

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

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**** REVISED ****

JOINT LEGISLATIVE BUDGET COMMITTEE

Thursday, July 15, 2021

9:30 A.M.

House Hearing Room 1



The meeting will be held via teleconference software.

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2021071002>

MEETING NOTICE

- Call to Order
- [Approval of Minutes of April 27, 2021.](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION
 - A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
 - B. Arizona Department of Administration - Review for Committee the Planned Contribution Strategy for State Employee and Retiree Medical and Dental Plans Under A.R.S. § 38-658A.
- 1. [ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND - Review of Business One-Stop Web Portal.](#)
- 2. [***ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND - Review of ADE School Finance Replacement Project.](#)
- 3. [***ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Approval of Requested Transfer of Appropriations.](#)

4. ***ATTORNEY GENERAL - Review of Uncollectible Debts.
5. DEPARTMENT OF CHILD SAFETY - Review of FY 2021 Quarterly Benchmarks.
6. ***ARIZONA DEPARTMENT OF CORRECTIONS - Review of FY 2021 Third Quarter Correctional Officer Staffing Report.
-  7. ARIZONA CRIMINAL JUSTICE COMMISSION - Review of Edward Byrne Memorial Justice Assistance Grant Federal Applications.
8. ARIZONA DEPARTMENT OF EDUCATION
 - ***A. Review of Transwestern Settlement.
 - ***B. Review of Career Technical Education District Annual Report.
 - ***C. Review of K-12 Broadband Connectivity Projects.
9. ***DEPARTMENT OF HEALTH SERVICES - Review of Long Term Care Audit Report.
10. ***DEPARTMENT OF PUBLIC SAFETY - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount.
-  11. DEPARTMENT OF REVENUE - Review of Transaction Privilege Tax Administration and Enforcement Audit Report.
12. SECRETARY OF STATE - Review of Expenditure Plan for Help America Vote Act (HAVA).
13. ***ARIZONA BOARD OF REGENTS - Review of FY 2022 Tuition Revenues.

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

 Moved to Regular Agenda.

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

07/09/2021

07/14/2021

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



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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

April 27, 2021

The Chairman called the meeting to order at 9:07 a.m., Tuesday, April 27, 2021, in House Hearing Room 1 and via video conference. The following were present:

Members:	Senator Gowan, Vice-Chairman	Representative Cobb, Chairman
	Senator Alston	Representative Bolick
	Senator Bowie	Representative Chávez
	Senator Gray	Representative Fernandez
	Senator Kerr	Representative Friese
	Senator Leach	Representative Kavanagh
	Senator Livingston	Representative Osborne
	Senator Otondo	Representative Toma

APPROVAL OF MINUTES

Senator Gowan moved that the Committee approve the minutes of December 16, 2020. The motion carried.

CONSENT AGENDA

Representative Friese moved to amend JLBC Rule 4 with his amendment dated 4/26/2021 and requested a roll call vote. *Friese Amendment (4/26/21): If a member requests that an item be removed from the consent agenda, that item will remain on the current calendar for consideration. The motion failed by a roll call vote of 6-10-0-0. (Attachment 1).*

The following items were considered without further discussion.

ADOPTION OF COMMITTEE RULES AND REGULATIONS

The Committee Rules and Regulations remain the same as last session.

(Continued)

DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Developmental Disabilities Line Item Transfers.

FY 2020 and FY 2021 General Appropriation Act footnotes require DES to submit a report for review by the Joint Legislative Budget Committee before transferring any funds into or out of certain Division of Developmental Disabilities (DDD) line items. DES requested Committee review of \$18,200,000 of federal Long Term Care System Fund (LTCSF) monies out of the FY 2020 DDD Administration line item as follows:

- \$18,000,000 into the FY 2020 Physical and Behavioral Health Services - Medicaid line item.
- \$200,000 into the FY 2020 Premium Tax Only line item.
- \$48,000,000 of federal LTCSF monies out of the FY 2021 DDD Administration line item as follows:
 - \$45,000,000 into the FY 2021 Physical and Behavioral Health Services - Medicaid line item.
 - \$3,000,000 into the FY 2021 Premium Tax line item.

The JLBC Staff provided options.

DEPARTMENT OF CHILD SAFETY (DCS) - Review of Line Item Transfers.

An FY 2021 General Appropriation Act footnote requires DCS to submit for Committee review any transfers between line items or the operating budget. DCS requested Committee review of the department's proposed FY 2021 transfer of \$4,023,000 General Fund monies into the Congregate Care line item from the Foster Care line item. The JLBC Staff provided options.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) Consider Approval of Requested Transfer of Appropriation.

A.R.S. § 35-173 requires Committee approval of any transfer of spending authority within ADOA. ADOA requested Committee review to transfer the following:

- \$1,500,000 of Risk Management Revolving Fund monies from its operating lump sum appropriation to the Risk Management Administrative Expenses line item.
- \$850,000 of Capital Outlay Stabilization Fund (COSF) monies from the Utilities line item to its operating lump sum appropriation.

The JLBC Staff provided options.

Senator Gowan moved that the Committee give a favorable review, or approval, as appropriate, of the 4 consent agenda items listed above. The motion carried.

EXECUTIVE SESSION

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

At 9:15 a.m. the Joint Legislative Budget Committee went into Executive Session.

(Continued)

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

At 9:54 a.m. the Committee reconvened into open session.

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

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

1. *FPBCP Enterprises, Inc., et al. v. State of Arizona, et al.*
2. *Denise Williams, et al. v. Gregory A. McKay, et al.*

The motion carried.

Senator Gowan moved that the Committee approve the recommended settlement proposed by the Attorney General's office in the case of:

1. *Desert Troon Limited, LLC v. Anton Orlich, et al.*

The motion carried with Representative Bolick, Representative Osborne and Representative Toma abstaining from voting.

Without objection, the meeting adjourned at 9:56 a.m.

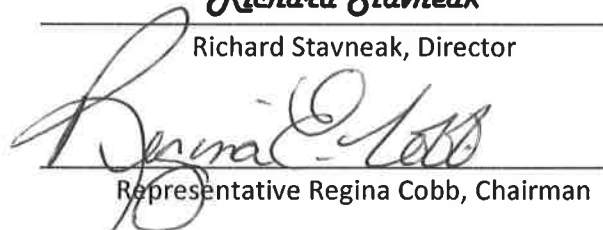
Respectfully submitted:



Kristy Paddack, Secretary

Richard Stavneak

Richard Stavneak, Director



Representative Regina Cobb, Chairman

JOINT LEGISLATIVE BUDGET COMMITTEE

Meeting Date: April 27, 2021

ITEM #: —
MOTION: Rep Friese motion to amend JLBC Rule 4 -
 Committee Proceedings

ITEM #:
MOTION:

	<u>PRESENT</u>	<u>ABSENT</u>	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON	X			X			
SEN. BOWIE	X			X			
REP. BOLICK	X				X		
REP. CHAVEZ	X			X			
REP. FERNANDEZ	X			X			
REP. FRIESE	X			X			
SEN. GRAY	X				X		
REP. KAVANAGH	X				X		
SEN. KERR	X				X		
SEN. LEACH	X				X		
SEN. LIVINGSTON	X				X		
REP. OSBORNE	X				X		
SEN. OTONDO	X			X			
REP. TOMA	X				X		
SEN. GOWAN	X				X		
REP. COBB	X				X		
TOTALS	16	0	0	6	10	0	0

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					
SEN. BOWIE					
REP. BOLICK					
REP. CHAVEZ					
REP. FERNANDEZ					
REP. FRIESE					
SEN. GRAY					
REP. KAVANAGH					
SEN. KERR					
SEN. LEACH					
SEN. LIVINGSTON					
REP. OSBORNE					
SEN. OTONDO					
REP. TOMA					
SEN. GOWAN					
REP. COBB					
TOTALS					



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DATE: July 9, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Rebecca Perrera, Principal Fiscal Analyst

SUBJECT: Arizona Department of Administration/Automation Projects Fund - Review of Business One-Stop Web Portal

Request

A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund (APF). The Arizona Department of Administration (ADOA) is requesting review of \$7,758,900 for the ADOA Business One-Stop Shop web portal.

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) ADOA requests review of \$7.8 million for Phase 1 of the Business One-Stop Shop web portal.
- 2) The project completes functionality for citizens to plan and start a business in Arizona.
- 3) The primary project cost is for professional services for vendors to develop the portal.
- 4) ITAC approved the project on June 23, 2021 with the standard ITAC project provisions.
- 5) Total project costs are expected to be \$32.2 million over 3 years.

Analysis

The FY 2022 budget includes \$7.8 million from the ADOA APF Subaccount for phase 1 design costs associated with the development of a Business One-Stop Shop Web Portal.

(Continued)

The portal will provide a single online location to citizens to manage the applicable licenses and registrations across state agencies that are required to operate businesses in Arizona.

The FY 2020 budget included a \$1.0 million appropriation from the General Fund for the initial assessment, planning, and design costs associated with the development of a Business One-Stop Shop Web Portal. The FY 2020 project included a prototype with limited functionality agencies and processes required to create a new domestic Liability Corporation (LLC), Professional LLC (PLLC), Sole Proprietorship, or General Partnership in Arizona. These processes include licensing requirements, trade name registration (Secretary of State), creation of a new Arizona LLC or PLLC by domestic entities (Corporation Commission), and transition privilege tax registration (Department of Revenue).

The phase 1 costs will complete the development for functionality for any business to plan or start operations in Arizona. Subsequent phases of the project will expand the portal to include features to help grow, relocate, and close a business. ADOA estimates that the total project costs will be approximately \$32.2 million over 3 phases. ADOA expects the phase 1 project to be completed by the end of FY 2022.

Table 1 outlines the primary expense categories for Phase 1 of the project. ADOA proposes to utilize existing state contracts for the development. The portal will be developed on the Arizona Department Transportation (ADOT) "SuperPortal" which is the same technology platform that interfaces with ADOT's new MVDNow. ADOA's expenditure plan includes both the costs to develop the portal and the costs agencies will incur to integrate their systems. The expenditure plan also includes an allocation for the statutorily required third-party review and independent validation and verification (IV&V).

Table 1	
FY 2022 Phase 1 Business One-Stop Expenditure Plan	
<u>Project</u>	<u>FY 2022</u>
Professional Services (Development)	\$5,898,900
Program Management	678,000
Maintenance	1,008,800
Infrastructure/Hardware	61,300
Software	40,000
Other Miscellaneous Costs	<u>71,900</u>
Total	\$7,758,900

RP:kp

Douglas A. Ducey
Governor



Andrew Tobin
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007
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June 14, 2021

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



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

Dear Representative Cobb and Senator Gowan:

The Arizona Department of Administration (ADOA) is submitting this request for review of the fiscal year 2022 Automation Projects Fund (APF) appropriations for the projects related to the Department of Administration, Business One Stop; and Department of Education, School Finance Payment Systems. These submissions are based on proposed budget figures and are subject to change based on enactment of the fiscal year 2022 budget.

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

Sincerely,

J.R. Sloan
State CIO

Enclosures

cc: Richard Stavneak, Director, JLBC
Matthew Gress, Director, OSPB
Andrew Tobin, Director ADOA
Rebecca Perrera, JLBC Staff
Jacob Wingate, ADOA
J.R. Sloan, State CIO
Theresa Vencill, OSPB Staff

Favorable Review Request Summary

Agency	Project Name	FY 2022 APF Appropriation*	Favorably Reviewed	Favorable Review Request	Review Not Yet Requested
Dept. of Administration	Business One-Stop Phase 1	\$7,758,900	\$0	\$7,758,900	\$0
Dept. of Education	School Finance Payment Systems	\$7,200,000	\$0	\$3,600,000	\$3,600,000

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

ARIZONA

DEPARTMENT OF ADMINISTRATION
ARIZONA STRATEGIC ENTERPRISE TECHNOLOGY

Agency: Department of Administration
Project: Business One Stop Phase 1
Appropriation: Business One-Stop Web Portal

CURRENT REQUEST

The Department of Administration on behalf of the Department of Transportation, the Department of Revenue, the Secretary of State, the Arizona Corporation Commission and the Arizona Commerce Authority, is requesting favorable review of \$7.8M appropriated from the Automation Projects Funds in FY 2022 to complete the development of Phase 1 of Business One Stop, a single online location to help citizens & businesses plan, start, grow, move, & close businesses in Arizona through a secure, digital experience that does not require in-person interaction.

FY2020 - Assessment

In FY2020, the department utilized qualified outside contractors to conduct an assessment and feasibility study using \$1M in APF funding. The assessment provided recommendations to the State on how best to achieve the goal of creating a Business One Stop online portal.

FY 2020 Appropriation	FY 2020 Favorably Reviewed	FY 2020 Current Request	FY 2020 APF Review Not Yet Requested
\$1,000,000	\$1,000,000	\$0	\$0

FY2022 - Phase 1

Phase 1 will support launching Business One Stop for core agencies in the 'Plan' and 'Start' stages of the business lifecycle.

FY 2022 Appropriation*	FY 2022 Favorably Reviewed	FY 2022 Current Request	FY 2022 APF Review Not Yet Requested
\$7,758,900	\$0	\$7,758,900	\$0

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

PROJECT DESCRIPTION

Background

Arizona lacks a Business One Stop online portal that provides a single online location to help citizens & businesses plan, start, grow, move, & close businesses in Arizona through a secure, digital experience that does not require in-person interaction. Entities that wish to create a business in Arizona must interact with multiple State agencies using isolated processes. This leads to a complicated citizen experience, increased confusion, and poor to no information sharing between agencies. These isolated systems and experiences result in duplication of data across systems, increased data errors and increased time for customers to apply for services and achieve results.

Key problems to be addressed by Business One Stop include:

- Too many agencies and touchpoints for a business owner
- Long waits and uncertainty around processing times
- Confusion in planning and starting phase leading to mistakes and potential delays in business registration
- Potential security issues needing constant monitoring of online information
- Required mail, in-person activities, and notary requirements leading to slower processing times

Solution

Business One Stop will:

- Provide agencies, businesses and citizens with a central workflow platform (or one capable of seamlessly integrating with multiple disparate back end systems) for processing the identified core agencies lines of business.
- Provide citizens and businesses with the feel of entering one environment to complete all tasks/requirements of multiple agencies in an online environment.
- Scalable to support future expansion to include State licensing and permitting agencies and potential interaction with City and County level agencies and systems that support the goal of Business One Stop.
- Leverage existing State investments in enterprise systems, assets and resources to the extent reasonable while maintaining alignment with the goal of a singular portal.

The Business One Stop roadmap includes three phases. Phase 1 will support launching Business One Stop for core agencies in the 'Plan' and 'Start' stages of the business lifecycle. In future phases, the portal will be expanded, adding features intended to foster business growth and relocation. Phase 1 will include development of 34 journeys to enable new and existing domestic business owners to start their business. This will include basic required functionalities for a user to manage an account and high volume critical functionalities of core agencies in the "Plan, Start" stage. For the Corporation Commission, there will be some journeys that cover the entire lifecycle of a LLC business.

The detailed plan regarding Phase 1 will be presented to the Information Technology Authorization Committee (ITAC) for review and approval to include approved schedule, scope and budget before the project kick off in FY 2022. ADOA intends to present the project during the June 2021 ITAC meeting.

Benefits

The focus of this project is to leverage the findings of the readiness assessment and design plan to further the development of the Business One Stop citizen experience, while also providing agencies with a modern, centralized workflow platform on the backend to complete the agency work required to optimize the citizen experience.

The new application will better serve our customers, increase interaction with the public and improve the delivery of agency services because it will provide a single point of interface with the State rather than requiring customers to work separately through 6 state agencies. It will also provide an automated checklist which will help guide the customer through the process while avoiding duplicative data entry.

PROJECT GOALS/MILESTONES

Description	Start Date (Est.)	End Date (Est.)	Duration (weeks/ months)
Project Kick-off - Review all requirements, schedule and milestones for each of the six planned program increments (PI).	July 1, 2021	July 1, 2021	
PI 1: Project start up, Planning, Requirements refinement & Design	July 1, 2021	July 13, 2021	2 weeks
PI 2: Development, Quality Assurance Review, User Acceptance Testing, Deployment	July 13, 2021	August 24, 2021	6 weeks
PI 3: Development, Quality Assurance Review, User Acceptance Testing, Deployment	August 24, 2021	October 5, 2021	6 weeks
PI 4: Development, Quality Assurance Review, User Acceptance Testing, Deployment	October 5, 2021	November 16, 2021	6 weeks
PI 5: Development, Quality Assurance Review, User Acceptance Testing, Deployment	November 16, 2021	December 28, 2021	6 weeks
PI 6: Development, Quality Assurance Review, User Acceptance Testing, Deployment, MVP Launch	December 28, 2021	February 8, 2022	6 weeks

Post "go-live" support, application stabilization, continuous enhancement, on-going maintenance and support, program operations, phase two planning and requirements gathering.	February 9,2022	June 30, 2022	5 months
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PROJECT COST DETAIL

Professional Services - This category includes the resources necessary to develop Business One Stop, including IV&V, Designers, Developers, UI/UX developer, Testers, DevOps, Security expert, Senior Architect, DBA, Business Analyst, Business SME, Product owner.	\$5,898,881
Program Management - This category includes the resources necessary to run the program, including a Program Manager, Project coordinator and Business Analyst.	\$677,952
Maintenance - Production support, Maintenance support, Feature enhancement	\$1,008,800
Infrastructure - Network, Storage and Disaster recovery costs.	\$61,327
Software - 3rd party license costs, Automated Testing tools, Traffic Analytics tools, Application performance analytics tools, Bug tracking software, Code repository tool	\$39,920
Miscellaneous Costs - Customer engagement, Penetration testing, Performance testing	\$71,948
Total Development Cost for FY 2022	\$7,758,828

Procurement Strategy

The overall front-end, citizen facing component, will be built leveraging existing contracts and using existing systems within the State. The individual agency backend processing and agency integration work will leverage a combination of existing procurement processes, internal development resources, and existing development contracts to ensure maximum value and what is in the best interests of the state.



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DATE: July 9, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Rebecca Perrera, Principal Fiscal Analyst
Patrick Moran, Principal Fiscal Analyst

SUBJECT: Arizona Department of Administration/Automation Projects Fund - Review of ADE School Finance Replacement Project

Request

A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund (APF). The Arizona Department of Administration (ADOA) is requesting review of \$3,600,000 for the Arizona Department of Education (ADE) School Finance System Replacement.

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) ADOA requests the review of \$3.6 million for phase 2 of the ADE School Finance System Replacement.
 - Third-party reviewer says project remains on schedule and on budget.
 - Includes \$0.6 million for ADOA project oversight.
- 2) ITAC approved the ADE project with standard ITAC project provisions at its meeting on June 23, 2021.

Analysis

The FY 2022 budget includes \$7.2 million from the ADE APF Subaccount to complete the development of the School Finance portion of the Arizona Education Learning and Accountability System (AELAS). The appropriation is financed from a transfer from the Empowerment Scholarship Account Fund.

(Continued)

The school finance replacement project was initially funded in FY 2020 at a level of \$3.0 million. ADE used the first installment of funding for Phase I development expenses, which included replacement of the payment calculation components of APOR (the school district payment system) and CHAR (the charter school payment system). ADE plans to use the new payment system to make Basic State Aid payments to school districts and charter schools during the 2021-2022 school year.

ADOA and ADE are proposing additional expenditures of \$3.6 million for the project in FY 2022. ADE's FY 2022 expenditure plan classified by expense category can be found below in *Table 2*. These amounts include:

- \$3.0 million to ADE for Phase II development expenses. This amount would include funding to develop the following enhancements:
 - Data dashboards in APOR/CHAR to allow districts and charters to analyze changes in Basic State Aid payments.
 - APOR/CHAR external reporting functions to allow JLBC/OSPB and districts and charter schools to extract data from the system for analysis. Would also include public reporting of school finance data on ADE's website.
 - Replacement of school district and charter budget and Annual Financial Reporting components of system.
- \$600,000 to ADOA-ASET for oversight of the project. A General Appropriation Act footnote requires ADOA to engage consultants that provide project management to ADE, including support in technical documentation, financial tracking and documentation, and program management and governance.

ADOA and ADE's plan would leave \$3.6 million available to complete the remainder of the project in FY 2023, which the agencies would need to present for the Committee's review at a later date. ADE does not believe there would be any material increases in its ongoing operating expenses for the school finance system.

<u>Project</u>	<u>FY 2022</u>
Professional Services	\$1,933,400
ADOA Consulting	600,000
ADE Staff Costs	633,900
Third Party Review	96,000
Technical Advisors (Documentation)	27,000
License & Maintenance Fees	60,500
Software	87,100
Hardware	12,100
Contingency Build Costs	<u>150,000</u>
Total	\$3,600,000

ARIZONA

DEPARTMENT OF ADMINISTRATION
ARIZONA STRATEGIC ENTERPRISE TECHNOLOGY

Agency: Arizona Department of Education

Project: School Finance Payment Systems

Appropriation: School Finance Data System

CURRENT REQUEST

The Department of Administration (ADOA) on behalf of the Department of Education (ADE), is requesting favorable review of the FY 2022 expenditure plan, which would allocate \$3.6 million from the Automation Projects Fund to continue ADE's school finance payment system replacement project. This request of \$3.6 million is for the second phase of development in a three-phase \$10.2 million project. Phase I of the project was funded in FY 2020 with a \$3 million appropriation and concludes at the end of FY 2021. An additional \$7.2 million has been appropriated from the Automation Projects fund for use in FY 2022 and FY 2023 to complete the project.

The purpose of this Request is to continue development and implementation of a customized school finance payment and budget system. In addition, a portion of this request will be for ADOA to provide Consulting including technical documentation review and status tracking, financial tracking and documentation controls and validation, and program management and governance consulting. The replacement school finance payment systems will effectively and efficiently manage data input, feedback, validation, calculations, activities, tracking, reporting, and output for all supported state entities. The systems will also provide an auditable budget tool which can capture, analyze, and report on school district and charter school budgets while ensuring compliance with applicable laws and constitutional expenditure limits.

FY 2020 Appropriation	FY 2020 Favorably Reviewed	FY 2020 Current Request	FY 2020 APF Review Not Yet Requested
\$3,000,000	\$3,000,000	\$0	\$0

FY 2022 Appropriation*	FY 2022 Favorably Reviewed	FY 2022 Current Request	FY 2022 APF Review Not Yet Requested
\$7,200,000	\$0	\$3,600,000	\$3,600,000

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

PROJECT DESCRIPTION

Background

The Department of Education manages and administers the school finance payment systems which together process more than \$6 billion in state aid per fiscal year. The current systems have been in existence since 1999, running on an unsupported Microsoft Windows 2000 platform. The systems designate state aid payments to a variety of educational and state entities including school districts, charter schools, the Arizona Department of Juvenile Corrections (ADJC), the Arizona Department of Corrections (ADOC), county facilities, county juvenile facilities, and county jails. This project will replace those obsolete systems. State aid payments are calculated based on a statutory formula that determines the budget limit of each school district and charter school based on factors such as type and size of school, characteristics of students enrolled, and years of experience of staff. The statutory formula also determines the portion of a school district's budget that is funded by state revenue, known as state aid, and the amount that is expected to be funded by local property tax revenue. The payment systems are driven by

requirements defined in Title 15 of Arizona Revised Statutes and the budget systems capture documentation from the internal processes of ADE to meet those requirements.

Considering the critical nature of this system, and to mitigate risks to the completion of this project on time and on budget, the Superintendent of Public Education and the Director of ADOA agreed to engage ADOA in a consulting capacity to support ADE's development efforts in Phase I. No funding was allocated from the project budget at the time. ADOA absorbed the costs in its own operating budget but the value provided to date justify including funds for such efforts for the duration of the project.

Original Plan

In January 2020, Information Technology Authorization Committee (ITAC) reviewed a three-phase project schedule to begin in February 2020 and complete in June 2023. The approved Project Investment Justification (PIJ) covered Phase I of the following three-phased approach:

- Phase I - Year 1: Payments to charters (CHAR) and any common components (used by both charters and districts) (Common)
- Phase II - Year 2: Payments to school districts only (APOR), Department of Corrections, Department of Juvenile Corrections, county jails and county juvenile detention centers.
- Phase III - Year 3: Budget and expenditure (Budget/AFR) system with reporting.

Accelerated Plan

At the time of approval, ITAC required ADE to return to ITAC with an Accelerated Plan (AP) to escalate the timeline of implementation of the district payments (APOR) portion of the School Finance Payment System. In response, ADE defined the Minimum Viable Product (MVP) for payments to both charters and districts to guide the planning for the AP. The primary intent of the prioritization in the AP was to migrate away from the legacy payment systems as soon as possible and to reduce manual calculations. The manual payment calculations were prioritized for automation based on complexity, fiscal impact, and audit risk.

At its August 2020 meeting, ITAC approved a change request for Phase I – Part I, which was based on the AP and described the following approach:

- Implement the "must have" features for school districts and charters. At the end of Phase I, APOR/CHAR legacy system will not be utilized for generating payments enabling retirement of that portion of the legacy system.
- Implement the "must have" features for Budget/AFR and Miscellaneous items; Also, implement the "should have 1" features for districts and charters. At the end of Phase II, Budget/AFR legacy system will not be utilized and manual payment calculation for DOC and DOJC will be automated.
- Implement the remainder of the "should have 1" and "should have 2" features. At the end of Phase III, all the manual miscellaneous payments will be automated. In addition, all the federal reporting processes for the Budget / AFR system will be automated.

In December 2020, AP Phase 1 - Part 2 details were presented to ITAC utilizing the above plan and was approved.

Solution – Completed Phase I – Parts 1 & 2

At the end of FY 2021, the ADE Information Technology Department will complete development and implementation of the Phase I – Part 1 CHAR and Phase I – Part 2 APOR systems. The new CHAR and APOR systems fulfill Phase 1 minimum viable product (MVP) components of the AP approved by ITAC in FY2021. Phase I – Part 1 and Phase I – Part 2 were both developed and implemented on an accelerated timeline to retire that portion of the legacy payment systems as soon as possible. At the conclusion of Phase I, ADE will have successfully replaced both CHAR and APOR legacy systems, enabling payments to school districts and charter schools from the new system at the beginning of FY 2022.

Solution – Future/Proposed Phase II

As ADE concludes Phase I and prepares for Phase II, more detailed analysis and planning has revealed the need to adjust the AP, as approved in August and validated in December, based on insight from Phase I and the needs and capacity of the business going forward. The proposed revised AP maintains the same scope, budget and timeline but splits the functionality of Budget/AFR between Phases II and III rather than covering it all in Phase II. ADE proposes that this change will allow for a more robust change management plan for a system that is not at great risk of failure but requires integration across multiple systems and stakeholders.

