JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, December 18, 2018

12:30 p.m.

Senate Appropriations, Room 109

JLBC

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE		HOUSE OF
SENATE	1716 WEST ADAMS	REPRESENTATIVES
	PHOENIX, ARIZONA 85007	

JOHN KAVANAGH		DAVID LIVINGSTON
CHAIRMAN	(602) 926-5491	VICE-CHAIRMAN
OLIVIA CAJERO BEDFORD		JOHN M. ALLEN
KAREN FANN	azleg.gov	LELA ALSTON
STEVE FARLEY		RUSSELL "RUSTY" BOWERS
DAVID C. FARNSWORTH		CHARLENE R. FERNANDEZ
KATIE HOBBS		VINCE LEACH
WARREN PETERSEN		MICHELLE UGENTI-RITA
KIMBERLY YEE		VACANT

** R E V I S E D **

JOINT LEGISLATIVE BUDGET COMMITTEE
Tuesday, December 18, 2018
12:30 P.M.
Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order

- Approval of Minutes of September 20, 2018.

- DIRECTOR'S REPORT (if necessary).

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

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

2. DEPARTMENT OF CHILD SAFETY
   A. Review of FY 2019 First Quarter Benchmarks.
   B. Review of Line Item Transfers. *

3. DEPARTMENT OF ECONOMIC SECURITY - Review of Plan for the Arizona Training Program at Coolidge.

4. ARIZONA DEPARTMENT OF EDUCATION
   A. Review of Federal Monies Report.
   ***B. Review of Career Technical Education District Quarterly Report.

5.   **ARIZONA DEPARTMENT OF CORRECTIONS - Review of FY 2019 Proposed Bed Capacity Changes. (For Information Only - No action will be taken.) ***

6.   ***ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Public Safety Broadband.

7.   ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND
***A. Review of myDEQ Project (DEQ Subaccount).
***B.   Review of Arizona Strategic Enterprise Technology Projects (ADOA Subaccount).

*   Removed from Consent Agenda. Will be heard as part of the regular agenda.
***   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.
~~12/10/18~~
12/14/18
lm

Joint Legislative Budget Committee

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

September 20, 2018

The Chairman called the meeting to order at 12:33 p.m., Thursday, September 20, 2018, in Senate Appropriations Room 109. The following were present:

Members:	Senator Kavanagh, Chairman	Representative Livingston, Vice-Chairman
	Senator Fann	Representative Allen
	Senator Farley	Representative Alston
	Senator Farnsworth	Representative Bowers
	Senator Petersen	Representative Leach
Absent:	Senator Cajero Bedford	Representative Fernandez
	Senator Hobbs	Representative Ugenti-Rita
	Senator Yee	

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of June 19, 2018, Chairman John Kavanagh stated that the minutes would stand approved.

CONSENT AGENDA

The following items were considered without discussion.

ARIZONA BOARD OF REGENTS (ABOR) - Review of FY 2019 Tuition Revenues.

An FY 2019 General Appropriation Act (Laws 2018, Chapter 276) footnote requires ABOR to submit to the Committee for review an expenditure plan for all projected FY 2019 tuition and fee revenues by expenditure category. The JLBC Staff provided options.

ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of K-12 Broadband Connectivity Projects.

A.R.S. § 15-249.07 requires ADE to report to the Committee for review of information on each broadband connectivity construction project that the department has certified to receive a state matching contribution. The JLBC Staff provided options and a potential provision:

A. *ADE shall include in each report that it submits pursuant to A.R.S. § 15-249.07 an updated estimate of the number of Arizona K-12 students lacking sufficient broadband access in their schools. ADE shall differentiate between the number of students with access to broadband speeds less than 100 kilobits per second, less than 500 kilobits per second, and less than 1,000 kilobits (1 megabit) per second.*

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 the FY 2019 Criminal Justice Budget Reconciliation Bill (Laws 2018, Chapter 278) and A.R.S. § 41-1724G, DPS is required to submit to the Committee for review the entire FY 2019 expenditure plan for the GIITEM Subaccount prior to expenditure. The JLBC Staff provided options.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Approval of Maximum Lodging and Meals Reimbursement Rates.

A.R.S. § 38-624C requires the Committee to approve any changes to ADOA's maximum reimbursement rates for lodging and meal expenses. ADOA proposes adjusting the maximum lodging rates to match the new federal government rates, which are effective October 1, 2018. ADOA proposes adjusting the meals and incidental per diem to the new federal rate effective October 1, 2018, less $10. The JLBC Staff provided options and a potential provision:

A. *Committee approval does not constitute an endorsement of additional appropriations to cover higher reimbursement costs.*

ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of Joint Technical Education District Quarterly Reports.

Laws 2016, Chapter 4 requires ADE to submit quarterly reports to the Committee for review on ADE's progress and their subsequent approval or rejection of currently eligible joint technical education district (JTED) programs and courses for eligibility for state funding under the new requirements established in Chapter 4. The JLBC Staff provided options.

ARIZONA CRIMINAL JUSTICE COMMISSION (ACJC) - Review of Edward Byrne Memorial Justice Assistance Grant Federal Application.

A.R.S. § 41-2403 requires ACJC to submit its federal application for the Edward Byrne Memorial Justice Assistance Grant to the Joint Legislative Budget Committee for review 30 days prior to submission to the federal government. The JLBC Staff provided options and a potential provision:

A. *ACJC shall submit a preliminary proposal to the Committee by May 15, 2019 if the federal guidelines have not yet been received for 2019.*

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - AUTOMATION PROJECTS FUND (APF) - Review of the Microwave System Upgrade Project (Department of Public Safety Account).

A.R.S. § 41-714 requires Joint Legislative Budget Committee (JLBC) review prior to any monies being expended from ADOA APF for the Microwave System Upgrade project. The FY 2019 budget appropriated $1,250,000 from the APF for continued work on the Microwave System Upgrade project. Of the appropriation, $1,000,000 will go toward upgrading the commercial and backup power systems to the DPS Network Operations Center (NOC). The remaining $250,000 will go toward completing load capacity assessments and preventative maintenance to 28 of its communication towers. The JLBC Staff provided options and a potential provision:

A. *The Department of Public Safety (DPS) shall submit cost estimates on the completion of the Microwave System Upgrade project by July 1, 2019.*

ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of Watercraft Grants Line Item Transfer.

An FY 2019 General Appropriation Act (Laws 2018, Chapter 276) footnote requires AGFD to submit an expenditure plan for a transfer of $1,000,000 from its Watercraft Grants line item appropriation to its operating lump sum appropriation. The JLBC Staff provided options.

ATTORNEY GENERAL (AG) - Review of Allocation of Settlement Monies - State v. Hyundai Motor Company.

Pursuant to A.R.S. § 44-1531.02, the AG must submit to the Committee for review an expenditure plan of legal settlement monies deposited into the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund prior to spending those monies. The AG requests review of a $510,700 expenditure plan for monies deposited into the Consumer Remediation Subaccount resulting from a 2016 settlement with Hyundai Motor Company. The AG plans to fund a short-term operation aimed at reducing auto fraud in the state. The expenditure plan includes a temporary attorney and support position for additional prosecution, increased sting operations, and an educational campaign about current practices and laws. The JLBC Staff provided options and potential provisions:

A. *Committee review does not constitute an agreement to fund the temporary staff attorney position once these one-time monies are depleted.*

ARIZONA BOARD OF REGENTS (ABOR) - Review of Qualifying College Credit Examinations.

A.R.S. § 15-249.06 requires ABOR to provide the list of qualifying examinations and passing scores for the College Credit by Examination Incentive Program (CCEIP) to the Arizona Department of Education (ADE) and submit the list to the JLBC for review by September 1 of each year. The JLBC Staff provided options and a potential provision:

A. *The Committee considers a favorable review of the list of qualifying college credit examinations to remain in effect in subsequent years unless changes are made to the list of examinations or passing scores. Regardless of whether or not such changes are made, ABOR shall continue to report the most current list of qualifying examinations and passing scores to ADE and the Committee by September 1 of each year.*

(Continued)

Representative Livingston moved that the Committee give a favorable review or approval, as applicable, including provisions as outlined in the JLBC Staff analysis, to the 10 consent agenda items listed above. The motion carried.

REGULAR AGENDA

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2018 Bed Capacity Report.

Mr. Geoffrey Paulsen, JLBC Staff, stated that pursuant to an FY 2019 General Appropriation Act (Laws 2018, Chapter 276) footnote, the Committee is required to review a report by ADC detailing the bed capacity changes in FY 2018 and the proposed changes in FY 2019. The JLBC Staff provided options.

Mr. Charles Ryan, Director, ADC, responded to member questions and circulated a handout *(Attachment 1)*.

Ms. Stacey Crabtree, Administrator, Offender Services, ADC, responded to member questions.

Mr. Michael Dolny, Research Manager, ADC, responded to member questions.

Representative Livingston moved that the Committee give a favorable review of the department's bed capacity report with the following provision:

A. *In future reports, ADC is to address the rationale for eliminating permanent beds prior to reducing the level of temporary beds.*

The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - AUTOMATION PROJECTS FUND (APF) - Review of CHILDS (Department of Child Safety Subaccount).

Mr. Patrick Moran, JLBC Staff, stated that A.R.S. § 41-714 requires the Committee review prior to any monies being expended from ADOA's APF for the Children's Information Library and Data Source (CHILDS) replacement project. The JLBC Staff provided options.

Mr. Robert Navarro, Assistant Director of Budget and Finance, DCS, responded to member questions.

Representative Livingston moved that the Committee give a favorable review of $6,284,400 in APF expenditures for the CHILDS replacement project in FY 2018, with the following provision:

A. *On or before the 30th of each month, the Department of Child Safety shall provide the JLBC Staff with the actual expenditures on the CHILDS Replacement Project from the prior month.*

The motion carried.

DEPARTMENT OF CHILD SAFETY (DCS) - Review of FY 2018 Fourth Quarter Benchmarks.

Mr. Patrick Moran, JLBC Staff, stated that the FY 2018 General Appropriation Act (Laws 2017, Chapter 305) requires DCS to submit a report to the Committee for its review a report on quarterly benchmarks for assessing progress made in increasing the department's number of 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. The JLBC Staff provided options.

Mr. Mike Faust, Deputy Director, DCS, responded to member questions and circulated a handout *(Attachment 2)*.

Ms. Kathryn Blades, Deputy General Counsel, DCS, responded to member questions.

Representative Livingston moved that the Committee give a favorable review of the department's FY 2018 fourth quarter benchmark report. The motion carried.

AHCCCS/DEPARTMENT OF ECONOMIC SECURITY (DES)/DEPARTMENT OF CHILD SAFETY (DCS) - Review of Capitation Rate Changes for Plan Year 2019.

Mr. Patrick Moran, JLBC Staff, stated that an FY 2019 General Appropriation Act (Laws 2018, Chapter 276) footnote requires the state Medicaid agencies to submit an expenditure plan to the Joint Legislative Budget Committee for review prior to implementing any changes in capitation rates. AHCCCS submitted rate changes for plan year 2019 for the following programs:

- AHCCCS Complete Care (ACC) program
- Regional Behavioral Health Authorities (RBHAs)
- Arizona Long Term Care System - Elderly and Physically Disabled (EPD) program
- Department of Economic Security's (DES) ALTCS - Developmental Disabilities (DD) program.
- DES - DD Targeted Case Management (TCM) program.
- Department of Child Safety's (DCS) Comprehensive Medical and Dental Program (CMDP) for children in foster care.

The JLBC Staff provided options.

Mr. Mike Trainor, Director, DES, responded to member questions and circulated a handout *(Attachment 3)*.

Ms. Jami Snyder, Deputy Director, AHCCCS, responded to member questions.

Mr. Stewart Goodman, Arizona Association Providers for People with Disabilities addressed the Committee.

Representative Livingston moved that the Committee give a favorable review of AHCCCS' proposed capitation rate changes, with the following provision:

A. On or before January 15, 2019, DES shall report to the Committee on the status of its efforts to engage community stakeholders regarding the department's plans to integrate services for the

Developmental Disabilities program. The Committee believes that no action shall be made to implement integration until such report is made to the Committee and the question of legal authority is resolved.

The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of Motor Vehicle Modernization (MvM) Project Annual Progress Report.

Mr. Ben Murphy, JLBC Staff, stated that an FY 2018 General Appropriation Act (Laws 2017, Chapter 305) footnote requires the Committee to review an annual progress report submitted by the Arizona Department of Transportation's third-party consultant for the MvM project. The JLBC Staff provided options.

Representative Leach moved that the Committee give a favorable review of the annual progress report which includes the following provision:

A. *On or before February 1, 2019, the department shall report to the Joint Legislative Budget Committee on its progress in remediating risks associated with the MvM project's interface/integration execution, as identified by Gartner Consulting. The department shall also report on how it proposes to spend the ADOT-dedicated portion of the vendor's fee retention upon completion of the MvM project in FY 2020, including any plans to modify the existing vendor agreement or enter into a new agreement.*

The motion carried.

ARIZONA DEPARTMENT OF EDUCATION (ADE) - Review of Statewide Assessment Contract Renewal.

Mr. Matt Beienburg, JLBC Staff, stated A.R.S. § 15-741.03 prohibits ADE from renewing any contract or reestablishing a new contract for any portion of the statewide assessment without Committee review. In addition, Laws 2018, Chapter 262 requires ADE to report on each current contract for all portions of the statewide assessment by November 15, 2018. The JLBC Staff provided options.

Ms. Cassie O'Quin, Government Relations Liaison, Policy Development & Government Relations, ADE, responded to member questions.

Ms. Audra Ahumada, Deputy Associate Superintendent of Assessment, ADE, responded to member questions.

Mr. Catcher Baden, Deputy Director, Board of Education, responded to member questions.

Representative Livingston moved that the Committee give a favorable review to ADE's proposal to extend the AzMERIT exam 1 additional year (through FY 2019) with the following provisions:

A. *By December 15, 2018, ADE shall report:*
   1. *The status of the request for proposal (RFP) process for the menu of assessments.*
   2. *The estimated AzMERIT contract savings associated with fewer students taking the exam in FY 2019.*

(Continued)

B. *By September 1, 2019, ADE shall report the status of all contracts for the statewide assessment and the menu of assessments, including exam vendors, pricing agreements, and an estimate of the number of students taking each exam in FY 2020.*

The motion carried.

EXECUTIVE SESSION

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

At 3:29 p.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 3:56 p.m. the Committee reconvened into open session.

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

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

- *Ahmed v. Banner, et al.*
- *Valle, et al. v. State of Arizona, et al.*
- *Saba v. State of Arizona*

The motion carried.

Without objection, the meeting adjourned at 3:56 p.m.
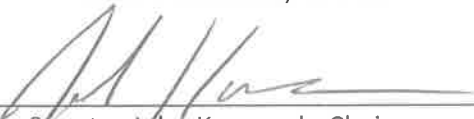
Respectfully submitted:

_____
Kristy Paddack, Secretary

_____
Richard Stavneak, Director

_____
Senator 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

Attachment 1

INMATE PROGRAMS

ADC assesses the recidivism risk and programming needs of each inmate during intake. Assessment results, along with sentence structure, are used to prioritize inmate programmatic goals and placement.

Program Enrollment	Sub-Total	TOTAL
ADC Education		4,990
Functional Literacy	1,124	
High School Equivalency	2,255	
Special Education	139	
Career & Technical Education	1,472	
Addiction Treatment *		711
Sex Offender Treatment		259
Self-Improvement		4,843
Work Programs		24,612
Arizona Correctional Industries		
· Labor Contracts	1;145	
· Owned & Operated	777	
Intergovernmental Agreements	1,991	
Work Incentive Pay Program	20,699	
*Total Program Enrollments **		*35,415*

* Seventy-seven percent of inmates assessed at intake have significant substance abuse histories.

** Inmates may be enrolled in more than one program.

INMATE CONTRIBUTIONS / REPARATIONS

AZ COMMUNITY LABOR	This Month	FY YTD
Fire Crew Hours	35,944	74,193
Public Sector Work Crew Hours	182,725	340,758
ADOT Crews Hours	18,641	34,408
AZ CRIME VICTIMS		
Court Ordered Restitution Collected	$135,141	$251,034
Victims' Compensation Collected	$2,448	$4,535
Victim Notifications of Release	317	648

INMATE HEALTH SERVICES

Hospital Admissions..................................... 106

Inmates With: HIV...180   Active TB...0   Hepatitis C...6,262

Inmates Requiring Ongoing Mental Health Services........12,139

INMATE CONDUCT / INMATE GRIEVANCES

Inmate / Inmate Assaults.........24   Inmate Grievances......352

Inmate / Staff Assaults............49

INMATE COMMITMENT OFFENSES

OFFENSE	US Citizens	Crim. Aliens	TOTAL	%
Arson	132	8	140	0.3%
Assault	5,299	311	5,610	13.3%
Auto Theft	1,928	48	1,976	4.7%
Burglary/Criminal Trespass	2,899	72	2,971	7.1%
Child/Adult Abuse	293	16	309	0.7%
Child Molestation	1,483	297	1,780	4.2%
Criminal Damage	162	5	167	0.4%
Domestic Violence	155	4	159	0.4%
Drug Possession (All)	3,881	69	3,950	9.4%
Marijuana Only	*212*	*4*	*216*	*0.5%*
Drug Sales/Trafficking	3,624	1,152	4,776	11.3%
DUI	1,347	119	1,466	3.5%
Escape	162	7	169	0.4%
Forgery	366	8	374	0.9%
Fraud	298	7	305	0.7%
Identity Theft	380	15	395	0.9%
Kidnapping	1,086	260	1,346	3.2%
Manslaughter/Neg. Homicide	666	96	762	1.8%
Murder	2,716	386	3,102	7.4%
Other	1,475	74	1,549	3.7%
Rape/Sexual Assault	511	65	576	1.4%
Robbery	3,395	179	3,574	8.5%
Sex Offense	2,573	284	2,857	6.8%
Theft	964	20	984	2.3%
Trafficking in Stolen Property	669	12	681	1.6%
Weapons Offense	1,894	53	1,947	4.6%
TOTAL	38,570	3,571	42,141	100.0%
%	91.5%	8.5%		100.0%

INMATE CRIMINAL HISTORY

	US Citizens	Crim. Aliens	TOTAL	%
Violent Offenders *	29,003	2,287	31,290	74.3%
· *Current*	*19,978*	*1,915*	*21,893*	*52.0%*
· *Historical*	*9,025*	*372*	*9,397*	*22.3%*
Non-Violent Offenders	9,567	1,284	10,851	25.7%
TOTAL	38,570	3,571	42,141	100.0%

* Total Violent Offenders; includes offenders of a non-violent statute who have used a weapon or caused an injury

	US Citizens	Crim. Aliens	TOTAL	%
Prior ADC Prison Term	20,936	603	21,539	51.1%
First ADC Prison Term	17,634	2,968	20,602	48.9%
TOTAL	38,570	3,571	42,141	100.0%

The Arizona Department of Corrections

Charles L. Ryan
Director

CORRECTIONS AT A GLANCE

AUGUST 2018

This report contains preliminary statistics as of the end of the month. Changes/updates will be posted on the ADC website. Please refer to the online reports for the most current data.

For further information, contact:
Arizona Department of Corrections
Strategic Planning and Policy
1601 West Jefferson Street
Phoenix, Arizona 85007
602-542-1576
http://www.azcorrections.gov

This document is available in alternative formats by contacting Central Office Public Access at:
602-542-5886

9/7/18

ADC CENSUS

| FACILITY	RATED	TEMP	OP CAP*	POP
ASPC-Douglas	1,435	343	1,778	1,766
ASPC-Eyman	3,976	1,610	5,586	5,614
ASPC-Florence	3,440	645	4,085	3,802
ASPC-Lewis	5,104	850	5,974	5,598
ASPC-Perryville	4,214	0	4,250	4,131
ASPC-Phoenix	552	160	720	626
ASPC-Safford	1,453	160	1,613	1,187
ASPC-Tucson	4,605	467	5,098	5,005
ASPC-Winslow	1,626	0	1,626	1,472
ASPC-Yuma	4,350	420	4,770	4,687
In-State Pvt. Prisons	7,900	638	8,538	8,253
PRISON TOTAL	38,655	5,293	44,038	42,141
COMMUNITY SUPERVISION OFFENDERS				5,489
ADC TOTAL				47,630

*OP CAP: Operating Capacity Beds = Rated Beds + Temporary Beds
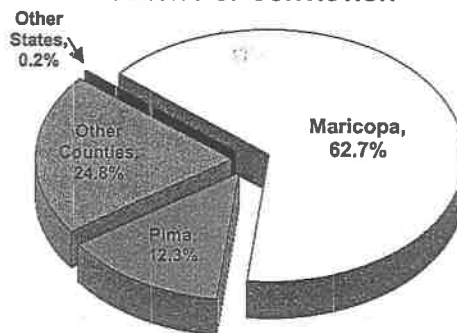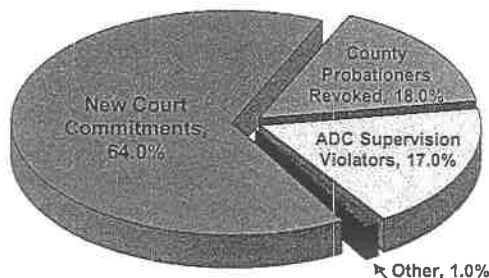
INMATE BED CAPACITY & POPULATION DETAIL

CATEGORY	MALE	FEMALE	TOTAL
Operating Capacity Beds	39,768	4,270	44,038
Inmate Population	37,998	4,143	42,141
Bed Surplus / (Deficit)	1,770	127	1,897
Month's Admissions	1,353	252	1,605
Month's Releases	1,390	241	1,631
Month's Growth	(37)	11	(26)

MONTHLY POPULATION CHANGE
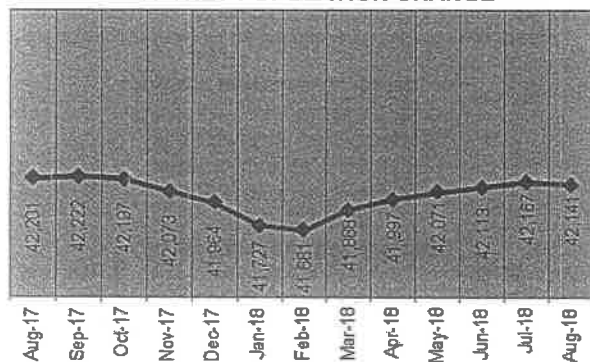
Snap-shot of Population on Last Day of Each Month

COMMITTED POPULATION BY COUNTY OF CONVICTION

Maricopa, 62.7%
Other Counties, 24.8%
Pima, 12.3%
Other States, 0.2%

ADC HAS ADMITTED 3,156 INMATES FY 2019 YEAR TO DATE

New Court Commitments, 64.0%
County Probationers Revoked, 18.0%
ADC Supervision Violators, 17.0%
Other, 1.0%

