

STATE OF ARIZONA

## Joint Legislative Budget Committee

STATE  
SENATE

DON SHOOTER  
CHAIRMAN 2014  
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GAIL GRIFFIN  
JOHN McCOMISH  
AL MELVIN  
LYNNE PANCRAZI  
ANNA TOVAR  
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PHOENIX, ARIZONA 85007

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HOUSE OF  
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JOHN KAVANAGH  
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MICHELLE UGENTI

### JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, December 17, 2013

1:00 P.M.

House Hearing Room 4

### MEETING NOTICE

- Call to Order
- [Approval of Minutes of October 29, 2013.](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION
  - A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
  - B. JLBC Annual Performance Review per Rule 7.
- 1. ARIZONA DEPARTMENT OF ADMINISTRATION
  - A. [Review of Automation Projects Fund Expenditures.](#)
  - B. [Review of Requested Exchange of Automation Project Fund Transfers and Report on AFIS Charge.](#)
- 2. [ATTORNEY GENERAL - Review of Plan to Transition Capital Postconviction Prosecution Responsibility to Maricopa County.](#)
- 3. [JLBC STAFF - Consider Approval of Index for School Facilities Board Construction Costs.](#)
- 4. [SECRETARY OF STATE - Review of FY 2009 Records Services Fund Spending Plan.](#)

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

12/10/13

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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.



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### MINUTES OF THE MEETING

#### JOINT LEGISLATIVE BUDGET COMMITTEE

October 29, 2013

The Chairman called the meeting to order at 1:02 p.m., Tuesday, October 29, 2013, in House Hearing Room 4. The following were present:

Members:	Representative Kavanagh, Chairman	Senator Shooter, Vice-Chairman
	Representative Alston	Senator Cajero Bedford
	Representative Kwasman	Senator McComish
	Representative Lesko	Senator Melvin
	Representative Mach	Senator Pancrazi
	Representative Olson	Senator Tovar
	Representative Ugenti	Senator Yarbrough
Absent:	Representative Gowan	Senator Griffin

#### APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of August 20, 2013, Chairman John Kavanagh stated that the minutes would stand approved.

#### ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Automation Projects Fund.

##### A. ADOA - Review of ASET Projects.

Mr. Ben Henderson, JLBC Staff, stated that this item is for review of a \$3.5 million expenditure plan from the Automation Projects Fund for information technology (IT) projects for the Arizona Strategic Enterprise Technology (ASET) Office in ADOA. The JLBC Staff presented options to the Committee.

Mr. Aaron Sandeen, Deputy Director, Arizona Department of Administration responded to member questions.

*Senator Shooter moved that the Committee give a favorable review of \$3.5 million in FY 2014 expenditures from the Automation Projects Fund for information technology (IT) projects for the Arizona Strategic Enterprise Technology (ASET) Office in ADOA, with the following provisions:*

(Continued)

1. *Should there be significant changes in the proposed costs, technology approach, scope of work, or implementation schedule, as a result of the evaluation and selection process, the Security, Privacy, and Risk (SPR) team within ADOA-ASET must amend the Project Investment Justification (PIJ) to reflect the changes and submit the updated PIJ to the ADOA-ASET Strategic Oversight team for review, and approval as necessary.*
2. *The Committee requested that ADOA provide an update to members on the membership of the Information Technology Authorization Committee (ITAC) including their plans to fill existing vacancies.*

The motion carried.

### **B. ADOA/DOR - Review of DOR Information Technology Projects.**

Mr. Eric Billings, JLBC Staff, stated that this item is for review of \$6.6 million in proposed FY 2014 expenditures from the Automation Projects Fund for IT projects at the Arizona Department of Revenue (DOR). The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review of \$6.6 million in FY 2014 expenditures from the Automation Projects Fund for IT projects at the Arizona Department of Revenue, with the following provisions:

1. *DOR and ADOA-ASET Information Security group agree to work together towards a common goal of updating the Department of Revenue security profile. The ADOA-ASET Information Security group will provide resources to DOR to support their efforts during this project.*
2. *ADOA-ASET is to report back to JLBC Staff regarding their findings relating to the DOR security profile by March 31, 2013.*

The motion carried.

### **3. ADOA/DEQ - Review of Department of Environmental Quality Phase 1**

Ms. Micaela Larkin, JLBC Staff, stated that this item is for review of \$5.0 million in proposed FY 2014 expenditures from the Automation Projects Fund for Phase 1 of the development of a web portal for the Department of Environmental Quality (DEQ). The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review of \$5.0 million in proposed FY 2014 expenditures from the Automation Projects Fund for Phase 1 of the development of a web portal for the DEQ, with the following provisions:

1. *DEQ will demonstrate project progress to ADOA-ASET, on a continual base through the following items:*
  - *DEQ will produce a key accomplishments plan for the life of the project and report on any achievement of key accomplishment during predefined reporting periods not to exceed 2 months.*
  - *DEQ shall make initial monthly projections of expenditures for the entire fiscal year. DEQ shall report the projections and the actual expenditures for each month, on a monthly basis, to the ASET Division.*
2. *Additional funding beyond FY 2014 is contingent upon an independent third party review addressing the feasibility of the entire project's design and estimated costs. ADOA and DEQ would collaborate*

(Continued)

*to determine the most appropriate mechanism to conduct the third party review. ADOA shall notify JLBC Staff by November 29, 2013 as to their recommended process for the review. Any third party review findings shall be provided to the JLBC by February 28, 2014.*

The motion carried.

#### **4. ADOA/ADE - Review of Arizona Education Learning and Accountability System**

Mr. Ben Henderson, JLBC Staff, stated that this item is for review of \$3.7 million in proposed FY 2014 expenditures from the Automation Projects Fund for 3 projects related to the development of the Arizona Education Learning and Accountability System (AELAS) at the Arizona Department of Education (ADE). The JLBC Staff presented options to the Committee.

*Senator Shooter moved that the Committee give a favorable review of \$3.7 million in proposed FY 2014 expenditures from the Automation Projects Fund for 3 projects related to the development of AELAS at ADE with the following provisions:*

##### *Student Longitudinal Data System (SLDS) - AZ Education Data-driven Decision System (AzED<sup>3</sup>S)*

- 1. ADE must establish a mechanism to ensure that a PIJ is submitted for review, and approved by the ASET office within ADOA, and ITAC as required, prior to any and all expenditures in the amount of \$25,000 or more, on IT or telecommunications-related hardware, software, or services, in accordance with A.R.S. § 41-3504 and A.R.S. § 41-3521.*
- 2. Given the significant investment that has already been made in the technology approach, ADE may continue to build upon the web-based reporting framework and dashboards that have been piloted with 11 Local Education Agencies (LEAs). Prior to deployment beyond the pilot group, further collaboration and approval by ASET will be required to ensure that the web-based initiative will comply with proposed statewide standards.*
- 3. As part of the overall acceptance testing, ADE shall conduct a vulnerability assessment to verify that the proposed web-based components have been configured securely, in compliance with statewide security policies and standards, and in accordance with industry best practices. Based on the results of that assessment, ADE may be required to address identified security and/or privacy flaws prior to statewide deployment, and/or to establish a verifiable remediation plan for less serious issues noted during the security testing/evaluation process.*
- 4. Given the assigned Project Manager is not State of Arizona certified, ADOA will provide additional project oversight to ensure that ASET-specific requirements for ITAC approved projects are met.*

##### *AELAS - Student Information System (SIS) Opt In*

- 5. ADE may proceed to issue a Request for Proposal (RFP) for a vendor-hosted commercial off-the-shelf (COTS) Student Information System (SIS). However, ADE may not award a contract or expend funds until a full PIJ is submitted reflecting the results of the solicitation, including any change in proposed costs, technology approach, scope of work, or implementation schedule, and ASET has reviewed and approved the full and final PIJ.*
- 6. An operational funding source must be identified, and review and approval of the full PIJ by ITAC, in Executive Session if applicable, may be required prior to award.*

##### *AELAS - Security Access*

- 7. ADE may proceed with the design, development and implementation of the proposed solution, however should there be significant differences in the scope of work, costs, implementation schedule, or proposed technology, ADE must amend the PIJ to reflect the changes and submit it to ASET for review and approval prior to further expenditure of funds.*

##### *General*

- 8. ADOA update the status of its recommended ITAC/ASET provisions as parts of its quarterly Automated Project Fund Report.*

The motion carried.