ITAC Review of Phase II

ADOA is working with ADE to review the proposed changes to the AP and will provide a proposal to ITAC for approval once the detailed project plan, project scope and project timeline has been validated for alignment with stakeholder needs and business needs. The ITAC review will take place at the June or July ITAC meeting to ensure the project team can remain focused on delivery of the Phase I scope by June 30, 2021. Under the draft Phase II plan which is under evaluation, ADE will complete the following system functionalities by the end of fiscal year 2022:

Budget and Annual Financial Report (AFR) System

1. Annual proposed and adopted budget data collection will be ready at the end of fiscal year 2022 for use at the beginning of fiscal year 2023. Annual school level actual revenues and expenditures data collection after the end of the fiscal year 2022.
2. At the conclusion of this phase, ADE will have the ability to pilot test with a few school districts and charters to collect data regarding budgeted, actual revenue and expenditures. This pilot test will enable ADE to verify the data collection for accuracy with live data during Phase III.

Payment System

1. Automate the staff data collection via a system to system integration from the school district HR system, instead of manual file upload. A system integration will enable ADE to collect accurate staff data and reduce manual burden on the school districts. Staff data, including years of experience, is used to calculate state aid payments to school districts and charter schools.
2. Automate student count data collection and payment processing for Department of Corrections and Department of Juvenile Corrections.
3. Automate student count data collection and payment processing for County Jail and County Juvenile Detention Centers.
4. Automate the integration of Net Assessed Valuation data from the Department of Revenue, SRP and GPLET. These inputs are used to calculate state aid payments to school districts.
5. Implement Average Daily Membership (ADM) and payment data analytics capability for JLBC, OSPB and ADE internal systems to support activities such as forecasting, estimating and analysis.

Solution – Future Proposed Phase III

Draft Phase III includes the following system functionalities for completion at the end of fiscal year 2023:

Budget and Annual Financial Report (AFR) System

1. Pilot test the budget, revenue and expenditure data collection completed in Phase II with a representative sample of school districts and charters and verify the data collection for accuracy with live data.
2. Implement the remaining functionalities of the Budget and AFR system, encompassing data processing, validation, calculations, reports, analytics, storage, and state and federal reporting.

Payment System

1. Implement the remaining miscellaneous payments such as Unorganized Territory Payments, Certificate of Education Convenience Payments, Results Based Funding, Prop-123 Additional Funding and A.R.S 15-980 Supplemental State Aid Payment.

ADOA Consulting Support

The goal of the ADOA Consulting engagement in regard to the School Finance Payment System project is to assure immediate project success and long-term program success through critical consulting. Based on detailed scrutiny of

ADE's processes during Phase 1 of the project, there are 3 key areas requiring critical consulting and related scrutiny in FY 2022 by ADOA:

1. Technical Documentation Review & Status Tracking - Ensures ADE uses best practices in the creation, implementation, and updating of system documentation to include accuracy, readability, and system maintainability. While a hybrid Agile development methodology is being deployed, it is even more important that what is developed is documented throughout to assure that the key business requirements of the system are met. In Phase 1, 115 documents with over 2,800 pages were reviewed and validated by ADOA. We expect a similar workload in Phase 2 as well.
2. Financial Tracking & Documentation Controls & Validation - Creation of a financial tracking method and approach that will provide real-time financial accountability to current approved scope and to future phase projections; training of ADE staff and documentation to allow ADE to adopt these best practices across the IT organization. Also, to create templates for APF fund releases and burndown graphs to track financial progress.
3. Program Management & Governance Consulting - Consulting to assure proper governance and management of all processes to assure transparency and accountability, communication, reporting at the proper level of granularity, tight coordination with oversight authorities (ASET Oversight, ITAC, JLBC, OSPB, Executive Steering Committee, IV&V, Document Review & Approval (Stakeholder Committee), tracking of conditions and milestones including lead and lag measures, etc.

The appropriate personnel, contractors and consultants will be engaged in the first quarter and will then continue their engagement throughout the fiscal year.

Benefits

The goal of the School Finance Payment System project is to streamline the various payment processes under a unified system that is automated, accurate, auditable, transparent, and maintainable. The reliance of the legacy system on outdated technology and manual processes results in duplicative and labor-intensive work for Arizona schools and ADE, creates vulnerability to errors and limits ADE's ability to implement innovative reforms.

Reduced burden on infrastructure: The existing legacy systems result in many operations being interdependent and unable to execute concurrently. The legacy system design and implementation are inefficient, placing a great burden on the infrastructure. The proposed replacement will reduce infrastructure load while eliminating the heightened costs associated with maintaining outdated technology.

Improved accuracy and expedited processes: The large number of manual processes required to run the system translates to days spent performing tasks that would otherwise require seconds. Simple operations are performed multiple times by staff to reduce errors. The time-intensive process to complete the manual calculations results in staff prioritizing completion over quality which risks some school districts and charter schools being overpaid and others underpaid. As manual calculations are repeated, the school districts and charter schools are brought current to make up for prior month shortages or overages. The result, however, is a cycle of poor data quality, irreplicable processes, complicated reports, and financial inaccuracies. The proposed replacement will drastically reduce human error caused by time-intensive manual processes by establishing an automated system that produces accurate and auditable payments.

Increased capacity for customer service: With less staff time required for conducting and repeating manual payment calculations, the proposed automation will increase capacity for customer service to school districts and charter schools ultimately improving data quality and accuracy in payments and reporting.

Enhanced ability to implement changes: Every year the legislature passes laws that impact the calculation of payments to school districts and charter schools. The proposed automation and modernization will make modifications to the payment calculations simpler to perform resulting in shorter turnaround time to implement changes in applicable statutes and business rules regarding how payments are calculated, adjusted, and delivered.

PROJECT COST DETAIL


Professional Services - Fees for design, development, QA/Testing (architects, developers, business analysts, quality assurance personnel)	\$ 1,933,397
Addnl. ADE Personnel Services	\$ 473,019
Addnl. ADE Personnel ERE	\$ 160,827
IV&V	\$ 96,000
Technical Advisors – Documentation	\$ 27,000
Hardware – Development Workstations	\$ 12,100
Software – Contractor Software Applications & Licenses	\$ 87,120
License & Maintenance Fees- Software License Renewals & Cloud Storage	\$ 60,537
Contingency	\$ 150,000
ADOA Consulting*	\$ 600,000
Total Development Cost for FY2022	\$ 3,600,000

**\$600,000 to ADOA for Consulting including technical documentation review and status tracking, financial tracking and documentation controls and validation, and program management and governance consulting.*

Approver Name

J.R. Sloan

Approver Signature


J.R. Sloan (Jun 14, 2021 13:43 PDT)

Date

Jun 14, 2021



STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: July 8, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Rebecca Perrera, Principal Fiscal Analyst

SUBJECT: Arizona Department of Administration - Consider Approval of Requested Transfer of Appropriation

Request

A.R.S. § 35-173 requires Committee approval of any transfer of spending authority within the Arizona Department of Administration (ADOA). ADOA is requesting authorization to transfer \$900,000 of Risk Management Revolving Fund monies from its operating lump sum appropriation to the Risk Management Administrative Expenses line item in FY 2021.

Committee Options

The Committee has at least the following 2 options:

1. Approval of the transfer.
2. Disapproval of the transfer.

Key Points

- 1) ADOA is requesting a transfer of \$900,000 from the Risk Management Revolving Fund in the operating budget into the Risk Management Administrative Expenses line item to pay for increased non-Attorney General contracted legal costs.

Analysis

Risk Management Line Item Transfer

ADOA requests to transfer \$900,000 of Risk Management Revolving Fund monies in its FY 2021 operating lump sum appropriation to the Risk Management Administrative Expenses line item.

(Continued)

ADOA's operating budget primarily funds administrative costs for ADOA's risk management program such as state employee claim adjusters for property claims and workers compensation. The Administrative Expenses line item funds outside legal costs for defending the risk management claims against the state. The Attorney General's Office determines if outside legal services are required for a risk management case. ADOA reports increases costs associated with these cases.

RP:kp

Douglas A. Ducey
Governor



Andy Tobin
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
100 NORTH FIFTEENTH AVENUE • SUITE 403
PHOENIX, ARIZONA 85007
(602) 542-1500

July 7, 2021

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

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

Matthew Gress, Director
Governor's Office of Strategic Planning and Budgeting
1700 West Washington Street; 6th Floor
Phoenix, Arizona 85007



Dear Representative Cobb and Senator Gowan and Director Gress:

Section 35-173, Arizona Revised Statutes, directs that a transfer of spending authority within the Arizona Department of Administration (ADOA) shall be made only with the approval of the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSPB), except as related to personal services and employee related expenditures.

The ADOA requests a transfer of spending authority in the amount of \$900,000 from its FY 2021 Risk Management Fund operating lump sum appropriation to the FY 2021 Risk Management Administrative Expenses Special Line Item (SLI) appropriation.

The ADOA previously requested a transfer of spending authority from the Risk Management operating lump sum appropriation in the April JLBC meeting and received approval to transfer \$1,500,000.

This SLI is used for non-operating administrative expenses such as actuarial analyses, relevant investigation, and related travel. When the Attorney General's Office determines it is in the best interest of the State to have external legal defense in risk management cases, this SLI covers the associated costs.

The requested transfer is necessary to cover an additional projected shortfall in the SLI for FY 2021 legal defense costs. The previously calculated shortfall did not include legal defense costs that are currently accrued but will be billed during the administrative adjustment period. The ADOA also continues to see a rise in case costs although open cases in litigation are decreasing. The ADOA has no control over the billing rate of the outside counsel and based on the most recent analysis these rates are increasing.

If you have any questions regarding ADOA's request for a transfer of spending authority, please contact Jacob Wingate, at (602) 291-0208.

Sincerely,



Andy Tobin
Director

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Principal Fiscal Analyst, JLBC Staff
Bill Greeney, Deputy Director, OSPB
Will Palmisano, Senior Budget Manager, OSPB
Theresa Vencill, Budget Analyst, OSPB
Elizabeth Thorson, Deputy Director, ADOA
Ray DiCiccio, Deputy Director, ADOA
Elizabeth Bartholomew, Chief Legislative Liaison, ADOA
Ashley Ruiz, State Comptroller, ADOA DBF
Jacob Wingate, Chief Financial Officer, ADOA DBF



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DATE: July 8, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Ryan Fleischman, Fiscal Analyst

SUBJECT: Attorney General - Review of Uncollectible Debts

Request

Pursuant to A.R.S. § 35-150E, the Attorney General (AG) requests Committee review of its listing of uncollectible debts to be removed from the state's accounting system. The listing totals \$21,069,638 for debts listed as uncollectible in FY 2021 and prior years.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) The State Comptroller may remove uncollectible debts from the state accounting system after their review by the Committee.
- 2) The FY 2021 listing includes \$21.1 million in uncollectible debt.
- 3) The majority of the \$21.1 million has been deemed uncollectible because the debtor is a defunct corporation/LLC (40.2%) or there are no assets/no wages/a negative credit report (28.0%).
- 4) A total of 86.9% of the total debt is owed to the Department of Revenue.

(Continued)

Analysis

When state agencies, boards, and commissions are unable to collect past due debts, the uncollected debt is processed in 2 ways: 1) the AG or state agencies may initiate debt collection proceedings; or 2) debt is determined to be uncollectible and then referred to the Committee for review. Upon review by the Committee, debt that is found to be uncollectible may be removed from the state's accounts receivable.

The AG's Collection Enforcement Unit functions as a collection service for debts owed to the state. The unit returns 65% of collected monies to the client agencies and retains the remaining 35% for unit operational costs. While the Collection Enforcement Unit is able to collect from many individuals and businesses that owe monies to the state, some debts are uncollectible for a variety of reasons. The AG's report to the Committee includes the following:

1. Debt owed to the state that was referred to the AG's Collection Enforcement Unit and determined to be uncollectible.
2. Debt owed to state agencies that was not referred to the Collection Enforcement Unit and was deemed to be uncollectible by the individual agency.

Since 2011 the Committee has given favorable reviews of uncollectible debt listings totaling \$416.8 million (see Table 1).

Year Reviewed	Uncollectible Debt Listing (\$ in Millions)
2011	\$17.2
2012	30.4
2013	44.9
2014/15	88.4
2016	78.3
2017	50.9
2018	41.3
2019	31.2
2020	<u>34.2</u>
Total	\$ 416.8

Since its last report in FY 2020, the AG's office has again reviewed the cases assigned to the Collection Enforcement Unit. Based on this review, the AG advises that \$21.1 million owed to the state is uncollectible as of April 30, 2021. Due to its length, the specific listing of uncollectible debts does not appear in the attached agency material. Please contact the JLBC Staff for the complete listing.

Of the \$21.1 million in uncollectible debt:

- A total of 68.2% is uncollectible because the debtor is a defunct corporation/LLC (40.2%) or there are no assets/no wages/a negative credit report (28.0%). The remaining 31.8% is uncollectible for other reasons (see Table 2).
- A total of 86.9% of the total debt is owed to the Department of Revenue (DOR). The remaining debt is associated with 28 other specified agencies (see Table 3).

(Continued)

- Six cases include debts of more than \$250,000, totaling \$3.0 million and making up 14% of all debts in this report. Of these cases, 5 are owed to DOR and 1 is owed to AHCCCS (see Table 4).
- Of the total, 89.2% was determined uncollectible in FY 2020, 10.7% in FY 2021, and less than 0.1% for years prior to FY 2020 (see Table 5). Debts from years prior may not have been removed previously for a variety of reasons, including a failure to report by agencies.

Table 2		
Uncollectible Debt by Reason		
Reason	Amount Recommended for Write-Off	Percentage
Defunct Corporation/LLC	\$ 8,466,200	40.2%
No Assets/No Wages/Negative Credit	5,901,000	28.0
Debt Discharged in Bankruptcy	2,614,900	12.4
Collection Cost Would Exceed Amount Owed	2,027,800	9.6
Settled	832,200	3.9
Debtor is Deceased	688,200	3.3
Agency Has No Claim	361,000	1.7
Unable to Locate Debtor	133,600	0.6
Insufficient Information / Evidence to File Suit	23,200	0.1
Debtor Lives and/or Works on Tribal Land	20,400	0.1
Debtor is Incarcerated	<u>1,000</u>	<u>0.0</u>
Total	\$21,069,600^{1/}	100.0%^{1/}

^{1/} Does not sum due to rounding.

Table 3		
Uncollectible Debt Recommended for Write-Off by Client Agency		
Agency	Amount Recommended for Write-Off	Percentage
Department of Revenue	\$18,309,800	86.9%
AHCCCS	1,135,400	5.4
Registrar of Contractors	630,000	3.0
Department of Juvenile Corrections	265,500	1.3
State Retirement System	245,200	1.2
All Others	<u>483,700</u>	<u>2.3</u>
Total	\$21,069,600	100.0%

Table 4

Largest Individual Cases of Uncollectible Debt

<u>Agency</u>	<u>Amount Recommended for Write-Off</u>	<u>Reason Uncollected</u>
AHCCCS	\$1,032,500	Debt Discharged in Bankruptcy
Department of Revenue	685,300	Defunct Corporation/LLC
Department of Revenue	358,400	Defunct Corporation/LLC
Department of Revenue	327,900	Defunct Corporation/LLC
Department of Revenue	299,800	Defunct Corporation/LLC
Department of Revenue	<u>255,300</u>	Defunct Corporation/LLC
Total	\$2,959,200	

Table 5

Uncollectible Debt Recommended by Fiscal Year Close Date

<u>Fiscal Year</u>	<u>Amount Recommended For Write-Off</u>	<u>Percentage</u>
2016-2018	400	0.0
2019	15,000	0.1
2020	18,802,100	89.2
2021	<u>2,252,200</u>	<u>10.7</u>
Total	\$21,069,600	100.0%

RF:kp



OFFICE OF THE ARIZONA ATTORNEY GENERAL
CIVIL LITIGATION DIVISION
BANKRUPTCY COLLECTION AND ENFORCEMENT SECTION

MARK BRNOVICH
ATTORNEY GENERAL

DON J. LAWRENCE, JR.
SECTION CHIEF COUNSEL
DIRECT: 602-542-8300
DON.LAWRENCE@AZAG.GOV

May 25, 2021

HAND DELIVERED

The Honorable Regina E. Cobb, Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1716 West Adams
Phoenix, Arizona 85007



RE: FY2020 beginning March 17, 2020 through FY2021 March 31, 2021, for Not-
Referred Non-DOR Uncollectible Debt Report
FY2020 beginning May 1, 2020 through FY2021 April 30, 2021, Referred Non-
DOR Uncollectible Debt Report
FY2020 beginning July 1, 2019 through June 30, 2020, DOR Uncollectible Debt
Report

Dear Representative Cobb:

As requested by the Joint Legislative Budget Committee ("JLBC") pursuant to A.R.S. § 35-150(E), enclosed are the FY2020 beginning March 17, 2020 through FY2021 March 31, 2021, for Not-Referred Non-DOR Uncollectible Debt Report, FY2020 beginning May 1, 2020 through FY2021 April 30, 2021, Referred Non-DOR Uncollectible Debt Report and FY2020 beginning July 1, 2019 through June 30, 2020, DOR Uncollectible Debt Report ("the Reports").

The Reports include: 1) debt owed to the State that was referred to the Collection Enforcement Revolving Fund ("CERF") for collection and determined to be uncollectible; and 2) debt owed to the Department of Revenue ("DOR") and other State agencies, boards and commissions that was not referred to the CERF and was deemed uncollectible by the agencies. With respect to the DOR debt listed in the Reports as uncollectible, for FY 2020 the Attorney General's Office is relying upon the certification by DOR set forth in the memorandum dated May 14, 2021, from DOR to the Attorney General's Office and entitled, "Fiscal Year 2020 Certification of Cases for Abatement" ("Certification"). The Certification states that the debt described in the Certification meets the criteria pursuant to A.R.S. § 42-1004B, and for liabilities discharged in bankruptcy, pursuant to the United States Bankruptcy Code, and that DOR has validated through its internal policies and processes that it verified the reasons for abatement, as stated in the Certification, and that they are true and accurate.

With respect to the debt owed to State agencies other than DOR that was not referred to CERF, each respective agency Director certified that the agency has validated through its internal policies and processes that it verified the reasons for abatement, as stated in the Certifications, and that they are true and accurate.

The reporting of a debt as uncollectible, including the act of the State abating the debt, does not necessarily preclude the State from reopening a case and collecting a debt owed to the State at a later date. At times, we have been able to reopen a case and collect a debt because we have identified a debtor's assets or revenue source that previously did not exist or was not able to be located. There are three exceptions to when the State would be able to pursue a debtor post-abatement. They are: 1) debts discharged in bankruptcy; 2) debts where the statute of limitations has expired; and 3) debts that the State has agreed to settle for a lesser amount than what was owed.

The Reports provide a reason each debt is deemed uncollectible. The reasons include case settled, debtor deceased, unable to locate debtor, collection costs would exceed the amount to be collected, agency has no claim or interest, debtor has neither assets nor wages, debtor lives and/or works on a Reservation, debt discharged in bankruptcy and Corporation/LLC defunct.

Finally, the Reports also provide the amount uncollected for each debt. This amount may include all or a portion of the original debt and, if applicable, all or a portion of interest and penalties associated with the debt.

Please contact the undersigned if you have any questions.

Sincerely,



Don J. Lawrence, Jr.
Section Chief Counsel
Bankruptcy Collection & Enforcement
Arizona Attorney General's Office

Enclosures

cc: Senator David M. Gowan, JLBC Vice-Chairman (with attachments)
Richard Stavneak, JLBC Director (with attachments)
Matthew Gress, OSPB Director (with attachments)
Ryan Fleischman, JLBC Analyst (with attachments)
Ashley Ruiz, State Comptroller (with attachments)
Joseph Sciarrotta, AGO Division Chief of Civil Litigation (with attachments)
Don J. Lawrence, Jr., AGO Section Chief Counsel of BCE (with attachments)
Josh Kredit, AGO Deputy Attorney General for Law & Policy (with attachments)

Please contact the JLBC Staff for the complete list of uncollectible debt.



STATE OF ARIZONA

Joint Legislative Budget Committee

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1716 WEST ADAMS
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BEN TOMA

DATE: July 8, 2021
TO: Members of the Joint Legislative Budget Committee
FROM: Nicole Lovato, Fiscal Analyst
SUBJECT: Department of Child Safety - Review of FY 2021 Quarterly Benchmarks

Request

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

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) DCS has filled 1,187 out of 1,406 funded direct line staff positions (caseworkers and hotline), a decline of (127) positions, or (9.7)%, compared to March 2020.
- 2) Caseworker workload continues to be above the caseload standard.
- 3) The department continues to meet its benchmarks for backlog cases (less than 1,000 cases).
- 4) The department had 9,153 open reports, exceeding DCS’ benchmark by 1,153 reports, or 14.4%. Compared to March 2020, the number of open reports has increased by 29.8%.
- 5) The out-of-home population of 14,810 exceeds DCS' benchmark by 846 children. Compared to May 2020, the population increased by 628 children.

(Continued)

Analysis

DCS' benchmark report submissions include data through March 2021. The JLBC Staff has also included more recent data from DCS' Monthly Operational and Outcomes Report as of May 31, 2021.

Filled FTE Positions

Table 1 outlines DCS' progress in hiring caseworkers by quarter. DCS is funded for 1,406 caseworkers. As of May 2021, the department had filled 1,187 direct line positions, or (219) positions and (15.6)% below the benchmark. The number of filled positions decreased (127) compared to March 2020, including a decrease of (123) case-carrying caseworker positions.

Caseworker Hiring by Quarter					
<u>Direct Line Staff Type</u>	<u>Benchmark</u>	<u>Mar. 2020</u>	<u>June 2020</u>	<u>Dec. 2020</u>	<u>May 2021</u>
Case-Carrying Caseworkers	1,190	1,035	1,049	1,006	912
Caseworkers in Training	140	216	227	196	201
Hotline Staff	<u>76</u>	<u>63</u>	<u>71</u>	<u>78</u>	<u>74</u>
Total	1,406	1,314	1,347	1,280	1,187

DCS states that they had a significant lack of resumes during this reporting period. The lack of applicants for DCS Child Safety Specialists has increased the average caseload of exiting staff. According to DCS, this increase has outpaced new applicants and new hires, affecting the number of investigations or out-of-home children per worker.

Caseload Standard

DCS' caseload standards for case-carrying caseworkers include the following number of cases per worker: 13 for investigations, 33 for in-home cases, and 20 for out-of-home cases. The FY 2021 General Appropriation Act requires DCS to report the caseload for each DCS field office. Estimated caseworker caseload for individual offices can be found on page 4 and 5 of DCS' attached submission. DCS estimates that most field offices are above at least one of the caseload standards.

Backlog and Open Reports

The backlog is defined as non-active cases for which documentation has not been entered into the child welfare automated system for at least 60 days and for which services have not been authorized for at least 60 days. Open reports are either under investigation or awaiting closure by a supervisor. DCS is to have no more than 1,000 backlog cases and fewer than 8,000 open reports. In March 2020, DCS had 216 backlog cases and 7,049 open reports, meeting both benchmarks. By March 2021, there were 303 backlog cases, meeting that benchmark, and 9,153 open reports, 1,153 reports and 14.4% over the benchmark. Compared to March 2020, these figures reflect an increase of 2,104 open reports, or 29.8%.

In their submission, DCS attributed the increased open reports to the challenges experienced during the transition to Guardian, the new data management system. These challenges included data migration of the prior data management system (CHILDS) to the current system (Guardian), which resulted in some reports transferring as unresolved when they had been previously closed out in CHILDS, and difficulties by DCS staff transitioning to the new system.

(Continued)

Out-of-Home Children

DCS' benchmark is to reduce the out-of-home population to keep the out-of-home population at or below 13,964 children. As shown in *Table 2*, the out-of-home population in May 2021 was 14,810, or 6.1% above the benchmark. Compared to May 2020, the out-of-home population increased by 628 children, or 4.2%.

Table 2					
Progress in Reducing the Out-of-Home Population					
	<u>May 2020</u>	<u>Aug. 2020</u>	<u>Nov. 2020</u>	<u>Jan. 2021</u>	<u>May 2021</u>
Actual	14,182	14,186	14,512	14,529	14,810

DCS reports no significant change in the re-entry rate for children who left care within the past 12 months. However, DCS reports experiencing an increase in calls to the Child Abuse Hotline from 3,015 in April 2020 to 4,158 in April 2021. The department believes the COVID-19 pandemic influenced this as school setting mandatory reporters were not in contact with potential victims in April 2020. In addition, the department notes that the number of youths in extended foster care (i.e., 18-20-year-olds) continues to increase from 805 in March 2019 to 1,158 in March 2021. DCS states those currently in the Extended Foster Care program can continue to stay after age 21 until September 30, 2021. Youth who exit foster care at age 21, between January 2020 and April 2021, are eligible to re-enter the program until September 30, 2021.

NL:lm



ARIZONA
DEPARTMENT
of **CHILD SAFETY**

Mike Faust, Director
Douglas A. Ducey, Governor

June 30, 2021



The Honorable Regina Cobb
Chairwoman, Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Re: Department of Child Safety Quarterly Benchmark Progress Report

Dear Chairwoman Cobb:

Pursuant to Laws 2019, First Regular Session, Chapter 263, Sec. 19, 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 third quarter of SFY 2021.

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

Sincerely,

Mike Faust
Director

Enclosure

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
Representative David Gowan, Chairman, Joint Legislative Budget Committee
Matt Gress, Director, Governor's Office and Strategic Planning and Budgeting
Nicole Lovato, Joint Legislative Budget Committee
Angel Flores, Governor's Office and Strategic Planning and Budgeting

Safety · Compassion · Change · Teaming · Advocacy · Engagement · Accountability · Family

DEPARTMENT OF CHILD SAFETY



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

Report Date: June 30, 2021
Reporting Period: SFY2021, Quarter 3

INTRODUCTION

Pursuant to Laws 2020, Second Regular Session, Chapter 58, Section 14, the Arizona Department of Child Safety (DCS) is required to continue this report for data through June 2021. In state fiscal year 2019 (SFY19), DCS realigned its five Regions. As a result, comparisons of regional data prior to July 2019 must be taken into account as some staff and cases previously assigned to one Region in SFY19 were reassigned to a new Region in SFY20. The regional realignment resulted in changes in the regional names, reassignment of several counties to new regions; and moving specific sections and units to different regions and/or sections. A map of the DCS Regions is attached to this report (Attachment A).

COVID-19

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

PROGRESS SUSTAINING OPEN REPORTS, INACTIVE CASES, & IMPROVING CASELOADS

DCS has maintained the inactive cases well below the legislative benchmark of 1,000 since April 2017. 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 303 inactive cases as of March 31, 2021, representing a 98 percent decrease. To avoid a return to higher numbers of inactive cases and to help improve caseloads, the Department uses performance management and other elements of the management system. DCS employed several sustainment measures to ensure inactive cases remain well below the benchmark. These include the implementation of performance management metrics to monitor and control the total number of open reports and the percentage of those reports that are overdue for investigation, completion and closure and the implementation of leader standard work to ensure routine follow-up.

