

2006 ARIZONA STRATEGIC PROGRAM AREA REVIEW (SPAR) EXECUTIVE SUMMARY

A.R.S. § 41-1275 establishes the Strategic Program Area Review (SPAR) process. The SPARs provide an opportunity for the Governor and the Legislature to evaluate the effectiveness and efficiency of programs crossing state agency lines. Pursuant to statute, the Joint Legislative Budget Committee selected program areas for review during the 2006 legislative session: Homeland Security, Ports of Entry, University Financial Assistance, and Workforce Development. The President of the Senate and the Speaker of the House of Representatives are required to assign these SPARs to the Appropriations Committees and may additionally assign the SPARs to an appropriate standing committee. The assigned standing committees or the Appropriations Committees shall hold at least one public hearing to receive public input and to develop recommendations whether to retain, eliminate, or modify the program subject to the SPAR process.

Homeland Security

The state's Office of Homeland Security (OHS) and Department of Health Services (DHS) distribute three of the largest federal homeland security sets of grants within Arizona, totaling nearly \$70 million in FY 2005.

Established by the Governor, OHS divides local jurisdictions within the state into five Regional Advisory Councils (RACs). Allocations to each RAC are made by OHS based on a regional baseline and risk assessment formula developed by OHS. Each RAC prioritizes annual funding requests submitted by jurisdictions within the region, then recommends which projects are to be funded based on this evaluation.

DHS' Bureau of Emergency Preparedness and Response administers its two federal grants. The Bureau is responsible for preparedness and planning, electronic disease surveillance, the Arizona Health Alert Network, risk communication and public information, and education and preparedness training. The Bureau also assists the readiness of the hospital and healthcare community to deal with bioterrorism and other health emergencies.

JLBC Staff Findings - JLBC Staff recommends that both OHS and DHS be required by statute to submit a homeland security award and expenditure report to be submitted annually to the Legislature. JLBC Staff also recommends that the Legislature consider the creation of a legislative homeland security committee, which would offer recommendations to OHS, DHS, and the legislative Appropriations Committees regarding project priorities. The report and the oversight committee would help address the lack of accountability to the Legislature owing to the funding's non-appropriated status.

In addition to expenditure details, the report would also include performance measure information in order to assess the effectiveness of Arizona's homeland security efforts.

OHS does not currently use any performance measures to monitor the success of the office.

JLBC Staff recommends that DHS and OHS coordinate with federal authorities to create a “best practices” guide to ensure that terrorism monies distributed to different jurisdictions help establish effective response plans.

Regarding OHS, JLBC Staff recommends that requests for interoperable communications equipment should be in compliance with technical and operating standards developed by the Arizona Public Safety Communications Advisory Commission. It also recommends that OHS use the most current population numbers provided by the U.S. Census Bureau or the Arizona Department of Economic Security. JLBC Staff recommends that DHS demonstrate coordination between state and local officials to determine how successful state and local entities are in coordinating efforts.

OSPB Findings - OSPB found that the Arizona Office of Homeland Security has accomplished some significant items during its brief existence with respect to the implementation of State’s Homeland Security Strategy.

OSPB also found that the Arizona Office of Homeland Security can make improvements in terms of the transparency of its operations and recommends that the OHS post the annual report to the Governor on the agency’s web page. OSPB recommends, that as part of the annual report, OHS incorporate information on efficiencies generated by their efforts to avoid duplication statewide and to maximize the use of resources and should include performance measures detailing the successes and shortcomings of the Office.

OSPB found that the Arizona Office of Homeland Security is not established in statute as an agency. Since the OHS provides services that are valuable and necessary for the good order of Arizona, OSPB recommends that statutes be crafted to establish OHS in state law and to set forth the duties and responsibilities of the Office after more substantive study is conducted. OSPB believes that the scope of the statutes should be limited to the setting of overall homeland security policy and strategy in Arizona. However, The Governor’s Office is not in favor of the Legislative appropriation of federal homeland security funds.

OSPB found that DHS is fulfilling its statutory mandates to plan response, recovery, and mitigation, to coordinate with private, local and federal authorities, and to facilitate the dissemination of public information in the event of a public health emergency.