ADC HAS RELEASED 3,128 INMATES FY 2019 YEAR TO DATE

Releasees Served an Average of: 24 Months:
Served Over 1 Year.....................55%
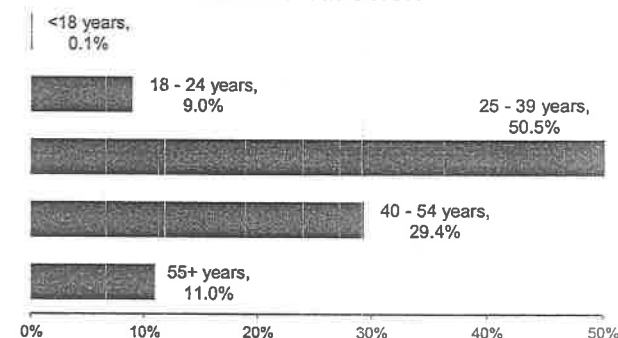Served 6 Months to 1 Year.........15%
Served Less Than 6 Months.......30%

SPECIAL POPULATION GROUPS

SENTENCE TYPE	MALE	FEMALE	TOTAL
Death Row	114	3	117
Minors	51	4	55
Veterans	2,375	30	2,405

CITIZENSHIP / GENDER DISTRIBUTION

	MALE	FEMALE	TOTAL	%
US Citizens	34,559	4,011	38,570	91.5%
Crim Aliens	3,439	132	3,571	8.5%
TOTAL	37,998	4,143	42,141	100.0%
%	90.2%	9.8%		100.0%

AGE DISTRIBUTION

<18 years, 0.1%
18 - 24 years, 9.0%
25 - 39 years, 50.5%
40 - 54 years, 29.4%
55+ years, 11.0%

ETHNIC DISTRIBUTION

Other, 2.2%
Native American, 5.4%
African-American, 14.5%
Caucasian, 39.1%
Hispanic, 38.8%
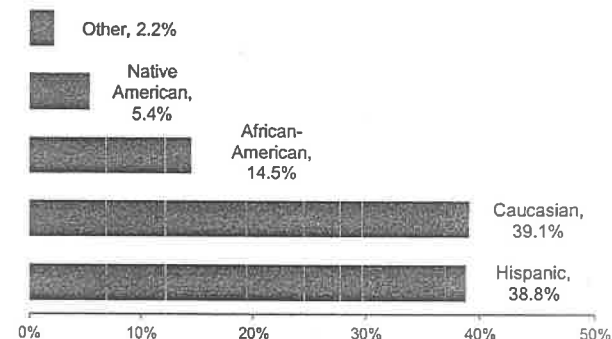
TOTAL STAFF ASSAULTED - WITH INJURY

FY14: 499, 51, 10.2%
FY15: 518, 62, 12.0%
FY16: 676, 36, 5.3%
FY17: 640, 44, 6.9%
FY18: 542, 59, 10.9%
FY19: 105, 10, 9.5%

Total Staff Assaulted / Total Staff Injured — Through 8-31-18 — Includes ADC and Contract Beds — Updated 9/7/18
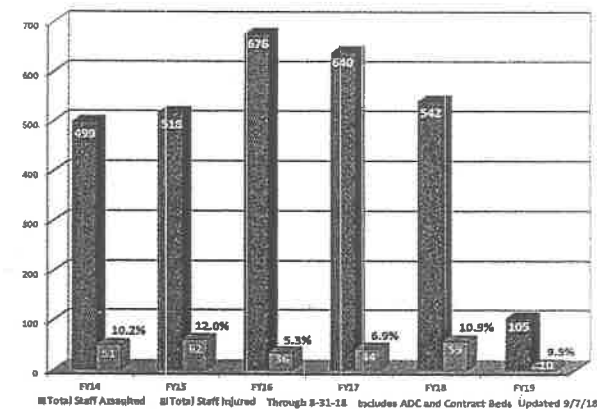
ADC CONSTITUENT CONTACTS	4,339
ADC PERSONNEL ON MILITARY LEAVE	100
ADC PERSONNEL ON MILITARY STANDBY	50

Arizona Department of Corrections
Annual Inmate Growth
FY 2003 thru FY 2022

Numbers are Net Growth

Projected Inmate Growth Trend 30 per month / 360 annually

Fiscal Year	Inmates	Net Growth
FY 2003	30,741	1,468
FY 2004	31,631	890
FY 2005	32,664	1,033
FY 2006	34,797	2,133
FY 2007	37,088	2,291
FY 2008	38,897	1,899
FY 2009	40,412	1,515
FY 2010	40,477	65
FY 2011	40,181	(296)
FY 2012	39,877	(304)
FY 2013	40,686	809
FY 2014	41,773	1,087
FY 2015	42,611	838
FY 2016	42,902	291
FY 2017	42,200	(702)
FY 2018	42,113	(87)
FY 2019	42,473	360
FY 2020	42,833	360
FY 2021	43,193	360
FY 2022	43,553	360

Inmates

(Fiscal Year -- July thru June)

ADC Facilities by Security Level/Mission

DUI = DUI
2ⁿᵈ CC = Second Chance Center
GP = General Population
M = Medical
PC = Protective Custody
SO = Sex Offender
R = Reception

Physical Security Levels
5 = Highest (maximum)
4 = High (close)
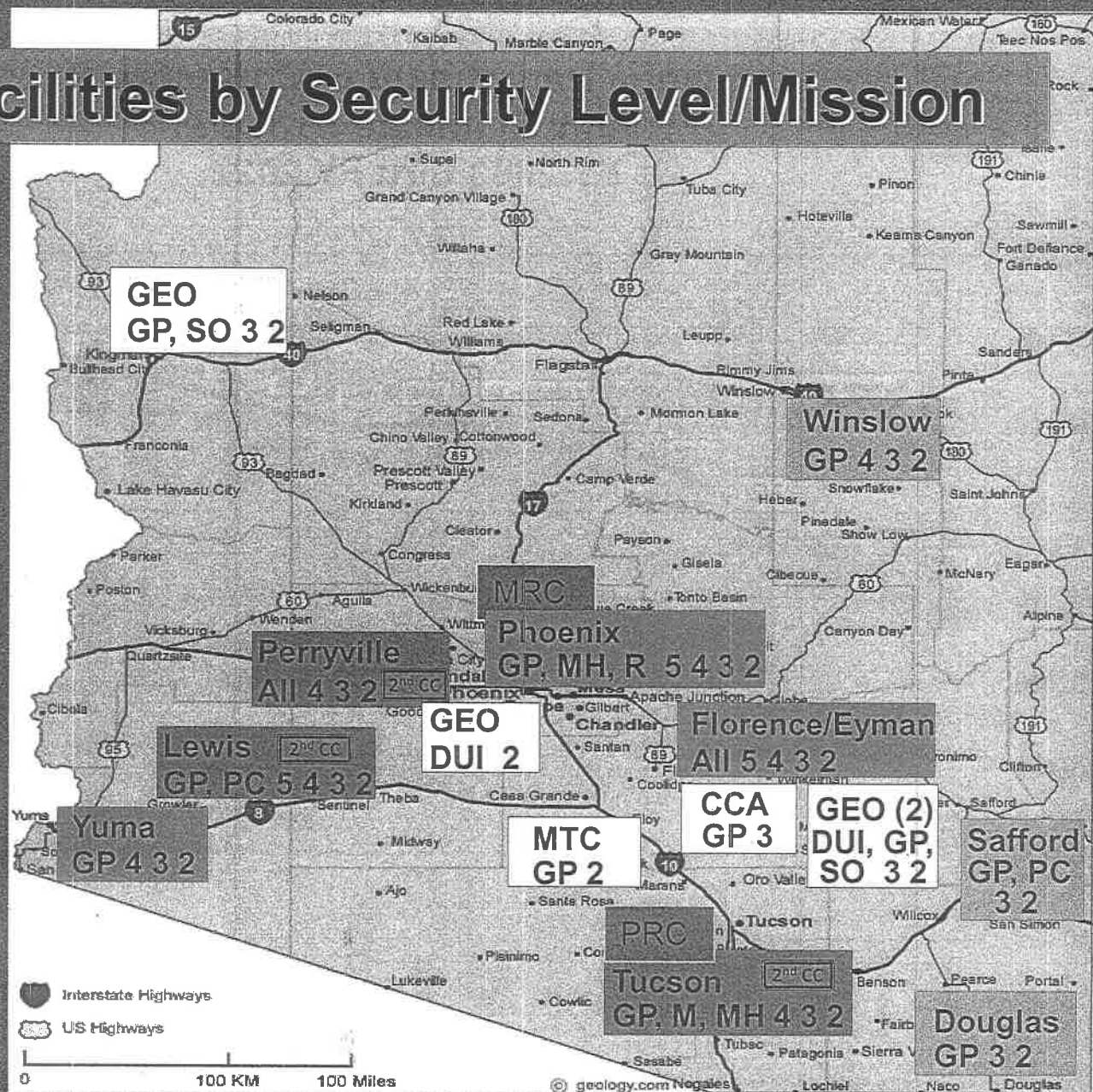**3** = Moderate (medium)
2 = Low (minimum)

ADC Owned & Operated
Non-Corridor Prison

ADC Owned & Operated
Corridor Prison

ADC Owned & Operated
Corridor Prison with
Second Chance Center (SCC)

ADC Contracted Private Prison
Corridor Facility with Placement
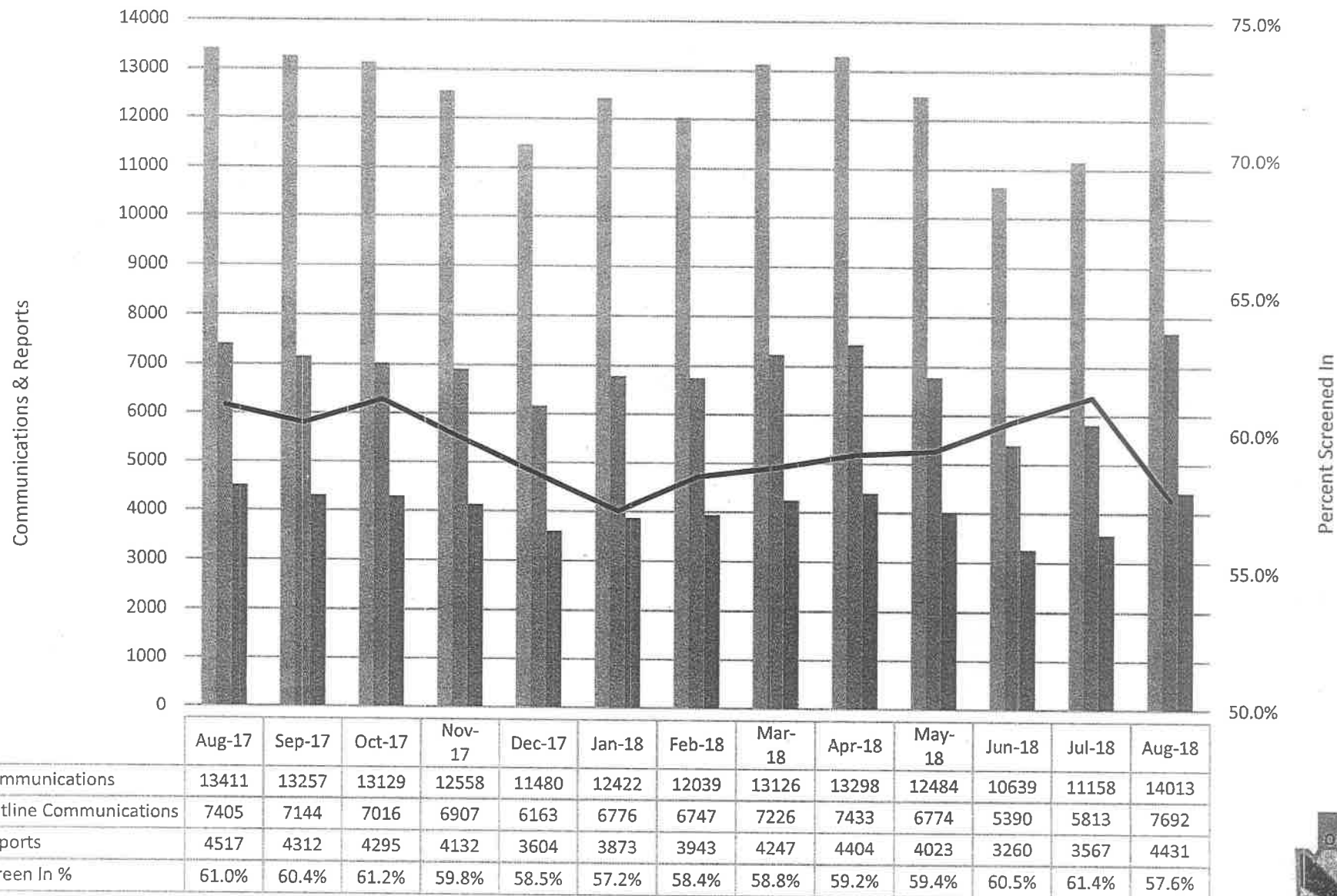Restrictions

ADC Reentry Centers

GEO
GP, SO 3 2

Winslow
GP 4 3 2

MRC

Phoenix
GP, MH, R 5 4 3 2

Perryville
All 4 3 2   2ⁿᵈ CC

GEO
DUI 2

Lewis   2ⁿᵈ CC
GP, PC 5 4 3 2

Florence/Eyman
All 5 4 3 2

CCA
GP 3

GEO (2)
DUI, GP,
SO 3 2

MTC
GP 2

Safford
GP, PC
3 2

Yuma
GP 4 3 2

PRC

Tucson   2ⁿᵈ CC
GP, M, MH 4 3 2

Douglas
GP 3 2

Interstate Highways
US Highways

0   100 KM   100 Miles

© geology.com

Date Prepared: June 30, 2018

Department of Child Safety

Data charts as of week beginning 9.17.18
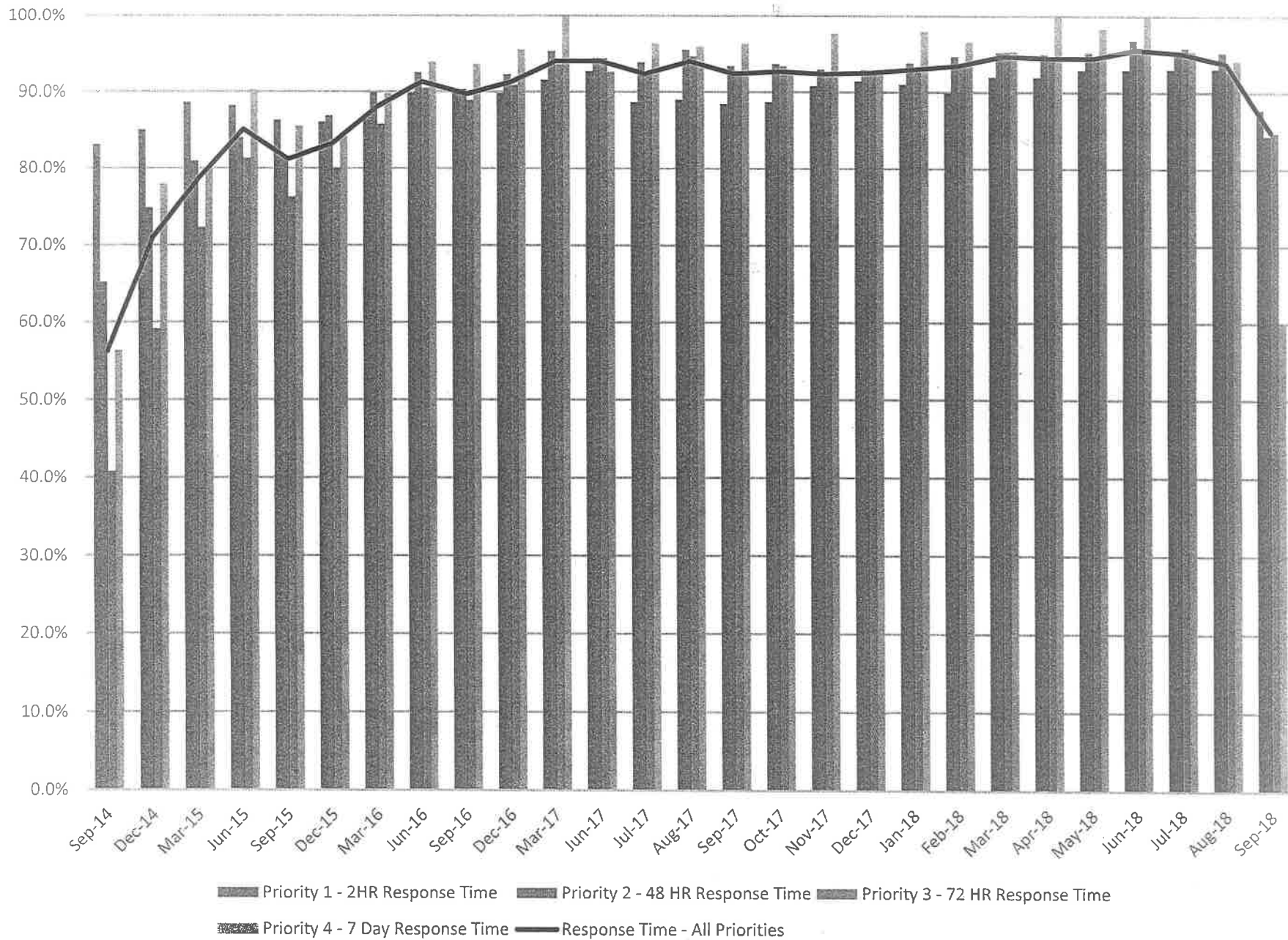
Communications & Reports to the Hotline

	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18
Communications	13411	13257	13129	12558	11480	12422	12039	13126	13298	12484	10639	11158	14013
Hotline Communications	7405	7144	7016	6907	6163	6776	6747	7226	7433	6774	5390	5813	7692
Reports	4517	4312	4295	4132	3604	3873	3943	4247	4404	4023	3260	3567	4431
Screen In %	61.0%	60.4%	61.2%	59.8%	58.5%	57.2%	58.4%	58.8%	59.2%	59.4%	60.5%	61.4%	57.6%

NOTE: Communications, Hotline Communications, and Reports include calls/reports that are no jurisdiction reports.
Screen In % shows reports as a percentage of total Hotline Communications.
Data Source: DCS Tableau Dashboard, Communications Received by Weekday and Hour Reports, 9.15.18
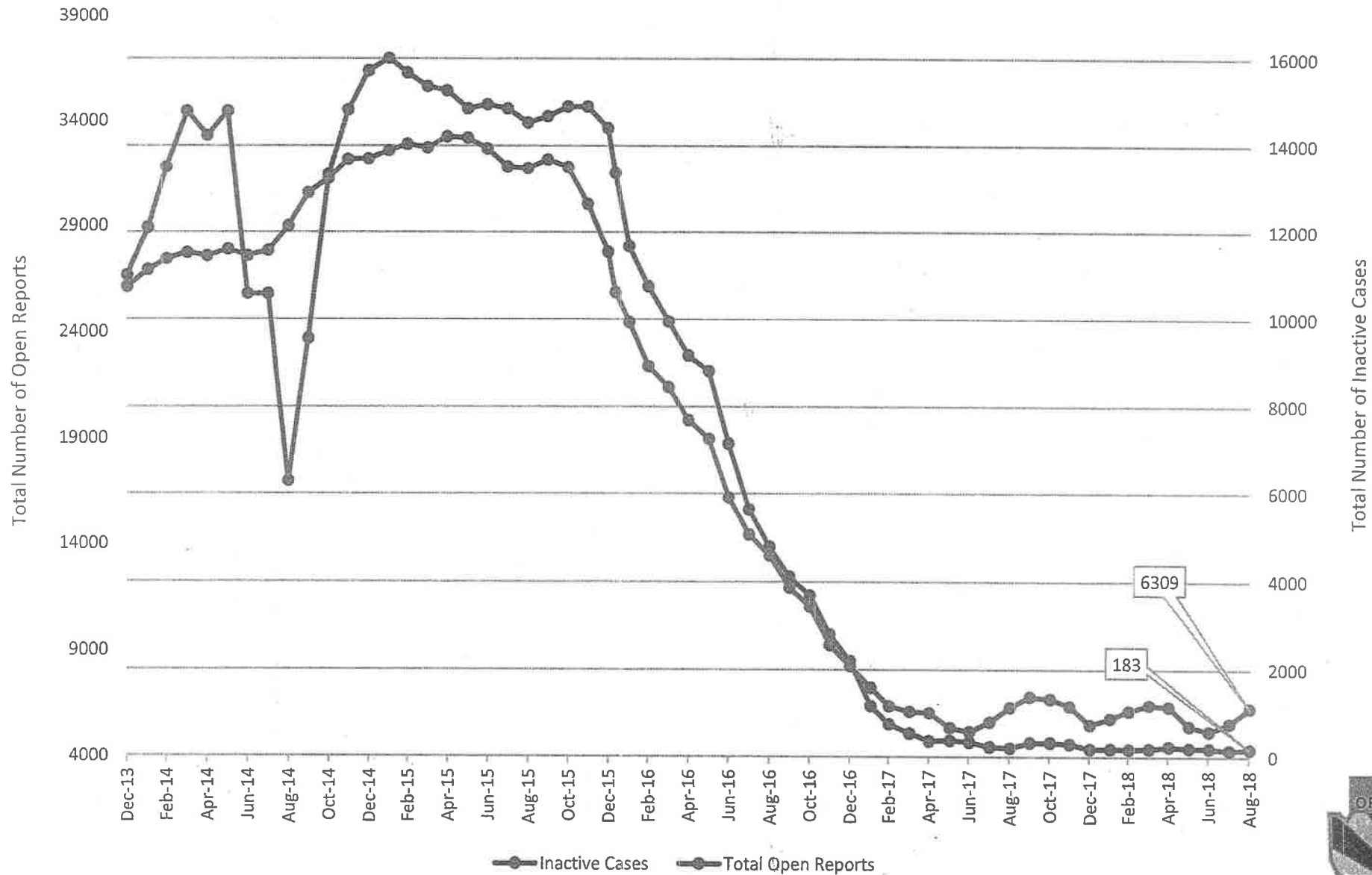
Response Timeliness

Legend:
- Priority 1 - 2HR Response Time
- Priority 2 - 48 HR Response Time
- Priority 3 - 72 HR Response Time
- Priority 4 - 7 Day Response Time
- Response Time - All Priorities

