STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

JOINT LEGISLATIVE BUDGET COMMITTEE
Wednesday, November 15, 2006
9:30 a.m.
Senate Appropriations Room 109

MEETING NOTICE

- Call to Order

- Approval of Minutes of October 24, 2006.

- DIRECTOR'S REPORT (if necessary).

- EXECUTIVE SESSION
  - A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
  - B. Arizona Department of Administration - Review of Request for Proposal.
  - C. Department of Commerce - Review of Memorandum of Understanding for the Arizona 21st Century Competitive Initiative Fund.*

1. ARIZONA DEPARTMENT OF ADMINISTRATION
   - A. Consider Approval of Maximum Mileage and Travel Reimbursement Rates.
   - B. Review of Telecommunications Contractor and Carrier Cost Rate Structure.

2. ARIZONA STATE UNIVERSITY - Review of Downtown Phoenix Campus Operational and Capital Plans.

3. ARIZONA BOARD OF REGENTS - Review of ABOR's Assessment of Enrollment Accounting Policies.

4. ARIZONA DEPARTMENT OF EDUCATION - Report on Information Technology Special Line Item Program.

5. JOINT LEGISLATIVE BUDGET COMMITTEE - Review of Filing Fee for Administrative Hearings Pursuant to the Condominium and Planned Community Program.

*This item may also be heard in open session.

(Continued)

6. STATE LAND DEPARTMENT - Review of Expenditure Plan for Radio System Upgrades.

7. STATE COMPENSATION FUND - Consider Approval of Calendar Year 2007 and 2008 Budgets.

The Chairman reserves the right to set the order of the agenda.
11/07/06

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HOUSE OF REPRESENTATIVES

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

October 24, 2006

The Chairman called the meeting to order at 9:40 a.m., Tuesday, October 24, 2006, in Senate Appropriations Room 109. The following were present:

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

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of September 21, 2006, Senator Burns stated the minutes would stand approved.

DIRECTOR'S REPORT

Mr. Richard Stavneak, Director, JLBC Staff, said that the next meeting is scheduled for November 15, 2006, and that there are already several items on the agenda, including 21st Century Fund, ASU Downtown Campus Plan, State Compensation Fund, and Arizona Department of Administration's Mileage Reimbursement Rate.

Mr. Stavneak also reminded everyone that the JCCR meeting scheduled for later in the day had been cancelled, but to expect a meeting next month. That meeting is also scheduled for November 15, 2006 at 1:30 p.m.

DEPARTMENT OF REVENUE (DOR)

A. Review of Business Reengineering/Integrated Tax System (BRITS) Contract Amendment.

Mr. Bob Hull, JLBC Staff, referring to the slide handout distributed *(Attachment 1)*, gave some background on the project, stating that DOR contracted for a new computer system in September 2002. The goal was to have the 3 main tax types (sales, corporate income tax, and individual income tax) operate off a single database. The object of this was to improve revenue enforcement and customer service. The sales and corporate income taxes have been converted to date. The contactor is paid through a gain sharing arrangement. 85% of the enforcement revenue is paid to the contractor, and 15%

goes to the state. The original cost was just under $130 million and was to take 4 years to complete. The current cost is just under $137 million, which includes $7 million for 2 previous contact amendments, and the project is 2 years behind schedule.

Due to earlier project delays, DOR is seeking a $14.8 million contract amendment to complete conversion of the individual income tax to BRITS. Mr. Hull stated that the Committee had several options. The Committee could give a favorable review, since DOR has provided information on the contract amendment, and there is more revenue than anticipated; or the Committee could give an unfavorable review since the project is over-budget and over-time, with no independent basis to determine whether the vendor is being held appropriately accountable.

Senator Burns asked why GITA was not kept informed, if their purpose is to monitor large computer projects such as this one.

Mr. Hull stated that, to the best of his knowledge, responsibility lies with both DOR and GITA. Perhaps DOR did not communicate as much as they should have and GITA did not ask as many questions as they should have.

Senator Arzberger asked what plans there were to correct the communication issue between DOR and GITA.

Senator Burns also questioned whether the change should be statutory, to ensure this problem does not arise again.

Mr. Richard Stavneak, JLBC Director, responded to Senator Arzberger's question by stating that there is a BRITS oversight committee, comprised by members of DOR, GITA and ITAC. The DOR and GITA Directors met in September to outline DOR's plans for the contract amendment. GITA suggested that the oversight committee needs to be made more active, as a method of information sharing between the 2 departments.

Senator Burns asked whether this was the first contract amendment and if others were expected.

Mr. Hull responded that this was the third cost amendment, as there have been other amendments. At least one more amendment is expected for project support costs, if DOR chooses to implement document imaging and/or customer relationship management.

Senator Burns stated that he would like to put an end to the amendments. If DOR wants to purchase additional products for the system, the competitive bid process should be used, rather than continuing to add on to the existing contract.

Mr. Hull responded that it was a question of the functionality of the system, and the value obtained. With document imaging auditors and collectors could retrieve an electronic copy and improve customer response time, as opposed to using a paper filing system.

Senator Burns stated that, at this point in time, the Committee is in review status only. Regardless of what the Committee determines, DOR could go forward without their approval. He felt that stronger action should be taken to deter any more amendments from coming before the Committee.

Senator Cannell stated that he felt that if the system was getting better, the Committee would be justified in approving the amendment. The system will make tax collection more efficient and taxpayers will be receiving better service.

Senator Arzberger asked whether the oversight advisory committee was part of the original contract, and if the Auditor General's recommendation for an outside expert was a new recommendation.

Mr. Hull responded that the outside consultant was a part of the original contract; however, the oversight committee was not. The outside expert is an IT consultant hired to oversee the entire project. The oversight committee meets regularly to monitor the progress of the project.

Senator Arzberger stated she felt that both the oversight committee and the consultant should have participated more in the management of the project.

Representative Biggs inquired whether the $4.25 million being paid by the contractor will be in the form of a check or reduction in revenue receipts.

Mr. Hull responded that the $4.25 million will be costs absorbed by the contractor, and not an actual payment.

Representative Biggs asked for elaboration on the question included in the Mr. Hull's presentation: "Has BRITS Paid for Itself Already?", specifically the $37 million from discovery tied to specific taxpayers, and what evidence is there that these individuals could not have been discovered through the previous programs available.

Mr. Hull said that the $37 million was revenue that could be traced to a specific taxpayer that was discovered using BRITS matching programs, which was not available under the legacy system.

Representative Biggs referred to the $145 million from efficiency revenue above baseline amounts, and asked for more information on the $50 million revenue from abusive use of tax shelters, and how it was determined that it was attributable to BRITS.

Mr. Hull stated that the $50 million revenue is not attributable to BRITS, but it is included in the $145 million.

Representative Biggs asked whether there was any other revenue included in the $145 million that was questionable and whether it was attributable to the BRITS program.

Mr. Hull said that not enough detail was available to determine whether there was other revenue that fell into that category. Perhaps the oversight committee could look at the baseline, evaluate what is included in the $145 million revenue, and determine what should and should not be attributed to BRITS. He further explained that the BRITS contract is set to run for 10 years, so there is sufficient time for the additional revenue to pay off the cost of BRITS, even if it doesn't come in at the levels projected.

Senator Garcia asked whether the BRITS system, as it is being financed now, would have cost more if it had been paid for through an appropriation.

Mr. Hull explained that the statutory change which allowed agencies to contract for IT projects through gain sharing was something that DOR worked to get into place. The financing mechanism was viewed as a way of running the project more smoothly, and not having to worry about the stops and starts, and possible uncertainties of appropriation after appropriation.

Ms. Kristine Ward, Department of Revenue explained that the department had released the first of 3 primary components of BRITS, the Transaction Privilege Tax, and the second component, Corporate Income Tax was released on September 5, 2006. The third component is individual income tax. The cost of the delay for the release of the first component was $7.1 million, and DOR assumed 44% of that cost.

Representative Biggs asked why DOR had assumed the 44% of the delay costs.

Ms. Ward clarified that DOR had some responsibility in the delay of the first release. When the contract was originally established, it was developed under a partnership concept. The vendor was to bring the IT expertise and DOR would bring the business expertise. The vendor was expected to act in their best interest to ensure the benefits continued to produce. However, the proper people with the proper skill sets were not applied to managing the project and overseeing the vendor.

Senator Waring requested clarification on how the $14.8 million was to be used, and whether this was the last time that DOR was to come before the Committee on this issue.

Ms. Ward stated that some of the funds went for work that has already been completed to fix BRITS, and some for support through August 2008. She also said that DOR will come before the Committee again regarding future contract amendments.

Representative Boone asked for an estimate on a timeline for implementing CRM.

Ms. Ward responded that, if a decision is made that it is needed, planning for CRM would begin after the release of individual income tax, which is scheduled for November 2007.

Senator Waring asked if DOR expected that the system would do what it was supposed to do.

Ms. Ward said that the department is now enjoying offset payments as one of the aspects of an integrated system. If a taxpayer has a liability in TPT, and they have a refund or overpayment in Corporate Income Tax, the system is capable of taking the overpayment and applying it to the liability. Since September 5, 2006, 18,279 offsets have been processed for a benefit of $4.1 million. This was a feature that was not available until the release of the corporate income tax component of BRITS.

Representative Boone asked Ms. Ward why DOR is paying an additional $14.8 million if all the products were included in the original contract.

Ms. Ward responded that when the scope of the contract was defined, time was a factor. If time to implement the various components increases, cost also increases.

Representative Boone asked Ms. Ward to give her opinion on how GITA failed to be informed and involved in the project.

Ms. Ward stated that she agreed with Mr. Hull's comments. From the department's perspective, the issue was not trumpeted loudly enough. In its early stages, the issue was discussed with the external oversight committee, which meets every 2 months. Two meetings were cancelled twice due to lack of attendance. Two more meetings were subsequently cancelled, for a total of 4 months during the crucial months of negotiations on the $14.8 million contract amendment.

Senator Burns expressed that the concern is that the process has some problems with significant cost increases, and how DOR is dealing with them; not whether the program has benefited the department.

Representative Boone moved that the Committee give an unfavorable review of the DOR BRITS contract amendment, since the project is over time and over budget, and implement all 5 recommendations on further reporting and oversight:

1) *DOR/GITA provide joint monthly status reports to JLBC and Office of Strategic Planning and Budgeting (OSPB) Staff on the project until its conclusion, including reports from the project's outside oversight consultant.*
2) *DOR not pursue contract amendments for the document imaging and "customer relationship management" components until the individual income tax is implemented. This delay would give the Legislature time to consider in the 2007 session the value of these components. To assist in this evaluation, DOR should submit detailed rationale for these last 2 components to the JLBC by January 31, 2007.*
3) *ITAC report by December 31, 2006 to the JLBC as to improving general procedures for ensuring that all agencies keep them apprised of high dollar value contract changes to automation projects, and GITA's efforts to ensure that they provide sufficient monitoring.*
4) *JLBC Staff with DOR and OSPB jointly convene an outside panel to evaluate the BRITS baseline calculation and provide feedback regarding the effects of automation versus an improving economy on the increased level of collections. We would report on the results by November 30, 2006.*
5) *The Arizona Department of Administration (ADOA) report to the JLBC by November 30, 2006 as to steps to improve agencies' understanding of contract provisions.*

The motion carried.

DEPARTMENT OF REVENUE

B. Review of General Fund Revenue Enforcement Goals.

Mr. Hull stated that enforcement revenue consists of audit, collections and accounts receivable. DOR's FY 2007 goal is $333.4 million, which is $12.1 million, or 3.8% above their FY 2006 goal of $321.3 million. Compared to the FY 2006 goal, the FY 2007 goal for collections and accounts receivable increase approximately $10 million each. Audit revenue decreases $8 million, due to a hiring freeze in the Audit Division, to pay for $1.7 million of annual software licensing fees for BRITS.

Compared to the FY 2006 actual, the FY 2007 goal is $(57.6) million, or (14.7)% below the FY 2006 actual. The 2 reasons for this are corporate income tax audit and license compliance both have large one-time amounts in FY 2006, mainly due to a few large taxpayers, which DOR does not expect to repeat in FY 2007. There was a temporary spike in sales tax collections, which was caused by BRITS billing problems, which have now been fixed.

Mr. Hull outlined the 2 options of the Committee, to either give a favorable review because the report provides information on DOR's general fund revenue enforcement goals for FY 2007, which are $12.1 million above FY 2006, or give an unfavorable review because the FY 2007 goal is $(57) million below the FY 2006 actual.

Representative Biggs asked whether DOR had explained why accounts receivable are increasing.

Mr. Hull explained that DOR had not tracked accounts receivable until a couple of years ago. The goal was increased based on the fact that accounts receivable have increased year after year.

Representative Boone moved that the Committee give a favorable review of the DOR report of general fund revenue enforcement goals for 2007. The motion carried.

JLBC STAFF – Consider Approval of Index for School Facilities Board Construction Costs.

Ms. Leatta McLaughlin, JLBC Staff, instructed the Committee members to refer to the presentation distributed *(Attachment 2)*. She stated that the Committee is required annually, by statute, to approve an inflation adjustment for building renewal and new construction formulas.

SFB can award money over the new school construction formula amount if a district cannot build a minimum guidelines school within the formula amount. From FY 2002 to FY 2005, SFB awarded approximately an additional $6 million to 14% of their new school projects. That number jumped to approximately 38% of the projects in FY 2007 for additional funding of approximately $20 million. So far, in FY 2007, SFB has awarded approximately an additional $9 million to 82% of their projects, which breaks out to approximately $1 million per project.

Senator Waring asked that, if SFB was awarding funds above the formula amount, how did the Board not run out of funds.

Mr. Stavneak explained that only approximately 5% of the approved amount is spent for architectural and engineering fees. These additional amounts are essentially being built into the FY 2008 through FY 2011 budgets, depending on when the schools are constructed.

Ms. McLaughlin summarized by stating that the Committee had several options in combining the 4 indices, of which only 2 were identified. The first option is a combination of a national and Phoenix index at 6.9%, and the Committee adopted an index based on this methodology at last year's meeting. The second option is a combination of 2 Phoenix indices at 12.2%, and that is the option recommended by SFB.

Senator Arzberger asked Ms. McLaughlin if the PinnacleOne index did not measure inflation for high schools or schools outside the Phoenix Metropolitan area.

Ms. McLaughlin answered that the PinnacleOne index is only for Phoenix-based elementary schools.

Senator Arzberger asked if construction costs were higher in rural areas.

Ms. McLaughlin responded that Senator Arzberger was correct, and that SFB has the ability to approve rural districts above the funding amount in statute.

Representative Biggs asked whether there was a rule that stipulates that rural areas are automatically 5% more than urban areas.

Ms. McLaughlin responded that SFB is statutorily mandated to give urban areas 5% more in funding for schools construction than urban areas.

Representative Tully stated that, according to a Wall Street Journal article he read, lumber prices were at a 10-12 year low nationally. He asked if there were any cycles during that same period that indicated that real costs of construction can decrease, as opposed to the rate of increase or inflation lessen.

Ms. McLaughlin replied that she had not conducted any research on construction cost cycles, but offered to research and provide the Committee with the information.

Representative Biggs asked if there was a general decrease in construction materials costs, and the school districts are approved at a higher rate, and whether there is a mechanism in place to recapture those funds.

Ms. McLaughlin responded that, as she understood the approval process, the district goes before SFB for initial approval for the project, with an actual dollar amount. A second approval must be obtained before construction begins. At that time, the district is required to obtain a hard bid, and obtain additional funding for the project.

Mr. Stavneak interjected to say that the process Ms. McLaughlin spoke about had been used to increase funding, but he was unaware whether it had ever been used to decrease funding.

Senator Waring inquired whether the $131 per square foot included contractors, labor, materials, and land.

Ms. McLaughlin stated that the amount did not include the land.

Senator Bee asked if the Tucson schools were considered to be in rural areas.

Ms. McLaughlin responded that there is a definition in statute for rural, and it refers to the municipality and its size. Phoenix and Tucson are the only cities in the state that are not considered rural.

Senator Bee requested that the information regarding urban versus rural areas be provided to the Committee. He asked if the formulas being used to fund school construction projects are keeping up with inflation, and commented that when the formula was originally adopted, an adequate school could be built with the resources that were provided but over time, it has become more and more challenging to do that.

Ms. McLaughlin stated that, in speaking with several of the school districts, it was felt that the formula was indeed not keeping up with inflation. She also explained that the 12.2% increase, according to the FY 2007 additional funding approved, would correct the problem.

Representative Lopez stated that the costs of building materials used in the construction of new schools are increasing, and commercial construction is also rising.

Ms. McLaughlin commented that, through her research, she found that commercial construction is increasing.

Mr. Stavneak expanded by saying that commercial construction growth is estimated at 15%.

Representative Burton Cahill requested that a 6- to 10-year history be provided to the Committee regarding the inflation adjustments they have approved for school construction projects.

Representative Bee asked why the national construction indices presented to the Committee are less than the actual costs.

Mr. Stavneak responded that the indices do not appear to capture either nationally or statewide the same cost increases that had been talked about anecdotally. This lead to the creation of the PinnacleOne and Rider indices, because of a belief that local information was not being captured.

Representative Burton Cahill asked whether a comparison had been done between Arizona and Nevada, since they seem to have the fastest growing populations, which makes the construction industry more on demand, and causes material costs to rise.

Mr. Stavneak responded that staff will check on the new construction demand in both Arizona and Nevada.

Responding to Representative Boone's question, Mr. John Arnold, Acting Director of the SFB, stated that the minimum standards have not been changed since they were established in 2001. However, as the cost of building a new school has exceeded the cost of the formula, questions have come up as to what the appropriate quality standards are, to which new schools are built. The originally established minimum standards were established to be applied to existing schools, and thus are very general and generic in nature. For example, the minimum standards say that roofs shall be weather tight, with no specification on the materials to be used.

Representative Boone referred to a list of projects distributed by JLBC Staff, which have been approved by SFB over the current square footage cost approved by the Committee. SFB has assessed each project individually, and determined they could not be built to minimum standards with the funds allocated. He asked if the Committee approved the 12.2% funding increase, will SFB continue to assess projects individually and, if the 12.2% increase is not sufficient to build a new school to minimum standards school, will that amount will be adjusted as necessary.

Mr. Arnold responded that Representative Boone's statement was correct.

Representative Boone asked if there was a mechanism in place to decrease the amount that has been approved by the Committee, should building costs drop. He also asked if the bid process should be followed if the school district wants to go above the approved square footage cost.

Mr. Arnold stated he would give a background of the process, to help everyone better understand the process. SFB establishes the budget for a new school construction based on the formula. The district would procure the architect, and then bring the design back to SFB for minimum standards review. The construction of the new school would go to bid. As long as the bid was within the formula or the district's budget, it would be approved. If the district was adding local funds, it would be presented to SFB, and then the school would be constructed. At the end of the construction period, if there were funds left over, the district would have 1 year to expend the funds on the school site. At the end of one year, any remaining funds are returned to the state. The Committee sets the inflation amount based on June and July numbers. The projects are awarded from February to May of the following year. Those projects will be designed and go into construction from 6 to 18 months after the formula amount was established. In post-2001, when inflation was flat, the formula worked. The formula no longer is sufficient to build a new school. There are currently 46 projects in design that have established budgets, to which inflation funding will need to be added to complete, because they were approved at a different inflation rate.

Senator Bee stated that the Legislature gave the SFB the authority to establish the rules to create the formula. He asked what would be required to have the formulas and the entire process reviewed.

Mr. Arnold responded that the formulas were established by legislative action, and any adjustment would require legislative approval. He stated PinnacleOne has already published the 3rd quarter inflation report showing a 1.4% cost increase. Based on that figure, SFB would recommend a 13.6% inflation increase, which would even the funding with inflation through October 2006. Another increase is expected in January 2007 and SFB would recommend that the Committee approve an additional inflation increase then. The procurement for the building of a new school would still be 6 to 12 months away.

Senator Cannell asked if the Committee continues to under fund, would the new schools being built be of lower quality; and if the expenses are just being pushed back, taking into consideration repairs that will need to be performed on the buildings in the near future.

Mr. Arnold stated that building low quality schools is one of the dangers of a cost-based system. SFB has taken design authority and control from the district, and is responsible for making decisions on the construction materials to be used, etc. This has also taken cost and budget responsibility from JLBC and put it on SFB.

Senator Bee asked what would be required to review the minimum building standards.

Mr. Arnold said that SFB does have the authority to review and revise the minimum standards. However, any minimum standard that is changed, would apply to all existing space.

Representative Burton Cahill asked whether, when SFB is considering equipment pricing, maintenance is taken into consideration.

Mr. Arnold responded that SFB takes into consideration first what type, design of equipment will benefit the school most, academically. Other things considered are safety, maintenance, energy efficiency and environmental impact.

Representative Tully asked Mr. Arnold if he was confident that quality schools were being built, and what percentage of schools are using district funds to enhance the formula funds.

Mr. Arnold affirmed that he felt confident that quality schools are being built. He also stated that SFB is taking steps to improve the quality of those schools. Mr. Arnold said that the vast majority of schools have requested district funds to enhance the formula funds received. Local funds are, however, also experiencing the same inflationary pressures, and the local resources are also depleting.

Representative Tully questioned if the districts could return to a formula-driven building once inflation tapers, instead of making major changes to the formula to account for inflation.

Mr. Arnold responded that it was hard to predict when, if, and how much inflation would stabilize, but that Representative Tully was correct in stating that no changes should be made to the formula before all aspects are considered.

Representative Lopez asked if it was true that in new schools being built, energy-efficient equipment is not being installed, due to prohibitive costs, which will, in turn, cost the schools more in energy fees. She also asked if the new schools being built meet the standards with which the districts are concerned, such as noise attenuation, in order to provide a good learning environment.

Mr. Arnold gave an example of standard R 12 value insulation that is used in new school construction. A proposal was recently presented to SFB to use a certain type of block that would raise the insulation's R value to 33. The cost was approximately $100,000. The energy bill savings to the school was $3,000 per year. The district would not have recovered its investment for 35 years. At this time, the SFB is using an 8-year payback threshold. If the district can prove that an item will have an 8-year payback, SFB will fund it. SFB has been studying the elements that Representative Lopez mentioned and that are not specifically identified by the minimum guidelines such as playground equipment, landscaping, playing fields, etc.

In response to Senator Harper's question regarding concrete costs, Mr. Arnold stated that over the last year, concrete prices had risen 10.4% nationally. According to the PinnacleOne index for 3rd quarter 2006, a 1.4% inflation increase took place, which is about one-half that of prior quarters. What is most noticeable is a distinction in cost of approximately 10% to 15% in metropolitan versus rural areas.

Mr. Edwin Moore, a member of the Higley Unified School District Board, stated that he had witnessed a hyper-growth in that district, going from 1 K-8 school with 342 students in 2000, to 6 K-8 schools and 1 high school with over 8,000 students. Construction is underway for the eighth K-8 school and the second high school. He urged the Committee to change the methodology for SFB, to allow them to return to formula-based funding.

Kathy Shiba, Principal at a soon-to-open Sahuarita district school, stated that as she has gone through the new school building process, she discovered that from the time the district received the funds for the building of the new school to the time the building was finished, costs rose. As an example, she referred to permits and taxes, for which the district was allotted $113,000. The total cost for those items was $1.4 million. She stated that the funds approved for new schools was inadequate with no funding allotted for security items such as fencing. Ms. Shiba stated that although she appreciated the inflation increase being approved, asked the Committee to consider approving a higher percentage.

Senator Arzberger asked JLBC Staff if it was possible to legislatively add a safety component to minimum standards requirements.

Mr. Arnold stated that the minimum guidelines include a security standard, but it is generic and minimal. The requirements is for fencing for school sites that have grades K-6. A study on school safety will begin in December 2006, that should produce some recommendations to further enhance school safety from a design standpoint.

Mr. Jay St. John stated that his concern was with the point of funding, which he felt should be at the time of the construction contract signing, not when approval is received from SFB.

Ms. Kristen Ham, a parent and business owner from the Sahuarita School District, stated that her family owns a landscaping business that serves Tucson and the surrounding areas. Bids are not sought out with the school districts because financially, it does not assume a reasonable profit margin.

Ms. Colleen Guerrero, an 11th and 12th grade English teacher at Sunnyside High School, spoke about not having a permanent classroom. The problems caused by this are that teachers are not easily accessible to students and parents, and inaccessibility of necessary materials and equipment.

Ms. Barbara MacDonald, a 38-year art teacher at the Sunnyside School District, stated that when she came to the district in 1985, she had a 1,200 seat auditorium complete with dressing rooms; and last year, she had a cart. She emphasized that this is a new phenomenon that is taking place due to overcrowding. There are 22 floating teachers in the district. She asked for the Committee's help by approving the inflation increase. In response to Senator Harper's question, Ms. MacDonald stated that, to her knowledge, at least 3 of the 22 floating teachers were Special Education teachers.

Mr. Robert Miranda, Principal of Lauffer Middle School, spoke about opening of a new school in the Sunnyside School District. He spoke of not being able to have any landscaping, other than on the soccer field, due to lack of funds. The basketball court was only big enough to hold one full game at a time. He stated that half of the flooring in the school is polished concrete. The SFB approved funding for landscaping, flooring for the basketball court. He asked the Committee to increase the funding level to at least 20%, and to consider adding security measures to the minimum new school construction standards.

Mr. John Aitken, a parent in the Vail School District in Tucson, spoke to the Committee about the disparity between the escalating cost of construction and the current funding guidelines. He gave an example of selling a home. He stated it would be unlikely that the seller would ask for a 6% increase per year for each year of ownership, as opposed to asking for fair market value. He asked the Committee to approve the inflation increase to allow new schools to be built commensurate with today's fair market value cost of construction.

Ms. Nicole Aitken, a parent in the Vail School District in Tucson, asked the Committee to approve a higher inflation increase to cover the disparity between funding and new school construction costs.

Representative Boone moved that the Committee approve a 12.2% increase in the cost per square foot for construction factors as recommended by SFB Staff.

Representative Lopez made a substitute motion to approve a 20% increase in the cost per square foot factor as submitted by American Institute of Architects (AIA) Arizona. The substitute motion failed.

Representative Boone's motion passed.

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

Mr. Tyler Palmer, JLBC Staff, stated that in distributing monies from this plan, the Arizona Department of Administration (ADOA) provides a centralized management and oversight role for the counties and cities which have the primary responsibility for implementing new services.

Mr. Palmer referred to the map that was distributed *(Attachment 3)*, saying that it addressed the current status of 911 wireless capability across the state.

<u>Representative Boone moved</u> that the Committee give a favorable review to the $9.4 million wireless portion of the Emergency Telecommunications Services Revolving Fund Expenditure plan. The motion carried.

AHCCCS – Review of Capitation Rate Change.

Ms. Jenna Seplow, JLBC Staff, gave a brief background on the AHCCCS proposed capitation rates for Title XIX, KidsCare and the Long-Term Care populations. The proposed rates are below forecast, and will cost $6.4 million less from the General Fund than budgeted in FY 2007. In the first quarter of FY 2007, acute care and long-term care caseloads have been below projected and, as a result, additional savings may be generated by lower-than-anticipated enrollment. Statutory language was recently added restricting capitation rate changes to utilization and inflation, unless federally or court-mandated. This capitation rate does include one such change, as a result of a court mandate from the lawsuit of Ekloff v. Rodgers, which requires the state to provide incontinence supplies for eligible members.

<u>Representative Boone moved</u> that the Committee give a favorable review to the capitation rates proposed by AHCCCS. The motion carried.

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

Ms. Leatta McLaughlin stated that this was a review on the Commission on the Arts private contributions. Each year the Committee reviews what the commission receives in public monies, in conjunction with private contributions from the Arizona Art Endowment Fund. In FY 2006, the commission received $2 million in public monies. In calendar year 2005, the commission generated $3 million in private donations. This is approximately a $2 million decrease from calendar year 2004, due to a decrease in communication with art organizations and staff vacancies, which have since been filled.

<u>Representative Boone moved</u> that the Committee give a favorable review of the Arizona Arts Endowment Fund and private contributions. The motion carried.

Senator Burns invited the remaining speakers to come forward if they still wished to be heard regarding item #1 on the Approval of Index for School Facilities Board Construction Costs.

<u>Mr. Bill Taylor, a board member of the AIA Arizona (AIA)</u>, referred to the position paper the agency had submitted for the Committee's review and which was distributed *(Attachment 4)*, recommending a 20% increase for SFB funding for this fiscal year.

<u>Mr. Kurt Wadlington, General Contractor and Architect with Sun Construction</u>, working in both the school markets of southern Arizona and the Phoenix area, stated that the 12.2% proposed increase only brings school funding current to July 2006, which will still leave a 10% to 20% disparity in funding, because the funding approved over the next 6 to 8 months, is for schools that will not be built for another 18 to 24 months.

<u>Ms. Debbie King, a member of the Vail School District board for 6 years</u>, said that 7 schools have been built in the time she has been on the board. The student population in the district has grown from approximately 2,500 to over 8,000 currently. She asked the Committee to look at actual construction costs in the future, to provide adequate facilities for students.

<u>Mr. Phil Swaim, an architect who has been designing SFB schools since its inception</u>, spoke of the unique opportunity to analyze actual construction costs. He stated that the 12.2% inflationary increase only brings the Phoenix Metropolitan area current.

Dr. Jan Langer, Superintendent of the J. O. Combs School District, stated that the district has grown from 250 students to over 2,500 students in 10 years. She compared the costs of a school opened in August 2004, and one that is currently under construction. The school opened in 2004 was a campus plan, but was revised to an under-one-roof plan intended to save $1 million, at the request of the SFB, to which adjacent waste funding was added, which was not available for school under construction. The SFB increased funding for the new school by over $1 million to cover the new school construction needs.

EXECUTIVE SESSION – Arizona Department of Administration – Review of Request for Proposal

Senator Burns stated that the Executive Session would be deferred to a future meeting, due to time constraints.

The meeting adjourned at 12:40 p.m.

Respectfully submitted:

Diana Torres, Secretary

Richard Stavneak, Director

Senator Robert Burns, Chairman

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

Business Re-engineering/ Integrated Tax System (BRITS)

JLBC Meeting

October 24, 2006

JLBC

What Is BRITS?

