

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

DON SHOOTER
CHAIRMAN 2014
OLIVIA CAJERO BEDFORD
GAIL GRIFFIN
JOHN McCOMISH
AL MELVIN
LYNNE PANCAZI
ANNA TOVAR
STEVEN B. YARBROUGH

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2013
LELA ALSTON
DAVID GOWAN, SR.
ADAM KWASMAN
DEBBIE LESKO
STEFANIE MACH
JUSTIN OLSON
MICHELLE UGENTI

**** CANCELLED ****

JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, March 25, 2014

CANCELLED - 8:30 A.M.

Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of December 17, 2013](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION - Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
- 1. ARIZONA DEPARTMENT OF ADMINISTRATION
 - A. [Review of Emergency Telecommunication Services Revolving Fund Expenditure Plan.](#)
 - B. [Consider Approval of Employer Sanctions Enforcement Distributions.](#)
- 2. DEPARTMENT OF ECONOMIC SECURITY
 - A. [Review of Contingency Funding Expenditure Plan.](#)
 - B. [Review of Intensive Family Services Implementation.](#)
- 3. [ARIZONA DEPARTMENT OF EDUCATION - Review of Sunnyside Unified Payments.](#)

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

~~3/20/14~~

3/24/14

kp

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.



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

DON SHOOTER
CHAIRMAN 2014
OLIVIA CAJERO BEDFORD
GAIL GRIFFIN
JOHN McCOMISH
AL MELVIN
LYNNE PAN CRAZI
ANNA TOVAR
STEVEN B. YARBROUGH

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2013
LELA ALSTON
DAVID GOWAN, SR.
ADAM KWASMAN
DEBBIE LESKO
STEFANIE MACH
JUSTIN OLSON
MICHELLE UGENTI

MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

December 17, 2013

The Chairman called the meeting to order at 1:07 p.m., Tuesday, December 17, 2013, in House Hearing Room 4. The following were present:

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

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of October 29, 2013, Chairman John Kavanagh stated that the minutes would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)

A. ADOA - Review of Automation Projects Fund Expenditures.

Mr. Ben Henderson, JLBC Staff, stated that this item is for review of a \$3.4 million expenditure plan from the Automation Projects Fund for information technology (IT) projects for the Arizona Strategic Enterprise Technology (ASET) Office in ADOA. The JLBC Staff presented options to the Committee.

Mr. Aaron Sandeen, Deputy Director and State Chief Information Officer, ADOA, responded to member questions.

Senator Shooter moved that the Committee give a favorable review of \$3.4 million in FY 2014 expenditures from the Automation Projects Fund for IT projects for the ASET Office in ADOA, with the following provisions:

(Continued)

1. *As a result of further planning and implementation efforts, should there be significant changes in the proposed costs, technology approach, scope of work, or implementation schedule, ADOA-ASET must amend the Project Investment Justification (PIJ) to reflect the changes and submit the updated PIJ to the ADOA-ASET Strategic Oversight team for review, and approval as necessary.*
2. *ADOA-ASET must ensure that the appropriate levels of security controls are in place prior to the migration of any service offerings that may involve sensitive, confidential or Personally Identifiable Information (PII) data to the cloud.*

The motion carried.

B. ADOA - Review of Requested Exchange of Automation Project Fund Transfers and Report on AFIS Charge.

Mr. Matt Gress, JLBC Staff, stated that this item is for review of agency requests to transfer monies between their own funds in order to comply with Automation Project transfers required by the FY 2014 General Appropriation Act. Arizona Department of Administration (ADOA), the Arizona Criminal Justice Commission (ACJC), Department of Health Services, State Mine Inspector, Supreme Court, and the Arizona Department of Transportation (ADOT) have requested Committee review of fund transfers. The JLBC Staff presented options to the Committee.

The second part of this item is a follow-up to the March 26, 2013 Committee meeting, where the Committee required ADOA to report on all agencies, excluding the Universities, who are not participating in the new Arizona Financial Information System (AFIS). In response to that request, ADOA reports that the following agencies have elected not to use the new AFIS system in any way and reported their concerns: Arizona Power Authority, Arizona Commerce Authority, the Public Safety Personnel Retirement System, the Arizona State Retirement System and the Early Childhood Development and Health Board.

Mr. Aaron Sandeen, Deputy Director and State CIO, ADOA, responded to member questions.

Mr. D. Clark Partridge, State Comptroller, General Accounting Office, ADOA, responded to member questions.

Senator Shooter moved that the Committee give a favorable review of all of the requested transfers as shown in Table 1. The motion carried.

ATTORNEY GENERAL - Review of Plan to Transition Capital Postconviction Prosecution Responsibility to Maricopa County.

Mr. Matt Gress, JLBC Staff, stated that this item is for review of a report detailing its plan for transitioning Maricopa County capital postconviction prosecution responsibilities to the county over the next 4 years. The JLBC Staff presented options to the Committee.

Mr. Jeff Zick, Section Chief Counsel, Attorney General's Office, responded to member questions.

Ms. Rebecca Baker, Deputy County Attorney, Maricopa County Attorney Office, responded to member questions.

Senator Shooter moved that the Committee table this item to be reviewed further during budget negotiations. The motion carried.

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

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

Mr. Ben Henderson, JLBC Staff, stated that this item requires the Committee's approval of adjustment to the cost-per-square-foot factors used in the School Facilities Board (SFB) new school construction financing. The JLBC Staff presented 2 options to the Committee, in addition to a 3rd option presented by SFB.

Mr. Dean T. Gray, Executive Director, School Facilities Board, responded to member questions.

Senator Shooter moved that the Committee approve a 0% adjustment in the cost-per-square-foot factors. The adjustment is based on longitudinal inflation data, by measuring the change in the Rider Levett Bucknall construction cost index for the Phoenix area since the last JLBC cost-per-square-foot adjustment was made in November 2008. The motion carried.

SECRETARY OF STATE - Review of FY 2009 Records Services Fund Spending Plan.

Ms. Krista MacGahan, JLBC Staff, stated that this item is for review of expenditures from the Records Services Fund as authorized by a non-lapsing appropriation made in FY 2009. The JLBC Staff presented options to the Committee.

(Continued)

Mr. Jim Drake, Assistant Secretary of State, Office of the Secretary of State, responded to member questions.

Mr. Ted Hale, Deputy Director, Library, Archives and Public Records, Office of the Secretary of State responded to member questions.

Senator Shooter moved that the Committee give a favorable review of the total expenditure plan of \$228,700: 1) \$109,300 for 12 repair projects to bring the Records Services Center to current building codes and protect records stored in the building, 2) \$28,000 for costs associated with the transportation of a statue of John C. Greenway from the U.S. Capitol's Statutory Hall to Arizona, and 3) \$91,400 for building renovations with the following provision: The Secretary of State shall use the \$91,400 contingency amount for building renovation and code compliance projects. The Secretary of State shall notify the JLBC Chairman and the JLBC Staff of the specific projects funded with the \$91,400 amount prior to expenditure to determine whether the projects are within the intended scope of the Committee's review. If the Chairman believes the project is outside the intended scope, the Secretary of State will be notified to seek Committee review. The motion carried.

EXECUTIVE SESSION

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

At 2:26 p.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 3:05 p.m. the Committee reconvened into open session.

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

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

- *Henderson/Palmer v. State of Arizona*
- *Claim of Richard Arriola*
- *Diane Parker v. Arizona Department of Agriculture*

The motion carried.

B. JLBC - Annual Performance Review per Rule 7.

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

Without objection, the meeting adjourned at 3:11 p.m.

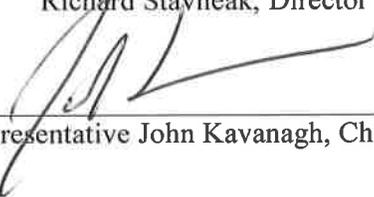
Respectfully submitted:



Kristy Paddack, Secretary



Richard Stavneak, Director



Representative John Kavanagh, Chairman

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



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

DON SHOOTER
CHAIRMAN 2014
OLIVIA CAJERO BEDFORD
GAIL GRIFFIN
JOHN McCOMISH
AL MELVIN
LYNNE PAN CRAZI
ANNA TOVAR
STEVEN B. YARBROUGH

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2013
LELA ALSTON
DAVID GOWAN, SR.
ADAM KWASMAN
DEBBIE LESKO
STEFANIE MACH
JUSTIN OLSON
MICHELLE UGENTI

DATE: March 18, 2014

TO: Senator Don Shooter, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RS*

FROM: Ben Henderson, Fiscal Analyst *BH*

SUBJECT: Arizona Department of Administration - Review of Emergency Telecommunication Services Revolving Fund Expenditure Plan

Request

Laws 1998, 4th Special Session, Chapter 6 requires the Arizona Department of Administration (ADOA) to submit the wireless services portion of its Emergency Telecommunications Services Revolving Fund (ETSF) expenditure plan to the Committee for review. ADOA oversees and provides support to the communities of the state as they enhance their 911 emergency telecommunications systems. In practice, the department submits its complete expenditure plan annually, although expenditures on wire services are not subject to Committee review.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review of the \$5.7 million wireless portion of the ETSF expenditure plan.
2. An unfavorable review of the \$5.7 million wireless services expenditure plan.

In FY 2014, ADOA expects to distribute \$19.1 million from the ETSF. Of the \$19.1 million, \$12.5 million is for wire services, \$5.7 million is for wireless services, and \$0.9 million is for administrative costs. Over the past 5 years, expenditures averaged \$19.8 million.

Analysis

ADOA works with county/city 911 administrators to distribute monies from ETSF for Federal Communications Commission (FCC) compliant telecommunications equipment, software, carrier services, and maintenance. The counties and cities are responsible for implementing the improvements to their 911 system. ADOA is responsible for providing centralized oversight in developing project schedules to consider the greatest needs, especially in rural areas, and for maximizing regional efficiencies and local readiness.

(Continued)

While ADOA prefers that each county complete implementation phases as a whole, the department does make allowances for cities or areas that are behind or ahead of the county schedule. Localities must provide and fully fund their own personnel, utilities, and facilities. ADOA also requires communities to submit Wireless 911 Service Plans to the agency for its approval.