The Department achieved the initial benchmark of less than 13,000 open reports six months ahead of the established target date in December 2016 when it reduced the number of open reports to 9,611. From a peak of 33,245 open reports in April 2015, the Department reduced that to 9,153 as of March 2021 (see Table 1) representing a 72.5 percent decrease. The benchmark was decreased to 8,000 starting the first quarter of SFY19 below which the Department has remained each reporting period since. Despite the reduction in open reports, the Department experienced an increase during this reporting period, which is primarily attributed to the transition from the previous child welfare information system (CHILDS) to its new system (Guardian) on February 1, 2021. During the previous seven quarters, the Department averaged approximately 6,500 open reports; well under the benchmark. The challenges experienced during the transition to Guardian is multi-faceted. Data migration from CHILDS to Guardian resulted in some reports being migrated as "open" when in fact they were closed in CHILDS. There were also technical problems blocking the closure of reports in Guardian; this has been resolved at the time of the writing of this report but after the end of the reporting period. Beyond technical issues, DCS staff were adjusting to a new system

DCS Quarterly Progress Report on Reducing OOH Child and Inactive Cases
June 2021

and their proficiency in using Guardian was not optimal during the first eight weeks following the go-live date.

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

PROGRESS MADE REDUCING THE OUT-OF-HOME POPULATION

The Department continues to maintain a safe reduction in the historical out-of-home foster care population. The Department experienced a slight increase in the number of children (125) in OOH care in the third quarter of SFY21 compared to the second quarter of SFY21. The total OOH population includes all youth ages zero (0) through the age of twenty (20). During the fourth quarter of SFY20, DCS experienced a significant decrease in the number of reports of abuse and neglect to the Child Abuse Hotline. This has considerably increased from 3,015 in April 2020 to 4,158 in April 2021. The decrease in calls was presumptively influenced by the COVID-19 pandemic as school setting mandatory reporters were not in contact with potential victims. The number of children entering OOH care increased again in the third quarter of SFY21. While the Department is over the established legislative benchmark of 13,964, for the number of children in OOH care, it is important to note the number of youth in extended foster care (i.e. 18-20 year olds) continues to increase from 805 in March 2019 to 1,158 in March 2021. The Department has been intentionally seeking this increase for this particular population. A strategic initiative was implemented to increase the successful transition of youth to adulthood, which includes providing more youth over the age of eighteen with independent living services and supports. Additionally, the Response and Relief Supplemental Appropriations Act passed in 2020 permits states to allow qualified young adults to utilize Title IV-E funds on housing, education, employment and other needs. Additionally, Youth who are currently in the Extended Foster Care program and will be turning 21 can continue to stay in the program after age 21 until September 30, 2021. For youth who exited foster care at age 21 as of January 27, 2020 and through April 20, 2021, they are eligible to re-enter the program until September 30, 2021.

By slowing the entry rate and sustaining performance for children exiting care, the Department has been able to maintain a safe reduction of the foster care population since its historical high of 19,044 in 2016 to 14,600 in March 2021 representing a 23% decrease. The reduction in the number of children entering out-of-home care is the result of several factors, including but are not limited to, additional standardized process tools including supervisory administrative and case progress review checklists, standardized safety discussion guides, and training staff to better engage a family's network to maintain children safely in the home. Improved response times contribute to the reduction of children entering care as this enables DCS Specialists to make decisions that will help support families, provide services in a timely manner and avoid entry into care. In addition, this safe reduction in the number of children in out-of-home care is highlighted by no significant change in the re-entry rate for children who left care within the past 12 months.¹

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

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

DCS Quarterly Progress Report on Reducing OOH Child and Inactive Cases
June 2021

Table 1 – Benchmark Performance

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Inactive Cases ¹								
<i>Benchmark (less than)</i>	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<i>Actual</i>	179	177	308	216	95	93	237	303
Inactive Cases by disposition								
<i>Investigation Phase</i>	155	149	271	188	81	78	208	261
<i>Out-of-Home Cases</i>	2	3	5	3	0	0	1	3
<i>In-Home Cases</i>	22	25	32	25	14	15	28	39
Number of Open Reports								
<i>Benchmark (less than)</i>	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
<i>Actual</i>	6,586	7,569	7,326	6,973	4,804	6,457	6,290	9,153
Number of Out-of-Home Children								
<i>Benchmark (less than)</i>	14,299	13,964	13,964	13,964	13,964	13,964	13,964	13,964
<i>Benchmark (% reduction)</i>	2%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<i>Actual</i>	14,205	14,223	14,142	14,209	14,152	14,367	14,475	14,600

Footnotes

¹ Number of inactive cases is the actual figure as of the last Monday of the reporting period.

² As a result of Laws 2019, 1st Regular Session Ch. 263, Sec. 141 which continued this report, the benchmark established by the Legislature for number of out-of-home children was no longer based on a 2 percent reduction but a static number of 13,964.

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

DCS Quarterly Progress Report on Reducing OOH Child and Inactive Cases
June 2021

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

Region ¹ Section # Section name			Quarter 2 FY 2021							
			FTE		Workload					
			Investigators	Case Managers	# Open Reports (investigations)	# of In home cases	# of Out-of-Home Children ²	Investigation (reports per worker)	In Home (cases per worker)	Out of Home (children per worker)
Maricopa-East (10)	3	Osborn	15	15	287	---	513	19	---	34
	4	In Home	---	41	29	422	7	1	10	0
	5	Mesa	18	18	212	---	521	12	---	29
	6	Gilbert	15	15	316	---	505	20	---	33
	7	Tempe	16	16	267	---	474	17	---	30
	8	South Mountain	17	17	285	---	508	17	---	31
	9	North Central	16	16	225	---	478	14	---	30
	10	Permanency - South Mountain	---	45	9	---	1482	0	---	33
South (20)	1	Eastside Loop	8	16	140	---	282	17	---	17
	2	Tucson North - Oracle	16	16	339	---	415	22	---	27
	3	Tucson South - Valencia	8	16	134	---	400	16	---	25
	5	Madera A - 4th Ave.	19	19	98	---	286	5	---	15
	6	Permanency - Averson	0	33	1	---	615	---	---	19
	7	Averson	15	15	179	---	444	12	---	29
	8	Cochise County	10	10	135	---	167	13	---	16
	9	Madera C / Nogales	15	20	166	---	308	11	---	15
	10	In Home	0	31	18	210	76	0	7	2
	11	Yuma	12	12	147	67	242	12	17	20
	Northwest (30)	1	Prescott/Prescott Valley	13	13	215	59	163	17	15
3		Cocconino County / Cottonwood	11	11	104	---	257	9	---	23
4		Bullhead City/Lake Havasu	11	11	114	24	211	11	4	20
5		Kingman	9	17	95	---	537	11	---	31
Northeast (40)	3	Globe / Payson / Safford	8	15	135	31	243	18	12	16
	4	St. Johns/Winslow/Show low	5	9	78	1	121	17	1	13
	5	Apache Junction/Kearney	16	16	241	44	523	15	10	32
	6	Casa Grande/Coolidge	18	18	255	37	529	14	12	29
Maricopa-West (50)	1	AHIT	25	---	4	---	1	0	---	---
	3	In Home	0	43	27	481	12	1	11	0
	4	Thunderbird	17	17	286	---	590	17	---	34
	5	Peoria	15	15	208	---	360	13	---	23
	6	Glendale/Durango	19	19	141	---	408	7	---	21
	7	Avondale/Advocacy	18	18	239	---	541	13	---	30
	8	Permanency	---	47	0	---	1230	---	---	26
	12	West 101	18	18	241	---	609	13	---	34
13	Pinnacle Peak	16	16	197	---	384	12	---	24	
105, 106 - Other	various	OCWI, GH/FH, Other	70	---	723	---	33	10	---	---

- As of Q1 FY2019, Specialists in a trainee status are accounted for in FTE figures in each section with an equal distribution of 66% caseload,

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

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

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

DCS Quarterly Progress Report on Reducing OOH Child and Inactive Cases
June 2021

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

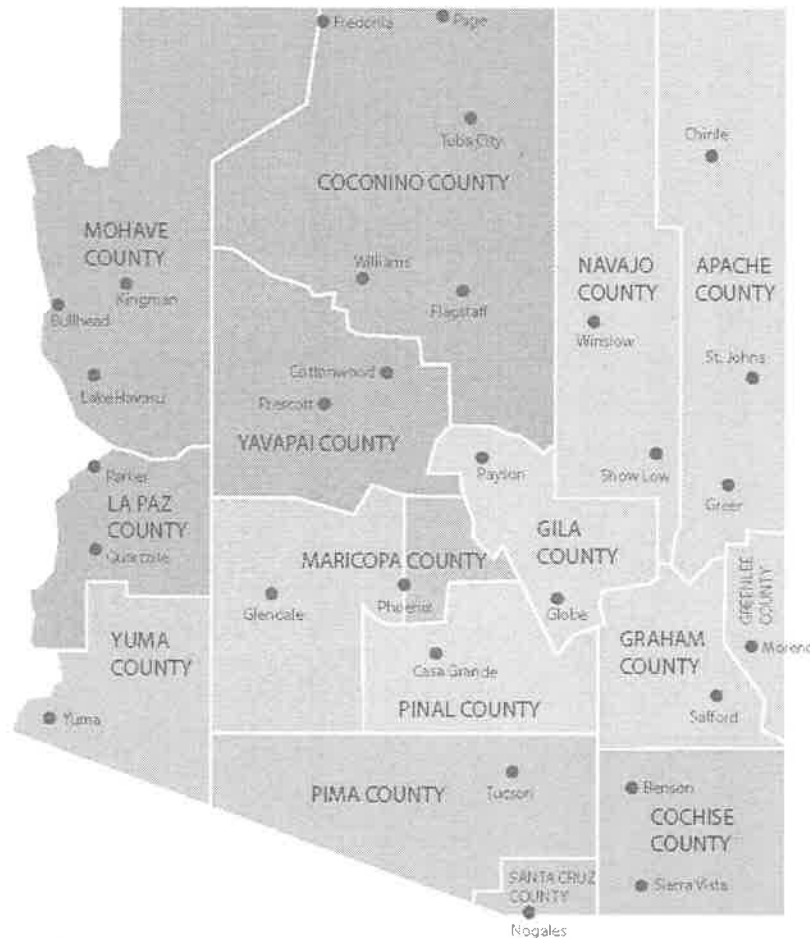
Region ¹ Section # Section name			Quarter 3 FY 2021								
			FTE		Workload						
			Investigators	Case Managers	# Open Reports (investigations)	# of In home cases	# of Out-of-Home Children ²	Investigation (reports per worker)	In Home (cases per worker)	Out of Home (children per worker)	
Maricopa-East (10)	3	Osborn	12	12	391	---	570	31	---	46	
	4	In Home	---	41	16	384	23	0.4	9	0.6	
	5	Mesa	16	12	296	---	565	18	---	45	
	6	Gilbert	15	12	603	---	496	41	---	40	
	7	Tempe	14	12	429	---	466	31	---	37	
	8	South Mountain	15	12	343	---	450	23	---	36	
	9	North Central	16	12	529	---	509	33	---	41	
	10	Permanency - South Mountain	---	43	1	---	1365	0	---	32	
	South (20)	1	Eastside Loop	9	17	202	---	273	23	---	16
		2	Tucson North - Oracle	14	14	412	---	436	30	---	32
3		Tucson South - Valencia	8	16	173	---	418	21	---	26	
5		Madera A - 4th Ave.	17	17	128	---	309	7	---	18	
6		Permanency - Avemom	0	34	0	---	614	---	---	18	
7		Avemom	15	15	254	---	411	17	---	27	
8		Cochise County	11	11	178	---	171	16	---	15	
9		Madera C / Nogales	14	18	203	---	328	15	---	18	
10		In Home	0	30	13	227	74	0	8	2	
11		Yuma	13	13	212	88	262	17	22	21	
Northwest (30)		1	Prescott/Prescott Valley	13	13	227	69	161	17	17	12
	3	Cocconino County / Cottonwood	13	13	212	---	276	16	---	21	
	4	Bullhead City/Lake Havasu	12	12	114	38	242	10	7	21	
	5	Kingman	9	18	134	---	516	15	---	29	
Northeast (40)	3	Globe / Payson / Safford	8	15	113	36	246	15	18	17	
	4	St. Johns/Winslow/Show low	5	9	104	1	131	22	2	15	
	5	Apache Junction/Kearney	16	16	297	59	526	18	13	32	
	6	Casa Grande/Coolidge	18	18	363	48	547	20	14	30	
Maricopa-West (50)	1	AHIT	26	---	9	---	2	0	---	---	
	3	In Home	0	41	33	462	27	1	11	1	
	4	Thunderbird	14	14	480	---	422	33	---	29	
	5	Peoria	15	15	358	---	432	24	---	28	
	6	Glendale/Durango	19	19	167	---	557	9	---	29	
	7	Avondale/Advocacy	18	18	232	---	591	13	---	33	
	8	Permanency	---	48	0	---	1129	---	---	24	
	12	West 101	18	18	314	---	527	18	---	30	
13	Pinnacle Peak	13	13	340	---	403	26	---	30		
105, 106 - Other	various	OCWI, GH/FH, Other	61	---	1273	---	125	21	---	---	

- As of Q1 FY2019, Specialists in a trainee status are accounted for in FTE figures in each section with an equal distribution of 66% caseload.

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

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

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



Regional Map

- NORTHWEST REGION**
Coconino, Mohave, La Paz and Yavapai Counties
- NORTHEAST REGION**
Apache, Graham, Greenlee, Gila, Navajo and Pinal Counties
- MARICOPA - WEST**
Maricopa County - West of 7th Avenue
- MARICOPA - EAST**
Maricopa County - East of 7th Avenue
- SOUTH REGION**
Cochise, Pima, Santa Cruz, and Yuma Counties
- OFFICE OF CHILD WELFARE INVESTIGATIONS**
Statewide
- CHILD ABUSE HOTLINE- 1-888-SOS-CHILD**
1-888-767-2445

Revised 06.18.19



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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DATE: July 8, 2021
TO: Members of the Joint Legislative Budget Committee
FROM: Geoffrey Paulsen, Senior Fiscal Analyst
SUBJECT: Arizona Department of Corrections - Review of FY 2021 Third Quarter Correctional Officer Staffing Report

Request

Pursuant to an FY 2021 General Appropriation Act footnote, the Arizona Department of Corrections (ADC) submitted for Committee review its quarterly staffing report for correctional officers (COs).

Committee Options

The Committee has at least the following 3 options:

1. A favorable review of the report.
2. An unfavorable review of the report.
3. Receive the report without comment.

Analysis

In its first report for FY 2021, ADC set a goal of adding 364 net positions by the end of FY 2021. If they meet this objective, ADC would still have 758 vacant CO positions for a vacancy rate of 11.4%.

Key Points

- 1) By June 2021, ADC has a goal of adding 364 net additional CO positions above June 2020.
- 2) As of March 31, 2020, ADC has added 18 COs compared to June 2020.
- 3) ADC's current CO vacancy rate is 16.6%, up from 16.0% in the last report.

(Continued)

ADC previously reported a net increase of 60 COs through December 31, 2020. Since then, vacancies have increased. Through March 31, 2021, ADC now reports a net increase of only 18 COs compared to June 2020 (see Table 1 for details).

Table 1					
Quarterly CO Staffing Levels in FY 2021					
	June 29, 2020	Thru	Thru	Thru	Thru
	(Base Level)	July 27, 2020	Oct. 26, 2020	Dec. 31, 2020	Mar. 31, 2021
Filled Positions (including COTA)	5,533	5,551	5,640	5,593	5,551
Vacant Positions	1,122	1,104	1,015	1,062	1,104
YTD Filled Positions Relative to Base	N/A	18	107	60	18

ADC has a statewide CO vacancy rate of 16.6% as of March 31, 2021, up from 16.0% reported through December 2020. Table 2 below compares the number of vacancies and vacancy rates by complex between December 2020 and March 2021.

Table 2				
Correctional Officer Staffing Levels by Location				
(December 2020 vs. March 2021)				
	December 2020		March 2021	
	Vacant	Vacancy	Vacant	Vacancy
	Positions	Rate (%)	Positions	Rate (%)
Eyman	349	33.3%	335	31.9%
Florence	231	34.2	248	36.6
Perryville	55	8.5	77	11.9
Lewis	263	23.4	250	22.2
Phoenix	18	7.3	14	5.8
Tucson	44	4.0	52	4.9
Douglas	(2)	(0.4)	9	2.0
Safford	16	5.7	27	9.8
Winslow	67	19.8	76	22.4
Yuma	15	2.0	8	1.1
Maricopa Re-Entry	3	17.6	3	17.6
Pima Re-Entry	<u>3</u>	<u>20.0</u>	<u>5</u>	<u>33.3</u>
Total	1,062	16.0%	1,104	16.6%

ADC's overall CO vacancies have increased by 42 since the last report. The largest increases were at Florence and Perryville with a combined 39 new vacancies.

GP:lm



Arizona Department of Corrections

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www.azcorrections.gov



DOUGLAS A. DUCEY
GOVERNOR

DAVID SHINN
DIRECTOR

April 30, 2021

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



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

RE: FY 2021 – Third Quarter Correctional Officer Staffing Report

Dear Senator Gowan and Representative Cobb:

In accordance with Section 20, General Appropriation Act for FY 2021, (Laws 2020, 2nd Regular Session, Chapter 58), the following report is being provided. A footnote requires a report that includes the following:

- Filled Correctional Officer (CO) Positions
- Number of Vacant CO Positions
- Number of people in training
- Number of separations
- Number of hours of overtime worked during the quarter
- Information shall be reported on each prison complex and overall Department totals

When the committee met on September 25, 2019, these provisions were added to the requirements:

- A summary of responses from CO exit surveys since January 2019
- The average CO Salary including overtime
- Competitor Salary information

Updates since the previous report submitted on February 28, 2021, are now provided.

In March 2021, the Arizona Department of Corrections, Rehabilitation, and Reentry's (ADCRR's) CO Vacancy Rate was 16.59% (1,104.25 of 6,655 positions), moving up slightly from the 15.96% documented in the last report.

At the hard-to-fill prison locations, ASPC-Florence, ASPC-Eyman, and ASPC-Winslow, the vacancy rates ranged from 22.02% to as high as 36.94%. Daily operational strength at the Florence and Eyman prisons is frequently between 40% and 50%. These same prison complexes contain high-custody-level populations wherein high CO vacancy rates cause additional operational strain,

contribute to unsafe working conditions for staff and unsafe living conditions for inmates, and curtail access to inmate programming.

FY 2021 Hiring Benchmarks:

The following table illustrates the FY 2021 Hiring Benchmarks. The goal is to increase the number of filled CO positions by 364 during FY 2021. ADCRR's ability to meet the benchmarks relies heavily on its ability to retain staff.

FY 2021 Hiring Benchmarks					
	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.	Total
Hires	390.00	390.00	390.00	390.00	1,560.00
Separations	- 241.00	- 241.00	- 241.00	- 241.00	- 964.00
Promotions	- 58.00	- 58.00	- 58.00	- 58.00	- 232.00
Net CO Hiring Activity	91.00	91.00	91.00	91.00	364.00

A net increase of 364 filled CO positions would reduce the number of vacant CO positions from 1,122.25 as of June 29, 2020, to 758.25 by June 30, 2021.

	Actual June 29, 2020	FY 2021 Annual Projection	Projected June 30, 2021
Filled Positions	5,532.75	364.00	5,896.75
Vacant Positions	1,122.25	- 364.00	758.25
Net CO Hiring Activity	6,655.00	0.00	6,655.00

Year-To-Date Hiring Activity:

Through the first nine months of FY 2021, there has been a net increase of 18.00 filled CO positions. However, much work remains to be done to continue to build on the gains realized in the last fiscal year.

FY 2021 Year-To-Date Actual					
	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.	Total
Hires	386.50	306.5	222.50	00.00	915.50
Separations	- 237.00	- 307.75	- 250.75	- 00.00	- 795.50
Promotions	- 43.00	- 45.00	- 14.00	- 00.00	- 102.00
Net CO Hiring Activity	106.50	- 46.25	-42.25	00.00	18.00

FY 2020 concluded with a net 160.75 hires, reflecting the agency's first net positive CO Hiring Activity since July 2011. With this report, the year-to-date number of filled CO positions shows a net positive 18.00 filled CO positions.

	Actual June 29, 2020	FY 2021 YTD	Actual March 31, 2021
Filled Positions	5,532.75	18.00	5550.75
Vacant Positions	1,122.25	- 18.00	1104.25
Net CO Hiring Activity	6,655.00	0.00	6,655.00

The following table illustrates CO staffing information by complex. "Hired" includes employees that started COTA, CO Trainees, and rehires.

From June 29, 2020 through March 31, 2021							
Location	Filled Positions	Filled – In Training (COTA)	Vacant Positions	Hired	Separations	Promotions	OT Hrs. Worked ¹
Eyman	702.00	14.00	335.00	115.25	76.25	21.00	226,148
Florence	391.25	1.00	229.75	29.25	50.75	8.00	107,361
Globe	36.00	0	18.00	4.00	3.00	0	6,030
Perryville	564.00	8.00	77.00	83.00	83.25	11.00	38,506
Lewis	839.00	36.00	250.00	204.50	90.50	19.00	253,649
Phoenix	222.00	5.00	14.00	10.50	19.00	3.00	10,877
Tucson	998.50	25.00	52.50	193.75	122.25	14.00	98,991
Douglas	436.00	1.00	9.00	58.00	24.00	7.00	16,391
Safford	166.00	6.00	17.00	74.00	32.25	5.00	10,165
Fort Grant	77.00	0	10.00	7.00	8.00	0	6,367
Winslow	210.00	6.00	61.00	37.25	35.25	2.00	38,050
Apache	47.00	0	15.00	6.00	12.00	0	3,338
Yuma	719.00	17.00	8.00	93.00	69.00	12.00	39,235
MRC	14.00	0	3.00	0	1.00	0	0
PRC	10.00	0	5.00	0	3.00	0	0
COTA ²	0	0	0	0	166.00	0	224
TOTAL	5431.75	119.00	1104.25	915.50	795.50	102.00	885,332

¹ Includes all overtime/compensatory time worked through pay period ending 04-03-2021 at these locations.

² All ADCRR staff members assigned to COTA are providing assistance with maintenance and food services in addition to their regular duties as inmate labor is unavailable due to COVID-19 mitigation efforts.

YTD employees have worked 885,332 overtime hours. The average correctional officer salary for FY 2020 and YTD FY 2021 breaks down as displayed in the following table.

Object		FY 2020	FY 2021 YTD
6011	Regular Base Salary ³	\$35,621	34,975
6041	Annual Leave	2,336	2,121
6042	Sick Leave	1,589	1,549
6043	Compensatory Leave	225	165
6044	Military Leave	38	29
6048	Holiday Leave Taken	1,013	970
Base Pay		\$40,822	\$39,809
6031	Overtime	10,010	7,614
6032	Stipends ⁴	3,369	7,456
6047	Annual Leave Payout	10	0
6049	Other Compensated Leave	88	111
6051	Holiday Leave Payout	6	7
6052	Comp Leave Payout	256	0
Overtime/Stipends/Payouts		\$13,739	\$15,188
Grand Total		\$54,561	\$54,997

³ Regular Base Salary decrease in FY 2021 (despite the 10% salary increase) is due to: an increase utilization of both Annual Leave and Sick Leave hours, a higher number of new hires on the lower end of the pay scale (skewing the average), and an increasing number of part-time COs (also skewing the average). Overall, the CO starting pay has increased year over year due to legislative approval.

⁴ Geographic Stipends apply to COII's assigned to Florence, Eyman, Lewis and Winslow only. Also includes COVID-19 pay stipends - 25% hazardous duty pay and 8% critical services pay effective April 2020.

Summary of Exit Surveys:

There were 580 ADOA Correctional Officer Exit Surveys completed between January 1, 2019, and March 31, 2021. The following summarizes the responses to the exit survey (note: respondents may select more than one option):

Who Is Leaving
<ul style="list-style-type: none"> • 54% who leave the agency are between the ages of 18-29 • 19% leave the agency during their 1st year of service

Resign, Retire, Transfer to State Agency
<ul style="list-style-type: none"> • 86% resign their positions • 8% of respondents retired • 6% of respondents transferred to another State agency

Significant Factors Cited for Leaving
<ul style="list-style-type: none"> • 32% wanted a career change • 25% personal considerations (family, etc.) • 8% compensation not competitive • 7% concerns were not addressed • 6% did not feel valued/recognized • 4% job schedule was not flexible to my needs

Where Are They Going
<ul style="list-style-type: none"> • 70% report they are going to work in the public sector • 68% leave for another full time job

Competitor Salary Information:

A survey of the agency's local competitors continues. Starting salary and vacancy rate updates since the last report are in bold font.

In-State Competitors			Starting Salary	Salary Incr 12 months	Increase Amount	Vacancy Rate
Florence	Correctional	Center	\$48,630	N	\$0	N/A
(CoreCivic)						
Eloy Detention Center (CoreCivic)			\$44,158	N	\$0	N/A
La Palma	Correctional	Center	\$44,158	N	\$0	N/A
(CoreCivic)						
Pinal County Sheriff			\$41,800	N	\$0	N/A
Maricopa County Sheriff			\$40,414	N	\$0	N/A
Pima County Sheriff			\$40,185	N	\$0	N/A
Bureau of Indian Affairs – Navajo Nation			\$38,958	N	\$0	N/A
Central Arizona Correctional Facility, Florence (GEO)			\$38,085	N	\$0	26.62%
Red Rock	Correctional	Center	\$37,752	N	\$0	13.81%
(CoreCivic)						
Arizona State Prison-Florence West (GEO)			\$36,608	N	\$0	33.87%
<i>ADCRR – current</i>			<i>\$36,208</i>	<i>N</i>	<i>\$0</i>	<i>16.59%</i>
San Luis Detention Center (LaSalle)			\$35,339	N	\$0	N/A
Arizona State Prison-Kingman (GEO)			\$35,277	N	\$0	27.95%
Saguaro	Correctional	Center	\$34,320	N	\$0	N/A
(CoreCivic)						
Marana	Comm. Corr.	Treatment Facility (MTC)	\$33,176	N	\$0	6.52%
Arizona State Prison-Phoenix West (GEO)			\$29,744	N	\$0	27.45%

New Recruitment & Retention Initiatives:

ADCRR is engaged in numerous recruitment and retention efforts across the entire agency. Please see the following highlight of a new initiative since the last report:

- ADCRR has expanded the marketing efforts to include billboard advertising. The electronic billboard located on the I-10 and Miller Road will add additional exposure for opportunities in the west valley for ASPC-Lewis in Buckeye and ASPC-Perryville in Goodyear. From commuter traffic we estimate approximately 500,000 impressions per month.

