

REPRODUCED FROM THE ORIGINAL

RECEIVED  
JAN 3 2006  
OFFICE OF THE PRESIDENT

# Strategic Program Area Review

**Homeland Security  
Ports of Entry  
University Financial Assistance  
Workforce Development**

Governor's Office of Strategic Planning and Budgeting  
and  
Joint Legislative Budget Committee

December 2005



# STATE OF ARIZONA

## **2006 ARIZONA STRATEGIC PROGRAM AREA REVIEW (SPAR) EXECUTIVE SUMMARY**

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

### **Homeland Security**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Ports of Entry**

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

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

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

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

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

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

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

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

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

### **University Financial Assistance**

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

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

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

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

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

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

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

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

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

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

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

## **Workforce Development**

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

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

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

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

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

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

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

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

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

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

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

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

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

**OFFICE OF THE GOVERNOR**  
**OFFICE OF STRATEGIC PLANNING AND BUDGETING**  
1700 West Washington, Suite 500  
Phoenix, Arizona 85007  
(602) 542-5381 • FAX: (602) 542-0868



**GOVERNOR**  
Janet Napolitano

**JOINT LEGISLATIVE BUDGET COMMITTEE**  
STAFF  
1716 W. Adams  
Phoenix, Arizona 85007  
(602) 926-5491 • FAX: (602) 926-5416

December 30, 2005

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

Dear Governor Napolitano, President Bennett, and Speaker Weiers:

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

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

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

Sincerely,

Handwritten signature of Gary Yaquinto in black ink.

Gary Yaquinto  
Director, OSPB

Handwritten signature of Richard Stavneak in black ink.

Richard Stavneak  
Director, JLBC Staff

## INTRODUCTION

**Overview** - A.R.S. 41-1275 establishes the Strategic Program Area Review (SPAR) process, which is intended to review issues that often involve multiple agencies and evaluate the efficiency, effectiveness, and necessity of selected program areas. This process was established by Laws 1999, Chapter 148 and replaced the Program Authorization Review (PAR) process established by Laws 1995, Chapter 283. The four program areas and associated agencies are identified in *Table 1*.

<b>Table 1</b>	
<b>Program Subject to SPAR</b>	
<u><b>Program Area</b></u>	<u><b>Agencies</b></u>
Homeland Security	Office of Homeland Security Department of Health Services
Ports of Entry	Arizona Department of Transportation Arizona Department of Agriculture Department of Public Safety
University Financial Assistance	Arizona Board of Regents Northern Arizona University University of Arizona Arizona State University
Workforce Development	Department of Economic Security Department of Commerce Community Colleges Arizona Department of Education Governor’s Council on Workforce Policy

The Joint Legislative Budget Committee (JLBC) Staff and the Governor’s Office of Strategic Planning and Budgeting (OSPB) have jointly published a composite report. This composite report includes all of JLBC/OSPB’s SPAR reports for the four programs. The SPAR reports are also available on the websites for JLBC Staff (<http://www.azleg.gov/jlbc.htm>) and OSPB (<http://www.ospb.state.az.us/>). Following is a more complete description of the SPAR process and attached reports.

**SPAR Process** - The SPAR process consists of three phases:

- Agency Authored Self-Assessment - The first phase requires each of the agencies responsible for a program subject to SPAR to conduct a Self-Assessment of its program. This assessment answers specific questions relating to background information, program performance and program management. Pursuant to statute, agency Self-Assessments were due to OSPB and JLBC Staff by June 1. In addition to answering standard questions in the Self-Assessment, most participating agencies

were asked additional questions specific to their SPAR subject. These questions were answered after June 1.

- **JLBC/OSPB Review and Report** - In the second phase of the SPAR process, JLBC Staff and OSPB reviewed the agency materials and gathered additional information, as appropriate, to validate the agency’s submission. We then prepared reports of our findings and recommendations for each of the program areas. Each budget office took the lead writing the “Program Background” sections of 2 SPARs; both offices agreed to the contents of those sections. The “Findings and Recommendations” sections were written separately by each office. Each agency was given a chance to review and comment on the reports during mid-November and December. The final agency responses are included in the published reports. As required by law, the JLBC Staff and OSPB are publishing the final joint SPAR reports by January 1, 2006.
- **Legislative Review** - In the third phase, the Speaker of the House of Representatives and the President of the Senate assign SPARs to Appropriations Committees. They may also assign the SPARs to a standing committee. These committees are to hold at least one public hearing for the purpose of receiving public input and recommending whether to retain, eliminate, or modify funding and related statutory references for the strategic program areas under review. If standing committees hold the public hearing, their recommendations shall be made to the Appropriations Committees.

**SPAR Composite Report Organization** - The SPAR report includes, after this Introduction, each JLBC/OSPB SPAR report and an Agency Response section.

1. **JLBC/OSPB SPAR Report** (on lavender paper). This narrative includes the background section and each of the two offices’ findings and recommendations on the program based upon the agency Self-Assessment. The “Program Background” section includes a brief description of the program along with a program funding summary. The “Findings and Recommendations” sections provide each office’s findings regarding the program area and/or recommendations for the area. These findings appear in bold.
2. **Agency Response to the JLBC/OSPB SPAR Report** (on white paper). Each agency involved in the SPAR process was invited to submit an agency response.

**Further Information** - Copies of the individual SPAR reports are available through the websites for JLBC Staff (<http://www.azleg.gov/jlbc.htm>) and OSPB (<http://www.ospb.state.az.us/>). Copies of this report may also be obtained by contacting Stefan Shepherd at the JLBC Staff office (602-926-5491) or Monica Seymour at the OSPB office (602-542-5381). These two persons can respond to general questions about the SPAR process. For additional information about the specific program subject to SPAR, readers may want to contact the appropriate person from JLBC Staff or OSPB. These contacts are listed in *Table 2*.

<b><u>SPAR</u></b>	<b><u>JLBC Analyst</u></b>	<b><u>OSPB Analyst</u></b>
Homeland Security	John Malloy	Holly Baumann
Ports of Entry	Bob Hull	Marcel Benberou
University Financial Assistance	Shelli Carol	Bill Greeney
Workforce Development	Eric Jorgensen	Chris Hall

## **HOMELAND SECURITY**

### **Joint SPAR Report**

<b>Program Background – JLBC Staff</b>
--

#### **Overview**

Hundreds of local, state, tribal, and federal agencies participate in Homeland Security activities in Arizona. Three of the largest sources of funding for Homeland Security efforts are grants from the U.S. Department of Homeland Security (USDHS) and the U.S. Department of Health and Human Services (HHS) and the Centers for Disease Control (CDC). The Arizona Office of Homeland Security redistributes grants received from the U.S. Department of Homeland Security, while the Arizona Department of Health Services (ADHS) receives grants from HHS and the CDC.

The Homeland Security Act of 2002 established the U.S. Department of Homeland Security in order to prevent terrorist attacks and to assist in the recovery of an attack should one occur within the United States. USDHS is responsible for the delegation of Homeland Security funds to states and the U.S. territories. The total amount available for grants is established by Congress each year during the budget process.

