STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

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CHAIRMAN 2008
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AMANDA AGUIRRE
JAKE FLAKE
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STEVEN YARBROUGH

JOINT LEGISLATIVE BUDGET COMMITTEE
Tuesday, February 26, 2008
8:00 A.M.
Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order

- Approval of Minutes of November 20, 2007.

- DIRECTOR'S REPORT (if necessary).

- EXECUTIVE SESSION
  A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
  B. AHCCCS - Review of KidsCare Eligibility RFP Responses.
  C. Annual Performance Review of JLBC Staff Director.

1. DEPARTMENT OF ADMINISTRATION - Review of Health Reimbursement Account and Health Savings Account Proposals.

2. DEPARTMENT OF ENVIRONMENTAL QUALITY - Review of Water Quality Permit Processing Times.

3. AUDITOR GENERAL - Review of English Learner-Related Modifications to the State Accounting System for Public Schools. *

4. ARIZONA COMMUNITY COLLEGES - Review of Proposed Dual Enrollment Intergovernmental Agreement Template. *

5. DEPARTMENT OF ENVIRONMENTAL QUALITY - Review of Intended Use off Monies in the Indirect Cost Recovery Fund. *

6. DEPARTMENT OF PUBLIC SAFETY - Quarterly Review of the Arizona Public Safety Communication Advisory Commission. *

7. ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Third Party Progress Report. *

* Consent Agenda - These items will be considered in one motion and testimony will not be taken.

The Chairman reserves the right to set the order of the agenda.
2/20/08

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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

November 20, 2007

The Chairman called the meeting to order at 9:40 a.m., Tuesday, November 20, 2007, in House Hearing Room 4. The following were present:

Members:	Representative Pearce, Chairman	Senator Burns, Vice-Chairman
	Representative Adams	Senator Aboud
	Representative Biggs	Senator Aguirre
	Representative Cajero Bedford	Senator Flake
	Representative Rios	Senator Garcia
	Representative Yarbrough	Senator Harper
		Senator Verschoor
		Senator Waring
Absent:	Representative Boone	
	Representative Lopez	

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of October 18, 2007, Chairman Pearce stated that the minutes would be adopted.

DEPARTMENT OF ECONOMIC SECURITY - Review of Increase to Division of Developmental Disabilities' Therapy Rates.

Mr. Jay Chilton, JLBC Staff, stated that this item was on the agenda last month, but at the request of the agency it was not heard. Two years ago, the Auditor General reported that therapy services were the biggest unmet service need for individuals with developmental disabilities. The Department of Economic Security (DES) estimates that this rate change will have about a $1.6 million annual General Fund impact. The rates go into effect on January 1, 2008, so there will be a 6 month cost in FY 2008 of about $800,000. This increase was not included specifically in the FY 2008 budget but DES is using surpluses from existing appropriations to fund the adjustment. The new rates are not an increase as much as they are a realignment of the rate restructure. Currently, reimbursements depend on the distance that the therapist travels to provide the service of the clients. In order to incentivize more locally based providers to rural areas, the new system increases the base rate of rural areas but also eliminates the travel time reimbursement. The new system may decrease overall reimbursements for a therapist that travels from a metro to a rural area, for example, from Phoenix to the White Mountains, so some providers and client's parents have expressed concern that the adjustment might negatively impact the availability of service in rural areas. The JLBC Staff provided 2 options for the Committee to consider, a favorable or unfavorable review.

Discussion ensued on this item.

Ms. Mary Gill, Deputy Director, DES, responded to member questions.

Ms. Barbara Brent, Assistant Director, DES, responded to member questions.

Senator Burns moved that the Committee give an unfavorable review to the increase to the Division of Developmental Disabilities' Therapy Rates.

Senator Garcia moved a substitute motion for an unfavorable review with the provision that if the agency proceeds, they would be required to monitor the number of clients in rural Arizona that are receiving services and assure that they are still receiving these services after December 1, 2007.

Senator Burns and Chairman Pearce explained that the unfavorable review would mean that the agency should not proceed.

After further discussion, Senator Garcia withdrew his substitute motion.

Representative Rios moved a substitute motion for a favorable review and would like the client to proceed but evaluate and receive input from the clients. The substitute motion failed.

The original motion carried.

DEPARTMENT OF REVENUE - Review of General Fund Revenue Enforcement Goals for FY 2008.

Mr. Bob Hull, JLBC Staff, stated that the Department of Revenue's (DOR) General Fund revenue enforcement goal for FY 2008 is $369.8 million which is greater than their FY 2007 goal of $333.4 million, but less than the FY 2007 actual of $427 million. The department attributes the decrease of the FY 2007 actual to one-time revenue in 2 of the audit items which they do not expect to be repeated in FY 2008. JLBC Staff provided 2 options for the Committee to consider, a favorable or unfavorable review. Under either option, the JLBC Staff recommended that DOR continue to report license compliance and transaction privilege tax as separate items for FY 2009, since each program produces a significant dollar amount of audit revenue.

Discussion ensued on this item.

Mr. Vince Perez, Assistant Director of the Audit Division for DOR, responded to member questions.

Senator Burns moved that the Committee give a favorable review to DOR's General Fund Enforcement Goals for FY 2008 and requested DOR to continue to report license compliance and transaction privilege tax as separate items for FY 2009, since each program produces a significant dollar amount of audit revenue. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION

A) Review of Telecommunications Contractor and Carrier Cost Rate Structure.

Mr. Dan Hunting, JLBC Staff, stated that the Arizona Department of Administration (ADOA) is recommending an increase in the states' telecommunications budget of $671,000 for FY 2009. Increases in non-appropriated and other appropriated funds of approximately $350,000 each will be offset by a small decrease in General Fund support. While AZNet has been successful in reducing both carrier charges and phone service costs, these savings are negated by the nature of the aging of this equipment. In FY 2009 ADOA will spend $6.7 million dollars to replace end of life voice and data equipment. The JLBC Staff recommended that the Committee give a favorable review with the provision that a favorable review does not constitute an endorsement of any FY 2009 General Fund appropriations to cover higher AZNet costs or additional funding requests, nor does it constitute an endorsement of the ADOA expenditure plan.

Senator Burns moved that the Committee give a favorable review to ADOA's Telecommunications Contractor and Carrier Cost Rate Structure with the provision that a favorable review does not constitute an endorsement of any FY 2009 General Fund appropriations to cover higher AZNet costs or additional funding requests, nor does it constitute an endorsement of the ADOA expenditure plan. The motion carried.

B) Review of Emergency Telecommunication Services Revolving Fund Expenditure Plan.

Mr. Dan Hunting, JLBC Staff, stated that this fund receives revenue from a monthly tax on wired and wireless phone accounts of 20 cents per month. ADOA distributes money from this fund to cities and counties to aid in the development and enhancement of the 911 service throughout the state. Eighty percent of the states' population is now living in areas where

wireless 911 calls can be tracked to a specific location and travelers have continuous 911 coverage from Nogales up through Phoenix. ADOA's FY 2008 expenditure plan calls for $25.9 million to be used for both wired and wireless upgrades. Of this amount, $16.8 million is directed toward enhancements for the wired portion of the states' 911 system and to equipment used at 911 call centers that handle wired and wireless calls. Additionally, $8.5 million is directed toward upgrades to the wireless 911 service, mostly to establish phase 2 wireless 911 which tracks wireless calls to a specific location. The JLBC Staff recommended the Committee give a favorable review to the $8.5 million wireless portion of the ETSF expenditure plan.

Discussion ensued on this item.

Senator Burns *moved that the Committee give a favorable review to the ADOA's $8.5 million wireless portion of the Emergency Telecommunication Service Fund expenditure plan.* The motion carried.

STATE TREASURER - Review of Changes to Management Fees.

Mr. Eric Billings, JLBC Staff, distributed *Attachment 1* to the Committee on the Treasurer's Management Fee Reduction Proposal. Pursuant to a footnote in the General Appropriation Act, the Treasurer is required to come before the Committee for review prior to changing their current 8 basis point asset management fee. Mr. Billings reviewed the attachment with the Committee. Currently management fees are collected from state agencies and local governments and deposited into the General Fund. General Fund monies are then appropriated to the State Treasurer. The Treasurer's proposal includes one of 2 options: 1) Eliminate management fees and instead allow the Treasurer to retain a portion of earnings, or 2) Allow the Treasurer to reduce the management fee to a level that will cover the costs of operation and allow the agency to retain these fees. Both options would require statutory change in order to be enacted. The purpose of reducing the management fees would be to attract more local government assets. This would allow for greater yields and improved pricing power in transactions. The JLBC Staff provided several options for the Committee to consider.

Mr. Dean Martin, State Treasurer, discussed their proposal and responded to member questions.

Senator Burns *moved that the Committee give a favorable review of the plan to eliminate management fees in favor of funding the Treasurer's operations from earnings with the provision that the Legislature enact the necessary statutory changes. Prior to the Legislature enacting these changes, the management fee would become 6 basis points.* The motion carried.

Without objection, the meeting adjourned at 11:35 p.m.

Respectfully submitted:

_____
Sandy Schumacher, Secretary

_____
Richard Stavneak, Director

_____
Representative Russell Pearce, Chairman

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

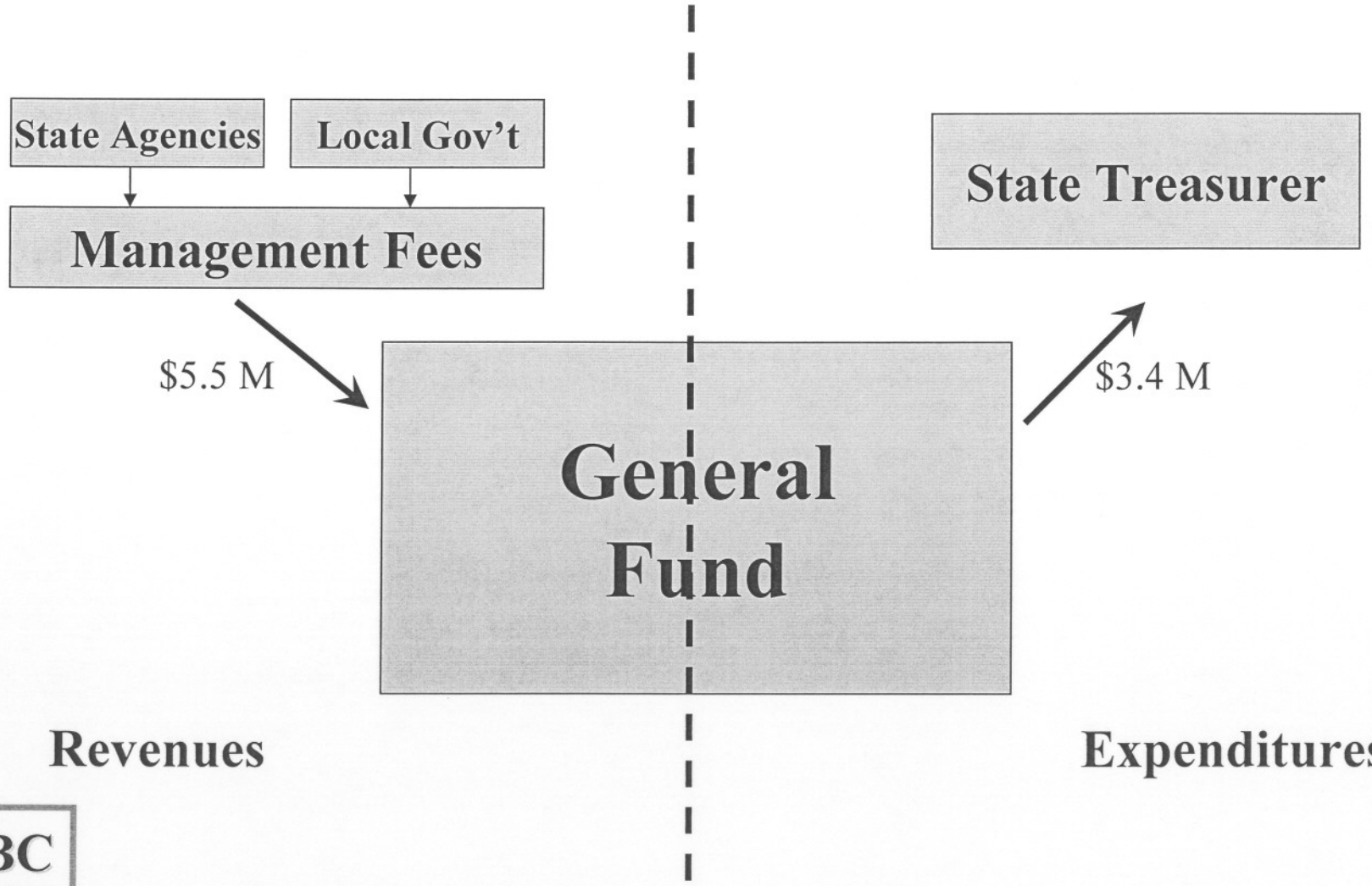
Treasurer's Management Fee Reduction Proposal

November 20, 2007

JLBC

Attachment 1

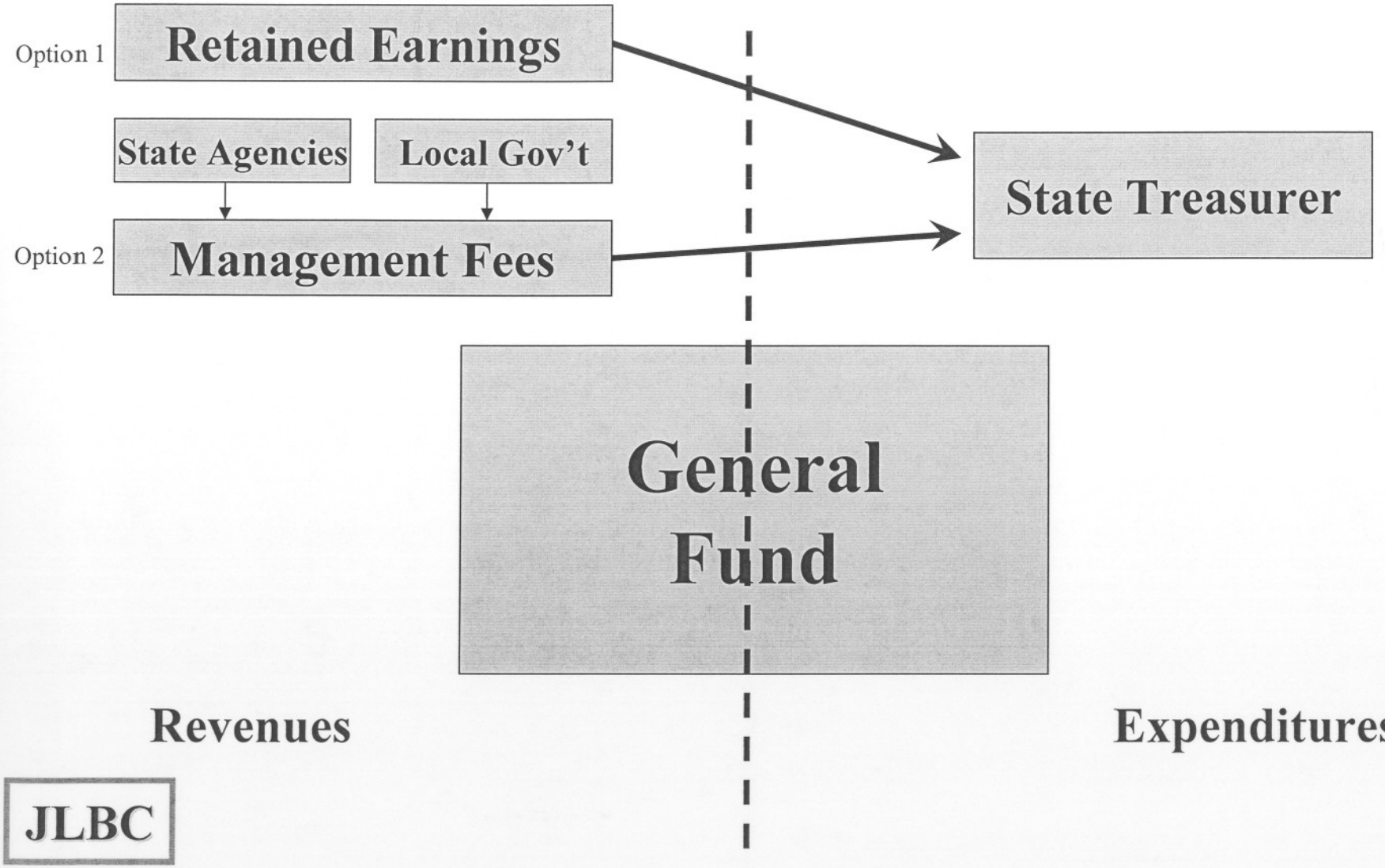
- Management fees are now deposited in the General Fund.
  - The Treasurer's budget is funded from General Fund.



JLBC

Treasurer proposes to retain fees and eliminate its General Fund appropriation.

-- Both options require statutory changes.



JLBC

This proposal would also allow the Treasurer to increase operating resources.

- Additional Funding - $917,200 for analytical tools
- Cost Savings - $571,800 from contract and accounting efficiencies
- Increased Yields – The Treasurer estimates between 3 & 12 Basis Points

JLBC

The General Fund impact will depend on the following primary factors:

Gains

- Gains from the shift of the Treasurer's operating budget.
- Gains of higher investment yields.

Losses

- Loss of revenue due to lower or eliminated management fees.

JLBC

Scenario 1: The net impact is a $(2) M loss to the General Fund

- Loss occurs under either option
- Loss is based on a 3 basis point gain in yield
- Also assumes that state agency dedicated funds retain management fees savings

Scenario 2: Net impact is a General Fund gain

- Gains in excess of 14 basis points would mean net gains for the General Fund.

- Management fee savings from state agency dedicated funds could be deposited in the General Fund.

The Committee has the following options.

1. A favorable review of the plan to eliminate management fees in favor of funding the Treasurer's operations from earnings with the provision that the Legislature enact the necessary statutory changes.
2. A favorable review of the plan to reduce management fees to a level commensurate with the expenditure authority of the office with the provision that the Legislature enact the necessary statutory changes.
3. An unfavorable review.

JLBC

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DATE: February 21, 2008

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

THRU: Richard Stavneak, Director

FROM: Jenna Goad, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Review of Health Reimbursement Account and Health Savings Account Proposals

Request

Pursuant to Laws 2007, Chapter 263, the Department of Administration (ADOA) has submitted a report for Committee review outlining a program for the use of health reimbursement accounts (HRAs) and health savings accounts (HSAs) for state employee health benefits.

Summary/Recommendation

The Committee has at least the following 2 options:

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

ADOA has outlined a program to offer HRAs and HSAs for state employee health insurance benefits. As instructed by Laws 2007, Chapter 263, the average employer cost of the programs does not exceed the average employer cost of the current self-insured state employee benefits program. ADOA outlined 4 options, including 2 HRA examples and 2 HSA examples. On average, the employer cost of these plans is (3)% below the employer cost of the current plan, not including costs associated with implementation. However, HRAs and HSAs increase the employee's potential exposure to higher health costs and it is estimated that only 2% of state employees would voluntarily elect one of these options over the current health plan offerings. The financial impact on the employee would depend on the employee's health and level of service utilization.