Initiatives instituted since July 1, 2019 and continuing to date include:

- Recognized the extraordinary sacrifice and public service of those on the front lines during this unprecedented time of the COVID-19 pandemic by approving a 25% Hazardous Duty Pay stipend and an 8% Critical Services Pay stipend on May 8, 2020. The 25% Hazardous Duty Pay stipend was paid retroactive to April 2, 2020, and the 8% Critical Services Pay stipend was paid retroactive to April 4, 2020. The agency also collaborated with ADOA to administer an additional 7% Critical Services Pay stipend for FY 2020. This made the total Critical Services Pay stipend 15% for FY 2020. In FY 2021, through Q1, Q2, and Q3, ADCRR has continued the 25% Hazardous Duty Pay and 8% Critical Services Pay stipends.
- ADCRR's recruitment strategy continues to evolve as it expand its digital footprint onto entertainment platforms being used by an increasing number of potential applicants. ADCRR is now streaming recruitment ads in a targeted pilot marketing campaign on the popular streaming TV platforms, streaming radio platforms, and podcasts.
- Purchased video cameras in order to continue to actively engage community partners by participating in virtual job fairs using various online platforms including Skype, Facebook and Zoom. Among the many recruitment activities affected by the COVID-19 pandemic, all face-to-face events were cancelled. This did not eliminate the need for the recruitment team to remain active within the community. Since April of 2020 ADCRR has participated in 15 online job fairs with various partners including AZ Family News, Arizona State University, Grand Canyon University, the Maricopa Community Colleges, and Maryvale High School.
- Streamlined the COTA waiver process by forming a committee to review the prior correctional training records of an applicant from another municipality, jurisdiction or private prison. Applicants who are qualified are fast tracked to their complex assignment once the committee has verified AZ POST Rule R13-4-205(F) requirements were met.
- Implemented an accelerated hiring program to provide those applicants who are currently unemployed the opportunity to begin their career as a temporary Correctional Officer Trainee (CO Trainee) within 5 business days of completing their first day of testing. These individuals continue to complete the remainder of the hiring process,

which includes a medical exam, fitness testing, and a comprehensive criminal background check. When CO Trainees successfully meet these requirements during their temporary employment period, they move forward to attend the Correctional Officers Training Academy (COTA).

- Increased accessibility by adding the ability for applicants to self-schedule for testing online using the Bookeo.com system. The online system is now integrated into the www.JoinADC.com webpage, recruiter email/text communications, and various social media ad placements. Interested applicants can now schedule themselves for the next available testing date 24 hours a day, 7 days a week, using their smartphone, tablet or computer.
- Implemented new schedule accommodations that allow COs to request to work part-time. Since October 2019, the agency has retained 15 COs who may have otherwise resigned due to scheduling conflicts. In addition to accommodating current staff, ADCRR has rehired numerous former COs in a part-time capacity.
- Created an online submission form on www.joinadc.com, allowing those interested in a CO position the ability to submit their contact information without the necessity of being redirected to the applications page. This allows the interested person to ask questions and commit to applying before being required to fill out the application.
- Continued expansion of online recruitment efforts, spearheaded by the mobile-friendly recruitment website www.joinadc.com, along with using Facebook, LinkedIn, Instagram and other websites for geo-targeted advertisements.
- Further expanded the use of Regional Correctional Officer Training Academies. A Regional Academy is one that takes place at a specific prison location, instead of at the Correctional Officer Training Academy (COTA) facility in Tucson. ADCRR recruiters found that some applicants are unable or unwilling to commit to training in Tucson, so regional academies allow the agency to on-board staff it otherwise would not be able to hire. The goal is to hold 15 Regional Academies during CY 2020. These occur simultaneously with COTA and do not replace the recurring training program cycle at that facility.
- Cultivated the applicant pipeline, including expanded outreach into local high schools, due to the recent rule change that allows ADCRR to hire COs at age 18 (previously age 21 was required). Recently, 28% of COTA classes were hires from the age range of 18-20, so this demographic will be targeted to help increase staffing levels.
- Responded to and acted upon feedback from staff, which is received via the Director's link or outreach from the work group on Correctional Officer Retention.

Conclusion:

Staff safety is my number one priority. The renovations and re-activation of Morey Unit and progress at other ASPC Lewis units while filling vacant correctional officer positions is critical to

The Honorable David M. Gowan
The Honorable Regina E. Cobb
April 30, 2021
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improving officer safety. ADCRR is focused on maximizing resources to increase hiring and retention of correctional officers. I appreciate your interest in this most vital public safety concern.

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

Sincerely,

A handwritten signature in black ink, appearing to read "David Shinn", written over a circular scribble.

David Shinn
Director

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
Matthew Gress, Director, Office of Strategic Planning and Budgeting
Geoffrey Paulsen, Senior Fiscal Analyst, Joint Legislative Budget Committee
Ryan Vergara, Budget Manager, Office of Strategic Planning and Budgeting
Charlotte Hallett, Budget Analyst, Office of Strategic Planning and Budgeting



STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: July 8, 2021
TO: Members of the Joint Legislative Budget Committee
FROM: Ryan Fleischman, Fiscal Analyst
SUBJECT: Arizona Criminal Justice Commission - Review of Edward Byrne Memorial Justice Assistance Grant Federal Application

Request

Pursuant to A.R.S. § 41-2403, the Arizona Criminal Justice Commission (ACJC) requests Committee review of the federal application for FFY 2021 the Edward Byrne Memorial Justice Assistance Grant (JAG) that is administered by the United States Department of Justice, Bureau of Justice Assistance.

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. ACJC shall submit a preliminary proposal by May 15, 2022 if the federal guidelines have not yet been received for 2022.

Analysis

The Federal Edward Byrne Memorial JAG provides states, tribes, and local governments with funding to support a range of program areas including law enforcement, prosecution, indigent defense, courts, crime prevention and education, corrections and community corrections, and drug treatment and enforcement. Arizona first began receiving the JAG funding in March 1988. Going back to FFY 2012, ACJC has received an average of approximately \$3.6 million in JAG monies annually.

(Continued)

Key Points

- 1) ACJC estimates that Arizona will receive \$3.5 million in federal "Byrne" Justice Assistance Grants in federal fiscal year (FFY) 2021.
- 2) The federal government requires legislative review of the state's grant application.
- 3) Because the federal government has not yet requested state plans, this reflects a preliminary proposal.
- 4) A total of \$3.1 million (90%) will be distributed to counties and state agencies; the other 10% will be retained by ACJC for administration costs.
- 5) The proposed distribution is similar to last year's grant application.

ACJC is Arizona's designated State Administering Agency for the JAG program. As part of the application process, the federal Bureau of Justice Administration requires the state agency to submit the application for review to the State Legislature, or an organization designated by the State Legislature, not less than 30 days before the submission of the grant. A.R.S. § 41-2403 tasks the JLBC with reviewing the application.

At the June 2020 meeting, the Committee adopted a provision that requires ACJC to submit a preliminary proposal by May 15, 2021 if the federal guidelines have not yet been received for 2021. The federal government has not yet announced the FFY 2021 State Solicitation for JAG or the submission deadline, so this application reflects ACJC's preliminary proposal.

Table 1 shows the budget estimated by ACJC for the FFY 2021 JAG award. The monies can be expended through September 30, 2025. The proposed splits of FFY 2021 funds are based on the FFY 2020 JAG award. (The federal government, however, has not literally released the FFY 2020 monies to states yet).

<u>Projects</u>	
Apprehension/Prosecution	\$2,658,700
Forensic Support/Adjudication/Corrections	328,600
IT Infrastructure Set-aside	<u>157,200</u>
Subtotal for Projects	\$3,144,500
Administration	<u>349,400</u>
Total Projects and Administration	\$3,493,900

The Byrne JAG monies are combined with monies in the Drug and Gang Enforcement Fund, established under A.R.S. § 41-2402, to make up the state's Drug, Gang, and Violent Crime Control Grant (DGVCC Grant). There is a match requirement of 25% for DGVCC Grant recipients.

DGVCC Grant monies are awarded for programs and projects that align with the 2020-2025 Arizona Drug, Gang and Violent Crime Control Strategy.

A total of 86% of JAG monies will be used for grants, roughly 4% is for information technology (IT) infrastructure, and 10% is for ACJC administration. The \$3.5 million in grant monies must be expended by September 30, 2025. There is no breakout by recipient because the grant will be disbursed based on applications received.

(Continued)

For the IT infrastructure component, ACJC proposes to use the amount set aside for state, tribal, or local law enforcement agencies to upgrade and improve technology infrastructure and address deficiencies or gaps in criminal records systems or processes. A total of 5% of FFY 2020 JAG funding was used for IT purposes.

ACJC proposes using the remaining \$349,400 of the amount awarded, or approximately 10%, as administrative funds to oversee the JAG Program.

At its May 2021 meeting, ACJC also approved the distribution of FY 2022 grant funds. *Table 2* shows the FY 2022 approved awards by purpose area and recipient. Project totals are broken out by funding source: FY 2022 approved Byrne JAG, FY 2022 approved Drug and Gang Enforcement Fund, and local match monies. The FY 2022 Byrne JAG awards are estimates and subject to the actual federal allocation. The FY 2022 information is provided for informational purposes only.

Table 2

Drug, Gang, & Violent Crime Control Grant Proposed Awards

<u>Award Recipient Agency</u>	<u>FY 21 Total Grant Awards</u>	<u>FY 22 Total Approved Project</u>	<u>FY 22 Approved Federal Byrne JAG</u>	<u>FY 22 State Drug & Gang Enforcement Fund</u>	<u>Recipient Match Funds</u>
<u>Apprehension</u>					
Apache County Sheriff's Office	\$ 225,300	\$ 233,500	\$ 77,000	\$ 98,000	\$ 58,400
Cochise County Sheriff's Office	123,000	123,000	40,600	51,600	30,700
Flagstaff Police Department	283,500	283,500	93,600	119,100	70,900
Gila County Sheriff's Office	331,700	331,700	109,400	139,300	82,900
Graham County Sheriff's Office	26,900	26,900	8,900	11,300	6,700
Greenlee County Sheriff's Office	32,000	32,000	10,500	13,400	8,000
Kingman Police Department	336,800	336,800	111,200	141,500	84,200
La Paz County Sheriff's Office	73,600	111,700	36,900	46,900	27,900
Navajo County Sheriff's Office	238,800	238,800	78,800	100,300	59,700
Pinal County Sheriff's Office	141,400	141,400	46,700	59,400	35,300
Salt River Pima Maricopa Police Department	116,500	116,500	38,500	48,900	29,100
Santa Cruz County Sheriff's Office	87,400	45,400	15,000	19,100	11,300
Tucson Police Department	687,600	687,600	226,900	288,800	171,900
Yavapai County Sheriff's Office	353,900	353,900	116,800	148,700	88,500
Yuma County Sheriff's Office	<u>241,600</u>	<u>241,600</u>	<u>79,700</u>	<u>101,500</u>	<u>60,400</u>
Subtotal	\$ 3,300,000	\$ 3,304,300	\$ 1,090,500	\$ 1,387,800	\$ 825,900
<u>Prosecution</u>					
AG's Office - Medicaid Fraud	\$ 102,000	\$ 102,000	\$ -	\$ 102,000	\$ -
Apache County Attorney	90,600	96,400	31,800	40,500	24,100
Cochise County Attorney	152,200	152,200	50,200	63,900	38,100
Coconino County Attorney	132,500	132,500	43,700	55,600	33,100
Gila County Attorney	66,600	74,000	24,400	31,100	18,500
Graham County Attorney	55,000	60,900	20,100	25,600	15,200
Greenlee County Attorney	42,800	-	-	-	-
La Paz County Attorney	70,400	79,400	26,200	33,300	19,800
Maricopa County Attorney	1,076,500	1,076,500	725,200	82,200	269,100
Mohave County Attorney	156,300	156,300	51,600	65,600	39,100
Navajo County Attorney	123,100	123,100	40,600	51,700	30,800
Pima County Attorney	423,300	359,200	118,500	150,900	89,800
Pinal County Attorney	184,800	184,800	61,000	77,600	46,200
Tucson City Attorney	269,400	269,400	88,900	113,100	67,300
Yavapai County Attorney	120,200	132,100	43,600	55,500	33,000
Yuma County Attorney	<u>263,400</u>	<u>263,400</u>	<u>86,900</u>	<u>110,600</u>	<u>65,800</u>
Subtotal	\$ 3,329,100	\$ 3,262,200	\$ 1,412,700	\$ 1,059,200	\$ 789,900
<u>Prosecution - Forfeitures</u>					
Attorney General's Office	<u>\$ 637,400</u>	<u>\$ 637,400</u>	<u>\$ 210,400</u>	<u>\$ 267,700</u>	<u>\$ 159,400</u>
Subtotal	\$ 637,400	\$ 637,400	\$ 210,400	\$ 267,700	\$ 159,400
<u>Forensic Support</u>					
Department of Public Safety	\$ 380,200	\$ 380,200	\$ 239,100	\$ 46,100	\$ 95,100
Mesa Police Dept. - Forensics	-	39,800	13,100	16,700	10,000
Tucson Police Dept. - Forensics	<u>65,300</u>	<u>65,300</u>	<u>21,600</u>	<u>27,400</u>	<u>16,300</u>
Subtotal	\$ 445,500	\$ 485,300	\$ 273,800	\$ 90,200	\$ 121,400
<u>Drug Adjudication/Corrections</u>					
Administrative Office of the Courts	\$ 1,336,500	\$ 1,336,500	\$ -	\$ 1,002,400	\$ 334,100
Department of Corrections	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,436,500</u>	<u>1,336,500</u>	<u>-</u>	<u>1,002,400</u>	<u>334,100</u>
TOTAL	\$ 9,148,500	\$ 9,025,700	\$ 2,987,400	\$ 3,807,300	\$ 2,230,700



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County Sheriff

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Chief of Police

VACANT
Chief of Police

VACANT
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April 20, 2021

The Honorable David Gowan, Chairman
Arizona State Senate
Joint Legislative Budget Committee
1716 West Adams Street
Phoenix, AZ 85007

Dear Senator Gowan:

Pursuant to Laws 2018, Chapter 278, Section 5, the Arizona Criminal Justice Commission (ACJC) is submitting the 2021 Byrne Justice Assistance Grant (Byrne JAG) to the Joint Legislative Budget Committee (JLBC) for review. Chapter 278 requires ACJC to submit a copy of the application to JLBC for review before submission to the federal government.

ACJC is the state administering agency (SAA) for the Byrne Justice Assistance Grant. Byrne JAG, authorized under 42 USC § 3751(a), is a formula grant that the State must apply for each year and is the leading source of federal justice funding to state and local jurisdictions. Byrne JAG awards may be used for seven purposes: (1) law enforcement, (2) prosecution and courts, (3) prevention and education, (4) corrections and community corrections, (5) drug treatment, (6) planning, evaluation, and technology improvement, and (7) crime victim and witness programs.

The ACJC uses a mix of federal funding from Byrne JAG and state funding from the Drug Enforcement Fund to cover grant costs of various state, county, and municipal drug control programs. Arizona has utilized Byrne JAG funding to implement multi-jurisdictional task forces (MJTFs) which include a tandem prosecutor component and forensic drug analysis support to impact and enhance downstream drug enforcement and monitoring activities. This downstream impact has led to funding probation-based drug monitoring programs and other probation-related services, drug courts, and indigent defense services for drug offenders.

The JAG allocation formula is based primarily on each state's share of the nation's violent crime and population data. For Arizona, the estimated amount of the federal fiscal year (FFY) 2020 grant is \$3,493,965. The following table summarizes the budget plan in the FFY 2020 Byrne JAG application.



Summary of 2021 Byrne JAG Budget Plan	
Federal FY 2020 Grant Award	\$3,493,965
Proposed Expenditure Plan:	
Drug Control Projects ^{1/}	\$2,987,340
CJRIP Projects ^{2/}	\$157,228
Administration Expense Allotment ^{3/}	\$349,397
Total: Projects and Administration	\$3,493,965
<p>1/ These funds will be used as part of the state FY 2021 Drug Control Grant. 2/ The Commission has historically approved a 3% set-aside to be used for the Criminal Justice Records Improvement Program. 3/ The Byrne grant program allows up to 10 percent of a JAG award may be used for costs to administer the award.</p>	

Arizona first began receiving the Byrne JAG funding in March 1988. Byrne JAG is the cornerstone federal crime-fighting program, supporting the federal government's crucial role in a federal-state-local partnership that enables communities to target resources to their most pressing local needs. Each year, ACJC produces a comprehensive report on the projects funded, the amounts allocated to each project, and the activity reported using Byrne JAG funding in the Enhanced Drug and Gang Enforcement (EDGE) Report. The following bullet points show some of the Byrne JAG grant's critical activity from the most recent EDGE report (FY 2020).

- 36 criminal justice projects funded
- 3,855 Drug-related arrests by funded task-forces
- Over \$88 million in illicit drugs seized by funded task-forces
- 287 weapons seized by funded task-forces
- 27,113 drug prosecutions reported by prosecution projects
- 17,394 drug convictions reported by prosecution projects
- 10,200 drug sentences reported by prosecution projects

These funds are critical to illicit drug reduction efforts throughout Arizona. If you have any questions, please contact Tony Vidale, ACJC Deputy Director, at 602-365-1155 or tvidale@azcjc.gov.

Sincerely,



Andrew T. LeFevre
Executive Director

Abstract

The Arizona Criminal Justice Commission is a statutorily authorized entity mandated to carry out various coordinating, monitoring, and reporting functions regarding the administration and management of criminal justice programs in Arizona.

The Commission, as the state-administering agency for the Byrne/JAG program, distributes these funds via competitive grants to state, tribal, county, and local government agencies to support the Drug, Gang, and Violent Crime Control (DGVCC) program. The *2020-2025 Drug, Gang, and Violent Crime Control State Strategy* is the Commission's primary decision-making tool for the allocation of funds and to guide project activity for the DGVCC program.

The goals of the project in accordance with the Strategy are to curtail the flow of illicit drugs, drug proceeds, and instruments used to perpetuate violence across Arizona, and reduce violent crime and illicit drug use, and deter repeat offenders in Arizona. In response to drug, gang, and violent crime in Arizona, the following seven purpose areas have been identified as potential funding areas for the 2020-2025 time period:

- Apprehension
- Prosecution
- Forensic Support Services
- Adjudication and Sentencing
- Corrections and Community Corrections
- Substance Abuse Treatment for Corrections-Involved Individuals
- Prevention and Education

In addition to the seven purpose areas, a listing of strategic principles has been developed based on a thorough analysis of the strengths, weaknesses, opportunities, and challenges of the DGVCC program. Both the seven purpose areas and strategic principles serve as the Commission's criteria for establishing funding priorities.

The top ten project identifiers associated with proposed project activities include the following: Task Forces, Prosecution, Asset Forfeiture, Forensic Science, Adjudication, Gangs, Drugs, Fraud, Drug Courts, and Policing.



STATE OF ARIZONA

Joint Legislative Budget Committee

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BEN TOMA

DATE: July 8, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Patrick Moran, Principal Fiscal Analyst

SUBJECT: Arizona Department of Education - Review of Transwestern Settlement.

Request

Pursuant to A.R.S. § 15-915B, the Arizona Department of Education (ADE) requests Committee review of its re-calculation of Basic State Aid for school districts with property values affected by the *Transwestern Pipeline Co. v. Arizona Department of Revenue* litigation. The department's estimates may be further updated next week.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) Statute allows school districts to have their K-12 Basic State Aid funding re-calculated if court rulings that change property values in their district.
- 2) *Transwestern* property tax case resulted in lower property values for 42 school districts.
- 3) ADE has computed additional Basic State Aid funding of \$7.4 million from the General Fund spending account for the lower property values. This funding will be accounted for in the overall ADE General Fund appropriation.
- 4) FY 2022 budget includes \$17.0 million for assistance with unreimbursed property tax refund expenses incurred by districts and local governments due to the *Transwestern* litigation. This amount includes \$6.6 million for non-Basic State Aid K-12 costs (e.g. bonds, overrides).

(Continued)

Analysis

A.R.S. § 15-915B permits school districts to request a recalculation of their Basic State Aid payments from ADE, including from prior years, if a court judgment results in a Net Assessed Value for property in the district that is different from what ADE used to calculate state payments to the districts. Such recalculations are subject to JLBC review. The recalculation does not include any adjustments for district taxes that are outside of the Basic State Aid formula (e.g. bonds, overrides, adjacent ways, locally-funded transportation, etc.), nor does it account for interest costs associated with refunds.

In the litigation *Transwestern Pipeline Co. v. Arizona Department of Revenue*, the Superior Court ruled in February 2019 that the Department of Revenue's valuations dating back to Tax Year 2016 of natural gas pipelines operated by Transwestern Pipeline Company were overstated. The Arizona Court of Appeals upheld the Superior Court's ruling in August 2020. ADE is therefore requesting review of re-calculated state aid payments pursuant to A.R.S. § 15-915B for the 42 school districts in this state that have Transwestern property based on the revised valuations stipulated as part of the court ruling.

ADE's proposed re-calculations would result in the following adjustments to Basic State Aid for state fiscal year 2017 through state fiscal year 2021:

- \$6,470,700 for increased Basic State Aid General Fund distributions to school districts as a result of lower Qualifying Tax Rate (QTR) collections in the affected districts.
- \$974,800 for increased Basic State Aid General Fund distributions to school districts as a result of lower county collections of State Equalization Tax Rate (SETR) collections in the affected counties.

Based on information previously provided by the counties, the JLBC Staff estimates that the remaining unreimbursed Transwestern refund costs across all affected school districts would be \$6,610,100 after accounting for ADE's Basic State Aid re-calculations. The FY 2022 budget includes an appropriation of \$17,043,300 from the General Fund in FY 2021 to the Arizona Department of Administration (ADOA) for distributions to counties affected by the Transwestern case. A General Appropriation Act footnote stipulates school districts and local governments with unreimbursed refund and interest expenses submit a claim for reimbursement by July 30, 2021.

PM:lm



Arizona Department of Education
Office of Superintendent Kathy Hoffman

July 8, 2021

The Honorable Regina Cobb
Chairwoman, Joint Legislative Budget Committee
Arizona State House of Representatives
1700 West Washington Street
Phoenix, AZ 85007

Dear Representative Cobb,

The purpose of this letter is to request that one item be included on the agenda for consideration at the next meeting of the Joint Legislative Budget Committee (JLBC) in order to fulfil the statutory requirements as outlined below.

1. A.R.S. § 15-915(B), which states *"Subject to the review by the joint legislative budget committee, the superintendent of public instruction shall adjust state aid for a school district in the current year if the governing board requests the recalculation of state aid for a prior year due to a change in assessed valuation that occurred as the result of a judgement in accordance with section 42-16213."*

The Department has received requests for the correction of state aid for 39 school districts with net assessed valuation impacted by the Transwestern Pipeline Lawsuit ([Transwestern Pipeline Co. v. Arizona Department of Revenue](#)) between fiscal years 2017 and 2021 and in accordance with A.R.S. § 15-915(B) is submitting these calculations for review (See attached Transwestern Calculations report).

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

Sincerely,

Callie Kozlak

Callie Kozlak
Associate Superintendent, Policy Development and Government Relations
Arizona Department of Education

Kathy Hoffman, Superintendent of Public Instruction

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Joint Legislative Budget Committee

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BEN TOMA

DATE: July 8, 2021
TO: Members of the Joint Legislative Budget Committee
FROM: Patrick Moran, Principal Fiscal Analyst
SUBJECT: Arizona Department of Education - Review of Career Technical Education District Annual Report

Request

The Arizona Department of Education (ADE) requests Committee review of its annual Career Technical Education District (CTED) report for FY 2020, as required by A.R.S. § 15-393.01.

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) For FY 2020, 14 CTEDs with 99 member school districts reported Average Daily Membership (ADM) of 41,833.
- 2) CTEDs collectively reported \$188 million in expenditures including \$55 million (29%) for central campus sites and \$133 million (71%) for satellite sites (excludes costs of new construction).
- 3) An average of 74% of CTE seniors who took the first course of a CTED program during their high school years also took the second course (retention rate).
- 4) An average of 97% of those seniors passed the second course.

Analysis

ADE's annual CTED report provides data on CTED enrollment, location, expenditures, retention rates, and pass rates. *Table 1* summarizes data from the report.

(Continued)

Table 1 shows that CTEDs students collectively enrolled in 155,943 courses during the 2019-2020 school year. After accounting for pupils enrolling in more than one course, pupils who attended on a part-time basis, and exclusion of 9th graders, CTEDs served 41,832 Average Daily Membership (ADM) students. Reported CTED ADM ranged from a low of 265 for the Cobre Valley Institute of Technology (CVIT) to a high of 19,107 for the East Valley Institute of Technology (EVIT).

Table 1 indicates that CTEDs collectively reported \$188 million in total costs (excluding construction expenditures) for FY 2019. That total included \$55 million (29%) for central campus costs and \$133 million (71%) for satellite costs.

Table 1 also summarizes CTED retention and pass rate data. It shows that for the 2019-2020 school year an average of 74% of CTED seniors who took the first course in a CTED program during their high school years also took the second course during their high school years, as a measure of CTED retention rates. It also shows that an average of 97% of those seniors passed the second CTED course.

Table 1

Summary of CTED 2019-2020 Report Data 1/

CTED	Students		Reported Costs (\$)			Retention Rate (%) <u>4/</u>	Pass Rate (%) <u>5/</u>
	Enrollment <u>2/</u>	ADM <u>3/</u>	Central Campus	Satellites	Total		
CAVIAT	3,344	514	663,200	3,572,500	4,235,700	59.4	100.0
CAVIT	3,483	1,023	4,328,000	4,360,400	8,688,400	83.2	100.0
CTD	5,464	719	201,100	5,808,600	6,009,600	33.3	100.0
CVIT	1,207	265	839,200	1,720,900	2,560,100	78.2	100.0
EVIT	46,022	19,107	19,669,300	29,986,400	49,655,700	77.3	99.6
GIFT	2,177	341	837,300	1,336,100	2,173,300	80.0	98.3
MICTED	1,353	436	1,170,700	2,628,800	3,799,400	90.2	97.8
NATIVE	2,530	528	1,045,700	5,091,200	6,136,900	69.4	100.0
NAVIT	3,312	901	1,882,600	4,988,200	6,870,700	91.7	93.2
Pima CTED	25,439	5,117	12,828,100	21,853,900	34,682,000	59.1	96.5
STEDY	10,002	4,744	1,326,800	5,020,300	6,347,100	93.8	84.4
VACTE	1,777	277	371,400	1,993,100	2,364,500	76.0	97.3
WAVE	5,055	723	1,045,600	6,721,300	7,766,900	39.8	100.0
West-MEC	<u>44,778</u>	<u>7,139</u>	<u>8,663,200</u>	<u>37,787,500</u>	<u>46,450,700</u>	<u>90.7</u>	<u>93.6</u>
TOTALS	155,943	41,832	54,872,100	132,869,000	187,741,100	74.3	97.3

1/ Figures shown for each CTED are for its central campus(es) and satellite sites combined unless otherwise indicated.

2/ Duplicated for students enrolled in 2 or more CTED courses.

3/ Is less than enrollment because most students attend CTEDs on a part-time basis and 9th Graders are included in CTED enrollment data but are excluded from their ADM data.

4/ The percentage of SY 2019-2020 seniors who enrolled in the first course of a CTED eligible program during their years in high school and also enrolled in the second course.

5/ The percentage of SY 2019-2020 seniors who received a passing grade for the second course of a CTED eligible program during their years in high school.



State of Arizona
Department of Education
Office of Kathy Hoffman
Superintendent of Public Instruction



May 5, 2021

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

Mr. Stavneak:

Pursuant to Arizona Revised Statutes (A.R.S.) § 15-393.01(C), the Arizona Department of Education Career and Technical Education Program has prepared the attached report with supporting document links. The report summarizes data submitted by Arizona's 14 Career and Technical Education Districts for school year 2019-2020. If you have any questions regarding the information provided, please feel free to contact me at the email below. You may also contact Bobby Neves, CTE Director of Fiscal, Grants & Accountability at Bobby.Neves@azed.gov.