(Continued)

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

Mr. Eric Billings, JLBC Staff, stated that this item is for review of the Department of Public Safety's (DPS) entire FY 2014 expenditure plan for the GIITEM Fund Border Security and Law Enforcement Subaccount prior to expenditure. The JLBC Staff presented options to the Committee.

Mr. Phil Case, Budget Director, DPS, responded to member questions.

Colonel Timothy Chung, DPS, responded to member questions.

*Senator Shooter moved that the Committee give a favorable review to the DPS proposal. The motion carried.*

**AHCCCS/DEPARTMENT OF HEALTH SERVICES/DEPARTMENT OF ECONOMIC SECURITY - Review of Proposed Capitation Rate Changes.**

Ms. Amy Upston, JLBC Staff, stated that this item is to review the Arizona Health Care Cost Containment System (AHCCCS), Department of Health Services and Department of Economic Security capitation rate changes prior to implementation. The JLBC Staff presented options to the Committee.

Ms. Shelli Silver, Assistant Director, Division of Health Care Management, AHCCCS, responded to member questions.

*Senator Shooter moved that the Committee give a favorable review to the proposed capitation rate changes. The motion carried.*

**AUTOMOBILE THEFT AUTHORITY - Review of the Proposed Expenditures from the Reimbursable Programs Special Line Item.**

Mr. Eric Billings, JLBC Staff, stated that this item is for review of a report outlining any proposed expenditures from the Reimbursable Programs Special Line Item submitted by the Automobile Theft Authority (ATA). The JLBC Staff presented options to the Committee.

*Representative Kavanagh moved that the Committee give a favorable review of ATA's proposal to expend \$10,000, donated by the National Insurance Crime Bureau, in FY 2014 to support the Arizona Vehicle Theft Task Force in an ongoing investigation. The motion carried.*

**JLBC STAFF - Review of Agency Legal Services Charges.**

Mr. Matt Gress, JLBC Staff, stated that this item is for review of agency funding sources for the Attorney General (AG) legal services charges for general agency counsel.

*Senator Shooter moved that the Committee give a favorable review of the fund source reports for the AG legal services charges. The motion carried.*

**ARIZONA DEPARTMENT OF ADMINISTRATION - Review of the Arizona Public Safety Communication Advisory Commission.**

Mr. Ben Henderson, JLBC Staff, stated that this item is to review the Arizona Department of Administration's (ADOA) FY 2013 annual report of expenditures and progress for the Arizona Public Safety Communication Advisory Commission statewide interoperability design project.

Mr. Justin Turner, Statewide Interoperability Coordinator, ADOA, responded to member questions.

Senator Shooter moved that the Committee give a favorable review of the commission's FY 2013 annual report for the statewide interoperability design project, with the following provisions:

1. *By March 28, 2014, ADOA provide the Committee for its review, an update on the status of the \$3.0 million grant from the State and Local Implementation Grant program associated with the National Public Safety Broadband Network Initiative.*
2. *ADOA submit quarterly reports to the JLBC Staff on the progress of the State and Local Implementation Grant program.*

The motion carried.

**EXECUTIVE SESSION**

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

At 1:56 p.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 2:48 p.m. the Committee reconvened into open session.

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

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

- *Haynes v. University of Arizona*
- *White/Pierce v. State of Arizona*

The motion carried.

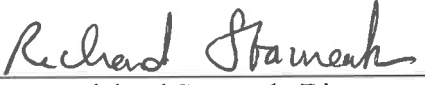
**B. Arizona Department of Administration - Risk Management Annual Report**


This item was for information only and no Committee action was required.

Without objection, the meeting adjourned at 2:56 p.m.

Respectfully submitted:

  
\_\_\_\_\_  
Kristy Paddack, Secretary

  
\_\_\_\_\_  
Richard Stavneak, Director

  
\_\_\_\_\_  
Representative John Kavanagh, 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>.



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DATE: December 10, 2013

TO: Representative John Kavanagh, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RS*

FROM: Ben Henderson, Fiscal Analyst *BH*

SUBJECT: Arizona Department of Administration - Review of Automation Projects Fund  
Expenditures

### Request

Pursuant to A.R.S. § 41-714, the Arizona Department of Administration (ADOA) has requested that the Committee review \$3.4 million in proposed FY 2014 expenditures from the Automation Projects Fund for information technology (IT) projects for the Arizona Strategic Enterprise Technology (ASET) Office in ADOA.

### Recommendation

The Committee has at least the following 2 options:

1. A favorable review.
2. An unfavorable review.

All projects have received relevant approvals from ASET staff through the Project Investment Justification (PIJ) process. The JLBC Staff recommends that the JLBC consider adopting the ASET provisions as part of its review.

ASET approved the "Shared Services, Cloud Computing" project, the "Firewall Security" project, as well as the "Cloud Security" project, with the following conditions:

- A) As a result of further planning and implementation efforts, should there be significant changes in the proposed costs, technology approach, scope of work, or implementation schedule, ADOA-ASET must amend the PIJ to reflect the changes and submit the updated PIJ to the ADOA-ASET Strategic Oversight team for review, and approval as necessary.

(Continued)



- B) ADOA-ASET must ensure that the appropriate levels of security controls are in place prior to the migration of any service offerings that may involve sensitive, confidential or Personally Identifiable Information (PII) data to the cloud.

## **Analysis**

### Background

The FY 2013 Government Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 298) established the Automation Projects Fund, consisting of monies appropriated by the Legislature and administered by ADOA. The FY 2014 Budget Procedures BRB (Laws 2013, 1<sup>st</sup> Special Session, Chapter 6) subjected the Automation Projects Fund to legislative appropriation, retroactive to June 30, 2013. Monies deposited into the fund are exempt from lapsing. Monies in the fund are to be used to implement, upgrade or maintain automation and IT projects for any state agency. Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit an expenditure plan to the JLBC for review.

### Automation Project Oversight

In addition to the JLBC review of Automation Projects Fund expenditures, all IT projects over \$25,000 are reviewed by ASET through the PIJ process. If an IT project exceeds \$1 million statute requires additional approval by the Information Technology Authorization Committee (ITAC). ITAC consists of members from both the public and private sectors and is staffed by ADOA. If a project funds internal staff or training, neither ITAC nor ASET approval is required.

### Current Request

ADOA is requesting a review of \$3.4 million from the Automation Projects Fund for FY 2014 projects at the ASET Office in ADOA, as follows:

- |                               |             |
|-------------------------------|-------------|
| • State Data Center           | \$1,955,000 |
| • Security, Privacy, and Risk | \$1,150,000 |
| • Project Management          | \$300,000   |

### State Data Center

ADOA's ASET office operates and maintains the state's Data Center, which currently provides services to more than 140 customers, including numerous state agencies as well as Hawaii's Medicaid Program. The FY 2014 General Appropriation Act appropriated \$2.7 million to ADOA for projects related to the state's Data Center. ADOA is currently requesting review of projects totaling \$2.0 million. The current \$2.0 million request would fund 4 projects, as follows:

#### **Disaster Recovery Storage (1)**

The first project is estimated to cost \$680,000 and would fund a backup storage system in the Department of Economic Security's (DES) Data Center.

#### **Disaster Recovery Storage (2)**

The second project is estimated to cost \$300,000 and would fund additional facilities' enhancements related to disaster recovery storage as a continuation on last year's state Data Center remodel.

#### **Shared Services, Cloud Computing**

The third project is estimated to cost \$3.5 million. Of this amount, the Automation Projects Fund would finance \$800,000 while the remaining amount would be financed from the Automation Operations Fund.

