

**JOINT LEGISLATIVE BUDGET COMMITTEE**

**Thursday, February 25, 2016**

**8:00 a.m.**

**Senate Appropriations Room 109**

**JLBC**

STATE OF ARIZONA

## Joint Legislative Budget Committee

STATE  
SENATE

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

HOUSE OF  
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### JOINT LEGISLATIVE BUDGET COMMITTEE

Thursday, February 25, 2016

8:00 A.M.

Senate Appropriations, Room 109

### MEETING NOTICE

- Call to Order
- [Approval of Minutes of December 15, 2015.](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION - Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
- 1. [ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF CHILD SAFETY - Review of CHILDS Automation Project \(Transition Fund\).](#)
- 2. [DEPARTMENT OF ECONOMIC SECURITY - Review of Division of Developmental Disabilities Operating and Case Management Appropriation Transfers.](#)

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

2/22/16

Im

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## MINUTES OF THE MEETING

### JOINT LEGISLATIVE BUDGET COMMITTEE

December 15, 2015

The Chairman called the meeting to order at 1:08 p.m., Tuesday, December 15, 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 Mach
	Senator Griffin	Representative Mitchell
	Senator Hobbs	Representative Ugenti-Rita
	Senator Kavanagh	
	Senator Yarbrough	

Absent:	Senator Lesko	Representative Bowers
		Representative Leach
		Representative Montenegro

### APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of September 24, 2015, Chairman Justin Olson stated that the minutes would stand approved.

### ARIZONA BOARD OF REGENTS (ABOR) - Review of FY 2016 Tuition Revenues.

Mr. Matt Gress, JLBC Staff, stated that ABOR is requesting 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. The JLBC Staff presented options to the Committee.

*Senator Shooter moved that the Committee give a favorable review of ABOR's plan with the provision that 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. The motion carried.*

(Continued)

**ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of Public Safety Broadband.**

Ms. Rebecca Perrera, JLBC Staff, stated that ADOA is requesting review of its annual report on expenditures for the State and Local Implementation Grant program associated with the National Public Safety Broadband Network Initiative. The JLBC Staff presented options to the Committee.

Mr. Matthew Hanson, Statewide Grants Administrator, ADOA, responded to member questions.

*Senator Shooter moved that the Committee give a favorable review of the department's report with the provision that ADOA shall report to the JLBC Staff when they receive Phase 2 funding from the federal government and their expenditure plans for the funds.* The motion carried.

**ADOA - Review of Automation Projects Fund Expenditure Reallocation.**

Ms. Rebecca Perrera, JLBC Staff, stated that ADOA is requesting review of the expenditure plan for the Automation Projects Fund (APF) prior to expenditure. The FY 2015 APF appropriation included \$2,900,000 for the replacement of the mainframe at the State Data Center. The JLBC Staff presented options to the Committee.

Mr. Don Hennington Assistant Director, Chief Operating Officer, ADOA-ASET, responded to member questions.

*Senator Shooter moved that the Committee give a favorable review to reallocating \$439,000 of unspent funds in FY 2015 expenditures from the APF to replace mainframe disk storage equipment.* The motion carried.

**ADOA - Review of Health Impact Program Update.**

Ms. Rebecca Perrera, JLBC Staff, stated that at its June 2014 meeting, the Committee reviewed ADOA's contribution strategy plan 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. The JLBC Staff presented options to the Committee.

Ms. Marie Isaacson, Assistant Director, Benefit Services Division, ADOA, responded to member questions.

*Senator Shooter moved that the Committee give a favorable review to the Health Impact Program.* The motion carried.

**ADOA - Review of Emergency Telecommunication Services Revolving Fund Expenditure Plan.**

Ms. Rebecca Perrera, JLBC Staff, stated that ADOA is requesting review of the wireless services portion of ADOA's Emergency Telecommunications Services Revolving Fund (ETSF) expenditure plan. The JLBC Staff presented options to the Committee.

*Senator Shooter moved that the Committee give a favorable review of the \$6,147,100 wireless portion of the FY 2016 ETSF expenditure plan with the provision that ADOA shall report to the Committee on the results of the text-to-911 network proposal upon the completion of its review.* The motion carried.