Analysis

With HRAs and HSAs, the state would provide employees with cash contributions that would be used to pay health costs. These accounts are maintained either by the employer or by a third party administrator,

(Continued)

and contributions can be made at regular intervals (biweekly, monthly, quarterly) or as 1 annual deposit. Employees may use funds from their HRAs and HSAs to pay health-related costs including the deductible, coinsurance requirements, and copayments. These accounts are combined with health insurance plans with high deductibles where the plans require that the deductibles be met before the employee receives benefits. These health plans are known as Consumer Driven Health Plans (CDHP) in the case of HRAs, or High Deductible Health Plans (HDHP) in the case of HSAs. Under these health plans, employees pay the full cost of the service, rather than a modest copayment, until they reach the deductible. Because employees pay the full cost of care out of their own accounts, they are more aware of the total cost of the health services they receive and are more likely to weigh the costs and benefits before seeking medical attention.

Once an employee has reached the deductible, the plan will pay a certain percentage of the cost of services provided to the employee. In the 4 examples submitted by ADOA, this coinsurance level ranged from 80% to 100% with the employee paying the remaining cost until an annual out-of-pocket maximum, which ranges from $1,000 to $10,000 in the sample plans, is reached. Preventive care, office visits, and prescription drugs are often exempt from the deductible requirement.

There are key differences between HRAs and HSAs relating to who contributes to the account, who is responsible for oversight of the account, and what happens when an employee retires or leaves state employment. With HRAs, only the employer may contribute to the account. While the employer retains the funds for the benefit of the employee, the account is still the property of the employer and HRA funds that remain after an employee terminates or retires revert back to the State to offset the cost of claims. Conversely, both the employer and the employee may make contributions to the employee's HSA. Funds in an HSA are the property of the employee and can be transferred by the employee upon termination or retirement. In either case, contributions to and qualified expenditures from HRAs and HSAs are generally tax-free. HRA and HSA funds that are not expended can be rolled over for use in future years.

As instructed by Laws 2007, Chapter 263, ADOA has submitted 4 sample plans that do not exceed the average employer cost of the current state employee benefits program, excluding the cost of implementation. Under the options premiums would decrease by 15% to 35%. The State would continue to pay the majority of the monthly premium for the high deductible plan but would also make deposits into the employee's HRA or HSA. The monthly premiums contributed by the employee would remain at their current levels ($25 for an individual, $50 for an employee plus one dependent, and $125 for a family).

Table 1 on the following page shows state costs for 2 sample plans that could be implemented. The first option is an HSA with a low deductible and the second option is an HRA with a high deductible. Under these options, the state would contribute between $720 and $2,880 annually to the employee's HRA or HSA depending on the deductible level and the type of coverage selected (individual vs. family). Employees would then be able to use these funds to pay for medical expenses. The deductibles selected ranged from $1,000 for an individual to $5,000 for a family and are lower than other high deductibles available in the marketplace to help make the plan attractive to state employees. As the proposed employer contributions to the employee's account are lower than the proposed deductibles, the financial impact on the employee would depend on the employee's utilization of health services, as the employee would pay out-of-pocket for any costs that exceed the amount in their account until the deductible has been reached.

As HRAs and HSAs increase the employee's potential exposure to higher health costs, the report estimates that only healthy employees with higher incomes will be interested in voluntarily participating in this plan. For example, a healthy employee with a high income who does not anticipate utilizing health care services, and who would be able to afford the cost of care if an unexpected event occurs, may be interested in an HRA or HSA. Conversely, an employee who frequently utilizes health care services and

(Continued)

believes the cost of his/her health care is likely to exceed the employer's HRA or HSA contribution is unlikely to forgo traditional health insurance benefits in favor of an HRA or HSA. ADOA estimates that 2% of state employees, or 1,000 people, would be interested in participating in an HRA or HSA program because of the health benefits currently provided by the state.

Due to the amount of administration needed to implement a new benefit option and to properly educate employees about HRAs and HSAs, ADOA believes the administrative costs may be unfeasibly high, as the plan is only slightly less expensive than the current system. While implementing this new benefit and educating employees is likely to be costly in the short-term, these costs will diminish in future years as employees become more familiar with the HRA and HSA options.

The report found that there is currently no single compelling reason for the State to implement an HRA or HSA benefit option. However, the report also states that although there are no persuasive arguments for the immediate addition of a high deductible health plan option, there is little or no risk to the other self-funded health plans to experimenting with such an option. The report does state that HRAs and HSAs would be more attractive to employees if the State were to move to more cost-sharing with employees and the employee contribution for the current health insurance plans was raised.

Table 1

Yearly Employer Contributions

	Employer Premium	Employer HRA/HSA Contribution	Total Employer Cost	Potential Employee Out-of-Pocket Costs [1/]
Current Plan				
Single	$ 5,353	N/A	$ 5,353	$ 300
Two Person	10,685	N/A	10,685	600
Family	13,933	N/A	13,933	1,500
Option 1: HSA Lower Deductible				
Single	$ 4,561	$ 720	$ 5,281	$ 580
Two Person	9,105	1,440	10,545	1,160
Family	11,772	1,440	13,212	2,060
Option 2: HRA Higher Deductible				
Single	$ 3,826	$1,440	$ 5,266	$1,360
Two Person	7,638	2,880	10,518	2,720
Family	9,766	2,880	12,646	3,620

1/ These amounts represent the annual premium and the difference between the employer account contribution and the deductible. These amounts do not include copayments or the coinsurance payments required once the deductible has been met.

RS/JG:sls

JANET NAPOLITANO
Governor

WILLIAM BELL
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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(602) 542-1500

December 10, 2007

Representative Russell K. Pearce, Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Representative Pearce:

Pursuant to Laws 2007, Chapter 263, attached is a report by Leif Associates outlining a program for the use of health reimbursement accounts and health savings accounts. We would be pleased to discuss the conclusions of this report with you or staff at your convenience.

Sincerely,

William Bell
Director

Attachment

Cc: James Apperson
Marcel Benberou
Matt Gottheiner
Richard Stavneak
Eric Jorgensen

Health Savings Account and Health Reimbursement Account Programs Report for the State of Arizona

Leif Associates, Inc.
December 5, 2007

Conclusions

A number of state governments already offer an HDHP and HSA according to a Texas Public Policy Foundation brief issued in March 2007. The Policy Brief says that 20% of all states, including Arkansas, Colorado, Florida, Georgia, Indiana, Kansas, Mississippi, South Carolina, South Dakota and Utah, currently offer an HDHP and HSA option, and Texas is considering introducing such a plan.[7] Employers that offer CDHPs with or without an HRA or offer HDHPs with or without access to an HSA generally do so for several general reasons. These reasons may include:

- **Employers like to offer a choice of plan designs.** Large employers especially like to offer their employees choices between HMOs, PPOs, different copays, different deductibles and other plan design features that provide premium cost options. CDHPs and HDHPs usually offer the lowest premium costs to employees.

- **Employers want to promote cost-effective utilization of their health plans.** With health care costs rising at alarming rates over the last twenty years, employers have been forced to re-think how their most-valued employee benefit is structured and priced. High deductible plans encourage employees to take a more active role in their own health care decision-making, which employers expect to lower the annualized trend or inflationary increase in health care costs.

- **Employers want to encourage employee accountability and self-service.** Many employers have had to downsize their Human Resource departments and move from a paternal corporate culture to one that promotes self-sufficiency with respect to employee benefit plan administration. Tracking enrollment changes, fielding employee benefit questions and appealing claims denials are examples of services that employers once handled for their employees. These personal services have been replaced with online enrollment, carrier customer service units and self-initiated and self-filed claims appeals.

- **Employers want to help employees save for future retiree medical expenses, and, at the same time, potentially reduce the organization's retiree medical liability, if any**. An employer that offers medical plans to retirees are wondering whether it can afford to continue to subsidize the cost of these benefits. And an employer that does not offer retiree medical plans realizes that often employees are forced to work until age 65 and beyond just to have access to affordable medical coverage.

There is currently no single compelling reason for the State of Arizona to offer a CDHP with HRA or an HDHP with HSA. In an article just published in the Milwaukee Journal Sentinel, the International Foundation of Employee Benefit Plans found in a recent survey that although consumer driven plans are offered by "almost 43% of corporations, they are offered by 15.5% of public employers." The article concluded that this is due to strong public-sector unions that resist cost shifting to employees.[8] In contrast to whatever drives one governmental entity or a private employer to offer a high deductible plan design, the State does not seem to share all of the other employers' motivations.

- **The State of Arizona offers a limited choice of health plans.** The EPO plan design is essentially the same as the PPO in-network plan design, so the primary difference between the EPO and the PPO is the PPO's coverage of out-of-network providers. The State plans do not include a portfolio of differing copays, deductibles or other plan features with varying premium options. A CDHP or HDHP may be too radical to make any sense as a strategic option to the current plan designs. If, in the future, the State opts to include more variety in their health plan offerings or is compelled to move to more cost-sharing with employees, a CDHP or HDHP may be a better fit.

Conclusions

- **The State of Arizona's benefit strategy includes affordable employee premium costs, broad provider access, improved health status and access to claims data.** The State has adopted self-funding as the means to manage escalating health care costs. The State absorbed premium adjustments of 14% in 2004 and 16% in 2005.[9] The introduction of a CDHP or an HDHP could promote the strategies of affordable employee premium costs and improved health status by employees taking a more active role in their own health care decision-making. A CDHP or HDHP plan would also contribute to lowering the inflationary increase in health care costs and the rate adjustments the State may have to absorb in the future.

- **The State of Arizona encourages employee accountability and self-service.** The State offers web-based employee information services that includes on-line enrollment in the benefit plans. In addition, the health plans themselves include disease management and health promotion benefits. Adding a CDHP or HDHP would be a major step towards promoting employee accountability and self-directed health care decisions.

- **The State of Arizona offers retirees very comprehensive medical benefit plans, which are offered at subsidized premium rates.** Current state statute requires the offerings and subsidization, and the State is not considering terminating this coverage. In time, the State may want to give employees an opportunity to save for future retiree medical expenses in a tax-advantaged approach that could potentially reduce the State's future retiree medical liability, as well. An HDHP and HSA could be a critical component of such a strategy.

In conclusion, there are a number of advantages and disadvantages to the State of Arizona to offering a CDHP and HRA or an HDHP and HSA to employees. These pros and cons include the following:

CDHP with HRA

Pros

- Provides employees with a greater choice of plan designs.
- CDHP employer premium costs are lower than for the EPO and PPO plans which enables the State to provide an HRA to employees with the premium differential.
- The State may elect to allow employees to accumulate the HRA funds tax-free for future healthcare expenses.
- The CDHP will be offered with decision support tools to help employees make more informed health care decisions about providers, treatment options and treatment costs.
- Employee control over some health care dollars will encourage employees to make cost-effective decisions that will help control health care spending and reduce cost trends.
- HRA funds that remain after an employee terminates or retires may revert back to the State to offset claims.
- Provides little or no adverse impact to the current EPO and PPO plans.

Cons

- Not a logical fit with current State health plan offerings.

- Creates a new plan design with additional administrative and communication requirements for the ADOA. This plan design requires a great deal of employee education.
- The plan design includes a risk of higher financial exposure to employees than the current plans, which may cause some members to refrain from recommended treatments or prescription drugs.
- May attract fewer enrollees than an HDHP and HSA since HRAs funds are generally forfeited upon termination or retirement.

HDHP with HSA

Pros

- Provides employees with a greater choice of plan designs.
- HDHP employer premium costs are lower than for the EPO and PPO plans which enables the State to contribute to an employee's HSA with the premium differential.
- Employees can accumulate the HSA funds tax-free for future health care expenses, even for retiree health care expenses.
- The HDHP will be offered with decision support tools to help employees make more informed health care decisions about providers, treatment options and treatment costs.
- Employee control over their own health care dollars will encourage employees to make cost-effective decisions that will help control health care spending and reduce cost trends.
- Provides little or no adverse impact to the current EPO and PPO plans.
- May attract more enrollment than the CDHP and HRA since HRA funds are generally forfeited upon termination or retirement.

Cons

- Not a logical fit with current State health plan offerings.
- Creates a new plan design with complex regulations, compliance issues and some additional administrative and communication requirements for ADOA. This plan design requires a great deal of employee education.
- The plan design includes a risk of higher financial exposure to employees than the current plans, which may cause some members to refrain from recommended treatments or prescription drugs.
- Employer contributions to HSAs leave the "pool" when employees terminate and retire and are not available to offset claims.

Recommendations

In consideration of the advantages, disadvantages and conclusions presented in the report, Leif Associates recommends the following to the ADOA:

As noted in the Conclusions section of the report on page 20, there is currently no single compelling reason for the State of Arizona to include a CDHP with HRA or an HDHP with HSA to employees as part of the health benefits program.

Many employers, however, and especially those in the public sector, have experienced some budget constraints or financial pressures in recent years due to the annual increases in their health care costs. This has resulted in more employee cost-sharing through plan design changes or premium increases. The State of Arizona may one day experience similar financial pressures.

Leif Associates recommends that the ADOA consider the inclusion of a CDHP or HDHP option within its long-term benefit plan strategy to coincide with other new plan designs that may be necessary to keep employee contributions affordable and to promote employee accountability and self-directed health care decisions.

In addition, Leif suggests that although the report makes no persuasive arguments for the immediate inclusion of a high deductible plan design, there is also little or no risk to the other State self-funded plans if the ADOA chose to experiment with such an offering. There is no evidence to suggest that CDHPs and HDHPs will disappear from the marketplace any time soon. The ADOA may want to one day pilot a high deductible plan in order to evaluate the demographics of those who enroll and the trends associated with their health care utilization. Based upon the advantages of the CDHP compared with the HDHP, Leif recommends first offering a CDHP and HRA to limit the initial regulatory complexity of the new plan and to allow unused HRA funds to revert back to the State. If the CDHP and HRA were to prove beneficial to the State in terms of reducing trends in health care utilization, the ADOA might consider adding an HDHP and HSA at a later date.

Exhibit A

Sample CDHP and HDHP Plan Designs – State of Arizona Employees

	CDHP EPO 1	CDHP EPO 2	HDHP EPO 1	HDHP EPO 2
Plan Year Deductible	$1,000 Single $2,000 Family Embedded	$1,500 Single $3,000 Family Embedded	$1,100 Single $2,200 Family Umbrella	$2,500 Single $5,000 Family Embedded
Out of Pocket Maximum (includes deductible)	$2,000 Single $4,000 Family	$3,000 Single $6,000 Family	$1,100 Single $2,200 Family	$5,000 Single $10,000 Family
Lifetime Maximum	Unlimited	Unlimited	Unlimited	Unlimited
Physician Services	90% coinsurance after deductible	80% coinsurance after deductible	100% coinsurance after deductible	90% coinsurance after deductible
Specialist Visits	90% coinsurance after deductible	80% coinsurance after deductible	100% coinsurance after deductible	90% coinsurance after deductible
Preventive Care	$10 copay	$10 copay	$10 copay	$10 copay
Mammography Screening	$10 copay	$10 copay	$10 copay	$10 copay
Outpatient Services	90% coinsurance after deductible	80% coinsurance after deductible	100% coinsurance after deductible	90% coinsurance after deductible
Hospitalization Services	90% coinsurance after deductible	80% coinsurance after deductible	100% coinsurance after deductible	90% coinsurance after deductible
Urgent Care	90% coinsurance after deductible	80% coinsurance after deductible	100% coinsurance after deductible	90% coinsurance after deductible
Emergency Room	90% coinsurance after deductible	80% coinsurance after deductible	100% coinsurance after deductible	90% coinsurance after deductible
Ambulance	90% coinsurance after deductible	80% coinsurance after deductible	100% coinsurance after deductible	90% coinsurance after deductible
Chiropractic	90% coinsurance after deductible	80% coinsurance after deductible	100% coinsurance after deductible	90% coinsurance after deductible
Durable Medical Equipment	90% coinsurance after deductible	80% coinsurance after deductible	100% coinsurance after deductible	90% coinsurance after deductible
Behavioral Health Outpatient	90% coinsurance after deductible	80% coinsurance after deductible	100% coinsurance after deductible	90% coinsurance after deductible
Behavioral Health Inpatient	90% coinsurance after deductible	80% coinsurance after deductible	100% coinsurance after deductible	90% coinsurance after deductible
Prescription Drugs	$10/$20/$40/$40	$10/$20/$40/$40	100% coinsurance after deductible	90% coinsurance after deductible

Exhibit B

State of Arizona
Average Employer Cost
2007 - 2008

October 2007 Rates

	Single			EE +1			Family		
	EE Cost	State Cost	Total Prem	EE Cost	State Cost	Total Prem	EE Cost	State Cost	Total Prem
Central Region									
RAM+AMN (HMA) EPO	$25.00	$436.91	$461.91	$50.00	$862.49	$912.49	$125.00	$1,110.14	$1,235.14
Schaller Anderson (SA) EPO	$25.00	$436.91	$461.91	$50.00	$862.49	$912.49	$125.00	$1,110.14	$1,235.14
United Healthcare (UHC) EPO	$25.00	$436.91	$461.91	$50.00	$862.49	$912.49	$125.00	$1,110.14	$1,235.14
AZ Foundation (AZF) PPO	$140.00	$609.01	$749.01	$280.00	$1,199.66	$1,479.66	$390.00	$1,612.86	$2,002.86
UnitedHealthcare (UHC) PPO	$140.00	$609.01	$749.01	$280.00	$1,199.66	$1,479.66	$390.00	$1,612.86	$2,002.86
Southern Region									
RAM+AMN (HMA) EPO	$25.00	$423.13	$448.13	$50.00	$835.28	$885.28	$125.00	$1,073.32	$1,198.32
Schaller Anderson (SA) EPO	$25.00	$423.13	$448.13	$50.00	$835.28	$885.28	$125.00	$1,073.32	$1,198.32
United Healthcare (UHC) EPO	$25.00	$423.13	$448.13	$50.00	$835.28	$885.28	$125.00	$1,073.32	$1,198.32
AZ Foundation (AZF) PPO	$140.00	$549.68	$689.68	$280.00	$1,082.45	$1,362.45	$390.00	$1,454.21	$1,844.21
UnitedHealthcare (UHC) PPO	$140.00	$549.68	$689.68	$280.00	$1,082.45	$1,362.45	$390.00	$1,454.21	$1,844.21
Northern Region									
RAM+AMN (HMA) EPO	$25.00	$586.28	$611.28	$50.00	$1,157.59	$1,207.59	$125.00	$1,509.59	$1,634.59
Schaller Anderson (SA) EPO	$25.00	$586.28	$611.28	$50.00	$1,157.59	$1,207.59	$125.00	$1,509.59	$1,634.59
AZ Foundation (AZF) PPO	$140.00	$642.38	$782.38	$280.00	$1,265.58	$1,545.58	$390.00	$1,702.10	$2,092.10
Southeastern Region									
RAM+AMN (HMA) EPO	$25.00	$586.28	$611.28	$50.00	$1,157.59	$1,207.59	$125.00	$1,509.59	$1,634.59
Schaller Anderson (SA) EPO	$25.00	$586.28	$611.28	$50.00	$1,157.59	$1,207.59	$125.00	$1,509.59	$1,634.59
AZ Foundation (AZF) PPO	$140.00	$642.38	$782.38	$280.00	$1,265.58	$1,545.58	$390.00	$1,702.10	$2,092.10
Western Region									
RAM+AMN (HMA) EPO	$25.00	$586.28	$611.28	$50.00	$1,157.59	$1,207.59	$125.00	$1,509.59	$1,634.59
Schaller Anderson (SA) EPO	$25.00	$586.28	$611.28	$50.00	$1,157.59	$1,207.59	$125.00	$1,509.59	$1,634.59
AZ Foundation (AZF) PPO	$140.00	$642.38	$782.38	$280.00	$1,265.58	$1,545.58	$390.00	$1,702.10	$2,092.10
Out of State									
Beech Street PPO	$25.00	$776.98	$801.98	$50.00	$1,534.31	$1,584.31	$125.00	$2,019.51	$2,144.51

