

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

ROBERT "BOB" BURNS
CHAIRMAN 2004
MARK ANDERSON
MARSHA ARZBERGER
TIMOTHY S. BEE
ROBERT CANNELL, M.D.
JACK W. HARPER
DEAN MARTIN
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HOUSE OF
REPRESENTATIVES

RUSSELL K. PEARCE
CHAIRMAN 2003
ANDY BIGGS
MEG BURTON CAHILL
EDDIE FARNSWORTH
LINDA GRAY
STEVE HUFFMAN
JOHN HUPPENTHAL
LINDA J. LOPEZ

JOINT LEGISLATIVE BUDGET COMMITTEE

Thursday, October 14, 2004

9:30 a.m.

Senate Appropriations Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of September 21, 2004.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ADOPTION OF REVISED COMMITTEE RULES AND REGULATIONS.](#)
- 2. [ARIZONA BOARD OF REGENTS - Review of FY 2005 Tuition Revenues and Report on University Pay Plan.](#)
- 3. [ARIZONA STATE PARKS BOARD - Review of Additional FY 2005 Reservation Surcharge Fund Expenditures.](#)
- 4. [ARIZONA DEPARTMENT OF TRANSPORTATION -- Review of Ports of Entry Report.](#)
- 5. [DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS - Report on Homeland Security.](#)
- 6. [DEPARTMENT OF CORRECTIONS - Report on New Beds and Projects.](#)
- 7. [DEPARTMENT OF ECONOMIC SECURITY - Report on Child Protective Services Issues.](#)
- 8. [JLBC STAFF/ARIZONA SCHOOLS FOR THE DEAF AND THE BLIND - Report on Additional Classroom Site Fund Monies.](#)
- 9. [DEPARTMENT OF JUVENILE CORRECTIONS - Report on Federal Audit Issues.](#)
- 10. [DEPARTMENT OF HEALTH SERVICES/AHCCCS - Report on Health Crisis Fund.](#)

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

10/06/04

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 542-5491.

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

September 21, 2004

The Chairman called the meeting to order at 9:40 a.m., Tuesday, September 21, 2004, in Senate Appropriations Room 109. The following were present:

Members:	Senator Burns, Chairman	Representative Pearce, Vice-Chairman
	Senator Anderson	Representative Biggs
	Senator Bee	Representative Burton Cahill
	Senator Cannell	Representative Gray
	Senator Harper	Representative Lopez
	Senator Martin	
	Senator Rios	
Absent:	Senator Arzberger	Representative Farnsworth
		Representative Huffman
		Representative Huppenthal

APPROVAL OF MINUTES

Senator Burns moved that the Committee approve the minutes of August 17, 2004. The motion carried.

DIRECTOR'S REPORT

Mr. Richard Stavneak, Director, JLBC Staff, said that the Chairman has discussed appointing a few JLBC members to serve on a Retirement Subcommittee to learn about potential increases in state retirement rates. The current state rate is 5.2% plus 0.5% for disability. We have seen some preliminary figures that suggest that rate could go up by approximately 2.5%.

EXECUTIVE SESSION

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

At 9:50 a.m., the Joint Legislative Budget Committee went into Executive Session.

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

At 10:25 a.m. the Committee reconvened into open session.

Representative Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the case of *Richerson v. State of Arizona, et al.* The motion carried.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS) – Review of Capitation Rate Changes.

Mr. Tim Sweeney, JLBC Staff, said AHCCCS is proposing a 2005 capitation rate increase of approximately 5.7%, while the 2005 budget assumed rate increases of about 6%.

Senator Harper asked if they still had a co-pay.

Mr. Sweeney said that for Proposition 204 some of the population that did have co-pays, however, the courts said that they cannot charge mandatory co-pays.

Senator Harper asked if the utilization has gone up or down based on the timeframe of when there were and were not co-pays.

Mr. Tom Betlach, Deputy Director, AHCCCS, said that they are getting preliminary information in terms of utilization when the co-pay was in effect from October 1 through April. They do not have good data from April on, once the federal court placed an injunction. There is usually a 6-month lag in the reports.

Representative Huppenthal asked what percentage is of the total marketplace that AHCCCS is covering relative to private sector plans, and has anyone been tracking AHCCCS' coverage of the population.

Mr. Betlach said that AHCCCS covers approximately 18% of Arizona.

Representative Huppenthal asked how much incentive payments are costing.

Mr. Betlach said the incentive payments are \$1.5 million.

Senator Burns noted that AHCCCS is making some policy decisions and they indicated in one case that it is not discretionary. There are costs involved in making decisions on these policy changes.

Mr. Betlach said they identified costs that were built in to the capitation rates and contract associated with the 3 issues, as they were asked to do in the General Appropriation Act. They felt it was necessary to try to do something in the obesity program to get data from members so they would have it to report back to CMS. Also to help provide incentives for health plans to deal with 4 strategic areas that they feel are important.

Senator Burns said the main job of the legislative body is to set policy and he questioned whether AHCCCS intends to come back before the Committee in the next cycle with requests for funding to give the Committee time to review the policies they are proposing.

Mr. Betlach said they have submitted a budget to OSPB and JLBC Staff. In the budget they outlined what they felt was necessary to operate the program in FY 2006.

Senator Burns said that especially in the area of the obesity program, when these issues come back through the legislative process, as far as the policy issue is concerned, they certainly get more exposure and debate than they do in the conference room at AHCCCS.

Senator Cannell said that the Legislature has been involved in the obesity program. There have been presentations to the Health Committee on both sides and several members are involved with Department of Health Services (DHS) in trying to address this problem.

Representative Biggs asked Mr. Betlach to explain an item called family planning in the proposed capitation rate increases.

Mr. Betlach and Ms. Kari Price, AHCCCS, provided an explanation.

Representative Biggs requested a copy of the requirements for the Family Planning program. Ms. Price said she would forward that to him.

There was further discussion of the policy changes in the capitation rate.

Representative Huppenthal asked on the supplemental issue, how membership and known capitation rates compare with what was projected for the budget.

Mr. Betlach said that they submitted a budget on September 1 that identified a shortfall of about \$30 million. To put that in perspective, when they submitted last year at the same time, they identified a shortfall of about \$25 million.

Senator Cannell commented that AHCCCS is trying to save money just as the Legislature is. We lose money when we cut people out of basic health care.

Representative Pearce said that we need to have honest debate before we expand these programs, as well intended as they are. We need to make sure people are eligible and not defrauding the program.

Senator Rios said that the programs AHCCCS is promoting, helps our taxpayers with preventative programs. He said he commends the agency for helping people and the quality of life.

Representative Burton Cahill said that in some ways we penalize employers that provide good insurance for their employees. It is a cost to the businesses and is a responsible thing to do. There are businesses that are not providing insurance to their employees and asked if there is any data of the number of businesses that provide affordable insurance to employees. She asked staff for more information on this issue.

Representative Pearce moved that the Committee give a favorable review with the provision that AHCCCS should seek approval of its 3 discretionary policy changes, with a General Fund cost of \$1.2 million, through the regular FY 2006 budget process rather than incorporate them into the FY 2005 capitation rate. The motion carried.

Senator Rios moved a substitute motion that the Committee give a favorable review of AHCCCS' proposed capitation rates as requested. The motion failed.

A vote was taken on the original motion by Representative Pearce. The motion carried

JLBC STAFF – Consider Approval of Index for Construction Costs.

Mr. Jake Corey, JLBC Staff, said that this item is to consider approval of the index for construction costs.

Representative Pearce asked how often costs are above or below the current formula.

Mr. Corey said currently SFB is able to build almost all schools within the current formula amounts.

Mr. John Arnold, Deputy Director for Finance, SFB, said he would obtain that data for the Committee, but he remembers that 1 school over the last 12 months was not built within the formula, a very small school in Yavapai County. Generally, the districts design the schools to use up all of the formula.

Mr. Arnold responded to Representative Pearce that the SFB does have the authority to fund the school above the formula.

Representative Pearce said that the Arizona Department of Education said there is a lower than projected enrollment in K-12. He asked if that means fewer schools will be built.

Mr. Arnold said they look at enrollment on a district-by-district basis as opposed to a statewide basis. Typically high schools costs more to build than K-12 schools. The overall costs depends on which population growth is shrinking or growing.

Representative Pearce moved that the Committee approve an increase in the cost-per-square-foot factors for the School Facilities Board based on the U.S. Department of Commerce: Bureau of Economic Analysis (BEA) index for "State and Local Government Investment – Structures." The motion carried.

ARIZONA COMMISSION ON THE ARTS – Review of the Arizona Arts Endowment Fund and Private Contributions.

Mr. Nick Klingerman, JLBC Staff, said each year the Committee reviews the Commission on the Arts records regarding private monies donated for use in conjunction with public monies in the Arizona Arts Endowment Fund.

Ms. Shelley Cohn, Executive Director, Arizona Commission on the Arts, said that they have prepared a report that they will distribute to the Committee (Attachment 1). She said when the Arts Endowment was created in 1996 the expectation was that an equal amount of money would be raised by the private sector. They report over the course of the bill that over \$28 million has been raised by the private sector. That is equal to what their goal was at the end of 10 years when the state's portion would equal \$20 million. Currently, there is \$9 million from the state portion in the Endowment Fund. There was an understanding that in some years the economy would be at such a level that fundraising would be much easier than it has been in the last couple of years. In aggregate, over the period of the Endowment, they have far surpassed the goals that were set out when it was established.

Representative Pearce asked what the Commission has done to raise private donations.

Ms. Cohn said that they work jointly with the arts community and arts organizations to identify both current opportunities for funding for endowments. They use the idea that the state is contributing to an endowment as leverage when they go to private donors to stimulate and solicit money.

Representative Pearce said recently private donations has declined and he asked why the state should not go to a dollar-for-dollar match on this fund.

Ms. Cohn said the understanding that she has of when the bill was passed was that there would be a good-faith effort. It is not a requirement in the bill that there be private donations. Ms. Cohn said that a dollar-for-dollar match would be something for the Legislature to determine.

Representative Burton Cahill asked where Arizona stands with other states with regards to arts funding from the state.

Ms. Cohn said their national association does a study every year to look at an on-per-capita basis the standing of states and their per capita support of funding for the arts, and we are at 31 this year. She said they did a study on corporations but its very out-of-date and the environment has changed. There has been a regional Arts and Culture Task Force that has just released a report that talks about the business case for the arts and why funding from all sources is important to create an environment where business wants to locate.

Representative Burton Cahill asked for a copy of that report for the Committee members.

Senator Harper asked what article of the State Constitution calls for funding for the Arts.

Ms. Cohn said that they were created as a state agency in 1969 and their enabling legislation establishes them as an agency of state government.

Representative Pearce moved that the Committee give a favorable review of the report by the Commission for the Arts on private monies that are donated for use in conjunction with public monies from the Arizona Arts Endowment Fund with the provision that the Arts Commission provides a report on its efforts to increase future private donations. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY (DES) – Report on Workforce Investment Act (WIA) Issues.

Mr. John Malloy, JLBC Staff said this item is for information only and no Committee action is required. DES has submitted performance measures and JLBC Staff believes they are a good start for evaluating programs success. While DES has indicated they will provide more detailed information to the Committee on November 1, Staff recommends that

when the Committee selects strategic program area reviews (SPAR) later in the year, it may want to include workforce development at a topic in order to gain a better perspective.

Ms. Herschella Horton, Legislative Services, DES said the report from DES, in conjunction with the Department of Commerce, and Department of Education including community colleges and the private sector will provide complete answers when submitted on November 1.

In response to Senator Burns, Ms. Horton said they look at every report they can to gain insight.

Representative Pearce said that DES has a surplus in the federal childcare administration funding that can be used for childcare workers for training and yet they are using DES workforce monies. He questioned why not use that surplus money to train the workers.

Ms. Gretchen Logan, Financial Services Administrator, DES, said that there is a surplus and that each year they meet or exceed the federally required quality expenditures. Exceed is key because what is going to happen is in time they are going to hit a cliff. They are trying to push out that cliff as far as possible.

Representative Pearce said that his concern is that we continue to pump more and more money into this and in addition, we do not know how DES is spending federal dollars. This seems to be an opportunity to use federal dollars where it's appropriate and save state dollars.

Ms. Logan said the WIA monies are also federal dollars so DES is not tapping into any state dollars to do this childcare training.

Mr. Stavneak explained that there is a surplus of quality set-aside money and the department is concerned that those will disappear and what will happen once they do. He said that the JLBC Staff and DES will need to have more discussions on what their plans are to expend those monies.

Ms. Horton said that perhaps that is something that could be explained in more depth in the November 1 report.

DEPARTMENT OF PUBLIC SAFETY – Report on DPS Plan for Sworn Officer Salary Increases.

Mr. Tony Vidale, JLBC Staff, said that this item is a report for information only and no Committee action is required. Laws 2004, Chapter 274 appropriates \$4.3 million to the department for sworn officer salary increases and pursuant to a footnote the department was allowed to determine its distribution, and this is a report on that.

Senator Burns asked for the definition of market value.

Mr. Vidale said that the market value is the average salary of DPS officers.

Representative Pearce asked if the market comparison takes into account benefits, such as DPS take-home cars. He also asked if there is data as to why they are leaving. He asked for an analysis on that.

Mr. Vidale said it does not take into account any other benefits or compensation. They looked strictly at base salary. He said that this year 65 sworn officers have left, (23 retired, 37 resigned, and 5 were terminated) through the end of July. Ten of the 37 who resigned transferred to other agencies, and it is unknown where the remaining 27 went.

Senator Anderson asked why some DPS Officers got \$1,000 and others got \$5,000.

Mr. Dennis Garrett, Director, DPS, said some officers who were closer to market got a lower amount than those that were further behind the market.

Representative Pearce asked if they used performance standards or treated everyone the same. He said the Legislature has worked hard to treat everyone with a performance standard where employees can be paid for good performance.

Mr. Garrett said that they do factor in performance standards.

Representative Huppenthal said that as a general rule to a certain degree all the salaries are artificial because there is no marketplace. It is a concern to him when one group gets \$1,000 and another gets \$5,000, because it can damage morale and performance.

Mr. Garrett noted that all employee organizations agreed to the plan up until the end when a small group of officers went in with another plan but DPS did not have time to discuss that prior to approval.

JLBC STAFF/ARIZONA STATE PARKS BOARD – Report on Parks Fees.

Mr. Tim Sweeney, JLBC Staff, said this report is for information only and no Committee action is required. In July the Parks Board adopted new fees that will take effect on October 1, 2004. The changes to the fee schedule are listed in the JLBC memo in the Agenda Book.

Senator Anderson asked how much total revenue is generated from all the fees, and if there are any states that do not charge fees for entry into state parks.

Mr. Sweeney said at this point it is approximately \$10 million, including the revenue at Kartchner Caverns.

Mr. Jay Ziemann, Assistant Director, Arizona State Parks, said that every state charges different prices for different things. It appears that there are a couple of states that may not charge a fee into state parks.

Senator Anderson said it would be nice to not charge a fee for entry.

Senator Harper said there are a lot of costs to maintaining and operating a state park and if its not through fees then it would have to be through taxpayers.

Senator Anderson asked if there was a study to see how much the state is spending to collect those fees.

Mr. Ziemann said collecting fees is only a small part of what a park ranger does.

Senator Cannell asked if Parks is heading for a shortfall and whether there are other means of support.

Mr. Ziemann said their budget has become precarious in the last few years, more so than other state agencies. Enhancement Fund revenues for years were divided between capital projects and operations. For the last 2 years all of this money is being used for operation. This coming year, the State Lake Improvement Fund (SLIF) portion of capital money for state parks is being used for operations.

Representative Pearce said that there are SLIF and Heritage Fund dollars that we may need to set some priorities on and move some dollars around. If the public is not using parks because of high fees, then there is the decision of whether to close it down or not.

Senator Burns asked how the agency normally communicates changes in fees to the Legislature.

Mr. Ziemann said that no fee change occurs without several public hearings, which are held throughout the state. As far as communicating with the Legislature, there is no formal means of doing that.

Senator Harper said the Heritage Fund gives all their grants to cities for new parks, and he asked if they ever give funds to Parks.

Mr. Ziemann said that the Heritage Fund is governed by statute and there are only small portions given to the agency for the acquisition of open space or natural areas. About two-thirds of the Heritage Fund money is granted to communities to develop their own parks.

Senator Harper said if they are giving money to cities for state parks, why cannot the money be used for capital improvements that the Parks Department does not have money for in our existing parks.

Mr. Ziemann said the language in statute is very particular as to what those monies can be used for.

Senator Harper said that he was referring to money that is being diverted from the State Lottery to the Heritage Fund, now it is being used to give money to cities so they can build state parks.

Representative Pearce said that one of the things that has happened over the years with the SLIF dollars is that we are diverting dollars to city projects that was meant for major lakes and major parks in the state. He said there are some funds that are being misused.

Chairman Burns adjourned the meeting at 12:07 p.m.

Respectfully submitted:

Cheryl Kestner, Secretary

Richard Stavneak, Director

Senator Bob Burns, Chairman

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

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DATE: October 6, 2004

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

FROM: Richard Stavneak, Director

SUBJECT: Adoption of Revised Committee Rules and Regulations

The Chairman proposes the following changes in the Committee rules:

Rule 7

- add a new requirement for an annual review of the JLBC Staff Director's performance by the Committee.
- require the full Committee, rather than the Chairman and Vice-Chairman, to set the Director's salary.
- permit the Chairman to name a subcommittee to make recommendations on the Director's salary.

Rule 8

- revise the timeline for agencies to submit a request to appear on the JLBC agenda. A request must now be made 2 weeks prior to the meeting. The revision would require agencies to make the request 3 weeks in advance of the meeting. The rules would retain the existing language that allows the Chairman to place an item on the agenda if an agency has not met the submission deadline.

Please see the attachment for the revised rule language.

RS:lm
Attachment

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 1

NAME OF COMMITTEE AND METHOD OF APPOINTMENT

The name of the Committee is the Joint Legislative Budget Committee, hereinafter referred to as the Committee, consisting of sixteen members designated or appointed as follows:

1. The majority leaders of the Senate and House of Representatives, the Chairmen of the Senate and House of Representatives Appropriations Committees, the Chairman of the Senate Finance Committee and the Chairman of the House of Representatives Ways and Means Committee.
2. Five members of the Senate and five members of the House of Representatives who are members of their Appropriations Committees shall be appointed to the Committee by the President of the Senate and the Speaker of the House of Representatives, respectively.

RULE 2

STATUTORY POWERS AND DUTIES OF THE COMMITTEE

1. The Committee shall ascertain facts and make recommendations to the Legislature relating to the State budget, revenues and expenditures of the State, future fiscal needs, the organization and functions of State agencies or divisions thereof and such other matters incident to the above functions as may be provided for by rules and regulations of the Committee.
2. The Committee shall promulgate rules and regulations for the operation of the Committee.
3. The Committee shall have the powers conferred by law upon legislative committees.
4. The Committee shall make studies, conduct inquiries, investigations and hold hearings.
5. The Committee may meet and conduct its business any place within the State during the sessions of the Legislature or any recess thereof and in the period when the Legislature is not in session.
6. The Committee may establish subcommittees from the membership of the Legislature and assign to such subcommittees any study, inquiry, investigation or hearing, with the right to call witnesses, which the Committee has authority to undertake.

RULE 3

CHAIRMAN OF THE COMMITTEE

The Chairman of the House of Representatives Appropriations Committee shall have a term as Chairman of the Committee from the first day of the First Regular Session to the first day of the Second Regular Session of each Legislature and the Chairman of the Senate Appropriations Committee shall have a term from the first day of the Second Regular Session to the first day of the next Legislature's First Regular Session.

RULE 4

COMMITTEE PROCEEDINGS

The Committee proceedings shall be conducted in accordance with Mason's Manual of Legislative Procedure, except as otherwise provided by these rules.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 5

SUBCOMMITTEES

The Committee may establish subcommittees from the membership of the Legislature and assign to such subcommittees any study, inquiry, investigation or hearing with the right to call witnesses which the Committee has authority to undertake. Each such subcommittee shall include in its membership an equal number of Senate and House of Representatives members.

RULE 6

QUORUM

A majority of the members of the Committee shall constitute a quorum for the transaction of business.

RULE 7

LEGISLATIVE BUDGET ANALYST

The Legislative Budget Analyst (hereinafter "Director") shall be the Staff Director and the Chief Executive Officer of the Committee. The Director shall be appointed by the Committee and shall serve on a full-time basis. ~~with compensation fixed by the Chairman and Vice Chairman of the Committee within the limits prescribed by law.~~ THE COMMITTEE SHALL ANNUALLY REVIEW THE DIRECTOR'S PERFORMANCE AND DETERMINE THE DIRECTOR'S SALARY WITHIN THE LIMITS PRESCRIBED BY LAW. THE CHAIRMAN OF THE COMMITTEE MAY APPOINT A SUBCOMMITTEE TO MAKE RECOMMENDATIONS CONCERNING THESE MATTERS.

In addition to the responsibilities prescribed by A.R.S. § 41-1273, the duties of the Director shall include any duties which shall be assigned by the Committee, including the following:

1. Compilation of information for the Committee.
2. A continuous review of State expenditures, revenues and analysis of the budget to ascertain facts, compare costs, workload and other data and make recommendations concerning the State's budget and revenue of the departments, boards, commissions and agencies of the State.
3. Act as administrative head of the Committee Staff, with authority to hire and dismiss such personnel as may be necessary for the proper conduct of the office, and fix compensation of staff members within any limits set by the Committee.
4. Maintain the records and files of the Committee.
5. Shall make special reports for presentation to the Committee and to others as directed by the Committee.
6. Attend all meetings of the Committee and such other meetings and hearings as are necessary to facilitate the work of the Committee.
7. Examine as to correctness all vouchers for the expenditure of funds appropriated for the use of the Committee.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 8

AGENDA FOR MEETINGS

An agenda for each Committee Meeting shall be prepared by the Director and, whenever possible, mailed or delivered to members of the Committee, not less than one week prior to the meeting. The Director must have at least ~~two~~ THREE weeks prior notice for any state agency-requested items that appear on the agenda, unless the Chairman of the Committee approves of a later submission.

RULE 9

ORDER OF BUSINESS

The Order of Business at a Committee meeting shall be determined by the Chairman of the Committee. It shall normally be as follows:

1. Call to order and roll call
2. Reading and approval of minutes
3. Executive Session (including Rule 14 items)
4. Director's Report [if any]
5. Items requiring Committee review and/or approval
6. Other Business - For Information Only
7. Adjournment

RULE 10

DISBURSEMENTS

1. All expenditures of the Committee shall be by vouchers properly itemized and supported by receipts and shall be approved by the Director when authorized by the Chairman of the Committee.
2. All contracts and studies authorized by the Committee shall be approved by the Committee after examination.

RULE 11

MEETINGS OF THE COMMITTEE

The Committee shall meet at such times and places as the Committee may determine, but in any event, no less than once in each calendar quarter. Additional special meetings may be called by the Chairman or by a majority of the members of the Committee.

RULE 12

ADOPTION AND AMENDMENT OF THE RULES AND REGULATIONS

These rules and regulations shall be adopted and may be amended by a majority vote of the members of the Committee, provided that a quorum is present.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 13

FISCAL NOTES

1. The President of the Senate and the Speaker of the House of Representatives or their designees may each designate bills that shall have a fiscal note prepared regarding their impact.
2. The JLBC Staff shall prepare the fiscal notes utilizing an impact period of three years. The fiscal notes shall indicate any local fiscal impact, where appropriate.
3. Fiscal notes shall not contain comments or opinions on the merits of the bill.
4. Exceptions to the procedure set forth in this rule shall be permitted with the approval of the Chairman and Vice Chairman of the Committee.
5. The Committee may amend or suspend this rule or any subsection hereof by a majority vote of those present and eligible to vote.
6. Procedures to implement this rule shall be prepared by the Director and approved by the Chairman and Vice Chairman of the Committee.