Sincerely,

A handwritten signature in cursive script that reads "Cathie Raymond".

Cathie Raymond
Deputy Associate Superintendent/State Director
Career and Technical Education
High Academic Standards for Students Division
Arizona Department of Education
1535 W. Jefferson, Bin 42
Phoenix, AZ 85250
Cathie.Raymond@azed.gov

cc: Steve Schimpp, Deputy Director
Joint Legislative Budget Committee





2021 Career & Technical Education District (CTED) Report

Pursuant to Arizona Revised Statutes (ARS) §15-393.01(C)

Submitted by the Arizona Department of Education
Career & Technical Education Unit

Cathie Raymond
Deputy Associate Superintendent, Career & Technical Education

Melissa Castillo
Associate Superintendent, High Academic Standards for Students



Arizona Department of Education

2021 Career & Technical Education District (CTED) Report

Scope of the Report

Under the provisions of the Arizona Revised Statutes (ARS) §15-393.01(C), the Arizona Department of Education, Career & Technical Education (ADE-CTE) unit is required to collect and analyze information submitted by each Career & Technical Education District (CTED) and make this information available to select individuals and groups as specified below. The enclosed information is based on data available during the previous school year (SY2019-2020).

ARS §15-393.01(C) - On or before December 31st of each year, the Career and Technical Education division of the Department of Education shall submit a Career & Technical Education District annual report to the Governor, the President of the Senate, the Speaker of the House of Representatives, the Secretary of State and the Joint Legislative Budget Committee. The annual report shall include the following:

- 1) The average daily membership of each career technical education district, including the average daily membership of each centralized campus, satellite campus and leased centralized campus as defined in section §15-393.
- 2) The actual student count of each career technical education district, including the student count of each centralized campus, satellite campus and leased centralized campus as defined in section §15-393.
- 3) The programs and corresponding courses offered by each career technical education district, including the location of each program and course.
- 4) For each career technical education district based on program or course location:
 - a) The student enrollment of each program and corresponding course.
 - b) The percentage of students who enrolled in the second year of each program and corresponding course relative to the number of students in the same cohort who enrolled in the first year of each program and corresponding course.
 - c) The percentage of students who completed each program relative to the number of students in the same cohort who began the program.
- 5) The costs associated with each program offered by the career technical education district.
- 6) A listing of any programs or courses that were discontinued by review of the Career and Technical Education division pursuant to section §15-393, subsection V.

7) A listing of any programs or courses that were continued by review of the Career and Technical Education division pursuant to section §15-393, subsection V.

8) A listing of any programs or courses that were added by the Career and Technical Education division.

9) For applicable school districts, the required maintenance of effort and how monies were used to supplement and not supplant base year career and technical education courses, including expenditures related to personnel, equipment, and facilities.

10) Any other data or information deemed necessary by the Department of Education.

The enclosed information is intended to be summative in nature and provide an overview of the processes and data collection methods used for each component required by statute. **Supplemental documents are listed at the conclusion of each section of the report (indicated by an *) and are available for review on the ADE-CTE website at the links listed below each section. A link to the complete report is located at <https://www.azed.gov/cte/cted>.**

* [2019-2020 List of Career & Technical Education Districts in Arizona \(includes member school districts\) - https://www.azed.gov/sites/default/files/2021/04/19-20-CTED-2019-2020-List-of-CTE-Districts-in-AZ.pdf](https://www.azed.gov/sites/default/files/2021/04/19-20-CTED-2019-2020-List-of-CTE-Districts-in-AZ.pdf)

Section One:

Section one of the report addresses the following required elements pursuant to ARS §15-393.01(C):

1) **The average daily membership of each career technical education district, including the average daily membership of each centralized campus, satellite campus and leased centralized campus as defined in section §15-393.**

2) **The actual student count of each career technical education district, including the student count of each centralized campus, satellite campus and leased centralized campus as defined in section §15-393.**

5) **The costs associated with each program offered by the career technical education district.**

The ADE-CTE annual CTED Report utilizes data gathered from the previous school year for analysis (currently the 2019-2020 school year). Expenditures in support of career and technical education programs are reported from all funding sources rather than simply CTED funding. The cost reporting spreadsheet utilized for this report was reviewed in conjunction with the Arizona Office of the Auditor General (AOAG) to efficiently gather all required data. The Program 300 codes in the Chart of Accounts listed in the Uniform System of Financial Records for Arizona School Districts (USFR) have been identified for use in tracking local expenditures related to career and technical education programs. This reflects the second year these program codes have been mandatory for use in tracking expenditures.

CTED member districts typically receive state and federal grants, as well as, other local funding (such as local tax levy revenues, State Aid, State Vocational Block Grant funding, Carl D. Perkins funding, tax credit contributions, gifts of equipment/supplies, and other secondary sources). It is important to note that, apart from the East Valley Institute of Technology (EVIT), CTED districts do not typically apply for federal Carl D. Perkins grant funds. Historically, teacher salaries and benefits have been the strongest indicator of total program costs, followed by the equipment/supplies utilized to implement career and technical education programs. The ADE-CTE will continue to work with the AOAG should any modifications become necessary to gather appropriate program cost information for future reports.

The statute also requires that the ADE-CTE provide the Average Daily Membership (ADM) and actual student count of CTE students for each CTED including the central campus, leased central campus, and satellite locations. This information was solicited through the completion of spreadsheets by each CTED in consultation with their member districts. The ADM for 10th - 12th grade CTE students was requested, along with the actual student count of the 9th - 12th grade students attending CTE programs. Although 9th grade students do not generate CTED ADM, they were included in the student count since the cost reporting spreadsheet includes all funding sources. Their inclusion in the actual student counts gives a broader picture of student participation in career and technical education programs across the state.

For further information please see:

- * Link to AOAG Cost Reporting Guidance Webinars – <https://www.azauditor.gov/reports-publications/school-districts/webinars>
- * 2019-2020 Cost Reporting Summaries by CTED – <https://www.azed.gov/cte/2019-2020-cted-report-2019-2020-cost-reporting-summaries-cted>
- * 2019-2020 ADM-Student Count by Location – <https://www.azed.gov/cte/19-20-cted-report-2019-2020-adm-student-count-location>

Section Two:

Section two of the report addresses the following required elements pursuant to ARS §15-393.01(C):

- 3) The programs and corresponding courses offered by each career technical education district, including the location of each program and course.**
- 4) For each career technical education district based on program or course location:**
 - a) The student enrollment of each program and corresponding course.**
 - b) The percentage of students who enrolled in the second year of each program and corresponding course relative to the number of students in the same cohort who enrolled in the first year of each program and corresponding course.**
 - c) The percentage of students who completed each program relative to the number of students in the same cohort who began the program.**

ADE-CTE has traditionally gathered student enrollment data through the satellite districts every year by means of the CTE Data Portal application (available on the ADE website - <https://www.azed.gov/cte> through ADEConnect - <https://home.azed.gov/Portal/>). This data includes enrollment in all the programs and corresponding courses being offered to students throughout the state. District students attending programs at locations other than their local high school are also specifically identified. Student enrollment in internship, cooperative education, and diversified cooperative education courses are included to document programs that provide a work-based learning component but are not eligible for CTED funding.

A relatively new segment of the annual CTED report requires information on the enrollment of students in CTE programs and their subsequent completion rate. For the last two years, ADE-CTE has chosen to focus on the career and technical education enrollment and completion patterns of graduating seniors. This cohort model has shown to provide a more comprehensive picture of the success of students throughout their high school years. Students elect to take CTE courses as their schedules permit, resulting in some students completing programs across nonconsecutive school years.

For further information please see:

- * 2019-2020 Student Enrollment in Programs-Courses by Location - <https://www.azed.gov/cte/2019-2020-cted-report%C2%A0%C2%A02019-2020-student-enrollment-programs-courses-location>
- * 2019-2020 Course Enrollment/Completion Data by Program - <https://www.azed.gov/cte/2019-2020-cted-report-2019-2020-course-enrollmentcompletion-data-program>

Section Three:

Section three of the report addresses the following required element pursuant to ARS §15-393.01(C):

6) A listing of any programs or courses that were discontinued by review of the Career and Technical Education division pursuant to section §15-393, subsection V.

The list of eligible programs did not change for the 2019-2020 school year compared to the previous year. Several CTE approved Programs were discontinued and began a phase out period during the 2019-2020 school year. Several courses were removed from the list for CTE approved programs that are being phased out over several years.

For further information on the courses that were removed for the 2019-2020 school year from programs that are to be discontinued through a phasing out process for Approved CTE programs please see:

- * Discontinued Courses 2019-2020 – <https://www.azed.gov/sites/default/files/2021/04/19-20-CTED-Discontinued-Courses-2019-2020.pdf>

Section Four:

Section four of the report addresses the following required element pursuant to ARS §15-393.01(C):

7) A listing of any programs or courses that were continued by review of the Career and Technical Education division pursuant to section §15-393, subsection V.

All approved CTE programs require a coherent sequence of courses incorporating a minimum of two Carnegie Units of instruction. CTED Superintendents are required to submit to the ADE-CTE an annual Statement of Assurance affirming that CTED eligible programs include (at a minimum) the required sequence of courses and are implemented with programmatic fidelity. The ADE-CTE Program Specialists monitor the CTED programs at central and member district levels in a structured rotation to ensure compliance to the law. In Fall 2018 the Statement of Assurance was incorporated into the CTE Data Portal as a required component for each CTED as an affirmation to the Statement of Assurances and continues to be a part of the CTE Data Portal process.

For further information please see:

- * 2019-2020 CTE Program List - CTED Eligibility – <https://www.azed.gov/sites/default/files/2021/04/19-20-CTED-CTE-Program-List-CTED-Eligibility.pdf>
- * 2019-2020 CTED Statement of Assurance CTE Data Portal Snapshot - <https://www.azed.gov/sites/default/files/2021/04/19-20-CTED-Statement-of-Assurance.pdf>

Section Five:

Section five of the report addresses the following required element pursuant to ARS §15-393.01(C):

8) A listing of any programs or courses that were added by the Career and Technical Education division.

The CTE Program List provides options for approved CTE programs and is compiled every two years based on a formula using Arizona Labor Market Information through the Office of Economic Opportunity. There are some occupations that are critical to the local economy of a community, while not having a significant presence in other communities. These occupations do not currently appear on the primary CTE Program List (due to the geographic nature of the jobs) but do provide sound occupational opportunities for the members of the community. In 2013, the ADE-CTE developed a process that enables school districts who are members of a CTED to offer programs that are vital to the local community, but do not appear on the approved CTE Program List. Based on local labor market data, a CTED can submit a "Proposed Local Occupational Program" request that outlines how the program will meet the required components of an approved CTE/CTED program. The ADE-CTE reviews and provides approval of all local occupational programs that meet these requirements.

New Local Occupational Programs added during the 2019-2020 school year were:

12.0409.00 Aesthetics

16.1601.00 American Sign Language

For further information please see:

- * 2019-2020 CTE Program List –
<https://www.azed.gov/sites/default/files/2021/04/19-20-CTED-2019-2020-CTE-Program-List.pdf>
- * 2019-2020 CTE Proposed Local Occupational Program Request Form -
<https://www.azed.gov/sites/default/files/2021/04/19-20-CTED-CTE-Proposed-LOP-Request-Form.pdf>
- * 2019-2020 CTE Local Occupational Program List –
<https://www.azed.gov/sites/default/files/2021/04/19-20-CTED-Local-Occupational-Program-List.pdf>

Section Six:

Section five of the report addresses the following required element pursuant to ARS §15-393.01(C):

9) For applicable school districts, the required maintenance of effort and how monies were used to supplement and not supplant base year career and technical education courses, including expenditures related to personnel, equipment and facilities.

A new section to the CTED Annual Report was introduced last year and includes data illustrating that applicable districts show "maintenance of effort" with regards to their CTED funding. Districts must also show that funds were used to supplement rather than supplant the amount used during the "base year" for career and technical education courses. The report specifically requires the inclusion of common expenditure types for career and technical education courses, which covers staffing, equipment, and facilities.

The applicable districts must include a copy of the "Work Sheet for Determining the Appearance of Supplanting with CTED Monies" form when submitting their Annual Financial Report (AFR) to the ADE School Finance each year. A request was made to the ADE School Finance to provide a summary document of the data provided by all

the applicable districts for FY2019-2020. The enclosed spreadsheet is a summary of all the data provided to the ADE for this period of time, arranged by the CTED.

For further information please see:

- * 2019-2020 Supplement Not Supplant Data Spreadsheet - <https://www.azed.gov/sites/default/files/2021/04/19-20-CTED-FY2020-Supplanting-Funds-Report.xlsx>

Addendum:

Beginning with the 2020 Annual CTED Report, a summary table of report data is being provided at the request of the Joint Legislative Budget Committee.

- * 2019-2020 Summary of Annual CTED Report Data – <https://www.azed.gov/sites/default/files/2021/04/19-20-CTED-Summary-Annual-CTED-Report-Data.xlsx>



STATE OF ARIZONA

Joint Legislative Budget Committee

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BEN TOMA

DATE: July 8, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Patrick Moran, Principal Fiscal Analyst

SUBJECT: Arizona Department of Education - Review of K-12 Broadband Connectivity Projects

Request

Pursuant to A.R.S. § 15-249.07, the Arizona Department of Education (ADE) requests Committee review of its annual report on K-12 broadband connectivity construction projects.

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) Through 2020, ADE certified a cumulative total of \$103.0 million Total Funds (\$8.3 million of state funds) in broadband connectivity construction projects.
- 2) In 2021, ADE certified an additional \$23.5 million in projects (\$1.5 million of state funds), for a cumulative total of \$126.5 million.
- 3) An additional \$1.2 million of state funds remain unobligated.

Analysis

Background

The federal E-Rate program provides federal matching funds for services to support broadband connectivity to schools and libraries as equipment and services needed for broadband connectivity

(Continued)

within schools and libraries. Overseen by the Federal Communications Commission (FCC), the program is administered by the Universal Service Administrative Company (USAC), and provides federal matching funds (i.e. a "discount rate") ranging from 20% to 90% for broadband projects depending on the percentage of students within the school that are eligible for free or reduced-price lunches (FRPL).

The FCC authorizes a dollar-for-dollar increase in federal matching funds up to a maximum of 10% above the base matching rates for broadband projects receiving funding from the state and that meet the FCC's long-term connectivity targets (currently equal to 1 Mbps of bandwidth per student). For example, a school qualifying for a base discount rate of 80% for a broadband project (an urban or rural school with a FRPL-eligible population of more than 50%, but less than 74%) would receive a final match rate of 90% if the state provided matching funds equal to 10% of the cost of the project.

The FY 2018 budget included a one-time appropriation of \$3,000,000 from the Automation Projects Fund for state matching funds to be allocated broadband projects certified by ADE and the USAC for federal E-Rate funding. The \$3,000,000, in combination with \$8,000,000 collected by the Arizona Corporation Commission (ACC) via a one-time surcharge on Arizona consumers' phone bills authorized in March 2017, was to provide \$11,000,000 of state funding for total anticipated school and library broadband projects of \$130,000,000 Total Funds.

Project Status

Through FY 2020 ADE had approved 58 projects at a total cost of \$103.0 million. *Table 1* summarizes project data by fiscal year. The 58 projects are serving or will serve upon completion nearly 371,400 students statewide. The \$126.5 million cumulative funding total for approved projects through FY 2021 consisted of \$115.4 million (91%) from E-rate funding, \$9.8 million (8%) from the "state match," and \$1.3 million (1%) from local funding. The final funding source is required from participating schools with a discount rate of less than 80% (less than 50% FRPL eligibility). *Table 1* shows that approximately \$9.8 million of the \$11.0 million in state matching funds for broadband construction have been spent or committed, of which \$5.2 million has been spent for projects already completed. Approximately \$1.2 million in uncommitted funding remains.

Fiscal Year	Students Served	ADE-Certified Projects ^{2/}	E-rate Portion	State Portion	School Portion ^{3/}
2017	96,652	\$13,605,700	\$12,411,800	\$1,043,700	\$150,200
2018	152,425	58,888,700	53,329,100	4,608,400	951,200
2019	42,226	23,011,700	20,822,900	2,186,000	2,800
2020	19,710	7,461,300	7,029,900	409,900	21,600
2021	60,371	23,484,000	21,804,800	1,507,400	171,900
Cumulative	371,384	\$126,451,500	\$115,398,500	\$9,755,300	\$1,297,600
% of Total		100%	91%	8%	1%

^{1/} Numbers may not add properly due to rounding.
^{2/} Represents dollar value of projects certified by ADE, including projects in process and projects awaiting USAC approval.
^{3/} Schools with less than a 80% discount rate (less than 50% FRPL-eligibility) must fund part of their own project costs.

Bandwidth Guidelines

Projects funded by the state matching contributions must provide bandwidth sufficient to meet the guidelines for educational services for the relevant funding year by the Federal Communications

(Continued)

Commission (FCC). For the 2020-2021 school year, the FCC's connectivity goal is for schools to have bandwidth of 1.0 megabits per second of bandwidth per user (includes students and staff). We have asked ADE what percentage of students are in schools meeting the FCC guidelines.

In addition to the FCC guidelines, the State Educational Technology Directors Association (SEDTA) has established bandwidth guidelines that vary by number of students served by the district or charter schools. The FCC has based its past goals on broadband width on SEDTA recommendations. *Table 2* shows the current SEDTA bandwidth guidelines for the 2020-2021 school year. We have asked ADE what percentage of students are in schools that are meeting the SEDTA recommendations.

SEDTA School Broadband Access Recommendations	
<u>District Size</u>	<u>2020-21</u>
Small School District (fewer than 1,000 students)	At least 4.3 Mbps per user (Minimum 300 Mbps for district)
Medium School District (1,000 – 10,000 students)	At least 3.0 Gbps per 1,000 users
Large School District (more than 10,000 students)	At least 2.0 Gbps per 1,000 users

Emergency Connectivity Fund

The federal American Rescue Plan Act (ARPA) of 2021 included \$7,171,000,000 in federal monies for the Emergency Connectivity Fund. Schools that are eligible for the E-Rate program are also eligible for these monies and no state match is required. Emergency Connectivity Fund monies may be expended on Wi-Fi hotspots, modems, routers, devices that combine a modem or router, laptop computers, or tablets for use by students, school staff, and library patrons who would otherwise lack sufficient connectivity to engage in remote learning. The monies generally may not be used on construction of new networks owned, operated and maintained by the district or charter school.

PM:lm
Attachment

Linda Monsanto

From: Kozlak, Callie <Callie.Kozlak@azed.gov>
Sent: Thursday, June 24, 2021 3:12 PM
To: JLBC Webmaster
Cc: Patrick Moran
Subject: 2021_AZ Broadband For Education Initiative Annual Report
Attachments: ARIZONA BROADBAND FOR EDUCATION INITIATIVE 2021 Q2 UPDATE - Public.pdf

Dear Director Stavneak,

Attached for your review is the Fiscal Year 2021 Annual Report on Arizona Broadband for Education Initiative.

Pursuant to Title 15, Chapter 2 ARS 15-249.07- Broadband Expansion Fund; Requirements; Disbursements to Certified Applicants; Reports, the Department of Education shall report to the joint legislative budget committee the following information for each broadband connectivity construction project that the department has certified to receive a state matching contribution:

1. The applicant's name.
2. Whether the project is in process or complete.
3. The federal e-rate discount calculation.
4. The total project cost and the share of funding provided by local, state and federal monies.
5. The number of students served.

Please feel free to reach out to the policy and government relations department with any questions.

Sincerely,

Callie Kozlak, M.Ed.
Associate Superintendent for Policy & Government Relations
Arizona Department of Education
1535 West Jefferson Street
Phoenix, AZ 85007

Phone : 602-542-0039
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ARIZONA BROADBAND FOR EDUCATION INITIATIVE

2021 Q2 Update

“High-speed Internet is the necessary foundation for taking advantage of technology in the classroom. I support expanding broadband connectivity in every classroom in our state to ensure our students have the tools and skills they need to succeed in school and beyond”.

Arizona Governor Doug Ducey

The Arizona Broadband for Education Initiative is a partnership between the Governor’s Office of Education, the Arizona Department of Education, the Arizona Corporation Commission and the nonprofit organization EducationSuperHighway. The program’s goal is to ensure that every public K-12 instructional building in the state is connected via high-speed and reliable broadband connections to enable digital learning in the classroom.

One major component of the Initiative includes supporting schools and libraries as they take advantage of the federal Schools and Libraries (E-rate) Program. The E-rate program provides discounts of up to 90% of the monthly cost of telecommunications services to keep students and library patrons connected to high-speed broadband. It is administered by the Universal Service Administrative Company (USAC), a non-profit designated by the Federal Communications Commission (FCC).

The E-rate Modernization Order, adopted in July 2014, allows states to establish “matching funds” that may contribute up to ten percent in funding to subsidize the cost of Category I “special construction” projects. If a state provides eligible schools and libraries with funding for special construction charges for high-speed broadband that meets the FCC’s long-term connectivity targets, the E-rate Program will increase an applicant’s discount rate for these charges up to an additional ten percent to match the state funding on a one-to-one dollar basis. The combination of E-rate and state match funding can cover up to 100% of an applicant’s out of pocket cost for the infrastructure necessary to supply high speed Internet.

In March 2017, the Arizona Corporation Commission updated the Arizona Universal Service Fund (AUSF) rules to provide \$8M in funding for “Special Construction” projects in Arizona. Used in combination with the E-rate program, this funding will result in approximately \$150M in new construction projects within the state. In April 2017 the Arizona State Legislature approved an additional \$3M for “Special Construction” projects.

ARIZONA BROADBAND FOR EDUCATION INITIATIVE

Funding Year	Students Served	Total Funding Requested	Projects In Process or Awaiting Approval	Erate Portion	State Portion	School Portion	Total Paid Out
2017-2018	96652	\$ 14,403,208.25	\$13,606,423.92	\$12,411,066.38	\$1,043,757.54	\$149,800.00	\$1,043,757.54
2018-2019	152,425	\$ 122,066,253.19	\$59,375,753.19	\$54,477,962.64	\$4,608,390.58	\$954,170.26	\$3,835,044.62
2019-2020	42226	\$ 48,495,431.01	\$23,011,719.66	\$46,306,649.16	\$2,186,001.75	\$2,780.10	\$124,003.28
2020-2021	19710	\$7,474,239.48	\$7,461,332.98	\$7,026,772.84	\$909,866.65	\$21,600.00	\$153,476.75
2021-2022	60371	\$23,484,052.95	\$23,484,052.95	\$21,804,807.01	\$1,507,339.14	\$171,904.80	\$0.00
Program	371384	\$ 215,923,184.88	\$126,939,282.70	\$142,027,258.03	\$10,255,355.66	\$1,300,255.16	\$5,156,282.19
AVAIL					\$ 744,644.34		

ARIZONA BROADBAND FOR EDUCATION INITIATIVE

Funding Year	Applicant Name	Discount Percentage	Student Count	Total Filed	Erate Portion	State Portion	School Portion	Status
2017	Agua Fria UHSD	60%	7649	\$749,000.00	\$524,300.00	\$74,900.00	\$149,800.00	Complete
2017	Apache County Consortium	85%	4062	\$8,379,313.67	\$7,750,865.14	\$628,448.53	\$0.00	Complete
2017	Arizona Call A Teen Center	90%	261	\$61,917.00	\$58,821.15	\$3,095.85	\$0.00	Complete
2017	Bicentennial Un H S Dist 76 (Salome High)	90%	113	\$25,303.25	\$24,038.09	\$1,265.16	\$0.00	Complete
2017	Combs Unified School District 44	80%	4634	\$360,000.00	\$324,000.00	\$36,000.00	\$0.00	Complete
2017	Payson Unif School Dist 10	80%	2843	\$159,000.00	\$143,100.00	\$15,900.00	\$0.00	Complete
2017	Santa Cruz Valley HS	90%	395	\$874,320.00	\$830,604.00	\$43,716.00	\$0.00	Complete
2017	Somerton School District	90%	2973	\$236,000.00	\$224,200.00	\$11,800.00	\$0.00	Complete
2017	Stanfield School District 24	90%	529	\$950,000.00	\$902,500.00	\$47,500.00	\$0.00	Complete
2017	Tombstone USD	90%	970	\$500.00	\$475.00	\$25.00	\$0.00	Complete
2017	Vail School District	60%	12752	\$2,000.00	\$0.00	\$200.00	\$0.00	Complete
2017	Yavapai County Education Technology Consortium	80%	26000	\$1,808,320.00	\$1,627,488.00	\$180,832.00	\$0.00	Complete
2018	Antelope Union High School	90%	230	\$471,778.85	\$448,189.91	\$23,588.94	\$0.00	Complete
2018	Apache County Consortium	85%	0	\$1,391,054.00	\$1,286,724.95	\$104,329.05	\$0.00	Complete
2018	Cedar Hills - Hackberry	90%	123	\$160,000.00	\$152,000.00	\$8,000.00	\$0.00	Complete
2018	Cochise Elementary School District	80%	87	\$153,300.00	\$138,000.00	\$15,300.00	\$0.00	Complete
2018	Cottonwood - Oak Creek	80%	2079	\$240,559.81	\$216,503.82	\$24,055.99	\$0.00	Complete
2018	Cupertino PLA	90%	5	\$13,317.59	\$12,651.71	\$665.88	\$0.00	Complete
2018	Discovery Plus Academy	80%	119	\$14,518.29	\$11,614.63	\$1,451.83	\$1,451.83	Complete
2018	Ganado Unified District 20	90%	1513	\$472,042.64	\$448,440.51	\$23,602.13	\$0.00	Complete
2018	Globe USD	80%	1668	\$585,716.00	\$527,144.40	\$58,571.60	\$0.00	Complete
2018	Grand Canyon USD	80%	283	\$5,660,200.37	\$5,094,180.34	\$566,020.03	\$0.00	Completion September 2021
2018	Holbrook USD	90%	2066	\$82,432.53	\$78,310.90	\$4,121.63	\$0.00	Complete
2018	Lake Havasu USD	80%	5508	\$842,004.00	\$757,803.60	\$84,200.40	\$0.00	Complete
2018	LaPaz County	90%	0	\$3,974,976.00	\$3,776,227.20	\$198,748.80	\$0.00	Completion June 2021
2018	Laveen ESD	90%	6831	\$900,000.00	\$855,000.00	\$45,000.00	\$0.00	Complete
2018	Littleton School District	90%	387	\$629,000.00	\$597,550.00	\$31,450.00	\$0.00	Complete
2018	Maricopa Unified	80%	6636	\$1,850,000.00	\$1,665,000.00	\$185,000.00	\$0.00	Complete
2018	Mohawk Valley Elementary	90%	1141	\$365,771.56	\$347,482.98	\$18,288.58	\$0.00	Complete
2018	Nogales USD	90%	8500	\$947,000.00	\$899,650.00	\$47,350.00	\$0.00	Complete
2018	Pinal County Consortium	85%	0	\$33,779,395.00	\$31,245,940.37	\$2,533,454.63	\$0.00	Complete
2018	Pinal County Schools	80%	0	\$75,012.00	\$67,510.80	\$7,501.20	\$0.00	Complete

