

JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, December 15, 2015

1:00 p.m.

Senate Appropriations Room 109

JLBC

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

HOUSE OF
REPRESENTATIVES

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JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, December 15, 2015

1:00 P.M.

Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of September 24, 2015.](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION
 - A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
 - B. JLBC Annual Performance Review per Rule 7.
- 1. [ARIZONA BOARD OF REGENTS - Review of FY 2016 Tuition Revenues.](#)
- 2. ARIZONA DEPARTMENT OF ADMINISTRATION
 - A. [Review of Public Safety Broadband.](#)
 - B. [Review of Automation Projects Fund Expenditure Reallocation.](#)
 - C. [Review of Health Impact Program Update.](#)
- 3. [JLBC STAFF - Consider Approval of Index for School Facilities Board Construction Costs.](#)
- 4. [AHCCCS/DEPARTMENT OF HEALTH SERVICES/DEPARTMENT OF ECONOMIC SECURITY - Review of Revised Capitation Rate Changes.](#)
- 5. [DEPARTMENT OF CHILD SAFETY - Review of FY 2016 First Quarter Benchmarks.](#)

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

12/9/15

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

September 24, 2015

The Chairman called the meeting to order at 1:08 p.m., Thursday, September 24, 2015, in Senate Appropriations Room 109. The following were present:

Members:	Senator Shooter, Vice-Chairman	Representative Olson, Chairman
	Senator Cajero Bedford	Representative Alston
	Senator Farley	Representative Bowers
	Senator Griffin	
	Senator Hobbs	
	Senator Kavanagh	
	Senator Lesko	
	Senator Yarbrough	

Absent:	Representative Mach
	Representative Mitchell
	Representative Montenegro
	Representative Stevens
	Representative Ugenti

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of June 18, 2015, Chairman Justin Olson stated that the minutes would stand approved.

DEPARTMENT OF CHILD SAFETY (DCS) - Review of FY 2016 Internet Crimes Against Children Expenditure Plan.

Mr. Ben Beutler, JLBC Staff, stated that DCS is requesting review prior to any monies being expended from DCS' \$350,000 FY 2016 appropriation for Internet Crimes Against Children (ICAC). The JLBC Staff presented options to the Committee.

(Continued)

Sergeant Jerry Barker, Commander, Arizona Internet Crimes Against Children Task Force (AZICAC), responded to member questions.

Senator Shooter moved that the Committee approve the \$350,000 expenditure plan for ICAC with the provision that AZICAC via DCS report any funding reallocations above \$50,000. The motion carried.

DEPARTMENT OF CHILD SAFETY - Review of Fourth Quarter Benchmarks.

Mr. Ben Beutler, JLBC Staff, stated that DCS is requesting review of a report of proposed FY 2015 quarterly benchmarks for assessing progress in increasing the department's number of FTE Positions and in reducing the number of backlog cases. The JLBC Staff presented options to the Committee.

Mr. Gregory McKay, Director, DCS, responded to member questions.

Senator Shooter moved that the Committee accept the fourth quarter benchmark report as outlined in the department's submission with no comment. The motion carried.

DEPARTMENT OF CHILD SAFETY - Review of FY 2016 Intensive Family Services Expenditure Plan.

Mr. Ben Beutler, JLBC Staff, stated that DCS is requesting Committee review prior to any monies being expended from DCS' \$8,500,000 FY 2016 appropriation for Intensive Family Services (IFS). The JLBC Staff presented options to the Committee.

Mr. Gregory McKay, Director, DCS, responded to member questions.

Mr. Illya Riske, Finance Manager, DCS, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to the FY 2016 IFS expenditure plan with the following provisions:

- A. *The favorable review expires with federal approval or disapproval of the Title IV-E waiver. At that time, DCS is to return for Committee review of any remaining IFS funds.*
- B. *The Committee recommends that DCS proceed to prepare and release a Request for Proposals (RFP) for a new in-home intervention program that employs contracted case management prior to final approval of the Title IV-E waiver.*

The motion carried.

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2015 Bed Capacity Report.

Ms. Micaela Larkin, JLBC Staff, stated that ADC is requesting review of a report detailing the bed capacity changes in FY 2015, and the proposed changes in FY 2016. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review of the bed capacity report submitted by the department on July 31, 2015. The motion carried.

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

Ms. Rebecca Perrera, JLBC Staff, stated that ADOA is requesting approval of rate changes to the maximum reimbursement amounts for lodging and meal expenses taking into consideration the amounts established by the federal government. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee approved the use of the federal lodging reimbursement rate and per diem rate (less \$10), which are effective on October 1, 2015, as the state rates with the following provisions:

- A. *Committee approval does not constitute an endorsement of additional appropriations to cover higher reimbursement costs.*
- B. *ADOA may continue to grant waivers for reimbursements above the state's maximum rate but should not delegate any waiver authority to agencies.*
- C. *ADOA shall submit for Committee review its written guidelines for reviewing and approving lodging rate waivers by November 30, 2015.*

The motion carried.

ADOA/DEPARTMENT OF EDUCATION (ADE) - Review of Automation Projects Fund Expenditure Reallocation (Automation Projects Fund).

Mr. Matt Beienburg, JLBC Staff, stated that this item is for review of a reallocation of the FY 2016 Arizona Education Learning and Accountability System (AELAS) appropriation by ADOA from the Automation Projects Fund (APF) prior to expenditure. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to shift \$400,000 from Program Support Office to Centralized Educational Data Services from the FY 2016 ADE AELAS appropriation. The favorable review includes the following Arizona Strategic Enterprise Technology Office (ASET) provision:

- A. *Should there be any changes in the proposed costs, technology approach, scope of work, or implementation schedule, ADE must amend the Project Investment Justification to reflect the changes and submit it to ADOA-ASET and the Information Technology Authorization Committee, if required for review and approval prior to further expenditure of funds.*

The motion carried.

ADOA/DEPARTMENT OF REVENUE (DOR) - Review of Data Capture Contingency Expenditure Plan (Automation Projects Fund).

Mr. Jeremy Gunderson, JLBC Staff, stated that DOR is requesting Committee review of expenditures from the APF. DOR proposes to expend the \$565,800 in remaining contingency monies from a FY 2015 appropriation from the APF to improve their ability to capture and analyze more tax return data electronically. The JLBC Staff presented options to the Committee.

Mr. Sean Laux, Legislative Liaison, DOR, responded to member questions.

(Continued)

Senator Shooter moved that the Committee give a favorable review of the \$459,000 of contingency monies from the APF to improve the agency's ability to capture and analyze more tax return data electronically with the following provision:

- A. *Prior to spending the project's remaining contingency funding of \$106,800, DOR must submit an expenditure plan to the Committee for review.*

The motion carried.

ATTORNEY GENERAL (AG) - Review of Quarterly Reports on Legal Settlements.

Mr. Matt Gress, JLBC Staff, stated that the Committee is required to review quarterly AG reports on the receipts and disbursements from the Consumer Protection - Consumer Fraud (CPCF) Revolving Fund and the Consumer Restitution and Remediation Revolving Fund (including its 2 subaccounts), as well as deposits made to the General Fund. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to the AG's allocation of legal settlements among the various funds. The motion carried.

JLBC STAFF - Review of Agency Legal Services Charges.

Mr. Matt Gress, JLBC Staff, stated that this item is for review of agency funding sources for the Attorney General (AG) legal services charges for general agency counsel. The charges total \$1.8 million, the same amount as last year. The allocation of charges to each agency also remains unchanged, with the exception of the Departments of Racing and Gaming. The JLBC Staff recommended that the Committee give a favorable review of this item.

Senator Shooter moved that the Committee give a favorable review of the fund source reports for the AG legal services charges. The motion carried.

BOARD OF BEHAVIORAL HEALTH EXAMINERS - Testimony on Proposed Licensing Rules.

Mr. Steve Grunig, JLBC Staff, stated the Board of Behavioral Health Examiners is required to testify before the Committee regarding the rules for licensing provisions enacted during the 2013 Legislative Session. The Committee is not required by statute to review the proposed rules, but may do so if it chooses. The JLBC Staff presented options to the Committee.

Ms. Tobi Zavala, Executive Director, Board of Behavioral Health Examiners responded to member's questions.

Ms. Bahney Dedolph, Policy Analyst, The Arizona Council of Human Service Providers spoke to the item and circulated a document. (*Attachment 1*)

Senator Shooter moved that the Committee accept the Board of Behavioral Health Examiner's testimony without comment. The motion carried.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS)/DEPARTMENT OF HEALTH SERVICES (DHS)/DEPARTMENT OF ECONOMIC SECURITY (DES)/DEPARTMENT OF CHILD SAFETY - Review of Revised Capitation Rate Changes.

Mr. Jon Stall, JLBC Staff, stated that this item is for review of AHCCCS, DHS, DES and DCS capitation rate changes prior to implementation. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to the proposed FY 2016 capitation rates. The motion carried.

DEPARTMENT OF ENVIRONMENTAL QUALITY (DEQ) - Review of Safe Drinking Water Expenditure Plan.

Mr. Josh Hope, JLBC Staff, stated that DEQ is requesting review of the expenditure plan for \$1,800,000 from the Emissions Inspection Fund for the Safe Drinking Water Program in FY 2016. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to the department's proposed expenditure plan for \$1,800,000 from the Emissions Inspection Fund for the Safe Drinking Water Program in FY 2016. The motion carried.

EXECUTIVE SESSION

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

At 3:16 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 4:04 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:

- *White v. State of Arizona*
- *Lee v. State of Arizona*
- *Rosario, et al. v. State of Arizona*

The motion carried.

B. Arizona Department of Administration - Risk Management Annual Report.

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

Without objection, the meeting adjourned at 4:05 p.m.

Respectfully submitted:



Kristy Paddock, Secretary



Richard Stavneak, Director



Representative Justin Olson, Chairman



MEMORANDUM

DATE: SEPTEMBER 25, 2015

FROM: EMILY L. JENKINS, ARIZONA COUNCIL OF HUMAN SERVICE PROVIDERS

TO: MEMBERS, JOINT LEGISLATIVE BUDGET COMMITTEE

RE: BOARD OF BEHAVIORAL HEALTH EXAMINERS' RULES

Since the last Sunset Review, the Arizona Council of Human Service Providers has been engaged in efforts to improve the licensing and disciplinary functions of the Board of Behavioral Health Examiners. The Council has collaborated with professional associations in this effort. In addition to its activities related to SB 1374 in 2013, the Council has participated in the meetings of the BBHE Rules Subcommittee and made presentations at the public comment hearings.

The Council has expressed concerns regarding the Board's draft rules in the following major areas:

- Clarification of confidential records standard to assure licensees have appropriate access to investigative files as required by ARS 32-3282 B. 3.
- Clarification of the definition of "direct supervision"
- Allowance of 90 of the 100 hours of clinical supervision required for independent licensure to be provided through videoconferencing. This would address access problems in many of the state's underserved areas where there are few licensed professionals qualified to provide supervision.
- Assure work experience requirements are consistent with statutory definitions.

Detailed comments on the above issues are attached.

Thank you for the opportunity to comment.



Behavioral Health Examiners Board

Proposed BBHE Rules

Background

In 2013, SB1374 was passed creating significant reform and restructuring of the Arizona Board of Behavioral Health Examiners. Modifications to that legislation were made in 2014 and 2015. These changes in legislation required the Board of Behavioral Health Examiners to re-write its administrative rules. Most of the changes associated with this legislation require final adoption by the board and implementation by November 1, 2015.

Changes in Rules

1. New definitions and Board provisions from or consistent with new statutes
 - a. (4-6-101 and 4-6-201)
2. Changes in confidential records to reflect licensee right to review investigative report
 - a. (4-6-207) ##
3. Supervised work experience and clinical supervision requirements.
 - a. (4-6-212, 4-6-403, 4-6-503, 4-6-603, 4-6-705) ##
4. Creation of Clinical Supervisor Registry and requirements.
 - a. (4-6-213 & 214)
5. Clinical Supervision exceptions
 - a. (4-6-212.01)
6. Approval of educational programs through Academic Review Committee
 - a. (4-6-307)
7. New curriculum requirements for counseling programs
 - a. (4-6-501)

Indicates that the Council submitted comments recommending changes to the Rule Draft of August 11th.

The Board is currently accepting public comment through September 11, 2015 on the current proposed rules draft. You can find the draft rules at <http://azbbhe.us/node/12>. Please email written feedback to rulesfeedback@azbbhe.us

EXPLANATION OF CHANGES TO RULES REGARDING CLINICAL SUPERVISION REQUIREMENTS AS RELATED TO VIDEOCONFERENCING

The Council strenuously objects to the limitations of clinical supervision hours by videoconferencing to 70 instead of the 90 hours recommended by the Rules Subcommittee. We believe this decision ignores the limited availability of qualified supervisors in many areas of the state and the wide-spread acceptance of videoconferencing as a means of providing medical and mental health services.¹ It creates an unnecessary burden on efforts to address shortages of behavioral health services in many parts of Arizona.

Shortages in Arizona

To highlight its concerns about availability of supervisors and the shortage of behavioral licensees in rural areas, the Council has created two documents. The first is a spreadsheet entitled “Independent Licensees in PC Statistical Areas.”¹¹ Utilizing the parameters of the Primary Care Statistical Areas established by the Arizona Department of Health Services and the names and zip codes provided by the Board of Behavioral Health Examiners, the spread sheet shows the following:

- 1. Name of each statistical area**
- 2. Number of independent licensed Social Worker, LISAC, Marriage and Family Therapist and Professional Counselor in each area**
- 3. The total of independent licensees in each area**

- 4. The population of the area per independent practitioner**
- 5. The County in which each statistical area is located.**

The second document is a map entitled “Persons per Licensed Independent Practitioner, by ADHS Primary Care Area.”ⁱⁱⁱ It illustrates each statistical area color coded to indicate the ratio of independent practitioner to numbers of general population. (Note: the spreadsheet and map utilize the primary care statistical areas to present this data since it offered a format with sensitivity to differences within the state and even within large urban areas.) These documents support the Council’s contention that in many areas of the state the number of independent licensees available in the area to provide face-to-face supervision is limited. It also demonstrates that large expanses of the state suffer from work force insufficiencies which result in designation as a professional shortage area.

The importance of providing an adequate behavioral health workforce is established by national studies. The NSDUH surveys of 2011 and 2012 place the occurrence of serious mental illness in Arizona’s population at 4.60% --almost among the 10 states with the highest incidence (4.66-5.48%).^{iv} Studies by the CDC of the prevalence of depression and the prevalence of serious psychological distress among adults, places Arizona in the highest range of prevalence.^v

These are discouraging numbers especially when considered with the shortage of mental health providers. The spreadsheet and map show by raw number and color-coded area the ratio of independent licensees to 6,000 population. This ratio was chosen to reflect the numbers utilized by the Department of Health Services in designating mental health professional shortage areas. In fact, in some areas, where higher levels of poverty exist the ratio may be 4,500 to 1.

The proposed rules place a number of conditions on the delivery of clinical supervision. These include limits on the types of licensed professionals that can provide supervision (R4-6-212 A.), the requirement that 50 of the 100 hours be provided by someone in the same profession (R4-6-404, 4-6-504, 4-6-604 and 4-6-706), the training necessary for supervisors, including a newly required jurisprudence exam and 9 hours for recertification (R4-6-214) and the amount of time in which supervision can be provided in groups (R4-6-212 G.) All of these conditions can be seen as necessary for an appropriate clinical supervision process and the Council concurs with their adoption. But they also add to the burden of finding a qualified supervisor.

The issue of supervisor availability has also been highlighted anecdotally by a survey of Council members in rural areas. A number of organizations have identified associate level practitioners who would like to seek independent licensure but have had difficulty finding supervisors. In those areas with a low ratio of

independent licensees that burden may be insurmountable unless there are technological alternatives offered for the provision of supervision. Even where ratios of the total number of licensees is higher, the dearth of qualified practitioners in a specific profession is a problem. The Council believes that allowing ninety hours of supervision through videoconferencing and telephone contact struck a balance that addressed the needs of the provider shortage areas.

Use of videoconferencing in the provision of health services

The Board change of the Rules subcommittee recommendation for hours of clinical supervision available through videoconferencing appears to be based on a misunderstanding of the efficacy of the technology . There is ample evidence of its effective use for the delivery of services.

The “Guidance for NARBHA Telemedicine Practices” (Northern Arizona Regional Behavioral Health Authority) contains the following:

“Telepsychiatry is currently one of the most effective ways to increase access to psychiatric care for individuals living in underserved areas. National studies and NAHRBA data have also found that telepsychiatry is as effective as face to face psychiatry for assessment, diagnosis, therapeutic alliance, treatment adherence, and clinical outcomes.”^{vi}

Reviews of its own data indicated that the clinical outcomes of NAHRBA's teleproviders (of over 14,000 encounters) "are as good as or better than outcomes in psychiatric clinics that NARBHA oversees in northern Arizona."^{vii}

These kinds of findings are not an aberration. Studies have shown the effectiveness of the telehealth delivery model for:

- the treatment of children with attention-deficit/hyperactivity disorder^{viii}**
- delivery of cognitive processing therapy for PTSD^{ix}**
- telepsychiatry consults for high-needs children^x**
- treating patients in nonpsychiatric emergency departments.^{xi}**

A recently published status update on telemental health found that "taken together, published studies support an expanded role for telepsychiatry tools. . ."^{xii}

Telehealth is also playing an expanding role in education and the improvement of the expertise of providers. A prime example is ECHO, a Robert Wood Johnson Foundation supported program at the University of New Mexico School of Medicine. The project's teleEcho clinics were originally developed to treat chronic diseases including mental illness. The model has since expanded to include worldwide programs for both service delivery and education including;

- Community Addictions Recovery Specialists Program to train paraprofessionals to provide clinical support,**

education and interventions for patients in addiction recovery

--A Veterans Administration Pilot program providing consultation and training to clinicians to increase knowledge and comfort with treating transgender veterans.^{xiii}

[Note: Behavioral health service providers who are members of the Council for Human Service Providers endorse the Board's recommendation regarding confidentiality in the provision of telehealth and are capable of complying with those requirements.]

Conclusion

Videoconferencing has been demonstrated to be a legitimate tool for the provision of mental health services and accompanying education of providers. It is especially important to take advantage of this technology given the demonstrated shortage of available qualified supervisors to provide clinical supervision. To address the Board's concerns regarding the need for face-to-face interaction, the Council, in its proposed language, makes two suggestions. First, it retains the Board's change to limit the amount of telephonic supervision to 15 hours. Second, it requires a face-to-face meeting before videoconferencing supervision proceeds.

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- ⁱ Cameron, M. P., R. Ray, and S. Sabesan. 2014. 'Physicians' Perceptions Of Clinical Supervision And Educational Support Via Videoconference: A Systematic Review'. *Journal Of Telemedicine And Telecare* 20 (5): 272-281. doi:10.1177/1357633x14537776.
- ⁱⁱ Arizona Council of Human Service Providers, "Independent Licensees in PC Statistical Areas", 2015.
- ⁱⁱⁱ Arizona Council of Human Service Providers, "Persons Per Licensed Independent Practitioner by ADHS Primary Care Area", 2015.
- ^{iv} Samhsa.gov,. 2014. 'The NSDUH Report: State Estimates Of Adult Mental Illness From The 2011 And 2012 National Surveys On Drug Use And Health'.
<http://www.samhsa.gov/data/sites/default/files/sr170-mental-illness-state-estimates-2014/sr170-mental-illness-state-estimates-2014/sr170-mental-illness-state-estimates-2014.htm>.
- ^v Cdc.gov,. 2015. 'Mental Illness Surveillance Among Adults In The United States'.
<http://www.cdc.gov/mmwr/preview/mmwrhtml/su6003a1.htm>.
- ^{vi} *Guidance For NARBHA Telemedicine Practices*. 2015. Flagstaff: NARBHA. <http://www.narbha.org>.
- ^{vii} *Guidance For NARBHA Telemedicine Practices*. 2015. Flagstaff: NARBHA. <http://www.narbha.org>.
- ^{viii} Myers, Kathleen, Ann Vander Stoep, Chuan Zhou, Carolyn A. McCarty, and Wayne Katon. 2015. 'Effectiveness Of A Telehealth Service Delivery Model For Treating Attention-Deficit/Hyperactivity Disorder: A Community-Based Randomized Controlled Trial'. *Journal Of The American Academy Of Child & Adolescent Psychiatry* 54 (4): 263-274. doi:10.1016/j.jaac.2015.01.009.
- ^{ix} Maieritsch, K. P., T. L. Smith, J. D. Hessinger, E. P. Ahearn, J. C. Eickhoff, and Q. Zhao. 2015. 'Randomized Controlled Equivalence Trial Comparing Videoconference And In Person Delivery Of Cognitive Processing Therapy For PTSD'. *Journal Of Telemedicine And Telecare*. doi:10.1177/1357633x15596109.
- ^x Hilt, Robert J., Rebecca P. Barclay, James Bush, Brenda Stout, Nichole Anderson, and Julia R. Wignall. 2015. 'A Statewide Child Telepsychiatry Consult System Yields Desired Health System Changes And Savings'. *Telemedicine And E-Health* 21 (7): 533-537. doi:10.1089/tmj.2014.0161.
- ^{xi} Narasimhan, Meera, Benjamin G. Druss, Jason M. Hockenberry, Julie Royer, Paul Weiss, Gretl Glick, Steven C. Marcus, and John Magill. 2015. 'Impact Of A Telepsychiatry Program At Emergency Departments Statewide On The Quality, Utilization, And Costs Of Mental Health Services'. *PS, appi.ps*.2014001. doi:10.1176/appi.ps.201400122.
- ^{xii} Aboujaoude, Elias, Wael Salame, and Lama Naim. 2015. 'Telemental Health: A Status Update'. *World Psychiatry* 14 (2): 223-230. doi:10.1002/wps.20218.
- ^{xiii} Kauth, Michael R., Jillian C. Shipherd, Jan A. Lindsay, Susan Kirsh, Herschel Knapp, and Lexi Matza. 2015. 'Teleconsultation And Training Of VHA Providers On Transgender Care: Implementation Of A Multisite Hub System'. *Telemedicine And E-Health*, 150714072726008. doi:10.1089/tmj.2015.0010.

**ADDITIONAL COMMENTS OF THE COUNCIL OF HUMAN
SERVICE PROVIDERS REGARDING THE PROPOSED
RULES OF THE BOARD OF BEHAVIORAL HEALTH
EXAMINERS**

(Reference to Draft of August 11, 2015)

**4-6-403, 503, 603 and 705 Supervised Work Experience
for Independent Licensure**

Proposed Change:

R4-6-403 A.

**A. ~~After completing the degree required in R4-6-401B,~~
an An applicant for clinical social worker licensure
shall ~~complete a minimum of~~ demonstrate
completion of at least 3200 hours of supervised
work experience in the practice of clinical social
work in no less than 24 months. *Supervised work*
experience in the practice of clinical social work is
limited to the use of psychotherapy for the purpose
of assessing, diagnosing, and treating individuals,
couples, families and groups. The applicant shall
ensure that the supervised work experience
includes:**

- 1. ~~Supervised work experience in the practice of~~
~~clinical social work is limited to the use of~~
~~psychotherapy for the purpose of assessment,~~
~~diagnosis and treatment of individuals, couples,~~
~~families and groups.~~ At least 1600 hours of
direct client contacts, not more than 400 of
hours of which are in psychoeducation.**
- 2. The 3200 hours of supervised work experience
in clinical social work shall include a minimum**

of 1600 hours of direct client contact. At least 100 hours of clinical supervision as prescribed under R4-6-212 and R4-6-404; and

- 3. For the purpose of licensure, no more than 1600 hours of indirect client services.**

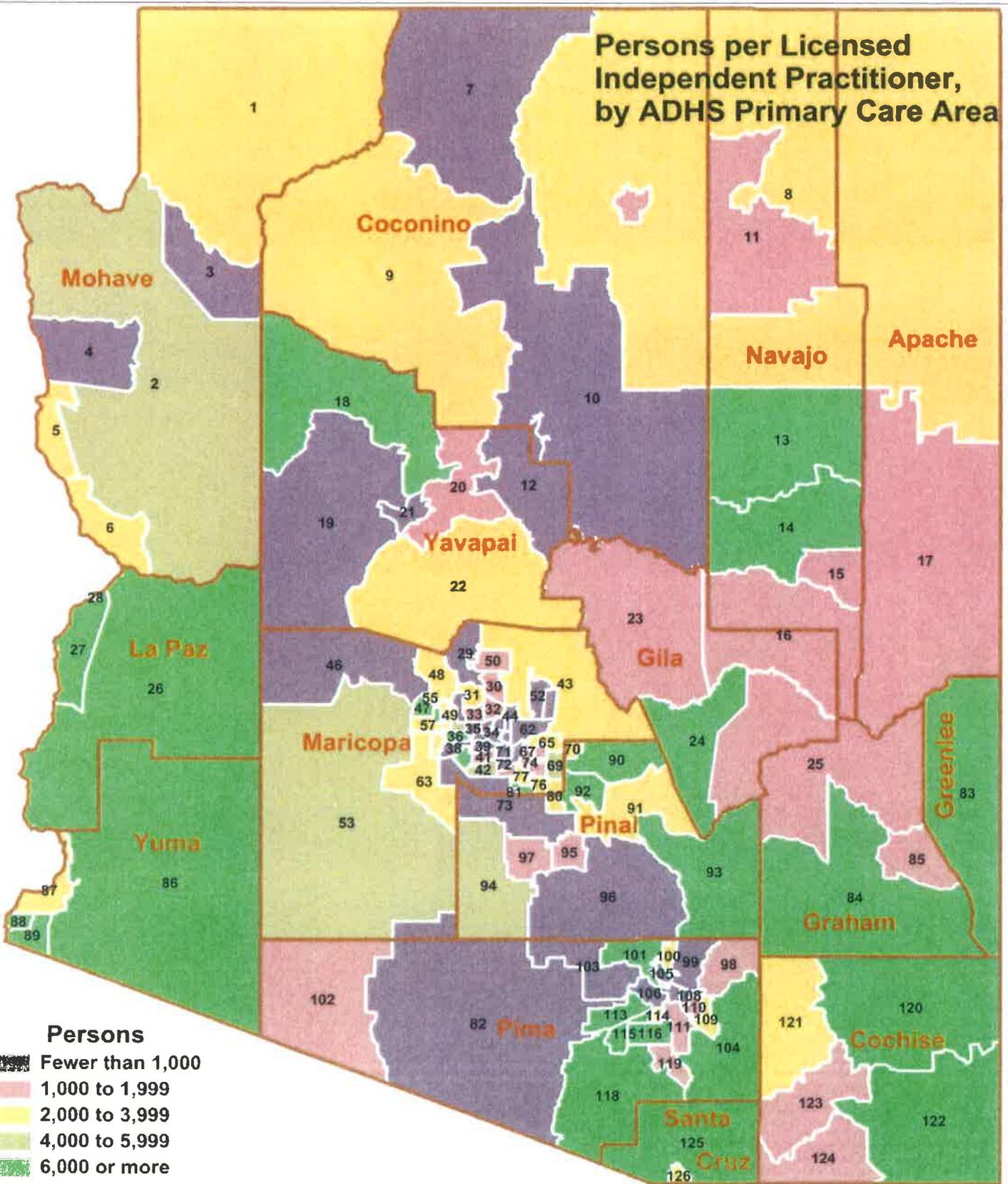
Explanation of Change

The rule, as proposed, continues the provision of the existing rule that ALL of the 3200 hours of supervised work experience “is limited to the use of psychotherapy. . .”. This language is inconsistent with the statutory language passed in 2013.

A.R.S. 32-3293 A. (b) as effective on November 1, 2015, provides for supervised work experience of at least 1,600 hours of direct client contact, not more than 1,600 hours of indirect client service and 100 hours of clinical supervision. The definition of “direct client contact” (A.R.S. 32-3251 3) includes the concept of the use of psychotherapy. But the definition of “indirect client services” found in subsection 5 of the same statute contains different elements including training, consultation and functions “in preparation for or on behalf of a client”. These are clearly distinguishable from the “treatment” requirements of psychotherapy. The general mandate that all 3200 hours of the supervise work experience be limited to psychotherapy should be removed.

The proposed changes of language found above relate to social workers but the same language should also be removed from 4-6-503 (Counselors), 4-6-603 (MFT) and 4-6-705 (Substance Abuse Counselors).