This project would fund the migration of 12 key functions into a vendor-hosted "cloud" network to improve customer needs, reduce risk, and establish a more sustainable cost structure. Cloud computing is

(Continued)

a term used to describe when information is stored in a vendor-hosted remote location, while the user of that information remains on site.

The project would incur all costs within FY 2014, however, the project is not estimated to be completed until the end of the second quarter of FY 2015. ASET plans to use funds from their FY 2015 operating budget to complete the project in FY 2015.

#### **Facilities Enhancement**

The fourth project is estimated to cost \$175,000 and would replace outdated electrical cables used in the state Data Center that are no longer compliant with certain electrical codes and may pose potential fire hazards.

#### **Security, Privacy, and Risk**

ADOA's ASET Office is responsible for directing and training state agencies in regards to information security and protection against cyber attacks. The FY 2014 General Appropriation Act appropriated \$3.1 million to ADOA for projects related to Security, Privacy, and Risk. This Committee has previously given a favorable review to \$1,975,000 of this amount. ADOA is currently requesting review of projects totaling \$1,150,000. The current \$1,150,000 request would fund 2 projects, as follows:

#### **Firewall Security**

The first project is estimated to cost \$500,000 and would fund efforts to analyze and reduce potential security risks associated with the use of firewalls across state government.

#### **Cloud Security**

The second project is estimated to cost \$650,000 and would fund efforts to provide additional security protections for data and applications running in the cloud environment. This would also fund the migration of core security functions to the cloud.

#### **Project Management**

ADOA's ASET Office is responsible for approving and tracking all IT projects over \$25,000 through the PIJ process, and to assist state agencies with management and oversight of their various IT projects. The FY 2014 General Appropriation Act appropriated \$2.5 million to ADOA for Project Management. This Committee has previously given a favorable review to \$2.2 million of this amount. ADOA is currently requesting review of 1 project totaling \$300,000, for the remainder of the FY 2014 appropriation. The current \$300,000 request would fund the creation of a website to document and automate the oversight of IT projects that receive approval through the PIJ process. This project does not require PIJ or ITAC approval.

#### **Further Review**

The FY 2014 General Appropriation Act appropriated \$11.5 million to ADOA for ASET Projects. This Committee has previously given a favorable review to \$7.0 million of this amount. Following the current request to review an additional \$3.4 million, \$1.1 million will remain to be reviewed by JLBC at a later date, following the necessary PIJ and ITAC approvals, as follows:

- |                         |           |
|-------------------------|-----------|
| • State Data Center     | \$720,000 |
| • Web Portal Transition | \$445,000 |

RS/BHe:ts  
Attachment

## Attachment A – Automation Projects Fund Background

The FY 2013 General Appropriation Act (Laws 2012, Chapter 294, Section 124) appropriated a total of \$91,100,000 over 4 years for deposit into the Automation Projects Fund, primarily for the replacement of the state's financial and accounting system, the Arizona Financial Information System (AFIS). In the 2013 Legislative Session, the Legislature enacted a plan to allocate a portion of AFIS replacement costs to non-General Fund sources. As a result, the FY 2014 General Appropriation Act (Laws 2013, 1<sup>st</sup> Special Session, Chapter 1) reduced the Chapter 294 General Fund appropriation by \$16,998,000 over 4 years and replaced it with a one-time transfer totaling \$17,013,600 charged to other appropriated and non-appropriated funds for the replacement of AFIS. This charge represents a proportional contribution from the General Fund and all other funds, at an estimated 0.72% of FY 2014 expenditures. *Table 1* delineates the change in the Chapter 294 General Fund appropriation.

<b>Table 1</b> <b>Change in 4-year Chapter 294 General Fund</b> <b>Appropriation</b> (\$ in thousands)			
	<b>Chapter 294</b>	<b>Chapter 1</b>	<b>Difference</b>
FY 2013	16,800	16,800	0
FY 2014	20,000	18,400	(1,600)
FY 2015	20,000	18,400	(1,600)
FY 2016	<u>23,000</u>	<u>9,202</u>	<u>(13,798)</u>
<b>Total</b>	<b>79,800</b>	<b>62,802</b>	<b>(16,998)</b>

### Automation Projects Fund Revenues

Chapter 1 made additional transfers into the Automation Projects Fund in FY 2014 for various IT projects in ADOA, the Arizona Department of Corrections (ADC), the Arizona Department of Education (ADE), the Department of Environmental Quality (DEQ), and the Department of Revenue (DOR). These transfers totaled \$34,175,000, as shown in *Table 2*.

<b>Table 2</b> <b>Automation Projects Fund</b> (\$ in thousands)				
	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Beginning Balance</b>		5,225.1	8,075.7	(57.3)
<b>Revenues</b>				
General Fund Appropriation	16,800.0	18,400.0	18,400.0	9,202.0
General Fund Transfer		7,100.0		
Automation Charges		17,013.6		
ADOA Automation Operations Fund	4,200.0	8,130.0		
ADOA State Web Portal Fund	5,600.0	4,000.0		
ADOA Information Technology Fund	1,500.0	345.0		
ADC Inmate Store Proceeds Fund		5,500.0		
State DOC Revolving Fund		2,500.0		
DEQ Emissions Inspection Fund		5,000.0		
ADE Education Learning and Accountability Fund <sup>1/</sup>		1,600.0		
<b>Total Funds Available</b>	<b>28,100.0</b>	<b>74,813.7</b>	<b>26,475.7</b>	<b>9,144.7</b>
<b>Total Expenditures</b>	<b>22,874.9</b>	<b>66,738.0</b>	<b>26,533.0</b>	<b>9,202.0</b>
<b>Ending Balance</b>	<b>5,225.1</b>	<b>8,075.7</b>	<b>(57.3)</b>	<b>(57.3)</b>
<sup>1/</sup> In addition to \$1.6 million, the FY 2014 General Appropriation Act transferred all remaining balances in the Education Learning and Accountability Fund as of June 30, 2013, into the Automation Projects Fund for ADE's AELAS project.				

Janice K. Brewer  
Governor



Brian C. McNeil  
Director

**ARIZONA DEPARTMENT OF ADMINISTRATION**

**OFFICE OF THE DIRECTOR**

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

November 26, 2013

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

The Honorable Don Shooter, Vice-Chairman ✓  
Joint Legislative Budget Committee  
Arizona State Senate  
1700 West Washington Street  
Phoenix, Arizona 85007

Dear Representative Kavanagh and Senator Shooter:

In accordance with Arizona Revised Statutes § 41-714, the Arizona Department of Administration (ADOA) is submitting this request for review of fiscal year 2014 Automation Projects Fund projects. Monies to support the expenditure plan have already been appropriated to the Automation Projects Fund.

The attached document contains a detailed explanation of each proposed project. We will be happy to meet with your staff to provide further explanation as appropriate.