RULE 14

STATE LIABILITY CLAIMS - PROCEDURE FOR SETTLEMENT WHEN COVERED BY RISK MANAGEMENT SELF-INSURANCE FUND

1. General provisions for presentation of settlement to the Committee:
 - A. Settlements of \$250,000 or less do not require approval of the Committee pursuant to A.R.S. § 41-621(M). All proposed liability settlements must be presented to the Committee in accordance with these provisions and accompanied by a report containing the information specified in Paragraph 3.
 - B. The report shall be filed with the Chairman of the Committee ~~five~~ SEVEN days before the meeting scheduled to consider the settlement proposal.
 - C. A limited number of items may be excluded from the written report and presented orally at the Committee meeting, if the Attorney General and Risk Management Division find the exclusion to be absolutely necessary for the protection of the State's case.
 - D. All Committee settlement proceedings and material prepared for such proceedings shall be required to be kept confidential.
 - E. Any plaintiff's inquiries regarding Committee meeting dates, times and agendas should be directed to the Attorney General's Insurance Defense Section which shall consult with the JLBC Staff Director.
2. At a Committee meeting at which a settlement proposal is considered:
 - A. Material shall be presented by the Attorney General or retained defense counsel who had primary responsibility over negotiation of the settlement and/or handling of the case, together with the Manager of the Risk Management Division of the Department of Administration.
 - B. The Committee Chairman or a majority of the Committee, may request other witnesses to attend and testify at any settlement proposal meeting. When requested by a Committee member, the director of an agency named in a lawsuit for which a settlement is proposed shall be requested to appear at the meeting at which the settlement is proposed.

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 14 CONTINUED

STATE LIABILITY CLAIMS (CONT'D)

- C. The presentation of the settlement proposal at the Committee meeting shall contain, at a minimum, the information required to be submitted pursuant to Paragraph 3.
 - D. In addition to the report, additional drafts, charts, pictures, documents or other items may be presented to the Committee by the Attorney General or Risk Management Division, if helpful in reviewing the merits of the settlement. Additional items shall be presented when requested by the Committee Chairman, or a majority of the Committee at a prior meeting, or a JLBC subcommittee to which the matter has been referred.
 - E. Upon a conclusion of the presentation, the Committee may accept the settlement as proposed, reject the settlement as proposed, recommend an alternative settlement with the advice of the Attorney General and Risk Management Division, request additional information, evaluations or appearances of witnesses, or the matter may be referred to a JLBC subcommittee for further study.
3. The written settlement proposal report submitted to the Committee for each settlement offer shall contain the following information:
- A. A one to two page executive summary of pertinent information related to the case that, at a minimum, summarizes information contained in items B, D, G, H, I, K, L, N and P below.
 - B. The names of the plaintiffs or claimants.
 - C. Whether a lawsuit has been filed, the date on which it was filed and the current status of the lawsuit. If a lawsuit has not been filed, the last date upon which a lawsuit could be filed.
 - D. The basic facts of the case including, first, the undisputed facts and secondly, those facts in dispute.
 - E. A summary of the basis or bases of liability claimed by plaintiff or claimant and the State's defenses to such liability, including the key evidence relied upon by each party.
 - F. The amount originally claimed by the plaintiff or claimant.
 - G. The identifiable damages and/or costs incurred by plaintiff or claimant to date.
 - H. Costs incurred by the State in defending the claim or suit to date.
 - I. Estimated costs to the State of defending the claim or suit through trial.
 - J. Attorney for plaintiff, Attorney General assigned to the case, retained defense counsel, if any.
 - K. Estimate of plaintiff or claimant's chances of prevailing in suit against the State.
 - L. Range of recovery likely at trial for plaintiff's claims.
 - M. Complete terms of settlement including:
 - 1. To whom payment is to be made;
 - 2. The amount of payment;
 - 3. The conditions, if any, attached to the payment; and

JOINT LEGISLATIVE BUDGET COMMITTEE OF ARIZONA

RULES AND REGULATIONS

RULE 14 CONTINUED

STATE LIABILITY CLAIMS (CONT'D)

- 4. Deadline for settlement, if any.
- N. Settlement recommendations of Attorney General and Risk Management and recommended response to settlement offer.
- O. Whether the State has any claim or right of recovery against other parties, e.g., subrogation or indemnification.
- P. An agency response that shall contain the following information:
 - 1. Actions taken to eliminate or limit the future risk of liability to the state.
 - 2. Statement as to any disciplinary action(s) taken against any employee(s) that were negligent in carrying out their duties.
- 4. In conjunction with the settlement procedures prescribed pursuant to this rule, the Risk Management Division shall:
 - A. Annually report to the Committee on the operations of the Division, the status of pending claims and lawsuits, information on actual judgements and settlements, and projected fund balances.
 - B. With the assistance of the Attorney General, propose to the Committee any changes in State insurance coverage, State statutes, State liability principles or claims procedures which may help to limit future State liability.

RULE 15

CONFIDENTIAL NATURE OF SERVICES

The Director, members of the JLBC Staff, and those charged with the duty of processing in any manner proposed budget estimates, recommendations or research, shall not, without consent of the recipient legislator(s), disclose to any other person whomsoever, the contents of any letter, memorandum, report, newsletter, or any other written communique.

This provision does not apply to regular JLBC Staff reports nor information which the Staff prepares and disseminates under the general authority of the Director that was not specifically requested by a legislator(s).

The violation of any provision of this rule by the Director, a member of his staff, or any person charged in any manner with the duty of processing proposed analysis or research may be deemed sufficient cause for dismissal by the Director and in the case of the Director, by the Committee.

STATE OF ARIZONA

Joint Legislative Budget Committee

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SENATE

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DATE: October 6, 2004

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Shelli Carol, Fiscal Analyst
Lorenzo Martinez, Assistant Director

SUBJECT: Arizona Board of Regents – Review of FY 2005 Tuition Revenues and Report on
University Pay Plan

Request

The Arizona Board of Regents (ABOR) requests Committee review of its expenditure plan for tuition revenue amounts greater than the amounts appropriated by the Legislature. The footnotes for Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UofA) in the FY 2005 General Appropriation Act appropriate all tuition collections for operating expenditures, capital outlay, and fixed charges and mandate the Committee's review. ABOR is also reporting, for informational purposes, on locally retained tuition and fees.

Pursuant to a footnote in the FY 2005 General Appropriation Act, ABOR has also submitted a report to the director of the JLBC Staff on the distribution of \$16,100,000 appropriated for a university pay plan.

Recommendation

JLBC Staff recommends that the Committee give a favorable review to the ABOR expenditure plan for tuition amounts above previously appropriated amounts. JLBC also recommends that UofA report on its pay plan allocations when all components of the plan are finalized.

ABOR estimates overall FY 2005 tuition collections applied to university operating budgets will reach \$39.7 million above the tuition amounts appropriated by the Legislature. The higher revenue is due primarily to increases in tuition approved by ABOR in March 2004. The universities plan on using the additional \$39.1 million in the operating budgets to cover unfunded health and retirement premium increases, operating inflationary increases, and unfunded enrollment from prior years, including the hiring of adjunct faculty.

The ABOR locally retained tuition and fee report requires no Committee action. Based on a comparison of retained tuition and fee amounts reported in the FY 2005 and FY 2006 budget requests, retained tuition

and fees increased by \$12.1 million above original FY 2005 budgeted amounts. Of the \$12.1 million, \$7.4 million was allocated for financial aid and \$5.6 million was allocated for debt service.

Of the \$16,100,000 appropriated to ABOR for university pay plans, ABOR allocated \$7,528,000 to ASU (all campuses), \$6,441,900 to UofA, \$2,098,200 to NAU, and \$31,900 to the ABOR Central Office. Distributions to the universities were based on \$1,000 per FTE Position, however, each university has developed its own distribution plan.

Analysis

Tuition Revenue Changes

Table 1 displays FY 2004 and FY 2005 appropriations by fund for the Arizona University System, including revised appropriations for FY 2005 additional tuition collections.

Table 1 Arizona University System FY 2004 and FY 2005 Appropriations (in millions)			
	<u>FY 2004</u>	<u>FY 2005 Before Tuition Adjustments</u>	<u>FY 2005 After Tuition Adjustments</u>
General Fund	\$ 746.9	\$ 787.0	\$ 787.0
Collections Fund	312.3	308.9	348.7
TOTAL	\$1,059.2	\$1,095.9	\$1,135.7

Table 2 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2004 to FY 2005.

Table 2 Arizona University System FY 2004 to FY 2005 Undergraduate Tuition Changes								
	Resident				Non-Resident			
	<u>FY 2004</u>	<u>FY 2005</u>	<u>\$ Change</u>	<u>% Change</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>\$ Change</u>	<u>% Change</u>
ASU	\$3,593	\$4,008	\$415	11.6%	\$12,113	\$12,863	\$750	6.2%
NAU	3,593	4,068	475	13.2%	12,113	12,588	475	3.9%
UofA	3,593	4,083	490	13.6%	12,363	13,063	700	5.7%

Table 3 presents FY 2005 appropriations, estimates of the ABOR FY 2005 All Funds Operating Budget Report, and resulting additional tuition revenues by campus.

Table 3 Arizona University System FY 2005 Appropriations and Additional Tuition Revenues by Campus			
<u>Campus</u>	<u>FY 2005 Appropriation</u>	<u>FY 2005 All Funds Operating Budget Report</u>	<u>Additional Tuition</u>
ASU–Main	\$140,200,000	\$167,563,100	\$27,363,100
ASU–East	8,872,600	10,352,800	1,480,200
ASU–West	11,936,500	15,858,800	3,922,300
NAU	34,144,700	35,861,400	1,716,700
UofA–Main	102,874,500	106,862,700	3,988,200
UofA–Health Sciences Center	10,884,600	12,160,300	1,275,700
TOTAL	\$308,912,900	\$348,659,100	\$39,746,200

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

Table 4 Arizona University System Uses of Additional Tuition Revenues by Campus	
ASU–Main	Student enrollment growth, including hiring adjunct faculty; operations and utilities cost increases; library and other student service improvements; new facilities support; computing mainframe maintenance; security enhancements; health insurance, risk management, and salary adjustments; faculty recruitment; K-12 partnerships
ASU–East	Student enrollment growth, including hiring faculty associates; program support to golf management, aeronautical management, and business; health insurance and salary adjustments
ASU–West	Student enrollment growth, including new class sections; operations and utilities cost increases; health insurance, risk management, and salary adjustments; faculty recruitment; student services
NAU	Student activities; marketing; advising; enrollment services; diversity initiatives; employee training initiatives
UofA–All	Student enrollment growth for the Colleges of Law, Medicine, and Management, as well as for UofA South; health insurance, retirement, and salary adjustments

Locally Retained Tuition and Fees Report

ABOR reports that ASU and UofA have changed the way they manage financial aid, starting in FY 2005. Rather than awarding tuition waivers, the universities have chosen to offer cash scholarships. Such monetary grants are more attractive to potential students than waivers. Additionally, national financial aid statistics include cash scholarships, but not tuition waivers, in ranking universities around the country. Therefore, the change will reflect positively on the universities. This modification does not alter the universities' accounting records. Based on amounts reported in the FY 2006 university requests, cash scholarships in FY 2005 totaled \$41.1 million for ASU and \$43.6 million for UofA.

Systemwide, locally retained tuition and fees increased \$12.1 million above originally budgeted amounts. Of the \$12.1 million, \$7.4 million was allocated for financial aid and \$5.7 million was allocated for debt service. The following table shows the allocation of retained tuition and fees reported in FY 2006 university requests.

Arizona University System Locally Retained Tuition and Fees				
	Original FY 2005	Revised FY 2005	FY 2005 Change	Estimated FY 2006
Programs	\$ 26,038,000	\$ 25,057,100	\$ (980,900)	\$ 27,400,400
Financial Aid	50,876,800	58,290,800	7,414,000	57,998,500
New Cash Waivers	84,718,400	84,718,400	0	84,718,400
Plant Fund	6,931,600	6,959,800	28,200	9,081,600
Debt Service	55,572,700	61,222,800	5,650,100	63,827,700
Total Retention	\$224,137,500	\$ 236,248,900	\$12,111,400	\$ 243,026,600

University Pay Plan Distributions Report

The FY 2005 budget included a statewide \$1,000 per FTE Position salary adjustment. In consideration of this salary increase, ABOR was appropriated \$16,100,000 for distribution to the universities in accordance with pay plans developed by the president of each university.

Arizona State University:

ABOR allocated \$6,470,000 to ASU-Main, \$310,300 to ASU-East, and \$747,700 to ASU-West. ASU plans to provide a \$1,000 salary increase to benefits eligible staff making less than \$30,000. Remaining employees will participate in merit adjustments from remaining available monies. ASU will also use locally retained tuition collections to supplement available monies. The following table shows detail on how ASU plans to distribute monies among various employee categories.

Arizona State University Pay Allocations							
<u>Employee Category</u>	<u># of FTE in Category</u>	<u># of FTE Receiving Adjustment</u>	<u>Adjustment Start Date</u>	<u>Amount from ABOR Allocation</u>	<u>Total Annualized Requirement</u>	<u>Difference</u>	<u>Fund Sources for Difference</u>
Classified Staff	2,877.1	2,148.2	7/1/04	\$2,576,600	\$2,758,700	\$182,100	Tuition
Service Professional	479.4	338.0	7/1/04	\$ 665,300	\$ 714,000	\$ 48,700	Tuition
Administrator	129.5	89.3	7/1/04	\$ 374,600	\$ 404,000	\$ 29,400	Tuition
Administrative Faculty	98.6	69.3	7/1/04	\$ 246,100	\$ 265,800	\$ 19,700	Tuition
Faculty	2,493.7	1,497.1	7/1/04	\$3,335,500	\$3,578,500	\$243,000	Tuition
Academic Professional	291.4	216.6	7/1/04	\$ 329,900	\$ 354,700	\$ 24,800	Tuition
TOTAL	6,369.7	4,358.5		\$7,528,000	\$8,075,700	\$547,700	

University of Arizona:

ABOR allocated \$5,736,000 to UofA-Main and \$705,900 to UofA-HSC. UofA plans to provide a \$1,000 salary increase to Classified Staff and Service Professionals. All other employees will participate in merit adjustments from remaining available monies. UofA also received a FY 2005 appropriation of \$4,301,800 for faculty retention. The university has not finalized all of the components of their plan. JLBC Staff recommends that UofA report on the allocation when finalized. The following table shows detail for the known components of the UofA planned distributions among various employee categories.

University of Arizona Pay Allocations					
<u>Employee Categories</u>	<u># of FTE in Category</u>	<u># of FTE Receiving Adjustment</u>	<u>Adjustment Start Date</u>	<u>Amount from ABOR Allocation</u>	<u>Total Annualized Requirement</u>
Classified Staff	2,645.6	2,208.2	7/1/04	\$2,208,200	\$2,208,200
Administrative	346.4			Merit Pool	
Faculty	1,953.3			Merit Pool	
Service Professional	519.9	397.1	7/1/04	\$397,100	\$397,100
Academic Professional	249.1			Merit Pool	
TOTAL	5,714.3	2,605.3		\$2,605,300	\$2,605,300
Merit Pool Amount				\$3,836,600	
Faculty Retention Funding				\$4,301,800	
Total Unallocated				\$8,138,400	

Northern Arizona University:

ABOR allocated \$2,098,200 to NAU. NAU plans to provide a minimum of \$1,000 to all employees. Faculty and Academic Professional staff will also be eligible for additional merit adjustments from available monies, which NAU will supplement with \$1,498,700 from an additional FY 2005 appropriation of \$1,507,600 for faculty retention. The following table shows detail on how NAU plans to distribute monies among various employee categories.

Northern Arizona University Pay Allocations							
<u>Employee Category</u>	<u>Total FTE in Category</u>	<u>Total FTE Receiving Adjustment</u>	<u>Adjustment Start Date</u>	<u>Total State Requirement</u> ^{1/}	<u>Total Annualized Requirement</u>	<u>Difference</u>	<u>Fund Sources for Difference</u>
Classified Staff	1,087.79	1,087.79	7/1/04	\$ 624,942	\$ 1,087,792	\$462,850	Tuition/Fees/Grants
Service Professional Staff	471.92	471.92	7/1/04	\$ 251,710	\$ 417,920	\$220,210	Tuition/Fees/Grants
Administrator (Deans, Provost, VPs)	12.00	30.50					Tuition/Fees/Grants
Administrators (below dean level)	31.25	59.72	7/1/04	\$ 24,750	\$ 30,500	\$ 5,750	Tuition/Fees/Grants
Administrative Faculty	679.26	654.65	7/1/04	\$ 229,087	\$ 234,290	\$ 5,203	Tuition/Fees/Grants
Faculty			7/1/04	\$2,139,940	\$2,220,067	\$ 80,127	
Part-Time Faculty (\$110/credit hr.)				\$ 790,000	\$ 790,000		
Academic Professional	30.00	29.00	7/1/04	\$ 70,300	\$ 70,300		Tuition/Fees/Grants
TOTAL	<u>2,371.94</u>	<u>2,333.58</u>		<u>\$4,130,729</u>	<u>\$4,904,869</u>	<u>\$774,140</u>	

^{1/} Includes \$2,098,200 from ABOR allocation, \$1,498,700 from Faculty Retention allocation, and \$1,011,628 from internal allocations. Amounts in table do not include \$477,800 for associated ERE costs.

Arizona Board of Regents:

ABOR allocated \$31,900 to the ABOR Central Office. The amount will be used to provide a \$1,000 salary increase to all employees. The following table shows detail on how ABOR plans to distribute monies among various employee categories.

Arizona Board of Pay Allocations				
<u>Employee Category</u>	<u># of FTE in Category</u>	<u># of FTE Receiving Adjustment</u>	<u>Adjustment Start Date</u>	<u>Amount from ABOR Allocation</u>
Classified Staff	7.60	7.60	7/1/04	\$ 8,800
Administrative Staff	4.00	2.00	7/1/04	\$ 2,200
Professional Staff	17.55	17.55	7/1/04	\$20,900
TOTAL	<u>29.15</u>	<u>27.15</u>		<u>\$31,900</u>

RS/LM/SC:jb



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September 2, 2004

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

Dear Senator Burns:

A footnote included in the General Appropriations Act requires that the Arizona Board of Regents report to the Joint Legislative Budget Committee of any tuition revenue amounts which are different from the amounts appropriated by the Legislature, and to report (for informational purposes) the amount of tuition and fees retained locally by the universities. Enclosed for your information is a summary report of tuition revenues reported to the Board at its August 2004 meeting.

I would like to point out one significant change to ASU's and the UA's locally retained tuition and fee schedules. Both ASU and the UA report a change in processing tuition waivers. In the past, the value of tuition waivers were treated as non-cash transactions and therefore were not included in the budget process. Beginning in FY 2005, ASU and UA converted tuition waivers to cash scholarships. From an accounting perspective, this change has no impact on either university. However, this conversion greatly impacts national reporting of financial aid since national statistics do not include the value of tuition waivers in financial aid totals (one reason why Arizona universities rank low in institutional aid reports). Converting waivers to cash scholarships enables the universities to include this institutional financial aid in national statistics. In addition, cash scholarships offers the universities greater flexibility in recruiting students, because cash scholarships are more enticing to a potential student than non-cash assistance. The value of waivers that ASU and the UA report in locally retained financial aid is \$38.3 million and \$43.6 million, respectively.

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

Sincerely,

Joel Sideman
Executive Director

XC: Representative Russell Pearce
Richard Stavneak, Director, JLBC ✓
David Jankofsky, Director, OSPB



**ARIZONA UNIVERSITY SYSTEM
TUITION AND FEES IN SUPPORT OF THE
2004-05 STATE OPERATING BUDGET**

STATE COLLECTIONS				USE OF INCREASED TUITION REVENUES
	THE 2004-05 ALL FUNDS OPERATING BUDGET REPORT	APPROPRIATE D BY THE LEGISLATURE	CHANGE	
Arizona State University Tempe	167,563,100	140,200,000	27,363,100	The additional tuition and fee revenue will support increased student enrollments and growing operating costs throughout the university (amounts in millions). The increase includes \$7.8 from program fees to help support academic programs charging the fee. Other needs include the following: increase library acquisitions & operating hours, \$1.5; new facilities support, \$2.6; computing mainframe system maintenance contract, \$0.9; public safety security enhancements, \$0.2; increased utilities costs \$2.7; Student Health & other student service improvements, \$0.8; annualize FY04 health insurance & salary adjustments, \$5.8; FY05 Health Insurance Premium costs not covered by the triggered appropriation, \$0.1; risk management premium increase, \$0.1; university initiatives/ faculty startup, \$2.0; and, support for University -- K-12 School Partnerships \$0.3. Finally, ASU will allocate \$2.6 to support faculty adjuncts to teach over 400 class sections, and provide additional support to high enrollment growth demand in liberal arts & sciences as well as high cost programs such as nursing.
Arizona State University Polytechnic	10,352,800	8,872,600	1,480,200	The additional tuition and fee revenue will address, but not resolve, efforts to accommodate new enrollments by hiring faculty associates to teach about 225 course sections, \$0.8. Special program fees will provide additional services and support in golf management, aeronautical management, and business programs, \$0.4. Other needs include annualization of prior year health insurance premium increases and salary adjustment, \$0.3.
Arizona State University West	15,858,800	11,936,500	3,922,300	The additional tuition and fee revenue will help address academic and support needs relative to increased student enrollments and operating costs (amounts in millions). The increase includes \$0.1 from the business special program fees to support students enrolled in that program. Other increases include annualization of the FY04 health insurance premium increase and salary adjustment, \$0.1; risk management premium increase, \$0.1; university initiatives and start up support for new faculty, \$0.8; and support for academic, student service, and institutional support program needs, \$2.5. ASU will allocate \$0.3 to support about 85 additional class sections in an effort to keep up with growing service demands.
Northern Arizona University	35,861,400	34,144,700	1,716,700	Concurrent with the approval of additional general fund appropriations, the increase in projected tuition and fee revenue will support the realignment of base budget allocations and give NAU the ability to address priorities in the following areas: student activities, \$0.25 million; marketing, \$0.30 million; advising, \$0.10 million; enrollment services, \$0.70 million; diversity initiatives, \$0.30 million; and employee training initiatives, \$0.07 million.
University of Arizona	106,862,700	102,874,500	3,988,200	The additional revenue will be used to annualize FY04 merit/equity/recruitment adjustments, \$2.5 million; partially address unfunded increases in employee health and retirement benefits costs, \$1.1 million; improve programs and accommodate enrollment growth for: College of Law, \$0.7 million, College of Medicine, \$0.6 million, Eller College of Management, \$0.2 million, and UA South \$0.2 million.
University of Arizona Health Sciences Center	12,160,300	10,884,600	1,275,700	
TOTAL	348,659,100	308,912,900	39,746,200	

2004-05
LOCALLY RETAINED COLLECTIONS

ARIZONA STATE UNIVERSITY - TEMPE

		INITIAL BUDGET 2004-05	INCREASE/ (DECREASE)	REVISED 2004-05
DESIGNATED	Alumni Association	1,162,800		1,162,800
	American English and Cultural Program - ITA	93,400		93,400
	Associated Students - ASASU	883,100		883,100
	Child & Family Services	66,200		66,200
	Distance Learning Technology	372,500		372,500
	Federal Direct Loan Administration	164,200		164,200
	Fine Arts Activities	294,300		294,300
	Fine Arts Theatres	572,100		572,100
	Forensics	97,800		97,800
	Interpreters Theatre	30,000		30,000
	KASR Radio	22,000		22,000
	Mona Plummer Aquatic Center	143,800		143,800
	Registrar Services	109,500		109,500
	Student Financial Assistance Administration	295,200		295,200
	University Minority Culture Program	126,200		126,200
	Employee Benefit Adjustments/Contingencies	100,000		100,000
	Subtotal Designated	4,533,100		4,533,100
AUXILIARY	ASU Public Events	100,000		100,000
	Intercollegiate Athletics	560,000		560,000
	Memorial Union	1,092,700		1,092,700
	Recreational Sports	799,700		799,700
	Student Media	25,000		25,000
	Subtotal Auxiliary	2,577,400		2,577,400
	Total Operating Funds	7,110,500		7,110,500
FINANCIAL AID	Regents Financial Aid Set-Aside	18,864,800		18,864,800
	College of Architecture FA Set-Aside	20,800		20,800
	College of Business FA Set-Aside	402,400	(35,300)	367,100
	College of Law FA Set-Aside	549,600		549,600
	College of Liberal Arts FA Set-Aside	54,900		54,900
	College of Nursing FA Set-Aside	28,800		28,800
	Other Financial Aid-Top 15% AZ HS Grad	6,864,900		6,864,900
	Other F.A.- Graduate Scholars Program	600,000		600,000
	Other F.A.- College of Engineering Program	60,000		60,000
	Other F.A.- Institutional FA Waivers to Scholarships	31,408,400	6,909,700	38,318,100
	Graduate Student Need-Based Financial Aid		300,000	300,000
	Teaching Assistant Tuition Remission		5,884,800	5,884,800
	Subtotal Financial Aid	58,854,600	13,059,200	71,913,800
	Plant Fund	4,357,700		4,357,700
	ASU Downtown Center COP Payment	850,800		850,800
	Debt Service	22,858,000		22,858,000
	TOTAL LOCAL RETENTION	94,031,600		107,090,800

