JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, December 14, 2021

1:30 p.m.

House Hearing Room 1

JLBC

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

HOUSE OF REPRESENTATIVES

**** R E V I S E D ****

JOINT LEGISLATIVE BUDGET COMMITTEE
Tuesday, December 14, 2021
1:30 P.M.
House Hearing Room 1

MEETING NOTICE

- Call to Order

- Approval of Minutes of October 5, 2021.

- EXECUTIVE SESSION
  A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
  B. Arizona Department of Administration - Risk Management Annual Report.
  C. JLBC Annual Performance Review per Rule 7.

1. ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND - Review of Child Care Attendance Tracker Project (Department of Economic Security Subaccount).

2. ATTORNEY GENERAL - Review of Consumer Restitution and Remediation Revolving Fund - McKinsey Settlement Expenditure Plan.

3. DEPARTMENT OF CHILD SAFETY
   ***A. Review of Line Item Transfers.
   B. Review of FY 2021 Quarterly Benchmarks.

4. ***JLBC STAFF - Consider Approval of Index for Arizona Department of Administration - School Facilities Division Construction Costs.

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

The Chairman reserves the right to set the order of the agenda.
~~12/06/2021~~
12/10/2021
~~lm~~
kp

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE	1716 WEST ADAMS PHOENIX, ARIZONA 85007	HOUSE OF REPRESENTATIVES
DAVID M. GOWAN VICE-CHAIRMAN LELA ALSTON SEAN BOWIE RICK GRAY SINE KERR VINCE LEACH DAVID LIVINGSTON LISA OTONDO	(602) 926-5491 azleg.gov	REGINA E. COBB CHAIRMAN SHAWNNA BOLICK CÉSAR CHÁVEZ CHARLENE R. FERNANDEZ RANDALL FRIESE JOHN KAVANAGH JOANNE OSBORNE BEN TOMA

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

October 5, 2021

The Chairman called the meeting to order at 9:35 a.m., Tuesday, October 5, 2021, in House Hearing Room 1. The following were present:

Members:	Senator Gowan, Vice-Chairman	Representative Cobb, Chairman
	Senator Alston	Representative Bolick
	Senator Bowie	Representative Chávez
	Senator Kerr	Representative Fernandez
	Senator Leach	Representative Nguyen (Temporary Member in place of Representative Kavanagh)
	Senator Livingston	Representative Osborne
	Senator Otondo	Representative Schwiebert (Temporary Member in place of Representative Friese)
Absent:	Senator Gray	Representative Toma

APPROVAL OF MINUTES

Senator Gowan moved that the Committee approve the minutes of July 15, 2021. The motion carried.

CONSENT AGENDA

The following items were considered without further discussion.

AHCCCS/DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Capitation Rate Changes for Plan Year 2022.

Pursuant to an FY 2022 General Appropriation Act footnote, the state's Medicaid agencies must present their plans to the Committee for review prior to implementing any changes in capitation rates. The

(Continued)

request includes CYE 2022 capitation rates (October 2021 – September 2022) for AHCCCS and DES' Arizona Long Term Care System (ALTCS) program. The JLBC Staff provided options and a potential provision:

A. *Consistent with the General Appropriation Act footnote reporting requirement, AHCCCS shall report to the Committee on the impact of the federal American Rescue Plan Act (ARPA) funding for home and community-based services on long term care provider rates. The report shall delineate the percentage increase in rates by service category. The agencies shall provide the report within 30 days of receiving approval of their spending plan by the federal Centers for Medicare and Medicaid Services.*

DEPARTMENT OF EDUCATION (ADE) - Review of AzSCI Science Contract Renewal.

Pursuant to A.R.S. § 15-741.03, ADE requested Committee review of its contract renewal for the statewide assessment in science. The JLBC Staff provided options.

DEPARTMENT OF EDUCATION (ADE) - Review of Basic State Aid Recalculation.

A.R.S. § 15-915B requires ADE to submit for Committee review its re-calculation of Basic State Aid for school districts with property values affected by a court judgment, decision by a county board of equalization, decision by the State Board of Equalization, or the correction of a property tax error. ADE requested review of its proposed recalculation of $311,800 of state aid for Hyder Elementary and Antelope Union High School District associated with the State Board of Equalization decision concerning Agua Caliente Solar. The JLBC Staff provided options.

ADMINISTRATIVE OFFICE OF THE COURTS (AOC) AND ARIZONA DEPARTMENT OF WATER RESOURCES (DWR) - Review of General Adjudication Personnel and Support Fund FY 2022 Expenditure Plan.

A.R.S. § 12-177.01 requires AOC and DWR to submit an expenditure plan for Committee review prior to spending monies from the General Adjudication Personnel and Support Fund in FY 2022 and FY 2023. AOC and DWR requested Committee review of their FY 2022 plan to spend $1,734,300 of the $2,000,000 FY 2022 appropriation. The JLBC Staff provided options.

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

Pursuant to A.R.S. § 41-1724G and A.R.S. § 41-1724H, DPS is required to submit for Committee review the FY 2022 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expending any monies.

DPS submitted for review its proposal to distribute $1,034,800 of the FY 2022 appropriation for Border Security and Law Enforcement Grants as proposed by the department. The JLBC Staff provided options and a potential provision:

A. *DPS shall report to the Committee prior to implementing any changes to the proposed FY 2022 allocation of the grants. The Chairman shall decide whether the revisions require Committee review.*

Senator Gowan moved that the Committee give a favorable review, or approval, as appropriate, of the 5 consent agenda items with JLBC Staff provisions listed above. The motion carried.

(Continued)

EXECUTIVE SESSION

Senator Gowan moved *that the Committee go into Executive Session.* The motion carried.

At 9:37 a.m. the Joint Legislative Budget Committee went into Executive Session.

Senator Gowan moved *that the Committee reconvene into open session.* The motion carried.

At 10:40 a.m. the Committee reconvened into open session.

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

Senator Gowan moved *that the Committee approve the recommended settlements proposed by the Attorney General's office in the cases of:*

1. *Eddy Jimenez Batres v. State of Arizona*
2. *Steven Hohol v. State of Arizona*
3. *Briana Lorenz, et al. v. State of Arizona*
4. *Jennifer Power, et al v. State of Arizona*
5. *Alisha Lewis v. State of Arizona*

The motion carried.

Without objection, the meeting adjourned at 10:49 a.m.

Respectfully submitted:

K Paddack

Kristy Paddack, Secretary

Richard Stavneak

Richard Stavneak, Director

Regina E. Cobb

Representative Regina Cobb, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at http://www.azleg.gov/jlbc/meeting.htm

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

DATE: December 7, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Alexis Pagel, Fiscal Analyst

SUBJECT: Arizona Department of Administration/Automation Projects Fund - Review of Child Care Attendance Tracker Project (Department of Economic Security Subaccount)

Request

Pursuant to A.R.S. § 41-714, the Arizona Department of Administration (ADOA) has requested that the Committee review $2,532,800 in proposed FY 2022 expenditures from the Automation Projects Fund (APF) - Department of Economic Security (DES) Subaccount for development of a child care attendance tracker. The FY 2022 budget included an appropriation of $9,000,000 for the project. DES estimates the total project cost at $4,982,800.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.

2. An unfavorable review of the request.

Key Points

1) The FY 2022 budget included $9.0 million from the APF to develop the child care attendance tracker, funded from federal COVID-related child care monies.
2) Total project costs are $4,982,800 for the 3-year project, of which $2,532,800 of the FY 2022 appropriation is being requested for review for development costs.
3) Operational costs are estimated at $1.2 million annually starting in FY 2023.

(Continued)

Analysis

Background

Arizona received a total of $1.3 billion in Child Care Development Fund monies from federal COVID legislation. Of that amount, $9.0 million was appropriated to the Department of Administration to automate DES' child care attendance tracking system. DES Child Care Administration (CCA) currently has a manual operation for attendance tracking, billing, and payments that is paper based and susceptible to error.

Current Request

DES states that the new attendance tracking system is intended to minimize fraud and improve compliance with child care standards. DES also states that this new system will allow them to collect more data that may be used to enhance child safety, improve location efforts during disasters or emergencies, monitor child to staff ratios, and increase fiscal accountability.

Table 1 displays project costs by category. While project costs span across 3 years, the estimated project start date is January 3, 2022 with the system estimated to go live by July 31, 2022.