Employee Count	State Enrollees			University Enrollees			Combined Enrollees		
	Single	EE + 1	Family	Single	EE + 1	Family	Single	EE + 1	Family
Central Region									
RAM+AMN (HMA) EPO	1,254	474	692	563	215	235	1,817	689	927
Schaller Anderson (SA) EPO	3,600	1,332	2,389	1,136	401	570	4,736	1,733	2,959
United Healthcare (UHC) EPO	6,656	2,966	5,403	1,887	869	1,345	8,543	3,835	6,748
AZ Foundation (AZF) PPO	237	81	80	216	87	90	453	168	170
UnitedHealthcare (UHC) PPO	406	107	141	188	57	86	594	164	227
Southern Region									
RAM+AMN (HMA) EPO	237	73	140	640	159	203	877	232	343
Schaller Anderson (SA) EPO	476	170	322	888	301	500	1,364	471	822
United Healthcare (UHC) EPO	1,512	708	1,451	2,418	1,091	1,912	3,930	1,799	3,363
AZ Foundation (AZF) PPO	7	4	3	59	24	19	66	28	22
UnitedHealthcare (UHC) PPO	41	12	20	200	49	72	241	61	92
Northern Region									
RAM+AMN (HMA) EPO	772	457	958	19	8	10	791	465	968
Schaller Anderson (SA) EPO	64	33	55	1	-	-	65	33	55
AZ Foundation (AZF) PPO	44	18	27	1	-	2	45	18	29
Southeastern Region									
RAM+AMN (HMA) EPO	458	311	739	32	13	29	490	324	768
Schaller Anderson (SA) EPO	39	16	42	1	-	-	40	16	42
AZ Foundation (AZF) PPO	8	6	6	2	1	2	10	7	8
Western Region									
RAM+AMN (HMA) EPO	425	232	524	16	10	12	441	242	536
Schaller Anderson (SA) EPO	124	64	268	4	1	9	128	65	277
AZ Foundation (AZF) PPO	26	8	9	1	1	1	27	9	10
Out of State									
Beech Street PPO	33	25	64	49	21	26	82	46	90
Grand Total	16,419	7,097	13,333	8,321	3,308	5,123	24,740	10,405	18,456

										Combined
State Cost Total	$7,567,401	$6,520,263	$15,966,114	$3,708,277	$2,899,881	$5,761,322	$11,275,679	$9,420,144	$21,727,437	$42,423,260
State Cost Per Employee	$460.89	$918.74	$1,197.49	$445.65	$876.63	$1,124.60	$455.77	$905.35	$1,177.26	$791.46

State of Arizona
Estimated New Plan Costs
Plan Year Beginning October 2007

Exhibit C

	Single					EE +1					Family				
		State Cost					State Cost					State Cost			
	EE Cost	Plan Cost	Account	Total	Total Cost	EE Cost	Plan Cost	Account	Total	Total Cost	EE Cost	Plan Cost	Account	Total	Total Cost
Central Region															
Current EPO	$25.00	$436.91		$436.91	$461.91	$50.00	$862.49		$862.49	$912.49	$125.00	$1,110.14		$1,110.14	$1,235.14
CDHP 1	$25.00	$372.24	$60.00	$432.24	$457.24	$50.00	$734.74	$120.00	$854.74	$904.74	$125.00	$937.22	$120.00	$1,057.22	$1,182.22
CDHP 2	$25.00	$344.53	$90.00	$434.53	$459.53	$50.00	$679.99	$180.00	$859.99	$909.99	$125.00	$863.11	$180.00	$1,043.11	$1,168.11
HDHP 1	$25.00	$363.00	$70.00	$433.00	$458.00	$50.00	$716.49	$140.00	$856.49	$906.49	$125.00	$912.52	$140.00	$1,052.52	$1,177.52
HDHP 2	$25.00	$312.19	$120.00	$432.19	$457.19	$50.00	$616.12	$240.00	$856.12	$906.12	$125.00	$776.65	$240.00	$1,016.65	$1,141.65
Southern Region															
Current EPO	$25.00	$423.13		$423.13	$448.13	$50.00	$835.28		$835.28	$885.28	$125.00	$1,073.32		$1,073.32	$1,198.32
CDHP 1	$25.00	$360.39	$60.00	$420.39	$445.39	$50.00	$711.34	$120.00	$831.34	$881.34	$125.00	$905.56	$120.00	$1,025.56	$1,150.56
CDHP 2	$25.00	$333.50	$90.00	$423.50	$448.50	$50.00	$658.22	$180.00	$838.22	$888.22	$125.00	$833.66	$180.00	$1,013.66	$1,138.66
HDHP 1	$25.00	$351.43	$70.00	$421.43	$446.43	$50.00	$693.64	$140.00	$833.64	$883.64	$125.00	$881.59	$140.00	$1,021.59	$1,146.59
HDHP 2	$25.00	$302.13	$120.00	$422.13	$447.13	$50.00	$596.25	$240.00	$836.25	$886.25	$125.00	$749.77	$240.00	$989.77	$1,114.77
Northern, Southeastern, and Western Regions															
Current EPO	$25.00	$586.28		$586.28	$611.28	$50.00	$1,157.59		$1,157.59	$1,207.59	$125.00	$1,509.59		$1,509.59	$1,634.59
CDHP 1	$25.00	$500.70	$60.00	$560.70	$585.70	$50.00	$988.53	$120.00	$1,108.53	$1,158.53	$125.00	$1,280.75	$120.00	$1,400.75	$1,525.75
CDHP 2	$25.00	$464.02	$90.00	$554.02	$579.02	$50.00	$916.07	$180.00	$1,096.07	$1,146.07	$125.00	$1,182.67	$180.00	$1,362.67	$1,487.67
HDHP 1	$25.00	$488.48	$70.00	$558.48	$583.48	$50.00	$964.38	$140.00	$1,104.38	$1,154.38	$125.00	$1,248.06	$140.00	$1,388.06	$1,513.06
HDHP 2	$25.00	$421.23	$120.00	$541.23	$566.23	$50.00	$831.54	$240.00	$1,071.54	$1,121.54	$125.00	$1,068.25	$240.00	$1,308.25	$1,433.25

Average ER Contribution

Current EPO	$446.10	$890.46	$1,161.11
CDHP 1	$440.14	$878.79	$1,101.06
CDHP 2	$441.88	$882.37	$1,083.89
HDHP 1	$440.72	$879.98	$1,095.33
HDHP 2	$438.90	$876.53	$1,053.86
Current All	$455.77	$905.35	$1,177.26

From the law: "The average per person employer cost of the programs, including the cotnributions for the healt savings account and high deductible health plan or the health reimbursement account and high deductible health plan, shall not exceed the average per person employer cost of the self-insured state employee health benefits program for the same fiscal year."

Distribution	Single	EE + 1	Family	Combined
Central	16,143	6,589	11,031	33,763
Southern	6,478	2,591	4,642	13,711
Northern, Southeastern and Western	2,119	1,225	2,783	6,127
	24,740	10,405	18,456	53,601

Annual Contribution to Account

		Single	Deductible	EE + 1	Deductible	Family	Deductible
Central	CDHP 1	$720	$1,000	$1,440	$2,000 Embedded	$1,440	$2,000 Embedded
	CDHP 2	$1,080	$1,500	$2,160	$3,000 Embedded	$2,160	$3,000 Embedded
	HDHP 1	$840	$1,100	$1,680	$2,200 Umbrella	$1,680	$2,200 Umbrella
	HDHP 2	$1,440	$2,500	$2,880	$5,000 Embedded	$2,880	$5,000 Embedded
Southern	CDHP 1	$720	$1,000	$1,440	$2,000 Embedded	$1,440	$2,000 Embedded
	CDHP 2	$1,080	$1,500	$2,160	$3,000 Embedded	$2,160	$3,000 Embedded
	HDHP 1	$840	$1,100	$1,680	$2,200 Umbrella	$1,680	$2,200 Umbrella
	HDHP 2	$1,440	$2,500	$2,880	$5,000 Embedded	$2,880	$5,000 Embedded
No, So, West	CDHP 1	$720	$1,000	$1,440	$2,000 Embedded	$1,440	$2,000 Embedded
	CDHP 2	$1,080	$1,500	$2,160	$3,000 Embedded	$2,160	$3,000 Embedded
	HDHP 1	$840	$1,100	$1,680	$2,200 Umbrella	$1,680	$2,200 Umbrella
	HDHP 2	$1,440	$2,500	$2,880	$5,000 Embedded	$2,880	$5,000 Embedded

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: February 21, 2007

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

THRU: Richard Stavneak, Director

FROM: Dan Hunting, Fiscal Analyst

SUBJECT: Arizona Department of Environmental Quality – Review of Water Quality Permit Processing Times

Request

In accordance with Laws 2007, Chapter 255, the Arizona Department of Environmental Quality (DEQ) has submitted for review a report documenting water quality permit processing times for FY 2007 and 2008.

Recommendation

The Committee has at least the following options:

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

Analysis

Laws 2007, Chapter 255, required DEQ to submit a report on water quality permit processing times for FY 2007 and projected totals for FY 2008. This report was also required to include the total number of staff hours and total costs to process water quality permits, and the progress made in reducing permit processing times. This report is included as an attachment with this memo. In FY 2008, DEQ's Water programs were appropriated a total of $12.5 million, an increase of 24% over FY 2007 funding levels. Most of this additional appropriation was directed to permit processing staff.

(Continued)

FY 2007

In FY 2007, the department received a total of 2,902 water quality permit applications. Of 44 permit types listed, on average DEQ met the Licensing Timeframe (LTF) for all but 2 permit types. These 2 permit types are for individual Aquifer Protection Permits requiring a public hearing. The 5 permits issued in these 2 categories exceeded the allowed timeframe by an average of 15 days. While the average processing time exceeded the licensing deadline for only 2 permit categories, DEQ exceeded the deadline for at least 1 permit in 7 categories.

FY 2008

The department received a total of 1,216 applications during the period of July 1 to November 31, 2007. Year-to-date in FY 2008, the average processing time has exceeded the deadline at least once for 7 of 47 permits types. The department is projecting average time for all types of permits will be within the specified permit processing timeframe.

In FY 2008, the department projects it will receive 457 fewer water permit applications than the previous year, a decrease of 15.7%. Costs of processing permits are expected to increase by $468,800, or 8.5%. The decrease in applications, coupled with the growth in costs results in an increase the average cost per permit of 26% over FY 2007. At the same time, the average number of staff hours required to process these permits is expected to rise by 29% in FY 2008. The table below contains actual permit information for FY 2007 and projected information for FY 2008.

Water Quality Permits

	Applications	Staff Hours	Average Hours Per Permit	Staff Costs	Average Cost Per Permit
FY 2007	2,902	99,624	34.3	$5,501,800	$1,900
FY 2008 (est.)	2,445	107,922	44.1	5,970,600	2,400
Total	**5,347**	**207,546**	**38.8**	**$11,472,400**	**$2,100**

RS/DH:ss

Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.azdeq.gov

Stephen A. Owens
Director

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DEC 14 2007
JOINT BUDGET COMMITTEE

December 14, 2007

The Honorable Robert L. Burns, Chair
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable Russell K. Pearce, Chair
House Appropriations Committee
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Re: Report on Water Quality Permitting for FY2006-2007

Dear Chairman Burns and Chairman Pearce:

In accordance with House Bill 2781, Chapter 255, Section 31, Forty-eighth Legislature, First Regular Session (2007), the Department of Environmental Quality (ADEQ) is submitting a written report on the Water Quality Permitting Program for review by the Joint Legislative Budget Committee. The Report and associated attachments are enclosed. The report provides information on the water quality permit processing times, staff hours and total costs devoted to water quality permit processing for fiscal year 2006-2007.

The Department continues to process a large number of applications for all types of water quality permits related to the growth in our state. Adequate staffing and resources are critical to our effort to deliver timely permits that are protective of our precious water resources. The Department now is utilizing the new resources appropriated by the Legislature to help meet this demand.

If I can provide you with any further information or if you have any questions, please feel free to contact me at 602-771-2203.

Sincerely,

Stephen A. Owens
Director

cc: Richard Stavneak, Director, JLBC
James Apperson, Director, OSPB
Dan Hunting, JLBC
Marcel Benberou, OSPB

Water Quality Permit Processing Times Report
December 2007

ADEQ
Arizona Department
of Environmental Quality

This Report is submitted to the Joint Legislative Budget Committee in accordance with House Bill 2781, Chapter 255, Section 31, Forty-Eighth Legislature, First Regular Session (2007).

This Report details maximum, minimum and average water quality permit processing times for fiscal year 2006-2007 as reflected in the Department's AZURITE database. The fiscal year 2006-2007 data contains year-to-date actual. See attached. This Report also includes total number of staff hours devoted to water quality permit processing in fiscal year 2006-2007 and total costs to process these permits. The fiscal year 2006-2007 information includes actual hours. See attached.

Finally, a report of progress made in reducing water quality permit processing times is requested. In the above-referenced appropriation, the Department was appropriated $530,500 from the General Fund to address improvements to the surface water permitting program, known as the Arizona Pollutant Discharge Elimination System (AZPDES) program, and 14 additional FTE from the Water Quality Fee Fund (WQFF) for the groundwater program, known as the Aquifer Protection Permit (APP) program, and the drinking water program. These drinking water program FTEs will not be filled until the Department adopts a new drinking water design review fee in rule in the next year.

Regarding projections for the remainder of the year, the Department expects to meet the performance measures associated with these appropriations. The Department recently completed the hiring of the new AZPDES program, will train the new permit writers, and expects to see significant improvement in the second half of the current fiscal year. The Department anticipated continued improvement in the reduction of drinking water plan review processing times and continues to seek qualified candidates to fill the new groundwater WQFF funded positions in order to meet the performance measures for 2009.

In reference to the attached licensing time frames report, in 2006-2007 the Department improved average permit processing times for a number of permits. Specifically, the Department reduced the time frames for drinking water treatment facility and well construction, subdivision community facilities, APP individual permits and APP significant amendments, construction approvals for sewage collections systems for new subdivisions (APP 4.01 general permits), and the AZPDES "major modifications" permit.

The Department continues to handle a very large number of permit applications and inquiries regarding the status of water quality permits in process. Despite the presumed slower growth in our state, the Department processed nearly the identical number of water quality permits in 2006-2007 (2902) as in 2005-2006 (2899). Since lot sales, construction and other development cannot occur without these permits, the demand for immediate permit processing remains high. The Department is able to meet Licensing Time Frame requirements in nearly every permitting action and expects to continue to improve average processing times for water quality permits.

Water Quality Permit Processing

	Total Staff Hours	Total Staff Cost
July 1, 2006 to June 30, 2007	99,624	$5,501,756
Totals	**99,624**	**$5,501,756**

LTFLEGRPT

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

AZURITE - LTF System

12/14/2007 01:14 PM

Water Quality Division Legislative LTF Report

Date range: From 07/01/2006 to 06/30/2007

Program	License Category	Total Applications Completed	Allowable LTF in Working Days	Max % of Timeframe Used	Min % of Timeframe Used	Ave % of Timeframe Used
DRINKING WATER PROGRAMS	Standard drinking water treatment facility, project, and well ATC	559	43	97.67	0.00	39.80
	Complex drinking water treatment facility, project, or well ATC	1	73	54.79	54.79	54.79
	Standard public and semi-public swimming pool design approval	21	42	95.24	7.14	51.81
	Complex public and semi-public swimming pool design approval	1	83	3.61	3.61	3.61
	Standard drinking water treatment facility, project, or well AOC	280	43	97.67	0.00	33.38
	Standard public and semi-public swimming pool AOC	12	42	76.19	4.76	30.16
	Drinking water time extension approval	17	22	86.36	0.00	20.05
	(NRO) Standard drinking water treatment facility, project, and well ATC	104	43	100.00	0.00	27.06
	(NRO) Standard public and semi-public swimming pool design approval	7	42	33.33	0.00	20.75
	(NRO) Standard drinking water treatment facility, project, and well AOC	167	43	100.00	0.00	25.92
	(NRO) Standard public and semi-public swimming pool AOC	2	42	42.86	19.05	30.95
	(SRO) Standard drinking water treatment facility, project, and well ATC	1	43	9.30	9.30	9.30
	(SRO) Standard drinking water treatment facility, project, and well AOC	75	43	25.58	0.00	5.30
	(SRO) Standard public and semi-public swimming pool AOC	9	42	16.67	0.00	3.97
	Monitoring frequency change approval	14	42	97.62	7.14	42.18
	Subdivision Individual Facilities	71	67	100.00	1.49	43.89
	Subdivision Community Facilities	358	58	100.00	-1.72	39.70
GROUND WATER PROGRAMS	Reuse, Individual Permit, No Public Hearing	2	221	0.00	0.00	0.00
	Reuse, Type 3 General Permit	12	81	65.43	1.23	19.86
SURFACE WATER	AZPDES, Individual Permit Stormwater/Construction Activities, No Public Hearing	1	161	1.24	1.24	1.24
WASTE WATER PROGRAMS	CWA 401 state certification of a proposed CWA 404 permit	48	63	69.84	0.00	13.72

LTFLEGRPT

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

AZURITE - LTF System

12/14/2007 01:14 PM

Water Quality Division Legislative LTF Report

Date range: From 07/01/2006 to 06/30/2007

Program	License Category	Total Applications Completed	Allowable LTF in Working Days	Max % of Timeframe Used	Min % of Timeframe Used	Ave % of Timeframe Used
WASTE WATER PROGRAMS	Biosolid applicator registration request acknowledgment	23	15	100.00	0.00	46.67
	APP, Individual Permit, No public hearing	16	221	124.43	68.78	91.40
	APP, Individual Permit, Public hearing	4	266	120.68	74.81	103.95
	APP, Complex Individual Permit, Public hearing	1	329	109.12	109.12	109.12
	APP, Individual Permit, Significant Amendment, No Public Hearing	28	221	124.89	2.71	91.53
	APP, Individual Permit, Other Amendment	26	135	123.70	28.89	89.91
	APP, Temporary Individual Permit	2	180	72.78	51.67	62.22
	APP, Type 3 General Permit	7	81	72.84	7.41	41.09
	APP, 4.01 General Permit, Pre-Construction 300 services or less	353	53	100.00	0.00	58.00
	APP, 4.01 General Permit, Post-Construction 300 services or less	359	42	283.33	0.00	36.40
	APP, 4.01 General Permit, Pre-Construction 300 services or more	12	83	79.52	6.02	43.17
	APP, 4.01 General Permit, Post-Construction 300 services or more	12	53	98.11	11.32	61.64
	APP, Standard Single 4.02, 4.03, 4.13, and 4.14 General Permits, Pre-Construction	111	42	100.00	0.00	58.67
	APP, Standard Single 4.02, 4.03, 4.13, and 4.14 General Permits, Post-Construction	91	31	96.77	0.00	24.46
	APP, 4.23 General Permit, Pre-Construction	17	83	96.39	13.25	46.49
	APP, 4.23 General Permit, Post-Construction	3	53	81.13	3.77	32.70
	APP, Standard Combined Two or Three Type 4 General Permits, Pre-Construction	26	53	90.57	7.55	44.85
	APP, Standard Combined Two or Three Type 4 General Permits, Post-Construction	7	42	23.81	0.00	8.16
	APP, Complex Combined Four or more Type 4 General Permits, Pre-Construction	12	83	83.13	14.46	41.06
	APP, Complex Combined Four or more Type 4 General Permits, Post-Construction	3	53	35.85	0.00	14.47
	AZPDES, Individual Permit, Major Facility, No public hearing	8	284	86.97	28.87	53.87