- DOR contracted for a new revenue collection computer system in September 2002

- Goal was to have sales, corporate, and individual income taxes share a single database to improve enforcement and customer service
  - Sales and corporate income taxes have been converted

- Paid by gain-sharing of increased enforcement revenue
  - 85% to contractor/15% to state

- Original cost was $129.7 million and 4 years to complete

- Current cost is $136.7 million, including $7 million for 2 previous contract amendments and 2 years behind schedule

What Is The Issue?

- Due to earlier project delays, DOR is seeking $14.8 million contract amendment
- JLBC reviews contract amendments that increase costs
- Contract amendment will result in foregone revenue of:
  - $12.6 million General Fund
  - $1.7 million cities and counties
  - $500,000 Proposition 301 education programs
- In addition to state share of $14.8 million, contractor will pay $4.25 million

Who Is Responsible For Project Delay?

- Until recently, DOR thought the contractor had to finish the project for the original contract price
  - It is unclear when DOR learned from ADOA that the contract permitted cost increases in some cases

- DOR and contractor agreed to split sales tax delay costs 44%/56% respectively ($3.4 million DOR/$4.25 million contractor)
  - DOR pays 100% of other costs

- No independent assessment of responsibility for the delays
  - GITA has not been involved

Further Costs Beyond Contract Amendment

- Contract amendment does not cover project support costs for document imaging and customer relationship management
  - Could cost $10 million

- Contract amendment does not cover DOR's transition costs to continue running the project
  - Could cost $8 million in FY 2008 and $4 million in FY 2009

Has BRITS Paid for Itself Already?

- $182 million of revenue through August 2006, including:
  - $37 million from discovery tied to specific taxpayers
  - $145 million from efficiency revenue above baseline amounts

- Is some of efficiency revenue due to higher taxpayer liability associated with an improved economy and other enforcement programs?

What Is GITA's Perspective?

- DOR and GITA do not appear to have sufficiently communicated on this project
- GITA does not have sufficient information to:
  - Comment on the $14.8 million amendment's revised timeline and cost
  - Evaluate the 44%/56% division of cost for sales tax delays
- GITA shows BRITS with a "green" status in its "green-yellow-red" project status report

What Are The Next Steps?

Beyond the issue of a favorable or unfavorable review, the Committee has the following options:

1) DOR/GITA joint monthly status reports to JLBC Staff/OSPB

2) Defer document imaging and customer relationship management until the individual income tax is implemented -- Submit detailed rationale for these last 2 components to the JLBC by January 31, 2007

3) ITAC report by December 31, 2006 on improving procedures for ensuring agencies keep them apprised

4) Convene an outside panel to evaluate the BRITS baseline calculation and provide feedback on impact of automation versus an improving economy

5) ADOA report on steps to improve agencies' understanding of contract provisions

Construction Costs Index Approval

JLBC Meeting

October 24, 2006

JLBC

Construction Cost Indices

	% Change	Avg. % Change	Market	Measure
BEA	7.9%	6.9%	National	US state & local government structures
MVS	5.9%		Phoenix	Class C Masonry Bearing Walls
PinnacleOne	13.1%	12.2%	Phoenix	Elementary schools
Rider	11.27%		Phoenix	All types of construction

Dollars per Square Foot Amounts for Each Option			
	K-6	**7-8**	**9-12**
Current Amount	$116.87	$123.37	$142.85
Option 1- BEA/MVS average	$124.93	$131.88	$152.71
Option 2- PinnacleOne/Rider average	$131.13	$138.42	$160.28

New Construction Costs
($ in Millions)

	FY 2007 (1st year)	FY 2008 - 2011 (Fully Implemented)
Option 1- BEA/MVS average	$1.1	$22.0
Option 2- PinnacleOne/Rider average	$1.9	$38.9

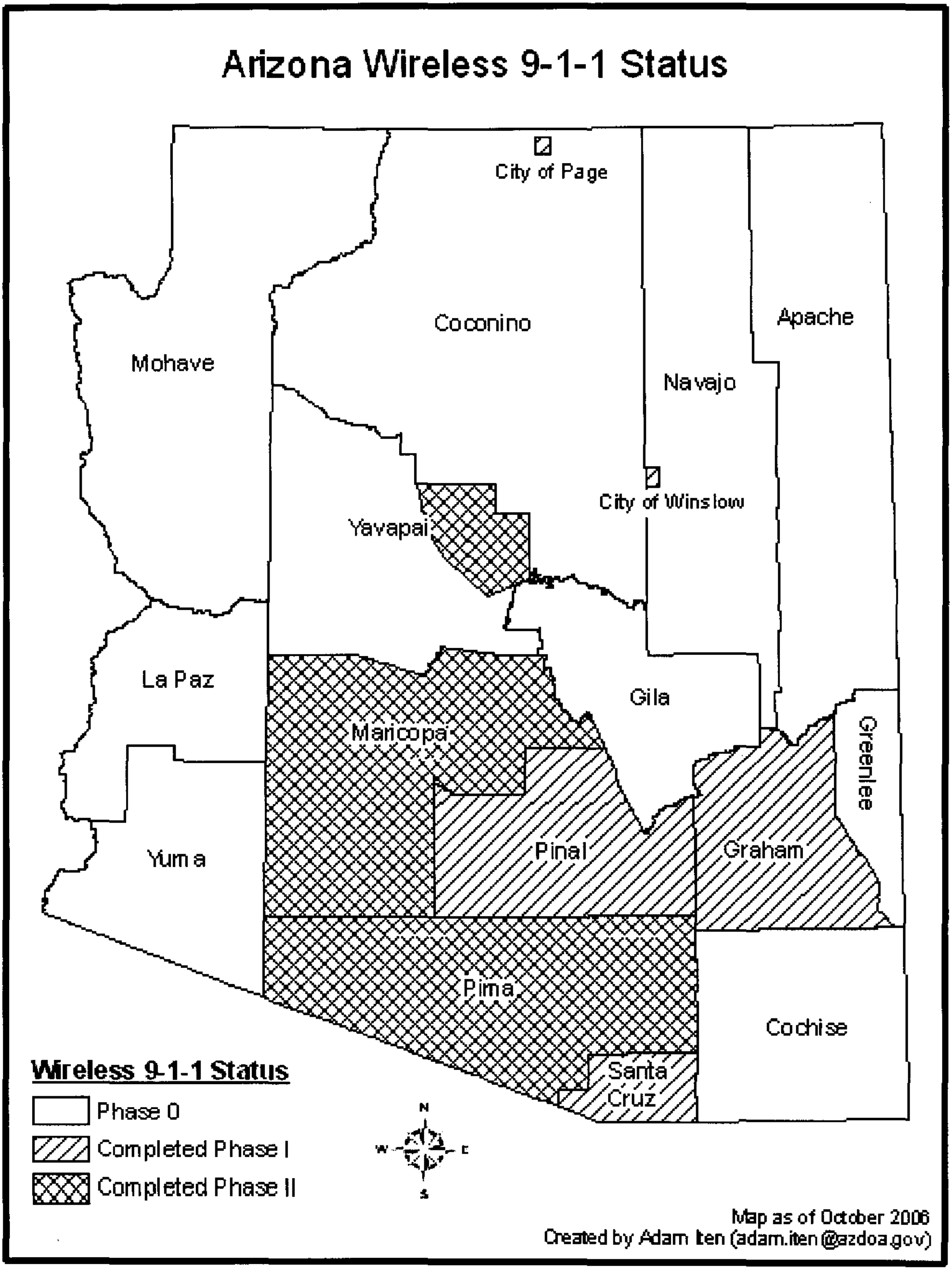
Building Renewal Costs
($ in Millions)

	FY 2008
Option 1- BEA/MVS average	$6.0 – 11.1
Option 2- PinnacleOne/Rider average	$10.5 – 19.7

An inflation adjustment will not change the existing FY 2007 appropriation.

SFB Has Discretion to Provide Funding Above Formula Amount

	FY 2002-FY 2005	**FY 2006**	**FY 2007 (so far)**
% of schools	14%	38%	83%
Additional Amount	$6.0 M	$20.4 M	$11.4 M
Total Additional Funding FY 2002- FY 2007: ***$37.5 M***			


Arizona Wireless 9-1-1 Status
City of Page
Coconino
Apache
Mohave
Navajo
City of Winslow
Yavapai
La Paz
Gila
Maricopa
Greenlee
Pinal
Graham
Yuma
Pima
Cochise
Santa Cruz
Wireless 9-1-1 Status
Phase 0
Completed Phase I
Completed Phase II
N
W
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Map as of October 2006
Created by Adam Iten (adam.iten@azdoa.gov)

AIA Arizona

A State Component of the American Institute of Architects

Arizona School Facilities Board Funding Concerns

October 2006

AIA Arizona, the statewide component of the American Institute of Architects has great concern about the level of funding for the construction of new schools provided by the Arizona School Facilities Board (SFB).

Specific Concerns:

1. Formula funding levels are (still) not keeping pace with the construction market.
2. The current formula levels of funding will not provide educational space with a construction quality necessary for operational maintenance and long-term utilization.
3. The current formula levels of funding are not providing environmental elements proven to support the learning process.

Current funding is not a formula based system.
Funding levels are not keeping pace with the construction market:

The following example illustrates the funding level shortfall. The SFB project budget for a K-8 in an urban area is currently $118.40. This number is for ***total project costs*** and includes construction and all soft costs which equals 25% of the budget (telephone and data design consultant, kitchen design consultant, all furniture, fixtures and equipment, computers, survey, permits, construction testing, plan review fees, construction advertising, architecture and engineering fees plus civil engineering and landscape architecture fees, CM@Risk fee, reimbursable expenses, and geotechnical reporting). The ***construction cost*** budget for that school, therefore, is approximately ($118.40 x .75) = **$88.80/s.f.**)

For comparison, here are SFB funded schools that have been recently priced and have started construction:

Higley Unified School District			
Chaparral Estates K-8	94,710 GSF	GMP 9/8/06	
16.83 acres / 1025 students			
Campus plan; 4 buildings, site adapt for previous design, steel studs / stucco, masonry multi-purpose building, foam roofing, roof package HVAC	SFB Budget: **$88.80**	SFB **$108.23**	**18% higher**
Saddle Mountain Unified School District			
Tartesso K-8	69,300 GSF	GMP 8/29/06	
11.7 acres / 750 students			
Single building, 2-story, masonry construction, foam roofing, and 50% roof package HVAC - 50% split system	SFB Budget: **$88.80**	SFB **$110.79**	**20% higher**
J. O. Combs School District			
Pecan Creek South K-5	67,500 GSF	GMP 7/12/06	
12 acres / 750 students			
Single building, steel studs / stucco, masonry multi-purpose, foam roofing, roof package HVAC	SFB Budget: **$88.80**	SFB **$114.41**	**22% higher**

Coolidge Unified School District K-8	73,920 GSF		
	SFB Budget: **$88.80**	SFB **$106.14**	**16% higher**
Chandler Unified School District K-6	88,920 GSF		
Masonry, carpet, energy management system, landscaping, ceramic tile, playground equipment, shade ramadas, and phone & data	SFB Budget: **$88.80**	SFB **$125.94**	**29% higher**

The current formula levels of funding are not providing educational space with a construction quality necessary for operational maintenance and long-term utilization:

As funding levels have not kept pace with construction costs and actual buying power has decreased, it compounds the disparity from a reasonable school construction budget. This disparity has now passed a critical point where school districts cannot build the same prototypical school that they built only a year before. School districts are looking at stripping away even more from a "bare-bones" prototype school – ones without insulation, interior furring, flooring, fields, courts and flagpoles.

The current formula levels of funding are not providing environmental elements proven to support the learning process:

As architects, we support educational excellence. The effect of environment on learning cannot be ignored. Adequately funded schools are critical to maintaining competitiveness in meeting the needs of students, instructors and our demand for quality education.

In summary, AIA Arizona is recommending that the current SFB funding formula be increased 20% for FY07.

30 North Third Avenue, Suite 200
Phoenix, AZ 85003
Telephone: 602-252-4200
Facsimile: 602-273-6814
Toll free: 800-367-2781
www.aia-arizona.org

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

DATE:	November 7, 2006
TO:	Senator Bob Burns, Chairman Members, Joint Legislative Budget Committee
THRU:	Richard Stavneak, Director
FROM:	Tyler Palmer, Fiscal Analyst
SUBJECT:	Arizona Department of Administration – Consider Approval of Maximum Mileage and Travel Reimbursement Rates

Request

A.R.S. § 38-623.D and A.R.S. § 38-624.C require the Arizona Department of Administration (ADOA) to establish maximum reimbursement amounts for state travel by motor vehicle, meal and incidental expenses, and lodging expenses taking into consideration the amounts established by the federal government. These reimbursements compensate state employees traveling on official state business. Statute requires Committee approval of any rate change. ADOA requests the Committee approve the following reimbursement rates:

- Increase the personal vehicle mileage reimbursement rate from 40.5 cents to 44.5 cents per mile to conform to the federal government rate. The cost of gasoline is one component of the private mileage rate. The cost of gasoline has actually fallen since the last adjustment in the reimbursement rate, while the proposed mileage rate is increasing. Since FY 2003, however the state rate has lagged gasoline cost increases even with the proposed adjustment.
- Increase the standard meals and incidental reimbursement rate from $29.50 to $34.00 per day. This would equate to the state rates being $5.00 below the federal government rates. This adjustment would represent an annualized increase of 2.5% per year since the last meals and incidental reimbursement adjustment 6 years ago.
- Adjust the lodging rates by keeping the standard overnight rate at $60.00, and making several increases and a few decreases to the lodging rate in non-standard areas to conform to the federal government rate. The reimbursement for non-standard areas will have an average increase of $21.00 per day.

If the Committee approves the suggested rates, ADOA asks that the adjustment become effective immediately. In addition, in the event of an IRS rate decrease, ADOA requests authorization to reduce the mileage reimbursement rate.

(Continued)

Recommendation

The Committee has at least the following options:

1) Approval of the ADOA-recommended reimbursement rates with the provision that Committee approval does not constitute an endorsement of additional appropriations to cover higher reimbursement costs.

2) Approve some other adjustment or maintain the current reimbursement rates.

Under either option 1 or 2, the Committee may also grant ADOA's request for authorization to decrease the mileage reimbursement rate if the federal government reduces its rate.

Analysis

Mileage
Annually, the federal government hires a specialized transportation-consulting firm to study nationwide travel market conditions. Factors considered include the average costs of depreciation, maintenance, repairs, fuel, and insurance. Based on this study, the U.S. General Services Administration (GSA) establishes a mileage reimbursement rate, which serves the federal government internal reimbursement purposes and IRS tax purposes. For calendar year 2005, the GSA established a reimbursement rate of 40.5 cents per mile in January 2005. The Committee approved the same rate in September 2005. For calendar year 2006, the GSA established a mileage reimbursement rate of 44.5 cents per mile beginning in January 2006.

Although consumer gas prices are not the only component the federal government considers in establishing its reimbursement rate, a summary of the relationship between the two prices may be informative. From January 2003 to October 2006, the statewide gas price increased 86 cents, or 63%, from $1.37 to $2.22 per gallon. At the same time, the state's mileage reimbursement rate has increased 10 cents, or 29%, from 34.5 to 44.5 cents per mile (assuming the ADOA recommendation is approved). Since the Committee approved the last POV rate change in September 2005, the statewide gas price has decreased (70) cents, or (24)%, from $2.92 to $2.22 per gallon. The gas price of September 2005 had spiked at least in part, in response to Hurricane Katrina.

Notwithstanding the 24% decline in gas prices since the last rate change, ADOA recommends a 10%, or 4 cent increase in the reimbursement rate from 40.5 cents to 44.5 cents per mile to match the change in the federal rate. At least in part the federal rate change was due to the increase in gas prices from January 2005 to January 2006. Nationwide gas prices increased from $1.77 to $2.25, or 27%, from January 2005 to January 2006. This increase would have an estimated annualized impact of $111,000 on the General Fund, and $289,000 on all other appropriated and non-appropriated funds.

Although they are not mandated to do so, the state's public universities also use ADOA mileage reimbursement rates. Increasing the state reimbursement rate may lead to increases in reimbursements paid by the state's public universities. Assuming the increased reimbursement rate, Arizona State University reported its yearly travel expenditures would increase $23,000 from appropriated funds, and $59,000 from all non-appropriated funds. Northern Arizona University estimated an increase of $2,600 from appropriated funds, and $6,700 from all non-appropriated funds. The University of Arizona could not isolate mileage costs from other travel expenses.

Meals
The federal government conducted a nationwide meals study to determine the average prices charged by restaurants in areas frequented by federal travelers. For the federal fiscal year 2006 that began in October

(Continued)

2005, the standard meals and incidental (M&IE) reimbursement rate was set at $39.00 per day. Depending on the geographic area this federal schedule has 5 other tiers that increase in $5.00 increments to $64.00 per day. ADOA recommends increasing the current M&IE reimbursement rates to be $5.00 less than the federal reimbursement rates in every tier. These rates are used to reimburse M&IE expenses for in-state and out-of-state travel. For Arizona, *Table 1* shows the federal and ADOA recommended M&IE rates. Although the tiers in the recommended M&IE schedule are closer to the federal M&IE schedule than in prior years, ADOA is recommending the lower rates due to its belief that the amounts provide for reasonable reimbursements.

Table 1

Location[1/]	Federal Rate	Recommended Rate
Yuma	$39.00	$34.00
Sierra Vista	$39.00	$34.00
Flagstaff / Grand Canyon	$44.00	$39.00
Tucson	$49.00	$44.00
Kayenta	$54.00	$49.00
Phoenix / Scottsdale	$59.00	$54.00
Sedona	$64.00	$59.00
All Other Areas in Arizona	$39.00	$34.00
[1/] Outside of Arizona	$39.00	$34.00

ADOA recommends increasing the standard M&IE rate from $29.50 to $34.00 per day. This 15% increase (2.5% annual increase since the last M&IE rate change 6 years ago) is estimated to increase M&IE reimbursements by $670,000 per year. Of this increase, $128,600 is from the General Fund and $541,400 is from Other Funds.

Although they are not mandated to do so, the state's public universities also use ADOA M&IE reimbursement rates. Increasing the state reimbursement rate may lead to increases in reimbursements paid by the state's public universities.

<u>Lodging</u>

The federal government contracts with a provider of lodging industry economic data to provide an average daily rate (ADR) for room rentals in a geographic area. The federal rate schedule specifies rates for many cities, with seasonal distinctions in some cases. The U.S. General Services Administration published the most recent reimbursement schedule on October 1, 2006. In addition to establishing rates for specific geographic areas the schedule also includes a standard rate of $60.00 for all other locations. Details on the rates for the non-standard areas can be found in the ADOA request.

ADOA recommends adjusting the current lodging rates to align with the current federal guidelines. This includes continuing to match the federal guideline of $60.00 a day for all standard locations, and making several increases and a few decreases to the non-standard locations to conform to the federal rates. For the non-standard locations the average change is $21.00. This includes the average increase of $26.00 and the average decrease of $(15.00). This issue has become a largely administrative concern for the department. Many hotels set a government rate using the most recent federal schedule and charge that daily rate to all government employees, even state employees. In these situations, state employees often request waivers from the ADOA General Accounting Office (GAO) to reimburse their additional costs. Since federal rates have become the de-facto government rates at many of these locations, GAO grants such waivers. For this reason, ADOA does not anticipate any significant annual fiscal impact from formally adopting the federal rates.

(Continued)

Although they are not mandated to do so, the state's public universities also use ADOA lodging reimbursement rates. Increasing the state reimbursement rate may lead to increases in reimbursements paid by the state's public universities.

RS/TP:dt

JANET NAPOLITANO
GOVERNOR

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

WILLIAM BELL
DIRECTOR

RECEIVED
AUG 02 2006
JOINT BUDGET COMMITTEE

July 31, 2006

Senator Robert L. Burns, Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Dear Senator Burns:

We request placement on the next Joint Legislative Budget Committee (JLBC) Meeting agenda to address State travel increases for lodging, meals, and mileage.

Lodging

The Federal Government has again adjusted their lodging allowances for several locations. We have reviewed these changes and are recommending adjustments to the State's maximum lodging rates to match the Federal rates (see attached). It incorporates seasonal adjustments as well as overall price adjustments. Although most of the adjustments are increases (which is reflective of the overall industry), there are a fair amount of decreases. For many of the locations, we have not made any lodging adjustments for over five years. The government rate offered by establishments is generally driven by the Federal lodging rates. Accordingly, actual lodging costs have already been principally adjusted for the Federal changes and the actual budgetary impact of these State lodging changes is not expected to be significant.

Meals

The maximum meal reimbursement rates have not been adjusted for six years. Although the recommended rates are notably less (about 10-15%) than the recently established Federal rates, we still believe they provide for reasonable reimbursement of meals incurred in connection with State business. The FY06 State meal reimbursement totaled approximately $4 million. Since we reimburse the actual cost of the meal up to the maximum meal reimbursement rate, we estimate that these rate changes will increase the annual cost **up to** approximately $670 thousand. This increase is about the same as the rate of inflation over the last six years using the Consumer Price Index.

Mileage

Gas prices continue to be high. The current national average is $2.99 per gallon. Further, the national average of gas prices has increased 67 cents (about 36%) over the last year. Oil prices continue at record levels. Gas and oil prices are expected to remain at these relative levels throughout the remainder of the year. Accordingly, we recommend increasing the privately owned vehicle mileage reimbursement rate from 40.5 to 44.5 cents per mile. This matches the rate established by the United States Internal Revenue Service (IRS) for calendar year 2006. The FY06 State mileage reimbursement totaled $4.6 million. The estimated annualized total cost of the increase is approximately $400 thousand. Although not anticipated, we also request authorization to correspondingly reduce the State rate in the event that the rate established by the IRS drops below the established State rate.

Thank you for your attention to these requests. If you have any questions or need any additional information, please call me at 542-5405.

Sincerely,

D. Clark Partridge
State Comptroller

Enclosures

cc: Richard Stavneak
Tyler Palmer
Gary Yaquinto
Matt Gottheiner
William Bell
Charlotte Hosseini
Alan Ecker
Paul Shannon

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF REPRESENTATIVES

DATE: November 8, 2006

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

THRU: Richard Stavneak, Director

FROM: Tyler Palmer, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Review of Telecommunications Contractor and Carrier Cost Rate Structure

Request

The Arizona Department of Administration (ADOA) requests Committee review of the revised contractor and carrier cost rate structure of the Statewide Telecommunications Management Contract, as required by A.R.S. § 41-712.

For FY 2008, ADOA is recommending a rate structure that would decrease the state's overall telecommunications budget by $(654,600). This amount includes a General Fund increase of $89,600, an Other Funds decrease of $(642,600), and a Non-Appropriated funds decrease of $(101,700). The General Fund increase is largely attributed to a $248,808 increase in the Department of Public Safety (DPS) budget to make up for a FY 2007 shortfall, which resulted from a change of the agency's funding mix.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review with the provision that a favorable review does not constitute an endorsement of any FY 2008 General Fund appropriations to cover higher AZNet costs, nor does it constitute an endorsement of the ADOA expenditure plan.

The JLBC Staff also recommends that the Committee request that ADOA provide a report to the Committee regarding the FY 2007 and FY 2008 infrastructure investment account expenditure plan by December 31, 2006.

Analysis

Laws 2003, Chapter 263 required ADOA to contract for the privatization of the state's telecommunication services. ADOA signed the Statewide Telecommunications Management Contract in January 2005. A.R.S. § 41-712 requires all Executive agencies to participate in the new Arizona Network (AZNet).

(Continued)

AZNet FY 2008 Expenditure Plan

ADOA estimates the FY 2008 costs to be approximately $46.9 million. In comparison to FY 2007 the AZNet budget is projected to decrease by $(654,600). The decrease is from additional carrier savings of $(1,747,600) due to calls being transported over state-owned networks rather than private business-owned networks. This decrease is offset by higher agency expenses of $1,093,000. These expenses include increases for Moves/Adds/Changes (MACs) of $5.00 per seat (or per telephone) to better reflect actual costs, increasing the DPS budget for a FY 2007 shortfall, and adjusting for the Supreme Court and the Division I Court of Appeals leaving AZNet in FY 2008. *Table 1* summarizes the ADOA proposal for FY 2008, using FY 2007 as a baseline.

Table 1

AZNet Rate Structure Summary
FY 2007 to FY 2008 Comparison ($ in thousands)

	FY 2007	FY 2008	Difference
Carrier Charges / Savings	$17,677.2	$15,929.7	$(1,747.5)
Seat (Phone Service) Costs	22,227.3	20,938.4	(1,288.9)
Infrastructure Investment	3,400.0	4,700.0	1,300.0
ADOA Administration	3,210.4	3,338.5	128.1
Other Expenses	1,101.7	2,055.4	953.7
Total Expenses	**$47,616.6**	**$46,962.0**	**$ (654.6)**
Fund Sources			
General Fund	$19,230.7	$19,320.3	$ 89.6
Other Appropriated Funds	18,952.0	18,309.4	(642.6)
Non-Appropriated Funds	9,433.9	9,332.3	(101.6)
Total	**$47,616.6**	**$46,962.0**	**$ (654.6)**

New to this year's budget is an infrastructure investment charge (IIC). The IIC is funded through retaining the difference between the seat rate charged by the contractor ($44.49) to the state, and the seat rate charged by AZNet to the state agencies ($50.76). The $6.27 per seat difference is remitted from the contractor into an escrow account for expenditure by the TPO. The estimated revenue from the IIC is $3.4 million in FY 2007 and $4.7 million in FY 2008. Money from the IIC is to be used to build a statewide voice, video, and data network. Investment in key infrastructure is designed to achieve projected carrier savings. IIC expenditures include costs for the state's Wide Area Networks (WANs), but do not include costs for the state's Local Area Networks (LANs). LANs generally consist of wiring inside buildings, while WANs generally consist of wiring outside buildings. The LAN expenses are expected to come from existing agency budgets, or new budget requests. *Table 2* illustrates the per seat deposit into the infrastructure investment account through FY 2014.

Table 2

	State Seat Rate	Contractor Seat Rate	IIC Deposit (Difference)
FY 2007	$50.76	$44.49	$6.27
FY 2008	50.76	42.20	8.56
FY 2009	50.76	38.07	12.69
FY 2010	50.76	35.23	15.53
FY 2011 - 14	50.76	36.29	14.47

AZNet Administrative Costs

As noted in *Table 1* the ADOA Telecommunications Program Office (TPO) administrative budget is approximately $3.2 million in FY 2007. TPO operations are funded by applying an administrative charge to agencies' AZNet expenditures. In FY 2007 this charge was 7.35%. However, ADOA is planning to

(Continued)

apply a rate of 8.07% to agencies' estimated expenditures in FY 2008. The increased rate will fund the Laws 2006, Chapter 1 salary increases, and the decrease in AZNet expenditures due to the Division I Court of Appeals and the Supreme Court leaving AZNet during FY 2007. As in FY 2007, the rate includes 0.60% to raise $250,000 for cash balances, and 0.17% to raise $70,000 for an error reserve.

RS/TP:dt

Janet Napolitano
Governor

William Bell
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 North 15th Avenue • ROOM 401
PHOENIX, ARIZONA 85007

(602) 542-1500

September 28, 2006

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

Dear Senator Burns:

Pursuant to Laws 2005, Chapter 301, the Arizona Department of Administration is submitting its contractor and carrier costs rate structure by agency and fund type for review by the Joint Legislative Budget Committee (JLBC). We also are submitting the rate schedule for telephones (seats) and other per occurrence charges from the management contractor.

The following items are enclosed by summary tables and individual agency detail, in accordance to JLBC staff guidance, for FY 2005, FY 2006, Appropriated FY 2007, and Requested FY 2008.

- Telecommunications expenditures shown by different operational costs requested.
- Funding sources for the telecommunication expenditures in the three categories requested (General Fund, Other Appropriated Funds, and Non-Appropriated Funds).

Our FY 2008 request shows a Total Fund reduction of $654,622 due to an increase in the estimate for carrier savings. The amount for the General Fund increases by $89,623 only to compensate for funding shifts that occurred in FY 2007 for the Department of Public Safety. The General Fund funding for this agency increased from $45,112,200 to $166,196,600, of which a significant portion was due to statutory caps on existing Other Appropriated funds. The FY 2008 request includes a $248,808 General Fund increase to cover the shortfall in funding that occurred in FY 2007 as a result of this change in funding mix for the agency.

Division I of the Court of Appeals and the Supreme Court have announced their intent to leave the *AZNet* contract in FY 2007. Rates of the contract reduce with volume so that ultimately the loss of these seats can increase the costs of agencies continuing on the contract.

The Honorable Robert Burns
September 28, 2006
Page Two

Our outsourcing contractor estimates that 46 percent of data equipment and 16 percent of voice equipment (6,320 seats) are already at "end of life." Our analysis of funding needs shows that current levels of funding will not provide enough cash to replace "end of life" equipment in a timely matter. Without this timely replacement, some potential carrier savings will be lost. This, of course, is a major concern to us.

Please call me at 602-542-1500 or Michael Totherow, Telecommunications Program Office Director, at 602-542-2888 if you have any questions or need additional information. We appreciate your support and consideration in appropriating the FY 2008 requested funding.

Sincerely,

William Bell
Director

CC: The Honorable Russell Pearce, Vice-Chairman
Joint Legislative Budget Committee
1700 W. Washington
Phoenix, Arizona 85007

Summary All AZNet Agencies - Total Costs *

All AZNet State Agencies	FY 2005 Est. Actual	FY 2006 Est. Actual	FY 2007 Approp.	FY 2008 Request	Difference FY08/FY07
Expenditure Category:					
Personnel Expenses	$2,588,112	$862,475	$0	$0	$0
Carrier Charges	20,840,075	19,819,331	20,843,182	20,843,282	100
WAN/Voice Maintenance Contracts	1,655,596	929,067	0	0	0
Operations - ATS or Before Transition to AZNet **	8,476,838	0	0	0	0
Capital/Non-Capital Expenditures	1,634,407	338,810	0	0	0
Seats	0	15,740,359	25,627,284	25,638,417	11,133
Moves/Adds/Changes Costs	0	548,049	351,935	632,516	280,581
Rate Adjustment By Contract	0	94,067	0	0	0
FY 2006 Budget Impact Offset	0	0	894,000	894,000	0
Carrier Savings - Projection	0	0	(3,166,026)	(4,913,592)	(1,747,566)
FAX/Other Per Occurrence Charges	0	377,262	0	46,467	46,467
Credits/Adjustments	0	(218,138)	0	0	0
TPO/Admin costs	0	2,319,204	3,210,423	3,338,496	128,073
Technical - JLBC/Other	0	0	(144,211)	482,379	626,590
Total	$35,195,028	$40,810,486	$47,616,586	$46,961,964	($654,622)
Funding Breakout:					
General Fund	$12,014,591	$13,899,870	$19,230,698	$19,320,321	$89,623
Other Appropriated Funds	16,059,947	16,414,560	18,951,963	18,309,384	(642,579)
Non-Appropriated Funds	7,120,490	6,996,056	9,433,925	9,332,259	(101,667)
One-Time Offset	0	3,500,000	0	0	0
Total	$35,195,028	$40,810,486	$47,616,586	$46,961,964	($654,622)

* Due to rounding from numerous formulas used in creating this table, whole dollar amounts in the table may vary slightly from the totals shown.