Table 1

Project Costs by Category & Year

Project Category	FY 2022 1/	FY 2023	FY 2024	Total
Personal Service & Employee Related Expenditures	$69,200	$138,400	$138,400	$346,000
Professional & Outside Services (Contractors)	824,900	0	0	824,900
Hardware	590,800	0	0	590,800
License & Maintenance Fees	1,047,900	1,073,500	1,099,700	3,221,100
Total	**$2,532,800**	**$1,211,900**	**$1,238,100**	**$4,982,800**
Total Development Costs	$2,532,800	0	0	2,532,800
Total Operational Costs	0	1,211,900	1,238,100	2,450,000
Total	**$2,532,800**	**$1,211,900**	**$1,238,100**	**$4,982,800**

1/ Some FY 2022 costs could be incurred in FY 2023.

The project's 3-year cost is $4,982,800, of which $2,532,800 will occur in FY 2022. In FY 2023 and FY 2024, DES will have license fees near $1,100,000 and total operational costs near $1,200,000 during each year. DES plans for these costs to be covered by the remainder of the $9,000,000 FY 2022 appropriation. The FY 2022 appropriation will lapse on June 30, 2023. DES has stated that there will be some ongoing operational costs after the third year of the project. DES expects these ongoing operational costs would be covered by DES' Child Care Development Fund operating budget. We have asked DES for the ongoing operational costs after the third year of the project.

AP:kp

Douglas A. Ducey
Governor

Andrew Tobin
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE · SUITE 401
PHOENIX, ARIZONA 85007
(602) 542-1500

November 22, 2021

RECEIVED
NOV 24 2021
JOINT BUDGET COMMITTEE

The Honorable Regina E. Cobb, Chairman
Arizona House of Representatives
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable David M. Gowan, Vice-Chairman
Arizona State Senate
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Cobb and Senator Gowan:

The Arizona Department of Administration (ADOA) is submitting this request for review of fiscal year 2022 Automation Projects Fund (APF) with projects related to the Department of Economic Security, DERS Child Care Attendance Tracker. The monies have been appropriated to support APF expenditure plans.

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

Sincerely,

J.R. Sloan
State CIO

Enclosures
cc: Richard Stavneak, Director, JLBC
Matthew Gress, Director, OSPB
Andrew Tobin, Director ADOA
Ashley Ruiz, Assistant Director, ADOA
Jacob Wingate, CFO, ADOA
Rebecca Perrera, JLBC Staff
Theresa Vencill, OSPB Staff

Favorable Review Request Summary					
Agency	Project Name	FY 2022 APF Appropriation*	Favorably Reviewed	Favorable Review Request	Review Not Yet Requested
Dept. of Economic Security	DERS Child Care Attendance Tracker	$9,000,000	$0	$2,532,813	$0

*Based on the proposed General Appropriations Act; 2021-2022

ARIZONA
DEPARTMENT OF ADMINISTRATION
ARIZONA STRATEGIC ENTERPRISE TECHNOLOGY

Agency:	Department of Economic Security (DES), Department of Employment and Rehabilitation Services (DERS), Child Care Administration
Project:	DERS Child Care Attendance Tracker
Appropriation:	Child Care Management System Update

CURRENT REQUEST

The Department of Administration on behalf of the Department of Economic Security, is requesting a favorable review of $2,532,813 appropriated from the Automation Projects Fund (APF) in FY 2022 to complete the development of the DERS Child Care Attendance Tracker.

FY 2022 Appropriation	FY 2022 Favorably Reviewed	FY 2022 Current Request	FY 2022 APF Remaining Balance
$9,000,000	$0	$2,532,813	$0

PROJECT DESCRIPTION

Background

Child Care Administration (CCA) currently manages a resource intensive, paper-based, manual operation for time and attendance tracking, billing and payments that is susceptible to error. Additionally, the current process requires child care providers to complete duplicative administrative work to meet CCA requirements which has deterred many child care providers from serving subsidy families. The CCA requirements are intended to minimize fraud and improve compliance with child care standards. However, with over 1,700 child care providers contracted with CCA, monitoring for fraud and contract compliance is limited to what can manually be reviewed each month.

The DES Office of Procurement selected the vendor through a competitive task order request. The task order request was submitted to Statewide contractors(s) awarded under Software Value Added Reseller and Cloud Solutions: CDW-G, SHI, and Carahsoft. Two vendors responded to the task order request, Controltec with SHI and Simply Gov with CDW-G. Controltec was the only vendor who met the requirements of the task order request. An internal DES Project Manager will serve as the point of contact for the vendor while a Senior Applications Architect will assist in project development and operations.

Preliminary cost estimates on the Child Care Attendance Tracking System were approximately $9 million. The original cost figure was a best effort estimate of total three year costs before any task order requests were put out for proposal. Upon review of the bids, which occurred after the passage of the 2021-2022 General Appropriations Act, the Department determined project costs to be lower than the original $9 million appropriation. The total cost of the project is expected to be $4,982,756, of which $2,532,813 will be used from the FY 2022 APF appropriation for development.

Solution

The Child Care Attendance Tracking solution will allow authorized users (clients) to submit attendance data for payment processing for children eligible for state or federally funded child care subsidies. CCA will utilize the solution to import the attendance data of all children enrolled in CCA licensed or certified child care facilities, including children who are not eligible for state funded child care subsidies.

Benefits

The Child Care Attendance Tracking solution will provide benefits in two primary categories: reducing the Department and provider administrative burden and increasing accountability measures in the attendance tracking and billing processes. On the administrative burden front, it will lessen the manual burden caused by the current paper-intensive process on state agency staff and child care providers, as well as incentivize providers to utilize the management software to stabilize operations through an automated time and attendance tracking system designed to increase accuracy and reporting/billing timeliness. This solution will also increase the Department's ability to collect data, which can be used to: enhance child safety and improve location efforts in child care settings in the event of a disaster or other emergency, enhance monitoring of child to staff ratios in licensed child care facilities, and increase fiscal accountability that would bolster fraud prevention efforts.

PROJECT GOALS/MILESTONES

Description	***Start Date (Est.)***	***End Date (Est.)***	***Duration (weeks/months)***
Milestone 1 - Project Plans Update and Review.	*01/3/2022*	*02/28/2022*	*7.5 weeks*
Milestone 2 - Design and Training Plan	*03/1/2022*	*03/15/2022*	*2 weeks*
Milestone 3 - Configuration, Training Plans, Documentation	*03/16/2022*	*03/31/2022*	*2 weeks*
Milestone 4 - Interface and Testing Plans	*04/1/2022*	*04/30/2022*	*4 weeks*
Milestone 5 - Device Management Plan and Training Plan	*05/1/2022*	*05/31/2022*	*4 weeks*
Milestone 6 - Testing	*06/1/2022*	*06/30/2022*	*4 weeks*
Milestone 7 - Documentation, Testing, Complete, Go Live	*07/1/2022*	*07/31/2022*	*4 weeks*
Milestone 8 - *1.) EA Rollout Complete* *2.) EA Rollout Report*	*08/1/2022*	*09/30/2022*	*8 weeks*
Milestone 9 - *1.) Full Rollout Complete* *2.) Final Delivery Report*	*10/1/2022*	*12/31/2022*	*12.5 weeks*
Milestone 10 - DES CCA to Pay Outstanding Invoices	*01/1/2023*	*03/31/2023*	*12.5 weeks*

PROJECT COST DETAIL

Milestone	Components/Description	Costs
Milestone 1	1 - Project Kickoff Minutes 2 - Updated versions of: Project Management Plan, Detailed Schedule (.mpp), Revised Hi-Level Gantt, Business Continuity Plan, Communication Plan, Disaster Recovery Plan, Implementation Plan, Integration (Interfaces) Plan, Risk Management Plan, Security Plan, Technology Plan.	$61,871
Milestone 2	1 - Interfaces Definition (working draft) 2 - FDD Document 3 - All required environments stood up and QA verified 4 - Training Plan Finalized	$82,495
Milestone 3	1 - Application Dev Report 2 - Application environments configured 3 - QA Plan Finalized 4 - Training Plan Finalized 5 - Training Materials prepared 6 - Documentation localized, ready for review.	$103,118
Milestone 4	1 - Interfaces Dev Report 2 - Interfaces Test Plan 3 - Security Reports 4 - QA Report 5 - UAT Plan 6 - Training Report (State Employees, UAT Testers) 7 - Info Site set up and populated.	$82,495
Milestone 5	1 - Device Management Plan Finalized, all device-related arrangements and logistics in place. 2 - Training Plan updated for EA training.	$41,247
Milestone 6	1 - Interfaces Test Report 2 - Updated QA Report 2 - UAT Report 3 - Fit Plan Finalized 4 - Provider Addresses Checked 5 - Support Staff Trained.	$82,495
Milestone 7	1 - FIT Report 2 - EA Training Report 3 - Documentation Complete 4 - Implementation Planning Docs Finalized 5 - Stabilization Plan Finalized 6 - Go Live / EA Cutover complete	$164,989
Milestone 8	1 - EA Rollout Complete 2 - EA Rollout Report	$103,118
Milestone 9	1 - Full Rollout Complete 2 - Final Delivery Report	$103,118
Recurring SaaS (Subscription Fees)	Year 1	$1,023,525
Recurring Saas (Subscription Fees)	Year 2	$1,049,113