LTFLEGRPT

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

AZURITE - LTF System

12/14/2007 01:14 PM

Water Quality Division Legislative LTF Report

Date range: From 07/01/2006 to 06/30/2007

Program	License Category	Total Applications Completed	Allowable LTF in Working Days	Max % of Timeframe Used	Min % of Timeframe Used	Ave % of Timeframe Used
WASTE WATER PROGRAMS	AZPDES, Individual Permit, Minor Facility, No Public hearing	15	221	120.81	43.44	77.53
	AZPDES, Individual Permit Major Modification, No Public Hearing	4	221	95.02	60.18	80.32

TOTAL: 2902

Water Quality Permit Processing

	Total Staff Hours	Total Staff Cost
July 1, 2006 to June 30, 2007	99,624	$5,501,756
July 1, 2007 to June 30, 2008	107,922	$5,970,616
Totals	**207,546**	**$11,472,372**

Arizona Department of Environmental Quality
Water Quality Division
LTF Report for FY08
July 1 - December 31, 2007

Program	License Category	Actual Applications as of 12/31/07	Allowable LTF in Working Days [1]	Projected Max % of Timeframe Used	Projected Min % of Timeframe Used	Projected Average % of Timeframe Used
DRINKING WATER PROGRAMS	Standard drinking water treatment facility, project and well ATC	61	43	83.72	2.33	44.07
	Standard drinking water treatment facility, project and well ATC	161	53	73.58	0.00	21.84
	Complex drinking water treatment facility, project and well ATC	13	83	51.81	7.23	21.32
	Standard public and semi-public swimming pool design approval	11	42	57.14	16.67	43.65
	Standard public and semi-public swimming pool design approval	6	52	38.46	15.38	28.85
	Complex public and semi-public swimming pool design approval	2	93	31.18	6.45	18.82
	Standard drinking water treatment facility, project or well AOC	25	43	93.02	2.33	50.42
	Standard drinking water treatment facility, project or well AOC	258	53	86.79	0.00	12.39
	Complex drinking water treatment facility, project, and well AOC	38	52	90.38	0.00	20.45
	Standard public and semi-public swimming pool AOC	7	42	57.14	16.67	43.65
	Standard drinking water new source approval	*0*	43			
	Drinking water time extension approval	1	22	9.09	9.09	9.08
	Drinking water time extension approval	20	32	78.13	0.00	1.19
	(NRO) Standard drinking water treatment facility, project and well ATC	5	43	30.23	4.65	22.79
	(NRO) Standard drinking water treatment facility, project and well AOC	21	43	67.44	0.00	34.77
	(SRO) Standard drinking water treatment facility, project and well AOC	6	43	4.65	2.33	3.49
	Monitoring frequency change approval	*0*	42			
GROUNDWATER PROGRAMS	Subdivision Individual Facilities	26	67	100.00	8.96	45.69
	Subdivision Community Facilities	82	58	98.28	1.72	29.60
	Reuse, Individual Permit, No Public Hearing	1	221	92.76	92.76	92.76
	Reuse, Complex Individual Permit, Public Hearing	1	329	25.84	25.84	25.84
	Reuse, Type 3 General Permit	3	81	2.47	0.00	1.23
	Biosolid applicator registration request acknowledgment	20	15	86.67	0.00	40.67
	APP, Complex Individual Permit, No Public Hearing	1	284	104.93	104.93	104.93
	APP, Individual Permit, No Public Hearing	6	221	105.43	49.32	91.18
	APP, Individual Permit, Public Hearing	1	266	120.30	120.30	120.30
	APP, Individual Permit, Significant Amendment, No Public Hearing	17	221	121.27	36.20	83.31
	APP, Individual Permit, Significant Amendment, Public Hearing	*0*	266			
	APP, Individual Permit, Other Amendment	12	135	100.00	37.78	88.83
	APP, Type 3 General Permit	13	81	77.78	0.00	36.28
	APP, 4.01 General Permit 300 services or less	10	95	32.63	1.05	9.68
	APP, 4.01 General Permit, Pre-Construction 300 services or less	59	53	98.11	13.21	56.16
	APP, 4.01 General Permit, Post-Construction 300 services or less	202	42	109.52	0.00	23.28
	APP, 4.01 General Permit 300 services or more	2	136	8.09	8.09	8.09
	APP, 4.01 General Permit, Pre-Construction 300 services or more	3	83	74.70	61.45	68.27
	APP, 4.01 General Permit, Post-Construction 300 services or more	1	53	86.79	86.79	86.79
	APP, Standard Single 4.02, 4.03, 4.13, 4.14, 4.15, and 4.16 General Permits	2	73	30.14	4.11	17.12
	APP, Standard Single 4.02, 4.03, 4.13 and 4.14 General Permits, Pre-Construction	10	42	90.48	14.29	35.71
	APP, Standard Single 4.02, 4.03, 4.13 and 4.14 General Permits, Post-Construction	39	31	93.55	0.00	29.69
	APP, 4.23 General Permit, Pre-Construction	2	83	73.49	50.60	62.05
	APP, 4.23 General Permit, Post-Construction	4	53	52.83	11.32	34.91
	APP, Standard Combined Two or Three Type 4 General Permits	2	95	9.47	7.37	8.42
	APP, Standard Combined Two or Three Type 4 General Permits, Pre-Construction	7	53	77.36	30.19	46.36
	APP, Standard Combined Two or Three Type 4 General Permits, Post-Construction	1	42	26.19	26.19	26.19
	APP, Complex Combined Four or More Type 4 General Permits	4	136	17.65	2.94	7.72
	APP, Complex Combined Four or more Type 4 General Permits, Pre-Construction	5	83	81.93	7.23	58.55
	APP, Complex Combined Four or more Type 4 General Permits, Post-Construction	3	53	7.55	0.00	3.14
SURFACE WATER	AZPDES, Individual Permit, Major Facility, No Public Hearing	10	284	– 124.65	25.35	85.77
	AZPDES, Individual Permit, Minor Facility, No Public Hearing	17	221	– 128.96	30.32	74.45
	AZPDES, Individual Permit, Major Modification, No Public Hearing	*0*	221			
	CWA 401 state certification of a proposed CWA 404 permit	15	63	53.97	0.00	13.76
	TOTAL	1216				

Note:
Italics denotes that as of 12/31/07, no applications had been received in these categories.
Note 1: Changes to LTF rule took effect 6/30/07resulting in several categories being listed twice with differing timeframes. Applications submitted prior to 6/30 were processed under original timeframes. Applications received after 7/1/07, were processed under new timeframes.

Arizona Department of Environmental Quality
Water Quality Division
LTF Report for FY08
Projected 2007-2008 Totals

Program	License Category	Projected Total Applications for FY08	Allowable LTF in Working Days	Projected Average % of Timeframe Used
DRINKING WATER PROGRAMS	Standard drinking water treatment facility, project and well ATC	444	53	21.84
	Complex drinking water treatment facility, project and well ATC	26	83	21.32
	Standard public and semi-public swimming pool design approval	34	52	28.85
	Complex public and semi-public swimming pool design approval	4	93	18.82
	Standard drinking water treatment facility, project or well AOC	566	53	12.39
	Complex drinking water treatment facility, project, and well AOC	76	52	20.45
	Standard public and semi-public swimming pool AOC	14	42	43.65
	Standard drinking water new source approval	*1*	43	*50.00*
	Drinking water time extension approval	42	32	15.47
	(NRO) Standard drinking water treatment facility, project and well ATC	10	43	22.79
	(NRO) Standard drinking water treatment facility, project and well AOC	42	43	27.76
	(SRO) Standard drinking water treatment facility, project and well AOC	12	43	3.49
	Monitoring frequency change approval	*10*	42	*37.96*
GROUNDWATER PROGRAMS	Subdivision Individual Facilities	52	67	39.50
	Subdivision Community Facilities	164	58	29.60
	Reuse, Individual Permit, No Public Hearing	2	221	83.48
	Reuse, Complex Individual Permit, Public Hearing	2	329	23.26
	Reuse, Type 3 General Permit	6	81	1.23
	Biosolid applicator registration request acknowledgment	40	15	40.67
	APP, Complex Individual Permit, No Public Hearing	2	284	98.21
	APP, Individual Permit, No Public Hearing	12	221	82.26
	APP, Individual Permit, Public Hearing	2	266	93.56
	APP, Individual Permit, Significant Amendment, No Public Hearing	34	221	82.38
	APP, Individual Permit, Other Amendment	24	135	80.92
	APP, Type 3 General Permit	26	81	36.28
	APP, 4.01 General Permit, Pre-Construction 300 services or less	128	53	52.20
	APP, 4.01 General Permit, Post-Construction 300 services or less	414	42	23.28
	APP, 4.01 General Permit, Pre-Construction 300 services or more	8	83	38.85
	APP, 4.01 General Permit, Post-Construction 300 services or more	4	53	55.48
	APP, Standard Single 4.02, 4.03, 4.13 and 4.14 General Permits, Pre-Construction	21	42	35.71
	APP, Standard Single 4.02, 4.03, 4.13 and 4.14 General Permits, Post-Construction	81	31	22.01
	APP, 4.23 General Permit, Pre-Construction	4	83	41.84
	APP, 4.23 General Permit, Post-Construction	8	53	29.43
	APP, Standard Combined Two or Three Type 4 General Permits, Pre-Construction	17	53	40.37
	APP, Standard Combined Two or Three Type 4 General Permits, Post-Construction	3	42	23.57
	APP, Complex Combined Four or more Type 4 General Permits, Pre-Construction	15	83	36.96
	APP, Complex Combined Four or more Type 4 General Permits, Post-Construction	9	53	3.14
SURFACE WATER	AZPDES, Individual Permit, Major Facility, No Public Hearing	20	284	54.17
	AZPDES, Individual Permit, Minor Facility, No Public Hearing	34	221	47.02
	AZPDES, Individual Permit, Major Modification, No Public Hearing	*2*	221	*50.72*
	CWA 401 state certification of a proposed CWA 404 permit	30	63	13.76
	TOTAL	2445		

Note:
Italics denotes that as of 12/31/07, no applications have been received in these categories.

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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CHAIRMAN 2008
PAULA ABOUD
AMANDA AGUIRRE
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JORGE LUIS GARCIA
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HOUSE OF REPRESENTATIVES

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STEVE YARBROUGH

DATE: February 21, 2008

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

THRU: Richard Stavneak, Director

FROM: Steve Schimpp, Deputy Director

SUBJECT: Auditor General – Review of English Learner-Related Modifications to the State Accounting System for Public Schools

Request

Pursuant to A.R.S. § 15-756.04, Subsection E and A.R.S. § 15-756.11, Subsection F, the Office of the Auditor General has submitted for Committee review modifications to the state accounting system for public schools that it has implemented pursuant to Laws 2006, Chapter 4 (the English Learner bill from the 2006 Legislative Session).

Summary

The JLBC Staff recommends that the Committee give the modifications a favorable review, as they conform with statutory requirements.

Analysis

Laws 2006, Chapter 4 established new funding procedures for programs that serve English Learners. It also established 2 new state-level funds for funding those programs, which are the "Arizona Structured English Immersion Fund" and the "Statewide Compensatory Instruction Fund." Chapter 4 instructed the Office of the Auditor General to modify the state accounting system for public schools in order to reflect the establishment of the 2 new funds. It also required the modifications to be reviewed by both the English Learner Task Force established by the bill and by the Joint Legislative Budget Committee. The English Learner Task Force reviewed the modifications without comment at its meeting on November 8, 2007.

The Office of the Auditor General modified numerous accounting forms, instruction sheets, and related publications in order to meet the requirements of Chapter 4. Given the large number of documents involved, only sample pages are attached for illustration. *Attachment 1*, for example, shows a form on which school districts are now required to report general expenditures from the 2 new funds. *Attachments*

(Continued)

2 and 3 show similar forms on which school districts are now required to report desegregation-related expenditures from those funds. *Attachment 4* provides an excerpt from the "chart of accounts" for public schools, which now explains the types of expenditures that should be accounted for under the 2 new funds.

Chapter 4 did not require Committee review of related forms that school districts and charter schools will submit annually to the Arizona Department of Education in order to request funding from the 2 new funds. The English Learner Task Force has separately discussed and approved those forms at meetings during the past year.

RS/SSc:ss
Attachments

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Date: July 24, 2006

To: Senator Robert Burns, Chairman
Members, Joint Legislative Budget Committee
Members, Arizona English Language Learners Task Force

Through: DKD Debra Davenport, Auditor General

From: MDH Magdalene Haggerty, Director, Accounting Services Division

Subject: English Language Learners Documents

Background

Laws 2006, Chapter 4, §4, establishes new requirements for educating English Language Learners (ELL) and adds the Structured English Immersion Fund and the Compensatory Instruction Fund. This legislation requires the Office of the Auditor General to modify the school district and charter school budget format, financial records requirements, accounting forms, and financial report forms accordingly, and requires the Joint Legislative Budget Committee and the Arizona ELL Task Force to review these documents. In accordance with this legislation, we recently revised and issued the following documents:

- USFR Memorandum Nos. 222 and 223, which include the School District Annual Expenditure Budget Forms and Budget Work Sheets for FY 2006-07.
- USFRCS Memorandum Nos. 65 and 66, which include the Charter School Annual Expenditure Budget Forms and Budget Work Sheets for FY 2006-07.

Action Required

The legislation does not require formal approval by the Committee or Task Force.

2910 NORTH 44TH STREET • SUITE 410 • PHOENIX, ARIZONA 85018 • (602) 553-0333 • FAX (602) 553-0051

DISTRICT NAME 0 COUNTY 0 CTD NUMBER 0 VERSION Proposed

English Language Learners Supplement		No. of Personnel		Salaries	Employee Benefits	Purchased Services	Supplies	Property	Debt Service and Miscellaneous	Totals		%	
Expenditures		Current Year	Budget Year	6100	6200	6300, 6400, 6500	6600	6700	6800	Current Year 2006-07	Budget Year 2007-08	Increase/ Decrease	
Fund 071—Structured English Immersion													
1000 Classroom Instruction	1.										0		1.
2000 Support Services													
2100 Students	2.										0		2.
2200 Instructional Staff	3.										0		3.
2300 General Administration	4.										0		4.
2400 School Administration	5.										0		5.
2500 Central Services	6.										0		6.
2600 Operation & Maintenance of Plant	7.										0		7.
2700 Student Transportation	8.										0		8.
2900 Other	9.										0		9.
3000 Operation of Noninstructional Services	10.										0		10.
Total (lines 1-10) (to Budget, page 6, Other Funds, line 4)	11.		0.00	0	0	0	0	0	0		0		11.
Fund 072—Compensatory Instruction													
1000 Classroom Instruction	12.	0.00								0	0	0.0%	12.
2000 Support Services													
2100 Students	13.	0.00								0	0	0.0%	13.
2200 Instructional Staff	14.	0.00								0	0	0.0%	14.
2300 General Administration	15.	0.00								0	0	0.0%	15.
2400 School Administration	16.	0.00								0	0	0.0%	16.
2500 Central Services	17.	0.00								0	0	0.0%	17.
2600 Operation & Maintenance of Plant	18.	0.00								0	0	0.0%	18.
2700 Student Transportation	19.	0.00								0	0	0.0%	19.
2900 Other	20.	0.00								0	0	0.0%	20.
3000 Operation of Noninstructional Services	21.	0.00								0	0	0.0%	21.
Total (lines 12-21) (to Budget, page 6, Other Funds, line 5)	22.	0.00	0.00	0	0	0	0	0	0	0	0	0.0%	22.

ATTACHMENT 1

DISTRICT NAME _____ County _____ CTD _____

Districtwide Desegregation Budget, Fiscal Year 2007-2008 [A.R.S. §15-910(J) and Laws 2007, HB 2790, §15]

Maintenance and Operation (M&O) Fund		No. of Personnel		Salaries	Employee Benefits	Purchased Services	Supplies	Debt Service & Miscellaneous	Number of individual school budgets Totals		%	
Expenditures		Current Year	Budget Year	6100	6200	6300, 6400, 6500	6600	6800	Current Year 2006-07	Budget Year 2007-08	Increase/ Decrease	
511 Desegregation - Regular Education												
1000 Classroom Instruction	1.	0.00							0	0	0.0%	1.
2000 Support Services												
2100 Students	2.	0.00							0	0	0.0%	2.
2200 Instructional Staff	3.	0.00							0	0	0.0%	3.
2300 General Administration	4.	0.00							0	0	0.0%	4.
2400 School Administration	5.	0.00							0	0	0.0%	5.
2500 Central Services	6.	0.00							0	0	0.0%	6.
2600 Operation & Maintenance of Plant	7.	0.00							0	0	0.0%	7.
2900 Other	8.	0.00							0	0	0.0%	8.
3000 Operation of Noninstructional Services	9.	0.00							0	0	0.0%	9.
Subtotal (lines 1-9)	10.	0.00	0.00	0	0	0	0	0	0	0	0.0%	10.
512 Desegregation - Special Education												
1000 Classroom Instruction	11.	0.00							0	0	0.0%	11.
2000 Support Services												
2100 Students	12.	0.00							0	0	0.0%	12.
2200 Instructional Staff	13.	0.00							0	0	0.0%	13.
2300 General Administration	14.	0.00							0	0	0.0%	14.
2400 School Administration	15.	0.00							0	0	0.0%	15.
2500 Central Services	16.	0.00							0	0	0.0%	16.
2600 Operation & Maintenance of Plant	17.	0.00							0	0	0.0%	17.
2900 Other	18.	0.00							0	0	0.0%	18.
3000 Operation of Noninstructional Services	19.	0.00							0	0	0.0%	19.
Subtotal (lines 11-19)	20.	0.00	0.00	0	0	0	0	0	0	0	0.0%	20.
513 Desegregation - Pupil Transportation	21.	0.00							0	0	0.0%	21.
514 Desegregation - ELL Incremental Costs												
1000 Classroom Instruction	22.	0.00							0	0	0.0%	22.
2000 Support Services												
2100 Students	23.	0.00							0	0	0.0%	23.
2200 Instructional Staff	24.	0.00							0	0	0.0%	24.
2300 General Administration	25.	0.00							0	0	0.0%	25.
2400 School Administration	26.	0.00							0	0	0.0%	26.
2500 Central Services	27.	0.00							0	0	0.0%	27.
2600 Operation & Maintenance of Plant	28.	0.00							0	0	0.0%	28.
2700 Student Transportation	29.	0.00							0	0	0.0%	29.
2900 Other	30.	0.00							0	0	0.0%	30.
3000 Operation of Noninstructional Services	31.	0.00							0	0	0.0%	31.
Subtotal (lines 22-31)	32.	0.00	0.00	0	0	0	0	0	0	0	0.0%	32.