Emergency 911 Wireless Service Status

In 1996, the FCC issued Report and Order 96-204, which ordered the development and implementation of 911 services for wireless telecommunications systems in 2 phases. Before a service area achieves *Phase I*, 911 calls consist of the call being directed to a public safety answering point (PSAP), but the call is delivered without location or call back information (shown below as *Phase 0/.5*). *Phase I* requires local public safety answering facilities to be able to identify the phone number of the caller, in addition to the nearest cellular tower to the caller and to relay calls to the nearest emergency response center. *Phase II* requires local public safety answering facilities to be able to identify the specific location of the caller. Geographic Information System (GIS) Standards must be met before a 911 system deploys wireless Phase II. Mobile service carriers were required to upgrade their systems for Phase II capability by December 2005. The status of Arizona's wireless 911 availability as of August 30, 2013, is listed below:

	<u>Phase 0/.5</u>	
Hopi Reservation	Gila County	Apache County
Navajo Reservation	Grand Canyon	City of Williams
San Carlos Reservation	La Paz County	
Flagstaff/Coconino County	Navajo County	

Phase I
City of Winslow

	<u>Phase II</u>	
Cochise County	City of Page	Yavapai Region
Colorado City	Pinal County	Yuma County
Gila River Tribal Community	City of Prescott	Greenlee County
Graham County	Pima County	City of Clifton
Maricopa County	Santa Cruz County	
Mohave County	City of Wilcox	

The \$5.7 million wireless portion of the ETSF expenditure plan would assist these local governments in achieving *Phase II* capabilities. Wireless *Phase II* services are now available on the major thoroughfares from Nogales through Yavapai County. Although Gila County was scheduled for completion in FY 2013, this project is still in progress. Areas that have not yet completed *Phase I* are being encouraged to move directly to *Phase II*. Approximately 90% of the state's population lives in *Phase II* areas, where the location of a 911 caller can be identified.

Funding Mechanism

A.R.S. § 42-5252 authorizes a \$0.20 per month tax on each wire and wireless telecommunication service account. In addition to the tax on wire and wireless phone accounts, Laws 2012, Chapter 198 established the prepaid wireless telecommunications 911 excise tax. The tax is equal to 0.8% of the gross income derived from the retail sale of prepaid wireless telecommunications services. The tax became effective as of January 1, 2014. Although Arizona statute now requires a tax on prepaid wireless accounts, there is still no requirement that recent technology, such as internet-based phones and OnStar, pay 911 taxes.

The revenue generated from these taxes is deposited into the Emergency Telecommunications Services Revolving Fund. ADOA estimates that revenues will increase from \$16.4 million in FY 2013 to \$19.3 million by FY 2015 and remain near that level until FY 2018.

FY 2014 ETSF Expenditure Plan

Localities submit copies of their invoices for emergency telecommunications services and equipment to ADOA, who subsequently distributes funds to these areas based on need. In FY 2014, ADOA expects to distribute \$19.1 million from ETSF. Of the \$19.1 million, \$5.7 million is for *Phase I* and *Phase II* wireless services. In addition, \$12.5 million is for proposed wire services expenditures, while the remaining \$900,000 is for administration costs.

Table 1 summarizes the actual ETSF distribution during the past 2 fiscal years and projected distribution during the current fiscal year.

Table 1			
ADOA Emergency Telecommunications Services Revolving Fund			
FY 2012 – 2014 Expenditure Plan			
	<u>Actual</u> <u>FY 2012</u>	<u>Actual</u> <u>FY 2013</u>	<u>Projected</u> <u>FY 2014</u>
<u>Revenues</u>			
Balance Forward	\$3,980,400	\$2,129,600	\$3,436,800
Tax Revenue	16,481,700	16,425,800	17,261,500
Interest Income	30,200	30,500	30,200
Funds Available	\$20,492,300	\$18,585,900	\$20,728,500
<u>Expenditures</u>			
Wireless Services			
Phase I Wireless	30,100	32,700	34,200
Phase II Wireless	4,129,600	4,203,900	5,634,500
Wireless Services Subtotal	\$ 4,159,700	\$ 4,236,600	\$ 5,668,700
Wire Services	\$11,193,400	\$10,132,500	\$12,555,900
Wireless Services	\$4,159,700	\$4,236,600	\$5,668,700
Administration	\$795,900	\$780,000	\$919,100
ETSF Expenditure Plan Total	\$16,149,000	\$15,149,100	\$19,143,700
Transfers	\$2,213,700	\$0	\$124,300
Fund Balance	\$2,129,600	\$3,436,800	\$1,460,500

Table 2 includes further detail on planned wireless services expenditure in FY 2014.

Table 2	
FY 2014 Wireless Services Expenditure Plan	
	<u>Total</u>
Cochise County	\$ 317,000
Coconino County/ Page	128,500
Colorado City	2,600
Gila County	53,000
Gila River Tribal	9,500
Graham County	39,200
Greenlee County	23,800
La Paz County	91,800
Maricopa County	2,573,800
Mohave County	191,200
Navajo/Apache Counties	0
Pima County	1,222,100
Pinal County	373,500
Santa Cruz County	88,600
Winslow	129,100
Yavapai County	281,600
Yuma County	<u>142,300</u>
TOTAL	\$5,667,600

RS/BH:ts

Janice K. Brewer
Governor



Brian C. McNeil
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 400
PHOENIX, ARIZONA 85007

(602) 542-1500



December 19, 2013

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

Dear Representative Kavanagh:

As stipulated in Laws 1998, 4th Special Session, Chapter 6, Section 5 – Emergency telecommunications fund: report of expenditure plans, the Department of Administration shall report its expenditure plans to the Joint Legislative Budget Committee for review. In fulfillment of this requirement, I am enclosing:

- The Wireless Program Report for fiscal year 2013
- The status of Arizona 9-1-1 and the estimated costs and deployment schedule to implement Wireless Phase II
- Arizona Deployment Map
- The 9-1-1 financial forecast for fiscal years 2014 through 2018 incorporating the fund balance transfers to the General Fund during FY2003, FY2004, FY2009, FY2010, FY2011, FY2012, FY2013 and FY2014

Please note that the financial forecast represented on page 8 of the attached report, in the table titled "FY09-FY18 Actual and Proposed Expenditures", shows a shortfall in revenue relative to needs for fiscal years 2015 through 2019 (See Funds Forward line item). These shortfalls occur despite an anticipated \$2 million in additional revenues generated through HB 2094, Prepaid Wireless Telecommunications E911 Excise Tax, which will be implemented after December 31, 2013. With additional Wireless Phase II deployments and a transition to an IP Enabled Network, costs will continue to increase. To ensure expenditures do not exceed projected revenues there will be delays in Wireless program implementation, equipment upgrades, and network transition, as well as some 9-1-1-related cost shifting throughout the State.

Should you have any questions, please contact me at 602-542-1500 or Barbara Jaeger, the State 9-1-1 Administrator, at 602-542-0911.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian C. McNeil".

Brian C. McNeil
Director

cc: The Honorable Don Shooter, Vice Chair, JLBC
Richard Stavneak, Director, JLBC
Ben Henderson, Fiscal Analyst, JLBC
John Arnold, Director, OSPB
Ken Matthews, Budget Analyst, OSPB
Paul Shannon, Assistant Director, ADOA
Aaron V. Sandeen, Deputy Director/State CIO, ADOA
Phil Manfredi, Chief Strategy Officer, ADOA
Michael C. Sherman, Executive Manager, ADOA

**Arizona Department of Administration
State 9-1-1 Office
Wireless Program Report
Fiscal Year 2013**

The State 9-1-1 program was established through legislation in 1985 to provide a funding mechanism for the deployment and on-going costs of providing 9-1-1 services in Arizona.

Pursuant to A.R.S. Title 43, Article 6, Telecommunications Services Excise Tax, a tax is levied for each activated wireline, including Voice over Internet Protocol (VoIP) access, and wireless service account for the purpose of financing emergency telecommunications services. Beginning July 1, 2006, the tax was reduced from thirty-seven cents per month to twenty-eight cents per month and then further reduced to twenty cents per month beginning July 1, 2007.

During the Fiftieth Legislature, second regular session, HB 2094, Prepaid Wireless Telecommunications E911 Excise Tax, was passed and signed into law on April 5, 2012. The tax is scheduled to be implemented after December 31, 2013, and is estimated to collect an additional \$2 million per year.

The funds collected are administered by the Arizona Department of Administration under A.R.S. § 41-704. In addition, rules have been established that govern the allowable expenditures and funding eligibility requirements by communities and political subdivisions in the State.

Components eligible for funding include necessary and/or appropriate network, equipment and maintenance to handle the processing of 9-1-1 emergency calls. Of the revenue generated, the program statutorily distributes 95% of the fund for 9-1-1 call service delivery of wireline, wireless and VoIP services. An amount not to exceed 3% of the annual revenue is used by the Arizona Department of Administration for program oversight expenditures. An additional amount of 2% is distributed to the 9-1-1 System Coordinators for the Local Network Management of Contracts.

Accounting methodology is in place to track all expenditures by community and/or 9-1-1 system. In July 2007, the Department of Revenue transitioned their processes to collecting the tax as one entity, with the identity code of 911, no longer breaking out the wireline and wireless revenue.

All Public Safety Answering Point (PSAP) equipment used to answer and handle 9-1-1 calls are budgeted under wireline expenditures; however, it should be understood that the equipment is used to answer all wireline, wireless and VoIP 9-1-1 calls. Mapping equipment for Wireless Phase II is broken out and budgeted under Wireless Phase II equipment.

The Arizona 9-1-1 Wireless Phase II Implementation Plan has been updated to expand the program moving specified sites toward deployment of Wireless Phase II. Costs associated with legislative cost recovery are included. The Statewide System Project plan, covering each 9-1-1 System for FY14, has been updated and is also included. Due to limited funding availability, deployment of Wireless Phase II is limited to only those carriers that do not seek wireless carrier costs.