Recurring Saas (Subscription Fees)	Year 3	$1,075,340
Mobile Devices	1,700	$590,784
Mobile Device Management (Software Subscription)	Year 1	$24,370
Mobile Device Management (Software Subscription)	Year 2	$24,370
Mobile Device Management (Software Subscription)	Year 3	$24,370
Senior Project Manager & Senior Applications Architect	Year 1 (½ FTE each; 1 total; 6 months)	$69,188
Senior Project Manager & Senior Applications Architect	Year 2 (½ FTE each; 1 total)	$138,375
Senior Project Manager & Senior Applications Architect	Year 3 (½ FTE each; 1 total)	$138,375
Total		**$4,982,756**

Project Costs by Category	**Year 1**	**Year 2**	**Year 3**	**Total**
Personal Services & Employee Related Expenses	$69,188	$138,375	$138,375	$345,938
Professional & Outside Services (Contractors)	$824,946	$0.00	$0.00	$824,946
Hardware	$590,784	$0.00	$0.00	$590,784
License & Maintenance Fees	$1,047,895	$1,073,483	$1,099,710	$3,221,088

Total Development	$2,532,813	$0.00	$0.00	$2,532,813
Total Operational	$0.00	$1,211,858	$1,238,085	$2,449,943
Total	**$2,532,813**	**$1,211,858**	**$1,238,085**	**$4,982,756**

Approver Name ______ Approver Signature ______ Date ______

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STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE	1716 WEST ADAMS PHOENIX, ARIZONA 85007	HOUSE OF REPRESENTATIVES
DAVID M. GOWAN VICE-CHAIRMAN LELA ALSTON SEAN BOWIE RICK GRAY SINE KERR VINCE LEACH DAVID LIVINGSTON LISA OTONDO	(602) 926-5491 azjlbc.gov	REGINA E. COBB CHAIRMAN SHAWNNA BOLICK KELLI BUTLER CÉSAR CHÁVEZ JOHN KAVANAGH JENNIFER LONGDON JOANNE OSBORNE BEN TOMA

DATE: December 7, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Ryan Fleischman, Fiscal Analyst

SUBJECT: Attorney General - Review of Consumer Restitution and Remediation Revolving Fund - McKinsey Settlement Expenditure Plan

Request

A.R.S. § 44-1531.02C requires the Attorney General (AG) to submit an expenditure plan for review by the Committee prior to spending any monies from the Consumer Remediation Subaccount of the Consumer Protection and Restitution Revolving Fund. The AG requests the Committee review its plan to spend $12,000,000 from a settlement with McKinsey & Company, Inc. for grants to support opioid remediation and abatement programs at $3,000,000 per year from FY 2022 through FY 2025.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.

2. An unfavorable review of the request.

Key Points

1) Statute requires the AG to submit an expenditure plan to the Committee before spending money from the Remediation Subaccount.
2) In February 2021, the AG announced it had reached a $13,350,600 settlement on behalf of Arizona as part of a multistate agreement with McKinsey & Company, Inc.
3) The AG is requesting review to use $3.0 million per year from FY 2022 through FY 2025, or a total of $12.0 million, from the settlement on grants to support opioid remediation programs.

(Continued)

Analysis

Background

A.R.S. § 44-1531.02C establishes the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund consisting of monies associated with consumer protection case awards or settlements.

The first $4,000,000 spent annually in the Remediation Subaccount is continuously appropriated and any amount above that requires Legislative appropriation. Statute permits the AG to spend monies from this subaccount "for programs, including consumer fraud education programs, that are intended to rectify violations or alleged violations of consumer protection laws" but requires the AG to submit an expenditure plan to the Committee for its review before spending any monies from the subaccount.

In February 2021, the AG announced it had reached a $13,350,600 settlement on behalf of Arizona as part of a multistate agreement with McKinsey & Company, Inc. for its alleged role in advising pharmaceutical companies on opioid sales. Under the court settlement, AG is required to spend these funds for opioid remediation.

Expenditure Plan

The AG's proposed plan would spend $12,000,000 from McKinsey settlement monies in the Remediation Subaccount over 4 years on grants to support opioid remediation and abatement programs, with the AG specifying that $3,000,000 would be spent each fiscal year from FY 2022 through FY 2025. According to the AG, based on the payment schedule in the McKinsey settlement agreement, the Remediation Subaccount will receive deposits totaling at least $12,000,000 before grant contracts are awarded as part of this expenditure plan.

The plan would award grants to entities working to abate problems caused by opioid addiction. It caps grant funding at individual amounts and attempts to represent rural communities in its distribution. The monies would be awarded through 2 new grant programs:

- *Non-Profit Opioid Abatement Grants*: The plan would use up to $9,000,000 to be allocated over multiple contract years for grants to support opioid abatement programs administered by non-profit organizations in Arizona. Of the total, $6,000,000 would be available to non-profits that provide services in counties with 400,000 or more people (i.e., Maricopa, Pima, and Pinal Counties), with individual grants capped at $600,000, and $3,000,000 would be available to non-profits that provide services in counties with less than 400,000 people, with grants capped at $500,000.

  Grants would be awarded to non-profits that support the treatment of opioid addiction and any co-occurring conditions through strategies that include providing support for families and for people in treatment, addressing the needs of those in the criminal justice system, addressing the needs of pregnant/parenting women, and supporting efforts to prevent over-prescribing and misuse of opioids.

- *Local and Tribal Government Opioid Abatement Grants*: The plan would use up to $3,000,000 for one-time grants to local and tribal governments with less than 400,000 people. Individual grants would be disbursed based on need and expanse of the project, with grants capped at $1,000,000.

(Continued)

The AG intends that this funding will be used to address opioid addiction and recidivism for individuals involved in the criminal justice system through the following strategies: pre-arrest diversion, increasing identification of those in jail with substance abuse disorders, treating and providing diversion programs for these individuals, and reducing their recidivism rate through behavioral health and reentry support. Grant funding would be used to support existing programs or create new ones, hire staff to implement the programs, and assist in the construction/financing of physical and IT infrastructure that support the programs.

RF:kp

MARK BRNOVICH
ATTORNEY GENERAL

OFFICE OF THE ATTORNEY GENERAL
STATE OF ARIZONA

RECEIVED
NOV 23 2021
JOINT BUDGET COMMITTEE

November 23, 2021

The Honorable Regina E. Cobb, Chair
Arizona House of Representatives
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable David. M. Gowan, Vice-Chair
Arizona State Senate
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Cobb and Senator Gowan:

Pursuant to A.R.S. 44-1531.02(C), and per the terms of the Arizona Attorney General's Office ("AGO") Consent Agreement with McKinsey & Company, Inc. ("McKinsey")(Case No. CV2021-001986), this Expenditure Plan ("Plan") is submitted by the AGO to the Joint Legislative Budget Committee ("JLBC") for review at its December 2021 meeting. The AGO is requesting authorization for up to $12,000,000 from the McKinsey settlement that was deposited in the Consumer Protection and Remediation Account ("Remediation Account") to be allocated to the AGO for purposes of awarding competitive grant funding to local and tribal governments and non-profit organizations for purposes of remediating the harms caused to the citizens of Arizona by the opioid epidemic.

In February 2021, the AGO announced it had reached a $13,350,614.04, settlement on behalf of Arizona as part of a multistate agreement with McKinsey holding the consulting firm accountable for the company's role in "turbocharging" the opioid epidemic.[1] Based on the payment schedule in the McKinsey settlement agreement, the Remediation Account will receive

[1] https://www.azag.gov/sites/default/files/docs/press-releases/2021/plea-agreements/mckinsey%20consent%20judgment%20signed.pdf

deposits totaling at least $12 million in McKinsey settlement agreement funding before the contracts awarded as a result of this expenditure plan are completed. In addition to providing funds to the AGO to help mitigate the opioid crisis on behalf of the State, the agreement calls on McKinsey to prepare tens of thousands of its internal documents detailing its work for Purdue Pharma and other opioid companies for public disclosure online. In addition, McKinsey agreed to adopt a strict document retention plan, continue its investigation into allegations that two of its partners tried to destroy documents in response to the investigation of Purdue Pharma, implement a strict ethics code that all partners must agree to each year, and stop advising companies on potentially dangerous Schedule II and III narcotics.