ATTACHMENT 2

DISTRICT NAME _____ County _____ CTD _____

Districtwide Desegregation Budget, Fiscal Year 2007-2008 [A.R.S. §15-910(J) and Laws 2007, HB 2790, §15]

M&O Fund (Concluded)		No. of Personnel		Salaries	Employee Benefits	Purchased Services	Supplies	Debt Service & Miscellaneous	Totals		%	
Expenditures		Current Year	Budget Year	6100	6200	6300, 6400, 6500	6600	6800	Current Year 2006-07	Budget Year 2007-08	Increase/ Decrease	
515 Desegregation - ELL Compensatory Instruction												
1000 Classroom Instruction	33.	0.00							0	0	0.0%	33.
2000 Support Services												
2100 Students	34.	0.00							0	0	0.0%	34.
2200 Instructional Staff	35.	0.00							0	0	0.0%	35.
2300 General Administration	36.	0.00							0	0	0.0%	36.
2400 School Administration	37.	0.00							0	0	0.0%	37.
2500 Central Services	38.	0.00							0	0	0.0%	38.
2600 Operation & Maintenance of Plant	39.	0.00							0	0	0.0%	39.
2700 Student Transportation	40.	0.00							0	0	0.0%	40.
2900 Other	41.	0.00							0	0	0.0%	41.
3000 Operation of Noninstructional Services	42.	0.00							0	0	0.0%	42.
Subtotal (lines 33-42)	43.	0.00	0.00	0	0	0	0	0	0	0	0.0%	43.
Total M&O Fund Desegregation (lines 10, 20, 21, 32, & 43) (to Budget, page 1, line 26) (1)	44.	0.00	0.00	0	0	0	0	0	0	0	0.0%	44.

(1) Laws 2007, HB 2790, §15, requires that the total amount budgeted for FY 2007-08 desegregation expenditures in the M&O and UCO Funds cannot exceed the amount budgeted in FY 2006-07, adjusted for student growth and inflation, as calculated in th table below.

Does the district budget for desegregation in the M&O and UCO Funds?	Select Yes or No
If YES, the following information must be completed to calculate the maximum amount allowed for FY 2007-08, as required by Laws 2007, HB 2790, §15.	
1. FY 2006-07 Desegregation Budget (from FY 2006-07 latest revised budget, Desegregation Supplement Districtwide, page 2, line 44 and page 3, line 70)	0
2. FY 2005-06 Attending ADM (Obtain amount from the ADE report ADMS 45-2)	
3. FY 2006-07 Attending ADM (Obtain amount from the ADE report ADMS 45-2)	
4. % Change in ADM (line 3 minus line 2 divided by line 2) If less than zero, use zero %	0.000%
5. Increase Allowed for Student Growth (line 1 multiplied by line 4)	0
6. Increase Allowed for Inflation (line 1 multiplied by 2%)	0
7. Maximum Amount Allowed for FY 2007-08 Desegregation Budget (Sum of lines 1, 5, and 6)	0

1. The date that the school district was determined to be out of compliance with Title VI of the Civil Rights Act of 1964 (42 United States Code Section 2000d) and the basis for that determination. A.R.S. §15-910(J)(3)(c) _____

Desegregation Revenues A.R.S. §15-910(J)(3)(a) & (j):

Tax Levy: $ _____
Other (description): _____ $ _____
Other (description): _____ $ _____
Other (description): _____ $ _____

Teachers	Administrators	Others	Total
			-

2. The initial date that the school district began to levy property taxes to provide funding for desegregation expenses. A.R.S. §15-910(J)(3)(d) _____

3. An estimate of when the school district will be in compliance with the court order or administrative agreement. A.R.S §15-910(J)(3)(r) _____

ATTACHMENT 3

1071 **Structured English Immersion**—Accounts for monies received from the Structured English Immersion Fund. Monies received are to provide for the incremental cost of instruction to English language learners (ELLs) and must be used to supplement existing programs. In accordance with A.R.S. §15-756.03 and .04, monies must not be used to supplant federal, state, or local monies previously used for ELLs, or used to pay for the normal costs of conducting programs for English proficient students. As defined in §15-756.01, incremental costs are the costs that are associated with a structured English immersion program pursuant to A.R.S. §15-752 or a program pursuant to A.R.S. §15-753 and that are in addition to the normal costs of conducting programs for English proficient students. Incremental costs do not include costs that replace the same types of services provided to English proficient students or compensatory instruction. A.R.S. §15-756.04

1072 **Compensatory Instruction**—Accounts for monies received from the Compensatory Instruction Fund. Monies received are to be used for compensatory instruction for programs in addition to normal classroom instruction that may include individual or small group instruction, extended day classes, summer school, or intersession school. These programs are limited to improving the English proficiency of current ELLs and students who have been reclassified from ELL to English proficient within the previous 2 years. Monies must not be used to supplant federal, state, or local monies previously used for ELLs. A.R.S. §15-756.11

1100-1399 **Federal Projects**—A group of codes used to account for revenues and expenses of federally-funded projects. A separate code should be established for each individual project.

1100-1130	**ESEA Title I—Helping Disadvantaged Children Meet High Standards**
1140-1150	**ESEA Title II—Professional Development and Technology**
1160	**ESEA Title IV—21st Century Schools**
1170-1180	**ESEA Title V—Promote Informed Parent Choice**
1190	**ESEA Title III—Limited English and Immigrant Students**
1200	**ESEA Title VII—Indian Education**
1210	**ESEA Title VI—Flexibility and Accountability**
1220	**IDEA Part B**
1230	**Johnson-O'Malley**
1240	**Workforce Investment Act**
1250	**AEA—Adult Education**
1260-1270	**Vocational Education—Basic Grants**
1280	**ESEA Title X—Homeless Education**
1290	**Medicaid Reimbursement**
1300	**Charter School Implementation Project (Stimulus)**
1310-1399	**Other Federal Projects**

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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DATE: February 21, 2008

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

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: Arizona Community Colleges – Review of Proposed Dual Enrollment Intergovernmental Agreement Template

Request

Pursuant to A.R.S. § 15-1821.01, Arizona Community Colleges request Committee review of the uniform intergovernmental agreement (IGA) template for dual enrollment that has been developed by the community college districts. This review requirement was instituted by Laws 2007, Chapter 229, which established a number of new measures to ensure consistency of dual enrollment IGAs.

Summary

The JLBC staff recommends a favorable review, as the draft IGA template appears to conform to statutory requirements.

Analysis

Laws 2007, Chapter 229, instituted a number of new requirements for streamlining the dual enrollment IGA format and content. A.R.S. § 15-1821.01 required the IGA be submitted for review by December 31, 2007. These agreements are formed between a community college district and a school district or charter school. Background information regarding the dual enrollment program and a brief review of the template IGA are provided below.

Background

The dual enrollment program allows high school students to take community college level courses for credit while still attending high school. These courses are taught on the high school campus during regular school hours by a community college-certified high school instructor. In FY 2007, 39,970 students were dual enrolled in the 1,108 courses which were offered throughout the 11 community college districts.

(Continued)

Previously, districts developed their own IGAs, resulting in a lack of consistency across the community college system. The proposed template would be used by all districts.

The proposed IGA template appears to include all of the following required by A.R.S. § 15-1821.01, so a favorable review is recommended:

1. The financial provisions and billing format of the agreement or contract.
2. The number of full-time student equivalent funding received by the college, the portion of these funds that are distributed to the school district governing board or charter school, and the portion that is subsequently returned to the college.
3. The college's student tuition and financial aid policies, including scholarships or grants awarded to students.
4. Accountability provisions for all parties involved.
5. The responsibilities and services required by each party.
6. The quality and type of instruction as well as the titles of courses to be offered under the agreement or contract.

RS/LK:ss
Attachments

ACCA

Arizona Community College Association

2525 South Rural Road
Suite 8N
Tempe, AZ 85282
480.557.5730

January 28, 2008

The Honorable Bob Burns, Chairman
Joint Legislative Budget Committee
1716 W. Adams
Phoenix, AZ 85007

RE: JLBC Review of Dual Enrollment Intergovernmental Agreement Template

Dear Chairman Burns:

I am requesting that the Joint Legislative Budget Committee (JLBC), at its next meeting, review the dual enrollment intergovernmental agreement template as stipulated in SB 1068 (First Regular Session -2007), A.R.S. §15-1821.01.

The Arizona Community College Association (ACCA) enlisted the help from the Chief Business Officers from each of the community college districts in crafting the dual enrollment intergovernmental agreement template. The Chief Business Officers worked collaboratively for nearly 6 months on the project. Input was provided by all ten community college districts.

If you have any questions or need additional information, please feel free to contact me. Thank you in advance for the Committee's consideration.

Sincerely,
Kathy Boyle
Executive Director

cc: Mr. Richard Stavneak, JLBC Director
Ms. Amy Strauss, JLBC Analyst
Ms. Leah Kritzer, JLBC Analyst
Dr. Nat White, Chair, ACCA
Dr. Roy Flores, Chair, Presidents' Council (Pima County Community College District)
Dr. Leah Bornstein, President, Coconino County Community College District
Mr. Mark Bryce, J.D., President, Graham County Community College District
Dr. Rufus Glasper, Chancellor, Maricopa County Community College District
Dr. Jim Horton, President, Yavapai County Community College District
Mr. Dennis Jenkins, President, Pinal County Community College District
Dr. Michael Kearns, Chancellor, Mohave County Community College District
Dr. Karen Nicodemus, President, Cochise County Community College District
Dr. Don Schoening, President, Yuma/La Paz Counties Community College District
Dr. Jeanne Swarthout, President, Navajo County Community College District

ACCA

Arizona Community College Association

2525 South Rural Road
Suite 8N
Tempe, AZ 85282
480.557.5730

December 27, 2007

The Honorable Russell Pearce, Chair
Joint Legislative Budget Committee
1716 W. Adams
Phoenix, AZ 85007

Dear Representative Pearce:

Pursuant to A.R.S. §15-1821.01(1), enclosed is the uniform format for dual enrollment intergovernmental agreements, submitted on behalf of the state's community college districts by the Arizona Community College Association, to be reviewed by JLBC.

Please advise us if any changes are needed.

Sincerely,

Kathy Boyle
Executive Director

encl.

INTERGOVERNMENTAL AGREEMENT
BETWEEN
_____ COMMUNITY COLLEGE DISTRICT
AND
_____ SCHOOL DISTRICT NO. _____

This Intergovernmental Agreement ("Agreement") is entered into this _____ day of _____, 20___ between _____ Community College District, ("College"), and _____ School District No. _____ ("School District") (collectively "Parties"). Both Parties are public agencies of the State of Arizona as defined in Arizona Revised Statutes ("A.R.S.") § 11-951.

BACKGROUND

College and School District are authorized to enter into this Agreement pursuant to A.R.S. § 15-342(13), § 15-701.01(F), § 15-1444(B)(4), and § 15-1821.01. Grant schools are authorized to participate in this Agreement under the Tribally Controlled Schools Act, 25 U.S.C. § 2501 *et seq*. This Agreement and its use are mandated under A.R.S. § 15-1821.01(1).

College has determined that it is in the best interests of the citizens of the district to offer college level courses that may be counted toward both high school and college graduation requirements at the high school during the school day.

School District desires that College provide to high school students college level courses that may be counted toward both high school and college graduation.

AGREEMENT

In consideration of the mutual promises contained herein, the Parties agree as follows:

1. PURPOSE

The purpose of this Agreement is to set forth the understanding of the Parties as to their respective responsibilities and rights in providing Dual Enrollment Courses, as defined in Section 2 below, to eligible School District students.

2. DEFINITION

Pursuant to A.R.S. § 15-101(10), a "Dual Enrollment Course" is defined as a college level course that is conducted on the campus of a high school or on the campus of a joint technological education district, and that is:

A. applicable to an established community college academic degree or certificate program, and transferable to a university under the jurisdiction of the Arizona Board of Regents; or

B. applicable to a community college occupational degree or certificate program.

C. Notwithstanding the foregoing, physical education shall not be available as a Dual Enrollment Course.

3. EFFECTIVE DATE AND TERM

This Agreement shall be effective:

A. After the governing boards of School District and College have approved it; and

B. On the date that authorized representatives of both Parties have signed it ("Effective Date").

The term of this Agreement shall be from the Effective Date through June 30, 20_____ ("Term").

4. RECORDING

Pursuant to A.R.S. § 11-952(A),(D) and (G), College shall be responsible for filing this Agreement with the County Recorder or the Secretary of State, as applicable.

5. OBLIGATIONS OF COLLEGE

5.1 General Course Requirements

A. College will offer Dual Enrollment Courses to School District juniors and seniors, and freshman and sophomore students subject to Paragraph E in this Section 5.1, who meet College's prerequisites.

B. Pursuant to A.R.S. § 15-1821.01(3), College will ensure that all Dual Enrollment Courses offered to School District students are:

1. of a quality and depth to qualify for college credit as determined by College;

2. evaluated and approved through the College curriculum approval process;

3. at a higher level than taught by the School District high school;

4. transferable to an Arizona public university or applicable to an established community college occupational degree or certificate program; and

5. compliant with all other standards for College courses.

Dual Enrollment Courses offered pursuant to this Agreement are listed in Exhibit B attached to this Agreement.

C. Students enrolled in Dual Enrollment Courses shall be admitted to College for college level credit under current procedures for admission of students to College, and in compliance with A.R.S. § 15-1821.01 and A.R.S. § 15-1805.01. A student who is under eighteen (18) years of age may be granted admission if the student meets the

pre-requisites for the Dual Enrollment Course and the student achieves any one of the following:

1. a composite score of ninety-three (93) or more on the preliminary scholastic aptitude test;

2. a composite score of nine hundred thirty (930) or more on the scholastic aptitude test;

3. a composite score of twenty-two (22) or more on the American college test;

4. a passing score on the relevant portions of the Arizona instrument to measure standards test;

5. the completion of a college placement test designated by College that indicates the student is at the appropriate college level for the course; or

6. is a graduate of a private or public high school or has a high school certificate of equivalency.

Home schooled students are exempt from Sections 1-6 of this Paragraph C. Notwithstanding the above, a student who enrolls in a vocational or occupational education course may be admitted on an individual basis with the approval of College if the student meets the established requirements of the course for which the student enrolls and College determine that the student's admission is in the best interest of the student. College retains the right to refuse admission to and remove a student from Dual Enrollment Courses in accordance with College policy.

D. College has the right to limit the number of semester hours in which a student may enroll in Dual Enrollment Courses to not more than six (6) credit hours per semester.

E. College shall determine residency status of students for tuition purposes in accordance with A.R.S. § 15-1801 *et seq*.

F. Pursuant to A.R.S. § 15-1821.01(2)(b) and subject to Section 6.1(E) below, College may waive the class status requirements for up to twenty-five percent (25%) of the students enrolled for Dual Enrollment Courses by College. College shall have written criteria for waiving the requirement for each Dual Enrollment Course which shall include a demonstration, by an examination of the specific purposes and requirements of the course, that freshman and sophomore students who meet the Dual Enrollment Course prerequisites are prepared to benefit from the college level course. College shall report all exceptions and the justification for each exception.

G. College will provide to School District the instructional information necessary to meet the goals of the courses delivered, including but not limited to College approved textbook titles, syllabi, course outlines and grading standards applicable to the Dual Enrollment Courses.

H. College will ensure that instructors of Dual Enrollment Courses follow the Dual Enrollment Course guidelines, and that the same standards of expectation and assessment that are applied to other College courses are applied to the Dual Enrollment Courses.

I. For each student, College will assign an identification number to the student that shall correspond to or reference the Student Accountability Information System (SAIS) number assigned to the student. School District will provide College with the SAIS number for each student as provided in Section 6.1(G).

J. College will grant College credit for a Dual Enrollment Course when a student satisfactorily completes the course.

5.2. Instructors and Instruction

A. College will ensure that School District instructors teaching Dual Enrollment Courses have valid College teaching qualifications in the field being taught and are selected and evaluated by College using the same procedure and criteria that are used for instructors at College campus.

B. If College is providing the instructor for a Dual Enrollment Course, College will provide at College's expense a substitute instructor, as necessary and as agreed upon by School District, to cover the absence of any College instructor teaching a Dual Enrollment Course.

5.3. Assessment and Monitoring

A. Except for vocational and occupational Dual Enrollment Courses, and if required by College policy, College will assess each student who seeks enrollment in a Dual Enrollment Course through an assessment test prior to, or at the time of, enrollment to determine and assure proper placement in the Dual Enrollment Courses.

B. College will involve full-time College faculty who teach a particular discipline in the selection, orientation, ongoing professional development and evaluation of School District faculty teaching Dual Enrollment Courses.

C. College will designate a liaison officer to assist with dual enrollment activities and to meet with the liaison designated by School District as necessary and, at least once within a two-year period, to review Dual Enrollment Course outlines and School District's high school Scope and Sequence, and to review and amend the course outlines as necessary.

D. College will provide career counseling and advisement for School District students enrolled in Dual Enrollment Courses for the duration of the term of this Agreement.

5.4 Policy and Procedure

A. College will comply with all applicable procedures and requirements for the Dual Enrollment Courses set out in state statute and College policy.

B. College will provide School District with College policies and procedures applicable to students enrolling in Dual Enrollment Courses.

C. College will provide School District access to the educational records of students as necessary to carry out the terms of this Agreement, and limit access to such records to employees who have a legitimate interest and a need to know the substance of the particular record, understanding that students enrolled in the Dual Enrollment Courses will be enrolled in both School District and College. Pursuant to Title 34, Part 99, Section 99.31 of the Code of Federal Regulations, the Family Educational Rights and Privacy Act of 1974, as amended ("FERPA"), School District and College may disclose educational records of students to each other as "officials of another school system" where the student is enrolled.

5.5 Students with Disabilities

A. After notification from School District of a student's need, if College is providing the instructor, College will cooperate with School District to ensure the instructor complies with Section 504 of the Rehabilitation Act of 1973, as amended, and the Individuals with Disabilities Education Act. College shall work with School District in determining appropriate accommodations, however, School District shall have the primary financial and administrative responsibility for providing and implementing necessary accommodations.

B. College will provide training and guidance to instructors and other personnel in the area of compliance with the Americans with Disabilities Act (ADA) and Rehabilitation Act of 1973, as amended, as the Acts specifically relate to instructing students in a postsecondary education situation.

5.6. Reporting and Tracking

A. College will provide a report to the Joint Legislative Budget Committee on or before October 1 of each year with such documentation as may be required under A.R.S. § 15-1821.01(6), as from time to time amended, regarding the Dual Enrollment Courses offered in conjunction with School District during the previous fiscal year. School District shall provide College with data required for inclusion in the report not later than September 1 of each year as specified in Section 6.6. School District will also assist College by providing data for any additional reports required by State or other governmental entities in relation to Dual Enrollment Courses.