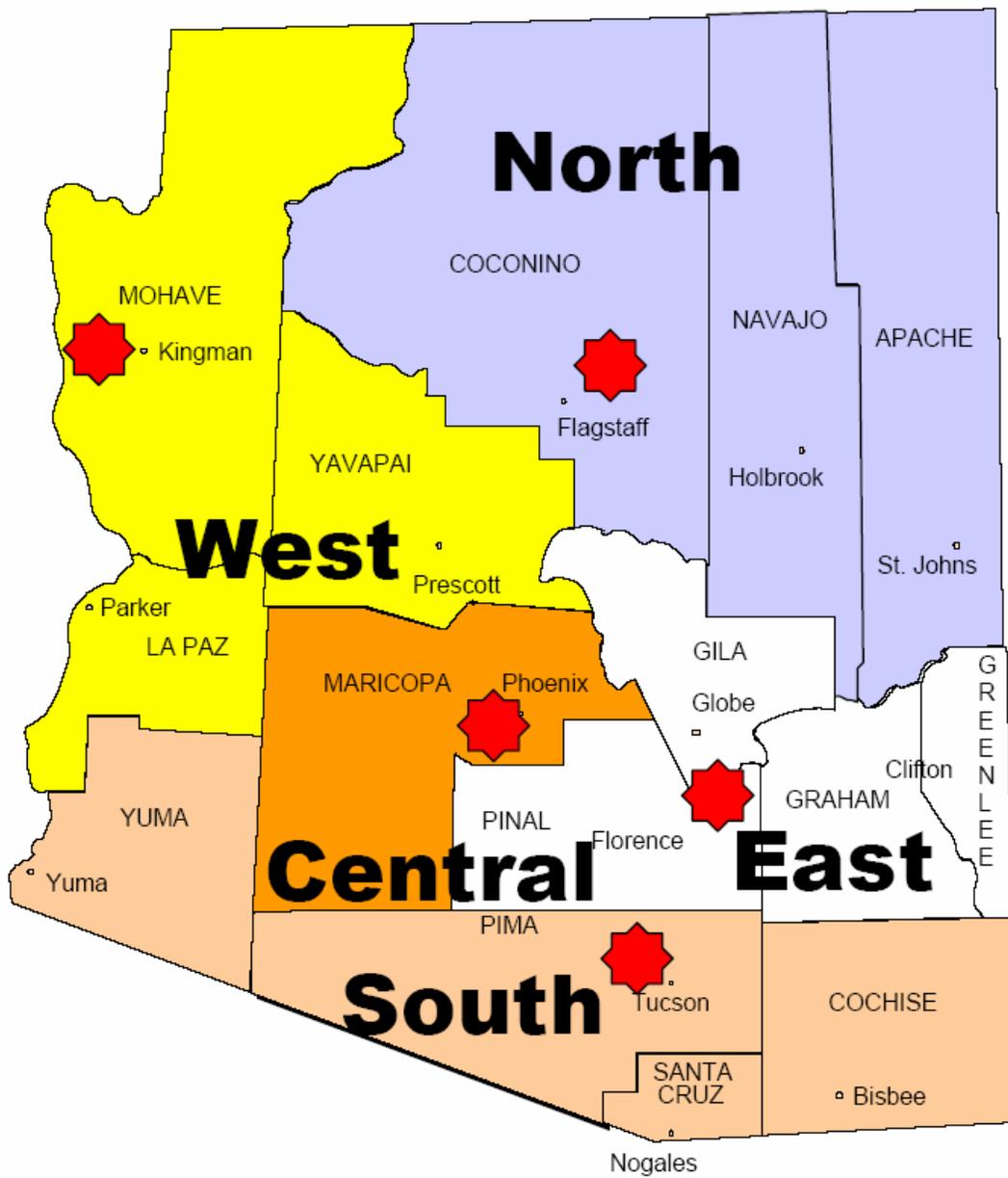
In June of 2002, Congress passed the Public Health Security and Bioterrorism Response Act of 2002 in response to the threat posed by a bioterrorism attack. This act updated grant programs that were created under earlier legislation (Public Health Threats and Emergency Act and the Public Health Service Act) as well as established funding for state and local governments to assist in the development of bioterrorism preparedness programs. Funding for bioterrorism preparedness comes from the Centers for Disease Control and Prevention (allocations to state public health entities) and from the Health Resources and Services Administration (allocations to hospitals).

#### **Program Description**

##### Arizona Office of Homeland Security

The Arizona Office of Homeland Security (OHS) was established at the direction of Governor Napolitano. The stated goal of the Office is to enhance the ability of the state to prevent and respond to acts of terrorism and other disasters. OHS also stated it works to encourage collaboration between grantees in order to avoid duplication of grant awards, and to eliminate any security gaps in every level of government and the private sector. This is to be accomplished by coordinating all available monies awarded to grant recipients, and by emphasizing regional or state needs over local initiatives.

To promote regional collaboration, OHS implemented a regional model in FY 2004. This model divides local jurisdictions within the state into five Regional Advisory Councils (RACs), with boundaries which partially duplicate county lines (see attached map). OHS expects that the use of this regional approach will provide local governments with greater opportunities to share resources. Each council is comprised of members from law enforcement, local and tribal governments, and fire protection services. Council members are appointed by the Governor through the OHS Director.



Allocations to each RAC are made by OHS based on a regional baseline and risk assessment formula, which was developed by OHS. In this formula, risk is defined as the addition of the threat value, the vulnerability value, and the population value, where threat, vulnerability, and population are equally weighted. The threat value is computed by adding the number of Potential Threat Elements (PTE's) with their assessment scores, which is then divided by the total number of PTE's in the state. Vulnerability is defined as the number of critical infrastructure sites in the region divided by the total number within the state, and the population value is determined by dividing the regional population by the total state population as reported by the 2000 U.S. Census.

Within each RAC, each council then prioritizes annual funding requests which are submitted by jurisdictions within the region. Projects are then evaluated by determining how they compare to the goals and objectives contained within the State Homeland Security Strategy (SHSS). Each RAC then recommends which projects are to be funded based on this evaluation.

Funding to state agencies is provided through allocations from OHS. Agencies seeking Homeland Security funding submit requests to OHS, who determines which projects will receive funding. Allocations made by OHS to state agencies are also based on criteria contained within the SHSS. The state award process occurs on an annual basis.

The Department of Emergency and Military Affairs (DEMA) serves as the State Administering Agency (SAA) for Homeland Security funds. DEMA receives Homeland Security grants from the U.S. Department of Homeland Security, which it redistributes to agencies or governments based upon allocations made by either OHS or each RAC. DEMA ensures all projects are within grant guidelines, support the SHSS, and allocates funds accordingly.

#### Department of Health Services

The State of Arizona Emergency Preparedness, Response, and Recovery plan (Executive order No. 2004-05) names DHS as the lead agency for health and medical services and bioterrorism incidents. Additionally, DHS is given the responsibility for public health emergency preparedness and response through A.R.S. §36-787. DHS currently has a Bureau of Emergency Preparedness and Response dedicated to ensuring the public health preparedness and response capacity throughout Arizona.

The Bureau is responsible for preparedness and planning, electronic disease surveillance, the Arizona Health Alert Network (designed to enhance the public health response capabilities to the state), risk communication and public information, and education and preparedness training. Additionally, the Bureau assists the readiness of the hospital and healthcare community to deal with bioterrorism and other health emergencies.

### **Program Funding**

#### Department of Homeland Security

OHS oversees the allocation of Arizona's share of the following grants from the USDHS:

- State Homeland Security Grant Program (SHSGP): provides assistance to states to prevent, respond to, and recover from acts of terrorism. In FFY 2005, Arizona received \$20,021,731 in SHSGP funds.