**Persons per Licensed Independent Practitioner,
by ADHS Primary Care Area**



Persons

-  Fewer than 1,000
-  1,000 to 1,999
-  2,000 to 3,999
-  4,000 to 5,999
-  6,000 or more

PCA ID	PCA NAME	LCSW	LISAC	LMFT	LPC	Total	Pop2010	Pop per LIC	SqMiles	County
1	COLORADO CITY	1	0	0	2	3	10,851	3,617	5,072	Mohave
2	KINGMAN	4	5	1	4	14	59,182	4,227	6,333	Mohave
3	HUALAPAI TRIBE	0	1	0	2	3	1,288	429	684	Mohave
4	GOLDEN VALLEY	4	6	1	4	15	10,475	698	691	Mohave
5	BULLHEAD CITY	6	9	0	4	19	62,841	3,307	288	Mohave
6	LAKE HAVASU CITY	4	10	1	8	23	55,549	2,415	400	Mohave
7	PAGE	2	5	0	6	13	9,284	714	2,827	Coconino
8	NAVAJO NATION	8	18	2	4	32	97,844	3,058	16,655	Coconino & Navajo & Apache
9	GRAND CANYON VILLAGE	1	1	0	2	4	10,091	2,523	4,934	Coconino
10	FLAGSTAFF	43	20	6	52	121	87,419	722	4,911	Coconino
11	HOPI TRIBE	1	5	0	2	8	11,581	1,448	1,810	Coconino & Navajo
12	COTTONWOOD/SEDONA	27	13	4	20	64	61,842	966	838	Yavapai & Coconino
13	WINSLOW	0	0	0	0	0	18,068	no licensees	1,771	Navajo
14	SNOWFLAKE/HEBER	2	0	0	0	2	17,559	8,780	1,245	Navajo
15	SHOW LOW	7	4	1	8	20	29,346	1,467	316	Navajo
16	WHITE MOUNTAIN APACHE TRIBE	2	3	2	1	8	12,854	1,607	1,849	Gila & Navajo
17	SPRINGERVILLE/EAGER	0	1	3	5	9	17,870	1,986	4,313	Apache
18	CHINO VALLEY	0	0	0	0	0	23,494	no licensees	1,876	Yavapai
19	WILLIAMSON	11	7	3	10	31	12,391	400	2,537	Yavapai
20	PRESCOTT VALLEY	9	6	7	17	39	55,829	1,432	638	Yavapai
21	PRESCOTT	36	20	9	45	110	48,081	437	112	Yavapai
22	BLACK CANYON CITY	0	0	1	5	6	12,546	2,091	2,173	Yavapai
23	PAYSON	7	5	1	8	21	27,157	1,293	2,107	Gila
24	GLOBE	1	2	0	0	3	19,474	6,491	845	Gila
25	SAN CARLOS APACHE TRIBE	0	6	0	3	9	10,068	1,119	2,717	Gila & Graham
26	QUARTZSITE	0	0	0	0	0	13,412	no licensees	4,128	La Paz
27	COLORADO RIVER INDIAN TRIBE	0	0	0	0	0	3,997	no licensees	388	La Paz
28	PARKER	1	5	0	6	12	3,080	257	2	La Paz
29	NORTH GATEWAY/RIO VISTA VILLAGE	5	3	2	17	27	24,664	913	174	Maricopa
30	DESERT VIEW VILLAGE	16	4	3	10	33	45,724	1,386	63	Maricopa
31	DEER VALLEY VILLAGE	21	9	2	25	57	164,922	2,893	54	Maricopa
32	PARADISE VALLEY VILLAGE	41	11	13	56	121	168,474	1,392	41	Maricopa
33	NORTH MOUNTAIN VILLAGE	36	16	4	60	116	160,602	1,385	35	Maricopa
34	CAMELBACK EAST VILLAGE	143	73	9	136	361	134,104	371	37	Maricopa
35	ALHAMBRA VILLAGE	129	65	14	137	345	128,838	373	20	Maricopa
36	MARYVALE VILLAGE	7	4	0	9	20	199,814	9,991	29	Maricopa
37	ENCANTO VILLAGE	34	9	2	31	76	55,617	732	12	Maricopa
38	ESTRELLA VILLAGE & TOLLESON	24	25	7	52	108	92,030	852	41	Maricopa
39	CENTRAL CITY VILLAGE	56	36	3	65	160	57,982	362	26	Maricopa

PCA_ID	PCA_NAME	LCSW	LISAC	LMFT	LPC	Total	Pop2010	Pop per LIC	SqMiles	County
40	LAVEEN VILLAGE	0	3	0	0	3	49,568	16,523	32	Maricopa
41	SOUTH MOUNTAIN VILLAGE & GUADALUPE	28	10	0	40	78	116,077	1,488	32	Maricopa
42	AHWATUKEE FOOTHILLS VILLAGE	3	1	0	12	16	77,344	4,834	47	Maricopa
43	SCOTTSDALE NORTH	13	6	2	14	35	71,332	2,038	1,179	Maricopa
44	SCOTTSDALE CENTRAL	51	17	14	72	154	87,126	566	32	Maricopa
45	SCOTTSDALE SOUTH	33	22	10	55	120	59,637	497	12	Maricopa
46	SURPRISE NORTH & WICKENBURG	6	18	2	33	59	23,953	406	1,115	Maricopa
47	SURPRISE SOUTH	9	2	1	6	18	109,372	6,076	40	Maricopa
48	PEORIA NORTH	12	5	1	11	29	80,006	2,759	161	Maricopa
49	PEORIA SOUTH	15	5	2	17	39	80,688	2,069	19	Maricopa
50	NEW RIVER/CAVE CREEK	2	4	1	10	17	21,867	1,286	86	Maricopa
51	ANTHEM	4	1	5	3	13	21,700	1,669	8	Maricopa
52	FOUNTAIN HILLS/RIO VERDE	12	3	2	13	30	27,605	920	74	Maricopa
53	BUCKEYE	2	4	2	8	16	73,056	4,566	4,479	Maricopa
54	FORT MCDOWELL YAVAPAI NATION	0	1	0	0	1	971	971	39	Maricopa
55	SUN CITY WEST	4	0	1	8	13	26,612	2,047	13	Maricopa
56	GLENDALE NORTH	48	28	15	64	155	121,841	786	32	Maricopa
57	GLENDALE WEST	8	1	0	9	18	39,578	2,199	53	Maricopa
58	GLENDALE CENTRAL	4	8	0	10	22	92,245	4,193	17	Maricopa
59	SUN CITY	6	3	4	5	18	42,803	2,378	16	Maricopa
60	EL MIRAGE & YOUNGTOWN	0	0	0	1	1	38,089	38,089	13	Maricopa
61	PARADISE VALLEY	5	3	1	10	19	13,254	698	16	Maricopa
62	SALT RIVER PIMA-MARICOPA INDIAN COMMUNITY	7	5	3	21	36	6,293	175	84	Maricopa
63	GOODYEAR & LITCHFIELD PARK	8	2	4	13	27	76,539	2,835	377	Maricopa
64	AVONDALE	10	6	6	13	35	81,165	2,319	29	Maricopa
65	MESA NORTH	6	6	4	25	41	98,967	2,414	54	Maricopa
66	MESA WEST	56	38	9	62	165	124,245	753	24	Maricopa
67	MESA CENTRAL	15	8	2	25	50	87,025	1,741	14	Maricopa
68	MESA EAST	19	15	4	25	63	74,192	1,178	19	Maricopa
69	MESA GATEWAY	5	4	2	7	18	96,443	5,358	56	Maricopa
70	APACHE JUNCTION	6	5	1	10	22	45,920	2,087	33	Maricopa & Pinal
71	TEMPE NORTH	71	39	8	100	218	107,096	491	25	Maricopa
72	TEMPE SOUTH	27	13	8	45	93	53,371	574	16	Maricopa
73	GILA RIVER INDIAN COMMUNITY	25	29	2	17	73	11,765	161	587	Maricopa & Pinal
74	GILBERT NORTH	22	9	4	33	68	74,829	1,100	18	Maricopa
75	GILBERT CENTRAL	16	3	4	26	49	83,510	1,704	27	Maricopa
76	GILBERT SOUTH	15	1	1	3	20	55,307	2,765	30	Maricopa
77	CHANDLER CENTRAL	11	10	2	25	48	108,990	2,271	29	Maricopa
78	CHANDLER NORTH	17	8	7	27	59	79,580	1,349	20	Maricopa

PCA ID	PCA NAME	LCSW	LISAC	LMFT	LPC	Total	Pop2010	Pop per LIC	SqMiles	County
79	CHANDLER SOUTH	2	1	0	4	7	52,708	7,530	21	Maricopa
80	QUEEN CREEK	3	2	0	7	12	32,431	2,703	61	Maricopa & Pinal
81	SUN LAKES	4	2	1	8	15	13,235	882	5	Maricopa
82	TOHONO O'ODHAM NATION	2	8	1	1	12	7,325	610	3,923	Maricopa & Pima
83	MORENCI	0	0	0	0	0	8,437	no licensees	1,851	Greenlee
84	THATCHER	0	2	0	0	2	19,173	9,587	2,580	Graham
85	SAFFORD	1	0	1	5	7	13,267	1,895	366	Graham
86	FORTUNA FOOTHILLS	0	0	0	1	1	33,528	33,528	5,162	Yuma
87	YUMA	19	15	1	14	49	112,653	2,299	192	Yuma
88	SOMERTON	0	0	0	0	0	15,965	no licensees	43	Yuma
89	SAN LUIS	0	2	0	1	3	33,605	11,202	126	Yuma
90	GOLD CANYON	0	0	0	2	2	14,198	7,099	354	Pinal
91	FLORENCE	1	4	0	8	13	37,531	2,887	585	Pinal
92	SAN TAN VALLEY	1	0	0	1	2	85,763	42,882	152	Pinal
93	SADDLEBROOKE	2	1	0	0	3	20,418	6,806	1,230	Pinal
94	MARICOPA	3	2	0	7	12	53,081	4,423	814	Pinal
95	COOLIDGE	3	3	1	5	12	16,225	1,352	121	Pinal
96	ELOY	12	18	1	15	46	36,713	798	1,418	Pinal
97	CASA GRANDE	6	24	3	15	48	57,701	1,202	200	Pinal
98	TANQUE VERDE	3	5	0	5	13	16,641	1,280	285	Pima
99	CATALINA FOOTHILLS	26	8	8	36	78	60,106	771	176	Pima
100	ORO VALLEY	10	3	0	8	21	43,925	2,092	48	Pima
101	MARANA	0	0	0	0	0	52,641	no licensees	189	Pima
102	AJO	0	0	1	1	2	3,523	1,762	1,535	Pima
103	PICTURE ROCKS	7	7	0	11	25	10,490	420	402	Pima
104	VAIL	0	0	1	1	2	18,646	9,323	827	Pima
105	CASAS ADOBES	34	23	5	55	117	66,729	570	28	Pima
106	TUCSON WEST	17	13	2	22	54	38,066	705	76	Pima
107	TUCSON CENTRAL	91	55	6	91	243	125,542	517	28	Pima
108	TUCSON FOOTHILLS	104	33	11	105	253	95,730	378	24	Pima
109	TUCSON SOUTH EAST	7	3	2	6	18	50,122	2,785	64	Pima
110	TUCSON EAST	18	12	5	19	54	93,251	1,727	38	Pima
111	TUCSON SOUTH	88	33	3	38	162	165,301	1,020	114	Pima
112	FLOWING WELLS	12	12	5	20	49	17,391	355	4	Pima
113	TUCSON ESTATES	1	1	0	0	2	14,542	7,271	145	Pima
114	DREXEL HEIGHTS	4	4	0	2	10	26,306	2,631	16	Pima
115	VALENCIA WEST	0	0	0	1	1	16,659	16,659	82	Pima
116	SAN XAVIER	0	0	0	0	0	1,885	no licensees	112	Pima
117	PASCUA YAQUI TRIBE	5	15	0	9	29	3,484	120	2	Pima

PCA_ID	PCA_NAME	LCSW	LISAC	LMFT	LPC	Total	Pop2010	Pop per LIC	SqMiles	County
118	GREEN VALLEY	1	0	0	0	1	24,774	24,774	1,115	Pima
119	SAHUARITA	8	2	0	11	21	27,335	1,302	103	Pima
120	WILLCOX & BOWIE	0	0	1	0	1	12,440	12,440	2,051	Cochise
121	BENSON	1	1	0	3	5	12,520	2,504	923	Cochise
122	DOUGLAS & PIRTLEVILLE	0	2	0	1	3	25,423	8,474	1,914	Cochise
123	SIERRA VISTA	16	3	1	16	36	58,208	1,617	719	Cochise
124	BISBEE	8	2	1	8	19	22,755	1,198	617	Cochise
125	RIO RICO	1	2	0	0	3	25,378	8,459	1,201	Santa Cruz
126	NOGALES	0	4	0	2	6	22,042	3,674	37	Santa Cruz
	Arizona Total:	1,811	1,080	296	2,259	5,446	6,392,017		114,028	



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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DATE: December 8, 2015
TO: Representative Justin Olson, Chairman
Members, Joint Legislative Budget Committee
THRU: Richard Stavneak, Director *RS*
FROM: Matt Gress, Senior Fiscal Analyst *MG*
Micaela Larkin, Senior Fiscal Analyst *ML*
Matt Beienburg, Fiscal Analyst *MB*
SUBJECT: Arizona Board of Regents - Review of FY 2016 Tuition Revenues

Request

Pursuant to a FY 2016 General Appropriation Act footnote, the Arizona Board of Regents (ABOR) requests Committee review of its expenditure plan for tuition revenue amounts greater than the amounts appropriated by the Legislature, and all non-appropriated tuition and fee revenue expenditures for the current fiscal year.

Recommendation

The Committee has at least the following 2 options:

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

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

- A. By January 31, 2016, ABOR shall report the major changes by campus between its total combined General Fund and Tuition and Fees budget in FY 2015 and FY 2016. Given the current format of this report, it is difficult to determine the campuses' main changes in overall FY 2016 spending. While this report delineates the tuition changes by campus, it would be useful to know how the FY 2016 General Fund reductions interact with the tuition increases.

Total FY 2016 tuition and fee collections are projected to be \$2.13 billion, or \$287.7 million higher than FY 2015. Of the \$2.13 billion, \$1.18 billion is appropriated while \$948.3 million is non-appropriated. Statute

(Continued)

allows the universities to retain a portion of tuition collections for expenditures, as approved by ABOR pursuant to A.R.S. § 15-1626A. These “locally” retained tuition monies are considered non-appropriated. Any remaining tuition collections are part of the appropriated budget. While Financial Aid and Debt Service are primarily non-appropriated, general operating expenses appear in both appropriated and non-appropriated budgets.

In the FY 2016 Baseline, the JLBC Staff recommended that the Legislature consider appropriating all or none of tuition in order to make tuition collections more transparent. This change was not included in the FY 2016 budget, but could be considered again in discussions on the FY 2017 budget. If the Legislature decides to continue the existing split between appropriated and locally retain tuition collections, the JLBC Staff recommends that all tuition collections, regardless of appropriation status, be self-contained in its own fund rather than comingled with monies from other sources (e.g., unrestricted gifts or grants) as is done currently. The JLBC Staff will continue to work with ABOR and the Governor’s Office of Strategic Planning and Budgeting to determine the technical issues associated with changing the current tuition appropriation structure.

Analysis

Table 1 shows ABOR changes to resident and non-resident undergraduate tuition for FY 2016.

	<u>Resident Undergraduate</u>		<u>Resident Graduate</u>		<u>Non-Resident Undergraduate</u>		<u>Non-Resident Graduate</u>	
	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>
ASU	\$10,478 ^{2/}	3.2%	\$11,604	2.8%	\$25,458 ^{3/}	3.9%	\$27,760	3.9%
NAU	\$10,358	3.7%	\$9,606	4.8%	\$23,348	3.7%	\$21,244	4.9%
UA	\$11,403	4.1%	\$12,048	2.8%	\$32,630	10.9%	\$30,370	5.8%

^{1/} Reflects tuition rates for new students at NAU and UA and all classes at ASU. NAU and UA provide a guaranteed tuition rate for each incoming class whereas ASU does not.
^{2/} ASU resident undergraduate tuition rate did not change; however a \$320 one-year temporary fee was assessed on this student population.
^{3/} ABOR approved a rate of \$26,584 for international undergraduate students at ASU.

Table 2 displays FY 2015 and FY 2016 General Fund and tuition/fee monies for the Arizona University System. Higher tuition and fees, along with enrollment growth, are estimated to generate a total collection of \$2.13 billion in tuition/fee monies, which represents a \$287.7 million increase compared to FY 2015. The tuition increases offset a \$(107.6) million reduction in General Fund support. That reduction included \$(99.0) million for operational reductions across the university system, \$(6.1) million for statewide health adjustments, and \$(2.5) million for savings from research infrastructure refinancing.

In total, General Fund and tuition/fee resources will increase by \$180.1 million, or 7.0%, from \$2.59 billion in FY 2015 to \$2.77 billion in FY 2016 after the tuition/fee increase. During that same time period, overall fall semester student enrollment grew by 7.7%, from 146,930 in fall 2014 to 158,194 in fall 2015.

	<u>FY 2015</u>	<u>FY 2016 After Tuition Increase</u>	<u>\$ Change</u>	<u>% Change</u>
Appropriations				
General Fund	\$ 746.5	\$ 638.9	\$(107.6)	(14.4)%
Tuition/Fees				
Appropriated	1,065.2	1,181.7	116.5	11.0%
Non-Appropriated	777.1	948.3	171.2	22.0%
Subtotal Tuition/Fees	<u>\$1,842.3</u>	<u>\$2,130.0</u>	<u>\$ 287.7</u>	<u>15.6%</u>
Total	\$2,588.8	\$2,768.9	\$ 180.1	7.0%
ASU	1,353.2	1,470.3	117.1	8.7%
NAU	349.0	359.5	10.5	3.0%
UA	886.6	939.1	52.5	5.9%

Appropriated Tuition

Table 3 shows the increase of \$118.2 million in additional FY 2016 appropriated tuition by campus. Arizona State University (ASU) accounts for \$44.6 million of the increase; Northern Arizona University (NAU), \$12.4 million; and University of Arizona (UA) accounts for \$61.1 million.

<u>Campus</u>	<u>FY 2016 Budgeted Appropriation</u>	<u>Additional Tuition^{1/}</u>	<u>FY 2016 After Tuition Increase^{1/}</u>
ASU-Tempe/DPC	\$ 516,159,000	\$ 35,061,900	\$ 551,220,900
ASU-East	29,466,500	6,256,400	35,722,900
ASU-West	40,917,600	3,323,800	44,241,400
ASU Subtotal	<u>\$ 586,543,100</u>	<u>\$44,642,100</u>	<u>\$ 631,185,200</u>
NAU	132,857,500	12,429,100	145,286,600
UA-Main	300,783,000	60,366,600	361,149,600
UA-Health Sciences Center	43,315,600	738,200	44,053,800
UA Subtotal	<u>344,098,600</u>	<u>\$ 61,104,800</u>	<u>\$ 405,203,400</u>
Total	\$1,063,499,200	\$118,176,000	\$1,181,675,200

^{1/} The amounts exclude revenues unrelated to tuition/fees.

The universities reported the following plans for the incremental \$118.2 million:

- ASU plans to use its \$44.6 million increase for funding investments in attracting and retaining faculty and staff, more faculty and student services to address enrollment growth, benefit and health insurance costs, and institutional support for instructional and infrastructure expenses.
- NAU will primarily spend its \$12.4 million increase on instructional support, although \$3.0 million has been allocated for attracting and retaining faculty and staff, and \$1.0 million has been allocated for research.
- UA plans to spend \$21.1 million of the \$61.1 million increase for recruitment, retention, and support of faculty/staff, \$16.3 million for academic expenses (e.g., class instructors and academic support services) associated with higher student enrollment, and \$6.0 million for building renewal. Additionally, \$5.9 million will be set aside as reserve funding for the UA's Tuition Guarantee program. The remaining \$11.8 million be used for other academic, institutional, and facility uses.

Table 4 provides information on the uses of additional appropriated tuition revenues by university.

Table 4		<u>\$ in Millions</u>
Appropriated Tuition/Fee Revenues Use of Additional Funds by University		
ASU	Faculty Hiring and Academic Support	\$ 11.8
	Enrollment Growth (more faculty, student services)	10.0
	Unfunded Base Benefit Costs	7.5
	Information Technology Infrastructure and Other Investments	6.0
	Investments in Programs Supported by Student Fees	5.9
	Offset General Fund Reduction for Health Insurance Costs	3.4
	ASU Subtotal	<u>\$ 44.6</u>
NAU	Online Education/Technology Infrastructure Investments	\$ 3.0
	Faculty and Staff Recruitment and Retention	3.0
	Undergraduate Enrollment Growth and Course Support	2.9
	Allied Health Care Programs Continuation and Expansion	2.5
	Research Enterprise Investment	1.0
	NAU Subtotal	<u>\$ 12.4</u>
UA	Faculty and Staff Investment	\$ 21.1
	Enrollment Growth Related Expenditures	16.3
	Building Renewal	6.0
	Tuition Guarantee Commitment Reserve	5.9
	Institutional and Facility Operational Costs	5.5
	Student Engagement & Recruitment	3.4
	Online Instruction	2.0
	College of Medicine	0.9
	UA Subtotal	<u>\$ 61.1</u>
	Total	\$118.2^{1/}

^{1/} The subtotals do not add due to rounding.

Non-Appropriated Tuition

While the General Appropriation Act requires Committee review of the increase in appropriated tuition, the legislation also requires review of total non-appropriated tuition spending.

Non-appropriated locally retained tuition and fees for FY 2016 are estimated at \$948.3 million, \$171.2 million higher than FY 2015. *Table 5* shows that of the \$171.2 million increase in non-appropriated tuition and fees, ASU accounts for \$132.4 million; NAU, \$15.5 million; and UA, \$23.3 million. Of the \$948.3 million amount, about \$546.3 million will be spent on financial aid, \$278.3 million on operating budgets, \$97.8 million on debt service, and \$25.8 million on plant funds.

(Continued)

Table 5
Change in FY 2016 Non-Appropriated Tuition/Fees After Tuition Increase Compared to FY 2015 Non-Appropriated Tuition/Fees by Campus

<u>Campus</u>	<u>FY 2015 Non-Appropriated</u>	<u>Additional Tuition</u>	<u>FY 2016 After Tuition Increase</u>
ASU-Tempe/DPC	\$356,195,300	\$115,729,800	\$471,925,100
ASU-East	30,407,200	7,561,500	37,968,700
ASU-West	29,966,800	9,123,900	39,090,700
ASU Subtotal	<u>\$416,569,300</u>	<u>\$132,415,200</u>	<u>\$548,984,500</u>
NAU	97,816,700	15,460,700	113,277,400
UA-Main	259,014,900	22,853,500	281,868,400
UA-Health Sciences Center	3,665,500	464,300	4,129,800
UA Subtotal	<u>\$262,680,400</u>	<u>\$23,317,800</u>	<u>\$285,998,200</u>
Total	<u>\$777,066,400</u>	<u>\$171,193,700</u>	<u>\$948,260,100</u>

Table 6 details the broad uses of the additional non-appropriated tuition revenues by university.

Table 6
**Non-Appropriated Tuition/Fee Revenues
 Use of Additional Funds by University**

		<u>\$ in Millions</u>
ASU	Local Support for Operating Expenses	\$ 80.1
	Financial Aid	43.0
	Plant Fund	3.0
	Debt Service	6.3
	ASU Subtotal	<u>\$132.4</u>
NAU	Local Support for Operating Expenses	\$ 1.0
	Student Recreation and Intramurals	(0.4)
	Financial Aid	18.2
	Plant Fund	(1.4)
	Debt Service	(2.0)
NAU Subtotal	<u>\$ 15.4</u>	
UA	Local Support of Operating Expenses	\$ 4.8
	Financial Aid	20.7
	Plant Fund	(1.3)
	Debt Service	(0.8)
UA Subtotal	<u>\$ 23.3</u>	
Total	<u>\$171.2</u> ^{1/}	

^{1/} Numbers do not add due to rounding.

RS/MG/ML/MB:kp



June 30, 2015

The Honorable Justin Olson, Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Olson:

A footnote included in the General Appropriations Act requires that the Arizona Board of Regents report to the Joint Legislative Budget Committee projected fiscal year 2016 tuition revenue amounts which differ from the fiscal year 2016 appropriation and the amount of projected tuition and fee revenues to be retained locally by the universities.

Enclosed is the summary report of projected tuition revenues that support the fiscal year 2016 state operating budget as approved by the Board at its June, 2015 meeting. The approved projection is \$118.2 million in tuition and fees revenues above the appropriation. The difference can be attributed to a combination of increased projected student enrollments and the tuition and fee rate increases approved by the Board of Regents in May, 2015.

The total base tuition and mandatory fee revenue estimate for fiscal year 2016 presented in this report is \$2.1 billion. These revenues are allocated between state appropriated funds and the universities' local funds as shown on the attached schedules.

Given the growing importance of tuition to university operating budgets, the Board has taken several steps to increase tuition setting transparency and to ensure accountability from our universities in the use of those proceeds. Tuition and fee setting decisions are made after a deliberative process that considers each university's operational and financial status, their strategic goals, the amount of state support provided to the university system, the availability of student financial aid, the median of tuition and mandatory fees charged by the university's peers, other student fees and charges established by the university, the cost of university attendance, revenues required to service bonded indebtedness, Arizona's median family income levels, as well as evidence of student consultation.

The Board has required each university to establish and maintain a mission-differentiated strategic academic and business plan that ties to a set of goals and outcomes established for Arizona's public university system and our state.. Tuition is analyzed in context with these plans to ensure that the universities have the resources they need while maintaining student access and advancing educational obtainment. The Board has also strengthened

REGENTS

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Eileen F. Klein, *Board President* • Michael M. Crow, *ASU President* • Rita Cheng, *NAU President* • Ann Weaver Hart, *UA President*

the tuition and fee setting process by conducting a public tuition work session to allow the Board to engage in in-depth discussions of proposed tuition and fee changes, increase student involvement and determine what additional academic enhancements will be created that cannot otherwise be generated absent additional revenues.

To improve the predictability of tuition costs, each university also now has a version of a "tuition guarantee" plan that provides a more stable framework for students and families planning for higher education:

- The University of Arizona's *Guaranteed Tuition Plan* allows students eight consecutive semesters at the same tuition rate, and starting this fall extended the guarantee to include mandatory fees and some master degree programs. This not only gives incoming students and families fiscal predictability -- but it also encourages faster graduation rates, saving families money in the long run.
- Arizona State University, for the second year in a row has not increased resident undergraduate tuition for the 2015-16 academic year, and has committed to keep tuition increases between zero and 3 percent per year for the next decade.
- Northern Arizona University's *Pledge Program*, now in its seventh year, continues to provide assurances for students and families on tuition predictability. NAU has established many options with traditional campus settings, online, hybrid courses, branch campuses and the personalized learning program, further increasing access and an affordable education.

Finally, we would be remiss if we did not comment directly on the important connection between the price of tuition and the level of state support. State support of our public universities is presently at a lower point than during the Great Recession, despite greater-than-ever economic need for a highly educated workforce. While our universities have responded by diversifying their revenues sources to mitigate the impacts on tuition, securing a sufficient level of funding support for Arizonans who seek a college education has taken on an urgent imperative. We are buoyed by Governor Ducey's call to us to develop a refreshed strategic plan to meet the future needs of the state, including our funding model.

While we recognize that the state will likely remain a limited investor in years to come, we look forward to working with you as we seek to better define the funding relationship between the state and the public universities so that we can meet the needs of students and uphold the constitutional tenets to which we are mutually bound.

Sincerely,



Eileen I. Klein
President

xc: **Richard Stavneak, Director, JLBC**
Lorenzo Romero, Director, OSPB

**ARIZONA UNIVERSITY SYSTEM
TUITION AND FEES IN SUPPORT OF THE
2015-16 STATE OPERATING BUDGET**

	STATE COLLECTIONS		
	AS REPORTED IN THE 2015-16 ANNUAL OPERATING BUDGET APPROVED ABY ABOR	2015-16 APPROPRIATIONS REPORT - UNIVERSITY COLLECTIONS FUND	CHANGE
Arizona State University Tempe/DT	551,220,900	516,159,000	35,061,900
Arizona State University Polytechnic	35,722,900	29,466,500	6,256,400
Arizona State University West	44,241,400	40,917,600	3,323,800
TOTAL ASU	631,185,200	586,543,100	44,642,100
Northern Arizona University	145,286,600	132,857,500	12,429,100
University of Arizona	361,149,600	300,783,000	60,366,600
University of Arizona Health Sciences Center	44,053,800	43,315,600	738,200
TOTAL UA	405,203,400	344,098,600	61,104,800
TOTAL	1,181,675,200	1,063,499,200	118,176,000

Total State Collections (1)	1,181,675,200
Total Local Collections (tuition & program fee revenue locally retained)	948,260,100

(1) Includes misc. revenues such as federal agriculture payments, a portion of summer session, land grant fund monies, and other misc. revenues.

ARIZONA STATE UNIVERSITY

FY 2016 PLANNED USES OF ESTIMATED STATE COLLECTIONS AND LOCALLY RETAINED TUITION AND FEE REVENUES

INITIAL ALL FUNDS BUDGET (ANNUAL OPERATING BUDGET) vs. APPROPRIATIONS REPORT

	STATE COLLECTIONS	LOCAL COLLECTIONS
Base Collections As Reported in the Annual Operating Budget Report	631,185,200	548,984,500
Collections As Reported in the FY 2016 Appropriations Report	<u>586,543,100</u>	<u>548,984,500</u>
Base Collections Increase/(Decrease) from FY 2016 Appropriations Report	44,642,100	548,984,500
 ALLOCATIONS BY PROGRAM		
All Programs		
Offset General Fund Reduction for Health Insurance Costs Adjustment	3,402,200	
Unfunded Base Benefit Costs	7,472,500	
Instruction		
Investments in Programs Supported by Fees	5,896,100	
Investments in Faculty Hiring and Academic Support	11,811,400	33,469,600
Online Programs, ASU		127,096,400
Overseas Study Abroad Program Costs		2,482,800
Local Account Operating Support		9,764,600
Organized Research		
Public Service		
Local Account Operating Support		346,800
Academic Support		
Enrollment Growth - Related Expenses	10,034,400	
Information Technology Infrastructure and Other Investments	6,025,500	
Local Account Operating Support		822,000
Student Services		
Local Account Operating Support		6,237,900
Institutional Support		
Local Account Operating Support		698,400
Scholarships/Fellowships/Financial Aid		
Financial Aid		290,890,700
Auxiliary Enterprises		
Auxiliary Operating Support		1,956,300
Debt Service		
Debt Service Payments		55,219,000
Plant Funds		
Minor Capital Projects		20,000,000
	<u>44,642,100</u>	<u>548,984,500</u>

LOCALLY RETAINED COLLECTIONS

ARIZONA STATE UNIVERSITY - TEMPE/DOWNTOWN CAMPUS

		BUDGET 2014-15	INCREASE/ (DECREASE)	BUDGET 2015-16
D E S I G N A T E D	Academic Units	248,500	27,700	276,200
	American English and Cultural Program - ITA	87,500	0	87,500
	Associated Students - ASASU	859,100	0	859,100
	Child & Family Services	62,700	0	62,700
	Constituent Advocacy	124,500	0	124,500
	Distance Learning Technology	970,200	0	970,200
	EdPlus at ASU Investments	0	4,673,400	4,673,400
	Education Learning and Accountability Fund	357,100	20,200	377,300
	Environmental Health & Safety	182,200	0	182,200
	Federal Direct Loan Administration	144,000	0	144,000
	Fine Arts Activities	307,900	0	307,900
	Fine Arts Theatres	605,900	0	605,900
	Forensics	106,100	0	106,100
	Graduate Support Program	371,800	0	371,800
	Interpreters Theatre	35,700	0	35,700
	Intercampus Shuttle Services	138,000	0	138,000
	KASR Radio	22,000	0	22,000
	Library Support	312,000	0	312,000
	Local Support for Academic/Administrative Units	20,770,800	12,698,800	33,469,600
	Mona Plummer Aquatic Center	141,900	0	141,900
	Online Programming	48,316,400	48,978,800	97,295,200
	Overseas Study Abroad Program	2,100,400	0	2,100,400
	Special Events	176,800	0	176,800
	Student Affairs Initiatives	228,800	0	228,800
	Student Financial Assistance Administration	351,000	0	351,000
	Student Recreation/Intramurals	1,191,000	0	1,191,000
	Summer Bridge Program	335,200	0	335,200
	Teaching Assistant Tuition Benefit	16,575,200	2,934,000	19,509,200
	University Minority Culture Program	113,800	0	113,800
	Sustainability Zero Waste Initiative	83,000	0	83,000
Employee Benefit Adjustments/Contingencies	166,000	0	166,000	
Subtotal Designated	95,485,500	69,332,900	164,818,400	
A U X I L I A R Y	Memorial Union	1,129,200	0	1,129,200
	Recreational Sports	827,100	0	827,100
	Subtotal Auxiliary	1,956,300	0	1,956,300
	Total Operating Funds	97,441,800	69,332,900	166,774,700
F I N A I D	Regents Financial Aid Set-Aside	88,223,900	14,174,800	102,398,700
	Other F.A.- Institutional FA	93,635,300	22,333,700	115,969,000
	Other Financial Aid - CRESMET/CONACY/NEEP	308,200	0	308,200
	CONACYT Fellowship Program	122,500	0	122,500
	Other F.A.- Graduate Scholars Program	507,600	0	507,600
	Other F.A.- School of Engineering Program	1,760,000	0	1,760,000
	Graduate Fellowship Program	1,522,700	0	1,522,700
	Student Technology Fee FA Set-Aside	1,462,000	47,000	1,509,000
	College of Business FA Set-Aside	1,366,700	(10,300)	1,356,400
	School of Engineering FA Set-Aside	1,009,500	392,400	1,401,900
	Health Solutions FA Set-Aside	802,200	21,800	824,000
	Walter Cronkite School of Journalism FA Set-Aside	117,300	32,300	149,600
	College of Law FA Set-Aside	1,368,700	12,600	1,381,300
	College of Liberal Arts FA Set-Aside	974,200	7,700	981,900
	College of Nursing FA Set-Aside	698,800	39,800	738,600
	Subtotal Financial Aid	193,879,600	37,051,800	230,931,400
		Plant Fund - Minor Capital Projects	16,000,000	3,000,000
	Debt Service	48,873,900	6,345,100	55,219,000
	TOTAL LOCAL RETENTION	356,195,300	115,729,800	471,925,100