Sincerely,

  
Brian C. McNeil  
Director

Attachment

cc: Richard Stavneak      John Arnold  
Ben Henderson      Ken Matthews  
Clark Partridge      Aaron Sandeen  
Mike Smarik      Paul Shannon



## ADOA-ASET December 17 Requests

Agency-Division	Project	FY 14 Amount	JLBC Review	PIJ / ITAC Approval
ADOA-ASET	Disaster Recovery Site Storage Solution (Tape Subsystem)	\$ 680,000	<b>Dec. 17 - \$680,000 Request</b>	Approved
ADOA-ASET	Disaster Recovery Site Storage Solution (SDC Refresh)	\$ 300,000	<b>Dec. 17 - \$300,000 Request</b>	Not Required
ADOA-ASET	SDC Disaster Recovery Shared Services Platform	\$ 800,000	<b>Dec. 17 - \$800,000 Request</b>	Approved
ADOA-ASET	SDC Facilities Enhancement	\$ 175,000	<b>Dec. 17 - \$175,000 Request</b>	Approved
ADOA-ASET	Data Center Network Managing/Monitoring	\$ 500,000	<b>Dec. 17 - \$500,000 Request</b>	Approved
ADOA-ASET	Central Security Management	\$ 650,000	<b>Dec. 17 - \$650,000 Request</b>	Approved
ADOA-ASET	Statewide Automation & IT Project Management	\$ 2,450,000	<b>Dec. 17 - \$300,000 Request</b>	Not Required
<b>Total (December 17 Request)</b>			<b>\$ 3,405,000</b>	
<b>Total (Total FY14 Appropriated Budget)</b>			<b>\$ 66,738,000</b>	

### Remaining Unapproved

Agency-Division	Project	FY 14 Amount	Remaining	PIJ / ITAC Approval
ADOA-ASET	Web Portal Transition	\$ 1,975,000	\$445,000	
ADOA-ASET	State Data Center Disaster Recovery Site Storage Solution	\$ 1,700,000	\$720,000	

### State Data Center – Favorable Review Request – December 17

Project Name	FY14 Description	Project Budget	Fav. Rev. Req'd Amt.	PIJ/ITAC Status	JLBC Favorable Review Status
Disaster Recovery Site Storage Solution (1)	- Implement disaster recovery (DR) tape library - Implement virtual storage platform - Implement synchronization software & hardware	\$ 680,000	\$ 680,000	PIJ Approved	Pending
Disaster Recovery Site Storage Solution (2)	- During remodel, GSD identified \$300,000 in additional work requirements to complete projects.	\$ 300,000	\$ 300,000	PIJ Amendment Approved	Pending
Disaster Recovery Shared Services Platform	- Move services to cloud provisioning - Content management system for web platform - MySQL Databases - Windows SharePoint services, Office365, and Exchange	\$ 800,000	\$ 800,000	PIJ Approved	Pending
State Data Center Facilities Enhancement	- Enhance power cabling and connectivity management in SDC	\$ 175,000	\$ 175,000	PIJ Approved	Pending
<b>Total SDC</b>			<b>\$ 1,955,000</b>		

### Security Projects – Favorable Review Request – December 17

Project Name	FY14 Description	Project Budget	Fav. Rev. Req'd Amt.	PIJ/ITAC Status	JLBC Favorable Review Status
Data Center Network Managing/Monitoring	- Identify mission critical, at-risk web applications that use personally identifiable information (PII), personal health information (PHI) or sensitive data for service delivery - Implement perimeter firewalls - Identify at-risk agencies and implement perimeter firewall protection - Implement web application filtering to aid in the prevention of SQL injection attacks	\$ 500,000	\$ 500,000	PIJ Approved	Pending
Central Security Management	- Form multi-agency working group to assess cloud encryption offerings - Conduct Proof of Concept (POC) - Implement solution determined by POC - Implement web content filtering to remove malicious and unwanted sites - Implement server encryption solution	\$ 650,000	\$ 650,000	PIJ Approved	Pending
<b>Total SPR</b>			<b>\$ 1,150,000</b>		

### Statewide Automation & IT Project Management – December 17

Project Name	FY14 Description	Project Budget	Fav. Rev. Req'd Amt.	PIJ/ITAC Status	JLBC Favorable Review Status
Oversight Office Transformation	- Document, streamline and automate statewide IT oversight processes by implementing a public facing website to increase the transparency for State IT projects	\$2,450,000	\$ 300,000	Not Required	Pending
<b>Total PMO</b>			<b>\$ 300,000</b>		



STATE OF ARIZONA

## Joint Legislative Budget Committee

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MICHELLE UGENTI

DATE: December 10, 2013

TO: Representative John Kavanagh, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RS*

FROM: Matt Gress, Fiscal Analyst *MG*

SUBJECT: Arizona Department of Administration - Review of Requested Exchange of Automation  
Project Fund Transfers and Report on AFIS Charge

### Request

The FY 2014 General Appropriation Act requires Committee review of agency requests to transfer monies between their own funds in order to comply with Automation Project transfers required by this act. Arizona Department of Administration (ADOA), the Arizona Criminal Justice Commission (ACJC), Department of Health Services, State Mine Inspector, Supreme Court, and the Arizona Department of Transportation (ADOT) have requested Committee review of fund transfers.

Additionally, at its meeting on March 26, 2013, the Committee required ADOA to report on all agencies, excluding the Universities, who are not participating in the new Arizona Financial Information System (AFIS). ADOA reports that the Arizona Power Authority (APA), the Arizona Commerce Authority (ACA), the Public Safety Personnel Retirement System (PSPRS), the Arizona State Retirement System (ASRS) and the Early Childhood Development and Health Board (ECDHB) have elected not to use the new AFIS system in any way.

### Recommendation

The Committee has at least the following 2 options regarding the proposed fund transfers:

1. A favorable review of some or all of the proposed exchange of Automation Project Fund transfers.
2. An unfavorable review.

### Analysis

#### *Fund Transfer Exchanges*

Table 1 summarizes the requested fund transfer exchanges for each agency.

(Continued)

Table 1 Requested FY 2014 Fund Transfer Exchanges			
<u>Original Fund</u> <sup>1/</sup>	<u>Original Transfer Amount</u> <sup>2/</sup>	<u>Agency Proposed Fund</u> <sup>3/</sup>	<u>Revised Transfer Amount</u> <sup>4/</sup>
<b>Arizona Department of Administration</b>			
Stimulus Statewide Administration Fund	\$ 2,400	Capital Outlay Stabilization Fund	\$ 2,400
<i>Subtotal</i>	\$ 2,400	<i>Subtotal</i>	\$ 2,400
<b>Arizona Criminal Justice Commission</b>			
Drug and Gang Enforcement Fund	\$ 43,000	State Aid to Indigent Defense Fund	\$ 43,000
Victim Compensation and Assistance Fund	27,300	State Aid to Indigent Defense Fund	27,300
State Aid to County Attorneys Fund	7,000	State Aid to Indigent Defense Fund	7,000
Criminal Justice Enhancement Fund	4,500	State Aid to Indigent Defense Fund	4,500
Drug and Gang Prevention Resource Center Fund	1,700	State Aid to Indigent Defense Fund	1,700
<i>Subtotal</i>	\$ 83,500	<i>Subtotal</i>	\$ 83,500
<b>Department of Health Services</b>			
Nursing Care Institution Resident Protection Revolving Fund	\$ 300	Health Services Licensing Fund	\$ 300
<i>Subtotal</i>	\$ 300	<i>Subtotal</i>	\$ 300
<b>State Mine Inspector</b>			
Abandoned Mines Safety Fund	\$ 600	Aggregate Mining Reclamation Fund	\$ 600
<i>Subtotal</i>	\$ 600	<i>Subtotal</i>	\$ 600
<b>Supreme Court</b>			
Grants and Special Revenue Fund	\$ 11,700	Juvenile Probation Services Fund	\$ 11,700
Grants and Special Revenue Fund	171,900	Arizona Lengthy Trial Fund	171,900
<i>Subtotal</i>	\$183,600	<i>Subtotal</i>	\$183,600
<b>Arizona Department of Transportation</b>			
Railroad Review Fund	\$ 1,000	Railroad Corridor Acquisition Fund	\$ 1,000
<i>Subtotal</i>	\$ 1,000	<i>Subtotal</i>	\$ 1,000
<sup>1/</sup> Fund Source for transfers in budget. <sup>2/</sup> Amount for transfers in budget. <sup>3/</sup> Funds from which agencies are requesting transfers in order to accommodate the mandated transfer. <sup>4/</sup> Transfer amounts proposed by agency.			

ACJC has requested transferring \$83,500 from the State Aid to Indigent Defense Fund to the Automation Project Fund. The Legislature has not appropriated monies to ACJC from the State Aid to Indigent Defense Fund since FY 2011. These monies, however, have been appropriated to other agencies for other purposes. The State Aid to Indigent Defense Fund had a balance of \$935,000 at the end of FY 2013.