Pursuant to the court order, the McKinsey settlement monies were directed to be deposited into the AGO's Remediation Account and are to be used to abate problems caused by opioids in Arizona communities at the discretion of the AGO as approved by JLBC.[2]

Background

The AGO has long prioritized combatting the opioid crisis through civil and criminal actions, as well as public awareness campaigns and education. Examples of AGO opioid-related action include seeking penalties and accountability in several multistate litigation actions against companies such as Purdue Pharma, holding Chandler-based opioid manufacturer Insys Therapeutics financially accountable, and indicting multiple defendants accused of being involved in the illegal distribution of opioids. Many of the State's opioid-related criminal prosecutions are initiated by the AGO's top-ranked Medicaid Fraud Control Unit, which was recently ranked the most productive healthcare fraud unit in the nation according to the U.S. Department of Health and Human Services.[3]

The AGO also administers opioid awareness and prevention programs, primarily through the AGO's Community Outreach Division. Programs include educating youth on the dangers of prescription opioid abuse, free community events designed to provide for the destruction of unwanted opioids and other prescription drugs, trainings on the administration of life-saving opioid reversal drugs such as Narcan, and a soon-to-be launched at-home unwanted opioids destruction program. Since 2018, AGO Community Outreach has conducted more than 100 opioid prevention educational presentations across the state.

In addition to these actions, in August 2021 the AGO announced the "One Arizona Plan"[4] which provides the legal framework and a Memorandum of Understanding between the State and Arizona cities and towns and all 15 counties that will provide a distribution formula for

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[2] https://www.azag.gov/sites/default/files/docs/press-releases/2021/plea-agreements/mckinsey%20consent%20judgment%20signed.pdf (pg. 12)

[3] https://oig.hhs.gov/fraud/medicaid-fraud-control-units-mfcu/expenditures_statistics/fy2020-statistical-chart.pdf

[4] https://www.azag.gov/sites/default/files/docs/press-releases/2021/decrees/One_AZ_MOU_Executed_by_Counties_Towns_With_Exhibits.pdf

all future opioid settlements across Arizona. As a result of the One Arizona Plan, the State and local governments will receive the maximum amount of funding available from future opioid settlements. The McKinsey settlement was authorized before the terms of the One Arizona Plan were enacted.

The One Arizona Plan provides funding for programs to address and ameliorate opioid abuse, and includes reporting requirements for greater transparency of how future settlement dollars will be used:

- 54% of the total settlement will go to local governments for opioid amelioration programs.
- 44% of the total settlement will go to a State fund for opioid amelioration programs.
- Funds must be spent in accordance with approved, nationally recognized strategies to pay for future costs incurred by the State and local governments to address the opioid epidemic.
- Approved uses include expenses related to the treatment of opioid use disorder, support for people in treatment and recovery, support for people who have or are at risk of developing opioid use disorder, and prevention of overuse and misuse of opioids.

McKinsey Expenditure Proposal

The AGO proposes a multi-pronged, multi-year grant award plan that will fund local and tribal government programs and non-profits that are actively working to abate the problems and societal harms caused by opioid addiction, including (but not limited to) substance abuse treatment, mental health, individuals involved in the justice system, and community education. The grant funding will be capped at individual amounts and will ensure rural communities are adequately represented in awarded funding.

In addition to prescription opioids, it is the AGO's intent to provide funding to combat the usage of synthetic opioids such as fentanyl. According to provisional data from the Centers for Disease Control and Prevention, U.S. drug overdose deaths rose to an estimated 100,306 nationwide during a 12-month period ending in April 2021. Opioid specific overdose deaths increased almost 35% in the same period of time nationwide.[5] Here in Arizona, we experienced a 30% increase in overdose deaths over the prior year, with opioids claiming more than 2,600 lives in 2020.

According to some reports, 42% of all overdoses in Arizona involve fentanyl, and over the course of the last two years, there has been a 1610% increase in counterfeit pill seizures.[6] The Drug Enforcement Association ("DEA") issued a Public Safety Alert in September of this year warning Americans of the sharp increase in the lethality and availability of fake prescription pills

[5] https://www.cdc.gov/nchs/pressroom/nchs_press_releases/2021/20211117.htm
[6] https://www.maricopacountyattorney.org/CivicAlerts.aspx?AID=844

containing fentanyl. More than 9.5 million counterfeit pills have been seized by the DEA so far in 2021, which is more than the last two years combined. Specifically here in Arizona, more than 6 million counterfeit pills were seized in the state last year, and officials have reported that that number has already been surpassed this year.[7] Customs and Border Protection reported 1,904 pounds of fentanyl seized in FY2018; 2,633 pounds in FY2019, 4,510 pounds in FY2020, and at least 11,201 pounds seized since last October.[8]

Local and Tribal Government Opioid Abatement Grants

The AGO proposes a grant program of up to $3,000,000 in one-time funding available to local and tribal governments with a population of less than 400,000. Individual grants will be disbursed based on need and expanse of project, not to exceed $1,000,000. Funding is intended for the purposes of eliminating opioid addiction and reducing recidivism for inmates and/or individuals involved in the criminal justice system with opioid-related substance abuse disorders through one or all of the following strategies: pre-arrest diversion, increasing identification of individuals in jail with substance abuse disorders, assessing and treating inmates with opioid-related substance abuse disorders, providing diversion programs for inmates with opioid substance abuse disorders, and reducing the recidivism rate for incarcerated individuals with substance abuse disorders through behavioral health and reentry support.

According to the Arizona Department of Corrections, Rehabilitation and Reentry (ADCRR), 86% of the inmates released in FY21 were assessed as needing substance abuse treatment, including opioid addiction.[9] A March 2019 report identified 78% of people entering Arizona prisons as having "significant substance abuse histories."[10] According to one survey, the leading cause of death among people released from jail or prisons is post release opioid-related mortality.[11]

By focusing grant monies on this particularly at-risk demographic, funding is intended to help support programs that will reduce recidivism and treat the sizable amount of individuals in the corrections system with an opioid addiction. As one journal article noted, "it is pivotal to improve access to opioid use treatment inside correction facilities and to assure proper linkage into addiction care post-incarceration."[12] By addressing underlying mental health and substance abuse in our criminal justice system, recidivism can be reduced and Arizonans could see a financial reduction in taxpayer cost.

To achieve this goal, the AGO proposes a local and tribal government focused grant program that will identify mental health and substance abuse disorders and help transition

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[7] https://www.foxnews.com/us/arizona-drug-overdoses-fentanyl-spike
[8] https://www.cbp.gov/newsroom/stats/drug-seizure-statistics
[9] https://corrections.az.gov/sites/default/files/documents/BudgetReq/adcrr_fy_2023_operating_budget_request_09082021.pdf
[10] https://corrections.az.gov/sites/default/files/REPORTS/CAG/2019/cagmar19.pdf
[11] https://ascpjournal.biomedcentral.com/articles/10.1186/s13722-019-0145-5
[12] https://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.1003002

inmates into the appropriate mental health and substance abuse treatment programs. Grant funding may be provided to entities and used to support existing programs or create new programs, hire appropriate staff to implement qualified programs, or assist in the construction of buildings or financing of structures or technology that supports qualified programs.

Non-Profit Opioid Abatement Funding

Additionally, the AGO proposes a separate grant program of up to $9,000,000 in funding to be allocated over multiple contract years that will be used to support opioid abatement programs administered by non-profits throughout the state. In order to ensure even distribution throughout the state, and to ensure Arizona's rural communities are adequately represented, the AGO proposes a grant distribution formula as follows:

- $3,000,000 in total grant funding available to non-profits that primarily provide services to individuals in counties with a population less than 400,000. Individual grants will be capped at $500,000 each.
- $6,000,000 in total grant funding available to non-profits that primarily provide services to individuals in counties with a population of 400,000 or more. Individual grants will be capped at $600,000 each.