B. College will conduct tracking studies of subsequent academic or occupational achievement of students enrolled in Dual Enrollment Courses offered pursuant to this Agreement, and shall provide its report to the Joint Legislative Budget Committee by October 1 of each year, or each odd numbered year as may be required pursuant to A.R.S. § 15-1821.01 (7). School District will provide College with data required for inclusion in the tracking study if requested by College.

6. OBLIGATIONS OF SCHOOL DISTRICT

6.1 General Course Requirements

A. School District will provide an opportunity for School District students who meet criteria pursuant to Paragraph B of this Section 6.1 to enroll in Dual Enrollment Courses and to receive college credit and credit toward high school graduation.

B. Pursuant to A.R.S. § 15-1821.01(8), School District will ensure that each student who enrolls for a Dual Enrollment Course pursuant to this Agreement is a full-time student, as defined in A.R.S. § 15-901(b), and is currently enrolled in and attending a full-time instructional program, as defined in A.R.S. § 15-901(c), in a school in School District; except that high school seniors who satisfy high school graduation requirements with less than a full-time instructional program shall be exempt from this provision.

C. If School District is providing the instructor for the Dual Enrollment Course, School District will provide instruction in accordance with the polices, regulations and instructional standards of College in courses designated as Dual Enrollment Courses to students of School District at the School District facility during the day.

D. School District will verify that each student enrolled in a Dual Enrollment Course, including those not electing to enroll for College credit, satisfies the prerequisites for the Dual Enrollment Course as published in College's catalog and complies with College policies and this Agreement regarding student placement in courses.

E. The School District Superintendent or designee may allow freshman and sophomore students to enroll in Dual Enrollment Courses subject to Section 5.1(E) above.

F. School District will adopt and utilize College approved textbooks, course outlines, and grading standards applicable to the Dual Enrollment Courses being taught. School District shall provide textbooks for the students according to School District policies. Each student shall be responsible to purchase other supplies, if any, required for the Dual Enrollment Course. Classroom supplies normally supplied by College are included in tuition charges.

G. For each student enrolling in a Dual Enrollment Course, School District will enroll the student using the student's SAIS number and provide that number to College.

6.2 Instructors and Instruction

A. If School District is to provide the instructor, School District will nominate an instructor qualified in the appropriate subject area for each Dual Enrollment Courses and submit each instructor's name and credentials to College for approval.

B. School District will ensure that instructors teaching Dual Enrollment Courses provide instruction in accordance with policies, regulations and instructional standards of College and comply with College assessments.

C. If School District is providing the instructor, School District will provide at School District's expense a substitute instructor, as necessary and as agreed upon by College, to cover the absence of a School District instructor who teaches a Dual Enrollment Course. In the case of substitutions exceeding ten (10) consecutive school days, School District shall notify College in writing of the name and credentials of the substitute instructor.

6.3 Assessment and Monitoring

A. School District will designate a liaison officer to assist with dual enrollment activities and to meet with the College designated liaison as necessary and, at least once within a two-year period, to review Dual Enrollment Course outlines and School District's high school Scope and Sequence to review and amend the course outlines as necessary.

B. School District will provide counseling and advisement for School District students enrolled in Dual Enrollment Courses for the duration of the term of this Agreement.

6.4 Policy and Procedure

A. School District will ensure that each student seeking enrollment in a Dual Enrollment Course:
   1. has completed the necessary registration forms;
   2. has completed College assessment examinations, if required by College;
   3. is aware the student is subject to both School District policies and procedures and College policies and procedures;
   4. is aware the student is participating in a college level course, even though provided at the School District, and should act appropriately; and
   5. is aware of the requirements for determination of resident/nonresident tuition.

B. School District will ensure that each instructor of Dual Enrollment Courses agrees to be subject to School District policies and procedures and College policies and procedures, including the right of College to withdraw authorization of the instructor's participation in the dual enrollment program for failure to follow College requirements.

C. School District will provide College access to the educational records of students as necessary to carry out the terms of this Agreement, and limit access to such records to

employees who have a legitimate interest and a need to know the substance of the particular record, understanding that students enrolled in the Dual Enrollment Courses will be enrolled in both School District and College. Pursuant to Title 34, Part 99, Section 99.31 of the Code of Federal Regulations, the Family Educational Rights and Privacy Act of 1974, as amended ("FERPA"), School District and College may disclose educational records of students to each other as "officials of another school system" where the student is enrolled.

6.5 Students with Disabilities

School District will determine the appropriate accommodations for each qualified student with disabilities in accordance with the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973, submit appropriate documentation on students with disabilities to the Disabilities Coordinator at College, and implement accommodations as required by Federal and State law and as negotiated between the College Disability Resource office and School District. School District shall work with College in determining appropriate accommodations. School District shall have the primary financial and administrative responsibility for providing and implementing necessary accommodations.

6.6 Reporting and Tracking

By September 1 of each year, School District will provide to College information required by the Legislature for submission of reports as specified in Section 5.6 above.

6.7 Facilities and Funding

A. School District will provide classroom/laboratory space in which Dual Enrollment Courses and activities will be conducted. Facilities and ancillary services provided for the delivery of Dual Enrollment Courses shall comply with all applicable provision of the state Fire Marshall Code, A.R.S. § 41-2161 et seq. (access for disabled persons), and all other applicable federal and state laws.

B. Payment, if any, for facilities and ancillary services shall be designated in Exhibit A attached to this Agreement.

7. MUTUAL AGREEMENTS

7.1. Instructor.

A. Throughout the term of this Agreement, an instructor provided by College shall remain an employee of College, and shall be subject to the terms and conditions of the instructor's employment contract and College policy. An instructor provided by School District shall remain an employee of School District, and shall be subject to the terms and conditions of the instructor's employment contract and School District policy, but shall also be subject to continuing approval by College. Should a School District instructor violate College procedure or policy, College may withdraw

authorization for the instructor to participate in the dual enrollment program and School District, upon such withdrawal of authorization, shall substitute another qualified instructor and notify College in writing of such substitution. The instructor must be approved by College pursuant to the terms of this Agreement.

B. Throughout the term of this Agreement, an instructor provided by College shall remain an employee of College, and shall be subject to the terms and conditions of the instructor's employment contract and College policy, but shall also be subject to School District policy. Should an instructor violate School District procedure or policy, School District may ask College to withdraw authorization for the instructor to participate in the dual enrollment program and College, upon such withdrawal of authorization, shall substitute another qualified instructor and notify School District in writing of such substitution.

7.2. **Student.** Each student enrolled in a Dual Enrollment Course, even though enrolled as a College student during the term of the Dual Enrollment Course, shall remain a student of School District and shall follow the schedule and calendar of classes as established by School District and approved by College.

7.3. **Removal from Course.** School District retains the right to refuse to allow a student to enroll in a Dual Enrollment Course and to discipline and/or remove any student from the Dual Enrollment Course in accordance with School District policies. College shall have the right to request School District to remove a student from a Dual Enrollment Course in accordance with College policy.

7.4. **Schedule and Number of Students.** School District and College shall mutually determine the schedule of, and maximum and minimum number of students to enroll in, each Dual Enrollment Course. Such schedule shall not be changed except by written agreement of School District and College. School District and College must mutually agree if any student who is not a student of School District will be enrolled in a Dual Enrollment Course; provided, however, that any such student must comply with the admissions requirements and course prerequisite requirement provisions of this Agreement.

7.5. **Availability of Instructors.** Availability of Dual Enrollment Courses offered by College shall be dependent on the availability of appropriately qualified instructors. College may compensate School District for the services of a qualified instructor provided by School District or, alternatively, College may provide a qualified instructor to deliver any Dual Enrollment Course.

7.6. **Guidelines.** School District and College shall ensure that each student enrolled in a Dual Enrollment Course, and all personnel of School District and all personnel of College who are involved in the dual enrollment program are provided with dual enrollment guidelines, and that such persons agree to review and comply with the guidelines.

7.7. **Rigor of Courses.** College and School District agree that college level courses are rigorous and demanding courses, and the standards and criteria of any Dual Enrollment

Course shall meet statutory and College criteria, and such criteria shall not be diminished for the purpose of the dual enrollment program.

8. FINANCIAL PROVISIONS AND FORMAT FOR BILLING: See Exhibit A attached.

8.1. Fees. Fees and charges for the Dual Enrollment Courses and program are provided on Exhibit A attached to this Agreement.

8.2. Supplies. School District will provide and pay for basic textbooks, workbooks, supplies and other costs related to the teaching of and the administration of Dual Enrollment Courses within School District.

8.3. Tuition.

A. The student or School District shall be responsible for payment of tuition to College.

B. College may provide grants, scholarships or financial aid in accordance with College policies and as set forth in Exhibit A. In addition, College may offset tuition payments owed to College by School District with payments due from College to School District.

C. School District understands and agrees that tuition charges for students enrolled under this program may vary from student to student depending upon the total number of student credit hours for which each student has enrolled each term, and depending upon the residency status of the student. Pursuant to A.R.S. § 15-1802(C), the residency of an unemancipated student under the age of nineteen years will be that of the student's parent or legal guardian, and any student who is not a legal resident of Arizona will be charged out of state tuition rates.

9. CONTINUATION OF AGREEMENT

The continuation of this Agreement beyond the initial fiscal year is dependent on and subject to the appropriation and availability of funding for each Party in each subsequent fiscal year. If sufficient funding is not made available to allow a Party to continue meeting its contractual obligations under this Agreement, that Party shall so notify the other Party and either Party may cancel this Agreement and have no further obligation to the other Party. In the alternative, the Parties may by mutual written agreement, modify this Agreement to reduce the level of compensation, services or other consideration provided.

10. RECORDS

All accounts, reports, files and other records relating to this Agreement shall be kept for a minimum of five (5) years after termination of this Agreement and shall be open to reasonable inspection and audit by the other party during that period. Audits may be conducted, at a time mutually agreed upon by the parties, by any appropriate political subdivision or agency of the State of Arizona or by representatives of the comptroller General

of the United States or the Secretary of Education when required by applicable federal regulations.

11. CONFIDENTIALITY

All written student records shall be kept confidential in accordance with the Family Rights and Privacy Act (20 USC 1232(g)) ("FERPA") and regulations adopted pursuant to FERPA, the Individuals with Disabilities Education Act ("IDEA") and regulations adopted thereunder, and applicable state laws and school board policies controlling the disclosure of personally identifiable information from a student's education records.

12. TERMINATION/DISPOSITION OF PROPERTY

12.1. Termination. Either Party may terminate this Agreement for any reason following written notice to the other Party of intent to terminate delivered not less than ninety (90) days prior to the intended date of termination. Except as provided in this section 12, termination shall only be effective at the end of a semester, and no Dual Enrollment Course shall be terminated prior to such effective date.

12.2. Risk to Health or Safety. If either Party has reason to suspect that any activities undertaken pursuant to this Agreement present a risk to the health or safety of students or is contrary to the Party's mission or operations, that Party may request that a meeting between the Parties be convened within 48 hours and promptly confirm the meeting in writing. In such circumstances, the Parties to this Agreement will attempt to reconcile differences within five (5) working days of such meeting. If reconciliation is not achieved within the five (5) day period, this Agreement will automatically terminate.

12.3. No Relief from Obligations. Termination shall not relieve either Party from its obligation to pay for services provided prior to termination and those for any student already admitted and enrolled in a course or courses and obtaining dual credit at the time of termination or notice thereof.

12.4. Disposition of Property. The Parties do not contemplate joint acquisition of any property pursuant to this Agreement. Upon termination of this Agreement, equipment furnished or purchased by College for the program shall be retained by College, and equipment furnished or purchased by School District for the program shall be retained by School District.

13. RESPONSIBILITY

13.1. Conduct of Operations. Each Party agrees to be responsible for the conduct of its operations and performance of contract obligations and the actions of its own personnel while performing services under this Agreement, and each party shall be solely responsible for supervision, daily direction, control of payment of salary (including withholding for payment of taxes and social security), workers' compensation and disability benefits.

13.2 **Indemnification.** Each Party, to the greatest extent legally permissible, shall indemnify, defend, and hold harmless the other Party from any liability resulting from the negligence, intentionally tortious, or willful misconduct of the indemnifying Party's employees, officers, students and agents.

14. CANCELLATION FOR CONFLICT OF INTEREST

This Agreement may be canceled pursuant to A.R.S. § 38-511, the pertinent provisions of which are fully incorporated herein by reference.

15. NON-ASSIGNABILITY

Neither Party may assign any right or delegate a duty or responsibility under this Agreement without the prior written consent of the other Party.

16. COMPLIANCE WITH NON-DISCRIMINATION LAWS

To the extent applicable, the Parties shall comply with all College policies and State and Federal laws and regulations which prohibit discrimination against any person based on race, religion, handicap, color, age, sex, sexual orientation, political affiliation or national origin, and the Parties shall prohibit discrimination in the employment or advancement in employment of a qualified person because of physical or mental disability including all applicable provisions of the Americans with Disabilities Act (Public Law 101-336, 42 U.S.C. §§ 12101-12213).

17. RIGHTS/OBLIGATIONS OF PARTIES ONLY

The terms of this Agreement are intended only to define the respective rights and obligations of the Parties. Nothing expressed herein shall create any rights or duties in favor of any potential third Party beneficiary or other person, agency or organization.

18. ENTIRE AGREEMENT

This Agreement, and its attachments as noted herein, constitutes the entire agreement between the Parties, and, except as previously noted, all prior or contemporaneous oral or written agreements are superseded by this Agreement. There are no representations or other provisions other than those contained herein, and any amendment or modification of this Agreement shall be made in writing and signed by the Parties to this Agreement.

19. INVALIDITY OF PART OF THE AGREEMENT

If any part of this Agreement is held to be illegal, invalid or void by a court of competent jurisdiction, the remainder of this Agreement shall remain in full force and effect with those offending portions omitted.

20. GOVERNING LAW

This Agreement shall be construed under the laws of the State of Arizona and shall incorporate by reference all laws governing intergovernmental agreements and mandatory contract provisions of state agencies required by statute or executive order.

All statutes and regulations referenced in this Agreement are incorporated herein as if fully stated in their entirety in the Agreement. Each Party agrees to comply with and be responsible for the provisions, the statutes, and the regulations set out in this Agreement.

21. NOTICE

All notices, requests for payment, or other correspondence between the Parties regarding this Agreement shall be mailed United States postage prepaid or delivered personally to the respective parties at the following addresses:

If to College:

_____
_____
_____
_____
_____

If to School District:

_____, Superintendent
_____ School District No. _____
_____
_____
_____

IN WITNESS WHEREOF, the Parties have executed this Agreement on this _____ day of _____ 20__.

COLLEGE	SCHOOL DISTRICT
_____	_____
By: _____, CEO	By: _____, Superintendent
_____	_____
Date	Date

Attorney Approval: This Amendment has been reviewed pursuant to A.R.S. 11-952 by the undersigned attorney who has determined that it is in proper form and is within the powers and authority granted under the laws of Arizona to the Governing Board of the College.

By:_____
Legal Counsel for College

Attorney Approval: This Amendment has been reviewed pursuant to A.R.S. 11-952 by the undersigned attorney who has determined that it is in proper form and is within the powers and authority granted under the laws of Arizona to the Governing Board of the School District.

By:_____
Legal Counsel for School District

EXHIBIT A

FINANCIAL PROVISIONS

1. APPROVED TUITION AND FEES APPLICABLE TO THIS AGREEMENT

2. IDENTITY OF PERSON OR ENTITY RESPONSIBLE FOR PAYING STUDENT TUITION AND FEES

3. ADDITIONAL CHARGES

Except as provided in this section, no additional fees shall be charged for assessment tests, if any, used for placement purposes. Assessment fees, if any, will be charged subject to and in compliance with College policies and procedures, and relevant state statutes and regulations.

[*Indicate here if the college charges assessment fees for any course.*]

4. FINANCIAL AID POLICIES

Except as indicated in this section, College offers no grant, scholarship or financial aid for the dual enrollment program. The provision, if any, of any grant, scholarship or financial aid shall be subject to and in compliance with College policies and procedures, and relevant state statutes and regulations.

[*If financial aid, scholarships and/or grants are available to students, indicate such here.*]

5. FORMAT FOR BILLING

Except as provided below, charges will be assessed each semester and invoices shall be sent no later than _____ days after the end of the semester. Payment shall be due within thirty (30) days of receipt of the invoice.

[*Indicate the format and timing of billing for all services under this IGA. Include whether College reimburses School District for educational expenses.*]

6. FULL TIME STUDENT EQUIVALENT

Amount College received in FTSE in prior academic year _____

Portion of that FTSE distributed to School District _____

Amount School District returned to College _____

EXHIBIT B

TYPE OF INSTRUCTION
DUAL ENROLLMENT COURSES

COURSES AND CREDITS

For complete course descriptions, refer to the current College catalog.
All courses listed with an asterisk are also offered to freshmen and sophomore students.
The number of students admitted for any Dual Enrollment Course shall not be less than _____ (_____) students per section and shall not exceed a maximum of _____ (_____) students per section.

COURSE	TITLE	CREDITS	SEMESTER	INSTRUCTOR

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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HOUSE OF REPRESENTATIVES

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CHAIRMAN 2007
KIRK ADAMS
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OLIVIA CAJERO BEDFORD
LINDA J. LOPEZ
PETE RIOS
STEVE YARBROUGH

DATE: February 21, 2008

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

THRU: Richard Stavneak, Director

FROM: Dan Hunting, Fiscal Analyst

SUBJECT: Department of Environmental Quality – Review of Intended Use of Monies in the Indirect Cost Recovery Fund

Request

Pursuant to a footnote in Laws 2007, Chapter 255 (General Appropriation Act), the Department of Environmental Quality (DEQ) requests Committee review of the intended uses of Indirect Cost Recovery Funds in excess of $10,768,900.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review to the department's request.

Analysis

The Indirect Cost Recovery Fund is used to pay administrative and overhead expenses for DEQ programs. Laws 2007, Chapter 255 requires Committee review if DEQ plans to exceed the appropriated amount from the Indirect Cost Recovery Fund. In FY 2008, this cap was set at $10,768,900, as modified for statewide salary and other adjustments

DEQ has expended $6,251,700 from this fund in the first 2 quarters of FY 2008. They anticipate spending a total of $12,475,800 for the entire fiscal year. In comparison, they spent $11,825,500 in FY 2007. They intend to spend the additional monies on salaries, rent, and other operating expenses.

Although the Indirect Cost Recovery Fund is appropriated, monies are transferred to it from other funds, not directly deposited into it. Federal grants supply 28% of the fund, with an additional 39% coming from other non-appropriated sources. The remaining 33% of the fund originates in appropriated funds that are derived from fees such as charges for the Vehicle Emission Inspection program and landfill tipping fees.

RS/DH/ss

Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.azdeq.gov

Stephen A. Owens
Director

RECEIVED
FEB 14 2008
JOINT BUDGET COMMITTEE

February 14, 2008

The Honorable Robert L. Burns, Chair
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable Russell K. Pearce, Chair
House Appropriations Committee
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Re: Indirect Cost Recovery Fund

Dear Chairman Burns and Chairman Pearce:

Pursuant to a footnote in Laws 2007, House Bill 2781, Chapter 255 (General Appropriation Act), Section 31, page 53, lines 20-26, the Department of Environmental Quality (ADEQ) requests Committee review of the intended uses of Indirect Cost Recovery Funds in excess of $10,531,100. The footnote is listed below:

> All indirect cost fund recovery revenues received by the department of environmental quality in excess of $10,531,100 in fiscal year 2007-2008 and $10,531,000 in fiscal year 2008-2009 are appropriated to the department. Before the expenditure of indirect cost recovery fund receipts in excess of $10,531,100 in fiscal year 2007-2008 and $10,531,000 in fiscal year 2008-2009, the department of environmental quality shall submit the intended use of the monies for review by the joint legislative budget committee.