2004-05
LOCALLY RETAINED COLLECTIONS

ARIZONA STATE UNIVERSITY POLYTECHNIC

		INITIAL BUDGET 2004-05	INCREASE/ (DECREASE)	REVISED 2004-05
DESIGNATED	Aeronautical Management Technology Program	45,900		45,900
	Dining Services Management	20,000		20,000
	Inter-campus Shuttle Services	103,000		103,000
	Learning Communities	6,100		6,100
	Student Counseling	5,000		5,000
	Student Health Services	225,000		225,000
	Student Organizations	40,000		40,000
	Student Orientation and Forums	5,000		5,000
	Student Union/Activities	345,000		345,000
	Student Recreation/Intramurals	75,600	38,000	113,600
	Undergraduate Business Program	29,400	600	30,000
	Subtotal Designated	900,000	38,600	938,600
AUXILIARY				
	Subtotal Auxiliary	0	0	0
	Total Operating Funds	900,000	38,600	938,600
FINANCIAL AID	Regents Financial Aid Set-Aside	1,181,400		1,181,400
	Special Program Fee FA Set-Aside	61,600		61,600
	Teaching Assistant Tuition Remission		106,500	106,500
	Subtotal Financial Aid	1,243,000	106,500	1,349,500
	Plant Fund			
	Debt Service			
	TOTAL LOCAL RETENTION	2,143,000	145,100	2,288,100

2004-05
LOCALLY RETAINED COLLECTIONS

ARIZONA STATE UNIVERSITY WEST

		INITIAL BUDGET 2004-05	INCREASE/ (DECREASE)	REVISED 2004-05
DESIGNATED	Academic Affairs	5,200		5,200
	Alumni Association - Devil's West	5,000		5,000
	Arts & Sciences Support	0		0
	ASU West Commencement	15,000		15,000
	ASUW Film Series	0		0
	ASUW Fine Arts Program	60,000		60,000
	Campus Environment Team	4,800		4,800
	Child Development & Visual Perception Lab	16,000		16,000
	Honors College	3,000		3,000
	Life Science Instructional Support	0		0
	Special Events	20,000		20,000
	Student Forum	45,000		45,000
	Student Government	10,000		10,000
	Subtotal Designated	184,000	0	184,000
AUXILIARY				
	Subtotal Auxiliary	0	0	0
	Total Operating Funds	184,000	0	184,000
FINAID	Regents Financial Aid Set-Aside	2,950,700		2,950,700
	MBA Financial Aid Set-Aside	160,700	(101,200)	59,500
	Subtotal Financial Aid	3,111,400	(101,200)	3,010,200
	Plant Fund	100,000		100,000
	Lease Purchase	4,884,400		4,884,400
	TOTAL LOCAL RETENTION	8,279,800	(101,200)	8,178,600

2004-05
LOCALLY RETAINED COLLECTIONS

NORTHERN ARIZONA UNIVERSITY

		INITIAL BUDGET 2004-05	INCREASE/ (DECREASE)	REVISED 2004-05
DESIGNATED	ADA Services	49,100		49,100
	Alumni Association	544,500		544,500
	Art Gallery	10,900		10,900
	Child Care	43,900		43,900
	Creative Arts	89,100		89,100
	Financial Aid Office Operations	337,300		337,300
	Grand Canyon Semester Program	0		0
	Honors Forum	11,200		11,200
	International Studies	60,000		60,000
	Mountain Campus ID	13,200		13,200
	NAU-Yuma	19,900		19,900
	Operations	360,800		360,800
	Performing Arts Series	39,900		39,900
	Registrar Office	120,400		120,400
	Special Events	28,300		28,300
	Student Activities	44,200		44,200
	Study Abroad	0		0
	SUN (Student Union Network)	65,800		65,800
	Salary Adjustments	100,000		100,000
	Tuition Differential - GIS	3,200		3,200
	Tuition Differential - MBA	80,800		80,800
	Tuition Differential - MSM	63,800		63,800
	Tuition Differential - Doctor of Physical Therapy (DPT)	106,300		106,300
	Information Technology Reserve (zero acct)	0		0
	Subtotal Designated	2,192,600		2,192,600
AUXILIARY	Associated Students (ASNAU)	188,300		188,300
	Intercollegiate Athletics	1,000,000		1,000,000
	Intramurals/Recreation	63,700		63,700
	Skydome	157,900		157,900
	Subtotal Auxiliary	1,409,900		1,409,900
	Total Operating Funds	3,602,500		3,602,500
FINAID	Regents Financial Aid Set-Aside	6,420,000		6,420,000
	Set-Aside for Academically Meritorious AZ Residents	1,000,000		1,000,000
	DPT- FA Set-Aside	18,700		18,700
	MBA - FA Set-Aside	14,200		14,200
	MSM - FA Set-Aside	11,200		11,200
	GIS - FA Set-Aside	600		600
	Student Financial Aid Match (SSIG, SEOG, etc.)	318,400		318,400
	Subtotal Financial Aid	7,783,100		7,783,100
	Plant Fund	378,200		378,200
	Debt Service	12,190,200		12,190,200
	TOTAL LOCAL RETENTION	23,954,000		23,954,000

2004-05
LOCALLY RETAINED COLLECTIONS

UNIVERSITY OF ARIZONA

		INITIAL BUDGET 2004-05	INCREASE/ (DECREASE)	REVISED 2004-05
DESIGNATED	Alumni Association	1,085,400		1,085,400
	College of Nursing - Accelerated BSN	247,300		247,300
	Department of Multicultural Programs and Services (DMPS)			
	DMPS - African American Student Affairs	14,800		14,800
	DMPS - Asian Pacific American Student Affairs	17,000		17,000
	DMPS - Early Outreach	19,700		19,700
	DMPS - Hispanic Student Affairs	8,600		8,600
	DMPS - Minority Student Recruitment	142,800		142,800
	DMPS - Minority Student Services	0		0
	DMPS - Minority Summer Institute for Writing	11,100		11,100
	DMPS - Multicultural Programs	141,800		141,800
	DMPS - Native American Student Affairs	11,300		11,300
	Fall Transition/University Learning Center	20,100		20,100
	Graduate College	161,300		161,300
	Graduate and Professional Student Council	62,500		62,500
	Graduate Teaching Assistants -Tuition Remission	4,048,200		4,048,200
	Interpreting/Disabilities (ADA)	134,900		134,900
	Law College Special Fee	410,700		410,700
	Learning Disabilities Mandated Services	350,500		350,500
	Library Acquisitions	461,200		461,200
	Merchant Credit Card Banking Fees	1,433,200		1,433,200
	Student Child Care Voucher Program	87,500		87,500
	VP Student Affairs	4,600		4,600
	Utility Costs Reserve	1,851,000		1,851,000
	Subtotal Designated	10,725,500		10,725,500
AUXILIARY	Admissions Recruiting	104,400		104,400
	Associated Students (ASUA)	232,000		232,000
	Campus Health Service	3,755,900		3,755,900
	Campus Recreation and Intramurals	528,800		528,800
	Intercollegiate Athletics	0		0
	Student Faculty Relations	7,200		7,200
	Student Programs	224,300		224,300
	Student Union	1,205,800		1,205,800
	Subtotal Auxiliary	6,058,400		6,058,400
	Total Operating Funds	16,783,900		16,783,900
FINAID	Regents Financial Aid Set-Aside	12,852,700		12,852,700
	UAS (SV) - Regents FA Set-Aside	199,400		199,400
	Supplemental Need-Based Set-Aside	1,898,400		1,898,400
	Other Financial Aid - (formerly tuition waivers)	43,592,000		43,592,000
	BPA FA Set-Aside	315,300		315,300
	Law School FA Set-Aside	426,900		426,900
	Pharmacy FA Set-Aside	95,300		95,300
	Undergraduate Scholars	3,619,300		3,619,300
	Nursing Special Fee FA	23,500		23,500
	Eller UG Special Fee FA	97,500		97,500
	SIRLS Special Fee FA	75,300		75,300
	Subtotal Financial Aid	63,195,600		63,195,600
	Plant Fund	0		0
	Utility Infrastructure	2,123,900		2,123,900
	Subtotal Plant Funds	2,123,900		2,123,900
	Debt Service	20,439,400		20,439,400
	TOTAL LOCAL RETENTION	102,542,800		102,542,800

(1) DMPS = Department of Multicultural Programs & Services



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July 22, 2004

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

Dear Richard:

A footnote included in the General Appropriations Act requires that the Arizona Board of Regents transfer monies appropriated for the university pay plan to each university and report to the director of the Joint Legislative Budget Committee staff by July 31, 2004 on how the monies were distributed by campus.

Attached is a copy of the Executive Summary that was submitted and approved by the Board at its June 2004 meeting. Included are the salary plans for each of the universities and the central office as well as a summary of the allocation of monies by campus.

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

Sincerely,

Joel Sideman
Executive Director

xc: David Jankofsky, Director, OSPB



EXECUTIVE SUMMARY

ACTION ITEM: University and Central Office FY 2005 Salary Plans

ISSUE: The Board is requested to review and approve university and central office FY 2005 plans for distribution of employee salary package funds approved by the Legislature.

BACKGROUND:

- ▶ The Board of Regents was appropriated \$16.1 million for a university and central office salary package effective July 1, 2004. The amount appropriated by the legislature and allocated to state agencies including the Arizona University System was based on \$1,000 per full time equivalent employee (benefits eligible). This same methodology was used by the central office to determine the amount to be allocated to each university and central office.
- ▶ The FY 2005 state budget legislation requires that the Board of Regents report to the Joint Legislative Budget Committee by July 31, 2004, on how the monies were distributed by campus. The allocations will be incorporated into each university and the central office FY 2005 state expenditure authority.
- ▶ In addition, each university and the central office are required to develop a plan for distribution of the funds.
- ▶ Below is the allocation by university and central office:

ASUM	ASUE	ASUW	NAU	UA	UA AHSC	CO	Total
\$6,470,000	\$310,300	\$747,700	\$2,098,200	\$5,736,000	\$705,900	\$31,900	\$16,100,000

- ▶ Northern Arizona University, the University of Arizona, and central office plans are attached. Each recommends that all classified employees receive a minimum increase of \$1,000. Allocation of salary adjustments to other employee groups are outlined in each university's plan.
- ▶ Arizona State University's salary plan is not included in this Executive Summary but will be distributed with the addendum prior to the Board meeting.

RECOMMENDATION:

That the Board approve the FY 2005 salary plans as presented by each university and the central office.

EXECUTIVE SUMMARY

ACTION ITEM: Northern Arizona University FY 2005 Salary Plan

ISSUE: Northern Arizona University requests that the Board review and approve its FY 2005 salary plan.

BACKGROUND:

- ▶ ABOR allocated \$2,098,200 to Northern Arizona University for FY 2005 salary adjustments (Salary/ERE).
- ▶ NAU's FY 2005 budget planning process included consultation with key employee groups and with senior leadership on recommendations for distribution of this appropriation in the manner outlined below. All employees who are receiving an increase will receive a minimum of \$1,000 (pro-rated by FTE). NAU will also augment the pass-through appropriation to fund faculty salary increases adjusted by rank.
- ▶ Key points of the NAU plan include:
 - ▶ Classified staff will receive \$1,000 per FTE
 - ▶ Service Professional staff will receive \$1,000 per FTE
 - ▶ Part-time faculty salaries will be increased by \$110 per credit hour taught
 - ▶ Administrative faculty and administrators, excluding Deans and above, will receive \$1,000 per FTE

Additionally:

- ▶ Benefits-eligible faculty salary increases will range between \$2,000-\$5,000 per FTE based on rank distance from market, and performance.
- ▶ Academic Professional staff salary increases will range between \$2,300 and \$2,600 based on rank.

RECOMMENDATION:

The Board approve Northern Arizona University's FY 2005 salary plan.

EXECUTIVE SUMMARY

ACTION ITEM: University of Arizona FY 2005 Salary Plan

ISSUE: The University of Arizona requests that the Board review and approve its FY 2005 salary plan.

BACKGROUND:

- ▶ ABOR allocated \$6,441,900 to the University of Arizona for FY 2005 salary adjustments and employer related expenses (ERE).
- ▶ The FY 2005 budget planning process regarding distribution of the FY 2005 salary increase included broad consultation among the Finance Committee, the Strategic Planning and Budgeting Committee, the University Compensation Advisory Team, and the President's Cabinet. All key employee groups were represented in those consultations. The University will distribute its allocation as follows:
- ▶ For Classified Staff and Service Professionals (excluding those Service Professionals on Continuing/Continuing Eligible appointments), a General Adjustment of \$1,000 per FTE (prorated) will be made effective July 1, 2004.
- ▶ For Faculty, Administrators, and Service Professionals on Continuing/Continuing Eligible appointments, a Merit/Market adjustment will be made effective January 1, 2005. Each employee group will have a separate salary pool. The Merit/Market process will fully award the FY 2005 allocation. The University will annualize these salary adjustments for FY 2006.

RECOMMENDATION:

That the Board approve the University of Arizona's FY 2005 salary plan.

EXECUTIVE SUMMARY

ACTION ITEM: FY 2005 Salary Plan for the Central Office

ISSUE: The Central Office requests that the Board review and approve its FY 2005 Salary Plan from monies appropriated by the Legislature.

BACKGROUND:

- ▶ The central office will receive \$31,900 in FY 2005 for salary adjustments. The distribution plan proposed by the central office provides for an across-the-board salary increase to all employees in the amount of \$1,000 per FTE (prorated for less than 1.0 FTE).
- ▶ To the extent they are available, supplemental funds also may be allocated to address market concerns and to provide merit funding that cannot be met fully by state appropriated funds.

RECOMMENDATION:

That the Board approve the Central Office FY 2005 salary plan.

EXECUTIVE SUMMARY

ACTION ITEM: ARIZONA STATE UNIVERSITY FY 2005 SALARY PLAN

ISSUE: Arizona State University requests that the Board review and approve its FY 2005 salary plan.

BACKGROUND:

- ▶ Past Salary Increases
 - ▶ In FY 2002, the state funded an across-the-board salary adjustment of \$1,450 per full time equivalent position effective June 8, 2002. The annualized cost of this increase was \$9,458,200, including ERE.
 - ▶ For FY 2003, ASU internally funded a permanent annual salary increase of \$750 to its lowest paid classified staff effective February 1, 2003, at a total annualized State Operating Budget cost of \$292,500. This adjustment addressed approximately 440 classified staff with annual salaries less than \$27,500 and more than 10 percent from market, as well as those employees in the four lowest pay grades. The university also provided \$1,035,000 for selective salary adjustments to top performing faculty members.
 - ▶ In FY 2004, ASU again, through internal reallocation of funds, provided salary adjustments to address merit, market, and salary equity issues for all benefits eligible employees. These salary adjustments took effect on January 1, 2004, at an annualized State Operating Budget cost of \$11,407,400.
- ▶ Proposed Salary Increase
 - ▶ ABOR allocated \$7,528,000 including ERE to Arizona State University for FY 2005 state-funded salary adjustments: ASU Main, \$6,470,000; ASU West, \$747,700; and ASU East, \$310,300.
 - ▶ ASU proposes a two-fold plan for employee salary adjustments:
 - ▶ Benefits eligible employees making \$30,000 or less will receive an annual salary increase of \$1,000, with this amount prorated to part time eligible employees.
 - ▶ The remaining funds, supplemented by a \$700,000 internal allocation, will form a merit salary increase pool for benefits eligible faculty, academic professionals, administrators, service professionals, and classified staff with salaries above \$30,000.
- ▶ The salary adjustments will take effect on July 1, 2004.

RECOMMENDATION:

The Board approve Arizona State University's FY 2005 salary plan.

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: October 4, 2004

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Tim Sweeney, Fiscal Analyst

SUBJECT: Arizona State Parks Board – Review of Additional FY 2005 Reservation
Surcharge Fund Expenditures

Request

Pursuant to the General Appropriation Act, the State Parks Department is seeking review of additional Reservation Surcharge Fund expenditures above the FY 2005 appropriation.

Recommendation

JLBC Staff recommends a favorable review of the State Parks request to increase the FY 2005 expenditures from the Reservation Surcharge Fund to \$460,300. The FY 2005 appropriation is \$309,000. The requested increase of \$151,300 would be funded with \$141,000 in additional revenues and \$10,300 from the fund balance. These monies would fund 3 FTE positions to take reservations seven days per week to support weekend marketing efforts and 1 FTE position to manage the effort to expand the system to campgrounds at all recreational parks.

Analysis

The Reservation Surcharge Fund receives revenue from a \$3 per ticket charge to visitors of Kartchner Caverns State Park who make advance reservations. Monies from the fund are then appropriated for the operations of the reservation system. A General Appropriation Act footnote appropriates funds received above the appropriation amount to the Parks Department, however, the agency is required to seek JLBC review prior to the expenditure of the additional monies.

As a result of the opening of the Big Room at Kartchner Caverns in November 2003, Reservation Surcharge Fund revenues increased to \$412,600 in FY 2004, which is \$193,800 (and

88.6%) above FY 2003. The FY 2004 appropriation was only \$298,700, however, and the Fund was left with an ending FY 2004 balance of \$126,700. Reservation Surcharge Fund statutes require year-ending balances greater than \$12,500 to be reverted to the General Fund; therefore, \$114,200 was reverted to the General Fund at the end of FY 2004.

In FY 2005, the Parks Department expects Reservation Surcharge Fund revenue to increase to approximately \$450,000, while the FY 2005 appropriation totals \$309,000. The current appropriation supports 6 FTE Positions to operate and maintain the reservation system. The agency is requesting to use the additional FY 2005 revenue for 4 FTE Positions to start taking reservations 7 days a week and to begin an effort to expand the reservation system beyond Kartchner Caverns to campgrounds at other parks. In total, the Parks request totals \$151,300, which would bring total FY 2005 Reservation Surcharge Fund expenditures to \$460,300.

RS/TS:ck



"Managing and conserving natural, cultural, and recreational resources"

August 31, 2004

Senator Robert Burns, Chairman
Joint Legislative Budget Committee
1700 West Washington
Phoenix, AZ 85007



RE: JLBC Request – Reservation Surcharge Fund

Janet Napolitano
Governor

Dear Senator Burns:

**State Parks
Board Members**

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John U. Hays
Yarnell

Elizabeth Stewart
Tempe

William C. Porter
Kingman

William Cordasco
Flagstaff

Gabriel Beechum
Florence

Janice Chilton
Payson

Mark Winkleman
State Land
Commissioner

Kenneth E. Travous
Executive Director

Arizona State Parks
1300 W. Washington
Phoenix, AZ 85007

☎ & TTY: 602.542.4174
www.azstateparks.com

800.285.3703 from
520 & 928) area codes

General Fax:
602.542.4180

Director's Office Fax:
602.542.4188

Arizona State Parks' requests to be placed on the next agenda of the Joint Legislative Budget Committee (JLBC) for review of expenditures of Reservation Surcharge monies in excess of \$309,000 in FY 2005. The General Appropriation Act footnote, as adjusted for statewide allocations, requires that before the expenditure of any Reservation Surcharge monies in excess of \$309,000 in FY 2005, the Arizona State Parks Board shall submit the intended use of the monies for review by the JLBC.

A.R.S. § 41-511.24 established the Reservation Surcharge Fund to administer a reservation system for park visitors. The Board to fund staff and operating costs for the planning and administration of a reservation system may use these monies.

ASP currently has 6 people in the Business Unit. Four staff are currently answering telephones, a computer support person to maintain the reservation system, as well as a Business Manager to oversee the operation and account for funds received and reservations booked. ASP requests to add 3 FTE positions in order to take reservations seven days per week in order to capitalize on weekend marketing efforts and one additional computer support person to manage the effort to expand the system to campgrounds at all our recreational parks. In addition, the additional computer person will also evaluate an internet reservation system.

Personal services and All Other Operating is estimated to cost \$460,300 in FY 2005. The attachment provides a more detailed breakout of expenditures.

Your continued support of this project and our staff is greatly appreciated. Please give me a call should you have any questions or if I may be of assistance to you or your staff.

Sincerely,

Kenneth E. Travous
Executive Director

FY 2004, FY 2005, FY 2006 and FY 2007 Budget Estimates
Reservation Surcharge Fund

Source of Funds	FY 2004 Actuals	FY 2005 Budget Estimate	FY 2006 Budget Estimate	FY 2007 Budget Estimate
Balance Forward - Operating Fund	\$ 12,500	\$ 12,500	\$ 2,200	\$ 1,900
Revenue	412,600	450,000	460,000	460,000
Total - Source of Funds	\$ 425,100	\$ 462,500	\$ 462,200	\$ 461,900
Disposition of Funds				
FTE Positions	6.00	10.00	10.00	10.00
Personal Services	\$ 163,500	\$ 286,900	\$ 286,900	\$ 286,900
Employee Related Expenditures (ERE)	\$ 43,200	\$ 88,400	\$ 88,400	\$ 88,400
Subtotal - Personal Services/ERE	\$ 206,700	\$ 375,300	\$ 375,300	\$ 375,300
Professional & Outside Services	\$ -	\$ -	\$ -	\$ -
Travel - In State	-	5,000	5,000	5,000
Travel - Out State	-	-	-	-
Other Operating Expenditures	70,700	80,000	80,000	80,000
Agency Reserve	-	-	-	-
Equipment	21,000	-	-	-
Subtotal - All OOE	\$ 91,700	\$ 85,000	\$ 85,000	\$ 85,000
Total - Disposition of Funds	\$ 298,400	\$ 460,300	\$ 460,300	\$ 460,300
Reversion to General Fund	\$ 114,200	\$ -	\$ -	\$ -
Variance - Balance Forward	\$ 12,500	\$ 2,200	\$ 1,900	\$ 1,600

Notes and Adjustments:

Personal Services/ERE include Pay Raise and ERE adjustments for Health and Dental Insurance.

Personal Services were increased \$6,900 and ERE was adjusted \$3,400.

Based on Personal Services and ERE adjustments, FY 2006/2007 revenue estimates were adjusted upwards.

A.R.S. 41-511.24 states that monies in excess of \$12,500 at the end of the fiscal year shall revert to the General Fund.

FY 2004 and FY 2005 footnote requires expenditures in excess of \$309,000 have prior approval of the Joint Legislative Budget Committee

ASP Staff will request approval of funding for FY 2005 as proposed in FY 2006 and FY 2007.

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: October 2, 2004

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: Arizona Department of Transportation – Review of Ports of Entry Report

Request

The Arizona Department of Transportation (ADOT) requests review of staffing at the ports of entry. The General Appropriation Act included an increase of \$495,200 and 12 FTE Positions for increased staff at the ports of entry.

Recommendation

ADOT reports that staffing for the ports of entry increased from 152 FTE Positions in FY 2004 to 164 FTE Positions in FY 2005, with the 12 new FTE Positions distributed 3 to Ehrenberg, 2 to Sanders, 3 to San Simon, 2 to Topock, and 2 to Yuma. None of the 12 new FTE Positions have yet been filled. Thus, there has not been sufficient time to see any impact from extended hours on port operations due to the 12 new FTE Positions.