Funding will be used to provide grants to non-profits, faith-based organizations, and community coalitions that support treatment of Opioid Use Disorder ("OUD") and any co-occurring Substance Use Disorder or Mental Health ("SUD/MH") conditions, co-usage, and or co-addiction through evidence-based, evidence-informed, or promising programs or strategies, including but not limited to:

1. Support family members in their efforts to manage the opioid user in the family.
2. Support people in treatment for and recovery from OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.
3. Provide connections to care for people who have – or are at risk of developing – OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction.
4. Address the needs of persons with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction who are involved – or are at risk of becoming involved – in the criminal justice system.
5. Address the needs of pregnant or parenting women with OUD and any co-occurring SUD/MH conditions, co-usage, and/or co-addiction, and the needs of their families, including babies with neonatal abstinence syndrome.
6. Support efforts to prevent over-prescribing and ensure appropriate prescribing and dispensing of opioids.
7. Support efforts to discourage or prevent misuse of opioids.
8. Support efforts to prevent or reduce overdose deaths or other opioid-related harms.

Arizona has seen the devastating impacts that the opioid epidemic has caused in the most vulnerable populations. This expenditure plan aims to provide resources throughout the State in order to provide opportunities to help rehabilitate individuals involved in Arizona's criminal justice system and assist organizations that provide direct services to struggling Arizonans.

Thank you for your consideration.

Edith Lefevre
Legislative Liaison

Approximate Breakdown [13]

	FY2022	FY2023	FY2024	FY2025
Small Local Government	$2,000,000	$1,000,000	---	---
Small County Non-Profit	$1,000,000	$1,000,000	$1,000,000	---
Large County Non-Profit	---	$1,000,000	$2,000,000	$3,000,000

[13] In light of current expenses and statutory caps.

3A

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

DATE: December 7, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Nicole Lovato, Fiscal Analyst

SUBJECT: Department of Child Safety - Review of Line Item Transfers

Request

Pursuant to an FY 2021 and an FY 2022 General Appropriation Act footnote, the Department of Child Safety (DCS) is requesting Committee review of the transfer of Expenditure Authority monies in the Foster Home Placement line item into the Kinship Care line item.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.

2. An unfavorable review of the request.

Key Points

1) DCS is requesting an FY 2021 Federal Expenditure Authority transfer of $115,000 from Foster Home Placement into Kinship Care.
2) DCS is requesting an FY 2022 Federal Expenditure Authority transfer of $300,000 from Foster Home Placement into Kinship Care.
3) The transfer would address higher-than-expected Kinship caseloads.

(Continued)

Analysis

The Kinship Care line item funds a monthly stipend of up to $75 per child to unlicensed kinship caregivers. Unlicensed kinship caregivers may include relatives as well as non-relative caregivers of fictive kinship. At an average cost of $75 per month, the enacted FY 2021 and FY 2022 budgets are each sufficient to fund a monthly average of 5,556 placements. In FY 2021, DCS states their caseload was 5,725, and in FY 2022, they project their caseload will be 5,888.

Kinship navigator programs assist kinship caregivers in programs and services to meet the needs of the kinship placement, in addition to any caregiver needs. The federal Consolidated Appropriations Act of 2021 waives matching requirements and provides various flexibilities to address COVID-19 needs through kinship navigator program funding. The department proposes transferring $115,000 Expenditure Authority monies associated with federal funding from the Foster Home Placement line item into the Kinship Care line in FY 2021, for a total of $5.1 million, and $300,000 in FY 2022, for a total of $5.3 million.

NL:lm

ARIZONA
DEPARTMENT
of CHILD SAFETY

Mike Faust, Director
Douglas A. Ducey, Governor

Wednesday, November 3, 2021

Regina E. Cobb
Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

RECEIVED
NOV 23 2021
JOINT BUDGET COMMITTEE

Re: Appropriation Transfer Request

Dear Representative Cobb:

The Department requests to be placed on the Joint Legislative Budget agenda for Expenditure Authority appropriation transfer requests below:

Summary of Requested Appropriation Transfers for FY22

Special Line Item	Expenditure Authority
Kinship Stipend	$300,000
Licensed Foster Care	($300,000)
TOTAL	**$0.0**

Summary of Requested Appropriation Transfers for FY21

Special Line Item	Expenditure Authority
Kinship Stipend	$115,000
Licensed Foster Care	($115,000)
TOTAL	**$0.0**

Expenditure Authority Fund Appropriation Requests – FY22 and FY21

Pursuant to Laws 2021, Chapter 408, Section 14, the amount appropriated for any line item may not be transferred to another line item or the operating budget unless the transfer is reviewed by the Joint Legislative Budget Committee. The Department requests that the committee review the following Expenditure Authority (EA) transfer requests:

- Kinship Stipend: The Department requests a total of \$300,000 in FY 22 and \$115,000 in FY 21 Expenditure Authority from the Foster Care Maintenance special line item into the Kinship Stipend line item to address the structural shortfall and allow the ability to expend available federal funding:

    1. The Department has exhibited an increase kinship placements during the current and previous fiscal years.

        - *Caseload:* In FY 20, the Department caseload averaged monthly caseload of 5,626. Through FY 20 and into FY 21, the Department experienced a steady increase to 5,725 children per month. In FY 22 the caseload has increased by an average of 76 children per month, resulting a Q1 average of 5,801 5children per month. The Department forecasts the caseload to reach 5,888. Caseload increase are driven by the need for family-like placement settings.

        - *Available Federal Funding:* Public Law 116-260, Division X, Section 8 of the *Consolidated Appropriations Act*, 2021 enacts temporary flexibilities in the Kinship Navigator Program funding during COVID-19 public health emergency. The temporary flexibilities in the program enacted by P.L. 116-260, allows the Department to provide assistance to allow children to continue safely living with kin[1]. The Department will use the Kinship Navigator Program funding to supplement the Kinship Stipend line item in FY 22 and FY 21.

        - *Structural Shortfall:* Table 1 demonstrates FY 22 Kinship Stipend line item projected financial position. The Department forecasts expenditures of \$5.3 million. The Kinship Stipend appropriation is currently \$5 million. The resulting shortfall is forecasted at \$300k. Table 2 demonstrates FY 21 Kinship Stipend line item position. The Department has incurred \$5.1M of expenditures resulting in a \$115k structural shortfall.

Table 1: FY 2022

	Jul	**Aug**	**Sept (est)**	**Q2 Est**	**Annualized**
Caseload	5,751	5,802	5,852	5,888	5,888
Monthly Stipend	\$75	\$75	\$75	\$75	\$75
Total	**\$ 431,325**	**\$ 435,150**	**\$ 435,150**	**\$ 1,324,800**	**\$ 5,299,200**

Kinship Stipend SLI	
GF	\$4,500,000
TANF	\$500,000
SLI Total	**\$5,000,000**
Shortfall	**(\$299,200)**

[1] Sec. 8 of Division X

Table 2: FY 2021

	FY 2022
Caseload	5,725
Monthly Stipend	$74.45
Total	**$ 5,115,000**

Kinship Stipend SLI	
GF	$4,500,000
TANF	$500,000
SLI Total	**$5,000,000**
Shortfall	**($115,000)**

2. Licensed Foster Care Maintenance Expenditure Authority: The Department requests expenditure authority from the Licensed Foster Care Maintenance line item as Kinship Stipend placements are a direct offset to Licensed Foster Care Maintenance. If the kin were to become licensed, the placement costs would not be incurred in Kinship Stipend, but Licensed Foster Care.

Sincerely,

Reynaldo Saenz
Controller

Cc:

Mike Faust, Director, Arizona Department of Child Safety
Robert Navarro, Deputy Director, Arizona Department of Child Safety
Jonathan Perkins, Budget Analyst, Governor's Office of Strategic Planning and Budgeting
Blake Tonn, Budget Analyst, Governor's Office of Strategic Planning and Budgeting
Nicole Lovato, JLBC Analyst, Joint Legislative Budget Committee

3B

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlbc.gov

HOUSE OF REPRESENTATIVES

DATE: December 7, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Nicole Lovato, Fiscal Analyst

SUBJECT: Department of Child Safety - Review of FY 2021 Quarterly Benchmarks

Request

Pursuant to an FY 2021 General Appropriation Act footnote, the Department of Child Safety (DCS) is submitting for Committee review a report of quarterly benchmarks for assessing progress made in increasing the department's number of Full-Time Equivalent (FTE) Positions, meeting caseload standards for caseworkers, reducing the number of backlog cases and open reports, and reducing the number of children in out-of-home care.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

1) DCS has filled 1,242 out of 1,406 funded direct line staff positions (caseworkers and hotline), a decline of (93) positions, compared to September 2020.
2) The net decline includes a loss of 190 caseworkers offset by an increase of 104 staff in training.
3) Caseworker workload continues to be above the caseload standard.
4) The department had 1,879 backlog cases, exceeding DCS' benchmark by 879 cases.
5) According to DCS, the reporting overages are due to data migration issues and staff system training.
6) The department had 10,968 open reports, exceeding DCS' benchmark by 2,968 reports.