- Urban Area Security Initiative (UASI): addresses the planning, equipment, training, and exercise needs of high risk urban areas. The Phoenix metropolitan area received \$9,996,463 in FFY 2005 UASI monies.
- Law Enforcement Terrorism Prevention Program (LETPP): provides law enforcement agencies with funding for counter-terrorism, target hardening, and interoperable communications. The state received an LETPP award of \$7,280,630 in FFY 2005.
- Citizen Corp Program (CCP): involves citizens in the prevention, preparation, and response to disasters and other emergencies. In FFY 2005, \$254,176 in CCP grant monies was awarded to Arizona.
- Emergency Management Program Grant (EMPG): improvements to mitigation, preparedness, response, and recovery capabilities for all hazards. The state received \$3,241,450 in FFY 2005 EMPG funds.
- Metropolitan Medical Response System (MMRS): enhances the ability of local jurisdictions to respond to mass casualty events. In FFY 2005, Arizona was awarded a MMRS grant of \$910,368.

Department of Health Services

ADHS has 2 funding sources, both of which are grants from the U.S. Department of Health and Human Services, one through the Centers for Disease Control and Prevention (CDC) and the other through the Health Resources and Services Administration (HRSA).

The CDC grant provided 62.2 FTE positions and \$18.6 million through the Public Health Preparedness and Response grant in FY 2005. In May 2003, the CDC issued guidance to states on where expenditures of grant monies should focus on. These areas included:

- Preparedness Planning
- Strategic National Stockpile
- Surveillance and Epidemiology
- Laboratory Capacity
- Information Technology
- Communication, Education and Training

The HRSA grant provided for 13.5 FTE positions and \$9.0 million through the Bioterrorism Hospital Preparedness Program grant in FY 2005. These monies are distributed to and through hospitals, community health centers and clinics. There are currently 67 hospitals that receive funds through the grant, and the department expects that 4 new hospitals will receive funding in the near future. Funding is based on the hospital's share of emergency rooms visits statewide.

Table 1 below shows FY 2005 operating costs funded by Homeland Security and Bioterrorism monies by agency. Table 2 depicts awards received by the state since FFY 2003.

<b>Agency</b>	<b>FFY 2005 Operating Budget</b>	<b>FFY 2005 FTE's</b>
OHS	\$ 415,500	3.04
DHS	3,198,800	75.70
<b>Total:</b>	<b>\$3,614,300</b>	<b>78.74</b>

**Table 2**

**State of Arizona  
Federal Homeland Security and Bioterrorism Prevention Grants**

	<u>FFY 2003</u>	<u>FFY 2004</u>	<u>FFY 2005</u>
OHS	\$53,524,800	\$58,498,300	\$41,704,800
DHS	19,902,300	26,905,000	27,641,200
<b>Total:</b>	<b>\$73,427,100</b>	<b>\$85,403,300</b>	<b>\$69,346,000</b>

**Findings and Recommendations - JLBC Staff**

*Collaborative Efforts*

**Both the Office of Homeland Security (OHS) and the Department of Health Services (DHS) should be required by statute to submit a homeland security award and expenditure report, which would be submitted annually to the Legislature.** Since this funding is not subject to appropriation, these programs are not accountable to the Legislature. The report, along with the creation of an oversight committee discussed below, would begin to address this lack of accountability.

The report would include, at a minimum, each project which was awarded funding for the current year, as well as the project awards and expenditures from prior years. OHS and DHS should also include in the report a detailed plan on how they plan on continuing their homeland security efforts in the event of decreased federal funding. The time frame for funding history would go back to FY 2001 levels.

In addition to expenditure details, the report would also include performance measure information in order to assess the effectiveness of Arizona's homeland security efforts. OHS does not currently use any performance measures to monitor the success of the office. Without a formal review structure, it is very difficult to determine what progress the office has made, over the prior year. DHS has implemented 4 performance measures which monitor the number of training sessions held or the number of individuals who received training. While this information is useful, it does not provide a complete accounting of all activities which are associated with bioterrorism funding.

Performance measures should demonstrate improvements made to the state's capabilities to respond to a terrorist attack. JLBC Staff has recommended that at a minimum, the following measures to be included in the report:

- Actual number of days to award grant money
- Amount of funds which are expended each year
- Amount of money reverted to the federal government
- Number of emergency preparedness exercises held in the past year
- Number of evaluations of vulnerable sites conducted by the Arizona Counter Terrorism Information Center within the past year
- Number of terrorism awareness training sessions held during the year

In addition to compiling a report, both OHS and DHS would present those findings to both the House and Senate Appropriations committees. These performance measures would also be included in each agency's Master List.

**The Legislature should consider the creation of a legislative homeland security committee, which would offer recommendations to OHS, DHS, and the legislative Appropriations Committees regarding project priorities.** If created, this committee would receive the presentation discussed above from OHS and DHS regarding projects which will receive homeland security funding in the upcoming year.

The Homeland Security Committee should also conduct a comprehensive evaluation and assessment of current statute to determine if changes are necessary to improve the state's coordination and response efforts in the event of a terrorist attack

Finally, both OHS and DHS perform training exercises throughout the year in order to measure the state's preparedness for a terrorist attack. Because the results of such training exercises are sensitive, JLBC Staff recommends that the Homeland Security Committee be briefed in executive session on the training exercises conducted by the state, what event or scenario the training exercise was designed to address as well as the result of those exercises, including details on measures to improve performance.

**DHS and OHS should coordinate with federal authorities to create a "best practices" guide to ensure that terrorism monies distributed to different jurisdictions help establish effective response plans.** Such a guide would allow for streamlined and coordinated response plans across all levels of government. Currently, no specific guidance or template is given to local entities regarding what to purchase with the funding they receive, resulting in timely and possibly duplicative planning. In addition, there is no clear route for local entities to communicate with each other and discuss planning. With so many local entities receiving bioterrorism monies, a best practices guide would provide local jurisdictions planning information so the bioterrorism monies are spent effectively and in a timely manner.

#### *Office of Homeland Security Specific Findings/Recommendations*

**To ensure that communications equipment are truly operable, requests for interoperable communications equipment should be in compliance with technical and operating standards developed by the Arizona Public Safety Communications Advisory Commission.** OHS issues grants for interoperability communications equipment based on the overarching issue of interoperability, but did not provide any specific guidelines to determine whether communications equipment is truly interoperable.

**To better allocate resources based on current need, the office should use the most current population numbers provided by the U.S. Census Bureau or the Arizona Department of Economic Security.** When calculating risk, OHS uses 2000 population census data. This information became outdated with the release of 2004 population estimate numbers.

## *Department of Health Services Specific Findings/Recommendations*

**DHS should demonstrate coordination between state and local officials to determine how successful state and local entities are in coordinating efforts.** The CDC requires that states demonstrate consensus, approval, or concurrence between state and local public health officials and departments regarding the use of federal bioterrorism funds. In a report prepared by Trust for America's Health in 2004, results of a survey by the National Association of County and City Health Officials (NACCHO) showed that local health officials in Arizona felt that the state has not done a satisfactory job in coordination with local jurisdictions. DHS should develop a process through which they can analyze how well they coordinate with local jurisdictions. Such a tool would allow DHS to gauge where improvements can be made in communication between jurisdictions, and in the event of an actual attack, improve upon the communication and coordinated response effort. Bioterrorism funding has been distributed to many jurisdictions in the state and a coordinated response will be necessary to address an emergency. In addition, such coordination and communication would allow for local entities to share best practices in preparing for and execution of a response to a terrorist event.

### *Other Issues for Legislative Consideration*

The state should:

- Ensure that an adequate level of focus is placed on preparedness training. Reviews conducted by GAO and other oversight agencies have encouraged states to start focusing on training exercises in order to put state disaster plans into practice. Such exercises enable states to identify shortcomings and to focus on areas that need particular attention.
- Continue the development of regional response plans, including collaborative efforts with other states. With the events of Hurricane Katrina, it has become evident that a state's response to a terrorist incident will most likely involve the coordination amongst other states. To the extent that Arizona can build relationships and coordinate response plans beforehand, it will make the synchronization of efforts much easier in the wake of a terrorist event.
- Partner with and involve the private sector in preparedness efforts so that state's full resources are available in the wake of a terrorist attack.