** The $8.5 million in FY 2005 for Operations - ATS or Before Transition to AZNet is distributed, starting in FY 2006, to the actual components for which they were spent. ATS was eliminated in March 2005, but transition occurred throughout FY 2006, ending in May 2006.

Assumptions and Caveats

Below are the assumptions made and the caveats used in putting together the revised FY 2008 cost projections for the telecommunications outsourcing contract.

Background:

As indicated in the budget document for FY 2007, the FY 2005 figures were put together in two ways. There was self-reporting for 14 of the larger state agencies (Arizona Department of Transportation (ADOT), Attorney General, Arizona Health Care Cost Containment System (AHCCCS), Department of Environmental Quality, Department of Economic Security (DES), Department of Health Services, Department of Administration (DOA), Department of Corrections, Department of Revenue, Department of Public Safety (DPS), Game and Fish, Juvenile Corrections, Lottery, and State Retirement). For other agencies, the information was gathered from records of monthly costs for the Arizona Telecommunications System (ATS). Information also was gathered from telecommunication expenditure costs reported in the State's Arizona Financial Information System (AFIS) except for personnel costs that are not captured in sufficient detail to isolate those costs specifically to telecommunications. For this reason, agencies self reported their personnel costs data.

An AFIS data pull was used to validate the data and to fund source the expenditures for FY 2005. The data pull was done using a search for major telecommunication vendors to help overcome the problem of inaccurate data. Significant inaccuracies were noted when the data were pulled using comptroller object code detail.

The percentages for fund sourcing from FY 2005 are what were applied to FY 2007 and continue for FY 2008 except for DOA, DPS, and DES. These latter two agencies pool their funding sources. Thus, AFIS data could not be used. The fund sourcing in this report for DPS is from documentation provided by its staff, including FY 2007 when legislative action changed the funding mix for this agency. For DES, the *JLBC Appropriations Report* detail for the agency is used.

The FY 2005 percentages are used for DOA except for payback of a five-year $3.5 million lease agreement reached in FY 2006. This funding, shown as "One-Time Offset" in the agency detail tables, is included, starting in FY 2007, as $894,000 from General Fund for the first year of a five year payback. Also, emergency phones were added to the Capital Police budget starting in FY 2007 and the fund sourcing for these phones is the General Fund.

Two separate data pulls from AFIS were used to gather actual expenditures for FY 2006. Data were pulled using telecommunication comptroller object codes. The other data pull, for further validation, used a search for major telecommunication vendors. The data were pulled at 13th month, but administrative adjustments will continue throughout the current fiscal year.

Expenditure Category:

The model for reporting telecommunication costs continues to capture expenditure costs in expenditure categories prior to full transition to *AZNet* and then in expenditure categories after full transition. The expenditure categories prior to full transition to *AZNet* include: personnel expenses, carrier costs, Wide Area Network (WAN) and voice maintenance contracts, operations costs from payment to ATS or other phone service contractors, and capital/non-capital expenses. The expenditure categories following transition to *AZNet* include: carrier costs, "seat" or phone service costs, and other costs associated with outsourcing of telecommunications. Reports produced by the State's contractor for the various components of expenditures are the primary source for the cost details in this document for after transition costs. These after transition costs are described below:

Seats:
Seat charge estimates for FY 2008 are made using August 2006 data for seat counts except for a few agencies. There is not significant variance in the August data when compared to July 2006 data. The seat counts used in this document for the State Fair, Library and Archives, Power Authority, and Public Safety Personnel Retirement System remain an estimate since these agencies have not been transitioned fully to *AZNet*. The FY 2008 estimate also modifies the seat count slightly for the Department of Agriculture, DES, Library and Archives, Department of Parks, Juvenile Corrections, Registrar of Contractors, and ADOT to change 217 centrex seats to a new centrex router seat type. The FY 2008 request assumes estimated cost for these seats at $50.76 per seat rather than $11 per seat so that the cost of router maintenance is captured in the services.

The seat rate charge in FY 2008 is otherwise held at the rate that was used for FY 2007, which is the FY 2006 rate. The contractor's seat rates were reduced in spring 2006. However, infrastructure investment charges were incorporated into the contract seat rates in December 2005 since capturing originally proposed carrier savings proved to be an unviable option. Seat rates and Infrastructure Investment Charge rates are detailed in a separate document in this report. Details about the handling of the Infrastructure Investment funds are further explained below:

> ***Escrow Account:*** For FY 2007, the State Treasurer approved a separate Bank of America account to hold in escrow monies collected by the contractor for the infrastructure investments. Since the monies are collected for capital investments, the holding account allows TPO the opportunity to ensure the projects are completed and/or the equipment is received prior to the contractor receiving payment. The State's telecommunications outsourcing contractor collects the revenues for the infrastructure investments as required under A.R.S. 41-712. The revenues are then turned over to the TPO for deposit into the escrow account. The estimated revenue from this charge is $3.4 million in FY 2007 and $4.7 million in FY 2008.

Usage of Funds: The State's contractor has put together an operating plan for expending these monies fully. The plans include deployment of IP telephony equipment as required under the current contract. However, the need for replacing end-of-life equipment far exceeds available cash. There are also costs associated with Local Area Network (LAN) upgrades to support this IP telephony equipment. The estimated LAN upgrade cost for FY 2008 will range from $537,300 to $1.2 million for agencies where the equipment is to be installed. The LAN costs of agencies are not a part of the base budget for telecommunication costs under this contract though the contract offers them as an optional service. So, the $537,300 to $1.2 million upgrade cost is not captured in this document and agencies have been asked to determine if they have existing funding or need to request new funding in order to complete the project. Availability of funding for the LAN upgrades will impact the rollout of the planned IP telephony projects.

There is a separate report in this document for the seat count by type as requested by JLBC. One table shows the seat count per month estimate for FY 2008 and a separate table shows the seat count per month approved for FY 2007.

Moves, Adds, and Changes Costs (MAC): This item includes moves, adds, changes and their associated time and materials charges. The FY 2008 request includes an annualized rate of $13.80 per seat. If the $13.80 seat rate resulted in less than $100 for a particular agency, the estimated cost was adjusted to $100. The $13.80 is the average cost per seat for FY 2006, not including one time costs. There continues to be no general pattern which would justify using any other factor to generate the estimate. Two agencies had one-time costs that skewed the average cost per seat significantly. Those agencies were DES and ADOT. The FY 2008 estimate for these agencies was further adjusted to include $50,000 for DES and $35,000 for ADOT for continuing to cover their expected costs. The goal is to incorporate costs that occur at a reasonable rate and to recognize the impact, particularly for small agencies.

For FY 2007, the annualized rate was approved at $8.80 per seat with $85 per agency as the minimum. Data from August 2005 through January 20, 2005 was used for this cost estimate.

Rate Adjustment by Contract: The rate adjustment by contract in FY 2006 is the added to or subtracted from costs that occur under "transitional pricing." The intent with "transitional pricing" was to hold agencies to their FY 2005 base spending for telecommunication costs. This was an effort to minimize budget impacts. As a result, agencies with lower expected costs under the outsourcing contract had a charge added to their costs and agencies with higher expected costs had a credit applied to their costs. This transitional pricing adjustment was completely eliminated at the start of FY 2007.

FY 2006 Budget Impact Offset: The DOA budget shows $3.5 million in FY 2006 expenditures that are further reflected as a credit to other agencies. This credit was used for the purpose of offsetting the FY 2006 fiscal impact for transition to *AZNet*. This money was obtained through a lease agreement for payback over a five-year period. The

2006 Legislature approved $894,000 from the General Fund in FY 2007 for the first year of a five year agreement for payback. The monies are in a Special Line Item called Statewide Telecommunications Management Contract Lease Payment. The FY 2008 requests the second year of funding for the lease at the same amount of $894,000 from the General Fund to further eliminate the lease debt.

Based on data available in March 2006, 43 agencies received the $3.5 million credit on their May 2006 invoice for telecommunications costs from *AZNet*. The goal was to distribute the funding to those agencies where FY 2006 costs exceed FY 2005 spending.

Carrier Savings: Under contract, Accenture is obligated to achieve $6.9 million in carrier savings for FY 2008. Of that amount, Accenture reported a confidence level of 80 percent in achieving $4.9 million in carrier savings in FY 2008. The savings is achieved through four initiatives that include:

- Telecommunications expense management (i.e. ensuring that carrier bills and rates are correct, and continuously changing to the lowest rate);
- Trunk optimization (i.e. matching the quantity of calls allowed by the circuits at each site with the quantity actually made from the site);
- WAN (wide area network) consolidation (i.e. consolidating the separate WAN data networks and voice networks of the many agencies into a single consolidated network); and
- Toll charge avoidance (i.e. sending many of today's toll calls paid for by the minute over the WAN at no incremental cost to the State.

The FY 2008 request continues to work off the FY 2005 base because FY 2006 was a transition year for state agencies. When FY 2007 actual data are available, they may provide a better base for future estimates of carrier costs.

FAX/Other Per Occurrence Charges: In addition to seat costs, there are other line and circuit costs associated with telecommunication services. Those costs previously were captured in the Operations - ATS or Before Transition to *AZNet* category on the report. With transition completed in FY 2006, these costs now are reported here and the amount is reduced because many of the charges stopped with transition. The costs of these charges are detailed in the rate schedule tab of this report. Specifically excluded from this FY 2008 request, however, are charges for LAN support. As previously mentioned, the LAN charges are an optional service separate from the base budget that is captured here for telecommunication services.

Credits/Adjustments: Captured in these costs are corrections made in FY 2006 for any over or under billing errors for telecommunication services provided under the contract.

TPO/Admin Costs: The Telecommunications Program Office estimate applies a rate of 8.07 percent across FY 2008 projected expenditures (excluding ADOA lease payment costs and expected carrier savings). The FY 2008 rate request of 8.07 percent is higher than the 7.35 percent rate authorized for FY 2007. The difference is because the FY 2007 rate did not include legislatively approved salary adjustments which occurred after submitting the FY 2007 budget request. These salary adjustments were authorized by the Legislature in March 2006. In addition, the base for this assessment dropped by $1.3 million because the Division I of the Court of Appeals and Supreme Court will leave the system in FY 2007.

The FY 2008 rate includes 7.30 percent to collect an estimated $3.0 million in requested expenditures detailed in a separate tab in this report called TPO FY 2008 Budget Request. The 8.07 percent rate also includes 0.60 percent to collect $0.25 million for cash balance purposes. Payment from the State's contractor for TPO revenues collected has improved but continues to be delayed. As a result, availability of cash balances in the Telecommunications Fund continues to be a concern.

The 8.07 percent rate also includes 0.17 percent for an error reserve. There continues to be uncertainty on the impact of carrier savings to agency budgets. The reserve is requested to avoid any need for a rate increase in FY 2008. If the 8.07 percent rate creates any excess in cash balances, this would be handled through a reduction in the rate charge during FY 2008.

A $5.00 minimum per month charge was initiated in FY 2007 for recouping costs from local and university agencies that have no seats but use data and/or long distance services. However, revenues from these agencies are insignificant.

Technical - JLBC/Other: This row in the report shows some technical adjustments. For FY 2007, the back of the bill appropriation for telecommunication costs consisted of a net of both positive and negative adjustments to state agency budgets. The JLBC allocation of the appropriated monies excluded the negative adjustments, so there are differences from expected funding to the allocation for FY 2007. The FY 2008 request would adjust for those differences and also for a change in the funding mix that was part of legislative actions for the Department of Public Safety's agency budget. A $248,808 increase in General Fund is included in the FY 2008 request to compensate for the shortage of appropriation in FY 2007 from the funding mix change.

This row also includes two other technical changes. The FY 2007 funding request put together by TPO staff for AHCCCS did not include monies for an interagency Special Line Item in the AHCCCS budget for DES. The JLBC allocation appropriated some of the monies intended for AHCCCS to this Special Line Item for DES. The FY 2008 request includes $71,100 (including $44,100 from the General Fund) to make up for this funding shortfall for AHCCCS.

Finally, Division I of the Court of Appeals and the Supreme Court have announced their intent to leave the *AZNet* contract in FY 2007. The FY 2008 budget assumes that any funding in their existing appropriation would continue for a net impact of $0 to this FY 2008 request. The same is true for the Arizona Commission for Post Secondary Education which chose to leave the *AZNet* contract in August 2006. They decided to continue services with the Board of Regents, which is out-of-scope at this point.

Demand Management Team Projects (DMT) and Other Projects:

Under a separate tab in this document is a table of the invoiced DMT projects and other projects for FY 2006. There are no invoiced projects currently for FY 2007. The status of DMT projects is reported quarterly to the Joint Committee on Capital Review. Only a summary of the information is included here.

Monies for these projects are not included in the base funding captured in the FY 2007 Appropriation. Agencies directly contract for these projects with the state's contractor for telecommunications services. The money is from federal grants or other resources that are available to the agency often on a one-time basis.

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE	1716 WEST ADAMS PHOENIX, ARIZONA 85007	HOUSE OF REPRESENTATIVES
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DATE: November 8, 2006

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

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

SUBJECT: Arizona State University – Review of Downtown Phoenix Campus Operational and Capital Plans

Request

The FY 2007 Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352) requires Arizona State University (ASU) to submit for review to the JLBC its operational and capital plans for the ASU Downtown Phoenix Campus (DPC).

The highlights of the DPC are as follows:

- In March 2006, the citizens of Phoenix approved $223 million in bond funds, of which $188 million has been dedicated for campus construction projects and $35 million has been designated for the development of civic space and street improvements within the campus district. The City of Phoenix will take responsibility for the cost of the debt service. If ASU had debt financed these facilities, their debt ratio would have grown from 5.3% to 6.1%.

- ASU is not required to make any lease payments. After 2012, ASU and the City have only committed to discuss that option. In the meantime, from FY 2008 through FY 2012, ASU will contribute $2 per square-foot per year to a reserve and replacement fund that will support any necessary repairs to facilities. The estimated FY 2007 cost is not known at this time.

- ASU will be responsible for covering $20 million in Furniture, Fixtures and Equipment costs.

- Once the bonds are paid off, the City will transfer ownership of the facilities to ASU at no cost, on the condition that they continue to be used as educational facilities.

- ABOR and ASU will transfer ownership of the Downtown Center/Mercado property (currently valued at $16 to $23 million) to the City of Phoenix in 2024.

(Continued)

- According to 21st day counts for the fall semester of 2006, 2,766 students are enrolled in one or more classes at the downtown campus.

Recommendation

The Committee has at least the following 2 options:

1) A favorable review, with the provision that this does not constitute endorsement of any level of General Fund appropriations for the Downtown Phoenix Campus. A City of Phoenix voter approved bond of $188 million is being used to construct and renovate several buildings at the Downtown Phoenix Campus at no expense to the state. Additionally, the campus location in downtown Phoenix allows academic programs greater proximity to the state's governmental and media centers and access to nearby employers.

2) An unfavorable review. The plans to expand the Downtown Phoenix Campus were not previously submitted for formal legislative approval. The expansion will increase the state's operating costs and building renewal expenses.

The JLBC staff additionally recommends that ASU report back to the Committee by December 15, 2006 on the following:

1) Answers to the following questions already posed by the JLBC Staff:

    - A break-out of capital expenditures from the $188 million in bond proceeds plus the associated square footage.
    - A list of the newly acquired properties that have undergone ABOR review.
    - A break-out of the estimated $7.2 million furniture expenditures.
    - ASU's contribution to the reserve and replacement fund in FY 2008 through FY 2012.
    - Clarification as to whether the enrollment projections are head counts of students taking at least one class at the campus or students enrolled full time at the campus.

2) As required by Laws 2006, Chapter 352, a twenty-year financing plan detailing each funding source, including options to maximize resources and to partner with private entities for the Downtown Phoenix Campus. ASU plans to expand the downtown campus to 15,000 students by FY 2014 but has not submitted the twenty-year plan required by Chapter 352. ASU should clarify whether they can respond to this requirement at this time.

Analysis

Present Academic Accommodations
The Downtown Phoenix Campus includes several buildings in various locations bounded by Central and 7th Street and Filmore and Van Buren Street. In FY 2007, the campus currently houses the College of Nursing and Healthcare Innovation, the College of Public Programs, and the University College. These academic units provide various academic opportunities to students which include:

- **College of Nursing and Healthcare Innovation** – Bachelor of Science and Master of Science nursing degrees, Doctor of Nursing Science degrees, and a Master's of Healthcare Innovation;

- **College of Public Programs** – Undergraduate, graduate, and professional degree and certificate programs in social work, public affairs, and community resources and development;

(Continued)

- **University College** – Access to freshmen, transfer, re-entry, and exploratory students to explore possible majors, degree completion programs, interdisciplinary studies, or opportunities to become involved in the community.

Table 1 depicts the percentage of course offerings and faculty and staff members currently located at the DPC by academic unit. The remaining course offerings and faculty and staff members are located at other ASU campuses.

Table 1

FY 2007 Percentage of Staff and Courses at DPC

	Nursing	Public Programs	University College
Course Offerings	56%	51%	26%
Faculty and Staff	62%	100%	31%

Table 1 demonstrates that all faculty and staff for the College of Public Programs have been moved to the Downtown Campus. A number of Nursing faculty and staff have remained at Tempe until the expanded Nursing facility has been built, while several will remain at the West and Polytechnic campuses. Approximately 31% of the faculty and staff for University College have moved to the downtown location. University College will continue to serve all campuses, but will grow proportionately larger at the Downtown Campus over the next two years.

Partnership with the City of Phoenix

ASU's primary partner in the development of the DPC is the City of Phoenix. While ASU is responsible for overall planning and design including the development of a master plan, the City of Phoenix is responsible for providing approval of ASU's plans and for providing construction management. With their request for Committee review, ASU has provided an organizational chart detailing their relationships with ABOR, the City of Phoenix, and third party providers such as student housing developers.

In June 2005, ASU and the City of Phoenix signed an intergovernmental agreement (IGA) in which the City of Phoenix agreed to provide approximately $100 million in temporary financing for capital costs in 2005 and 2006 associated with the acquisition of 20 acres of property, renovation of facilities, and improvement of civic infrastructure and amenities in preparation for the opening of the campus in the fall of 2006. In exchange, ASU agreed to pay 50% of the interest-only costs, which equated to $953,000. ASU has paid off these costs with non-appropriated funds. Additionally, ABOR and ASU will transfer ownership of the Downtown Center/Mercado property to the City once the existing indebtedness is repaid by ASU in 2024. The Mercado is 3.83 acres and is valued somewhere between $16.7 million and $23.4 million. ASU carries a debt obligation against the property, with a current value of $9,355,000 as of October 2006.

In March 2006, the citizens of Phoenix approved $223 million in bond funds, of which $188 million was dedicated for campus construction projects and $35 million was designated for the development of civic space and street improvements within the campus district. The City used these bond proceeds to pay off the $100 million in temporary financing. The remaining proceeds are expected to support development at the campus through FY 2011. The City of Phoenix will take responsibility for the cost of the debt service in relation to capital costs of academic facilities and civic amenities financed with bond proceeds. While the City owns the academic facilities and related retail facilities during the period of bond indebtedness, ASU has the option to purchase them during that time for amount of the outstanding indebtedness. Once the debt has been paid off, however, the City will transfer ownership of these facilities to ASU at no cost, on the condition that they continue to be used as educational facilities.

(Continued)

Operational and Capital Planning Phases I and II
The development of DPC will occur in 2 phases, during which land and building acquisition, renovation and construction will be financed with the proceeds from the city of Phoenix bonds.

At full scale, ASU anticipates that the 20-acre Downtown Phoenix Campus will include 1.5 million square-feet of academic and student support space. This space will co-exist with retail and residential development, cultural programs and entertainment venues.

Operating Expenditures
In FY 2006 of Phase 1 of the project, ASU expended a total of $2.2 million, of which $953,000 from non-appropriated fund sources was expended for the one-time interest payment for temporary financing from the City of Phoenix and $1.2 million was expended primarily from appropriated funds for the administrative costs associated with establishing a new downtown campus.

In FY 2007, the first year of Phase II, ASU will expend $45.8 million from state appropriations for the downtown campus, which includes support for 600.5 FTE Positions, of which $31.4 million is from the General Fund and $14.4 million is from the Collections Fund (tuition fees paid by students attending the campus). ASU's five-year operating budget plan includes state appropriations that will eventually grow to $67.7 million in FY 2011 and a total of 854 FTE Positions. ASU only views the appropriation in FY 2007 as committed funding, but has derived projected state operating budgets from the assumption that the state will continue to support both the basic operations of the campus and provide funding for future enrollment growth.

Capital Expenditures
Capital plans for Phases I and II will be completed by FY 2009. The most significant capital investments during these phases have been contributed by the City of Phoenix through bond proceeds totaling $188 million for construction and renovation and $35 million for parks and street improvements as previously discussed. ASU also expects contributions totaling $135 million for private development of a student housing complex through ASU.

Phase I of the development occurred over FY 2005 and FY 2006 and included the relocation of current academic programs to DPC and the establishment of administrative support as previously discussed. Additionally, the City acquired the following properties during late 2005 and early 2006:

- **The University Center** – Located on Central Avenue, this building currently house the School of Public Affairs, the University College, and administrative support space.

- **Park Place** – Located at 2nd Street and Fillmore, this building houses the College of Nursing and Healthcare Innovation.

- **The Post Office** – Located at Central Avenue and Fillmore, this building will serve as a student gathering place and will also continue postal retail operations.

Phase II will occur in FY 2008 and FY 2009 and will include renovation of the historic Post Office, an academic building that will house the Walter Cronkite School of Journalism and Mass Communication and KAET, and an academic building to accommodate the expansion of the College of Nursing. Added capacity during this phase will accommodate the enrollment of 7,000 to 8,000 students taking one or more classes at the campus, though ASU only projects FY 2009 enrollment to be just over 6,000.

Over Phases I and II, ASU will be responsible for covering $20 million in Furniture, Fixtures and Equipment costs (FF&E), of which $9.5 million has been committed or expended to date. Of the $20 million for FF&E, $11.4 million will be expended in Phase I and will cover:

(Continued)

- $7.2 million for furniture;
- $510,000 for signage;
- $2.9 million for technology;
- $856,000 for miscellaneous fixtures.

ASU is still developing an expenditure plan for the remaining $8.6 million for FF&E and will develop costs that are based on similar costs per-square-foot as were expended for Phase I.

Attachment 1 includes a summary of the capital budget from FY 2006 through FY 2009.

Phase III and Beyond
Phase III and beyond would occur from FY 2010 through FY 2014, during which ASU would partner again with the City of Phoenix to expand the campus to an enrollment target of 15,000 students for its current programs. ASU, however, has not definitively planned or committed a funding source for this level of expansion. ASU has identified several potential sources of funds, such as developing relationships with developers, conducting private fundraising, using debt service supported by tuition, or earning proceeds from future bond elections. ASU will not plan further expansion in detail until definitive fund sources have been established.

Student Housing
To accommodate student housing needs, ASU is temporary leasing the Ramada Inn in FY 2007 and FY 2008 from City Center, LLC. Annual rent and property taxes for this property are $805,000, which will be offset by housing fees collected from student residents. Additionally, ASU is in the process of identifying private developers to construct permanent residence facilities that would be owned by the private sector.

If enrollment at DPC were to reach 15,000 students, ASU projects that the residential student population would total 4,000 students within approximately 1 million square-feet of space. Roughly half of this space is expected to be located on the campus, with the other half located in the campus district nearby.

Enrollment and Graduation Projections
According to 21st day counts for the fall semester of 2006, 6,229 students are enrolled in courses funded by the downtown campus, of which 2,766 of these students are taking one or more classes at the campus. Actual enrollment surpassed ASU's original projection of 2,000 to 2,500 students in FY 2007. The remaining 3,463 students are taking classes at the other ASU campuses, primarily at Tempe, as a part of the FY 2007 transition to the downtown campus to enable students to complete their degrees, as well as provide classes that the downtown campus cannot yet support.

Attachment 2 displays projected student enrollment in one or more classes at DPC and expected graduation rates by academic unit in FY 2007 through FY 2011. Overall, enrollment will increase from 2,766 in FY 2007 to 7,017 in FY 2011, or by 154%. Enrollment will increase the most between FY 2008 and FY 2009 when the Walter Cronkite School of Journalism and Mass Communication moves to the downtown campus. Expected graduation rates by academic unit include students cross-enrolled at other campuses, as these amounts represent the total number of degrees to be awarded by colleges with headquarters at the downtown campus. Total degrees awarded will increase from 1,600 in FY 2007 to 2,297 in FY 2011, or 44%. In each year from FY 2007 through FY 2011, the University College will award the most undergraduate degrees and the college of Public Programs will award the most graduate degrees.

RS/LR:dt
Attachments

Attachment 1

FY 2007 through FY 2011 Operating and Capital Budget

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
OPERATING BUDGET					
Expenditures					
FTE Positions	600.5	642.5	731.4	790.4	854.0
Personal Services	31,147,000	33,327,300	38,214,200	41,271,300	44,573,000
Employee Related Expenses	7,695,100	8,233,700	9,441,000	10,196,300	11,012,000
Other Operating Expenditures	6,976,800	7,695,100	11,162,300	11,699,100	12,135,900
Total	**45,818,900**	**49,256,100**	**58,817,500**	**63,166,700**	**67,720,900**
Funding Sources					
General Fund	31,402,000	33,397,100	35,755,900	37,798,900	39,816,200
Collections Fund	14,416,900	15,859,000	23,061,600	25,367,800	27,904,700
Total	**45,818,900**	**49,256,100**	**58,817,500**	**63,166,700**	**67,720,900**

	FY 2006	FY 2007	FY 2008	FY 2009	Total
CAPITAL BUDGET					
Expenditures					
Phase I					
Property and Acquisition	40,900,000	10,400,000			51,300,000
Renovations	39,400,000	2,000,000	2,000,000		43,400,000
Other	6,000,000				6,000,000
Phase II					-
Construction of facilities for Cronkite and Nursing		30,000,000	45,300,000	12,000,000	87,300,000
FF&E	-	11,600,000	6,000,000	2,400,000	20,000,000
Student Housing (Private Development)	-	40,000,000	55,000,000	40,000,000	135,000,000
Total	**86,300,000**	**94,000,000**	**108,300,000**	**54,400,000**	**343,000,000**
Funding Sources					
Phoenix Bond	188,000,000				
ASU FF&E (State and Local)	20,000,000				
Private Development	135,000,000				
Total	**343,000,000**				

Attachment 2

FY 2007 - FY 2011
Enrollment and Graduation Estimates

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Enrollment					
Nursing	790	1,080	1,384	1,703	1,788
Public Programs	913	1,100	1,344	1,598	1,662
Journalism	25	26	1,800	1,854	1,910
University College	312	678	746	821	903
Other Colleges	726	733	740	747	754
Total	2,766	3,617	6,014	6,723	7,017
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Nursing	320	336	353	371	390
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University College	750	777	805	834	864
Journalism	-	-	340	354	368
Total	1,265	1,315	1,707	1,775	1,846
Graduate Degrees					
Nursing	60	75	83	91	100
Public Programs	275	286	297	309	321
Journalism	-	-	20	25	30
Total	335	361	400	425	451
Total Degrees	1,600	1,676	2,107	2,200	2,297

ARIZONA STATE UNIVERSITY

September 29, 2006

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JOINT BUDGET COMMITTEE
AM 1 2 3 4 5 6 7 8 9 10 11 12 PM

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

Dear Mr. Stavneak:

Pursuant to House Bill 2873, attached is the required report on the Downtown Phoenix Campus operational and capital plans. Please call me if you have any questions.

Sincerely,

Charles A. Miller

Charles Miller
Deputy Vice President
Office of Public Affairs

cc: Joel Sideman/ABOR
Michael Crow

OFFICE OF PUBLIC AFFAIRS

PO BOX 877305, TEMPE, AZ 85287-7305
(480) 965-4980 FAX: (480) 965-9233

Report to the Joint Legislative and Budget Committee

on the operational and capital plans for

The Arizona State University Downtown Phoenix Campus

as required by HB 2873

Submitted by Arizona State University
through the Arizona Board of Regents
Dated October 1, 2006

Regents

ARIZONA STATE UNIVERSITY

Table of Contents

I. Overview

The ASU Downtown Phoenix campus embraces the cultural, socioeconomic and physical setting of urban living in the 21st century. The campus integrates academic, public and private development to create a vibrant and diverse learning environment for students. Set in the heart of metropolitan Phoenix within Copper Square, the campus houses the College of Nursing & Healthcare Innovation, College of Public Programs, University College and the campus administrative offices. In 2008, the Walter Cronkite School of Journalism and Mass Communication and Eight\KAET TV, Phoenix's PBS affiliate, will relocate downtown. Students can earn an ASU bachelor's, a master's or a PhD. degree in community-focused, public service programs that emphasize intense, practical experiences combined with theoretical learning.

The programs at the Downtown Phoenix campus advance trans-disciplinary applied research, socioeconomic health and global perspectives through purposeful learning experiences. Through the campus, ASU will serve the broad educational interests of business, government, not-for-profit organizations, professionals, and individuals living and working in the area.

The full capacity enrollment goal for the downtown campus is 15,000 students with an anticipated residential student population of 4,000 students. The time required to reach this goal will depend upon the further development of programs on the campus, the expansion of facilities, and the pace of development of downtown Phoenix. Once the 20-acre campus is built to full scale, it will include up to 1.5 million square feet of academic buildings, student housing, retail and residential development, cultural programs and entertainment venues to foster an active environment.