(Continued)

Analysis

DCS' benchmark report submissions include data through June 2021. The JLBC Staff has also included more recent data from DCS' November 2021 Monthly Operational and Outcomes Report.

Filled FTE Positions

Table 1 outlines DCS' progress in hiring caseworkers. DCS is funded for 1,406 caseworkers. As of September 2021, the department had filled 1,242 direct line positions, or (164) positions and (11.7)% below the benchmark. The number of filled positions decreased (93) compared to September 2020, including a decrease of (190) case-carrying caseworker positions, although the number of caseworkers in training has increased by 104 persons over the same time period.

Table 1

Caseworker Staffing Levels

Direct Line Staff Type	Benchmark	Sept. 2020	Dec. 2020	May 2021	Sept. 2021
Case-Carrying Caseworkers	1,190	1,022	1,006	912	832
Caseworkers in Training	140	239	196	201	343
Hotline Staff	76	74	78	74	67
Total	**1,406**	**1,335**	**1,280**	**1,187**	**1,242**

Caseload Standard

DCS' caseload standards for case-carrying caseworkers include the following number of cases per worker: 13 for investigations, 33 for in-home cases, and 20 for out-of-home cases. The FY 2021 General Appropriation Act footnote requires DCS to report the caseload for each DCS field office. Estimated caseworker caseload for individual offices can be found on page 5 and 6 of DCS' attached submission. DCS estimates that most field offices are above at least one of the caseload standards.

Backlog and Open Reports

The backlog is defined as non-active cases for which documentation has not been entered into the child welfare automated system for at least 60 days and for which services have not been authorized for at least 60 days. Open reports are either under investigation or awaiting closure by a supervisor. DCS is to have no more than 1,000 backlog cases and fewer than 8,000 open reports.

In June 2020, DCS had 95 backlog cases and 4,804 open reports, meeting both benchmarks. By June 2021, there were 1,879 backlog cases, or 879 cases over the benchmark. There are 10,968 open reports, which is 2,968 reports over the benchmark. DCS attributes these higher numbers to data migration issues in their data management system, Guardian, and staff system training. They also state they are working on testing and confirming their reporting, and more recent data after June 2021 will be available by December.

Out-of-Home Children

DCS' benchmark is to reduce the out-of-home population to keep the out-of-home population at or below 13,964 children. As shown in *Table 2*, the out-of-home population in September 2021 was 14,825, or 6.2% above the benchmark. Compared to September 2020, the out-of-home population increased by 639 children, or 4.3%. DCS states that the uptrend in population can be attributed to an increase in teacher reporting since children started returning to the classroom.

(Continued)

Table 2

Out-of-Home Population

	Sept. 2020	Nov. 2020	Jan. 2021	May 2021	Sept. 2021
Actual	14,186	14,512	14,529	14,810	14,825

NL:lm

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OCT 01 2021
JOINT BUDGET COMMITTEE

DEPARTMENT OF CHILD SAFETY

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

Report Date: September 30, 2021
Reporting Period: SFY2021, Quarter 4

INTRODUCTION

Pursuant to Laws 2020, Second Regular Session, Chapter 58, Section 14, the Arizona Department of Child Safety (DCS) is required to continue this report quarterly for data through June 2021. This will be the final report under this requirement. Pursuant to Laws 2021, First Regular Session, Chapter 408, Section 15, the Department is required to provide this report by February 2022 for the period covering July 2021 through December 2021 and again in August 2022 for the period covering January 2022 through June 2022.

COVID-19

Beginning the fourth quarter of SFY20 and through June 2021, the Department has been addressing the challenges presented by the COVID-19 pandemic. Despite this, DCS continued to accept reports of abuse and neglect, respond to those reports and maintain monthly contact by DCS Specialists with children in out-of-home care, families and caregivers. Although the approach to in-person contact has continually adjusted based on recommendations of local, state and federal authorities, DCS ensured it carried out its core mission to successfully engage children and families to ensure safety, strengthen families, and achieve permanency. Virtual visitation with children only occurred during the Governor's Executive Order 2020-18 (aka *Stay Home, Stay Healthy, Stay Connected)* which began in March 2020 through June 2020. However, DCS did extend *Virtual Contact with Parents and Children* on Tribal land at least through March 31, 2021. Revisions to in-person visitation guidelines were issued in January 2021 along with a guide for medical providers regarding children in DCS care. As of June 2021, modifications to guides involving meetings and personal contact were updated. DCS Specialists and other staff were able to meet with families and children in person but with precautions to ensure the safety of children, families and staff. Guidance on vaccinations for youth were issued in May and June 2021.

PROGRESS SUSTAINING OPEN REPORTS, INACTIVE CASES, & IMPROVING CASELOADS

DCS maintained the inactive cases well below the legislative benchmark of 1,000 since April 2017. Regrettably, the inactive cases rose above the benchmark during this period, mostly attributable to barriers in Guardian closing assessments. In March 2017, DCS fell below the legislatively required benchmark of 1,000 inactive cases. From a peak of 16,014 in January of 2015, the Department had only 303 inactive cases as of March 31, 2021, representing a 98 percent decrease. As of June 30, 2021, there were 1,879 inactive cases. While this still represents a significant decrease from March 2017 (88.3 percent), the Department is addressing this trend. To address a return to higher numbers of inactive cases and to help improve caseloads, the Department uses performance management and other elements of the management system. DCS employed several sustainment measures to ensure inactive cases remain well below the benchmark. These include the implementation of performance management metrics to monitor and control the total number of open reports and the percentage of those reports that are overdue for investigation, completion and closure and the implementation of leader standard work to ensure routine follow-up.

The Department achieved the initial benchmark of less than 13,000 open reports six months ahead of the established target date in December 2016 when it reduced the number of open reports to 9,611. From a peak of 33,245 open reports in April 2015, the Department reduced that to 10,968 as of June 2021 (see Table 1) representing a 67 percent decrease. The benchmark was decreased to 8,000 starting the first quarter of SFY19 below which the Department has remained each reporting period until the third quarter of SFY21. This is primarily attributed to the transition from the previous child welfare information system (CHILDS) to the new system (Guardian) on February 1, 2021. Additionally, the Department has experienced an increase in reports to the Arizona Child Abuse Hotline as children returned to school and other settings in which mandated reporters now have more contact with potential victims. There were 3,013 reports of abuse or neglect in January 2021, which increased to 4,047 in May 2021. During the previous seven quarters, the Department averaged approximately 6,900 open reports; well under the benchmark. The challenges experienced during the transition to Guardian is multi-faceted. Data migration from CHILDS to Guardian resulted in some reports being migrated as "open" when in fact they were closed in CHILDS. There were also technical problems blocking the closure of reports in Guardian; this was resolved by June 2021 but still had an impact on reports. Beyond technical issues, DCS staff continue adjusting to a new system and their proficiency in using Guardian was not optimal during the first eight weeks following the go-live date.

DCS HR continues its efforts to hire and place DCS Specialists at a rate equal to or greater than departures from the Department. Sustained staffing levels help contribute to the reduced number of inactive cases, total open reports, and foster care population. Despite these efforts, DCS had a significant lack of resumes during the reporting period until Governor Ducey rejected the extra $300 a week in federal unemployment benefits. Employers across the state are reportedly experiencing the same challenge with a lack of candidates for open positions. This lack of applicants for DCS Child Safety Specialists has created an increase in the average caseload as exiting staff are outpacing new applicants and new hires and thus the number of investigations or out-of-home children per worker has increased.