## **Findings and Recommendations – OSPB**

### *Arizona Office of Homeland Security*

**The Arizona Office of Homeland Security has accomplished some significant items during its brief existence.** The Arizona Office of Homeland Security has achieved a great deal of progress on action items identified by the Governor in "Securing Arizona, A Roadmap for Arizona Homeland Security", and on goals and objectives delineated in the State Homeland Security Strategy. These achievements include, among other things, the establishment of Regional Advisory Councils and Regional Homeland Security Strategies. The establishment of these advisory councils has resulted in more collaborative efforts among local agencies to close security gaps and make efficient use of taxpayer dollars. OHS has also been successful in many other efforts to facilitate cooperation and communication between state agencies, the federal government, local governments, and tribes on issues of homeland security. Another significant achievement was the leadership OHS provided in the establishment of the Arizona Counter

Terrorism Information Center (ACTIC) in October of 2004. ACTIC serves as a central hub to facilitate the collection, analysis and dissemination of crime and terrorism related information in Arizona. OHS has also been useful in providing a uniform policy on the distribution of federal homeland security monies (see appendix A “AZ Homeland Security Accomplishments” for more details on the achievements of OHS).

**The Arizona Office of Homeland Security can make improvements in terms of the transparency of its operations.** The Arizona Office of Homeland Security provides an important service: State leadership in the homeland security effort. Public awareness and understanding of the duties of OHS is important because it provides citizens with a sense of security and calm. It also ensures oversight to make certain that taxpayer resources going towards homeland security are used efficiently. OHS has made strides in increasing the visibility of the office to the public. The staff of OHS includes a public information officer who manages media inquiries and has worked to organize many efforts to increase public awareness about OHS.

While OHS is visible to the public, OHS is somewhat lacking in the transparency of its operations to the public. This means that an interested public party may encounter some difficulty in trying to find information about the operations of OHS. Given the relatively brief existence of OHS, one would expect information on the Office to be somewhat scarce. There is, of course, another major complicating factor in allowing the public to see all of the operations of OHS. Much of the work of OHS staff is highly classified and the release of such information would be a threat to public safety. However, conversations with OHS staff have revealed that there is some useful information that could be more readily distributed to the public without compromising secure information.

OHS currently reports to the Governor and her staff. The Office also submits an annual report to the Governor detailing accomplishments related to the State Homeland Security Strategy. This report is available to the public upon request, but is not readily published or distributed.

According to OHS, no performance information, benchmarks, or national standards currently exist for homeland security. This situation causes some lack of clarity about the functions of OHS and the effectiveness of its efforts.

**Recommendation** – OHS should post the annual report to the Governor on the Arizona Office of Homeland Security web page. OHS should incorporate information on efficiencies generated by OHS efforts to avoid duplication statewide and to maximize the use of resources. As part of the report, OHS should include performance measures detailing the successes and shortcomings of Office efforts. Specifically, these performance measures should address the effectiveness of OHS in meeting objectives and the progress and success of programs in Arizona receiving federal homeland security monies.

**The Arizona Office of Homeland Security is not established in statute as an agency.** There are currently no statutes explicitly mandating or governing the services currently provided by the Arizona Office of Homeland Security. The Governor established OHS in March of 2003. The existence of the Arizona Office of Homeland Security is totally contingent upon the availability of federal monies for its operations. As it stands, changes in the requirements to receive federal

homeland security monies or the amount of federal monies available could severely limit the operations of OHS. If OHS was precluded from using federal monies for operations of the office, either by a change in the requirements to receive grant money or by the simple absence of federal funding for homeland security programs, it would cease to exist. Federal funding to Arizona through the State Homeland Security Grant Program dropped by 28.7% between FFY 2004 and FFY 2005. This illustrates that federal monies may not always be available at current levels. While it is not known if this downward trend in federal homeland security funding will continue, volatility in the amount of federal monies available for state programs in general can be historically demonstrated.

Although four years have passed since the September 11<sup>th</sup> attacks, homeland security efforts remain a prime public interest. The Arizona Office of Homeland Security provides services that are valuable and necessary for the good order of the State of Arizona. These services include ensuring unity of the State's homeland security efforts, avoiding duplication of effort and costs, and eliminating gaps in security at every level of government and in the private sector. The mission of the Arizona Office of Homeland Security is an important statewide concern and its duties are beginning to exceed the scope and scale of an entity with no formal statutory authority. The creation of statutes for OHS would add stability and legitimacy to the responsibilities of the Office.

**Recommendation** – In order to reinforce the achievements of the Arizona Office of Homeland Security and to ensure the continuity of the State's homeland security efforts, statutes should be crafted to establish OHS in state law and to set forth the duties and responsibilities of the Office after more substantive study is conducted. The scope of the statutes should be limited to the setting of overall homeland security policy and strategy in Arizona. The Governor's Office is not in favor of the Legislative appropriation of federal homeland security funds.

### *Department of Health Services*

**DHS is fulfilling its statutory mandates to plan response, recovery, and mitigation, to coordinate with private, local and federal authorities, and to facilitate the dissemination of public information in the event of a public health emergency.** The Department has achieved the following relevant to statutory requirements:

1. Extensive coordination with local, tribal, intra- and inter-state, and federal authorities (A.R.S. §36-787[A] 2-3 and 36-132[A] 19) and cross-border relationships
2. Establishment of partnerships and agreements with related businesses and laboratories (A.R.S. §36-786[B])
3. Annual Centers for Disease Control (CDC) evaluation of the Department's Strategic National Stockpile Plan (for vaccines) with a ("Amber +") high rating (A.R.S. §36-787[B] 2, 4).

Further, DHS has made the following progress relevant to the content of the Homeland Security Strategy for Securing Arizona: A Roadmap for Arizona Homeland Security (dated April 23, 2003 [Roadmap]) and the 2004 State Homeland Security Strategy (SHSS):

1. The consolidation of related offices<sup>1</sup> within DHS to eliminate inefficiencies as of July 1, 2005
2. Cross-agency training and field exercises
3. Full-scale internal exercises such as the DHS Health Emergency Operations Center (HEOC) in March 2005<sup>2</sup>
4. Representation on the 2-1-1 Committee and contributions towards its development
5. Secured Integrated Response Electronic Notification (SIREN), which was completed on time and under budget, allows for un-interrupted communication among public health authorities in real time
6. Medical Electronic Disease Surveillance and Intelligence System (MEDSIS), which is HIPAA compliant, integrated into SIREN, and meets federal requirements, is a web-based reporting system
7. Installation of the EMSsystem, which allows for instant communication of pertinent and useful information to all hospitals on the system in the event of an emergency
8. Implementation of the AZ Health Alert Network (AZHAN), which was created to address the communications needs associated with public health response, daily operational sharing of information for planning and disease surveillance, and which functions as a communications network between State and local public health agencies, healthcare providers, hospitals, and emergency management organizations
9. Electronic Laboratory Reporting (ELR) eliminates paper reporting and allows for the electronic transmission of data to MEDSIS

**DHS has identified and is prepared to report comprehensive metrics related to public health emergency preparedness in five key areas: reduction of threats, readiness for response, recognition of threats, response to and recovery from public health emergencies.** In previous years DHS's bioterrorism and homeland security related performance measures were limited to readiness and recognition,<sup>3</sup> specifically, professional/volunteer training and AZHAN/MEDSIS participants. However, in recent months, DHS successfully implemented a comprehensive set of performance measures to reflect its progress in readiness and preparedness. This change resulted primarily based upon two factors: CDC and HRSA movement on the issue and DHS's desire to align its operations and reporting in the creation of a new subprogram called "Emergency Preparedness and Response" (EPR).