NOTE: September 2018 data is preliminary.
Data Source: DCS Tableau Dashboard, Report Response Timeliness, 9.17.18
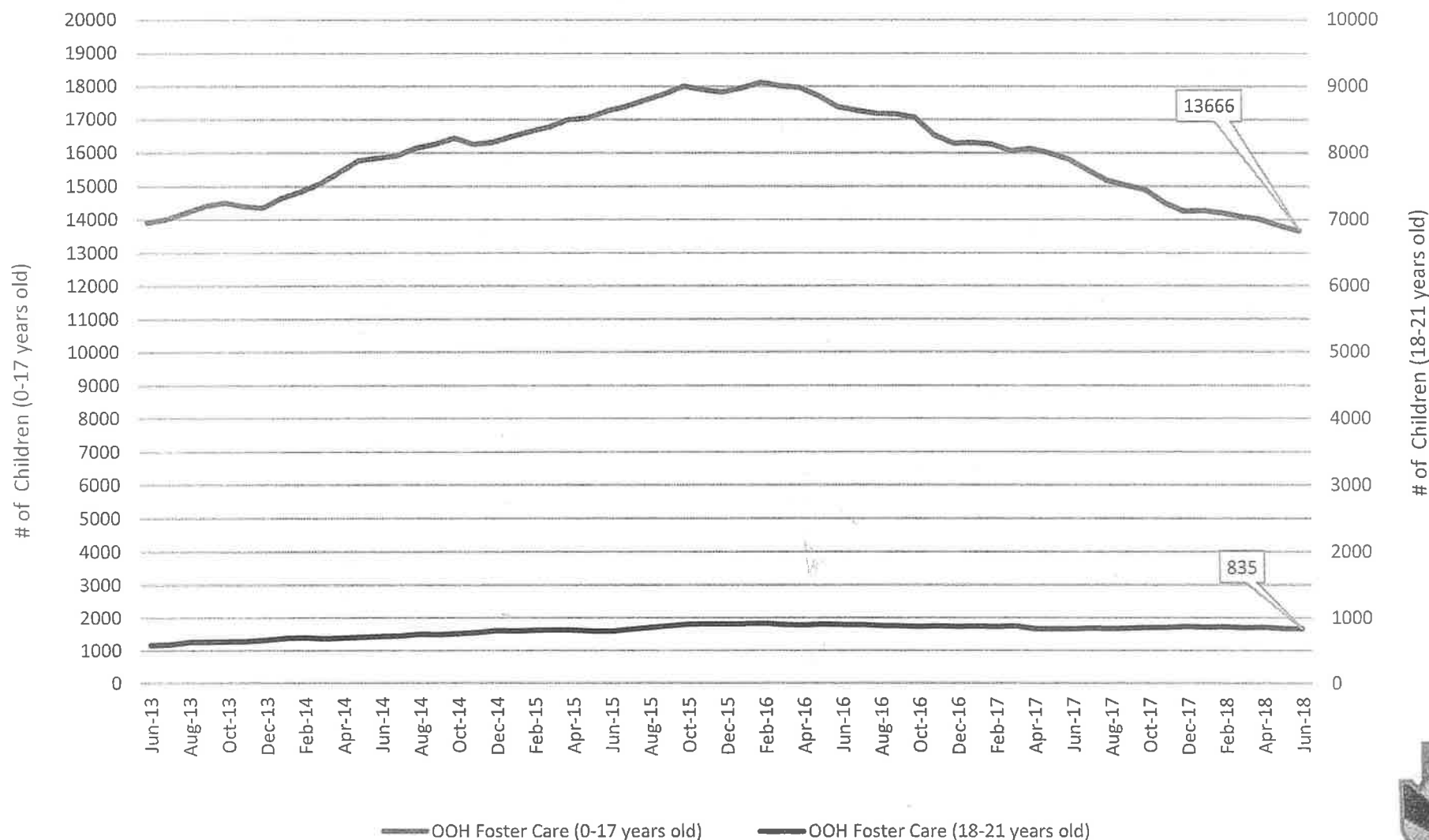
Inactive Cases and Total Open Reports

NOTE: Investigations may contain one or more reports. Current open reports is through 9.17.18, current inactives through 9.17.18
Data Source: Weekly Completed/Assigned Report, and Weekly DCS Inactives Report

Care Management Population

Foster Care Population

Chart showing OOH Foster Care (0-17 years old) with value 13666 and OOH Foster Care (18-21 years old) with value 835. Left axis: # of Children (0-17 years old) from 0 to 20000. Right axis: # of Children (18-21 years old) from 0 to 10000. X-axis: Jun-13 through Jun-18.

Legend: OOH Foster Care (0-17 years old) — OOH Foster Care (18-21 years old)

NOTE: Current OOH population reflects June 2018 data
Data Source: DCS Monthly Out-of-Home Care Report, 8.20.18

Children in Out-of-Home Care
(0-17 years old)
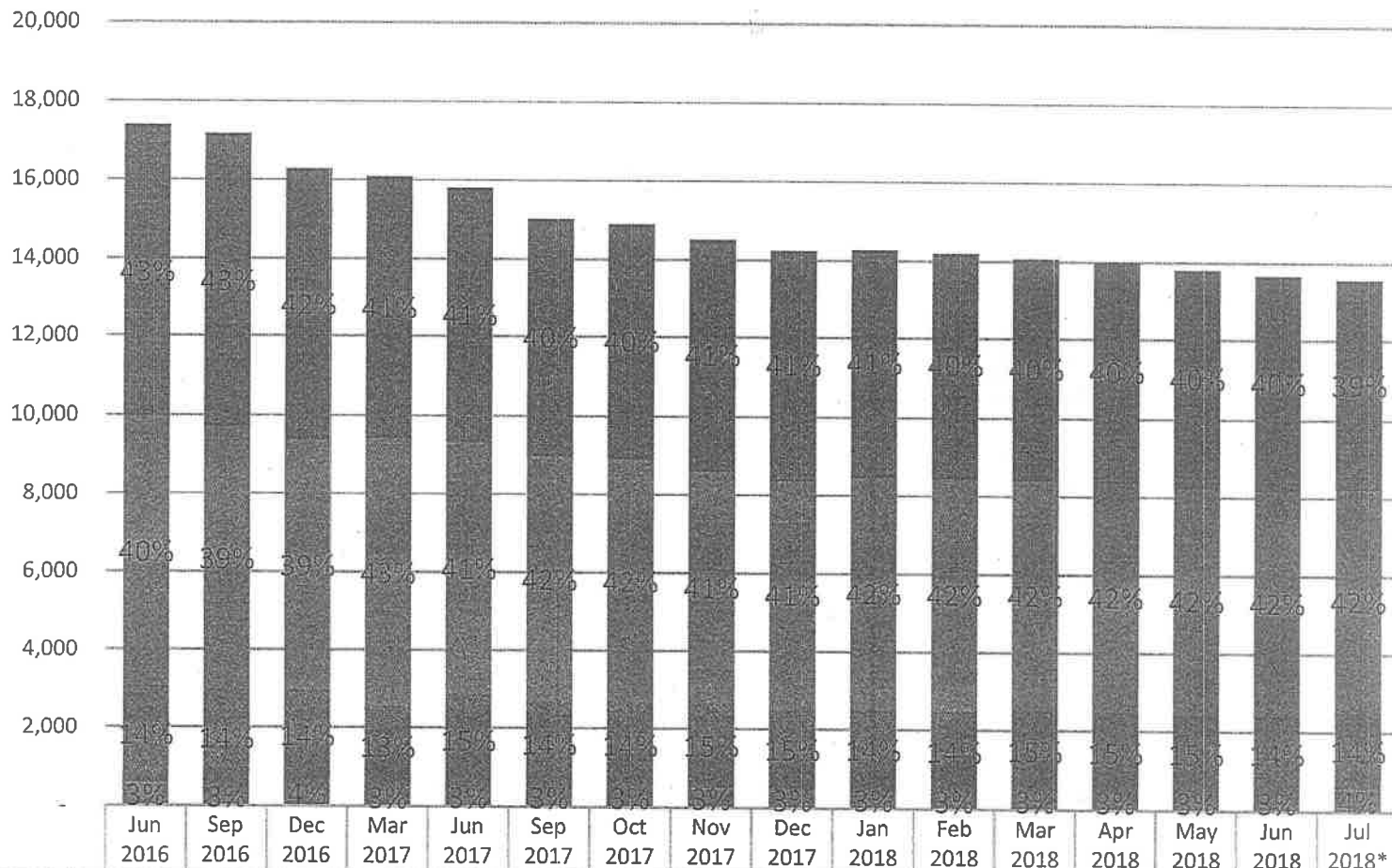
	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Jul 2018*
Unlicensed (Primarily Kinship)	7,425	7,451	6,916	6,672	6,473	6,053	5,981	5,898	5,873	5,801	5,736	5,669	5,637	5,561	5,489	5,356
Foster Care	6,900	6,759	6,406	6,861	6,466	6,290	6,261	5,958	5,855	5,954	5,985	5,895	5,888	5,800	5,746	5,711
Congregate Care	2,498	2,450	2,312	2,075	2,362	2,167	2,138	2,150	2,077	2,064	2,058	2,073	2,056	2,020	1,973	1,944
Independent Living	3	5	2	1	-	5	4	5	2	2	2	1	-	-	-	1
Other	564	503	648	474	502	506	505	492	442	457	421	446	429	431	458	566
Total in Out-of-Home Care	17,390	17,168	16,284	16,083	15,803	15,021	14,889	14,503	14,249	14,278	14,202	14,084	14,010	13,812	13,666	13,578

NOTE: July 2018 data is preliminary
Data Source: DCS Monthly Out-of-Home Care Report, 8.20.18

Children in Out-of-Home Care
(18-21 years old)

	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Jul 2018*
Unlicensed (Primarily Kinship)	43	51	29	31	38	30	31	34	34	44	49	44	39	39	40	40
Foster Care	86	78	201	30	79	80	102	114	129	126	127	109	111	98	106	107
Congregate Care	229	96	82	252	201	218	206	192	191	184	180	184	193	211	209	199
Independent Living	492	507	517	517	476	490	495	498	495	485	480	491	490	470	457	448
Other	47	146	36	18	38	28	21	19	19	22	27	24	26	24	23	27
Total in Out-of-Home Care	897	878	865	848	832	846	855	857	868	861	863	852	859	842	835	821

NOTE: July 2018 data is preliminary
Data Source: DCS Monthly Out-of-Home Care Report, 8.20.18

Entries and Exits
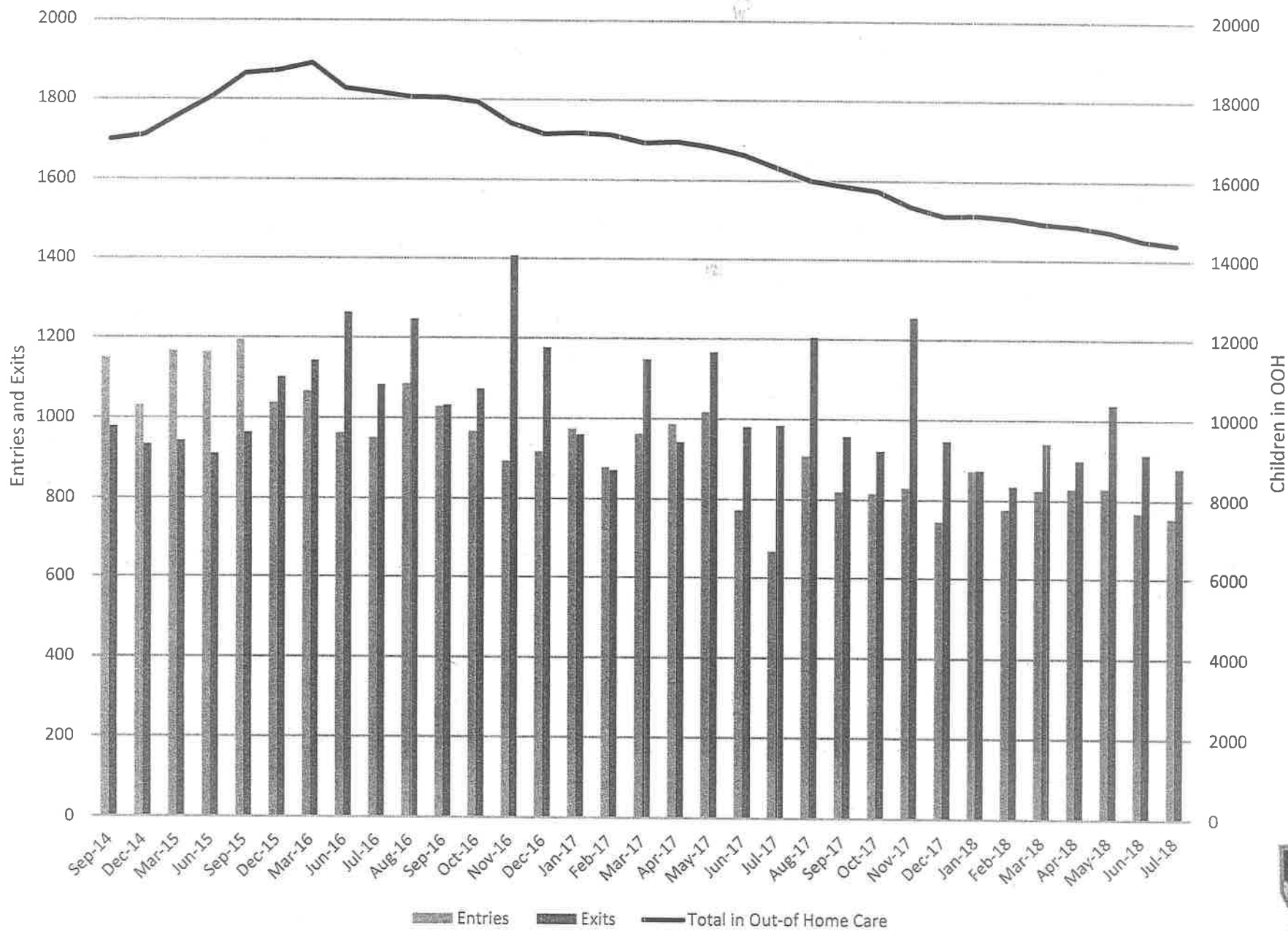
NOTE: July 2018 data is preliminary
Data Source: Removals & Returns Dashboard, 9.17.18

Exits by Type

Legend: Reunification, Adoption, Guardianship, Other
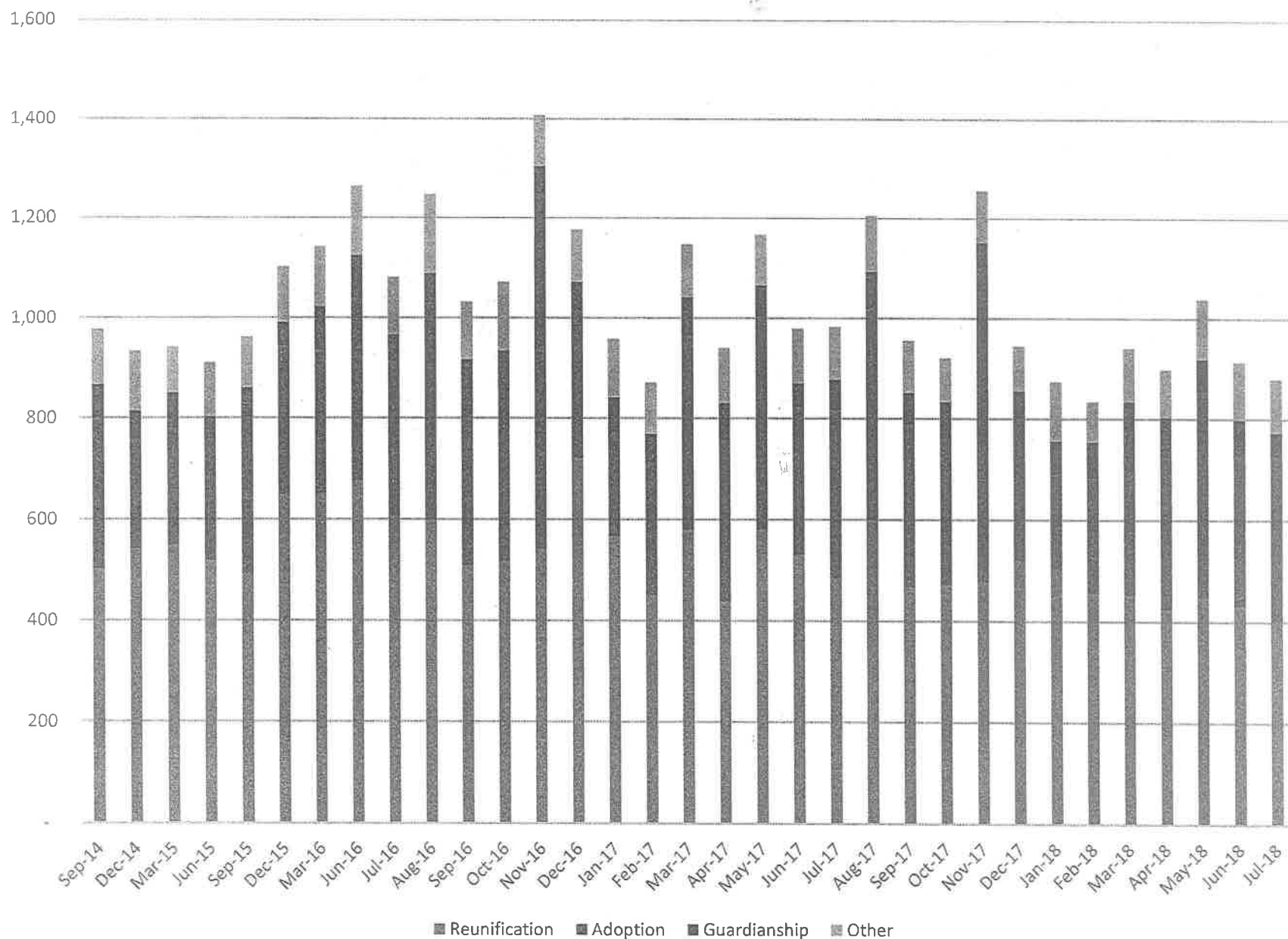
NOTE: July 2018 data is preliminary
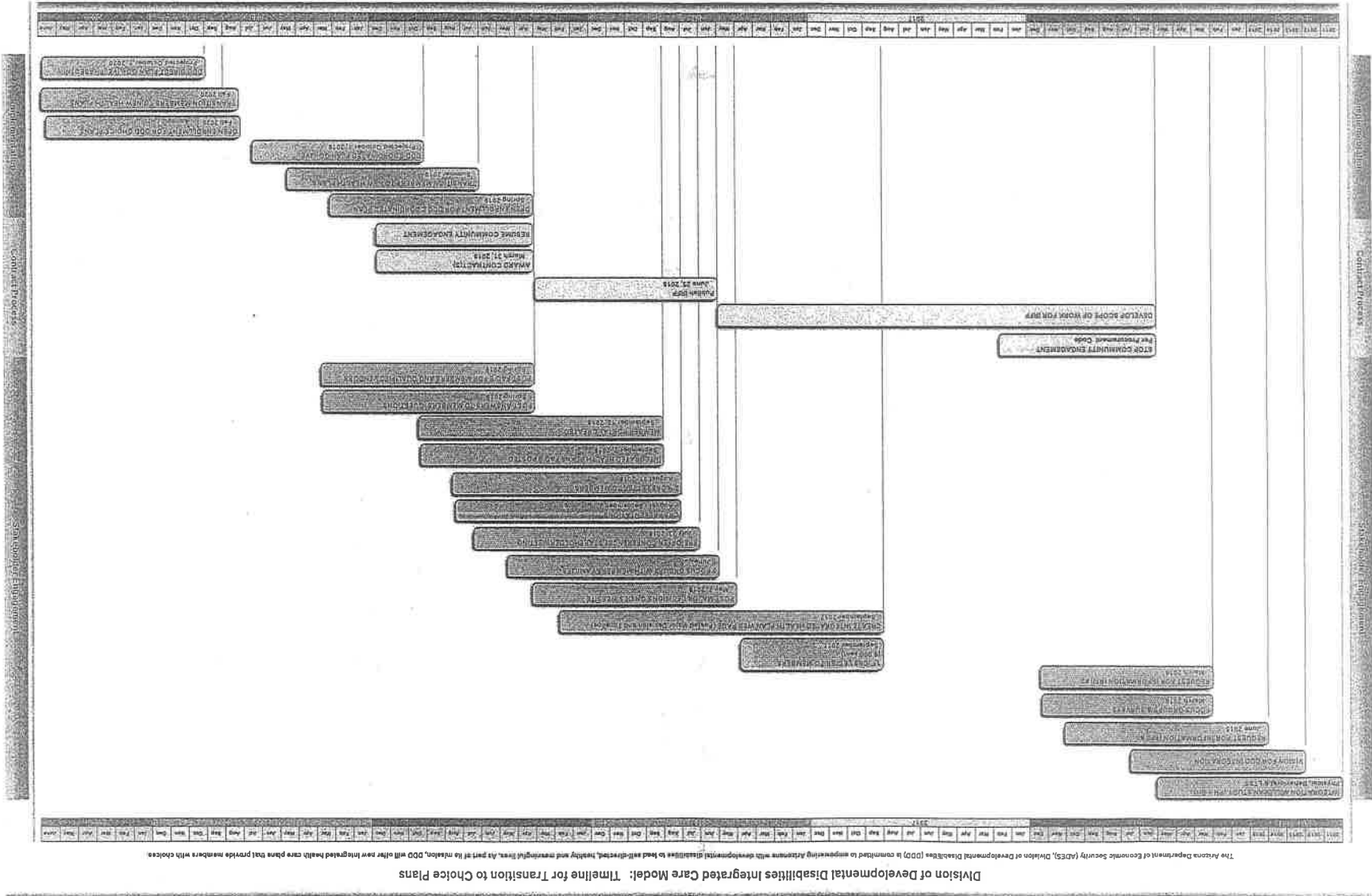*Data Source: DCS Tableau Dashboard, Removals and Exits, 9.17.18*

Service Referral Waitlist
Parent Aide, Supervised Visits, and In-home

NOTE: September 2018 data through 9.14.18
Data Source: Weekly DCS Waitlist Report

Division of Developmental Disabilities Integrated Care Model: Timeline for Transition to Choice Plans

The Arizona Department of Economic Security (ADES), Division of Developmental Disabilities (DDD) is committed to empowering Arizonans with developmental disabilities to lead self-directed, healthy and meaningful lives. As part of its mission, DDD will offer new integrated health care plans that provide members with choices.