2015-16
LOCALLY RETAINED COLLECTIONS

ARIZONA STATE UNIVERSITY - POLYTECHNIC CAMPUS

		BUDGET 2014-15	INCREASE/ (DECREASE)	BUDGET 2015-16
D E S I G N A T E D	AECP - International Teaching Assistants	8,000	0	8,000
	Associated Students - ASU	78,200	0	78,200
	Career Services	48,900	0	48,900
	Child & Family Services	5,700	0	5,700
	Constituent Advocacy	11,000	0	11,000
	Dining Services Management	38,000	0	38,000
	Distance Learning Technology	88,300	0	88,300
	EdPlus at ASU Investments	0	857,800	857,800
	Education Learning and Accountability Fund	29,000	1,600	30,600
	Environmental Health & Safety	16,100	0	16,100
	Federal Direct Loan Administration	13,100	0	13,100
	Graduate Support Program	16,200	0	16,200
	Intercampus Shuttle Services	36,000	0	36,000
	Learning Communities	6,500	0	6,500
	Library Support	28,400	0	28,400
	Online Programming	12,408,700	3,522,700	15,931,400
	Overseas Study Abroad Program	170,600	0	170,600
	Student Affairs Initiatives	20,800	0	20,800
	Student Counseling	5,000	0	5,000
	Student Financial Assistance Administration	31,900	0	31,900
	Student Health Services	225,000	0	225,000
	Student Organizations	21,000	0	21,000
	Student Orientation and Forums	10,600	0	10,600
	Student Recreation/Intramurals	1,050,800	0	1,050,800
	Student Union/Activities	558,700	0	558,700
	Teaching Assistant Tuition Benefit	270,700	19,100	289,800
	University Minority Cultural Program	5,300	0	5,300
	Sustainability Zero Waste Initiative	7,300	0	7,300
Employee Benefit Adjustments/Contingencies	14,600	0	14,600	
	Subtotal Designated	15,224,400	4,401,200	19,625,600
A U X I L I A R				
	Subtotal Auxiliary	0	0	0
	Total Operating Funds	15,224,400	4,401,200	19,625,600
F I N A I D	Regents Financial Aid Set-Aside	7,550,900	1,459,700	9,010,600
	Other F.A.- Institutional FA	7,509,700	1,700,600	9,210,300
	Other Financial Aid - CRESMET/CONACY/NEEP	28,000	0	28,000
	CONACYT Fellowship Program	5,400	0	5,400
	Other F.A.- Graduate Scholars Program	22,200	0	22,200
	Graduate Fellowship Program	66,600	0	66,600
	Subtotal Financial Aid	15,182,800	3,160,300	18,343,100
	Plant Fund			
	Debt Service			
	TOTAL LOCAL RETENTION	30,407,200	7,561,500	37,968,700

2015-16
LOCALLY RETAINED COLLECTIONS

ARIZONA STATE UNIVERSITY - WEST CAMPUS

		BUDGET 2014-15	INCREASE/ (DECREASE)	BUDGET 2015-16
D E S I G N A T E D	Academic Affairs	5,200	0	5,200
	AECP - International Teaching Assistants	10,000	0	10,000
	Associated Students - ASU	98,300	0	98,300
	ASU West Commencement	15,000	0	15,000
	ASUW Fine Arts Program	60,000	0	60,000
	Campus Environment Team	4,800	0	4,800
	Child and Family Services	7,200	0	7,200
	Constituent Advocacy	14,500	0	14,500
	Distance Learning Technology	111,000	0	111,000
	EdPlus at ASU Investments	0	746,800	746,800
	Education Learning and Accountability Fund	36,000	2,000	38,000
	Environmental Health & Safety	21,300	0	21,300
	Federal Direct Loan Administration	16,500	0	16,500
	Graduate Support Program	51,400	0	51,400
	Honors College	3,000	0	3,000
	Library Support	35,700	0	35,700
	Online Programming	8,280,500	5,589,300	13,869,800
	Overseas Study Abroad Program	211,800	0	211,800
	Special Events	20,000	0	20,000
	Student Affairs Initiative	26,200	0	26,200
	Student Financial Assistance Administration	40,100	0	40,100
	Student Recreation/Intramurals	765,700	0	765,700
	University Minority Cultural Program	7,100	0	7,100
	University Recycling Program	9,700	0	9,700
	Student Forum/Government	65,000	0	65,000
	Teaching Assistant Tuition Benefit	562,000	1,000	563,000
Employee Benefit Adjustments/Contingencies	19,400	0	19,400	
	Subtotal Designated	10,497,400	6,339,100	16,836,500
A U X I L I A R Y		0	0	0
	Subtotal Auxillary	0	0	0
	Total Operating Funds	10,497,400	6,339,100	16,836,500
F I N A I D	Regents Financial Aid Set-Aside	8,785,100	1,210,900	9,996,000
	Other F.A.- Institutional FA	9,251,200	1,573,900	10,825,100
	Other F.A. - CRESMET/CONACYT/NEEP	35,200	0	35,200
	Other FA - Teach for America	100,000	0	100,000
	Other F.A. - Graduate Scholars Program	70,200	0	70,200
	CONACYT Fellowship Program	17,000	0	17,000
	Graduate Fellowship Program	210,700	0	210,700
	Subtotal Financial Aid	18,469,400	2,784,800	21,254,200
	Plant Fund	1,000,000	0	1,000,000
	Debt Service/Lease Purchase	0	0	0
	TOTAL LOCAL RETENTION	29,966,800	9,123,900	39,090,700

NORTHERN ARIZONA UNIVERSITY
 FY16 PLANNED USES OF ESTIMATED STATE COLLECTIONS AND LOCALLY RETAINED TUITION AND FEE REVENUES
 INITIAL ALL FUNDS BUDGET vs. APPROPRIATIONS REPORT

	<u>STATE COLLECTIONS</u>	<u>TOTAL LOCAL RETAINED COLLECTIONS</u>
As Reported in the FY16 Operating Budget	145,286,600	113,277,400
As Reported in the FY16 JLBC Appropriations Report	132,857,500	
Base Collections Increase/(Decrease) from FY16 Appropriations Report	12,429,100	113,277,400
 STATE COLLECTIONS INCREASE ALLOCATION BY PROGRAM		
Instruction		
Undergraduate Enrollment Growth and Course Support	2,929,100	
Allied Health Care Programs Continuation and Expansion	2,500,000	
Online Education / Technology Infrastructure Investments	3,000,000	
Research		
Research Enterprise Investment	1,000,000	
All Programs		
Faculty and Staff Recruitment, Retention and Benefits	3,000,000	
 LOCAL RETAINED COLLECTIONS		
Local Funds Student Operating Support		11,412,200
Scholarships/Fellowships/Financial Aid		86,417,500
Plant Funds		1,000,000
Debt Service Payments		14,447,700
	12,429,100	113,277,400

2015-16
LOCALLY RETAINED COLLECTIONS

NORTHERN ARIZONA UNIVERSITY

		BUDGET 2014-15	INCREASE/ (DECREASE)	BUDGET 2015-16	
D E S I G N A T E D	ADA Services	450,000	240,000	690,000	
	Art Gallery	10,900	0	10,900	
	Child Care	43,900	0	43,900	
	Employee Benefit Adjustments/Contingencies	100,000	0	100,000	
	Financial Aid Office Operations	337,300	0	337,300	
	Graduate Assistant Tuition Remission	2,300,000	0	2,300,000	
	Honors Forum	11,200	(2,500)	8,700	
	NAU-Yuma	19,900	0	19,900	
	Operations	500,800	0	500,800	
	Peer Mentoring and Retention Program	683,000	(65,700)	617,300	
	Performing Arts Series	39,900	(8,000)	31,900	
	Performing Arts - Music	58,900	0	58,900	
	Registrar Office	127,400	(4,400)	123,000	
	School of Comm Student Radio, Cable & Forensics	30,200	(3,000)	27,200	
	Special Events	28,300	(2,800)	25,500	
	Extended Campus Enrollment Expansion	3,073,500	845,900	3,919,400	
	Student Activities	285,100	(50,000)	235,100	
	SUN (Student Union Network)	65,800	(10,000)	55,800	
	Program Fee - MAdm	0	0	0	
	Program Fee - MBA	0	0	0	
	Program Fee - MEng	0	0	0	
	Program Fee - MSN	0	0	0	
	Program Fee - Occupational Therapy (OT)	45,000	0	45,000	
	Program Fee - Physicians Assistant (PA)	45,000	0	45,000	
	Program Fee - Doctor of Physical Therapy (DPT)	360,100	98,400	458,500	
	Program Fee - Bachelor BA	0	0	0	
	Program Fee - Bachelor Dental Hygiene	0	0	0	
	Program Fee - BSN	0	0	0	
	Program Fee - UG Engineering/Construction	0	0	0	
	Subtotal Designated	8,616,200	1,037,900	9,654,100	
	A U X I L I A R Y	Intercollegiate Athletics	1,915,500	(378,500)	1,537,000
		Skydome	207,900	0	207,900
		Mountain Campus ID	13,200	0	13,200
		0	0	0	
Subtotal Auxiliary	2,136,600	(378,500)	1,758,100		
Total Operating Funds		10,752,800	659,400	11,412,200	
F I N A I D	Regents Financial Aid Set-Aside	22,000,000	4,000,000	26,000,000	
	Other Financial Aid - (formerly tuition waivers)	45,933,400	14,066,600	60,000,000	
	DPT- FA Set-Aside	144,500	20,300	164,800	
	Occupational Therapy (OT) FA Set-Aside	28,100	56,600	84,700	
	Physician Assistant (PA) - FA Set-Aside	132,000	36,000	168,000	
Subtotal Financial Aid	68,238,000	18,179,500	86,417,500		
	Plant Fund	2,378,200	-1,378,200	1,000,000	
	Debt Service	16,447,700	(2,000,000)	14,447,700	
TOTAL LOCAL RETENTION		97,816,700	15,460,700	113,277,400	

UNIVERSITY OF ARIZONA
FY16 PLANNED USES OF ESTIMATED STATE COLLECTIONS AND LOCALLY RETAINED TUITION AND FEE REVENUES
INITIAL ALL FUNDS BUDGET vs. APPROPRIATIONS REPORT

	STATE COLLECTIONS	LOCAL COLLECTIONS
Base Collections As Reported in the Annual Operating Budget Report	405,203,400	285,998,200
Collections As Reported in the FY16 Appropriations Report	344,098,600	
Base Collections Increase/(Decrease) from FY16 Appropriations Report	61,104,800	285,998,200
 ALLOCATION BY PROGRAM		
All Programs		
Performance-Based Salary Programs	8,500,000	
Instruction		
Program Fees and Differential Tuition		29,257,700
Recruitment & Retention of Key Faculty & Staff	10,975,000	
Enrollment Growth Related Expenditures	16,300,000	
College of Medicine MD Programs	938,000	
Online Instruction	2,000,000	
Local Account Operating Support		29,765,100
Organized Research		
Advancement of Research	274,000	
Public Service		
Local Account Operating Support		24,600
Academic Support		
Local Account Operating Support		807,900
Student Services		
Local Account Operating Support		4,537,500
Student Engagement, Recruitment, and Retention	3,400,000	
Institutional Support		
Commitment to Students Enrolled in Guaranteed Tuition Program	5,900,000	
Employee Benefit Costs	1,303,400	
Investment in Facilities, Support Functions and Inflation in Operations	4,214,400	
Institutional Systems	1,300,000	
Scholarships/Fellowships/Financial Aid		
ABOR Financial Aid Set Aside		46,007,000
Program Fees and Differential Tuition Set Aside		4,341,300
Student Aid Awards (formerly waivers)		138,328,200
Auxiliary Enterprises		
n/a		
Debt Service		
Debt Service Payments		28,152,400
Plant Funds		
Building Renewal	6,000,000	4,000,000
Minor Capital Projects		776,500
	61,104,800	285,998,200

2015-16
LOCALLY RETAINED COLLECTIONS

UNIVERSITY OF ARIZONA

		BUDGET 2014-15	INCREASE/ (DECREASE)	BUDGET 2015-16
D E S I G N A T E	Associated Students (ASUA)	257,100	0	257,100
	AZ Outreach College	10,000,000	2,992,800	12,992,800
	AZ Assurance Program	20,000	0	20,000
	College of Nursing - Accelerated BSN	0	0	0
	Early Alert Programs	5,000	0	5,000
	Enrollment Management S4S/PLA	510,000	0	510,000
	Multicultural Affairs and Student Success (M.A.S.S.)		0	
	Admissions Recruiting	1,275,500	0	1,275,500
	Early Outreach	37,100	0	37,100
	Minority Student Recruitment	185,200	0	185,200
	Minority Summer Institute for Writing	13,500	0	13,500
	FM Student Recreation O&M	259,300	0	259,300
	Graduate Teaching Assistants -Tuition Remission	12,208,500	0	12,208,500
	Graduate College	346,700	0	346,700
	Graduate and Professional Student Council	60,000	200,000	260,000
	Interpreting/Disabilities (ADA)	164,200	0	164,200
	Learning Disabilities Mandated Services	131,800	0	131,800
	Library Acquisitions	461,200	0	461,200
	Merchant Credit Card Banking Fees	433,200	0	433,200
	Program Fees/Differential Tuition	27,263,500	1,994,200	29,257,700
	Student Child Care Voucher Program	83,100	0	83,100
	Student-Related Activities	9,000	0	9,000
	Student Programs	503,400	176,800	680,200
	Student Services	254,400	0	254,400
	Student Travel Support	50,300	0	50,300
	Student Union	1,083,500	0	1,083,500
	Sustainability Projects	600,000	0	600,000
	UA Presents	24,600	0	24,600
	Utility Costs Reserve	2,638,500	(569,000)	2,069,500
	Subtotal Designated	58,878,600	4,794,800	63,673,400
A U X				
	Subtotal Auxiliary	0	0	0
	Total Operating Funds	58,878,600	4,794,800	63,673,400
F I N A I D	Regents Financial Aid Set-Aside	41,422,500	1,946,500	43,369,000
	UAS (SV) - Regents FA Set-Aside	559,900	19,400	579,300
	Undergraduate Scholars	3,619,300	0	3,619,300
	Other Financial Aid - (formerly tuition waivers)	116,724,100	17,984,800	134,708,900
	Architecture & Planning UG/Grad	96,800	(8,400)	88,400
	COM FA Set-Aside	1,126,000	56,200	1,182,200
	COM - Phoenix - FA Set-Aside	717,400	159,100	876,500
	Eller COM: UG/MBA	1,029,700	172,500	1,202,200
	Engineering (UG) FA Set-Aside	501,300	(59,800)	441,500
	Ag & Life Sciences FA Set-Aside	17,600	47,900	65,500
	Fine Arts FA Set-Aside	68,200	0	68,200
	Graduate Scholarships	719,400	0	719,400
	Honor College FA Set-Aside	315,600	(28,600)	287,000
	Law School FA Set-Aside	490,000	292,400	782,400
	Social & Behavioral Sciences (geography, journalism, linguistic, philosophy, MPA, Sociology, UG-Law, UG Diff Tu, SIRLS)	251,000	(18,400)	232,600
	Medicine-Cellular and Molecular MS	2,500	500	3,000
	Nursing FA Set-Aside	286,300	50,300	336,600
	Pharmacy FA Set-Aside	672,300	21,400	693,700
	Public Health FA Set-Aside	50,000	8,500	58,500
College of Science - Computer Science/Geoscience	55,600	26,100	81,700	
Subtotal Financial Aid	168,725,500	20,670,400	189,395,900	
	Plant Funds/Utility Infrastructure	6,123,900	(1,347,400)	4,776,500
	Debt Service	28,952,400	(800,000)	28,152,400
TOTAL LOCAL RETENTION		262,680,400	23,317,800	285,998,200

**UNIVERSITY OF ARIZONA
 FY16 PLANNED USES OF ESTIMATED LOCALLY RETAINED TUITION AND FEE REVENUES
 BY CAMPUS**

	LOCAL COLLECTIONS	MAIN	AHS
Base Collections As Reported in the Annual Operating Budget Report	<u>285,998,200</u>	<u>281,868,400</u>	<u>4,129,800</u>
ALLOCATION BY PROGRAM			
Instruction			
Program Fees and Differential Tuition	29,257,700	29,257,700	
Local Account Operating Support	29,765,100	29,765,100	
Public Service			
Local Account Operating Support	24,600	24,600	
Academic Support			
Local Account Operating Support	807,900	807,900	
Student Services			
Local Account Operating Support	4,537,500	4,537,500	
Scholarships/Fellowships/Financial Aid			
ABOR Financial Aid Set Aside	46,007,000	43,948,300	2,058,700
Program Fees and Differential Tuition Set Aside	4,341,300	4,341,300	
Student Aid Awards (formerly waivers)	138,328,200	136,257,100	2,071,100
Debt Service			
Debt Service Payments	28,152,400	28,152,400	
Plant Funds			
Building Renewal	4,000,000	4,000,000	
Minor Capital Projects	776,500	776,500	
	<u>285,998,200</u>	<u>281,868,400</u>	<u>4,129,800</u>



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
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PHOENIX, ARIZONA 85007

(602) 926-5491
azleg.gov

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MICHELLE UGENTI-RITA

DATE: December 8, 2015
TO: Representative Justin Olson, Chairman
Members, Joint Legislative Budget Committee
THRU: Richard Stavneak, Director *RS*
FROM: Rebecca Perrera, Fiscal Analyst *RP*
SUBJECT: Arizona Department of Administration - Review Report on Public Safety Broadband

Request

Pursuant to an FY 2016 General Appropriation Act footnote, the Arizona Department of Administration (ADOA) has submitted for review its annual report on expenditures for the State and Local Implementation Grant program (SLIGP). These monies are part of a nationwide planning effort associated with a public safety broadband effort.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review of the department's report.
2. An unfavorable review of the department's submission

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

- A. ADOA shall report to the JLBC Staff when they receive Phase 2 funding from the federal government and their expenditure plans for the funds.

Through September 2015, ADOA expected to spend \$1,455,600 of the \$2,910,000 awarded for the SLIGP. However, ADOA's actual spending was slightly less, at \$1,065,200. ADOA's FY 2016 plans include continuing education and outreach through meetings with local public safety agencies, tribes, and non-public safety stakeholders. ADOA will also coordinate the trial use of the of the FirstNet radio frequency spectrum.

(Continued)

ADOA plans to move into the data collection phase of the grant to collect data on stakeholder needs and broadband capacity once the federal government releases Phase 2 funding to the state.

Analysis

Background

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

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

Arizona was awarded \$2.9 million through the SLIGP formula in August 2013. One requirement of the grant is that Arizona and local governments additionally contribute at least \$745,200 in in-kind contributions to the project. Last year, the ADOA's Strategic Enterprise Technology office (ASET) managed the Arizona FirstNet Program (AZNET), which is responsible for implementing SLIGP. This year, ADOA reports that the program has been transitioned to the ADOA Office of Grants and Federal Resources.

ADOA reports that the \$2.9 million grant will be spent in 2 phases over 3 years, each phase being approximately \$1.5 million between 2014 and 2017. The first phase was dedicated to education and outreach, while the second phase will be devoted to gathering relevant data. For example, during the data collection phase, ADOA will collect detailed data on stakeholder's broadband coverage requirements and the availability of current infrastructure that may be used by the network. ADOA is in the process of concluding the first phase and has requested that the federal government release funding for the second phase. The Committee may consider a provision requiring ADOA to report to the JLBC Staff when Phase 2 funding is released and ADOA's expenditure plan for the funds.

In addition, ADOA-ASET had reported that the grant includes \$2.2 million for 6 FTE Positions, including 3 FTE Positions for program contract staff, and an additional 3 FTE Positions working part-time as vendors and contractors for the project. A total of \$449,000 would be spent on travel, \$213,000 would be spent on program support services and web development, and \$104,000 would be spent on equipment and supplies.

Expenditures

Through September 30, 2015, AZNET's grant budget was \$1,455,600, or 50% of the total grant award. Approximately \$1.5 million remains available from the grant. To date, AZNET has spent \$1,065,200.

(Continued)

AZNET has identified 850 first responder agencies in more than 1,400 locations throughout the state, in addition to various secondary agencies that support first responders, such as transportation, public works, and public health agencies.

During the first phase of the grant, AZNET's strategy was to conduct approximately 145 on-site outreach meetings to educate these stakeholders. To date, AZNET's progress consists of conducting outreach and presentations including:

- Meetings with 5 regional wireless cooperatives.
- Briefings to all 15 counties with over 300 attendees representing 220 local, counties, and state agencies.
- Briefings with 3 tribal groups and 10 public safety associations.
- Presentations to 4 of the 5 Regional Advisory Councils of the Arizona Department of Homeland Security.
- Presentation to 4 of the 8 Public Safety Answering Point System (PSAP) Managers.
- Completed an initial state stakeholders consultation with the federal grant team and transmitted Arizona's first set of data.

In FY 2016, AZNET plans to continue its education and outreach efforts including briefing local jurisdictions, developing and executing a tribal outreach program, coordinating a trial use of the FirstNet spectrum, and coordinating additional meetings with the federal grant consultants. In addition, ADOA plans to collect data on stakeholder needs and broadband capacity once the federal government releases Phase 2 funding to the state.

RS/RP:kp



Douglas A. Ducey
Governor

Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

November 24, 2015

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

The Honorable Don Shooter, Vice Chair
Joint Legislative Budget Committee
Arizona Senate
1700 West Washington Street
Phoenix, Arizona 85007



Dear Representative Olson and Senator Shooter:

At the Joint Legislative Budget Committee meeting on October 29, 2013, the Arizona Department of Administration (ADOA) was asked to provide an annual report on a three year, \$2.91 million grant, under the State and Local Implementation Grant Program (SLIGP). Additionally, Laws 2014, chapter 18 requires that "On or Before October 1, 2014 ADOA must Submit a report for review of the expenditures to date and progress of implementation for any monies received from the State and Local Implementation Grant Program associated with the National Public Safety Broadband Network Initiative. The JLBC may require ADOA to submit more frequent reports as necessary for further review." A FY 2016 General Appropriation Act footnote requires ADOA to submit a report by October 1, 2015 to JLBC for review of the expenditures to date and progress of implementation for any SLIGP funds. The footnote replaced the quarterly report provision.

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

Sincerely,

A handwritten signature in black ink that reads "Craig Brown".

Craig Brown
Director

cc:

Richard Stavneak, Director, JLBC

Rebecca Perrera, Fiscal Analyst, JLBC

Lorenzo Romero, Director, OSPB

Chris Olvey, Budget Analyst, OSPB

Morgan Reed, ADOA State CIO

Matthew Hanson, ADOA-GFR, Statewide Grants Administrator

Paul Shannon, ADOA, Assistant Director, Budget, Personnel and Resource Planning

Attachments:

FY15 Q1-Q9 FirstNet Budget and Expenditure Report

**Arizona Department of Administration
Arizona FirstNet Program
Q1-Q9 FY15 Status Report**

BACKGROUND:

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

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

Through July 2015, the Arizona program had focused primarily on education and outreach among local public safety agencies, tribes and local governments in preparation for the initial State Consultation by federal FirstNet staff. A detailed Phase 1 budget and cumulative expenditure report is summarized in the financial information section on the attached spreadsheet.

FY16 STRATEGIES

The FY16 plan calls for focus on the following strategies;

- Continue state, tribal and local public safety association briefings.
- Continue state and local education and outreach meetings.
- Develop and execute a personalized tribal education and outreach program.
- Coordinating trial use of FirstNet radio frequency spectrum by Arizona agencies as requested.
- Alternative governance model development.
- Assist with the preparation of the FirstNet opt in/out plan for the Governor's review.
- Prepare and coordinate future FirstNet state consultation meetings.

Completed FY15 ACTIVITIES

- Completed the five remaining County-level Education and Outreach meetings - attended by 280 public safety stakeholders.
- Implementation of the 9-1-1 Public Safety Answering Point (PSAP) program including presentations to four of eight planned PSAP System Managers at regularly scheduled quarterly meetings conducted by the State 9-1-1 Administration Office of the Broadband Planning and Public Safety Communications Department.
- Presentations were provided to four of the five Regional Advisory Councils of the Arizona Department of Homeland Security.
- Briefings to ten public safety associations and three tribal groups.
- Transitioned the SLIGP grant to the Office of Grants and Federal Resources (GFR) from ASET.
- Successful completion of the initial FirstNet State stakeholder consultation.
- Completed the required first data submission to FirstNet.

- Entered into a vendor relationship with Mission Critical Partners (MCP) who will be providing expertise on the continued education and outreach program and materials, as well as assist with the continued data collection and submission.

FINANCIAL INFORMATION

A table of the budgeted and actual financial performance for the FirstNet program including in-kind contributions is included as an attachment to this report entitled "FirstNet Budget Report – Through September 30, 2015, Phase 1 Funding."

Budget Categories

Categories included in this report are defined as follows;

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

The grant requires a cumulative 20% in-kind match of federal dollars from State, tribal and local Arizona sources.

Budget and Actuals

Cumulative

The cumulative federal fund budget for nine quarters of the grant cycle was \$1,065,247 or 73% and an in-kind total of \$445,525 or 31% for the entire grant award.

Various factors contributed to this cumulative federal dollar under budget variance including;

- Lower than expected meeting costs.
- Leverage of the State website conversion project to implement the FirstNet website.
- General cost management efforts by the SLIGP team.

The percentage of total in-kind contributions on a cumulative basis was 31% and 11 percentage points above grant requirements. This over budget variance is due primarily to the federal policy that allows costs associated with grant application development activities incurred prior to the grant award to be counted as in-kind. This ratio will track to the 20% grant requirement over time.

Q1-Q9 FY15/FY16 Cumulative FirstNet Budget Report

Cost Category	Federal				Non-Federal (In-Kind)			
	Budget	Actual	Variance \$'s	Variance %	Budget	Actual	Variance \$'s	Variance %
Personnel	\$ 58,154	\$ 85,940	\$ (27,786)	148%	\$ 100,000	\$ 138,854	\$ 38,854	139%
Fringe	\$ 28,149	\$ 32,387	\$ (4,237)	115%	\$ 50,000	\$ 85,104	\$ 35,104	170%
Travel	\$ 83,959	\$ 56,420	\$ 27,539	67%	\$ -	\$ -	\$ -	
Equipment	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Supplies	\$ 88,307	\$ 83,032	\$ 5,274	94%	\$ -	\$ -	\$ -	
Contract Staff	\$ 1,181,163	\$ 807,467	\$ 373,696	68%	\$ -	\$ -	\$ -	
Other	\$ 15,840	\$ -	\$ 15,840	0%	\$ 219,898	\$ 221,567	\$ 1,669	101%
TOTAL	\$ 1,455,573	\$ 1,065,247	\$ 390,326	73%	\$ 369,898	\$ 445,525	\$ 75,627	31%

Grant Match %	Federal	In-Kind
Grant Cycle Target	80%	20%
Actual	73%	31%



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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MICHELLE UGENTI-RITA

DATE: December 8, 2015

TO: Representative Justin Olson, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RLS*

FROM: Rebecca Perrera, Fiscal Analyst *RP*

SUBJECT: Arizona Department of Administration - Review of Automation Projects Fund Expenditure Reallocation

Request

Pursuant to A.R.S. § 41-714 the Arizona Department of Administration (ADOA) Arizona Strategic Enterprise Technology (ASET) Office requests that the Committee review a reallocation of its FY 2015 Automation Projects Fund (APF) appropriation. The FY 2015 APF appropriation included \$2,900,000 million for the replacement of the mainframe at the State Data Center (SDC). ADOA is proposing to spend \$439,000 of its remaining unspent funds from this appropriation to replace mainframe disk storage equipment.

Recommendation

The Committee has at least the following 2 options:

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

Analysis

Background

At its September 2014 meeting, the Committee favorably reviewed \$2.9 million for the replacement of the mainframe at the SDC. The SDC provides mainframe computing to state agencies and other entities and processes billions of dollars of transactions per year.

(Continued)

The new mainframe, which was installed in December 2014, increases processing capacity by 50% and provides more flexibility in hosting modernized web-based applications. ADOA's mainframe replacement project utilizes a 5-year lease agreement. The lease agreement avoids federal disallowed costs because the lease payments are considered an operating cost instead of a capital purchase payment, making it an acceptable use of federal dollars.

Current Proposal

ADOA is currently proposing an expenditure of \$439,000 to replace the mainframe's data storage subsystem. A data storage subsystem is used to store all mainframe client data. The SDC currently uses 2 data storage subsystem devices. One subsystem is located in the SDC and one is located in the Department of Economic Security (DES) data center, which creates a real-time and uninterrupted backup copy.

The current devices were installed in 2009 and are nearing their storage capacity. In addition, as of March 2016, the current device vendor will no longer provide on-site support, maintenance, or parts. In the event of a hardware failure, ADOA-ASET would not be able to guarantee uninterrupted service to mainframe clients.

ADOA-ASET proposes to replace the 2 data storage subsystem devices using a 4-year lease agreement. The lease terms would align with the current term for the mainframe's lease. The estimated initial development cost totals \$439,000, which includes installation, data migration, and the initial payment for the 4-year contract. ADOA estimates that the ongoing lease costs and software licensing will cost an additional \$98,400 per year, which would be funded by the Automation Operations Fund.

The JLBC Staff note that this project was initially proposed as part of the FY 2014 APF appropriation. However, the project was never reviewed by the JLBC. In its final FY 2014 APF quarterly report submitted to the JLBC Staff in July 2015, ADOA reported that project was cancelled and the proposed funds, totaling \$384,500, lapsed at the end of FY 2015.

RS/RP:kp

Douglas A. Ducey
Governor



Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

November 19, 2015

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



The Honorable Don Shooter, Vice-Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Olson and Senator Shooter:

In accordance with Arizona Revised Statutes § 41-714, the Arizona Department of Administration (ADOA) is submitting this request for review of a fiscal year 2015 Automation Projects Fund project. Monies to support the expenditure plan have already been appropriated to the Automation Projects Fund.