Federal Communications Commission 9-1-1 Wireless Phase I rules indicate that when a call is placed for emergency services, the address information for the cellular tower is provided along with the call to the Public Safety Answering Point (PSAP/9-1-1 Center). The delivery of 9-1-1 Wireless Phase II calls are delivered with the longitude and latitude of the caller to the PSAP, providing more defined location information.

The wireless program criteria established for rollouts stipulates that Enhanced 9-1-1 (voice, telephone number and address) has been completed for either an entire county or significant portions of a county. Each county or system must complete a Wireless 9-1-1 Service Plan, utilizing the format specified in the State guidelines, and appoint a single point of contact for each county or area. The Geographic Information System (GIS) data must be completed and meet the same 95% accuracy rate as established for Enhanced Wireline 9-1-1. Equipment mapping components will be installed prior to request for service letters being sent to the wireless carriers for Wireless Phase II service.

Wireless Deployment

Significant progress continues to be made in the deployment of Wireless Phase II. The two most populous areas in the state, the Maricopa Region and Pima County, completed their Phase II deployments, constituting approximately 80% of the state's population. Wireless Phase II has also been completed in Cochise County, Graham County, Mohave County, Pinal County, Santa Cruz County, Yavapai County, the Gila River Tribal Community and the City of Page. Completion of Wireless Phase II deployments has also occurred in Greenlee County and Yuma County, but falls under the modified designation since carriers that seek cost recovery for Wireless Phase II were not included.

During FY13, additional funds were expended from the \$1 million Public Safety Answering Point (PSAP) Readiness Fund grant to complete the Geographic Information Systems (GIS) work necessary for Greenlee County. To date, those funds have furthered the deployment of Wireless Phase II for seven counties and one municipality. Additional funds were received from the Arizona Department of Land under the State Broadband Initiative (SBI) grant for the GIS work in Apache County, Greenlee County, Navajo County and La Paz County. Page 10 displays the areas that are GIS Standards Compliant.

With the completion of these projects, Wireless Phase II service is available on the major thoroughfares from Nogales through Yavapai County. Page 11 depicts the status of Wireless Phase II deployments through fiscal year 2013.

Request for Wireless Phase II service letters have been distributed to the wireless carriers not seeking cost recovery for Gila County and the projects should be completed prior to the end of fiscal year 2014. It is anticipated that following the completion of those projects, Coconino County will be ready to move to Wireless Phase II in FY14. Any special grant funds remaining from the completion of Greenlee County will be used to provide mapping equipment in the remaining counties of Apache, La Paz and Navajo.

Wireless Phase II deployment for Mohave County was completed in FY11. Due to a difference in delivery platforms, Wireless Phase II calls with location data cannot be transferred from Mohave County to the Department of Public Safety (DPS) Communications Center in Flagstaff without additional network costs of \$12,000 per year. Today those calls are transferred to DPS with voice communications only. During FY13, deployment of Wireless Phase II in Greenlee County was completed without those carriers that seek cost recovery.

Wireless Expenditures

The FY13 expenditures for Wireless Phase I & II are outlined in the table above. As indicated, the expenditures for Navajo/Apache County does not include the Navajo Nation, which has not completed a 9-1-1 Service Plan for funding eligibility.

For current Wireless Phase I and/or Wireless Phase II systems, those adding new systems, and those that are near to or have completed their GIS requirement, the FY14 wireless budget includes expenditures for network components, wireless carrier costs, selective router costs and necessary, additional equipment for receiving Phase II map data.

System	FY13 Expenditures	Phase
Cochise County	\$ 208,645	II
Colorado City	\$ 1,510	II
Flagstaff	\$ 1,510	GIS
Gila County	\$ 2,925	transition
Gila River Tribal	\$ 7,510	II
Graham County	\$ 32,921	II
Grand Canyon	\$ -	GIS
Greenlee County	\$ 1,941	II
Maricopa Region	\$ 1,742,620	II
Mohave County	\$ 35,153	II
*Navajo/Apache County	\$ 201,081	GIS
Pima County	\$ 1,065,299	II
Pinal County	\$ 324,978	II
Santa Cruz County	\$ 77,985	II
Yavapai County	\$ 256,076	II
Yuma County	\$ 94,272	II
City of Page	\$ 44,498	II
City of Winslow	\$ 31,513	II
	\$ 4,130,438	
*Does not include the Navajo Nation		

Additional expenditures budgeted for fiscal year 2014 includes ongoing costs associated with the frame relay network for the Enterprise Mapping System. With significant county boundary issues recognized, this system allows updated GIS data to be distributed to the 9-1-1 centers within their county or shared with other counties. These costs are already being incurred in Cochise County, Maricopa Region, Mohave County, Pima County, Pinal County and Yavapai County. When new map data is available, that data can be distributed via the frame relay network and updated information can be published more efficiently.

Even with expected prepaid wireless revenue of \$2 million dollars annually, there will still be insufficient revenue available for the deployment and support of enterprise mapping systems for 9-1-1. Therefore, with the Wireless Phase II implementation in Yuma County, this mapping service is not available for Yuma County and subsequent deployments.

Due to limited funds with the deployment of Wireless Phase II in Yuma County and subsequent deployments for the remainder of the State, a single trunk group (a specific number of lines connected to the PSAP through a single conduit), will be installed rather than separate wireline and wireless trunk groups. Additionally, requests for Wireless Phase II will only be sent to those wireless carriers that do not seek to recover carrier costs. 9-1-1 calls will still be delivered to the PSAP but only with voice capabilities.

System	FY14 Budget	Phase
Cochise County	\$ 317,040	II
Coconino County/Page	\$ 128,460	GIS/II
Colorado City	\$ 2,640	II
Gila County	\$ 53,040	II
Gila River Tribal	\$ 9,480	II
Graham County	\$ 39,180	II
Greenlee County	\$ 23,760	II
La Paz	\$ 91,800	GIS
Maricopa Region	\$ 2,573,820	II
Mohave County	\$ 191,220	II
* Navajo Co/Apache Co	\$ -	GIS
Pima County	\$ 1,222,080	II
Pinal County	\$ 373,500	II
Santa Cruz County	\$ 88,560	II
Winslow	\$ 129,066	I
Yavapai County	\$ 281,580	II
Yuma County	\$ 142,320	II
	\$ 5,667,546	
*Does not include the Navajo Nation		

Prior to fiscal year 2012, separate network trunk groups were installed in order to ensure that 9-1-1 calls from wireless devices would not adversely affect the delivery of wireline calls. The cost for wireline trunks falls under a separate network tariff and therefore has minimal additional costs. The network trunks used specifically for wireless calls are significantly higher. Therefore, any future deployments or changes to the existing network design will only have one network trunk group that will carry both wireline and wireless calls to the Public Safety Answering Point (PSAP). When the initial Wireless Phase II projects were implemented, there was concern that the wireless 9-1-1 calls would overwhelm the system. That is no longer the case with customers moving away from wireline technology.

In addition, as defined in State statute, the wireless carriers are entitled to seek full cost recovery for all components associated with the delivery of Wireless Phase II service. Based on the projected revenue stream, it is evident that the program can no longer support full cost recovery. However, at present, several of the wireless carriers voluntarily do not seek cost recovery and one large carrier recently made the business decision to no longer seek cost recovery. Instead, they opted to seek self-recovery from their customers.

Each 9-1-1 system will be given the option to go to a full deployment but will be financially responsible for the added costs.

With an emphasis toward Homeland Security, the 9-1-1 program continues to fund the Telecommunications Service Priority (TSP) provisioning which was added in FY07. This federal program is designed to ensure elevated network restoration to anyone who registers and pays for the service. In the event of a national disaster requiring federal intervention for network continuity, the service will ensure that Arizona's 9-1-1 systems will be restored in a timely manner.

All network components including 9-1-1 circuits, Automatic Location Identification circuits, emergency backup circuits and circuits that run to all selective routers, have been included in the service package.

The State 9-1-1 Office strives to reduce costs for network and equipment components. During FY07, negotiations with Qwest changed the billing structure for the wireless selective router charges, which has proven to reduce costs for call delivery.

The Estimated Costs and Deployment Schedule to Implement Wireless Phase II

ADOA works in concert with the political subdivisions to ensure compliance with the established requirements prior to deployment of Wireless Phase I and Phase II. PSAPs that have not completed Phase I are being encouraged to move directly to Phase II. The 9-1-1 Program Office has established a 12 month time standard for completion of a Phase I or Phase II project. Direct deployment to Wireless Phase II has cut down on the time necessary for deployment and reduced some of the costs.

The Wireless Phase II Systems Deployment Timeline and estimated implementation costs are listed below in the chart titled Wireless Phase II Implementation Costs. Projections are based on figures obtained from the Local Exchange Carrier (LEC), equipment vendors and Wireless Carriers. The information in the chart on Page 4 outlines the FY14 costs for Wireless Phase I and Phase II. These figures were obtained through the cooperative effort of the Local Exchange Carriers and the Wireless Carriers. The State 9-1-1 Office continues to negotiate with vendors to reduce the costs.

Again, it should be noted that for FY12 and on, three policy changes are in effect due to funding limitations: 1) Wireless Phase II implementations are only being requested of those carriers that do not seek cost recovery; 2) all 9-1-1 wireless calls will be delivered only on one trunk group and; 3) the deployment of enterprise mapping solutions has been suspended.

It should be noted that three Tribal Nations have not been included in the projections. The Navajo Nation, Hopi Tribe and San Carlos Tribe have not submitted 9-1-1 Service Plans for funding consideration.

The Navajo Nation continues to work on completing their 9-1-1 Service Plan in an effort to be eligible for funding. Notification was received late last year that due to budget issues the 911 Navajo Office has closed and duties have been transferred to the Division of Community Development.

The ADOA 9-1-1 Office has an outreach program in place designed to work with the other tribes to help them to address deployment issues.