Contract Process

Stakeholder Engagement

IMPLEMENTATION

- OPEN ENROLLMENT FOR INTEGRATED HEALTH CARE PLANS
  Projected October 1, 2016
- TRANSITION READINESS FOR MEMBERS
  Fall 2016
- OPEN ENROLLMENT FOR DDD CHOICE PLANS
  Fall 2016
- READINESS ASSESSMENT AND OVERSIGHT
  Projected October 1, 2016
- CONTRACT IMPLEMENTATION
- DEVELOP PLAN FOR DDD COMMUNICATIONS
  Spring 2016
- RESUME COMMUNITY ENGAGEMENT
- AWARD CONTRACTS
  March 31, 2016
- PUBLISH RFP
  June 23, 2015
- DEVELOP SCOPE OF WORK FOR RFP
- STOP COMMUNITY ENGAGEMENT
  Per Procurement Code
- DEVELOP PROCESSES AND OVERSIGHT MECHANISM
  Spring 2016
- DEVELOP WRITTEN POLICIES AND PROCEDURES
- RFP EVALUATIONS
  September 22, 2015
- FINAL DRAFT OF RFP POSTED
- ADVISORY COMMITTEE REVIEW
- ANALYZE STAKEHOLDER INPUT/FEEDBACK
- STAKEHOLDER ENGAGEMENT MEETINGS
- DEVELOP DRAFT POLICY AND PROCEDURE DESIGN
- SOLICIT STAKEHOLDER CHOICES FOR
- STAKEHOLDER CALLS AND WORKGROUPS FOR CHOICE PLAN DESIGN/INTEGRATED HEALTH
  September 2017
- STAKEHOLDER MEMBERS
  September 2017
- REQUEST FOR INFORMATION (RFI)
  March 2015
- STAKEHOLDER SURVEY
  March 2015
- REQUEST FOR INFORMATION (RFI)
  June 2015
- VISION FOR DDD INTEGRATION
- INTEGRATION WORKGROUP STUDY WITH DDD

STATE OF ARIZONA

𝕵𝖔𝖎𝖓𝖙 𝕷𝖊𝖌𝖎𝖘𝖑𝖆𝖙𝖎𝖛𝖊 𝕭𝖚𝖉𝖌𝖊𝖙 𝕮𝖔𝖒𝖒𝖎𝖙𝖙𝖊𝖊

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VACANT

DATE: December 11, 2018

TO: Members of the Joint Legislative Budget Committee

FROM: Rebecca Perrera, Senior Fiscal Analyst   *RP*

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

Request

A.R.S. § 15-2041D3(c) requires that the cost-per-square-foot factors used in the School Facilities Board (SFB) 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." The cost-per-square-foot factors were last adjusted in January 2018.

Committee Options

The Committee has at least the following options:

1. Approve a 6.19% adjustment in the cost-per-square-foot factors. The adjustment is based on the change in the Rider Levett Bucknall (RLB) Phoenix construction cost index since the cost factors were last adjusted. The Committee has used this methodology for the last 4 years. *Table 1* lists the cost-per-square-foot amounts for this recommendation.

2. A different adjustment factor. Unlike past years, however, SFB has not offered a recommended adjustment.

Table 1			
Cost-Per-Square-Foot Amounts for Each Option			
	K-6	7-8	9-12
Current Cost-Per-Square Foot Amounts	$ 147.00	155.19	179.69
Committee Option - Phoenix Construction Index (6.19%)	156.10	164.80	190.81

Key Points
1) JLBC is annually required to adjust SFB new construction cost-per-square-foot factors.
2) Statute does not require that the JLBC adjustment apply to projects already awarded.
3) Under current statute, the adjusted index does not apply to schools already approved for funding in FY 2020.
4) The new rates would increase the state's cost by $1.9 M for schools conceptually approved for FY 2021.

Analysis

Background Information
The original Students FIRST legislation (Laws 1998, 5th Special Session, Chapter 1) established funding amounts per-square-foot of space for new construction. There are different per-square-foot factors for grades K-6, 7-8, and 9-12 space. 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. Statute requires that the Committee adjust the cost-per-square-foot amounts at least once per year.

In November 2008, the Committee approved a 1.98% adjustment in construction costs. Between 2008 and 2016, the Committee approved a 0% adjustment in construction costs in each year due to the decline in construction costs during the recession. The Committee approved a 4.31% and 3.12% adjustment in December 2016 and January 2018, respectively.

Adjustment Options
Statute requires the Committee to make adjustments to the cost-per-square foot factors and JLBC Staff has historically provide options to the Committee. These options typically include an index identified by JLBC Staff along with the adjustment recommended by SFB Staff. However, the SFB Staff has not provided a recommendation for increasing the new school construction cost-per-square-foot factors.

The Committee has used the RLB Phoenix construction cost index methodology since 2013. Since the Committee last approved an adjustment in January 2018, the RLB index has increased by 6.19%.

Fiscal Impact
Statute does not require that the JLBC adjustment apply to projects already awarded. Therefore, any changes made to the index will not impact the 7 new schools SFB approved on November 29, 2018 for funding in the FY 2020 budget.

SFB is currently in the process of conceptually approving schools which would be funded in FY 2021. This process does not represent formal SFB approval and is subject to change in the future. These schools would be subject to the proposed cost adjustment. Based on preliminary estimates, a 6.19% increase would result in $1.9 million in total additional costs for projects that would start in FY 2021.

RP:kp

2A

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VACANT

DATE: December 11, 2018

TO: Members of the Joint Legislative Budget Committee

FROM: Patrick Moran, Senior Fiscal Analyst PM

SUBJECT: Department of Child Safety - Review of FY 2019 First Quarter Benchmarks

Request

Pursuant to an FY 2019 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 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 1,327 out of 1,406 funded direct line staff positions (caseworkers and hotline).
2) The department continues to meet its benchmarks for the backlog (less than 1,000 cases) and open reports (less than 8,000).
3) DCS is making progress towards the Out-of-Home Population benchmark (13,964 by June).
4) Caseworker workload continues to be above the caseload standard.

Analysis

An FY 2019 General Appropriation Act footnote requires DCS to report on caseworker hiring, caseworker workload, the backlog, the number of open reports, and the number of children in out-of-home care at the end of each quarter. DCS has submitted its report for the first quarter of FY 2019.

Filled FTE Positions
Table 1 outlines DCS' progress in hiring caseworkers by quarter. DCS is funded for 1,406 caseworkers. The department has filled 1,327 directly line positions, or (79) fewer positions than the benchmark. Compared to last quarter, the total number of direct line staff decreased by (5), while the number of case-carrying caseworkers declined by (27) positions.

Table 1					
Caseworker Hiring by Quarter					
Direct Line Staff Type	**Benchmark**	**Dec. 2017**	**March 2018**	**June 2018**	**Oct. 2018**
Case-Carrying Caseworkers	1,190	1,054	1,104	1,053	1,026
Caseworkers in Training	140	202	147	209	230
Hotline Staff	76	65	65	70	71
Total	**1,406**	**1,321**	**1,316**	**1,332**	**1,327**

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. As of December 2018, DCS had 275 backlog cases and 6,760 open reports, continuing to meet both benchmarks.

Out-of-Home Children
DCS' benchmark is to reduce the out-of-home population to 13,964 by June 2019. As shown in *Table 2*, the out-of-home population as of September was 14,187. Meeting the benchmark would therefore require a further reduction of 223 children, or a (1.6)% decrease compared to the September population.

Table 2						
Progress in Reducing the Out-of-Home Population						
	Sept. 2017	**Dec. 2017**	**March 2018**	**June 2018**	**Sept. 2018**	**June 2019**
Actual	15,867	15,117	14,936	14,501	14,187	--
Benchmark	16,141	15,818	15,501	15,191	14,836	13,964

Caseload Standard
DCS established revised caseload goals during the May 2014 Special Session for case-carrying caseworkers. These goals 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 2019 General Appropriation Act requires DCS to report the caseload for each DCS field office. Estimated caseworker caseload for individual offices can be found on page 6 of DCS' attached submission. DCS estimates that most field offices are above at least one of the caseload standards.

PM:lm

Douglas A. Ducey
Governor

RECEIVED

OCT 01 2018

JOINT BUDGET
COMMITTEE

October 1, 2018

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

Re: Department of Child Safety Quarterly Benchmark Progress Report

Dear Chairman Kavanagh:

Pursuant to Laws 2018, 2nd Regular Session, the Department submits its report on the progress made increasing the number of filled FTE positions, meeting the caseload standard and reducing the number of backlog cases and out-of-home children for the first quarter of FY 2019.

If you have any questions, please contact our office at (602) 255-2500.

Sincerely,

Gregory McKay
Director

Enclosure

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
       Representative David Livingston, Chairman, Joint Legislative Budget Committee
       Matt Gress, Director, Governor's Office and Strategic Planning and Budgeting
       Patrick Moran, Joint Legislative Budget Committee
       Sarah Pirzada, Governor's Office and Strategic Planning and Budgeting

DEPARTMENT OF CHILD SAFETY

Quarterly Progress Report
(Filling FTE Positions and Reducing the Inactive)
September 2018

PROGRESS MADE IN INCREASING THE NUMBER OF FILLED FTE POSITIONS

The Department of Child Safety (DCS) maintains continuous efforts to reduce turnover in order to sustain sufficient staff resources that provide quality services to the children and families it serves. In state fiscal year 2019 (FY19), one of the Department's strategic objectives is to develop and retain a highly effective workforce by improving employee retention through improved supervision.

DCS identified several key actions in FY17 and FY18, which were implemented. These included realignment of pay structure and job classification for the DCS Specialists; improvements to Core Training curriculum; improving the onboarding experience of all new DCS employees; and the development of general management and leadership skills for supervisors and managers.

For FY19, DCS aims to further its efforts to improve employee retention by improving supervision. This will include objectives to implement infrastructure and tiered accountability for a supervisor coaching model and to define and implement a "Day 1 as a New Supervisor" training.

DCS has been able to fully staff Intake (Child Abuse Hotline) Specialists. DSC HR continues to target recruitment efforts at the local office level for DCS Specialist vacancies as compared to historical practices of posting for a specific city or county. This will help identify candidates who can work in their community and aims to improve the candidates experience because applicants are applying for the office location in which they prefer to be placed.

DCS HR has been working closely with local hiring managers to identify candidates based on selective preferences. Since different offices may have different or unique needs, HR's work with managers will help identify candidates who more closely meet the office's needs. It is important to note that exit surveys completed by Child Safety Specialist when they leave employment with DCS continue to reveal that low pay is a key reason for their decision to leave. Currently, Child Safety Specialist starting pay is $33,000 annually.

DCS HR, in collaboration with DCS Communications, created a new recruitment video and posted it on the DCS website for applicants to view prior to interviewing. This video provides an overview of the job experience with an inspiring message of hope that Specialists can bring to children and families in their role. This video has been viewed more than 75,000 times on the DCS Facebook account since it was posted in May 2018. In addition to various recruitment activities in the community, DCS participated in the University of Arizona career fair in order to market DCS as a preferred employer.

The Department has been sustaining its active recruitment process to fill all Child Safety Specialist positions. As of August 2018, the Department filled 1,337 (95 percent) of the 1,406 funded

positions. DCS funds 236 supervisor positions, 226 (96 percent) of which are filled. The breakdown of funded supervisor positions by Region and the Hotline are as follows: Hotline-15, Central-70, Pima-51, Northern-23, Southeast-9, Southwest-65 and the Placement Unit-3. The Department is actively recruiting to fill the vacant supervisor positions, which will further reduce the DCS Specialist to supervisor ratio, which is 1:6 as of August 2018.

To support DCS Specialists, Supervisors, case aides and other front line staff experiencing secondary trauma, DCS implemented its peer-to-peer support program, Workforce Resilience. This program seeks to enhance a healthy workforce, provide staff a safe and supportive environment when coping with the experiences inherent in child welfare and help address burnout staff may experience.

The Department continues its efforts to minimize the overall attrition of all DCS employees. Chart 1 shows the number of DCS Specialist hires for CY 2016 through CY 2018 to date, along with hiring targets. These targets were established against historically observed attrition rates.

Chart 1 – DCS Specialist Hires and Target Trends
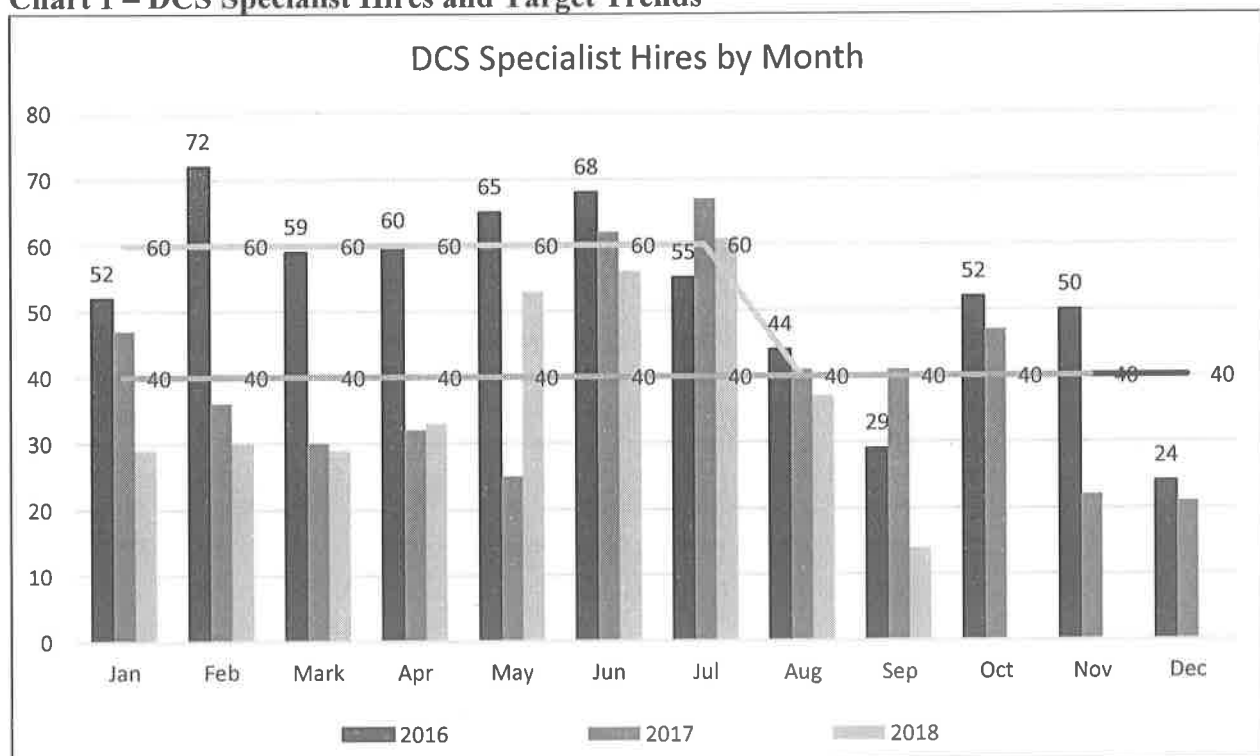
*Data has been updated from prior reporting periods. September data will be updated in future reports as this report is required prior to the end of the reporting period.

Chart 2 shows the Department's reduction in turnover for all employees for CY 2016 through CY 2018.

Chart 2 – All DCS Employee Attrition Trends
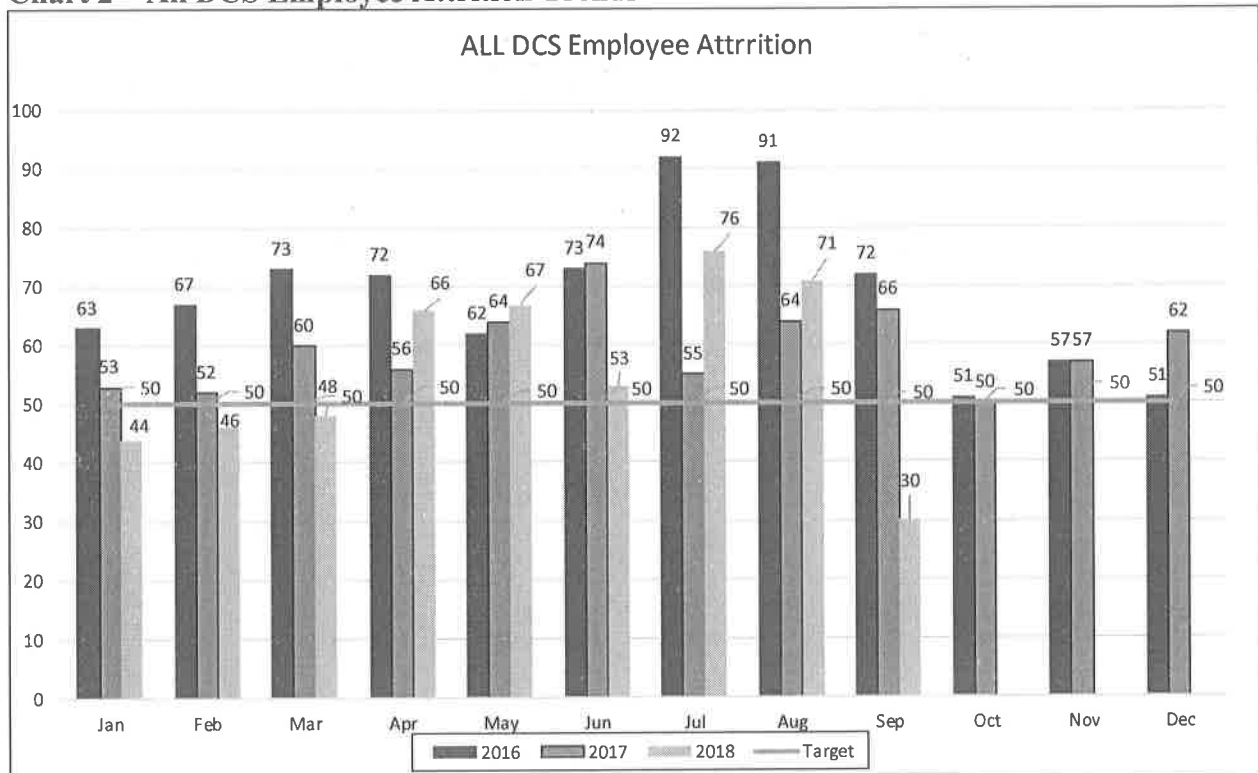
*DCS Employee Attrition for September 2018 will be updated in the next quarterly report.

Chart 3 – All DCS Employee Monthly Turnover Rate Trends
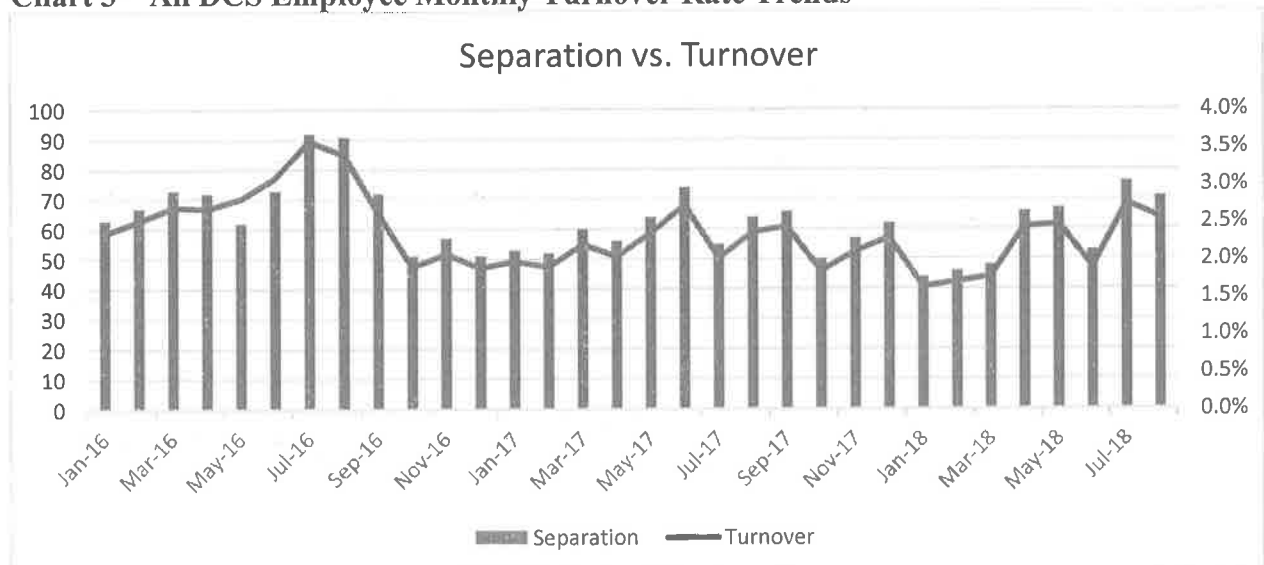
*September 2018 turnover rate data will be updated in the next quarterly report.

PROGRESS MAINTAINING INACTIVE CASES AND IMPROVING CASELOADS

DCS has maintained the inactive well below the legislative benchmark of 1,000 since April 2017. Additionally, the Department reduced the number of open reports from 13,477 in September of 2016 to 6,562 in September 2018. The Department has experienced a stabilization in the number of open reports where is has remained below 7,500 since February 2017.

Additionally, DCS HR continues its efforts to hire and place 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, the overall caseloads for DCS investigators continue to decline across most offices (see Table 2).

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 now has only 183 inactive cases as of September 17, 2018, representing a 99 percent decrease. To avoid a return to higher numbers of inactive cases, the Department uses performance management and other elements of the management system to maintain caseload levels. Across the state, sustainment measures 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; and completion and closure and the implementation of leader standard work to ensure routine follow-up.

The Department achieved the benchmark of less than 13,000 open reports six months ahead of the established target date. From a peak of 33,245 open reports in April 2015, the Department reduced that to only 6,562 as of September 2018, representing an 80 percent reduction (see Table 1).

PROGRESS MADE REDUCING THE OUT-OF-HOME POPULATION

The Department continues to achieve a safe reduction in the out-of-home foster care population. In the first quarter of SFY 2019, the Department reduced the out-of-home foster care population by 4.2 percent (628 children) from the previous quarter (see Table 1). The progress made since the baseline period of March 31, 2016 (18,917 children) is a 24.7 percent reduction (4,676 children) to the current number of children in out-of-home care (14,241).

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. In addition, this highlighted by no significant change in the re-entry rate for children who left care within the past 12 months. The reduction in the number of children entering out-of-home care can be attributed to several factors. These include, but are not limited to, the additional standardized process tools including supervisory administrative and case progress review checklists, as well as standardized safety discussions guides and training staff to better engage a family's network to identify in-home options in order to maintain children safely in the home. Improved response times also contributes to the reduction of children entering care as this enables Child Safety Specialists to make decisions that will help support families, provide services in a timely manner and avoid entry into care.

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.

Through these standard process activities, paired with the continued to use of cursory case reviews and Fostering Sustainable Connections (the Title IV-E Waiver demonstration project), the Department seeks to continue realizing safe and sustainable out-of-home care population reductions.

Table 1 – Benchmark Performance

		Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Backlog Cases										
	Benchmark (less than)	10,000	7,000	4,000	1,000	1,000	1,000	1,000	1,000	1,000
	Actual	4,790	2,854	746	354	212	265	176	225	183
Backlog Case by disposition										
	Investigation Phase	4,554	2,671	633	222	125	165	84	115	74
	In-Home Cases	222	160	99	111	77	89	84	98	93
	Out-of-Home Cases	14	23	14	21	10	11	8	12	16
Number of Open Reports										
	Benchmark (less than)	---	---	---	13,000	13,000	13,000	13,000	13,000	8,000
	Actual	13,477	9,611	6,610	5,644	6,444	6,621	6,087	5,871	6,562
Number of Out-of-Home Children										
	Benchmark (less than)	---	17,500	17,150	16,807	16,471	16,142	15,819	15,503	15,192
	Benchmark (% reduction)			2%	2%	2%	2%	2%	2%	2%
	Actual	18,183	17,936	17,174	16,917	16,316	15,744	15,139	14,869	14,241

Footnotes

- Number of open reports is the actual figure as of the Monday before the legislatively required reporting period based on the automated report run.