OSPB found that DHS has identified and is prepared to report comprehensive metrics related to public health emergency preparedness in five key areas: reduction of threats, readiness for response, recognition of threats, response to and recovery from public health emergencies. OSPB recommends that OSPB and JLBC staff work in consultation with DHS to change DHS’s program structure to implement a new program entitled “Emergency Preparedness and Response” for future reporting of metrics in the Master List and Five Year Strategic Plan under Public Health.

OSPB found that the State Laboratory scientists maintain their skills in readiness and recognition of threats by completing state and federally mandated testing, and through the establishment of many partnerships with other entities, both public and private, in Arizona.

OSPB found that DHS tracks the procurement, maintenance, and replacement of highly sensitive and specialized Public Health Response and Bioterrorism related equipment. The first priority in Public Health Response is the detection and communication of threats. Without these capabilities, response and recovery have little meaning. The State Laboratory is equipped to provide this type of intervention. OSPB recommends that DHS provide to JLBC and OSPB each year on July 1 a report reflecting the inventory of equipment purchased with federal funds, which the Department already completes each year between the months of March and June. OSPB recommends that the report shall, at a minimum, include 1) useful life of equipment (replacement timeline); 2) original cost and funding source, 3) what vendor the equipment was purchased from, 4) dollar value, 5) shipping costs, 6) depreciation and 7) a list of tests performed on equipment.

Finally, OSPB found that Public Health and Bioterrorism Response is properly located within DHS and recommends that DHS should retain the authority for bioterrorism programs and funding if a State Homeland Security agency is authorized in statute.

Ports of Entry

The primary purpose of these ports is to ensure that commercial vehicles are in compliance with the state's weight, licensing, permit, and tax laws as administered by the Motor Vehicle Division of the Arizona Department of Transportation. The Arizona Department of Agriculture (ADA) also uses the ports to screen trucks and their cargo to intercept agricultural pests, weeds, and livestock diseases. The Department of Public Safety (DPS) maintains a field presence at some ports to perform commercial vehicle safety enforcement.

The ADOT POE activities are funded through legislative appropriations from the State Highway Fund, the Safety Enforcement and Transportation Infrastructure Fund (SETIF), and non-appropriated Federal Funds. ADA services are paid from the State General Fund and other funds. About a quarter of the full-time equivalent ADA positions are supported through a contract with the State of California to support the program's inspections at the Duncan POE and enables the Department to maintain 24/7 operations at San Simon and Sanders. DPS supports its enforcement through appropriations from the State Highway Fund, SETIF, and Federal Funds. In FY 2005, the expenditures for the ports of entry were approximately \$10.1 million. In FY 2006, the port of entry budget is \$11.4 million.

OSPB Findings - OSPB found that the ports-of-entry system performs a useful role in the enforcement of the State's commercial vehicle size, weight and safety regulations, agricultural cargo inspections and pest exclusions, and in the collection of tax revenues due from highway users. OSPB recommended that the interagency agreements covering the collaborative efforts in joint operations between ADOT, DPS, and ADA should be

continued to allow the sharing of resources among agencies while maintaining the specialized enforcement roles of each agency. It further concluded that the program should step up its statewide efforts to extend operational coverage at the ports and use weigh-in-motion mainline screening systems. These efforts will enable port clearance of safe and compliant carriers and improve customer service at the fixed POE.

OSPB also found that although mobile units have been used to complement MVD enforcement activities, the fixed POE inspection stations continue to be the dominant compliance mechanism. OSPB recommended that MVD mobile inspection levels should be increased to complement the existing fixed POE network and to ensure a rigorous enforcement system. However, MVD and ADA should continue to sustain vigilant enforcement efforts at the fixed ports of entry. In addition, OSPB recommended that the implementation and use of emerging technologies and automation at the POEs should be increased and pursued as a statewide measure.

Finally, OSPB found that except for the port in Nogales, DPS does not maintain a regular presence at the other international ports and recommended that DPS, in collaboration with MVD, examine reasonable options to establish practical safety inspection coverage at all international ports to strengthen its enforcement activities.

JLBC Staff Findings - JLBC Staff recommends that ADOT fill their existing approved port FTE Positions, before requesting any more port staff. In FY 2006, ADOT was authorized 162 FTE Positions, while it filled just 128 of those positions, a decrease of 10 FTE Positions from the prior year. If ADOT believes that they need any additional port staff they should provide an analysis of how additional revenue would offset additional costs.