PROGRESS MADE REDUCING THE OUT-OF-HOME POPULATION

The Department continues its efforts to maintain a safe reduction in the historical out-of-home foster care population. The Department experienced a slight increase in the number of children (335) in OOH care in the fourth quarter of SFY21 compared to the third quarter of SFY21. The total OOH population includes all youth ages zero (0) through the age of twenty (20). As mentioned above, the Department has experienced an increase in the number of reports made to the Hotline. When compared by month year over year, this has increased from 3,015 in April 2020 to 4,158 in April 2021. The number of children entering OOH care in the fourth quarter of SFY21 (2,107) exceeded the number of children exiting care (1,845) during the same period. While the Department is over the established legislative benchmark of 13,964, for the number of children in OOH care, it is important to note the number of youth in extended foster care (i.e. 18-20 year olds) continues to increase from 805 in March 2019 to 1,170 in June 2021. The Department has been intentionally seeking this increase for this particular population. A strategic initiative was implemented to increase the successful transition of youth to adulthood, which includes providing more youth over the age of eighteen with independent living services and supports. Additionally, the Response and Relief Supplemental Appropriations Act passed in 2020 permits states to allow qualified young adults to utilize Title IV-E funds on housing, education, employment and other needs. Additionally, youth who are currently in the Extended Foster Care program and will be turning 21 can continue to stay in the program after age 21 until September 30, 2021. For youth who exited foster care at age 21 as of January 27, 2020 and through April 20, 2021, they are eligible to re-enter the program until September 30, 2021.

By slowing the entry rate and sustaining performance for children exiting care, the Department has been able to maintain a safe reduction of the foster care population since its historical high of 19,044 in 2016 to 14,683 in June 2021 representing a 23% decrease. The reduction in the number of children in out-of-home care is the result of several factors, including but are not limited to, additional standardized process tools including supervisory administrative and case progress review checklists, standardized safety discussion guides, and training staff to better engage a family's network to maintain children safely in the home. Improved response times contribute to the reduction of children entering care as this enables DCS Specialists to make decisions that will help support families, provide services in a timely manner and avoid entry into care. In addition, this safe reduction in the number of children in out-of-home care is highlighted by no significant change in the re-entry rate for children who left care within the past 12 months.[1]

Through the continued application of monthly clinical staffings on reunification cases using a standardized process, ongoing workers have been able to maintain the rate of children exiting care. By way of these standard process activities, the Department has safely maintained a reduction of the out-of-home care population during SFY2020 and SFY2021.

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

Table 1 – Benchmark Performance

		Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Inactive Cases [1, 2]									
	Benchmark (less than)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	Actual	177	308	216	95	93	237	303	1,879
Inactive Cases by disposition									
	Investigation Phase	149	271	188	81	78	208	261	984
	Out-of-Home Cases	3	5	3	0	0	1	3	294
	In-Home Cases	25	32	25	14	15	28	39	601
Number of Open Reports									
	Benchmark (less than)	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
	Actual	7,569	7,326	6,973	4,804	6,457	6,290	9,153	10,968
Number of Out-of-Home Children									
	Benchmark (less than)	13,964	13,964	13,964	13,964	13,964	13,964	13,964	13,964
	Benchmark (% reduction)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Actual	14,223	14,142	14,209	14,152	14,367	14,475	14,600	14,683

Footnotes

[1] Number of inactive cases is the actual figure as of the last day of the reporting period.

[2] The Department is examining the methodology used to identify inactive cases in Guardian to validate the accuracy of this data. This element will be updated and resubmitted in future iterations of this report.

Tables 2 and 3 show the caseload by section (field office) for investigations, out-of-home children, and in-home cases. Investigations are the number of open reports assigned to each office. Out-of-home represents the number of children in ongoing cases assigned to each office. In-home cases represents the number of cases assigned to each office.

Table 2 – Headcount and Caseload Performance *(SFY21-Third Quarter)(updated)*

			Quarter 3 FY 2021							
			FTE		Workload					
Region [1]	Section #	Section name	Investigators	Case Managers	# Open Reports (investigations)	# of In home cases	# of Out-of-Home Children [2]	Investigation (reports per worker)	In Home (cases per worker)	Out of Home (children per worker)
Maricopa-East (10)	3	Osborn	12	12	391	---	570	31	---	46
	4	In Home	---	41	16	384	23	0.4	9	0.6
	5	Mesa	16	16	296	---	565	18	---	34
	6	Gilbert	15	15	603	---	496	41	---	33
	7	Tempe	14	14	429	---	466	31	---	33
	8	South Mountain	15	15	343	---	450	23	---	30
	9	North Central	16	16	529	---	509	33	---	32
	10	Permanency - South Mountain	---	43	1	---	1365	0	---	32
South (20)	1	Eastside Loop	9	17	202	---	273	23	---	16
	2	Tucson North - Oracle	14	14	412	---	436	30	---	32
	3	Tucson South - Valencia	8	16	173	---	418	21	---	26
	5	Madera A - 4th Ave.	17	17	128	---	309	7	---	18
	6	Permanency - Alvernon	0	34	0	---	614	---	---	18
	7	Alvernon	15	15	254	---	411	17	---	27
	8	Cochise County	11	11	178	---	171	16	---	15
	9	Madera C / Nogales	14	18	203	---	328	15	---	18
	10	In Home	0	30	13	227	74	0	8	2
	11	Yuma	13	13	212	88	262	17	22	21
Northwest (30)	0	Regional Office	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	1	Prescott/Prescott Valley	13	13	227	69	161	17	17	12
	3	Coconino County / Cottonwood	13	13	212	---	276	16	---	21
	4	Bullhead City/Lake Havasu	12	12	114	38	242	10	7	21
	5	Kingman	9	18	134	---	516	15	---	29
Northeast (40)	3	Globe / Payson / Safford	8	15	113	36	246	15	18	17
	4	St. Johns/Winslow/Show low	5	9	104	1	131	22	2	15
	5	Apache Junction/Kearney	16	16	297	59	526	18	13	32
	6	Casa Grande/Coolidge	18	18	363	48	547	20	14	30
Maricopa-West (50)	1	AHIT	26	---	9	---	2	0	---	---
	3	In Home	0	41	33	462	27	1	11	1
	4	Thunderbird	14	14	480	---	422	33	---	29
	5	Peoria	15	15	358	---	432	24	---	28
	6	Glendale/Durango	19	19	167	---	557	9	---	29
	7	Avondale/Advocacy	18	18	232	---	591	13	---	33
	8	Permanency	---	48	0	---	1129	---	---	24
	12	West 101	18	18	314	---	527	18	---	30
	13	Pinnacle Peak	13	13	340	---	403	26	---	30
105, 106 - Other	various	OCWI, GH/FH, Other	61	---	1273	---	125	21	---	---

- As of Q1 SFY 2019, Specialists in a trainee status are accounted for in FTE figures in each section with an equal distribution of 66% caseload.

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

- IH cases assignments differ Regionally. Maricopa East, Maricopa West and South Regions employ specific IH units who manage IH cases only. Northwest Region has two units assigned to manage IH cases, Northeast Region has mixed units that may carry IH, Investigations and/or OOH cases. Section 11 in South Region (Yuma) has workers assigned to carry IH cases.

- FTE assignments to investigations or case management are based on assignment of 50% investigative and 50% ongoing in all Regions, except for Sections 3 and 4 in Northeast Region, Section 5 of Northwest Region, and Sections 1, 3 and 9 of the South Region which employ a distribution of 34% Investigations and 66% ongoing. The South distribution was updated the first quarter of SFY 2021.

- Data for the fourth quarters of SFY 2021, will be updated in the next version of the report due in February 2022 which will be a semi-annual report pursuant to Laws 2021, First Regular Session, Chapter 408, Section 15. The Department continues to diligently address data quality issues and will continue to update data as issues are identified and resolved. This data element will be updated and resubmitted in future iterations of this report.

- With the implementation of Guardian, in the fourth quarter of SFY 2021, high profile investigations in Northwest Region are assigned to Specialists in the Regional Office. Data for prior periods will not include regional office assignments.