- Number of inactive cases is the actual figure as of the Monday before the legislatively required reporting period based on the automated report run.

- Out-of-home population figures are directly from the Monthly Out-of-Home Care run for the Monthly Outcome and Operational Report (MOOR) which is a lagging 60 day

Table 2 – Headcount and Caseload Performance

Region	Section #	March 31, 2016 Baseline					Quarter 4 FY 2018								Quarter 1 FY 2019						
		Workload			FTE		Workload						FTE		Workload						
		As of 3/28	As of 3/31	as of 3/31			As of 9/26		as of 9/20						As of 9/26		as of 9/20				
		# of open reports (investigations)	# of in home cases	# of Out-of-Home Children	Investigators	Case managers	# of open reports (investigations)	# of In home cases	# of Out-of-Home Children	Investigation (reports per worker)	In Home (cases per worker)	Out of Home (children per worker)	Investigators	Case managers	# of open reports (investigations)	# of In home cases	# of Out-of-Home Children	Investigation (reports per worker)	In Home (cases per worker)	Out of Home (children per worker)
10 - Central*	0, 1	575	0	601	17	17	161		506	11		30	17	17	181		488	10		26
	2	834	0	688	18	18	141		521	8		29	19	19	185		506	10		26
	3	1005	0	542	21	21	180		653	9		31	19	19	242		682	13		35
	4	17	435	111		36	13	397	10	0	11	0		33	15	380	16	0	10	0
	5	1423	0	615	18	18	227		491	13		27	18	18	244		455	13		25
	6	1296	0	824	16	16	259		443	16		27	17	17	270		389	16		23
	7	1786	0	913	20	20	209		511	10		25	18	19	252		572	13		29
	8	1493	0	683	22	22	285		580	13		26	20	20	363		614	18		31
	9	1522	0	775	17	17	239		426	14		24	17	17	273		476	16		29
	10	2	0	1520		37	0		1651	0		45		38	0		1423	0		36
20 - Pima	1	980	49	342	18	23	148	41	237	8	2	10	17	22	171	60	224	10	3	10
	2	227	27	396	13	24	153	26	366	12	1	15	11	22	151	93	342	13	4	16
	3	132	18	370	11	22	54	48	316	5	2	15	10	18	67	68	283	10	4	15
	4	126	19	313	12	23	173	25	144	15	1	6	9	17	173	45	145	19	3	4
	5	598	39	161	9	17	148	0	218	17	0	11	10	18	142	0	211	15	0	11
	6, 0	7	0	555	11	22	4	0	650	0	0	30	12	23	5	0	570	0	0	25
	7	325	53	379	11	20	148	40	256	14	2	12	12	23	174	67	252	15	3	11
	9	174	15	312	11	20	114	32	200	11	2	10	11	20	146	104	193	14	5	9
	10	82	0	340	2	3	0	0	81	0	0	25	0	5	1		71	0		14
30 - Northern	1	166	----	308	14	14	232	58	194	17	4	14	14	14	235	22	230	17	2	16
	2	127	----	188	9	5	60	9	321	7	1	36	10	10	72	12	317	7	1	31
	3	200	----	220	12	12	130	15	540	10	1	11	10	10	147	17	359	14	2	16
	4	176	----	359	9	9	86	48	289	10	6	33	11	11	79	21	276	7	2	25
	5, 00	196	----	132	10	10	91	13	270	9	1	26	10	10	131	13	290	11	1	29
40 - Southeast	1	254	30	245	8	16	226	23	107	28	1	7	5	9	71	19	118	15	2	13
	2	645	34	189	3	5	45	29	228	17	6	45	7	14	48	16	184	7	1	13
	3	383	14	119	5	7	81	16	71	15	2	11	3	6	55	7	78	17	1	13
50 - Southwest*	0, 1	483	0	4		0	1		0	0		0	24		1		4	0		0
	3	48	----	101		43	20	424	12	0	10	0		35	30	383	79	1	10	2
	4	937	0	774	20	20	275		541	14		28	20	20	313		570	14		29
	5	1999	0	819	18	18	270		502	15		27	19	18	300		547	16		30
	6	1558	0	984	22	22	309		426	14		20	20	22	270		419	14		19
	7	634	0	804	21	21	195		679	7		33	21	21	162		628	6		30
	8	0	0	1667		48	9		1541	0		38		38	3		1137	0		30
	9	347	0	418	17	17	150		390	9		23	16	17	168		377	10		22
	12	953	0	670	20	20	231		487	12		25	18	20	309		535	17		27
	13	597	0	713	17	17	190		373	11		22	19	17	220		373	12		32
105, 106 - Other	various	370		48	77		608		31	9			81		893		14	11		
Totals		22,698	793	18,917			5,871	1,244	14,969						6,542	1,327	14,241			

Footnotes
- FTE reporting for March 31, 2016: The process of reporting FTE, in particular the specific section assignment of trainees, was not yet established in March 2016. As a result, the FTE counts for that period are not available since they do not match the information on the total number of filled FTE positions as is required by the monthly hiring report.
- Number of open reports is the actual figure as of the Monday before the legislatively required reporting period based on the automated report run.
- As of the 1st Quarter of FY 2019, Specialists in a trainee status are accounted for in FTE figures in each section with an equal distribution of 66% caseload. Data for the previous quarter was updated.
- Out-of-home population figures are directly from the Monthly Out-of-Home Care run for the Monthly Outcome and Operational Report (MOOR) which is a lagging 60 day metric.
- In Home cases are based on a handcount of cases actively managed in each respective Region. March 2016 values for Northern Region are not available given that the Region counted the number of children and not the number of cases.
- In Home case figures were not handcounted in Southwest Region in March 2016. The handcount only included total child count.
- In Home case assignments differ Regionally. Central and Southwest Regions employ specific in home units who manage in home cases only while Northern, Pima and Southeast Regions have mixed units that may carry in home or out of home cases.
- FTE assignments to investigations or case management are based on assignment of 50% investigative and 50% ongoing in Central, Northern and Southwest Regions. Pima and Southeast Regions employ a distribution of 34% investigations and 66% ongoing.
- * During the 1st quarter of SFY2019, Central and Southwest Regions reassigned zip codes to sections to better distribute investigations and cases. Additionally, multiple offices in Central, Pima and Southwest were relocated and redistributed. Therefore, staff and case counts from previous reporting periods may vary.

2B

DATE: December 11, 2018

TO: Members of the Joint Legislative Budget Committee

FROM: Patrick Moran, Senior Fiscal Analyst PM

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

Request

Pursuant to footnotes in the FY 2018 General Appropriation Act (Laws 2017, Chapter 305) and the FY 2019 General Appropriation Act (Laws 2018, Chapter 276), the Department of Child Safety (DCS) is requesting Committee review of the following transfers:

FY 2019
- $400,000 Federal Temporary Assistance for Needy Families (TANF) Block Grant into the Kinship Care line item from the Out-of-Home Support Services line item.

FY 2018
- $185,000 Federal TANF Block Grant into the Kinship Care line item from the Out-of-Home Support Services line item.
- $1,333,000 General Fund into the Foster Home Recruitment, Study, and Supervision (HRSS) line item from the Foster Home Placement line item.
- $1,606,000 Child Safety Expenditure Authority into the Foster HRSS line item from the Out-of-Home Support Services 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.

(Continued)

Key Points
1) DCS is requesting transfers of $185,000 in FY 2018 and $400,000 in FY 2019 Out-of-Home funding into Kinship Care.
2) The transfers would address higher-than-budgeted caseload growth in the Kinship stipend.
3) DCS is also requesting to transfer $2.9 M into Foster Home Recruitment (HRSS) for an FY 2018 technical adjustment.
4) These transfers would leave Kinship Stipends with $(200,000) less in FY 2019 than FY 2018.

Analysis

Kinship Transfers
The Kinship Care line item currently provides a $75/month stipend to unlicensed kinship caregivers with incomes below 200% of the Federal Poverty Level who do not receive other financial assistance from DCS. The enacted FY 2019 budget included $2.0 million from the General Fund for Kinship Care, which is sufficient to fund a monthly average of 2,222 enrollees. The proposed $400,000 transfer of Federal TANF Block Grant monies into the Kinship Care line in FY 2019 is intended to address higher-than-budgeted caseload growth. The department expects monthly client caseloads of 2,600 to 2,700 enrollees in both FY 2019 and FY 2020.

The $400,000 would be transferred from the Out-of-Home Support Services line item, which DCS estimates will have a surplus in FY 2019 due to declining out-of-home caseloads. The additional monies for Kinship stipends would be sufficient to fund a monthly average of 444 additional stipend clients, for a total caseload in FY 2019 of 2,666 clients.

In addition to the current year transfer, DCS is also requesting to retroactively transfer $185,000 of Federal TANF Block Grant monies into the Kinship Care line item from the Out-of-Home Support Services line item in FY 2018 to address excess caseload growth. The $185,000 transfer is on top of a $410,000 transfer from June 2018 that was favorably reviewed by the Committee, resulting in total resources of $2.6 million for Kinship Care in FY 2018.

The 3-year spending plan associated with the enacted FY 2019 budget did not include any adjustments to the $2.0 million appropriation for Kinship Care. As a result, to the extent that higher-than-budgeted caseloads continue next year, the department would either have to repeat this transfer or make changes to the program. An FY 2019 General Appropriation Act footnote continues to require DCS to submit any proposed changes in eligibility for the program or the amount of the stipend to JLBC for review before implementation.

The FY 2019 transfer is unlikely to be the last adjustment for the Kinship line. In FY 2018, DCS spent $2.6 million on the program. In comparison, DCS' proposed transfer would only increase program resources to $2.4 million.

Foster Home Recruitment, Study, and Supervision (HRSS) Transfer
The FY 2018 budget created a new line item for Foster Home Recruitment, Study and Supervision (HRSS) at a level of $20.0 million General Fund and $32.8 million Total Funds. The line item funds contracts

with child welfare licensing agencies that recruit foster families, complete home studies, and provide ongoing monitoring and oversight of family foster homes.

DCS believes that its HRSS contract costs were not fully captured when the new line item was created. The department reports that its actual FY 2017 HRSS expenditures were $37.0 million, while the FY 2018 budget envisioned a funding level of $32.8 million, or $(4.2) million less than the FY 2017 actual expenditures. DCS is requesting that an additional $1.3 million General Fund and $2.9 million Total Funds be transferred into the HRSS line to fully capture HRSS costs. The General Fund transfer would be from the Foster Home Placement line and the Expenditure Authority amount would be from the Out-of-Home Support Services line.

The $2.9 million Total Funds transfer would bring the funding level for HRSS to $35.7 million, or a $(1.3) million Total Funds decrease compared to FY 2017. The declining expenditures are associated with lower licensed foster home caseloads.

PM:kp

Douglas A. Ducey
Governor

Gregory McKay
Director

Tuesday, November 27, 2018

The Honorable John Kavanagh
Chairman, Joint Legislative Budget Committee
1716 West Adams Street
Phoenix, Arizona 85007

Re: FY 2018 and FY 2019 Appropriation Transfer Requests

Dear Senator Kavanagh:

The Department of Child Safety requests to be placed on the Joint Legislative Budget Committee agenda for General Fund, Temporary Assistance for Needy Families (TANF) Authority and Expenditure Authority appropriation transfer requests below:

Summary of FY 2018 Appropriation Transfer Requests

Special Line Item	General Fund (in $1,000)	TANF Authority (in $1,000)	Expenditure Authority (in $1,000)
HRSS (Foster Home Recruitment, Study and Supervision)	$1,333.0		$1,606.0
Kinship Care		$185.0	
Foster Home Placement	($1,333.0)		
Out-of-Home Support Services		($185.0)	($1,606.0)
TOTAL	**$ 0.0**	**$ 0.0**	**$0.0**

Summary of FY 2019 appropriation Transfer Requests

Special Line Item	General Fund (in $1,000)	TANF Authority (in $1,000)	Expenditure Authority (in $1,000)
Kinship Care		$400.0	
Out-of-Home Support Services		($400.0)	
TOTAL	**$ 0.0**	**$ 0.0**	**$0.0**

FY 2018 – General Fund Appropriation Transfer Request

Pursuant to Laws 2017, First Regular Session, Chapter 305, Section 19, 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 General Fund (GF) transfer requests:

- HRSS (Foster Home Recruitment, Study and Supervision): The Department requests a total of $1.3 million of GF be transferred from the Foster Home Placement line item into the HRSS line item.

Special Line Item	General Fund (in $1,000)
HRSS	$1,333.0
Foster Home Placement	($1,333.0)
TOTAL	$0.0

FY 2018 – Expenditure Authority Appropriation Transfer Request

Pursuant to Laws 2017, First Regular Session, Chapter 305, Section 19, 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:

- HRSS: The Department requests a total of $1.6 million in EA be transferred from the Out-of-Home Support Services line item into the HRSS line item.

Special Line Item	Expenditure Authority (in $1,000)
HRSS	$ 1,606.0
Out-of-Home Support Services	($1,606.0)
TOTAL	$ 0.0

FY 2018 – TANF Authority Appropriation Transfer Request

Pursuant to Laws 2017, First Regular Session, Chapter 305, Section 19, 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 TANF transfer requests:

- Kinship Care: The Department requests a total of $185,000 of TANF block grant be transferred from the Out-of-Home Support Services line item into the Kinship Care line item.

Special Line Item	TANF Authority (in $1,000)
Kinship Care	$185.0
Out-of-Home Support Services	($185.0)
TOTAL	$ 0.0

FY 2019 – TANF Authority Appropriation Transfer Request

Pursuant to Laws 2018, Second Regular Session, Chapter 276, Section 17, 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 TANF transfer requests:

- Kinship Care: The Department requests a total of $400,000 in TANF block grant be transferred from the Out-of-Home Support Services line item into the Kinship Care line item.

Special Line Item	TANF Authority (in $1,000)
Kinship Care	$400.0
Out-of-Home Services	($400.0)
TOTAL	**$ 0.0**

Sincerely,

Gregory McKay
Director

Enclosure

cc: Matthew Gress, Office of Strategic Planning and Budgeting
Richard Stavneak, Joint Legislative Budget Committee
Patrick Moran, Joint Legislative Budget Committee
Yan Gao, Office of Strategic Planning and Budgeting

STATE OF ARIZONA

Joint Legislative Budget Committee

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		VACANT

DATE: December 11, 2018

TO: Members of the Joint Legislative Budget Committee

FROM: Patrick Moran, Senior Fiscal Analyst PM

SUBJECT: Department of Economic Security - Review of Plan for the Arizona Training Program at Coolidge

Request

Pursuant to A.R.S. § 36-570, the Department of Economic Security (DES) submitted its annual report for Committee review on the department's plans for the Arizona Training Program at Coolidge (ATP-C) and associated group homes, including any plans to close the facilities.

Committee Options

The Committee has at least the following 2 options:

1.   A favorable review of the plan.

2.   An unfavorable review of the plan.

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

A.   The department shall include a status update on the future use of the 5 state-operated group homes at the ATP-C campus in its next report to the Committee on the ATP-C facility.

Key Points
1) DES plans to close 5 existing housing units for 19 individuals at their Coolidge Developmental Disabilities program.
2) The closure is due to federal requirements.
3) Most of the clients would transfer to another part of the Coolidge campus.
4) The relocation would require renovations totaling $900,000, which DES would pay with existing funds.
5) DES does not yet have a plan for the 5 housing units.

Analysis

ATP-C is a state-run 24-hour residential facility for persons with a severe or profound cognitive disability. ATP-C consists of 6 Intermediate Care Facilities (ICFs), which provide institutional services to clients, as well as 5 state-operated group homes (SOGHs). There are currently 78 clients, many of whom are elderly and have resided at the facility for several years, receiving services at the ICFs and SOGHs.

Group homes are residential settings with no more than 6 people that provide training in independent living skills ("habilitation"), room and board, and other medically necessary services to individuals with developmental disabilities. An ICF is a larger facility that provides similar services to a group home, although ICF residents typically require skilled nursing care.

ATP-C Closure Plans

DES is currently planning to close the SOGHs at ATP-C by May 20, 2020, which would require 19 residents at the facility to be relocated to a different setting. The closure of the homes is partly in response to federal regulations concerning home and community-based services (HCBS) that no longer allow group homes to be co-located with an intermediate care facility. The department reports, however, that 18 out of 19 guardians for the SOGH members have requested that their family members remain at ATP-C. One other guardian is currently interested in evaluating other placements outside of the ATP-C campus.

Based on guardian preferences, DES is proposing that the members be relocated from the existing 5 SOGHs to unoccupied ICF beds on the ATP-C campus. The department would retain the same level of staff that serves the 5 SOGHs within the ICFs, so ATP-C's operational costs would remain unchanged. To ensure there is sufficient space to accommodate the relocated members, the department anticipates spending $272,000 General Fund and $906,000 Total Funds on one-time capital expenses to ensure a currently vacant ICF building is suitable for occupancy. The expenses include new doors, HVAC systems, roofing repairs, flooring, bathroom remodeling, and lead remediation. The costs would be financed from the base DD budget.

The federal Centers for Medicare and Medicaid Services (CMS) has delayed the requirement for states to fully comply with the HCBS rules until March 17, 2022, so DES' plan would close the group homes almost 2 years before the deadline most recently established by CMS. AHCCCS could apply for a waiver on behalf of DES to exempt ATP-C from the HCBS rules, but we do not know whether such a waiver would be approved.

The department does not have a specific proposal for how the 5 SOGHs would be utilized once vacated, but is "exploring the possibility" of developing ATP-C as a "mixed use facility with private and/or public entities." The Committee may therefore consider Provision A, which would require that DES include information on the status of the future of the SOGH facilities in its next ATP-C annual report.

PM:kp

Douglas A. Ducey
Governor

Michael Trailor
Director

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JOINT BUDGET
COMMITTEE

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

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

Dear Senator Kavanagh and Representative Livingston:

The Arizona Department of Economic Security (Department) is hereby requesting Joint Legislative Budget Committee review of its annual update on the Department's plans for the Arizona Training Program (ATPC) and Associated Group Homes within the Division of Developmental Disabilities (DDD) pursuant to Laws 2016 Second Regular Session, Chapter 123, Section 36:

> Beginning on or Before November 1, 2016, the Department shall submit an annual update for review by the Joint Legislative Budget Committee on the Department's plans for the Arizona Training Program and Associated Group Homes. The update shall include a potential time table for the closure of any facilities, a timeline for the completion of the transition of the residents in those facilities to new residential settings and the estimated fiscal impact. The estimated fiscal impact shall include an estimate of costs necessary to maintain exisiting service levels for transitioning individuals, to build capactity in the community to suppport transitioning individuals, to provide enhanced and independent monitoring and oversight of each new placement and to provide protection and advocacy services and medical and behavioral helath care support for transitioning individuals. Before the Department submits its initial update, the Department shall send to each affected individual and the individual's legal guardian a written notice of the department's intention to develop a person-centered service plan for each affected individual to identify potential residnetial setting and in-home service options that are based on the individual's needs and personal choice. The Department shall conduct meetings with all affected individuals and their legal guardians regarding the transition process and shall provide each individual and guardina with a list of potential residential settings and in-home service options. Final decisions regarding residential settings and services shall be based on person-centered plans, individual assessed needs and individual preferences.

Overall ATPC Update

DDD has no current plan to close the ATPC Intermediate Care Facilities (ICFs). Over the past year, DDD has significantly improved the clinical care, infrastructure, and overall service provision to its members at ATPC. These improvements have been achieved while still maintaining a per member per day cost that is significantly lower than its private sector counterparts. Table 1 describes the increase in percentage of active treatments observed on a monthly basis between 2017 and 2018 to date. Table 2 demonstrates the difference in per member per day cost between DDD's contracted ICFs vs the ATPC state operated ICFs.

Table 1: Percentage of Active Treatments Observed	
Calendar Year	Average per month*:
2017	52%
2018	80%
Through October 19, 2018*	

Table 2: ATPC ICF vs Contracted ICF	
Description	Average Per Member Per Day Cost
Contracted ICF	$934
ATPC ICF	$852
Annualized cost savings of Members remaining at ATPC ICF: $1,765,870	

Based on current projections, DDD calculates that ATPC will be cost effective when compared against the private sector ICF alternative through 2024 at minimum. DDD has begun exploring the possibility of utilizing ATPC as a mixed use facility with private and/or public entities. If DDD is successful in partnering with another entity, the projections for cost effectiveness would extend out well beyond 2024.

Background on SOGH Closure and Next Steps

The Center for Medicare and Medicaid Services (CMS) has new home and community based service rules which prohibit home and community based settings, including group homes, from having the qualities of an institutional setting. Under these rules, a setting on the grounds of or adjacent to an institution, or a setting that has the effect of isolating individuals receiving Medicaid home and community based services from the broader community of individuals not receiving Medicaid home and community based services, is presumed to have the qualities of an institutional setting. The State Operated Group Homes (SOGHs) at ATPC currently serve nineteen member residents that will be affected by these new rules. DDD must come into compliance with the new CMS rules by May 20, 2020. Prior to that date, DDD will assist the members residing in the SOGHs to be served in different settings. The estimated timeline for assisting these members to find service locations that are compliant with CMS rules aligns with the AHCCCS state plan.

In February 2018 DDD notified Guardians, Friends, and Families of ATPC of its intent to work with an experienced organization, Sonoran University Center for Excellence in Developmental Disabilities at the University of Arizona, on developing person centered plans for each member currently receiving services in the SOGHs. Person centered plans are nearly complete for all nineteen members, which will help inform next steps for these members and their families. Preliminary results of the this process indicate that there will be space available in the current ICFs on the ATPC campus for those who wish to remain.

DDD is committed to helping its members at ATPC live self-directed, healthy, and meaningful lives. DDD will continue to consult with stakeholders as they initiate transitions and make accommodations as necessary. Each member's physical and behavioral health needs will continue to be met through DDD's subcontracted managed care organizations and behavioral health entities.

All members will be made aware of their grievance rights as well as information regarding Arizona's protection and advocacy organizations. DDD does not anticipate any costs associated with providing this information, as these are existing entities.

DDD expects no reductions in service levels for members and services will continue to meet members' medical needs. DDD does plan to provide follow-up visits for each member at the time of his/her transition. The purpose of these visits is to identify any change in condition of the member and obtain any needed supports. The frequency of these visits will fade as the member demonstrates a stable and successful transition.

If members or families have any questions, please contact Kathy Ber, Director, Office of Legislative Services, at (602) 542-4669.