In addition, JLBC Staff found that ADOT and ADA could do more to foster a spirit of cooperation to increase the efficiency of the ports. ADOT and ADA should formalize written high-level interagency agreements on procedures for insuring interagency cooperation. The level of interagency cooperation seems to be good at some ports, but not so good at other ports, and may largely depend on the MVD and ADA port supervisors. ADOT, ADA and DPS should co-write a 5-Year Strategic Plan for the Ports and annually jointly update the plan to help facilitate communication. ADOT has not regularly updated their POE 5-Year Plan, which limits the usefulness of the plan.

Finally, JLBC Staff found that ADOT's collection of performance measurement data has improved since the 2000 POE SPAR. In FY 2005, the ports of entry collected approximately \$15.6 million in total revenue, or approximately \$2.20 per every \$1 of operating expenditures.

University Financial Assistance

The state's 3 universities distributed more than \$806 million of financial aid to students in FY 2004. The administration of financial aid is governed by federal law, the Arizona Constitution and statutes, and Arizona Board of Regents (ABOR) policy. The majority of this financial aid came from federal sources (\$442 million) and the universities

themselves (\$285 million); nearly half was distributed as loans (\$392 million), with grants totaling another \$277 million). Tax incentives such as the federal Hope Tax Credit are not included in these totals.

JLBC Staff Findings - JLBC Staff made several findings regarding the cost to students of Arizona University System attendance:

- The total cost of Arizona University System attendance increased by around \$1,200 between FY 2003 and FY 2004. Growth in gift aid mostly covered that amount for low-income students, while middle-income students received an added \$800 in assistance. Nearly 2,000 more low-income students and 3,000 middle-income students had additional net costs above their financial aid packages in FY 2004 compared to FY 2003. Due to changing data collection methodologies between the 2 years, JLBC Staff could not offer accurate comparisons on how loans reduced student need. Furthermore, the lag of data compilation prevented JLBC Staff from yet conducting the same analysis for FY 2005 or FY 2006. The limited information currently available for FY 2005 suggests the trend of increasing unmet need has continued, although that result varies by campus.
- While additional net costs and student debt levels appear to be rising due to tuition rate growth and other increases, under 50% of undergraduate students graduate with debt. The percentage of undergraduate students with debt increased 2.3% in FY 2004 as the average amount of debt increased almost \$120.
- Financial aid packages for undergraduate resident students met 65% of average costs after the Expected Family Contribution (EFC), while packages for undergraduate non-resident students met 53% of average costs after EFC. The average aid package for nonresident students is larger, due to the higher cost of nonresident tuition.
- At over \$7,500, the average FY 2004 Arizona University System aid package finances more than double the amount of resident undergraduate tuition. Whether a particular package meets a certain student's need depends on a wide variety of possible living arrangements and financial circumstances.

In addition, JLBC Staff found that federal and state tax incentives partially reduce student need. For example, the Hope Tax Credit can provide up to \$1,500 per student during the first 2 years of degree pursuit and the Lifetime Learning Tax Credit offers up to \$2,000 for virtually any postsecondary education or training. These credits apply to households with incomes below \$52,000. Future financial aid reports should acknowledge the different incentives available to defray educational costs.

Finally, JLBC Staff found that financial aid data compiled by ABOR and its universities are insufficient for state policy purposes. Especially lacking is information on aid by income level and on graduate students. JLBC Staff recommends that its office and OSPB work with ABOR to expand the current Student Financial Aid Report and to ensure more timely reporting. The report should examine students grouped by education level, residency, and income level, addressing average cost of attendance and delineating average aid package components together in order to provide a complete financial picture for defined "sample" students.

OSPB Findings - OSPB found that college affordability can be severely impacted by the lack of investment of State funded financial aid despite rising tuition costs and increased student enrollment.

OSPB recommends the following: 1) Increase financial aid contributions for needy students through existing State programs. 2) Expand scholarship opportunities through portable financial aid, or monies that follow the student to allow students the highest level of accessibility to higher education—including any postsecondary institution, whether it is public or private university or community college, 3) Create new programs using a workforce development model based on the premise of providing aid as a means of targeting students to enter high demand professions, such as teaching or nursing, using the Board of Medical Schools model of loan forgiveness or scholarships in return for time spent practicing in Arizona’s underserved areas. 4) Evaluate the value of a state sponsored work-study program in collaboration with the business community. 5) Expand on-campus employment opportunities. 6) Target new funds to the low to middle income students who fall within the gap where they do not qualify for need based aid, nor are they eligible for merit aid. These students depend in large part on debt, since the pool of donor specific scholarships is modest.