#### *AFIS Replacement – Non-Participating Agencies*

On March 26, 2013, the Committee gave a favorable review to the Arizona Department of Administration's (ADOA) \$70 million expenditure plan for the replacement of the state's financial and accounting system, the Arizona Financial Information System (AFIS). During this meeting the Committee required ADOA to report on all agencies, excluding the Universities, that are not participating in the new AFIS system.

(Continued)

ADOA has reported that there are 3 agencies that will not use the new AFIS system in any way. These agencies include:

1. Arizona Power Authority (APA)
2. Arizona Commerce Authority (ACA)
3. Public Safety Personnel Retirement System (PSPRS)

APA has reported that, as a state-owned corporation, they have maintained independence from the state's financial system in the past, and will continue to do so when the new system becomes operational on July 1, 2015.

ACA has reported that, pursuant to A.R.S. § 41-1504I, they are exempt from the state's general accounting and financial practices and rules in A.R.S. Title 41 Chapter 4, Article 3. As such, they will continue to operate their own independent financial systems.

PSPRS has reported that they will not participate in the new AFIS system due to 3 unknown concerns:

1. It is difficult to determine the efficiencies that would be gained or lost from the new system;
2. The cost of participation or of conversion to the new system is unknown; and
3. Due to the magnitude of the project, AFIS replacement may have difficulty meeting budget and timeline expectations, which could negatively affect PSPRS operations if their agency committed resources to join.

ASRS and ECDHB will continue to maintain their own systems and interface data and transactions to the new system. Both agencies have agreed to work closely with the project team to determine if, at a future point in time, it would be advantageous to adopt the new AFIS system.

ASRS has reported that they are continuing to explore how feasible it is to track ASRS assets in the new AFIS system. ECDHB has reported that the nature of their existing system more specifically addresses their individual needs as it relates to budgeting, integration with grants management, and data warehouse systems.

In addition, the Arizona Board of Regents (ABOR) currently uses AFIS for its appropriated funds, and some grant activity. However, payroll and the majority of accounting functions are performed on the Arizona State University (ASU) financial system, and this will continue even after the AFIS replacement becomes operational.

RS/MG:kp



Janice K. Brewer  
Governor



Brian C. McNeil  
Director

**ARIZONA DEPARTMENT OF ADMINISTRATION**

**GENERAL ACCOUNTING OFFICE**

100 NORTH FIFTEENTH AVENUE • SUITE 302  
PHOENIX, ARIZONA 85007

Phone: (602) 542-5601 • Fax: (602) 542-5749



November 18, 2013

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

Dear Mr. Stavneak:

Laws 2013, 51st Legislature, First Special Session, Chapter 1, Section 127 (HB2001) require the State Comptroller to coordinate all applicable activity with the Governor's Office of Strategic Planning and Budgeting (OSPB) and to notify the Joint Legislative Budget Committee (JLBC) staff of any cash transfers pursuant to these sections.

Accordingly, the transfer requests listed in the following transfer summary schedule (see attached) are being submitted to the JLBC for review.

If you have any questions or need additional information, please call me at (602) 542-5405.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Clark Partridge".

D. Clark Partridge  
State Comptroller

Attachment

cc: John Arnold  
Brian C. McNeil

Laws 2013, 51<sup>st</sup> Leg., 1st SS, Ch. 1, Sec. 127

Requests for Cash Transfers between Agency Funds

Agency	Amount		Fund Name	SW Fund
Arizona Criminal Justice Commission	4,500	from	State Aid to Indigent Defense Fund	2445
	4,500	to	Criminal Justice Enhancement Fund	2134
	43,000	from	State Aid to Indigent Defense Fund	2445
	43,000	to	Drug and Gang Enforcement Fund	2134
	27,300	from	State Aid to Indigent Defense Fund	2445
	27,300	to	Victim Compensation and Assistance Fund	2198
	1,700	from	State Aid to Indigent Defense Fund	2445
	1,700	to	Resource Center Fund	2280
	7,000	from	State Aid to Indigent Defense Fund	2245
	7,000	to	State Aid to County Attorneys Fund	2443
Department of Administration	2,400	from	Capital Outlay Stabilization Fund	1600
	2,400	to	Stimulus Statewide Administration Fund	2950
Supreme Court	171,900	from	Lengthy Trial Fund	2382
	171,900	to	Grants and Special Revenue Fund	2084
	11,700	from	Juvenile Probation Services fund	2193
	11,700	to	Grants and Special Revenue Fund	2084
Department of Transportation	1,000	from	Railroad Corridor Acquisition Fund	2493
	1,000	to	Railroad Review Fund	2577
Department of Health Services	300	from	Health Services Licensing Fund	1995
	300	to	Nursing Care Institution Resident Protection Revenue Fund	2329
State Mine Inspector	600	from	Aggregate Mining Reclamation Fund	2511
	600	to	Abandoned Mine Safety Fund	2408



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DATE: December 10, 2013

TO: Representative John Kavanagh, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RS*

FROM: Matt Gress, Fiscal Analyst *MG*

SUBJECT: Attorney General - Review of Plan to Transition Capital Postconviction Prosecution  
Responsibility to Maricopa County

### Request

Pursuant to a FY 2014 General Appropriation Act footnote, the Attorney General (AG) is required to submit for Committee review a report detailing its plan for transitioning Maricopa County capital postconviction prosecution responsibilities to the county over the next 4 years. The AG no longer plans to transition these responsibilities.

The FY 2014 budget provided a one-time appropriation of \$500,000 from the State Aid to Indigent Defense Fund to the AG for capital postconviction prosecution.

### Recommendation

The Committee has at least the following 2 options:

1. A favorable review.
2. An unfavorable review.

The Maricopa County Attorney's Office (MCAO) has stated that it is still willing to uphold the terms of the original agreement with the AG, which proposed to transition responsibility of capital postconviction relief proceedings to MCAO over 4 years.

### Analysis

Postconviction proceedings are legal opportunities for a defendant to challenge the soundness of the judgment or sentence in death penalty (capital) cases. After a steady increase in workload on capital cases referred primarily from Maricopa County, the growing complexity of capital postconviction proceedings, and a lack of resources to handle more cases, the AG proposed to the Legislature in 2013

(Continued)

that Maricopa County share responsibility in capital postconviction cases. The MCAO agreed. The AG planned to transition capital postconviction relief proceedings in cases that originated from Maricopa County back to Maricopa County over a period of 4 years. The AG would remain responsible for the entire capital postconviction process in all other counties. To accomplish the Maricopa transition, the Legislature appropriated \$500,000 to the AG in FY 2014 and required the department to submit a report on how it planned to implement this proposal.

In its report, the AG now states that the appropriate location for capital postconviction proceedings is the AG and not Maricopa County for 2 reasons:

1. The AG is the only agency with expertise in federal law, which is litigated during capital postconviction proceedings; and
2. Keeping capital postconviction responsibilities with the AG will prevent further delay and save the state additional costs associated with prolonged proceedings.

### Capital Postconviction Process

There are 3 basic steps in the capital postconviction process:

1. Direct Appeal
2. Capital Postconviction Relief
3. *Habeas Corpus* Review

#### *Direct Appeal*

After being convicted and sentenced to death in Superior Court, a defendant has multiple opportunities to challenge both the conviction and sentencing. The first opportunity is an automatic direct appeal to the Arizona Supreme Court. Here, the defendant can challenge any legal rulings that occurred during the conviction or sentencing phases, which might have erroneously influenced the Superior Court's decision. The Arizona Supreme Court can affirm, modify, or reverse the Superior Court's conviction and sentence. Upon the ruling, the losing side can then petition the U.S. Supreme Court, requesting a review of federal constitutional issues. The Supreme Court rarely grants such writs. The Attorney General has always handled these appeals.