ARIZONA BROADBAND FOR EDUCATION INITIATIVE

2018	PPEP, Inc	90%	800	\$7,500.00	\$7,125.00	\$375.00	\$0.00	Complete
2018	Prescott USD	60%	4003	\$101,180.10	\$69,282.06	\$10,118.01	\$21,780.03	Complete
2018	Saddle Mountain School District	80%	1764	\$1,149,000.00	\$1,034,100.00	\$114,900.00	\$0.00	Complete
2018	Show Low School District	80%	2324	\$199,548.40	\$179,593.56	\$19,954.84	\$0.00	Complete
2018	Snowflake School District	70%	2542	\$217,800.00	\$174,240.00	\$21,780.00	\$21,780.00	Complete
2018	Tombstone Library	80%	0	\$25,000.00	\$22,500.00	\$2,500.00	\$0.00	Complete
2018	Tombstone USD	80%	742	\$4,000.00	\$3,600.00	\$400.00	\$0.00	Complete
2018	Vail District	60%	12860	\$4,545,792.00	\$3,182,054.40	\$454,579.20	\$909,158.40	Complete
2018	Yavapai ASD #99	80%		\$30,828.34	\$27,741.50	\$3,082.84	\$0.00	Complete
2019	Desert Star Academy	90%	500	\$28,447.00	\$27,024.65	\$1,422.35	\$0.00	Complete
2019	Gila County Consortium	83%	6800	\$19,490,128.46	\$17,541,115.61	\$1,949,012.85	\$0.00	Completion March 2022
2019	Heber-Overgaard Unif Sch Dst 6	80%	520	\$1,000,342.46	\$900,308.20	\$100,034.26	\$0.00	Complete
2019	JO Combs	70%		\$27,801.00	\$22,240.80	\$2,780.10	\$2,780.10	Complete
2019	Little Singer School	90%	150	\$777,660.01	\$738,777.01	\$38,883.00	\$0.00	Completion June 2021
2019	Navajo County Consortium	80%	0	\$537,405.00	\$537,405.00	\$0.00	\$0.00	Complete
2019	Orme School	80%	140	\$727,448.11	\$654,703.30	\$72,744.81	\$0.00	Completion August 2021
2019	Shonto Prep	90%		\$71,438.62	\$67,866.69	\$3,571.93	\$0.00	Complete
2019	Yucca School	90%	50	\$351,049.00	\$333,496.55	\$17,552.45	\$0.00	Complete
2020	Buckeye Elementary	80%	5614	\$360,000.00	\$324,000.00	\$36,000.00	\$0.00	Complete
2020	Douglas Unified School District	90%	4225	\$266,500.00	\$253,175.00	\$13,325.00	\$0.00	Complete
2020	Gila Bend USD	90%	478	\$8,543.50	\$8,116.33	\$427.18	\$0.00	Complete
2020	Hunters Point	90%	145	\$10,703.89	\$10,168.70	\$535.19	\$0.00	Complete
2020	Liberty School District	70%	3899	\$216,000.00	\$172,800.00	\$21,600.00	\$21,600.00	Complete
2020	Navajo Nation	90%	0	\$4,788,550.59	\$4,549,123.06	\$239,427.53	\$0.00	In process
2020	Paloma Elementary	90%	123	\$1,651,035.00	\$1,568,483.25	\$82,551.75	\$0.00	Complete
2020	Saddle Mountain School District	80%	2179	\$160,000.00	\$128,000.00	\$16,000.00	\$0.00	Completion August 2021
2021	Apache County Consortium (Alpine School & Alpine Library)	80%	57	\$2,155,622.00	\$1,940,059.80	\$215,562.20	\$0.00	Awaiting funding approval
2021	Beaver Creek	80%	275	\$1,500,000.00	\$1,350,000.00	\$150,000.00	\$0.00	Completion June 2022
2021	Buckeye ESD	80%	5455	\$125,860.00	\$113,274.00	\$12,586.00	\$0.00	Awaiting funding approval
2021	Liberty School District	70%	4531	\$38,045.00	\$30,434.00	\$3,804.50	\$3,804.50	Awaiting funding approval
2021	Lukachukai Community School	90%	354	\$29,652.00	\$28,169.40	\$1,482.60	\$0.00	Awaiting funding approval
2021	Maricopa Unified	80%	7992	\$203,499.00	\$183,149.10	\$20,349.90	\$0.00	Awaiting funding approval
2021	Navajo Nation (5 sites)	90%	0	\$861,116.16	\$818,060.35	\$43,055.81	\$0.00	In process
2021	Navajo Nation (9 sites)	90%	0	\$11,348,412.14	\$10,780,991.53	\$567,420.61	\$0.00	Awaiting funding approval

ARIZONA BROADBAND FOR EDUCATION INITIATIVE

2021	Patagonia School District	90%	160	\$720,050.00	\$684,047.50	\$36,002.50	\$0.00	Awaiting funding approval
2021	Pinon Community School	90%	42	\$61,374.00	\$58,305.30	\$3,068.70	\$0.00	In process
2021	Sentinel School District	90%	42	\$155,250.00	\$147,487.50	\$7,762.50	\$0.00	In process
2021	Snowflake USD	70%	0	\$116,600.00	\$93,280.00	\$11,660.00	\$11,660.00	Awaiting funding approval
2021	Somerton District	90%	0	\$468,279.67	\$444,865.69	\$23,413.98	\$0.00	Awaiting funding approval
2021	Somerton District	90%	0	\$85,687.25	\$81,403.00	\$4,284.25	\$0.00	Awaiting funding approval
2021	Sonoita / Elgin	60%	122	\$782,015.00	\$547,373.20	\$78,201.50	\$156,440.30	Awaiting funding approval
2021	Theodore Roosevelt School	90%	140	\$3,091,499.60	\$2,936,924.62	\$154,574.98	\$0.00	Awaiting funding approval
2021	Yuma ESD	80%	9012	\$27,524.13	\$24,771.72	\$2,752.41	\$0.00	Awaiting funding approval
2021	Yuma UHSD - San Luis	80%	11348	\$1,188,567.00	\$1,069,710.30	\$118,856.70	\$0.00	Awaiting funding approval
2021	Yuma UHSD - Somerton	80%	0	\$525,000.00	\$472,500.00	\$52,500.00	\$0.00	Awaiting funding approval

ARIZONA BROADBAND FOR EDUCATION INITIATIVE

With \$3M from the Governor's office and \$8M from the Arizona Corporation Commission (AUSF Fund) this program has been hugely successful and is a model for other states in providing high speed internet access to schools in rural areas.

Made possible by;

Funding for this initiative:

- Governor's Office – Doug Ducey
- Arizona Corporation Commission

Fully Supported by:

- Arizona Department of Administration - Director Andy Tobin
- Arizona Corporation Commission - Commissioner Lea Marquez Peterson
- Arizona State School Superintendent – Kathy Hoffman
- Education SuperHighway
- Apache County School Superintendent – Joy Whiting
- Yavapai County School Superintendent – Tim Carter
- Cochise County School Superintendent – Jacqui Clay
- Gila County School Superintendent – Roy Sandoval
- Navajo County School Superintendent – Jalyn Gerlich
- La Paz County School Superintendent – Dru Wagoner
- Coconino County School Superintendent – Cheryl Mango-Paget
- Santa Cruz County School Superintendent – Alfredo Velasquez
- Yuma County School Superintendent – Tom Tyree
- Mohave County School Superintendent – Mike File

For questions or concerns regarding the “Arizona Broadband for Education Initiative”, contact:

Milan Eaton

State Erate Director for Schools

Milan.eaton@azed.gov

623-332-6357

<http://www.broadband4arizona.com/>



STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: July 8, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Morgan Dorcheus, Senior Fiscal Analyst

SUBJECT: Arizona Department of Health Services - Review of Long Term Care Audit Report

Request

Pursuant to an FY 2021 General Appropriation Act footnote, the Arizona Department of Health Services (DHS) requests Committee review of its Long Term Care Audit Report.

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) In September 2019, the Auditor General published a performance audit that included recommendations for improving DHS investigations of long term care facilities.
- 2) The FY 2021 General Appropriation Act required DHS to report on its progress for implementing audit recommendations.
- 3) DHS reports that since publication of the audit:
 - Staffing for long term care surveyors has decreased due to turnover, from 21 FTE Positions to 16 FTE Positions
 - All investigations for priority "A" complaints were completed on time
 - Policies and procedures for investigations have been updated in accordance with audit recommendations

(Continued)

Analysis

DHS is responsible for regulating long term care facilities in the state. In September 2019, the Auditor General published a DHS performance audit that included recommendations for improvements to the department's policies and procedures for regulating long term care facilities.

Specifically, the audit recommended DHS put policies in place to ensure complaints and self-reports for long term facilities be prioritized, investigated, and resolved in a timely manner, and according to Center for Medicare and Medicaid Services (CMS) guidelines. The audit also recommended that additional staff be allocated to assist in resolving long term care complaints.

The audit's recommendations are based on findings from a sample of 33 complaints and 37 self-reports from 5 long term care facilities, which showed that 42% of complaints were uninvestigated and had been open for between 229 and 851 days, and 65% of self-reports were uninvestigated and open for between 173 and 904 days.

In June 2020, the Auditor General published a follow-up report that found all 5 recommendations related to long term care facility staffing and investigations were in the process of being implemented. Auditors will conduct an 18-month follow-up with the department to determine whether all recommendations are fully implemented.

An FY 2021 General Appropriation Act footnote requires DHS to report to the Committee for review on its progress in implementing audit recommendations, including information regarding staff allocated to conducting long term care investigations since publication of the audit and a summary of the department's changes to investigation timeframes, policies and procedures.

Staffing

In February 2020, DHS reported that there were 21 filled FTE Positions for long term care surveyors. DHS allocated 2 additional surveyors for long term care complaint management after the audit was published. Due to turnover within the department's Licensing Division, DHS reports that there are currently 16 filled FTE Positions for long term care surveyors.

In its response to the September 2019 audit, DHS reported establishing investigation timeframes as recommended would require an additional appropriation of \$3,269,300 and 44 FTE Positions. The department requested this additional funding in its FY 2022 budget request. The Executive Budget included the department's request for an additional \$3,269,300, but assumed this amount would fund 32 FTE Positions. The FY 2022 General Appropriation Act includes an additional \$1,634,700 and 16 FTE Positions from the General Fund for this purpose.

Investigations

During the COVID-19 pandemic, DHS reports that CMS paused a majority of long term care licensing surveys and investigations. Instead, long term care resources were used to conduct infection control surveys and to provide support to long term care facilities to prevent and contain outbreaks.

CMS has continued requirements for conducting investigations for priority "A" complaints, which are complaints that allege an immediate and serious threat to health and safety. CMS requires that investigations for all priority "A" complaints begin within 2 working days of receipt. Since publication of the audit, DHS reports that all priority "A" complaints were completed on-time.

(Continued)

DHS also reports that its policies and procedures for investigating long term care facility complaints have been updated in accordance with audit recommendations, including establishing timeframes for closing investigations and creating management reports to monitor compliance with the established timeframes.

The DHS report did not provide an update on what specific recommendations are still in the process of being implemented. Based on the [Audit Tracker](#) posted on the department's website, 3 of the long term care recommendations are fully implemented and 2 recommendations remain in progress (see *Table 1*).

Table 1

DHS Progress on Implementing Long Term Care Audit Recommendations

<u>Audit Recommendation</u>	<u>Status</u>
Continue to allocate new or reallocate existing staff to prioritize, investigate, and resolve long term care facility complaints and self-reports on a full-time basis.	In Progress
Develop and implement a timeframe for completing investigations and closing long term care facility complaints and self-reports.	Complete
Regularly update its policies and procedures to reflect changes in its current long term care facility complaint and self-report investigation and resolution practices and CMS requirements.	Complete
Develop and implement additional bimonthly management reports to monitor whether and how quickly its long term care facility complaints and self-reports are being prioritized, investigated, and resolved.	Complete
Ensure that any complaints and self-reports that are investigated during an annual survey or outside of the annual survey are initiated and investigated according to the timeframes required by the assigned priority level.	In Progress

MD:kp



ARIZONA DEPARTMENT OF HEALTH SERVICES



Long Term Care Audit Report

Pursuant to Laws 2020, Chapter 58

June 4, 2021

Pursuant to Laws 2020, Chapter 58, the Arizona Department of Health Services (Department) is providing the following report on the progress of the Department's implementation of the Auditor General's recommendations contained in the Auditor General's September 2019 report.

The Department continues to work with the Auditor General during the subsequent follow-up periods to resolve any outstanding questions or issues related to the report and recommendations by the Auditor General.

Below are the relevant reporting requirements and responses.

Long Term Care Staffing Initiatives

The Department allocated two additional federal/state surveyors positions to the Bureau of Long Term Care in order to provide additional resources for complaint management in 2019. However, due to turnover within the bureau, ADHS currently has 5 surveyor vacant positions and 16 filled positions. ADHS continues efforts to recruit additional surveyors.

Additionally, the Executive Budget for FY22 contains additional funding and positions to add 27 LTC surveyors to facilitate the timely investigations of complaints in facilities. If adopted, ADHS will begin hiring and training additional surveyors for complaints and compliance surveys.

Investigation Activity Summary

Due to the COVID-19 Pandemic, nearly all licensing/recertification surveys, as well as complaint and self-report investigations were paused by CMS on March 13, 2020 (see CMS QSO-20-20 Prioritization of Survey Activities Memo). CMS instead directed resources toward conducting specialized infection control surveys and facility support for the

Douglas A. Ducey | Governor Cara M. Christ, MD, MS | Director

Auditor General Report Update

June 4, 2021

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remainder of 2020 and into the first quarter of 2021. From April 2020 to March 2021, ADHS completed over 550 Focus Infection Control Surveys related directly to the COVID-19 pandemic in the state's licensed skilled nursing facilities with a 100% on-time record. During the pandemic, ADHS, when compared to peer states, spent more time at the facility and discovered more violations related to infection control as a result of these significant efforts.

Arizona was successful in meeting a 100% response time in large part due to the long-established coordination with local public health, ADHS's infectious disease experts, and facility administrators to provide a complete approach to stop outbreaks and correct deficiencies at facilities that contribute to COVID-19 spread.

In Arizona, when an outbreak is reported through the state's electronic lab reporting systems and data, local county health departments contact the facility and provide guidance and gain situational awareness to determine facility needs and gaps in resources and practices.

This process occurs in real-time and immediately, and oftentimes before CMS notifies the state survey agency (SSA) of an outbreak in the facility. This rapid response and partnership have been critical to containing outbreaks in LTC facilities in Arizona over the last year.

Additionally, the Arizona Department of Health Services Healthcare Acquired Infection (HAI) Program also contacts the facility and conducts an infection control and response (ICAR) CDC survey either on-site with the facility or telephonically, again, often before CMS notifies the state survey agency of an outbreak. However, this early notification and coordination with the state survey agency have directly led to Arizona's 100% on-time survey response rate, as the state survey agency deploys surveyors to the facility as soon as possible to conduct SSA activities based on coordination with in-state partners.

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Over the last year, while CMS suspended most types of surveys, CMS still mandated that priority “A” complaints and complaints that may result in immediate jeopardy be investigated. ADHS continued to investigate these complaints within the 2 day timeframe mandated by CMS and state policy. All immediate jeopardy complaints and self-reports that were received during this time were completed on-time according to state and CMS policy requirements.

Policy Updates

ADHS has developed and updated various policies and procedures to align with the Auditor General’s recommendations including establishing time frames for completing investigations and closing long-term care complaints and self-reports. In order to assure implementation, ADHS has created multiple management reports to facilitate proper monitoring and compliance with the policy and to ensure that investigated complaints and self-reports are completed and closed timely. ADHS continues to refine these reports as part of the bureau’s ongoing effort of continuous improvement.

ADHS has recently revised inspection policies in March 2021 to align with federal requirements and to improve internal processes in an ongoing effort to improve performance and close any identified gaps to improve accountability.

As part of this effort, ADHS has developed bimonthly reports regarding complaint management that are updated daily and checked by the healthcare compliance manager (HCM) on a bi-weekly basis. Any complaints that contain missing due dates, complaints missing priority assignment, and any open complaints whose investigations are complete, are reviewed and resolved. There are currently zero complaints with missing due dates, zero complaints with a missing priority and zero open complaints with a closed investigation.

To further enhance these efforts, ADHS is developing extensive dashboards to support the survey and certification processes. Once complete, the complaint dashboard will replace current reporting processes and will allow ADHS to more easily identify and address quality issues, streamline the process for tracking and processing open complaints, and

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track volume and timeframes for closed complaints in order to rapidly set measurable goals in order to continually improve performance. ADHS anticipates the enhanced dashboard will be complete by September 2021.

ADHS will continue to work with the Auditor General to clarify and improve processes as a result of the audit in 2019. Please direct any questions regarding this report to Colby Bower at colby.bower@azdhs.gov or 602-542-6383.

Cc: The Honorable David Gowan, Arizona Senate
Richard Stavneak, Joint Legislative Budget Committee
Christina Corieri, Senior Policy Advisor, Office of the Governor

Douglas A. Ducey | Governor Cara M. Christ, MD, MS | Director



STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: July 8, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Jordan Johnston, Fiscal Analyst

SUBJECT: Department of Public Safety - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount

Request

Pursuant to A.R.S. § 41-1724G and A.R.S. § 41-1724H, the Arizona Department of Public Safety (DPS) is required to submit for Committee review the entire FY 2022 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expending any monies. The Subaccount is funded primarily from a \$4.00 surcharge on criminal violations.

DPS has submitted for review its proposal to distribute \$1,361,600 of the \$2,411,600 FY 2022 appropriation from the Subaccount to continue to fund 3 existing programs: Detention Liaison Officers Program (\$463,900), Border County Officers Program (\$547,700), and Pima County Border Crimes Unit (\$350,000). DPS plans to submit to the Committee an allocation plan for the Border Security and Law Enforcement Grants (\$1,050,000) for review at a later date this year.

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. DPS shall report to the Committee prior to implementing any changes to the proposed FY 2022 allocation of the grants (*see Table 1*).

(Continued)

Key Points

- 1) DPS is requesting review of \$1.4 million of its \$2.4 million GIITEM Subaccount appropriation.
- 2) DPS proposes continuing to fund 3 existing programs:
 - Detention Liaison Officers Program (\$463,900), 3 jurisdictions
 - Border County Officers Program (\$547,700), 4 jurisdictions
 - Pima County Border Crimes Unit (\$350,000)
- 3) DPS will submit to the Committee for review at a later date an allocation plan for the Border Security and Law Enforcement Grants (\$1.05 million).
- 4) DPS indicates the participation of the agencies is subject to change based on the jurisdictions' willingness to meet the requirements of the program.

Analysis

Pursuant to A.R.S. § 12-116.04, the GIITEM Border Security and Law Enforcement Subaccount receives revenues from a \$4.00 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.

The subaccount monies are distributed by DPS to county sheriffs and other local law enforcement agencies to fund border security programs, personnel, and equipment. The proposed DPS expenditure plan would allocate the entire FY 2022 GIITEM Border Security and Law Enforcement Subaccount appropriation to 4 existing programs. They are currently requesting review of the following 3:

Detention Liaison Officers Program - \$463,900 to fund detention and correctional officers that serve within jails and state prisons to gather intelligence from inmates about illegal activities along the border. This is an increase of \$7,100 from the amount the Committee reviewed in FY 2021. The FY 2022 plan proposes to fund detention officers in Cochise and Pima Counties and correctional officers/investigators in the Department of Corrections.

Pinal and Santa Cruz Counties have expressed interest in re-joining the program but are unable to commit the personnel and funding necessary at this time. Recipients of the funding pay 25% of the payroll costs of the positions. Because the Detention Liaison Officers Program is dependent on local governments providing the 25% match, the department has indicated it may shift funding between recipients as circumstances dictate.

Border County Officers Program - \$547,700 to hire county sheriff deputies and municipal police officers that work as part of the GIITEM Task Force's Border District investigating border-related crimes such as drug trafficking and human smuggling. This is an increase of \$8,400 from the amount the Committee reviewed in FY 2021. The FY 2022 plan proposes to fund officers and deputies in the Oro Valley Police Department, Coolidge Police Department, Eloy Police Department, and Cochise County Sheriff's Office. The Yuma County Sheriff's Office, which participated in the Border County Officers Program in FY 2021, recently pulled out of the program due to staffing shortages. Recipients of the funding pay 25% of the payroll costs of the positions.

Pima County Border Crimes Unit - \$350,000 to fund a portion of the costs of 10 Pima County Sheriff's deputies that focus exclusively on border-related crimes. This allocation is the same as the amount reviewed by the Committee in FY 2021.

(Continued)

Table 1 below provides the full FY 2021 expenditure plan reviewed by the Committee and the proposed FY 2022 plan. The department has stated that the participation of the agencies is subject to change based on the jurisdictions' willingness to meet the requirements of the program.

Table 1			
DPS Expenditure Plan – GIITEM Subaccount			
	FY 2021 Reviewed Allocation	FY 2021 Projected Allocation ^{1/}	FY 2022 Proposed Allocation ^{2/}
<u>Detention Liaison Officers Program</u>			
Cochise County Sheriff's Office	\$ 65,300	\$ 43,700	\$ 66,300
Pima County Sheriff's Office	130,500	104,300	132,500
Department of Corrections	<u>261,000</u>	<u>188,700</u>	<u>265,100</u>
Subtotal	\$456,800	\$336,700	\$463,900
<u>Border County Officers Program</u>			
Cochise County Sheriff's Office	\$ 231,300	\$ 234,100	\$ 234,700
Coolidge Police Department	77,000	71,600	78,300
Eloy Police Department	77,000	51,400	78,300
Oro Valley Police Department	77,000	44,500	78,300
Yuma County Sheriff's Office	77,000	41,700	-
Unallocated ^{3/}	-	-	<u>78,100</u>
Subtotal	\$539,300	\$443,300	\$547,700
<u>Pima County Border Crimes Unit</u>	\$350,000	\$350,000	\$350,000
<u>Border Security and Law Enforcement Grants</u>			
Cochise County Sheriff's Office	\$ 250,000	\$ 250,000	-
Graham County Sheriff's Office	100,000	-	-
Greenlee County Sheriff's Office	100,000	100,000	-
La Paz County Sheriff's Office	100,000	100,000	-
Santa Cruz County Sheriff's Office	250,000	250,000	-
Yuma County Sheriff's Office	250,000	250,000	-
Unallocated ^{4/}	-	-	<u>\$1,050,000</u>
Subtotal	\$1,050,000	\$950,000	\$1,050,000
Total	\$2,396,100	\$2,080,000	\$2,411,600
^{1/} Represents actual FY 2021 allocation from the subaccount through June 1, 2021, plus projections through June 30, 2021. ^{2/} Represents estimated new proposed FY 2022 allocation from the subaccount. ^{3/} The department stated they are unable to estimate precise allocations by agency due to variations in assignment of personnel. ^{4/} DPS will submit an expenditure plan to the Committee for the Border Security and Law Enforcement Grants FY 2022 allocation at a later date.			

Border Security and Law Enforcement Grants - The department plans to work with the Arizona Sheriff's Association (ASA) to determine how the Border Security and Law Enforcement Grants will be distributed. DPS has allocated \$1,050,000 for this program. This total allocation amount is unchanged from FY 2021. DPS will submit an expenditure plan for this allocation to the Committee for review at a later date.

JJ:kp



ARIZONA DEPARTMENT OF PUBLIC SAFETY

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"Courteous Vigilance"

DOUGLAS A. DUCEY **HESTON SILBERT**
Governor Director

June 8, 2021

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



Dear Representative Cobb:

Pursuant to A.R.S. § 41-1724(H), the Department of Public Safety is submitting its FY 2022 expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount (Subaccount) to the Joint Legislative Budget Committee for review.

The FY 2022 General Appropriations Act appropriates \$2,411,600 from the Subaccount to DPS. Pursuant to A.R.S. § 41-1724, "...monies in the subaccount shall be used for law enforcement purposes related to border security, including border personnel". The monies may also be used for "...safety equipment that is worn or used by a peace officer who is employed by a county sheriff."

DPS intends to continue funding the four existing programs that have previously been given a favorable review by the JLBC. The Department's overall FY 2022 expenditure plan is as follows:

Detention Liaison Officer Program	\$463,900
Border County Officers	547,700
Border Crimes Unit	350,000
Border Security and Law Enforcement Grants	1,050,000
TOTAL	\$2,411,600

The above expenditure plan is substantially similar to the FY 2021 plan.

Detention Liaison Officer Program

The Detention Liaison Officer (DLO) Program provides funding for detention and correctional officers in southern Arizona jails and prisons. The concept of the program is to utilize these specially trained officers to glean as much intelligence as possible from detainees and inmates about activities related to border crimes. Information gathered by these officers is fed into DPS-managed databases (e.g., GangNet) and shared among law enforcement agencies throughout the State.

The program currently funds a total of seven detention/correctional officers in Cochise (1) and Pima (2) Counties, and in southern Arizona prisons operated by the Department of Corrections, Rehabilitation, and Reentry (4). Santa Cruz and Pinal Counties, who have participated in the past, have expressed an interest in re-joining the program but are unable to commit personnel and funding at this time. If one or both of these counties are able to join, DPS is interesting in having them do so, pending the availability of funds.

Representative Cobb
June 8, 2021

At any given time, the agencies participating in the DLO Program may shift based on jurisdictions' ability and willingness to participate and on program budget constraints. The Department wishes to retain the ability to move modest amounts of money between the DLO and Border County Officer Program, as circumstances dictate. DPS has allocated \$463,900 for the DLO Program in FY 2022. Local agencies pay 25% of the payroll costs of their positions. The DLO Program was first reviewed by the JLBC in August 2007.

Border County Officers

The Border County Officers Program provides funding for county sheriff deputies and municipal police officers who work as part of the GITEM Task Force's Southern District. The district investigates border crimes and disrupts criminal organizations involved in drug trafficking, human smuggling, and other border-related crimes.

The program currently funds a total of six officer and deputy positions with the Oro Valley (1), Eloy (1), and Coolidge (1) Police Departments and with the Cochise County Sheriff's Office (3). The Yuma Police Department recently pulled out of the program due to staffing shortages. The Department is in the process of identifying a replacement agency for Yuma and has included this seventh position in the budget. As referenced in the DLO Program discussion, DPS wishes to retain the ability to move modest amounts of money between the DLO and Border County Officer Programs, as circumstances dictate.

At any given time, the agencies participating in the program may shift based on jurisdictions' ability and willingness to participate and on program budget constraints. DPS has allocated \$547,700 for the program in FY 2022. Local agencies pay 25% of the payroll costs of their positions. The Border County Officers Program was first reviewed by JLBC in August 2007.

Border Crimes Unit

Subaccount monies fund a portion of the costs of 10 deputies from the Pima County Sheriff's Department who operate as part of the Border Crimes Unit. The BCU works in cooperation with GITEM and conducts interdiction efforts in remote areas of Pima County.