OSPB also found that financial aid opportunities can be more effectively used as marketing tools to provide access for underserved, low-income minority populations.

OSPB recommends the following: 1) Encourage postsecondary institutions to allocate resources to promote the availability of financial aid starting in middle school for disadvantaged low socio-economic students who are likely to dropout. 2) Create a statewide collaborative outreach program that align through the P-20 Council, Board of Regents, Community College Boards, the K-12 community, the State Board of Education, and the Arizona Department of Education that ensures that access to financial aid reaches all geographical areas of State, especially rural and isolated areas through partnerships with community colleges, tribal colleges, K-12 schools, and the business community. Other outreach activities within the program can be to build a clearinghouse of all financial aid data, organize one shop family assistance, expand College Goal Sunday sites, create mentor programs that bring college students into at risk K-12 classroom to expose students to benefits of higher learning, organized training seminars for guidance counselors, provide financial training to low middle income students and families regarding educational debt. 3) Concentrated expansion of Arizona’s 529 savings plan through tax incentives to promote saving for college costs.

Finally, OSPB found that postsecondary educational institutions struggle to maintain a fair and equitable balance in using limited financial aid resources to attract meritorious students to maintain quality educational standings and making the investments to motivate at risk student populations into higher education. OSPB recommends that a statewide funding strategy adopted by Board of Regents for prioritization of need based and merit based financial assistance.

Workforce Development

The Workforce Development Program encompasses three state agencies: Arizona Department of Economic Security (DES), Arizona Department of Commerce (ADOC), and Arizona Department of Education (ADE). The agency directors are members of the Governor's Council on Workforce Policy (GCWP). In addition, Arizona's Community College system offers a wide variety of workforce development programs.

The largest part of workforce development funding comes from Title 1-B of the federal Workforce Investment Act (WIA) of 1998, Public Law 105-220. WIA requires that state governors establish a state workforce investment board. Governor Napolitano issued Executive Order 2003-24, which established the Governor's Council on Workforce Policy, which the Department of Commerce staffs. WIA establishes a number of responsibilities for the Council, including the designation of Local Workforce Investment Areas and the determination of their allocations.

With respect to program funding, the WIA is an important fund source for Arizona's workforce development program. Federal law requires state legislature to appropriate funds granted under WIA. The grant award in FY 2006 was \$47,363,141.

While the WIA is the primary source of funding for the Workforce Development Program there are other workforce development programs such as the Jobs Program, Unemployment Insurance, Vocational Rehabilitation (VR), Veterans Employment and Disabled Veterans Outreach Programs, The Migrant Seasonal Farmworker Program, Food Stamp Employment and Training Program, Senior Community Service Employment Program (Title V), and the Trade Adjustment Assistance Program.

OSPB Findings - OSPB found that based on the performance measures defined by the WIA, Arizona exceeded standards in all areas in FY 2005. However, in FY 2004, the LWIAs failed to exceed three of the seventeen target goals. All three of these indicators fell within the youth services arena.

OSPB recommends that the WIA program be structured to accentuate the benefits of completing the program. First, it may be impossible to deter businesses from hiring these willing workers, but companies should make an investment in the individual's future. Tax credits are already available to employers hiring WIA-eligible youth and LWIAs may work to reimburse a portion or the full wage amount of the youth. Further tax credits could be made available specifically for those who employ youths who have completed the program. Second, LWIAs must enhance existing partnerships with educational institutions to make diploma attainment a reachable goal for these individuals. Finally, Arizona must address the low basic skill levels and other barriers that prevent these youths from completing their education. Initiatives of this partnership could include childcare for time in school/training, gang/drug awareness programs, and support for needy families where youths are working to support their households.

OSPB also found that while the performance measures for the WIA system are established by the US Department of Labor, the Arizona program does not have a statewide performance management system. The Governor's Council on Workforce Policy has established a subcommittee to review additional performance outcomes for Arizona's Workforce Program. OSPB recommends that this subcommittee explore ways to develop *Arizona-specific* measures that can be used to identify joint accountability issues and to establish a statewide performance management system that will enable the state leadership to secure relevant information that is needed to make informed decisions on the best policies and practices in order to enhance the local investment system. Presently, there are no additional performance outcomes other than those prescribed by the Workforce Investment Act Section 136 and the Federal Register.