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

Sincerely,

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

Craig C. Brown
Director

Enclosures

cc: ✓Richard Stavneak, Director, JLBC
Lorenzo Romero, Director, OSPB
Rebecca Perrera, JLBC Staff
Chris Olvey, OSPB Staff
Morgan Reed, State CIO
Paul Shannon, Assistant Director Budget and Resource Planning ADOA

FY15 Automation Projects Fund (APF; A.R.S. § 41-714) Favorable Review Request for December 2015 JLBC Meeting

Agency-Division	Project Name	FY15 APF Appropriation	JLBC Favorable Review Request	PIJ/ASET/ITAC Status
ADOA	State Data Center (SDC) Mainframe Disk Storage Refresh	\$2,900,000	\$439,101*	Pending State CIO approval
Total Favorably Reviewed FY15 APF Funds			\$65,240,928	
Total December 2015 Request			\$439,101*	*Proposed to be reallocated from favorably reviewed FY15 appropriation for Mainframe Refresh Project (\$2,900,000)
Remaining FY15 Unapproved APF funds			\$4,793,772	
Total FY15 Appropriated APF Budget			\$70,034,700	

State Data Center (SDC) Mainframe Disk Storage Refresh

Project Name	FY15 Description	FY15 Project Budget	Fav. Rev. Req'd Amt.	PIJ/ASET/ITAC Status	JLBC Fav. Rev. Status
State Data Center (SDC) Mainframe Disk Storage Refresh (AD16004)	- The Arizona Department of Administration (ADOA) will replace aging and soon to be unsupported disk storage subsystems in order to improve data security and replication. Among other benefits, the new units will also provide enhanced recovery / business continuity capabilities for disk storage data, providing more security for SDC mainframe clients. Ongoing maintenance and support by the vendor will also guarantee ADOA's ability to provide uninterrupted service to SDC mainframe clients. - ADOA proposes that \$439,101 in unspent funds be reallocated to this project from the completed Mainframe Refresh project which received a \$2,900,000 appropriation in FY15.	\$439,101	\$439,101	Pending State CIO Approval	Pending
Total			\$439,101		

Remaining FY16 APF Projects Pending JLBC Favorable Review

Agency-Division	Project Name	FY 16 APF Appropriation	Amount Pending Favorable Review	PIJ /ASET/ ITAC Status
ADOA-ASET	Single Sign-On	\$925,000	\$925,000	Pending PIJ Submittal
ADOA-ASET	Business One Stop	\$1,075,000	\$675,000	Pending PIJ Submittal
ADEQ	TBD	\$5,000,000	\$5,000,000	Pending PIJ Submittal
ADES	TBD	\$936,400	\$936,400	Pending PIJ Submittal
Total Remaining FY16 APF Projects Pending JLBC Favorable Review		\$7,936,400	\$7,536,400	

Remaining FY15 APF Projects Pending JLBC Favorable Review

Agency-Division	Project Name	FY 15 APF Appropriation	Amount Pending Favorable Review	PIJ /ASET/ ITAC Status
ADCS	Child Protective Service IT Modernization	\$5,000,000	\$4,687,000	Pending PIJ submittal
ADOR	Data Capture	\$1,700,000	\$106,772	ITAC Approved
Total Remaining FY15 APF Projects Awaiting JLBC Favorable Review		\$6,700,000	\$4,793,772	

Favorably Reviewed FY15 APF Projects

Agency-Division	Project Name	FY 15 Amount	JLBC Favorable Review Amount	PIJ /ASET/ ITAC Status
ADOA	Business Re-Engineering Arizona (BREAZ) (Formerly AFIS Replacement Project)	\$26,533,000	\$26,533,000	JLBC Favorable Review Received in March 2013 for \$79.8M
ADEQ	myDEQ Phase 2	\$6,800,000	\$6,800,000	JLBC Favorable Review 6/19/14
ADE	AELAS Program Support Office (PSO)	\$1,500,000	\$1,500,000	JLBC Favorable Review 6/19/14
ADE	AELAS Production Services/Support	\$2,200,000	\$2,200,000	JLBC Favorable Review 6/19/14
ADE	AELAS School Finance SAIS Payments CSF	\$1,500,000	\$1,500,000	JLBC Favorable Review 6/19/14
ADE	AELAS Standardized Student Data Store	\$2,200,000	\$2,200,000	JLBC Favorable Review 6/19/14
ADE	AELAS SIS Opt In	\$800,000	\$800,000	JLBC Favorable Review 6/19/14
ADE	AELAS SLDS – Arizona Education Data-driven Decision System (AzED3S) including AELAS Shared Services	\$1,900,000	\$1,900,000	JLBC Favorable Review 6/19/14
ADE	AELAS Opt-In Tools FY15	\$450,000	\$450,000	JLBC Favorable Review 6/19/14
ADE	AELAS Data Governance	\$850,000	\$850,000	JLBC Favorable Review 6/19/14
ADE	AELAS Organization Entity Management	\$600,000	\$600,000	JLBC Favorable Review 6/19/14
ADOA-ASET	Automation Projects Fund Strategic Execution Team	\$1,701,400	\$1,701,400	JLBC Favorable Review 9/30/14
ADOA-ASET	Transformation Initiatives Project Managers	\$450,300	\$450,300	JLBC Favorable Review 9/30/14
ADOA-ASET	Strategic Technology Assessment	\$400,000	\$400,000	JLBC Favorable Review 9/30/14
ADOA-ASET	Business and Technical Enterprise Architecture Training	\$100,000	\$100,000	JLBC Favorable Review 9/30/14
ADOA-ASET	Agency Website Transformation & Content Management Solution (CMS) Implementation	\$325,000	\$325,000	JLBC Favorable Review 9/30/14
ADOA-ASET	Secure Data Protections Pilots	\$375,000	\$375,000	JLBC Favorable Review 9/30/14
ADOA-ASET	Data Center Network Managing/Monitoring	\$515,195	\$515,195	JLBC Favorable Review 9/30/14
ADOA-ASET	Security Assessment	\$590,000	\$590,000	JLBC Favorable Review 9/30/14
ADOA-ASET	Central Security Management	\$415,000	\$415,000	JLBC Favorable Review 9/30/14
ADOA-ASET	Incident Response	\$111,800	\$111,800	JLBC Favorable Review 9/30/14
ADOA-ASET	Security Awareness	\$348,448	\$348,448	JLBC Favorable Review 9/30/14
ADOA-ASET	Data Center Security Management	\$769,557	\$769,557	JLBC Favorable Review 9/30/14
ADOA-ASET	Mainframe Refresh	\$2,900,000	\$2,900,000	JLBC Favorable Review 9/30/14
ADOR	Data Capture	\$1,700,000	\$1,593,228	JLBC Favorable Review 12/17/14
ADOR	Electronic Tobacco Tax Filing System	\$1,000,000	\$1,000,000	JLBC Favorable Review 12/17/14
ADC	Adult Inmate Management System (AIMS) Replacement	\$8,000,000	\$8,000,000	JLBC Favorable Review 3/31/15
ADCS	Child Protective Service IT Modernization	\$5,000,000	\$313,000	JLBC Favorable Review 3/31/15
Total Favorably Reviewed FY15 APF Projects		\$70,034,700	\$65,240,928	

Analyst: Jeffrey Crane

PIJ Summary - ASET

Project Number: AD16004

<i>Agency Name & Address</i>	<i>Contact Information</i>
Arizona Department of Administration 100 N. 15 th Ave Phoenix, Arizona 85007	Patrick Cravens 602-364-1576 Patrick.Cravens@azdoa.gov
<i>Project and Investment Justification Name</i>	<i>Date Submitted</i>
State Data Center (SDC) Mainframe Disk Storage Refresh	November 17, 2015

Project Overview

Problem Description

The State Data Center (SDC), located in Phoenix, is managed by the Arizona Strategic Enterprise Technology (ASET) office, within the Arizona Department of Administration (ADOA). It currently utilizes two aging IBM DS8100 Disk Storage Subsystems, purchased in 2009, to store all mainframe client data. Data is replicated in real time to an off-site location at the Arizona Department of Economic Security (DES) which creates a synchronous data copy.

The increasing capacity requirement on the existing subsystems is accelerating at a growth rate exceeding the planned replacement schedule. Analysis performed in 2012 anticipated replacement of these subsystems in 2017. Adding storage to the existing devices is cost prohibitive as they are approaching end-of-life with associated high maintenance costs. The current units will no longer be supported by IBM as of March 31, 2016. At that time, IBM will not provide on-site support in the event of a hardware fail, provide parts to repair the units, or perform preventive maintenance. As a result, ADOA will be unable to guarantee uninterrupted service to mainframe clients.

The current IBM disk storage subsystem also presents a significant risk to mainframe clients' data during annual business continuity exercises, which requires the replication of the client's data on disk be terminated, leaving the data without a real-time backup.

Solution

To resolve the issues of aging equipment, lack of capacity, increased cost, maintenance availability, and data security, ADOA proposes to replace the current DS8100 Disk Storage Subsystems with two new disk storage devices utilizing a fair-market lease procurement mechanism from a vendor on state contract. The lease term will be in-place for a period of 4 years, with the contract terminating in conjunction with the existing SDC mainframe lease in calendar year (CY) 2019.

The new subsystems would have the ability to establish a third replication of production data that could be utilized during business continuity testing, without placing production data at risk. This solution would also provide encryption and faster processing speeds.

Regarding project funding, ADOA proposes to utilize FY2015 Automation Projects Fund (APF) monies associated with the previously approved ADOA Mainframe Refresh project (AD15001) to fund the initial development efforts of this project. Due to Mainframe Refresh project efficiencies and savings, approximately \$439,000 remains unspent. It is proposed that these

monies be reallocated to this project (AD16004). Favorable review by the Joint Legislative Budget Committee (JLBC) will be requested before expenditure of these unspent APF funds. As a result, the Mainframe Refresh Project (AD15001) will subsequently be closed-out as the project deliverables and milestones have been met.

Major Deliverables and Outcomes

Two new IBM DS8884 Disk Storage Subsystems will be acquired by means of a fair-market lease, along with a four year hardware maintenance/warranty package. One subsystem will be located at the SDC, and be dedicated to the production environment. The second will be located off-site at the DES data center, for the purpose of business continuity and back-up. Ancillary software and equipment includes electrical and connectivity cabling, subsystem management software including data encryption manager licensing, as well as installation and migration services. Also included is the erasure of data on the existing hardware prior to the old units being decommissioned and transferred to state surplus.

Benefits

The two new disk storage subsystems will optimize and enhance current disk data storage capacity, and reduce storage administrative costs. The new units will also provide enhanced recovery / business continuity capabilities for disk storage data, providing more security for SDC mainframe clients. Ongoing maintenance and support by the vendor will also guarantee ADOA’s ability to provide uninterrupted service to SDC mainframe clients.

Project Management

Professional services will be procured to assist in the installation and migration of data from the IBM DS8100 to the new IBM DS8884 Disk Storage Subsystems. ADOA project management staff will oversee the implementation of this solution. Technical and business support will be provided by ADOA-SDC staff and vendor sources.

Enterprise Architecture

Compliant.

Summary of Proposed Costs

<i>All Figures in Thousands (\$000)</i>						
<i>Cost Description</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Total</i>
Development Costs	439.1	0.0	0.0	0.0	0.0	439.1
Operational Costs	0.0	98.4	98.4	98.4	98.4	393.5
Total Project Costs	439.1	98.4	98.4	98.4	98.4	832.6

Recommendation: Approval



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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DATE: December 8, 2015
TO: Representative Justin Olson, Chairman
Members, Joint Legislative Budget Committee
THRU: Richard Stavneak, Director *RS*
FROM: Rebecca Perrera, Fiscal Analyst *RP*
SUBJECT: Arizona Department of Administration - Review of Health Impact Program Update

Summary

Pursuant to A.R.S. § 38-658A, at its June 2014 meeting, the Committee reviewed the Arizona Department of Administration's (ADOA) contribution strategy for Plan Year (PY) 2015. ADOA's proposal included a new health impact program. As part of its review, the Committee included a provision requiring ADOA to report on the success of the implementation of the incentives program.

Recommendation

The Committee has at least the following 3 options:

1. A favorable review.
2. An unfavorable review.
3. Take no action.

Analysis

Background

In October 2014, ADOA implemented a Health Impact Program (HIP) to promote well-being by encouraging healthy choices and preventative care.

(Continued)

The program includes a point based activity system, which allows employees to receive an incentive payment, up to \$200, if the employee accumulates the required 500 points. For example, employees received points by participating in health and well-being activities such as:

- Preventative screenings including wellness, vision, and dental exams (25-100 points).
- Nutrition and wellness classes (25 to 200 points).
- Exercise activities including gym memberships, local races, and organized team sports or activities (25 to 125 points).

Well-being activities are tracked through ADOA's contract with the Mayo Clinic's health information online portal. These self-reported activities are verified through claims data and documentation retained by the employee. Employees collected points between October 1, 2014 and September 30, 2015 and ADOA disbursed incentive payments in November/December 2015.

ADOA budgeted up to \$1.5 million from the Health Insurance Trust Fund (HITF) for the incentive payments. Associated administrative costs for the program are included in ADOA's current operating budget. ADOA plans to continue this program in PY 2016.

Plan Year 2015 Results

In PY 2015, a total of 53,100 employees were eligible to participate in the HIP. According to ADOA, approximately 8,000 employees (15%) enrolled in the program through the Mayo Clinic's online portal. Of the employees who enrolled in the program, approximately 5,700 employees earned points by self-reporting activities. However, only 1,810 employees, or 23% of participating employees, received the \$200 incentive payment for earning the required 500 points. ADOA reported that of the 1.2 million points earned by participants, 81% were validated through the points verification process. The remaining points were not validated due to time constraints. The total incentive payments made to employees were \$362,000, or 24% of the \$1.5 million budget.

ADOA reported that there was an increased utilization of plan-sponsored health screenings and flu shots. ADOA plans to continue to evaluate the success of the program by measuring various health statistics such as blood pressure, high cholesterol, diabetes, and other chronic conditions. These statistics are reported through a health assessment on the Mayo Clinic's online portal and compared with claims data.

Plan Year 2016 Program Changes

ADOA plans to make changes to the HIP for PY 2016 to increase participation. First, the timeframe for collecting points will be January 1, 2016 through October 31, 2016 with incentive payments being distributed in December 2016. Second, ADOA has modified its point system to include new activities such as colonoscopy screenings and use of fitness trackers. The point system will also remove the requirement to collect points in each category. Finally, ADOA will enhance its program administration by working with vendors to improve validation methods and revising its marketing and communications campaign.

RS/RP:kp

Douglas A. Ducey
Governor



Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

November 24, 2015

The Honorable Justin Olson, Chair
Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007



The Honorable Don Shooter, Vice-Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Olson and Senator Shooter:

During the review of the Benefit Options contribution strategy at the June 23, 2015 JLBC meeting, it was requested that outcomes of the Health Impact Program be provided after the program's implementation had been in place for one year. We are requesting to be placed on the December 15, 2015 JLBC meeting agenda to provide this update on the progress of this program.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Brown".

Craig Brown
Director

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
Lorenzo Romero, Director, Governor's Office of Strategic Planning and Budgeting
Rebecca Perrera, Analyst, Joint Legislative Budget Committee
Chris Olvey, Budget Analyst, Governor's Office of Strategic Planning and Budgeting
Paul Shannon, ADOA Assistant Director Budget and Resource Planning
Marie Isaacson, ADOA Benefits Director

Attachment

BeWell Health Impact Program
Summary Report
Joint Legislative Budget Committee

December 2015

Agenda

- Overview
- Engagement & Participation
- Validation Process & Results
- Proposed Recommendations



Wellness Program Goal: Increase Employee Engagement in Wellness

Implement an incentive program providing value to both the employee and the State that:

- Communicates commitment to employee well-being
- Promotes prevention to keep healthy employees healthy
- Provides disease management to help unhealthy employees take control of their conditions
- Avoids costs of poor health for both the employee and the plan



HIP Overview

Wellness Enhancement: Health Impact Program (HIP)

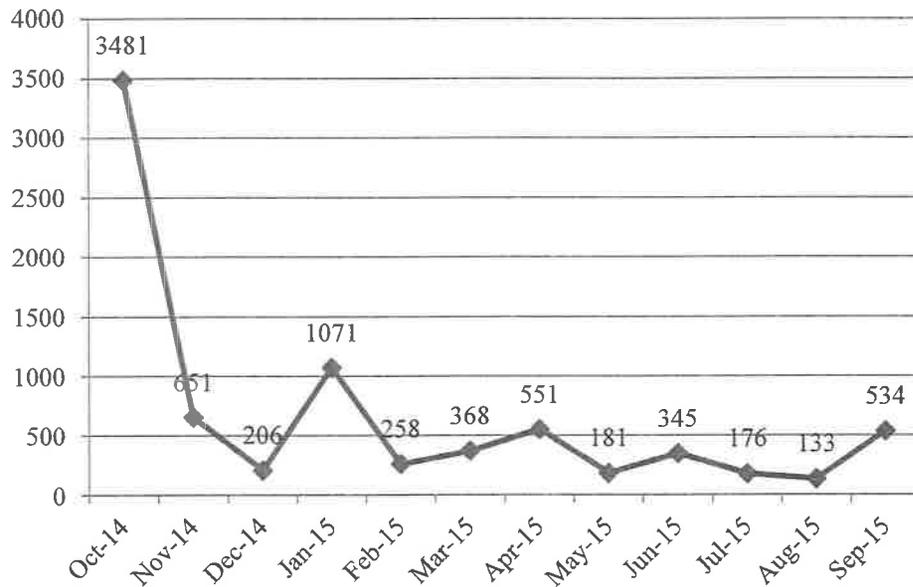
- Budget will not exceed \$1.5M annually
- Employees successfully completing program eligible for up to a \$200 incentive payment
- The *Mayo Clinic Healthy Living* Online Portal provided the health assessment tool and tracking system
- Employees needed 500 points from October 2014 through September 2015
- Incentive payments were distributed in November/December 2015 (FY2016)



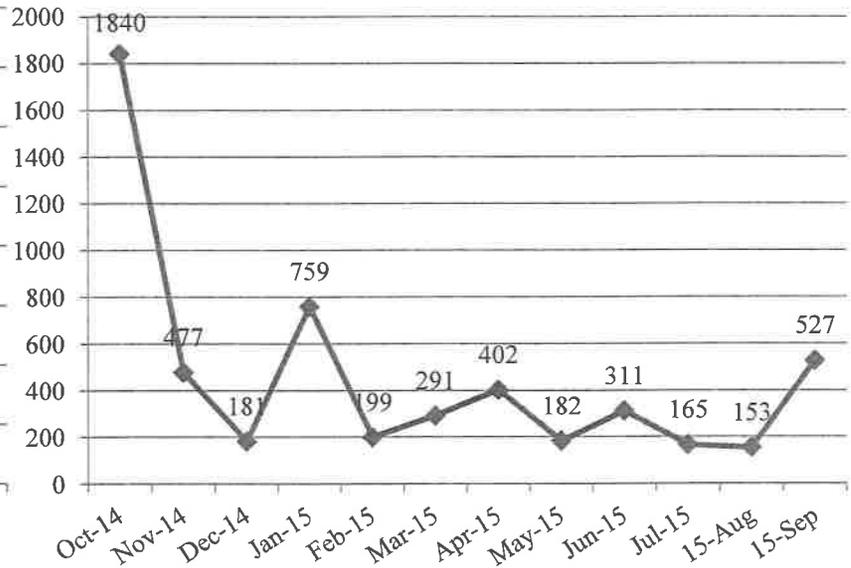
HIP Participation - Total Eligible

10/1/14 – 9/30/15

Healthy Living Registrations
7,955



Healthy Assessment Completions
5,487

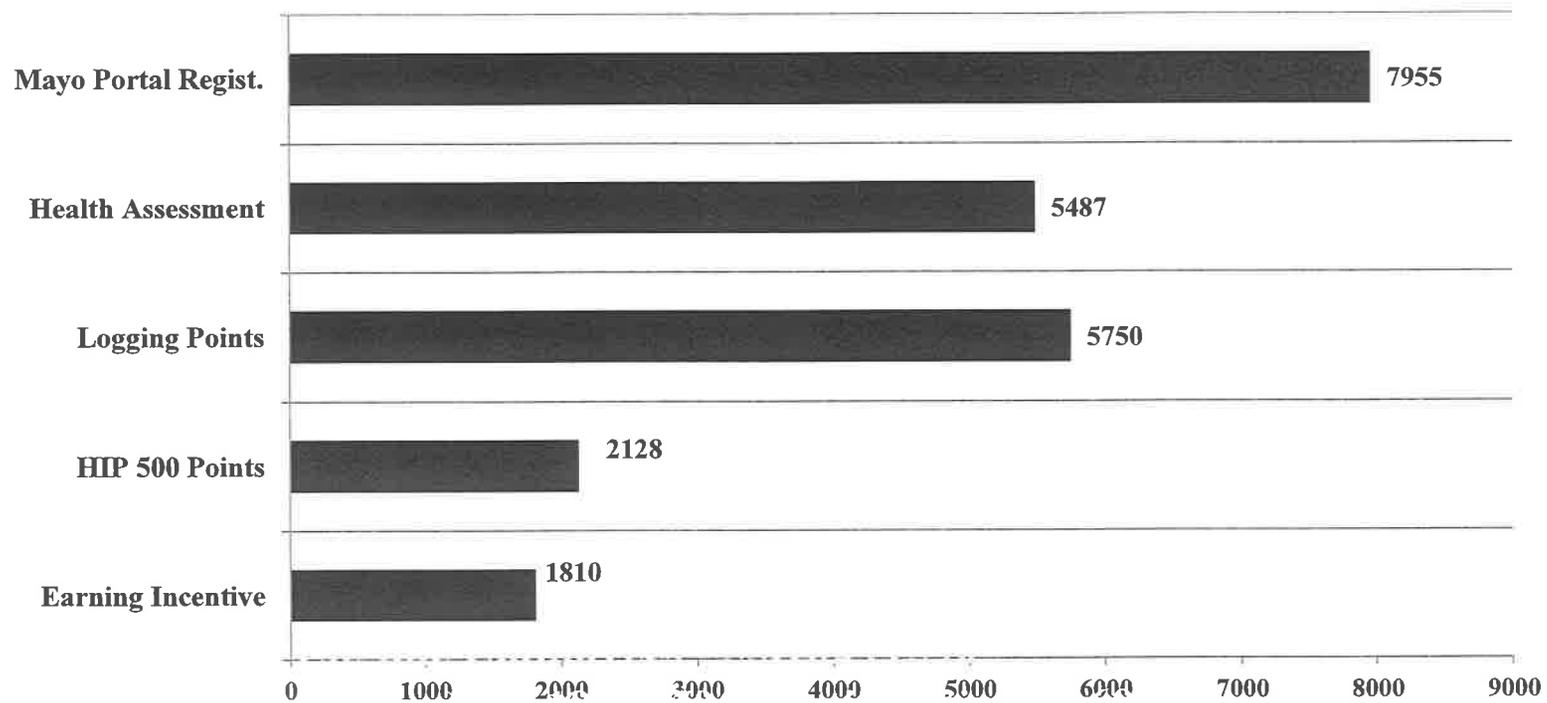


Total Eligible Employees - 53,102 (15% Participation)

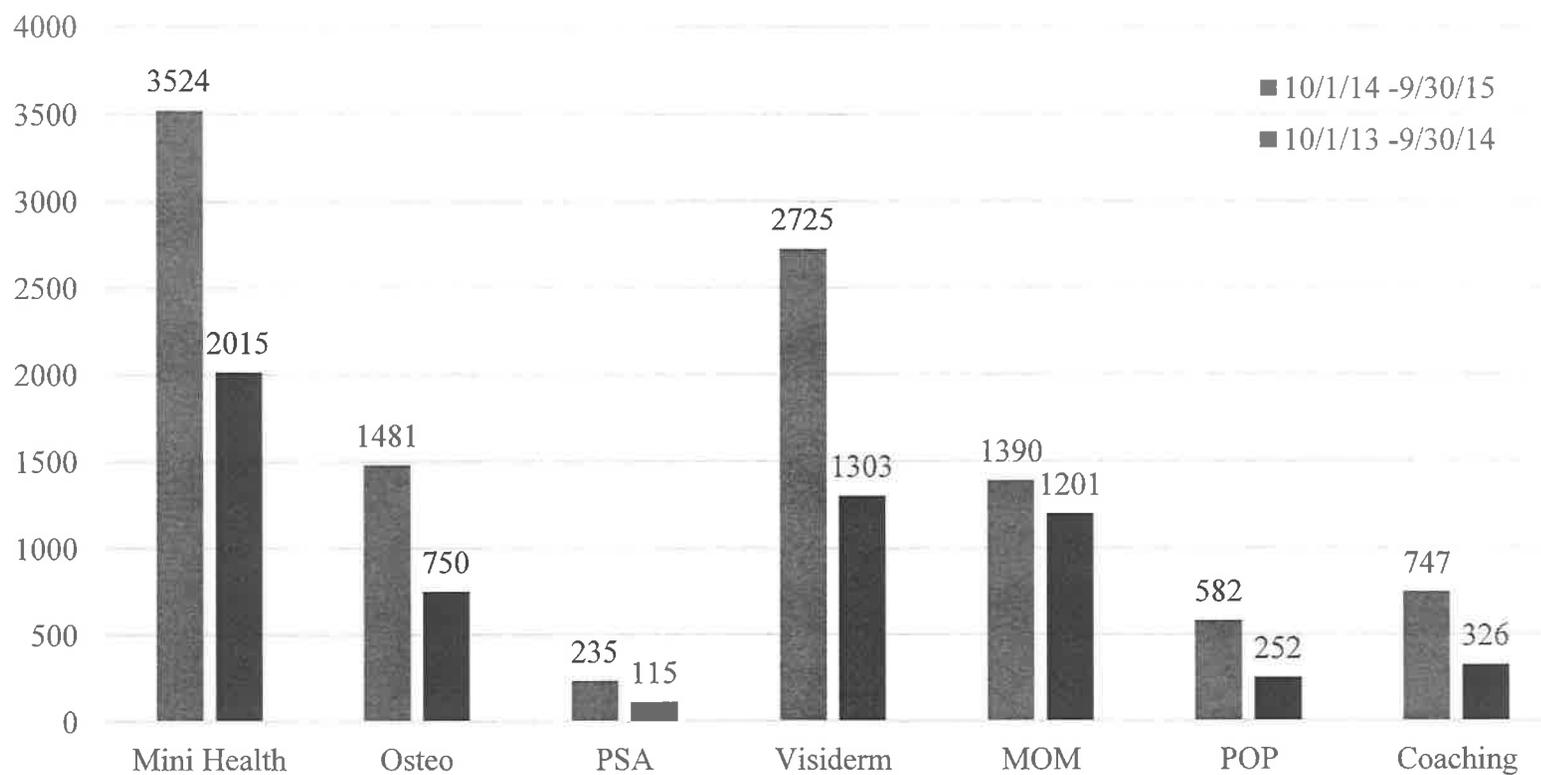
69% Assessment Completion Rate



2015 Engagement



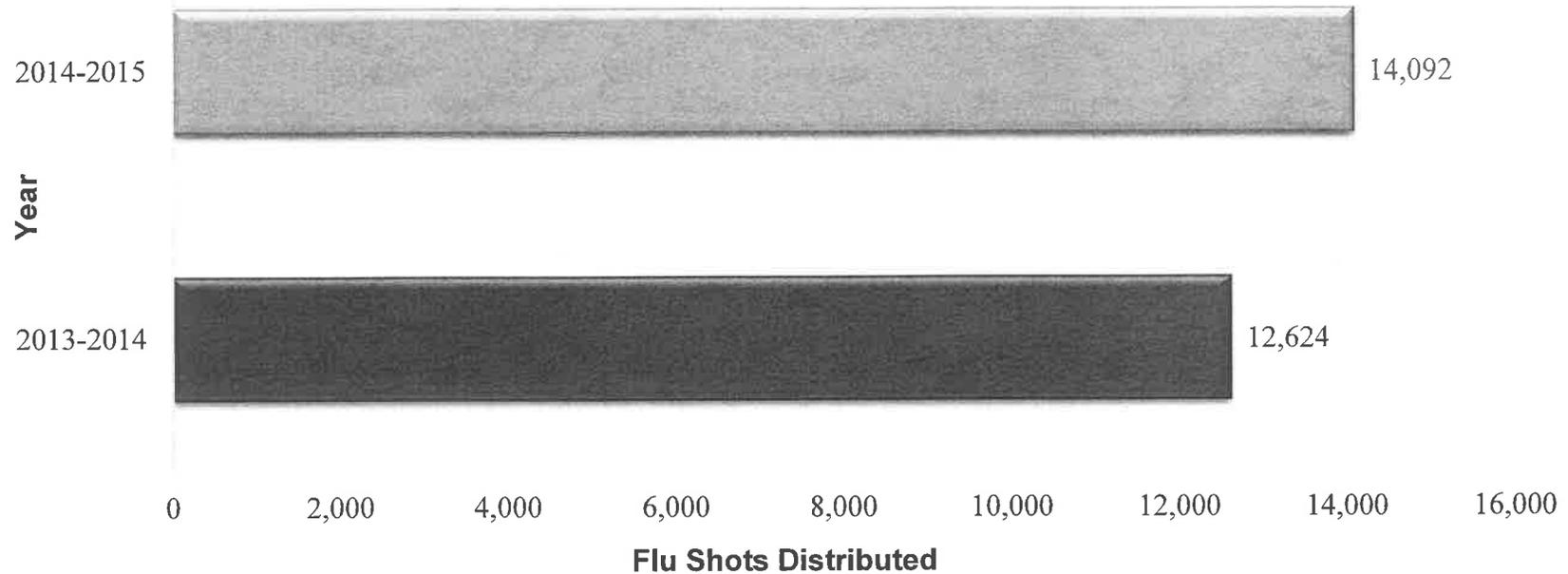
Vendor Utilization Comparison



See Appendix for details regarding screenings.



Flu Shots Distributed

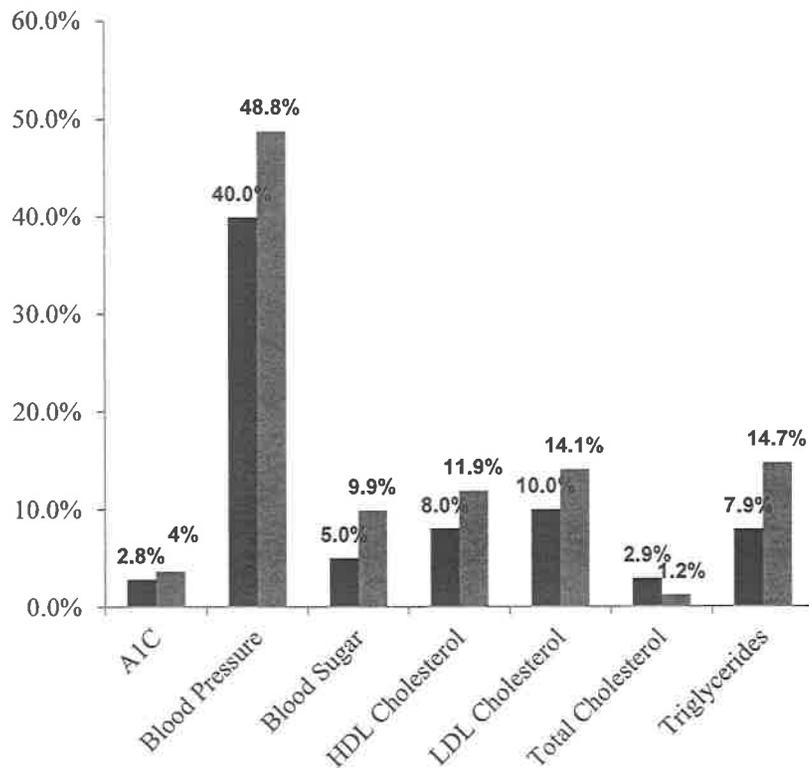


CDC estimates flu shot savings of between \$15 and \$84 per vaccinated person, or \$2.58 per dollar spent on vaccination; possible \$4,000 savings for every averted illness

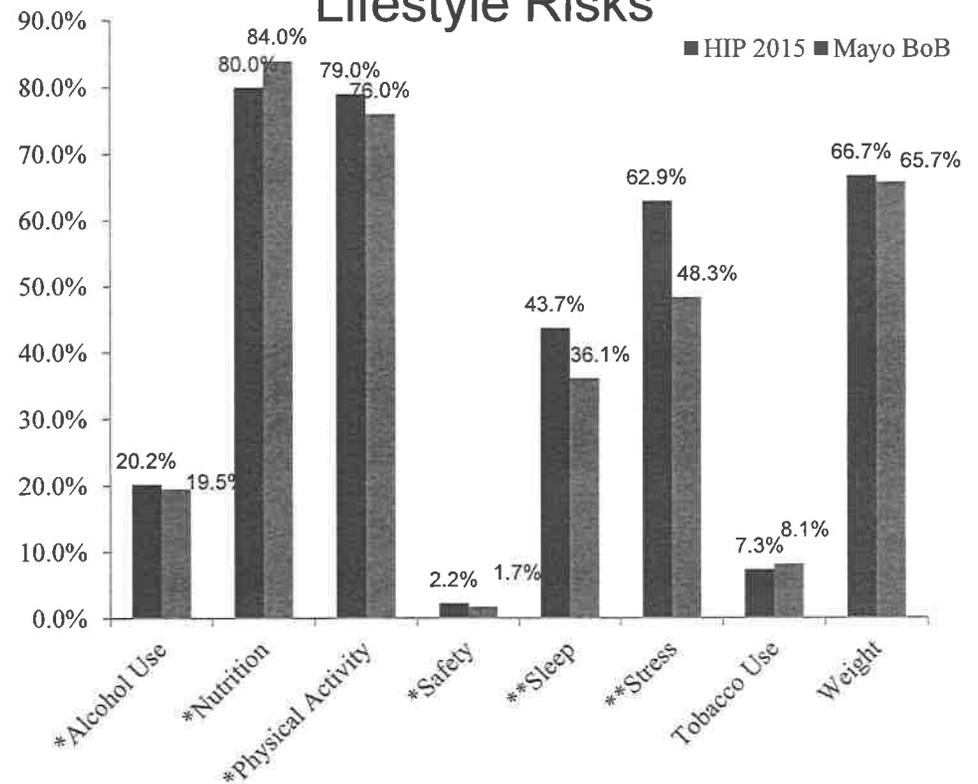


Baseline Aggregate Health Risks

Medical



Lifestyle Risks



*Indicates changes in health assessment questions for risk area and/or changes in risk factor logic.