(Continued)

**JLBC STAFF - Consider Approval of Index for School Facilities Board (SFB) Construction Costs.**

Mr. Josh Hope, JLBC Staff, stated that the cost-per-square-foot factors used in SFB new school construction financing “shall be adjusted annually for construction market considerations based on an index identified or developed by the JLBC as necessary but not less than once each year.” The JLBC Staff presented options to the Committee.

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

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

Mr. Jon Stall, JLBC Staff, stated that these agencies are requesting Committee review of revisions to previously reviewed contract year 2015 capitation rates. The proposed rates would reimburse Medicaid health insurers for costs of paying a federal health insurer fee in 2015. The JLBC Staff presented options to the Committee.

*Senator Shooter moved that the Committee give a favorable review to the proposed revisions of previously reviewed contract year 2015 capitation rates. The rate changes would reimburse Medicaid health insurers for costs of paying a federal health insurer fee in 2015. The motion carried.*

**DEPARTMENT OF CHILD SAFETY (DCS) - Review of FY 2016 First Quarter Benchmarks.**

Mr. Ben Beutler, JLBC Staff, stated that the Committee is required to review a report of proposed FY 2016 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.

Michael Dellner, Deputy Director, Business Operations, DCS, responded to member questions.

*Senator Shooter moved that the Committee accept the report with no comment.*

*Senator Farley offered a substitute motion that the Committee give an unfavorable review of the report of first quarterly benchmarks as outlined in the department’s submission. The Committee also asked the department to follow-up on a number of issues. Division was called on the substitute motion and by a show of hands of 8 ayes and 2 nays, the substitution motion carried.*

**EXECUTIVE SESSION**

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

At 2:25 p.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 3:15 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:*

- *Rode v. Credio, et al.*
- *Palmer (Estate of Timothy Lucero) v. State of Arizona, Gamblin, and Stewart*

The motion carried.

**B. JLBC Annual Performance Review per Rule 7.**

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

Without objection, the meeting adjourned at 3:15 p.m.

Respectfully submitted:

  
\_\_\_\_\_  
Kristy Paddack, Secretary

  
\_\_\_\_\_  
Richard Stavneak, Director

  
\_\_\_\_\_  
Representative Justin Olson, Chairman





STATE OF ARIZONA

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MICHELLE UGENTI-RITA

DATE: February 22, 2016

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

THRU: Richard Stavneak, Director *[Signature]*

FROM: Ben Beutler, Senior Fiscal Analyst *BB*

SUBJECT: Arizona Department of Administration/Department of Child Safety - Review of CHILDS Automation Project (Transition Fund)

## Request

Laws 2015, Chapter 8 requires Committee review prior to any monies being expended from the Arizona Department of Administration's (ADOA) \$19.5 million appropriation for Department of Child Safety (DCS) transition expenses. DCS is requesting Committee review of \$4.4 million from the transition appropriation for its own technology infrastructure to support the Children's Information Library and Data Source (CHILDS) replacement.

## Recommendation

The Committee has at least the following 2 options:

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

Under either option, the JLBC Staff recommends the following provisions:

- A. A favorable review is contingent on receiving approval from the Information Technology Authorization Committee (ITAC). ITAC is meeting on February 25<sup>th</sup> to discuss CHILDS. While the Joint Legislative Budget Committee meeting will occur prior to the ITAC meeting, the JLBC Staff may be able to notify you of any proposed conditions associated with their approval. The Joint Legislative Budget Committee may want to consider adding these conditions to its own review.

(Continued)



- B. DCS shall provide reports by the last day of each quarter to the Joint Legislative Budget Committee from the contracted independent third-party consultant. The quarterly reports shall be submitted throughout the CHILDS replacement project and continue to evaluate and assess the project's feasibility, estimated expenditures, technology approach and scope.

### **Analysis**

CHILDS is the information management system used to document the status, demographics, location and outcomes for children in the care of DCS. The system assists with various business processes including hotline intake, initial assessments and investigations, case management, adoptions, eligibility determinations, staff management, provider management and payment processing.

