utilization adjustment. However, there are some changes that are new to the CYE 2024 rates, which account for \$4.4 million of the increase. These include:
 - Adjusting the price for physician-administered drugs quarterly instead of annually.
 - Coverage for Substance Use Disorder screening for ages 12 and older.
 - Expanded dental varnish coverage for ages 3-5.
 - Coverage for group prenatal care for pregnant women.

(Continued)

- Expanded Multi-Specialty Independent Clinics (MSIC) coverage for children in the ALTCS program.
- Coverage for a sleep study device that allows the patient to monitor respiratory events and overall sleep health.

AHCCCS is also implementing changes to select fee schedules effective October 1, 2023, including:

- 20.1% rate increase for Arizona Early Intervention Program (AzEIP) speech therapy fee schedule rates.
 - 4.8% - 5.6% increases for ambulance rates, mainly based on changes to the Arizona Ground Ambulance Service Rate Schedule implemented by the Arizona Department of Health Services.
 - 4.2% increase to the Physician Drug Schedule rates.
 - 2.3% increase for federally qualified health centers.
 - Adjustments to ambulatory surgical centers, durable medical equipment, clinical laboratory fees, and the physician fee schedule. These changes are tied to adjustments in the Medicare fee schedule.
 - Adjustments to select rural hospitals, long-term acute care hospitals, and rehabilitation hospitals.
3. \$43.0 million to increase the standard reinsurance deductible from \$75,000 to \$150,000. The AHCCCS reinsurance program covers a share of costs incurred by health plans for AHCCCS enrollees with health care costs above a certain threshold. The increase in the threshold will require health plans to cover a higher share of costs before they are eligible for reimbursement from the reinsurance program, so AHCCCS is increasing capitation rates to permit health plans to cover the higher expenses. This change would be approximately budget neutral across AHCCCS because the agency will experience a corresponding reduction in costs for the reinsurance program; however, our estimate of the General Fund impact of the rate adjustment does not account for this.
 4. \$81.1 million for increased administrative costs for the contracted health plans. While this reflects a 0.3% - 0.7% increase for most programs, the increase within the Comprehensive Medical and Dental Program (CMDP) is 4.2%. This adjustment is based on information from the Department of Child Safety (DCS) and its subcontracted health plan, including salaries, FTE Positions, care management costs, data processing costs, etc. DCS also requested increases for its Health Care Quality Improvement activities and other miscellaneous projects. AHCCCS determined the increases were "reasonable and appropriate."

DES – DD Rate Adjustment

Within DD, the rates are decreasing by (0.8)%, or approximately \$(23.4) million, in CYE 2024. We estimate the adjustment results in \$(41.5) million of General Fund savings compared to the FY 2024 enacted budget.

The DD rate adjustment includes the following components:

(Continued)

1. \$(88.2) million for utilization-related factors. This includes the following: 1) a rebase associated with lower-than-anticipated utilization than the actuaries projected in developing the capitation rates last year, 2) projected changes in utilization (i.e. more use of services), and 3) unit cost changes (i.e. changes in the "mix" of services used). The DD rate is not receiving an acuity adjustment similar to the one many population categories within AHCCCS are receiving.
2. \$32.8 million for fee schedule and programmatic changes, as described in the AHCCCS section. This amount includes \$14.6 million to account for minimum wage increases that will go into effect January 1, 2024.
3. \$0.2 million to increase the standard reinsurance deductible from \$75,000 to \$150,000. This change would be approximately budget neutral across the DD program because the agency will experience a corresponding reduction in costs for the reinsurance program; however, our estimate of the General Fund impact of the rate adjustment does not account for this.
4. \$31.8 million for additional case management costs, technical and administrative issues, and other adjustments.

MR/CC:kp

September 1, 2023

The Honorable David Livingston
Chairman, Joint Legislative Budget Committee
1700 W Washington St.
Phoenix, Arizona 85007



Dear Representative Livingston:

The Arizona Health Care Cost Containment System (AHCCCS) has completed its actuarial analysis of Managed Care Organization (MCO) capitation rates that are effective beginning October 1, 2023, and respectfully requests to be placed on the agenda of the next JLBC meeting to review these rates.

In accordance with Federal regulations, MCO capitation rates must be actuarially sound and must be approved by the Centers for Medicare and Medicaid Services (CMS). They must cover the anticipated costs for providing medically necessary services to AHCCCS members. As such, capitation rates are developed to reflect the costs of services provided as well as utilization of those services by AHCCCS members. Capitation rate trends reflect a combination of changes in cost and utilization, calculated as a per member per month (PMPM) expenditure to AHCCCS Contractors (including other state agencies, the Arizona Department of Economic Security/Division of Developmental Disabilities (DES/DDD) and the Department of Child Safety Comprehensive Health Plan [DCS CHP]).

Capitation rates are certified by actuaries when a new program is established. Rates must also be recertified every year to coincide with MCO annual contract periods. AHCCCS contracts are awarded on an October 1 through September 30 schedule.