As a result, JLBC Staff recommends a favorable review of the report with the following provisions:

- ADOT report to the Committee by August 1, 2005, how many of the 12 new FTE Positions have been filled and at which ports.
- The report include the following information for each fixed port of entry in FY 2005:
 - Total number of authorized and filled FTE Positions.
 - Hours of operation before and after filling these positions.
 - Total number of hours open and closed.
 - Number of trucks processed manually, by prepass and waved through.
 - Amount of revenue collected.

Analysis

A General Appropriation Act footnote requires that the department report to the Joint Legislative Budget Committee by September 1, 2004 regarding how the 12 new FTE Positions were distributed among the ports of entry and certain performance data. For each fixed port of entry the report is to include the total

number of authorized and filled FTE Positions, the total number of hours open and closed, the number of trucks processed manually, by prepass and waved through, and the amount of revenue collected.

ADOT reports that staffing for the ports of entry increased from 152 FTE Positions in FY 2004 to 164 FTE Positions in FY 2005. The following table shows ADOT's distribution of FTE Positions among the ports for the 12 new FTE Positions in FY 2005, the total authorized FTE Positions in FY 2004 and FY 2005, and the filled FTE Positions in FY 2004. ADOT states that the current number and distribution of filled FTE Positions would be substantially the same as that reported for FY 2004.

ADOT's Staffing at the Ports of Entry				
FTE Positions				
Port of Entry	FY 2004 Approved	FY 2005 New	FY 2005 Approved	FY 2004 Actual ^{1/}
Ehrenberg	18	3	21	12
Sanders	17	2	19	19
San Simon	14	3	17	17
Topock	13	2	15	9
Yuma	<u>16</u>	<u>2</u>	<u>18</u>	<u>14</u>
Subtotal	78	12	90	71
Douglas - State	2		2	3
Douglas – Federal	7		7	8
Duncan	3		3	3
Fredonia	1		1	1
Kingman	5		5	4
Lukeville	1		1	1
Naco	1		1	2
Nogales	16		16	18
Page	3		3	2
Parker	3		3	3
Phoenix	9		9	10
San Luis	3		3	4
Sasabe ^{2/}	1		1	0
Springerville	2		2	2
St. George	13		13	13
Teec Nos Pos	<u>4</u>		<u>4</u>	<u>3</u>
Subtotal	74		74	77
Total	152		164	148

^{1/} ADOT states that the current number and distribution of filled FTE Positions would be substantially the same as that reported for FY 2004.

^{2/} Port activity is handled by staff from Nogales.

ADOT reports that none of the 12 new FTE Positions have been filled as of September 3, 2004, due to the time needed to establish new FTE Positions, advertise, recruit and conduct background investigations. ADOT is now interviewing candidates and expects to have some hired by the end of the year. ADOT also reported certain information regarding the total number of hours open and closed, the number of trucks processed manually, by prepass and waved through, and the amount of revenue collected. However, there has not been sufficient time to see any impact from extended hours on port operations due to the 12 new FTE Positions.

RS/BH:jb



Janet Napolitano
Governor

Victor M. Mendez
Director

Arizona Department of Transportation

Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Debra Brisk
Deputy Director

September 2, 2004



The Honorable Robert Burns, Chairman
Joint Legislative Budget Committee
1700 West Washington
Phoenix, Arizona 85007

Dear Senator Burns:

In accordance with Laws 2003, Chapter 262 and Laws 2004, Chapter 275, we respectfully submit our reports on Abandoned Vehicle Inspection Revenue and Port of Entry Staffing.

If you have any questions regarding these reports, please direct them to Terry Trost, Budget Manager, at (602) 712-8981.

Sincerely,

Victor M. Mendez, Director

cc: Richard Stavneak, JLBC
Marcel Benberou, OSPB
Terry Trost, ADOT



2001 Award Recipient



Arizona Department of Transportation

MEMORANDUM

To: Terry Trost

Date: August 20, 2004

From: Ruth Halikowski

Subject: Footnote Requirement

A footnote requirement in the Appropriations Report states:

The appropriation for the Motor Vehicle Division includes an increase of \$495,200 and 12 FTE Positions for increased staff at the ports of entry. By September 1, 2004, the department shall report to the Joint Legislative Budget Committee for its review information on how the 12 new FTE Positions were distributed among the ports of entry. For each fixed port of entry, the report shall include the total number of authorized and filled FTE Positions, the total number of hours open and closed, the number of trucks processed manually, by prepass and waved through, and the amount of revenue collected. (General Appropriation Act footnote)

The distribution of the 12 new port positions is as follows:

- San Simon Port Of Entry - 3
- Yuma Port - 2
- Ehrenberg Port Of Entry - 3
- Topock Port Of Entry - 2
- Sanders Port Of Entry - 2

Per the requirement, attached are two spreadsheets providing statistical information on staffing, hours of operation, credentials checked, pre-cleared, waved thru and revenue by port for FY 2003 and FY 2004. For "the number of trucks processed manually" we are using "credential checked".

If you have any questions or need additional information, please call me at 712-8511.

Attachments

xc: Stacey K. Stanton
Ric Athey
George Delgado



ENFORCEMENT SVC
STATISTICAL RECAP
FY 2003/2004

FACILITY	PORT STAFFING		HRS OF OPERATION				CREDENTIALS CHECKED			PRE-CLEARED			WAVED-THRU			REVENUE	
	AUTHORIZED	FILLED	HRS OPEN / HRS CLOSED		HRS OPEN	TOTAL							PREPASS				
			INBOUND	OUTBOUND	TRAFFIC	INBOUND	OUTBOUND	TOTAL	INBOUND	OUTBOUND	TOTAL	ONLY	INBOUND	OUTBOUND	TOTAL	TOTAL REVENUE	
DOUGLAS STATE	3	3	2,219	6,541	0	11,075	5,950	4,530	10,480	338	257	595		0	0	0	\$ 18,656.30
DOUGLAS FEDERAL	12	8	2,432	6,328	0	28,600	21,203	7,397	28,600	0	0	0		0	0	0	\$ 62,948.84
DUNCAN	3	3	3,012	5,748	0	22,322	5,751	4,288	10,039	5,322	5,022	10,344		1,036	903	1,939	\$ 24,930.42
EHRENBERG	22	12	3,940	4,820	8	1,027,299	374,290	229	374,519	648,766	0	648,766	344,015	3,804	210	4,014	\$ 769,770.05
FREDONIA	1	1	1,209	7,551	0	15,468	6,973	0	6,973	8,495	0	8,495		0	0	0	\$ 31,096.65
KINGMAN	7	4	3,245	5,515	0	139,510	14,426	0	14,426	125,084	0	125,084	52,599	0	0	0	\$ 144,631.58
LUKEVILLE	4	1	2,256	6,504	0	393	393	0	393	0	0	0		0	0	0	\$ 34,120.60
NACO	3	2	1,979	6,781	0	4,954	3,136	1,659	4,795	159	0	159		0	0	0	\$ 49,123.08
NOGALES	24	18	3,309	5,452	0	204,813	85,798	0	85,798	118,506	509	119,015		0	0	0	\$ 2,617,840.98
PAGE	4	2	2,116	6,644	0	40,376	10,831	6,443	17,274	14,572	8,522	23,094		5	3	8	\$ 131,578.60
PARKER	3	3	2,740	6,020	0	50,133	44,991	189	45,180	4,953	0	4,953		0	0	0	\$ 53,570.30
PHOENIX*	12	10	2,783		0	1,974	1,019	0	1,019	955	0	955		0	0	0	\$ 2,618,005.25
SANDERS	25	19	5,969	2,791	0	2,228,669	393,273	928,870	1,322,143	900,432	0	900,432	440,975	6,094	0	6,094	\$ 1,173,853.45
SAN LUIS	4	4	2,652	6,108	0	41,249	40,136	1,103	41,239	10	0	10		0	0	0	\$ 74,936.81
SAN SIMON	22	17	7,296	1,464	3	841,446	582,816	470	583,286	230,286	0	230,286	308,227	27,874	0	27,874	\$ 1,565,505.99
SASABE	**	4	2,295	6,465	0	393	388	0	388	2	0	2		3	0	3	\$ 1,804.05
SPRINGERVILLE	2	2	2,225	6,535	0	97,393	53,964	43,429	97,393	0	0	0		0	0	0	\$ 19,848.10
ST. GEORGE	15	13	7,215	1,545	7,153	1,256,408	200,564	253,886	454,450	420,871	381,087	801,958	156,890	0	0	0	\$ 1,172,974.87
TEEC NOS POS	6	3	3,531	5,229	0	23,025	10,247	5,857	16,104	1,909	4,510	6,419		268	234	502	\$ 80,800.77
TOPOCK	18	9	5,578	3,182	0	664,508	199,020	0	199,020	434,133	0	434,133	304,020	31,355	0	31,355	\$ 301,734.15
YUMA B-8	7	6	5,017	3,743	0	62,363	48,407	0	48,407	13,956	0	13,956		0	0	0	\$ 182,221.75
YUMA I-8	12	8	8,760	0	988	435,221	259,420	33,854	293,274	133,352	7,488	140,840	100,230	117	990	1,107	\$ 1,249,675.69
TOTAL	213	148	81,778	104,966	8,152	7,197,592	2,362,996	1,292,204	3,655,200	3,062,101	407,395	3,469,496	1,706,956	70,556	2,340	72,896	\$ 12,379,628.28

* Central Permits

** Port activity handled by staff from Nogales

STATE OF ARIZONA

Joint Legislative Budget Committee

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HOUSE OF
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DATE: October 6, 2004

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jeremy Olsen, Fiscal Analyst
Brad Regens, Assistant Director

SUBJECT: Department of Emergency and Military Affairs - Report on Homeland Security

Request

Laws 2004, Chapter 275 requires the Office of Homeland Security (OHS) to submit a report by August 1, 2004 on the allocation and expenditure plans for homeland security grant monies in FY 2004 and FY 2005. This report is to provide allocation and expenditure information by year, by activity and entity, and is to include state and local entities.

Recommendation

The OHS submission on allocation and expenditure plans for homeland security grant monies reported that in Federal Fiscal Year (FFY) 2003, Arizona received a total of \$34.5 million in State Homeland Security Grant Program (SHSGP) funding. The report also provided the following information:

- Local governments received \$22.3 million, or 65% of the total.
- \$12.2 million (35%) was divided among 14 state grantees, the Arizona Counter Terrorism Information Center (which is partially staffed by the Department of Public Safety) receiving the largest subgrant of \$3.5 million.
- Total expenditures have reached \$7.6 million, a rate of only 22%.

While the FFY 2003 information was useful, Chapter 275 required OHS to report on FFY 2004 and 2005 expenditures. OHS reports that monies have not been distributed for FFY 2004 as they are changing the method of distributing federal funding from specific entities to a regionally based model. OHS has indicated that they will provide data for FY 2004 when monies are distributed. FFY 2005 funding amounts have not been set by Congress at this time.

(Continued)

This item is for information only and no Committee action is required. The JLBC Staff, however, recommends that the Committee request that the Arizona Office of Homeland Security submit the following:

- A periodic report (either quarterly or monthly) on the progress of in expending the remaining FFY 2003 funds.
- A periodic report (either quarterly or monthly) detailing the progress in establishing a new regionally-based funding model. This report should address the allocation of funding to state agencies which may not be subject to the regional funding model.
- A FFY 2004 expenditure plan that includes: expenditure plans for all homeland security grants received by the state and local entities; narrative describing how grantees propose to use allocated funds; and tables indicating which specific funds are being allocated to each grantee.

Analysis

Federal Grants

Homeland security grants are disbursed by the federal government through the Department of Homeland Security and the Department of Health and Human Services. The Department of Homeland Security administers the following homeland security grants:

- **State Homeland Security Grant Program (SHSGP)**
SHSGP is provided for planning, training, equipment, exercises, and other costs associated with enhancing the capabilities at the state and local level to prevent, respond to, and recover from terrorist attacks. Each state receives .75% of the total funding available, and the remainder is distributed according to population. NCSL reports Arizona received a total of \$38.6 million SHSGP funding in FFY 2003 and \$31.3 million in FFY 2004. *(See Table 1)*
- **Urban Area Security Initiative (UASI)**
UASI is a grant program intended for high-threat urban areas. This grant is awarded at the discretion of the Secretary of Homeland Security. The criteria developed by the Department of Homeland Security to rank high threat cities included a threat estimate based on likely terrorist targets, the number of critical assets in a city, and population density. According to the NCSL, Arizona cities received \$11 million of UASI monies in FFY 2003 and \$12.1 million in FFY 2004. *(See Table 1)*
- **Law Enforcement Terrorism Prevention Program (LETPP)**
LETPP enables law enforcement agencies to more effectively detect, deter, disrupt, and prevent acts of terrorism, with an emphasis toward the prevention of an incident involving a weapon of mass destruction. Funds are allocated by distributing 0.75% of available monies to states, the remainder of the grant is allocated according to population. In FFY 2004, NCSL reports that Arizona was awarded a LETPP grant of \$9.3 million. *(See Table 1)*
- **Assistance to Firefighter Grant Program**
This program assists local fire departments in protecting citizens and firefighters against the effects of fire and fire-related incidents. This is a competitive grant program in which individual fire departments apply for funding. Arizona received a total FFY 2004 grant amount of \$329,000. *(See Table 1)*
- **Citizen Corp Grant Program**
Supports Citizen Corp Councils with planning, outreach, and management of Citizen Corps programs and activities. Each state receives 0.75% of the available funding, while the rest of the grant is allocated according to population. Arizona received a FFY 2004 award of \$650,000. *(See Table 1)*

The following table shows Arizona's FFY 2002 – 2004 funding from the federal Department of Homeland Security.

(Continued)

Table 1

Arizona DHS Funding History - Fiscal Year 2002-2004 ^{1/}							
Grant Program		Allocated	Award Amount	Obligated	Drawdown to Date	Balance	% Amount Spent
Fiscal Year 2002 Total Allocated:	\$ 9,370,777.00						
State Domestic Preparedness Program		5,770,000.00	5,770,000.00	5,770,000.00	3,633,453.00	2,136,547.00	62.97%
Fire Grants		3,600,777.00	3,600,777.00				0.00%
Fiscal Year 2003 Total Allocated:	\$ 57,141,160.00						
State Homeland Security Grant Program		10,584,000.00	10,584,000.00	10,584,000.00	2,681,646.00	7,902,354.00	25.34%
State Homeland Security Grant Program (Supp)		28,033,000.00	28,033,000.00	28,033,000.00	5,932,175.00	22,100,825.00	21.16%
Urban Areas Security Initiative Grant Program (Supp)		11,033,467.00	11,033,467.00	200,000.00	14,469.00	11,018,998.00	0.13%
Fire Grants		7,490,693.00	7,490,693.00				0.00%
Fiscal Year 2004 Total Allocated:	\$ 53,699,902.00						
State Homeland Security Grant Program		31,304,000.00	31,304,000.00	-	-	31,304,000.00	0.00%
LE Terrorism Prevention Grant Program		9,289,000.00	9,289,000.00	-	-	9,289,000.00	0.00%
Citizen Corps		650,000.00	650,000.00	-	-	650,000.00	0.00%
Urban Area Security Initiative Grant Program (City of Phoenix, Maricopa County, the portions of Gila River Indian Community, Salt River-Pima Indian Community, and Ft. McDowell Indian Tribe lying within Maricopa County)		12,128,223.00	12,128,223.00	-	-	12,128,223.00	0.00%
Fire Grants		328,679.00	328,679.00	--	TBD	TBD	
Total	\$120,211,839.00	\$120,211,839.00	\$120,211,839.00	\$44,587,000.00	\$12,261,743.00	\$ 96,529,947.00	10.20%
^{1/} OHS submitted allocations for FFY 2003 SHSGP I, and allocation and expenditure amount for FFY 2003 SHSGP II. Any information regarding FFY 2004 grants or other FFY 2003 grant data was supplied by NCSL.							

The Department of Health and Human Services administers the following grants:

- **Centers for Disease Control and Prevention (CDC)**
This grant is intended to strengthen the ability of government and public health agencies to respond to bioterror attacks, infectious diseases, and natural disasters. NCSL reports that Arizona received \$15.8 million in FFY 2003 funding and \$16.5 million for FFY 2004. *(See Table 2)*
- **Health Resources and Services Administration (HRSA)**
This grant provides funding for hospitals to improve their response to bioterror and other disasters. Arizona hospitals received \$9 million in both FFY 2003 and 2004. *(See Table 2)*

Table 2

Arizona HHS Bioterrorism Funding		
Fiscal Year 2002	\$18,659,807.00	
CDC		\$16,422,170.00
HRSA		2,237,637.00
Fiscal Year 2003	\$24,785,485.00	
CDC		\$15,755,035.00
HRSA		9,030,450.00
Fiscal Year 2004 Total Allocated:	\$25,500,764.00	
CDC		\$16,470,314.00
HRSA		9,030,450.00
Total		\$68,946,056.00

Arizona's Allocations and Expenditures

All homeland security grant funding distributed to the State of Arizona are received by OHS, which then allocates monies to state agencies and local government units. OHS reports that in FFY 2002, the state as a whole received a total of \$6.8 million and spent \$5.4 million. Jurisdictions that have not spent their FFY 2002 allotted funds have received extensions from the Department of Homeland Security.

(Continued)

In FFY 2003, OHS reports that the state received a total of \$10.6 million in SHSGP prime (SHSGP I) funds. An additional \$23.9 million in supplemental funds (SHSGP II) was allocated later that same year. The counties share of the total was \$16.2 million, cities (including the Gila River Indian community) received \$6.1 million and \$12.2 million was allocated to 14 Arizona state agencies. The federal government requires that a majority of homeland security funds be allocated to local governments.

Of the \$12.2 million allocated to state grantees, OHS awarded \$3.5 million to the Arizona Counter Terrorism Intelligence Center (ACTIC), \$2 million to the Department of Emergency and Military Affairs for interoperable communications expenses, and \$700,000 was allotted to the Department of Public Safety. (See Table 3)

Cities and counties have expended 24% of their share of FFY 2003 SHSGP I and SHSGP II funds. State agencies have spent 31% of their available SHSGP II allocation. OHS reports that delays in spending are attributable to vendor backlogs and the reimbursement requirement. To receive homeland security funds, a governmental agency must first expend their own money and then submit the item to the Federal Department of Homeland Security for reimbursement. OHS also notes that grantees have 24 months to expend awarded funds.

Table 3

STATE AGENCIES FUND BALANCES FOR FFY 2003				
	Total Allocation	Disbursement Status	Remaining Amount	Remaining %
<i>SHSGP I</i>				
Dept. of Emergency & Military Affairs				
Interoperable Communications	\$2,000,000	<u>1/</u>		
Equipment	1,085,000			
Exercise	555,000			
Training	507,000			
Planning & Training	300,000			
Office of Homeland Security				
Planning	100,000			
Training	50,000			
Total	\$4,597,000			
<i>SHSGP II</i>				
Arizona National Guard	\$621,720	\$ 0.00	\$ 621,720.00	100.00%
Criminal Justice Commission	200,000	0.00	200,000.00	100.00
Arizona State University	100,000	0.00	100,000.00	100.00
Capitol Police	80,000	43,487.94	36,512.06	45.64
Division of Emergency Management	465,000	0.00	465,000.00	100.00
AZ Dept. of Environmental Quality	500,000	5,841.04	494,158.96	98.83
AZ Dept. of Public Safety	700,000	583,229.87	116,770.13	16.68
AZ Dept. of Transportation	500,000	0.00	500,000.00	100.00
Northern Arizona University	100,000	26,400.85	73,599.15	73.60
AZ Radiation Regulatory Agy.	150,000	41,434.21	108,565.79	72.38
University of Arizona	12,280	0.00	12,280.00	100.00
AZ Dept. of Homeland Security	550,000	0.00	550,000.00	100.00
ACTIC Intel Center	3,500,000	1,622,654.99	1,877,345.01	53.64
Dept. of Corrections	<u>100,000</u>	<u>0.00</u>	<u>100,000.00</u>	<u>100.00</u>
Total	\$7,579,000	\$2,323,048.90	\$5,255,951.10	69.35%
<u>1/</u> Information on these expenditures is not currently available from OHS. We will attempt to provide this information to the Committee at the October 14 meeting.				

(Continued)

In order to shorten the amount of time to expend homeland security grant monies, OHS is implementing a regional model, which will utilize 5 regional councils that will work directly with local governments. OHS will provide staffing for these councils.

In order to provide direction to homeland security grant recipients, OHS published the Arizona 2004 State Homeland Security Strategy (SHSS). This document outlines the state's overall security strategy of protecting all of Arizona's citizens and residents from potential terrorist attack and all other critical hazards. This is to be accomplished through 5 primary goals, which are:

- Enhance and maintain assessment and detection capabilities,
- Provide for regional interoperability and support,
- Create secure intelligence and information sharing systems,
- Bolster response and recovery capabilities and protect emergency responders, and
- Support national and state strategy for securing the border.

National Allocations and Expenditures

The Federal Department of Homeland Security reports that approximately one-third of all available 2003 national SHSGP funds has been spent to date. In 2004, the total amount of national SHSGP funds that have been expended are approximately one-quarter. In 2003, the first year of the UASI grant program, only 4% of available national funds had been spent, and in 2004, total UASI expenditures were 24% of the total (*see Table 4*).

Table 4

Grant Program	Award Amount	Drawdown	Percentage
SHSGP	\$ 574,295,000.00	\$212,024,552.30	36.92%
SHSGP II	1,500,000,000.00	394,282,260.85	26.29
UASI	96,351,000.00	4,160,981.43	4.32
UASI II	<u>500,000,000.00</u>	<u>118,428,752.88</u>	<u>23.69</u>
Total	\$2,670,646,000.00	\$728,896,547.46	27.29%

Overall, in 2003 the national rate of expenditure for all homeland security grant money was 32.2% and in 2004 this rate was reported to be 25.6%. In comparison, NCSL reports all Arizona entities have spent or obligated 28.2% of their FFY 2003 allocation. The state agency expenditure rate for this same period was 30.7%.

Homeland Security Secretary Tom Ridge formed The Task Force on State and Local Homeland Security Funding to examine why local governments were unable to expend federal homeland security grant funds in a timely fashion. In its report of June 10, 2004, the task force listed several explanations, including:

- The reimbursement requirement is problematic, particularly for small municipalities.
- Ordinary cash management procedures hinder the ability to rapidly procure and deploy homeland security equipment.
- Many state and local governments lack the purchasing power to obtain goods and services in a timely manner.
- A lack of national standards guiding the distribution, tracking, and oversight of homeland security-related grant funds.
- State and local governments are not adequately staffed to manage the grants.
- Communication gaps between all levels of government.
- Equipment backlogs and vendor delays.

RS:JO:ss

SB 1402 - Sec. 79. Homeland security reporting

The governor's office of homeland security shall report to the joint legislative budget committee by August 1, 2004 on the allocation and expenditure plans for homeland security grant monies in fiscal year 2003-2004 and fiscal year 2004-2005. The report shall provide allocation and expenditure information by year, by activity and by entity, including state and local entities.

The following information is in respects to FY2003-2004. Our office is currently re-working the funding mechanism for future federal homeland security dollars and will respond to the request when monies are distributed.

Any immediate questions concerning homeland security funds may be directed to Karen Paulsen (231-6264) or Mark Howard (231-6212) with the State Emergency Management Office.