#### *Capital Postconviction Relief*

Assuming the conviction or sentence is not overturned, the case then returns to Superior Court for capital postconviction relief proceedings. The defendant may raise issues surrounding the conviction and sentence that is outside of the legal record, such as ineffective assistance of trial counsel, juror misconduct, newly-discovered evidence, evidence withheld by the state, or a change in law that applies retroactively and would probably have changed the conviction or sentence. If the Superior Court judge presiding over the capital postconviction relief proceeding determines that any claim raised by the defendant has merit, then the judge may schedule hearings to take testimony and consider evidence in a process similar to trial court proceedings. The Superior Court's decision on capital postconviction relief claims can also be appealed to the Arizona Supreme Court by either party. The Arizona Supreme Court's ruling can be challenged again by either party filing another petition for review with the U.S. Supreme Court. Though not required by statute, the AG took responsibility for capital postconviction relief proceedings in all counties approximately 20 years ago. Prior to that, the county attorney offices handled these proceedings. The purpose of this arrangement was to better protect state courts' convictions and sentences by providing prosecutorial consistency and federal law expertise in capital cases.

#### *Habeas Corpus Review*

Following all state and federal direct appeals and state capital postconviction relief proceedings, the defendant has one final opportunity to challenge the conviction and sentence. This is called a "*habeas*

(Continued)

*corpus* review”: an opportunity for the defendant to litigate in federal courts the federal lawfulness of the state conviction. The federal appeals process consists of 3 levels: 1) a petition to a U.S. District Court which reviews the legal record to determine whether errors raised by the defendant exist and may also call for further evidentiary hearings; 2) an appeal to the U.S. Court of Appeals, which, if successful, usually results in a retrial of the defendant by the state; and 3) another petition for review with the U.S. Supreme Court. If the defendant reaches the U.S. Supreme Court and is not granted relief at any stage, then the judicial appeals process is exhausted and the judgment stands.

The AG is statutorily mandated to represent the state before the Arizona Supreme Court and in all capital and non-capital federal *habeas corpus* cases in federal court. Given the interconnectedness between the state courts’ rulings and federal *habeas corpus* review, the AG states that it is the “most logical” party to handle all of the proceedings. The AG believes its prosecutors, with extensive knowledge of federal *habeas corpus* law, will develop legal arguments that provide state courts with legal guidance that withstands scrutiny from the federal courts, thereby protecting state convictions and death sentences.

The AG also believes that transitioning postconviction relief proceedings on pending capital cases to Maricopa County will delay an already lengthy legal process and asserts retention of capital postconviction responsibilities will make further delays in federal courts less likely.

#### Funding Request and Rule Change

The AG requests annual funding of \$800,000 for FY 2015 to continue prosecuting capital postconviction cases and to recruit additional staff to the AG’s Capital Litigation Section. Additionally, the AG plans to propose a rule change to the Arizona Supreme Court that will adjust the capital postconviction schedule to allow the occurrence of capital postconviction relief proceedings immediately after the trial when witnesses, experts, and counsel are familiar with the case and court records are easily accessible.

RS/MG:kp



**TOM HORNE**  
ATTORNEY GENERAL

**OFFICE OF THE ARIZONA ATTORNEY GENERAL**

**JEFFREY A. ZICK**  
SECTION CHIEF COUNSEL

November 1, 2013

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

The Honorable Don Shooter  
Co-Chairman, Joint Legislative Budget Committee  
Arizona State Senate  
1700 West Washington Street  
Phoenix, Arizona 85007



Gentlemen:

Pursuant to House Bill 2001, Sec. 12, the Attorney General provides this report to the Joint Legislative Budget Committee for review of the Attorney General's plan to transition capital post-conviction prosecution responsibility to Maricopa County during the next four years.

The legislature provided a one-time appropriation of \$500,000 to the Attorney General's Office ("AGO") for capital post-conviction prosecution "pending further legislative review of the appropriate location of these duties." At the time this appropriation was made, the Attorney General and Maricopa County intended to transition the capital post-conviction cases to Maricopa County over a period of approximately four years. Since the appropriation, the AGO has hired staff to continue to handle the capital post-conviction cases.

After meeting with representatives from Maricopa County and further analyzing the impact of any transition of these cases between the two Offices, the Attorney General proposes that the appropriate location for capital post-conviction prosecution remains with the AGO and not with Maricopa County. This conclusion was based on two reasons: (1) capital post-conviction proceedings are inextricably intertwined with the federal habeas corpus proceedings which occurs after the state post-conviction

proceeding and the AGO is the only agency with expertise in the area of federal habeas corpus law, and (2) it is more cost-effective to have the AGO continue to prosecute these cases.

Although not statutorily required to do so, the AGO has agreed to defend capital convictions and sentences in post-conviction proceedings for more than 20 years. Recently, because of an increase in capital cases from Maricopa County and growing post-conviction proceedings complexity, as well as a lack of resources to handle the increased case load, the Attorney General initially proposed that Maricopa County shoulder the responsibility of litigating the capital post-conviction cases. With appropriate funding, the AGO is the most logical agency to defend the State in capital post-conviction cases.

Recent Supreme Court cases relating to federal habeas review have drastically changed the nature of state post-conviction proceedings in capital cases. Knowledge of habeas law is thus important in handling the state post-conviction proceeding because what occurs in state court could affect whether the state court decision is entitled to deference and not subject to review on the merits again by the federal court.

Therefore, it would be cost-effective for the AGO to continue to handle the capital post-conviction proceedings. Transitioning these cases would cause delay in the already lengthy post-conviction proceedings. Moreover, with the AGO continuing to handle these cases there is a less likely chance of any further delay in federal court. It is important to maintain continuity of representation between state and federal court. Thus, the AGO should continue to represent the State in the capital post-conviction proceedings.

The Attorney General has requested annual funding of \$800,000 for FY2015 to continue prosecuting capital post-conviction cases. In addition, the AGO will be filing a proposed rule change with the Arizona Supreme Court to move the capital post-conviction review to immediately after the trial and before the direct appeal. We believe that this change will counter the recent Supreme Court cases allowing for federal review of procedurally defaulted claims of ineffective assistance of counsel based on our current post-conviction system. For all of the above reasons, the appropriate location for capital post-conviction prosecution remains with the AGO.

Should you have any additional questions or concerns, we are available any time to meet and discuss this further.

Sincerely,



Jeffrey A. Zick  
Section Chief Counsel  
Capital Litigation Section  
Office of the Attorney General

cc: Mr. Richard S. Stavneak, Director of the Joint Legislative Budget Committee  
Mr. Matt Gress, Joint Legislative Budget Committee Analyst  
Ms. Vicki G. Salazar, Division Director of Business & Finance, Office of the Attorney General  
Mr. Art Harding, Director of Legislative Affairs, Office of the Attorney General



STATE OF ARIZONA

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DATE: December 10, 2013

TO: Representative John Kavanagh, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RS*

FROM: Ben Henderson, Fiscal Analyst *BH*

SUBJECT: JLBC Staff - Consider Approval of Index for School Facilities Board Construction Costs

### Request

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

### Recommendation

The Committee has at least the following 2 options:

1. Approve a 3.23% adjustment in the cost-per-square-foot factors, based on the average of the most recent available 1-year change in the Rider Levett Bucknall (RLB) national construction cost index and the RLB Phoenix construction cost index.
2. Approve a 0% adjustment in the cost-per-square-foot factors. The adjustment is based on longitudinal inflation data, by measuring the change in the RLB Phoenix construction cost index since the last JLBC cost-per-square-foot adjustment was made in November 2008.

Table 1 lists the cost-per-square-foot amounts for both options.

Table 1			
Cost-Per-Square-Foot Amounts for Each Option			
	<u>K-6</u>	<u>7-8</u>	<u>9-12</u>
Option 1 - National/Phoenix Construction Index (3.23%)	\$141.07	\$148.93	\$172.45
Option 2 - Longitudinal Phoenix Construction Index (Current Amount; 0%)	\$136.66	\$144.27	\$167.05

(Continued)



## **Analysis**

### Background Information

The original Students FIRST legislation (Laws 1998, 5<sup>th</sup> Special Session, Chapter 1) established funding amounts per-square-foot of space for new construction and building renewal (e.g., \$90 per-square-foot for grades K-6). Current statute requires that SFB use the cost-per-square-foot in effect at the time a new construction project is approved, except that SFB may adjust the formula based on geographic or site conditions as defined in statute.