DPS has allocated \$350,000 for the project in FY 2022. Pima County pays for all costs above the \$350,000 level. The Pima County portion exceeds 25% of the payroll costs for the 10 positions. The BCU was first reviewed by JLBC in August 2007.

Border Security and Law Enforcement Grants

In recent years, DPS has conferred with the Arizona Sheriffs' Association (ASA) on the distribution of the Border Security and Law Enforcement Grants. We have contacted the ASA about the FY 2022 distribution plan but have not reached a resolution. For historical perspective, the following table shows the FY 2020 and FY 2021 allocations of these monies:

Representative Cobb
June 8, 2021

County Sheriff	FY20 Allocations	FY21 Allocations	FY22 Plan
Apache	\$0	\$0	TBD
Cochise	250,000	250,000	TBD
Coconino	0	0	TBD
Gila	0	0	TBD
Graham	100,000	100,000	TBD
Greenlee	100,000	100,000	TBD
La Paz	100,000	100,000	TBD
Maricopa	0	0	TBD
Mohave	0	0	TBD
Navajo	0	0	TBD
Pima ^{1/}	0	0	TBD
Pinal ^{2/}	0	0	TBD
Santa Cruz	250,000	250,000	TBD
Yavapai	0	0	TBD
Yuma	250,000	250,000	TBD
TOTAL	\$1,050,000	\$1,050,000	\$1,050,000

^{1/} Per the submitted distribution plan, DPS intends to reimburse the Pima County Sheriff's Department an additional \$350,000 for eligible Border Crimes Unit costs

^{2/} The Pinal County Sheriff's Office has been allocated an additional \$500,000 in FY 2017 through FY 2022 from the GIITEM Fund pursuant to A.R.S. § 41-1724.

DPS will present a grant allocation plan to the JLBC for review at a future meeting. We anticipate the plan will be finalized over the summer. The "delay" in reviewing the grant allocations should have no effect on the receiving counties operations, as the allocations are typically made in October (50%) and April (50%) due to cash flow limitations of the GIITEM Subaccount.

Grant recipient agencies may use the funding for any purpose consistent with statute. As required by statute, in order to receive the funding, recipient agencies must certify each fiscal year to the DPS Director that the agency is complying with A.R.S. §11-1051 to the fullest extent of the law. If one or more sheriffs' offices do not accept the funding, DPS intends to prorate unobligated amounts over those agencies that do accept the grants.

If you have any questions, please contact Phil Case, DPS Budget Director, at 602-223-2463 or pcase@azdps.gov.

Sincerely,



Heston Silbert, Colonel
Director

C: Senator David M. Gowan, Vice-Chairman
Matthew Gress, OSPB Director
Richard Stavneak, JLBC Director



STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: July 8, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Jeremy Gunderson, Senior Fiscal Analyst

SUBJECT: Department of Revenue - Review of Progress Report on Transaction Privilege Tax Administration and Enforcement Audit Report

Request

Pursuant to an FY 2021 General Appropriation Act footnote, the Department of Revenue (DOR) has submitted for Committee review its report on the implementation progress of the recommendations included in the Office of Auditor General's (OAG) March 2019 report on Transaction Privilege Tax (TPT) administration and enforcement.

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) The FY 2021 budget required DOR to submit a progress report on the implementation of the OAG's 32 recommendations on TPT administration and enforcement.
- 2) OAG 18-month follow-up report included 14 recommendations in progress and 8 recommendations not complete.
- 3) DOR intends to complete some of the recommendations currently classified as "Not Implemented" by replacing the department's tax system.

(Continued)

Analysis

Background

In March 2019 OAG released an audit report regarding DOR's TPT administration and audit work. The report concluded that DOR must improve in several areas related to TPT administration, particularly in TPT licensing and data controls. For example, the report recommended that DOR improve its program to determine if businesses operating within the state have active TPT licenses after OAG staff determined 7 of the 30 businesses reviewed did not have an active TPT license.

The report also recommended DOR improve data controls in its filing system after OAG staff discovered 15 of 24 active TPT licenses reviewed contained data errors, which can limit DOR's ability to perform audit and collections work. Additionally, the staff also determined limitations in the data controls cause some filing errors to go unnoticed. As a result, the OAG staff identified possible underreporting or misreporting of TPT revenue in 20 of the 24 active businesses reviewed.

In all, the report included 32 recommendations for improvement within 9 key findings.

Progress Report

In January 2021, OAG released an 18-month follow-up report to the March 2019 report, which indicated that DOR has implemented or partially implemented 10 of the 32 recommendations, is in progress on 14 recommendations and has not implemented 8 recommendations.

A footnote in the FY 2021 General Appropriation Act requires DOR to report on the progress of implementing the recommendations included in OAG's March 2019 report, including the department's efforts to reduce the risk of underreporting and misreporting TPT.

DOR's progress report includes summaries of implementation for all 32 recommendations. Some of these include:

- Contracting with a third-party vendor to provide a list of operating businesses to compare against department records of licensed businesses. DOR reported 1,415 businesses were brought into compliance in FY 2020 (OAG follow-up report noted 846 businesses were brought into compliance in FY 2020).
- Providing list of nonfilers to cities and towns to check if businesses are still operating before cancelling TPT licenses.
- Amending the tax system to create address standardization controls for all new addresses. This IT project is expected to be complete by June 2021.
- Comparing business locations on filed TPT returns to locations included on the businesses' license profile. DOR reported that this report identified \$0.4 million in misreported TPT by 180 taxpayers since November 2019.
- Correcting 48,500 previously incorrect mailing addresses in FY 2020 in preparation to merge data to a new tax system.
- Amending department procedures to require staff to contact taxpayers before making changes to TPT returns.
- Requesting cities and towns review a portion of TPT refund requests so DOR audit staff can perform more TPT audits. However, DOR only completed 87 TPT audits, falling short of its initial goal of 193 and its amended goal of 133 audits.

(Continued)

Of the 8 recommendations that are labeled as "Not Implemented" in the January 2021 OAG report, 5 are related to deficiencies in DOR's primary IT tax system. DOR has indicated that some recommendations would be too costly and take too much time to complete. Instead, DOR plans to replace its primary tax system, which the department says will also correct these lingering IT control issues. According to OAG's January 2021 follow-up report, DOR has completed a feasibility study and intends to replace the tax system between FY 2023 and FY 2027 (pending funding approval from the Executive and the Legislature). The 5 "Not Implemented" recommendations related to the IT system deficiencies include:

- Look for ways to automate manual process to standardize addresses in the IT system.
- Evaluate whether additional suspense rules, or IT logic tests, are required to prevent misreporting and underreporting TPT.
- Streamline or automate the manual process for adjusting and tracking cities/towns TPT distributions.

In 2 of the 5 "Not Implemented" recommendations DOR's report included additional project work:

- Develop a plan to reduce the risk of misreporting and underreporting TPT through data analysis.
 - DOR created a program that includes desk billings based on misfiled business codes using a comparison of addresses in the filed return versus the address in the TPT profile. DOR reported the program generated \$437,393 from 180 taxpayers since November 2019.
- Enforce the mandatory electronic filing requirement on property management companies.
 - DOR began the early stages of a project to address bulk filing for property management companies.

The other 3 "Not Implemented" recommendations associated with systems other than DOR's IT system include:

- Develop and implement targeted information campaigns to ensure accurate TPT license information.
 - DOR created an information campaign from June to December 2020 and intends to use the information gathered from non-delivery post office returns to analyze how effective the information campaign was and how to better target a new campaign.
- Evaluate department policy for processing paper-filed returns from property management companies to prevent misapplied taxes to property owners filed by the same property management company.
 - DOR revised the process so that staff contact property management companies if tax payment does not match the liability indicated on the return so that payments are accurately applied.
- DOR should collaborate with cities and towns to establish processes to determine when liens are most advantageous and to allow cities to help pay for liens they request.
 - DOR has not implemented this recommendation due to the low number of cities that expressed interest.

JG:kp



Memorandum

DATE: April 14, 2021

TO: Jeremy Gunderson
Senior Fiscal Analyst
Joint Legislative Budget Committee

FROM: Mike Devine
Chief Internal Auditor
Arizona Department of Revenue

SUBJECT: Reporting Footnote - OAG Audit Progress

Mr. Gunderson,

As required by Laws 2020, Chapter 58, Section 8, the Arizona Department of Revenue (Department) submits the following report on the progress of the Department's implementation of the 32 recommendations included in the Auditor General's March 2019 report regarding transaction privilege tax administration and enforcement.

- 1. The Department should continue implementing its new license-compliance program, including its plans to use information provided by cities and towns and data analytics to identify and license unlicensed businesses to meet its goals.**

In October 2018, the Department began requesting information from cities and towns regarding businesses that had obtained a city business permit within their jurisdiction, and developed an automated process to compare the information provided against businesses with TPT licenses. However, due to inconsistencies and outdated information provided by the cities/towns, in addition to the fact that few jurisdictions provided data at all, the Department determined that this source was an inefficient means to identify unlicensed businesses. To address this, the Department began using a third-party tool (Infogroup) that generates lists of operating businesses that department staff use to identify and license unlicensed businesses. In fiscal year 2020, the Department brought 1,415 businesses into compliance.



- 2. The Department should review the effectiveness of its new license-compliance program and make improvements as needed.**

In the spirit of continuous improvement, the Department continually reviews the effectiveness of the license-compliance program and makes improvements as needed. For example, see the explanation for recommendation #1 above.

- 3. The Department should improve the nonfiler license-cancellation notice to include language explaining statutory TPT licensing and filing requirements, informing the taxpayer of late-filing and late-payment penalties, requiring the taxpayer to inform the Department whether the business is operating or not, and informing the taxpayer to take action to resolve instances of noncompliance with TPT filing requirements.**

In October 2020, the Department updated the TPT license-cancellation notice to include language informing the taxpayer of statutory TPT licensing and filing requirements and late-filing and late-payment penalties. The Department plans to use this updated TPT license-cancellation notice during the next nonfiler program campaign, which will occur between September and October 2021.

- 4. The Department should develop and implement a process to verify businesses' statuses prior to canceling licenses through its nonfiler program, such as through continued and/or expanded collaboration with cities and towns or through its new license-compliance program.**

Beginning in 2020, the Department's Cities Unit now shares an SFTP file with all cities and towns that includes TPT nonfilers that are scheduled to have their licenses canceled. The cities and towns are given one month to review the file and provide feedback prior to license cancellation. However, it is incumbent on the cities and towns to participate in this program.

- 5. The Department should implement its plan to add address-standardization controls to AZTaxes.gov and add these controls to its tax system.**

The Department has finalized the business requirements necessary for its AZTaxes.gov address-standardization controls project and plans to complete this project and implement the necessary tax system programming changes by June 2021. These programming changes will include developing an address validation and standardization process for new addresses as well as a process for taxpayers to correct their address based on a notification from the



Department that the United States Postal Service had returned mail because of an incorrect address.

- 6. The Department should identify and analyze trends in taxpayer behavior that contribute to inaccurate address information and develop and implement a targeted taxpayer education campaign to address the behavior.**

Based on staff knowledge and experience, the Department identified taxpayers failing to update their addresses as the primary contributor to inaccurate address information, and created an education campaign intended to inform taxpayers about the importance of address accuracy and remind them to keep their address information up to date. The Department's education campaign was conducted from June to December 2020 and included emails, information in the monthly TPT e-newsletter, reminders on the Department's website, and social media posts. The Department plans to analyze post office return data to determine the campaign's impact on the amount of undeliverable mail the Department receives and look for additional opportunities to educate taxpayers on the importance of accurate addresses.

- 7. Until it implements its plan to add address-standardization controls to AZTaxes.gov and its tax system, the Department should review the effectiveness of its manual process to review newly issued licenses and work with Department IT staff to look for ways to automate this process.**

While working to implement address standardization controls (see recommendation #6 above), the Department held multiple brainstorming sessions to identify potential ways to automate the new license review process. However, the Department determined that any potential IT-related changes would be overly taxing on the Department's limited IT resources, and would require other, more mission-critical IT projects to be placed on hold. Given the progress of the address standardization project, the Department determined that focusing on ensuring that the proposed new tax system will include features that will help to reduce or eliminate the types of errors identified by the Auditor General's Office.

- 8. Evaluate whether additional IT controls in its suspense-rule process could be implemented to reduce the risk of misreported or underreported TPT, implement any identified additional IT controls, and assess the effectiveness of its efforts.**

The Department initiated a project in December 2019 to evaluate whether additional IT controls in its suspense-rule process could be implemented to reduce the risk of misreported or



underreported TPT and developed ideas for new controls for the suspense-rule process. However, in assessing the feasibility of implementing these controls the Department determined that adding additional suspense rules would significantly increase the workload on the Department's limited staff resources. Additionally, the Department determined that any potential IT-related changes would be overly taxing on the Department's limited IT resources, and would require other, more mission-critical IT projects to be placed on hold. As such, the Department has determined to focus on maintaining and ultimately replacing the tax system. The Department completed a feasibility study for replacing the tax system in July 2020. The Department will reassess this finding in the event that the tax system replacement is not approved to move forward in August 2021.

- 9. The Department should analyze its return-processing procedure, develop and implement a plan to reduce the risk of misreported or underreported TPT through data analysis, and assess the effectiveness of its efforts.**

In November 2019, the Department developed a report that compares the business locations reported on filed TPT returns with those in the taxpayer's TPT location profile to identify misreported or underreported TPT. A program was created with the Outreach District to select accounts to perform desk billings on taxpayers with misfiled business codes. To date, this program has generated \$437,393 in additional tax payments from 180 taxpayers.

- 10. The Department should develop and implement a plan to identify and address errors in its tax system licensing information and assess the effectiveness of its data-cleanup efforts.**

The Department has taken steps to address errors in the tax system licensing information as part of ongoing efforts to help ensure we have accurate data when we replace the tax system. For example, in fiscal year 2020, the Department corrected over 48,500 mailing addresses and validated over 5,800 region and location codes associated with taxpayers' licenses. Additionally, the Department worked with the Arizona Department of Administration—Arizona Strategic Enterprise Technology Office to evaluate our data management capabilities and identified areas for improvement, including improving data quality and the processes for correcting erroneous data. For example, this evaluation recommended that the Department conduct periodic data-quality assessments and establish a formal data-cleansing policy to correct inaccurate data. The Department plans to address all the recommendations identified as part of this assessment between calendar years 2021 and 2025.



- 11. The Department should develop and implement a plan to increase TPT taxpayer use of AZTaxes.gov for TPT license applications and enforce statutory requirements for electronic TPT return filing in conjunction with Recommendation 19 in Finding 7.**

The Department has developed and implemented new templates reflecting the threshold for mandatory electronic TPT return filing, as well as instructions for how to register and pay on AZTaxes. These templates are mailed annually to all taxpayers whose accounts meet the online file/pay requirements and indicators as marked on their profile within the Department's tax system. In addition, the Department has produced and published several tutorial videos to YouTube providing TPT taxpayers with updated instructions related to TPT filing requirements, as well as how-to videos providing instructions on the process for doing so. Tutorials include "Filing a Transaction Privilege Tax Return", "Filing an Electronic Transaction Privilege Tax Return with Multiple Line Items", and "TPT License Renewal". **The Auditor General's Office identified this recommendation as implemented in February 2020.**

- 12. The Department should develop and implement targeted taxpayer education campaigns to help ensure accurate TPT license information in conjunction with Recommendation 6.**

As mentioned in the explanation for recommendation #6 above, the Department conducted a taxpayer education campaign to help address the primary reason identified for inaccurate license information, being taxpayers failing to update their addresses with the Department. As the Department analyzes incoming data on post office returns to assess the effectiveness of the campaign, we will also attempt to identify any specific factors that might lend themselves to a more targeted education campaign.

- 13. The Department should consult with its legal counsel and determine its statutory authority to make changes to information recorded in its tax system from taxpayers' TPT returns.**

The Department, in consultation with our Chief Legal Counsel, determined that we do not have the authority to make substantive changes to information recorded in the tax system from taxpayers' TPT returns. As a result, we have revised our policies and procedures to clearly identify circumstances in which staff should contact taxpayers before making changes to TPT returns. **The Auditor General's Office identified this recommendation as implemented in February 2020.**



- 14. The Department should develop and implement written policies and procedures that require error-resolution staff to (1) consult with taxpayers prior to making changes to TPT return information in its tax system when the information necessary to process the return is not available in the tax system, (2) document communication or attempted communication with taxpayers in these situations, and (3) document the reasons when changes are made in the tax system.**

The Department has modified processes to require error resolution staff to consult with taxpayers prior to making changes to TPT return information in the tax system, document communication or attempted communication with taxpayers in these situations, and document the reasons when changes are made in the tax system. **The Auditor General's Office identified this recommendation as implemented in February 2020.**

- 15. The Department should develop and implement written policies and procedures for its error-resolution quality control process that specify how often reviews should occur, how many returns per staff person should be reviewed, what should be reviewed, if the information should be verified with the taxpayer, the time frames for addressing any errors identified through reviews, and who is responsible for performing and overseeing the error-resolution quality control process.**

The Department has developed and implemented written procedures for the error-resolution quality control process that specify how often reviews should occur, how many returns per staff person should be reviewed, what should be reviewed, whether the information should be verified with the taxpayer, the time frames for addressing any errors identified through reviews, and who is responsible for performing and overseeing the error-resolution quality control process.

- 16. The Department should resolve IT programming issues for TPT tax correction notices to ensure they are accurate and timely.**

In January 2020, the Department initiated a project to review the information and text content included in all taxpayer correspondence, including the 3 types of TPT tax correction notices that are sent to taxpayers, to ensure the correspondence is clear, concise, and accurate. According to the project timeline, the revised underpaid TPT tax correction notice template will be implemented in 2021, after which project schedules will be established for the remaining 2 TPT tax correction notice templates.



- 17. The Department should improve text content to ensure that TPT tax correction notices provide appropriate taxpayer instruction for all types of TPT errors, overpayments, and underpayments.**

Please see explanation for recommendation #16 above.

- 18. Evaluate its TPT tax correction notice quality review policy to identify and implement improvements to ensure the policy is effective in identifying and resolving inaccurate or confusing information on TPT tax correction notices, such as specifying how often reviews should occur, how staff should review the content and calculations on the notices, how staff should track notices that are reviewed and the errors identified, how the identified errors are resolved, and who is responsible for overseeing the review process.**

As of February 2020, the Department implemented a new tax correction notice review process that specifies how often reviews should occur, how staff should review the content and calculations on the notices, how staff should track notices that are reviewed and the errors identified, how the identified errors are resolved, and who is responsible for overseeing the review process. Results of these reviews are documented in a spreadsheet that is regularly reviewed by supervisors.

- 19. The Department should implement and annually update the necessary tax system programming changes to enforce the statutory TPT e-filing requirements included in Laws 2017, Ch. 60, §15.**

The Department implemented the necessary tax system programming changes to enforce statutory TPT e-filing requirements in Laws 2017, Ch.60, §15. The Auditor General's Office identified this recommendation as implemented in January 2021.

- 20. The Department should enforce statutory e-filing requirements included in Laws 2016, Ch. 208, §11, to help ensure accurate filing by property management companies on behalf of residential rental property owners.**

The Department continues to engage property management companies (PMCs) in discussions concerning ways to improve the TPT bulk e-filing process. Through this dialogue, PMCs have reported that the bulk file upload tool developed by the Department is cumbersome and not user friendly. In response to this feedback, the Department initiated a project in March 2021



aimed at improving the process for PMC bulk filing. We are currently working to identify specific project goals in order to begin gathering requirements and establishing timelines and milestones for the project.

- 21. While it works to implement its enforcement strategy, the Department should evaluate and implement changes to its policy for processing paper-filed TPT returns from property management companies to ensure taxpayer payments are applied correctly and the taxpayer is educated on statutory filing requirements.**

The Department has revised the process for processing paper-filed TPT returns from property management companies to help ensure that payments are correctly applied. Specifically, Department standard work specifies that staff must contact a property management company directly if payment amounts do not match return amounts to determine the reason for the mismatch and where to apply the shortage or overage; and to provide education on the statutory filing requirements.

- 22. The Department should complete the necessary tax system programming changes to enforce late-filing penalties required by Laws 2017, Ch. 60, §3.**

The Department implemented the necessary code changes in December, 2019. The Auditor General's Office identified this recommendation as implemented in February 2020.

- 23. The Department should consult with its legal counsel to determine if the Department should retroactively assess the correct TPT late filing penalty for late filings where the penalty was not correctly assessed since August 2017.**

The Department conducted a cost-benefit analysis and, in conjunction with our legal counsel, determined that the costs of retroactively assessing the correct TPT late filing penalty mentioned in the recommendation would outweigh the benefits, and would not be beneficial to the State. Specifically, the average amount that would have been billed for these back penalties is \$70 per period for non-filers and \$42 per period for taxpayers who filed late.

- 24. The Department should identify and implement opportunities to streamline or automate the Department's process for manually adjusting and tracking city/town TPT distributions to help reduce the risk of process errors, where possible.**



Although the Department has implemented changes to the city/town TPT distribution process to streamline and reduce the risk of process errors, we have determined that any potential IT-related changes to automate the process would be overly taxing on the Department's limited IT resources, and would require other, more mission-critical IT projects to be placed on hold. As such, the Department has determined to focus on maintaining and ultimately replacing the tax system. The Department completed a feasibility study for replacing the tax system in 2020.

25. The Department should complete its IT project to address the 39 scenarios affecting city/town TPT distributions.

In 2016, the Department identified 39 scenarios in the tax system affecting the accuracy of city/town TPT distributions and established a plan to address all 39 scenarios. Since then, the Department has added 6 additional scenarios to the project, bringing the total number to 45 scenarios. As of August 2020, the Department has completed work on 19 scenarios and is in the process of either completing or planning work for the other 26 scenarios. The Department does not have an expected completion date for this project as resources are continuously added and removed from this project based on the prioritization of other IT projects.

26. The Department should continue to implement its plans to increase the number of TPT audits it performs and reduce the amount of time TPT audit staff spend on nonaudit tasks.

The Department set a goal to complete 193 TPT audits during fiscal year 2020 and adjusted this goal to 133 audits mid-year in response to changing circumstances; however, the Department was only able to complete 87 audits, which resulted in approximately \$15.5 million in assessed taxes. The Department did not meet its goal because of an influx of TPT refund requests, staff turnover, and delays related to the COVID-19 pandemic.

Specifically, the Department's TPT audit team also reviews TPT refund requests, which requires the same skillset as performing audits and consumes a significant portion of TPT audit resources. The number of TPT refund requests the Department annually reviews has increased from 264 in fiscal year 2017 to 515 in fiscal year 2020, resulting in more time performing these reviews and less time available for performing TPT audits.

To address the increasing number of TPT refund requests and reduce the amount of time Department TPT auditors spend on this task, the Department collaborated with cities and towns to assign some refund request reviews to city/town auditors. In fiscal year 2020, cities and



towns reviewed and completed 38 of the 515 total TPT refund requests. Department TPT auditors and city/town auditors denied \$83 million, or 71 percent, of requested TPT refunds in fiscal year 2020.

The Department's efforts to assign more TPT refund request reviews to the cities and towns were hindered by IT and staffing challenges. The Department met with the cities and towns to discuss these challenges and is continuing to collaborate with them to perform additional refund request reviews. For example, in October 2020, the Department asked cities and towns to submit information on the number of TPT audits and refunds the city/town would be willing to review in the future.

- 27. The Department should discuss opportunities to leverage available audit resources with cities and towns and implement identified opportunities for the benefit of the State and cities and towns.**

As indicated in the explanation for recommendation #26, the Department has collaborated with cities and towns to perform TPT refund request reviews to better leverage available audit resources.

- 28. Determine what data would be helpful in assessing the collections pilot program's effectiveness.**

The Department's Collections team has developed tracking metrics for cases worked and dollars collected by participating city collectors. **The Auditor General's Office identified this recommendation as implemented in February 2020.** However, due to telework restrictions implemented as a result of the COVID-9 pandemic, the Department has been unable to host city collectors since March, 2020. The Department is currently exploring ways to relaunch this program in a telework capacity.

- 29. Collect and analyze relevant data from the collections pilot program to assess the program's effectiveness and make continued program improvements.**

Please see the explanation for recommendation #28 above. **The Auditor General's Office identified this recommendation as implemented in February 2020.**

- 30. The Department should ensure it obtains city/town input for any OIC it considers that includes TPT owed to a city/town and train staff on this process.**



In November 2019 the Department revised the Offer In Compromise (OIC) tracking log to include the date(s) cities/towns are notified of OICs being reviewed that fall within their jurisdiction; this log is monitored by the group's supervisor. At this time, the Department also provided refresher training to staff to ensure all team members were fully aware of the need to alert each city that has liabilities within the OIC being reviewed. This helps to ensure that cities/towns are notified about all OICs being considered. As a point of reference, the Department has only had 6 OICs that were qualified for review by the Attorney General, and therefore needed city/town notification, in the past year.

31. The Department should analyze collections-case characteristics to determine under what circumstances a lien would be most advantageous and develop and implement policies and procedures to help staff know when and how to use them.

Based on staff knowledge and experience, the Department has developed guidance for staff to use when considering a lien, such as the amount of the tax owed and whether the business is in operation. In June 2020, the Department incorporated this guidance into its lien policy and on-the-job training guide. In addition, the Department is currently collaborating with cities to identify the criteria they use to determine when to file a tax lien; this information will be compared to current department practices to determine whether any improvements can be made.

32. The Department should collaborate with the cities and towns to establish a process for determining when issuing liens is advantageous and most effective for both parties. In addition, it should also collaborate with the cities and towns to establish a process that allows the cities and towns to help pay for liens they request.

Historically, the Department has included liens as a discussion topic during every quarterly cities collection meeting. In addition, a line of communication was established in 2018 for the cities to request liens for TPT taxpayers. The cities are able to send a request at any time to have an account reviewed for a potential lien placement. The Department is also piloting a mechanism to allow cities and towns to request and pay for a lien. However, only one city has expressed interest in using this mechanism since December 2019 despite regular reminders during the cities collection meetings. As a point of reference, the Department has only received 2 lien requests since the beginning of calendar year 2020.

STATE OF ARIZONA

Department of Revenue



The Department is happy to provide any additional information that would be helpful. If you have any questions, please do not hesitate to contact me either by email at mdevine@azdor.gov or by phone at 602-513-1109.

Sincerely,

Mike Devine
ADOR Chief Internal Auditor



STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: July 8, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Maggie Rocker, Fiscal Analyst

SUBJECT: Secretary of State - Review of Expenditure Plan for Help America Vote Act (HAVA) Projects

Request

Pursuant to an FY 2019 General Appropriation Act footnote and an FY 2021 General Appropriation Act footnote, the Secretary of State (SOS) is requesting review of an FY 2022 expenditure plan of \$1,457,500 for Help America Vote Act (HAVA) monies.

This agenda item addresses the review of monies from December 2019 (authorized by the Consolidated Appropriations Act of 2020) and March 2018 (authorized by the Consolidated Appropriations Act of 2018).