Currently, DCS and the Department of Economic Security (DES) share the same technology infrastructure and data center. The state recently spent \$7.0 million from the General Fund to move the DES data center from a state-owned facility to an off-site facility. Under the proposal, DCS would cease to use the DES data center and move its data to a private vendor (otherwise known as the "cloud"). Although DCS will be storing most of its data with a private vendor, DCS will nonetheless need some in-house technology to communicate with the private vendor.

The departments' plan calls for the replacement of technology infrastructure in 2 phases. During Phase 1, DCS will design a new DCS domain, converting from DES domain names to DCS domain names. In Phase 2, DCS will move their operations to the new domain.

ADOA/DCS were appropriated \$19.5 million of non-lapsing General Fund monies in FY 2015 for transition expenses. Of the \$19.5 million for transition expenses, \$4.4 million remains unallocated, and DCS proposes using these unallocated monies to build technology infrastructure for the new CHILDS system. Specifically, the funding will be used to purchase information technology software, licensing, maintenance, hardware, and professional consulting services. The \$4.4 million is sufficient to complete both Phase 1 and Phase 2 of the technology infrastructure project and will qualify for federal match of about \$1.9 million.

### Future CHILDS Funding Commitments

ADOA/DCS were appropriated \$5.0 million from the Automation Projects Fund (APF) of General Fund monies in FY 2015 for CHILDS replacement, which do not revert to the General Fund until the end of FY 2016. To date, DCS has spent \$313,000 of the \$5.0 million APF appropriation, leaving \$4.7 million unallocated. The FY 2017 Baseline includes an additional \$5.0 million from the General Fund for CHILDS replacement and would appropriate any of the remaining FY 2015 APF balances for use in FY 2017.

Given the \$4.7 million remaining from FY 2015, the \$5.0 million from the Baseline and \$9.7 million from federal match, DCS would have \$19.4 million available to continue the CHILDS replacement project in FY 2017. The total cost of the project excluding this \$4.4 million component is estimated at \$56.5 million, of which the state share is 50% (or \$28.2 million). DCS plans to issue an RFP for a system integrator to build the new CHILDS system in the summer of 2016.

RS/BB:kp



## Arizona Department of Child Safety

Douglas A. Ducey  
Governor

Gregory McKay  
Director



February 18, 2015

The Honorable Don Shooter  
Chairman, Senate Appropriations Committee  
Arizona Senate  
1700 West Washington  
Phoenix, Arizona 85007

Re: Department of Child Safety Expenditures

Dear Senator Shooter:

The Department of Child Safety (DCS) requests to be placed on the Joint Legislative Budget Committee's February 25, 2016 meeting agenda for review of the following item.

*Expenditure plan for DCS Transition Fund*

Laws 2014, 2<sup>nd</sup> Special Session, Chapter 2, Section 3 appropriated \$25 million to the Department of Administration for costs associated with the establishment of the Department of Child Safety in FY 2015. Laws 2015, 1<sup>st</sup> Regular Session, Chapter 8, Section 4 reduced that total appropriation to \$19.5 million and extended the appropriation into FY 2016. The remaining balance in the transition fund is \$4,403,900. The Department requests that the committee review the expenditure plan for the remaining transition funds.

In 2014, the Arizona State Legislature established the Department of Child Safety (DCS) as an agency separate from the Department of Economic Security (DES). In order for DCS to operate as an independent agency, there is a need to create a new technology infrastructure specific to DCS. In order to build out the minimal scope of DCS's infrastructure, DCS needs to support expenditures for purchasing information technology (IT) software, licensing and maintenance as well as hardware and professional consulting services to build out the infrastructure. This new infrastructure will allow DCS to separate from DES-owned solutions and function independently.