If you have any further questions, don't hesitate to call me at 542-7005

Vince Enriquez
Office of Homeland Security



2003 Part I State Allocation I

ADEM	Total Allocation	Sub-Grant Amt.	Disbursement Status	Remaining
Interoperable Communications	\$2,000,000.00			
Equipment	\$1,085,000.00			
Exercise	\$555,000.00			
Training	\$507,000.00			
Planning & Admin	\$300,000.00			
Office of Homeland Security				
Planning	\$100,000.00			
Training	\$50,000.00			

Total

4,597,000

2003
State Agencies DOJ Requisition Status
2003-MU-T3-0034 ~~4~~
7/19/2004

Jurisdiction	Total Allocation	Sub-Grant Amt.	Disbursement Status	Remaining %
Arizona National Guard	\$621,720.00		\$0.00	\$621,720.00
AZ Criminal Justice Commision	\$200,000.00		\$0.00	\$200,000.00
Arizona State University	\$100,000.00		\$0.00	\$100,000.00
Capitol Police	\$80,000.00		\$43,487.94	\$36,512.06
Division of Emergency Mgt.	\$465,000.00		\$0.00	\$465,000.00
AZ Dept. of Environmental Quality	\$500,000.00		\$5,841.04	\$494,158.96
AZ Dept. of Public Safety	\$700,000.00		\$583,229.87	\$116,770.13
AZ Dept. of Transportation	\$500,000.00		\$0.00	\$500,000.00
Northern Arizona University	\$100,000.00		\$26,400.85	\$73,599.15
AZ Radiation Regulatory Agency	\$150,000.00		\$41,434.21	\$108,565.79
University of Arizona	\$12,280.00		\$0.00	\$12,280.00
AZ Dept. of Homeland Security	\$550,000.00		\$0.00	\$550,000.00
ACTIC Intel Center	\$3,500,000.00		\$1,622,654.99	\$1,877,345.01
Dept. of Corrections	\$100,000.00		\$0.00	\$100,000.00
	\$7,579,000.00		\$2,323,048.90	\$5,255,951.10

I

Jurisdiction	Total Allocation	Sub-Grant Amt	Disbursement Status	Remaining %
Apache	\$188,161.00		\$81,612.36	\$106,548.64
Cochise	\$304,284.00		\$0.00	\$304,284.00
Coconino	\$207,130.00		\$0.00	\$207,130.00
Gila	\$261,702.00		\$41,070.12	\$220,631.88
Graham	\$217,778.00		\$74,961.64	\$142,816.36
Greenlee	\$183,120.00		\$62,880.02	\$120,239.98
La Paz	\$204,426.00		\$104,419.13	\$100,006.87
Maricopa	\$1,408,048.00			
City of Phoenix (Skip Rimsza, Mayor)		\$317,568.00	\$60,479.00	\$257,089.00
POC - Marcus Aurelius				
City of Glendale (Elaine Scruggs, Mayor)		\$155,786.00	\$60,479.00	\$95,307.00
POC - Tom Shannon				
City of Scottsdale (Alex Joe Harper, Mayor)		\$21,000.00	\$0.00	\$21,000.00
POC - Marc Eisen				
City of Tempe (Neil Guiliano, Mayor)		\$113,500.00	\$0.00	\$113,500.00
POC - Tom Abbott				
City of Mesa (Keno Hawker, Mayor)		\$316,265.00	\$60,479.00	\$255,786.00
POC - Cliff Puckett				
Gila River Indian Community		\$6,600.00	\$0.00	\$6,600.00
POC - Tim Sanders				
City of Chandler (Boyd Dunn, Mayor)		\$100,000.00	\$0.00	\$100,000.00
POC - Jeff Clark				
Maricopa County Sheriff (MCSO)		\$51,000.00	\$43,097.83	\$7,902.17
POC -				
City of Tolleson (Adolfo F. Gamez, Mayor)		\$11,000.00	\$0.00	\$11,000.00
POC -				
Town of Wickenburg (Lon McDumott, Mayor)		\$9,350.00	\$250.00	\$9,100.00
POC -				
City of Youngtown (Daphne Green, Mayor)		\$5,500.00	\$4,920.00	\$580.00
POC - Shaunna Lee-Rice				
Mohave	\$348,457.00		\$191,662.66	\$156,794.34
Navajo	\$424,841.00		\$100,000.00	\$324,841.00
Pima	\$907,523.00		\$0.00	\$907,523.00
Pinal	\$388,068.00		\$62,562.59	\$325,505.41
Santa Cruz	\$323,878.00		\$41,928.18	\$281,949.82
Yavapai	\$308,145.00		\$66,197.00	\$241,948.00
Yuma	\$311,039.00			
Yuma County Sheriff's Office		\$12,326.00	\$6,734.00	\$5,592.00
POC - Milo Penfield				
San Luis Fire Department		\$63,206.00	\$0.00	\$63,206.00
POC - Arturo Miranda				
San Luis Police Department		\$9,423.00	\$0.00	\$9,423.00
POC - Blanca Vasquez				
San Luis Public Works		\$3,695.00	\$0.00	\$3,695.00
POC - Dave Ford				

2003
DOJ Requisition Status
2003-TE-TX-0196
2/26/04

Somerton/Cocopah Fire Department		\$24,640.00	\$7,903.32	\$16,736.68
POC - Steve Wyant				
Yuma Police Department		\$5,897.00	\$0.00	\$5,897.00
POC - Mike Erfert				
Yuma Fire Department		\$63,664.00	\$1,365.88	\$62,298.12
Cocopah Police		\$7,445.00	\$0.00	\$7,445.00
Somerton Public Works		\$1,211.00	\$0.00	\$1,211.00
Wellton Fire		\$66,223.00	\$0.00	\$66,223.00
Wellton Police		\$2,479.00	\$0.00	\$2,479.00
Tacna Fire		\$535.00	\$0.00	\$535.00
TOTALS	\$5,986,600.00	\$1,290,420.00	\$1,073,001.73	\$4,484,931.27

2003 **II**
DOJ Requisition Status
2003-MU-T3-0034
2/26/04

Jurisdiction	Total Allocation	Sub-Grant Amt	Disbursement Status	Remaining %
Apache	\$592,473.00	\$0.00	\$0.00	\$592,473.00
Cochise	\$1,073,954.00	\$0.00	\$0.00	\$1,073,954.00
Coconino	\$659,719.00	\$0.00	\$67,043.40	\$592,675.60
Gila	\$901,238.00	\$0.00	\$112,491.56	\$788,746.44
Graham	\$723,708.00	\$0.00	\$361,515.96	\$362,192.04
Greenlee	\$586,243.00	\$0.00	\$0.00	\$586,243.00
La Paz	\$671,752.00	\$0.00	\$124,257.15	\$547,494.85
Maricopa				
City of Phoenix (Skip Rimsza, Mayor)		\$790,968.00	\$0.00	\$790,968.00
POC - Marcus Aurelius				
City of Glendale (Elaine Scruggs, Mayor)		\$300,000.00	\$0.00	\$300,000.00
POC - Tom Shannon				
City of Scottsdale (Alex Joe Harper, Mayor)		\$150,000.00	\$0.00	\$150,000.00
POC - Marc Eisen				
City of Tempe (Neil Guiliano, Mayor)		\$307,448.50	\$0.00	\$307,448.50
POC - Tom Abbott				
City of Mesa (Keno Hawker, Mayor)		\$446,135.00	\$0.00	\$446,135.00
POC - Cliff Puckett				
Gila River Indian Community		\$90,000.00	\$0.00	\$90,000.00
POC - Tim Sanders				
City of Chandler (Boyd Dunn, Mayor)		\$307,448.50	\$0.00	\$307,448.50
POC - Jeff Clark				
Maricopa County Sheriff (MCSO)		\$223,816.00	\$78,528.80	\$145,287.20
POC -				
City of Tolleson (Adolfo F. Gamez, Mayor)		\$20,000.00	\$14,476.38	\$5,523.62
POC -				
Town of Wickenburg (Lon McDumott, Mayor)		\$30,000.00	\$0.00	\$30,000.00
POC -				
City of Avondale -		\$75,000.00	\$37,374.53	\$37,625.47
City of El Mirage		\$68,273.84	\$0.00	\$68,273.84
City of Goodyear		\$109,227.00	\$0.00	\$109,227.00
City of Surprise		\$100,000.00	\$0.00	\$100,000.00
City of Buckeye		\$15,000.00	\$14,468.05	\$531.95
City of Peoria		\$75,836.00	\$16,733.63	\$59,102.37
City of Gilbert		\$56,591.00	\$47,870.50	\$8,720.50

2003
DOJ Requisition Status
2003-MU-T3-0034
2/26/04

Jurisdiction	Total Allocation	Sub-Grant Amt	Disbursement Status	Remaining %
City of Paradise Valley		\$14,177.16	\$0.00	\$14,177.16
Sun Lakes Fire District		\$5,200.00	\$5,199.93	\$0.07
Tonopah Valley Fire District		\$12,000.00	\$12,000.00	\$0.00
Daisy Mountain Fire District		\$24,000.00	\$24,000.00	\$0.00
Sun City West Fire District		\$35,000.00	\$35,000.00	\$0.00
Mohave	\$862,872.00	\$0.00	\$12,731.30	\$850,140.70
Navajo	\$791,379.00	\$0.00	\$574,420.31	\$216,958.69
Pima	\$1,989,066.00	\$0.00	\$0.00	\$1,989,066.00
Pinal	\$1,136,811.00	\$0.00	\$467,839.58	\$668,971.42
Santa Cruz	\$1,161,728.00	\$0.00	\$0.00	\$1,161,728.00
Yavapai	\$829,603.00	\$0.00	\$336,961.41	\$492,641.59
Yuma	\$1,079,333.00			
Yuma County Sheriff's Office POC - Milo Penfield		\$415,912.00	\$2,241.29	\$413,670.71
San Luis Fire Department POC - Arturo Miranda		\$62,048.00	\$0.00	\$62,048.00
Somerton/Cocopah Fire Department POC - Steve Wyant		\$25,980.00	\$13,748.96	\$12,231.04
Yuma Police Department POC - Mike Erfert		\$284,411.00	\$0.00	\$284,411.00
Yuma Fire Department		\$100,082.00	\$0.00	\$100,082.00
Cocopah Police		\$30,995.00	\$0.00	\$30,995.00
Somerton Public Works		\$6,000.00	\$0.00	\$6,000.00
Somerton Police		\$12,773.00	\$0.00	\$12,773.00
San Luis Police		\$78,045.00	\$0.00	\$78,045.00
Wellton Fire		\$24,551.00	\$0.00	\$24,551.00
Wellton Police		\$1,109.00	\$0.00	\$1,109.00
Tacna Fire		\$37,427.00	\$0.00	\$37,427.00
TOTALS	\$13,059,879.00	\$4,144,554.00	\$2,358,902.74	\$13,766,197.26

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
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DATE: October 5, 2004

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Tony Vidale, Senior Fiscal Analyst

SUBJECT: Arizona Department of Corrections – Report on New Beds and Projects

Request

The JLBC Staff has been working with the Department of Corrections (ADC) to update the Committee on the status of new public and private beds, privatization of inmate stores, and the community accountability pilot program.

Recommendation

This item is for information only and no Committee action is required. ADC has been providing monthly reports to JLBC Staff updating the status of provisional beds, new public beds, and new private beds. To ensure that the Committee is kept apprised of the status of the inmate store privatization and community accountability pilot program contracts, however, the JLBC Staff recommends requesting that ADC include progress reports on these 2 items in their monthly "new bed" progress report.

The following points summarize the status of new beds and projects.

- ADC continues to utilize provisional beds in Oklahoma and Texas, filling 1,606 beds of the 2,064 available. The FY 2005 budget assumes that the number of inmates in out-of-state provisional beds will number 664 at fiscal year end.
- The private prison in Kingman opened 472 beds in August and expects another 928 beds to open in April 2005. The FY 2005 budget assumes that 1,400 beds will be open by fiscal year end.
- 1,000 in-state public beds are on-schedule for occupancy in December 2004. The FY 2005 budget assumes that 1,000 beds will be open by January 2005.
- The anticipated contract award date for the 1,000 in-state private beds of July 2004 was moved back to November 2004 to satisfy federal requirements for an environmental assessment. Vendors have estimated a construction timeline of 8 to 12 months after the contract award date. The FY 2005 budget assumes 1,000 beds will be open by June 2005.

(Continued)

- Privatization of inmate stores was scheduled to begin on January 15, 2005, but ADC now expects to award the contract mid to late January 2005 with a start-up date depending on the vendor's ability to mobilize and begin providing services.
- The Community Accountability Pilot Program is projected to begin by the end of November 2004.

Analysis

Update on Provisional, Public, and Private Beds

ADC has provided its latest monthly status report to the Legislature on beds authorized in Laws 2003, Chapter 5, 2nd Special Session. Chapter 5 authorized an unspecified number of provisional beds, 1,000 new state beds, 1,000 new private beds, and funded 138 County jail beds. In addition, the FY 2005 General Appropriation Act provided funding for a 1,400-bed private prison in Kingman.

The department contracted with private companies for 2,064 provisional beds located in Oklahoma (1,200 beds) and Texas (864 beds). ADC had all of these beds filled with level-2 and level-3 inmates until a May 14 disturbance at the Diamondback Correctional Facility in Oklahoma. As a result of this disturbance, the department has moved a total of 442 inmates back to Arizona prisons from the provisional beds. The department returned all level-2 inmates, not involved in the disturbance, and level-3 inmates who were returned for security reasons or those involved in the disturbance who no longer qualified for housing in the facility per Oklahoma statute. An investigation by ADC and Oklahoma Corrections officials is ongoing and it is unknown, at this time, if ADC will move additional inmates back to Arizona as a result of the investigation. ADC's FY 2005 budget assumes the department will return 1,400 inmates from out-of-state provisional beds, leaving 664 at the end of the fiscal year. As of September 30, there were 1,606 inmates in out-of-state provisional beds.

The private prison in Kingman opened 472 beds on August 24. The original opening date of August 9 was delayed due to construction certification problems. There are currently 324 DUI inmates occupying these beds. The department projects the final 928 beds of the 1,400-bed private prison contract will open in April 2005.

Construction work continues for the 1,000 in-state permanent public beds and is on schedule for a November 2004 completion date. The department maintains the three sites (Perryville, Tucson, and Douglas) will be open for occupancy in December 2004.

No contract, however, has been awarded for the 1,000 in-state permanent private beds. The department indicated they are awaiting federal Department of Justice (DOJ) approval to spend grant monies on the project, pending review of an environmental assessment of the proposed sites. The environmental assessments are required because the department is funding construction of the beds with federal monies from the Violent Offender/Truth-In-Sentencing (VOITIS) grant. The department has provided information to a consultant who will prepare the environmental assessment, which will be submitted to DOJ. The department's revised date for awarding the contract is the end of November 2004. The bid deadline was June 18, 2004 and there were two responders. Vendors have estimated a construction timeline of 8 to 12 months after the contract award date.

The CY 2004 year-to-date average monthly growth rate is 112 inmates and the FY 2005 year-to-date average growth rate is 111 inmates.

Privatization of Inmate Stores

Laws 2004, Chapter 281 required ADC to privatize inmates stores by January 15, 2005. The department was directed to issue a Request for Proposal (RFP) on or before September 1, 2004 and award a contract on or before November 1, 2004. Private entities, ADC, or Arizona Correctional Industries are eligible for

(Continued)

award of the contract. Proceeds from the state's portion of profits derived from inmate store privatization will be deposited into an inmate store proceeds fund and the monies may be used for inmate activities, incentive pay for correctional officers, safety equipment, or other official needs.

Based on the latest information provided by the department, the RFP has not been released and is awaiting final review and approval from the Director. ADC will not be able to meet the date established in statute to implement privatization. The department anticipates the RFP will be published by October 1, 2004, with proposals due in November. The department expects that by mid to late January 2005, an award will be made to the successful vendor. The actual start-up date will be dependent on the vendor's ability to mobilize and begin providing services. The department has informed us they cannot meet the timeline due to numerous issues that must be addressed in the RFP, such as security, product quality, logistics, pricing, and creating an electronic interface between vendor sales records and the department's automated banking system.

Chapter 281 did not require JLBC review of the RFP.

Community Accountability Pilot Program

Laws 2004, Chapter 204 required ADC to establish a Community Accountability Pilot Program. Chapter 204 authorized the department to contract with a private or non-profit entity to provide supervision and treatment services for eligible offenders who have violated the terms and conditions of community supervision. In lieu of parole or community supervision revocation that would send the inmate back to prison, the pilot program allows an inmate to remain out of prison and be monitored by a private or non-profit entity that also provides programming and counseling services outlined in statute. After an eligible inmate has been in the program for 60 days or more, the department may require the inmate to pay a supervision fee, with proceeds deposited into the Community Accountability Fund. Program participation is capped at 1,000 inmates the first year and 2,000 inmates the second year. In addition, the contracting entity must provide monthly reports to the ADC Director and the JLBC during the first year of operation and annual reports during the second year of operation. Based on the latest information provided by ADC, the department is in the process of completing the RFP, and will submit the completed proposal to the ADC Director for approval. The department expects to publish the RFP in October, evaluate the proposals in November and make an award by the end of November.

RS:TV:ss

Arizona Department of Corrections



JANET NAPOLITANO
GOVERNOR

1601 WEST JEFFERSON
PHOENIX, ARIZONA 85007
(602) 542-5497



DORA B. SCHRIRO
DIRECTOR

August 5, 2004



The Honorable Ken Bennett
The Honorable Jake Flake
Arizona Legislature
1700 West Washington
Phoenix, Arizona 85007

Dear President Bennett and Speaker Flake:

The purpose of this letter is to provide a status report to the Legislature on the expansion of permanent and provisional beds as authorized during the Second Special Session of 2003. Occupancy of provisional beds in Oklahoma continues to warrant special attention.

In-state County jail beds: ADC maintains a combined count of 136 inmates in the Navajo and Coconino County jails.

Out-of-state provisional beds: The Diamondback Correctional Facility in Watonga, Oklahoma, operated by Corrections Corporation of America (CCA), and the Reeves County Facility in Pecos, Texas, managed by GEO, were fully occupied (2,064 Arizona inmates) on schedule in April and May, respectively.

The June 29 update included information about the May 14 disturbance at the Diamondback Correctional Facility involving 541 Arizona inmates in all custody classifications, about 45 percent of Arizona's population at that location. Concerned about its management of the three classifications, ADC has been returning all level-two inmates, 378 in number, who were not involved in the disturbance, in groups of 30. To date, 330 level-two inmates have been brought back, leaving in place for now two groups, level-three general population and level-three Mexican National prisoners. Additional transfers and further steps may follow. Twelve weeks have now passed and the units in which the remaining Arizona inmates are confined have not yet resumed normal operations. As soon as the department receives and reviews the investigation of the disturbance Oklahoma DOC conducted under its statutory authority at our request, and additional information ADC requested from CCA about its corrective action plan, the next update will be provided. Also pending are Oklahoma DOC classification assessments of Arizona inmates who were involved in the disturbance, a number of whom may no longer qualify for housing in Oklahoma as per its state statute. Last, the two inmates who were seriously injured on May 14 have been discharged from the hospital, one to the facility's infirmary in June before returning to ADC and the other to a rehabilitation center in Oklahoma in July and now to another in Arizona.

The ADC hotline has received and responded to 5,049 calls from family members about temporary transfers to provisional beds since March 4, 2004, including 593 calls about the Oklahoma disturbance. The hotline telephone operated through June 30, 2004, when the volume of calls diminished. Now, callers are referred to the Inmate Family & Friends Liaison office at 602-364-3945 or in-state, toll-free, to 866-333-2039. Information is also posted on the department's webpage at www.adc.prisoninfo.az.gov. Thus far, "Temporary Out-of-State Transfer of Inmates," has had 12,708 hits to its site.

The Honorable Ken Bennett
The Honorable Jake Flake
Page 2
August 5, 2004

Video visitation is available now to inmates and their approved visitors at the Diamondback Facility and the Reeves County Detention Center at no cost to those who participate. Video visitation should also be available at the Newton County facility in September.

Since its inception this May to date, all of the at-cost charter bus trips from Arizona to the Diamondback and Reeves facilities have been cancelled due to lack of participation.

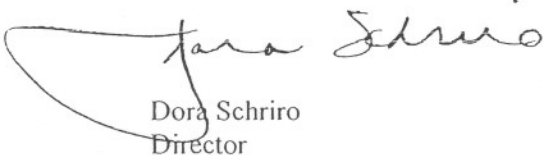
In-state permanent private beds: With the decision to use VOI/TIS funds, the previously anticipated contract award date of July 30, 2004 is pushed back to the end of October to satisfy National Environmental Policy Act (NEPA) requirements necessary to obtain approval by the U.S. Department of Justice to expend these funds.

In-state permanent public beds: ADC expects to complete its construction of the four units, one for female and three for male offenders, at the three sites (Perryville, Tucson, and Douglas) on schedule in November 2004 and still plans to occupy the 1,000 level-1 beds this December. While Full Time Equivalent (FTE) authority was not identified in the final budget, funding to hire the requested 228 FTE was provided and the Department is proceeding with its selection of staff as noted in the last letter.

Completion, in-state private DUI beds: A ribbon-cutting ceremony was held Friday, July 23. Absent a Certificate of Occupancy and approval by the Department of Health and Fire Marshal however, occupancy scheduled to begin August 9, 2004 is delayed. As soon as the Certificate of Occupancy is secured, staff can complete its inspection and reschedule the actual opening of the 450 DUI beds included in Phase One.

Kindly advise if additional information is sought at this time.

Sincerely,



Dora Schriro
Director

cc: Members of the Arizona Legislature
David Jankofsky, Director, Governor's Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee

STATE OF ARIZONA

Joint Legislative Budget Committee

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LINDA J. LOPEZ

DATE: October 6, 2004

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Kim Hohman, Senior Fiscal Analyst

SUBJECT: Department of Economic Security – Report on Child Protective Services Issues

Request

Pursuant to Laws 2003, Chapter 6, 2nd Special Session, the Department of Economic Security (DES), is required to submit a financial and program accountability report for Child Protective Services (CPS) on a semi-annual basis, beginning August 1, 2004.

Recommendation

This report is for information only and no Committee action is required. The JLBC Staff does recommend, however, that the Committee request that future reports include:

- Actual CPS caseloads per investigator and ongoing case manager, as required by Chapter 6.
- Monthly employee turnover data so as to permit tracking the progress of hiring CPS staff.

The highlights of the report are:

- The number of caseworkers in training has increased significantly.
- DES did not provide caseloads of CPS caseworkers as required by Chapter 6, so we are unable to evaluate how much progress DES has been made in this regard. As a substitute, DES reports that it has a net staffing need of 101 positions, after adjusting for new positions approved for either the FY 2004 or FY 2005 budget.
- The turnover rate of CPS caseworkers is 19%. Since this data reflects a 6-month period from January to June, we are unable to evaluate progress over time.
- Measures on employee satisfaction and independent assessments of CPS actions will be available in the next 6-month report.

Analysis

Pursuant to Laws 2003, Chapter 6, 2nd Special Session, the financial and program accountability report is due on a semi-annual basis, beginning August 1, 2004. The report is to include 12 measures, as identified either in statute or by the JLBC.

The 12 measures and the August 1 findings are as follows:

1) Success in meeting training requirements

DES reports a total of 83 CPS caseworkers in the CPS training academy as of June 2004, and an average monthly enrollment of 54 employees from April through June. As a point of comparison, from January through March there was an average of 16 employees enrolled in the academy each month. In January and February, all employees enrolled in the academy graduated.

2) Caseloads for CPS caseworkers

The report identifies the number of investigations, in-home cases, and out-of-home cases, as well as the number of staff required for each of these types of cases by month. It also breaks out these cases by district and delineates the number of staff required for each district for each type of workload. The report does not, however, identify the number of filled positions in these categories. As a result, it is difficult to estimate the actual caseloads experienced by CPS workers each month. The JLBC Staff therefore recommends that future reports include caseload data for investigators and ongoing case managers.

In addition, the special session legislation required DES to develop and adopt its own specific CPS caseload standards by July 1, 2004, and report these standards to the Joint Legislative Committee on Children and Family Services. In the July 1 report, DES indicated that it is consulting with the National Resource Center for Child Maltreatment to establish caseload standards, but had not yet finalized standards specific for the Arizona CPS system. DES also indicated that caseload standards will be completed in 2 phases. The first phase will establish standards for CPS investigations while the second phase will establish standards for ongoing case management. The department does not expect to have ongoing case management standards finalized until the end of FY 2005. DES did not identify a specific timeframe for the completion of caseload standards for investigations.