In addition to the annual rate development, the capitation rates must be amended mid-year when action occurs that is expected to impact the MCOs' expenses by a material amount (as determined by the actuaries) and a rate adjustment is required to maintain actuarial soundness. AHCCCS strives to mitigate the need for mid-year capitation adjustments whenever possible, but has identified a few reasons why such action might be necessary during Contract Year Ending (CYE) 2024:

- Adjustments have been included in this year's capitation rates to reflect the unwinding of the COVID-19 Public Health Emergency (PHE) and the end of the continuous coverage requirements. These adjustments may need to be revisited if there are material differences in actual experience vs projections associated with the:
 - Volume of disenrollments,
 - Timing of disenrollments, or
 - The average cost profiles of remaining enrollees.
- Risk adjustment factors for the ACC populations will be re-calculated in March 2024 and will change the capitation rates for individual MCOs effective April 1, 2024. Revised risk adjustment factors will change the capitation rates for individual MCOs, but risk adjustment in total is a

budget neutral process, does not require a new actuarial certification, and should not change the projected expenditures.

This letter details the annual renewal of rates for CYE 2024 from October 1, 2023, through September 30, 2024, for the following programs:

- AHCCCS Complete Care (ACC),
- AHCCCS Complete Care - Regional Behavioral Health Agreement (ACC-RBHA),
- Arizona Long Term Care System/Elderly and Physical Disability (ALTCS-EPD),
- DCS CHP, and
- ALTCS-DD (DES/DDD).

Before implementing the new capitation rates, AHCCCS is reporting its expenditure plan for review by the JLBC. This letter summarizes the capitation rates and their associated financial impacts.

Background and Summary

Rates outlined in this letter were submitted to CMS to be effective October 1, 2023. The utilization and unit cost trends for all programs are detailed in the attached actuarial certifications. Anticipated increases in utilization of existing covered services attributable to specific initiatives or policy guidance are separately detailed. Provider rate adjustments and program changes are also identified.

In CYE 2024, capitation rate growth for all programs can be categorized into two major components:

- Capitation rate growth unrelated to COVID-19, driven primarily by changes in base data as well as utilization and unit cost trends, and
- Capitation rate growth related to COVID-19, driven by the unwinding of the PHE, particularly the end of the Medicaid continuous coverage requirements.

There are some legislature-specified items included within the capitation rates which do not add measurably to specific capitation rates, and thus are not identified separately within this letter or the capitation rate certifications. These legislature-specified items are included as part of the overall projected capitation expenditures shown in Appendix Table 1B.

On the next page, Table I displays the overall capitation rate growth unrelated to COVID-19 for all AHCCCS programs, including DES/DDD, as a (0.7 percent) decrease as shown in "Column 1." Table I also includes data detailing capitation changes related to COVID-19 which account for a 1.3 percent increase for all AHCCCS programs, including DES/DDD, as shown in "Column 2."

The combined, overall capitation rate increase (non-COVID-19 and COVID-19) for all AHCCCS programs, including DES/DDD, is 0.6 percent. See "Column 3" in Table I for overall capitation impacts by program. The capitation rate growth budgeted by the Legislature for SFY 2024 was 3.1 percent for AHCCCS and DES/DDD, as reported in the JLBC FY 2024 Baseline Budget. AHCCCS therefore anticipates the CYE 2024 capitation adjustments will be funded within existing resources.

Table I. CYE 2024 Capitation Rate Changes

Program	CYE 2024 Changes from CYE 2023 Rates		
	1	2	3
	Unrelated to COVID-19	Related to COVID-19	Total
ACC	(2.9%)	1.9%	(1.0%)
ACC-RBHA	6.6%	2.1%	8.7%
DCS CHP	3.2%	(1.0%)	2.2%
ALTCS-EPD	4.1%	(0.1%)	4.0%
AHCCCS Total	(0.7%)	1.6%	0.9%
ALTCS-DD	(0.7%)	(0.0%)	(0.8%)
TCM	2.7%	0.0%	2.7%
DES/DDD Total	(0.7%)	(0.0%)	(0.8%)
AHCCCS and DES/DDD Total	(0.7%)	1.3%	0.6%

Drivers of Growth Unrelated to COVID-19

A decrease of (0.7 percent) in the capitation rates is attributable to the following non-COVID-19 factors, which are described more fully in subsequent pages:

1. Rebase – Adjustments to medical expenses to reflect more recent incurred experience account for a net decrease of (0.5 percent).
2. Trend – The assumed change in utilization and unit cost trends for medical services accounts for a decrease of (0.4 percent).
3. Reimbursement and Programmatic Changes – Factors such as adjustments to fee schedules and differential provider rates, Proposition 206, MCO pharmacy rebates, and others account for a decrease of (0.8 percent).
4. Reinsurance Deductible – AHCCCS is increasing the standard reinsurance deductible from \$75,000 to \$150,000 for an increase of 0.3 percent.
5. Administration, Case Management, and Care Management – Adjustments to the non-benefit cost component of the rates to reflect the costs to administer and manage the programs account for an increase of 0.7 percent.

The relative impacts of each of these drivers on the capitation rates for each program are summarized in Table II on the next page.