DCS requires its own IT infrastructure to support CHILDS replacement. CHILDS was developed in the late 1990s and was designed around client server technology. Client applications run on the user desktop and communicate with a backend mainframe which provides access to IBM DB2 systems databases. Solutions have been added to provide remote access to the client application and a data warehouse supports reporting. This system, like most traditional legacy environments, is inflexible and difficult to update or extend the functionality and is inefficient. Further, most DCS IT staff who currently support CHILDS are nearing

retirement and the legacy technical skills necessary to support CHILDS are increasingly difficult to hire.

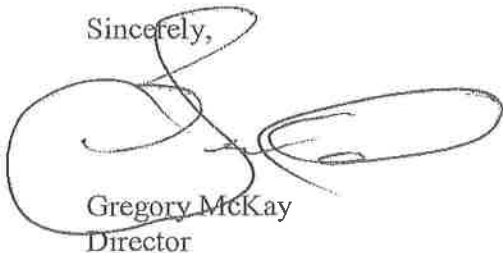
The Department of Child Safety (DCS) needs to create a new infrastructure consisting of domain, network, firewall, VPN, software, share drives, user profiles, and permissions. To meet this need, DCS will separate from the current Department of Economic Security (DES) infrastructure by implementing a new solution comprised of Azure, Office 365, and a managed hosted solution, which will provide DCS the ability to choose what data can exist on a hosted cloud and what data needs to remain on premises for data sovereignty and security reasons.

- Phase 1 of the Separation Project will be structured to meet the dynamic network requirements of DCS. A network design, including VPN/firewall analysis, will be created between the hosted site and Azure using X-Press Route Connections. Also included in this phase will be the conversion of DES domain names to DCS domain names.
- Phase 2 will focus on user aspects to include user migration, group creation and 0356 migration. Because Guardian, DCS's replacement for CHILDS, will be located in the new DCS domain, **Guardian development cannot begin until Phase 1 and Phase 2 are complete**; although, data analysis and conversion analysis can be done concurrent to Phase 1 and Phase 2.

With the new DCS infrastructure in place, Guardian's new technical capabilities or components will be layered on the framework without significant disruption to the existing operational applications. Advantages of this approach are that layering will provide improved flexibility and ease of enhancement.

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

Sincerely,



Gregory McKay  
Director

Enclosure

cc: Richard Stavneak, Director, Joint Legislative Budget Committee  
Lorenzo Romero, Director, Governor's Office and Strategic Planning and Budget  
Ben Beutler, Joint Legislative Budget Committee  
Laura Johnson, Governor's Office and Strategic Planning and Budget

### *Project Schedule*

- Establish Build Requirements
- Complete Discovery
  - Applications Service Accounts
  - Work Loads
  - Resources
- Baseline Requirements

### **Phase 1 – DES Active Directory Federated Service – Trusted-DCS**

#### Domain

- Required Infrastructure
  - Active Directory
  - Managed Engine System Center
  - Help Desk
- Basic Network Design
- VPN/Firewall Analysis
- Hosted Data Center Spin Up
  - Hardware Move (Storage)
- X-Press Route Connections
- New Naming Convention **Phase 2 – User Migration – DES to DCS**
- User Migration
- Group Creation/Access Assignments
- Data Migration to Azure
  - ID PST Files
- O365 Migration
  - Email
  - SharePoint
  - LYNC
- Help Desk Augmentation & Retraining of Current Help Desk Staff

### **Phase 3 – Applications & Data**

- Validate ADFS Trust and Domain Trust
- Home Folder/User Data (completed by Professional Services)
  - Storage Infrastructure
  - Backup Infrastructure
- Application Data (completed by Professional Services)
- DES Application Access (How will we access DES data post migration?)

### **Phase 4 – Modernization/Utilization/Optimization**

- Residing In New Infrastructure
  - Users
  - Data





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DATE: February 22, 2016

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

THRU: Richard Stavneak, Director *RS*

FROM: Tom Ritland, Senior Fiscal Analyst *T.R.*

SUBJECT: Department of Economic Security - Review of Division of Developmental Disabilities  
Operating and Case Management Appropriation Transfers

## Request

Pursuant to a FY 2016 General Appropriation Act (Laws 2015, Chapter 8) footnote, before transferring any funds in or out of certain Division of Developmental Disabilities (DDD) line items, the Department of Economic Security (DES) must submit a report for review by the Joint Legislative Budget Committee (JLBC).