Wireless Phase II Implementation Costs

9-1-1 System	FY	LEC and Wireless Carrier Costs	Equipment & Misc. Products and Services	Totals (Tax Included)
Apache/Navajo	FY15	\$ 26,312	\$ 1,220,949	\$ 1,247,261
Coconino	FY14	\$ 231,000	\$ 900,000	\$ 1,131,000
Gila	FY14	\$ 58,300	\$ 264,600	\$ 322,900
La Paz	FY15	\$ 80,000	\$ 177,908	\$ 257,908
Winslow	FY15	\$ 85,500	\$ 107,300	\$ 192,800
Total		\$ 481,112	\$ 2,670,757	\$ 3,151,869

Revenue – FY14 Projections

The projected annual revenue for FY14 does not meet the annual anticipated expenditures for continued service of the 9-1-1 program in Arizona. Budget submittals for PSAP equipment upgrades have been denied due to limited funding and equipment is upgraded only if funds are available. The priority today is sustaining the 9-1-1 network components and the ongoing maintenance on the PSAP equipment. The projected revenue for FY14 of \$17,291,717 includes interest income from the prior year's available funds.

The budget for FY14 does take into consideration a transfer of \$124,300 for the State's Automation Fund. Under the current funding model, equipment upgrades are denied and Next Generation (NG) 9-1-1 projects cannot be initiated.

	FY12 Actual	FY13 Actual	FY14 Projected
	@\$.20	@\$.20	@\$.20
Excise Tax	\$ 16,481,681	\$ 16,425,768	\$ 17,261,510
Interest	\$ 30,207	\$ 30,512	\$ 30,207
	16,511,888	16,456,280	17,291,717
Percent Change		-0.34%	5.07%

The 9-1-1 Excise Tax revenue for FY13 was \$16.4 million, a .33% reduction in revenue over FY12. The actual revenue was down in FY13 by .336%, which includes wireline, wireless and VoIP providers.

The year-end report for FY13 indicated wireline, wireless and VoIP customers generated \$16,456,280 in revenue from the 9-1-1 Excise Tax. Revenue estimates for FY14 show an increase of \$805,230, for a total of \$17,261,510, which is expected to be generated through the collection of the pre-paid wireless tax beginning after December 31, 2013. The Cellular Telephone Industry Association (CTIA) estimates that approximately 23% of the wireless phones in service can be attributed to prepaid services.

In preparing the 9-1-1 Project Plan through FY14, the introduction of the pre-paid wireless customer base, reduced fees and limited service capabilities have been taken into consideration and indicate that the program will be unable to fully meet the needs of the 9-1-1 communities beginning in FY15.

The program can only support the legacy network and maintenance components for the 9-1-1 Systems throughout the State. The aging of 9-1-1 PSAP equipment has become a reality and the costs have to be undertaken by the PSAPs in the future.

The current administrative distribution is a total of 5%, which includes 3% for state administrative costs and 2% for local management of contracts. The 2% for local management of contracts is distributed to the 9-1-1 System Coordinators, with rules in place to define authorized expenditures.

The State 9-1-1 Office has four full-time staff members. These individuals not only have fiscal oversight, but work closely with the communities to deploy and support 9-1-1.

The Future of Wireline and Wireless 9-1-1

Next Generation 9-1-1 (NG911) is the natural progression in the move toward more robust and versatile wireline and wireless networks in coming years. The IP enabled NG911 networks are being deployed today in several areas in the country. Industry standards have been developed; however, several alternative solutions are also being deployed. NG911 is a voice and data network that provides ubiquitous wireline and wireless 9-1-1 service and will ensure that calls can be routed anywhere without current boundary restrictions. New networks with increased bandwidth will provide the ability to carry more location data as well as receive telematics calls and utilize text messaging and video streaming in future years. The current analog network, which has been in place for forty years, is unable to handle advanced technology solutions.

During FY09, a collaborative effort between the State, Qwest, Intrado and Positron 911 systems was initiated to design and implement a NG911 trial in Arizona. It was determined that Gila County would be an ideal test site. Gila County has some unique geographic and telecommunications boundaries which create call

delivery challenges. The installation of this NG911 network included the installation of soft switches that allow for reliable and time sensitive transfer of calls. The four PSAPs in Gila County were changed to a Positron Viper system designed specifically for transition to NG911 technology. During the trial, testing included digital network features for text messaging, video streaming, IP ALI (Automatic Location Identification), interconnection with the legacy networks, feature functionality, meshing and redundancy. This project was successfully completed during FY10 at a cost of \$2.7 million. It should be noted that throughout this transition, all legacy network components will require continued support. In addition, although testing components included text messaging and video streaming, those elements would not have been in production following the trial. Due to insufficient funding, the project was suspended immediately following a successful trial.

The burden of equipment upgrades are already being shifted to the local political subdivisions and any future fund transfers to the General Fund will affect the program's ability to support the maintenance on the 9-1-1 PSAP equipment.

The 9-1-1 system was designed to ensure that in an emergency, citizens have one reliable number to call for public safety assistance. The State's 9-1-1 program strives to ensure that this goal is met in the most efficient and cost-effective manner possible.

Wireless Program Report
Fiscal Year 2013
Summary

The 9-1-1 Program has been in place since 1985 and, up until recent years, sufficient funding has allowed for progress in moving from Basic 9-1-1 (voice only), and Enhanced 9-1-1 (voice, telephone number and address information) to 9-1-1 Wireless Phase I and II (utilizing location technology).

Documents included in this report outline the 9-1-1 Wireless Phase II expenditures for FY13, as well as the Wireless Phase II budget for FY14.

The table on page 5 identifies the implementation costs for deployments of 9-1-1 Wireless Phase II in upcoming years.

The FY09 – FY18 Actual and Proposed Expenditures spreadsheet, on page 8, provides a financial history of the program from FY09 and anticipated expenditures through FY18.

FY09 - FY18 Actual and Proposed Expenditures

Includes Capital Cost Recovery for Wireless Phase I and Phase II

Assumes No Change in Tax Rates.

As of August 23, 2012

Includes Wireless & Excise Taxes at of Flat Rate of \$.20 for FY 2009-2018

ANNUAL INCREASE ASSUMPTIONS: 5% Operations Cost from FY13 budget: 911 Excise Tax based on tax rate. Funds not available for equipment upgrades. Any funds available will be used to upgrade equipment that is manufacturer discontinued.

	Actual FY09	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Budgeted FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17	Budgeted FY18
Administration	\$ 371,046	\$ 407,407	\$ 400,244	\$ 465,156	\$ 449,027	\$ 569,453	\$ 578,311	\$ 579,208	\$ 579,208	\$ 579,208
PSAP Network Management	\$ 185,466	\$ 304,268	\$ 347,166	\$ 330,723	\$ 330,935	\$ 349,635	\$ 385,541	\$ 386,139	\$ 386,139	\$ 386,139
Sub-Total	\$ 556,512	\$ 711,675	\$ 747,410	\$ 795,879	\$ 779,962	\$ 919,088	\$ 963,852	\$ 965,347	\$ 965,347	\$ 965,347
Wireline - (Existing Network Technology) (PCA33200)*	\$ 16,329,038	\$ 222,589,210	\$ 9,035,733	\$ 11,193,469	\$ 10,132,525	\$ 12,555,890	\$ 23,315,708	\$ 13,183,685	\$ 13,842,869	\$ 14,535,012
Wireline - (Proposed transition to IP enabled network)**	\$ -	\$ 1,631,982	\$ 115,217	\$ 30,072	\$ 32,693	\$ 34,200	\$ 35,226	\$ 36,987	\$ 38,837	\$ 40,778
Phase I Wireless - (Includes Cost Recovery) (PCA 33310)	\$ 180,443	\$ 134,272	\$ 47,048	\$ 4,129,626	\$ 4,203,918	\$ 5,634,546	\$ 5,979,554	\$ 6,278,532	\$ 6,592,458	\$ 6,922,081
Phase II Wireless - (Includes Cost Recovery) (PCA 33320)	\$ 4,709,330	\$ 6,235,342	\$ 4,546,205	\$ 4,129,626	\$ 4,203,918	\$ 5,634,546	\$ 5,979,554	\$ 6,278,532	\$ 6,592,458	\$ 6,922,081
Mapping & Address Support	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL PROGRAM COSTS	\$ 21,775,323	\$ 31,302,481	\$ 14,491,613	\$ 16,449,046	\$ 15,149,098	\$ 19,143,724	\$ 30,294,340	\$ 20,664,550	\$ 21,639,511	\$ 22,663,219
FUNDS FROM PRIOR	\$ 55,886,505	\$ 27,553,184	\$ 4,303,498	\$ 3,980,442	\$ 2,129,584	\$ 3,436,766	\$ 1,460,459	\$ -	\$ -	\$ -
WIRELESS TAX	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXCISE TAX	\$ 17,774,128	\$ 16,453,500	\$ 16,606,135	\$ 16,481,681	\$ 16,425,768	\$ 17,261,510	\$ 19,277,035	\$ 19,277,035	\$ 19,277,035	\$ 19,277,035
INTEREST INCOME	\$ 772,473	\$ 286,395	\$ 26,522	\$ 30,207	\$ 30,512	\$ 30,207	\$ 29,995	\$ 29,905	\$ 29,905	\$ 29,905
Total Collections	\$ 18,546,602	\$ 16,739,896	\$ 16,632,657	\$ 16,511,888	\$ 16,456,280	\$ 17,291,717	\$ 19,306,940	\$ 19,306,940	\$ 19,306,940	\$ 19,306,940
TOTAL FUNDS	\$ 74,433,107	\$ 44,293,079	\$ 20,936,155	\$ 20,492,330	\$ 18,585,864	\$ 20,728,483	\$ 20,767,399	\$ 19,306,940	\$ 19,306,940	\$ 19,306,940
PRIOR PERIOD ADJ OR PROJECT CARRY-FORWARD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TRANSFER TO GENERAL FUND	\$ 25,104,600	\$ 8,687,100	\$ 2,464,100	\$ 2,213,700	\$ 15,149,098	\$ 124,300	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	\$ 21,775,323	\$ 31,302,481	\$ 14,491,613	\$ 16,449,046	\$ 15,149,098	\$ 19,143,724	\$ 30,294,340	\$ 20,664,550	\$ 21,639,511	\$ 22,663,219
FUNDS FORWARD	\$ 27,553,184	\$ 4,303,498	\$ 3,980,442	\$ 2,129,584	\$ 3,436,766	\$ 1,460,459	\$ (9,526,941)	\$ (1,357,611)	\$ (2,332,571)	\$ (3,356,279)
Wireless Tax Rate	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20