The Indirect Cost Recovery Fund is used to pay for all administrative operating obligations of ADEQ programs. ADEQ has expended approximately $6.2 million through the second quarter of FY 08 and projects an additional $6.2 million will be needed to meet required obligations for the remainder of FY 08. In comparison, ADEQ spent $11.8 million in FY 07. We intend to spend the additional monies on the standard statewide adjustments provided by Chapter 255, including the statewide state employee salary increase, ERE increases and an increase in rent and other operating expenses. Attached is a list that details these estimated costs for the Indirect Cost Recovery Fund.

The Indirect Cost Recovery Fund is appropriated, however approximately 67% of the revenues deposited into the fund are from non-appropriated funding sources, including 28% from federal funding sources.

ADEQ does not have another funding source to pay the estimated $1.945 million of critical operating expenditures above $10,531,100 and is requesting a favorable review of the intended use for the Indirect Cost Recovery Fund.

If I can provide you with any further information of if you have any questions, please fell free to contact me at (602) 771-2203.

Sincerely,

Stephen A. Owens
Director

cc: Richard Stavneak, Director, JLBC
James Apperson, Director, OSPB
Dan Hunting, Analyst, JLBC
Marcel Benberou, Analyst, OSPB

Enclosures

Arizona Department of Environmental Quality Indirect Cost Recovery Review

January 31, 2008

The Arizona Department of Environmental Quality (ADEQ) is requesting a favorable review of the Indirect Cost Recovery Fund and submits the following use of monies above $10,531,100 for obligations in FY 2008:

Through the second quarter of FY 08, ADEQ has expended $6,251,700 or roughly $3.1 million a quarter. For the remainder of FY 2008, ADEQ estimates expenditures at $6.2 million or roughly $3.1 million a quarter to meet obligations as listed below:

Personal Services	$ 2,187,300	to cover projected salary costs for the following: (Management, Accounting, Payroll, Budget, Business Services, Information Technology, Human Resources, Procurement, and General Services)
Employee Related Expenditures:	$ 755,300	to cover fringe benefits related to Personal Services
Professional & Outside Services	$ 114,100	for building security, temporary services, medical (Employee assistance program)
In State and Out of State Travel	$ 30,900	for motor pool and training
Building Rent	$ 1,689,900	to pay for occupying ADEQ buildings
Building repair/Maintenance	$ 11,600	for routine items like carpet cleaning, locksmith, plumbing
Software/Computer Maintenance	$ 918,500	to pay for operating software licenses and servers/programmers/routers/switches, and maintenance
Phone	$ 360,000	for telecommunication services for the entire agency
Printing	$ 12,200	for routine printing services
Misc. Operating	$ 144.300	for routine office supplies and postage
Estimated obligations	**$ 6,224,100**	
1st and 2nd Quarter, FY 08	**$ 6,251,700**	
Total FY 08 estimate	**$12,475,800**	
Total appropriation	**($10,531,100)**	
Remaining FY 08 Obligations	**$ 1,944,700**	

It is important to note that ADEQ does not have another funding source to pay for the $1.945 million in obligations listed above.

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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OLIVIA CAJERO BEDFORD
LINDA J. LOPEZ
PETE RIOS
STEVE YARBROUGH

DATE: February 21, 2008

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

THRU: Richard Stavneak, Director

FROM: Kimberly Cordes-Sween, Principal Fiscal Analyst

SUBJECT: Department of Public Safety – Quarterly Review of the Arizona Public Safety Communication Advisory Commission

Request

Pursuant to A.R.S. § 41-1830.42C, the Department of Public Safety (DPS) has submitted for review its FY 2008 first quarter expenditures and progress report for the statewide interoperability design project.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request. First quarter expenditures totaled $255,000 of approximately $3,878,100 in FY 2008 funding. Activities in the first quarter addressed projects identified in the Public Safety Communication Advisory Commission (PSCC) timeline relating to both the "short-term" and "long-term" interoperable solutions.

In October, the Information Technology Authorization Committee (ITAC) approved the complete Demonstration Project. In November, the Arizona Department of Homeland Security (AZDOHS) awarded $2.5 million of the $4.8 million, as intended by the Legislature, to DPS for the microwave project backbone of the statewide interoperability plan.

Analysis

Background
The Arizona PSCC was established to develop a statewide standard-based interoperability system that allows public safety personnel from one agency to communicate, via mobile radio, with personnel from other agencies. An interoperable system enhances the ability of various public safety agencies to coordinate their actions in the event of a large-scale emergency, as well as daily emergencies. Construction costs of a statewide interoperability communication system have been estimated to be as high as $300 million. The PSCC timeline (*see Attachment A*) targets the establishment of a financing and development plan for the system by July 2008.

(Continued)

Activities

PSCC progress in the first quarter with regards to the timeline and the "short-term" interoperable solution included increasing the number of Arizona Interagency Radio System (AIRS) user agencies to 104. This short-term solution, while allowing interagency communication, is limited to a single talk group, which is described as a single conversation between users in a geographical area. The PSCC describes this functionality as "basic interoperability" for first responders. The full deployment of AIRS, which includes the installation of equipment at over 40 sites, is expected by July 2009 (Milestone 9).

The long-term solution differs from the short-term solution in that it will allow an unlimited number of talk groups, creating a more robust interoperability solution open to more simultaneous users than AIRS. With respect to the "long-term" interoperable solution, the PSCC continues to develop the conceptual design and has identified necessary sites for the statewide system. The Commission is adding a 700MHz trunked site to both existing Phoenix and Yuma communications systems and plans to amend current IGA's with both jurisdictions to allow sharing of communications sites and microware systems and provide general expansion by using pass-through monies. The PSCC plans to further expand the 700MHz coverage areas in Maricopa and Yuma Counties. Arizona State University is also building a trunked radio system for the 4 campuses by using a 700MHz plan and anticipates merging with the Phoenix Regional Wireless Network system (Milestone 4, 10, and 11).

The PSCC is working on a demonstration project, which will be based on the technical standards adopted by the PSCC in April 2007. The demonstration project will show the improved day-to-day interoperability between multiple jurisdictions using a shared radio. The PSCC submitted a Project Investment Justification (PIJ) of the demonstration project to the Information Technology Authorization Committee (ITAC) in October and it was subsequently approved. The Commission anticipates full implementation of the pilot project by the end of FY 2008 (Milestone 6).

In July 2007, the U.S. Departments of Commerce and Homeland Security announced that Arizona will be eligible to receive $17.7 million in grant awards for statewide interoperable communications systems, which will be received through the Public Safety Interoperable Communications Program. The proceeds from a commercial radio spectrum sale, $968 million, were divided among the 50 states, 5 U.S. territories and possessions, and the District of Columbia. The awards were determined based on a risk assessment formula, with 5% being made available at the end of September and the remaining 95% available in March 2008 based on a completed statewide interoperability plan.

During the first quarter of FY 2008, PSCC completed its Statewide Communications Interoperability Plan (SCIP) for application to the federal Department of Homeland Security, as required to receive federal funding. The plan includes 5 investment justifications (IJ's), in order of priority, 1) modern regional enhancements, 2) improving the microwave backbone infrastructure, 3) AIRS, 4) network connections to regional communications systems, and 5) the PSCC long-term solution. Of the $17.7 million granted to the State of Arizona, the PSCC indicates that up to $1.4 million will be used to develop a strategic technology reserve components to support communications during disasters (Milestone 9).

The Commission expects to use the remaining $16.3 million of federal funding for completion of the AIRS network and upgrading the DPS microwave system. The microwave system is the backbone of the DPS statewide radio system and is divided into 3 segments, also called loops. The total cost of the microwave system upgrade project is currently estimated at $46.4 million. The Legislature has approved funding for the South Loop in the amount of $2.5 million each year from FY 2007 through FY 2009. The amount is a combination of General Fund, Game and Fish Fund, and State Highway Fund dollars. It was also expected that $1.6 million of Homeland Security money would be distributed for this project in each year over the same span. At the July 2007 JLBC Meeting, the AZDOHS indicated that they intend to follow legislative intent to fund the entire $4.8 million for the microwave project, despite not having funded the original FY 2007 microwave project request. In November 2007, an award of $2.5 million was made by the

(Continued)

AZDOHS to DPS and this money will be allocated on a reimbursement basis. The remaining $2.3 million of the anticipated ASDOHS funding for this project has not yet been awarded.

Expenditures

Laws 2004, Chapter 275 included a non-lapsing appropriation of $3 million to DPS in FY 2005 for the design costs of a statewide radio interoperability communication system. At the beginning of FY 2008, $2,494,800 was remaining from that non-lapsing appropriation. In addition, the Legislature appropriated $1,383,300 to DPS in FY 2008 from the General Fund for PSCC. Therefore, there was a total of $3,878,100 in monies available for expenditure in FY 2008.

In the first quarter, the PSCC expended roughly $255,000 for costs associated with 7 filled FTE Positions, federal engineering costs, and building lease. First quarter expenditures did not include any spending from PSCC's non-lapsing funds. As a result, there is $3,623,100 in funding available for the remainder of FY 2008.

Table 1 indicates FY 2008 monies available for expenditure and expenditures for the first quarter in FY 2008.

Table 1

PSCC Appropriation & Expenditures

	FY 2008 Funding Available	1st Quarter Expenditures
Personal Services	$ 697,800	$108,800
Employee Related Expenditures	251,500	43,400
Professional & Outside Services	2,629,900 1/	57,800 2/
Travel - In State	51,400	700
Travel - Out of State	36,600	1,500
Other Operating Expenditures	159,700	42,800
Equipment	51,200	--
Total Operating Expenditures	**$3,878,100**	**$255,000**

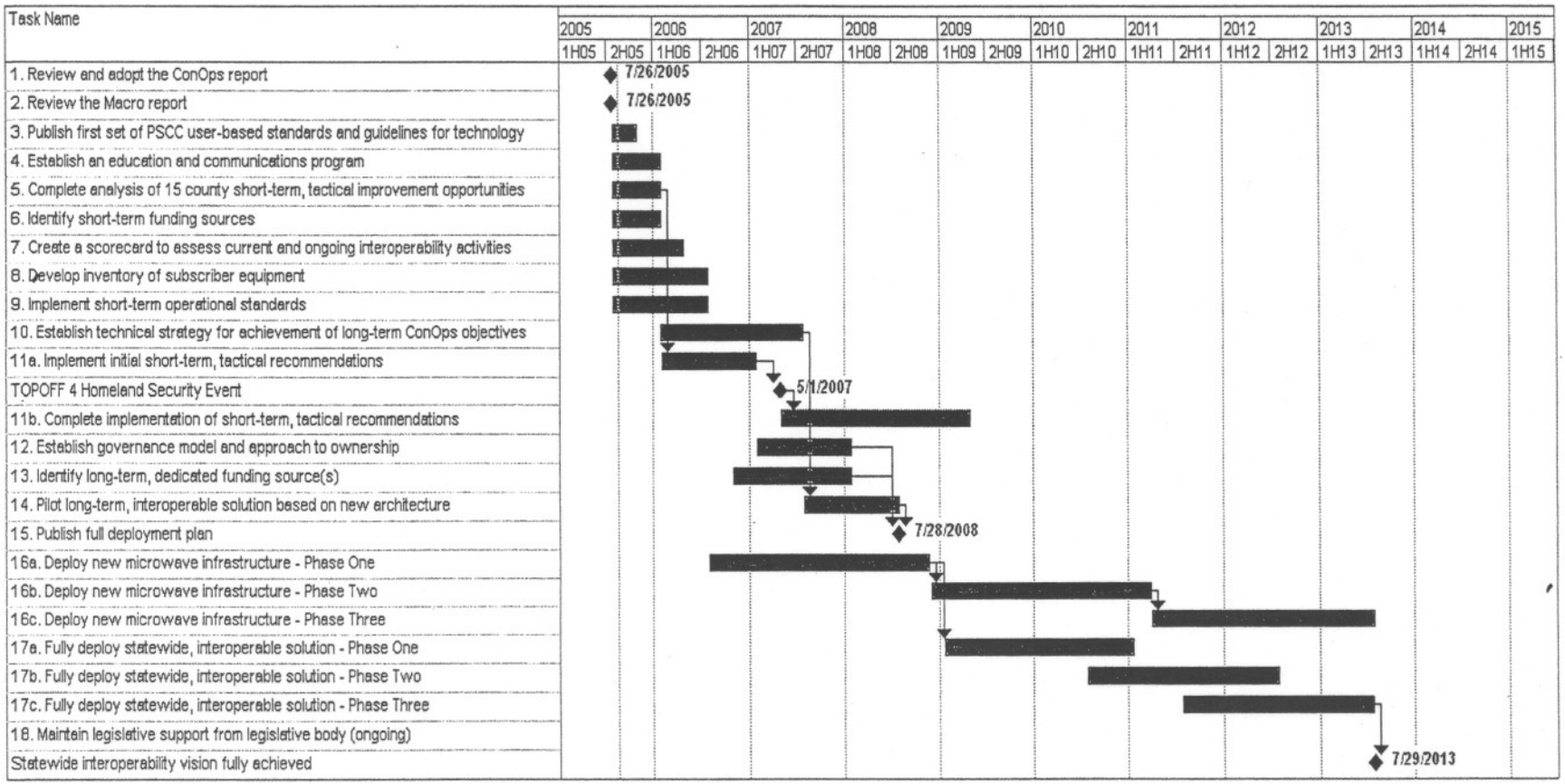
1/ The amount remaining from the Laws 2004, Chapter 275 non-lapsing appropriation of $3 million is included in the Professional & Outside Services line. Of the total FY 2008 funding available, there is also $135,100 of the FY 2008 allocation

2/ First quarter expenditures in Professional & Outside Services include only monies allocated for FY 2008.

RS/KCS:ss
Attachment

The following project plan conveys the major components of the short- and long-term strategies for achieving statewide interoperability in the State of Arizona. Through execution of this plan, the State can address the critical communications issues facing public safety and realize the vision for radio interoperability shared by the PSCC and the State of Arizona.

Figure 2. Arizona Statewide Interoperability Project Plan



Attachment A

Engagement: 220847450
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ARIZONA DEPARTMENT OF PUBLIC SAFETY

2102 WEST ENCANTO BLVD. P.O. BOX 6638 PHOENIX, ARIZONA 85005-6638 (602) 223-2000

"Courteous Vigilance"

JANET NAPOLITANO
Governor

ROGER VANDERPOOL
Director

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DEC 12 2007
JOINT BUDGET COMMITTEE

December 10, 2007

Representative Russell Pearce, Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Dear Representative Pearce:

Attached is the FY 2008 first quarter report for the Arizona Public Safety Communications Commission (PSCC). Included are the narrative of our activities and progress relative to milestones identified in our Concept of Operations document for the reporting period of July 1, 2007 through September 30, 2007.

If we can answer any questions or assist you or your staff in any manner, please contact Mr. Curt B. Knight, Executive Director, PSCC at (602) 271-7400.

Sincerely,

J. G. Lelis DEPUTY
FOR
Roger Vanderpool
Director

rl

Attachments

PUBLIC SAFETY COMMUNICATIONS COMMISSION
FY 2008 First Quarter Report

MILESTONE 4 – EDUCATION AND COMMUNICATION PROGRAM

Mr. Jeff Miner met with representatives from the cities of Phoenix, Mesa, Yuma, and Motorola to discuss the details of the scope of work and scheduling for the demonstration project. Master agreements are in place now with specific supplemental Intergovernmental Agreements (IGAs) being drafted to facilitate the transfer of funds to both Phoenix and Yuma to expand their respective systems.

In July, Mr. Curt Knight attended the National Government Association (NGA) Policy Academy for direction and support of the completion of the Public Safety Interoperable Communications (PSIC) grant process.

Battalion Chief Dan Wills of the Sedona Fire District represented the Commission at the County Emergency Manager's Meeting and reported on the status of PSCC's short and long-term efforts as well as governance milestones.

As part of the Statewide Communications Interoperability Plan (SCIP), an outreach program will be developed to address the local, federal, tribal, and non-governmental agencies to encourage their involvement and participation in the Arizona Interagency Radio System (AIRS) long-term solution and ultimately the governance plan.

MILESTONE 6 – IDENTIFY SHORT-TERM FUNDING SOURCES:

Mr. Knight has worked closely with representatives of the Government Information Technology Agency (GITA) to ensure the drafting and final presentation of the Project Investment Justification (PIJ) for the demonstration project was comprehensible and ready for final review. The Information Technology Authorization Committee (ITAC) approved the PSCC Demonstration Project PIJ on October 24, 2007.

MILESTONE 9 – IMPLEMENT SHORT-TERM OPERATIONAL STANDARDS:

Federal Engineering (FE) gave an overview of the SCIP, identifying the five investment justifications (IJs) included in the plan: 1) modern regional enhancements, 2) improve the states microwave backbone infrastructure, 3) AIRS, 4) high-level network connections to existing regional systems, and 5) PSCC long-term solution. The following is the suggested priority for use of PSIC grant funds as determined by the state:

- Modern regional system enhancements.
- Improve state microwave backbone infrastructure.
- AIRS.

Up to $1.37 million dollars of the total grant will be used to develop a strategic technology reserve (STR) component to support the states communication needs during catastrophic disasters.

One hundred and four (104) public safety agencies throughout Arizona have signed a Memorandum of Understanding to use the AIRS network as part of an overall interagency communications solution. The following is a breakdown of the various organizations:

Law Enforcement	33
Fire Service	31
Emergency Medical Service	10
State Government Agencies	7
Federal Agencies	4
Emergency Management	2
Tribal Governmental Agencies	2
Other Agencies	15

MILESTONE 10 – ESTABLISH TECHNICAL STRATEGY FOR LONG-TERM OBJECTIVES:

PSCC has defined the core of the demonstration project and is currently working to add a 700MHz trunked site to each of the existing systems at Phoenix Regional Wireless Network (PRWN) and Yuma Regional Communication System (YRCS). Existing DPS communications sites at White Tank Mountains and Oatman will support the PRWN and YRCS sites. Additional 700 MHz radio capability will be added to state agency vehicles within the expanded coverage areas of Maricopa and Yuma counties.

PSCC has prepared an amendment to the existing IGA with Phoenix to share communication sites, microwave systems, and expand their existing systems with pass-through money from PSCC. In addition, a similar IGA amendment is in the process with Yuma for their expansion.

FE briefed the Commission on the status of the Project 25 Inter Sub System Interface (ISSI). The system is still in the development stages and once completed will allow multiple systems from different manufacturers the capability to communicate at the system level without console patching and/or gateways. FE advised the following areas be given crucial consideration for implementation of the long-term plan: the capability of upgrading existing systems with current technology, time restraints to become fully ISSI compliant, varying vendor community approaches, additional features, and capabilities as technology evolves as well as the careful planning to the approach and design.