This request is for review of a transfer of \$21,500,000 of total funds (General Fund and Federal Funds) out of the Medicaid Home and Community Based Services line item. The monies would be primarily transferred into:

- the DDD Operating Budget line item, \$10,500,000
- the Medicaid Case Management line item, \$5,500,000

*Table 1* details the transfers.

## Recommendation

The Committee has at least the following 3 options:

1. A favorable review of all Operating Budget and Case Management transfers.

(Continued)

2. A favorable review only of transfers sufficient to align appropriations with FY 2015 expenditures, to cover FY 2016 premium tax increases in the DDD Operating Budget line, and to cover a previously authorized FY 2016 increase in the Case Management line.
3. An unfavorable review of all Operating Budget and Case Management transfers.

Option 2 would retain \$6.6 million of the \$16.0 million that would otherwise be transferred out of Home and Community Based Services to other line items. Option 2 would not fund the requested transfers of \$3.2 million for contingency funding and other unspecified increases in the DDD Operating Budget line or \$3.4 million for the Case Management line primarily for pay adjustments. These issues would instead be addressed in FY 2017 budget discussions.

**Analysis**

Prior to FY 2016, DDD operating funds were appropriated as part of the overall DES operating budget. The FY 2016 budget separated those funds into a new DDD Operating Budget line to increase transparency regarding total DDD spending. As a result of DES moving significant funding out of service lines into administration in previous years, the FY 2016 budget also included a new footnote requiring Committee review of any funding being transferred in or out of the DDD Operating Budget line and the Case Management lines so as to provide oversight if the department proposes to increase or decrease administrative resources.

DES plans to transfer \$16.0 million of total funds out of the Medicaid Home and Community Based Services line to the DDD Operating Budget and Medicaid Case Management lines in FY 2016. The department also plans to transfer \$5.5 million from the Medicaid HCBS line to other DDD Medicaid lines including Institutional Services, Medical Services, and the Arizona Training Program at Coolidge but these transfers do not require Committee review.

DES has made these transfers previously to adjust for misalignment of funding between appropriations and actual expenditures across the Medicaid lines and to make discretionary adjustments. *Table 1* shows historical DDD appropriation transfers in FY 2014 and FY 2015 as well as the requested transfers in FY 2016.

<b>DDD Medicaid Appropriation Transfers</b>			
<b>Line Item</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016 Request</b>
DDD Operating Budget	\$15,500,000	\$8,287,000	\$10,500,000
Medicaid Case Management	11,000,000	3,174,000	5,500,000
Medicaid HCBS	(18,500,000)	(20,542,000)	(21,500,000)
Medicaid Institutional Services	2,900,000	3,418,000	1,500,000
Medicaid Medical Services	(12,600,000)	4,476,000	3,000,000
Medicaid ATP-C	1,700,000	1,187,000	1,000,000

(Continued)

DDD Operating Budget

The DDD Operating Budget line item funds staff that support DDD administration (excluding case managers and direct care staff), and other operating expenditures. The FY 2016 total fund appropriation in this line is \$47.8 million and DES states that FY 2015 expenditures were \$53.3 million. DES is requesting \$10.5 million in additional funds in the DDD Operating Budget line for FY 2016 as follows:

- \$5.5 million for a base modification to reflect FY 2015 spending.
- \$1.8 million to pay for premium tax increases on capitation revenue which grows along with caseload and capitation growth. The premium tax is a 2% tax on net insurance premiums.
- \$0.5 million for contingency funding.
- \$2.7 million for unspecified funding.

Option 2 would fund transfers for the FY 2015 base realignment and premium tax adjustment. The contingency and unspecified adjustments would be considered as part of the FY 2017 budget process.

Medicaid Case Management

The Case Management line funds case management services to DDD clients. The FY 2016 total fund appropriation in this line is \$51.0 million. DES is requesting a \$5.5 million transfer into the Medicaid Case Management line, allocated as follows:

- \$2.1 million to align the FY 2016 appropriation adjustment with FY 2015 actual expenditures.
- \$3.4 million primarily for employee pay adjustments to address high case management turnover. The department did not provide a more detailed plan for pay adjustments but did report that they have a case manager turnover rate of 40%.