**Sleep and Stress risks are new for Healthy Living online, where previously there was a single "Emotional Health" risk.

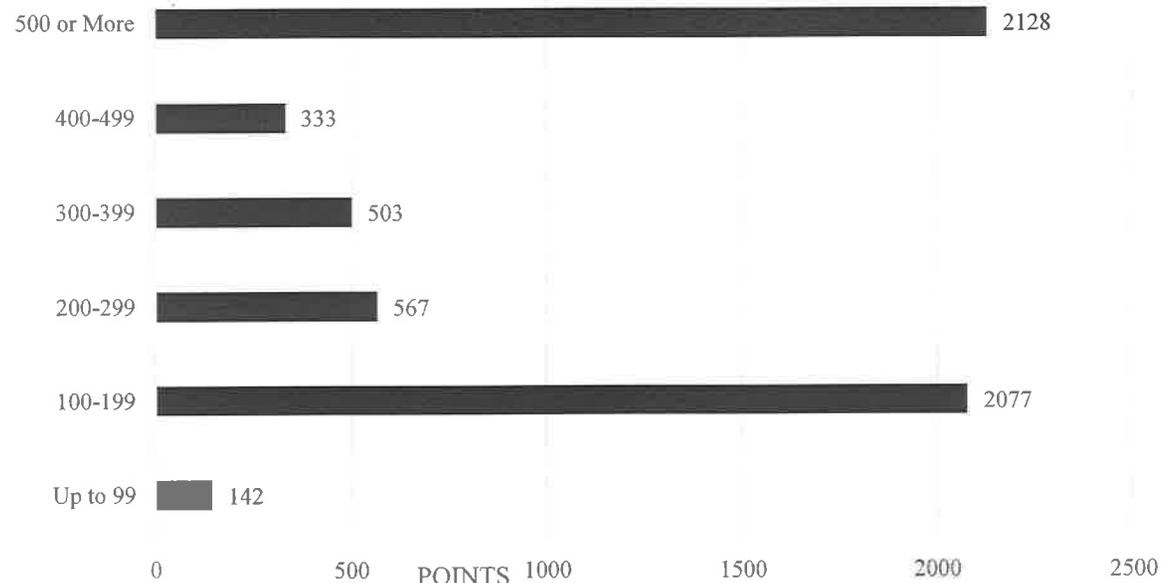


Key Findings

- High Blood Pressure, High Cholesterol, Diabetes and Asthma are 4 of the top 10 conditions affecting our employees
- Many of the modifiable risk factors contribute to the development of chronic disease
- Benefit Options Plan data supports the trends identified:
 - High cholesterol and high blood pressure are in the top 10 drugs used in our plan – \$6.6M and \$6.2M annually
 - Diabetes is the #1 therapeutic class of drug by amount spent – \$20M annually



HIP – Point Distribution/Payout



■ Total number of employees logging points is 5750

Up to 99	100-199	200-299	300-399	400-499	500 or More
142	2077	567	503	333	2128

5,750 (72%) of registered participants logged points. 1,810 (85%) of the 2,128 logging 500 points actually earned the incentive, for an estimated payout of \$362,000. (23% of total registered).



HIP Data Collection & Verification

- Health Assessment completion was verified through Mayo Online Portal
- All other activities were self-reported into Mayo Online Portal by employee
- Self-reported activities were confirmed through internal validation process

Results

- 1,033 (57%) of the 1,810 employees receiving \$200 incentive had 100% of the required 500 points verified
- The remaining 777 members receiving \$200 had 75% of the required 500 points verified
- A total of 990,700 points (81%) of the 1,227,775 total points recorded by employees were 100% verified



Employee Reporting Requirements

- All participants certified within the Mayo Online Portal that activity reporting will be accurate and truthful
 - Inaccurate self-reporting may result in disciplinary action
 - Participants were directed to retain evidence of participation and that ADOA reserves the right to request as part of the verification process
 - Verification can also be triggered through reports of misrepresentation



2016/2017 Cohort Report

2016 - Cohort group established for those who engaged in the program

2017 - Specific methodology for developing the groups:

- Subgroup A: To include non-engaged participants
 - Non-engaged defined as not registered on the Mayo Online Portal
- Subgroup B: To include engaged, in progress participants
 - Engaged, in progress defined as registered on the Mayo Online Portal, achieving any points value between 1-499
- Subgroup C: To include engaged, completed participants
 - Engaged, completed defined as registered on the Mayo Online Portal, having achieved the 500 point requirement

Claims will be reviewed for each group, e.g., number of employees with core diseases, costs per claim and the costs per member – expected cost reduction after year 3 of program



2016 Proposed Recommendations

Program Period

- January 4, 2016 through October 31, 2016, payment in December 2016

Program Design

- Allow points for vendor specific programs and community resources (Disease Management, Coaching, Lifestyle Programs, Apps, and Activities) to obtain points
- Add additional screenings - Hemoglobin A1C and Colonoscopy – to point system
- Eliminate the requirement to have at least one activity in each category to be eligible for the incentive.
- Develop a statewide schedule so that employees can self-select a screening appointment

Rewards Tracking & Validation

- Vendors will send data files to Mayo to include for reporting and validation purposes

Communications & Outreach

- Enhance the marketing and communications campaign



Appendix



Screening Definitions

- Mini Health = The Mini Health Screening components include: a blood draw (lipid profile) for cholesterol, HDL, LDL VLDL, triglycerides, glucose and fructosamine, blood pressure, height, weight and body-fat check
- PSA = Prostate specific antigen blood draw for men
- Osteo = Osteoporosis-bone density screening of the heel
- Visiderm = Screening of the face - highlights sun damage (overexposure from the sun's UV rays)
- MOM = a mobile onsite unit that offers digital mammography screening and is covered through insurance
- POP = a mobile unit that offers prostate cancer screening tests that include a PSA screen and digital rectal exams (DRE) by a urologist
- Coaching = Telephonic Health Coaching offered by Mayo Clinic to assist individuals with their behavior change goals and overall risk reduction. Coaching is available in the five focus areas including exercise, nutrition, stress, tobacco, or weight.



Health Assessment Definition/Purpose

- A Health Assessment is a population-based survey used to identify the prevalence of health and medical risks in a given population.
- Because it is one of the few prospective health related data sources available to employers, it is viewed as a crucial component of wellness program that seek to head off the development of costly chronic conditions

Aggregate data received is used to:

- Tailor health/wellness interventions to areas of greatest risk w/in a population
- Track progress of health and wellness interventions by evaluation risk factor prevalence and risk migration over time
- Forecast emergent health conditions for early intervention



2015 Health Impact Program Point System

HIP Point System

(PY 2015: Employee Points Earned October 2014 to September 2015)

Employees participate in the following activities to achieve points toward an incentive. Employees are permitted to engage in multiple programs in each category (column), but must select at least ONE activity in each category and earn 500 points* to receive the incentive payment – up to \$200.

Activity/Exercise	Preventive Screenings	Nutrition/Other
<ul style="list-style-type: none"> • Wellness approved walking program or on-site activity class Enrollment = 25pts, Completion +50pts = 75pts • On-line Lifestyle Coaching for Weight Management or Exercise Enrollment = 25pts, Completion +50pts = 75pts • Participation in activity class or organized sporting team/event = 25pts • Gym Membership = 25pts • Participation in local race (i.e. 5k, 10k, Half-marathon, Century bike ride) = 25pts 	<ul style="list-style-type: none"> • Well Woman Annual Visit = 100pts • Mammography screen = 50pts • Osteoporosis screen = 50pts • Well Man Annual Visit = 100pts • Prostate cancer screen = 50pts • Mini health screen = 75pts • Skin cancer screen = 75pts • Online Health Risk Assessment = 100pts • Influenza vaccination = 50pts • Vision exam = 25pts • Dental cleaning = 25pts 	<ul style="list-style-type: none"> • Telephonic Lifestyle Coaching (weight management, nutrition, tobacco, stress management) Enrollment= 50pts, Completion +75pts = 125pts • eMindful: Mindfulness classes = 50pts (100 pts Max) • Wellness sponsored 1-hour seminars: (i.e. Nutrition, Exercise, Financial Health, and Emotional Health) = 50pts (100 pts Max) • On-site series courses: Weight, Nutrition, Stress, Cholesterol, Prehypertension, and/or Diabetes Management Enrollment= 50pts, Completion +75pts = 125pts • Tobacco Free Program Enrollment = 50pts, Completion +75pts = 125pts • Disease Management Program through medical vendor Enrollment = 50pst, Completion +150pts = 200pt • Pregnancy Program through medical vendor Enrollment = 25pts, Completion +75pts = 100pts



2016 Health Impact Program – Point System*

Employee Points Earned January 4, 2016 to October 31, 2016

Employees participate in the following activities to achieve points toward an incentive. Employees are permitted to engage in multiple programs in each category (column), to earn 500 points* to receive the incentive payment – up to \$200.

Engagement	Screening & Assessment	Preventive Healthy Lifestyle Practices	Education & Lifestyle Change	Health Management Support
<ul style="list-style-type: none"> • Mayo Clinic Enrollment = 25pts • Health Plan Vendor Portal Enrollment = 25pts 	<ul style="list-style-type: none"> • Well Woman Annual Visit = 100pts • Well Man Annual Visit = 100pts • Mammography screen = 50pts • Osteoporosis screen = 50pts • Prostate cancer screen = 50pts • Skin cancer screen (Health provider) = 75pts • Colonoscopy = 100pts • Mini health screen = 75pts • Hemoglobin A1C = 50pts • Online Health Risk Assessment = 150pts 	<ul style="list-style-type: none"> • Influenza vaccination = 50pts • Vision exam = 25pts • Dental cleaning = 25pts (50ptsMax) • Use of Mayo Trackers or Apps = 25pts (75pts Max) • Weight • Food Journal • Fitness • Approved Onsite Activity/Session Community Event: = 25pts (125pts Max) • Walking Program • Fitness Classes • Race • Gym Membership • Organized Sports Team/Tournament 	<ul style="list-style-type: none"> • Coaching: Telephonic Health Coaching Completion = 150pts OR • Health Plan Vendor Lifestyle Management Program - Online Lifestyle Programs (weight management, nutrition, tobacco, stress management) = 50pts for each topic completion (150 pts Max) • Wellness sponsored 1-hour seminars and Webinars: (i.e. Nutrition, Exercise, Financial Health, and Emotional Health) = 50pts • eMindful: Mindfulness classes = 50pts (100pts Maximum for seminars, webinars and classes) 	<ul style="list-style-type: none"> • Tobacco Free Program Completion = 125pts • Disease Management Program through medical vendor Completion = 200pts • Pregnancy Program through medical vendor Completion = 150pts





STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: December 8, 2015
TO: Representative Justin Olson, Chairman
Members, Joint Legislative Budget Committee
THRU: Richard Stavneak, Director *RS*
FROM: Josh Hope, Fiscal Analyst *JH*
SUBJECT: JLBC Staff - Consider Approval of Index for School Facilities Board Construction Costs

Request

A.R.S. § 15-2041D.3c requires that the cost-per-square-foot factors used in the School Facilities Board (SFB) new school construction financing "shall be adjusted annually for construction market considerations based on an index identified or developed by the Joint Legislative Budget Committee (JLBC) as necessary but not less than once each year."

Recommendation

The Committee has at least the following 3 options:

1. Approve the SFB Staff request for a 16% adjustment in the cost-per-square-foot factors. This is based on the assumption of 2% annual inflation since 2008, which is the last year the formula was increased.
2. Approve a 3.75% adjustment in the cost-per-square-foot factors, based on the most recent available 1-year change in the Rider Levett Bucknall (RLB) Phoenix construction cost index.
3. 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 RLB Phoenix construction cost index since the last JLBC cost-per-square-foot adjustment in November 2008. The Committee adopted this option last year.

(Continued)

Table 1 lists the cost-per-square-foot amounts for the three options.

Table 1	Cost-Per-Square-Foot Amounts for Each Option		
	<u>K-6</u>	<u>7-8</u>	<u>9-12</u>
Option 1 - SFB Staff Request – 2% Annual Inflation Since 2008 (16.0%)	\$158.53	\$167.35	\$193.78
Option 2 - Phoenix Construction Cost Index (1-Year Change, 3.75%)	\$141.78	\$149.68	\$173.31
Option 3 - Longitudinal Phoenix Construction Index (Current Amount; 0%)	\$136.66	\$144.27	\$167.05

Analysis

Background Information

The original Students FIRST legislation (Laws 1998, 5th Special Session, Chapter 1) established funding amounts per-square-foot of space for new construction. There are different per-square-foot factors for grades K-6, 7-8, and 9-12 space. Current statute requires that SFB use the cost-per-square-foot in effect at the time a new construction project is approved, except that SFB may adjust the formula based on geographic or site conditions as defined in statute.

The Committee has used a variety of different indices to establish the per-square-foot amounts. In November 2008, the Committee approved a 1.98% adjustment in construction costs. Since that time, the Committee has approved a 0% adjustment in construction costs in each year. Statute requires that the Committee adjust the cost-per-square-foot amounts at least once per year. The last adjustment occurred 1 year ago at the December 2014 meeting.

Three Options

SFB Staff is requesting an increase in the new school construction cost-per-square-foot factors by 16.0%. This option is based on the assumption of 2% annual inflation for the last 8 years since the formula was adjusted in 2008. SFB did not specify an inflation index to support its proposal. SFB Staff has also provided data from RS Means, a construction cost source from the consulting firm the Gordian Group, which estimates Phoenix area construction costs have increased by approximately 20% since 2008.

The second option is based on the most recent RLB measurement of the change in all construction costs in the Phoenix area for the past year, from July 2014 through July 2015, which would be an increase of 3.75%.

The third option is to set the inflation adjustment based on a longitudinal measurement of construction costs since the last time the Committee adopted an adjustment. As noted previously, JLBC approved a 1.98% adjustment in November 2008. Construction costs subsequently declined during the recession, but have been recovering in recent years. Based on the most current RLB data, construction costs in the Phoenix area have increased by 0.18% since January 2009, resulting in the third option of a 0% adjustment. This longitudinal approach using RLB data was previously used by the Committee at the December 2013 and December 2014 meetings, with adjustments of 0%.

JLBC Staff is currently exploring the technical issues causing RS Means, the SFB Staff data source, to produce a significantly higher growth rate in Phoenix construction costs compared to the RLB index.

(Continued)

A 0.18% adjustment would translate into a 25¢ to 30¢ adjustment for 3 different square foot factors. For purposes of this analysis, this option would leave the current factors unchanged due to the small dollar value of a 0.18% adjustment.

Fiscal Impact

The SFB Staff estimates that 2 districts may qualify for new construction projects in FY 2017 totaling \$35.7 million excluding land costs if formally approved by SFB in the spring. The first project would cost \$33.4 million and would fund 200,000 square feet of additional space in the Agua Fria Unified High School District. The second project would cost \$2.3 million and would fund 15,420 square feet of additional space in the Chandler Unified School District. Neither project has been formally approved by the Board.

The SFB Staff's recommended cost-per-square-foot factors increase of 16% would increase that cost by approximately \$5.7 million. The second option would result in approximately \$1.3 million in additional costs. The third option would result in no increase. Any additional long-term costs would depend on future SFB new construction approvals.

RS/JH:kp



STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Douglas A. Ducey

Interim Executive Director
Philip G. Williams

December 1, 2015

The Honorable Don Shooter, Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

And

The Honorable Justin Olson, Chairman
Joint Legislative Budget Committee



Dear Senator Shooter and Representative Olson:

A.R.S. §15-2041.D.3(c) states in part "...The cost per square foot shall be adjusted annually for construction market considerations based on an index identified or developed by the joint legislative budget committee as necessary but no less than once each year." To assist the JLBC, the School Facilities Board has prepared the following information.

The current new school construction cost index was established the JLBC in 2008. Current market conditions, as noted below, would not provide sufficient funds to build a school to the Minimum School Facility Adequacy Guideline requirements.

The SFB used analysis developed by RS Means (a nationally recognized publisher of construction cost data) and Rider Levett Bucknall (RLB), an international construction consulting group, in support of this annual request for inflation adjustment.

According to the RS Means Square Foot Costs 2015 (Catalog No. 60055, p.526) the cost of construction in the Phoenix area has increased 119.7% since 2008, while the Tucson area has increased 120.6% during the same period (See attached Historical Cost Indexes).

The RLB analysis shows a current cost between \$150.00 and \$200.00 per square foot for elementary school construction and between \$170.00 and \$250.00 per square foot for high school construction. (See attached RLB Quarterly Construction Cost Report, 3rd Qtr. 2015.) Please note that the RLB analysis accounts for only construction bid costs. Costs for design, permitting, furniture, etc. need to be added to the cost per square foot. These additional costs add approximately 20% to the construction cost. Please also note that the current construction cost index for K-6 is \$136.66 (established in 2008).

To become effective in FY 2017, the SFB is requesting the Joint Legislative Budget Committee increase the new school construction cost index by 16%. This requested increase is based on the most common inflation rate used by most economists of 2% growth per year since 2008 and the current \$136.66 per square foot formula amount for construction.

The current market conditions for construction materials began to increase in the Spring of 2014. The major difference in the market today is the availability of a qualified work force. Today, contractors are struggling to put enough “journeymen” type workers in the field. During the recession, when Arizona’s new home construction was at a trickle, the construction workers either moved to areas where construction work was still available or changed occupations. Today, unfortunately, Arizona’s construction industry, while growing, is still not attracting enough qualified workers. The lack of an available work force is keeping labor rates high.

Table One below shows the impact on the formula cost per square foot when the requested 16% increase is added to the current formula.

Table One

Grade Level	Current Amount	Adjusted Amount
K-6	\$136.66	\$158.53
7-8	\$144.27	\$167.35
9-12	\$167.05	\$193.78

The SFB believes that the Adjusted Amounts shown above adequately reflect current inflation and market conditions.

Fiscal Impact

The SFB assumes the fiscal impact in FY 2017, as a result of the requested 16% increase, would be approximately \$10,827,095 (based on the potential to award five new schools with a total of 423,305 square feet). Staff is currently reviewing school district capital plans and estimates there will be between three and five school districts that will be over capacity in FY 2016 that will need to be awarded additional square footage to meet their capacity need projections. Table Two below shows the five conceptual awards made in FY 2015 that are the basis for this fiscal impact statement.

Table Two

District	Project Type	Grade Level	Square Footage	Student Capacity	To Be Approved FY	County
Agua Fria Union	New School	9-12	200,000	2,128	16	Maricopa
Chandler Unified	New School	K-12	15,420	182	16	Maricopa
Pima Unified	New School	K-6	7,110	89	16	Graham
Laveen Elementary	New School	K-8	92,400	1,155	17	Maricopa
Queen Creek Unified	New School	9-12	108,375	1,153	17	Maricopa
		Total:	423,305			

If you or your staff have any questions regarding this information and request, please contact me at 602-542-4457 or pwilliams@azsfb.gov .

Respectfully submitted,



Philip G. Williams

cc: Henry Darwin, Chief of Staff, Governor’s Office
 Lorenzo Romero, Director, OSPB
 Michael Williams, OSPB
 Joshua Hope, JLBC staff

Historical Cost Indexes

Year	National 30 City Average	Alabama					Alaska	Arizona		Arkansas		California				
		Birming- ham	Hunts- ville	Mobile	Mont- gomery	Tusca- loosa	Anchor- age	Phoenix	Tuscon	Fort Smith	Little Rock	Anaheim	Bakers- field	Fresno	Los Angeles	Oxnard
Jan 2015	206.7E	186.4E	181.5E	175.5E	168.0E	171.6E	245.5E	182.2E	178.9E	168.9E	172.5E	219.6E	219.9E	220.7E	221.6E	219.3E
2014	203.0	180.3	175.8	170.6	163.1	165.9	241.0	180.0	177.0	165.1	168.4	214.2	215.2	217.0	217.3	214.8
2013	196.9	173.3	168.7	165.7	158.7	161.6	235.3	174.1	169.2	161.2	163.2	207.0	205.6	210.3	210.7	207.8
2012	194.0	169.1	162.7	163.2	153.8	154.6	232.5	172.2	166.4	158.7	161.0	204.1	202.9	207.3	207.2	204.7
2011	185.7	163.0	156.3	156.9	147.6	148.3	225.1	163.8	159.5	152.0	154.1	196.1	194.6	199.8	199.2	197.0
2010	181.6	159.6	152.9	153.1	144.4	144.9	218.3	160.7	157.3	150.3	152.5	192.8	190.8	195.0	194.9	192.8
2009	182.5	162.7	157.2	155.6	148.8	149.4	222.9	161.3	156.8	149.2	156.3	194.5	192.3	195.0	196.6	194.5
2008	171.0	150.3	146.9	143.7	138.4	138.8	210.8	152.2	148.4	138.6	145.4	182.7	179.8	183.2	184.7	182.6
2007	165.0	146.9	143.3	140.3	134.8	135.4	206.8	147.7	143.1	134.8	141.7	175.1	173.7	176.7	177.5	176.2
2006	156.2	135.7	133.6	126.7	124.0	122.2	196.4	137.9	134.8	123.2	127.2	166.8	164.9	169.8	167.3	167.4
2005	146.7	127.9	125.4	119.3	116.6	114.6	185.6	128.5	124.1	115.4	119.4	156.5	153.0	157.9	157.1	156.4
2004	132.8	115.9	112.9	107.0	104.9	102.9	167.0	116.5	113.6	103.8	108.6	142.1	139.5	143.8	142.0	140.9
2003	129.7	113.1	110.7	104.8	102.6	100.8	163.5	113.9	110.6	101.8	105.8	139.4	137.2	142.1	139.6	138.7
2002	126.7	110.0	103.4	103.6	101.7	99.7	159.5	113.3	110.2	100.4	102.1	136.5	133.4	136.0	136.4	136.3
2001	122.2	106.0	100.5	100.6	98.3	95.9	152.6	109.0	106.4	97.3	98.7	132.5	129.3	132.8	132.4	132.4
2000	118.9	104.1	98.9	99.1	94.2	94.6	148.3	106.9	104.9	94.4	95.7	129.4	125.2	129.4	129.9	129.7
1999	116.6	101.2	97.4	97.7	92.5	92.8	145.9	105.5	103.3	93.1	94.4	127.9	123.6	126.9	128.7	128.2
1998	113.6	96.2	94.0	94.8	90.3	89.8	143.8	102.1	101.0	90.6	91.4	125.2	120.3	123.9	125.8	124.7
1997	111.5	94.6	92.4	93.3	88.8	88.3	142.0	101.8	100.7	89.3	90.1	124.0	119.1	122.3	124.6	123.5
1996	108.9	90.9	91.4	92.3	87.5	86.5	140.4	98.3	97.4	86.5	86.7	121.7	117.2	120.2	122.4	121.5
1995	105.6	87.8	88.0	88.8	84.5	83.5	138.0	96.1	95.5	85.0	85.6	120.1	115.7	117.5	120.9	120.0
1990	93.2	79.4	77.6	82.7	78.4	75.2	125.8	86.4	87.0	77.1	77.9	107.7	102.7	103.3	107.5	107.4
1985	81.8	71.1	70.5	72.7	70.9	67.9	116.0	78.1	77.7	69.6	71.0	95.4	92.2	92.6	94.6	96.6
1980	60.7	55.2	54.1	56.8	56.8	54.0	91.4	63.7	62.4	53.1	55.8	68.7	69.4	68.7	67.4	69.9
1975	43.7	40.0	40.9	41.8	40.1	37.8	57.3	44.5	45.2	39.0	38.7	47.6	46.6	47.7	48.3	47.0
1970	27.8	24.1	25.1	25.8	25.4	24.2	43.0	27.2	28.5	24.3	22.3	31.0	30.8	31.1	29.0	31.0
1965	21.5	19.6	19.3	19.6	19.5	18.7	34.9	21.8	22.0	18.7	18.5	23.9	23.7	24.0	22.7	23.9
1960	19.5	17.9	17.5	17.8	17.7	16.9	31.7	19.9	20.0	17.0	16.8	21.7	21.5	21.8	20.6	21.7
1955	16.3	14.8	14.7	14.9	14.9	14.2	26.6	16.7	16.7	14.3	14.5	18.2	18.1	18.3	17.3	18.2
1950	13.5	12.2	12.1	12.3	12.3	11.7	21.9	13.8	13.8	11.8	11.6	15.1	15.0	15.1	14.3	15.1
1945	8.6	7.8	7.7	7.8	7.8	7.5	14.0	8.8	8.8	7.5	7.4	9.6	9.5	9.6	9.1	9.6
1940	6.6	6.0	6.0	6.1	6.0	5.8	10.8	6.8	6.8	5.8	5.7	7.4	7.4	7.4	7.0	7.4

Year	National 30 City Average	California							Colorado			Connecticut				
		River- side	Sacra- mento	San Diego	San Francisco	Santa Barbara	Stockton	Vallejo	Colorado Springs	Denver	Pueblo	Bridge- Port	Bristol	Hartford	New Britain	New Haven
Jan 2015	206.7E	219.3E	224.9E	216.1E	254.0E	219.2E	223.3E	231.4E	192.9E	191.3E	190.4E	227.2E	226.1E	227.2E	225.6E	227.4E
2014	203.0	214.1	221.5	211.4	248.0	214.7	218.4	227.9	187.8	189.1	184.7	223.8	222.8	223.9	222.4	224.1
2013	196.9	207.0	215.0	203.2	241.0	207.9	211.8	222.2	180.7	183.4	180.0	217.8	217.2	218.4	216.8	218.5
2012	194.0	204.1	211.9	198.9	237.6	204.8	208.8	218.9	179.4	182.2	177.9	213.9	213.3	214.4	212.9	214.7
2011	185.7	195.8	203.1	192.3	227.9	196.2	201.3	210.3	171.7	174.1	170.7	205.2	204.2	205.1	203.9	205.8
2010	181.6	192.7	196.7	188.2	223.0	192.9	195.9	204.6	170.5	172.6	168.1	198.8	199.1	199.8	198.8	200.7
2009	182.5	193.1	198.1	191.6	224.9	193.6	194.5	202.7	168.4	172.0	166.7	199.0	197.7	198.7	197.4	199.6
2008	171.0	181.3	186.0	179.9	210.6	181.5	183.2	191.6	158.8	161.9	157.9	185.8	184.8	185.7	184.5	186.1
2007	165.0	174.7	179.1	173.6	201.1	175.2	178.2	185.9	152.6	155.9	152.3	179.6	178.3	179.6	178.0	179.5
2006	156.2	166.0	172.2	164.0	191.2	166.4	171.0	177.9	146.1	149.2	145.0	169.5	168.0	169.5	167.7	169.8
2005	146.7	155.4	161.1	153.8	179.7	155.7	160.0	167.2	138.3	141.1	136.4	160.8	159.4	159.6	159.1	160.8
2004	132.8	141.0	147.2	139.0	163.6	141.4	144.2	148.6	125.6	127.2	123.5	143.6	142.9	142.4	142.7	144.3
2003	129.7	138.7	144.9	136.6	162.1	139.2	141.8	146.4	123.1	123.7	120.7	141.3	140.2	140.3	140.0	141.6
2002	126.7	135.3	138.4	134.2	157.9	135.9	136.9	143.8	118.7	121.3	116.7	133.8	133.6	133.1	133.3	134.8
2001	122.2	131.4	135.5	129.7	151.8	131.5	134.1	140.2	113.3	117.2	113.1	128.6	128.5	128.5	128.3	128.6
2000	118.9	128.0	131.5	127.1	146.9	128.7	130.7	137.1	109.8	111.8	108.8	122.7	122.6	122.9	122.4	122.7
1999	116.6	126.5	129.4	124.9	145.1	127.2	127.9	135.3	107.0	109.1	107.1	121.1	121.3	121.2	121.1	121.3
1998	113.6	123.7	125.9	121.3	141.9	123.7	124.7	132.5	103.3	106.5	103.7	119.1	119.4	120.0	119.7	120.0
1997	111.5	122.6	124.7	120.3	139.2	122.4	123.3	130.6	101.1	104.4	102.0	119.2	119.5	119.9	119.7	120.0
1996	108.9	120.6	122.4	118.4	136.8	120.5	121.4	128.1	98.5	101.4	99.7	117.4	117.6	117.9	117.8	118.1
1995	105.6	119.2	119.5	115.4	133.8	119.0	119.0	122.5	96.1	98.9	96.8	116.0	116.5	116.9	116.3	116.5
1990	93.2	107.0	104.9	105.6	121.8	106.4	105.4	111.4	86.9	88.8	88.8	96.3	95.9	96.6	95.9	96.5
1985	81.8	94.8	92.2	94.2	106.2	93.2	93.7	97.0	79.6	81.0	80.4	86.1	86.2	87.2	86.1	86.3
1980	60.7	68.7	71.3	68.1	75.2	71.1	71.2	71.9	60.7	60.9	59.5	61.5	60.7	61.9	60.7	61.4
1975	43.7	47.3	49.1	47.7	49.8	46.1	47.6	46.5	43.1	42.7	42.5	45.2	45.5	46.0	45.2	46.0
1970	27.8	31.0	32.1	30.7	31.6	31.3	31.8	31.8	27.6	26.1	27.3	29.2	28.2	29.6	28.2	29.3
1965	21.5	23.9	24.8	24.0	23.7	24.1	24.5	24.5	21.3	20.9	21.0	22.4	21.7	22.6	21.7	23.2
1960	19.5	21.7	22.5	21.7	21.5	21.9	22.3	22.2	19.3	19.0	19.1	20.0	19.8	20.0	19.8	20.0
1955	16.3	18.2	18.9	18.2	18.0	18.4	18.7	18.6	16.2	15.9	16.0	16.8	16.6	16.8	16.6	16.8
1950	13.5	15.0	15.6	15.0	14.9	15.2	15.4	15.4	13.4	13.2	13.2	13.9	13.7	13.8	13.7	13.9
1945	8.6	9.6	10.0	9.6	9.5	9.7	9.9	9.8	8.5	8.4	8.4	8.8	8.7	8.8	8.7	8.9

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USA
REPORT

QUARTERLY
CONSTRUCTION
COST REPORT

THIRD QUARTER 2015



USA REPORT

AT A GLANCE

The figures in this edition of Rider Levett Bucknall's Quarterly Cost Report paint a variety of scenes.

The scene for the general economy shows GDP at a robust 3.7%, unemployment steady at 5.5% and general economy-wide inflation (as measured by the Consumer Price Index) reaching 1.06% (4.24% annualized). Guided by these and other positive economic signs, the US Federal Reserve Bank had been priming expectations towards a rise in interest rates but this was set back by the emergence of problems in the Chinese economy prompting the IMF and others to 'warn' the Fed about making a 'premature' rate increase. As a result, in mid-September, the Fed 'folded' and left interest rates unchanged. In summary, for the general economy, positive news was trampled.

The scene for the construction industry also remains positive. According to the AIA, July's Architectural Billing Index score of 55.7 "...marks the third consecutive month of growth, breaking the recent ABI pattern of two months of progress after two months of contractions...". Construction Unemployment has fallen to 6.3% (still higher than the general rate of unemployment); Construction Put-In-Place jumped by nearly 12% between the 3rd Quarter 2014 and the 2nd Quarter 2015 and; cost escalation nationally sat at 3.56% for the past year.

Cost escalation in Honolulu in the 2nd Quarter hit 2.76% (11.0% annualized) leading its construction costs to eclipse those of New York City and making it the most expensive city to build in the USA.

PORTLAND INTERNATIONAL JETPORT PORTLAND, MAINE

The Portland International Jetport, located in Portland, Maine, has constructed a new terminal building. The terminal expansion was designed to demonstrate that a publicly-owned building can be sustainable, energy efficient and aesthetically striking. The facility includes new aircraft gates, a ticketing hall, a baggage handling area, security-screening checkpoints, departure lounges, a concession, and a food court.

Advocating sustainability and energy efficiency in their development plan, Portland International Jetport has been named the second airport in the United States to achieve a LEED Gold certification.

Rider Levett Bucknall provided construction cost management services to Gensler, the architect for the project.

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NATIONAL CONSTRUCTION COST INDEX

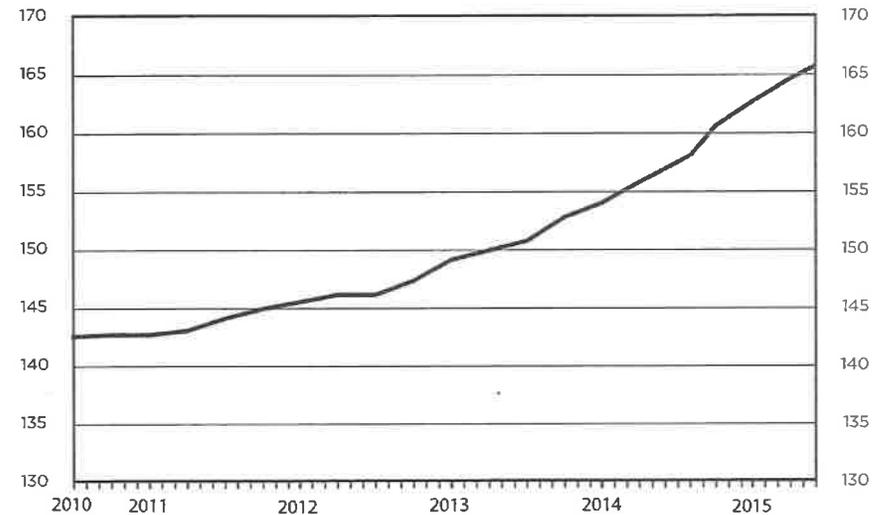
The National Construction Cost Index shows the changing cost of construction between July 2010 and July 2015, relative to a base of 100 in April 2001. Index recalibrated as of April 2011.