Table II. CYE 2024 Capitation Rate Change by Component - Unrelated to COVID-19

Program	Rebase	Trend	Reimbursement & Programmatic Changes	Reins. Deductible	Admin, Case Management, & Care Management	Total
ACC	(2.3%)	(1.4%)	(0.2%)	0.4%	0.7%	(2.9%)
ACC-RBHA	3.8%	2.7%	(0.2%)	0.0%	0.3%	6.6%
DCS CHP	(5.6%)	1.9%	1.4%	1.3%	4.2%	3.2%
ALTCS-EPD	6.1%	0.0%	(3.0%)	0.2%	0.6%	4.1%
ALTCS-DD	(0.6%)	0.7%	(1.9%)	0.0%	1.0%	(0.7%)
Total	(0.5%)	(0.4%)	(0.8%)	0.3%	0.7%	(0.7%)

Rebase and Trends

Capitation rates for all programs were rebased using actual experience incurred for the period of October 1, 2021, through September 30, 2022. Across all programs, this adjustment results in a decrease of (0.5 percent).

The inclusion of funding associated with increases for medical expense utilization and inflation is required in order to ensure that capitation rates are actuarially sound. The certifying actuaries developed and applied utilization and unit cost trends for categories of service primarily based on actual experience incurred during the period October 1, 2018, through December 30, 2022. Across all programs, the anticipated impact attributable to medical trend is a decrease of (0.4 percent) compared to the CYE 2023 capitation rates. As can be seen in Table III below, a key driver of medical trend is pharmacy, which is expected to grow at a trend rate of 4.1 percent. Pharmacy trends are responsible for 0.1 percent of the overall capitation rate growth attributable to changes in utilization and unit costs.

Table III. CYE 2024 Capitation Trends by Category of Service (COS)

	% Contribution to Cap Rate Change	Trend Rate
ACC, ACC-RBHA, and CHP Programs		
Pharmacy	0.1%	4.1%
Physician/Professional/Medical Services	-0.2%	2.5%
Inpatient Hospital & Nursing Facility	-0.3%	1.8%
Outpatient Hospital	-0.3%	2.1%
Transportation	0.0%	2.3%
Community Health Centers	-0.2%	0.5%
Other	0.3%	2.6%
Sub-Total Non-ALTCS Trend	-0.6%	2.6%
ALTCS EPD and DES/DDD Program		
Home and Community Based Services	0.0%	2.0%
Acute Care & Behavioral Health	0.1%	3.8%
Nursing Facility and Institutions	0.0%	1.8%
Sub-Total ALTCS Trends	0.1%	2.3%
TOTAL TRENDS ALL COS	-0.4%	2.6%

Reimbursement and Programmatic Changes

AHCCCS makes adjustments to provider rates based on access to care issues; based on Medicare rate adjustments when rates are tied to Medicare; to differentiate providers who support actions that improve patients' care experience, improve members' health, and reduce cost of care growth; and to meet federal or state requirements. The impact on overall AHCCCS capitation rates from these provider rate adjustments is a decrease of (1.2 percent). In addition, rates are increased 0.4 percent for other programmatic changes. The combined impacts of these rate development components is a decrease of (0.8 percent).

Reinsurance Deductible

Effective October 1, 2023, AHCCCS is increasing the standard reinsurance deductible from \$75,000 to \$150,000, which will impact all MCOs. Across all programs, this adjustment results in a net increase of 0.3 percent to the capitation rates. However, this is a budget neutral impact to AHCCCS. Reinsurance is a risk-sharing arrangement with the MCOs for the reimbursement of certain service costs incurred for a member beyond a predetermined monetary threshold (deductible). The increase in the deductible level shifts more risk to the MCOs and thus increases their financial incentives to promote long term cost containment. By moving this additional up-front risk to MCOs, a one-time corresponding increase to capitation rates is necessary to maintain actuarial soundness.

Administration, Care Management, and Case Management

Across all programs, the adjustment of rates to address the costs to administer the programs and manage care for AHCCCS enrollees accounts for a net change of 0.7 percent. This includes increases to the underwriting gain percentage in CYE 2024 for the ACC, ACC-RBHA, and ALTCS-EPD populations. The underwriting gain is a non-benefit cost that covers contributions to reserves, risk margin, and cost of capital for the MCOs.

Drivers of Growth Related to COVID-19

An increase of 1.3 percent in the capitation rates is attributable to COVID-19, primarily driven by the expectation that as part of the unwinding of the COVID-19 PHE, and the end of the continuous coverage requirement, lower cost members will disenroll from Medicaid during CYE 2023 and CYE 2024, causing an increase in the average cost profile of the remaining Medicaid members. To account for this change in the average cost profile, AHCCCS actuaries applied acuity adjustment factors to the rates.

The acuity adjustment factors are applied to the ACC and ACC-RBHA rates. The acuity adjustment factors incorporated into capitation rate development include several assumptions about the rate of disenrollments and the prevalence and length of appeals of adverse eligibility determinations over the timeframe from July 2023 through December 2023, based on information gleaned from April 2023 through June 2023 disenrollments, combined with historical information from before the pandemic. If the actual enrollment changes are materially different than projected, the acuity adjustment factors may need to be revisited. If, after review, the actuaries determine that adjustments to the capitation rates are necessary, a new contract with the revised capitation rates will be submitted, and if the change

results in a capitation rate for any rate cell changing by more than the +/- 1.5% (de minimis allowable by CMS without recertification), an amended actuarial certification will be submitted.