FE continues to develop the conceptual design. They have identified the necessary sites to act as the basis for a statewide system. The PSCC staff and FE are still ascertaining the coverage goal and potential partnerships with local, federal, and tribal entities to develop broader

interoperability potentials as well as exploit opportunities to control costs. The progress on this document has slowed during the development of the SCIP and PIJ.

MILESTONE 11 – IMPLEMENT SHORT-TERM, TACTICAL RECOMMENDATIONS

Arizona State University (ASU) Police Department is building a trunked radio system for its four campuses in the Phoenix metropolitan area. PSCC is devising a 700 MHz plan to ensure the ASU system and the White Tank and Oatman demonstration project sites do not interfere with each other. ASU is expected to merge its assets with the Phoenix Regional Wireless Network (PRWN) system when an acceptable governance plan is in place.

The infrastructure portions of the demonstration project between Yuma and Phoenix are not planned necessary elements for Super Bowl. However, PSCC will provide 800 MHz subscriber radios to AZ DPS officers for utilization during the Super Bowl. Consequently, this will improve the day-to-day interoperability by putting more users on a single regional system.

MILESTONE 12 – ESTABLISH GOVERNANCE MODEL AND APPROACH TO OWNERSHIP:

PSCC will staff a sub-committee and start the research to hire contract support to facilitate data collection and begin work towards a statewide model.

MILESTONE 13 – IDENTIFY LONG-TERM, DEDICATED FUNDING SOURCE(S):

A series of meetings and revisions have taken place over the last three months between the PSCC support staff, FE, state DHS, and the Commission with support from federal DHS, Interoperable Communication Technical Assistance Program (ICTAP), and GITA to develop the five IJs to support the SCIP for the application to federal DHS for Arizona's statewide plan.

On October 15 and 16, ICTAP representatives held a workshop with a team comprised of staff from FE, PSCC, state DHS, and GITA to review and identify areas of the SCIP that were lacking or needed more specific, detailed information. In the same timeframe, state, local, and tribal agencies completed state DHS application workbooks. The Interoperability Working Group (IWG) reviewed and prioritized the workbooks as they related to the IJs in the SCIP. ICTAP will review the final draft of the IJs to ensure they support and convey the requirements of the SCIP. The final plan is due to the commissioners for their review and approval at the November 20 and 28 meetings for submission to federal DHS on December 3, 2007.

President George Bush signed a Federal legislation in an attempt to create a continuous process, similar to the current one-time PSIC, specifically addressing interoperability.

Mr. Knight made contact with the Federal Highway Administration (FHWA) for guidance on the process of requesting federal highway funds in support of interoperability. Arizona receives $600 million from federal highway transportation funds per year. Mr. Alan Hansen, FHWA, recommended getting involved in the funding process through committees formed by the state, metropolitan, and council governments. The federal funding program is on a five-year planning cycle and is currently working on funds for 2013.

FUTURE PSCC MEETINGS:

Tuesday, December 11, 2007 at 1:00 p.m.
City of Peoria Council Chambers
8401 West Monroe Street
Peoria, Arizona

Tuesday, January 22, 2008 at 1:00 p.m.
City of Peoria Council Chambers
8401 West Monroe Street
Peoria, Arizona

BUDGET:

FY2008 first quarter expenditures in the Operating Funds totaled $255,027.48 and no expenditures in the Non-lapsing Funds. The substantial expenditures from the Operating Funds was due to the indirect cost transfers to AZ Department of Administration for the health and dental insurance sweep for PSCC employees, the utilization of vacancy savings to partially-fund obligations to FE, and building lease.

PUBLIC SAFETY COMMUNICATIONS COMMMISSION BUDGET FY 2008

FY 08 Quarterly Expenditure
Allocated Funds

	ALLOCATED AMOUNT	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	REMAINING BALANCE
PERSONAL SERVICES	$ 697,800.00	$ 108,815.51	$ -	$ -	$ -	$ 588,984.49
ERE	$ 251,500.00	$ 43,370.16	$ -	$ -	$ -	$ 208,129.84
PROFESSIONAL/OUTSIDE SVCS *	$ 135,100.00	$ 57,830.44	$ -	$ -	$ -	$ 77,269.56
TRAVEL (IN STATE)	$ 51,400.00	$ 735.47	$ -	$ -	$ -	$ 50,664.53
TRAVEL (OUT OF STATE)	$ 36,600.00	$ 1,443.58	$ -	$ -	$ -	$ 35,156.42
AID TO OTHER ORGANIZATIONS	$ 55,000.00	$ -	$ -	$ -	$ -	$ 55,000.00
OTHER OPERATING	$ 104,700.00	$ 42,832.32	$ -	$ -	$ -	$ 61,867.68
BUILDINGS/BUILD IMPROVEMENT	$ -	$ -	$ -	$ -	$ -	$ -
NON CAPITAL EQUIPMENT	$ 15,000.00	$ -	$ -	$ -	$ -	$ 15,000.00
CAPITAL EQUIPMENT	$ 36,200.00	$ -	$ -	$ -	$ -	$ 36,200.00
INDIRECT COSTS	$ -	$ -	$ -	$ -	$ -	$ -
	$ 1,383,300.00					$ 1,128,272.52
QUARTERLY EXPENDITURES TOTALS		$ 255,027.48	$ -	$ -	$ -	
				FY 08 TOTAL EXPENDITURES		$ 255,027.48

FY 08 Quarterly Expenditure
Non Lapsing Funds

	ALLOCATED AMOUNT	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	REMAINING BALANCE
PERSONAL SERVICES	$ -	$ -	$ -	$ -	$ -	$ -
ERE	$ -	$ -	$ -	$ -	$ -	$ -
PROFESSIONAL/OUTSIDE SVCS *	$ 212,200.00	$ -	$ -	$ -	$ -	$ 212,200.00
TRAVEL (IN STATE)	$ -	$ -	$ -	$ -	$ -	$ -
TRAVEL (OUT OF STATE)	$ -	$ -	$ -	$ -	$ -	$ -
AID TO OTHER ORGANIZATIONS	$ -	$ -	$ -	$ -	$ -	$ -
OTHER OPERATING	$ -	$ -	$ -	$ -	$ -	$ -
BUILDINGS/BUILD IMPROVEMENT	$ -	$ -	$ -	$ -	$ -	$ -
NON CAPITAL EQUIPMENT	$ -	$ -	$ -	$ -	$ -	$ -
CAPITAL EQUIPMENT		$ -	$ -	$ -	$ -	$ -
INDIRECT COSTS	$ -	$ -	$ -	$ -	$ -	$ -
	$ 212,200.00					$ 212,200.00
QUARTERLY EXPENDITURES TOTALS		$ -	$ -	$ -	$ -	
				FY 08 TOTAL EXPENDITURES		$ -

FY 2008

PUBLIC SAFETY COMMUNICATIONS COMMISSION

1ST QTR EXPENDITURES

OBJECT CODE	DATE	VENDOR	DESCRIPTION	EXPENDED	SUB-TOTAL
	PERSONAL SERVICES				
6000	6/29/2007	SALARY		$ 15,446.02	
6000	7/13/2007	SALARY		$ 15,956.58	
6000	7/27/2007	SALARY		$ 15,956.57	
6000	8/10/2007	SALARY		$ 15,956.58	
6000	8/24/2007	SALARY		$ 15,414.87	
6000	9/7/2007	SALARY		$ 15,347.18	
6000	9/21/2007	SALARY		$ 14,737.71	
				$108,815.51	**$108,815.51**
	EMPLOYEE RELATED EXPENSES				
6100	6/29/2007	ERE		$ 3,038.00	
6100	7/13/2007	ERE		$ 3,218.93	
6100	8/7/2007	DOA-AZ ST BRD OFFICE	PSCC HEALTH INS SWEEP	$ 20,600.00	
6100	8/7/2007	DOA-AZ ST BRD OFFICE	PSCC DENTAL INS SWEEP	$ 900.00	
6100	7/27/2007	ERE		$ 3,219.00	
6100	8/10/2007	ERE		$ 3,218.97	
6100	8/24/2007	ERE		$ 3,108.86	
6100	9/7/2007	ERE		$ 3,095.15	
6100	9/21/2007	ERE		$2,971.25	
				$43,370.16	**$43,370.16**
	PROFESSIONAL/OUTSIDE SERVICES				
6231	8/22/2007	FEDERAL ENGINEERING	PROF SVCS & REIMB EXPENSE	$ 57,800.44	
				$57,800.44	**$57,800.44**
6299	8/30/2007	TCH	RECYCLE CONTAINER-JUL	$ 30.00	
6299	9/13/2007	TCH	RECYCLE CONTAINER-AUG	$ 30.00	
6299	9/14/2007	DPS TRANSFER FR CVEB	REIMB FOR TCH-AUG	-$30.00	
				$30.00	**$30.00**
	TRAVEL IN-STATE				
6500	8/7/2007	J L MINER	TRAVEL REIMB-PSCC FLAGSTAFF	$ 132.38	
6500	8/7/2007	R C LARSON	TRAVEL REIMB-PSCC FLAGSTAFF	$ 132.38	
6500	8/7/2007	E JABLONSKI	TRAVEL REIMB-PSCC FLAGSTAFF	$ 132.38	
6500	8/7/2007	M W KINCHELOE	TRAVEL REIMB-PSCC FLAGSTAFF	$ 204.77	
65	9/11/2007	C B KNIGHT	TRAVEL REIMB-CROSS BORDER CC	$ 133.56	
				$735.47	**$735.47**
	TRAVEL OUT-OF-STATE				
6600	8/21/2007	J L MINER	TRAVEL REIM-APCO 73RD ANNUAL	$ 1,443.58	
				$1,443.58	**$1,443.58**
	AID TO OTHER ORGAINZATIONS				
6800					
				$0.00	**$0.00**
	OTHER OPERATING EXPENSES				
7111	8/1/2007	DOA	RISK MANAGEMENT PREMIUMS	$ 9,607.00	
				$9,607.00	**$9,607.00**
7179	8/23/2007	VERIZON WIRELESS	CELL PHONES - KNIGHT/MINER	$ 168.90	
7179	8/29/2007	VERIZON WIRELESS	CELL PHONES - KNIGHT/MINER	$ 170.26	
7179	8/7/2007	DPS TRANSFER TO WSB	PBX LONG DISTANCE CALLS JUL	$ 27.55	
7179	9/12/2007	DPS TRANSFER TO WSB	PBX LONG DISTANCE CALLS AUG	$ 5.10	
7179	9/12/2007	DPS TRANSFER TO WSB	AZ NET SVS SEATS-JUL & AUG	$ 897.76	
				$1,269.57	**$1,269.57**
7221	8/21/2007	TOP 10 PROPERTIES	ONE YEAR LEASE PAYMENT	$ 31,142.00	
				$31,142.00	**$31,142.00**

FY 2008

PUBLIC SAFETY COMMUNICATIONS COMMISSION

1ST QTR EXPENDITURES

OBJECT CODE	DATE	VENDOR	DESCRIPTION	EXPENDED	SUB-TOTAL
7381	8/30/2007	AMERICAN EXPRESS	CHARGES - JULY	$ 430.00	
7381	8/28/2007	AMERICAN EXPRESS	CHARGES - AUGUST	$ 383.75	
				$813.75	**$813.75**
7541	8/23/2007	LEAGUE OF AZ CITIES & TOWN	GOV'T DIRECTORIES	$313.49	
7541	9/16/2007	LEAGUE OF AZ CITIES & TOWN	CANCEL WARRANT	-$313.49	
				$0.00	**$0.00**
			TOTALS	**$255,027.48**	**$255,027.48**

10/15/07

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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CHAIRMAN 2008
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1716 WEST ADAMS
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HOUSE OF REPRESENTATIVES

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DATE: February 21, 2008

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

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: Arizona Department of Transportation – Review of Third Party Progress Report

Request

Pursuant to a footnote in the FY 2008 General Appropriation Act, the Arizona Department of Transportation (ADOT) requests review of its semiannual progress report for the first half of FY 2008 regarding increasing third party transactions. Motor Vehicle Division (MVD) third parties allow the public to conduct certain MVD transactions through private sector third party entities instead of using MVD customer service offices.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the first half report, given the progress ADOT is making in increasing its use of third parties. The next semiannual report on third party quality assurance is due by July 30, 2008.

With the exception of traffic survival schools, ADOT continues to increase its number of third parties. ADOT has suspended their single non-commercial driver license third party, who has chosen not to implement electronic non-commercial driver license testing.

Analysis

Third Party Title Transactions Quality Assurance
The section's backlog of title transactions increased from 11 business days in FY 2007 to 14 business days. ADOT attributed the delay to staff turnover but reports that the backlog is returning to normal with the recruitment and training of new staff. Previously, the backlog had decreased from 31 business days in FY 2006 due to a 1-year pilot project, begun on April 1, 2007, for a new statistical sampling method that cut the percentage of third party work that was reviewed by MVD quality assurance from 10% to 4%. The Committee asked, at its May 10, 2007 meeting, that ADOT provide a progress report on their 1-year pilot project by April 30, 2008.

(Continued)

ADOT is processing applications for 65 entities, including both those on the former waiting list and new applicants who are interested in becoming third parties. There are currently 116 third parties, including 15 new third parties added in FY 2008.

Third Party Vehicle Identification Number Inspections
ADOT is processing applications for 60 entities, including both those on the former waiting list and new applicants who are interested in becoming third parties. There are currently 469 existing third parties, including 25 new third parties added in FY 2008. The JLBC FY 2009 Baseline includes an increase of 2 FTE Positions for new title and vehicle identification number inspection third parties.

Third Party Driver Schools
ADOT has eliminated the waiting list for new commercial and non-commercial driver schools and driver license examiners. There are currently 64 professional driving school third parties. ADOT reports that they have converted MVD customer service offices to electronic driver license testing. ADOT's use of electronic driver license testing has not affected commercial and non-commercial driver schools and driver license examiners who continue to issue certificates of completion to their students. However, ADOT has suspended their single non-commercial driver license third party who has chosen not to implement electronic testing.

MVD licenses traffic survival schools and certifies instructors. Their approved staffing has not changed from FY 2005. Drivers with certain traffic violations are required by MVD or a court to attend and successfully complete a traffic survival school in order to avoid driver license suspension. There are 77 traffic survival school third parties and 68 entities are on the waiting list. The JLBC FY 2009 Baseline includes an increase of 2 FTE Positions to eliminate the third party waiting list for traffic survival schools.

RS/BH:ck

Arizona Department of Transportation

Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janet Napolitano
Governor

Victor M. Mendez
Director

Richard Travis
Deputy Director

January 31, 2008

The Honorable Robert Burns
Chairman
Joint Legislative Budget Committee
1716 W. Adams Street
Phoenix, Arizona 85007

Dear Senator Burns:

Attached, please find the Department's FY 2008 semi-annual progress report on the Motor Vehicle Division's Third Party Program.

The seven-page report has been replaced with a more concise and easy to read two-page report. The result is an improved presentation using fewer resources.

Overall, the Program continues to perform and grow. For this reporting period (July to December 2007), we added 15 Title & Registration (T&R) Third Parties, 25 Inspection Third Parties, and 5 Driving Schools. Staffing levels have remained relatively stable allowing us to absorb the workload increases with little impact to productivity - with one exception. Due to internal promotions, the Title & Registration Quality Assurance unit lost two very experienced employees. Processing times and transaction backlogs increased while replacement staff was recruited and trained. This impact was temporary, and with the addition of new staff processing times are returning to normal.

As always, we appreciate the opportunity to talk about the very positive things happening in the Third Party Program and its positive benefits to the citizens of Arizona.

If you have any questions or comments regarding the information contained in the report, please contact Melissa Wynn at 602-712-8981.

Sincerely,

Victor M. Mendez

Attachments

cc: Representative Russell Pearce, Vice-Chairman, JLBC
Richard Stavneak, Director, JLBC
Bob Hull, Principal Research/Fiscal Analyst, JLBC
James Apperson, OSPB
Marcel Benberou, Assistant Director, OSPB

Arizona Department of Transportation
FY 2008 Semi-Annual Third Party Report

Title and Registration Third Parties

Title & Registration Third Parties have a physical "bricks and mortar" structure that offers the public most, if not all, services MVD field offices provide. T&R Third Parties are connected directly to the Department's motor vehicle databases.

	FY 07	FY 2008				
Reporting Requirements:	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Comments**
Number of T &R Third Parties	101	114	116			15 Third Parties added in FY08
Number of T &R Third Parties in process			65			
Number of transactions	390,471	425,621	362,807			
MVD QA Staffing: Filled positions	37	39	37			Budget = 45
Transactions reviewed	52,813	44,898	36,851			Q2 decrease reflects impact of staff turnover
Average reviewed per employee per month	1,354	1,361	1,364			
Number of e-mails answered	5,204	5,656	7,213			Q2 reflects 30% increase over FY07-Q4
Backlog: Number of business days	11	11	14			Q2 increase due to staff turnover, including the loss of two highly experienced staff members
Backlog: Number of transactions	4,091	5,512	9,835			

Title & Registration Inspection Third Parties

Title & Registration Inspection Third Parties perform Verification of Vehicle inspections, which require a visual inspection of the vehicle and the manual completion of the inspection form. T&R Inspection Third Parties do not process online transactions.

	FY 07	FY 2008				
Reporting Requirements:	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Comments**
Number of T&R Inspection Third Parties	444	461	469			25 Third Parties added in FY 08
Inspection Third Parties in process			60			
Number of inspections	39,328	38,022	38,955			
MVD QA Staffing: Filled positions	4	4	4			Budget = 4
Vehicle inspection records reviewed	1,318	1,395	1,405			

FY 2008 Semi-Annual Third Party Report

	FY 07	FY 2008				
Reporting Requirements:	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Comments**
Third Party Driver License Examination Schools						
Number of schools	120	116	120			Q1 reflects 4 schools on voluntary inactivation
Examinations processed (Commercial)	2,751	2,912	3,716			Q2 reflects 30% increase over FY07-Q4
Examinations processed (Non-commercial) /1	337	131	N/A			See footnote
MVD QA Staffing: Filled positions	2	3	3			Budget = 3
Score sheets reviewed (Commercial)	2,751	2,912	3,716			
Average reviewed per employee per month	458	324	413			
Score sheets reviewed (Non-commercial)	337	131	N/A			See footnote
Average reviewed per employee per month	56	44	N/A			See footnote
Completed audits (Commercial)	30	23	31			
Completed audits (Non-Commercial)			N/A			See footnote
Professional Driving Schools						
Number of schools	59	62	64			5 Driving Schools added in FY 08
Certificates issued	8,459	9,011	10,347			Q2 reflects 20% increase over FY07-Q4
MVD QA Staffing: Filled positions	3	3	3			Budget = 3
Certificates reviewed	8,459	9,011	10,347			
Average reviewed per employee per month	939	1,001	1,150			
Completed audits	2	2	8			
School moratorium wait list	12	14	14			List reflects motorcycle schools only
Traffic Survival Schools						
Number of Schools	77	77	77			
Certificates Issued	11,311	10,719	9,367			
MVD QA Staffing: Filled positions	3	3	3			Budget = 3
Certificates reviewed	11,311	10,719	9,367			
Completed audits	6	4	8			
School moratorium wait list	58	61	68			Insufficient staff resources to lift moratorium

/1 Currently, there are no non-commercial DLE schools under contract. Existing companies have not yet met electronic Q-Test implementation requirements.