While actual caseloads per worker are not provided, the report indicates that in January, the Division of Children, Youth and Families (DCYF) had a net staffing need of 117 CPS caseworker positions. This number has been adjusted to include the additional 75 positions (64 General Fund, 11 Federal Funds) added in the 2004 Regular Session. At the end of June, DES still reports a net staffing need of approximately 101 caseworker positions. It appears that the staffing need decreased by 16 positions as a result of a decrease in the number of investigations.

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

Over the 6-month period, DES reports a slight increase in the number of in-home cases as well as the number of children in out-of-home care. The report identifies the number of closed in-home cases and the number of children leaving out-of-home care. In June 2004, DCYF had closed approximately 2,023 in-home cases and 576 children left out-of-home care. When comparing these figures over the 6-month period, no consistent pattern emerged. In addition, DES identified approximately 6,300 inactive cases in January 2004, and approximately 6,900 cases in June. Inactive CPS cases are defined as having no activity for 60 days or more, and are not included in the caseload numbers for in-home or out-of-home cases.

4) The ratio of CPS caseworkers to immediate supervisors

The report identifies the statewide ratio of CPS caseworkers to supervisors at approximately 6 caseworkers per supervisor. When this figure is broken out by type of district, the average number of caseworkers per supervisor is 4 in rural districts and 6-7 caseworkers per supervisor in urban districts (includes Phoenix and Tucson). The Child Welfare League of America recommends a ratio of 5 caseworkers per supervisor, but DES has asked for supervisors at a 6 to 1 ratio.

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

DES reports an annualized statewide turnover rate of 19.2% for CPS caseworkers and 7% for CPS supervisors. The turnover rate for CPS caseworkers ranges from 16% in District 1 to 25% in District 5. For CPS supervisors, the turnover rate ranges from 3% to 15%. DES reports that a total of 94 CPS caseworker positions were vacated from January through June. Of this amount, 68 people (or 72%) left state service, 6 transferred out of DCYF but continued their employment with DES, 9 caseworkers transferred to a different district, and 11 individuals were promoted within DCYF.

DES has submitted data for each month of the 6-month period for most of the performance measures included in the report, but has not included this level of detail for this measure. Monthly data for employee turnover would be particularly useful to track the progress of hiring CPS staff as well as overall CPS staffing.

6) The source and use of federal monies in CPS

In FY 2004, DES estimates it spent approximately \$180.6 million in federal funds. This number does not include end of the year administrative adjustments. Of the \$180.6 million, \$75.2 million represents Temporary Assistance for Needy Families Block Grant monies appropriated in the DCYF budget. The remaining \$105.4 million represents non-appropriated funds and includes monies such as Social Services Block Grant, Title IV-E, and Title IV-B monies. The information provided in the report is limited to expenditure data and does not include total revenue collected from these fund sources.

7) The source and use of state monies in CPS

In FY 2004, DES estimates it spent approximately \$100.5 million in state funds. This number does not include end of the year administrative adjustments. Of the \$100.5 million, \$98.9 million represents General Fund expenditures with the remaining \$1.6 million spent from various other state funds. Of the \$100.5 million in state monies, \$99.8 million was spent from appropriated funds. The information provided in the report is limited to expenditure data and does not include total revenue collected from these fund sources.

The department has not yet submitted data for measures 8 through 12, listed below:

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

DES has indicated that these measures will be included in the February 1 report.



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Janet Napolitano
Governor

1717 West Jefferson - P.O. Box 6123 - Phoenix, AZ 85005

David A. Berns
Director

AUG 5 2004

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



Dear Governor Napolitano:

As required by Laws 2003, 2nd Special Session, Chapter 6, the Department of Economic Security (DES), the Office of Strategic Planning and Budgeting (OSPB), and the Joint Legislative Budget Committee (JLBC) met to develop a financial and program accountability reporting system for Child Protective Services (referred to as the CPS Report). The CPS Report is required to be submitted bi-annually in August and February of each year. The first bi-annual CPS report is attached.

Please let me know if the information provided requires clarification.

Sincerely,

David A. Berns
Director

Attachment

DB:GL:sp

C:

The Honorable Robert Burns
The Honorable Russell Pearce
The Honorable Mark Thompson
The Honorable Mark Anderson

DEPARTMENT OF ECONOMIC SECURITY
CHILD PROTECTIVE SERVICES ACCOUNTABILITY FACTORS
Child Protective Service Bi-Annual Financial and Program Accountability Report (CPS Report)
August 2004

Laws 2003, 2nd Special Session, Chapter 6 required the Department of Economic Security (DES), the Office of Strategic Planning and Budgeting (OSPB), and the Joint Legislative Budget Committee (JLBC) to develop a bi-annual financial and program accountability reporting system for Child Protective Services (CPS). Chapter 6 specified seven measures (*see Table 1*) to be included in the CPS Report. In addition, the five measures recommended by the JLBC are also included in the CPS Report. (*see Table 2*). The August 2004 CPS Report includes data on the 12 identified financial and program accountability measures.

Table 1

Factors Identified in the Special Session Legislation

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

Table 2

Factors Requested by the JLBC

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

TRAINING

1. Success in meeting training requirements.

FY 2004 – Actual

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>April</u>	<u>May</u>	<u>June</u>
# enrolled in CPS training academy ^{1/}	23	7	19	30	48	83
# graduated ^{1/}	23	7				

^{1/} CPS academy training is 16 weeks. The number reported as graduated in a given month represents the number from that group that enrolled that completed the 16 week course. FY 2004 includes 104 new hires funded in the CPS Special Session (Laws 2003, 2nd Special Session, Chapter 6).

CPS CASELOADS

2. Caseloads for child protective service workers.
3. The number of new cases, cases that remain open, and cases that have been closed.

Please see pages 4a – 4f for data collected on these measures for January – June 2004.

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

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

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

Division of Children, Youth and Families
Case Count Summary Report
Data for January 2004
Data as of 4-09-04

	Number of Units	# of Staff Required ^{1/}
Investigations		
District I	1,646	137.2
District II	490	40.8
District III	229	19.1
District IV	217	18.1
District V	190	15.8
District VI	120	10.0
Total	2,892	241.0
In-Home Cases		
District I	1,607	94.5
District II	543	31.9
District III	397	23.4
District IV	325	19.1
District V	247	14.5
District VI	192	11.3
Total	3,311	194.8
Out-of-Home Children		
District I	3,992	266.1
District II	2,386	159.1
District III	671	44.7
District IV	340	22.7
District V	368	24.5
District VI	334	22.3
District VII	128	8.5
Total	8,219	547.9
Total Staff Required		983.7
# of Staff As of 1-31-04 (Authorized) ^{2/3/}		694.5
Number of Staff Needed		(289.2)
Less Remaining Staff from HB 2024		97.0
Net Staffing Requirement		(192.2)
Cases Identified as Non-Active ^{4/}	6,293	

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

2/ Includes 16 contracted case management staff.

3/ Funding levels necessitate a CPS case manager vacancy rate of approximately 5.5%.

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

Division of Children, Youth and Families
Case Count Summary Report
Data for February 2004
Data as of 4-09-04

	Number of Units	# of Staff Required ^{1/}
Investigations		
District I	1,707	142.3
District II	456	38.0
District III	229	19.1
District IV	213	17.8
District V	210	17.5
District VI	147	12.3
Total	2,962	246.8
In-Home Cases		
District I	1,674	98.5
District II	563	33.1
District III	484	28.5
District IV	490	28.8
District V	274	16.1
District VI	212	12.5
Total	3,697	217.5
Out-of-Home Children		
District I	4,049	269.9
District II	2,441	162.7
District III	687	45.8
District IV	308	20.5
District V	393	26.2
District VI	341	22.7
District VII	130	8.7
Total	8,349	556.6
Total Staff Required		1,020.9
# of Staff As of 2-29-04* (Authorized) ^{2/3/}		702.5
Number of Staff Needed		(318.4)
Less Remaining Staff from HB 2024		89.0
Net Staffing Requirement		(229.4)
Number of New In-Home Cases	1,696	
Number of Continuing In-Home Cases	2,001	
Number of Closed In-Home Cases	1,310	
Number of New Out of Home Children	483	
Number of Continuing Out-of-Home Children	7,866	
Number of Children Leaving Care	353	
Cases Identified as Non-Active ^{4/}	6,334	

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

2/ Includes 16 contracted case management staff.

3/ Funding levels necessitate a CPS case manager vacancy rate of approximately 5.5%.

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

Division of Children, Youth and Families
Case Count Summary Report
Data for March 2004
Data as of 4-09-04

	Number of Units	# of Staff Required ^{1/}
Investigations		
District I	1,923	160.3
District II	561	46.8
District III	244	20.3
District IV	254	21.2
District V	228	19.0
District VI	139	11.6
Total	3,349	279.1
In-Home Cases		
District I	2,029	119.4
District II	645	37.9
District III	535	31.5
District IV	551	32.4
District V	332	19.5
District VI	278	16.4
Total	4,370	257.1
Out-of-Home Children		
District I	4,096	273.1
District II	2,463	164.2
District III	677	45.1
District IV	318	21.2
District V	390	26.0
District VI	341	22.7
District VII	132	8.8
Total	8,417	561.1
Total Staff Required		1,097.3
# of Staff As of 3-31-04* (Authorized) ^{2/3/}		725.5
Number of Staff Needed		(371.8)
Less Remaining Staff from HB 2024		66.0
Net Staffing Requirement		(305.8)
Number of New In-Home Cases	1,269	
Number of Continuing In-Home Cases	3,101	
Number of Closed In-Home Cases	596	
Number of New Out of Home Children	561	
Number of Continuing Out-of-Home Children	7,856	
Number of Children Leaving Care	493	
Cases Identified as Non-Active ^{4/}	6,057	

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

^{2/} Includes 16 contracted case management staff.

^{3/} Funding levels necessitate a CPS case manager vacancy rate of approximately 5.5%.

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

Division of Children, Youth and Families
Case Count Summary Report
Data for April 2004
Data as of 5-22-04

	Number of Units	# of Staff Required ^{1/}
Investigations		
District I	1,887	157.3
District II	562	46.8
District III	217	18.1
District IV	244	20.3
District V	199	16.6
District VI	126	10.5
Total	3,235	269.6
In-Home Cases		
District I	1,794	105.5
District II	579	34.1
District III	472	27.8
District IV	488	28.7
District V	265	15.6
District VI	172	10.1
Total	3,770	221.8
Out-of-Home Children		
District I	4,062	270.8
District II	2,429	161.9
District III	668	44.5
District IV	312	20.8
District V	377	25.1
District VI	328	21.9
District VII	136	9.1
Total	8,312	554.1
Total Staff Required		1,045.5
# of Staff As of 4-30-04* (Authorized) ^{2/3/}		748.5
Number of Staff Needed		(297.0)
Less Remaining Staff from HB 2024		43.0
Net Staffing Requirement		(254.0)
Number of New In-Home Cases	1,784	
Number of Continuing In-Home Cases	1,986	
Number of Closed In-Home Cases	2,384	
Number of New Out of Home Children	666	
Number of Continuing Out-of-Home Children	7,646	
Number of Children Leaving Care	771	
Cases Identified as Non-Active ^{4/}	6,435	

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

^{2/} Includes 16 contracted case management staff.

^{3/} Funding levels necessitate a CPS case manager vacancy rate of approximately 5.5%.

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

Division of Children, Youth and Families
Case Count Summary Report
Data for May 2004
Data as of 6-19-04

	Number of Units	# of Staff Required ^{1/}
Investigations		
District I	1,725	143.8
District II	456	38.0
District III	229	19.1
District IV	211	17.6
District V	187	15.6
District VI	133	11.1
Total	2,941	245.1
In-Home Cases		
District I	2,006	118.0
District II	587	34.5
District III	461	27.1
District IV	412	24.2
District V	263	15.5
District VI	158	9.3
Total	3,887	228.6
Out-of-Home Children		
District I	4,135	275.7
District II	2,450	163.3
District III	642	42.8
District IV	324	21.6
District V	384	25.6
District VI	359	23.9
District VII	145	9.7
Total	8,439	562.6
Total Staff Required		1,036.3
# of Staff As of 5-31-04* (Authorized) ^{2/3/}		769.5
Number of Staff Needed		(266.8)
Less Remaining Staff from HB 2024		22.0
Net Staffing Requirement		(244.8)
Number of New In-Home Cases	1,693	
Number of Continuing In-Home Cases	2,194	
Number of Closed In-Home Cases	1,576	
Number of New Out of Home Children	552	
Number of Continuing Out-of-Home Children	7,887	
Number of Children Leaving Care	425	
Cases Identified as Non-Active ^{4/}	6,676	

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

2/ Includes 16 contracted case management staff.

3/ Funding levels necessitate a CPS case manager vacancy rate of approximately 5.5%.

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

Division of Children, Youth and Families
Case Count Summary Report
Data for June 2004
Data as of 7-24-04

	Number of Units	# of Staff Required ^{1/}
Investigations		
District I	1,404	117.0
District II	364	30.3
District III	183	15.3
District IV	192	16.0
District V	166	13.8
District VI	106	8.8
Total	2,415	201.3
In-Home Cases		
District I	1,757	103.4
District II	527	31.0
District III	399	23.5
District IV	328	19.3
District V	218	12.8
District VI	180	10.6
Total	3,409	200.5
Out-of-Home Children		
District I	4,214	280.9
District II	2,443	162.9
District III	642	42.8
District IV	309	20.6
District V	396	26.4
District VI	361	24.1
District VII	120	8.0
Total	8,485	565.7
Total Staff Required		967.4
# of Staff As of 6-30-04* (Authorized) ^{2/3/}		791.5
Number of Staff Needed		(175.9)
Less Remaining Staff from HB 2024		0.0
Net Staffing Requirement		(175.9)
Number of New In-Home Cases	1,545	
Number of Continuing In-Home Cases	1,864	
Number of Closed In-Home Cases	2,023	
Number of New Out of Home Children	622	
Number of Continuing Out-of-Home Children	7,863	
Number of Children Leaving Care	576	
Cases Identified as Non-Active ^{4/}	6,947	

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

^{2/} Includes 16 contracted case management staff.

^{3/} Funding levels necessitate a CPS case manager vacancy rate of approximately 5.5%.

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

NOTE: Historically, in June caseloads levels are low. Therefore, CPS staffing needs should not be derived solely from the June caseload number.

EMPLOYEE RATIOS AND TURNOVER

- 4. The ratio of child protective services workers to immediate supervisors**
- 5. Employee turnover, including a breakdown of employees who remain with the Department and employees who leave the department.**

Please see pages 5a – 5b for data collected on these measures for January – June 2004.

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

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

		DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS SPECIALISTS I'S, II'S, AND III'S									
AS OF 06/30/2004									
	AUTHORIZED	415	193	61	46	37	27	42	821
	FILLED	396	185	59	34	32	23	42	771
	VACANT	19	8	2	12	5	4	0	50
	TRAINING (1)	48	15	5	9	5	3	0	85

DURING THE PERIOD OF 01/01/2004 THRU 06/30/2004									
	NEW HIRE								
	NEW HIRES TO STATE	140	60	11	11	10	6	5	243
	TRANSFERRED FROM ANOTHER DCYF DISTRICT		1					7	8
	TRANSFERRED FROM ANOTHER STATE AGENCY								0
	PROMOTION FROM WITHIN DCYF	1	2						3
	PROMOTION FROM WITHIN DES								0
	OTHER	2							2
	TOTAL NEW HIRES	143	63	11	11	10	6	12	256
	LEAVING								
	SEPARATION FROM STATE SERVICE	31	15	6	2	4	2	8	68
	TRANSFERRED OUTSIDE DES								0
	TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES	1	4		1				6
	TRANSFERRED TO ANOTHER DCYF DISTRICT	5	1		1	1	1		9
	TRANSFERRED TO ANOTHER STATE AGENCY								0
	PROMOTED WITHIN DCYF	2	5		2			2	11
	OTHER(2)								
	TOTAL LEAVING	39	25	6	6	5	3	10	94
	RETENTION RATE (3)	65.5%	86.7%	96.2%	76.1%	77.1%	77.8%	71.4%	78.8%
	ANNUALIZED DCYF TURNOVER RATE (4)	16.2%	20.5%	20.3%	17.6%	25.0%	17.4%	38.1%	19.2%

- (1) STAFF IN THE TRAINING INSTITUTE ARE NOT REFLECTED IN THE FILLED NUMBERS BUT ARE REFLECTED IN THE VACANT NUMBERS. OF THE 243 NEW HIRES, 210 ATTENDED THE CPS TRAINING ACADEMY IN FY 2004. THE REMAINING 33 NEW HIRES BEGAN ATTENDING THE CPS TRAINING ACADEMY IN JULY 2004 (FY 2005).
- (2) INCLUDES BOTH VOLUNTARY AND INVOLUNTARY GRADE DECREASES, DEMOTIONS, AND STAFF LEAVING THE SERIES FOR OTHER REASONS.
- (3) RETENTION RATE IS CALCULATED BY TAKING THE TOTAL AUTHORIZED POSITIONS MINUS THE NEW HIRES AND DIVIDING THAT NUMBER BY THE TOTAL AUTHORIZED POSITIONS.
- (4) TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

DCYF CPS SPECIALIST AND SUPERVISOR PERSONNEL ACTIVITY

		DIST 1	DIST 2	DIST 3	DIST 4	DIST 5	DIST 6	HOTLINE	TOTAL
CPS UNIT SUPERVISORS									
AS OF 06/30/2004									
	AUTHORIZED	67	27	13	10	10	10	7	144
	FILLED	66	26	12	9	10	10	7	140
	VACANT	1	1	1	1	0	0	0	4

DURING THE PERIOD OF 01/01/2004 THRU 06/30/2004									
	NEW HIRE								
	NEW HIRES TO STATE				1				1
	TRANSFERRED FROM ANOTHER DCYF DISTRICT			1					1
	TRANSFER FROM ANOTHER STATE AGENCY								0
	PROMOTION FROM WITHIN DCYF	1	6		1				8
	PROMOTION FROM WITHIN DES	1							1
	OTHER								0
	TOTAL NEW HIRES	2	6	1	2	0	0	0	11
	LEAVING								
	SEPARATION FROM STATE SERVICE	1	2				1		4
	TRANSFERRED OUTSIDE DES								0
	TRANSFERRED OUTSIDE DCYF-CONTINUED EMPLOYMENT WITH DES						1		1
	TRANSFERRED TO ANOTHER DCYF DISTRICT				2			1	3
	TRANSFERRED TO ANOTHER STATE AGENCY								0
	PROMOTED WITHIN DCYF	1	1						2
	OTHER(2)		2						2
	TOTAL LEAVING	6	17	2	6	0	2	1	12
	RETENTION RATE (5)	97.01%	77.78%	92.31%	80.00%	100.00%	100.00%	100.00%	92.36%
	ANNUALIZED DCYF TURNOVER RATE (6)	3.0%	15.4%	0.0%	0.0%	0.0%	40.0%	0.0%	7.1%

- (1) RATIO OF TOTAL SUPERVISOR POSITIONS TO TOTAL CPS POSITIONS IS: 1:5.7
TOTAL AUTHORIZED SUP. POSITIONS : TOTAL AUTHORIZED CPS SPECIALIST POSITIONS
- (2) RATIO OF FILLED SUPERVISOR POSITIONS TO FILLED SPECIALIST POSITIONS IS: 1:5.5
TOTAL FILLED SUP. POSITIONS : TOTAL FILLED CPS SPECIALIST POSITIONS
- (3) STAFF IN THE TRAINING INSTITUTE ARE NOT REFLECTED IN THE FILLED NUMBERS BUT ARE REFLECTED IN THE VACANT NUMBERS.
- (4) INCLUDES BOTH VOLUNTARY AND INVOLUNTARY GRADE DECREASES, DEMOTIONS, AND STAFF LEAVING THE SERIES.
- (5) RETENTION RATE IS CALCULATED BY TAKING THE TOTAL AUTHORIZED POSITIONS MINUS THE NEW HIRES AND DIVIDING THAT NUMBER BY THE TOTAL AUTHORIZED POSITIONS.
- (4) TURNOVER RATE IS CALCULATED BY TAKING THE TOTAL NUMBER OF STAFF LEAVING DCYF AND DIVIDING THAT BY THE TOTAL FILLED POSITIONS.

FEDERAL AND STATE EXPENDITURES

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

Please see pages 6a for data collected on these measures for FY 2004. Costs do not include 13th Month expenditures, nor are administrative adjustments included, due to their unavailability by fund source at the time of this report. In total, however, 13th month expenditures and administrative adjustments are estimated to be \$15,566,900 (TF). Expenditure data estimates for FY 2005 by fund source were not available at the time of this report. DES will submit FY 2005 expenditure estimates on September 1, 2004.

FY 2004 TOTAL DCYF EXPENDITURES (As of June 30, 2004) ^{1/}
(AND ASSOCIATED SUPPORT COSTS)

	Appropriated Funds					Non- Appropriated Funds												All Funds
	GF	TANF	Child Abuse Prevention	CPS Training	Total Approp. Funds	Title IV-B CWS Part I	Title IV-B Part II	Title IV-E	Independent Living	CA&N (+) Com. Base	Social Services Block Grant	Tobacco Settlement	Governor's Office of Drug Policy	Foster Care Client Trust	DHS-BHS	Title XIX	Other ^{5/}	Total Approp.& Non-Approp.
FTE	869.3	283.0	1.0	1.0	1,154.3	71.0	17.0	306.4	1.0	1.0	154.0					34.8	1.0	1,740.5
Operating	31,406.7	20,912.6		88.4	52,407.7	2,302.3	990.8	14,831.1	143.8	143.2	4,097.6					2,135.0	23.4	77,074.9
Adoption	17,048.4	6,486.1			23,534.5			20,015.1										43,549.6
Children Services	40,303.8	8,409.2			48,713.0	267.0		29,438.9			5,579.8			396.3				84,395.0
Intensive Family Svcs	1,985.6				1,985.6													1,985.6
CMDP	1,492.5				1,492.5											14,788.7		16,281.2
Healthy Families		4,561.2			4,561.2								749.9					5,311.1
Family Builders		4,619.4			4,619.4													4,619.4
TANF Deposit to SSBG		25,259.7			25,259.7													25,259.7
CPS Appeals ^{2/}	454.6				454.6													454.6
CPS Exp. Sub. Abuse	220.3				220.3													220.3
AG Special Line Item ^{2/}	4,121.5	47.6			4,169.1	460.7	94.2	1,399.0	14.1	14.3	917.1						0.8	7,069.3
Child Abuse Prevention			794.0		794.0													794.0
Permanent Guardianship	1,903.4	831.5			2,734.9													2,734.9
Homeless Youth Intervention		313.8			313.8													313.8
Substance Abuse Treatment		3,794.9			3,794.9										577.3			4,372.2
Other Non-Appr Programs ^{3/}					-	14.5	2,879.1	362.5	1,587.0	71.6	1,734.4						56.0	6,705.1
Total DCYF	98,936.8	75,236.0	794.0	88.4	175,055.2	3,044.5	3,964.1	66,046.6	1,744.9	229.1	12,328.9	-	749.9	396.3	577.3	16,923.7	80.2	281,140.7
Percent of Total	35.2%	26.8%	0.3%	0.0%	62.3%	1.1%	1.4%	23.5%	0.6%	0.1%	4.4%	0.0%	0.3%	0.1%		6.0%	0.0%	100%
Support Services ^{4/}	10,125.4	2,641.1	-	-	12,766.5	1,227.5	303.6	4,615.4	39.4	37.9	1,570.7					492.4	2.1	21,055.5
Total DCYF/Adm Sup	109,062.2	77,877.1	794.0	88.4	187,821.7	4,272.0	4,267.7	70,662.0	1,784.3	267.0	13,899.6	-	749.9	396.3		17,416.1	82.3	302,196.2
Percent of Total	36.1%	25.8%	0.3%	0.0%	62.2%	1.4%	1.4%	23.4%	0.6%	0.1%	4.6%	0.0%	0.2%	0.1%		5.8%	0.0%	100%

^{1/} Costs (displayed in thousands) do not include 13th Month expenditures, nor administrative adjustments. (13th Month expenditures were not available by fund source at the time of this report, however total \$15,566,900 (TF).)