First, as mentioned previously, CDC and HRSA grants fund Public Health Preparedness/Bioterrorism programs at DHS. These grantors now require applicants to organize its programs into five categories of emergency preparedness: reduction,<sup>4</sup> readiness, recognition, response, and recovery. Ultimately, such consistent organization among states is meant to allow for nationwide comparisons.

---

<sup>1</sup> The Office of Hospital and Community Preparedness and the Office of Public Health Emergency Preparedness

<sup>2</sup> Activated in real terms in response to Hurricane Katrina

<sup>3</sup> Self Assessment, page 27-28

<sup>4</sup> This category is typically more applicable to law enforcement and medical prevention activities; however, EPR activities reduce or mitigate emergencies by limiting the scope or severity of the emergency. For example, having people trained, having hospitals ready to respond, or having people able to communicate, will reduce or mitigate the severity of the emergency (although it will not prevent the emergency).

DHS is collecting data pursuant to all five of the performance areas mentioned above. However, the FY2007 Master List contains only the following measures:

1. Number of public health and emergency response professionals on Health Alert Network
2. Number of persons who have received training [on bioterrorism and public health emergency response]
3. Number of trained volunteers to assist in state and local public health emergency response
4. Number of agencies, organizations, and other entities reporting to MEDSIS

Likewise, the FY2007 Five-Year Strategic Plan contains only the following measures:

1. Number of persons who have received training on bioterrorism and public health emergency response activities
2. Number and percentage of Department staff who have received basic emergency response and family preparedness training
3. Number and percentage of key Department staff who have completed National Incident Management System (NIMS) awareness training course
4. Number of agencies, organizations, and other entities reporting to the Department's electronic disease surveillance system (MEDSIS)
5. Percentage of diseases that are tracked using MEDSIS

DHS is prepared to supplement the measures above with some or all of the following performance indicators. Note that under each performance measure, the performance area to which it pertains is indicated. In most cases, this is more than one area.

1. Percentage of hospitals participating in terrorism preparedness exercises  
→ Reduction, Readiness, Recognition, Response, Recovery
2. Percentage of annually planned terrorism preparedness exercises executed within the annual period  
→ Reduction, Readiness, Recognition, Response, Recovery
3. Number of persons who have received training on bioterrorism and public health emergency response activities  
→ Reduction, Readiness, Recognition, Response
4. Number of rural and urban hospitals, clinics, emergency medical services systems, and poison control centers capable of reporting syndromic and diagnostic data on a 24-hour-a-day, 7-day-a-week basis  
→ Readiness, Recognition, Response
5. Number of hospital laboratories capable of providing laboratory services in response to terrorism or other public emergencies  
→ Readiness, Recognition, Response

6. Percentage of Metropolitan Medical Response Systems (MMRS) with airway management systems
  - Readiness, Response
7. Number of hospitals communicating the status of their emergency department along with current hospital bed status and unit saturation on the EMS system
  - Readiness, Response, Recovery
8. Percentage of compliance with surge capacity benchmark requiring 500 surge capacity beds per million residents
  - Readiness, Response, Recovery
9. Percentage of placement of pharmaceutical caches within Arizona hospitals
  - Reduction, Readiness, Response
10. Number of hospitals submitting monthly reports on grant fund expenditures.
  - Readiness
11. Completion of plan to provide oral medications to cities based on population
  - Reduction, Readiness, Response
12. Percentage of program recipients with communications connectivity
  - Reduction, Readiness, Recognition, Response, Recovery
13. Number of trained volunteers to assist in state and local public health emergencies
  - Reduction, Readiness, Recognition, Response
14. Percentage of at-risk populations able to communicate with the public in an emergency event
  - Reduction, Readiness, Recognition, Response, Recovery
15. Number of public health and emergency response professionals on the Arizona Health Alert Network (AZHAN)
  - Reduction, Readiness, Recognition, Response
16. Percentage of staff hired and trained in methods to analyze specimens to detect cyanide in blood and metals in urine as directed by CDC
  - Readiness, Recognition, Response
17. Percentage of Arizona sentinel laboratories trained on rule-out testing for detection of select biological agents in clinical samples
  - Reduction, Readiness, Recognition, Response
18. Number of agencies, organizations, and other entities reporting to the Department's electronic disease surveillance system (MEDSIS)
  - Reduction, Readiness, Recognition, Response
19. Number of program recipients submitting monthly reports on grant fund expenditures
  - Readiness

20. Number of program recipients submitting an annual smallpox plan  
→ Reduction, Readiness, Recognition, Response, Recovery

DHS is already collecting data for these measures. In coming months, the specific measures may be refined and/or consolidated as necessary to best reflect the Department's performance. However, pending approval of the Department's request for the creation of the new Emergency Preparedness and Response subprogram, no mechanism exists by which these performance measures are currently reported.

**Recommendation** – In consultation with JLBC staff, OSPB will work with DHS to implement the requested Subprogram entitled “Emergency Preparedness and Response” for future reporting in the Master List and Five Year Strategic Plan under Public Health. Subsequently, performance measures identified by DHS in collaboration with the CDC and HRSA, examples of which are listed above, should be added to the Master List of Government Programs and the agency's future Five Year Strategic Plans under Public Health.

**The State Laboratory scientists maintain their skills in readiness and recognition of threats by completing state and federally mandated testing, and through the establishment of many partnerships with other entities, both public and private, in Arizona.** In fulfillment of its mission, the State Laboratory houses both State and Federal (CDC and Food and Drug Administration [FDA]) scientists. It is crucial for both types of lab scientists to maintain up-to-date knowledge about, and experience with, biological threats. Likewise, the lab must have the capacity to handle “surges” such as a Severe Acute Respiratory Syndrome (SARS), Avian Flu, or the anthrax scare after 9/11, during which over 900 samples were tested. Scientists perform required proficiency testing on a routine basis to demonstrate competency, work with CDC and FDA to validate new testing technologies, and are required to be available for emergency testing.

Most scientist positions are State appropriated FTE positions, supported by federal grants such as the Food Emergency Response Network from the FDA and the Bioterrorism Preparedness grant from CDC. Only four Laboratory FTE positions are CDC employees. Time permitting, the CDC scientists participate in state-coordinated cross training on a strictly voluntary basis. State scientists focus primarily on actual perceived threats, while CDC employees concentrate on routine tests mandated by the federal government.<sup>5</sup> State scientists funded by federal grant monies are required to perform certain tests in order to comply with the federal grants.

In addition to routine testing, the partnerships in place between the lab and other authorities maintain and improve the skill level of scientists. These partnerships allow for enhanced capabilities without compromising DHS' federal funding streams.<sup>6</sup> DHS currently has the following partners among state agencies, who submit samples regularly to the laboratory for examination:

1. Arizona Department of Environmental Quality (ADEQ): the State Laboratory now receives additional samples for clean metals testing, etc. from DEQ

---

<sup>5</sup> i.e. food and water supply, and other [classified] tests.

<sup>6</sup> limitations imposed by the Lab's grantors (CDC and HRSA), restrict how federally funded FTE may spend their time.