ASU has witnessed a substantial growth in enrollment, and demographic projections suggest that this growth will continue for the foreseeable future. The university believes that the State of Arizona will be best served by providing affordable and convenient educational pathways for Arizona residents, as well as providing geographically and academically diverse program offerings. Although ASU currently offers programs at the Tempe campus, the Polytechnic campus in the East Valley, the West campus in west Phoenix, and in the past has offered limited programs downtown, the system is becoming constrained by a lack of adequate facilities to accommodate current and projected growth; a situation that is further exacerbated by the demands generated by increasing research activity. Through the partnership with the City of Phoenix to develop a Downtown Phoenix Campus, ASU has been able to increase the necessary space requirements at lower cost than would otherwise be possible, and has extended its outreach to another part of the Valley.

In addition to providing additional access, there will be numerous tertiary benefits stemming from development of the Downtown Phoenix campus as well. First, academic units moving from Tempe will benefit from having greater proximity to the governmental and media centers of the state, which will facilitate stronger linkages with the community, provide better ties to discipline-specific professional environments, create more opportunities for internships and real-world experiences, and will present new opportunities for research relationships. In addition, the College of Nursing will benefit from the creation of the Phoenix Biomedical campus and Translational Genomics Institute (T-Gen) where nursing related activity will be strong.

Further, the downtown campus will make a significant contribution to the City of Phoenix's commitment to building a vital downtown urban core that will serve as a magnet for new residential life, expanded recreational opportunities for neighborhood residents, and new commercial development, dining and entertainment opportunities. The addition of academic space, students, faculty, and staff to the downtown environment will contribute towards building the critical mass of activity needed for expanded economic progress. Phoenix is committed to revitalizing its downtown as is evidenced by major investments such as new sports venues, an expanded convention center, a new hotel, and improved cultural venues. The downtown campus will contribute to and accentuate this eclectic mix of services.

Colleges and Programs

With the opening of the campus in Fall 2006, the Colleges of Public Programs, Nursing and Healthcare Innovation, and University College became headquartered on the campus. The planned construction of new facilities to open in Fall 2008 will establish new homes for the Walter Cronkite School of Journalism and Mass Communication and Eight\KAET TV.

The College of Public Programs

The College of Public Programs is a community of scholars dedicated to knowledge-based social and economic change. The educational and research programs span the fields of social work, public affairs, and community resources and development, and include undergraduate, graduate, and professional degree and certificate programs in all of these fields. The graduates of the college are leaders in government, nonprofit organizations, and social service agencies. Research projects range from explorations of human-environment interactions to those addressing critical social problems in Phoenix high schools. Areas of expertise include extreme-growth urban areas; responses to poverty; the prerequisites for excellence in governance; and nonprofit leadership and management.

The College of Nursing & Healthcare Innovation

The College of Nursing & Healthcare Innovation is the largest supplier of nurses in Arizona with Bachelor of Science and Master of Science nursing degrees, and is the only college in the state offering a Doctor of Nursing Science degree. In addition, ASU's College of Nursing is offering a Master's of Healthcare Innovation, the first of its kind in the nation. The faculty in the College of Nursing is committed to preparing nurses for compassionate and competent nursing practice, leadership in service to the community and the nursing profession, and who value lifelong personal growth. Students learn from experts in pediatrics, women's health, medical/surgical, adult health, psychiatric/mental health and community health nursing. The college's outstanding faculty has received numerous awards in teaching, service, and research, as well as recognition at the state and national levels of the profession.

University College

University College extends university access to freshmen, transfer, re-entry and exploratory students, and offers every student the opportunity for success through academic services and innovative degree offerings. The college provides a home for students who want to explore possible majors, degree completion programs, interdisciplinary studies, or opportunities to become involved in the community. In addition to providing academic and career counseling services to exploratory students who have not yet selected their major area of study within the University, University College offers bachelor's degrees in Interdisciplinary studies. The sequence of core classes in the program has been designed carefully to teach students about foundations of interdisciplinarity, bridging ideas, and portfolio building. The faculty offer rigorous, creative approaches to interdisciplinary thinking through small classes, applied projects, and individual attention.

The School of Extended Education is a university-wide school within University College. It advances ASU's community outreach mission by providing access to quality education beyond the university's physical campuses. In addition, the school forms partnerships with other ASU colleges and community resources such as businesses, governments and community organizations. These partnerships engage in collaborative research efforts, provide community leadership and services, develop and support community and economic development activities.

The Walter Cronkite School of Journalism and Mass Communication

The Cronkite School is a nationally recognized professional program that prepares students for careers as reporters, editors, producers, correspondents, anchors, media managers and public relations specialists. Its graduates are employed by newspapers, television stations, magazines, radio stations, newsletters, public relations firms, corporate and government PR departments and online news outlets. The school is consistently ranked in the Top 10 in the annual Hearst intercollegiate journalism competition, often called the Pulitzers of college journalism (No. 2 in the nation in 2005). The faculty consists of award-winning professional journalists and world-class media scholars, in the middle of one of the nation's largest media markets.

Current demographics

During Fall 2006, 6,229 students were enrolled in courses funded by the Downtown Phoenix Campus (based on official 21st day counts). Of those, 2,766 were enrolled in one or more classes at the campus, which surpassed the 2,000-2,500 planning targets used in development plans.

II. Development Planning and Management Structure

The responsibility for the development of the Downtown Phoenix Campus is shared jointly by the City of Phoenix and Arizona State University.

Overview

Planning and development of the downtown campus is a joint effort by ASU and the City of Phoenix with ASU responsible for overall planning and design including development of a master plan, and the City of Phoenix responsible for providing approval of the planning and for construction management.

The project is to be funded almost entirely from $223 million in bond funds provided by the City of Phoenix. Of these funds, $188 million is specifically for the acquisition of property, construction of new facilities, and renovation of existing space to establish the campus, and $35 million is earmarked for the development of civic space and street improvements to create a campus district. ASU is responsible for providing the equipment and furniture needed on the campus. ASU was responsible for 50% of the interest-only costs on up to $100 million in temporary financing used by the city for property acquisition and renovation prior to the bond election. The relationship is governed by an intergovernmental agreement (IGA), signed by both parties in June 2005. The specific responsibilities and rights of both parties are outlined below.

Summary of costs and business terms contained within the IGA

City of Phoenix:

Capital costs during 2005 and 2006 needed to acquire property (approximately twenty acres of land and buildings within the downtown redevelopment area), renovate facilities, and improve the civic infrastructure and amenities in preparation for the Fall 2006 opening were approximately $100 million. The City of Phoenix agreed to invest up to $100 million prior to the 2006 City bond election (March 2006) to acquire all of the property needed to develop the campus and its supporting amenities and to renovate acquired properties to be used for ASU programs.

The City of Phoenix included sufficient funds in the 2006 City bond package to continue development of the downtown campus during the 2006-2011 timeframe. Funds will be used to repay the short-term funding sources of $100 million and to construct an additional 300,000 SF of academic space and to accelerate development of campus amenities. Total funding for academic facilities and land is expected to reach $188 million in this time frame, excluding the city-managed investments in civic space and street improvements within the campus district.

The City of Phoenix and ASU agreed that development of the campus to reach full capacity of 15,000 students will require substantial additional funding over the period following 2011. This will be accomplished by using established methods for university facility expansion used in the past on other ASU campuses. It will include establishing relationships with developers, identifying opportunities for private fundraising, and the potential use of debt service supported by tuition. In addition, ASU will work with the City on the potential for added funding via future bond elections and through other appropriate development initiatives, and those terms would be subject to a subsequent IGA.

The City of Phoenix is fully responsible for the costs of debt service in relation to capital costs of academic facilities and the civic amenities constructed from bond proceeds. The City will manage the construction of the facilities using plans and specifications to be provided by ASU subject to Phoenix review and approval and budgets established by ASU and the City.

The City of Phoenix retains ownership of the academic facilities and the related retail facilities during the period of bonded indebtedness. ASU retains the right to purchase the facilities during that time for the amount of the outstanding indebtedness. Upon the repayment of the indebtedness by the City, Phoenix will transfer ownership of the academic facilities and associated retail space to ASU at no cost subject to their continued use as educational facilities. The City will, however, retain the rights to the income stream from the retail and commercial properties in the academic facilities.

The City of Phoenix will provide all standard city services in the campus neighborhood.

ASU

ASU will lease the academic facilities from the City for the period of Phoenix' indebtedness. The master lease governing the transaction was approved by the Arizona Board of Regents in April 2006 and signed in June 2006. ABOR and ASU have rights and responsibilities for the day-to-day management of the academic facilities and for the control of access. ASU and the City of Phoenix will meet annually to determine maintenance and repair needs to assure the facilities remain in good repair.

ASU will not initially pay the City for any lease costs of the facilities. Instead, ASU agreed to contribute $2 per square foot per year to the creation of a reserve and replacement fund beginning in 2008, which will be used to support any needed repairs over time. The reserve and replacement fund will also be built through a contribution by Phoenix of all net revenues generated from retail and commercial leases in the facilities. After five years, ASU and the City agree, if the full campus has been provided by the City, to discuss the ability of the ASU to make larger contributions to the fund or to pay any lease costs.

ASU is responsible for the costs of operating the academic programs at the campus. This includes the day-to-day academic and support unit personnel and operating costs, academic facilities operating and maintenance (O&M) costs, and one time investments in furniture, fixtures and equipment. ASU is also subject to city ordinances regarding land use and facility development.

ASU retains all tuition and other revenues generated from academic operations.

ABOR and ASU agreed to transfer ownership of the Downtown Center/Mercado property to the City of Phoenix once the existing indebtedness is repaid by ASU (currently scheduled for 2024). The City of Phoenix is permitted to purchase the property sooner for the amount of the then outstanding indebtedness provided that planned new academic facilities have been provided by Phoenix.

ASU is responsible for determining the need for parking to support the campus and developing that parking. Parking that is already part of properties being acquired at 411 North Central Avenue and at Park Place has been transferred to ASU.

ASU is responsible for developing needed student housing. ASU negotiated a lease with City Center, LLC to lease the former Ramada Inn for a period of two years, located at 1st Street and Polk. The property has been converted to the Residential Commons, providing housing for up to 267 students. ASU is responsible for annual rent and property taxes of $805,000. This cost is to be offset by housing fees collected from student residents of the Commons. The facility is part of the overall residential life program and costs will be covered within that larger auxiliary budget.

The property is intended to provide housing on an interim basis. ASU is working to identify private developers to construct permanent residence facilities that would be owned by the private sector.

ASU agreed to pay for informal use of the new civic space that will be built as part of the campus plan. The cost to ASU will be determined by its proportional use, the actual costs of its activities, and will include an allocated share of maintenance costs. ASU agreed to discuss the possibility of sharing costs associated with police services within the campus area if the costs can be tied directly to University activities. There have been no agreements to date for ASU to pay any such costs.

ASU agreed to engage in development activities to support the campus such as fund-raising for capital costs. ASU also agreed, to the extent permitted by law, to support legislative advocacy for appropriate measures that offer opportunities for further development of the campus.

Construction Self-Management Intergovernmental Agreement

In June 2006, the City of Phoenix and ASU executed a Construction Self-Management Intergovernmental Agreement. As part of that agreement, ASU and Phoenix agreed to the terms under which ASU could act as construction manager on new construction projects funded by bond proceeds, should the City and ASU choose to manage a project in that manner. Under the terms of the agreement, there was no change in financial responsibility for the costs of the renovation; they were borne by the City of Phoenix. There has been no decision to date to pursue projects on that basis.

III. Project Phasing

The development of the Downtown Phoenix Campus is structured in phases. Funding for land and building acquisition, renovation and construction for Phases I and II will come from the bonds approved by Phoenix voters in March 2006. Funding for expansion beyond Phases I and II is not definitively planned or committed. Additional expansion will be accomplished by using established methods for university facility expansion used in the past on other ASU campuses. It will include establishing relationships with developers, identifying opportunities for private fundraising, and the potential use of debt service supported by tuition. In addition, ASU will work with the City on the potential for added funding via future bond elections and through other appropriate development initiatives, and those terms would be subject to a subsequent IGA. Any future expansion will not be committed until funding is clearly identified to support the campus expansion.

Phase I

ASU relocated current programs in the Colleges of Public Programs, Nursing & Healthcare Innovation, University College, and ASU Downtown Phoenix Campus administrative offices from the Tempe campus to the downtown campus for Fall 2006. In addition, ASU will continue to offer existing extended education programs from the downtown campus.

The necessary library, administrative, and student services investments were completed in time for the opening of the campus. Targeted properties (411 North Central, the Post Office, and Park Place) were acquired and renovated by the City during late 2005 and early 2006 in order to meet the timeline set forth by ASU. Finally, student housing was provided by contracting with the owners of the Ramada Inn for a two-year period to create the Residential Commons, during which time permanent housing would be designed and built through private development.

Enrollment in the initial phase of the downtown campus exceeded initial projections. Initial projections assumed approximately 2,000-2,500 students; total students enrolled in one or more classes in Fall 2006 totaled 2,766.

Phase II

Further expansion of the campus is planned for Fall 2008 and Fall 2009 using proceeds from the City bond program that was approved by the electorate of Phoenix in March 2006. Further expansion will include renovation of the historic Post Office as well as the addition of two new academic buildings, which will house the School of Journalism and KAET and the other will provide expansion space to the College of Nursing & Healthcare Innovation. Expected capacity resulting from Phase I and Phase II combined will allow enrollment capacity to grow to 7,000 to 8,000 students.

Phase III and beyond

While not specifically included in the IGA, it is the goal of the City and ASU to continue to develop the campus over the 2010-2014 five-year period by adding academic and student support space which will allow the campus to grow to its target size of 15,000 students with a residential student population of 4,000. There are neither specific commitments to a timetable nor requirements for specific facility additions or target enrollments.

IV. Financial Plan

Financial planning for the development and operation of the Downtown Phoenix Campus has been focused on needed investments to accomplish Phases I and II of the development plan. ASU is responsible for the annual operating costs associated with the campus as well as one time FF&E costs, while the City of Phoenix is responsible for acquiring and developing the land and facilities need for the academic space on the campus.

Expenditures prior to FY07

The Downtown Phoenix Campus was established in FY07 with the transfer of three existing colleges from the Tempe Campus to the Downtown Campus (College of Public Programs, College of Nursing & Healthcare Innovation, and University College). The state operating budget was established for the Downtown Phoenix Campus primarily through the transfer of funding for those programs from Tempe, but also through incremental investment to support administrative and growth needs. Operating funding for the Downtown Phoenix Campus was not established as such until the FY07 fiscal year, which began on July 1, 2006.

Operating Expenditures

ASU was obligated under the terms of the Intergovernmental agreement, to share interest costs with the City of Phoenix on temporary financing for expenditures in advance of the approval of bond funding by the electorate. ASU made a one-time payment of $953,000 in FY06, using local funds.

The administrative costs associated with establishing the new campus, including the provost's office, and student affairs, were contained within the Tempe budget in FY06. The expenditures for these activities totaled $1.2 million, of which $920,000 was funded from state operating funds and the remainder from local funds.

Capital Expenditures

Under the terms of the IGA, ASU is responsible for covering the estimated $20 million in FF&E costs needed to equip the Downtown Phoenix Campus office ($11.4 million Phase I, $8.4 million Phase II), classroom, lab and meeting room space. As of mid-September, $9.5 million of those funds had been expended or committed. These costs are scheduled to be covered from a combination of state and local funds.

The City of Phoenix expended $100.7 million for the acquisition of land and buildings for the campus, and the required rehabilitation of those buildings into academic space.

<u>*FY07-11 Budget Plan*</u>

Operating Budgets

Operating budget plans are developed using very specific investment criteria for the first year in the planning cycle, while years beyond that are based on reasonable assumptions that guide the university's thinking about growth and support needs. The University considers only the first year of the 5-year plan to be a commitment beyond the base funding in FY06. Figure 1, below, summarizes the 5-year state budget plan for the Downtown Phoenix Campus. Budgets for auxiliary enterprises have not yet been established, but are expected to be self-supporting.

Figure 1: Downtown Phoenix Campus Operating Budget Plan, FY07-FY11

FY07-11 STATE OPERATING BUDGET PLAN

AFIS OBJ CODE	CATEGORY	ESTIMATED FY 2007	ESTIMATED FY 2008	ESTIMATED FY 2009	ESTIMATED FY 2010	ESTIMATED FY 2011
	EXPENDITURE DETAIL:					
	FTE Positions	600.48	642.51	731.43	790.35	853.96
6000	Personal Services	31,147.0	33,327.3	38,214.2	41,271.3	44,573.0
6100	Employee Related Expenditures	7,695.1	8,233.7	9,441.0	10,196.3	11,012.0
	All Other Operating Expenditures					
6200	Professional and Outside Services	1,212.7	1,200.0	1,200.0	1,200.0	1,200.0
6500	Travel In State	41.6	48.7	55.6	60.1	64.6
6600	Travel Out of State	15.9	18.5	21.0	22.7	24.4
6700	Food					
6800	Aid to Organizations and Individuals					
7000	Other Operating	3,940.4	4,867.9	8,325.7	9,356.3	9,786.9
	Library Acquisitions	60.0	60.0	60.0	60.0	60.0
8400	Equipment	1,706.2	1,500.0	1,500.0	1,000.0	1,000.0
	Total All Other Operating Expenditures	6,976.8	7,695.1	11,162.3	11,699.1	12,135.9
	Subtotal	45,818.9	49,256.1	58,817.5	63,166.7	67,720.8
	Total Below the Line					
	TOTAL EXPENDITURE AUTHORITY	45,818.9	49,256.1	58,817.5	63,166.7	67,720.8
	Collections/Other Receipts	(14,416.9)	(15,859.0)	(23,061.6)	(25,367.8)	(27,904.6)
	Balances Forward					
1000	TOTAL GENERAL FUND	31,402.0	33,397.2	35,755.9	37,798.9	39,816.2

It is important to note that the majority of the state operating budget for the Downtown Phoenix Campus is derived from existing base state operating budgets for Colleges and Programs formerly located on the Tempe Campus. The budget plan assumes that the state will continue to support both the base operations of the campus as well as providing support for future enrollment growth.

The budget plan assumes that state collections increase 10% annually from the combination of enrollment growth and tuition increases. It also includes an increase in Fall 2008 (FY09) resulting from the transfer of the Walter Cronkite School of Journalism and Mass Communication to the campus. KAET is also transferred; however nearly all of KAET funding comes from local sources.

Capital Development Plans

Capital development plans have been established for the Downtown Phoenix Campus for Phases I and II, which are planned to be complete by FY09 (Fall 2008). The financial plan calls for the investment from the City of Phoenix for Phases I and II, and the private development of a student housing complex through ASU. Investments beyond those have not been clearly defined since they will depend upon the pace of the campus' expansion and would occur beyond the three-year Capital Improvement Plan horizon.

The long term vision for the campus will require further development and capacity expansion. This will be accomplished by using established methods for university facility expansion used in the past on other ASU campuses. It will include establishing relationships with developers, identifying opportunities for private fundraising, and the potential use of debt service supported by tuition. In addition, ASU will work with the City on the potential for added funding via future bond elections and through other appropriate development initiatives, and those terms would be subject to a subsequent IGA.

The planned costs for the capital development of the Downtown Phoenix Campus are included in Figure 2, below.

Figure 2: Planned Capital Expenditures for the Downtown Phoenix Campus

($millions)	FY06	FY07	FY08	FY09	Planned Funding	FY10-25
Phase I						
Property and land acquisition	$ 40.9	$ 10.4			$ 51.3	
Renovations	39.4	2.0	2.0		43.4	
Other	6.0				6.0	
Phase II						
Construction of facilities for Cronkite and Nursing		30.0	45.3	12.0	87.3	
FF&E		11.6	6.0	2.4	20.0	
Total Committed Funding	86.3	54.0	53.3	14.4	208.0	
Student Housing Development (Private Sector Funding)		40.0	55.0	40.0	135.0	
Total Planned Funds	$ 86.3	$ 94.0	$ 108.3	$ 54.4	$ 343.0	
Other Expansion						TBD as funding allows and as need requires

FUNDING SOURCES:	
Phoenix Bond	$ 188.0
ASU FF&E (State and Local)	20.0
Private Development	135.0
Total	$ 343.0

In addition, the City of Phoenix will provide $35 million in parks and street scape not included above. They are planned for the campus district but are not in or a part of ASU facilities.

V. Enrollment Projections

Figure 3, below provides projections for students enrolled in one or more classes at the Downtown Phoenix Campus. It is important to note that the enrollments increase significantly in Fall 2008, reflecting the planned move of the Cronkite School to the Downtown Phoenix Campus. Estimates of the number of graduates to be produced by each school are also included. Please note that students may be cross-enrolled at other campuses; the degrees awarded represents the total number of degrees to be awarded by the colleges headquartered at the Downtown Phoenix Campus.

Figure 3: Enrollment and Graduation Estimates by College

	Fall 06	Fall 07	Fall 08	Fall 09	Fall 10
Enrollment at DPC Campus					
Nursing	790	1,080	1,384	1,703	1,788
Public Programs	913	1,100	1,344	1,598	1,662
Cronkite School	25	26	1,800	1,854	1,910
University College	312	678	746	821	903
Other Colleges	726	733	740	747	754
Total	2,766	3,617	6,014	6,723	7,017
Degrees Awarded (Academic Year)	**2007**	**2008**	**2009**	**2010**	**2011**
Undergraduate					
Nursing	320	336	353	371	390
Public Programs	195	202	209	216	224
University College	750	777	805	834	864
Cronkite School			340	354	368
Subtotal	1,265	1,315	1,707	1,775	1,846
Graduate					
Nursing	60	75	83	91	100
Public Programs	275	286	297	309	321
Cronkite School	0	0	20	25	30
Subtotal	335	361	400	425	451
Total Degrees Awarded	1,600	1,676	2,107	2,200	2,297

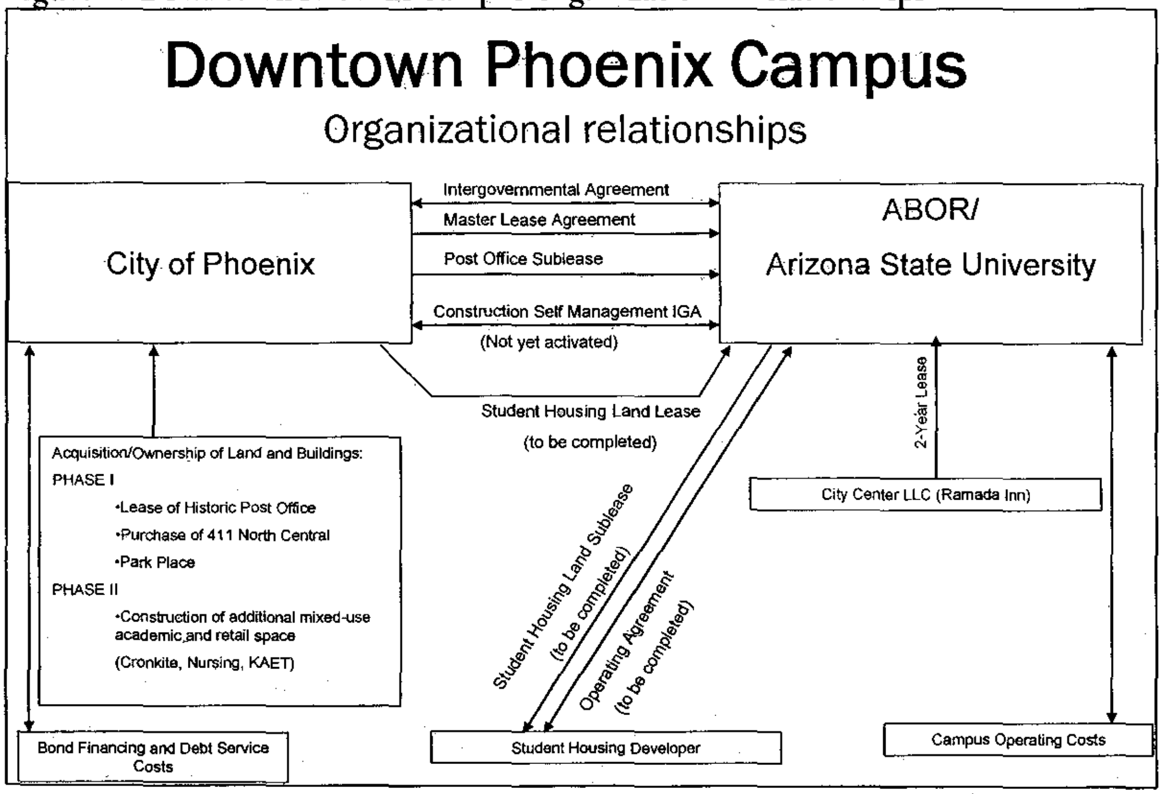
The planned campus development through Phase II is expected to support between 7,000 and 8,000 students. Current estimates indicate that sufficient capacity will exist to support the student enrollments during the 5-year planning period. The University will continue to monitor enrollment capacity.

VI. Organizational Relationships

Arizona State University's partner in the development of the Downtown Phoenix Campus is the City of Phoenix. Funded from a bond approved by the citizens of Phoenix in a vote in March 2006, the city is providing $188 million in funding for construction projects for the campus, plus $35 million for the development of civic space and street improvements within the campus district, which is managed by the City of Phoenix separately from the Campus Development project.

The following graphic details the relationships between the City of Phoenix, ABOR and Arizona State University, and third party providers.

Figure 4: Downtown Phoenix Campus Organizational Relationships



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STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

DATE: November 8, 2006

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

THRU: Richard Stavneak, Director

FROM: Amy Strauss, Fiscal Analyst

SUBJECT: Arizona Board of Regents (ABOR) – Review of ABOR's assessment of Enrollment Accounting Policies

Request

The Arizona Board of Regents (ABOR) requests Committee review of its assessment of full-time equivalent (FTE) student enrollment accounting policies and procedures. A.R.S. § 15-1661 requires ABOR to consult with the Auditor General, review such policies before June 30, 2006, and submit them for Committee review.

This section requires that ABOR make recommendations concerning the necessity of minimum requirements for students enrolled in classes to qualify as part of the FTE enrollment count. The FTE count is used as the basis to determine the state's contribution to enrollment funding.

The ABOR report is to address whether the following changes should be made: 1) that the FTE enrollment count only include classes that are necessary for the completion of a degree, 2) that the student enrolled be physically present in this state at the time the course is conducted, and 3) that each professor or instructor should be required to review 21st day class rosters and make additions or deletions as necessary.

ABOR has reviewed these requirements and has concluded that none of these changes to current enrollment policy are necessary.

Recommendation

The Committee has at least the following options:

(Continued)

1) A favorable review – The basis for this option is that ABOR has complied with statute requiring consultation with the Auditor General on enrollment accounting policies and offering recommendations for minimum requirements to qualify as a part of the FTE enrollment.

2) An unfavorable review – The basis for this option is that ABOR is not pursing any of the possible procedural changes to its FTE-eligible courses or the use of rosters.

Analysis

Laws 2005, Chapter 330 amended A.R.S. § 15-1661 to transfer final enrollment auditing for the entire Arizona University System from ABOR to the Office of the Auditor General. While statute still requires ABOR to set policies for the initial enrollment audit conducted by each university under its jurisdiction, all auditing of FTE counts will be conducted by the Auditor General. Each university conducts enrollment counts in the fall and spring semesters, occurring at the close of business on the 21st calendar day following the first day of classes reported in the university catalog. While Laws 2006, Chapter 352 prohibited funding state university students who have earned credit hours in excess of a credit hour threshold, this legislation does not address the definition of an FTE-eligible class.

ABOR Enrollment Polices
ABOR determines enrollment through an accounting of payments. The universities count student enrollment based on student payments of registration fees and tuition before the close of business on the 21st day of each semester. ABOR policy excludes the following courses or classes from the FTE calculations, all of which remain unchanged:

1. Courses not offered for credit
2. Courses where the collection of tuition is not included in the state operating budgets of each institution
3. Cancelled classes
4. Correspondence classes (courses conducted through mail)
5. College of Medicine courses where headcount and FTE are reported separately
6. Workshops, with some exceptions
7. Courses not approved by ABOR for inclusion in the course catalogue, or that end prior to the first day of classes
8. Courses taught under contract, with some exclusions

ABOR continues to review these exclusions and is preparing a document that provides its rationale for board policy related to exclusions from FTE counts for state funding purposes.

Minimum Requirements
As required by statue, ABOR has submitted their recommendations for the necessity of minimum requirements for students to qualify for the FTE count. ABOR has recommended that no change be made to board policy regarding these specific issues. The following is a list of minimum requirements the board was required to consider, followed by ABOR's response as to why current policy addresses the requirement.

(Continued)

1) The necessity of minimum requirements for students to qualify as part of the FTE count.

The board currently has minimum requirements for students counted under FTE enrollment as described above. This enrollment policy is periodically reviewed and revised in order to keep it up to date.

2) Include only a for-credit course that is necessary for a completion of a degree in the FTE count.

The board indicates that non-credit courses are not included in FTE counts for state funding purposes. Universities, however, allow non-degree seeking students to enroll in for-credit courses. If these students are registered, and have paid by the 21^{st} day, they are included in the universities' FTE count. However, a 9 credit limit is applied to these students should they wish to transfer credits into a degree program at a university. ABOR believes this provides sufficient incentive to enroll in a degree program.

Non-degree seeking students who have no wish to transfer may take any number of courses, and if they register and pay by the 21^{st} day, are counted as FTE. The universities do not have a reliable method of counting these kinds of students.

3) Include only students enrolled in a course while physically present in the state at the time the course is conducted in the FTE count.

The board responded that many of their offerings involve students who may or may not be physically present at the time the course is conducted. They also indicate that many of these programs are self sustaining, meaning they receive no funding from the universities and are funded solely through fees associated with taking the courses. However, several others include standard course offerings such as student teaching, or internships, clinical rotations. In addition, there is the broader issue of how to count distance learning, or online courses, in FTE enrollment.

4) Whether each professor or instructor should be required to review class rosters and make additions or deletions as necessary.