Table 3 – Headcount and Caseload Performance (*SFY21-Fourth Quarter*)

			Quarter 4 FY 2021							
			FTE		Workload					
Region[1]	Section #	Section name	Investigators	Case Managers	# Open Reports (investigations)	# of In home cases	# of Out-of-Home Children[2]	Investigation (reports per worker)	In Home (cases per worker)	Out of Home (children per worker)
Maricopa-East (10)	3	Osborn	14	14	530	---	440	37	---	31
	4	In Home	---	40	78	322	26	2	8	1
	5	Mesa	14	14	323	---	592	22	---	41
	6	Gilbert	17	17	719	---	540	41	---	31
	7	Tempe	11	11	599	---	317	53	---	28
	8	South Mountain	14	14	373	---	494	27	---	35
	9	North Central	16	16	747	---	485	47	---	31
	10	Permanency - South Mountain	---	42	---	---	1459	0	---	35
South (20)	1	Eastside Loop	8	16	248	---	314	30	---	20
	2	Tucson North - Oracle	15	15	411	---	416	27	---	27
	3	Tucson South - Valencia	8	15	192	---	423	24	---	28
	5	Madera A - 4th Ave.	17	17	145	---	272	9	---	16
	6	Permanency - Alvernon	0	32	1	---	694	---	---	21
	7	Alvernon	15	15	246	---	400	16	---	26
	8	Cochise County	10	10	192	---	210	18	---	20
	9	Madera C / Nogales	13	17	251	---	361	19	---	21
	10	In Home	0	31	22	218	96	0	7	3
	11	Yuma	13	13	244	71	260	19	18	20
Northwest (30)	0	Regional Office	1	1	4	58	0	4	---	0
	1	Prescott/Prescott Valley	11	11	278	58	195	24	13	17
	3	Coconino County / Cottonwood	12	12	248	---	297	20	---	24
	4	Bullhead City/Lake Havasu	10	10	181	46	181	19	8	19
	5	Kingman	9	17	116	---	554	13	---	32
Northeast (40)	3	Globe / Payson / Safford	5	10	173	25	241	33	13	24
	4	St. Johns/Winslow/Show low	4	8	161	8	128	40	8	16
	5	Apache Junction/Kearney	14	14	464	84	555	33	21	39
	6	Casa Grande/Coolidge	18	18	505	21	594	29	7	34
Maricopa-West (50)	1	AHIT	25	---	2	---	3	0	---	---
	3	In Home	0	38	26	431	20	1	11	1
	4	Thunderbird	15	15	515	---	439	34	---	29
	5	Peoria	16	16	392	---	426	25	---	27
	6	Glendale/Durango	19	19	219	---	599	11	---	31
	7	Avondale/Advocacy	19	19	284	---	473	15	---	25
	8	Permanency	---	46	---	---	1258	---	---	28
	12	West 101	16	16	404	---	485	25	---	30
	13	Pinnacle Peak	13	13	267	---	402	20	---	31
105, 106 - Other	various	OCWI, GH/FH, Other	63	---	1408	---	34	22	---	---

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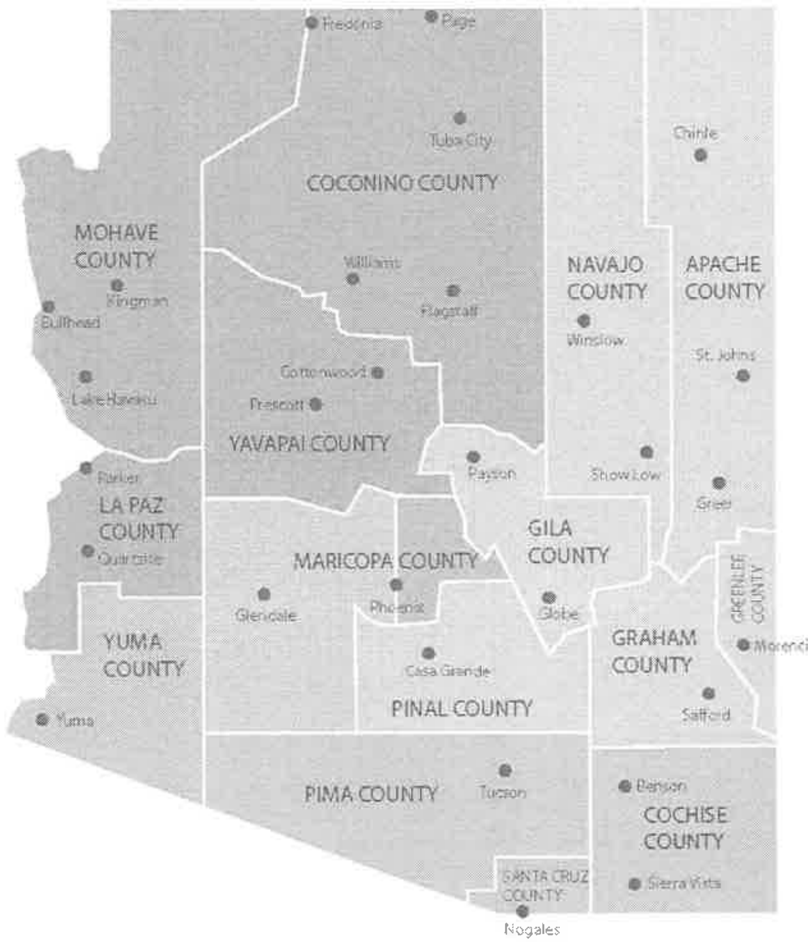
Attachment A

ARIZONA
DEPARTMENT
of CHILD SAFETY



Revised 06.18.19

Regional Map

NORTHWEST REGION

Coconino, Mohave, La Paz and Yavapai Counties

NORTHEAST REGION

Apache, Graham, Greenlee, Gila, Navajo and Pinal Counties

MARICOPA - WEST

Maricopa County - West of 7th Avenue

MARICOPA - EAST

Maricopa County - East of 7th Avenue

SOUTH REGION

Cochise, Pima, Santa Cruz, and Yuma Counties

OFFICE OF CHILD WELFARE INVESTIGATIONS

Statewide

CHILD ABUSE HOTLINE-1-888-SOS-CHILD

1-888-767-2445

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: December 7, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Rebecca Perrera, Assistant Director

SUBJECT: JLBC Staff - Consider Approval of Index for Arizona Department of Administration - School Facilities Division Construction Costs

Request

A.R.S. § 41-5741D3(c) requires that the cost-per-square-foot factors used in the Arizona Department of Administration (ADOA) School Facilities Division (SFD) new school construction formula "shall be adjusted annually for construction market considerations based on an index identified or developed by the Joint Legislative Budget Committee (JLBC) as necessary but not less than once each year."

Committee Options

The Committee has at least the following options:

1. Approve a 6.63% adjustment in the cost-per-square-foot factors. The adjustment is based on the Rider Levett Bucknall (RLB) Phoenix construction cost index, which the Committee has used since 2013. *(See Table 1)*
2. A different adjustment factor. ADOA has not offered a recommended adjustment.

Table 1

Cost-Per-Square-Foot Amounts

	K-6	7-8	9-12
Current Cost-Per-Square Foot Amounts	$ 270.24	285.30	330.30
Committee Option - Phoenix Construction Index (6.63%)	288.16	304.22	352.20

(Continued)

Key Points

1) JLBC is annually required to adjust SFB new construction cost-per-square-foot factors.
2) Based on a local Phoenix construction cost index, prices have increased by 6.63% in the last year.
3) The Committee has used this same index for the last 8 years.
4) The adjustment applies to 2 new FY 2023 schools at a projected $2 million cost.

Analysis

Background Information

Statute establishes funding amounts per-square-foot of space for new construction for grades K-6, 7-8, and 9-12. SFD may adjust the formula based on geographic or site conditions as defined in statute. Statute requires that the Committee adjust the cost-per-square-foot amounts at least once per year.

Apart from the Committee's annual inflation adjustment, the FY 2022 budget increased the cost-per-square-foot factors by 60% to address longer term construction market changes in school building standards, design, and technology requirements.

Adjustment Options

The Committee has used the RLB Phoenix construction cost index methodology since 2013. Since the Committee last approved an adjustment in December 2020, the RLB index has increased by 6.63%. In comparison, the Phoenix Consumer Price Index (CPI) increased by 3.19% in the same time period. The Phoenix CPI is not specifically related to construction costs.

Fiscal Impact

Statute requires SFD to apply the latest Committee-approved rates to any schools approved during that year for new construction. SFD is next scheduled to award new schools on December 15, 2021. We project that SFD would award 2 new schools in this cycle: a Nadaburg Unified 9-12 school and a Pima Unified 7-12 school.

Based on preliminary estimates, a 6.63% increase would result in $2.0 million in total additional costs for these projects that would be authorized for FY 2023 *(see Table 2)*. These additional costs listed below would likely be spread over 2 fiscal years, as recent projects have been funded on a 2-year construction timeline. If SFD's list of approvals changes at their December 15 meeting, we will update the $2.0 million estimate.

Table 2

Fiscal Impact on FY 2023 New Construction Projects [1/2/]

School District	Current Rates	6.63% Increase (RLB)
Nadaburg USD (9-12)	22,130,400	23,597,600
Pima USD (7-12) (Rural)[3/]	8,409,000	8,966,500
Total	**$30,539,400**	**32,564,100**
Increase from Current Rates		*$2,024,700*

1/ Reflects the long-term new school construction cost estimates used in the enacted budget, based on SFD conceptual approvals as of June 2021.
2/ Amounts exclude land costs which are not impacted by the adjustment.
3/ Rates are increased by 5% for rural school districts.

RP:kp