Note that the CYE 2024 capitation rates include reduced adjustments associated with service interruptions and levels of COVID-19 testing compared to the CYE 2023 capitation rates. The CYE 2024 capitation rates also do not include costs for administration of COVID-19 vaccines, as these are funded with a 100 percent federal match rate through September 30, 2024. The exclusion of COVID-19 vaccine costs from the CYE 2024 capitation rates is consistent with CYE 2022 and CYE 2023 capitation rates. AHCCCS will incorporate projections for these costs in capitation rates effective October 1, 2024, and after.

Changes in Capitation Rates by Program

ACC Renewal Rates

The CYE 2024 renewal rates for the ACC program risk groups reflect a decrease of (0.95 percent) from the most recently submitted rates effective October 1, 2022. Several factors contributed to the change:

- (3.75 percent) for rebase and trend adjustments,
- (0.14 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- (0.05 percent) for other program changes including MCO pharmacy rebates,
- 0.41 percent for the reinsurance deductible change,
- 0.66 percent for administrative and case management, and
- 1.91 percent for COVID-19-related measures.

Please see Appendix Table 2 for more detail.

ACC-RBHA Renewal Rates

The CYE 2024 renewal rates for the ACC-RBHA program risk groups reflect an increase of 8.71 percent from the most recently submitted rates effective October 1, 2022. Several factors contributed to the change:

- 6.50 percent for rebase and trend adjustments,
- (0.21 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- (0.01 percent) for other program changes including MCO pharmacy rebates,
- 0.05 percent for the reinsurance deductible change,
- 0.26 percent for administrative and case management, and
- 2.12 percent for COVID-19-related measures.

Laws 2023, Chapter 133 includes a footnote stating:

“The legislature intends that the percentage attributable to administration and profit for the regional behavioral health authorities be nine percent of the overall capitation rate.”

The percentage attributable to administration and profit of the actuarially sound CYE 2024 capitation rates and lump sum directed payments, for the unique RBHA services, is 8.25 percent.

Please see Appendix Table 3 for more detail.

DCS CHP Renewal Rates

The CYE 2024 renewal rates for CHP reflect an increase of 2.20 percent from the most recently submitted rates effective October 1, 2022. Several factors contributed to the change:

- (3.68 percent) for rebase and trend adjustments,
- 0.16 percent for provider reimbursement changes (fee schedule and differential provider rates),
- 1.27 percent for other program changes including MCO pharmacy rebates,
- 1.32 percent for the reinsurance deductible change,
- 4.18 percent for administrative and case management, and
- (1.05 percent) for COVID-19-related measures.

Please see Appendix Table 4 for more detail.

ALTCS-EPD Renewal Rates

The CYE 2024 renewal rates for ALTCS-EPD reflect an increase of 3.99 percent from the most recently submitted rates effective October 1, 2022. Several factors contributed to the change:

- 6.13 percent for rebase and trend adjustments,
- (2.95 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- 0.00 percent for other program changes including MCO pharmacy rebates,
- 0.25 percent for the reinsurance deductible change,
- 0.64 percent for administrative and case management, and
- (0.08 percent) for COVID-19-related measures.

Please see Appendix Table 5 for more detail.

ALTCS-DD Renewal Rates

The CYE 2024 renewal rates for ALTCS-DD reflect a decrease of (0.79 percent) from the most recently submitted rates effective October 1, 2022. Several factors contributed to the change:

- 0.11 percent for rebase and trend adjustments,
- (3.98 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- 2.08 percent for other program changes including MCO pharmacy rebates,
- 0.01 percent for the reinsurance deductible change,
- 1.03 percent for administrative and case management, and
- (0.04 percent) for COVID-19-related measures.

Additionally, CYE 2024 rates for targeted case management (TCM) reflect an increase of 2.7 percent from the most recently submitted rates effective October 1, 2022.

Please see Appendix Table 6 for more detail.

Lump Sum Payments

In addition to capitation amounts that are paid on a PMPM basis, AHCCCS also makes lump sum payments to MCOs that are associated with specific initiatives. Key initiatives are highlighted and summarized below.

Access to Professional Services Initiative

The Access to Professional Services Initiative (APSI) provides a uniform percentage increase to reimbursement for qualified practitioners. Under 42 CFR § 438.6(c), this is considered a “directed payment” arrangement and is subject to prior approval by CMS. The increase in reimbursement under this initiative ensures access to care for AHCCCS members and will allow providers to achieve quality outcomes, including reducing readmissions and increasing preventative screenings, that help to bend the health care cost curve. APSI provides a uniform percentage increase of 75 percent to otherwise contracted rates for qualified practitioners for all claims for which AHCCCS is the primary payer. The rate increase is intended to supplement, not supplant, payments to eligible providers. The initiative is funded via intergovernmental transfers (IGTs) and no General Fund monies are required. The total estimated payment amount for CYE 2024 is \$238.6 million Total Fund.