* Includes Unmet Needs

** Transition to robust IP enabled network in FY15 is pending approved standards development.

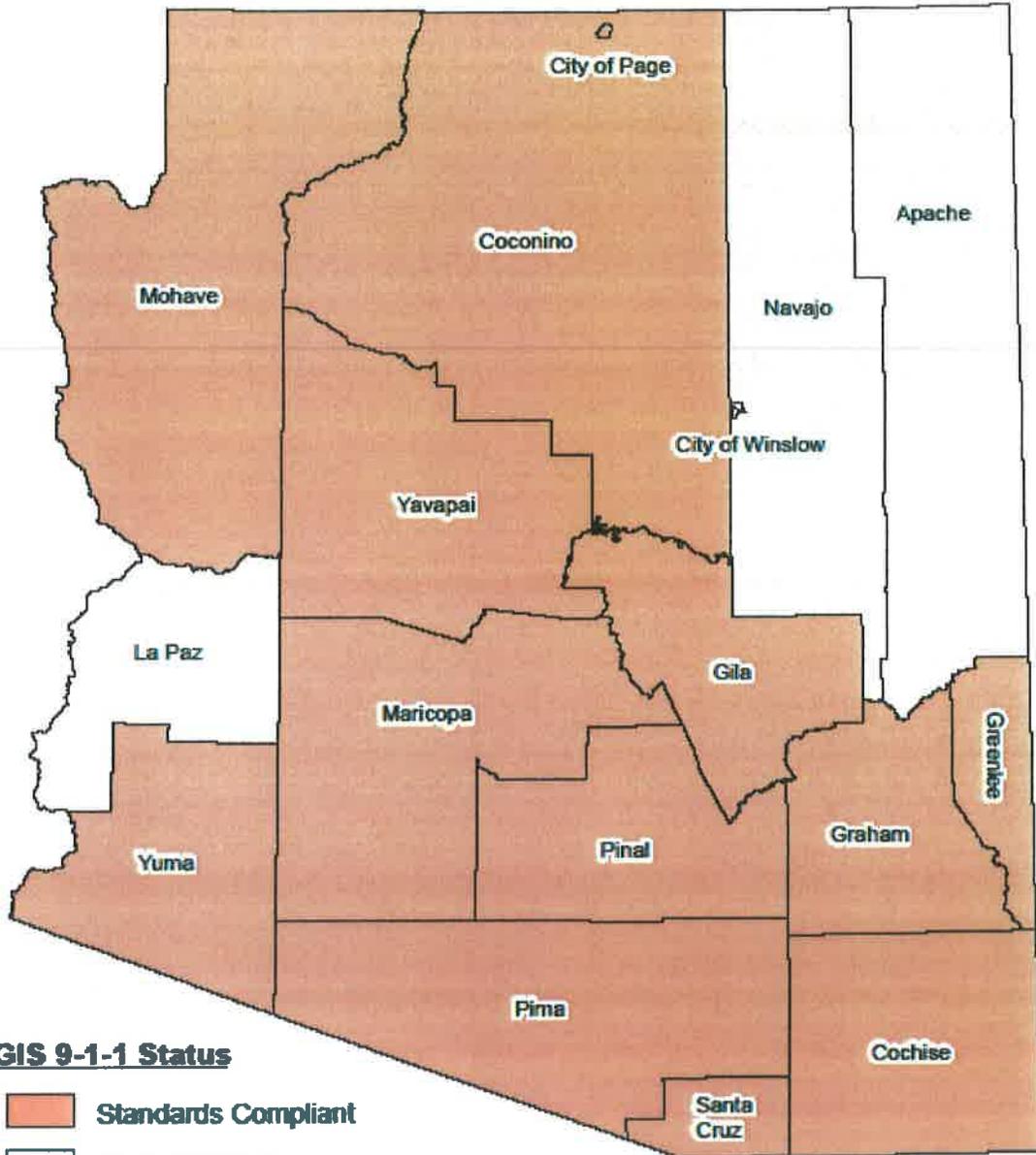
FY14 Wireless Program Plan

9-1-1 System	Basic	E/ANI	E9-1-1	Phase I	Phase II	Program Plan FY14
Clifton					X	Phase II No Cost Recovery Carriers
Cochise County					X	
Colorado City					X	
Flagstaff/Coconino County			X	FY14	FY14	GIS Development/Transition to PII
Gila County			X	FY14	FY14	Phase II Deployment
Gila River Tribal Property					X	
Graham County					X	
Grand Canyon			X	FY14	FY14	
Greenlee County					X	Phase II No Cost Recovery Carriers
Hopi Reservation						Suspended No Service Plan
La Paz County			X	FY15	FY15	GIS Development
Maricopa County					X	
Mohave County					X	
Navajo Reservation						Suspended No Service Plan
Northeastern Ariz Users Asso. (Navajo/Apache Co)			X	FY14	FY14	GIS Development
Page					x	
Pinal County					X	
Prescott					X	
Pima County					X	
San Carlos Reservation						Suspended no Service Plan
Santa Cruz Co					X	
Supai Reservation		X	FY12	FY12	FY12	
Wilcox					X	
Williams			X	FY14	FY14	
Winslow				X	FY14	
Yavapai Region					X	
Yuma County					X	Phase II No Cost Recovery Carriers

	None						
	Basic					E9-1-1	
	E w/ANI					WPI	
						WPI	
						WPI No Cost Recovery Carriers	

updated: 8/30/2013

Arizona 9-1-1 GIS Standards Compliant By County



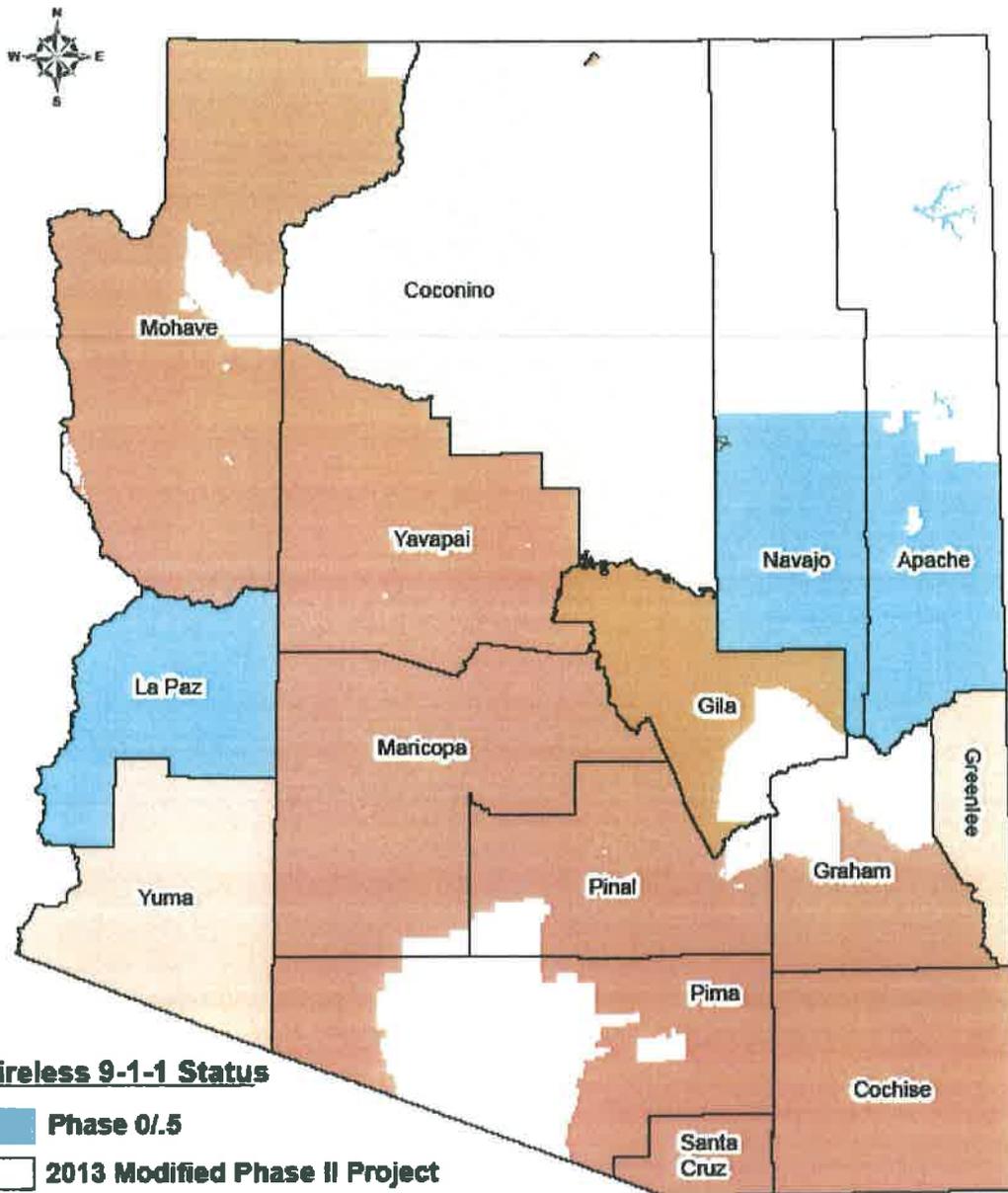
GIS 9-1-1 Status

-  Standards Compliant
-  2012 GIS Project

4

Map as of December 2011
Created by Sandra Gilstad (sandra.gilstad@azdoa.gov)

Arizona Wireless 9-1-1 Status



Wireless 9-1-1 Status

-  Phase 0/5
-  2013 Modified Phase II Project
-  Current Modified Phase II Project
-  Modified Phase II
-  Full Phase II

Map as of May 2013
Created by Sandra Gilstad
(sandra.gilstad@azdoa.gov)



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

DON SHOOTER
CHAIRMAN 2014
OLIVIA CAJERO BEDFORD
GAIL GRIFFIN
JOHN McCOMISH
AL MELVIN
LYNNE PANCAZI
ANNA TOVAR
STEVEN B. YARBROUGH

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2013
LELA ALSTON
DAVID GOWAN, SR.
ADAM KWASMAN
DEBBIE LESKO
STEFANIE MACH
JUSTIN OLSON
MICHELLE UGENTI

DATE: March 18, 2014

TO: Senator Don Shooter, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RS*

FROM: Ben Henderson, Fiscal Analyst *BH*

SUBJECT: Arizona Department of Administration - Consider Approval of Employer Sanctions Enforcement Distributions

Request

Pursuant to Laws 2013, 1st Special Session, Chapter 1, Section 6, the Arizona Department of Administration (ADOA) has requested that the Committee approve distribution of \$300,500 of the \$513,200 FY 2014 appropriation for the enforcement of immigration-related employer sanctions.