Option 2 would fund transfers to align the FY 2016 appropriation with FY 2015 expenditures. The employee pay adjustments would be considered as part of the FY 2017 budget process.

Table 2 shows actual FY 2015 total fund expenditures in each line, the FY 2016 appropriation, what the appropriation would be with the requested transfers, and what the appropriation would be under Option 2.

<u>Line Item</u>	<b>DDD Total Fund Expenditures</b>			
	<b>FY 2015</b>	<b>FY 2016</b>		
	<u>Actuals</u>	<u>Appropriation</u>	<u>Request</u>	<u>Option 2</u>
DDD Operating Budget	\$53,288,500	\$47,835,800	\$58,335,800	\$55,135,800
Medicaid Case Management	49,587,800	50,968,300	56,468,300	53,068,300

RS/TR:kp





**DEPARTMENT OF ECONOMIC SECURITY**  
*Your Partner For A Stronger Arizona*

Douglas A. Ducey  
 Governor

Timothy Jeffries  
 Director



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

Dear Representative Olson:

The Department of Economic Security requests to be placed on the Joint Legislative Budget Committee's next agenda for review of appropriation transfer plans for the Division of Developmental Disabilities (DDD) as required in Laws 2015, First Regular Session, Chapter 8, Section 32:

Before transferring any money in or out of the case management - medicaid, case management - state-only, and DDD operating lump sum line items, the department of economic security shall submit a report for review by the joint legislative budget committee.

The Department plans to transfer Long Term Care System Fund - Federal Match appropriation authority (authority) into the DDD Operating Lump Sum and Case Management - Medicaid line items. The Arizona Long Term Care System (ALTCS) program experiences annual growth in members and capitation which necessitates additional authority each fiscal year. However, additional authority was historically added only in the Home and Community Based Services (HCBS) line item instead of appropriately allocated across all Department ALTCS-Medicaid line items. Without a base modification to appropriately align the line item authority the Department will be required to annually request this transfer in accordance with the aforementioned footnote.

<b>DDD Medicaid Appropriation Transfers</b>			
<b>Line Item</b>	<b>FY 14</b>	<b>FY 15</b>	<b>Requested FY 16</b>
DDD Operating Lump Sum	15,500,000	8,287,000	10,500,000
Case Management - Medicaid	11,000,000	3,174,000	5,500,000
HCBS - Medicaid	(18,500,000)	(20,542,000)	(21,500,000)
Institutional Services - Medicaid	2,900,000	3,418,000	1,500,000
Medical Services	(12,600,000)	4,476,000	3,000,000
ATPC - Medicaid	1,700,000	1,187,000	1,000,000

The Honorable Justin Olson  
Page 2

**DDD Operating Lump Sum**

Premium Tax on capitation revenue is included in the expenditures for DDD Operating Lump Sum which increases with caseload and capitation payments and in turn drives higher expenditures each fiscal year. The authority in this line item totals just over \$46M in FY 16 when the expenditures for FY 15 totaled over \$53M.

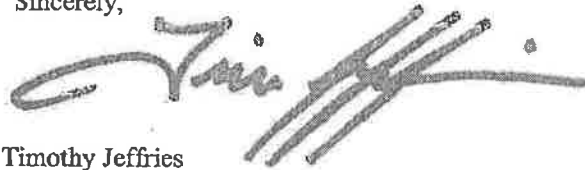
**Case Management - Medicaid**

Caseload ratios drive growth in the Case Management - Medicaid line item. Average ALTCS member growth is projected to be 4.9 percent in FY 16 which requires additional case managers and authority in the line item.

If you have any questions please contact Jim Whallon, Chief Financial Officer, at (602) 542-6080.

Sincerely,

Timothy Jeffries  
Director

A handwritten signature in black ink, appearing to read 'Tim', followed by several horizontal lines and a flourish.

TJ/jw

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