Alternative Payment Model Initiative – Performance-Based Payments

In CYE 2016, AHCCCS began reimbursing MCOs under the Alternative Payment Model (APM) Initiative-Performance-Based Payments (PBP) Incentive. Under 42 CFR §§ 438.6(a) and (b), these payments are considered an incentive arrangement that provides limited funding to MCOs to support activities that advance the AHCCCS Quality Strategy. The purpose of the initiative is specifically to promote MCO activities that focus on quality improvement and that result in improved health outcomes and cost

containment. This initiative is a key component to the AHCCCS goal to pursue and implement long term strategies that bend the cost curve while improving member health outcomes. PBP funding allows MCOs to make incentive payments to providers that meet specific performance objectives or criteria. Excluding DES/DDD, for CYE 2022 the total payment amount, which will be paid during CYE 2024, is estimated to be \$69.3 million Total Fund.

HEALTHII Payments

Laws 2020, Chapter 46, Section 2 established a new hospital assessment that is deposited into the Health Care Investment Fund and used to make Hospital Enhanced Access Leading to Health Improvements Initiative (HEALTHII) directed payments (authorized under 42 CFR § 438.6(c) and subject to prior approval by CMS) to hospitals and to increase base reimbursement for services reimbursed by AHCCCS under the dental fee schedule and physician fee schedule. The HEALTHII payments are made as lump sum payments outside of base capitation rates, and so do not contribute to overall capitation rate growth. The total payments for HEALTHII during CYE 2024 are estimated to be \$2.26 billion, and do not include any General Fund monies.

Nursing Facility - Supplemental Payments

The 2016 Medicaid Managed Care Final Rule required that pass-through payments to physicians and nursing facilities be phased out within five years of the effective date of the final rule. AHCCCS therefore transitioned the previous nursing facility pass-through payments into a 42 CFR § 438.6(c) directed payment arrangement, subject to prior approval by CMS. The Nursing Facility – Supplemental Payments (NF-SP) provide a uniform dollar increase per bed day for qualified facilities. The rate increase is intended to supplement, not supplant, payments to eligible providers. The NF-SP initiative is funded by the quarterly nursing facility assessments and no General Fund monies are required. The total NF-SP amounts for CYE 2024 are estimated to be \$95.9 million Total Fund.

Pediatric Services Initiative

The Pediatric Services Initiative (PSI) is a directed payment arrangement under 42 CFR § 438.6(c) and is subject to prior approval by CMS. PSI provides an estimated uniform percentage increase of 19 percent for hospital services provided by a freestanding children's hospital or pediatric unit of a general acute care hospital with more than 100 beds. The increase in reimbursement under PSI ensures access to care for pediatric members and will support provider strategies to manage care for those members with complex conditions. Specifically, this program is anticipated to help reduce unplanned readmissions and hospital-acquired conditions, and thereby bend the health care cost curve. This initiative is funded via IGTs, and no General Fund monies are required. The total estimated payment amount for CYE 2024 is \$71.3 million Total Fund.

Targeted Investments 2.0 Payments

Under the approved 1115 Waiver, AHCCCS has a Targeted Investments 2.0 (TI 2.0) initiative which supports Arizona's goal to fully transform the Medicaid delivery system to an integrated whole person care structure by encouraging providers to thoughtfully develop infrastructure and protocols to optimize

coordination of services designed to meet the member's acute, behavioral, and health-related social needs and address identified health inequities amongst their patient population. AHCCCS will achieve this goal by supporting providers throughout the state to develop and enhance care coordination processes with health care and community-based organizations and provide guidance, tools, and technical assistance for internal population health analyses. The TI 2.0 initiative is a directed payment arrangement under 42 CFR § 438.6(c), subject to prior approval by CMS, and is funded via Designated State Health Programs (DSHP) and IGT funding; no General Fund monies are required. The total payments for TI 2.0 during CYE 2024 are estimated to be \$60.3 million Total Fund.

Additional Information

Cost Avoidance

AHCCCS' contracted MCOs cost-avoid millions in medical costs in accordance with AHCCCS contracts and policies, which contributes to the modest growth in overall medical expense and capitation rates. The following discussion is provided for informational purposes only and highlights the historical savings of these activities.

Inherent in the encounter and financial data used by the actuaries to set the capitation rates are unit cost trends which incorporate MCOs' Coordination of Benefits (COB) activities. AHCCCS provides MCOs with verified commercial and Medicare coverage information for their members which they use to ensure payments are not made for medical services that are covered by the other carriers. When MCOs make a payment to cover members' coinsurance, deductibles, or Medicaid-covered services that are not covered by the other carriers, they submit encounters containing these reduced amounts.

Table IV below shows a significant increase in encounter-reported COB cost avoidance from SFY 2008 to SFY 2023 among all MCOs. Those services are excluded completely from capitation rate development. AHCCCS continues to emphasize the importance of COB activities with its contracted MCOs.

Table IV. Coordination of Benefits (COB) Cost Avoidance

Program		COB Cost Avoidance (Encounters) (millions)		
SFY 2008	SFY 2023	SFY 2008	SFY 2023	Δ
Acute	ACC and RBHA	\$391	\$1,154	189%
CRS		\$0.03		
RBHA		\$8		
DCS CMDP	DCS CHP	\$0.01	\$0.40	5,205%
ALTCS-EPD	ALTCS-EPD	\$130	\$275	112%
ALTCS-DD	ALTCS-DD	\$16	\$95	494%
All Programs		\$545	\$1,525	180%

The actuarial certifications for the capitation rates are attached. Should you have any questions on any of these issues, please feel free to contact Erica Johnson, Chief Actuary, at erica.johnson@azahcccs.gov.