The board indicates that class rosters are updated through registrars, and that audits have not found any discrepancy in the current system. Under the previous system, the university would provide the auditor with office space, who would then review a sample of FTE enrollment pulled by university officials. This includes analyzing the universities' 21^{st} day FTE counts, based on registration numbers, tuition revenues received by the 21^{st} day, and add/drop schedules. The Auditor General, who now exercises auditing authority over FTE enrollment counts, conducts their audits in a similar fashion. From the information we have received from both parties, audits generally do not involve a physical headcount of students in courses. ABOR believes the use of class rosters would be difficult to manage in courses with hundreds of students; however, this provision may improve accuracy in determining FTE enrollment.

RS/AS:ss

Arizona Board of Regents
2020 North Central Avenue, Suite 230
Phoenix, AZ 85004-4593
602-229-2500
Fax 602-229-2555
www.azregents.edu

ARIZONA BOARD OF Regents

Arizona State University *Northern Arizona University* *University of Arizona*

RECEIVED
OCT 25 2006
JOINT BUDGET COMMITTEE

October 25, 2006

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

Dear Senator Burns:

Pursuant to A.R.S. § 15-1661, I am requesting review by the Joint Legislative Budget Committee (JLBC) of specified matters relating to Arizona Board of Regents (Board) enrollment policies.

Section 15-1661, as amended by Laws 2005, Chapter 330 and Laws 2006, Chapter 352, transfers enrollment audit responsibilities from the Board to the Auditor General. Related to this transfer, the section contains the following requirement:

> Beginning in 2006, each university shall submit to the auditor general a summary of its full-time equivalent student enrollment accounting policies and procedures, compilation procedures and source records used for calculating full-time equivalent student enrollment. These accounting policies and procedures, compilation procedures and source records shall comply with policies developed on or before June 30, 2006 by the Arizona board of regents, in consultation with the auditor general and reviewed by the joint legislative budget committee.

This section also contains the following provisions:

> These policies shall include a review and recommendations of the necessity of minimum requirements for students enrolled in classes to qualify for appropriations pursuant to this section, including requirements that the class be a for-credit course that is necessary for the completion of a degree and that the student enrolled in the course be physically present in this state at the time the course is conducted.

Finally, § 15-1661 states that:

> The Arizona board of regents shall also make recommendations of whether each professor or instructor should be required to review class rosters and make additions or deletions as necessary.

Pursuant to these provisions, Board staff has consulted with representatives of the Auditor General to provide the necessary information contemplated in statute. Further consultations with the Auditor General prior to the June 30, 2006, date in statute, identified no changes to current Board policy that would be necessary to achieve the transfer contemplated in statute.

The Board's "review and recommendations," required in the provisions of § 15-1661 cited above, were adopted at their meeting on August 10-11, 2006 and are summarized below.

The necessity of minimum requirements for students enrolled in classes to qualify for appropriations

- The Board's enrollment policy (2-103) dates back to April 1981 and was last revised in March 2006. Periodic reviews have historically been part of the Board's process for this and other policies.
- With the assistance of personnel from each university, Board staff is analyzing this matter and has been compiling a document that provides the historic and practical rationale for Board policy relating to exclusions from student full-time equivalent (FTE) counts for state funding purposes.
- No necessary changes to policy have been identified at this time. Staff is instructed to continue to explore whether any policy clarifications are necessary and, if so, will bring proposed changes to the Board for review and approval at a later date. It is recommended that ongoing, continuing communication with legislators and others take place on this issue.

Requirement to qualify for state appropriations that "the class be a for-credit course that is necessary for the completion of a degree"

- Non-credit classes, such as "outreach" programs, are not included in student FTE counts for state funding purposes. Credit courses may or may not be "necessary for the completion of a degree" depending upon specified requirements of a degree program. In other words, courses may fulfill requirements for one or more degree programs or may be used as an elective course within specified parameters.
- No changes to Board policy are necessary or recommended. It is recommended that communications with legislators include an explanation of current Board policy and practice relating to credit and non-credit courses.

Requirement to qualify for state appropriations that the student enrolled in the course be physically present in this state at the time the course is conducted

- There are numerous programs and course offerings that involve students who may not be physically present in Arizona "at the time the course is conducted." Many such programs are self-sustaining, but several others involve standard "catalog" course offerings. Examples include student teaching and other types of internships, clinical rotations, military personnel or spouses, or other non-resident students under a variety of circumstances.

- The Board does not recommend revising Board policy to require students enrolled in courses to be physically present in the state at the time the courses are conducted.

Whether each professor or instructor should be required to review class rosters and make additions or deletions as necessary

- Currently, registrars work closely with university departments or colleges to maintain and update class rosters. In some instances, instructors may administratively drop students, usually through their department structures. Registrars have not experienced problems with the current system. Audits have not resulted in any findings that would question the accuracy of university processes. There is no reason to believe that future audits conducted by the Auditor General will have a different result.
- The fact that, by Board policy, tuition must be paid by the 21st day, has proven to be a motivating factor for students to rectify issues associated with class rosters.
- Many university classes are structured in a manner that would make it impractical for faculty to be so involved with the maintenance of class rosters.
- The Board does not recommend revising Board policy to require professors and instructors to review class rosters and make additions or deletions as necessary.

In conclusion, the Board has not identified any changes to policy that would be necessary at this time in order to comply with current law. The Board also has not discovered any policy that conflicts with state statutes. However, Board staff has been instructed to explore the need for policy clarifications relating to specific exclusions from FTE counts and to maintain interactions with the Auditor General's Office on technical and procedural matters relating to enrollment audits.

As always, my colleagues and I are available to answer any questions you or committee members may have.

Sincerely,

Michael E. Hunter

Michael E. Hunter
Assistant Executive Director
for Government Affairs

Xc: Representative Russell K. Pearce
✓Richard Stavneak, Director, JLBC
Gary Yaquinto, Director, OSPB
Members, Arizona Board of Regents
Leah Ruggieri, JLBC Analyst
Judith Padres, OSPB Analyst

STATE OF ARIZONA

Joint Legislative Budget Committee

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PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

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DATE: November 8, 2006

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

THRU: Richard Stavneak, Director

FROM: Steve Schimpp, Assistant Director

SUBJECT: Arizona Department of Education – Report on Information Technology Special Line Item Program

Request

The Arizona Department of Education (ADE) requests to report to the Committee information regarding its Information Technology Special Line Item (SLI) program, as required by a footnote in the FY 2007 General Appropriation Act.

Recommendation

The JLBC recommends that the Committee give a favorable review of the department's reported expenditure plan for the Information Technology SLI program. The JLBC Staff, however, recommends that the Committee require the department to return with an updated report before spending any appropriated monies for the program if the Project Investment Justification (PIJ) for the program is not approved by the Information Technology Authorization Committee (ITAC) at or before its scheduled meeting on November 15, 2006.

Analysis

The General Appropriation Act for FY 2007 provided ADE with a $2,500,000 one-time appropriation for Information Technology (non-lapsing through FY 2008) and requires the department to present to the JLBC an implementation plan for the project after it receives ITAC approval and before spending any program monies. ADE plans to use the $2,500,000 appropriation to develop and implement an Education Data Warehouse (EDW) that would integrate into a single database long-term historical data on student funding and achievement that currently reside in separate, non-interacting data "silos." (ADE plans to add teacher and course

(Continued)

data to the EDW later.) ADE indicates that this would make its historical data much more accessible to users, enabling those data to be used more effectively for analysis and planning and allowing ADE to file required reports (such as for No Child Left Behind) more efficiently.

The JLBC Staff concurs with ADE regarding the potential merits of the proposed EDW, as our own experience in requesting data from the department for members or for internal analysis in recent years has confirmed that ADE currently is "data rich" but "access poor" due to technology constraints. (Some data accessibility improvements, however, have been observed in recent years under the Student Accountability Information System, or SAIS.)

The Government Information Technology Agency (GITA) is expected to give the PIJ for the data warehouse a favorable review and ITAC is planning to review the item at its November 15 (afternoon) meeting. As noted above, the JLBC Staff recommends that this Committee require ADE to return to the Committee with a revised report on the proposed data warehouse before spending any program monies if the PIJ for the project does not receive ITAC approval on or before November 15.

The highlights of the proposed EDW are as follows:

1. The PIJ estimates that the project will cost $1.7 - $2.0 million over 2 years, which would fit within the $2.5 million appropriation. Those projected costs, however, do not include ongoing operational costs, nor costs for "Phase 2" (adding teacher data) or "Phase 3" (adding course data) *(see chart on Page 2 of Attachment 1)*.
2. A second General Appropriation Act footnote states that the $2.5 million appropriation is not intended to be used to collect additional data or hire permanent staff. The proposed PIJ budget adheres to these restrictions *(see Attachments 2 and 3)*. In *Attachment 2*, however, ADE lists some "Additional Dimensions" that it indicates could be valuable to collect in the future.
3. A timeline for the project appears in *Attachment 4.* Under this timeline, student level data from the Student Accountability Information System (SAIS) and from the AIMS test would be loaded into the EDW between January 1, 2007 and April 30, 2007. The remaining 8 months of calendar year 2007 would then be used develop and pilot test programs for accessing data in the EDW, which would include providing some school districts with access to the EDW for pilot testing purposes. Although not specified in *Attachment 4,* ADE indicates that general access to the EDW is expected to begin in January 2008.

RS/SSC:ym
Attachments

State of Arizona
Department of Education

Tom Horne
Superintendent of
Public Instruction

July 12, 2006

Robert L. Burns, Chairman
Joint Legislative Budget Committee
1716 W. Adams
Phoenix, AZ 85007

Dear Chairman Burns:

The Arizona Department of Education (ADE) is requesting to be placed on the October Agenda for the Joint Legislative Budget Committee (JLBC) to present on the information technology data warehouse as outlined in H.B. 2863.

Should you have any questions, please direct them to me at 602-364-1541. We look forward to discussion.

Sincerely,

Ruth Solomon

Ruth Solomon
Associate Superintendent
Education Policy

cc: Richard Stavneak, Director
Joint Legislative Budget Committee

1535 West Jefferson, Phoenix, Arizona 85007 • 602-542-4361 • www.ade.az.gov

Arizona Department of Education

Education Data Warehouse
Project Status, October 2006

Current Project Status

- Prototype developed Winter 2005
- $2.5 million allocated in FY2007 budget for formal design and implementation over 2 years
- Project Investment Justification (PIJ) submitted to GITA September 2006
- Pending approval by GITA, presentation to ITAC planned for October 2006

Timeline, Phase 1

This timeline reflects the first phase of the project for the Education data warehouse, as detailed in the PIJ. This covers $1.7 million of the total $2.5 million budgeted.

Task	Start	End
RFP for Education Data Warehouse (EDW) Data Visualization and Analytics Toolset	10/16/06	12/28/06
Reevaluate EDW Configuration	11/7/06	12/1/06
"Review EDW Data Strategy (Architecture, Refresh Rate, Archival Requirements, and Granularity)"	12/4/06	12/29/06
Review Existing EDW Technical Architecture	12/27/06	1/5/07
Reevaluate EDW Technical Architecture	12/19/06	1/2/07
Update EDW Implementation Plan	12/1/06	1/31/07
Execute EDW Phase One Implement Plan	1/1/07	3/23/07
Associated EDW Documentation and Artifacts	11/1/06	1/8/07
Post Education Data Warehouse Phase One Review	3/26/07	3/30/07

Background: Overview of the Education Data Warehouse

The **Education Data Warehouse** is the unified view of data collected and managed by ADE. Currently ADE collects a staggering amount of extremely valuable information stored in several independent data "silos". Over the years these silos have been developed in disconnected, singular-purpose efforts. As a result these silos created data stores that are extremely difficult – and sometimes impossible – to bring together for any kind of agency-perspective or meaningful analysis. The Education Data Warehouse coalesces the siloed data to provide a unified view of ADE-managed information. Most importantly, the Education Data Warehouse will store student educational longitudinal data. This results in retaining many years of rich student educational data, such as all AIMS test's results, collected during his/her lifetime in Arizona public education. This will greatly enhance the capability for long-range analysis and planning.

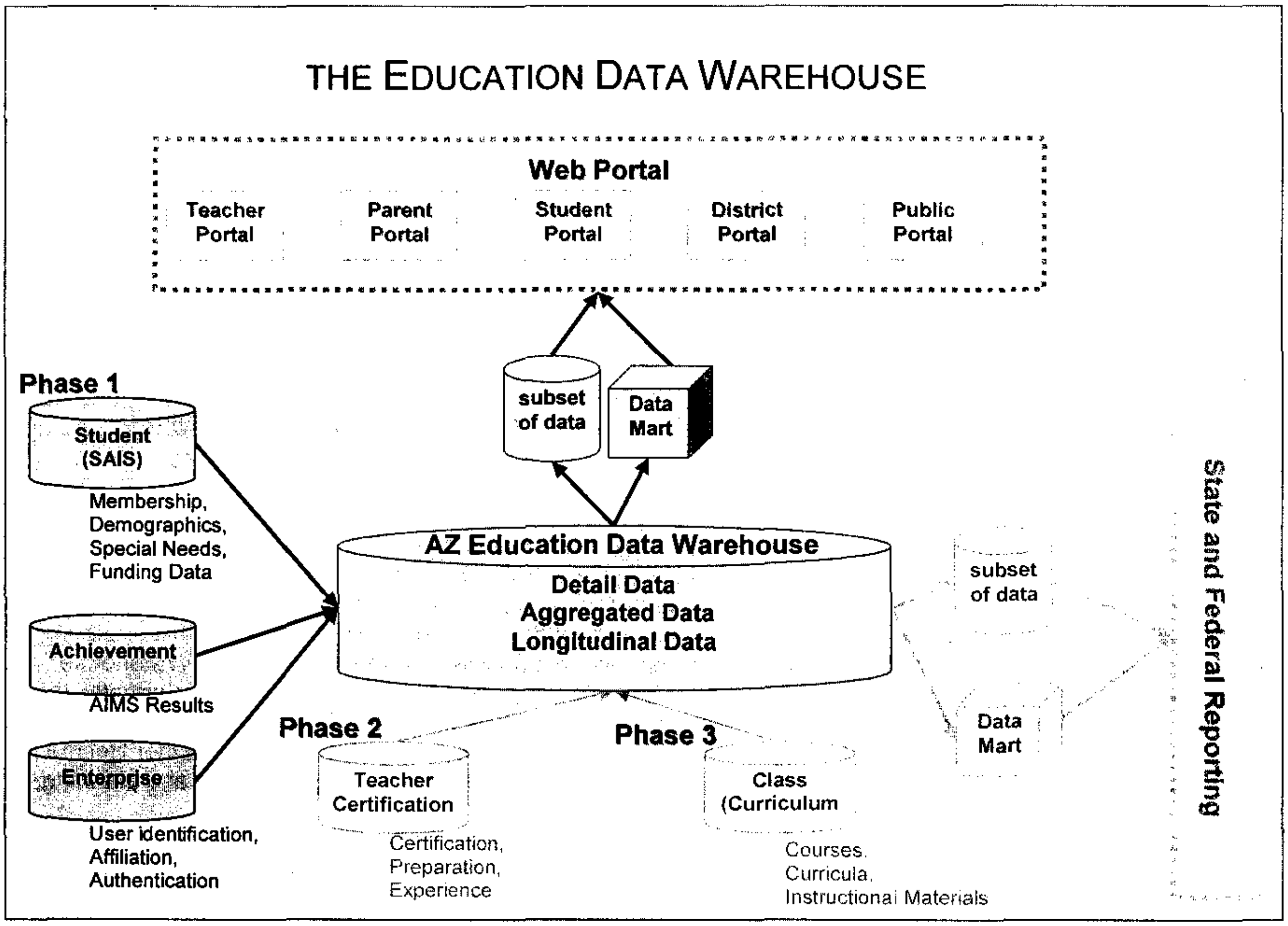
The Education Data Warehouse will inform ADE's web portal, a plethora of state and federal reporting requirements and reporting requirements, and data requests from external groups such as higher education researchers and education-related organizations. Over time it will be used to simplify other educational data needs as well.

Arizona was one of the first states in the nation to implement a statewide student identifier, setting the stage for longitudinal student data analysis. That identifier, the SAIS ID, has been in place since 2002.

The Education Data Warehouse is being designed for expandability and extensibility. ADE has been working with Arizona State University for two years to prepare for the eventuality of connecting preschool, K12, and post-secondary data for each student, to build a true P20 environment. The data being collected for the Education Data Warehouse, and the information being reported from it, are designed to align with the direction laid out by the US Department of Education. This direction coincides with that of other state and national education groups such as the Council of Chief State School Officers, and with education data-related initiatives of various advisory groups such as the Data Quality Campaign's 10 Essential Elements.

Arizona works closely with other states in the design and use of education data, taking particular advantage of collaboration with states awarded one of last year's federal grants for student longitudinal data systems. This collaboration allows Arizona to fast-track the analysis phase by capitalize on a great deal of work already invested by other states. Working with states like Connecticut, which has a very similar technical environment to ADE's, effectively multiplies our resource capacity by enabling us to share development costs.

Solution Concept



Detailed Information

More detailed information on this project can be found in the Project Investment Justification document.

~ End ~

Attachment 2

Arizona Department of Education
Arizona Education Data Warehouse
Dimensions and Measures, October 2006

Existing ADE Managed Information

With data warehousing, all measures can be reported by all dimensions. When ADE's Education Data Warehouse is fully implemented using data currently collected by ADE, the measures listed in column 1 will be able to be reported for any of the dimensions listed in column 2.

Measures
Graduates
Program Completion
Staff Counts
Staff FTE
Staff Professional Development Participation
Funding Allocations
Funding Expenditures
Internet Connectivity Status
Classes Taught
Drop-outs
Violence Metrics
Drug-Use Metrics
Student Program Participation
Student Program / Need Eligibility
Student Attendance
Student Enrollment
Student Assessment Levels
Student Assessment Scores

Dimensions
Student Assessment Types (e.g., Giftedness, Language, TerraNova, AIMS, SAT9, etc.)
State / County / District / School (geo-code)
Time
Program / Service
Grade
Gender
Race / Ethnicity
Disability
Poverty Level
Staff Position Type
Certification Level
Endorsement Type
School Type
District Type

Potential ADE DW Indicators Requiring Additional Data

The US Department of Education and many national and state education organizations acknowledge value in data that ADE either collects in siloed data stores outside the data warehouse, or ADE does not currently collect at all. Were ADE permitted to collect the dimensions of data in column 2 and to coalesce them into the data warehouse, the measures listed in column 1 would be able to be reported for any of those dimensions.

Measures
Absence Rate
Adequate Yearly Progress (AYP)
Alcohol Related Incidents
Assessment
Certification
Class Size
College Entrance Testing
Courses (Advanced)

Additional Dimensions
Annual Student; Cohort Rate
Average for LEA or School
Average Student Score; Percentage Student Participation; Percentage Students Demonstrating Proficient or Advanced Performance
Cohort Rate; Leaver Rate
LEA or School Aggregate; LEA or School Percentage
LEA or School Percentage
Mother; Teacher
Percentage Classes Taught by Teachers Holding Emergency; Provisional or Out-of-Field

Measures
Criminal Offense Incidents Reported
Drug Related Incidents Reported
Educational Level
Experience Level
Expulsion Incidents
High School Completion/Graduation Rate
High School Dropout Rate
Highly Qualified Teachers
Instruction Time Allotted
Persistently Dangerous Schools
Placement of Students With Disabilities
Promotion Rate
Qualified Paraprofessionals
Teacher Retention Rate
School Capacity Percent Used
Stability Rate
Student Instructional Computer Ratio
Student Staff Ratio
Suspensions Out-of-school Actions
Teacher Administrator Ratio
Transportation Services
Truancy Rates
Violent Incidents Reports
Vocational/Traditional Programs

Additional Dimensions
Percentage Graduate Participation; Student Average Score
Percentage Local Education Agencies (LEAs) in Improvement Categories; Percentage Schools in Improvement Categories; Percentage Schools Making
Percentage Nontraditional Completers; Percentage Nontraditional Participation
Percentage Student Completion; Percentage Student Enrollment
Percentage Student Receiving
State or LEA Percentage
State, LEA or School Percentage
State, LEA or School Percentages; State, LEA or School Count
Student Counts (100)
Student Counts (100); Average Duration; Percentage Students Receiving
Teacher

Appendix A. Itemized List with Costs

Positions	Quantity	Cost	Total	
Contract Workers				
Project Manager	1	$100/hour	156,000	
Business Analyst	1	75	117,000	
Testers	2	65	202,800	
Database Administrator	2	90	280,800	
Developer	1	85	132,600	
Trainer	2	65	202,800	
HR subtotal:	**9**			**$1,092,000**
Zone Integration Server	1	$20,000	20,000	
Enterprise Network Switch	1	25,000	25,000	
Web Server	2	5,000	10,000	
Application Server (prod, train, dev, QA)	4	20,000	80,000	
72 GB Drives	24	700	16,800	
SAN Shelf	2	20,000	40,000	
Database Server (prod,train,dev,QA)	5	100,000	100,000	
Hardware subtotal:				**$291,800**
Operating System	11	$200	$2,200	
SQL Server 2005 Database Platform (prod)	2	32,000	32,000	
SQL Server 2005 (dev,QA,train)	3	36,000	36,000	
Enterprise ETL Toolset	1	70,000	70,000	
Certificate	6	1,000	6,000	
Enterprise Data Visualization Toolset	1	200,000–490,000	200,000-490,000	
Software and Licenses subtotal:			**$346,200-636,200**	
			$1,730,000-2,020,000	

Project Phase/Deliverable/Milestone	Start	Finish
EDW Analysis and Implementation	10/1/2006	12/31/2007
Pilot (1) Analysis and Implementation *Incorporating Student data from SAIS and other siloed data stores plus Achievement data from AIMS*	1/1/2007	2/28/2007
Pilot (2) Analysis and Implementation *Incorporating Student data from SAIS and plus Achievement data from AIMS, creating EDW data marts and web-based reports*	3/1/2007	4/30/2007
Statewide Rollout Preparation, Analysis, Implementation, and Feedback	5/1/2007	12/31/2007

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
REPRESENTATIVES

DATE: November 8, 2006

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

THRU: Richard Stavneak, Director

FROM: Tyler Palmer, Fiscal Analyst

SUBJECT: Joint Legislative Budget Committee – Review of Filing Fee for Administrative Hearings Pursuant to the Condominium and Planned Community Program

Request

Laws 2006, Chapter 324 requires that the Joint Legislative Budget Committee review and make recommendations to the Legislature regarding the filing fees charged to parties for filing for an administrative hearing for disputes regarding Condominiums and Planned Communities. The Director of the Department of Fire, Building and Life Safety (DFBLS) is authorized to establish the amount of the filing fee, and the Office of Administrative Hearings (OAH) is authorized to hold hearings regarding disputes between an owner and a condominium association or planned community association (HOA).

The DFBLS and the OAH recommend a filing fee of $550. The departments have applied this filing fee since the outset of the new program on September 21, 2006, the general effective date for Chapter 324.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review to the $550 filing fee with the provision that by January 1, 2008 the DFBLS and the OAH report back to JLBC Staff regarding the number of cases filed, the number of cases resolved, the average cost per case, and the fund balance for the Condominium and Planned Community Hearing Office Fund. Allowing a year of data to accumulate will provide more information regarding the adequacy of the filing fee and the actual cost of conducting the hearings.

Analysis

Laws 2006, Chapter 324 created a new program in the DFBLS, under which a homeowner or a homeowner association may file for an administrative hearing for a dispute involving the owner and a condominium or planned community association. After receiving the petition, the DFBLS refers cases to the OAH. *(For additional detail regarding the case filing process see Appendix A.)*

(Continued)

The Director of the DFBLS was charged with establishing a filing fee. As cases are filed with the DFBLS the filing fee is deposited in the Condominium and Planned Community Hearing Office Fund. Monies in the fund are used first to reimburse the OAH hearing costs, and second to offset the costs of the DFBLS administering case filings. Effective September 21, 2006, the Director of the DFBLS established a filing fee of $550 to file for a hearing from the Condominium and Planned Community Hearing Program.

The $550 filing fee was determined jointly by the DFBLS and the OAH. In projecting its hearing costs, the OAH assumed that the Condominium and Planned Community cases would be included in the cost allocation model it uses for non-General Fund Hearings. The cost allocation model apportions expenditures based on an agency's portion of total costs for case settings, Administrative Law Judge (ALJ) time, travel, and other expenses. In projecting the number of cases from the new Condominium and Planned Community Hearing Program, the OAH made the following assumptions.

- Hearings would require the same amount of ALJ time as hearings from landlord/tenant disputes in mobile home parks.
- The case filings and hearings for other agencies included in the cost allocation model would be the same in FY 2007 as in FY 2006.
- Condominium and Planned Housing disputes would result in 24 hearings per year. This number represents approximately 1/4 of the FY 2006 landlord/tenant disputes from mobile home parks. Fewer Condominium and Planned Community cases are estimated due to the filing fee being $500 more than the $50 fee for filing a landlord/tenant dispute in mobile home parks.

Under these assumptions, the OAH projects the average FY 2007 cost to be $500 per hearing. The remaining $50 from the filing fee will be used to cover DFBLS program administrative costs.

Since the program's inception on September 21, a total of 2 cases have been filed. Of these cases one was returned to the petitioner to complete missing information, and the other is pending a response from the defendant.

RS/TP:ym

JANET NAPOLITANO
Governor

ROBERT BARGER
Director

DEPARTMENT OF FIRE, BUILDING AND LIFE SAFETY

1110 WEST WASHINGTON, SUITE 100
PHOENIX, ARIZONA 85007
(602) 364-1003
(602) 364-1052 FAX

PIMA COUNTY
400 WEST CONGRESS, SUITE 121
TUCSON, ARIZONA 85701
(520) 628-6920
(520) 628-6930 FAX

OFFICE OF ADMINISTRATION * OFFICE OF MANUFACTURED HOUSING * OFFICE OF STATE FIRE MARSHAL

September 1, 2006

In 2006, the Arizona 47th Legislature passed legislation in the form of HB2824 that provides the people of Arizona a venue to homeowners and condominium and planned community associations (HOA) to resolving disputes. These administrative procedures do not limit the rights of the parties to pursue matters in the legal system, but provides an alternative. This legislation becomes law on September 21, 2006.

Until the legislation becomes law, we cannot process any applications because we do not have the legal ability to do so. Thus, any forms or applications received before September 21, 2006, will not be processed until then.

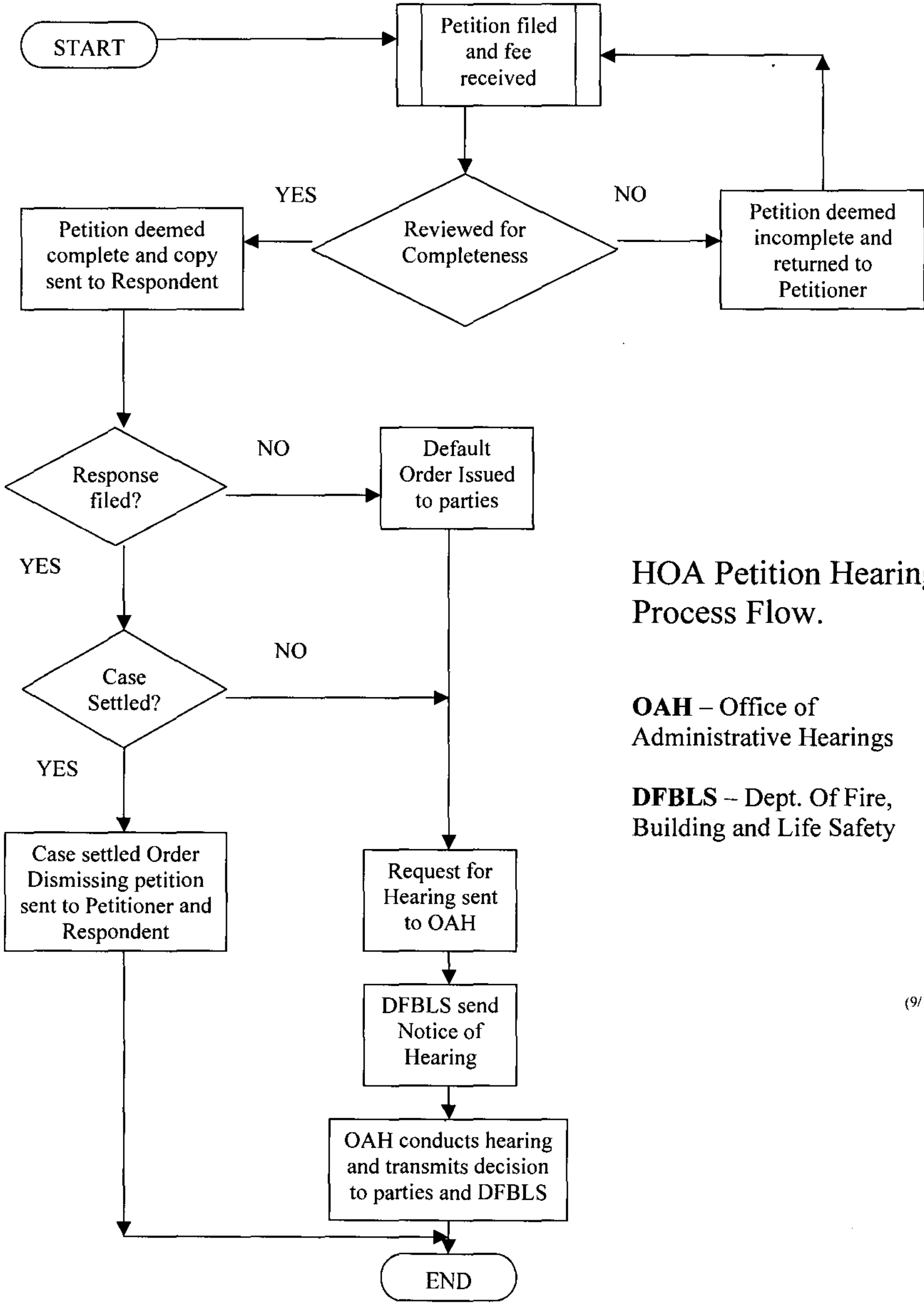
There are a few points of the legislation that need to be made perfectly clear.