The Committee has used a variety of different indices to establish the per-square-foot amounts. In November 2008, the Committee approved a 1.98% adjustment in construction costs. Since that time, the Committee has approved a 0% adjustment in construction costs in each year. Statute requires that the Committee adjust the cost-per-square-foot amounts at least once per year. The last adjustment occurred 1 year ago, at the December 2012 meeting.

At the time of this writing, SFB has not requested an adjustment.

### Two Options

The first option uses an average of 2 different measurements, both reported by RLB. The first of these is a measurement of the change in all construction costs in the Phoenix area for the past year, from July 2012 through July 2013. This measurement reports an increase of 2.89%. The second is a measurement of the change in all construction costs nationally for the past year, from July 2012 to July 2013. This measurement reports an increase of 3.56%. To account both for school construction inside as well as outside of the Phoenix Metropolitan area, these 2 measurements would be averaged for a total adjustment of 3.23%.

The second option is to set the inflation adjustment based on a longitudinal measurement of construction costs since the last time the Committee adopted an adjustment. As noted previously, JLBC approved a 1.98% adjustment in November 2008. Construction costs, however, subsequently declined during the recession and may have only partially recovered. Based on the most current RLB data, construction costs in the Phoenix area have decreased by (6.21)% since January 2009. This longitudinal approach was previously used by the Committee at the December 2012 meeting, with an adjustment of 0%.

Any change in the cost-per-square-foot factors would have no fiscal impact, as SFB currently projects that no districts meet the statutory threshold to be awarded new school construction funding in FY 2015.

RS/BHe:ts



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DATE: December 10, 2013

TO: Representative Kavanagh, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RS*

FROM: Krista MacGahan, Fiscal Analyst *KM*

SUBJECT: Secretary of State - Review of FY 2009 Records Services Fund Spending Plan

### Request

Pursuant to a General Appropriation Act footnote (Laws 2007, Chapter 255), the Secretary of State's office requests Committee review of expenditures from the Records Services Fund as authorized by a non-lapsing appropriation made in FY 2009.

This request is for review of a total expenditure plan of \$228,700: 1) \$109,300 for 12 repair projects to bring the Records Services Center to current building codes and protect records stored in the building, 2) \$28,000 for costs associated with the transportation of a statue of John C. Greenway from the U.S. Capitol's Statutory Hall to Arizona, and 3) \$91,400 for a contingency.

### Recommendation

The Committee has at least the following 2 options:

1. A favorable review.
2. An unfavorable review.

Under either option, the JLBC Staff recommends the provision that the contingency be limited to 10%, or \$23,000, rather than \$91,400. The Secretary of State would return to JLBC for further review of the remaining \$68,400 of unallocated funds.

The Arizona House Joint Resolution (HJR 2001) authorizing the replacement of the Greenway statue with Barry Goldwater directed that the "incidental" costs of the project be borne by private monies.

(Continued)

## **Analysis**

### Records Services Center

A General Appropriation Act footnote requires Committee review of any expenditure from the Records Services Fund in excess of \$675,900. In FY 2009, the Records Services Fund had appropriations of \$1,169,466 and actual expenditures of \$940,812, leaving the fund with \$228,655 of remaining spending authority.

The Secretary of State's office is requesting that this excess spending authority be used for repairs to the Records Service Center Building at 1919 W. Jefferson Street to protect the records stored in the building, as well as bring the building up to current building codes. Records Management is responsible for the management of the public records of Arizona state and local government. The Records Service Center Building houses a preservation imaging lab, records storage warehouses, and records analysis, consulting, and secure vault services and is separate from the Polly Rosenbaum Archives and History building at 1901 W. Madison Street, the location of the State Archives.

Table 1 below provides an overview of the amounts allocated in the expenditure plan to Records Services Center repairs:

#### *Electrical and Data Projects*

A total of \$10,968 will be allocated to projects for installing internet wiring and updating preservation imaging equipment.

#### *Building Renovation Projects*

A total of \$66,294 will be allocated to various building renovation projects. These include renovations to the evaporative cooling system, the roof, and the warehouse. Renovations also include the installation of eye and face wash stations to protect employees who use chemicals in the records protection and restoration process.

#### *Security Projects*

A total of \$32,024 will be allocated to 3 different projects. These projects include upgrading and repairing indoor and outdoor security cameras, installing and updating a motion detector alarm system, and installing card readers on main entry doors.

#### *Contingency*

The remaining amount of the appropriation, \$91,369, will be allocated for additional projects and contingency. This would represent a contingency of 40%. The JLBC Staff recommends a contingency of 10% or \$23,000 and to have the Secretary of State return for JLBC review of the remaining \$68,400 of unallocated funds.

**Table 1**

**Records Services Center Building Repairs**

<u>Electrical and Data Projects</u>	
Preservation Imaging Updates	\$ 10,968
<u>Building Renovation/Code Compliance</u>	
Evaporative Coolers, Roof, and Warehouse Repairs	\$ 66,294
<u>Security Projects</u>	
Install Camera System	\$ 18,519
Update Alarm System	5,550
Install Card Readers	<u>7,955</u>
Subtotal	\$ 32,024
<u>Other</u>	
Additional Projects	\$ 68,369
Contingency	<u>23,000</u>
Subtotal	\$ 91,369
<b>TOTAL</b>	<b>\$200,655</b>

John C. Greenway Statue

Arizona HJR 2001, approved in 2008, authorized the placement of a statue of Senator Barry Goldwater in the National Statuary Hall at the House of Representatives in Washington, D.C. in celebration of Arizona's centennial. The National Statuary Hall permits the placement of 2 statues by each state. Given this limitation, HJR 2001 requested Congress return the John C. Greenway statue and replace it with the statue of Barry Goldwater while permanently placing the Greenway statue in the Arizona State Capitol building. The Secretary of State's office expenditure plan includes \$28,000 to retrieve the Greenway statue from Washington D.C. and to prepare the site in the Capitol building for its display.

The original expectation was that this transportation expense would be paid with private funds. HJR 2001 states "the Members of the Forty-eighth Legislature and the Governor of the State of Arizona direct that the costs of the creation of the statue of Senator Barry Goldwater, as well as the costs of transporting the statue to Washington, D.C. and any incidental costs, be borne by the State of Arizona through the use of private monies."

RS/KM:lm



**KEN BENNETT**  
**SECRETARY OF STATE**  
**STATE OF ARIZONA**



August 19, 2013



Richard Stavneak, Director  
Joint Legislative Budget Committee  
1716 West Adams Street  
Phoenix, Arizona 85007  
Phone: (602) 926-5491

Dear Mr. Stavneak:

The fiscal year 2009 Appropriations report, page 293, footnote 3 references an appropriation available for the Records Services fund. The amount available is \$228,654.58. Please see the attached document titled "Summary."

Our Records Services Center Building (now managed by the Arizona State Archives branch of the Arizona State Library, Archives and Public Records) is in need of many repairs to protect the records we store as well as to bring our building into compliance with current building codes. The estimated total cost of repairs is growing as we uncover more required repairs; current estimates are \$109,286.40. Please see the attached document titled "Repairs Required."

I respectfully submit this request for your approval for expenditures of up to \$200,654.58 for our growing list of much needed repairs for our Records Services Center Building. In addition, I request that we be allowed to expend up to \$28,000 to retrieve the statue of John C. Greenway from Statutory Hall in Washington, D.C. and for any costs associated with Arizona site preparation or archival display of the statue. HJR 2001 from 2008, in paragraph 3, seems to only place restrictions on the new statue.

Thank you in advance for your consideration of these budget items.