Sincerely,



Carmen Heredia
Director

cc: The Honorable John Kavanaugh, Vice Chairman, Joint Legislative Budget Committee
Richard Stavneak, Director, Joint Legislative Budget Committee
Zaida Dedolph Piecoro, Health Policy Advisor, Office of the Governor
Sarah Brown, Director, Office of Strategic Planning and Budgeting
Cameron Dodd, Senior Budget Analyst, Office of Strategic Planning and Budgeting

Appendix Table 1A
CYE 2024 Medicaid Capitation Rates

Program	CYE 23 Rate			CYE 24 Rate			CYE 24 Change from CYE 23 Rates		
	Unrelated to COVID-19	Related to COVID-19	Total	Unrelated to COVID-19	Related to COVID-19	Total	1	2	3
							Unrelated to COVID-19	Related to COVID-19	Total
ACC	\$412.38	\$4.71	\$417.09	\$400.42	\$12.69	\$413.11	(2.9%)	1.9%	(1.0%)
ACC-RBHA	\$61.11	\$0.61	\$61.72	\$65.18	\$1.91	\$67.09	6.6%	2.1%	8.7%
CHP	\$1,267.31	\$26.34	\$1,293.65	\$1,309.34	\$12.78	\$1,322.12	3.2%	(1.0%)	2.2%
ALTCS-EPD	\$5,282.01	\$3.80	\$5,285.80	\$5,496.72	(\$0.22)	\$5,496.50	4.1%	(0.1%)	4.0%
AHCCCS Total							1.6%	(0.7%)	0.9%
ALTCS-DD	\$5,940.92	\$98.93	\$6,039.85	\$5,994.16	(\$1.89)	\$5,992.26	0.9%	(1.7%)	(0.8%)
TCM	\$216.33	\$0.00	\$216.33	\$222.25	\$0.00	\$222.25	2.7%	0.0%	2.7%
DES/DDD Total							(1.7%)	0.9%	(0.8%)
AHCCCS and DES/DDD Total							(0.4%)	1.0%	0.6%

Appendix Table 1B
CYE 2024 Capitation Rates by Risk Group

ACC	CYE 24 Proj MMs	CYE 23 Rates	CYE 24 Rates	Projected Expenditures		Total Change from CYE 23 Rates
		Total	Total	CYE 23 Rates	CYE 24 Rates	
				CYE 24 Proj MMs	CYE 24 Proj MMs	
AGE < 1	535,123	\$ 678.63	\$ 762.60	\$ 363,149,400	\$ 408,087,400	12.4%
AGE 1-20	9,200,128	\$ 200.31	\$ 213.58	\$ 1,842,833,300	\$ 1,964,946,500	6.6%
AGE 21+	3,673,036	\$ 435.02	\$ 427.92	\$ 1,597,830,900	\$ 1,571,759,700	(1.6%)
Duals	1,519,160	\$ 161.96	\$ 169.95	\$ 246,045,000	\$ 258,181,900	4.9%
SSIWO	659,783	\$ 1,309.69	\$ 1,304.54	\$ 864,113,100	\$ 860,712,100	(0.4%)
ESA	4,846,560	\$ 682.35	\$ 640.92	\$ 3,307,072,700	\$ 3,106,276,800	(6.1%)
NEA	1,218,001	\$ 471.83	\$ 443.51	\$ 574,690,500	\$ 540,190,500	(6.0%)
Delivery	32,254	\$ 7,288.25	\$ 7,271.14	\$ 235,075,100	\$ 234,523,200	(0.2%)
Total	21,684,045	\$ 417.09	\$ 412.50	\$ 9,030,810,000	\$ 8,944,678,100	(1.0%)

ACC-RBHA	CYE 24 Proj MMs	CYE23 Rates	CYE 24 Rates	Projected Expenditures		Total Change from CYE 23 Rates
		Total	Total	CYE 23 Rates	CYE 24 Rates	
				CYE 24 Proj MMs	CYE 24 Proj MMs	
SMI	580,903	\$ 2,166.20	\$ 2,344.71	\$ 1,258,354,800	\$ 1,362,047,700	8.2%
Crisis	22,761,340	\$ 8.01	\$ 8.96	\$ 182,287,200	\$ 204,024,400	11.9%
Total	23,342,243	\$ 61.72	\$ 67.09	\$ 1,440,642,000	\$ 1,566,072,100	8.7%

ALTCS-EPD	CYE 24 Proj MMs	CYE23 Rates	CYE 24 Rates	Projected Expenditures		Total Change from CYE 23 Rates
		Total	Total	CYE 23 Rates	CYE 24 Rates	
				CYE 24 Proj MMs	CYE 24 Proj MMs	
Dual	264,572	\$4,397.50	\$ 4,614.48	\$ 1,163,455,300	\$ 1,220,862,600	4.9%
Non-Dual	57,142	\$9,398.76	\$ 9,580.37	\$ 537,062,000	\$ 547,439,700	1.9%
Total	321,714	\$ 5,285.80	\$ 5,496.50	\$ 1,700,517,300	\$ 1,768,302,300	4.0%