2. Arizona Department of Transportation (ADOT)
3. Arizona State University, University of Arizona, and Northern Arizona University
4. Arizona Department of Agriculture (ADA): the Lab is currently investigating collaborations on the FERN Cooperative agreement with ADA
5. Arizona Radiation Regulatory Authority (ARRA)
6. University of Arizona (UofA) Veterinary Laboratory: Early in 2006, DHS expects the newly constructed BSL-3<sup>7</sup> Veterinary Laboratory to become part of CDC's Laboratory Response Network, and the State will then be able to use the lab to screen for biological threat agents.
7. DPS Crime Laboratory

Today, continued and increased threat levels require further development of the lab's capacity. Thus, the laboratory is currently in the process not only of expanding existing partnerships with other state agencies, but is also developing "Memorandum of Understanding" agreements with neighboring states to address surge capacity issues.

In addition to these partnerships, DHS has internal systems in place that reduce response time in the case of a threat. DHS's Office of Border Health, located in Tucson, obtains samples and produces results faster than if samples obtained from that region (including the border) were sent to the lab in Phoenix, allowing, for example, rapid prophylactic treatment of individuals that may have been exposed to a rabid animal.

**DHS tracks the procurement, maintenance, and replacement of highly sensitive and specialized Public Health Response and Bioterrorism related equipment.** The first priority in Public Health Response is the detection and communication of threats. Without these capabilities, response and recovery have little meaning. The State Laboratory is equipped to provide this type of intervention. The newly designed laboratory, which contains the bulk of DHS's bioterrorism equipment, opened in May of 2004 (end of FY2004). Since that time, DHS has carefully implemented systems for the procurement, maintenance, and replacement of such sensitive, expensive equipment.

First, regarding procurement, according to the Roadmap, "...the State should not have to invest millions of dollars for technology and equipment that is only used in the event of a terrorist attack" (see Executive Summary). However, in order to equip the new lab, DHS received some State (Certificate of Participation [COP]) FY2005 funds for the purchase of equipment.<sup>8</sup> However, since the lab's opening, in most cases, BT equipment has been purchased with federal funds. When federal funds are used, the agency is not currently required to justify equipment expenditures, as they would be with State funds. However, DHS carefully documents and tracks equipment expenditures in the State Laboratory, and then routinely inventories equipment, identifying the life span and value of each.

Once the BT equipment is procured, maintenance issues must be considered. Due to Arizona's procurement code, DHS could not use the original COP appropriation to purchase maintenance

---

<sup>7</sup> i.e. Bio-Safety Level, with 1 the lowest and 4 the highest ratings.

<sup>8</sup> Much of DHS's public health preparedness equipment is valued individually at over one hundred thousand dollars. Some equipment is customized according to Arizona's specific needs.

service agreements for Lab equipment. Because of this, DHS used grant money whenever possible<sup>9</sup> to protect its equipment with one-year warranties. These warranties are expected to expire beginning in FY2006, and the agency is facing the significant challenge of maintaining the equipment purchased several years ago. Most equipment is now so complex (e.g. the thermal cyclers/DNA sequencers) that routine service is required to ensure the integrity of tests results. Further, regular maintenance is required pursuant to the Clinical Laboratory Improvement Act (CLIA) 88 relevant to testing of clinical patient samples.

Over time, as equipment becomes obsolete and/or testing methods improve (i.e. in terms of speed and accuracy) nationwide, equipment in the lab requires upgrading and/or replacement, usually on a three to five year cycle. Sensitive medical equipment often has an actual “expiration date,” after which it can no longer be safely used. Further, much like any other technology, instruments become outdated, and thus replacement parts are no longer available, and/or manufacturers will no longer provide service warranties.

The Roadmap, as mentioned previously, suggests that efficiencies should be sought in the use of bioterrorism equipment. Bioterrorism and chemical terrorism testing equipment, when not in use for federally funded activities such as emergency testing and competency training, is in fact utilized for state funded activities. DHS documents these types of activities. The amount of routine State testing that may be performed, however, is restricted to the degree that the equipment must be available and functional for real-life emergencies. Further, the use of lab equipment by other state agencies is not realistic for several reasons. The majority of instruments used for both biological and chemical testing are fine tuned to test for certain analytes; thus, the modification of instruments for other analytes is not always feasible. The use of these instruments also requires extensive training, so operators from other agencies would require training by the vendor, at a cost to the other agency. Additionally, due to the Lab’s secure status, visitors require an escort, and/or security clearance background checks before entering certain areas. Thus, all points above considered, the type of waste the Roadmap advises against is not currently occurring, nor is likely to occur in the future.

**Recommendation** - OSPB recommends that DHS provide to JLBC and OSPB each year on July 1 a report reflecting the inventory of equipment purchased with federal funds, which the Department already completes each year between the months of March and June. The Department shall determine the most appropriate way to present the report, based upon infrastructure already in place for reporting to AFIS and the emergency preparedness database, so as to avoid duplicative efforts. However, OSPB recommends that this report shall, at a minimum, include:

1. Useful life of equipment (replacement timeline)
2. Original cost and funding source
3. What vendor the equipment was purchased from
4. Dollar value
5. Shipping costs

---

<sup>9</sup> The warranty is eligible to be funded from the grant only if the equipment was purchased from the grant and is predominantly used in testing specified by that grant

6. Depreciation
7. A list of tests performed on equipment

**Public Health and Bioterrorism Response is properly located within DHS.**

**Recommendation** - DHS should retain the authority for bioterrorism programs and funding if a State Homeland Security agency is authorized in statute.

While OSPB recommends providing statutory authority to the Governor's Office of Homeland Security (see above), consolidating DHS's related programs into the new agency would not best serve Arizona.

In addition to the fact that DHS is assigned the responsibility for public health in Arizona (A.R.S. §36-132) as well as response during a public health emergency (A.R.S. §36-787), there are practical reasons why the agency should retain the authority for public health preparedness and bioterrorism, as follows.

1. DHS does not receive any of the funds distributed by the Office of Homeland Security; federal bioterrorism monies (CDC/HRSA) support all related DHS programs (see "Program Funding," above). Because their revenue streams are separate, merging the programs into OHS would not automatically eliminate inefficiencies.
2. Public health programs, and in particular bioterrorism, cannot be moved either physically or operationally out of DHS without disrupting their ability to serve the public and requiring significant investment of State funds. For example, the testing performed at the State Lab requires very specific environmental conditions;<sup>10</sup> relocation would require a customized facility. Further, DHS does not have sufficient space in its current location to house non-CDC/HRSA employees. To date, DHS has been successful in coordinating with other agencies from its current location.

---

<sup>10</sup> i.e. temperature control, negative pressure, etc.

## Appendix A

### Az Homeland Security Accomplishments

February 16, 2005

**-Governor Napolitano was the first in the country to publish a State homeland security strategy in April 2003—contained 10 action items for immediate development and implementation.**

**-State has completed or significantly advanced all 10 items.**

**Action Item 1: Appoint a Homeland Security Director.** Done. Appointed Frank Navarrete in Feb 03; created Arizona Office of Homeland Security (AOHS).

**Action Item 2: Update Emergency Response and Recovery Plan.** Done. State plan updated and signed by Governor Feb 2004.

**Action Item 3: Facilitate Multi-agency Coordination During Critical Incident Response.** Significant Progress. During ORANGE alert periods, established formal protocols for state agencies and departments and communicated regularly with first responder leaders throughout the state. AOHS, through the AZ Dept of Emergency Management (ADEM), is implementing National Incident Management System—national standard for incident response.

**Action Item 4: Statewide Radio Interoperability.** Significant Progress. ADEM fielded interoperability systems in the 4 border counties—enables first responders using different systems to talk to one another; contractor selected to assess and develop appropriate system(s) for remaining counties—goal to accomplish in 2005; also fielded 3 mobile communications vans with plans for 3 additional—provides on-scene interoperability for first responders in each of 5 state homeland security regions; creation of Public Safety Communications Advisory (PSCC) Commission will provide statewide standards and integrate communications planning for entire state—AOHS has already incorporated PSCAC into state planning and grant processes.