Date	Cost Index
July 2010	142.58
October 2010	142.60
January 2011	142.77
April 2011	143.42
July 2011	144.53
October 2011	145.29
January 2012	145.73
April 2012	146.35
July 2012	146.67
October 2012	147.74
January 2013	149.19
April 2013	150.75
July 2013	151.89
October 2013	153.09
January 2014	154.56
April 2014	156.33
July 2014	158.48
October 2014	161.11
January 2015	162.98
April 2015	164.96
July 2015	166.85

Welcome to the third quarter 2015 issue of Rider Levett Bucknall's Quarterly Cost Reports! This issue contains data current to July 1, 2015.

According to the U.S. Department of Commerce, construction put-in-place during June 2015 was estimated at a seasonally adjusted annual rate of \$1,064.6 billion, which is 0.1% above the revised May estimate of \$1,063.5 billion. The June 2015 figure is 12.0% above the June 2014 estimate of \$950.3 billion. The value of construction for the first six months of this year was \$482.7 billion, 8.0% above the same period in 2014.

NATIONAL CONSTRUCTION COST INDEX



KEY UNITED STATES STATISTICS

	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Gross Domestic Product (GDP)*	3.5%	2.2%	0.2%	3.7%
Consumer Price Index (CPI)	238.0	234.8	236.1	238.6
Inflation (Quarter)	-0.13%	-1.36%	0.55%	1.07%
Architectural Billings Index (ABI)	55.2	52.2	51.7	55.7
Construction Put-in-Place (B)	\$950.9	\$982.1	\$966.6	\$1,064.6
Unemployment	6.1%	5.6%	5.5%	5.5%
Construction Unemployment	7.0%	8.3%	9.5%	6.3%

GDP represented in percent change from the preceding quarter, seasonally adjusted at annual rates. CPI quarterly figures represent the monthly value at the end of the quarter. Inflation rates represent the total price of inflation from the previous quarter, based on the change in the Consumer Price Index. ABI is derived from a monthly American Institute of Architects survey of architectural firms of their work on the boards, reported at the end of the period. Construction Put-in-Place figures represent total value of construction dollars in billions spent at a seasonally adjusted annual rate taken at the end of each quarter. General Unemployment rates are based on the total population 16 years and older. Construction Unemployment rates represent only the percent of experienced private wage and salary workers in the construction industry 16 years and older. Unemployment rates are seasonally adjusted, reported at the end of the period.

Sources: U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, American Institute of Architects

* Adjustments made to GDP based on amended changes from the Bureau of Economic Analysis.

INDICATIVE CONSTRUCTION COSTS

The data in the chart below represents estimates of current building costs in each respective market. Costs may vary as a consequence of factors such as site conditions, climatic conditions, standards of specification, market conditions, etc. Values represent hard construction costs based on U.S. dollars per square foot of gross floor area.

LOCATION	OFFICES				RETAIL SHOPPING				HOTELS				HOSPITAL		INDUSTRIAL				PARKING				RESIDENTIAL				EDUCATION			
	PRIME		SECONDARY		CENTER		STRIP		5 STAR		3 STAR		GENERAL		WAREHOUSE		GROUND		BASEMENT		MULTI-FAMILY		SINGLE FAMILY		ELEMENTARY		HIGH SCHOOL		UNIVERSITY	
	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH
Boston	200	280	175	245	120	210	90	145	250	400	160	250	375	550	70	100	60	90	80	110	135	220	165	325	220	300	240	350	275	400
Chicago	230	360	120	180	115	210	80	130	250	450	120	210	310	580	70	130	65	110	90	130	130	210	120	325	190	350	190	370	250	375
Denver	140	225	100	150	80	130	65	125	185	280	105	165	335	390	65	110	40	70	60	95	70	190	60	350	125	160	145	215	185	305
Honolulu	255	470	215	355	185	440	155	385	460	665	290	485	420	680	125	200	85	125	120	235	170	395	250	680	300	425	360	540	395	640
Las Vegas	140	285	105	190	115	480	65	145	325	465	120	225	285	455	50	100	50	85	60	150	70	400	90	350	180	315	200	455	235	455
Los Angeles	200	300	140	210	125	280	100	160	300	450	200	275	400	600	95	160	95	115	110	155	150	245	150	310	310	410	325	445	340	490
New York	205	350	180	270	140	250	115	160	320	475	185	265	450	600	90	130	65	105	85	125	140	250	175	350	190	340	220	375	275	400
Phoenix	140	240	100	160	105	165	70	125	230	400	140	180	300	450	55	100	40	65	60	100	90	185	100	400	150	200	170	250	210	375
Portland	165	220	115	170	110	220	90	130	175	265	130	170	370	480	75	130	70	90	100	140	130	220	110	260	220	275	230	290	270	390
San Francisco	220	330	160	240	150	280	130	185	300	470	220	290	400	600	95	160	100	130	120	165	160	260	165	350	320	420	350	500	340	490
Seattle	165	205	115	160	115	200	95	135	185	275	140	180	320	435	75	110	65	85	85	125	120	235	100	235	205	250	230	300	265	395
Washington DC	175	240	130	185	95	190	75	135	230	375	150	230	350	500	70	100	55	80	75	100	100	185	120	250	190	250	220	275	250	375

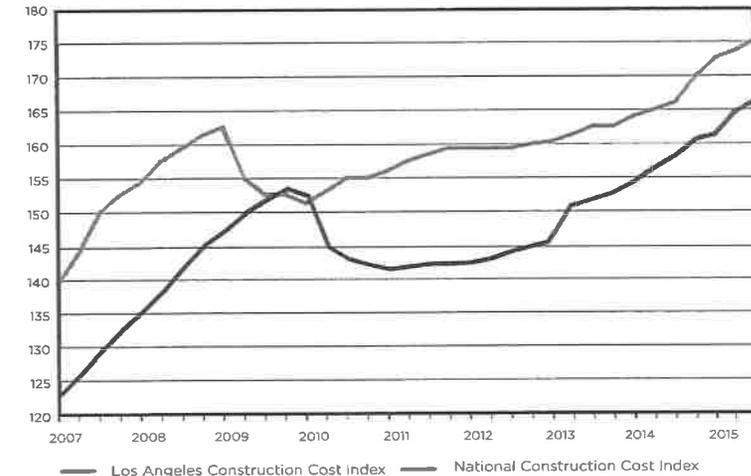
PHILIP MATHUR REJOINS RIDER LEVETT BUCKNALL



Rider Levett Bucknall is pleased to announce that Philip Mathur, Associate Principal, has re-joined the firm and will be leading the Los Angeles, California office.

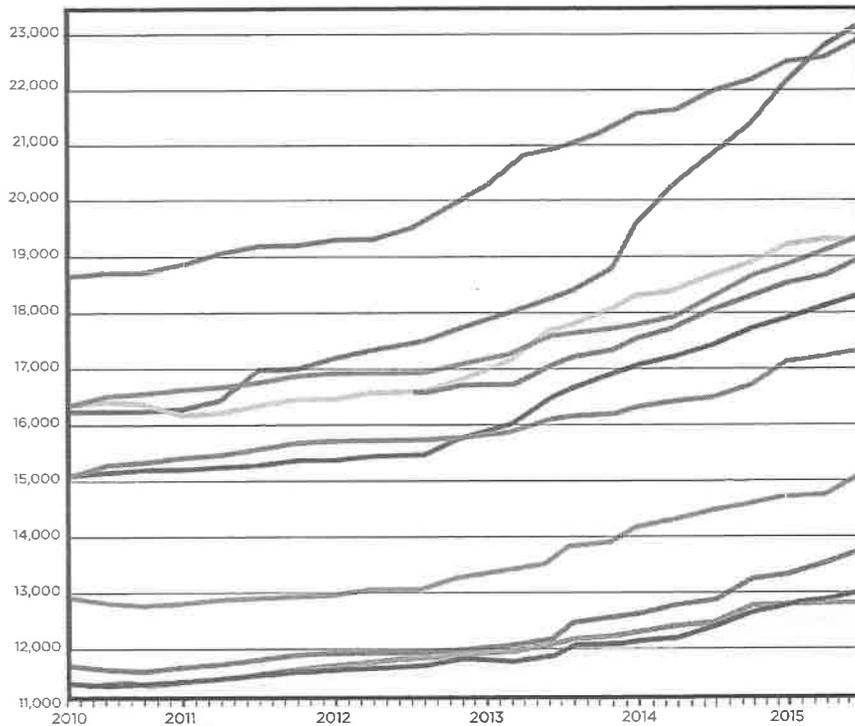
Philip brings more than 25 years of national and international experience to the firm. Having worked in the Los Angeles market for over 16 years, Philip also brings extensive market knowledge and experience to the team. As a member of the Royal Institution of Chartered Surveyors (MRICS), Philip is skillful at managing and facilitating all facets of cost, project budget control, and negotiating contracts on projects of varying sizes and procurement methods. Philip has worked within various sectors which range from hospitality, residential, and mixed-use to cultural, education, healthcare, and federal projects.

INFLATION INDEX COMPARISON LOS ANGELES VS. NATIONAL



The construction cost index, provided by quarter, indicates the change in the cost of construction, relative to a base of 100. The chart above compares the national construction cost index (blue) to that of the Los Angeles market (red).

COMPARATIVE COST INDEX



Each quarter we look at the comparative cost of construction in 12 US cities, indexing them to show how costs are changing in each city in particular, and against the costs in the other 11 locations. You will be able to find this information in the graph titled *Comparative Cost Index* (above) and in the *Cost and Change Summary* (right).

Our Comparative Cost Index tracks the 'true' bid cost of construction, which includes, in addition to costs of labor and materials, general contractor and sub-contractor overhead costs and fees (profit). The index also includes applicable sales/use taxes that 'standard' construction contracts attract. In a 'boom,' construction costs typically increase more rapidly than the net cost of labor and materials. This happens as the overhead levels and profit margins are increased in response to the increasing demand. Similarly, in a 'bust,' construction cost increases are dampened (or may even be reversed) due to reductions in overheads and profit margins.

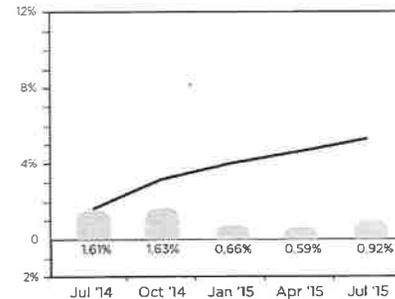
City	April 2015	July 2015	% Change
• Boston	19,218	19,394	0.92%
• Chicago	18,799	18,983	0.97%
• Denver	12,852	13,000	1.15%
• Honolulu	22,762	23,390	2.76%
• Las Vegas	12,602	12,720	0.94%
• Los Angeles	17,178	17,351	1.01%
• New York	22,629	22,809	0.80%
• Phoenix	12,834	12,947	0.88%
• Portland	13,520	13,638	0.87%
• San Francisco	19,089	19,311	1.16%
• Seattle	14,926	15,113	1.25%
• Washington, DC	18,165	18,359	1.07%

Our research suggests that between April 1, 2015 and July 1, 2015 the national average increase in construction cost was approximately 1.15%. Honolulu again experienced the greatest increase showing inflation of almost 2.8% for the period. All other North American locations experienced inflation between 0.8% and 1.25% for the quarter.

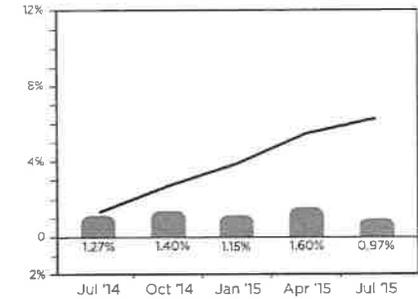
The following escalation charts track changes in the cost of construction each quarter in many of the cities where Rider Levett Bucknall offices are located. Each chart illustrates the percentage change per period and the cumulative percentage change throughout the charted timeline.

■ Percentage change per quarter — Cumulative percentage change for the period shown

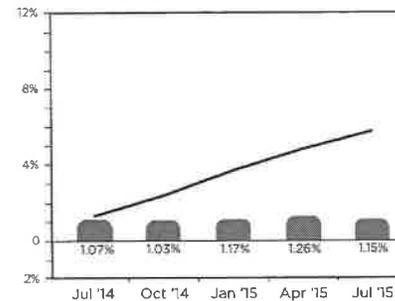
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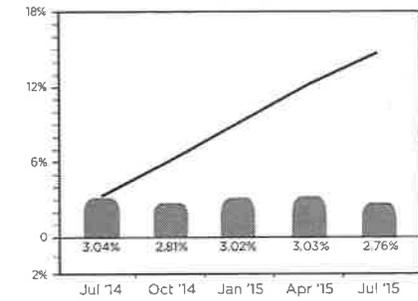
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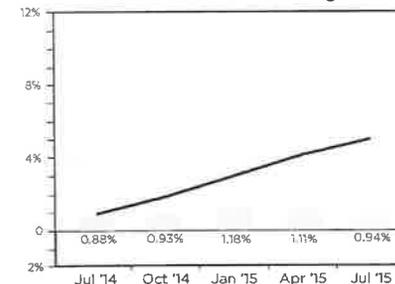
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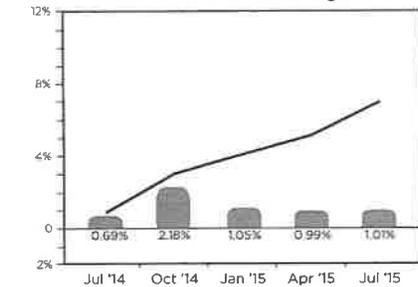
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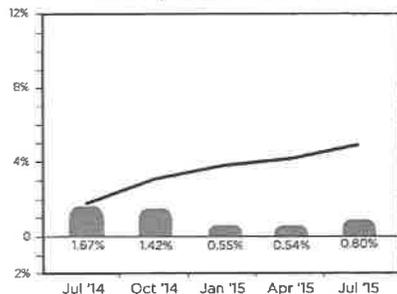


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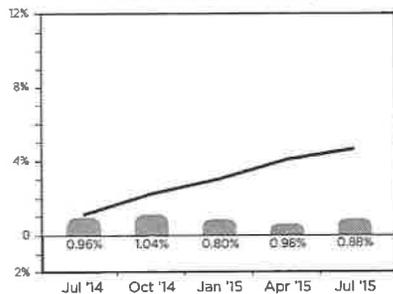


USA REPORT

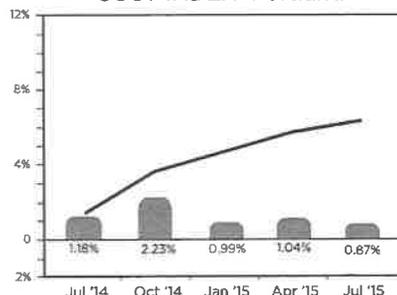
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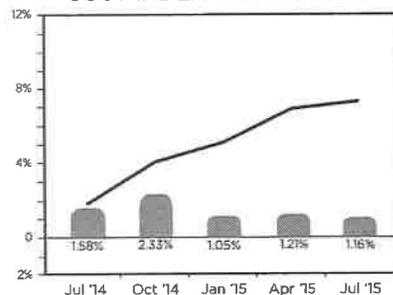
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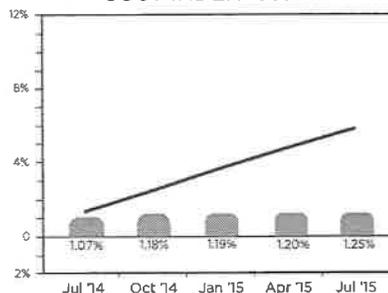
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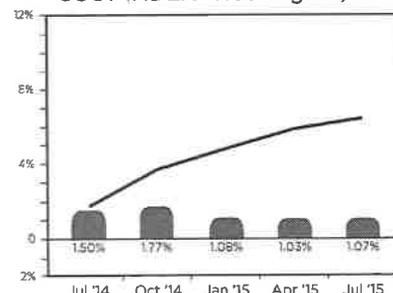
COST INDEX San Francisco



COST INDEX Seattle



COST INDEX Washington, DC



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This issue was compiled by Taryn Harbert with contributions from Evans Pomegas, Grant Owen, Jim Bergstrand, Jason Schultz, Paul Brussow, Maelyn Uyehara, Cassie Idehara, Simon James, Philip Mathur, Scott Macpherson, Graham Roy, Daniel Junge, George Bergeron and Steve Kelly.

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If you have questions or for more information, please contact us.

AUSTIN
Phone: +1 512 704 3028
E-mail: AUS@us.rlb.com
Contact: Ruben Rodriguez

BARBADOS
Phone: +1 246 432 5788
E-mail: robert.boyle@bb.rlb.com
Contact: Robert Boyle

BOSTON
Phone: +1 617 737 9338
E-mail: BOS@us.rlb.com
Contact: Grant Owen

CALGARY
Phone: +1 403 571 0505
E-mail: YYC@ca.rlb.com
Contact: Joe Pendlebury

CAYMAN ISLANDS
Phone: +1 345 946 6063
E-mail: marty@bouldeca.rlb.com
Contact: Martyn Bouldeca

CHICAGO
Phone: +1 312 319 4250
E-mail: ORD@us.rlb.com
Contact: Monnie Garrison

DENVER
Phone: +1 720 904 1480
E-mail: DEN@us.rlb.com
Contact: Peter Knowles

GUAM
Phone: +1 671 473 9054
E-mail: GUM@us.rlb.com
Contact: Emile Le Roux

HILTI
Phone: +1 808 934 7953
E-mail: ITO@us.rlb.com
Contact: Kevin Mitchell

HONOLULU
Phone: +1 808 521 3641
E-mail: HNL@us.rlb.com
Contact: Tony Smith
Paul Brussov
Maelyn Uyehara

LAS VEGAS
Phone: +1 702 227 8818
E-mail: LAS@us.rlb.com
Contact: Simon James

LOS ANGELES
Phone: +1 213 699 1103
E-mail: LAX@us.rlb.com
Contact: Graham Roy

MAUI
Phone: +1 808 875 1949
E-mail: OGG@us.rlb.com
Contact: Brian Lowder

NEW YORK
Phone: +1 212 952 1300
E-mail: EWR@us.rlb.com
Contact: Grant Owen

ORLANDO
Conventional Wisdom Corp
Phone: +1 407 305 0002
E-mail: ideas@cw.wisdom.com
Web: www.wisdom.com
Contact: David O'Neal, Rick Schmidt

PHOENIX
Phone: +1 602 443 4845
E-mail: PHX@us.rlb.com
Contact: Julian Anderson, Scott Macpherson
John Lovvick

RLB | SWERDLING
Phone: +1 720 524 6017
E-mail: bob.swerdling@us.rlb.com
Web: www.swerding.com
Contact: Bob Swerding

PORTLAND
Phone: +1 503 226 2739
E-mail: PDX@us.rlb.com
Contact: Graham Roy

SAN FRANCISCO
Phone: +1 415 352 2613
E-mail: SFO@us.rlb.com
Contact: Catherine Srougas

SEATTLE
Phone: +1 206 223 1055
E-mail: SEA@us.rlb.com
Contact: Steve Kelly

ST. LUCIA
Phone: +1 786 452 2125
E-mail: bradley.paul@lc.rlb.com
Contact: W. Bradley Paul

TORONTO
Phone: +1 905 851 8210
E-mail: YYZ@us.rlb.com
Contact: Joe Pendlebury

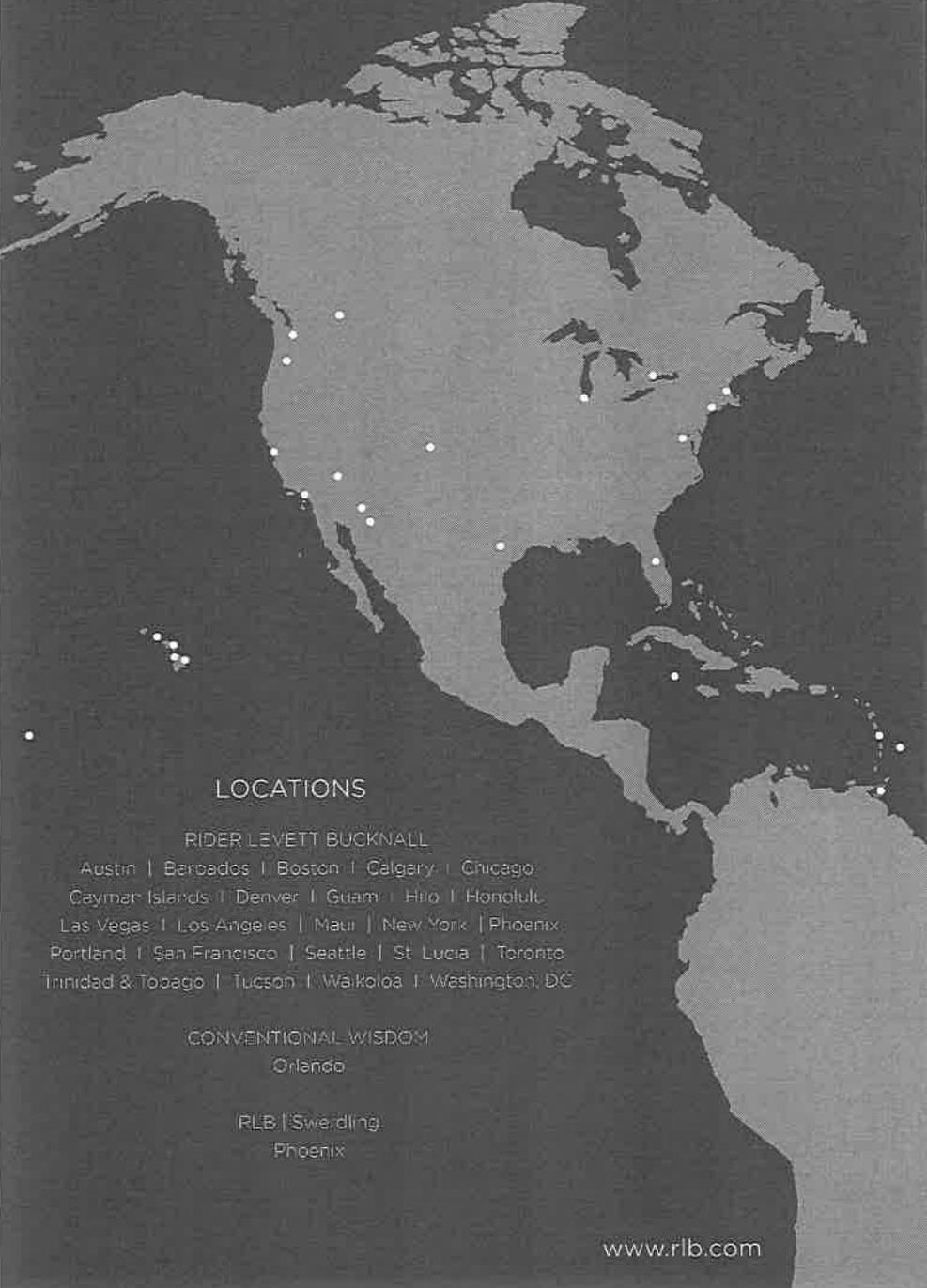
TRINIDAD & TOBAGO
Phone: +1 345 946 6063
E-mail: martin.bouldeca@ty.rlb.com
Contact: Martyn Bouldeca

TUCSON
Phone: +1 520 777 7881
E-mail: TUS@us.rlb.com
Contact: Joel Brown

WAIKOLOA
Phone: +1 808 893 3379
E-mail: KOA@us.rlb.com
Contact: Kevin Mitchell

WASHINGTON, DC
Phone: +1 202 457 1450
E-mail: DCA@us.rlb.com
Contact: Grant Owen

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LOCATIONS

RIDER LEVETT BUCKNALL

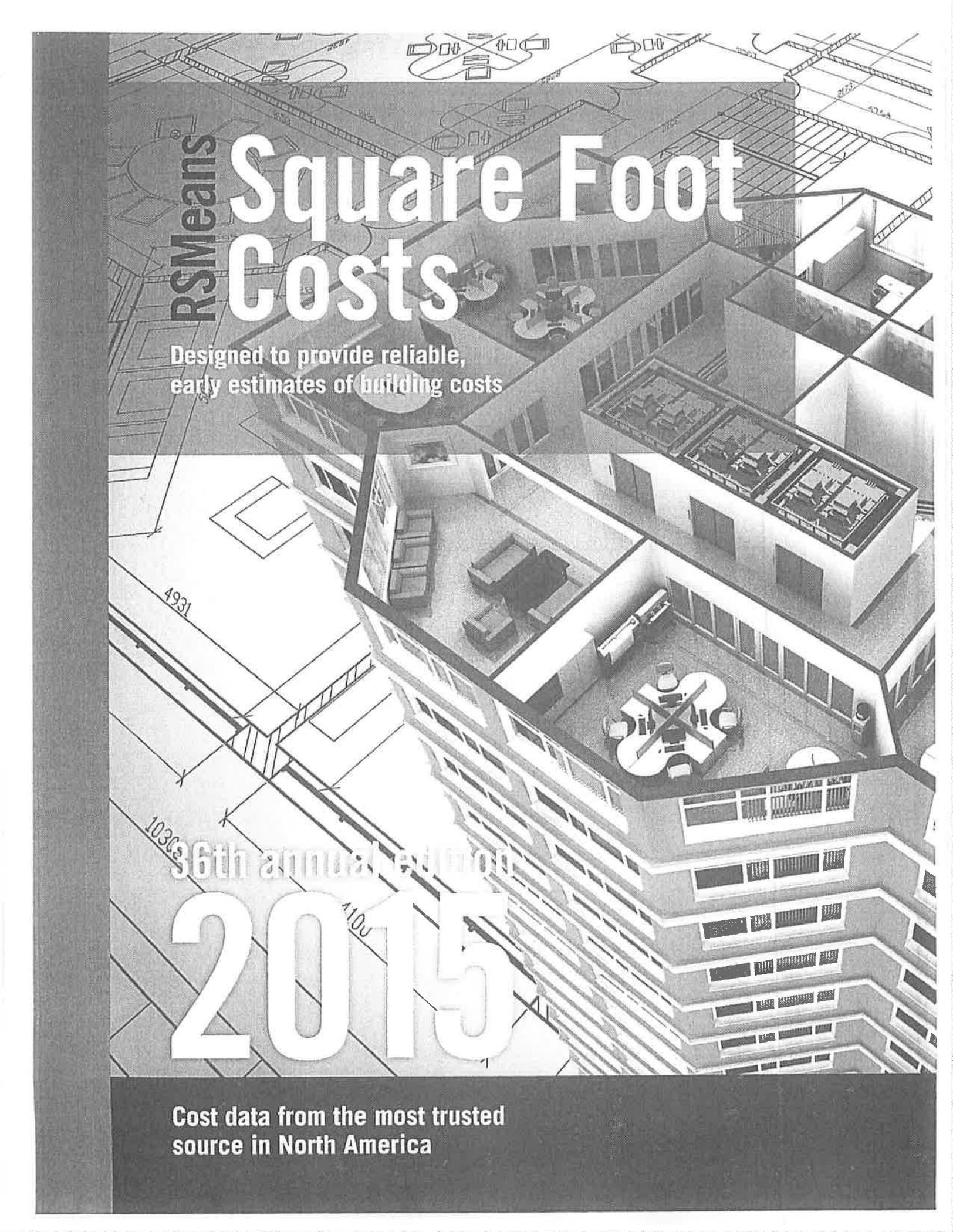
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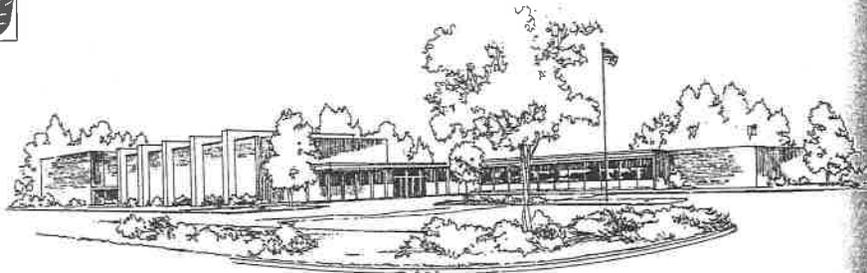
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Cost data from the most trusted
source in North America

COMMERCIAL/INDUSTRIAL/ INSTITUTIONAL

G.560

G School, Elementary



Costs per square foot of floor area

Exterior Wall	S.F. Area	25000	30000	35000	40000	45000	50000	55000	60000	65000
	L.F. Perimeter	900	1050	1200	1350	1510	1650	1800	1970	2100
Face Brick with Concrete Block Backup	Steel Frame	199.10	196.85	195.20	194.00	193.30	192.30	191.65	191.55	190.75
	Bearing Walls	191.35	189.30	187.95	186.90	186.35	185.40	184.75	184.75	183.95
Stucco on Concrete Block	Steel Frame	192.30	190.15	188.70	187.65	187.00	186.05	185.45	185.35	184.60
	Bearing Walls	186.05	183.95	182.50	181.35	180.75	179.80	179.20	179.10	178.35
Decorative Concrete Block	Steel Frame	190.40	188.35	186.90	185.80	185.15	184.20	183.60	183.50	182.75
	Bearing Walls	187.30	185.20	183.80	182.70	182.05	181.10	180.50	180.40	179.70
Perimeter Adj., Add or Deduct	Per 100 L.F.	5.00	4.15	3.65	3.20	2.80	2.50	2.30	2.15	1.90
Story Hgt. Adj., Add or Deduct	Per 1 Ft.	1.85	1.80	1.80	1.80	1.80	1.70	1.75	1.75	1.70

For Basement, add \$29.15 per square foot of basement area

The above costs were calculated using the basic specifications shown on the facing page. These costs should be adjusted where necessary for design alternatives and owner's requirements. Reported completed project costs, for this type of structure, range from \$16.80 to \$246.20 per S.F.

Common additives

Description	Unit	\$ Cost	Description	Unit	\$ Cost
Bleachers, Telescoping, manual, 16-20 tier	Seat	281 - 345	Sound System, amplifier, 250 watts	Ea.	2030
21-30 tier	Seat	299 - 390	Speaker, ceiling or wall	Ea.	213
For power operation, add	Seat	55 - 86	Commissioning Fees, sustainable institutional construction	S.F.	0.58 - 2.47
Camels Hardwood	Ea.	975 - 2350	Energy Modeling Fees, academic buildings to 10,000 SF	Ea.	9000
Clock System, 20 room	Ea.	19,900	Greater than 10,000 SF add	S.F.	0.20
50 room	Ea.	46,800	Project		900
Kitchen Equipment			Green Bldg Cert Fees for school construction project reg	Project	275,000
Broiler	Ea.	4050	Photovoltaic Pwr Sys, grid connected, 20 kW (-2400 SF), roof	Ea.	10,73
Cooler, 6 ft. long, reach-in	Ea.	4175	Green Roofs, 6" soil depth, w/ treated wd edging & sedum mats	S.F.	12.44
Dishwasher, 10-12 racks per hr.	Ea.	4275	10" soil depth, with treated wood edging & sedum mats	S.F.	72,255
Food warmer, counter, 1.2 KW	Ea.	735	Graywater Recovery Systems, prepackaged comm, 3000 gal.	Ea.	89,550
Freezer, 44 C.F., reach-in	Ea.	5175	4590 gal.	Ea.	31,500
Ice cube maker, 50 lb. per day	Ea.	2000	Rainwater Harvest Sys, prepackaged comm, 10,000 gal, sys controller	Ea.	50,530
Range with 1 oven	Ea.	2925	20,000 gal. w/system controller	Ea.	80,800
30,000 gal. w/system controller	Ea.	221 - 370	30,000 gal. w/system controller	Ea.	10,775
lockers, Steel, single tier, 60" to 72"	Opng	120 - 165	Solar Domestic HW, closed loop, add-on sys, ext heat exchanger	Ea.	13,325
2 tier, 60" to 72" total	Opng	34	Drainback, hot water system, 120 gal tank	Ea.	13,675
Locker bench, lam. maple top only	L.F.	76	Draindown, hot water system, 120 gal tank	Ea.	13,675
Pedestals, steel pipe	Ea.	320			
Seating, auditorium chair, veneer back, padded seat	Ea.	81 - 171			
Classroom, movable chair & desk	Set	263 - 620			
Lecture hall, pedestal type	Ea.				