DCS CHP	CYE 24 Proj MMs	CYE23 Rates	CYE 24 Rates	Projected Expenditures		Total Change from CYE 23 Rates
		Total	Total	CYE 23 Rates	CYE 24 Rates	
				CYE 24 Proj MMs	CYE 24 Proj MMs	
Integrated Rate	118,621	\$ 1,293.65	\$1,322.12	\$ 153,454,700	\$ 156,831,300	2.2%
AHCCCS TOTAL	22,705,284			\$ 12,325,424,000	\$ 12,435,883,800	0.9%

DES/DDD	CYE 24 Proj MMs	CYE23 Rates	CYE 24 Rates	Projected Expenditures		Total Change from CYE 23 Rates
		Total	Total	CYE 23 Rates	CYE 24 Rates	
				CYE 24 Proj MMs	CYE 24 Proj MMs	
ALTCS-DD	501,977	\$ 6,039.85	\$ 5,992.26	\$ 3,031,863,300	\$ 3,007,976,500	(0.8%)
Targeted Case Management	80,543	\$ 216.33	\$ 222.25	\$ 17,423,900	\$ 17,900,500	2.7%
DES/DDD Total	582,520	\$ 5,234.65	\$ 5,194.46	\$ 3,049,287,200	\$ 3,025,877,000	(0.8%)
AHCCCS & DES/DDD TOTAL	23,287,803			\$ 15,374,711,200	\$ 15,461,760,800	0.6%

Appendix Table 1C
CYE 2024 Capitation Rate Change by Component

Program	Unrelated to COVID-19								Related to COVID-19			All
	Rebase	Trend	Fee Schedule Changes	DAP	Program Changes	Rx Rebates	Reins. Change	Admin, Care Mgt, Case Mgt	COVID-19 Tests & Vaccines	Other Program Changes	Acuity Adjustment	Total
ACC	(2.3%)	(1.4%)	(0.1%)	(0.0%)	0.0%	(0.0%)	0.4%	0.7%	(0.5%)	(0.4%)	2.8%	(1.0%)
ACC-RBHA	3.8%	2.7%	0.2%	(0.4%)	(0.0%)	0.0%	0.0%	0.3%	(0.0%)	(0.0%)	2.2%	8.7%
ALTCS-EPD	6.1%	0.0%	(3.0%)	0.0%	(0.0%)	0.0%	0.2%	0.6%	(0.1%)	0.0%	0.0%	4.0%
CHP	(5.6%)	1.9%	0.0%	0.1%	1.3%	0.0%	1.3%	4.2%	(0.3%)	(0.8%)	0.0%	2.2%
AHCCCS Total %	(0.5%)	(0.7%)	(0.5%)	(0.1%)	0.0%	(0.0%)	0.4%	0.7%	(0.4%)	(0.3%)	2.3%	0.9%
AHCCCS \$ (Millions)	(\$58.2)	(\$88.3)	(\$57.4)	(\$8.6)	\$1.1	(\$3.5)	\$43.8	\$81.0	(\$46.2)	(\$36.2)	\$282.8	\$110.5
DES/DDD Total %	1.9%	0.7%	(3.2%)	0.1%	0.3%	(0.0%)	0.0%	1.0%	(0.0%)	(1.6%)	0.0%	(0.8%)
DES/DDD \$ (Millions)	\$58.2	\$22.3	(\$97.8)	\$2.2	\$10.4	(\$0.1)	\$0.2	\$31.8	(\$1.3)	(\$49.3)	\$0.0	(\$23.4)
AHCCCS & DES/DDD Total %	(0.0%)	(0.4%)	(1.0%)	(0.0%)	0.1%	(0.0%)	0.3%	0.7%	(0.3%)	(0.6%)	1.8%	0.6%
Total \$ (Millions)	(\$0.0)	(\$66.0)	(\$155.2)	(\$6.3)	\$11.5	(\$3.6)	\$44.0	\$112.8	(\$47.4)	(\$85.5)	\$282.8	\$87.0

Appendix Table 2
AHCCCS Complete Care (ACC) Program
CYE 2024 Capitation Rate Development

Average CYE 2023 Rate	PMPM \$417.09	
CYE 2024 Adjustments Unrelated to COVID-19	PMPM Change	% Change
Rebase	(\$9.64)	(2.31%)
Trend	(\$6.01)	(1.44%)
Fee Schedule Changes	(\$0.14)	(0.03%)
DAP	(\$0.46)	(0.11%)
Program Changes	\$0.02	0.00%
Rx Rebates	(\$0.21)	(0.05%)
Reinsurance Deductible Change	\$1.70	0.41%
Administrative, Case Management, and Care Management	\$2.77	0.66%
CYE 2024 Adjustments Unrelated to COVID-19	(\$11.96)	(2.87%)
CYE 2024 Adjustments Related to COVID-19	PMPM Change	% Change
COVID-19 Tests and Vaccines	(\$2.02)	(0.5%)
Other Program Changes	(\$1.59)	(0.4%)
Acuity Adjustment	\$11.59	2.78%
CYE 2024 Adjustments Related to COVID-19	\$7.98	1.91%
Average CYE 2024 Rate	\$413.11 (0.95%)	