**Action Item 5: Statewide 2-1-1 System.** Significant Progress. Vendor selected for Phase I web-based system. AOHS-Government Information Technology Agency (GITA)-Arizona Health Care Cost Containment System (AHCCCS) partnership to field Phase I system by April 2005—will link citizens with public/private health and human services during disasters and day-to-day ; Phase II, call centers, planning is ongoing.

**Action Item 6: Statewide Integrated Justice System.** Some Progress. Laptop wireless database access to the Arizona Criminal Justice Information System (ACJIS) for field officers successfully completed in Mohave, Pinal, Pima and Graham counties; testing underway in Yavapai County and at Surprise PD. Pinal County piloting program to connect Sheriff's Offices statewide. Electronic Disposition study completed by Northrop--automated process for initiating, tracking and managing criminal charges from booking through sentencing; will require estimated \$8 million to move forward.

**Action Item 7: 24/7 Intelligence/ Information Analysis Center. Done.** Governor cut the ribbon on the Arizona Counter Terrorism Information Center (ACTIC) on Oct 19, 2004—recognized nationally as one of two best practices.

**Action Item 8: Statewide Disease Surveillance System. Significant Progress.** Arizona DHS has implemented MEDSIS--secure electronic disease reporting by hospitals and “real-time” system access by all county health departments. Next phase deploys modules for other biological agents and other diseases. Involves replacement of existing surveillance system and the receipt of electronically transmitted results from laboratories.

**Action Item 9: Border Coordination Officer. Done.** AOHS created SW Border Specialist position; regularly coordinates all border issues with stakeholders at every level, and provides primary liaison with federal agencies and departments involved with border security and commerce.

**Action Item 10: Homeland Security Funding Strategy. Significant Progress.** AOHS published 2004 State Homeland Security Strategy that addresses integrated process for assessing and meeting state homeland security requirements. **Governor announced regional strategy—created 5 homeland security regions** to maximize use of limited resources to fill needs on a regional basis.

**-State conducted two statewide WMD exercises to test first responder and incident management capabilities. Nov 03 in Nogales Mexico; Nov 04 in Western Counties. Included participation with Mexican first responder partners.**

**-Arizona Emergency Management Program received national accreditation from Emergency Management Accreditation Program (EMAP)—national accreditation program; one of the first states to achieve full certification (state meets all national standards for emergency response and recovery).**

**-Governor appointed five Homeland Security Regional Advisory Councils—all have met and completed regional homeland security strategies. Councils have developed regional priorities and are reviewing regional projects/programs and making recommendations to Director AOHS for approval.**

**-Governor recognized special challenges in integration of tribal nations in HS effort—appointed a tribal liaison to Office of Homeland Security, and included tribal rep on each Regional Council.**

**-Governor led efforts with Arizona Mexico Commission and Border Governors Conference to establish homeland security working group focused on creating interoperability with Mexican counterparts at first responder level; Arizona provided equipment and training support to Mexican first responders in border cities in 2004 to enhance security of Az border communities.**

**-Governor signed memorandum of understanding with Governor Richardson, New Mexico, in Feb 2004 to share unclassified intelligence information. Ongoing negotiations with California and Texas.**

-Implemented **intrastate mutual aid agreement**; provides mechanism for counties to exchange resources during times of disaster; next step include cities, town, tribes.

-State **won competitive Information Technology Evaluation Program award** for multi-agency project, involving public and private sector stakeholders, to develop wireless communications capability in southern Arizona for critical portion of the CANAMEX corridor.

-Partnered with Arizona State University to establish an **alternate state Emergency Operations Center at ASU East**; **partnered with APS to establish direct communications links between all county emergency operations centers**—next step will link all Az National Guard armories.

Dec. 9. 2005 2:50PM AZ OHS

No. 3333 P. 2



JANET NAPOLITANO  
GOVERNOR

STATE OF ARIZONA  
*Office of Homeland Security*  
1700 W. WASHINGTON STREET  
PHOENIX, AZ 85007  
(602) 542-7030 Facsimile: (602) 364-1521



FRANK F. NAVARRETE  
DIRECTOR

December 9, 2005

Richard Stayneak  
Director  
Joint Legislative Budget Committee  
1716 W Adams  
Phoenix, AZ 85007

Gary Yaquinto  
Director  
Office of Strategic Planning and Budgeting  
1700 W Washington, Ste 500  
Phoenix, AZ 85007

Dear Mr. Stayneak and Mr. Yaquinto:

Thank you for your letter on November 29, 2005 regarding the JLBC's and OSPB's joint findings and recommendations for the Arizona Office of Homeland Security (OHS) Strategic Program Area Review (SPAR) final draft report. I appreciate you giving me the opportunity to review and make comments to the SPAR report. Please find our recommendations below:

**Collaborative Efforts (page 5):**

OHS currently submits a quarterly report to the JLBC, which includes past awards for approved projects, encumbered and unencumbered amounts and any amount reverted back to the federal government, though it should be noted that no funds allocated to Arizona under the State Homeland Security Grant Program will be reverted back to the federal government. In addition to the report furnished to JLBC and Governor Napolitano, a briefing has been provided to the Homeland Security Coordinating Council (HSCC). Furthermore, OHS funds its operations entirely from federal homeland security grants. It also allocates only federal grant dollars to county, local, State and Tribal entities. Similar to that of the Arizona Department of Health Services, OHS does not distribute any state sources of funding related to Homeland Security. The Legislature does not appropriate federal homeland security grants, as this is the responsibility of the Director of the Arizona Division of Emergency Management, who is appointed by the Governor as the State Administering Agency for the Federal Homeland Security Grant Program. The current reporting requirements sufficiently keep the public and stakeholders informed regarding OHS activities and funding.

Furthermore, some of the performance measures identified in the JLBC's recommendations are not within the functions of OHS. For example, OHS does not conduct threat and vulnerability assessments of critical infrastructure sites. This is the responsibility of the Arizona Counter-Terrorism Information Center (ACTIC). Likewise, OHS does not establish plans for hospitals to respond to epidemics involving a minimum of 500 patients, as this is a Department of Health Services function.

Dec. 9. 2005 2:50PM AZ OHS

No. 3333 P. 3

Mr. Stavneak and Mr. Yaquinto  
December 9, 2005  
Page 2

**Establishment of a Homeland Security Committee (page 6):**

Currently, RAC membership, which includes local and Tribal representation from a variety of disciplines such as emergency management, law enforcement, and fire services make funding recommendations to OHS. The creation of a separate legislative committee to make recommendations to the RACs and OHS would be duplicative and confusing. The current process allows for local and Tribal representatives to make recommendations regarding the appropriate distribution of the monies within their regions. This is a very effective form of ensuring that Homeland Security monies are effectively allocated. The RAC's Charter is included for your additional review.

**Publish a "Best Practices" Guide (page 6):**

Although no "best practices" guide currently exists on the national level for non-health related homeland security efforts, the State Homeland Security Strategy, which is based on guidelines from the federal government, sets forth specific guidance to the Regional Advisory Councils (RACs). These guidelines include eligibility requirements for purchases and expenditures by grantees. For example, Homeland Security funding may be used for terrorist prevention training, weapons of mass destruction exercises, and certain types of equipment. Thus, this funding may not be used for firearms or ammunition.

**Interoperability Communications Equipment Grant Criteria (page 6):**

OHS continues to work closely with the Public Safety Communications Advisory Commission (PSCAC) on issues of interoperability to ensure that the purchased equipment satisfies not only State Homeland Security Strategy guidelines, but also furthers the state towards full interoperability. The equipment that is eligible for interoperability is defined under the Federal guidelines and the PSCAC.