Recommendation

The Committee has at least the following 2 options:

1. Approval or disapproval of ADOA's request to distribute \$300,500 of the \$513,200.
2. Approval of a different allocation plan.

If the ADOA proposal is approved, the Committee may also choose to allow ADOA to distribute funding if a county attorney or sheriff subsequently decides to apply for the funds.

The Committee may also recommend whether unused funds are reverted to the General Fund or distributed to other counties.

Analysis

The FY 2014 General Appropriation Act appropriated \$1,213,200 to ADOA for the County Attorney Immigration Enforcement Special Line Item. A General Appropriation Act footnote specifies that, of this amount, \$700,000 shall be specifically allocated to Maricopa County as follows: \$200,000 to the Maricopa County Attorney and \$500,000 to the Maricopa County Sheriff. This distribution was made on December 10, 2013.

(Continued)

Subject to approval by this Committee, the remaining amount of \$513,200 is to be distributed by ADOA to all other county sheriffs and county attorneys for the enforcement of immigration-related employer sanctions. There is no statutory formula for the non-Maricopa distributions. This is the 7th year that funding for this purpose has been appropriated to ADOA in some form; however, this is the first year that JLBC is approving the distribution.

As required by a General Appropriation Act footnote, by October 1, 2013 county sheriffs and attorneys submitted reports to ADOA on the use of their FY 2013 funding, and on the intended use of prospective FY 2014 funds. FY 2013 funding was used in the following ways:

- 74.3% of the funds were used to investigate and enforce employer sanctions laws by funding Personal Services, employee benefits, travel expenses and other related costs.
- 14.0% of the funds were not spent or were returned to ADOA due to a lack of complaints regarding employer sanctions violations.
- 11.1% of the funds were used to purchase technological equipment such as new computers, tracking equipment and communication tools.
- Less than 1% of funds were used to educate local businesses and community members about employer sanctions laws.

ADOA is now proposing a distribution plan for the FY 2014 appropriation based on these reports. Excluding Maricopa County, whose allocation is specifically determined in the General Appropriation Act footnote, there are 28 county sheriffs' and attorneys' offices who would qualify for some portion of the FY 2014 appropriation. ADOA is utilizing a proportional distribution formula based on population to determine the amounts that each county office would qualify for.

ADOA is not, however, proposing to distribute the full FY 2014 appropriation. If a county officer had previously returned their FY 2013 funding, had reported no use for their FY 2014 funding, or had failed to report any intended use of their FY 2014 funding, ADOA does not plan to distribute their share of funds. As of now, 14 of the 28 county offices are in this category. Their share of funding, or \$212,700, would not be distributed under ADOA's current proposal. ADOA's proposal is shown in detail in *Attachment A*.

The Committee may elect to allow distribution of funds to county offices that subsequently request their proportionate share of funds from the FY 2014 appropriation. The Committee may additionally recommend whether unused funds are reverted to the General Fund for a savings of \$(212,700), or are distributed to other county offices.

RS/BHe:ts
Attachment

Employer Sanctions Distributions		
	<u>FY 2013</u>	<u>Proposed</u>
	<u>Distribution</u>	<u>FY 2014</u>
		<u>Distribution</u>
Apache County Attorney	\$7,127	\$7,127
Apache County Sheriff	7,127	0 ^{2/}
Cochise County Attorney	13,089	0 ^{2/}
Cochise County Sheriff	13,089 ^{1/}	0
Coconino County Attorney	13,396	13,396
Coconino County Sheriff	13,396	13,396
Gila County Attorney	5,341	5,341
Gila County Sheriff	5,341	0 ^{2/}
Graham County Attorney	3,709	0 ^{3/}
Graham County Sheriff	3,709 ^{1/}	0 ^{2/}
Greenlee County Attorney	841	0 ^{3/}
Greenlee County Sheriff	841	0 ^{2/}
La Paz County Attorney	2,042	2,042
La Paz County Sheriff	2,042	0 ^{2/}
Mohave County Attorney	19,949	19,949
Mohave County Sheriff	19,949 ^{1/}	0
Navajo County Attorney	10,708	10,708
Navajo County Sheriff	10,708	10,708
Pima County Attorney	97,687	97,687
Pima County Sheriff	97,687	0 ^{2/}
Pinal County Attorney	37,447	37,447
Pinal County Sheriff	37,447	37,447
Santa Cruz County Attorney	4,726	4,726
Santa Cruz County Sheriff	4,726 ^{1/}	0 ^{2/}
Yavapai County Attorney	21,030	21,030
Yavapai County Sheriff	21,030	0 ^{2/}
Yuma County Attorney	19,508	19,507
Yuma County Sheriff	<u>19,508</u> ^{1/}	<u>0</u> ^{2/}
Total Allocated	513,200	300,511
Total Unallocated	0	212,689
Statutory Allocation - Maricopa	<u>700,000</u>	<u>700,000</u>
Total Appropriation	\$1,213,200	\$1,213,200
^{1/}	Returned FY 2013 or declined FY 2014 funds	
^{2/}	Did not report intended use of FY 2014 funds	
^{3/}	Reported no use for FY 2014 funds	



Janice K. Brewer
Governor

Brian C. McNeil
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

January 17, 2014

The Honorable Don Shooter, Chairman
Joint Legislature Budget Committee
Arizona State Senate
1700 W. Washington Street
Phoenix, Arizona 85007

The Honorable John Kavanagh, Vice-Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 W. Washington Street
Phoenix, Arizona 85007



Dear Senator Shooter and Representative Kavanagh:

The Arizona Department of Administration (ADOA) is requesting to be placed on the next Joint Legislative Budget Committee agenda so that the committee can consider approval of our proposed distribution of monies to County Attorneys and County Sheriffs, for immigration enforcement, as required by Laws 2013, 1st Special Session, Chapter 1, Section 6.

The schedule of distributions is attached. ADOA distributed the monies in proportion to the population of the county as determined in the 2010 Decennial Census. In cases where the official did not report on a use for the FY 2014 monies, refused the monies in 2013 and/or 2014, or reported that they did not have a use for the 2014 monies, as reflected in the attached proposal, ADOA did not propose a distribution.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian C. McNeil".

Brian C. McNeil
Director

Enclosure

cc: ✓Richard Stavneak, Director JLBC
John Arnold, Director OSPB
Ben Henderson, JLBC
Ken Matthews, OSPB
Paul Shannon, ADOA
Joe Whitmer, ADOA

Proposed Distribution, Laws 2013, 1st Special Session, Chapter 1, Section 6: Enforcement of Title 23, Chapter 2, Article 2

County	Attorney/Sheriff	Official's Name	Proposed FY 2014 Allocation
Apache	Attorney	Michael B. Whiting	\$7,127.08
Apache	Sheriff	Joseph Dedman, Jr.	\$0.00 *
Cochise	Attorney	Edward Rheinheimer	\$0.00 *
Cochise	Sheriff	Mark J. Dannels	\$0.00 **
Coconino	Attorney	David W. Rozema	\$13,395.64
Coconino	Sheriff	William B. Pribil	\$13,395.64
Gila	Attorney	Bradley D. Beauchamp	\$5,341.17
Gila	Sheriff	Adam Shepherd	\$0.00 *
Graham	Attorney	Kenneth A. Angle	\$0.00 ***
Graham	Sheriff	Preston J. Allred	\$0.00 **
Greenlee	Attorney	Derek D. Rapier	\$0.00 ***
Greenlee	Sheriff	Larry Avila	\$0.00 *
La Paz	Attorney	Tony Rogers	\$2,041.82
La Paz	Sheriff	John Drum	\$0.00 *
Maricopa	Attorney	William G. Montgomery	\$200,000.00 ****
Maricopa	Sheriff	Joe Arpaio	\$500,000.00 ****
Mohave	Attorney	Matthew J. Smith	\$19,949.41
Mohave	Sheriff	Tom Sheahan	\$0.00 **
Navajo	Attorney	Brad Carlyon	\$10,707.76
Navajo	Sheriff	Kelly Clark	\$10,707.76
Pima	Attorney	Barabara La Wall	\$97,687.47
Pima	Sheriff	Clarence W. Dupnik	\$0.00 *
Pinal	Attorney	M. Lando Voyles	\$37,447.12
Pinal	Sheriff	Paul Babeu	\$37,447.12
Santa Cruz	Attorney	George E. Silva	\$4,725.61
Santa Cruz	Sheriff	Tony Estrada	\$0.00 *
Yavapai	Attorney	Sheila Polk	\$21,030.36
Yavapai	Sheriff	Scott Mascher	\$0.00 *
Yuma	Attorney	Jon R. Smith	\$19,507.44
Yuma	Sheriff	Leon N. Wilmot	\$0.00 *
Total Allocated			1,000,511.40
Total Unallocated			\$212,688.60
Total Appropriation			\$1,213,200.00

* Did not report use of FY 2014 monies

** Returned FY 2013 monies or declined FY 14 monies

*** Reported that they had no plans for the monies

**** Distributed on December 10, 2013 according to the provisions of Laws 2013, 1st Special Session, Chapter 1, Section 6



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

DON SHOOTER
CHAIRMAN 2014
OLIVIA CAJERO BEDFORD
GAIL GRIFFIN
JOHN McCOMISH
AL MELVIN
LYNNE PANCAZZI
ANNA TOVAR
STEVEN B. YARBROUGH

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2013
LELA ALSTON
DAVID GOWAN, SR.
ADAM KWASMAN
DEBBIE LESKO
STEFANIE MACH
JUSTIN OLSON
MICHELLE UGENTI

DATE: March 19, 2014
TO: Senator Don Shooter, Chairman
Members, Joint Legislative Budget Committee
THRU: Richard Stavneak, Director *RS*
FROM: Benjamin Beutler, Fiscal Analyst *BB*
SUBJECT: Department of Economic Security - Review of Contingency Funding Expenditure Plan

Request

Pursuant to a footnote in the FY 2014 General Appropriation Act, the Department of Economic Security (DES) must present a spending plan to the Committee for review prior to the expenditure of monies from the Contingency Funding line item.