Sincerely,

Michael Trailor
Director

cc: President Steve Yarbrough, Arizona State Senate
       Speaker J. D. Mesnard, Arizona House of Representatives
       Members of the Joint Legislative Budget Committee
       Director Matthew Gress, Governor's Office of Strategic Planning and Budgeting
       ✓Director Richard Stavneak, Joint Legislative Budget Committee
       Director Holly Henley, Arizona State Library, Archives and Public Records

DATE: December 11, 2018

TO: Members of the Joint Legislative Budget Committee

FROM: Steve Schimpp, Deputy Director 𝒮𝒮

SUBJECT: Arizona Department of Education - Review of Federal Monies Report

Request

The Arizona Department of Education (ADE) requests Committee review of its annual federal monies report, as required by A.R.S. § 15-1052.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.

2. An unfavorable review of the request.

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

A. In its next annual submission, ADE shall report for each of its federal grants:
    1. The amount of discretion it has in allocating pass-through funding.
    2. How pass-through funding is allocated.
    3. The amount of funding retained for program administration and how it is spent.

Key Points

1) Laws 2018, Chapter 250 requires ADE to report annually how much *noncustodial* and other federal monies it receives.
2) ADE interprets *noncustodial* as meaning discretionary monies that do not fund formulas or reimbursements.
3) ADE reports $1.2 billion in federal funding for FY 2019:
   - $744 M *formula* (61%)
   - $445 M *reimbursement* (37%)
   - $21 M *noncustodial* (discretionary) (2%)

Analysis

Laws 2018, Chapter 250 established a definition of *noncustodial federal monies* in statute and requires ADE to submit for Committee review annually by December 1 a report on all noncustodial and other federal monies received for the fiscal year *(see Attachment 1)*.

ADE's report for FY 2019 appears in the agency request letter. It shows that the department received 25 federal grants totaling $1.2 billion for the current fiscal year. The report lists each grant's Catalog of Federal Domestic Assistance (CFDA) number, awarding agency (the U.S. Department of Agriculture or U.S. Department of Education), title, whether it is a "discretionary, formula or reimbursement" grant, and the award amount.

For the report, ADE interprets *noncustodial* as meaning discretionary monies that do not fund formulas or reimbursements. *Formula* means monies that are allocated to school districts and charter schools on a per pupil or other pro rata basis prescribed in federal law. *Reimbursement* grants are payments to a school district or charter school for providing a federally-authorized or required service.

The largest reported grants for FY 2019 are for Title I ($360 million - formula), the National School Lunch Program ($274 million - reimbursement), Special Education ($211 million - formula) and the School Breakfast Program ($114 million - reimbursement). Those 4 programs together account for $959 million (79%) of ADE's $1.2 billion federal grant total for FY 2019.

Table 1 sorts the reported data by type of grant to show their respective funding subtotals, which are as follows:

- $744 million *formula* (61%)
- $445 million *reimbursement* (37%)
- $21 million *discretionary* (noncustodial) (2%)

Noncustodial grants therefore account for approximately 2% of ADE's federal grant total for FY 2019 under ADE's interpretation of A.R.S. § 15-1051.

Table 1

Federal Grants Received by ADE in FY 2019

Program	Awarding Agency	Type [1]	FY 2019 Award
Title I Grants to Local Educational Agencies	USDOE	Formula	$359,591,534
Special Education Grants to States	USDOE	Formula	211,325,866
Supporting Effective Instruction State Grants	USDOE	Formula	35,421,651
Career and Technical Education -- Basic Grants to States	USDOE	Formula	28,612,665
Twenty-First Century Community Learning Centers	USDOE	Formula	26,287,998
Student Support and Academic Enrichment Program	USDOE	Formula	24,036,939
Adult Education- Basic Grants to States	USDOE	Formula	13,443,087
English Language Acquisition State Grants	USDOE	Formula	13,281,914
Grants for State Assessments and Related Activities	USDOE	Formula	7,619,628
Migrant Education State Grant Program	USDOE	Formula	7,599,994
State Administrative Expenses for Child Nutrition	USDA	Formula	6,051,374
Special Education Preschool Grants	USDOE	Formula	5,426,405
Education for Homeless Children and Youth	USDOE	Formula	1,903,346
Rural Education	USDOE	Formula	1,664,050
Title I State Agency Program for Neglected and Delinquent Children and Youth	USDOE	Formula	1,542,546
Migrant Education Coordination Program	USDOE	Formula	68,182
Formula Subtotal			**$743,877,179**
National School Lunch Program	USDA	Reimbursement	273,703,134
School Breakfast Program	USDA	Reimbursement	114,150,591
Child and Adult Care Food Program	USDA	Reimbursement	53,311,009
Summer Food Service Program for Children	USDA	Reimbursement	3,559,360
Special Milk Program for Children	USDA	Reimbursement	59,860
Reimbursement Subtotal			**$444,783,954**
Charter Schools Grant	USDOE	Discretionary	16,334,987
Fresh Fruit and Vegetable Program	USDA	Discretionary	3,505,333
Child Nutrition Discretionary Grants Limited Availability	USDA	Discretionary	729,202
Team Nutrition Grant	USDA	Discretionary	494,887
Discretionary Subtotal			**$21,064,409**
Grand Total			**$1,209,725,542**

[1] As categorized by ADE, which uses the term *discretionary* for *noncustodial* monies

SSc:kp
Attachment

15-1051. Definition of noncustodial federal monies

In this article, unless the context otherwise requires, "noncustodial federal monies":

1. Means federal monies that are received by the department of education and that meet at least one of the following criteria:

(a) Are designated by the federal government as block grant monies.

(b) Are designated by the federal government as general revenue sharing monies.

(c) Provide this state with broad authority to make spending decisions regarding the development, implementation or operation of a program or service.

(d) Are considered essential to meet total spending obligations of a federally required or matched program or service authorized by the legislature in which the federal government requires at least one percent of the program or service funding to come from this state.

2. Does not include federal monies awarded directly to school districts or charter schools.

15-1052. Receipt of federal monies; accounting; report

The department of education shall account for all federal monies it receives in separate accounts or funds as necessary to meet accounting, budgetary and auditing requirements. The department of education may use the most efficient system of accounts and records, consistent with legal requirements and standards and necessary fiscal safeguards. The department of education shall provide a report detailing all federal monies received by the department of education, including differentiating between noncustodial federal monies and all other federal monies and how monies were allocated during each fiscal year. The department of education shall submit the report on or before December 1 of each year to the joint legislative budget committee for review.

November 27, 2018

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

Dear Senator Kavanagh,

The purpose of this letter is to address a statutory requirement pursuant to A.R.S. § 15-1052, which states that the Department of Education (Department) is required to submit a report on or before December 1 of each year to the Joint Legislative Budget Committee (JLBC) detailing all federal monies received by the department of education, including differentiating between noncustodial federal monies and all other federal monies and how monies were allocated during each fiscal year. The Department plans to submit this report to JLBC by December 1, 2018 for the Committee to review at its December 18, 2018 meeting.

Please do not hesitate to contact my office with any questions.

Sincerely,

Charles Tack
Associate Superintendent, Policy Development and Government Relations
Arizona Department of Education

Arizona Department of Education

FY 2019 Report of Federal Monies Received

CFDA #	AWARDING AGENCY	TITLE OF PROGRAM	Discretionary, Formula or Reimbursement?	GRANT AWARD FY19
10.553	USDA	School Breakfast Program	Reimbursement	$ 114,150,591
10.555	USDA	National School Lunch Program	Reimbursement	$ 273,703,134
10.556	USDA	Special Milk Program for Children	Reimbursement	$ 59,860
10.558	USDA	Child and Adult Care Food Program	Reimbursement	$ 53,311,009
10.559	USDA	Summer Food Service Program for Children	Reimbursement	$ 3,559,360
10.560	USDA	State Administrative Expenses for Child Nutrition	Formula	$ 6,051,374
10.574	USDA	Team Nutrition Grant	Discretionary	$ 494,887
10.579	USDA	Child Nutrition Discretionary Grants Limited Availability	Discretionary	$ 729,202
10.582	USDA	Fresh Fruit and Vegetable Program	Discretionary	$ 3,505,333
84.002	USDOE	Adult Education- Basic Grants to States	Formula	$ 13,443,087
84.010	USDOE	Title I Grants to Local Educational Agencies	Formula	$ 359,591,534
84.011	USDOE	Migrant Education State Grant Program	Formula	$ 7,599,994
84.013	USDOE	Title I State Agency Program for Neglected and Delinquent Children and Youth	Formula	$ 1,542,546
84.027	USDOE	Special Education Grants to States	Formula	$ 211,325,866
84.048	USDOE	Career and Technical Education – Basic Grants to States	Formula	$ 28,612,665
84.144	USDOE	Migrant Education_Coordination Program	Formula	$ 68,182
84.173	USDOE	Special Education Preschool Grants	Formula	$ 5,426,405
84.196	USDOE	Education for Homeless Children and Youth	Formula	$ 1,903,346
84.282	USDOE	Charter Schools Grant	Discretionary	$ 16,334,987
84.287	USDOE	Twenty-First Century Community Learning Centers	Formula	$ 26,287,998
84.358	USDOE	Rural Education	Formula	$ 1,664,050
84.365	USDOE	English Language Acquisition State Grants	Formula	$ 13,281,914
84.367	USDOE	Supporting Effective Instruction State Grants	Formula	$ 35,421,651
84.369	USDOE	Grants for State Assessments and Related Activities	Formula	$ 7,619,628
84.424	USDOE	Student Support and Academic Enrichment Program	Formula	$ 24,036,939
				$ 1,209,725,542

Pursuant to A.R.S. § 15-1052

STATE OF ARIZONA

Joint Legislative Budget Committee

DATE: December 11, 2018

TO: Members of the Joint Legislative Budget Committee

FROM: Steve Schimpp, Deputy Director *SS*

SUBJECT: Arizona Department of Education - Review of Career Technical Education District Quarterly
            Report

Request

The Arizona Department of Education (ADE) requests Committee review of its final 2 quarterly reports on
Career Technical Education District (CTED) programs and courses pursuant to Laws 2016, Chapter 4. In the
2018 Legislative Session, the Legislature approved legislation relabeling Joint Technical Education Districts
(JTEDs) as CTEDs.

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) ADE has now reviewed all 1,748 local CTED programs (607 during the past 2 quarters).
2) All but 5 were approved for continued Basic State Aid funding (2 disapproved during past 2
    quarters).
3) Non-compliant programs typically lacked a properly certified teacher or approved curriculum.
4) They can regain eligibility for Basic State Aid funding if they address deficiencies in the future.
5) This is the final quarterly report on CTED reviews.

(Continued)

Analysis

Laws 2016, Chapter 4, Section 6 added new requirements for CTED programs and courses and requires ADE to review existing CTED programs and courses to see if they remain eligible for Basic State Aid (BSA) funding under the new requirements. CTED programs or courses that do not meet the new requirements are not eligible for continued BSA funding. Chapter 4 requires ADE to submit quarterly reports to the Committee through December 31, 2018 for review on its progress and the subsequent approval or rejection of currently-eligible CTED programs and courses. ADE has now submitted the final 2 quarterly reports required by Chapter 4.

Prior Reports
ADE previously submitted quarterly reports to the Committee for CTED reviews conducted between April 1, 2016 and June 30, 2018. Those reviews covered 66 of 73 state-level CTED programs and 1,141 of 1,748 local level programs. The remaining 7 state-level programs did not have any enrolled students, so could not be reviewed. The remaining 607 local-level programs were not visited by June 30, 2018.

Of the 66 state-level programs reviewed prior to June 30, 2018:

- 58 are eligible for continued BSA funding
- 7 are ineligible
- 1 is on hold and has not been reviewed (the Food Products and Processing Systems program)

Nine local-level programs were ineligible for continued BSA funding as of June 30, 2018.

ADE reviewed an additional 607 local level programs (1,743 cumulatively) between July 1, 2018 and December 5, 2018, which completes the local CTED program reviews required by Chapter 4. Two of the newly-reviewed programs were found to be ineligible for continued BSA funding *(see last 2 programs listed in Table 1)*. Six previously disapproved programs became compliant during the quarter. No additional state level programs were reviewed during that time.

Of the 1,748 local level programs reviewed, only 5 currently are ineligible for BSA funding. Those programs typically are ineligible because they lack a properly-certified teacher or approved curriculum *(see Table 1)*. They can regain eligibility for BSA funding in the future if they correct existing deficiencies.

Table 1			
Ineligible Local Level CTED Programs			
Program	District/School	CTED	Deficiency
Previously Found Ineligible			
Air Force JROTC	Peoria USD/Cactus HS	West-MEC	Certified Teacher & misc.
Automotive Technologies	Peoria USD/Ironwood HS	West-MEC	Assessments
Automotive Technologies	Pinon USD/Pinon HS	NATIVE	Specialized Equipment
Newly-Found Ineligible			
Education Professions	Colorado River Union/Mohave HS	WAVE	Certified Teacher & misc.
Early Childhood Education	Peoria USD/Liberty HS	West-MEC	Specialized Equipment

Reviews of CTED programs and courses are based on criteria prescribed in A.R.S. § 15-391 *(see Appendix 1)*. While ADE has completed all CTED reviews, A.R.S. § 15-393V requires it to review each CTED program and course at least once every 5 years starting in 2020 "to ensure compliance, quality and eligibility."

SSc:kp
Attachment

Criteria for Evaluating CTED Programs
(A.R.S. §15-391, paragraph 5)

15-391. Definitions
In this article, unless the context otherwise requires:
5. "Joint technical education district program" means a sequence of courses that is offered by a joint technical education district and that meets all of the following requirements:

(a) Is taught by an instructor who is certified to teach career and technical education by the state board of education or by a postsecondary educational institution.

(b) Requires an assessment that demonstrates the level of skills, knowledge and competencies necessary to be successful in the designated vocation or industry or an assessment necessary for certification, if appropriate, or for career readiness and entry-level employment, in and acceptance by that vocation or industry. Any assessment adopted pursuant to this subdivision shall require a passing score of at least sixty percent.

(c) Requires specialized equipment and specialized materials in order to provide instruction to students that exceeds the cost of a standard educational course.

(d) Requires a majority of instructional time to be conducted in a laboratory environment, field-based environment or work-based learning environment, and requires career and technical student organization participation, except for community college courses.

(e) Demonstrates alignment through a curriculum, instructional model and course sequence to meet the standards of a career and technical education preparatory program as determined by the career and technical education division of the department of education.

(f) Has a defined pathway to career and postsecondary education in a specific vocation or industry as determined by the career and technical education division of the department of education.

(g) Is approved by the career and technical education division of the department of education based only on the requirements prescribed in this paragraph after the submission of all required documentation.

(h) Is certified by the joint technical education district governing board to have met all the requirements prescribed in this article.

(i) Is offered only to students in grades nine, ten, eleven and twelve.

(j) Fills a high-need vocational or industry need as determined by the career and technical education division of the department of education.

(k) Requires a single or stackable credential as described in subdivision (l) of this paragraph or a skill that will allow a student to obtain work as described in subdivision (l) of this paragraph on graduation before receiving an associate degree or baccalaureate degree.

(l) Leads to certification or licensure, if available, or to career readiness and entry-level employment where relevant certification or licensure does not exist in that industry, in the designated vocation or industry that has been verified and accepted by that vocation or industry and that qualifies the person for employment. If there is no certification or licensure that is accepted by the vocation or industry, or if business practicalities do not require certification or licensure, completion of the program must qualify the student for at least entry-level employment.

(m) Requires instruction and instructional materials in courses that are substantially different from and exceed the scope of standard instruction and that include vocational skills, competencies and knowledge to be successful in the designated joint technical education district program vocation or industry.

(n) An industry or vocation has agreed to provide financial or technical support to the joint technical education district for a specific joint technical education district program. For the purposes of this subdivision, "financial support" includes in-kind contributions and donations.

(o) A joint technical education district has demonstrated a need for extra funding in order to provide the joint technical education district program.

State of Arizona
Department of Education
Office of Diane M. Douglas
Superintendent of Public Instruction

November 27, 2018

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

Dear Senator Kavanagh,

The purpose of this letter is to address statutory requirements pursuant to Senate Bill 1525 (Laws 2016, Chapter 4, Section 6). The Department of Education (Department) is required to submit a quarterly report to the Joint Legislative Budget Committee (JLBC) describing its progress in the evaluation of Joint Technical Education District (JTED) programs and the subsequent approval or rejection of current eligible JTED programs and JTED courses. Additionally, the Department shall submit a copy of this report to the JLBC for review. The Department plans to submit final JTED Quarterly Reports for July 1 to September 30, 2018 and October 1 to December 31, 2018 prior to the December 18, 2018 JLBC meeting.

Please do not hesitate to contact my office with any questions.

Sincerely,

Charles Tack
Associate Superintendent, Policy Development and Government Relations
Arizona Department of Education

DATE: December 11, 2018

TO: Members of the Joint Legislative Budget Committee

FROM: Geoffrey Paulsen, Fiscal Analyst   *GP*

SUBJECT: Arizona Department of Corrections - Review of FY 2019 Proposed Bed Capacity Changes

Request

Pursuant to an FY 2019 General Appropriation Act footnote, the Arizona Department of Corrections (ADC) previously submitted for Committee review its report detailing proposed bed capacity changes in FY 2019. The Committee reviewed the plan at its September JLBC meeting. ADC is now requesting the Committee review its revised FY 2019 changes.

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) At its September meeting, the Committee reviewed ADC's FY 2018 Bed Capacity Report.
2) Beyond the original plan, ADC is now proposing to add 370 permanent beds and close (115) permanent beds.
3) Including the September plan, ADC would add 199 permanent beds.
4) ADC would gain 240 medium security beds offset by changes in other levels.

Analysis

Apart from any legislative changes, ADC may alter its bed capacity during the year. The department can establish or decommission beds and has flexibility to shift beds between inmate classifications. To better track the impact of the department's revisions, an FY 2019 General Appropriation Act footnote required ADC to submit bed capacity data for FY 2018, explain any adjustments since FY 2017, and provide projections for FY 2019. ADC submitted its plan in August 2018 and the plan was reviewed by the Committee at the September meeting. The same General Appropriation Act footnote also requires ADC to submit a revised plan for review if ADC plans to close additional state-operated permanent prison beds.

At its September 2018 JLBC meeting, the Committee reviewed ADC's FY 2018 Bed Capacity Report. As part of that report, ADC provided proposed changes for FY 2019. At that time, ADC planned to demolish a cell block at Florence that held 120 permanent beds. To partially offset those losses, ADC proposed reallocating 64 mental health beds at Florence, for a proposed net decrease of (56) permanent beds.

ADC is now proposing additional changes to its bed capacity. The proposed changes are as follows:

- ASPC - Douglas Maricopa Unit – ADC proposes adding 130 permanent beds that are currently decommissioned. These beds would remain unfilled but would be included in future bed counts to better reflect total capacity in the ADC system, should population changes require additional beds.
- ASPC - Douglas Eggers Unit – ADC proposes adding 240 permanent beds that are currently decommissioned. The Eggers Unit is currently classified as minimum security. ADC plans to upgrade the perimeter fence around the Unit to enable the beds to be filled by medium custody inmates. ADC has proposed reallocating FY 2019 Building Renewal monies for that purpose. *(Please see the December 2018 JCCR Meeting agenda for more details.)*
- ASPC - Florence North Unit – ADC proposes closing 100 permanent tent beds due to their poor condition. The tents are classified as minimum security. The ADC system has a surplus of minimum security beds and ADC reports that by closing these beds, staff can be reassigned to other units where staffing needs are greatest.
- ASPC - Perryville Minors Unit – ADC proposes closing 10 permanent beds as part of a larger reorganization plan at the complex. ADC proposes to consolidate all female minor inmates to Tucson. ADC would then move the behavioral health unit to the current minors unit building (Building 45).
- ASPC - Tucson Minors Unit – ADC proposes closing 5 male permanent beds in order to make space for the female minor inmates relocated from Perryville. ADC reports that closing temporary beds would not be an option to achieve the same space savings.

In total, ADC newly proposes adding 370 beds and closing (115) for a net increase of 255 beds. Including the changes reported in August, ADC plans to increase permanent beds by 199 from 38,655 at the end of FY 2018 to 38,854 by the end of FY 2019. *Table 1* below details these changes by custody level.

Estimated FY 2019 Bed Surplus/Shortfall
There are 2 different ways to evaluate whether the department is experiencing a bed surplus or shortfall. When counting permanent beds compared to population, the August report indicated ADC had a shortfall of (3,458) beds. However, when you include the 5,383 temporary beds reported at the end of FY 2018, ADC had a surplus of 1,925.

As a result of these additional changes, ADC would be projected to have a permanent bed shortfall of (3,259), assuming the population in June 2019 remains flat at June 2018 levels. After adjusting for the 5,383 temporary beds at the end of FY 2018, ADC would have a total bed surplus of 2,124.

Table 1 ADC Permanent Bed Capacity - Proposed FY 2019 Changes				
	FY 2018	September Changes	December Changes	FY 2019
State Prisons				
Minimum	10,165	0	30	10,195
Medium	11,289	0	240	11,529
Close	7,216	(27)	(15)	7,174
Maximum	1,989	(29)	0	1,960
Reception	96	0	0	96
Subtotal	30,755	(56)	255	30,954
Private Prisons				
Minimum	3,500	0	0	3,500
Medium	4,400	0	0	4,400
Subtotal	7,900	0	0	7,900
Systemwide Total	**38,655**	**(56)**	**255**	**38,854**

GP:kp

Arizona Department of Corrections

DOUGLAS A. DUCEY
GOVERNOR

CHARLES L. RYAN
DIRECTOR

November 30, 2018

The Honorable John Kavanagh, Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Dear Senator Kavanagh:

On July 31, 2018 the Arizona Department of Corrections submitted the Arizona Department of Corrections Bed Capacity Report for review by the Joint Legislative Budget Committee (JLBC). JLBC gave a favorable review of the Bed Capacity Report at its September 20, 2018 meeting. In addition, JLBC included a provision requiring that ADC address the rationale for eliminating permanent beds prior to reducing the level of temporary beds.

Pursuant to Laws 2018, 2nd Regular Session, Chapter 276 (SB 1520), Section 22 and as required by the provision added at the September 20, 2018 meeting ADC is providing an update on changes to operating capacity.

In addition to the elimination of 115 beds, the Department will be adding 370 beds back onto the bed capacity report. Previously these beds were removed from the report since the department was not utilizing the beds for a variety of operational reasons. In order to provide a more clear depiction of the total bed capacity within the department, these beds will once again be included in the bed capacity report.