- The $550 Filing Fees are NON-Refundable, by law.
- Only Homeowner can file a complaint; renters or non-owners cannot.
- The complaint must be against the condominium or planned community association. Not directors, representatives, other homeowners, management companies or such.

Remember this is new to everyone, so we will try to make the implementation of the legislation as smooth as possible, but patience may be required while we work through any problems. Thanks for your understanding.

Sincerely,

Robert Barger, Director
Department of Fire, Building and Life Safety



HOA Petition Hearing Process Flow.

OAH – Office of Administrative Hearings

DFBLS – Dept. Of Fire, Building and Life Safety

(9/1/06)

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
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JACK W. HARPER
DEAN MARTIN
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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DATE: November 8, 2006

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

THRU: Richard Stavneak, Director

FROM: Jay Chilton, Fiscal Analyst

SUBJECT: State Land Department – Review of Expenditure Plan for Radio System Upgrades

Request

Pursuant to a footnote in the FY 2007 General Appropriation Act, the State Land Department has submitted for review its expenditure plan for a $96,000 appropriation to upgrade the Forestry Division's Statewide Radio Repeater System.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of this request. The State Land Department plans to expend the one-time General Fund appropriation of $96,000 during FY 2007 to upgrade its Statewide Radio Repeater System with the upgrades expected to go live on May 20, 2007. The plan has received a favorable assessment from the Public Safety Communications Commission.

Analysis

Background

The Legislature appropriated $96,000 in one-time funding from the General Fund to the State Land Department for upgrades to the Forestry Division's Statewide Radio Repeater System (SRRS) in FY 2007. The purpose of the SRRS expansion is to increase the safety of flight crews by providing information on the exact locations of aircraft engaged in support or wildfire fighting missions, and by allowing dispatcher and flight crews to be in constant communication.

(Continued)

The department reports that the current SRRS was built 20 years ago, covers an insufficient geographic area of Arizona, and has too few talk-paths, or simultaneous communications channels. Due to the increased use of aircraft to fight fires, multiple aircraft are often used simultaneously at diverse locations across the state. The current system does not have the capacity necessary to ensure the safety of flight crews.

Upgrade

Upgrades to the SRRS will consist of 7 two-way radio base stations, antennas, antenna feed cable, mounting equipment, and associated infrastructure. The implementation of this new equipment will enable simultaneous tracking of up to 50 firefighting aircraft whether they are dispersed throughout the state or concentrated within a single area.

The upgraded SRRS will be connected to the Department of Public Safety's (DPS) statewide microwave backbone so it can connect to the Forestry Division's statewide interagency dispatch center in Phoenix. The DPS Public Safety Communications Commission (PSCC) has reviewed the plan and found it to be consistent and compatible with the current microwave network and with the replacement network being engineered by DPS today, as well as with the PSCC's interim and long-term radio interoperability criteria. All SRRS-expansion radio equipment will meet or exceed the standards for interoperability set forth by the Association of Public Safety Communications Officials.

Expenditure Plan

Of the $96,000 appropriation in FY 2007, $70,000 will be spent on hardware, $16,000 on professional and outside information technology services, and $10,000 will pay the salary of an information technology intern who will assist on the project and who is already employed by the Forestry Division. The Forestry Division also estimates $4,000 in ongoing operating costs starting in FY 2008, which will be absorbed by the State Land Department's base operating budget.

The Forestry Division plans to complete the procurement process by December 20, 2006, and will conclude testing, installation, and configuration on April 15, 2007. The upgrades will go live on May 20, 2007. After the upgrades are live, the Forestry Division will complete a post-implementation review by June 10, 2007.

RS/JCh:ss

Janet Napolitano
Governor

Mark Winkleman
State Land
Commissioner

Arizona
State Land Department

1616 West Adams Street Phoenix, AZ 85007 www.land.state.az.us

RECEIVED
OCT 25 2006
JOINT BUDGET COMMITTEE

October 25, 2006

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

Dear Mr. Stavneak,

Please accept the Land Department's expenditure plan for radio system upgrades for FY 2007. The Land Department would like this issue to be reviewed at the November 15, 2006 JLBC meeting so that the upgrades can be completed prior to the upcoming fire season.

According to HB 2863 section 21, the agency is required to submit an expenditure plan to the Joint Legislative Budget Committee for review. Additionally, the submittal shall include an assessment by the Public Safety Communications Commission as to whether the department's proposal is consistent and compatible with the statewide interoperable microwave system.

Attached is the approved Project Investment Justification (PIJ), which contains an expenditure plan, and the assessment by the Public Safety Communications Commission.

Please contact Dale Brown at (602) 255-1781 or myself at (602) 542-6735 if you have any questions.

Sincerely,

Keith Fallstrom
Budget and Accounting Manager
Arizona State Land Department

cc: Jay Baughman, OSPB

JANET NAPOLITANO
GOVERNOR

CHRIS CUMMISKEY
DIRECTOR

STATE OF ARIZONA
GOVERNMENT INFORMATION TECHNOLOGY AGENCY
100 North 15th Avenue, Suite 440
Phoenix, AZ 85007

September 15, 2006

Mr. Mark Winkleman, Commissioner
Arizona State Land Department
1616 West Adams
Phoenix AZ 85007

Dear Mark:

In response to the Project Investment Justification (PIJ) for the **"Statewide Radio Repeater System Expansion (SRRS)"** project, my staff and I have reviewed your proposal to replace aging equipment and implement new technology to improve the safety of foresters and fire fighters.

The PIJ implies funding is available from Base Budget and other funding sources in the amount of $104 thousand for the total five-year life cycle cost of the project.

This is Government Information Technology Agency's **Approval** of the technology project.

You may proceed to secure additional approvals as required from the Joint Legislative Budget Committee, the Office of Strategic Planning and Budgeting and ADOA Enterprise Procurement Services.

Best wishes,

Chris Cummiskey
Director, State CIO
FS:mm

cc: Gary Irish, LD
Dale Brown, LD
Tyler Palmer, JLBC
Gary Yaquinto, OSPB
James Scarboro, EPS
Frank Somers, GITA

GITA #LD07001

Analyst: Frank Somers **PIJ Summary - GITA** Project Number: LD07001

Agency Name & Address	*Contact Name & Phone*
Arizona State Land Department Forestry Management Division 1616 West Adams, Phoenix AZ 85007	Dale Brown 602-255-4059

Project and Investment Justification Name	*Date Submitted*
Statewide Radio Repeater System Expansion (SRRS)	September 2006

Project Overview

The State Land Department (LD) Forestry Division operates a Statewide Radio Repeater System (SRRS) that is 20 years old and cannot accommodate the increased number of aircraft deployed in an emergency, or scan for aircraft signals. LD proposes to expand the SRRS by adding 7 two-way radio base stations strategically positioned around the State to provide aircraft tracking and "listen in" capability for fire fighting planes. This upgrade will enable LD to achieve compliance with new standards established by the National Wildfire Coordinating Group.

Measurements and Deliverables

LD will purchase and implement 7 two-way radio base stations and implementation services to provide expanded radio traffic monitoring in support of fire fighters and foresters.

Benefits

The National Wildfire Coordinating Group studied best practices to establish new standards for communications in support of fire fighting activities. LD believes this expansion and upgrade will contribute to an improvement in the safety of fire fighters and may save lives.

Project Management

LD Forestry Division staff and a contractor will implement the new radio repeaters.

Enterprise Architecture

Compliant.

Summary of Proposed Costs

All Figures in Thousands ($000)						
Cost Description	*2007*	*2008*	*2009*	*2010*	*2011*	*Total*
Development Costs	96.0	0.0	0.0	0.0	0.0	96.0
Operational Costs	0.0	4.0	4.0	0.0	0.0	8.0
Total Project Costs	96.0	4.0	4.0	0.0	0.0	104.0

Recommendation: **Approval**

STATE OF ARIZONA

Joint Legislative Budget Committee

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1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

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DATE: November 8, 2006

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

THRU: Richard Stavneak, Director

FROM: Steve Grunig, Fiscal Analyst

SUBJECT: State Compensation Fund – Consider Approval of Calendar Year 2007 and 2008 Budgets

Request

The State Compensation Fund (SCF) has submitted its budgets for Calendar Year (CY) 2007 and CY 2008. Unlike state agencies, the State Compensation Fund is budgeted on a calendar year basis rather than a fiscal year basis.

Pursuant to A.R.S. § 23-981E, SCF is required to submit its operating and capital outlay budget to the Committee for review and approval. Due to a court ruling that SCF assets are not “public funds,” the SCF does not believe the Committee’s action limits it budget. Given the SCF perspective, the Committee did not take action when the CY 2005 and CY 2006 budgets were discussed at its December 16, 2004 meeting.

As detailed in page 1 of *Attachment 1*, the SCF budget for CY 2007 is $104,480,000 and $108,905,000 for CY 2008.

The amounts do not include any dividend or claims paid by the SCF. No Capital Outlay budget was submitted.

Recommendation

The Committee has at least 2 options in reviewing the requested budget:

1. Approve the submitted budgets.

2. Take no action. SCF does not believe that the Committee’s action limits their budget. When the Committee considered the CY 2005 and CY 2006 budgets in December 2004, no Committee action was taken.

(Continued)

Analysis

Budget
The SCF operating budget of $104,480,000 and 530 employees in CY 2007 represents a $4.6 million, or 4.6% increase above CY 2006. The CY 2008 operating budget of $108,905,000 and 531 employees represents a $4.4 million, or 4.2% increase above CY 2007 (see page 1 of *Attachment 1*).

The budget categories with the largest change in expenditures from CY 2006 to CY 2007 are the following:

- Premium Taxes – These are statutory assessments made by the Industrial Commission of Arizona against premiums of all workers' compensation insurance carriers. Premium Taxes will increase by $1.3 million, or 6.5% above CY 2006.
- Employee Expenses – These include salaries, overtime, insurance and other employee benefits. Employee expenses will increase by $2.2 million, or 6.0% above CY 2006. SCF did not provide detail on allocation of the $2.2 million among salaries or benefits.
- Professional Fees and Services – These include outside asset managers, temporary help, statutorily mandated rating agency fees, bank credit card and collection charges and actuarial services. Professional fees and services will increase by $450,000, or 5.3% above CY 2006.

The budget categories with the largest change in expenditures from CY 2007 to CY 2008 are the following:

- Premium Taxes – These will increase by $1.1 million, or 5.2% above CY 2007.
- Employee Expenses – These will increase by $1.4 million, or 3.5% above CY 2007.
- Claims Adjustment – These are actuarial reserves for expected costs to administer workers compensation claims to closure. Claims adjustment will increase by $1.2 million, or 14.2% above CY 2007.

Table 1 shows the historical changes in premium and investment income, and the number of policyholders and claims.

- Premium Income – SCF estimates that premium income will increase by $73.1 million, or 18.5% from CY 2005 to CY 2008.
- Policyholders – SCF estimates that its number of policyholders will increase by 3,625, or 6.5% from CY 2005 to CY 2008.

Table 1

STATE COMPENSATION FUND
Growth in Premium Income, Investment Income, Policyholders and Claims Processed

	Actual 2005	Estimated 2006	Estimated 2007	Estimated 2008
Premium Income (in Millions)	$394.9	$418.0	$445.0	$468.0
Dollar Increase	42	23.1	27	23
Percentage Increase	11.9%	5.8%	6.5%	5.2%
Investment Income (in Millions)	$140.6	$140.0	$141.5	$142.0
Dollar Increase	(41)	(1)	2	1
Percentage Increase	(22.7)%	(0.5)%	1.1%	0.4%
Policyholders	55,375	56,700	57,800	59,000
Change in Policyholders	3	1,325	1,100	1,200
Percentage Increase	0.0%	2.4%	1.9%	2.1%
Claims Processed	55,300	58,500	62,600	65,700
Change in Claims Processed	2,030	3,200	4,100	3,100
Percentage Increase	3.8%	5.8%	7.0%	5.0%

(Continued)

Page 2 of *Attachment 1* provides detail on SCF overall balance sheet.

- Total Assets – SCF estimates that total assets will increase by $361 million, or 11.5% from CY 2005 to CY 2008.
- Total Liabilities – SCF estimates that total liabilities will increase by $346 million, or 14% from CY 2005 to CY 2008.
- Retained Capital – Retained Capital is the sum of profits, after dividend payments, since the fund's inception. It is also called retained earnings, earned surplus, or accumulated earnings. SCF estimates that retained capital will increase by $14.6 million, or 2.2% from CY 2005 to CY 2008. For each of CY 2007 and CY 2008, SCF estimates a 1% annual increase in Retained Capital.

  Sufficient levels of retained capital are required to meet the liquidity and safety reserve needs of the fund. Any amount of retained capital above the required level is available for future dividend payments to policyholders. Page 3 of *Attachment 1* shows that SCF estimates the amounts allocated for dividends will decrease from $70 million in CY 2006 to $55 million in CY 2007, and $50 million in CY 2008. Retained capital is affected by gains and losses from security transaction during the year (realized gains/losses) and by changes in year-end value of the investment portfolio (unrealized gains/losses).

CY 2001 through CY 2003, SCF expenditures exceeded the amounts approved by the Committee. The Committee did not take action on approving any budgets for CY 2004 through CY 2006. (*Attachment 2* is an excerpt from JLBC minutes of December 16, 2004.)

SCF's willingness to reject the Committee budget was strengthened by the Maricopa Superior Court ruling of April 13, 2004 that "the monies and assets held by the State Compensation Fund are not public funds." This ruling stemmed from a dispute over whether the Legislature could transfer monies from the SCF to the General Fund. The ruling found that "the proposed transfer from the State Compensation Fund to the State General Fund . . . would violate the Arizona Constitution."

Donations

The Chairman had requested that Committee members receive a list of entities that receive donations from SCF. *Attachment 3* includes the donation policy of the SCF as well as 2 lists of donations for 2006 and 2007. SCF has donated a total of $220,700 to 87 entities for projects or events that are scheduled in 2006. To date, SCF has donated $13,000 to 5 entities for projects or events scheduled in 2007.

RS/SG:dt

Telephone: (602) 631-2059
FAX: (602) 631-2065
Email: dsmith@scfaz.com

DONALD A. SMITH, JR., Esq., CPCU
PRESIDENT & CEO

SCF Arizona
At work for you

3030 N. 3rd Street, 14E Phoenix, Arizona 85012

October 2, 2006

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

Dear Senator Burns:

Pursuant to A.R.S. § 23-981(E), SCF Arizona is pleased to provide the Joint Legislative Budget Committee with the attached information concerning its financial results and budgets for the 2007 and 2008 calendar years. In this letter, we would also like to share with you the significant activities and financial performance of SCF since 2005.

SCF Arizona continues to serve our state as the largest provider of workers' compensation insurance in Arizona and is proud to continue to provide the third lowest workers' compensation insurance rates in the country to our 56,000 policyholders. Present workers' compensation rates in Arizona are equivalent to those of the 1970's.

SCF Arizona operates in the highly regulated insurance industry, where its operations are subject to oversight by the Industrial Commission of Arizona and the Arizona Department of Insurance. SCF Arizona is also subject to additional standards set by the National Association of Insurance Commissioners and must report all operational statistics to the National Council on Compensation Insurance. SCF Arizona insures the openness of its activities with annual certified audits of financial statements by Deloitte and Touche, as required by law, and annual audited financial statements filed with and examined by the Arizona Department of Insurance.

SCF Arizona's overall financial performance during 2005 was outstanding. Our Board of Directors is pleased to report a 2005 dividend to our state's policyholders of $70 million based upon annual premium payments of nearly $400 million and net income from investments of nearly $125 million. Return on invested assets of SCF Arizona rank in the top quartile of comparable private insurance companies and state compensation funds for 1, 3 and 5 year periods.

With last year's dividend of $70 million, SCF Arizona has now returned more than one billion dollars to Arizona's policyholders in the past 35 years. A well run and healthy workers' compensation insurance system provides a strong economic engine to attract new businesses to our state and to provide a healthy and safe working environment for our policyholders and their workers.

With a strong portfolio of more than $3 billion, SCF Arizona has invested more than $150 million in Arizona and continues to explore ways to improve the business climate and business support in our state. SCF Arizona's employees have also served our state and our communities through an active volunteer program, contributing 5,700 hours of volunteer time and $118,983 in charitable giving donations.

In 2005, SCF Arizona processed more than 432,000 medical service provider bills and saved Arizona policyholders more than $48 million through the use of our Preferred Connection Network of medical providers statewide. At the same time, SCF Arizona vigorously fought workers' compensation fraud, with a 70% litigation success rate, thereby saving more than $12 million annually for our policyholders.

Receiving more than 1.9 million pieces of mail and 322,000 telephone calls annually, SCF Arizona served our policyholders and our state's workers with high quality medical care and claims processing. Loss control expertise and Safety Expos were provided statewide and 63 safety seminars were conducted with the Arizona Department of Occupational Safety and Health.

Finally, SCF Arizona paid approximately $20 million in property and premium taxes in 2005. SCF Arizona receives no state funding or support and operates solely on the revenue provided by investments and policyholder premiums. At SCF Arizona, we believe we have a social responsibility to injured workers and their families, an economic responsibility to Arizona businesses and a corporate leadership responsibility to continue to be a leading part of Arizona's economic growth engine.

2007-2008 Forecast
Looking ahead SCF Arizona continues to be financially sound and well positioned to meet the demands of Arizona businesses for workers' compensation insurance. Earned Premiums will grow at rates of 6% for 2007 and 5% for 2008. Our total Operating Expenses grow modestly and at rates less than revenue growth projections. Income from Investments grows slowly in spite of increasing assets due to reinvestment rates being lower than our current portfolio yield.

Income for 2005 was driven primarily by $47 million of Realized Capital Gains created by repositioning the SCF investment portfolio. Net Income before Policyholder Dividends in 2007 and 2008 reflects our plans to introduce multiple premium rate structures. This platform will enable SCF to better match upfront premium rates with risk exposures reducing the dependence on back end dividends for 2007 and beyond. The bottom line is SCF continues to operate in the best interests of Arizona policyholders with a strong balance sheet and while providing one of the lowest rates for workers' compensation insurance coverage in the United States.

We hope you find this information regarding SCF operations useful. We would be pleased to provide you with additional information upon request. Please feel free to contact me at (602) 631-2047.

Sincerely,

Donald A. Smith, Jr., Esq., CPCU
President & CEO

cc: The Hon. Russell Pearce, Vice-Chair, JLBC
Richard Stavneak, Director, JLBC
SCF Arizona Board of Directors

SCF Arizona
At work for you

2005 - 2008 JLBC Comparative Income Statement

(Shown in 000's)	Actual 2005	Estimated 2006	Plan 2007	Variance $	Variance %	Plan 2008	Variance $	Variance %
Premiums Earned	$ 394,894	$ 418,000	$ 445,000	$ 27,000	6%	$ 468,000	$ 23,000	5%
Losses	361,832	396,650	422,750	26,100	7%	445,000	22,250	5%
Claims Adminstration Reserve	5,003	10,000	11,500	1,500	15%	13,000	1,500	13%
Total Incurred Claims	366,835	406,650	434,250	27,600	7%	458,000	23,750	5%
Gross Margin	28,059	11,350	10,750	(600)	-5%	10,000	(750)	-7%
Investment and Other Income								
Investment Income	140,642	140,000	141,500	1,500	1%	142,000	500	0%
Net Realized Gains(Losses)	46,668	(500)	-	500	-100%	-	-	N/A
Self Rater	(2,277)	(2,500)	(1,250)	1,250	-50%	(1,000)	250	-20%
Other Income	1,702	1,500	-	(1,500)	-100%	-	-	N/A
Total Other Income	186,735	138,500	140,250	1,750	1%	141,000	750	1%
Operating Expenses								
Premium Taxes	18,667	19,855	21,150	1,295	7%	22,250	1,100	5%
Employee Expenses	33,447	37,050	39,275	2,225	6%	40,650	1,375	4%
Travel	394	375	395	20	5%	405	10	3%
Association Safety Plan Fees	7,100	7,250	7,150	(100)	-1%	7,100	(50)	-1%
Professional Fees & Services	7,603	8,500	8,950	450	5%	9,100	150	2%
Supplies	6,752	7,450	7,300	(150)	-2%	7,500	200	3%
Training	876	1,250	1,500	250	20%	1,650	150	10%
Depreciation	3,127	4,450	4,750	300	7%	4,900	150	3%
Maintenance & Occupancy	5,818	5,750	5,910	160	3%	6,100	190	3%
Claims Adjustment	6,729	7,950	8,100	150	2%	9,250	1,150	14%
Total Expenses	90,513	99,880	104,480	4,600	5%	108,905	4,425	4%
Net Income before Dividends	$ 124,281	$ 49,970	$ 46,520	$ (3,450)	-7%	$ 42,095	$ (4,425)	-9%
Policyholder Dividends	$ (60,000)	$ (70,000)	$ (55,000)	$ 15,000	-21%	$ (50,000)	$ 5,000	-9%
Net Income	$ 64,281	$ (20,030)	$ (8,480)	$ 11,550	-58%	$ (7,905)	$ 575	-7%
Employee Headcount	507	517	530	13	3%	531	1	0%

/

SCF Arizona
At work for you

2005 - 2008 JLBC Comparative Balance Sheet

(Shown in 000's)	Actual 2005	Estimated 2006	Plan 2007	Variance $	Variance %	Plan 2008	Variance $	Variance %
Invested Assets	$ 3,057,532	$ 3,165,750	$ 3,275,750	$ 110,000	3%	$ 3,390,500	$ 114,750	4%
Other Assets	75,128	92,500	98,250	5,750	6%	102,750	4,500	5%
Total Assets	$ 3,132,660	$ 3,258,250	$ 3,374,000	$ 115,750	4%	$ 3,493,250	119,250	4%
Loss Reserves & Policyholder Liabilities	$ 2,272,638	$ 2,425,000	$ 2,542,750	$ 117,750	5%	$ 2,650,900	$ 108,150	4%
Other Liabilities	204,350	180,608	170,088	(10,520)	-6%	172,093	2,005	1%
Total Liabilities	2,476,988	2,605,608	2,712,838	107,230	4%	2,822,993	110,155	4%
Retained Capital	655,672	652,642	661,162	8,520	1%	670,257	9,095	1%
Total Liabilities and Capital	$ 3,132,660	$ 3,258,250	$ 3,374,000	$ 115,750	4%	$ 3,493,250	$ 119,250	4%

SCF Arizona
At work for you

2005 - 2008 JLBC Retained Capital Projections

2005 Retained Capital - Actual:			**2005 Risk-Based Capital Actual:**		
Beginning Balance		$ 640,456	Company Action Level (CAL) RBC	$	220,850
2005 Operating Income	77,613		Authorized Control Level (ACL) RBC	$	110,425
Net Realized Gains(Losses)	46,668		Ending Capital	$	655,672
Net Unrealized Gains(Losses)	(31,302)		Ending Capital/CAL		296.9%
Change in Non-Admitted	(17,763)		Ending Capital/ACL		593.8%
Policyholder Dividends	(60,000)		Capital in Excess of 450%*	$	128,760
Net Change In Capital		15,216			
Ending Balance		$ 655,672			
2006 Retained Capital - Estimate:			**2006 Risk-Based Capital Estimate:**		
Beginning Balance		$ 655,672	Company Action Level (CAL) RBC	$	231,893
2006 Operating Income	50,470		Authorized Control Level (ACL) RBC	$	115,946
Net Realized Gains(Losses)	(500)		Ending Capital	$	652,642
Net Unrealized Gains(Losses)	20,000		Ending Capital/CAL		281.4%
Change in Non-Admitted	(3,000)		Ending Capital/ACL		562.9%
Policyholder Dividends	(70,000)		Capital in Excess of 450%*	$	100,884
Net Change In Capital		(3,030)			
Ending Balance		$ 652,642			
2007 Retained Capital - Projection:			**2007 Risk-Based Capital Projection:**		
Beginning Balance		$ 652,642	Company Action Level (CAL) RBC	$	248,125
2007 Operating Income	46,520		Authorized Control Level (ACL) RBC	$	124,062
Net Realized Gains(Losses)	-		Ending Capital	$	661,162
Net Unrealized Gains(Losses)	20,000		Ending Capital/CAL		266.5%
Change in Non-Admitted	(3,000)		Ending Capital/ACL		532.9%
Policyholder Dividends	(55,000)		Capital in Excess of 450%*	$	72,881
Net Change In Capital		8,520			
Ending Balance		$ 661,162			
2008 Retained Capital - Projection:			**2008 Risk-Based Capital Projection:**		
Beginning Balance		$ 661,162	Company Action Level (CAL) RBC	$	265,494
2008 Operating Income	42,095		Authorized Control Level (ACL) RBC	$	132,747
Net Realized Gains(Losses)	-		Ending Capital	$	670,257
Net Unrealized Gains(Losses)	20,000		Ending Capital/CAL		252.5%
Change in Non-Admitted	(3,000)		Ending Capital/ACL		504.9%
Policyholder Dividends	(50,000)		Capital in Excess of 450%*	$	42,896
Net Change In Capital		9,095			
Ending Balance		$ 670,257			

*Industry benchmark for safe operating RBC ratios established as 450%. Excess Capital provides potential dividend capacity payable in next calendar year.

Excerpt from JLBC Minutes of December 19, 2004

STATE COMPENSATION FUND (SCF) – Consider Approval of Calendar Year 2005 and 2006 Budgets.

Mr. Eric Jorgensen, JLBC Staff, said this item is a review of the SCF's budget.

Representative Biggs asked why the Committee reviews the SCF budget since it does not seem to matter to them and another way to look at it, is why do they not care. What authority do they have to exceed their budget?

Mr. Jorgensen said the JLBC Staff has addressed those questions to SCF and there is a statute that requires that the Committee review a budget but SCF does not see that as an appropriation and therefore do not feel bound by that.

Representative Biggs asked which statute requires the Committee to approve the budget, and is there some kind of exemption for SCF in having their budget approved. He also asked if there was a penalty imposed on an agency when they do not stay within their budget.

Mr. Jorgensen said the statute is A.R.S. § 23-981E and there is nothing in the statute that penalizes the agency for going over budget.

Senator Arzberger commented that the Workers' Compensation Fund briefed her thoroughly on their intentions to join the Venture Capital Fund and she had serious concerns because it has a very high risk. She would support it if it only went to businesses in the state and the money remains in the state.

Senator Burns asked why has the SCF's spending exceeded the levels approved by the Committee.

Mr. Duane Miller, SCF, said that for the 2-year period that they submitted in total, the expenditures exceeded the amounts approved by the Committee because of the changes that the Committee recommended for the employee compensation and as provided in A.R.S. § 23-981.01B, SCF is to develop a separate and distinct personnel system and have been such for over 10 years. The other items over the 2-year period where we exceeded operating expenses by $500,000 in 2003, and that was due to a decision by the Board of Directors to engage outside asset managers to enhance the performance of investment portfolio. For 2004, they are expecting to have operating expenditures that are $300,000 less than those in the submission to the JLBC in 2002.

Senator Burns asked how it was possible for SCF to operate in CY 2004 without a Committee-approved budget.

Mr. Miller said that their budget is reviewed and approved by their Board of Directors each operating year. As noted by JLBC Staff, the court decision recently handed down indicated that the SCF Board of Directors bears the primary fiduciary duty to make decisions in the best interest of SCF, its policy holders and injured workers.

Representative Biggs said he did not believe that answered the question – how do you operate in violation of the statute that requires you to get a budget approved by the Committee.

Mr. Miller said they did not operate in violation of the statute. They are required, by statute, to file a 2-year budget with each year separately delineated. That was done in 2002 and the Committee took action to only approve 1 year. Subsequent to that meeting, they sent a letter to the Director of the JLBC, as well as their CEO, Don Smith, who met with Chairman Pearce and advised them that the SCF was not certain how to respond in regards to the fact that the action of the Committee seemed to be inconsistent with the statute, and that did not seem to be a concern at that time.

Representative Biggs stated for clarification, the reason SCF functioned without an approved budget by this Committee is because the Committee did not approve the budget.

Mr. Miller said the Committee only approved 1 year even though SCF brought a 2-year budget before the Committee, which statute requires. He said SCF feels they fully complied with the statute. Mr. Miller said one question might be did the Committee comply with the statute when they only passed a 1-year budget instead of a 2-year budget. Mr. Miller said they feel they are held accountable for the outcomes for the policy holders of SCF. They do not take the actions of JLBC lightly but also know that they have to manage their business in a dimension that is somewhat different. SCF takes those recommendations back for review and discusses them with the Board of Directors who has the primary fiduciary duty for the allocation of those funds and determination of the appropriate expenditures. There seems to be a lot of questions and confusion regarding the statute at this time.

Senator Burns said that the Board is making decisions like an agency director would be. A director does not have the authority to redo their budget once it is put in place by the Legislature, so it seems that the SCF should operate in the same way.

Senator Burns asked for an explanation as to why the travel budget has nearly doubled.

Mr. Miller said that the travel budget did double but the expenditures are relatively insignificant, accounting for approximately 1% of total operating expenditures. The anticipated increase is partially due to the increased costs of fuel, a great impact on the IRS mileage rates which increased nearly 10% this past year. Also, they are expanding their loss control efforts and other contacts with policyholders which will increase the amount of in-state travel.

Senator Burns said the fund pays out dividends every year to policyholders and asked if this is an indication that the premiums are too high.

Mr. Miller said the Arizona Workers' Compensation rates are established annually by an outside statistical rating agency who is authorized to perform this service by the Department of Insurance. Private insurers are bound by this filing with the exception that SCF can submit their individual experience and request a deviation. For the past 2 years they were able to support a deviation in their filing to the Department of Insurance, which was 10% below those standard rates. The company may file only one set of rates and that applies to all their policyholders. They serve a broad cross-section of different types of policyholders in Arizona. The ultimate outcome if operating costs are lower, aggressive loss control programs and medical costs containment efforts that have been initiated by SCF, have given favorable experiences relative to those industry rates. The primary driver is the superior investment performance of our portfolio, which has enabled SCF to return, in the form of investment income dividends, to policy holders which has reduced their net costs of workers' compensation insurance.

Senator Burns said, in the continuing debate on whether the SCF is a state compensation fund or a private insurance company, he believes the SCF employees are part of the State Retirement System. He asked if the SCF receives some tax benefit as being classified as a state entity.