^{2/} In addition to FTE displayed above, the CPS Appeals Special Line Item includes 10.5 G.F. FTE; the A.G. Special Line Item includes 115.0 total FTE (85.8 G.F., .3 TANF, 28.9 Non-appr).

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

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

^{5/} Includes one-time ancillary revenue sources such as Family Conference, CPS Donations, Youth Development and AdoptUSKids funding.

EMPLOYEE SATISFACTION

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

The survey below will be provided to all CPS training academy graduates beginning in August 2004. The February 2005 report will include the results of the survey for August – December 2004.

ACYF TRAINING PROGRAM TRAINING EVALUATION

DCYF CHILD WELFARE CASE MANAGEMENT CORE TRAINING:

Training Program:

Instructors:

Location

Please provide us with an honest assessment of this training session. Your input will help to improve the quality of training. Please explain fair or poor ratings. Use back if necessary.

	<u>Excellent</u>	<u>Very Good</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>
<u>CONTENT</u>					
<u>Organization</u> Was the content coherent? Well developed? Did it follow logically? Were you able to follow the train of thought?	_____	_____	_____	_____	_____
<u>Use of Time</u> Did the trainer arrange the content to make the most effective use of the allotted time?	_____	_____	_____	_____	_____

Comments _____

TRAINER

<u>Knowledge of Topic</u> How well did the trainer know and understand the concepts and issues of the topic area?	_____	_____	_____	_____	_____
<u>Responsiveness to Group</u> How well did the trainer relate to the group, answer questions, respond to concerns?	_____	_____	_____	_____	_____
<u>Ability to Relate Training to Practice</u> Did the trainer help group members relate course content and knowledge to child welfare practice and apply concepts to job activities?	_____	_____	_____	_____	_____
<u>Teaching Strategies</u> Did the trainer use methods of presentation best suited to content i.e. lecture, discussion, exercises, audiovisuals, and appropriate handouts?	_____	_____	_____	_____	_____
Comments _____					

RELEVANCE

Was the content appropriate to meet your assessed job training needs? _____

Was the content appropriate for your skill level? _____

Comments _____

What was your level of understanding of the materials covered prior to the training? _____

Knew it Very Well.....Knew Nothing

What is your level of understanding now? _____

Know it Very Well.....Know Nothing

What benefits have you received from attending the session? Check as many as are applicable.

_____ New knowledge that is pertinent to my job

_____ New techniques, skills, and approaches
that I can apply on my job

_____ Change in attitude that will help
me on the job

_____ Other

Anything else you would like to comment on regarding the training structure, location, notification, registration, trainer, etc.? Anything that can help us improve the quality of future training?

What is your job/position within your agency? _____

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

FY 2004 and FY 2005

	Actual FY 2004	Estimate Qtr 1 & 2 – FY 2005	Estimate Qtr 3 & 4 FY 2005
Employee satisfaction rating for employees in the Division of Children, Youth and Families (Scale 1-5).			

DES will submit data for this measure on September 1, 2004, as the information is part of the required Strategic Plan (i.e., Master List) submittal due September 1, 2004. Survey information is currently being compiled, and therefore, information was not available at the time of this report.

CPS DECISION MAKING RELATED TO REPORTS OF ABUSE AND NEGLECT

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

FY 2004 and FY 2005

	Actual	Estimate	Estimate
	FY	Qtr 1 & 2 –	Qtr 3 & 4
	2004	FY 2005	FY 2005
Percent of CPS original dependency cases where court denied or dismissed.			

- DES will submit data for this measure on September 1, 2004, as the information is part of the required Strategic Plan (i.e., Master List) submittal due September 1, 2004. Data is currently being compiled, and therefore, information was not available at the time of this report.

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

FY 2004 and FY 2005

	Actual	Estimate	Estimate
	FY	Qtr 1 & 2 –	Qtr 3 & 4
	2004	FY 2005	FY 2005
Percent of Office of Administrative Hearing where CPS case findings are affirmed.			

- DES will submit data for this measure on September 1, 2004, as the information is part of the required Strategic Plan (i.e., Master List) submittal due September 1, 2004. Data is currently being compiled, and therefore, information was not available at the time of this report.

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

FY 2004 and FY 2005

	Actual	Estimate	Estimate
	FY	Qtr 1 & 2 –	Qtr 3 & 4
	2004	FY 2005	FY 2005
Percent of CPS complaints reviewed by the Office of the Ombudsman where allegations are reported as valid by the Ombudsman.			

- DES will submit data for this measure on September 1, 2004, as the information is part of the required Strategic Plan (i.e., Master List) submittal due September 1, 2004. Data is currently being compiled, and therefore, information was not available at the time of this report.

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Joint Legislative Budget Committee

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DATE: October 1, 2004

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Eric Jorgensen, Fiscal Analyst

SUBJECT: JLBC Staff/Arizona State Schools for the Deaf and Blind – Report on Additional Classroom Site Fund Monies

Request

The JLBC Staff has been working with the Arizona State Schools for the Deaf and the Blind (ASDB) to update the Committee on how ASDB plans to spend the \$1.2 million increase in Proposition 301 Classroom Site Fund monies.

Recommendation

This item is for information only and no Committee action is required. Most of the additional \$1.2 million will be used for base salary and performance-based salary increases totaling \$3,600 per teacher (an 8.8% increase). Remaining monies will fund class size reductions and other maintenance and operation programs.

Analysis

Each year, school districts and the ASDB receive monies from the Proposition 301 Classroom Site Fund (CSF) pursuant to A.R.S. §15-977. Until this year, only Group A weights have been used to determine CSF distributions to the ASDB. Starting in FY 2005, however, A.R.S. § 15-977(G) requires ASDB's distribution to be based on both Group A and Group B weights. This will increase ASDB's CSF allocation by an estimated \$1.2 million, for a total of \$1.6 million in FY 2005.

Pursuant to A.R.S. § 15-977(C), CSF distributions may only be expended on base compensation increases (20 percent), performance based compensation (40 percent) and certain maintenance and operation expenditures (40 percent), including teacher compensation, class size reduction, teacher development and AIMS intervention. ASDB proposes to spend the anticipated \$1.6 million in the following manner:

Item	\$	%
Teacher Base Pay Funds (salary increases to eligible staff)	\$320,000	20%
Teacher Performance Pay Fund (salary increases based on meeting set requirements)	\$640,000	40%
Maintenance and Operations (by priority of program)	\$640,000	40%
<i>Mentor-Protégé program incentives</i>	75,000	
<i>Class size reduction</i>	430,000	
<i>Staff development</i>	80,000	
<i>After school programs (including AIMS Intervention)</i>	55,000	
Total	\$1,600,000	100%

Under this proposal, approximately 260 staff would be eligible for salary increases. This would include all certified staff members who spend more than 50% of their time in regular planned instruction. (ASDB is exploring the possibility of also making teacher aides eligible for Proposition 301 performance pay, but the current proposal limits it to teachers only.) The overall salary increase would include \$1,200 per teacher for a base increase and \$2,400 per teacher for performance pay. Thus, the total salary increase would be approximately \$3,600 per teacher. The total cost is estimated at \$320,000 for base pay increases and \$640,000 for performance pay. The proposal will provide an average salary increase of 8.8% per teacher.

A cost study by ASDB indicates that special education teachers at 5 public schools, with which ASDB is regularly compared, *start* at an average annual salary of \$30,696 in FY 2005, not including performance pay. The proposed increase would raise ASDB teachers to an average *starting* salary of \$28,504 per year, not including performance pay, which would be about 7.7% below that of the 5 comparison districts.

Based on preliminary results from an Arizona Department of Administration (ADOA) salary survey required by A.R.S § 15-1331, the overall *average* salary for special education and other specific specialized teachers at ASDB for FY 2005 is about \$41,600. This is about 2.2% below the average annual FY 2005 salary of \$42,500 for medium and large school districts in counties that have an ASDB campus (Maricopa and Pima counties). Full results from the ADOA survey are not yet available, but will be reported to the JLBC once completed.

The proposed expansion of the Mentor-Protégé program is designed to assist new teachers in the ASDB system. Experienced teachers mentor up to two new teachers. They are paid \$1,000 for each protégé. Teachers in the first three years of teaching in the ASDB system may participate as protégés and are paid \$500. Total program costs would depend on the level of participation, but is estimated at \$75,000. In the 2003-2004 school year this program was also funded through the CSF allocation at \$60,000.

The proposed class size reduction is expected to approach \$430,000 and would include 8 to 10 new instructional staff and continued funding for staff from the previous year's allocation. These positions have been identified and are currently advertised. Up to \$135,000 is budgeted to continue and expand staff development and after school programs, with an emphasis on preparing students for the AIMS tests. Any monies left over after the completion of the 4 Maintenance and Operations programs listed above will be used for further class size reduction.

RS/EJ:ck



June 30, 2004



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

Dear Mr. Stavneak,

The Arizona State Schools for the Deaf and the Blind adopted a policy and regulation for the use of Classroom Site Funds in July 2002 based on ASDB's Group A weighted student count. The regulation referenced the eligible classifications of teaching staff and the uses for the classroom site funds that were limited primarily to pay increases, performance pay, the mentor-protégé project, and teacher participation at in-state conferences and workshops.

With the change in the formula for the determination of classroom site funds for ASDB based on the calculation of Group B weighted student count, there will be more options considered for the Maintenance and Operations Category as well as expanding the program in the other categories. We are considering several uses of the funds in this category to enhance instruction and services to students based upon a survey that was conducted of ASDB instructional staff in December 2003. The survey items were developed from a summary of the 211 school districts that submitted a report to the Auditor General in March 2002. Instructional staff, across the state, responded positively to this survey and expressed their preferences to the best use of the funds.

Attached to this letter is a brief summary of how the Classroom Site Funds were used in the past and how we expect to use the additional funds in the future. We will continue to involve staff in the planning and implementation process for determining how the funds can best be utilized to enable students to succeed. ASDB is currently reviewing the policy and regulation and revising it to be in line with the intended uses as outlined.

Should you have any further questions, please do not hesitate to contact me at (520) 770-3233.

Sincerely,

Doris Senor Woltman, Ed.S.
ASDB Superintendent

Proposed Implementation Plan for Allocation

Policy GCD(4)-R(1)

Certificated Eligible Employees for Classroom Site Fund Monies

Certificated teachers, certified staff and others employed to provide instruction to students on matters related to ASDB's educational mission are eligible for placement on the Certified Salary Schedule (Proposition 301) pay scale. Those eligible must devote more than 50% of his or her time to "classroom teaching", defined as at least 50% of their time in regular planned instruction of students. A list of the positions eligible for pay from Proposition 301 is provided in the ASDB regulation.

Compensation will be pro-rated for mid-year hires and for part-time eligible employees.

- Teacher Base Pay Funds (20% of Classroom Site Funds) – These funds will be applied proportionately to the eligible staff.
- Performance Pay Funds (40% of Classroom Site Funds) – These funds will be distributed to all those eligible staff based on the Performance-Based Parents' Survey results. If results are according to the Performance Indicators identified by the Arizona Department of Education, funds will be distributed.

We will revisit the position titles in the next month to determine whether additional staff should be added to the list of employees based upon our eligibility criteria. In the initial development of our regulations, we applied strict criteria for qualification of the funds. As an Agency that only serves students working under an IEP as a result of a primary sensory impairment, more of our staff may qualify under the definition of devoting their time to "classroom teaching" and therefore, this review of qualified staff is warranted. The goal is to expand the eligible classifications and continue to use the Teacher Base Pay Funds to enhance compensation.

Approximately 260 employees qualified for the first two categories of money. Given this same number for the 2004/2005 school year, we are approximating that this will add up to an additional \$1200 supplement to the base pay teachers receive. The final amount will be determined by the actual amount received and the number of eligible classifications or positions.

We determine success for the Performance Pay Funds based upon the Performance Indicators identified by ADE. Survey results are divided by program in order that feedback from parents is returned to the programs that are serving their children. Since the inception of this determination for eligibility of funds, all programs have satisfied the percentage required for compensation. Based on our current estimates of potential funding under the new weighting, this could result in each eligible staff receiving up to \$2400.

Mentor Protégé

Maintenance and Operation purposed including Teacher Compensation Increases (40% of CSF).

Beginning SY 02-03, Classroom Site Funds will be used to fund a mentoring program at ASDB, including new teachers in their first three years of teaching in an ASDB Program and their respective mentors. Exceptions above the three-year requirement must be approved by the Superintendent. Protégé teachers will receive a \$500 lump sum stipend at the end of each year as incentive to participate in the mentoring program and develop higher levels of proficiency. Mentors will be paid a stipend to provide support, professional development and expert teaching methods to those new teachers within the first three years of teaching at the Schools or as excepted by the Superintendent. The mentor stipend is \$1,000 per teacher mentored; no more than two protégés may be assigned to one senior teacher at a time. Criteria for qualifications and responsibilities of mentors, and responsibilities of the protégés will be established through the development of a mentor-protégé handbook.

Apportionments of undistributed funding, after the funding of the mentoring program include: staff development opportunities, AIMS intervention and tutoring.

The new weighting for distribution of the classroom site funds will greatly expand the share that ASDB receives. This will provide new opportunities to expand the usage of the Maintenance and Operations Funds primarily based upon the results of the staff survey. The item in the survey that received the greatest level of interest included class size reduction through the hiring of additional teachers, instructional aides, and support staff. The staff is also interested in additional support for students in the form of summer school programs, AIMS intervention, and tutoring programs. Staff also expressed interest in being compensated for participation in school improvement committees other additional duties that directly benefit students and classroom performance.

ASDB is not able to raise additional revenue through bond elections or overrides. In order to fully serve the needs of our students and remain within our allocated funding, we are looking at utilizing a portion of the Maintenance and Operation Funds to directly reduce class sizes. This will provide students with the classroom environment and support that is needed to meet the goals and objectives as identified in the students' IEPs. It will also provide additional staff support for programs that have ratios exceeding those recommended for optimal instruction to occur.

Use of the Maintenance and Operations Funds will be considered, in order of priority:

- *Mentor-Protégé Program (approximately \$60,000 was used to support this program in SY03/04). The expectation, with the additional funds, is that this program will be strongly promoted to take full advantage of this important step in developing and retaining new teachers.*
- *Class size reduction (one 20 hour technical aide was hired in SY03/04)*
- *Staff development (all remaining monies were used to support this area in SY03/04)*
- *After school programs to include AIMS intervention, after school programs*
- *Additional pay for additional duties*

We anticipate class size reduction costs to approach \$400,000. This amount includes salary and ERE for approximately 8 to 10 instructional staff. Any remaining funds, after the use for the above 5 areas, will be applied toward staff increases.

Summary

ASDB will use the Classroom Site Funds in the following manner:

- 1. Pay Increases – All revenue (\$320,000) will go toward pay increases.*
- 2. Performance Pay – All revenue (\$640,000) will go toward performance pay.*
- 3. Maintenance and Operations – (\$640,000) will go toward the staff size reduction, mentor/protégé program, staff development, AIMS intervention, after school programs, and additional pay for additional duties.*



**Proposition 301
Spending Category #3
Maintenance and Operations**

Request for Staff Input

As you are aware, voters passed Proposition 301 in November 2000. A portion of Proposition 301 goes to the Classroom Site Fund for distribution to school districts, charter schools, and state school for committed youth as well as the Arizona State Schools for the Deaf and the Blind.

Proposition 301 requires monies in the Classroom Site Fund to be dedicated in specific proportions for three main purposes: teacher base pay increases, teacher performance pay, and certain maintenance and operations programs. Teacher pay increases and teacher performance pay has already been implemented for two years at ASDB. The procedures are well defined in terms of how and which staff qualifies for these allowable spending categories.

The third allowable spending category, Maintenance and operations, can be directed to six program options. These include AIMS intervention, Class size reduction, Dropout Prevention, Teacher Compensation, Teacher Development, and Teacher Liability Insurance. The majority of the money in this category have been used for staff development. This is our second year utilizing Proposition 301 funds and is a good time to obtain input from staff as to where money might be utilized from this third category.

On the next page is a list of uses identified by the 211 school districts that submitted a report to the Office of the Auditor General. I put the responses into general categories. Please review this list and identify 5 areas to direct this third category of money. I am asking for input from a variety of staff working directly with students in our ASDB programs.

Because the funding formula used for 301 for the ASDB Programs is so small, the revenues realized to our agency is small as compared to public school programs. That is why the base pay increases and teacher performance pay is much smaller that teachers in the public school programs. I want you to be aware that by choosing the Pay Increase choice, the amount realized would be as little as \$5.00 a paycheck.

Please fill out the form and return to me no later than December 12, 2003. I will then compile the results, call a group of staff together to discuss the results and make some decisions regarding the use of 301 money for the next year.

Thank you, in advance, for completing this form.

Doris Senior Woltman

Proposition 301 - M & O Funds (09/02/04)

PDSD Aide Supervisor	24,031
ASB Braillist (20 hr)	12,821
DVR – FBC Aide (22 hr)	9,813
PDSD Tech Support Specialist	25,641
PDSD Teacher CBI	52,274
CTE Voc Teacher - Tucson	52,274
CTE Voc Teacher - Tucson	52,274
PDSD MS Teacher	52,274
PDSD MS Teacher	52,274
ASD/ASB/ECE PT/OT Aide	22,809

This is the amount used so far. The plan is to use approximately \$430,000 for class size reduction (salary and ere included)

Money for inservice opportunities for all staff serving students at ASDB will total approximately 45,000. This will include registration fee, travel reimbursement, hotel and per diem. All staff attending professional workshops must agree to come back and share the information that they have learned in a future inservice.

There will be approximately \$75,000 used for the mentor/protégé program. This includes \$1000.00 for mentors and \$500.00 for protégés. Flat fee.

Agencywide inservice – estimated cost: meeting rooms \$2000: lodging \$2500: food and beverage (working lunch, light meal, and refreshments during sessions) 15,000,: materials \$450.00: interpreters \$3,000 (October 8th, 2004)

November inservice for PDSD: I do not know the numbers yet as the location has not yet been selected but I would estimate approximately \$10,000. The costs will include the cost of the meeting rooms, working lunch and refreshments, materials, interpreters. There will be no lodging associated with this inservice.

After school programs: This will include tutoring/AIMS intervention classes, programs to promote success in school. Money will be used for materials and for staff. Each site based program will be given \$15,000 of which \$10,000 will be used for pay, \$3000 to be

used for materials, and \$2000 for transportation costs. Total for site based programs: \$30,000.

After school programs for the cooperative programs may be offered in conjunction with public school programs. A total amount of \$5000 per program will be provided to pay for staffing costs. This totals \$25,000.

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DATE: October 6, 2004

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Kimberly Chelberg, Fiscal Analyst

SUBJECT: Department of Juvenile Corrections—Report on Federal Audit Issues

Request

The JLBC Staff has been working with the Department of Juvenile Corrections to update the Committee on progress made since the FY 2004 Civil Rights of Institutionalized Persons Act (CRIPA) investigation and pending lawsuit by the US Department of Justice.

Recommendation

In 2003, the Department of Justice (DOJ) conducted a federal audit, also known as the CRIPA investigation, following three youth suicides and reports of physical and sexual abuse in Arizona's juvenile correctional facilities. After audit findings were released, the Department of Justice filed a federal lawsuit against the State, and, in an effort to avoid further federal action, the Arizona Department of Juvenile Corrections (DJC) and the Department of Justice established a Memorandum of Agreement. With this Memorandum, signed by Governor Napolitano on September 15, the State vows to continue juvenile corrections reform efforts as outlined by the CRIPA report. The federal lawsuit was conditionally dismissed with the stipulation that the Department of Justice can reopen the case if the DJC does not comply to the Memorandum provisions by the September 15, 2007 expiration.

This report also contains information on the DJC population, which is currently 100 juveniles below the FY 2005 budget amount.

This report is for information only and no Committee action is required. The JLBC Staff, however, recommends that the Committee request that DJC provide:

- an estimate of the current FY 2005 savings from a lower-than-budgeted population,

- a comparison of the FY 2005 savings to the Department's projection of \$1.9 million in savings from lower population in FY 2006, and
- its plan for using the population savings in FY 2005 to address some of the remaining federal audit issues.

Analysis

The Memorandum of Agreement highlighted five key areas that fell short of federal statute requirements: suicide prevention, juvenile justice, special education, medical care and mental health. The main issues and the required reforms are outlined in *Table 1*.

Table 1: Memorandum Main Issues

Issue	Required Reforms
Suicide Prevention	Provide suicide prevention training; Improve identification and screening of suicidal youth; Create suicide-resistant facilities; Develop supervision levels based on suicide risk; Implement intervention techniques with emergency equipment
Juvenile Justice	Create a confidential grievance system, Provide protection from harm; Increase staffing; Continue use of Investigations and Inspection Unit; Create Quality Assurance Team; Implement policies and procedures with disciplinary confinement/due process
Special Education	Meet minimum State special education standards; Create Individual Education Plans (IEPs); Design and implement training requirements/quality assurance practices
Medical Care	Provide "adequate, appropriate and timely medical, dental, and nursing care"; sufficient staff for all shifts; Provide quality assurance
Mental Health Care	Meet minimum standards for mental health treatment; Continue to develop intake screening and assessment tools

In order to ensure fulfillment of the required measures, a Consultants Committee, a team of experts selected by the parties involved, will monitor DJC compliance with all provisions of the Memorandum of Agreement during the allotted three-year period. The Memorandum, however, does not identify the amount of monies needed for complete compliance to its terms.

Prior to the Memorandum of Agreement, the Legislature allocated an additional \$5.1 million General Fund monies and 73.5 FTE to provide for CRIPA reforms in FY 2005. This action increased the Department of Juvenile Corrections' total budget to \$72.1 million with the new issue funding in FY 2005 distributed in the following manner:

- Suicide Prevention (including physical modifications and monitoring): added 7 Youth Programming Officers and \$932,000.

- Juvenile Justice (including staffing and training with partial overlap in other allocated areas, an investigations unit, quality assurance, and a grievance system): added 48.5 FTEs, including Youth Correctional Officers, Recruiters, Investigators, and Youth Mediators, and \$2,238,000.
- Special Education (including 504 compliance): added 15 FTEs, including psychologists, counselors and teachers, and \$834,800.
- Medical Care: added 3 nurses/records management personnel and \$118,200.
- Mental Health/Rehabilitation (including discharge planning): added 0 FTE and \$992,800.

The Department of Juvenile Corrections has requested an additional \$7.3 million from the General Fund in FY 2006 to continue reforms related to the CRIPA agreement. Most of this funding is to increase the number of staff such as Youth Correctional Officers (YCOs), special education teachers, behavioral health staff, and 24/7 nursing coverage. Completion of facility renovations for suicide prevention accounts for \$1.1 million of the request.

Decrease in Forecasted Population

The JLBC Staff has also been working with the department to examine population trends in the juvenile corrections system. The Department of Juvenile Corrections was provided funding for 743 secure care beds in FY 2005 to reflect the steadily declining population in juvenile facilities, as seen in *Table 2*. With the population expected to drop further, the DJC proposes to eliminate three 25-bed units in FY 2006, which reduces the Department's funded beds to 668. The DJC recommends a reduction of \$1.9 million in FY 2006 associated with the bed reduction.

Table 2: Decrease in Population

	Funded Secure Care Population (Beds)	Actual Secure Care Population, Monthly Average
FY 2003	818	794
FY 2004	818	697
FY 2005	743	624 (3-month average)
FY 2006 (DJC estimate)	668	--

RS/KC:ck

Memorandum of Agreement Between the United States Department of Justice
and the State of Arizona Concerning Adobe Mountain School,
Black Canyon School, and Catalina Mountain School

A copy of this 32 page agreement is on file with the JLBC Staff

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DATE: October 4, 2004

TO: Senator Bob Burns, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Beth Kohler, Senior Fiscal Analyst

SUBJECT: Department of Health Services/AHCCCS – Report on Health Crisis Fund

Summary

At its August meeting, the Committee heard a report from the Department of Health Services on the FY 2004 expenditures from the Health Crisis Fund, including expenditures for education and outreach for both Medicare prescription drug discount cards and the Healthcare Group program. The Chairman and Vice-Chairman had asked the Governor's Office for clarification on several of the issues related to these expenditures. We have attached both the letter from the chairmen (Attachment A) and the response from the Governor's Office (Attachment B).