Model costs calculated for a 1 story building with 15' story height and 45,000 square feet of floor area

G School, Elementary

	Unit	Unit Cost	Cost Per S.F.	% Of Sub-Total
A. SUBSTRUCTURE				
1010 Standard Foundations	—	—	—	—
1020 Special Foundations	N/A	—	—	—
1030 Slab on Grade	4" reinforced concrete with recycled vapor barrier and granular base	S.F. Slab	5.45	5.45
2010 Basement Excavation	Site preparation for slab and trench for foundation wall and footing	S.F. Ground	.18	.18
2020 Basement Walls	4" foundation wall	L.F. Wall	91	5.20
B. SHELL				
B10 Superstructure				
1010 Floor Construction	N/A	—	—	—
1020 Roof Construction	Metal deck on open web steel joists	S.F. Roof	4.52	4.52
B20 Exterior Enclosure				
2010 Exterior Walls	Face brick with concrete block backup	70% of wall S.F. Wall	38.68	13.63
2020 Exterior Windows	Steel outward projecting	25% of wall Each	750	4.92
2030 Exterior Doors	Metal and glass	5% of wall Each	3650	.69
B30 Roofing				
3010 Roof Coverings	Single-ply TPO membrane, 60 mils, w/ flashing; polyiso. insulation	S.F. Roof	10.45	10.45
3020 Roof Openings	N/A	—	—	7.5%
C. INTERIORS				
1010 Partitions	Concrete block w/ foamed-in insul.	20 SF Ft./LF Part. S.F. Partition	12.14	6.07
1020 Interior Doors	Single leaf kalamein fire doors, low VOC paint	700 S.F. Floor/Door- Each	11.57	1.65
1030 Fittings	Toilet partitions	S.F. Floor	1.84	1.84
2010 Stair Construction	N/A	—	—	19.8%
3010 Wall Finishes	75% paint, low VOC, 15% glazed coating, 10% ceramic tile	S.F. Surface	4.92	4.92
3020 Floor Finishes	65% vinyl composition tile, recycled content, 25% carpet tile, 10% terrazzo	S.F. Floor	6.05	6.05
3030 Ceiling Finishes	Mineral fiber tile on concealed zee bars	S.F. Ceiling	7.03	7.03
D. SERVICES				
D10 Conveying				
1010 Elevators & lifts	N/A	—	—	0.0%
1020 Escalators & Moving Walks	N/A	—	—	—
D20 Plumbing				
2010 Plumbing Fixtures	Kitchen, toilet, low flow, auto sensor, & service fixt., supply & drain.	1 Fixt./625 SF Ft.	Each	9588
2020 Domestic Water Distribution	Gas fired, tankless water heater	S.F. Floor	.16	.16
2040 Rain Water Drainage	Roof drains	S.F. Roof	1.32	1.32
D30 HVAC				
3010 Energy Supply	N/A	—	—	—
3020 Heat Generating Systems	N/A	—	—	—
3040 Distribution Systems	Enthalpy heat recovery packages	Each	36,925	2.46
3050 Terminal & Package Units	Multizone rooftop air conditioner	S.F. Floor	19.45	19.45
3090 Other HVAC Sys. & Equipment	N/A	—	—	—
D40 Fire Protection				
4010 Sprinklers	Sprinklers, light hazard	S.F. Floor	2.94	2.94
4020 Standpipes	Standpipe	S.F. Floor	.40	.40
D50 Electrical				
5010 Electrical Service/Distribution	800 ampere service, panel board and feeders	S.F. Floor	.86	.86
5020 Lighting & Branch Wiring	LED fixtures, daylight dim., lg. on/off, recept., switches, and A.C. power	S.F. Floor	13.53	13.53
5030 Communications & Security	Addressable alarm systems, internet wiring, comm. systems & emerg. lg.	S.F. Floor	3.79	3.79
5090 Other Electrical Systems	Emergency generator, 15 kW, energy monitoring systems	S.F. Floor	1.05	1.05
E. EQUIPMENT & FURNISHINGS				
1010 Commercial Equipment	N/A	—	—	—
1020 Institutional Equipment	Chalkboards	S.F. Floor	.18	.18
1090 Other Equipment	Waste handling recycling tilt truck	Each	.07	.07
2020 Moveable Furnishings	No smoking signage	Each	.01	.01
F. SPECIAL CONSTRUCTION				
1020 Integrated Construction	N/A	—	—	0.0%
2020 Special Facilities	N/A	—	—	—
G. BUILDING SITEWORK N/A				
			Sub-Total	139.30
CONTRACTOR FEES (General Requirements: 10%, Overhead: 5%, Profit: 10%)			25%	34.86
ARCHITECT FEES			7%	12.19
			Total Building Cost	186.35

Important: See the Reference Section for Location Factors

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**COMMERCIAL/INDUSTRIAL/
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G.570

G School, High, 2-3 Story



Costs per square foot of floor area

Exterior Wall	S.F. Area	50000	70000	90000	110000	130000	150000	170000	190000	210000
		L.F. Perimeter	850	1140	1420	1700	1980	2280	2560	2840
Face Brick with Concrete Block Backup	Steel Frame	185.10	182.15	180.30	179.05	178.20	177.95	177.40	177.05	176.75
	R/Conc. Frame	189.10	186.15	184.30	183.05	182.20	181.95	181.40	181.05	180.75
Decorative Concrete Block	Steel Frame	177.90	175.30	173.60	172.55	171.80	171.55	171.05	170.75	170.50
	R/Conc. Frame	178.75	176.05	174.45	173.35	172.55	172.30	171.85	171.55	171.30
Limestone with Concrete Block Backup	Steel Frame	196.70	193.25	191.10	189.60	188.60	188.30	187.70	187.30	186.90
	R/Conc. Frame	203.95	200.50	198.35	196.90	195.90	195.60	195.00	194.55	194.20
Perimeter Adj., Add or Deduct	Per 100 L.F.	4.65	3.30	2.55	2.15	1.80	1.55	1.35	1.20	1.10
Story Hgt. Adj., Add or Deduct	Per 1 Fl.	2.35	2.20	2.15	2.15	2.10	2.10	2.10	2.10	2.05

For Basement, add \$38.10 per square foot of basement area

The above costs were calculated using the basic specifications shown on the facing page. These costs should be adjusted where necessary for design alternatives and owner's requirements. Reported completed project costs for this type of structure, range from \$112.50 to \$264.95 per S.F.

Common additives

Description	Unit	\$ Cost	Description	Unit	\$ Cost
Bleachers, Telescoping, manual, 16-20 tier	Seat	281 - 345	Sound System, amplifier, 250 watts	Ea.	2050
21-30 tier	Seat	299 - 390	Speaker, ceiling or wall	Ea.	213
For power operation, add	Seat	55 - 86	Commissioning Fee, sustainable institutional construction	S.F.	0.58 - 2.47
Carnels Handwood	Ea.	975 - 2350	Energy Modeling Fees, academic buildings to 10,000 SF	Ea.	9000
Clock System, 20 room	Ea.	19,900	Greater than 10,000 SF add	S.F.	0.20
50 room	Ea.	46,800	Green Bldg Cert Fees for school construction project eq.	Project	900
Elevators, hydraulic passenger, 2 stops, 2500# capacity	Ea.	68,800	Photovoltaic Pwr Sys, grid connected, 20 kW (-2400 SF), roof	S.F.	275,000
3500# capacity	Ea.	73,300	Green Roofs, 6" soil depth, w/treated wd edging & sodum mats	S.F.	10.73
Kitchen Equipment	Ea.	4050	10" Soil depth, with treated wood edging & sodum mats	S.F.	12.44
Broiler	Ea.	4175	Graywater Recovery Systems, prepackaged comm, 3060 gal.	Ea.	72,255
Cooler, 6 ft. long, reach-in	Ea.	4275	4590 gal.	Ea.	89,550
Dishwasher, 10-12 racks per hr.	Ea.	735	Rainwater Harvest Sys, prepackaged comm, 10,000 gal. sys controller	Ea.	31,500
Food warmer, counter, 1.2 KW	Ea.	5175	20,000 gal. w/system controller	Ea.	50,550
Freezer, 44 C.F., reach-in	Ea.	221 - 370	30,000 gal. w/system controller	Ea.	80,800
Lockers, Steel, single tier, 60" or 72"	Opng	120 - 165	Solar Domestic HW, closed loop, add-on sys, ext heat exchanger	Ea.	10,775
2 tier, 60" or 72" total	Opng	34	Drainback, hot water system, 120 gal tank	Ea.	13,325
Locker bench, lamin. maple top only	L.F.	76	Draindown, hot water system, 120 gal tank	Ea.	13,675
Pedestals, steel pipe	Ea.	320			
Seat, auditorium chair, veneer back, padded seat	Set	81 - 171			
Classroom, movable chair & desk	Set	263 - 620			
Lecture hall, pedestal type	Ea.				

Important: See the Reference Section for Location Factors

Model costs calculated for a 2 story building with 15' story height and 130,000 square feet of floor area

G School, High, 2-3 Story

	Unit	Unit Cost	Cost Per S.F.	% Of Sub-Total	
A. SUBSTRUCTURE					
1010 Standard Foundations	Paired concrete; strip and spread footings	S.F. Ground	2.76	1.38	
1020 Special Foundations	N/A	—	—	—	
1030 Slab on Grade	4" reinforced concrete with recycled vapor barrier and granular base	S.F. Slab	5.45	2.73	
2010 Basement Excavation	Site preparation for slab and trench for foundation wall and footing	S.F. Ground	.18	.09	
2020 Basement Walls	4' foundation wall	L.F. Wall	.91	1.39	
B. SHELL					
B10 Superstructure					
1010 Floor Construction	Concrete slab without drop panel, concrete columns	S.F. Floor	22.42	11.21	
1020 Roof Construction	Concrete slab without drop panel	S.F. Roof	15.50	7.75	
B20 Exterior Enclosure					
2010 Exterior Walls	Face brick with concrete block backup	S.F. Wall	38.69	13.26	
2020 Exterior Windows	Window wall	Each	74	8.49	
2030 Exterior Doors	Metal and glass	Each	3256	.51	
B30 Roofing					
3010 Roof Coverings	Single-ply TPO membrane and standing seam metal; polyiso. insulation	S.F. Roof	13.94	6.97	
3020 Roof Openings	Roof hatches	S.F. Roof	.10	.05	
C. INTERIORS					
1010 Partitions	Concrete block w/foamed-in insul	25 SF Ft./1F Part.	S.F. Partition	14.73	
1020 Interior Doors	Single leaf kalamein fire doors, low VOC paint	700 S.F. Floor/Door	Each	1157	
1030 Fittings	Toilet partitions, chalkboards	S.F. Floor	1.30	1.30	
2010 Stair Construction	Concrete filled metal pan	Flight	14,500	67	
3010 Wall Finishes	75% paint, low VOC, 15% glazed coating, 10% ceramic tile	S.F. Surface	3.48	3.48	
3020 Floor Finishes	70% vinyl comp. tile, recycled content, 20% carpet tile, 10% terrazzo	S.F. Floor	5.99	5.99	
3030 Ceiling Finishes	Mineral fiber tile on concealed zee bars	S.F. Ceiling	7.03	7.03	
D. SERVICES					
D10 Conveying					
1010 Elevators & Lifts	One hydraulic passenger elevator	Each	83,200	.64	
1020 Escalators & Moving Walks	N/A	—	—	0.5%	
D20 Plumbing					
2010 Plumbing Fixtures	Kitchen, toilet, low flow, auto sensor & service fix., supply & drain.	Fix./860 SF Ft.	Each	4721	
2020 Domestic Water Distribution	Gas lined, tankless water heater	S.F. Floor	.30	4.8%	
2040 Rain Water Drainage	Rain drains	S.F. Roof	1.52	.76	
D30 HVAC					
3010 Energy Supply	N/A	—	—	—	
3020 Heat Generating Systems	N/A	—	—	—	
3040 Distribution Systems	Enthalpy heat recovery packages	Each	36,925	2.27	
3050 Terminal & Package Units	Multizone rooftop air conditioner, SEER 14	S.F. Floor	19.45	19.45	
3090 Other HVAC Sys. & Equipment	N/A	—	—	—	
D40 Fire Protection					
4010 Sprinklers	Sprinklers, light hazard	S.F. Floor	2.57	2.57	
4020 Standpipes	Standpipe, wet, Class II	S.F. Floor	.34	.34	
D50 Electrical					
5010 Electrical Service/Distribution	2000 ampere service, panel board and feeders	S.F. Floor	.85	.85	
5020 Lighting & Branch Wiring	LED fixtures, daylight, dim., lig. on/off, recept., switches, and A.C. power	S.F. Floor	14.79	14.79	
5030 Communications & Security	Addressable alarm systems, internet wiring, comm systems and emerg. lig.	S.F. Floor	4.09	4.09	
5090 Other Electrical Systems	Emergency generator, 250 kW, and energy monitoring systems	S.F. Floor	.80	.80	
E. EQUIPMENT & FURNISHINGS					
1010 Commercial Equipment	N/A	—	—	—	
1020 Institutional Equipment	Laboratory casework and counters	S.F. Floor	1.97	1.97	
1090 Other Equipment	Waste handling, recyc. lift truck, built-in athletic equip., bleachers & backdrop	Each	.99	.99	
2020 Moveable Furnishings	No smoking signage	Each	.02	.02	
F. SPECIAL CONSTRUCTION					
1020 Integrated Construction	N/A	—	—	—	
1040 Special Facilities	N/A	—	—	—	
G. BUILDING SITEWORK N/A					
Sub-Total				136.21	100%
CONTRACTOR FEES (General Requirements: 10%, Overhead: 5%, Profit: 10%)				25%	34.07
ARCHITECT FEES				7%	11.92

Total Building Cost 182.20

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DATE: December 8, 2015

TO: Representative Justin Olson, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RS*

FROM: Jon Stall, Senior Fiscal Analyst *JS*

SUBJECT: AHCCCS/Department of Health Services /Department of Economic Security - Review of Revised Capitation Rate Changes

Request

Pursuant to footnotes in the FY 2016 General Appropriation Act, the Arizona Health Care Cost Containment System (AHCCCS), Department of Health Services (DHS) and Department of Economic Security (DES) are required to report capitation rate changes to the Committee for review prior to implementation. The agencies propose revisions to previously reviewed contract year (CYE) 2015 capitation rates. The proposed rate changes would reimburse Medicaid health insurers for costs of paying a federal health insurer fee in 2015.

Recommendation

The Committee has at least the following 2 options:

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

In the aggregate, the proposed rate changes will cost \$18.3 million from the General Fund in FY 2016. This amount is \$(6.5) million less than the budgeted amount. The AHCCCS adjustments are expected to save \$(8.6) million. Savings would be partially offset by cost increases of \$1.3 million and \$0.8 million above the budgeted amounts for DHS' Behavioral Health Services program and DES' Developmentally Disabled program, respectively.

(Continued)

Analysis

The federal Affordable Care Act placed an \$8 billion annual fee on the health insurance industry nationwide in 2014. The fee grows to \$14.3 billion in 2018 and is indexed to inflation thereafter. The fee is allocated to qualifying health insurers, including the majority of the state’s Medicaid health insurers, based on their respective market share of premium revenue in the previous year.

Insurers were required to pay the 2015 fee to the Internal Revenue Service by September 30, 2015. Of the 1,428,000 Medicaid capitation enrollees in October 2014, about 855,000 (60%) were covered by a health insurer subject to the fee.

The federal Centers for Medicare and Medicaid Services (CMS) require that Medicaid capitation rates reimburse insurers for all costs of doing business, including costs from fees or taxes paid as a result of insuring Medicaid enrollees. In order to reimburse Medicaid health insurers for the fee paid for 2015, the agencies used CMS’ approved methodology of retroactively increasing capitation rates for the first month of CYE 2015 (October 1 to October 31, 2014).

The federal fee reimbursement is considered added revenue and will increase state and federal corporate income tax liability of for-profit health insurers. Therefore, the proposed revisions include reimbursement of both the health insurer fee and the estimated resulting income tax liability.

Table 1 below compares the General Fund amounts included in the FY 2016 budget for the health insurer fee to costs associated with the proposed capitation rate revision. The General Fund impact of capitation rate revisions to fund the health insurer fee is \$(6.5) million less than the \$24.8 million included in the FY 2016 budget.

Table 1			
Health Insurer Fee Capitation Rate Revisions			
General Fund Impact ^{1/}			
(\$ in millions)			
<u>Populations</u>	<u>FY 2016 Budget</u>	<u>Proposed Revisions</u>	<u>Difference from Budget</u>
AHCCCS Acute Care	\$ 18.9	\$ 13.9	\$ (5.0)
ALTCS Elderly & Physically Disabled	3.8	0.2	(3.6)
DHS Behavioral Health Services	2.2	3.5	1.3
DES Developmentally Disabled ^{2/}	-	0.8	0.8
Total ^{3/}	\$ 24.8	\$ 18.3	\$ (6.5)

^{1/} State match expenditures for the health insurer fee are also funded through a hospital assessment and county contributions.

^{2/} The FY 2016 budget allocated all health insurer fee costs to AHCCCS and DHS. The revised rates, however, include amounts to reimburse fees paid by DD health insurers for acute care costs.

^{3/} Individual amounts may not add to totals due to rounding.

RS/JS:kp
Attachment

November 24, 2015



The Honorable Justin Olson
Arizona House of Representatives
1700 W. Washington
Phoenix, AZ 85007

Dear Representative Olson:

AHCCCS is amending prior year capitation rates in order to include the costs of the Affordable Care Act (ACA) Health Insurer Fee mandate impacting nearly all insurers, including the majority of the AHCCCS contracted Managed Care Organizations (MCOs). However, please note that it is not the Contract Year Ending (CYE) 2016 (October 1, 2015 through September 30, 2016) approved rates that are being amended. (Those rates were approved by the Joint Legislative Budget Committee on September 24, 2015.) Rather, AHCCCS is amending capitation rates from calendar year 2014, using a methodology approved by the Centers for Medicare and Medicaid Services (CMS).

Background

The Affordable Care Act (ACA) imposes a new tax on most health insurers beginning in calendar year 2014. In the first year the Health Insurer Fee was expected to generate \$8 billion in payments, and the fee increases to total payments of \$14.3 billion by 2018. The tax is imposed on commercial, Medicare and Medicaid insurers with certain exemptions. Those exclusions impacting AHCCCS include:

- Government entities, including independent nonprofit county-organized health system entities that contract with state Medicaid agencies; and
- Nonprofit entities that receive more than 80% of gross revenue from government programs that target low-income, elderly, or disabled populations including Medicare, Medicaid, Children's Health Insurance Plan (CHIP), and dual eligible (Medicare/Medicaid) plans

The 2015 health insurer fee was due by MCOs to the IRS on September 30, 2015. Capitation rates must be actuarially-sound pursuant to 42 CFR §438.6. That is, they must cover the projected costs of the membership, including the costs of doing business such as administrative expenses, and fees and taxes. As such, AHCCCS is amending capitation rates to include the costs of the health insurer fee. Additionally, MCOs will pay federal income taxes and state premium taxes on this new revenue. The Regional Behavioral Health Authorities (RBHAs) will also have the Federal income tax obligations, as well as state income taxes.

Capitation Rate Adjustments

The total cost of the health insurer fee, including Arizona premium tax but before federal and state income tax, is approximately \$58.3 million (\$15.6 million State Match and \$42.7 million Federal Funds). Capitation rate adjustments were developed separately for each MCO based on the MCO's fee liability allocation to each program in which they hold a contract. These rates have been submitted to CMS for approval; the Actuarial Certifications are attached. Federal and state income taxes are estimated to cost an additional \$32.2 million total fund (\$8.6 million State Match and \$23.6 million Federal Funds).

Capitation rates are amended for each of the following AHCCCS programs:

Program	Rates Amended	Contract Year Impacted	TF Fiscal Impact	SM Fiscal Impact	Fed Fiscal Impact	% Impact
Acute Care	October 1 – 31, 2014	CYE 2014	\$70 million	\$18.1 million	\$51.9 million	1.52%
Children's Rehabilitative Services (CRS)	October 1 – 31, 2014	CYE 2014	\$6 million	\$1.9 million	\$4.1 million	2.92%
Arizona Department of Health Services (ADHS)/Behavioral Health Services (BHS)	October 1 – 31, 2014	CYE 2014	\$11 million	\$3.1 million	\$7.9 million	0.68%
Arizona Long Term Care System (ALTCs) Division of Developmental Disabilities (DDD)	October 1 – 31, 2014	CYE 2014	\$2.5 million	\$800,000	\$1.7 million	0.19%
ALTCs Elderly & Physically Disabled (EPD)	October 1 – 31, 2014	CYE 2014	\$960,000	\$300,000	\$660,000	0.09%
Total	October 1 – 31, 2014	CYE 2014	\$90.5 million	\$24.2 million	\$66.3 million	1.02%

Note: the numbers are estimates due to estimated tax rates and estimated member months; actual numbers could differ

Should you have any questions on these adjustments, or wish to place AHCCCS on the December 15, 2015 Joint Legislative Budget Committee (JLBC) meeting agenda, please feel free to contact Shelli Silver, Assistant Director, at shelli.silver@azahcccs.gov or (602) 417-4647.

Sincerely,



Thomas J. Betlach
Director

cc: The Honorable Don Shooter, Arizona State Senate
Richard Stavneak, Joint Legislative Budget Committee
Lorenzo Romero, Director, Office of Strategic Planning and Budgeting
Bret Cloninger, Office of Strategic Planning and Budgeting
Christina Corieri, Policy Advisor, Office of the Governor

Acute Care Actuarial Memorandum

I. Purpose

The purpose of this actuarial memorandum is to demonstrate that the capitation rates for the Acute Care program were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

The Affordable Care Act (ACA) placed an annual fee on the health insurance industry nationwide including most Medicaid health plans effective January 1, 2014. The fee (hereafter identified as the Health Insurer Fee, or HIF) was allocated to health insurers based on their respective market share of premium revenue in the previous year. Arizona Health Care Cost Containment System (AHCCCS) intends to update capitation rates annually on a retroactive basis after the Treasury Department notifies each entity of its HIF amount due. Certain Contractors will be excluded from the HIF as determined by the Contractor and approved by the Internal Revenue Service (IRS).

This memorandum presents a discussion of a revision to the already approved Contract Year Ending 2015 (CYE 15) Acute Care capitation rates. The revision reflects the adjustment associated with the HIF. These capitation rates are updated retroactively for a period of one month, from October 1, 2014 to October 31, 2014.

II. Overview of Changes

The capitation rates and rate ranges in this memorandum equal the approved capitation rates for October 2014 plus the HIF liability plus the associated taxes.

Although the HIF liability amount is known, the 2015 income tax rates are not known until Spring of 2016 and if an extension is requested those income tax rates are not known until Fall of 2016. Thus, AHCCCS will be using assumed income tax rates to develop the revised capitation rates. This memorandum will also include a capitation rate range in case the Contractor's final 2015 income tax filing reflects a material difference between the actual tax rates and the assumed tax rates. Each range, as well as the revised capitation rate, is defined as follows:

- The minimum of the range equals the currently approved capitation rates for October 2014 plus the HIF plus premium tax (these amounts are all known)
- The maximum of the range equals the currently approved capitation rates for October 2014 plus the HIF plus the maximum federal and state income tax plus premium tax (the amount of the federal and state income tax are currently unknown)
- The certified capitation rate within the range equals the currently approved capitation rates for October 2014 plus the HIF plus the assumed federal and state income tax rates (or premium tax in lieu of state income tax as applicable) as reported by the Contractors

AHCCCS will perform a retroactive mass adjustment to the current approved capitation rates using the revised capitation rates certified in this memorandum. If a Contractor's 2015 income tax filing reflects a material difference between the actual tax rates and the assumed tax rates a second mass adjustment may occur.

Although the fees due from the Contractors in 2015 are based on applicable revenue received during 2014, CMS authorized AHCCCS to make retroactive capitation adjustments to just one month in order to limit the administrative burden.

III. Methodology for Calculating Capitation Adjustments

HIF Adjustments

The Acute Care per member per month (PMPM) capitation ranges were developed separately for each Contractor based on the fee liability reported to AHCCCS. Each Contractor was notified of the fee liability for the entire entity by the Treasury Department. Contractors who received multiple streams of revenue applicable to the HIF calculation were responsible for allocating an appropriate portion of their fee liability to AHCCCS, which was verified by AHCCCS for reasonableness and appropriateness. The ranges of PMPM adjustments were developed based on each Contractor's actual member months by Geographical Service Area (GSA) and risk group. AHCCCS will apply the HIF adjustment to the previously approved capitation rates to develop the revised capitation rates. This adjustment will be retroactive for the period of October 1, 2014 through October 31, 2014. The estimated impact to the Acute Care program of this retroactive capitation rate adjustment is a statewide increase of approximately \$70.0 million.

Administration/Risk Contingency/Premium Tax Components

The administration and risk contingency components were not impacted by the above changes. The premium tax component was impacted by the above changes.

IV. Proposed Revised Capitation Rates and Their Impacts

Table I includes the net capitation rate ranges on a statewide basis as well as the estimated budget impact of the proposed revised payments. The impact to the October 2014 capitation rates for the Contractors receiving a revision for HIF range from 19.3% to 41.1%. Table II contains the proposed revised rates and ranges displayed by risk group, GSA and contractor.

Table I
Proposed Capitation Rates and Budget Impact

Rate Cell	TANF/KC <1	TANF/KC 1-13	TANF/KC 14-44 F	TANF/KC 14-44 M	TANF/KC 45+	SSIW	SSIWO	Adult Group <=106%	Adult Group >106%	Total
October 2014 Member Months	27,609	272,680	145,025	71,863	26,836	57,208	34,846	148,404	19,859	804,329
Currently Approved Rate	\$468.81	\$101.49	\$238.66	\$147.92	\$396.42	\$135.46	\$783.10	\$405.10	\$306.43	
Currently Approved Estimated Capitation	\$12,943,642	\$27,673,201	\$34,611,352	\$10,629,641	\$10,638,213	\$7,749,498	\$27,287,628	\$60,118,468	\$6,085,292	\$197,736,933
Proposed Revised Rate	\$634.00	\$137.56	\$323.98	\$200.71	\$538.24	\$184.96	\$1,065.05	\$546.18	\$410.18	
Proposed Revised Estimated Capitation	\$17,504,466	\$37,509,498	\$46,984,889	\$14,423,717	\$14,444,029	\$10,580,986	\$37,112,410	\$81,054,403	\$8,145,667	\$267,760,065
Proposed Revised Dollar Impact	\$4,560,824	\$9,836,298	\$12,373,537	\$3,794,076	\$3,805,816	\$2,831,488	\$9,824,782	\$20,935,935	\$2,060,376	\$70,023,132
Proposed Revised Percentage Impact	35.2%	35.5%	35.7%	35.7%	35.8%	36.5%	36.0%	34.8%	33.9%	35.4%

Note: Member months and capitation estimates are shown only for the Contractor(s) receiving a revision for HIF.

Table II
Proposed Revised Capitation Rates

GSA	County	Contractor	TANF/KC <1	TANF/KC 1-13	TANF/KC 14-44 F	TANF/KC 14-44 M	TANF/KC 45+	SSIW	SSIWO	Adult Group <=106%	Adult Group >106%
02	LaPaz/Yuma	UHC	\$606.57	\$137.87	\$302.99	\$160.15	\$464.57	\$247.06	\$1,147.64	\$486.73	\$346.21
04	Apache/Coconino/Mohave/Navajo	UHC	\$603.32	\$141.36	\$338.00	\$225.93	\$541.98	\$152.85	\$1,063.49	\$539.30	\$433.93
04	Apache/Coconino/Mohave/Navajo	Health Choice	\$604.01	\$139.69	\$340.71	\$229.84	\$529.47	\$144.93	\$1,193.92	\$549.39	\$427.78
06	Yavapai	UHC	\$647.14	\$161.32	\$431.81	\$269.32	\$640.75	\$148.61	\$1,364.71	\$668.09	\$471.62
08	Gila/Pinal	Health Choice	\$649.37	\$135.49	\$353.34	\$218.94	\$602.74	\$182.99	\$973.05	\$560.50	\$432.53
10	Pima/Santa Cruz	UHC	\$643.38	\$124.71	\$324.12	\$192.16	\$512.79	\$176.00	\$1,079.31	\$477.28	\$367.19
10	Pima	Care1st	\$620.47	\$112.50	\$285.92	\$168.30	\$463.02	\$145.55	\$946.18	\$473.23	\$356.24
10	Pima	Health Choice	\$563.37	\$114.03	\$291.37	\$178.48	\$463.17	\$143.53	\$894.81	\$444.67	\$365.20
12	Maricopa	UHC	\$680.94	\$152.70	\$358.25	\$221.37	\$614.09	\$230.07	\$1,194.84	\$616.59	\$436.75
12	Maricopa	Care1st	\$624.86	\$133.51	\$295.41	\$186.95	\$493.53	\$156.67	\$926.55	\$563.29	\$420.01
12	Maricopa	PHP	\$620.85	\$136.31	\$304.89	\$189.50	\$514.48	\$189.32	\$995.51	\$541.32	\$410.90
12	Maricopa	Health Net	\$630.85	\$128.61	\$282.85	\$179.87	\$557.51	\$157.36	\$775.98	\$545.80	\$410.11
12	Maricopa	Health Choice	\$656.10	\$141.08	\$314.72	\$190.91	\$543.76	\$180.58	\$1,034.45	\$571.04	\$430.56
14	Cochise/Graham/Greenlee	UHC	\$566.89	\$130.93	\$337.46	\$229.36	\$572.97	\$193.00	\$1,304.34	\$557.46	\$410.18

Minimum of Ranges for Revised Capitation Rates

GSA	County	Contractor	TANF/KC <1	TANF/KC 1-13	TANF/KC 14-44 F	TANF/KC 14-44 M	TANF/KC 45+	SSIW	SSIWO	Adult Group <=106%	Adult Group >106%
02	LaPaz/Yuma	UHC	\$547.86	\$124.52	\$273.66	\$144.65	\$419.61	\$223.15	\$1,036.56	\$439.62	\$312.70
04	Apache/Coconino/Mohave/Navajo	UHC	\$544.93	\$127.68	\$305.29	\$204.06	\$489.52	\$138.05	\$960.55	\$487.10	\$391.93
04	Apache/Coconino/Mohave/Navajo	Health Choice	\$547.74	\$126.68	\$308.97	\$208.43	\$480.15	\$131.43	\$1,082.71	\$498.21	\$387.94
06	Yavapai	UHC	\$584.50	\$145.71	\$390.02	\$243.25	\$578.74	\$134.22	\$1,232.62	\$603.43	\$425.97
08	Gila/Pinal	Health Choice	\$588.88	\$122.87	\$320.43	\$198.55	\$546.59	\$165.95	\$882.40	\$508.28	\$392.24
10	Pima/Santa Cruz	UHC	\$581.11	\$112.64	\$292.75	\$173.56	\$463.15	\$158.97	\$974.85	\$431.08	\$331.65
10	Pima	Care1st	\$566.68	\$102.74	\$261.14	\$153.71	\$422.88	\$132.94	\$864.15	\$432.20	\$325.36
10	Pima	Health Choice	\$510.89	\$103.41	\$264.23	\$161.86	\$420.03	\$130.16	\$811.46	\$403.25	\$331.18
12	Maricopa	UHC	\$615.03	\$137.92	\$323.58	\$199.94	\$554.65	\$207.81	\$1,079.19	\$556.91	\$394.48
12	Maricopa	Care1st	\$570.69	\$121.94	\$269.80	\$170.74	\$450.74	\$143.08	\$846.22	\$514.45	\$383.59
12	Maricopa	PHP	\$570.64	\$125.29	\$280.24	\$174.18	\$472.88	\$174.01	\$915.01	\$497.55	\$377.68
12	Maricopa	Health Net	\$580.17	\$118.28	\$260.12	\$165.42	\$512.71	\$144.72	\$713.63	\$501.95	\$377.16
12	Maricopa	Health Choice	\$594.98	\$127.94	\$285.41	\$173.13	\$493.11	\$163.76	\$938.09	\$517.85	\$390.46
14	Cochise/Graham/Greenlee	UHC	\$512.02	\$118.25	\$304.80	\$207.16	\$517.51	\$174.32	\$1,178.10	\$503.50	\$370.48

Maximum of Ranges for Revised Capitation Rates

GSA	County	Contractor	TANF/KC <1	TANF/KC 1-13	TANF/KC 14-44 F	TANF/KC 14-44 M	TANF/KC 45+	SSIW	SSIWO	Adult Group <=106%	Adult Group >106%
02	LaPaz/Yuma	UHC	\$619.13	\$140.72	\$309.26	\$163.46	\$474.20	\$252.18	\$1,171.41	\$496.81	\$353.38
04	Apache/Coconino/Mohave/Navajo	UHC	\$615.82	\$144.29	\$345.00	\$230.61	\$553.20	\$156.01	\$1,085.51	\$550.47	\$442.92
04	Apache/Coconino/Mohave/Navajo	Health Choice	\$616.05	\$142.47	\$347.50	\$234.42	\$540.02	\$147.82	\$1,217.72	\$560.34	\$436.31
06	Yavapai	UHC	\$660.54	\$164.66	\$440.76	\$274.90	\$654.03	\$151.68	\$1,392.97	\$681.93	\$481.39
08	Gila/Pinal	Health Choice	\$662.31	\$138.19	\$360.39	\$223.31	\$614.75	\$186.64	\$992.44	\$571.67	\$441.15
10	Pima/Santa Cruz	UHC	\$656.71	\$127.29	\$330.84	\$196.14	\$523.41	\$179.65	\$1,101.67	\$487.16	\$374.80
10	Pima	Care1st	\$631.98	\$114.58	\$291.23	\$171.42	\$471.61	\$148.25	\$963.73	\$482.01	\$362.85
10	Pima	Health Choice	\$574.60	\$116.30	\$297.18	\$182.04	\$472.41	\$146.39	\$912.65	\$453.53	\$372.48
12	Maricopa	UHC	\$695.04	\$155.86	\$365.67	\$225.95	\$626.81	\$234.84	\$1,219.59	\$629.36	\$445.79
12	Maricopa	Care1st	\$636.45	\$135.99	\$300.90	\$190.42	\$502.68	\$159.57	\$943.74	\$573.74	\$427.80
12	Maricopa	PHP	\$631.59	\$138.67	\$310.17	\$192.78	\$523.39	\$192.60	\$1,012.73	\$550.69	\$418.01
12	Maricopa	Health Net	\$641.70	\$130.82	\$287.71	\$182.96	\$567.09	\$160.07	\$789.32	\$555.18	\$417.16
12	Maricopa	Health Choice	\$669.18	\$143.89	\$321.00	\$194.72	\$554.60	\$184.18	\$1,055.07	\$582.43	\$439.15
14	Cochise/Graham/Greenlee	UHC	\$578.63	\$133.64	\$344.45	\$234.11	\$584.84	\$197.00	\$1,331.36	\$569.01	\$418.68

V. Actuarial Certification of the Capitation Rates

I, Matthew C. Varitek, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time-to-time by the Actuarial Standards Board.