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) HAVA provides federal monies to states for implementing improvements to election administration.
- 2) SOS proposes to expend the \$1.5 million as follows:
 - a. \$180,000 – County support initiatives, including public education, equipment purchases, and an employee engagement program
 - b. \$175,000 – State cybersecurity issues, including a public education effort
 - c. \$385,000 – Elections divisions positions
 - d. \$25,000 – Customer service call center
 - e. \$500,000 – Voter database development costs
 - f. \$192,500 – Voter database operating costs

Analysis

Background

The federal HAVA grant program provides assistance to states with their election-related activities. State law stipulates these monies must be appropriated by the Legislature. The Committee has previously reviewed the expenditure plans for most of the appropriated monies, but \$1.5 million remains unreviewed.

Please see *Table 1* below for a summary of the proposed spending.

	<u>Allocation</u>
<u>County Initiatives</u>	
Cybersecurity/Public Information	\$ 130,000
County Employee Engagement	<u>50,000</u>
<i>Subtotal</i>	<i>180,000</i>
<u>State Initiatives</u>	
Cybersecurity	175,000
Elections Divisions Positions	385,000
Customer Service Phone System	25,000
Voter Registration Database – Development Costs	500,000
Voter Registration Database – Operating Costs	<u>192,500</u>
<i>Subtotal</i>	<i>1,277,500</i>
Total	\$1,457,500

^{1/} The displayed allocation reflects a revised SOS expenditure plan.

County Initiatives

Cybersecurity/Public Information Campaign – SOS proposes spending \$130,000 in FY 2022 for cybersecurity improvements as well as an initiative to inform the public on cybersecurity/elections security measures. Of this amount, \$30,000 would be used to purchase equipment for counties, including computers for secure election night reporting and USBs for uploading election results. The remaining \$100,000 would be for the public information campaign, which would educate voters on voting procedures, voting rights, and voting technology. The funding distribution would be based on need and interest at the county level.

(Continued)

County Employee Engagement – SOS proposes spending \$50,000 in FY 2022 to promote a "security-focused" mindset among county employees. Expenses would include printing and distribution of materials, website design, incentives, and travel. The funding distribution would be based on need and interest at the county level.

State Initiatives

Cybersecurity Initiatives – SOS is proposing to spend \$175,000 in FY 2022 to inform the public on cybersecurity/elections security measures, provide multi-factor authentication (MFA) for high risk government accounts, a development platform for elections software, and miscellaneous information technology (IT) security enhancements.

Election Divisions Positions – SOS would spend \$385,000 on 4.1 FTE Positions, including an elections specialist, an election security analyst, a geographic information system contractor to assist counties with local redistricting maps, a process documentation contractor, and 10% of 1 FTE Position for a HAVA grant coordinator.

Customer Service Phone System – SOS is proposing to spend \$25,000 on a call center system to help field calls from the public. SOS' office would allocate monies to purchase a license to use a service provider, which would allow them to use their existing phone system to route calls and track hold times.

Voter Registration Database Development Costs – Due to billing delays, SOS is proposing to carry forward \$500,000 of its FY 2021 HAVA balance for development and project management costs associated with the state's voter registration database, named Access Voter Information Database (AVID). SOS indicates the AVID development project was completed in April 2021, and the remaining vendor bills will be paid from this allocation during FY 2022.

Voter Registration Database Operating Costs – SOS is proposing to spend \$192,500 in FY 2022 for the state's share of AVID maintenance and operation costs. The state is currently responsible for 50% of the database's maintenance and operation costs, with counties paying the remainder and the SOS proposal would continue that split. While the state's total share of AVID costs is \$385,000 in FY 2022, the enacted budget already directly appropriated \$192,500 in HAVA monies to SOS for this item. This allocation would pay the remaining \$192,500 of state AVID costs in FY 2022.

MR:kp



KATIE HOBBS
SECRETARY OF STATE



June 11, 2021

Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Via email

Dear Senator Gowan and Representative Cobb,

HAVA funds are awarded to Secretaries of State by the Election Assistance Commission (EAC) to improve the administration of elections for Federal office, including to enhance technology and make election security improvements. HAVA funding provides Arizona with federal resources to secure and improve election administration. On December 20, 2019, the Consolidated Appropriations Act of 2020 was signed into law. The Act included \$425 million in HAVA funds, with Arizona's portion set at \$8,362,741. After the initial award was announced a supplemental \$34,558 allotment was issued, bringing Arizona's total 2020 HAVA grant award to \$8,397,299. Prior to that, on March 23, 2018, the Consolidated Appropriations Act of 2018 was signed into law. The 2018 Act included \$380 million in HAVA funds, with Arizona's portion set at \$7,463,675. In August of 2020, the EAC sent our office an amendment to the awards that combined them into one Election Security grant totaling \$15,860,974.

Multiple HAVA appropriations have been issued to the SOS, under multiple fiscal years, and there are cash balances on existing appropriation limits, as we head into FY22. The Secretary of State's office projects a total FY21 year end HAVA appropriation balance of \$1,747,913 and puts forth the following spending plan for FY22:

FY22 HAVA Spending Plan

Description	Amount
Estimated FY22 Beginning Balance	\$1,747,913
County Initiatives & Support	\$268,723
SOS Initiatives	\$1,470,000
Estimated FY22 Ending Balance	\$9,190

County Initiatives & Support: \$268,723

- Transparency initiatives – \$100,000
 - Provide information to the public through websites and other media regarding elections cybersecurity and security measures
- County employee engagement – \$50,000
 - Create a security-conscious election ecosystem. The expenses would include printing and distributing materials, web design, incentive programs, and travel.
- Cyber security Initiatives – \$30,000

- EMS Gateway computers for each county, for more secure election night reporting
 - USBs for counties to use to upload election results into the ENR system
- County Subgrants – \$88,723
 - Carry-forward of subgrants that have not yet been drawn down by the counties

SOS Initiatives: \$1,470,000

- Cybersecurity Initiatives – \$175,000
 - Transparency initiatives – Provide information to the public through websites and other media regarding elections cybersecurity and security measures.
 - Multifactor Authentication (MFA) for Virtual Private Network (VPN) and high-risk accounts.
 - Microsoft Unity Support – cyber response and development for elections-related software
 - IT Security Enhancements – completion of prior plan’s security enhancements
- Elections Divisions Positions – \$385,000
 - Elections Specialist due to increased calls/emails from public
 - Election Security Analyst – This position was approved under the FY21 spending plan and this request covers the position for another year
 - GIS Redistricting Contractor – Not all the counties have GIS support, and with redistricting will need assistance with setting the new maps in the statewide voter registration database, AVID
 - Process documentation contractor – Create documentation for logic and accuracy testing and equipment certification processes
 - HAVA Grant Coordinator - 10% of one FTE charged to HAVA for administration of the fund
- Customer Service Phone System – \$25,000
 - The SOS does not have a call center type system and this would allow the office to implement one given the significant increase in volume of calls.
- Voter Registration Database Operation – \$885,000
 - AVID Maintenance & Operation (M&O) – state share - Under the current model, 50% of AVID M&O is charged to HAVA and the other 50% is paid by the counties
 - Project Management, Hosting, and Enhancement costs

Thank you for your time and consideration of this matter. Should you have any questions, please do not hesitate to reach out to Assistant Secretary of State, Allie Bones, at 602-542-4919 or abones@azsos.gov.

Sincerely,



Katie Hobbs
Arizona Secretary of State



STATE OF ARIZONA

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DATE: July 8, 2021

TO: Members of the Joint Legislative Budget Committee

FROM: Morgan Dorcheus, Senior Fiscal Analyst

SUBJECT: Arizona Board of Regents - Review of FY 2022 Tuition Revenues

Request

Pursuant to a FY 2022 General Appropriation Act footnote, the Arizona Board of Regents (ABOR) requests Committee review of its expenditure plan for all projected tuition and fee revenues in FY 2022.

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.

Gross FY 2022 tuition and fee collections are projected to be \$3.58 billion, which is an increase of \$177.1 million, or 5.2% above FY 2021. Gross tuition revenues reflect the amounts the universities would receive if all students paid full published tuition and fee rates. The actual amounts paid by students after accounting for tuition waivers and other gift aid awarded by the universities constitute net tuition. The universities estimate \$(981.2) million in tuition waivers and awards in FY 2022, resulting in \$2.59 billion of net tuition. This \$2.59 billion level of net tuition is an increase of \$117.8 million, or 4.7%, above FY 2021.

Analysis

Table 1 shows ABOR-approved changes to resident and non-resident undergraduate tuition and mandatory in FY 2022. There were no resident undergraduate tuition rate increases, with the exception of an ASU student-initiated fee increase of \$10.

(Continued)

Key Points

- 1) Resident undergraduate tuition rates did not increase in FY 2022, with the exception of a \$10 student-initiated fee increase at ASU.
- 2) Changes in net tuition revenues from FY 2021 to FY 2022 vary by university:
 - ASU estimates an increase of \$119.2 million, or 7.5%.
 - NAU estimates an increase of \$16,500, or 0.01%.
 - UA estimates a decrease of \$(1.4) million, or (0.2)%.
- 3) Net Tuition + General Fund revenues will increase by \$224.6 million, or 7.0%, systemwide.

Table 1

Arizona University System
FY 2022 Tuition and Mandatory Fees ^{1/}

	<u>Resident Undergraduate</u>		<u>Resident Graduate</u>		<u>Non-Resident Undergraduate</u>		<u>Non-Resident Graduate</u>	
	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>
ASU	\$11,348	0.1%	\$12,608	0.0%	\$29,438 ^{2/}	0.1%	\$32,288	0.0%
NAU	\$11,896	0.0%	\$12,250	4.5%	\$26,642	0.5%	\$28,240	4.8%
UA	\$12,671	0.0%	\$13,425	1.3%	\$37,193	1.3%	\$33,609	0.7%

^{1/} Reflects tuition rates for new students at NAU and UA and all classes at ASU. NAU and UA provide a guaranteed tuition rate for each incoming class, whereas ASU does not.

^{2/} ABOR also approved a rate increase for international undergraduate students at ASU, which will be set at \$31,838.

In addition to changes in tuition rates, the universities project systemwide enrollment will increase by 3.1% in FY 2022. Enrollment changes are expected to vary by university:

- ASU expects total enrollment will increase by 5.1%, with increases among undergraduate, graduate, and online student groups.
- NAU expects total enrollment will decrease by (2.4)%, primarily driven by decreases in resident undergraduate enrollment and online enrollment.
- UA expects total enrollment will increase by 0.4%, primarily driven by increases in online, graduate, and nonresident undergraduate enrollment, partially offset by decreases in resident undergraduate enrollment.

Table 2 displays FY 2021 and FY 2022 General Fund and tuition/fee monies for the Arizona university system. After enrollment changes and tuition rate adjustments, the universities project total gross tuition/fee collections of \$3.58 billion in FY 2022. This represents an increase of \$177.1 million, or 5.2%, above FY 2021:

- ASU gross tuition collections will increase by \$164.3 million, or 7.8% above FY 2021.
- NAU gross tuition collections will decrease by \$(563,000), or (0.1)% below FY 2021.
- UA gross tuition collections will increase by \$13.3 million, or 1.5% above FY 2021.

The universities plan to forego \$981.2 million in tuition revenue for institutional financial aid awards in FY 2022. This represents an increase of \$59.3 million from FY 2021, or 6.4%. Of this amount, \$45.1 million will be for ASU students, \$14.7 million will be for UA students, and NAU will decrease its scholarship allowance by \$(579,500).

The total amount of university-funded financial aid distributed to resident and non-resident students is roughly proportional with the total enrollment of each group: As of FY 2020 (the most recent year for

(Continued)

	<u>FY 2021</u>	<u>FY 2022</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
General Fund ^{1/}	\$ 741.6	\$ 848.4	\$ 106.8	14.4%
Gross Tuition/Fees	\$3,402.8	\$3,579.9	\$177.1	5.2%
Scholarship Allowance ^{2/}	<u>(921.9)</u>	<u>(981.2)</u>	<u>(59.3)</u>	<u>6.4%</u>
Net Tuition	\$2,480.9	\$2,598.7	\$ 117.8	4.7%
Total Net Tuition + General Fund	\$3,222.5	\$3,447.1	\$ 224.6	7.0%

^{1/} FY 2022 General Fund amount excludes \$20.1 million of one-time funding allocated for University 27th pay period costs.
^{2/} Scholarship allowance reflects institutional financial aid provided by the universities (excluding federal loans, private grants, etc.) to offset the cost of tuition. Amounts include scholarship awards and tuition waivers except employee tuition reductions, which are recorded as employee benefit expenses.

which detailed financial aid data is available), Arizona resident students made up approximately 57% of university enrollment and received approximately 51% of university-funded financial aid. However, resident students generate only about 41% of university tuition revenues.

After accounting for financial aid awards, net tuition will total an estimated \$2.59 billion, which represents an increase of \$117.8 million, or 4.7%, compared to FY 2021:

- ASU net tuition collections will increase by \$119.2 million, or 7.5% above FY 2021.
- NAU net tuition collections will increase by \$16,500, or 0.01% above FY 2021.
- UA net tuition collections will decrease by \$(1.4) million, or (0.2)% below FY 2021.

By comparison, net tuition collections for the entire university system increased 1.8% from FY 2020 to FY 2021. Lower FY 2021 growth was likely due to changing enrollment during the COVID-19 pandemic.

In addition to growth in tuition revenues, state General Fund support increased by \$106.8 million from FY 2021 to FY 2022. This was driven primarily by increases in funding for university operating expenses. In total, General Fund and net tuition/fee resources will increase by \$224.6 million, or 7.0%, from \$3.22 billion in FY 2021 to \$3.45 billion in FY 2022 after enrollment and tuition rate changes.

As shown in *Table 3*, approximately \$2.44 billion of the \$3.58 billion in gross FY 2022 tuition will be used for operating expenditures. Approximately \$981.2 million will be used to provide financial aid, while \$129.6 million and \$26.5 million will support debt service and plant funds, respectively.

Expenditures on operating costs are estimated to increase by \$99.6 million, financial aid allowances will increase by \$59.3 million, debt service costs are estimated to increase by \$16.7 million, and expenditures from plant funds will increase by \$1.5 million.

(Continued)

Table 3

Use of FY 2022 Tuition/Fees by University

<u>University</u>	<u>Operating Expenditures</u> ^{1/}	<u>Financial Aid</u>	<u>Plant Fund</u>	<u>Debt Service</u>	<u>Total</u>
ASU	\$1,589,877,900	\$575,108,000	\$21,500,000	\$91,295,100	\$2,277,781,000
NAU	214,308,500	150,928,500	1,000,000	10,200,000	376,437,000
UA	<u>638,395,900</u>	<u>255,119,000</u>	<u>4,000,000</u>	<u>28,152,400</u>	<u>925,667,300</u>
Total	\$2,442,582,300	\$981,155,500	\$26,500,000	\$129,647,500	\$3,579,885,300

Increase in FY 2022 over FY 2021

<u>University</u>	<u>Operating Expenditures</u> ^{1/}	<u>Financial Aid</u>	<u>Plant Fund</u>	<u>Debt Service</u>	<u>Total</u>
ASU	\$105,018,200	\$45,118,900	\$1,500,000	\$12,697,400	\$164,334,500
NAU	(3,983,500)	(579,500)	0	4,000,000	(563,000)
UA	<u>(1,415,500)</u>	<u>14,732,700</u>	<u>0</u>	<u>0</u>	<u>13,317,200</u>
Total	\$99,619,200	\$59,272,100	\$1,500,000	\$16,697,400	\$177,088,700

^{1/} In addition to all appropriated tuition revenues, includes non-appropriated tuition revenues to be expended on instruction, organized research, public service, student services, auxiliary enterprises, and institutional support.

MD:kp

**ARIZONA UNIVERSITY SYSTEM
TUITION AND FEES IN SUPPORT OF THE
2021-22 STATE BUDGET**

	STATE COLLECTIONS		
	As Reported in the FY 2021-22 Annual Budget approved by ABOR	2021-22 University Collections Fund as reported in Appropriations Bill (as introduced)	CHANGE
Arizona State University	597,718,800	603,575,900	(5,857,100)
Northern Arizona University	134,983,300	138,921,300	(3,938,000)
University of Arizona	304,589,000	322,263,600	(17,674,600)
University of Arizona Health Sciences Center	56,363,300	56,863,400	(500,100)
TOTAL UA	360,952,300	379,127,000	(18,174,700)
TOTAL	1,093,654,400	1,121,624,200	(27,969,800)

Total State Collections	\$1,093,654,400
Total Non-Appropriated Tuition & Fees Collections	\$2,486,230,900
Total Estimated Tuition Revenue (Gross)	\$3,579,885,300



ARIZONA STATE UNIVERSITY
 FY 2022 USES OF APPROPRIATED AND NON-APPROPRIATED TUITION AND FEE REVENUES
 APPROVED ANNUAL BUDGET vs. GENERAL APPROPRIATIONS ACT (as introduced)

	Other Appropriated Tuition and Fees	Non-appropriated Tuition and Fees
FY 2022 Collections Fund As Reported in the Annual Budget	597,718,800	1,680,062,200
FY 2022 Collections Fund As Reported in the General Appropriations Act	603,575,900	
FY 2022 Collections Fund Increase/(Decrease) from the General Appropriations Act	(5,857,100)	1,680,062,200
ALLOCATIONS BY PROGRAM		
Instruction		
Investments in Programs Supported by Program Fees		70,807,900
Investments in Programs Supported by College Fees		114,643,100
Investments in Programs Supported by Summer Sessions Tuition		203,532,800
Investments in Faculty Hiring and Academic Support		76,719,500
EdPlus at ASU		387,645,100
Overseas Study Abroad Program Costs		3,842,600
Research Asst./Teaching Asst. Benefit Costs		24,115,400
Local Account Operating Support including Graduate Student Support Fee Allocation		60,351,100
Organized Research		
Public Service		
Local Account Operating Support		346,800
Academic Support		
Local Account Operating Support		376,100
Student Services		
Investments in Programs Supported by Mandatory Fees		16,873,100
Local Account Operating Support		6,237,900
Institutional Support		
Operations and Maintenance		
Local Account Operating Support		698,400
Scholarships/Fellowships/Financial Aid		
Financial Aid Set Aside/Other Financial Aid		575,108,000
Auxiliary Enterprises		
Investments in Programs Supported by Mandatory Fees		24,013,000
Auxiliary Operating Support		1,956,300
Debt Service		
Debt Service/COPs/Lease Purchase		91,295,100
Plant Funds		
Minor Capital Projects		21,500,000
	(5,857,100)	1,680,062,200

1. The sum of Appropriated and Non-appropriated tuition and fees ties to the total as presented to the Board at the June meeting, or \$2,277,781,000.

ARIZONA STATE UNIVERSITY - TUITION AND FEES REVENUE

(\$000)

	FY20	FY21 BGT	FY22 BGT	Δ FY22 BGT/FY21 BGT	
TUITION	1,131,995	1,109,077	1,136,871	27,794	3%
NR UG	496,099	488,571	493,816	5,245	1%
RES UG	438,449	441,482	443,830	2,348	1%
NR Grad	147,333	129,677	145,604	15,927	12%
RES Grad	50,114	49,347	53,621	4,274	9%
Online	399,232	482,263	553,083	70,820	15%
NR UG	271,079	315,834	350,692	34,858	11%
RES UG	50,473	53,108	61,188	8,080	15%
NR Grad	59,801	84,412	105,397	20,985	25%
RES Grad	17,879	28,909	35,806	6,897	24%
Prog Fees/Diff	120,425	92,179	105,018	12,839	14%
UG	47,048	16,797	15,205	(1,592)	-9%
Grad	73,377	75,381	89,813	14,432	19%
College Fee	78,841	124,727	151,032	26,305	21%
UG	65,983	113,191	138,609	25,418	22%
Grad	12,858	11,536	12,423	887	8%
Course Fees	6,872	1,655	1,259	(396)	-24%
UG	6,282	203	219	16	8%
Grad	590	1,452	1,040	(412)	-28%
Extended Ed				-	--
Non Degree				-	--
Summer & Winter Sessions	181,260	208,495	231,343	22,848	11%
Mandatory Fees	49,540	44,798	45,653	855	2%
UG	38,977	27,952	34,886	6,934	25%
Grad	10,563	16,846	10,767	(6,079)	-36%
Other Misc.	45,146	50,253	53,522	3,269	7%
Total Tuition & Fees	2,013,311	2,113,447	2,277,781	164,334	8%

NORTHERN ARIZONA UNIVERSITY
FY 2022 USES OF APPROPRIATED AND NON-APPROPRIATED TUITION AND FEE REVENUES
APPROVED ANNUAL BUDGET vs. GENERAL APPROPRIATIONS ACT (as introduced)

	Other Appropriated Tuition and Fees	Non-appropriated Tuition and Fees
FY 2022 Collections Fund As Reported in the Annual Budget	134,983,300	241,453,700
FY 2022 Collections Fund As Reported in the General Appropriations Act	138,921,300	
FY 2022 Collections Fund Increase/(Decrease) from the General Appropriations Act	(3,938,000)	241,453,700
ALLOCATIONS BY PROGRAM		
Instruction		
Online and Educational Innovation and Partnership Investment		9,261,700
Investments in programs supported by program fees		10,129,100
Investments in programs supported by class fees		2,970,000
Investments in programs supported by summer session tuition		26,220,000
Investments in graduate assistants		2,400,000
Organized Research		
Public Service		
Academic Support		
Local Account Operating Support		
Student Services		
Investments in programs supported by mandatory fees		27,652,000
Local Account Operating Support		140,100
Institutional Support		
Local Account Operating Support		552,300
Scholarships/Fellowships/Financial Aid		150,928,500
Debt Service Payments		10,200,000
Plant Funds		1,000,000
	(3,938,000)	241,453,700

1. The sum of Appropriated and Non-appropriated tuition and fees ties to the total as presented to the Board at the June meeting, \$376,437,000.

NORTHERN ARIZONA UNIVERSITY - TUITION AND FEES REVENUE

(\$000)

	FY20	FY21 BGT	FY22 EST	Δ FY22 BGT/FY21 BGT	
Base Tuition	280,917	257,721	270,970	13,248	5%
NR UG	113,696	101,888	104,953	3,065	3%
RES UG	141,553	130,593	137,561	6,967	5%
NR Grad	7,294	7,800	8,349	549	7%
RES Grad	18,374	17,440	20,107	2,666	15%
Online	35,126	38,649	33,048	(5,601)	-14%
NR UG	8,043	10,560	7,868	(2,691)	-25%
RES UG	15,908	15,425	12,292	(3,133)	-20%
NR Grad	3,308	3,554	3,864	311	9%
RES Grad	7,866	9,110	9,022	(88)	-1%
Prog Fees	10,728	11,002	11,778	776	7%
UG	4,941	4,841	5,331	490	10%
Grad	5,786	6,161	6,446	285	5%
College Fee	-	-	-	-	--
UG				-	--
Grad	-			-	--
Course Fees	4,022	3,585	2,970	(616)	-17%
UG	3,949	3,514	2,911	(603)	-17%
Grad	73	72	59	(13)	-18%
Ext Ed Fees	-	-	-	-	--
Non Degree				-	--
Summer & Winter Sessions	25,900	25,500	26,220	720	3%
Mandatory Fees	28,737	26,567	27,652	1,086	4%
UG	26,279	24,176	24,975	799	3%
Grad	2,458	2,391	2,677	286	12%
Other Misc	4,178	4,980	3,800	(1,180)	-24%
Total Tuition & Fees	389,609	368,005	376,437	8,432	2%

UNIVERSITY OF ARIZONA
FY 2022 USES OF APPROPRIATED AND NON-APPROPRIATED TUITION AND FEE REVENUES
APPROVED FY22 ANNUAL BUDGET vs. FY 2022 GENERAL APPROPRIATIONS ACT (as Introduced)

	Other Appropriated Tuition and Fees	Non-Appropriated Tuition and Fees
Collections Fund as Reported in the FY22 Annual Budget Report	360,952,300	564,715,000
Collections as Reported in the FY22 General Appropriations Act	379,127,000	
Increase/(Decrease) from FY22 General Appropriations Act	(18,174,700)	564,715,000
 ALLOCATIONS BY PROGRAM		
Instruction		
Investments in Programs Supported by Program Fees and Differential Tuition		28,815,100
Investments in Programs Supported by Class and Course Fees		6,975,700
Investments in Programs Supported by Summer Sessions Tuition		35,150,000
Investments in Programs Supported by Online Tuition		91,044,300
Investments in Programs Supported by Distributed Education Tuition		10,744,700
Local Account Operating Support		19,125,900
Organized Research		
Public Service		
Local Account Operating Support		29,600
Academic Support		
Local Account Operating Support		5,684,800
Student Services		
Local Account Operating Support		26,887,000
Investments in Programs Supported by Mandatory Fees		45,674,900
Institutional Support		
Local Account Operating Support		3,452,900
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		52,409,600
Program Fees and Differential Tuition Set Aside		4,690,800
Student Financial Aid Awards		198,018,600
Auxiliary Enterprise		
Investments in Programs Supported by Mandatory Fees		3,082,200
Debt Service Payments		
		28,152,400
Plant Funds Building		
Renewal Minor Capital		4,000,000
Projects		776,500
	(18,174,700)	564,715,000

Note: The sum of Appropriated and Non-appropriated tuition and fees ties to the total as presented to the Board at the June meeting, \$925,667,300.

UNIVERSITY OF ARIZONA - TUITION AND FEES REVENUE

(\$000)

	FY20	FY 21 BGT	FY22 BGT	Δ FY22 BGT/FY21 BGT	
Base Tuition	686,575	548,617	669,181	120,564	22%
NR UG	351,092	244,287	331,840	87,553	36%
RES UG	219,660	185,388	210,057	24,669	13%
NR Grad	60,323	59,472	66,456	6,984	12%
RES Grad	55,500	59,470	60,828	1,358	2%
Online	59,496	70,078	91,044	20,966	30%
NR UG	12,771	15,043	22,061	7,018	47%
RES UG	11,354	13,373	19,615	6,242	47%
NR Grad	17,899	21,083	24,982	3,900	18%
RES Grad	17,472	20,579	24,387	3,807	18%
Prog Fees/Diff	32,938	28,001	33,506	5,505	20%
UG	16,907	13,935	17,025	3,090	22%
Grad	16,031	14,066	16,481	2,415	17%
College Fee	-	-	-	-	--
UG	-	-	-	-	--
Grad	-	-	-	-	--
Course Fees	6,363	5,487	6,976	1,488	27%
UG	5,855	5,048	6,418	1,370	27%
Grad	509	439	558	119	27%
Ext Ed Fees	13,805	13,210	14,629	1,418	11%
Non Degree	5,137	4,457	5,541	1,084	24%
Summer Session	37,926	32,705	38,050	5,345	16%
Mandatory Fees	49,585	41,349	48,757	7,408	18%
UG	40,660	33,907	39,983	6,076	18%
Grad	8,925	7,443	8,774	1,332	18%
Other Misc	20,021	19,053	17,984	(1,070)	-6%
Total Tuition & Fees	911,847	762,958	925,667	162,710	21%