The primary focus of this update relates to rated beds and the changes are summarized in the table below:

	Beds	Comment
Rated Beds as of June 30, 2018	38,655	
ASPC-Douglas Maricopa Unit	130	Add back to count sheet, remain decommissioned
ASPC-Douglas Eggers Unit	240	Add back to count sheet, convert from minimum to medium custody, recommission.
ASPC-Florence North Unit	(100)	Deconstruct beds and permanently remove
ASPC-Perryville Minors Unit	(10)	Deconstruct beds and permanently remove
ASPC-Tucson Minors Unit	(5)	Deconstruct beds and permanently remove
Proposed Changes to Rated Beds	39,160	

ASPC-Douglas Maricopa Unit   **Addition of 130 beds**

During FY 2018, due to statewide vacancies in minimum custody, the Maricopa Unit was temporarily decommissioned and removed from the count sheet. At that time the inmate population of the unit was absorbed into other minimum custody units throughout the state.

The beds will remain decommissioned and not utilized for inmate housing until such time that ADCs housing needs require the use of the beds.

ASPC-Douglas Eggers Unit   **Addition of 240 beds**

During FY 2018, due to statewide vacancies in minimum custody, the Eggers Unit was temporarily decommissioned and removed from the count sheet. At that time the inmate population of the unit was absorbed into other minimum custody units throughout the state.

Due to the need for additional medium custody beds ADC plans to make the necessary changes to the perimeter fence to allow the beds to house medium custody inmates. Specifically, the perimeter fence requires more razor wire along with the addition of a two foot deep concrete anti-dig barrier and a fence mounted electronic perimeter detection system. Once these changes have been completed the Eggers Unit will be re-opened as a medium custody unit which will provide 240 critical medium custody beds. Because the Eggers Unit is an existing unit no new staffing resources are required.

ASPC-Florence North Unit   **Remove 100 beds**

ADC will permanently deconstruct and remove 100 rated tent beds and temporarily decommission the 300 remaining tent beds at ASPC-Florence North unit. The 100 rated tent beds will be removed from the count sheet permanently due to their poor condition while the 300 remaining beds will remain on the count sheet as the intent will be to utilize these beds in the future.

The closure of the 400 tents (100 permanent, 300 temporary) is possible due to the surplus in minimum custody beds. Closure of the rated tent beds is preferable to closing temporary beds for a couple of reasons. First, the CO vacancy rate is over 30% at ASPC-Florence. This change will allow the staff currently assigned to North Unit Yard 3 to be reassigned to the Kasson Unit where the greatest staffing need exists. Second, the closure of the tents leaves fewer inmates and less ground to cover for remaining staff at North unit. Finally, closure of the tents will marginally reduce the operating cost of the North unit.

ASPC-Perryville Minors Unit (Building 45)   **Remove 10 beds**

ADC plans to consolidate all minor inmates to ASPC-Tucson in order to enhance the services provided to three unique inmate populations: (1) male inmates with mental health needs, (2) female inmates with mental health needs, and (3) female minors.

The change will increase the licensed mental health inpatient beds for male inmates, provide increased continuity of care by placing all female inmates with mental health needs in the same complex, and improve delivery of educational and programming opportunities for female minors. In this case reducing temporary beds is not an option due to the specific nature of the change.

The change includes relocating female minors from ASPC-Perryville to ASPC-Tucson Rincon Minors Unit. In addition, the female mental health inmates from the licensed beds located at ASPC-Phoenix

Flamenco Unit, George Ward to ASPC-Perryville. This change opens up bed space for males at ASPC-Phoenix, Flamenco Unit, George Ward which will remain a licensed mental health unit.

The women's mental health licensed beds will be relocated to the current Lumley Women's Behavioral Health Unit (WBHU) at ASPC-Perryville and the WBHU will be moved to Building 45 at ASPC-Perryville which currently houses the female minor inmates. These changes require the permanent elimination of 10 rated beds in Building 45 to meet the residential mental health treatment needs of the WBHU. The rated beds will reduce from 22 to 12.

ASPC-Tucson Minors Unit   Remove 5 beds

As mentioned above, the female minor inmates from ASPC-Perryville will be relocated to ASPC-Tucson Rincon Minors Unit. The change requires the elimination of 5 rated beds to provide adequate space separate from the male minors. The space currently occupied by 4 beds will be converted to day rooms in order to create additional programming and indoor recreational spaces for female minors. One existing rated bed will be converted to a watch cell for the female minors. Overall, the total rated beds at ASPC-Tucson Minors Unit will be reduced from 182 to 177. The 177 beds will be comprised of 152 male beds and 25 female beds.

Integrating the female minors population into the ASPC-Tucson Minors Unit provides improved delivery of educational and programming opportunities and an environment for better pro-social interactions. In this case reducing temporary beds is not an option due to the specific nature of the change.

As always, if I can provide additional information, please do not hesitate to contact me.

Sincerely,

Charles L. Ryan
Director

cc: The Honorable David Livingston, Vice-Chairman, Joint Legislative Budget Committee
       Matthew Gress, Director, Governor's Office of Strategic Planning and Budgeting
       Richard Stavneak, Director, Joint Legislative Budget Committee
       Ryan Vergara, Senior Budget Analyst, Governor's Office of Strategic Planning and Budgeting
       Geoffrey Paulsen, Fiscal Analyst, Joint Legislative Budget Committee

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: December 11, 2018

TO: Members of the Joint Legislative Budget Committee

FROM: Rebecca Perrera, Senior Fiscal Analyst [RP]

SUBJECT: Arizona Department of Administration - Review of Public Safety Broadband

Request

Pursuant to an FY 2019 General Appropriation Act footnote, the Arizona Department of Administration (ADOA) has submitted for review its annual report on expenditures for the State and Local Implementation Grant Program (SLIGP). These monies are part of a nationwide planning effort associated with a public safety broadband effort.

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) ADOA received $3.6 million in federal grants to plan for a national dedicated public safety broadband network.
2) To date, ADOA has spent $2.9 million.
3) Arizona will allow the federal vendor to build and maintain the network.
4) Once implemented, public safety agencies will need to pay a monthly subscription fee.
5) Ongoing state and local costs are unknown at this time.

Analysis

Background
Following September 11, 2001, the National 9/11 Commission recommended the establishment of a nationwide, interoperable public safety communications network to provide solutions to communications challenges facing first responders. In response, Congress passed legislation in 2012 creating the Nationwide Public Safety Broadband Network (NPSBN) initiative, administered by FirstNet, in an effort to build a nationwide, standards-based, high-speed data network by reserving a part of the electromagnetic spectrum specifically for public safety, the 700 MHz broadband spectrum, or the "D Block."

More than $7 billion has been allocated for the NPSBN initiative, with a majority of funding being raised through the sale of rights to transmit signals over specific bands of the electromagnetic spectrum that were surrendered by television broadcasters during the transition from analog to digital television. Part of the $7 billion allocated for this initiative includes a grant program for state and local governments, the SLIGP. Approximately $118 million in formula-based grants were available to assist regional, state, local, and tribal government entities in preparing for the implementation of the NPSBN initiative. This initial funding is not intended to purchase new equipment, but for planning, education, and outreach.

Arizona was awarded $2.9 million through the SLIGP formula in August 2013. The grant requires Arizona and local governments to contribute an additional $901,600 in in-kind contributions to the project. The Office of Grants and Federal Resources manages the Arizona FirstNet Program (AZNET), which is responsible for implementing SLIGP.

Expenditures
The original $2.9 million grant was spent in 2 phases over 4 years, each phase being approximately $1.5 million between 2014 and 2018. The first phase concluded in 2016 and was dedicated to education and outreach. The second phase concluded in February 2018 and was devoted to gathering relevant data on stakeholder's broadband coverage requirements and the availability of current infrastructure that may be used by the network. Through June 30, 2018, ADOA has spent 100% of its original $2,911,100 total grant award. That grant's budget included $2,412,800 for professional services, $287,700 for ADOA program support, $79,300 for travel, and $131,300 for supplies and equipment.

In addition to the original grant, FirstNet provided Arizona with supplemental grant funding totaling $700,000 through February 2020 for ongoing work required to implement the network. Through June 30, 2018, ADOA has spent 12% of its supplemental grant. The supplemental grant's budget includes $619,300 for professional services $287,700 for ADOA program support, $79,300 for travel, and $131,300 for supplies and equipment.

Through FY 2018, AZNET continued its education, outreach, and data collection efforts. In addition, AZNET negotiated rates for FirstNet services and completed an assessment of Arizona's 911 Public Safety Answering Points (PSAP) readiness. In FY 2019, ADOA plans to finalize is public safety communications governance model, develop statewide policies and agreements for the network, and develop a plan for the transition of public safety applications, software, and databases to operate on the network.

Public Safety Broadband Network Implementation

In FY 2017, FirstNet announced that it awarded a federal contract with AT&T to build the dedicated public safety broadband network. Through the public-private partnership, the vendor will build and maintain the network for a term of 25 years. The vendor will pay for capital construction and equipment costs using the $7 billion NPSBN funding. On August 10, 2017, the Governor signed a letter of intent allowing the vendor to build the network in Arizona.

It will take 5 years for the vendor to build the network. However, in the interim, the vendor will make its current commercial network available with priority to public safety. Therefore, FirstNet service is available immediately for agencies that currently have compatible devices on the vendor's commercial network. ADOA reports that as of September 2018, over 1,674 public safety devices are on the network. This represents a relatively small number of total public safety radios, cell phones, and tablets. Once implemented, agencies will pay a monthly subscription fee to access the network. The Arizona State Procurement Office negotiated statewide rates available to all public safety agencies which range from $18.99 a month to $54.40 a month per device depending on the device plan. Some agencies will need to replace their current devices to access the network. In addition, agencies may need to update or replace their applications to be compatible with the network. The total cost to the state and local public safety agencies are unknown at this time.

RP:kp

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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PHOENIX, ARIZONA 85007

(602) 542-1500

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OCT 1 0 2018

JOINT BUDGET
COMMITTEE

October 10, 2018

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

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

Dear Senator Kavanagh and Representative Livingston:

Beginning with the Joint Legislative Budget Committee meeting on October 29, 2013, the
Arizona Department of Administration (ADOA) was asked to provide an annual report on
the State and Local Implementation Grant Program (SLIGP). Since then, the Department
has submitted reports for review of the expenditures of monies received from the State and
Local Implementation Grant Program associated with the National Public Safety
Broadband Network Initiative. A FY 2019 General Appropriation Act footnote requires
ADOA to submit a report by October 1, 2018 to JLBC for review of the expenditures to
date and progress of implementation for any SLIGP funds.

Should you have any questions, please contact me at 602-542-1500 or Matthew
Hanson, the Statewide Grants Administrator, at 602-542-7567.

Sincerely,

Gilbert Davidson
Interim Director

cc:
Richard Stavneak, JLBC
Rebecca Perrera, JLBC
Matthew Gress, OSPB

Jacob Wingate, OSPB
Morgan Reed, ADOA
Matthew Hanson, ADOA

BACKGROUND:

The Nationwide Public Safety Broadband Network (NPSBN) is a national wireless broadband network dedicated to public safety that will provide a single interoperable platform for emergency and daily public safety communications. The NPSBN program is administered by the First Responder Network Authority (FirstNet), an independent authority within the U.S. Department of Commerce, National Telecommunications and Information Administration (NTIA). The FirstNet Board is comprised of members of the public and private sectors, representing public safety as well as state and local government finance and information technology interests. Approximately $7 billion was originally allocated for the NPSBN program using funds from FCC radio frequency spectrum auctions.

SLIGP 1.0

The $7 billion in funding included approximately $118 million in grants (State and Local Implementation Grant Program or SLIGP) that were awarded to each participating state and six territories to assist regional, state, local, and tribal government entities prepare for the implementation of the NPSBN. The Arizona FirstNet Program management was transitioned from the Arizona Department of Administration's Arizona Strategic Enterprise Technology (ASET) to the Office of Grants and Federal Resources (GFR), which is also a division within the Arizona Department of Administration. In August 2013, the state was awarded a total of $2.91 million in grant funds to be distributed in two phases for a three-year program cycle. In March 2015, the program was extended through February 2018. The Phase 1 funding was allocated for education and outreach, planning, and data collection only, not for equipment or operations. Phase II funding was approved and released in December 2015 for continued efforts related to education and outreach, planning for the delivery of state plans to the Governor and a second round of data collection.

Through June 2017, the Arizona program had primarily focused on education and outreach among local public safety agencies, tribes and local governments as well as developing a process for evaluating the FirstNet State Plan for the Governor's review and decision to opt-in/opt-out. A state plan review team was created and staffed with experts in the field representing over 50 public safety personnel at the state, county, local levels and tribal agencies in all first responder disciplines – law enforcement, fire, emergency management, emergency medical services, and health services. The state plan review team was divided into specific focus areas of operations, policy, budget, technical and legal to analyze the components of the plan and make a recommendation to the Governor. In late June 2017, FirstNet released draft state plans to all 56 states and territories and gave states 45 days to provide comment and feedback. FirstNet and AT&T reviewed the comments and feedback, made changes to the state plans where appropriate, and released final plans in late September 2017.

On August 10, 2018, the Governor signed a letter of intent to "opt-in" to FirstNet and allow AT&T to build the network in Arizona.

SLIGP 2.0:

Recognizing that FirstNet and AT&T needed to continue to work with states on planning, outreach and implementation activities, supplemental funding (SLIGP 2.0) was awarded to states by NTIA. Arizona received an additional $250,000 for the period of March 1, 2018 through November 30, 2018, with another $450,000 to be released for the period December 1, 2018 through February 29, 2020. Funding

from SLIGP 2.0 will be used to support the state governance structure as well as working with federal FirstNet and AT&T on planning and implementation of the NPSBN.

The remaining activities will now focus on planning for implementation of the program in the state; however, there also will be continued education and outreach efforts as part of the FY19 strategy.

FY19 STRATEGIES

The FY19 activities will focus on the following;
- Establish State Interoperability Executive Committee (SIEC) Governance model through Executive Order.
- Develop policies and agreements among public safety agencies and systems across Arizona that will use the NPSBN.
- Research and produce a plan for integration efforts for PSAPs to integrate and utilize FirstNet.
- Identify and document on-going coverage needs/gaps within the state.
- Identify and plan for the transition of public safety applications, software and databases.
- Update AZ FirstNet website to be used to disseminate information to the public and stakeholders on the progress of the Arizona's Public Safety Broadband Network project.
- Convene stakeholder outreach events to continue planning for the NPSBN implementation.
- Prepare and coordinate future FirstNet state consultation/implementation meetings with FirstNet and AT&T.

FY18 ACCOMPLISHMENTS

Completed FY18 activities:
- Convened multi-disciplinary State Plan Review Team to review Arizona State Plan and recommended the state "opt-in" to FirstNet.
- Successfully negotiated the lowest rates nationally and executed an Arizona state procurement amendment to the NASPO contract for specific Arizona pricing for FirstNet services.
- Completed an assessment of Arizona's Public Safety Answering Points (PSAPs) to obtain information on their readiness and ability to utilize FirstNet.
- Completed and distributed County Reports to each of the 15 counties providing specific jurisdictional information on FirstNet and the state plan.
- Conducted tribal outreach to Inter-Tribal Council, Indian Country Intelligence Network (ICIN), as well as several Arizona tribes including Fort Mohave Tribe, Navajo Nation, Tohono O'odham, Salt River-Pima Maricopa, and Hualapai Tribe.
- Briefed leadership on draft Executive Order to create a public safety communications governance model.
- Completed Education and Outreach stakeholder meetings – attended by 720 public safety stakeholders.
  - Tribal Engagement – 98 stakeholders
  - Public Safety – 603 stakeholders
  - General Government – 19 stakeholders

FINANCIAL INFORMATION

A table of budgeted and actual financial performance for the AZ FirstNet program including in-kind match contributions is included as an attachment to this report.

Budget Categories

Categories included in this report are defined as follows;

- *Personnel/Employee Related Expenses/Fringe*: Allocation of existing ADOA management and administrative personnel costs.
- *Travel:* Arizona in-state and out-of-state travel for program staff and local public safety representatives funded entirely by federal grant funds.
- *Supplies*: Collateral materials and related costs funded entirely by federal grant funds.
- *Contract Staff*: Dedicated contract positions funded entirely by federal grant funds.
- *Other:* Comprised of the following two elements following federal reporting requirements:
  - In-kind contributions of time from local public safety and public service representatives attending FirstNet briefings and events, and other contributions of time. This subcategory will comprise the majority of the in-kind contribution match requirement over the course of the grant cycle.

The grant requires a cumulative 20% in-kind match to federal dollars from State, tribal and local Arizona sources. This match is satisfied by the participation of state, tribal and local public safety personnel that are not paid from the grant.

Budget and Actuals

Cumulative

The federal SLIGP 1.0 grant award was $2,911,147 and required matching funds of $747,544. The grant and required match was fully expended by the grant expiration of February 28, 2018. SLIGP 2.0 is $700,00 requiring $175,000 in matching funds and was awarded in March 2018 to continue efforts in the state.

Projected expenses for the project are on track to utilize funding in FY19 and through the end of the grant period of February 2020 mainly for consulting/contractual services. The ADOA Office of Grants and Federal Resources has shifted expenses from full-time staffing to contractual services to more effectively and efficiently manage to the project. A small portion of salaries and fringe is allocated to the ADOA Statewide Grant Administrator to oversee the project and contractors.

AZ FirstNet Budget Report
FY18

STATE and LOCAL IMPLEMENTATION GRANT PROGRAM (SLIGP 2.0)

Grant Period: 03/01/18 - 02/29/2020

Cost Category	FEDERAL				NON-FEDERAL (In-Kind)				Total Budget Remaining
	Budget	Actual As of 6/30/18	Remaining Balance	% Expended	Budget	Actual As of 6/30/18	Remaining Balance	% Expended	
			-				-		-
Personnel	22,680.00	3,358.70	19,321.30	15%	93,261.00	7,312.33	85,948.67	8%	105,269.97
Fringe	7,938.00	1,202.68	6,735.32	15%	31,739.00	2,559.32	29,179.68	8%	35,915.00
Travel	21,800.00	2,251.75	19,548.25	10%	-	-	-		19,548.25
Equipment	-	-	-		-	-	-		-
Supplies	25,234.00	856.09	24,377.91	3%	-	-	-		24,377.91
Contracts	619,287.00	75,954.70	543,332.30	12%	-	-	-		543,332.30
Other	3,061.00	-	3,061.00	0%	50,000.00	11,100.00	38,900.00	22%	41,961.00
TOTAL	700,000.00	83,623.92	616,376.08	12%	175,000.00	20,971.65	154,028.35	12%	770,404.43

STATE and LOCAL IMPLEMENTATION GRANT PROGRAM (SLIGP 1.0)

Grant Period: 08/01/13 - 02/29/2018

Cost Category	FEDERAL				NON-FEDERAL (In-Kind)				Total Budget Remaining
	Budget	Actual As of 6/30/18	Remaining Balance	% Expended	Budget	Actual As of 6/30/18	Remaining Balance	% Expended	
			-				-		-
Personnel	214,399.00	215,428.00	(1,029.00)	100%	228,956.00	228,956.00	-	100%	-
Fringe	73,240.00	73,502.00	(262.00)	100%	86,161.00	86,161.00	-	100%	-
Travel	79,315.00	77,067.00	2,248.00	97%	-		-		-
Equipment	-		-				-		-
Supplies	131,267.00	126,259.00	5,008.00	96%			-		-
Contracts	2,412,926.00	2,418,891.00	(5,965.00)	100%	-				-
Other	-		-		432,427.00	432,427.00	-	100%	-
TOTAL	2,911,147.00	2,911,147.00	-	100%	747,544.00	747,544.00	-	100%	-

GRANT CLOSED

FY18 JLBC SLIGP Expenditure Report

7A

DATE: December 11, 2018

TO: Members of the Joint Legislative Budget Committee

FROM: Josh Hope, Fiscal Analyst JH

SUBJECT: Arizona Department of Administration/Automation Projects Fund - Review of myDEQ
               Project (Arizona Department of Environmental Quality Subaccount)

Request

Pursuant to A.R.S. § 41-714, the Arizona Department of Administration (ADOA) has requested that the
Joint Legislative Budget Committee (JLBC) review $3,200,000 in proposed expenditures from the
Automation Projects Fund for Phase 5 of the development of the Arizona Department of Environmental
Quality (ADEQ)'s myDEQ project, as appropriated in the FY 2019 budget. This initiative is intended to
automate transactions between ADEQ and the regulated community.

Recommendation

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) Phase 5 of myDEQ development includes $3.2 million in expenditures to automate 20 services.
2) Since FY 2014, $23.2 million has been appropriated to automate 80 services.
3) Through November 2018, 55 services are online.
4) ADEQ did not request funding for FY 2020. ADEQ intends to utilize its carry-over funding from
    FY 2019 instead.

(Continued)

The Information Technology Authorization Committee (ITAC) approved the $3,200,000 project at its October 24 meeting. There were conditions to the approval requiring ADEQ to submit an amendment of the Project Investment Justification (PIJ) for review and approval should final expenses exceed the estimated costs by 10% or more or if there are significant changes to the project or implementation schedule. The Committee may consider the following provisions for its own review.

A. The results of the quarterly third-party reviews are to be provided to the JLBC Staff.

B. Should the final costs exceed the estimated costs by 10% or more or should there be significant changes to the proposed technology, scope of work or implementation schedule, ADEQ shall submit these changes to the Committee prior to further expenditure of funds.

Analysis

Background
ADEQ has developed an e-licensing portal to allow customers to conduct permitting, billing, payment, and review data submissions online. ADEQ is in the process of providing 137 services online. Through November 2018, 55 services are online. By the end of February 2019, 5 additional services will be online. Between FY 2014 and FY 2019, a total of $23.2 million has been appropriated to automate 80 services (of a possible 137 services).

According to ADEQ, 7,600 out of a total of 16,000 regulated facilities are using myDEQ with another 5,000 in the process of registering by February 2019. In FY 2018, 51% of total permits were issued online. For permits that are now delivered online, 80% of regulated businesses use myDEQ instead of continuing to use paper applications. The average permitting timeframes for these services have dropped by 96%, from 56 days to 2 days.

Current Request
ADOA is requesting a favorable review of $3.2 million from the Automation Projects Fund in FY 2019 to automate 20 additional services grouped in 7 categories *(see Table 1)*.

Table 1	
Proposed Timeframe for Phase 5 Projects	
Category	Completed
Drinking Water Operator Certification	Apr-19
Air Quality Compliance Reporting - Permit Deviations and Excess Emissions Report (24 hour and 72 hour)	Jun-19
Ground Water - 401 Nationwide Applications	Jun-19
Underground Storage Tank Site Improvement Program	Jun-19
Air Quality Compliance Reporting - Upload Stack Test Protocols and Results Reporting	Dec-19
Ground Water - Type 2 Reclaimed Water and Aquifer Protection Permits	Dec-19
Surface Water - Arizona Pollutant Discharge Elimination System (AZPDES) Individual Permits	Dec-19

(Continued)

This $3.2 million was funded by a $1.8 million transfer from the Permit Administration Fund and a $1.4 million transfer from the Underground Storage Tank Revolving Fund (UST Fund) in the FY 2019 budget. *Table 2* shows the Phase 5 budget.