Mr. Miller said SCF employees are a part of the State Retirement System. There are other non-state employees such as school districts and municipalities that participate in the Retirement System. With regards to the tax benefits, SCF does pay all premium taxes, property taxes, other taxes and assessments in the state that any insurance carrier operating in Arizona would incur. The tax benefits that accrue to SCF are a federal tax exemption which is primarily a result of organizations that function as a guaranteed market for workers' compensation insurance.

Senator Cannell said in looking at the overall numbers, it looks like the SCF has been very successful in their investments. He asked for an explanation on the huge jump in investment income in 2004 and then flattening out.

Mr. Miller said the reason the numbers jumped significantly in 2003 and 2004 were realized capital gains on their equity portfolio. The relatively flat numbers are based primarily on income which will be derived from dividends and are much more predictable.

Senator Burns said one of the options proposed is to approve the budget as requested but to adjust the salary increase to be in line with statewide employee salary increases. He asked if the Committee were to vote that proposal out, what would the SCF reaction be.

Mr. Miller said they feel that it probably would have a significant impact on the turnover of their workforce, such has been experienced in the state employee workforce. Since the SCF is not bound by state employment practices, they feel it is in the best interest of their policyholders to maintain the compensation. Even in the face of significant increases in their premium volume and other activities they were able to hold employee costs relatively level during that same period.

Senator Burns stated that the answer is, if the Committee votes that option out, the SCF will ignore it.

Mr. Miller said they will take it under advisement to their Board of Directors.

Representative Gray asked if the Committee could get a list of the different conferences that people attended, the number of people that went and the cost for the out-of-state travel.

Mr. Miller said he would provide a historical list of the travel.

Senator Burns said no action will be taken on this item.

Attachment 3

State Compensation Fund Donations Policy:

In regards to our community outreach giving, the Board has adopted the following statement:

SCF Arizona is the largest provider of workers' compensation insurance in the state of Arizona. Through a targeted community outreach effort, the Board of Directors of SCF Arizona is committed to supporting organizations dedicated to improving the quality of life and business climate for local residents. In providing such support, SCF is broadening the branding, awareness and knowledge of SCF Arizona while furthering the business interests of the company and the welfare and future value for our policyholders.

The SCF Board of Directors further believes that it is the corporate responsibility of SCF to be actively engaged in the communities we serve through direct sponsorship support and employee involvement. We believe that being a community partner is more than providing the highest quality service to our policyholders; it means taking ownership of the role we can play in making our state a better place to live for everyone.

The SCF Board further believes that, as members of the community, it is the corporate responsibility of SCF to discharge social and business responsibilities to improve the public image of the company. SCF Arizona functions in a proprietary nature and is imbued with the powers of a corporation. In this role, it should advance social, educational, safety and community interests as a responsible corporate citizen. Corporate expectations provide for specific advertising opportunities and general public exposure to generate public and business good will – all of which must be balanced with SCF's community outreach giving goals.

SCF Arizona will focus its community outreach efforts in the following strategic areas with a specific interest in programs that promote workplace safety:

- Education
- Community / Economic Development
- Human Services
- Arts/Culture
- Civic Leadership

In order to ensure that SCF Arizona serves our entire corporate base, the Community Outreach Programs will consider funding distribution with regard to our statewide client base.

Phoenix area	58%
Tucson area	21%
Flagstaff area	5%
Prescott area	5%
Lake Havasu area	5%
Yuma area	3%
Show Low area	3%

Event Date	Contact Date	Issue &/or Ethnicity	Geographical Location	Organization/Committee	Project/Event Name	Specific Info about the Event Including Sponsor Needs (Logos, etc.)	Table/Event Attendees	SCF Assigned Liaison	C & PA Notified?	Board Approval ?	Paid	SCF Sponsorship Amount
11/29/05		Health	Statewide	**American (AZ) Red Cross**	**Appreciation Breakfast**			Don Smith		N/A	03/14/06	$5,000.00
01/06/06	01/06/06	Education	Statewide	**ASU Foundation - Los Diablo's**	**PAR Individual/Small Business**					N/A	01/06/06	$1,000.00
02/05/06	N/A	Asian/Business	Maricopa County	**Asian Chamber of Commerce When:** 2/4/06 6 p.m. no-host cocktails - 7 p.m. Asian Chicken Dinner. **Where:** Chaparral Suites Resort 5001 N. Scottsdale Rd. Scottsdale, AZ 85250	**Lunar New Year of the Dog, Dinner** - Contact Madeline Ong-Sakata @ 602-371-8452 - **Mayor Gordon to attend &** receive the 24K Thank You Award	**Semi-Formal Dress** - Table for 10 was purchased & 5 SCF tickets were released to students & diversity director from City of Scottsdale.	Ray & Felice Everett, Jan & Terry Johnson, Duane Miller	Ray Everett	Yes	N/A	02/16/06	$2,500.00
03/23/06	03/03/06	Hispanic	Statewide	**Cesar Chavez Foundation When:** 3/23/06 11:30 a.m.-2 p.m. **Where:** Phx. Civic Plaza, 111 N. 3rd St., Phx., AZ 85004	**5th Annual Cesar E. Chavez Day Luncheon** - Contact Francisca Montoya at 602-272-0080 or fmontoya@cecfmail.org	1/2 page ad: (horizontal format only) 7.5" wide x 4.5" deep in Commemorative Program Book Gold Section, Recognition from the Luncheon lectern, Logo on Foundation website for March & April 2006, Recognition during pre & post press conferences	**FULL TABLE** - (2 tickets to VIP reception Rick DeGraw & Ralph Hughes) - (Gold Circle Seating Section, Duane Miller, DeeAnn Palin, Michael Tatlock, Dan Hernandez, Patsy Hernandez, Rene Ramirez, Jan Johnson, Vera Duran)	Dan Hernandez	Yes 3/2/06	Yes	03/16/06	$10,000.00
03/28/06	03/03/06	Safety	Statewide	**Arizona Department of Transportation**	**National Work Zone Memorial Ceremony**	Logo information sent to event coordinator.	150 box lunches provided by SCF Arizona	Harold Gribow & Duane Miller to give speech at event	Yes 3/3/06	N/A	Not Yet	**Money coming from 8210**
03/30/06	03/27/06	Humanitarian	Phoenix	**United Food & Commercial Workers' Union Local 99 - When:** 3/23/06 11:30 a.m. Registration & 12:30 p.m. Start - **Where:** 2201 E. Club House Drive, Phx 85048 (480-460-4631)	**UFWC Local 99 10th Annual Charity Golf Tournament**	Jill Maruca contacting Mike Vespoli about Special Recognition (Tee Sponsor)	Paul Wood, John Ignas, Justin Uptain	Ralph Hughes BOD	N/A	N/A	03/28/06	$3,000.00
04/05/06	03/25/06	Business	Statewide	**Ranking Arizona - When:** 4/5/06, 5 p.m.-7 p.m. **Where:** Morton's The Steakhouse 2501 E. Camelback, Phoenix	**The Best of Arizona Business** - Reception w/Hors d'oeuvres, Martinis & Wine	SCF listed as #8 in Property & Casualty Insurance in Ranking Arizona's Publication	**Reservations for 2 guests.** - Dale Newton to attend.	N/A	N/A	N/A		$0.00
04/07/06	03/03/06	Humanitarian	Maricopa County	**Valley of the Sun United Way - When:** 4/7/06 **Where:** AZ Biltmore Resort, Frank Lloyd Wright Ballroom, 2400 E. Missouri, Phx. - Registration - 11 a.m. to 12 p.m., Lunch & Program 12 p.m. to 1:30 p.m.	**06' Campaign Recognition Luncheon** - Contact Aaron Stiner or Alberto Rodriguez @ 602-631-4871		**3 seats still available.** DeeAnn Palin, Jill Maruca, MaryAnn Sturm, Jan Johnson, Duane Miller, Joyce Mercer, Debbie Mittelman, Manuelita Chavez	Jill Maruca	N/A	N/A	03/20/06	$350.00
04/12/06	12/05/05	Business	Statewide	**AZ Small Business Association - When:** 4/12/06, 11:30 a.m.-2 p.m. **Where:** Hall B at the Phoenix Civic Plaza	**13th Annual Enterprise Business Conference** - Contact Tracy Roberts 602-265-4563 x213 & Leslie Barrett, Member Services Director[LeslieBarrett@asba.com]	Four tickets to event, SCF logo in jpg format; 300 dpi or greater. Email ad to sazzarella@asba.com, graphic based e-flyer from ASBA to distribute to our client base.	**Event Seating Full** - Greg Hermie, Harold Gribow, Marc Olson, Jan Johnson - Event Tickets arrived 3/30/06.	Marc Olson (Home Ofc)	Yes	N/A	1/3/2006 - Check #604169	$5,000.00

Event Date	Contact Date	Issue &/or Ethnicity	Geographical Location	Organization/Committee	Project/Event Name	Specific Info about the Event including Sponsor Needs (Logos, etc.)	Table/Event Attendees	SCF Assigned Liaison	C & PA Notified?	Board Approval ?	Paid	SCF Sponsorship Amount
04/13/06	03/28/06	Hispanic	Statewide	**Chicanos Por La Causa, Inc. - When:** 04/13/06 - Registration/Reception 5:30 p.m. to 7 p.m. then dinner at 7 p.m. to 9 p.m. - **Where:** Sheraton Wildhorse Pass Resort, 5594 W. Wildhorse Pass Blvd., Chandler - In the Akimel O'otham Ballroom	**Fundraising Dinner, 37th Annual - Celebrating Community Volunteerism -** Contact Israel Barajas 602-257-0700 ex. 2121	**Business/Cocktail Attire -** Dinner Table for 10-Prominent Seating, One full page ad in dinner program book, company logo displayed on Dinner Scroll & exposure through Media package.	**2 seats left.** Rick DeGraw, Don Smith, Chris Kamper & Spouse, Gema Duarte Luna & Spouse, Cheryl & Ray Blazek	Dan Hernandez	Yes, 4/4/06	Yes	4/5/2006 - Check #606438	$7,500.00
04/18/06	04/12/06	Children	Statewide	**First Things First** - website = firstthingsfirstaz.com - 602-266-5118 or 1-888-236-4197	**Arizona Early Childhood Development & Health Initiative**	**SCF is a funding source only at this time.**	N/A	Rick DeGraw	N/A	Yes 4/12/06	Check #606718 - Ralph Hughes to hand-deliver to vendor 4/18/06	$10,000.00
04/21/06	03/13/06	Children	Maricopa County	**St. Mary's Westside Food Bank Alliance - When: 4/21/06 11:30 a.m. Registration - 1 p.m. Tee-Off - 5:30 p.m. Dinner Where:** Wigwam Resort & Golf Club, 300 Wigwam Blvd., Litchfield Park, AZ 85340	**5th Annual Kids Café Golf Open** - Contact Jack Marks Director of Development	**Proper golf attire required** - Signage at tournament & dinner, Logo recognition in tournament program, Recognition on St. Mary's/Westside Food Bank Alliance Website & in their newsletter.	Dale Newton, Duane Miller, Jim Wood, Terry Teppo	Sheila Keitel-HR Home Ofc	Yes 3/8/06	N/A	1/11/2006 - Check #606136	$2,000.00
04/22/06	03/03/06	Hispanic/Business	Statewide	**AZ Hispanic Chamber of Commerce - When:** 4/22/06, 6 p.m.-Midnight - **Where:** The Westin Kierland Resort, 6902 E. Greenway Pkwy., Scottsdale, 85254	**48th Annual Black & White Ball & Business Awards -** Contact Christopher Mendoza, 602-279-1800	**Formal Attire** - 1 table for ten at the dinner & logo recognition at the event.	**FULL TABLE** - Rick & Gina DeGraw, Paul Luna & Gema Duarte Luna, Ralph & Susan Hughes, DeeAnn & Chris Palin, Sandy & Juan Femiza	Dan Hernandez	Yes 3/3/06	N/A	3/16/2006 - Check #605876	$5,000.00
04/24/06	04/10/06	Business	Statewide	**The Project for Arizona's Future -** Contact Karen Kruse @ 602-252-0832	**N/A**	**Funding for research & information gathering.**	**N/A**	Duane Miller	N/A	N/A	4/24/06 - Check #606841	$5,000.00
04/25/06	Ongoing for each event.	Business	Phoenix	**Greater Phoenix Chamber of Commerce - When:** 4/25/06 @ 11:30 a.m.-1:30 p.m. - **Where:** Arizona Biltmore Resort, 2400 E. Missouri Av., Phoenix, AZ 85016	**Phoenix Forum Series 06' - Event Speaker:** Dee Dee Myers - Contact Michelle Rill at (602) 495-2198 or [mrill@phoenixchamber.com]	**Business Attire** - A table for 10 has been purchased for each event.	**FULL TABLE** - Rick DeGraw, Dale Newton, Roxanna Mason, Jan Johnson, Michael Tatlock, Mark Kendall, Ralph Hughes, Anna Rodriguez, Don Smith; Paul Secaur	Duane Miller & DeeAnn Palin	Purchasing the Series does not include any company advertising.	N/A	Paid	$3,500.00
04/27/06	04/10/06	Education	Maricopa County	**Maricopa Community Colleges Foundation (ACE, Achieving a college Education) - When:** Thursday, 04/27/06 - 6 p.m. Reception - 7 p.m. Dinner - **Where:** AZ Biltmore Resort, Frank Lloyd Wright Ballroom, 2400 E. Missouri Av., Phx.	**Heroes of Education Recognition Dinner Honoring Peter Fine** - Contact Anne Patterson-James @ 480.731.8399 or Steven Schenk at 480.731.8403	**Advertising Specs** - 1/4 page 3.5 x 3.5, Logo recognition on MCCF website, newsletter & program. Send files to email name CAROL.DIEGO@DOMAIL.MARICOPA.EDU - ?'S CALL 480.731.8718	**Table for 10 - Bronze Sponsor - 1 seat may be donated back to a scholarship recipient.**	Chris Kamper	Yes 4/7/06	N/A	Paid 4/19/06 Check #606769	$5,000.00

Event Date	Contact Date	Issue &/or Ethnicity	Geographical Location	Organization/Committee	Project/Event Name	Specific Info about the Event Including Sponsor Needs (Logos, etc.)	Table/Event Attendees	SCF Assigned Liaison	C & PA Notified?	Board Approval ?	Paid	SCF Sponsorship Amount
05/01/06	04/26/06	Business	Statewide	**Valley Leadership - When:** Monday, 5/1/06 from 3 p.m. to 5 p.m. - **Where:** Copper Canyon High School, 9126 W. Camelback Road in the Media Room	**The Center for the Future of Arizona** - Presentation of the research, Beat the Odds followed by a dialogue with school principals	Valley Leadership in partnership with SCF Arizona, is co-hosting with WESTMARC & the Arizona Business Education Council	N/A	Don Smith, Duane Miller, Rick DeGraw	N/A	N/A	November 2005 for $10,000	**November 2005 for $10,000**
05/04/06	04/21/06	Children	Statewide	**New Directions Institute (For Infant Brain Development) - When:** 5/4/06 @ 11:30 a.m. Reception then Noon to 1:30 p.m. Luncheon & Awards Presentation - **Where:** AZ Biltmore Resort, 24th St., & Missouri, McArthur Ballroom	**3rd Annual Science of Early Learning Award Luncheon -** Contact Anne Tull Associate Director 602-371-1366, email atull@newdirectionsinstitute.org	Recognition in the luncheon's printed program	**Table for 10 - Science of Learning Table Host:** Jill Maruca, Sylvia Bates, Don Smith, Barb Angelini, Roxanna Mason, Carole Stinson, Diane Fincham, Ronah Auguste, Dan Witt	Rick DeGraw	N/A	N/A	Paid 4/23/06 Check #607055	$1,000.00
05/06/06	05/06/06	Business	Mohave County	**Mohave Valley Contractor's Assoc & Bullhead City Chamber of Commerce. When:** 5/6/06 - 6:30 p.m. **Where:** Bullhead City Chamber of Commerce, Bullhead City	**Kiwanis Wine & Jazz on the River fundraiser for the Academy of Building Industry.** Contact Gene or Sherry Quinn at 928.758.3877 (Cheryl Blazek, Havasu office, will contact to confirm sponsorship).		**8 event tickets and 8 wine glasses: Attendees (need 4 more) :** Gary Bennett, Cheryl Blazek, Ray Blazek, Wendy Marcus	Cheryl Blazek, Havasu office	will be on 4/24/06	N/A	Paid 4/24/06 Check #606839	$250.00
05/11/06	03/13/06	Health	Statewide	American (AZ) Heart Association When: 5/11/06 - 9:30 a.m. Registration begins - 10 a.m.-11:30 a.m. Educational Breakout sessions, silent auction & exhibits. Noon-1 p.m. Lunch program. Where: AZ Biltmore Resort, Conference Center, 2400 E. Missouri, Phx., 85016	2006 Go Red for Women Luncheon - Contact Valerie Manning or Jamie Rogers-Muth, Director Go Red For Women 602-414-5347	Keynote Speaker: Dr. Richard Carmona, U.S. Surgeon General. - SCF acknowledged in the luncheon program, 1 table of ten at the luncheon.	Roxanna Mason, Jan Johnson, Jill Maruca, Robyn Yeaton, Mary Cooper, Judy Gayne, JoAnn Heck, Maria Simpson	Don Smith	N/A	N/A	3/13/06 by CC	$2,500.00
05/13/06	04/03/06	Humanitarian	Statewide	Labor's Community Service Agency When: 5/13/06 - Contact Kevin Murphy @ 602-263-5741	NALC National Food Drive (AFL-CIO)	SCF is a funding source only at this time.	N/A	Paula Koroso	N/A	4/11/2006	Paid 4/28/06 Check #607056, picked up by Kevin Murphy	$13,500.00
05/13/06	04/11/06	Health	Statewide	Body Positive - When: Saturday, May 13, 2006 @ 6 p.m. is Registration & Silent Auction - Open Bar from 6 to 7:30 p.m.- Where: The Phoenician Resort, 6000 E. Camelback Road, Scottsdale	Night for Life 2006 Dance, Dinner, etc. - Contact Tracy Hatch @ 602-307-5330 X2242	Attire: Black-Tie - Enjoy silent & live auctions, dinner, awards, raffle emcees Charlotte Jorgensen & Jonathan Roberts from Dancing with the Stars & Dancing to the LA Groove Academy. Complimentary Valet parking is available.	Full - Guests may check in as SCF Arizona. Five seats available & table is shared with UP Fire Fighters - Attending are: Michael Tatlock, Tim Poe, Jessica Fotinos, Anna & Joe Rodriguez	Rick DeGraw	Yes, 4/11/06	N/A	Paid 04/24/06 Check #606840	$1,750.00

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Event Date	Contact Date	Issue &/or Ethnicity	Geographical Location	Organization/Committee	Project/Event Name	Specific Info about the Event Including Sponsor Needs (Logos, etc.)	Table/Event Attendees	SCF Assigned Liaison	C & PA Notified?	Board Approval ?	Paid	SCF Sponsorship Amount
05/18/06	03/29/06	Health	Statewide	American (AZ) Red Cross - When: 05/18/06 11:15 a.m. to 1:30 p.m. - Where: Veterans Memorial Coliseum	2006 Compassion in Action Luncheon - Contact Cathy Tisdale, CEO Grand Canyon Chapter or Advancement Ofc. On 602-336-6679	Table for 10, including 8 seats at table with Event VIP and guest or two Red Cross leaders - Deadline for all logos & ads for program are due 4/21/06. Email logo to dcrozier@ arizonaredcross.org	FULL: Don Smith @ VIP Table, Elyse Rukkila, Kristi England, Audrika Gavins, Barb Angelini, Michael Tatlock, Roxanna Mason & 2 RC guests	Don Smith	Yes, 4/21/06	N/A	3/31/06 - Check #606331	$7,500.00
5/19 & 5/20/06	03/20/06	Education	Tucson	University Medical Center Foundation - When: 05/19 & 05/20/06 - Where: The Lodge at Ventana Canyon, Tucson	Golden Hour Weekend (1 Golf Night & 1 Casino Night) Contact Board Member Judy Patrick or SCF employee Greg Fitzgerald	SCF to share sponsorship for the 2 day events with Wells Fargo		Greg Fitzgerald & Judy Patrick	Not Yet	Yes	Paid 5/15/06 Check #607307	$10,000.00
06/01/06	05/18/06	Business	Statewide	Arizona Small Business Association - When: 06/01/06 @ 6 p.m. to 8 p.m.- Where: Arizona Biltmore Resort, 2400 E. Missouri, Phx	Arizona Companies to Watch - Contact Tracy Roberts, 602-265-4553 x 213	Four Tickets to event. 800 items w/SCF logo to include in give-away bags at event. - Black Tie Optional	Marc Olson, Harold Gribow, Ginny Arnett & Spouse	Marc Olson	Yes	N/A	Yes	$0.00
06/02/06	??	Business	Yuma County	Yuma County Chamber of Commerce 4th Annual Family Nite Bash When: Friday, June 2 - 6 p.m. to Midnight - Where: Historic Downtown Yuma Main Street Plaza.	4th Annual Family Nite Bash	Geared toward the working community in Yuma County and surrounding communities.	No Table	Cindy Stevens	Yes	N/A	Yes, 5/22/06 by Judy Anderson	$2,000.00
06/07 thru 06/09/06	03/13/06	Business	Western United States	Insurance Auditors Association of the West - When: 6/7 thru 6/9/06 - Where: Carefree Resort	Convention, Annual	SCF to post our banner & receive acknowledgement in the agenda		1st VP: Heather Poier - Secretary: Kerry Gobbell - Keith Smith TL Prescott	Yes	N/A	Paid 6/6/06 - Check #607793	$1,000.00
06/15/06	05/03/06	Education	Statewide	AZ Foundation for Legal Svcs & Education - When: 6/15/06 - Where: Prescott	2006 State Convention Awards Luncheon - Promoting Access to Justice for all Arizonans	Recognition in program materials & AZ Attorney Magazine & name exposure at the event.	SCF is a lunch co-sponsor at $550 which will support 10 awardees' attending the event.	Teri Thomson-Taylor	N/A	N/A	Paid 5/9/06 - Check #607198	$550.00
6/21-6/24/06	03/15/06	Asian	Statewide	Japanese American Citizens League When: 6/21-6/24/06 - Where: Sheraton Wild Horse Pass Resort, Gila River Indian Community, 5594 W. Wild Horse Pass Blvd, Chandler 85226	National Convention, 39th Biennial - Contact Ted Namba 602-571-0247 Main # 623-435-1559	Exhibitors space w/2 chairs, one 6' skirted table & 1 sign, Banner Display in Exhibit Hall, Listing in the convention booklet as an exhibitor, Listing in the 2006 Annual Report, Acknowledgement on the JACL AZ Chapter website, Coupon in in convention registration bags	Corporate Exhibitor Only; Marc Olson will staff table; get times/details to him	Ray Everett	Yes	N/A	Paid 6/6/06 - Check #607787	$800.00

Event Date	Contact Date	Issue &/or Ethnicity	Geographical Location	Organization/Committee	Project/Event Name	Specific Info about the Event Including Sponsor Needs (Logos, etc.)	Table/Event Attendees	SCF Assigned Liaison	C & PA Notified?	Board Approval ?	Paid	SCF Sponsorship Amount
06/22/06	05/18/06	Business	Maricopa County	Greater Phoenix Chamber of Commerce - When: 06/22/06 @ 11:30 a.m.-1:30 p.m. - Where: Arizona Biltmore Resort, 2400 E. Missouri Av., Phoenix, AZ 85016	Phoenix Forum Series 06' Event Speaker: Bobby Knight -		FULL - Anna Rodriguez, Jim Dunn, Chris Kamper, Dale Newton, Mike Roberson, Bob Sommers, Jim Berns, Tom Kluge, Jill Maruca & Guest		N/A	N/A	Yes	$0.00
06/23/06	05/25/06	Business	Statewide	Arizona Chamber of Commerce & Industry - When: 06/23/06, 11:30 a.m. Registration - Noon Lunch & Program - Where: Camelback Inn, AJW Marriott Resort & Spa	Annual Meeting & Awards Luncheon	Logo to the chamber in EPS format.	Table for 10 - Don Smith, Rick Jones, Jack LaSota, Paula Koroso, Debbie Nessett		Yes	N/A	Paid 6/19/06 - Check #608136	$5,000.00
06/27/06	06/20/06	Business	Maricopa County	Greater Phoenix Chamber of Commerce - When: 6/27/06, 8 a.m.-9:30 a.m. - Where: Arizona Biltmore Resort, 2400 E. Missouri Av., Phoenix, AZ 85016	12th Annual Legislative Wrap Up		Table for 10 - Jack LaSota, Susie Cannata, Christa Severns, Rick Jones, DeeAnn Palin, Bill Sheldon, Michael Tatlock, Jim Berns, Tom Kluge, Mike Roberson	DeeAnn Palin	N/A	N/A	Yes - Don's CC	$400.00
July??	06/01/06	Business	Statewide	Arizona Chamber of Commerce - When: - Where:	In the Arena, Governor Janet Napolitano	**CANCELLED EVENT**				N/A	Paid 6/19/06 - Check #608128	$1,000.00
August?	06/01/06	Business	Statewide	Arizona Chamber of Commerce - When: - Where:	Republican Gubernatorial Primary Debate	**CANCELLED EVENT**				N/A	Paid 6/19/06 - Check #608129	$1,000.00
08/16/06	07/24/06	Cultural	Maricopa County	Arts & Business Council - When: 8/16/06 @ 7 a.m. to 9:30 a.m. -- Where: Pointe Hilton Squaw Peak Resort	16th Annual Awards Breakfast	Melinda Poppe has been nominated for Volunteer Board Member of the year. Logo emailed by JM 7/24/06	Table for 10 - Melinda Poppe, Gail Maddock, Jo Leong (Ballet AZ), Rick DeGraw, Jill Maruca, Jim Stabler, Roxanna Mason, Casey Lopez		Yes	N/A	Paid 08/14/06 - Check #613046	$500.00
08/18/06	07/06/06	Hispanic	Maricopa County	Valley Hispanic Bomberos (Firefighters) - When: 8/18/06 from 7 p.m. to 1 a.m. -- Where: Phoenix Mountain Preserve 1431 E. Dunlap, Phoenix	Annual Bomberos Summer Bash (Fundraiser) - Sam Chavira 602-451-0374	Company Banner at the Event	Table for 10 -- Ralph Hughes & Spouse, Rick DeGraw & Spouse, Chris Kamper & Spouse	None	Yes	Gema Luna has approved	Paid 8/10/06 - Check #612922	$5,000.00
08/24/06	08/01/06	Business	Tucson	Tucson Metro Chamber of Commerce & UofA - When 08/24/06: 11:30 a.m. doors & Buffet Open -- Program Begins @ Noon -- Where: Grand Ballroom, Tucson Convention Center, 260 South Church	2006 Arizona Athletics Fall Kick-Off Luncheon	Company Banner at the Event	Table for 10 - Judy Patrick & Spouse, Mike Wilson (Policyholder), Lynette Box, Gerard Coley	Lynette Box	Yes	N/A	Paid 8/8/06- Check #612819	$500.00
08/24/06	08/02/06	Business	Mohave County	Colorado River Building Industry Association - When: 08/24/06 -- Where:	Council Forum - Brian Springberg will moderate & sponsors will be mentioned.	Local channel 45 broadcast, SCF name mentioned on commercial breaks with voiceover plugging SCF	Cheryl Blazek & Gary Bennett will attend.	Cheryl Blazek	N/A	N/A	Paid 9/21/06, Check #613949	$50.00

Event Date	Contact Date	Issue &/or Ethnicity	Geographical Location	Organization/Committee	Project/Event Name	Specific Info about the Event Including Sponsor Needs (Logos, etc.)	Table/Event Attendees	SCF Assigned Liaison	C & PA Notified?	Board Approval ?	Paid	SCF Sponsorship Amount
08/29/06	08/18/06	Education	Mohave County	Lake Havasu Area CoC - When: 08/29/06; 5 p.m.-7 p.m. - Where: London Bridge Resort Conference Center	Sponsor a Teacher 6th Annual Teacher Appreciation Mixer - Contact Kathy Tippett @ 028-855-4115 or kathyt@havasuchamber.com	Pending	Cheryl Blazek & Gary Bennett will attend.	Cheryl Blazek	N/A	N/A	Paid 8/29/06 - Check #613328	$500.00
09/08/06	08/15/06	Hispanic	Maricopa County	Valle del Sol When: Friday, September 8; 11:50 a.m. - 2:00 p.m. Where: Phoenix Civic Plaza, south ballroom, 3rd St & Jefferson	Profiles of Success Hispanic Leadership Awards Celebration; Ronnie Lopez is an honoree.	1/2 page ad (emailed 8/21); table for 10; logo sent	Table for 10: FULL - Jan Johnson, Gema Duarte Luna, Vera Duran, Patsy Hernandez, Rick DeGraw, Lisa Tyson (URND), Hector Gallardo, Rene Ramirez, Don Smith, DeeAnn Palin		Yes	Approved by Gema Duarte Luna	Paid 8/30/06 - Check #613470	$6,000.00
9/8-9/10/06	03/16/06	Business	Flagstaff	Flagstaff Downtown Business Alliance - When: 9/8, 9/9, 9/10/06 - Where: Downtown Flagstaff Route 66	Flagstaff Route 66 Days 2006 - Contact Debbie Kaiser, President @ 928-714-1000 or email at debbiek@swhospitality.com	Banner w/logo at the event, on their website as an event sponsor w/link to SCF website if desired plus corporate sponsor booth	Open Event	Ginny Arnett	Yes	N/A	Paid 7/24/06 - Check #612443	$2,500.00
09/21/06	08/21/06	Business	Phoenix	Greater Phoenix Chamber of Commerce - When: 9/21/06, 7 to 7:30 a.m. is registration & networking, 7:30 to 10 a.m. is program & breakfast -- Where: Arizona Biltmore Resort, 24th St. & Missouri	Economic Outlook 2007	Attendance only, not a sponsor event.	Table for ten: Anna Rodriguez, Dale Newton, Tina Stoffle, Jim Dunn, Don Smith, Paula Koroso, Melinda Poppe	None	N/A	N/A	Sent to Accounting 9/15	$700.00
09/22/06	08/14/06	Business	East Valley, Maricopa County	East Valley Partnership - When: 09/22/06 8 a.m. to 11:30 a.m. -- Where: ASU's Polytechnic campus, Student Union Ballroom, 7001 E Williams Field Rd, Mesa, AZ 85212	Urban Land Institute Breakfast - Contact Jennifer Whalley, 480-834-8335	SCF Logo on their website.	Table of eight: Rick Jones, Ed Redmond, Mary Owens, Don Smith, Linda Rice	Duane Miller	Yes	Gema Luna's Approval Received	Paid 08/21/06 - Check #613230	$6,000.00
09/27/06	09/18/06	Business	Mohave County	Colorado River Building Industry Association - When: 09/27/06 @ 6 p.m. - Where: Realtors Center	Sponsorship for mayoral & city council candidate forum	Local channel 45 broadcast. SCF name mentioned on commercial breaks with voiceover plugging SCF	Cheryl Blazek & Gary Bennett will attend.	Cheryl Blazek	N/A	N/A	Paid 10/2/06 - Check #614142	$50.00
09/27/06	07/19/06	Business/Health & Safety	Statewide	Arizona Small Business Association - When: 09/27/06 from Noon - 1:30 p.m. -- Where: ASU Memorial Union	Health & Safety Conference	Don Smith has an invitation to speak from Keith Motschman but will not be speaking	10 Tickets: Carl Hamilton, Michelle Jacobs, Marc Olson, Lisa Tyson, Anna Somoza, Armando Sapien	None	Yes	N/A	Paid 08/14/06 - Check #613003	$2,300.00