The capitation rate ranges were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The capitation rate ranges were developed to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and are in accordance with applicable laws and regulations. The capitation rate ranges are appropriate for the Medicaid populations covered and Medicaid services to be furnished under the contract. The capitation rate ranges may not be appropriate for any other purpose. The documentation has been included with this certification. The proposed actuarially sound capitation rates that are associated with this certification are effective for the one-month period October 1, 2014 to October 31, 2014.

In developing the actuarially sound October 2014 capitation rates and the actuarially sound methodology for the HIF capitation adjustments, I have relied upon data and information provided by the Contractors and the AHCCCS internal databases. I have accepted the data without audit and have relied upon the health plan auditors and other AHCCCS employees for the accuracy of the data. I have checked the data for consistency and reasonableness to the extent possible and practical.

This actuarial certification has been based on the actuarial methods, considerations and analyses promulgated from time-to-time through the Actuarial Standards of Practice by the Actuarial Standards Board.

This certification letter assumes the reader is familiar with the Acute Care program, Medicaid eligibility rules and actuarial rating techniques. It is intended for AHCCCS and CMS and should not be relied upon by third parties. Other readers should seek the advice of actuaries or other qualified professionals competent in the area of actuarial rate projections to understand the technical nature of these results.

Matthew C. Varitek

Matthew C. Varitek

11/12/2015

Date

Fellow of the Society of Actuaries
Member, American Academy of Actuaries

**Arizona Department of Health Services
Division of Behavioral Health Services
Actuarial Memorandum**

I. Purpose

The purpose of this actuarial memorandum is to demonstrate that the capitation rates for the Arizona Department of Health Services (ADHS), Behavioral Health Services (BHS) were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

The Affordable Care Act (ACA) placed an annual fee on the health insurance industry nationwide including most Medicaid health plans effective January 1, 2014. The fee (hereafter identified as the Health Insurer Fee, or HIF) was allocated to health insurers based on their respective market share of premium revenue in the previous year. Arizona Health Care Cost Containment System (AHCCCS) intends to update capitation rates annually on a retroactive basis after the Treasury Department notifies each entity of its HIF amount due. Certain Contractors will be excluded from the HIF as determined by the Contractor and approved by the Internal Revenue Service (IRS).

This memorandum presents a discussion of a revision to the already approved Contract Year Ending 2015 (CYE 15) Acute Care capitation rates. The revision reflects the adjustment associated with the HIF. These capitation rates are updated retroactively for a period of one month, from October 1, 2014 to October 31, 2014.

II. Overview of Changes

The capitation rates and rate ranges in this memorandum equal the approved capitation rates for October 2014 plus the HIF liability plus the associated taxes.

Although the HIF liability amount is known, the 2015 income tax rates are not known until Spring of 2016 and if an extension is requested those income tax rates are not known until Fall of 2016. Thus, AHCCCS will be using assumed income tax rates to develop the revised capitation rates. This memorandum will also include a capitation rate range in case the Contractor's final 2015 income tax filing reflects a material difference between the actual tax rates and the assumed tax rates. Each range, as well as the revised capitation rate, is defined as follows:

- The minimum of the range equals the currently approved capitation rates for October 2014 plus the HIF plus premium tax (these amounts are all known)
- The maximum of the range equals the currently approved capitation rates for October 2014 plus the HIF plus the maximum federal and state income tax plus premium tax (the amount of the federal and state income tax are currently unknown)
- The certified capitation rate within the range equals the currently approved capitation rates for October 2014 plus the HIF plus the assumed federal and state income tax rates (or premium tax in lieu of state income tax as applicable) as reported by the Contractors

AHCCCS will perform a retroactive mass adjustment to the current approved capitation rates using the revised capitation rates certified in this memorandum. If a Contractor's 2015 income tax filing reflects a material difference between the actual tax rates and the assumed tax rates a second mass adjustment may occur.

Although the fees due from the Contractors in 2015 are based on applicable revenue received during 2014, CMS authorized AHCCCS to make retroactive capitation adjustments to just one month in order to limit the administrative burden.

III. Methodology for Calculating Capitation Adjustments

HIF Adjustments

The BHS per member per month (PMPM) capitation ranges were developed separately for each Contractor based on the fee liability reported to AHCCCS. Each Contractor was notified of the fee liability for the entire entity by the Treasury Department. Contractors who received multiple streams of revenue applicable to the HIF calculation were responsible for allocating an appropriate portion of their fee liability to AHCCCS, which was verified by AHCCCS for reasonableness and appropriateness. The ranges of PMPM adjustments were developed based on the actual BHS member months by risk group during October 2014. AHCCCS will apply the HIF adjustment to the previously approved capitation rates to develop the revised capitation rates. This adjustment will be retroactive for the period of October 1, 2014 through October 31, 2014. The estimated impact to the BHS program of this retroactive capitation rate adjustment is a statewide increase of approximately \$11.0 million.

Administration/Risk Contingency/Premium Tax Components

The administration and risk contingency components were not impacted by the above changes. The premium tax component was impacted by the above changes.

IV. Proposed Revised Capitation Rates and Their Impacts

Table I includes the net capitation rate ranges on a statewide basis as well as the estimated budget impact of the proposed revised payments. Table II contains the proposed revised rates and ranges displayed by risk group.

Table I
Proposed Capitation Rates and Budget Impact

Rate Cell	Non-CMDP Children (Title XIX + XXI)	CMDP Children	Title XIX GMH/SA + Title XXI Adult	Non-Integrated SMI	Total
October 2014 Member Months	645,707	15,100	749,392	749,235	2,159,434
Currently Approved Rate	\$37.14	\$924.13	\$44.13	\$33.92	
Currently Approved Estimated Capitation	\$23,981,558	\$13,954,363	\$33,070,669	\$25,414,051	\$96,420,641
Proposed Revised Rate	\$41.38	\$1,029.72	\$49.17	\$37.80	
Proposed Revised Estimated Capitation	\$26,721,551	\$15,548,707	\$36,849,131	\$28,317,712	\$107,437,101
Proposed Revised Dollar Impact	\$2,739,993	\$1,594,344	\$3,778,462	\$2,903,661	\$11,016,460
Proposed Revised Percentage Impact	11.4%	11.4%	11.4%	11.4%	11.4%

Table II
Minimum and Maximum of Ranges for Revised Capitation Rates

Rate Cell	Non-CMDP Children (Title XIX + XXI)	CMDP Children	Title XIX GMH/SA + Title XXI Adult	Non-Integrated SMI
Proposed Revised Rate	\$41.38	\$1,029.72	\$49.17	\$37.80
Minimum of Range for Revised Rate	\$39.73	\$988.47	\$47.20	\$36.28
Maximum of Range for Revised Rate	\$41.42	\$1,030.52	\$49.21	\$37.83

V. Actuarial Certification of the Capitation Rates

I, Matthew C. Varitek, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time-to-time by the Actuarial Standards Board.

The capitation rate ranges were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The capitation rate ranges were developed to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and are in accordance with applicable laws and regulations. The capitation rate ranges are appropriate for the Medicaid populations covered and Medicaid services to be furnished under the contract. The capitation rate ranges may not be appropriate for any other purpose. The documentation has been included with this certification. The proposed actuarially sound capitation rates that are associated with this certification are effective for the one-month period October 1, 2014 to October 31, 2014.

In developing the actuarially sound October 2014 capitation rates and the actuarially sound methodology for the HIF capitation adjustments, I have relied upon data and information provided by ADHS/DBHS, the Contractors' and the AHCCCS internal databases. I have accepted the data without audit and have relied upon ADHS/DBHS and the Contractors' auditors and other AHCCCS employees for the accuracy of the data. Checks for consistency and reasonableness to the extent possible and practical were applied.

This actuarial certification has been based on the actuarial methods, considerations and analyses promulgated from time-to-time through the Actuarial Standards of Practice by the Actuarial Standards Board.

This certification letter assumes the reader is familiar with the ADHS/DBHS program, Medicaid eligibility rules and actuarial rating techniques. It is intended for AHCCCS, ADHS/DBHS and CMS and should not be relied upon by third parties. Other readers should seek the advice of actuaries or other qualified professionals competent in the area of actuarial rate projections to understand the technical nature of these results.

Matthew C. Varitek

Matthew C. Varitek

11/12/2015

Date

Fellow of the Society of Actuaries
Member, American Academy of Actuaries

Children's Rehabilitative Services (CRS) Actuarial Memorandum

I. Purpose

The purpose of this actuarial memorandum is to demonstrate that the capitation rates for the Children's Rehabilitative Services (CRS) program were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

The Affordable Care Act (ACA) placed an annual fee on the health insurance industry nationwide including most Medicaid health plans effective January 1, 2014. The fee (hereafter identified as the Health Insurer Fee, or HIF) was allocated to health insurers based on their respective market share of premium revenue in the previous year. Arizona Health Care Cost Containment System (AHCCCS) intends to update capitation rates annually on a retroactive basis after the Treasury Department notifies each entity of its HIF amount due. Certain Contractors will be excluded from the HIF as determined by the Contractor and approved by the Internal Revenue Service (IRS).

This memorandum presents a discussion of a revision to the already approved Contract Year Ending 2015 (CYE 15) CRS capitation rates for the Fully Integrated and Partially Integrated/Acute coverage types. The revision reflects the adjustment associated with the HIF. These capitation rates are updated retroactively for a period of one month, from October 1, 2014 to October 31, 2014.

II. Overview of Changes

The capitation rates and rate ranges in this memorandum equal the approved capitation rates for October 2014 plus the HIF liability plus the associated taxes.

Although the HIF liability amount is known, the 2015 income tax rates are not known until Spring of 2016 and if an extension is requested those income tax rates are not known until Fall of 2016. Thus, AHCCCS will be using assumed income tax rates to develop the revised capitation rates. This memorandum will also include a capitation rate range in case the Contractor's final 2015 income tax filing reflects a material difference between the actual tax rates and the assumed tax rates. Each range, as well as the revised capitation rate, is defined as follows:

- The minimum of the range equals the currently approved capitation rates for October 2014 plus the HIF plus premium tax (these amounts are all known)
- The maximum of the range equals the currently approved capitation rates for October 2014 plus the HIF plus the maximum federal and state income tax plus premium tax (the amount of the federal and state income tax are currently unknown)
- The certified capitation rate within the range equals the currently approved capitation rates for October 2014 plus the HIF plus the assumed federal and state income tax rates (or premium tax in lieu of state income tax as applicable) as reported by the Contractors

AHCCCS will perform a retroactive mass adjustment to the current approved capitation rates using the revised capitation rates certified in this memorandum. If a Contractor's 2015

income tax filing reflects a material difference between the actual tax rates and the assumed tax rates a second mass adjustment may occur.

Although the fees due from the sole Contractor in 2015 are based on applicable revenue received during 2014, CMS authorized AHCCCS to make retroactive capitation adjustments to just one month in order to limit the administrative burden.

III. Methodology for Calculating Capitation Adjustments

HIF Adjustments

The CRS per member per month (PMPM) capitation ranges were developed on a statewide basis by coverage type based on the fee liability reported to AHCCCS. The sole Contractor was notified of the fee liability for the entire entity by the Treasury Department. The sole Contractor received multiple streams of revenue applicable to the HIF calculation and was responsible for allocating an appropriate portion of their fee liability to AHCCCS, which was verified by AHCCCS for reasonableness and appropriateness. The ranges of PMPM adjustments were developed using the actual CRS member months by coverage type during October 2014. AHCCCS will apply the HIF adjustment to the previously approved capitation rates to develop the revised capitation rates. This adjustment will be retroactive for the period of October 1, 2014 through October 31, 2014. The estimated impact to the CRS program of this retroactive capitation rate adjustment is an increase of approximately \$6.0 million.

Administration/Risk Contingency/Premium Tax Components

The administration and risk contingency components were not impacted by the above changes. The premium tax component was impacted by the above changes.

IV. Proposed Revised Capitation Rates and Their Impacts

Table I includes the revised net capitation rates by coverage type on a statewide basis as well as the estimated budget impact of the proposed revised payments. Table II contains the proposed revised rates and ranges by coverage type on a statewide basis.

Table I
Proposed Capitation Rates and Budget Impact

Coverage Type	Fully Integrated	Partially Integrated/Acute
October 2014 Member Months	17,121	166
Currently Approved Rate	\$779.16	\$693.10
Currently Approved Estimated Capitation	\$13,339,873	\$115,278
Proposed Revised Rate	\$1,126.25	\$1,001.85
Proposed Revised Estimated Capitation	\$19,282,307	\$166,630
Proposed Revised Dollar Impact	\$5,942,434	\$51,352
Proposed Revised Percentage Impact	44.5%	44.5%

Table II
Minimum and Maximum of Ranges for Revised Capitation Rates

Rate Cell	Fully Integrated	Partially Integrated/Acute
Proposed Revised Rate	\$1,126.25	\$1,001.85
Minimum of Range for Revised Rate	\$1,004.77	\$893.79
Maximum of Range for Revised Rate	\$1,152.24	\$1,024.98

V. Actuarial Certification of the Capitation Rates

I, Matthew C. Varitek, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time-to-time by the Actuarial Standards Board.

The capitation rate ranges were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The capitation rate ranges were developed to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and are in accordance with applicable laws and regulations. The capitation rate ranges are appropriate for the Medicaid populations covered and Medicaid services to be furnished under the contract. The capitation rate ranges may not be appropriate for any other purpose. The documentation has been included with this certification. The proposed actuarially sound capitation rates that are associated with this certification are effective for the one-month period October 1, 2014 to October 31, 2014.

In developing the actuarially sound October 2014 capitation rates and the actuarially sound methodology for the HIF capitation adjustments, I have relied upon data and information provided by the sole Contractor and the AHCCCS internal databases. I have accepted the data without audit and have relied upon the health plan auditors and other AHCCCS employees for the accuracy of the data. I have checked the data for consistency and reasonableness to the extent possible and practical.

This actuarial certification has been based on the actuarial methods, considerations and analyses promulgated from time-to-time through the Actuarial Standards of Practice by the Actuarial Standards Board.

This certification letter assumes the reader is familiar with the CRS program, Medicaid eligibility rules and actuarial rating techniques. It is intended for AHCCCS and CMS and should not be relied upon by third parties. Other readers should seek the advice of actuaries or other qualified professionals competent in the area of actuarial rate projections to understand the technical nature of these results.

Matthew C. Varitek

Matthew C. Varitek

11/12/2015

Date

Fellow of the Society of Actuaries
Member, American Academy of Actuaries

Department of Economic Security/Division of Developmental Disabilities (DES/DDD) Actuarial Memorandum

I. Purpose

The purpose of this actuarial memorandum is to demonstrate that the capitation rates for the Department of Economic Security (DES) Division of Developmental Disabilities (DDD) program were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

The Affordable Care Act (ACA) placed an annual fee on the health insurance industry nationwide including most Medicaid health plans effective January 1, 2014. The fee (hereafter identified as the Health Insurer Fee, or HIF) was allocated to health insurers based on their respective market share of premium revenue in the previous year. Arizona Health Care Cost Containment System (AHCCCS) intends to update capitation rates annually on a retroactive basis after the Treasury Department notifies each entity of its HIF amount due. Certain Contractors will be excluded from the HIF as determined by the Contractor and approved by the Internal Revenue Service (IRS).

This memorandum presents a discussion of a revision to the already approved Contract Year Ending 2015 (CYE 15) DDD capitation rates. The revision reflects the adjustment associated with the HIF. These capitation rates are updated retroactively for a period of one month, from October 1, 2014 to October 31, 2014.

II. Overview of Changes

The capitation rates and rate ranges in this memorandum equal the approved capitation rates for October 2014 plus the HIF liability plus the associated taxes.

Although the HIF liability amount is known, the 2015 income tax rates are not known until Spring of 2016 and if an extension is requested those income tax rates are not known until Fall of 2016. Thus, AHCCCS will be using assumed income tax rates to develop the revised capitation rates. This memorandum will also include a capitation rate range in case the Contractor's final 2015 income tax filing reflects a material difference between the actual tax rates and the assumed tax rates. Each range, as well as the revised capitation rate, is defined as follows:

- The minimum of the range equals the currently approved capitation rates for October 2014 plus the HIF plus premium tax (these amounts are all known)
- The maximum of the range equals the currently approved capitation rates for October 2014 plus the HIF plus the maximum federal and state income tax plus premium tax (the amount of the federal and state income tax are currently unknown)
- The certified capitation rate within the range equals the currently approved capitation rates for October 2014 plus the HIF plus the assumed federal and state income tax rates (or premium tax in lieu of state income tax as applicable) as reported by the Contractors

AHCCCS will perform a retroactive mass adjustment to the current approved capitation rates using the revised capitation rates certified in this memorandum. If a Contractor's 2015

income tax filing reflects a material difference between the actual tax rates and the assumed tax rates a second mass adjustment may occur.

Although the fees due from the Contractors in 2015 are based on applicable revenue received during 2014, CMS authorized AHCCCS to make retroactive capitation adjustments to just one month in order to limit the administrative burden.

III. Methodology for Calculating Capitation Adjustments

HIF Adjustments

The DDD per member per month (PMPM) capitation ranges were developed on a statewide basis based on the fee liability reported to AHCCCS by the acute care subcontractors to the DDD program. Each subcontractor was notified of the fee liability for the entire entity by the Treasury Department. Subcontractors who received multiple streams of revenue applicable to the HIF calculation were responsible for allocating an appropriate portion of their fee liability to AHCCCS, which was verified by AHCCCS for reasonableness and appropriateness. The ranges of PMPM adjustments were developed using the actual DDD member months during October 2014. AHCCCS will apply the HIF adjustment to the previously approved capitation rates to develop the revised capitation rates. This adjustment will be retroactive for the period of October 1, 2014 through October 31, 2014. The estimated impact to the DDD program of this retroactive capitation rate adjustment is a statewide increase of approximately \$2.5 million.

Administration/Risk Contingency/Premium Tax Components

The administration and risk contingency components were not impacted by the above changes. The premium tax component was impacted by the above changes.

IV. Proposed Revised Capitation Rates and Their Impacts

Table I includes the proposed revised net capitation rate on a statewide basis as well as the estimated budget impact of the proposed revised payments. Table II contains the proposed revised rate and range displayed on a statewide basis.

Table I
Proposed Capitation Rates and Budget Impact

Rate Cell	DDD - Long Term Care
October 2014 Member Months	27,477
Currently Approved Rate	\$3,345.48
Currently Approved Estimated Capitation	\$91,923,107
Proposed Revised Rate	\$3,434.92
Proposed Revised Estimated Capitation	\$94,380,508
Proposed Revised Dollar Impact	\$2,457,402
Proposed Revised Percentage Impact	2.7%

Table II
Minimum and Maximum of Ranges for Revised Capitation Rates

Rate Cell	DDD - Long Term Care
Proposed Revised Rate	\$3,434.92
Minimum of Range for Revised Rate	\$3,403.61
Maximum of Range for Revised Rate	\$3,441.61

V. Actuarial Certification of the Capitation Rates

I, Matthew C. Varitek, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time-to-time by the Actuarial Standards Board.

The capitation rate ranges were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The capitation rate ranges were developed to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and are in accordance with applicable laws and regulations. The capitation rate ranges are appropriate for the Medicaid populations covered and Medicaid services to be furnished under the contract. The capitation rate ranges may not be appropriate for any other purpose. The documentation has been included with this certification. The proposed actuarially sound capitation rates that are associated with this certification are effective for the one-month period October 1, 2014 to October 31, 2014.

In developing the actuarially sound October 2014 capitation rates and the actuarially sound methodology for the HIF capitation adjustments, I have relied upon data and information provided by the subcontractors and the AHCCCS internal databases. I have accepted the data without audit and have relied upon the subcontractors' auditors and other AHCCCS employees for the accuracy of the data. I have checked the data for consistency and reasonableness to the extent possible and practical.

This actuarial certification has been based on the actuarial methods, considerations and analyses promulgated from time-to-time through the Actuarial Standards of Practice by the Actuarial Standards Board.

This certification letter assumes the reader is familiar with the DDD program, Medicaid eligibility rules and actuarial rating techniques. It is intended for AHCCCS, DES/DDD and CMS and should not be relied upon by third parties. Other readers should seek the advice of actuaries or other qualified professionals competent in the area of actuarial rate projections to understand the technical nature of these results.

Matthew C. Varitek

Matthew C. Varitek

11/12/2015

Date

Fellow of the Society of Actuaries
Member, American Academy of Actuaries

Arizona Long Term Care System (ALTCS), Elderly and Physical Disability (EPD) Actuarial Memorandum

I. Purpose

The purpose of this actuarial memorandum is to demonstrate that the capitation rates for the Arizona Long Term Care System (ALTCS) Elderly and Physical Disability (EPD) program were developed in compliance with 42 CFR 438.6(c). It is not intended for any other purpose.

The Affordable Care Act (ACA) placed an annual fee on the health insurance industry nationwide including most Medicaid health plans effective January 1, 2014. The fee (hereafter identified as the Health Insurer Fee, or HIF) was allocated to health insurers based on their respective market share of premium revenue in the previous year. Arizona Health Care Cost Containment System (AHCCCS) intends to update capitation rates annually on a retroactive basis after the Treasury Department notifies each entity of its HIF amount due. Certain Contractors will be excluded from the HIF as determined by the Contractor and approved by the Internal Revenue Service (IRS).

This memorandum presents a discussion of a revision to the already approved Contract Year Ending 2015 (CYE 15) EPD capitation rates. The revision reflects the adjustment associated with the HIF. These capitation rates are updated retroactively for a period of one month, from October 1, 2014 to October 31, 2014.

II. Overview of Changes

The capitation rates and rate ranges in this memorandum equal the approved capitation rates for October 2014 plus the HIF liability plus the associated taxes.

Although the HIF liability amount is known, the 2015 income tax rates are not known until Spring of 2016 and if an extension is requested those income tax rates are not known until Fall of 2016. Thus, AHCCCS will be using assumed income tax rates to develop the revised capitation rates. This memorandum will also include a capitation rate range in case a Contractor's final 2015 income tax filing reflects a material difference between the actual tax rates and the assumed tax rates. Each range, as well as the revised capitation rate, is defined as follows:

- The minimum of the range equals the currently approved capitation rates for October 2014 plus the HIF plus premium tax (these amounts are all known)
- The maximum of the range equals the currently approved capitation rates for October 2014 plus the HIF plus the maximum federal and state income tax plus premium tax (the amount of the federal and state income tax are currently unknown)
- The certified capitation rate within the range equals the currently approved capitation rates for October 2014 plus the HIF plus the assumed federal and state income tax rates (or premium tax in lieu of state income tax as applicable) as reported by the Contractors

AHCCCS will perform a retroactive mass adjustment to the current approved capitation rates using the revised capitation rates certified in this memorandum. If a Contractor's 2015 income tax filing reflects a material difference between the actual tax rates and the assumed tax rates a second mass adjustment may occur.

Although the fees due from the Contractors in 2015 are based on applicable revenue received during 2014, CMS authorized AHCCCS to make retroactive capitation adjustments to just one month in order to limit the administrative burden.

III. Methodology for Calculating Capitation Adjustments

HIF Adjustments

The EPD per member per month (PMPM) capitation ranges were developed separately for each Contractor based on the fee liability reported to AHCCCS. Each Contractor was notified of the fee liability for the entire entity by the Treasury Department. Contractors who received multiple streams of revenue applicable to the HIF calculation were responsible for allocating an appropriate portion of their fee liability to AHCCCS, which was verified by AHCCCS for reasonableness and appropriateness. The ranges of PMPM adjustments were developed based on each Contractor's actual member months by Geographical Service Area (GSA) and risk group during October 2014. AHCCCS will apply the HIF adjustment to the previously approved capitation rates to develop the revised capitation rates. This adjustment will be retroactive for the period of October 1, 2014 through October 31, 2014. The estimated impact to the EPD program of this retroactive capitation rate adjustment is an increase of approximately \$1.0 million.

Administration/Risk Contingency/Premium Tax Components

The administration and risk contingency components were not impacted by the above changes. The premium tax component was impacted by the above changes.

IV. Proposed Revised Capitation Rates and Their Impacts

Table I includes the revised net capitation rates by GSA and risk group as well as the estimated budget impact of the proposed revised payments. Table II contains the proposed revised rates and ranges by GSA and risk group.

Table I
Proposed Capitation Rates and Budget Impact

Rate Cell	EPD Prospective - Dual	EPD Prospective - Non-Dual	Acute Only	Total
October 2014 Member Months	4,730	748	68	5,546
Currently Approved Rate	\$2,930.58	\$4,830.56	\$487.17	\$3,156.95
Currently Approved Estimated Capitation	\$13,862,767	\$3,613,258	\$33,033	\$17,509,059
Proposed Revised Rate	\$3,009.04	\$5,594.74	\$745.77	\$3,330.10
Proposed Revised Estimated Capitation	\$14,233,946	\$4,184,862	\$50,568	\$18,469,376
Proposed Revised Dollar Impact	\$371,179	\$571,604	\$17,535	\$960,317
Proposed Revised Percentage Impact	2.7%	15.8%	53.1%	5.5%

Note: Member months and capitation estimates are shown only for the Contractor receiving a revision for HIF.

Table II
Proposed Revised Capitation Rates

Counties	Contractor	GSA	EPD Prospective - Dual	EPD Prospective - Non-Dual	Acute Only
Gila/Pinal	Bridgeway	40	\$3,192.61	\$4,960.17	\$691.00
Cochise/Graham/Greenlee	Bridgeway	46	\$3,351.64	\$4,576.95	\$626.41
Maricopa	Bridgeway	52	\$2,841.68	\$6,101.19	\$782.72

Minimum of Ranges for Revised Capitation Rates

Counties	Contractor	GSA	EPD Prospective - Dual	EPD Prospective - Non-Dual	Acute Only
Gila/Pinal	Bridgeway	40	\$3,167.21	\$4,732.21	\$607.13
Cochise/Graham/Greenlee	Bridgeway	46	\$3,320.46	\$4,387.38	\$550.39
Maricopa	Bridgeway	52	\$2,814.13	\$5,799.19	\$687.73

Maximum of Ranges for Revised Capitation Rates

Counties	Contractor	GSA	EPD Prospective - Dual	EPD Prospective - Non-Dual	Acute Only
Gila/Pinal	Bridgeway	40	\$3,198.05	\$5,008.96	\$708.94
Cochise/Graham/Greenlee	Bridgeway	46	\$3,358.31	\$4,617.51	\$642.68
Maricopa	Bridgeway	52	\$2,847.57	\$6,165.81	\$803.05

V. Actuarial Certification of the Capitation Rates

I, Matthew C. Varitek, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established from time-to-time by the Actuarial Standards Board.

The capitation rate ranges were developed using generally accepted actuarial principles and practices and are considered to be actuarially sound. The capitation rate ranges were developed to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and are in accordance with applicable laws and regulations. The capitation rate ranges are appropriate for the Medicaid populations covered and Medicaid services to be furnished under the contract. The capitation rate ranges may not be appropriate for any other purpose. The documentation has been included with this certification. The proposed actuarially sound capitation rates that are associated with this certification are effective for the one-month period October 1, 2014 to October 31, 2014.

In developing the actuarially sound October 2014 capitation rates and the actuarially sound methodology for the HIF capitation adjustments, I have relied upon data and information provided by the Contractors and the AHCCCS internal databases. I have accepted the data without audit and have relied upon the health plan auditors and other AHCCCS employees for the accuracy of the data. I have checked the data for consistency and reasonableness to the extent possible and practical.

This actuarial certification has been based on the actuarial methods, considerations and analyses promulgated from time-to-time through the Actuarial Standards of Practice by the Actuarial Standards Board.

This certification letter assumes the reader is familiar with the EPD program, Medicare and Medicaid eligibility rules and actuarial rating techniques. It is intended for AHCCCS and CMS and should not be relied upon by third parties. Other readers should seek the advice of actuaries or other qualified professionals competent in the area of actuarial rate projections to understand the technical nature of these results.

Matthew C. Varitek

Matthew C. Varitek

11/12/2015

Date

Fellow of the Society of Actuaries
Member, American Academy of Actuaries

Review of the Department of Child Safety FY 2016 First Quarter Benchmarks

DCS submitted their materials for this item on Wednesday, December 9. The JLBC Staff memorandum will be distributed by Friday, December 11.