Recommendation

The Committee has at least the following 2 options:

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

Analysis

Through a footnote in the FY 2014 General Appropriation Act, \$10.5 million in the Contingency Funding line item was designated for unanticipated shortfalls in Child Protective Services (CPS) or in the Day Care Subsidy line item. For the purpose of addressing a shortfall in Emergency and Residential Placement, DES has submitted the required expenditure plan.

CPS Emergency and Residential Placement provides funding for 1) a short-term placement until a more permanent placement can be arranged and 2) behavioral or other therapeutic residential treatment.

In FY 2014, the department plans to use the Contingency Funding for Emergency and Residential Placement, addressing a portion of DES' projected \$14.7 million shortfall for these placements.

(Continued)

The Executive has recommended a supplemental appropriation of \$4.2 million from the General Fund for emergency and residential placements in FY 2014. This supplemental would make up the difference between the \$10.5 million of Contingency Funding and the \$14.7 million shortfall.

The average monthly cost of an emergency/residential placement is \$3,230, compared to \$657 for a placement in a family foster home. As of January 2014, there were 2,053 foster children residing in emergency and residential placements. DES anticipates an average of 2,157 children per month in emergency and residential placements in FY 2014, or growth of 4.6% from FY 2013.

Table 1 compares the FY 2014 appropriation for Emergency and Residential Placement to DES' FY 2014 estimate of available funding. DES overestimated the amount of expenditure authority that would be available for Emergency and Residential Placement by \$19.6 million in FY 2014. Expenditure Authority is primarily made up of Federal Funds; it also includes non-appropriated funds, surpluses in state funds from other line items, and other one-time fund sources.

Table 1		
Emergency and Residential Placement Line Item		
	FY 2014	DES FY 2014
	<u>Appropriation</u>	<u>Estimate</u>
General Fund	\$24,578,700	\$29,217,400
Contingency Funding	0	10,500,000
TANF Block Grant	12,423,000	16,423,000
Expenditure Authority	<u>43,967,600</u>	<u>24,342,900</u>
Total Budget	\$80,969,300	\$80,483,300

RS/BB:kp



DEPARTMENT OF ECONOMIC SECURITY

Your Partner For A Stronger Arizona

Janice K. Brewer
Governor

Clarence H. Carter
Director

MAR 03 2014



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

Dear Representative Kavanagh:

The Department of Economic Security requests to be placed on the Joint Legislative Budget Committee's next agenda for review of expenditure plans for the Contingency Funding and Intensive Families Services Special Line Items and to report on the Temporary Assistance for Needy Families (TANF) transfer to the Social Services Block Grant (SSBG) as required in Laws 2013, 1st Special Session, Chapter 1, Section 27.

Contingency Funding

The fiscal year 2014 General Appropriation Act established the Contingency Funding Special Line Item (SLI) and appropriated \$10.5 million from the Long Term Care System Fund to the SLI. Pursuant to the budget footnote, the funding in the SLI is to be used to address shortfalls in Child Protective Services (CPS) or in the Day Care Subsidy Special Line Item.

Before the expenditure of monies from the Contingency Funding Special Line Item in fiscal year 2014, the Department of Economic Security shall submit an expenditure plan to the Joint Legislative Budget Committee for its review. Monies in the Contingency Projects Special Line Item shall be spent only to address unanticipated shortfalls in Child Protective Services or in the Day Care Subsidy Special Line Item.

The Department plans to utilize this appropriation to meet the needs of the growing number of children in the CPS system. When CPS receives a report of abuse or neglect, a caseworker assesses what stressors and risk factors exist in the home that can jeopardize the safety of a child. Some of the most intensive placements for children who cannot reside within the home are funded by the Emergency and Residential Placement SLI. Emergency and Residential Placement provides stability for children to allow for future reunification or transition to a new home. The Department intends to spend the \$10.5 million in contingency funding on these services. These homes provide structured environments for children to grow as they often carry emotional or behavioral scars of past abuse.

Over the past several years, CPS has experienced substantial growth in reports of abuse and neglect to the CPS Hotline, leading to more CPS investigations and subsequently to more children and families requiring services funded by the Emergency and Residential Placement SLI. Currently, there are over 2,050 children residing in Emergency and Residential congregate settings. The CPS caseworker

The Honorable John Kavanagh

determines the intensity and duration of the services based on the individual assessment which results in the average cost per child per month of approximately \$3,200. At this time, the Department projects the SLI to have a \$14.7 million shortfall. The Department plans to use the \$10.5 million in contingency funding for expenditures related to congregate placements for the CPS population. These expenditures will include room and board for children who are removed from their homes and placed in emergency shelters, group homes, and behavioral health settings.

In fiscal year 2013, the Department used a one-time fund balance in the Social Security Block Grant to resolve the shortfall in Emergency and Residential Placement. That solution is no longer available.

Intensive Family Services

Additionally, the fiscal year 2014 General Appropriation Act established a \$5 million appropriation to provide intensive, time-limited services to families whose children are at imminent risk of out-of-home placement due to abuse, neglect or dependency.

Before the expenditure of monies from the intensive family services special line item in fiscal year 2013-2014, the department of economic security shall submit an expenditure plan for review by the joint legislative budget committee. The expenditure plan shall include an estimate of any comparable funding in the children support services special line item.

Until fiscal year 2011, the Department received a General Fund appropriation to provide similar services. In subsequent years, this appropriation was folded into the Children Support Services SLI in an effort to consolidate SLIs and to recognize that the Department provides a wide array of services both for reunification and to prevent removal within the Children Support Services SLI. In fiscal year 2011 and prior, when the separate SLI existed for intensive family services, the services provided were within the scope of Children Support Services.

The Department plans to use the Intensive Family Services appropriation to provide intensive in-home family services to remediate familial conditions. Intensive in-home services provide goal-oriented, time-limited, in-home crisis and supportive intervention specifically tailored to the families' needs. These services aim to address significant threats to family stability which could result in the out-of-home placement of children in the family, or to safely expedite the return of children who are in out-of-home placement back to their family.

The Department estimates total expenditures on intensive in-home services of \$13.7 million total funds within the Children Support Services service array. The fiscal year 2014 appropriation of \$5 million will fund approximately 1,000 units of these intensive in-home services.

TANF Transfer to SSBG

Finally, the Department is reporting the amount of the fiscal year 2014 transfer of TANF Block Grant funds to SSBG, as required by the 2014 General Appropriations Act. The Department plans to transfer \$20,014,100, which is ten percent of the state's base TANF Block Grant and is the maximum allowable under federal law.

Of the amounts appropriated for children support services, CPS emergency and residential placement and foster care placement, the department may transfer up to ten percent of the total amount of the federal temporary assistance for needy families block grant monies appropriated to the Department to the social services block grant for use in

The Honorable John Kavanagh

the following line items in the division of children, youth and families: children support services, CPS emergency and residential placement and foster care placement. Before transferring federal temporary assistance for needy families block grant monies to the social services block grant, the department shall report the proposed amount of the transfer to the director of the joint legislative budget committee. This report may be in the form of an expenditure plan that is submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year.

The total planned amount of \$20,014,100 will be initially allocated among the allowed special line items as follows. If changes are necessary to ensure the best use of the funds, the Department will notify JLBC.

Children Support Services	\$4,820,000
Emergency and Residential Placement	\$10,795,800
Foster Care Placement	\$4,398,300

The transfer of TANF funds to SSBG allows the Department to expend the funds under SSBG requirements rather than TANF requirements, which affords the Department additional flexibility in spending the funds in the child welfare system to provide for the needs, including long-term needs, of children in the state's custody. The funds will be expended in accordance with services provided in each line item.

If you have any questions please contact Debra Peterson, Chief Financial Officer, at (602) 542-3786.

Sincerely,



Clarence H. Carter
Director

cc: Members of the Joint Legislative Budget Committee
Richard Stavneak, Director, Joint Legislative Budget Committee
John Arnold, Director, Governor's Office of Strategic Planning and Budgeting



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

DON SHOOTER
CHAIRMAN 2014
OLIVIA CAJERO BEDFORD
GAIL GRIFFIN
JOHN McCOMISH
AL MELVIN
LYNNE PAN CRAZI
ANNA TOVAR
STEVEN B. YARBROUGH

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2013
LELA ALSTON
DAVID GOWAN, SR.
ADAM KWASMAN
DEBBIE LESKO
STEFANIE MACH
JUSTIN OLSON
MICHELLE UGENTI

DATE: March 20, 2014
TO: Senator Don Shooter, Chairman
Members, Joint Legislative Budget Committee
THRU: Richard Stavneak, Director *RS*
FROM: Benjamin Beutler, Fiscal Analyst *BIB*
SUBJECT: Department of Economic Security - Review of Intensive Family Services Implementation

Request

Pursuant to a footnote in the FY 2014 General Appropriation Act, the Department of Economic Security (DES) must present an expenditure plan to the Committee for review prior to the expenditure of monies from the new Intensive Family Services line item. The Intensive Family Services line item provides monies for contracted, time-limited services to families whose children are at imminent risk of out-of-home placement due to abuse, neglect, or dependency.

Recommendation

The Committee has at least the following 2 options:

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

Analysis

The FY 2014 General Appropriation Act appropriated \$5 million from the General Fund for Intensive Family Services. During the 2013 Legislative Session, some proponents of the new funding thought that DES would contract with a specific vendor who would coordinate a package of services to high risk families to keep the children in the home. To distinguish these funds from existing DES services, the monies were placed in a new budget line item. Other proponents may have viewed the funding as a supplement to existing funding.