Appendix Table 3
AHCCCS Complete Care - Regional Behavioral Health Agreement (ACC-RBHA) Program
CYE 2024 Capitation Rate Development

Average CYE 2023 Rate	PMPM \$61.72	
CYE 2024 Adjustments Unrelated to COVID-19	PMPM Change	% Change
Rebase	\$2.37	3.85%
Trend	\$1.64	2.66%
Fee Schedule Changes	(\$0.26)	(0.43%)
DAP	\$0.13	0.22%
Program Changes	(\$0.02)	(0.04%)
Rx Rebates	\$0.02	0.03%
Reinsurance Deductible Change	\$0.03	0.05%
Administrative, Case Management, and Care Management	\$0.16	0.26%
CYE 2024 Adjustments Unrelated to COVID-19	\$4.07	6.59%
CYE 2024 Adjustments Related to COVID-19	PMPM Change	% Change
COVID-19 Tests and Vaccines	\$1.36	2.2%
Other Program Changes	(\$0.03)	(0.0%)
Acuity Adjustment	(\$0.03)	(0.05%)
CYE 2024 Adjustments Related to COVID-19	\$1.31	2.12%
Average CYE 2024 Rate	\$67.09	8.71%

Appendix Table 4
Comprehensive Health Plan (CHP) Program
CYE 2024 Capitation Rate Development

Average CYE 2023 Rate	PMPM \$1,293.65	
CYE 2024 Adjustments Unrelated to COVID-19	PMPM Change	% Change
Rebase	(\$72.70)	(5.62%)
Trend	\$25.12	1.94%
Fee Schedule Changes	\$1.48	0.11%
DAP	\$0.53	0.04%
Program Changes	\$16.42	1.27%
Rx Rebates	\$0.01	0.00%
Reinsurance Deductible Change	\$17.10	1.32%
Administrative, Case Management, and Care Management	\$54.08	4.18%
CYE 2024 Adjustments Unrelated to COVID-19	\$42.03	3.25%
CYE 2024 Adjustments Related to COVID-19	PMPM Change	% Change
COVID-19 Tests and Vaccines	(\$3.53)	(0.3%)
Other Program Changes	(\$10.03)	(0.78%)
CYE 2024 Adjustments Related to COVID-19	(\$13.57)	(1.05%)
Average CYE 2024 Rate	\$1,322.12	2.20%

Appendix Table 5
Arizona Long Term Care System - Elderly and Physical Disability (ALTCS-EPD) Program
CYE 2024 Capitation Rate Development

Average CYE 2023 Rate	PMPM \$5,285.80	
CYE 2024 Adjustments Unrelated to COVID-19	PMPM Change	% Change
Rebase	\$322.34	6.10%
Trend	\$1.69	0.03%
Fee Schedule Changes	\$1.34	0.03%
DAP	(\$157.27)	(2.98%)
Program Changes	(\$1.85)	(0.04%)
Rx Rebates	\$1.60	0.03%
Reinsurance Deductible Change	\$12.97	0.25%
Administrative, Case Management, and Care Management	\$33.89	0.64%
CYE 2024 Adjustments Unrelated to COVID-19	\$214.71	4.06%
CYE 2024 Adjustments Related to COVID-19	PMPM Change	% Change
COVID-19 Tests and Vaccines	(\$4.02)	(0.08%)
CYE 2024 Adjustments Related to COVID-19	(\$4.02)	(0.08%)
Average CYE 2024 Rate	\$5,496.50	3.99%

Appendix Table 6
Arizona Long Term Care System - Developmental Disabilities (ALTCS-DD) Program
CYE 2024 Capitation Rate Development

	Regular DD		Targeted Case Management	
	PMPM		PMPM	
Average CYE 2023 Rate	\$6,039.85		\$216.33	
CYE 2024 Adjustments Unrelated to COVID-19	PMPM Change	% Change	PMPM Change	% Change
Rebase	\$115.86	1.92%	\$0.00	0.00%
Trend	\$44.47	0.74%	\$0.00	0.00%
Fee Schedule Changes	\$4.48	0.07%	\$0.00	0.00%
DAP	(\$194.83)	(3.23%)	\$0.00	0.00%
Program Changes	\$20.62	0.34%	\$0.00	0.00%
Rx Rebates	(\$0.16)	(0.00%)	\$0.00	0.00%
Reinsurance Deductible Change	\$0.41	0.01%	\$0.00	0.00%
Administrative, Case Management, and Care Management	\$62.38	1.03%	\$5.92	2.74%
CYE 2024 Adjustments Unrelated to COVID-19	\$53.24	0.88%	\$5.92	2.74%
CYE 2024 Adjustments Related to COVID-19	PMPM Change	% Change	PMPM Change	% Change
COVID-19 Tests and Vaccines	(\$2.52)	(0.04%)	\$0.00	0.00%
CYE 2024 Adjustments Related to COVID-19	(\$2.52)	(0.04%)	\$0.00	0.00%
Average CYE 2024 Rate	\$5,992.26	(0.79%)	\$222.25	2.74%