OSPB found that although steps have been taken to improve the program's outreach activities, there are still employers and potential workers that do not know about the available workforce services. The Governor's Council on Workforce Policy recently reorganized to include a Marketing subcommittee. OSPB recommends that this group should increase its efforts in developing outreach and marketing programs to promote the workforce services throughout the state and provide labor market information to enable and engage businesses, job seekers, educators and economic developers to access the services and link employers with skilled workers. OSPB also recommends that these outreach strategies be conducted in collaboration with local chambers of commerce and local investment organizations.

Finally, OSPB found that each community college has differing definitions of "workforce development" and does not have one central location for coordination. OSPB recommends that the Governor's Council for Workforce Policy serve as an information center for community colleges to coordinate their workforce development activities that fall outside of WIA funding. While it is not possible to mandate a standard definition for workforce development to ten different communities with individual needs, the Council can serve as a clearinghouse for all federal, state, and local workforce activities so that all community colleges can articulate on best practices and innovative programs that may align with State workforce policy.

JLBC Staff Findings - JLBC Staff found that coordination among agencies and partners depends not only on the program, but also on the location within the state. The Workforce Investment Act (WIA) partners and programs coordinate relatively well in many circumstances, while programs outside the WIA paradigm seem to lack coordination with each other. One of the possible reasons for this is the challenge of coordinating with different agencies, especially those that are led by non-Governor appointed heads, like the Department of Education and the Community Colleges. Within the WIA program, there seems to be a higher level of coordination. However, the effectiveness of that coordination seems to be based on location, clientele and available resources.

To increase the visibility of workforce development issues, the JLBC Staff recommends that the Governor's Council on Workforce Policy coordinate and publish annually a

statewide workforce development budget and strategic plan. The report should be submitted each year by February 1 to the Governor, the President of the Senate and the Speaker of the House of Representatives, and should include actual expenditures for the prior fiscal year, estimated expenditures for the current fiscal year, and proposed expenditures for the upcoming fiscal year based on the Governor's budget proposal. The benefits of this coordinated effort would include allowing the state to pursue a more focused workforce development policy, allowing individual programs to see what other workforce development programs operate in the state, and permitting the Legislature to see that monies are being spent on effective programs and are not duplicating efforts of other programs outside the appropriated WIA umbrella.

JLBC Staff also recommends that in coordination with a statewide workforce development budget and strategic plan, emphasis be put on developing performance measures that are both specific to the state and outcome based. These measures should be used to help guide funding decisions. Funding allocations are determined not by current performance measures but by funding formulas. However, within the funding formulas, there is some discretion in how funding can be allocated. This discretion should be used to ensure that funding occurs based on performance measures that indicate the effectiveness of the specific programs.

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December 30, 2005

The Honorable Janet Napolitano, Governor
The Honorable Ken Bennett, President of the Senate
The Honorable Jim Weiers, Speaker of the House
Arizona State Capitol
1700 W. Washington
Phoenix, AZ 85007

Dear Governor Napolitano, President Bennett, and Speaker Weiers:

We are transmitting the Strategic Program Area Review (SPAR) report required by A.R.S. § 41-1275. In accordance with this legislation, the Joint Legislative Budget Committee (JLBC) Staff and the Governor's Office of Strategic Planning and Budgeting (OSPB) have completed our review of four strategic program areas: Homeland Security, Ports of Entry, University Financial Assistance, and Workforce Development. The offices collaborated on writing the program background section for each report, while each office independently developed findings and recommendations.

The attached SPAR report contains the following information: 1) an Executive Summary of the four SPAR reports, 2) the SPAR report for each program area, and 3) each agency's response to our review. These reports are also available through the websites of the JLBC Staff (<http://www.azleg.gov/jlbc.htm>) or OSPB (<http://www.ospb.state.az.us/>).

If you have any questions, please feel free to contact Stefan Shepherd of the JLBC Staff at 926-5491 or Monica Seymour of OSPB at 542-5381.

Sincerely,

Handwritten signature of Gary Yaquinto in black ink.

Gary Yaquinto
Director, OSPB

Handwritten signature of Richard Stavneak in black ink.

Richard Stavneak
Director, JLBC Staff