AHCCCS reports that \$57,056 of the Healthcare Group outreach money has been spent as of September 1, 2004, and that the remaining \$142,944 will be spent by December 2004. In addition, the response from the Governor's Office indicates that AHCCCS will revert the monies authorized for Medicare drug discount card outreach because other monies have become available for this purpose. In subsequent conversations with the JLBC Staff, AHCCCS has indicated that it plans to revert the entire \$230,000 authorized for this purpose.

Recommendation

This item is for information only and no Committee action is required. There is some confusion about the Healthcare Group administration budget. We originally believed that the \$200,000 in Health Crisis Fund monies was supplanting an existing marketing budget of \$1.1 million. AHCCCS now reports it will only spend \$300,000 of its base budget for marketing and that the remainder of the base budget will be used for other administrative costs.

As a result, the JLBC Staff recommends that the Committee ask AHCCCS to report on its total FY 2004 actual and FY 2005 estimated expenditures for Healthcare Group administrative costs, including a breakdown of marketing and non-marketing expenditures. The report should include an explanation of why the FY 2005 non-marketing expenditures are expected to be higher than the previous year's spending.

Analysis

The Health Crisis Fund receives up to \$1,000,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund. Pursuant to A.R.S. § 36-797, the Governor may declare a health crisis or a significant potential for a health crisis and authorize monies from the Health Crisis Fund for the emergency.

The Governor authorized FY 2004 expenditures of \$795,418, including expenditures of \$230,000 for outreach for Medicare prescription drug discount cards (including the CoppeRx Card) and \$200,000 for Healthcare Group marketing, outreach, and education. The Committee expressed concern over these authorizations and the Chairman and Vice-Chairman asked for additional detail from the Governor's Office about why these monies were needed (see Attachment A).

Medicare Drug Card Outreach

Subsequent to the August meeting, the Centers for Medicare and Medicaid Services announced that it would provide prescription drug discount cards to all low-income Medicare beneficiaries, as well as information about how to activate the \$600 federal benefit for which they qualify. Therefore, the Governor's Office reports that the \$30,000 from the Health Crisis Fund that was earmarked for mailing similar information will be reverted to the Medically Needy Account.

Also at the August meeting, the Committee was presented with the expenditure plan for the recent Attorney General settlement with Medco Health Solutions. As part of the plan, \$259,800 was set aside to educate Arizona consumers on cost differences of prescription drugs and the programs available to Arizona citizens using prescription drugs. The Chairman and Vice-Chairman asked the Governor's Office whether these monies were taken into account prior to authorizing the \$200,000 in Health Crisis Fund monies for a similar purpose. Although the Governor's Office reports that it was not aware of this settlement prior to the authorization of the Health Crisis Fund monies, they are working with the Attorney General's Office to use the settlement monies for Medicare drug card outreach. After these monies are disbursed, the Governor's Office reports that it will direct AHCCCS to revert the remainder of the Health Crisis Fund monies to the Medically Needy Account. AHCCCS reports that it expects to revert the entire \$200,000.

Healthcare Group

Healthcare Group is a program administered by AHCCCS that provides access to health insurance for small business employees and self-employed individuals. Members pay monthly premiums that cover most of the cost of the health coverage and the administrative costs of the program. Laws 2004, Chapter 332 appropriated \$3.2 million of these monies for Healthcare Group administrative costs (including marketing activities) in FY 2005. This funding represents an increase of \$1.4 million above the FY 2004 appropriation for administrative costs.

During the discussion of the FY 2005 Healthcare Group budget, AHCCCS had released a request for proposal (RFP) for a contract beginning January 15, 2004 to market the Healthcare Group program, with a goal of increasing enrollment to 30,000 members over the first year of the contract and to 90,000 by the end of the third year. The RFP explicitly states these increased enrollment goals and outlines a schedule of incentive payments to the marketing contractor that could reach \$1.1 million in the first year of the contract.

In response to the questions from the Chairman, however, AHCCCS now reports that Healthcare Group enrollment was not expected to increase significantly until the second fiscal year of the contract and therefore only \$300,000 of the FY 2005 appropriation was expected to be used for marketing (see Attachment B). Including the \$200,000 in Health Crisis Fund monies, this brings total expected FY 2005 spending on marketing, outreach, and education to \$500,000.

AHCCCS indicates that the remainder of the increase in administrative funding (\$1.1 million) was necessary for general administrative costs that are not related to marketing. The JLBC Staff recommends that the Committee ask AHCCCS to provide more details about its administrative budget, including a breakdown of FY 2004 actual and FY 2005 estimated marketing and non-marketing expenditures. The report should also include an explanation of why an increase of \$1.1 million was needed for non-marketing administrative costs from FY 2004 to FY 2005.

RS/BK:ck
Attachments



STATE OF ARIZONA

Joint Legislative Budget Committee

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September 15, 2004

Mr. Tim Nelson
General Counsel
Office of the Governor
1700 W. Washington Street

Dear Mr. Nelson:

At its August 17, 2004 meeting, the Joint Legislative Budget Committee heard a report from the Department of Health Services on expenditures from the Health Crisis Fund. As a result of this report, we have the following questions about Executive Order 2004-16, which authorized monies for Medicare prescription drug card outreach and Healthcare Group outreach.

CoppeRx Card and Medicare Drug Discount Card

1. Upon the implementation of the CoppeRx prescription drug discount card, the Governor indicated that no state monies would be needed to run the program. Why has the Executive reversed its position by providing state monies for outreach for the CoppeRx card? Further, the Executive authority for the creation of this program rested, at least in part, on the fact that no state monies would be required. Does spending state monies on the CoppeRx program affect the Executive authority for the creation of this program?
2. It is our understanding that there may be at least 3 other sources of funds for outreach and information efforts for prescription drug discount cards. Please describe how the additional efforts funded with the Health Crisis Fund monies are coordinated with the following sources:
 - DES: The Centers for Medicare and Medicaid Services allocated \$21.1 million to State Health Insurance Assistance Programs (SHIPs) for outreach and educational activities related to the new drug discount cards. This money is in addition to the base SHIP funding, which is designed to assist seniors with health insurance questions. How much money (both base and additional funding) has come through the Arizona SHIP, which is located in the DES Division of Aging and Community Services? How was a determination made that these monies are not sufficient to address the Health Crisis outlined in Executive Order 2004-16?
 - Attorney General: At the August JLBC meeting, the Committee was presented with the expenditure plan for the recent Medco Health Solutions settlement. As part of the expenditure plan, \$259,800 is set aside to provide funding for programs to educate Arizona consumers on cost differences of prescription drugs and the programs available to Arizona citizens using prescription drugs. Were these monies taken into account prior to authorizing the monies from the Health Crisis Fund?

- Other Sources: Are any other entities, such as the companies that issue the CoppeRx card or the various Medicare drug discount cards, providing any marketing and outreach services to Arizona seniors to make them aware of the existence and benefits of the cards? If so, why are these efforts insufficient?
3. What specific Health Crisis is being addressed by the expenditures on outreach activities for the drug discount cards? Prior to the issuance of the Executive Orders authorizing the Health Crisis Fund expenditures, did the Executive obtain any formal legal opinion defining the situation as a Health Crisis?
 4. Have any of the monies for outreach for the drug discount cards been expended? If so, how much? If not, have contracts been awarded, and when will the funds be expended?

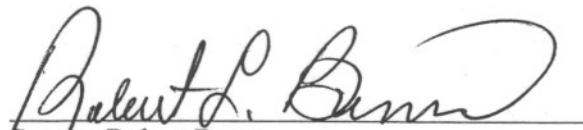
Healthcare Group

A.R.S. 36-797 specifically states that Health Crisis Fund monies may only be expended for a purpose if no existing appropriation is available or if any existing appropriation is insufficient to address the identified crisis. The FY 2005 budget contains approximately \$3.2 million for administrative costs for the Healthcare Group program, including at least \$1.1 million for marketing and outreach activities. Of this \$1.1 million, \$250,000 is a guaranteed payment to the marketing contractor and additional incentive payments take effect once Healthcare Group enrollment exceeds 20,000 members. These incentive payments increase as enrollment grows. Enrollment growth in FY 2005 has been less than anticipated and, therefore, some of the expected incentive payments in FY 2005 (approximately \$850,000) may not be made.

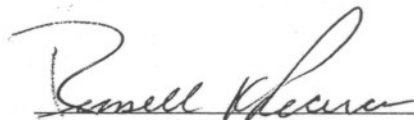
1. How did you determine that the Healthcare Group appropriation is not sufficient for outreach activities to address the identified crisis, especially given that the current appropriation may not be fully expended in FY 2005?
2. Was the lower enrollment growth in FY 2005 (and therefore likely fewer incentive payments) taken into account prior to the authorization of Health Crisis Fund monies for Healthcare Group outreach?
3. Will new monies be used for different purposes than the base amount? Has there been, or will there be a separate contract awarded? Have the additional Health Crisis Fund monies been expended? If so, how much? If not, when will the funds be expended?

Please provide our offices with your response to these questions by September 29. Please also provide us with copies of the formal requests from the agencies for the each of the FY 2004 Health Crisis Fund authorizations.

Sincerely,



Senator Robert Burns
Chairman
Joint Legislative Budget Committee



Representative Russell Pearce
Vice Chairman
Joint Legislative Budget Committee

RB/RP:ck

xc: Richard Stavneak, Director, JLBC



Attachment B

STATE OF ARIZONA

OFFICE OF THE GOVERNOR

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JANET NAPOLITANO
GOVERNOR

September 29, 2004

VIA HAND DELIVERY

The Honorable Robert L. Burns
Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

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



Dear Senator Burns and Representative Pearce:

This letter will respond to your September 15, 2004 letter regarding Executive Order 2004-16, which requested a response by today. As you are aware, I have previously written to Senator Burns responding to additional questions he had submitted under separate cover on this same topic and I also appeared voluntarily at the August 16, 2004 JLBC hearing your letter references. I will respond to the questions posed in your September 15 letter in the order you posed them, but before I do so, I wish to address a couple of very recent developments.

As I have previously explained to you, the intent of both the Executive Order and the information and outreach plan it calls for was to: 1) address confusion that has developed statewide about the various prescription drug discount cards that have become available with the passage of the federal Medicare Modernization Act ("MMA") in the year after the state's discount card program was created; 2) inform Arizona seniors how to maximize their savings under the various discount card options available to them; and 3) encourage low-income Arizona seniors to enroll in the \$600 federal benefit available to them in 2004 and 2005. [The failure of these seniors to access this benefit would have resulted in the loss of an estimated \$24 million in free medications being made available to them]. On September 22, 2004, the third of these goals was achieved or, more accurately, rendered moot, by CMS's announcement that it would automatically enroll all low-income Medicare eligibles into the federal plan and automatically qualify them for the \$600 benefit. In light of this surprise announcement, the mailing called for by Executive Order 2004-16, which was scheduled to go out this week, is no longer necessary. Thus, pursuant to A.R.S. § 36-797 (G), the governor is directing AHCCCS to return the \$30,000 earmarked in the Executive Order for this mailing to the medically needy account, where it

would have gone on June 30, 2004 in the absence of the Executive Order (and where recoupments of health crisis funds are required to go under the statute).

Secondly, your letter references the Attorney General's Office's settlement with Medco Health Solutions. The governor signed Executive Order 2004-16 on June 30, 2004. Unfortunately, our office was not made aware of the Medco Health Solutions settlement until several weeks later. Had we known of the availability of this settlement money before June 30, 2004, the Governor may have been able to address this situation without having to tap the health crisis fund. In conversations with the Attorney General's Office about this settlement over the last couple of months, however, it appears that money from this settlement continues to be available for the public outreach campaign called for in the Executive Order. Accordingly, we are working with the Attorney General's Office to disburse the settlement funds to AHCCCS to accomplish the prescription drug information and outreach purposes of Executive Order 2004-16, and when this has been accomplished, the governor intends to direct AHCCCS to remit to the medically needy account the balance of what was allocated to AHCCCS for this purpose by Executive Order 2004-16.

By coincidence, the combination of these two events (the September 22 CMS announcement and the Medco Health Solutions Settlement) means that all of the money called for in Executive Order 2004-16 for prescription drug outreach will be returned to the medically needy account.

CoppeRx Card and Medicare Discount Card.

1. Although I believe the foregoing moots the questions you posed regarding this aspect of Executive Order 2004-16, I will answer those questions anyway so that you may be aware of the Executive Branch's understandings and actions with respect to this issue. The prescription drug outreach provisions of Executive Order 2004-16 are primarily about supplying timely, necessary and complete prescription drug discount card information to the uninsured. Because this aspect of the Order calls for an informational campaign about government-endorsed prescription discount cards generally, and there are now over 40 such cards available to Arizona seniors, the incremental amount associated specifically with the CoppeRx Card is negligible. As I have indicated to Senator Burns, the informational campaign's primary theme will be that seniors should carry the federal card of their choice, and the CoppeRx card, present both to their pharmacist, and use the card that saves them the most money at the point of purchase. To exclude the CoppeRx Card from such a campaign would be incomplete, but the incremental cost of including the CoppeRx Card in the campaign is nominal.

As for your question about whether the informational campaign affects "the Executive's authority for the creation of this [CoppeRx Card] program," the answer is it does not. The creation of the CoppeRx Card without state money, and the subsequent proposed use of state money to educate seniors about a plethora of government-endorsed cards that became available to them 17 months later, are different events, and the latter does not invalidate the former. In any event, with the apparent ability to substitute the Medco cy

pres settlement money for these sums, it now appears that no taxpayer money will be used to support the information and outreach campaign.

2. With respect to other possible funding sources for the information and outreach campaign, please know the following: First, with respect to DES, although on this topic only, I did not get all the information I had hoped to get in time to respond to your letter by today, it is my understanding that your description of the \$21.1 million allocation may be mistaken, and that in fact only one Arizona SHIP, the Foundation for Senior Living, received an allocation for outreach related to the federal cards. That allocation was approximately \$50,000 and is insufficient for a statewide outreach campaign. I still don't know when this allocation was received, but our office was unaware of it on June 30, 2004, and it was not considered when the governor prepared the Executive Order. I am still gathering information on this topic and either I, or a representative from DES or AHCCCS, will let you know if additional (or different) information becomes available.

Second, as set forth above, at the time the Governor signed the Executive Order, our office was unaware of the Attorney General's settlement with Medco Health Solutions. And, as also set forth above, we are working with the Attorney General's Office to use the settlement money in lieu of the monies that came from the health crisis fund, so that those monies can be returned to the medically needy account.

Finally, with respect to other funding sources, such as RxAmerica (the state's vendor for the CoppeRx Card), we have asked RxAmerica to fund all promotional materials that are related specifically to the CoppeRx Card, but we did not consider it appropriate to ask them to fund outreach for an informational campaign that goes beyond the CoppeRx Card and that has as a goal the promotion of cards in addition to (and that compete with) the CoppeRx Card.

3. The specific health crisis being addressed is the un-affordability of medically necessary prescription drugs and the need to educate Arizona seniors about programs that will make such medications more affordable to them. Many seniors who can't afford medications forego them altogether. These seniors fail to treat preventable illnesses and enter the healthcare system at a stage where they are sicker and more expensive to treat. In addition to adversely affecting the health of the person, this situation places burdens on the AHCCCS program and our state's hospitals.

A.R.S. § 36-797(C) provides that the governor may tap the health crisis fund if "*the governor determines and declares by executive order that a health crisis or a significant potential for a health crisis exists in this state*" (emphasis added). The statute specifically contemplates payment of "expenses incurred to prevent the onset of a health crisis or to respond to an existing health crisis." A.R.S. § 36-797(D)(3). Under these circumstances, Governor Napolitano reasonably concluded that the failure of eligible seniors to access the prescription drug benefits available to them under both state and federal programs constitutes a health crisis or a significant potential for a health crisis.

With respect to your question about a legal opinion, the Executive did not obtain a "formal" or written opinion; however, based on the plain wording of the statute, it is my legal opinion that Executive Order 2004-16's use of health crisis fund monies for prescription drug discount card outreach was proper under the circumstances, and I so advised the governor before she issued the Order. My conclusion in this regard was bolstered by my review of how prior governors had used the fund for such items as the Arizona Acupuncture Board of Examiners (EO 99-7); the Wee Care Center (EO 00-9); State Health Licensing Agency Information Packages (EO 00-10); Local Detoxification Centers (EO's 00-12 and 00-13); Lions Camp Tatiyee (EO 00-14); and the Board of Osteopathic Examiners (EO 00-15). With respect to each of these EO's, the JLBC never to my knowledge objected to (or even questioned) the governor's use of the health crisis fund, and never sought to limit the discretion vested in the governor by the statute.

4. I understand that earlier this month, AHCCCS awarded a contract to Reister Robb to conduct the outreach campaign, and that Reister Robb has begun work on the campaign. Again, notwithstanding this incurred liability, given the availability of settlement money from the Attorney General's Medco Health Solutions settlement, we expect to be able to use the settlement monies instead of the amounts transferred from the health crisis fund to pay the invoices from this contract. If so, AHCCCS will return the transferred sums to the medically needy account.

Healthcare Group

1. Pursuant to A.R.S. § 36-797(F)(2)(b), the Governor determined that the Healthcare Group appropriation was not sufficient for the outreach activities needed in FY 2004 to address the crisis (or significant potential for a crisis). She reached this conclusion in large part based on the recommendations of AHCCCS Director Rodgers. Director Rodgers has provided the following information in response to this question:

The \$ 3.2 million for Healthcare Group ("HCG") was allocated to cover administrative, enrollment and operational costs of Healthcare Group based on projected growth for 2005. AHCCCS projects that only \$50,000 will be allocated to HMI (the marketing and sales contractor) for marketing and sales support in FY 2004, in addition to the base contract amount of \$250,000 for FY 2005. It is important to note that based on the AHCCCS projections, even that \$50,000 would not be distributed until June 2005. The rest of the appropriation is allocated for HCG administration, finance, customer service, information system support, and operations staff. Healthcare Group fully expects to spend the appropriated amount in FY 2005. No general fund subsidy is used to cover HCG administrative and operational costs.

A poll of small business by BusinessTRACK showed that 44 percent of small businesses surveyed recently offer health insurance, compared to 52 percent in 2000 and 57 percent in 1996. Of that number, 18 percent indicated they might discontinue the health benefit. The survey's findings correlate closely with the age and size of the business; the smaller or newer the business, the less likely health insurance coverage is offered. Among businesses founded since the mid-1990s, only 37 percent offer a

health plan to employees, the poll found. The semi-annual BusinessTRACK study's findings are based on a survey of 400 owners and managers of private small businesses. The survey defined a small business as a company employing between three and 100 workers, with no affiliations with larger companies. BusinessTRACK studies are co-sponsored by the Behavior Research Center of Arizona and the Center for the Advancement of Small Business at the W.P. Carey School of Business at Arizona State University. The poll results have a margin of error of ± 5 percentage points.

With the dramatic growth of AHCCCS membership and various state and national reports from BusinessTRACK, Family USA, and St Luke Health Initiative all showing the number of uninsured working Arizonans younger than age 65 growing at an alarming rate, we felt that we needed to move urgently to try to stem the increasing number of uninsured workers in small businesses. The funds allocated in 2005 for HMI marketing support did not include funds for an outreach or awareness campaign blitz. HMI funds were earmarked for membership and marketing materials, staff training, research and new product development and implementation.

The dramatic increase in the number of uninsured businesses increases the pressure on the State Medicaid and KidsCare programs. It also increases the amount of uncompensated care burden on Arizona hospitals. In order for HCG to have a more immediate impact on the health care insurance crisis, it was determined in discussions with local Chambers of Commerce, and business groups that a more aggressive outreach and awareness building campaign was needed to reduce the number of uninsured small businesses. The goal was to double monthly membership growth in HCG by implementing a short-term awareness and outreach blitz through HCG managed care contractors.

As you have requested, a copy of an informal memo on this topic sent in June of this year by Director Rodgers to the governor is enclosed. As you will note in that memo, AHCCCS requested \$350,000 for the HCG outreach, but the Governor chose to allocate only \$200,000 from the health crisis fund for that purpose.

2. With respect to the lower growth projections your letter references, Director Rodgers has assured me that such projections were taken into account when requesting the health crisis fund monies. He has explained that:

When planning the HCG 2005 budget request, it was not anticipated that HCG would see significant growth until 2006, therefore the per member per month payments to HMI were anticipated to be minimal until next fiscal year. The original growth estimates did not account for the bare period impact on enrollment. It was expected that it would take at least 12 months to build business community awareness and educate brokers about the availability of the various new benefit options. Funds from the crisis fund were used to pay for an outreach campaign (mail and telephone) and temporary staff to assist small business employers with processing

enrollment applications. Initial response by small businesses from the direct outreach campaign has doubled the number of business enrolling with HCG in August. The expanded outreach effort will continue through December 2004.

3. With respect to your questions about the use of the monies, Director Rodgers reports the following: 1) as set forth above, funds from the health crisis fund have been used for telephone and mail outreach and temporary positions to support HCG, Care 1st health plan and University Family Care health plan with enrollment processing; 2) a separate contract has been executed with a temporary staff agency that specializes in health insurance industry temporary staffing; and 3) as of September 1, 2004, \$57,055.97 has been expended. Remaining allocated health crisis fund dollars of \$142,944.03 are projected to be expended by December 2004.

As I indicated in my prior letter to Senator Burns, I am happy to answer any further questions you may have on a less formal basis. I recognize from your comments at the JLBC hearing, from the two letters you have sent, and from your comments in the paper on September 24, that we disagree with respect to Executive Order 2004-16's use of the health crisis fund for the purposes identified above. Although the Legislature has previously placed such decisions soundly within the Executive's discretion, and Executive Order 2004-16 is consistent with both the plain language of the statute and the practice of prior governors, it was not Governor Napolitano's intent to provoke a fight between the Executive and Legislative Branches on this issue. As our actions to date demonstrate, we are always amenable to finding ways to return to the medically needy account amounts spent from the health crisis fund when new funding sources become available or when monies allocated from the health crisis fund by Executive Order become unnecessary to spend.

Sincerely,



Timothy A. Nelson
General Counsel

TAN:jm
Encl.

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The delivery of emergency services in Arizona is under unprecedented pressure. Last year, nearly one-third of the state's hospitals lost money on operations, providing more than \$500 million in uncompensated care to patients that did not have health insurance. With emergency room volume increasing an average of 20 percent over the past two years, and the uninsured rate amongst the highest in the nation, Arizona's healthcare safety net is in crisis and in danger of collapse.

A recent study by the St. Luke's Health Initiative showed that on average, uninsured patients comprise 20 percent of all emergency room visits each year. Even though they are not the primary users of emergency rooms, they utilize the emergency room more often than insured patients on a relative basis. More uninsured patients report using the emergency room as their "usual source of care," and are less likely to utilize physician offices and hospital clinics as a usual source of care. In 2003, 53 percent of the uninsured patients visiting a hospital emergency room reported they has not seen a primary care provider in the past year, compared to 20 percent of insured patients. Moreover, of the total number of emergency room encounters by uninsured patients, over 60 percent were non-emergent and more appropriately treated in a primary care setting.

Approximately 79 percent of the uninsured in Arizona work: 29 percent work for small employers, 19 percent are self-employed, and 3 percent work for political subdivisions. Healthcare Group's mission is to develop innovate and affordable health insurance products to meet the needs of these uninsured workers. By doing so, Healthcare Group reduces the number of uninsured in the state, reduces the overall burden of uncompensated care, and improves health status by giving employees access to primary and preventative care. But to do this successfully, Healthcare Group must be able to reach their target market – uninsured small businesses.

Healthcare Group proposes to use the Governor's allocation of \$350,000 from the emergency fund for marketing, outreach and education to the small business community. By doing so we will be able to achieve our mission and reduce the number of working uninsured by enrolling them with Healthcare Group.