Sincerely,

A handwritten signature in blue ink that reads "Jim Drake".

Jim Drake  
Deputy Secretary of State

**Records Service Fund**

**Continuing Appropriation from FY 2009**

**Fiscal Year 2009 Appropriations Report, page 293, footnote 3**

**Remaining balance**

		Reference
Ending Fund Balance at FYE 2008	\$ 409,633.33	AFIS Screen 57, FY 2008
FY 2009 Revenues	\$ 759,832.75	AFIS Screen 57, FY 2009
Less: FY 2009 Operating Approp	(675,900.00)	FY 2009 Approps Report, p. 293
FY 2009 Receipts in excess of appropriations	83,932.75	
Total Additional Appropriated to ASLAPR	<u>\$ 493,566.08</u>	
FY 2009 Operating Approp	\$ 675,900.00	FY 2009 Approps Report, p. 293
Total Additional Appropriated to ASLAPR	493,566.08	Calculated above
Total Continuing Appropriations	<u>\$ 1,169,466.08</u>	
Expenditures in FY 2009		
Operating Expenditures	\$ 628,111.50	AFIS Screen 57, FY 2009
Cash Transfers to General Fund	312,700.00	AFIS Screen 57, FY 2009
Total Expenditures in FY 2009	<u>\$ 940,811.50</u>	
Balance Available	<u><u>\$ 228,654.58</u></u>	

# MAJOR RMC PROJECT COSTS FOR REQUIRED BY ADOA RISK ASSESSMENT

NAME OF PROJECT	COST	VENDOR	VENDOR CONTACT INFORMATION	WHY REQUESTED	SCOPE
1. Preservation Imaging Update for Data Drops	\$5,757.05	Black Box	Working through Tony McCue <del>John Silvas, Jr, 3901 E Winslow Ave, Phoenix, AZ 85040, Phone: (602) 437-0354, Fax: (602) 437-1251</del>	More data drops and electrical needed to run current equipment in Preservation Imaging, prepare for new Scanner(s) and prepare for Archive Writer (OP500) <del>OP500 requires different electrical than other equipment</del>	Includes labor and tax. Includes the added drops from the first request. I have a total of 38 ports which requires two new patch panels and patch cords. <del>Includes two 220 wall plugs for the OP500 Archive Writer</del>
2. Preservation Imaging Update Electrical	\$2,229.59	ADOA Tenant Improvement Section		Wayne Spence CD, Tenant Improvement Manager, ADOA Building and Planning Services/GSD, AHERA Building Inspector F3317, 602-542-1968 Desk Phone, 602-525-3102 Cell Phone, wayne.spence@azdoa.gov	Includes Network J-boxes, conduit and electrical receptables. (Already bid by Black Box and Commonwealth Electric)

## MAJOR RMC PROJECT COSTS FOR REQUIRED BY ADOA RISK ASSESSMENT

3. RMC Update for Data Drops and Electrical	\$2,981.18	Black Box	Working through Tony McCue	More data drops and electrical needed to run current equipment in Front and Back Offices, Conference Room and Warehouse 0	Includes labor and tax for the 20 drops we discussed, a new patch panel and patch cords
4. Security System Upgrades and Repairs for RMC - Quote to install cameras	\$18,519.43	Electronic Security Concepts	Joseph W. Menke, 4326 North 75th Street, Scottsdale, Arizona 85251, Office: (480) 947- 6032, Cell: (602) 721- 7555, Fax: (480) 947- 6031, joem@ElectronicSecurity Concepts.com	ADOA Risk Management Assessment, Recommendation #7 and Homeland Security Threat Assessment Recommendations #3 and #4	<b>CCTV System. Install Outdoor Dome Camera on Back Roll Gate, Outdoor Dome Camera on Back Dock covering Delivery Doors, (2) Outdoor Dome Cameras on South Side of Building, Outdoor Dome Camera on SW Corner covering West of Building, (2) Outdoor Dome Cameras on East Side of Building, Outdoor Dome Camera above East Side Cut out Entrance Door, Indoor Dome Camera looking out West Entry Door, (2) Indoor Dome Cameras in Lobby Cover both Main Entry Doors and (2) Indoor Dome Cameras in Storage Vault. Record all Cameras on 16 Channel DVR with Network Connection for remote viewing.</b>



## MAJOR RMC PROJECT COSTS FOR REQUIRED BY ADOA RISK ASSESSMENT

<p>Quote to Install &amp; Update Alarm 5. System</p>	<p><b>\$5,549.89</b></p>	<p>Electronic Security Concepts</p>	<p>ADOA Risk Management Assessment, Recommendation #7 and Homeland Security Threat Assessment Recommendations #3 and #4</p>	<p>Alarm System. Install new Honeywell Control Communicator and Keypad. Transfer all Alarm Field Devices/Zones from Access Control System to new Intrusion Alarm System. Install new Motion Detector in Each Warehouse, Front Lobby, Storage Vault, Receiving Area, PI Office, MDF Room, General Office Area and Karen's Office. Install Alarm Contact on Warehouse Roof Hatch. Connect system to ESC Local Monitoring Central Station.</p>
<p>Quote to Install Card Readers on Main Entry 6. Doors</p>	<p><b>\$7,954.86</b></p>	<p>Electronic Security Concepts</p>	<p>ADOA Risk Management Assessment, Recommendation #7 and Homeland Security Threat Assessment Recommendations #3 and #4</p>	<p>Access Control System. Install new Card Readers on South Warehouse Dock Door, PI Entrance Door, Lobby to Warehouse Door and Lobby to Office Door. Doors will be integrated into the ADOA MDI Access Control System Head End.</p>

## MAJOR RMC PROJECT COSTS FOR REQUIRED BY ADOA RISK ASSESSMENT

7.	Purchase Eye Wash Station	\$354.40	Naumann Hobbs	theonlinecatalog.com/nau mannhobbs/store	ADOA Risk Management Assessment, Recommendation #17	HG1750 - Wall Mounted Eye and Face Wash Station
8.	Plumb and Install Eye Wash Station replace existing piping from all Evaporative Coolers to Roof Drains	\$13,200.00	Skyline Building and Restoration	Will Powell, 2401 N 24th Ave, Phoenix, AZ 85009, Cell: (602) 421- 5780, will@azsbr.com	ADOA Risk Management Assessment, Recommendation #17	
9.	Wash Salt Crust From Roof and Warehouse Floors	ADOA will take care of this	Skyline Building and Restoration	Will Powell, 2401 N 24th Ave, Phoenix, AZ 85009, Cell: (602) 421- 5780, will@azsbr.com	ADOA Risk Management Assessment, Recommendation #26	
10.	Replace Cast Iron Pipes in RMC Warehouses		Skyline Building and Restoration	Will Powell, 2401 N 24th Ave, Phoenix, AZ 85009, Cell: (602) 421- 5780, will@azsbr.com	ADOA Risk Management Assessment, Recommendation #26 and Homeland Security Threat Assessment Recommendations #2	

## MAJOR RMC PROJECT COSTS FOR REQUIRED BY ADOA RISK ASSESSMENT

Replace Shelving in RMC 11. Warehouse	Naumann Hobbs	Timothy Guajardo, Naumann Hobbs Material Handling, Customer      ADOA Risk Management Service Manager, 602-      Assessment, 296-2101 office line, 480- Recommendation #29 and 274-9392 Mobil,      Homeland Security Threat Tim.Guajardo@Nhmh.co Assessment m      Recommendations #2
Roof Repairs / Replace for RMC 12. Warehouses <b>\$52,740.00</b>	Builders Guild Inc	Nick Nikrant, Builders      RMC Roof leaks around Guild Inc, 4950 E Ingram swamp coolers, around Street, Mesa, AZ 85205. roof drains, and in many 480-833-0404 x3140. other places not near a With Star Roofing      swamp or drain
<b>Total Costs for 12 Projects related to ADOA Risk Mgmt Assessment      \$109,286.40</b>		