Event Date	Contact Date	Issue &/or Ethnicity	Geographical Location	Organization/Committee	Project/Event Name	Specific Info about the Event Including Sponsor Needs (Logos, etc.)	Table/Event Attendees	SCF Assigned Liaison	C & PA Notified?	Board Approval ?	Paid	SCF Sponsorship Amount
09/29-09/30/06	08/03/06	Hispanic	Statewide	Arizona Latino Research Enterprise When: 9/29 & 9/30/06 - Where: Scottsdale Conference Resort -- 9/29) Noon, Registration Open, 3 p.m. Opening Session, 4:30 p.m. Important Issues Affecting Arizona, 5:30 p.m. Town Hall Political Reception - 9/30) 7 a.m. Continental Breakfast, 8:30 a.m. Morning Sessions, Noon ALRE Legends Luncheon, 1:15 p.m. Afternoon Sessions, 7 p.m. Town Hall Closing Dinner	2006 Town Hall	Logo on all advertising & website, 1/2 page ad in Town Hall program, sponsor named in all press releases to media	Five sponsor invitations to Legislative Reception, Five participants from Sponsor in Town Hall, Five participants from sponsor in political debate, sponsor logo to appear on all ALRE events throughout the year. Attendees: Vera Duran, Tony Garcia, Linda Rice, Lisa Tyson	Members - Rick DeGraw, Linda Rice, Vera Duran, Tony Garcia	Yes	Gema Luna's Approval Received	Paid 08/31/06 - Check #613471	$5,000.00
10/04/06	06/09/06	Business	Statewide	AzBusiness Magazine - When: 10/4/06 @ 5:30 p.m. - 7:30 p.m. -- Where: Ritz Carlton, 2401 E Camelback	Economic Engines of Arizona, 2006 Award Reception	1/2 page 4-color Ad in Oct/Nov Issue featuring Awards - Company Logo on all promo materials including: announcement ads in Magazine, mailed invitations, reception program, powerpoint slides and banner at event.	10 Tickets to the Reception: Don Smith, **Dale Newton**, DeeAnn Palin, Bruce Christian, Susan Plaza	None	Yes, 8/31/06	N/A	Paid 09/25/06 - Check #614001	$3,506.00
10/04/06	09/12/06	Hispanic	Phoenix	Chicanos Por La Causa - When: 10/04/06, 5:30 p.m. to 6:30 p.m. is Registration & Reception then 6:30 p.m. Dinner & Awards Ceremony -- Where: Hyatt Regency, 122 N. 2nd St., Phoenix	8th Annual Esperanza Hispanic Teacher Awards - Contact Carlos Pastor 602.257.0700 x2120	Quarter page ad in event program book & Company listing in event newsletter	Table for Ten: - Rene Ramirez, Vera Duran, **Monalisa Teyechea,** Clara Murphy, Jill Maruca, Linda Rice; Donna Davis; Lydia Gonzalez, Tina Stoffle	Dan Hernandez	Yes	N/A	Paid 10/09/06 - Check #614296	$3,500.00
10/07/06	09/08/06	Humanitarian	Statewide	Operation Freedom Bird/AZ Vet Centers - When: 10/07/06 -- Where: Sun City Country Club, 9433 N. 107th Av., Sun City, 623-933-1353	Annual Golf Tournament	?	Hole Sponsor Only		N/A	N/A	Paid 09/25/06 - Check # 614003	$300.00
10/07/06	06/09/06	Children	Statewide	Children's Action Alliance - When: 10/07/06 @ 6 p.m. (dinner)-- Where: Scottsdale Resort & Conference Center, 7700 E. McCormick	Through the Eyes of a Child, 2006 Gala & Youth Art Auction; cocktail attire recommended	Pre-event reception & art preview, Preferred seating for 10 guests during program w/corporate recognition at table. Listing in event program, Inclusion on "thank you" poster at event, Half-page, full color advertisement in event program, Listed in CAA newsletter.	Table for 10: Rick DeGraw, Mary Owens, Roxanna & Edward Mason; Sheila Keitel & spouse Allan Brinson; Marche Smalcer and Farshad Athari; **Lisa Tyson, Dennis Scroggins, Rep Linda Aguirre** (11 OK'd by Paula at CAA).	None	Yes	Gema Luna's Approval	Not Yet	$5,000.00

Attachment 3

Event Date	Contact Date	Issue &/or Ethnicity	Geographical Location	Organization/Committee	Project/Event Name	Specific Info about the Event Including Sponsor Needs (Logos, etc.)	Table/Event Attendees	SCF Assigned Liaison	C & PA Notified?	Board Approval ?	Paid	SCF Sponsorship Amount
10/12/06	09/29/06	Business	Maricopa County	Valley Leadership - When: 10/12/06 @ 7:30 a.m. to 9:00 a.m. - Where: Phoenix College Domed Conference Center, 10th Av/Osborn, Parking lot just South on Osborn	Community Dialogue Series: Attire is business casual	SCF Logo on their mailing for the series.	Rick DeGraw, Christa Severns, Duane Miller, Don Smith, Ginny Arnett	Ginny Arnett	Yes	N/A	Yes	Paid from 2005 budget
10/12/06	09/28/06	Business	Phoenix	Greater Phoenix Chamber of Commerce - When: 10/12/06 @11:30 a.m. (lunch) Where: Arizona Biltmore Resort, 24th Street & Missouri	Phoenix Forum Event: John Hofmeister President, Shell Oil; Business Casual attire recommended	President & CEO of Shell Oil will be with us to talk about how the US can ensure energy supply for the future.	Table for 10: Hal Anderson, Bruce Christian, Marshalette Web, Sylvia Salazar, Virgene Reinemnud; Nita Houghton, Marche Smalcer	None	N/A	N/A	Yes	$0.00
10/12 & 10/13/06	08/03/06	Hispanic	Statewide	Hispanic Women's Corporation - When: 10/12 & 10/13/06 -- Where: Phoenix Convention Center	21st National Hispanic Women's Conference	10x10 exhibit booth (may not use); shared session sponsorship; 1/2 page b/w ad; 3 comp conference reg.	Table of ten for 10/13 Fri luncheon w/sponsorship; addt'l conference attendees pd by SCF Luncheon table: Gema Duarte Luna, Rene Ramirez, Patsy Hernandez, Emily Ortega, Lydia Gonzalez, Laura Duran,Javier Grajeda	Jill Maruca coordinating attendance	Yes	Gema Luna's Approval	Paid 09/29/06 - Check #614138	$5,000.00
10/13/06	08/29/06	Business	Maricopa County	Make a Difference - When: Friday, October 13, 2006, 6 p.m. to 10 p.m. - Where: The Gold Spot Gallery, 1001 N. 3rd Av., Phx 85004	Urban Fusion, 2nd Annual	Company name recognition in media & Promotional Material, Recognition on Make A Difference quarterly newsletter	Five tickets to event; Betty Booth & guest; Elyse Rukkila & guest;	None	Not Yet	N/A	Paid 09/11/06 - Check #613558	$1,000.00
10/14/06	06/09/06	Children	Phoenix	Children's Museum of Phoenix	Travel Around the World, a Family Affair Gala 2006	Program ad only.				N/A	Paid 6/27/06 - Check #608305	$250.00
Yearly	10/19/06	Cultural	Tucson	Arizona Theatre Company, The State Theatre	Annual Fund Invoice	N/A	N/A	Judy Patrick	N/A	N/A	Sent to Accting 10/19/06	$4,733.47
10/20/06	10/11/06	Business	Statewide	Arizona Chamber Executives	Arizona Chamber Executives Fall Conference (Luncheon) - Rick Jones to speak.	Speaking engagement only.	N/A	Rick Jones	N/A	N/A	Sent to Accting 10/18/06	$750.00
10/20/06	08/29/06	Education	Phoenix	City of Phoenix & the Phoenix Mayor's Commission on Disability Issues - When: Friday, October 20, 2006 from 11:30 a.m. to 1:30 p.m. -- Where: Phoenix Convention Center, 3rd & Jefferson streets	2006 Ability Counts Awards Luncheon "Orchestrating Success" – The MCDI Ability Counts Scholarships	Acknowledgement in all event publicity, Premier luncheon table location with table signage, Recognition in the printed program.	Corporate Table for Eight: Laurie Brott, Bruce Trethewy, Sharon Janzen; Debby Mittelman; Jan Johnson; Jim Berns; Christine Nardi	Bill Sheldon	Not Yet	N/A	Paid 09/11/06 - Check #613555	$1,000.00

Event Date	Contact Date	Issue &/or Ethnicity	Geographical Location	Organization/Committee	Project/Event Name	Specific Info about the Event Including Sponsor Needs (Logos, etc.)	Table/Event Attendees	SCF Assigned Liaison	C & PA Notified?	Board Approval ?	Paid	SCF Sponsorship Amount
10/21/06	10/02/06	African American	Phoenix	Greater Phoenix Black Chamber of Commerce - When: 10/21/06, 10 a.m. to 6 p.m. - Where: Phoenix Convention Center, Halls 1 & 2, 100 N. 3rd St.	Arizona Black Expo	Banner sponsor	Open Event	Hat Anderson	Yes	N/A	N/A	$0.00
10/21/06	09/12/06	Business	Phoenix	United Phoenix Fire Fighters - When: Saturday, October 21, 2006, Cocktails @ 5:30 p.m. & Dinner @ 7:15 p.m. -- Where: Mountain Preserve Reception Center, 1431 E. Dunlap Avenue, Phoenix Contact: Rich Bauer, 602.277.1500.	2006 Annual Fire Fighters Ball for Charities	Semi-Formal Dress - Table for 10, On-Stage recognition with presentation & special thank you on the air from 98.7 The Peak	Preferred seating for table of 10: FULL: Ralph Hughes & Spouse, Rick & Gina DeGraw, Brandyn Stewart & guest, Mary Owens & guest; Mark Kendall and Deb Kendall	Rick DeGraw	N/A	N/A	Paid 10/04/06 - Check #614215	$5,000.00
10/23/06	10/16/06	Business	Phoenix	Arizona Chamber of Commerce & Industry - When: Monday 10/23/06, Registration begins @ 8 a.m. - Program begins @ 8:30-9:30 a.m. - Where: The Hilton Scottsdale Resort, Sonora Ballroom (Southeast corner of N. Scottsdale Rd. & E. Lincoln Drive)	In the Arena Candidates Forum featuring the race for Arizona's 5th Congressional District seat.	N/A	No Attendees		N/A	N/A	Yes	**Refer to 7/06 cancelled event**
10/25/06	10/13/06	Business	Phoenix	Greater Phoenix Chamber of Commerce - When: Wednesday, 10/13/06 @ 11:15 a.m. to 1:30 p.m. - Where: Arizona Biltmore Resort	GPCC 19th Annual ATHENA Award honoring women in business	Business attire recommended	Table for 10: FULL Paula Koroso, DeeAnn Palin, Susan Plaza, Susan Torres, Jan Haus, Theresa Schmitz, Debby Mittelman,Gail Colburn, Martha McLellan, Kristin Bagnato, Don Smith		N/A	N/A	N/A	$0.00
10/26/06	09/12/06	Business	West Valley, Maricopa County	WESTMARC - When: 10/26/06 -- Where: Cardinals Stadium, Glendale Av. & Loop 101	14th Annual Best of the West Awards - Contact Amity Bravo, Manager of Operations & Communications @ 623.435.0431	1. Corporate logo in The AZ Republic advertisements 2. 1 full page (8.5"x11") advertisement in awards program 3. 1 Table of 10 in Gold Preferred seating 4. Corporate logo/name on Stadium ribbon 5. Corporate logo scrolled on event screen during dinner 6. Corporate logo recognition on event invitation 7. Corporate logo in awards video 8. Corporate recognition in awards program	Corporate Table for 10: Anna Rodriguez & guest, Polly Hall, Cindy Mauldin; Paul Quackenbush & Diana; Sylvia Salazar, Martha McLellan, Armando Grijalva, Don Smith	Dan Hernandez	Yes	Gema has approved.	Sent to Accting 10/18/06	$6,000.00

Event Date	Contact Date	Issue &/or Ethnicity	Geographical Location	Organization/Committee	Project/Event Name	Specific Info about the Event Including Sponsor Needs (Logos, etc.)	Table/Event Attendees	SCF Assigned Liaison	C & PA Notified?	Board Approval ?	Paid	SCF Sponsorship Amount
10/27/06	06/09/06	Children	Statewide	Anytown Arizona, Inc. - Send a Kid to Camp Campaign ($2500) **EVENT CANCELLED**	Humanitarian Dinner ($2500)	No material available yet. **EVENT CANCELLED**				N/A - 2 separate events @ $2500 ea.	N/A	$0.00
11/04/06	09/12/06	Asian/Pacific American	Phoenix	**Pacific Rim Advisory Council (PRAC) & the City of Phoenix - When:** Saturday, November 4, 2006, 12 p.m. to 5 p.m. -- **Where:** Phoenix Convention Center, West Hall 1	**11th Annual Asian Pacific American business Exposition 2006** - Contact City of Phoenix liaison to PRAC, Michael Shelton @ 602-495-5509	1. Page-size ad in the small program booklet (8.5x5.5"). **2.** Logo placement on a large event welcome banner to be placed at the entrance to the show **3.** Sponsor identification in pre-event promotion **4.** Logo identification on 5,000 event announcements and 1,000 event programs **5.** The inclusion of company information materials and/or promotional items in the event registration bag **6.** Special recognition during the welcoming ceremony **7.** Special recognition announcements throughout the expo	No Table	Ray Everett	Yes	N/A	Paid 10/18/06 - Check # 614491	$2,500.00
11/04/06	04/05/06	Children	Phoenix	**Ronald McDonald House Charities of Phoenix - When:** 11/04/06 - **Where:** Wyndham Buttes Resort, Tempe - 2000 Westcourt Way	**A McNight on the Town** - 20th Birthday Gala - Annual Fundraising Event - Contact Vicky @ 602-798-5092	Name recognition in the event program & in table signage & recognition on RMHC website & in RMHC newsletter as a Rock 'N Roll Fan - Dress for your favorite dance style or decade - Poodle skirts to ballroom dance gowns.	**Table for 10** - Bobby Koller, Sylvia Bates & Spouse, Christina Miles, Carole Stinson & Spouse, Roxanna Mason & Spouse	Bobbie Koller	Not Yet	N/A	Paid 10/18/06 - Check # 614483	$2,500.00
11/07/06	10/12/06	Business	Phoenix	**Greater Phoenix Chamber of Commerce - When:** 11/07/06 @11:30 a.m. (lunch) **Where:** Arizona Biltmore Resort, 24th Street & Missouri	**Phoenix Forum Event:** Christopher Gardner, author & a former homeless person	Christopher Gardner, author of the book The Pursuit of Happyness. Chris is a stock broker and the founder of his own brokerage firm.	**Table for 10:** Roxanna Mason, Jan Johnson, DeeAnn Palin,	None	N/A	N/A	Yes	$0.00
11/11/06	10/23/06	Humanitarian	Flagstaff	**Flagstaff Family YMCA - When:** 11/11/06 - **Where:** Radisson Resort	**Fundraiser to build another YMCA in Flagstaff**	Thank you write up in the Flagstaff paper for the sponsors	**Corporate Table**	Dianne Gutierrez	N/A	N/A	Sent to Acctng 10/27/06	$800.00
12/05/06	08/23/06	Business	Statewide	**Arizona Technology Council & the Arizona Department of Commerce - When:** 12/05/06, 5-6:30 p.m.: Registration, Reception & Technology Showcase then 6:30 p.m.-9 p.m.: GCOI Dinner & Awards Ceremony -- **Where:** Pointe South Mountain Resort, 7777 South Point Parkway, 85044 CONTACT: Mariana Crone, Dir of Events & Programs 602.343.8324 ext 104	**Governor's Celebration of Innovation** - Fourth Annual	Black-tie optional	**Table for 10: Will be filled by the NAST & locals**	Duane Miller	Not Yet	N/A	Paid 09/25/06 - Check #613999	$2,200.00

Event Date	Contact Date	Issue &/or Ethnicity	Geographical Location	Organization/Committee	Project/Event Name	Specific Info about the Event Including Sponsor Needs (Logos, etc.)	Table/Event Attendees	SCF Assigned Liaison	C & PA Notified?	Board Approval ?	Paid	SCF Sponsorship Amount
12/06/06	09/29/06	Business	Maricopa County	**Valley Leadership - When:** 12/06/06 @ 7:30 a.m. to 9:00 a.m. - **Where:** APS Corporate Headquarters (Two AZ Center) - Rm Two South, 2nd Flr; 5th Ave/Van Buren; Parking @ AZ Center Parking Lot	**Community Dialogue Series:** ***Attire is business casual***	SCF Logo on their mailing for the series.	*DeeAnn Palin (Tentative)*	Ginny Arnett	Yes	N/A	Yes	From 2005 budget
12/07/06	10/02/06	African American	Phoenix	**Greater Phoenix Black Chamber of Commerce - When:** 12/07/06 @ 5:30 p.m. Cocktails & 6:45 p.m. Dinner - **Where:** Ritz Carlton - Phoenix, 2401 E. Camelback Road	**8th Annual Dinner & Business Celebration -- 2006 Business of the Year and the 2006 Community Advocate of the Year**		David Young, Rochelle Scott, Marc Johnson, Hat Anderson, Linda Rice, Vera Duran, Njeri Walker, Albert Hamilton, Carl Hamilton	Hat Anderson	Not Yet	N/A	Not Yet	Waiting for Invoice
12/12/06	10/09/06	Business	Phoenix	**Arizona Workers' Compensation Claims Association - When: 12/12/06 -- Where:** Sheraton Crescent Hotel Dunlap & I-17	**Annual Holiday Party Donation Drive**	Three Table Sponsorship includes SCF name advertized alone on each table - $300 each + 3 large raffle prizes (gift cards) at $75 each.	AWCCA members only to attend.	Vera Duran	Yes	N/A	Paid 10/13/06 - Check #614360	$1,125.00
12/15/06	08/02/06	Cultural	Statewide	**Ballet Arizona When:** 12/15/06 - **Where:** Phoenix Symphony Hall	**Nutcracker Ballet Signature Night** - SCF hosting a reception for invited guests/family before the Subscriber's Night Show.	SCF presence with banners as allowed; valet parking, food, drinks, etc.	Approximately 250 PH CEO's will be invited	Melinda Poppe is on the BAZ Board	Yes - this is part of our loan agreement with BAZ annually	Yes	N/A	Will pay for event costs

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Event Date	Contact Date	Organization/Committee/Activity	Project/Event	SCF Assigned Liaison	Table Attendees	Things for Communications &/or Info needed for Event	C&PA Notified?	Board Approval ?	SCF Sponsorship Amount
03/30/06	03/23/06	Legal Advocates Mentoring Program - Where: Tucson	Lamplighter Benefit Reception	Charitable Giving		SCF Attorney Veronique Pardee is an active volunteer		N/A	$1,000.00
04/26/06		Governor's Commission on Service & Volunteerism - Sponsored by Governor and Governor's Commission on Service & Volunteerism - Where: Senate East Lawn, AZ State Capitol 1700 W Washington - When: 4:30 p.m. reception; Awards at 5:00 p.m.	Governor's Volunteer Service Awards Reception	Jill Maruca	Table of 10: (need 4 more) Christa Severns (sitting at Gov's table), Jill Maruca, Bill Sheldon, Heather Poier, Joanne Swoboda, John Ignas, Sheila Keitel	Company logo/name;person to assist on stage with Governor to give out awards;	Yes	Approved by Gema Luna	$5,000.00
04/26/06	03/23/06	Chrysalis Domestic Violence Shelters. - Where: Arizona Biltmore Resort. Cocktails at 6:00 dinner at 7:00; raffle prizes	Chrysalis Honors....the Family. Reception and dinner event.	Debby Mittelman, SCF Attorney is a board member	Table of 10: (FULL) Debby Mittelman & guest Richard, Jan Johnson and spouse, Ray Everett; Jim Stabler & spouse;Marche Smalcer and date; Joyce Mercer	Quarter page ad due by April 7; comm svcs rqst done.		Approved by Gema Luna	$5,000.00
04/27/06	03/09/06	Corporate Volunteerism Awards, 4th Annual - When: 4/27 @ 11:30 a.m. to 1:30 p.m. Luncheon & Awards Presentation Where: Wyndham Phoenix @ 50 E. Adams Street, Phx (Central & Adams)	Corporate Awards Luncheon - Hosted by the Volunteer Center & The Business Journal - Contact Sherry Ladd @ 602-263-9736, Ext. 505	Charitable Giving, Jill Maruca	Filled: Don Smith, DeeAnn Palin, Misty Kyer, Ginny Smith, Cheryl Blazek, Kristi England, Jill Maruca, Sarah Ramirez, Sylvia Bates, Mary Ann Sturm	Logo/company name to Volunteer Center (done). SCF is one of 3 finalists and Don will accept award on stage if SCF wins.		N/A	$2,500.00
05/05/06	03/20/06	AWCCA Golf Tournament (14th Annual) - foursome - Where: Camelback Golf Club, Scottsdale When: 7:30 a.m. shotgun start	Kids' Chance & AZ Action for Foster Kids	Charitable Giving Sponsorship (Dennis Uptain is an officer.)	Filled - Players, Dennis Uptain, Chris Kamper, Jim Berns, Paula Koroso			N/A	$1,300.00
05/11/06	03/23/06	Tucson Centers for Women & Children - Where: Tucson Doubletree Hotel	Mother's Day Luncheon	Marcy Tigerman, Rehab counselor in Tucson is a board member	Table of ten: Marcy Tigerman, Greg Fitzgerald, Judy Brooks, LaWana Mills, Susan Randall, Cora Carter, Theresa Duarte	logo to Robin Fasano; done by Jill M. Confirmed correct name/logo after newsletter had wrong name (by Jill 5/8/06).		Approved by Gema Luna	$5,000.00
05/12/06		Fax Net 1 Golf Tournament - When: Friday, May 12. 11:30 lunch; 1:00 shotgun start Where: AZ Biltmore Golf & Country Club	Fax Net 1 15th Anniversary Golf Outing (Fax net 1 is dedicated to crime prevention)	Paul Secaur is Exec Director; Duane Miller is on the Board	Golf foursome: Ralph Hughes and guest Peter Hughes; Paul Richardson, Josh Ewing	We are sponsoring lunch and one golf foursome. Also need 10 volunteers for registration, gift bags, raffle ticket sales			$2,000.00

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Event Date	Contact Date	Organization/Committee/Activity	Project/Event	SCF Assigned Liaison	Table Attendees	Things for Communications &/or Info needed for Event	C&PA Notified?	Board Approval ?	SCF Sponsorship Amount
06/17/06	4/3/2006	Arizona Burn Camp Open (golf tournament); sponsored by the United Yavapai Fire Fighters- Where: Prescott	Arizona Burn Camp fundraiser for kids to attend Burn Camp; funding is for the AZ Foundation for Burns & Trauma.	Stephanie Dale (Yavapai Acct Svcs Team; other team members volunteer	Two foursomes + $1,000 donation; both foursomes filled. SCF: Connie Sparks, Sharon Howard, Chris Anderson; others by Stephanie	Still getting details	Needs CG committee approval	N/A	$1,520.00
08/19/06		American Cancer Society, Flagstaff	Climb to Conquer Cancer. 7 mile hike up Snow Bowl	Dianne Gutierrez		banners from NAS office; logo for t-shirts; register walkers and volunteers			$2,000.00
10/20/06		Open Inn, Inc (Tucson)	Anniversary Celebration	Judy Patrick is on the Board	table of ten: Judy Patrick is filling the table, incl SAS team members	ad, logo.	yes	yes	$5,000.00
10/30/06		AZ Clean & Beautiful , Governor's Pride in Arizona Conference & Awards Luncheon 11:00 registration, luncheon 12:00 - 2:00 p.m. Valley Ho Hotel in Scottsdale, 6850 E Main St.	Annual Governor's Pride in Arizona Awards Conference & Luncheon. Kingman District of ADOT is awarding our CRAS SCF office an award from the Statewide Adopt a Highway Program Coordinator. For our work at SR 95, milepost 180-182.	Cheryl Blazek	Table of ten: Cheryl Blazek, Jill Maruca, Gary Bennett, Kim Sweet, Glenn Michaels; Duane Miller, Dan Hernandez, Kristi England, Joyce Mercer		yes	N/A	$750.00
11/02/06	10/4/2006	Big Brothers Big Sisters of Central Arizona	BIG Event (awards for Big Bros/Sis); adults only; AZ Science Center, 600 E Washingson; 5:30 p.m. Hosted wine & cheese reception, 7:00 p.m. dinner and program	Janet Wilson	Table of 10: Janet Wilson, guest Ron Tillman, Jill Maruca, Kristin Bagnato, Bill Romaine, Tina Athey, Ray Everett, Duane Miller, Sandi Neuman (PH, Pres AZ Printer's Assoc), spouse (tentative)	Table of 10; logo for slide show.	Jill & Rick	n/a	$1,000.00
11/04/06		Cathedral Health Services	3rd Annual CHS Extravaganza	Mary Ann House/ Vera Duran	Table of 10: Mary Ann House, Vera Duran,	Table of 10: Mary Ann and Dennis House, Vera Duran & guest, Rene and Rocio Ramirez, Roberto & Marta Ticas, Donna and Nate Davis	not yet	N/A	$1,250.00
									$33,320

Community Outreach Approved Projects - 2007
Updated 11/7/2006

Attachment 3

Event Date	Contact Date	Issue &/or Ethnicity	Geographical Location	Organization/Committee	Project/Event Name	Specific Info about the Event Including Sponsor Needs (Logos, etc.)	Table/Event Attendees	SCF Assigned Liaison	C & PA Notified?	Board Approval ?	Paid	SCF Sponsorship Amount
01/10/07	09/29/06	Business	Maricopa County	**Valley Leadership - When: 01/10/07** @ 7:30 a.m. to 9:00 a.m. - **Where:** Carnegie Center, 11th Ave/Washington - Parking available on street or parking lot on North side of Washington	**Community Dialogue Series:** ***Attire is business casual***	SCF Logo on their mailing for the series.	*DeeAnn Palin (Tentative)*	Ginny Arnett	Yes	N/A	??	??
01/26/07	10/03/06	Business	Tucson	**Greater Tucson Leadership - When: 01/26/07 -- Where:**	**State of the City Luncheon in conjunction with the Tucson Metro Chamber**	*Signage including Sponsor company's logo in ballroom - *One table of ten at preferred location -*First right of refusal for next year's event - *CEO seated at prominent table with Mayor - *CEO recognized from the podium - *Any promotional advertising developed by the Chamber and/or Greater Tucson Leadership - *Recognition during event promotion - *Logo on invitation - *Company recognized in the *ChamberNews* newsletter - *Company recognized on the Chamber's website	**Table for 10:**	Jean Gage	Not Yet	N/A	Not Yet	$5,000.00
02/22/07	08/16/06	Business	Arizona	**Invest Southwest - When:** Thursday, February 22, 2007 -- **Where:** Four Seasons Resort, Scottsdale	**Arizona's Premier Capital Conference**	$3,500 general + $2,500 lunch sponsor; Gen incl 4 conference admissions, 2 reception admissions for 2/21, 2 spots on mentor teams and recognition in event brochure, binder and promo material. Lunch sponsor incl seat at VIP table, table of 8, banner placement, ability to welcome key note spkr, logo in all event collateral, full page ad in binder and participation on spkr committee.	**Table for 8** for luncheon: Also, 4 conference admissions, 2 reception admissions 2/21:	Duane Miller	Not Yet	Approved by Gema	Paid 09/11/06 Check #613557	$6,000.00
02/24/07	10/25/06	Humanitarian	Arizona	**Students Supporting Brain Tumor Research - When:** Saturday, February 24, 2007, Noon to 3 p.m. - **Where:** Pinnacle High School - 3535 E. Mayo Blvd., Phoenix - Just NW of the 101 Loop & Tatum Blvd - Off Deer Valley Road	**Sixth Annual Walkathon:** For the Brain Tumor Society, Barrow Neurological Foundation, Phoenix Children's Hospital and T-GEN	SCF name on their web site, printed materials & shirts	**None**	Rick DeGraw	Not Yet	N/A	Not Yet	$1,000.00
03/20/07	10/03/06	Business	Arizona	**Arizona SHRM State Council - When:** 3/20/07 for lunch **-- Where:** ??	**Advocacy Day at the Capitol** - What is happening in the Arizona Legislature related to HR	Mention as sponsor on all event advertising. Designated table at lunch the day of the event with up to 2 attendees. Company banner (up to 20" x 3") displayed at the event	2 Attendees for the event: Hat Anderson, Mary Prewett, Christine Nardi	Mary Prewett	Not Yet	N/A	Not Yet	$1,000.00
												$13,000.00