Table 2		
Phase 5 Budget		
Description	**Cost Category**	**Cost**
Third-Party Review	Development	$ 81,000
Development, Design, and Test	Development	2,919,000
ADOA/ASET Cloud Migration	Operations	200,000
TOTAL		**$3,200,000**

Of the $3.2 million budget, $3.0 million is for development costs, including the third-party review. Most of the development costs are incurred in-house. ADEQ will expend $200,000 to fully migrate myDEQ to the Arizona Enterprise Services Platform (AESP), which is a cloud-based solution for the management of applications and data. The myDEQ portal and its data are currently hosted on the ADEQ data center.

Third-Party Review
An FY 2016 General Appropriation Act footnote stipulates that ADEQ contract with a third-party consultant to evaluate and assess the project's feasibility, estimated expenditures, technology approach, and scope throughout the life of the project.

ADOA/ADEQ submitted the latest independent third-party report in October 2018. The vendor gave an overall favorable evaluation of both ADEQ's overall progress as well as its progress in incorporating recommendations from the previous third-party reports. The vendor indicated that ADEQ made progress in developing and implementing new data governance policies relating to data management, data quality assurance, data analysis and business intelligence, and data security.

The vendor emphasized that ADEQ should focus on finalizing the long-planned transition of myDEQ to the ADOA/ASET cloud infrastructure (AESP), which is now expected to occur within the first quarter of calendar year 2019. In the previous assessment, the vendor said the transition to AESP was planned for the third quarter of calendar year 2018.

Future Development
In response to a provision from the Committee's June 2017 favorable review of the project, ADEQ had previously provided estimates of the cost and timeframe to complete the project to the Committee. Beyond FY 2019, ADEQ estimated this project will cost an additional $16.3 million and take an additional 3 years to complete. ADEQ did not request funding for FY 2020. ADEQ intends to utilize its carry-over funding from FY 2019 instead.

JH:kp

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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NOV 2 6 2018
JOINT BUDGET COMMITTEE

November 21, 2018

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

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

Dear Senator Kavanagh and Representative Livingston:

The Arizona Department of Administration (ADOA) is submitting this request for review of fiscal year 2019 of the Automation Projects Fund (APF) projects related to Department of Administration and Department of Environmental Quality. 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,

Kevin Donnellan

Kevin Donnellan
Deputy Director

Enclosures
cc: Richard Stavneak, Director, JLBC
        Matthew Gress, Director, OSPB
        Derik Leavitt, Assistant Director, ADOA
        Rebecca Perrera, JLBC Staff
        Jacob Wingate, OSPB Staff
        Morgan Reed, State CIO

Agency:	Department of Environment Quality
Project:	myDEQ FY 2019
Appropriation:	e-Licensing Projects

CURRENT REQUEST

The Department of Administration, on behalf of the Department of Environment Quality (ADEQ), is requesting favorable review of the $3,200,000 appropriated from the Automation Projects Fund in FY 2019 to complete the online development and migration of an additional 20 customer prioritized agency services to the myDEQ web portal.

FY 2019 Appropriation	FY 2019 Favorably Reviewed	FY 2019 Current Request	Remaining FY 2019 Appropriation Requiring Future Review
$3,200,000	$0	$3,200,000	$0

PROJECT DESCRIPTION

Background
ADEQ processes roughly 28,000 transactions annually. Historically, all of these transactions were conducted in paper format, for various permits and reports, and payments were received from roughly 16,000 facilities. This caused ADEQ and the regulated community to enter data multiple times, resulting in a great amount of re-work and manual reporting. These repetitive efforts were error-prone, time-consuming and inefficient for ADEQ customers.

Solution
ADEQ offers to the regulated community the myDEQ web portal, a digital solution to ensure the customers attend to their environmental priorities and responsibilities while staying competitive in local and global markets. This solution is overwhelmingly supported by the regulated community across Arizona. The Arizona Chamber's short-term goals include:

> "Continue to support effective efforts of the Arizona Department of Environmental Quality and the Arizona Department of Administration to establish the 'myDEQ' online portal."
>
> -Business Agenda 2018, Arizona Chamber of Commerce and Industry

The myDEQ web portal has two primary components: the platform and the available applications. The myDEQ platform is analogous to an operating system on a smartphone. Like an operating system, stand-alone software applications can be added over time. Each software application delivers value to the end-user as long as it is compatible with the operating system. Since the myDEQ platform launched in FY 2014, ADEQ has incrementally released fifty five (55) services that end-users helped prioritize and are using today. An additional five services are planned to be released by the end of February 2019. This

modular approach is distinct from many information technology (IT) projects and has delivered projects at a greater success rate than traditional all-at-once IT development methods.

Instead of predetermining a fixed plan of software applications, ADEQ developed a service catalog that customers have helped prioritize at a high level and that the legislature can choose to fund, on a fiscal year by fiscal year basis. Every fiscal year, ADEQ works with customers to select services from the catalog and requests funding for these projects. This approach limits financial and technical risk by keeping the projects small and contained within a single fiscal year.

Benefits

Arizona's investment into online services benefits Arizona industry, the general economy and the health of the environment by reducing delays due to government bureaucracy. Since most standard models and methods for cost benefit analysis (CBA) focus on direct financial return or cost avoidance and lack the systematic attention to how government IT investments generate value to their customers, ADEQ utilized an ePermitting Calculator to quantify the effect of lost economic activity associated with waiting for the final permit decision. The calculator was developed by the Environmental Information Exchange Network (EIEN) and allows states to calculate the economic activity (construction, industrial, or commercial activity) that results from online permitting (ePermitting). The calculator's key premise is that online permitting unleashes economic activity sooner. Data from County Business Patterns (2015) and U.S. Department of Commerce, Bureau of Economic Analysis, Gross-Domestic-Product by State (2015) are used in the calculations.

For the services delivered through myDEQ in FY 2018, the calculator estimates that Arizona gained $145.2 million in annual economic activity associated with reduced permit processing times. The model uses a best case scenario and does not include other factors that could limit the economic benefit from being realized. While these estimates may be optimistic, the benefits directly experienced by the industry and indirectly by the economy clearly outweigh the $20 million investment made to-date. It should be noted that the calculator does not consider or include:

- The labor cost savings to industry from increased efficiencies in online permitting and compliance reporting.
- The cost avoidance when permittees spend fewer days out of compliance.
- The efficiencies gained within the agency from increased outputs with same or lower resource consumption.

Nearing the completion of myDEQ FY 2018 initiative, here are the major accomplishments:

- ADEQ currently provides 55 online services to Arizona businesses, which is 31% of ADEQ's overall service portfolio. Five more online services will be added by February 2019.
- In FY 2018, 51% of total permits were issued online.
- 7,571 out of a total of 16,000 regulated facilities are using myDEQ with another 5,000 in the process of registering by February 2019.
- For permits that are now delivered online, average permitting time frames have dropped by 96%, from 56 days to 2 days.

ARIZONA
DEPARTMENT OF ADMINISTRATION
TECHNOLOGY

PROJECT GOALS/MILESTONES
The 20 agency services in development are grouped into 7 work streams

Work Stream	Start Date (Est.)	End Date (Est.)	Duration
Drinking Water Operator Certification	Jan-19	Apr-19	4 months
Air Quality Compliance Reporting - Permit Deviations and Excess Emissions Report (24hr and 72hr)	Jan-19	Jun-19	6 months
Ground Water - 401 Nationwide Applications	Jan-19	Jun-19	6 months
UST Tank Site Improvement Program	Jan-19	Jun-19	6 months
Air Quality Compliance Reporting - Upload Stack Test Protocols and Results Reporting	Jun-19	Dec-19	7 months
Ground Water - Type 2 Reclaimed Water and APP General Permits	Jun-19	Dec-19	7 months
Surface Water - AZPDES Individual Permits	Jun-19	Dec-19	7 months

PROJECT COST DETAIL

ASET Enterprise Solution - ADEQ will fully migrate to the Arizona Enterprise Service Platform (AESP) as a cloud-based solution for management of their data	$200,000
Independent 3rd Party Assessment - Quarterly assessments provided by a third-party to ensure the project remains on track	81,000
Project Management - A dedicated contract resource for managing the project across all workstreams	198,580
Requirements Analysis - The process of discovery and documentation of business requirements to be included in the functionality of the solutions	280,180
Design (Solution Architecture) - Utilizing requirements to design a solution prior to development	313,200
Technical Integration - The process of mapping and connecting systems to allow them to share data successfully	221,400
Quality Management/Testing - Testing and quality assurances resources to ensure functionality works as planned and accomplishes business goals	544,220
Build and Rollout - Development resources used for writing code, migrating data and implementing changes	1,361,420
Total Development Cost for FY 2019	**$3,200,000**

myDEQ ONLINE SERVICES

GROUP	#	SERVICE
Aquifer Protection Permit (APP)	1	Submit SMRF Report
Hazardous Waste Registration (RCRA EPAID)	2	Obtain RCRA EPA ID
	3	Modify EPA ID
	4	Reactivate/Deactivate EPA ID
AZPDES Permit	5	Submit DMR Report
Air Quality General Permit for Rock Crushing & Screening Plants	6	Obtain Permit
	7	Modify Permit -Add/Delete/Move Equipment
	8	Terminate Permit
	9	Submit Compliance Certification
	10	Renew Permit
Air Quality General Permit for Hot Mix Asphalt Plants	11	Obtain Permit
	12	Modify Permit -Add/Delete/Move Equipment
	13	Terminate Permit
	14	Submit Compliance Certification
	15	Renew Permit
Air Quality General Permit for Concrete Batch Plants	16	Obtain pertmit
	17	Modify Permit -Add/Delete/Move Equipment
	18	Terminate Permit
	19	Submit Compliance Certification
	20	Renew Permit
QUICKPAY	21	Payment for invoices using credit card/ACH
AZPDES Stormwater Multi-Sector General Permit (MSGP)	22	Obtain Permit
	23	Modify permit
	24	Determine compliance reporting & provide status
	25	Submit Discharge Monitoring Reporting (DMR)
	26	Terminate Permit
AZPDES Stormwater Construction General Permit (CGP)	27	Obtain Permit
	28	Modify permit
	29	Determine compliance reporting & provide status
	30	Submit Discharge Monitoring Reporting (DMR)
	31	Terminate Permit
AZPDES Storm water DeMinimus General Permit (DMGP)	32	Obtain Permit
	33	Modify, Renew or Terminate permit
	34	Determine compliance reporting & provide status
	35	Submit Discharge Monitoring reporting (DMR)
Registration of Drywells	36	Obtain registration
	37	Amend permit & Transfer
	38	Submit closure

COMPLETED (Arizona businesses are using them today)

	GROUP	#	SERVICE
	Fleet Vehicle Emissions Inspections Program	39	Get Fleet Permit
		40	Modify or Terminate Fleet Permit
		41	Obtain Equipment Certification
		42	Obtain Certificate of Inspections (COI)
	Leaking Underground Storage Tank (UST) - Grant application for cleanup	43	Submittal of application
		44	Cost sheets submission
		45	Invoices submission
		46	Financial reconciliation
	AZPDES Small Municipal Separate Storm Sewer Systems (MS4) General Permit	47	Obtain Small MS4 General Permit
		48	Modify Small MS4 GP
		49	Renew Small MS4 GP
		50	Terminate Small MS4 GP
		51	Verify and Submit Water Quality Discharge Monitoring Data (DMR)
	Hazardous Waste - Generation Activity (FAR)	52	Submission of Annual Report (FAR) and fee payment
		53	Reporting of Quarterly generation & associated fees for LQG
		54	Submit Annual Registration with fee payment
	Out of State Exemptions	55	Submit Out-of-State and Military Emissions Exemptions
IN PROGRESS (Part of FY18)	Hazardous Waste - P2	56	Submission of Annual Pollution Prevention (P2) Plan
	Air Quality Compliance Reporting	57	Submit Annual & Semi-annual Compliance Certifications
	AZPDES/APP exceedance reports/ Exceedance Reports 5/30 day under APP	58	Submit 5-day report for AZPDES permit exceedance
		59	Submit 30-day report for APP permit exceedance
	AZPDES Compliance Reporting	60	Sanitary Sewer Overflow Notifications (SSO)
FY19 SERVICES	WATER - APP/AZPDES Compliance Reporting	61	Water & Wastewater Systems Operator Update
	AIR - Class I/II Compliance Reporting	62	Submit Permit Deviations
		63	Report Excess Emissions within (24 and 72hrs)
		64	Submit Performance Test Protocol and Test Results
	Underground Storage Tank	65	Submit Grant Application
	AZPDES Individual permits	66	Submit AZPDES Individual Permit & Amendment Application
	Ground water – 401 Nationwide applications	67	Obtain Permit
		68	Direct Reuse of Reclaimed Water GP (5 types - A,A+,B,B+C)/ Reclaimed Water Renewals/ Reclaimed Water Transfer
		69	GP for Gray Water

	GROUP	#	SERVICE
	Ground water - Type 2 Reclaimed Water and APP General Permits	70	Submit Reclaimed/Recycled/Reuse Annual Report
		71	Drywell 2.01/2.04 GP
		72	Hydrologic Tracer Studies 2.03 GP
		73	NOI Intermediate Stockpile at Mining Sites 2.02 GP
		74	CMOM 2.05GP
		75	Reuse, Type 3, GP to Agent
		76	Lined Impoundments 3.01 GP
		77	Vehicles and equipment wash 3.03 GP
		78	Process Water treatment facility 3.02/ 3.06 GP
		79	Non-Storm water Impoundments at Mining Sites 3.04 GP
		80	Pretreatment Report (AZPDES)

STATE OF ARIZONA

Joint Legislative Budget Committee

DATE: December 11, 2018

TO: Members of the Joint Legislative Budget Committee

FROM: Rebecca Perrera, Senior Fiscal Analyst   *RP*

SUBJECT: Arizona Department of Administration/Automation Projects Fund - Review of Arizona
           Strategic Enterprise Technology Projects (ADOA Subaccount)

Request

Pursuant to A.R.S. § 41-714, the Arizona Department of Administration (ADOA) has requested that the
Committee review $500,000 in proposed FY 2019 expenditures from the Automation Projects Fund
(APF) for information technology (IT) projects at the Arizona Strategic Enterprise Technology (ASET)
Office in ADOA.

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) ADOA proposes expending $500,000 to support its agency website platform.
2) The funds primarily pay for ongoing operating costs of existing websites.
3) In FY 2019, ADOA plans to add 7 agency websites to the platform.

Analysis

<u>Background</u>
The Automation Projects Fund consists of monies appropriated to it by the Legislature and administered by ADOA. 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.

All IT projects over $25,000 are reviewed by ASET through the Project Investment Justification (PIJ) process. If an IT project's development cost exceeds $1.0 million, statute requires the project to receive 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.   Projects over $5.0 million require independent third-party oversight. If a project funds internal staff, training, or operating costs, ADOA does not require ITAC or ASET approval.

<u>Current Request</u>
ADOA was appropriated $9.0 million in FY 2019 from non-General Fund sources for ASET projects. Of this amount, the Committee gave a favorable review of a $8.5 million expenditure plan at its June 2018 meeting. ADOA is currently proposing an expenditure plan totaling $500,000 from the APF. With this request, ADOA will have requested review of its total FY 2019 APF appropriation.

The state's e-government projects are intended to enhance the design and capabilities of the state's website platform on an ongoing basis.

ADOA would expend the $500,000 of its FY 2019 e-government appropriation for agency website ongoing support and improvements. ADOA currently supports 95 agencies and 138 websites on a website platform that provides consistent appearance and improved functionality. The funds primarily pay for ongoing operating costs for professional services, licensing, hosting, and maintenance. In FY 2018, ADOA added 10 agency websites to the platform. In FY 2019, ADOA plans to add 7 agency websites to the platform.

RP:kp

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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JOINT BUDGET
COMMITTEE

November 21, 2018

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

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

Dear Senator Kavanagh and Representative Livingston:

The Arizona Department of Administration (ADOA) is submitting this request for review of fiscal year 2019 of the Automation Projects Fund (APF) projects related to Department of Administration and Department of Environmental Quality. 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,

Kevin Donnellan

Kevin Donnellan
Deputy Director

Enclosures
cc: Richard Stavneak, Director, JLBC
       Matthew Gress, Director, OSPB
       Derik Leavitt, Assistant Director, ADOA
       Rebecca Perrera, JLBC Staff
       Jacob Wingate, OSPB Staff
       Morgan Reed, State CIO

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FY 2019 Automation Projects Fund (APF; A.R.S. § 41-714)
Favorable Review Request for December 2018 JLBC Meeting

Agency	Appropriation Name	JLBC Favorable Review Request	PIJ/ITAC Status
Dept. of Administration	Projects related to e-Government	$500,000	N/A
Dept. of Environmental Quality	Projects related to e-Licensing	$3,200,000	Approved
	Total FY19 APF December 2018 Request	**$3,700,000**	
	Total FY19 APF Funds Not Yet Reviewed by JLBC	$5,450,000	
	Total FY19 APF Funds Favorably Reviewed	$13,975,100	
	Total FY19 Appropriated APF Budget	**$23,125,100**	

Favorably Reviewed FY19 APF Projects

Agency	Appropriation Name	FY19 APF Appropriation	JLBC Favorable Review Amount	PIJ/ITAC Status
Dept. of Administration	Relocate State Data Center	$4,697,000	$4,697,000	JLBC Favorable Review 06/19/18
Dept. of Administration	HRIS	$821,900	$821,900	JLBC Favorable Review 06/19/18
Dept. of Administration	eProcurement	$3,000,000	$3,000,000	JLBC Favorable Review 06/19/18
Dept. of Financial Institutions	eLicensing	$1,400,000	$1,400,000	JLBC Favorable Review 06/19/18
Dept. of Public Safety	Microwave Upgrade System Project	$1,250,000	$1,250,000	JLBC Favorable Review 09/20/2018
Dept. of Public Safety	Criminal Justice Information System (CJIS)	$2,806,200	$2,806,200	JLBC Favorable Review 06/19/18
	Total Favorably Reviewed FY19 APF Projects		**$13,975,100**	

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Agency:	Department of Administration
Project:	Digital Government Enhancements
Appropriation:	Projects related to e-Government

CURRENT REQUEST

The Department of Administration (ADOA) is requesting favorable review of the $500,000 appropriated from the Automation Projects Funds in FY 2019 to continue operations and expansion of the Digital Government Enhancements project.

FY 2019 Appropriation	FY 2019 Favorably Reviewed	FY 2019 Current Request	Remaining FY 2019 Appropriation Requiring Future Review
$500,000	$0	$500,000	$0

PROJECT DESCRIPTION

Background
The Department of Administration (ADOA) has developed an enterprise solution to create and manage agency websites commonly used to interact with the public, collect payments, and digitize paper-based processes in alignment with the statewide initiative of "going paperless". The funding for this project is used to pay for the costs associated with maintenance, hosting, and support of 138 State websites at the end of FY 2018, which is expected to expand to at least 145 websites by the end of FY 2019.

Proposed Solution
The Agency Platform is a collection of tools to enhance and manage websites, built on an open source content management system commonly used by both the private and public sector. This platform allows ADOA to quickly build customized websites for individual agencies while maintaining a consistent look and feel across the State. ADOA has implemented a collection of tools to roll out updates to ensure security standards are met and downtime is minimized. Failovers and disaster recovery solutions have been put in place for all supported sites to reduce the risk of outages that would impact service delivery to constituents. A secure cloud hosting solution compliant with industry standards is provided to store websites and associated files. Training and resource materials are provided by ADOA to enable agencies to maintain their websites. Additional maintenance and support are handled by ADOA and vendors through a ticket-based system. Each site hosted in the Agency Platform is scanned by SiteImprove, a quality assurance tool that looks for broken links, misspellings, noncompliance with state policies, and accessibility problems.

Benefits
The Agency Platform is already operational and onboarded 138 agencies, divisions, and organizations throughout State government. This solution has provided an easy, low cost, scalable solution to agencies of all sizes, including many without IT staff capable of managing a website. ADOA has significantly

reduced the risk and responsibilities for all participating State agencies by handling security standards and general website functionality requirements centrally. As a result, it allows for increased visibility into overall website performance and gave ADOA the ability to perform administrative tasks such as adding new users, rolling out security updates and performing remote backups.

Other benefits include a common code base for the visual aspects of the websites which ensures accessibility on all devices and a consistent look statewide. In addition, the Agency Platform centrally maintains information regarding technical updates, outages, community resources and supporting documentation in a singular location. The Agency Platform's flexible architecture and scalable hosting allows the solution to expand to cover more agencies. ADOA has vetted and brought under contract multiple vendors capable of providing technical support to reduce the risks associated with turnover or a single source of support.

PROJECT GOALS/MILESTONES

Expand platform to a total of 145 websites by the end of FY 2019 - ADOA is expanding the platform to host and support new websites. This will be accomplished through active engagement with agencies to identify websites that would benefit from inclusion in this project. Currently, demand is high as agencies want to modernize their website and move manual processes online, including a web-based payment option for the public.

Website security reviews - Security reviews are performed for all supported websites. Security update reviews are performed weekly, external scanning and account reviews performed quarterly, and penetration testing performed annually. As security issues are identified, ADOA works to coordinate resolutions and provide reports on the progress.

Website trainings - As more agencies onboard to the platform, ADOA will continue to conduct website trainings for agencies and their administrators, provide monthly user group meetings, and maintain a library of resources.

Agency codebase - ADOA will continue to expand and maintain a shared agency codebase, which is a collection of programming codes that support the platform, allowing for updates to the back-end of the websites to be applied either immediately or during slow periods. The frequency of updates to the codebase can change based on security updates or functionality requests.

Quality assurance scorecard - ADOA will continue to manage a contract with SiteImprove, a quality assurance tool that scans websites on the platform monthly and reports a list of potential issues to site owners, including spelling and grammar errors, broken links, and noncompliance with State policies. These reports are compiled into a collective report for all of the sites, which ADOA will continue to review to identify platform-wide trends and establish counter-measures if necessary.

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PROJECT COST DETAIL

Professional Services - ASET employees & contractors working with agencies to define requirements for functionality for websites and address improvements to the Agency Platform including the infrastructure needed to support agency websites $50,000

Maintenance & Support - An outside vendor works with ADOA to fulfill requests from agencies using a ticket-based system to identify and track issues including website maintenance, broken functionality, lost passwords, security updates, maintenance of code or technical support   200,000

Hosting - Websites and the related content (databases, documents, images, code etc.) are hosted, or stored on servers equipped with security controls, emergency backup capabilities, and the ability to host a scalable number of users   145,000

Quality Assurance - A quality assurance tool is provided for every site that searches for broken links, spelling errors, and websites out of compliance with State policies ensuring accessibility and a consistent level of quality   75,000

Subscriptions - Third-party tools are added to the platform to improve the quality of websites by providing additional functionality including mass email capabilities and a stock image library   30,000

Total Development Cost for FY 2019	**$500,000**