(Continued)

DES agrees with this latter approach and is using the \$5 million to supplement its existing \$15.9 million in-home services program as part of the \$155.1 million Children Support Services line item. DES does not require a single vendor to coordinate the treatment plan; rather, a CPS caseworker initially determines the level of in-home services a family receives and assigns current contracted providers to provide those individual services. This contrasts with an approach where a single vendor receives a single payment per case and delivers a range of services to that family. In the past, DES used this approach in its Family Builders program for in-home CPS cases.

In-home services are only available to households where the children remain in the home but are at risk of out-of-home placement. In-home services can include crisis intervention counseling, marital and family therapy, respite care, home management and nutrition, and linkages with community resources to serve a variety of social needs. Other services for families with at-risk children include parent aid services, transportation, child care, and substance abuse treatment. It is possible that "intact" households may receive services from more than just the in-home services allocation.

RS/BB:kp



DEPARTMENT OF ECONOMIC SECURITY

Your Partner For A Stronger Arizona

Janice K. Brewer
Governor

Clarence H. Carter
Director

MAR 03 2014



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

Dear Representative Kavanagh:

The Department of Economic Security requests to be placed on the Joint Legislative Budget Committee's next agenda for review of expenditure plans for the Contingency Funding and Intensive Families Services Special Line Items and to report on the Temporary Assistance for Needy Families (TANF) transfer to the Social Services Block Grant (SSBG) as required in Laws 2013, 1st Special Session, Chapter 1, Section 27.

Contingency Funding

The fiscal year 2014 General Appropriation Act established the Contingency Funding Special Line Item (SLI) and appropriated \$10.5 million from the Long Term Care System Fund to the SLI. Pursuant to the budget footnote, the funding in the SLI is to be used to address shortfalls in Child Protective Services (CPS) or in the Day Care Subsidy Special Line Item.

Before the expenditure of monies from the Contingency Funding Special Line Item in fiscal year 2014, the Department of Economic Security shall submit an expenditure plan to the Joint Legislative Budget Committee for its review. Monies in the Contingency Projects Special Line Item shall be spent only to address unanticipated shortfalls in Child Protective Services or in the Day Care Subsidy Special Line Item.

The Department plans to utilize this appropriation to meet the needs of the growing number of children in the CPS system. When CPS receives a report of abuse or neglect, a caseworker assesses what stressors and risk factors exist in the home that can jeopardize the safety of a child. Some of the most intensive placements for children who cannot reside within the home are funded by the Emergency and Residential Placement SLI. Emergency and Residential Placement provides stability for children to allow for future reunification or transition to a new home. The Department intends to spend the \$10.5 million in contingency funding on these services. These homes provide structured environments for children to grow as they often carry emotional or behavioral scars of past abuse.

Over the past several years, CPS has experienced substantial growth in reports of abuse and neglect to the CPS Hotline, leading to more CPS investigations and subsequently to more children and families requiring services funded by the Emergency and Residential Placement SLI. Currently, there are over 2,050 children residing in Emergency and Residential congregate settings. The CPS caseworker

The Honorable John Kavanagh

determines the intensity and duration of the services based on the individual assessment which results in the average cost per child per month of approximately \$3,200. At this time, the Department projects the SLI to have a \$14.7 million shortfall. The Department plans to use the \$10.5 million in contingency funding for expenditures related to congregate placements for the CPS population. These expenditures will include room and board for children who are removed from their homes and placed in emergency shelters, group homes, and behavioral health settings.

In fiscal year 2013, the Department used a one-time fund balance in the Social Security Block Grant to resolve the shortfall in Emergency and Residential Placement. That solution is no longer available.

Intensive Family Services

Additionally, the fiscal year 2014 General Appropriation Act established a \$5 million appropriation to provide intensive, time-limited services to families whose children are at imminent risk of out-of-home placement due to abuse, neglect or dependency.

Before the expenditure of monies from the intensive family services special line item in fiscal year 2013-2014, the department of economic security shall submit an expenditure plan for review by the joint legislative budget committee. The expenditure plan shall include an estimate of any comparable funding in the children support services special line item.

Until fiscal year 2011, the Department received a General Fund appropriation to provide similar services. In subsequent years, this appropriation was folded into the Children Support Services SLI in an effort to consolidate SLIs and to recognize that the Department provides a wide array of services both for reunification and to prevent removal within the Children Support Services SLI. In fiscal year 2011 and prior, when the separate SLI existed for intensive family services, the services provided were within the scope of Children Support Services.

The Department plans to use the Intensive Family Services appropriation to provide intensive in-home family services to remediate familial conditions. Intensive in-home services provide goal-oriented, time-limited, in-home crisis and supportive intervention specifically tailored to the families' needs. These services aim to address significant threats to family stability which could result in the out-of-home placement of children in the family, or to safely expedite the return of children who are in out-of-home placement back to their family.

The Department estimates total expenditures on intensive in-home services of \$13.7 million total funds within the Children Support Services service array. The fiscal year 2014 appropriation of \$5 million will fund approximately 1,000 units of these intensive in-home services.

TANF Transfer to SSBG

Finally, the Department is reporting the amount of the fiscal year 2014 transfer of TANF Block Grant funds to SSBG, as required by the 2014 General Appropriations Act. The Department plans to transfer \$20,014,100, which is ten percent of the state's base TANF Block Grant and is the maximum allowable under federal law.

Of the amounts appropriated for children support services, CPS emergency and residential placement and foster care placement, the department may transfer up to ten percent of the total amount of the federal temporary assistance for needy families block grant monies appropriated to the Department to the social services block grant for use in

The Honorable John Kavanagh

the following line items in the division of children, youth and families: children support services, CPS emergency and residential placement and foster care placement. Before transferring federal temporary assistance for needy families block grant monies to the social services block grant, the department shall report the proposed amount of the transfer to the director of the joint legislative budget committee. This report may be in the form of an expenditure plan that is submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year.

The total planned amount of \$20,014,100 will be initially allocated among the allowed special line items as follows. If changes are necessary to ensure the best use of the funds, the Department will notify JLBC.

Children Support Services	\$4,820,000
Emergency and Residential Placement	\$10,795,800
Foster Care Placement	\$4,398,300

The transfer of TANF funds to SSBG allows the Department to expend the funds under SSBG requirements rather than TANF requirements, which affords the Department additional flexibility in spending the funds in the child welfare system to provide for the needs, including long-term needs, of children in the state's custody. The funds will be expended in accordance with services provided in each line item.

If you have any questions please contact Debra Peterson, Chief Financial Officer, at (602) 542-3786.

Sincerely,



Clarence H. Carter
Director

cc: Members of the Joint Legislative Budget Committee
Richard Stavneak, Director, Joint Legislative Budget Committee
John Arnold, Director, Governor's Office of Strategic Planning and Budgeting



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

DON SHOOTER
CHAIRMAN 2014
OLIVIA CAJERO BEDFORD
GAIL GRIFFIN
JOHN McCOMISH
AL MELVIN
LYNNE PANCAZI
ANNA TOVAR
STEVEN B. YARBROUGH

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2013
LELA ALSTON
DAVID GOWAN, SR.
ADAM KWASMAN
DEBBIE LESKO
STEFANIE MACH
JUSTIN OLSON
MICHELLE UGENTI

DATE: March 18, 2014

TO: Senator Don Shooter, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RS*

FROM: Steve Schimpp, Deputy Director *SS*

SUBJECT: Arizona Department of Education - Review of Sunnyside Unified Payments

Request

Pursuant to A.R.S. § 15-915B, the Arizona Department of Education (ADE) requests a favorable review of its plan to provide the Sunnyside Unified School District in Pima County with \$1,910,800 in corrected Basic State Aid funding due to a recent settlement in the Arizona Tax Court regarding property taxes paid in prior years by the Raytheon Company.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request, as it conforms to statutory requirements regarding state aid corrections required as a result of Arizona Tax Court rulings.

Analysis

Subject to review by the JLBC, A.R.S. § 15-915B requires the Superintendent of Public Instruction to reimburse school districts for K-12 "local share" taxes that they must refund to a taxpayer due to an Arizona Tax Court ruling that reduces the taxpayer's assessed property value for prior fiscal years. In this regard, the Arizona Tax Court ruled on May 7, 2013 that the Net Assessed Value (NAV) of property owned by the Raytheon Company was set too high for Tax Years 2009 and 2010 and should be reduced retrospectively to levels prescribed by the court. The ruling has the effect under A.R.S. § 15-915B of requiring the state to reimburse Sunnyside Unified for K-12 Qualifying Tax Rate (QTR) and State Equalization Tax Rate (SETR) taxes that it must now refund to the Raytheon Company for FY 2010 and FY 2011. Those taxes equal \$847,200 for the FY 2010 (*Attachment 1*) and \$1,063,600 for FY 2011 (*Attachment 2*), for a total of \$1,910,800 (rounded).

The computed \$1,910,800 refund total does not include settlement-related interest costs or monies to reimburse Sunnyside Unified for taxes paid by the Raytheon Company for items other than the QTR and SETR, such as for overrides and bond debt service, as those costs are not addressed in A.R.S. § 15-915B.

RS/SSc:ts



State of Arizona
Department of Education



TO: Senator Don Shooter, Chairman
Joint Legislative Budget Committee

FROM: Lyle Friesen, Deputy Associate Superintendent of School Finance 

DATE: 2/27/2014

SUBJECT: Correction of State Aid 15-915

Sunnyside Unified School District has requested state aid corrections for prior fiscal years.
.Pursuant to A.R.S §15-915(B), review by the JLBC is required.

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

The Maricopa County Superior Court ruled in favor of Raytheon in regards to the 2009 and 2010 assessed valuation of property owned by them. As a result, the state aid is recalculated by School Finance, \$853,861.14 for FY10, \$1,063,641.55 for FY11 will be adjusted through FY14 state aid funding to Sunnyside Unified School District.

If you have any further questions, please contact Lyle Friesen, School Finance Director at 602-542-8250 or Lyle.Friesen@azed.gov. Thank you.

c: Richard Stavneak, Director of Joint Legislative Budget Committee
Steve Schimpp, Analyst of Joint Legislative Budget Committee