Please see below some technical corrections:

**Overview (page 1):**

Page 1, first paragraph, first sentence. Capitalize the words "state", "tribal," and "federal". The final sentence would be as follows: Hundreds of local, State, Tribal, and Federal agencies participate in Homeland Security activities in Arizona.

**Program Description (page 3):**

Page 3, second paragraph. At the end of the paragraph insert the first sentence from the fourth paragraph. Then, insert the following sentence, "The SAA ensures that all projects are within grant guidelines, supports the State Homeland Security Strategy (SHSS) and awards the projects accordingly." The final paragraph should read, "Within each RAC, each council then prioritizes annual funding requests, which are submitted by jurisdictions within the region. Projects are then evaluated by determining how they compare to the goals and objectives contained within the State Homeland Security Strategy. Each RAC then recommends which projects are to be funded based on this evaluation. The Department of Emergency and Military Affairs (DEMA) serves as the State Administering Agency (SAA) for Homeland Security funds. The SAA ensures that all projects are within grant guidelines, supports the State Homeland Security Strategy (SHSS) and awards the projects accordingly."

Page 3, third paragraph, third sentence. After "SHSS" insert ", and grant guidelines." The sentence should read, "Allocations made by OHS to state agencies are also based on criteria contained within the SHSS, and grant guidelines."

Dec. 9, 2005 2:50PM AZ OHS

No. 3333 P. 4

Mr. Stavneak and Mr. Vaquinto

December 9, 2005

Page 3

Page 3, third paragraph. Merge the remaining text from paragraph 4 into paragraph three. The final paragraph will read: "Funding to state agencies is provided through allocations from OHS. Agencies seeking Homeland Security funding submit requests to OHS, who determines which projects will receive funding. SISS" insert ", and grant guidelines." The sentence should read, "Allocations made by OHS to state agencies are also based on criteria contained within the SHSS, and grant guidelines. The state award process occurs on an annual basis. DEMA receives Homeland Security grants from the U.S. Department of Homeland Security, which it redistributes to agencies or governments based upon allocations made by either OHS or each RAC."

Once again, thank you for the opportunity to review your recommendations and findings prior to publication. I commend your staff's efforts in putting this substantive report together. As always, I am available to meet with you at your convenience should you desire additional information concerning these matters.

Best regards,



Frank F. Navarrete, Director  
Office of Homeland Security

Enclosures

FFN/ko

Dec. 9. 2005 2:50PM AZ OHS

No. 3333 P. 5



JANET NAPOLITANO  
GOVERNOR

STATE OF ARIZONA  
*Office of Homeland Security*  
1700 W. Washington Avenue Phoenix, AZ 85007  
(602) 542-7005 Facsimile: (602) 364-1521



FRANK F. NAVARRETE  
DIRECTOR

## ARIZONA OFFICE OF HOMELAND SECURITY

### CHARTER

#### HOMELAND SECURITY REGIONAL ADVISORY COUNCIL

**PURPOSE.** This Charter provides guidance and direction for the operation of Arizona's Homeland Security Regional Advisory Councils.

**SCOPE AND OBJECTIVES.** Five Advisory Councils shall be appointed by the Director of Arizona's Office of Homeland Security (AOHS), on behalf of the Governor. The five Councils shall be divided geographically as follows: (West) – Mohave, La Paz and Yavapai County boundaries; (North) – Coconino, Navajo and Apache County boundaries; (Central) – Maricopa (East) – Graham, Greenlee, Gila and Pinal County boundaries (South) – Pima, Santa Cruz, Cochise, and Yuma County boundaries. The Councils will serve the Director, AOHS in an advisory capacity to advance Arizona's State Homeland Security Strategy (SHSS).

#### DUTIES.

- 1) Develop, implement and maintain respective Regional Homeland Security Strategies.
- 2) Incorporate Arizona's SHSS into Council planning and processes.
  - a. Support and assist in implementation of Arizona's Comprehensive Statewide Risk Assessment.
  - b. Support and assist in implementation of equipment procurement through Arizona's Prime Vendor Program.
  - c. Support and assist an integrated regional approach to homeland security in Arizona.
- 3) Advise the Director, AOHS on all homeland security matters pertaining to respective regions through regional planner.
- 4) In conjunction with respective regional planner:
  - a. Establish baseline prevention and response capabilities through anchor cities consistent with state and regional plans.
  - b. Collaborate with other regional councils and organizations to ensure successful integration of programs and initiatives aimed at homeland security and securing Arizona.
- 5) Implement standard operating guidelines established by the AOHS.
- 6) Other duties and responsibilities as determined by the Director, AOHS.

Dec. 9. 2005 2:51PM AZ OHS

No. 3333 P. 6

**DURATION.** Continuing, until disbanded by the Director of the AOHS.

**TO WHOM COUNCIL REPORTS.** The Council will report to the Director, AOHS through respective regional planner.

**MEMBERSHIP.** The Council will consist of a total of ten members from residents of the state of Arizona: 2 members from fire service (1 urban, 1 rural); 1 police chief; 1 sheriff; 1 member from tribal government; 1 emergency manager; 1 mayor; 1 county supervisor; 2 at large members from the public and private sector (e.g. - medical, public health, information technology, agriculture, utilities); 1 ad hoc member from the Arizona Department of Public Safety. The at large disciplines for each region shall be decided upon by existing Advisory Council members. Each member shall reside in or have employment duties within the region to be served. Except for the Central Region, no region shall have membership that exceeds three individuals from any one county within its boundary. Tribal government members shall not be considered as a county representative.

The Director of AOHS will appoint each member for a one-year term.

Members may only be removed by the Director, AOHS for cause.

Members shall not hold membership with the Homeland Security Coordinating Council (HSCC) or the state's Technical Standards Committee (TSC).

**COUNCIL OFFICERS.** The full, ten member, Advisory Council will appoint a chairperson from the respective membership to oversee the operation and activities of each regional Advisory Council. Chairpersons will serve one-year terms. Once a chairperson's term has expired he or she cannot serve in that capacity in a consecutive year.

**SUBCOMMITTEES.** The Councils may create other subcommittees to address specific issues; the creation of subcommittees requires approval of the Director, AOHS.

**MEETINGS.** Councils will meet at least on a quarterly basis and as needed. Each meeting will be coordinated with respective regional planners. Meetings of the Advisory Councils are not subject to the Arizona Open Meeting Law. Members of the public may be invited to file statements with the Council and when appropriate may attend meetings by invitation from the Council.

A quorum exists when a majority of the appointed members are present. A quorum must exist for any official action, including voting. In any situation involving voting, the majority vote of members present will prevail. Telephonic voting is permissible. Voting by proxy is also permitted provided the representative substitute is approved by the AOHS Director and is a peer from another jurisdiction or an executive level deputy.

**REPORTS.** The Council shall provide detailed minutes of each meeting to the Director, AOHS through respective regional planners. The minutes contain a record of the persons

Dec. 9. 2005 2:51PM AZ OHS

No. 3333 P. 7

present, a complete and accurate description of matters discussed and conclusions reached. Repository for copies of all reports received, directed, issued or approved by the Council will be the AOHS.

**COSTS.** All members serve without compensation and on a voluntary basis.

**AVAILABILITY OF RECORDS.** All official meeting records, except for those containing classified, law enforcement sensitive documents, sensitive homeland security information, or critical infrastructure information shall be made available to the public when required by Arizona law.

**MODIFICATIONS.** Charter modifications require the approval of the Director, AOHS.

**FILING DATE.** September 11, 2004 is the effective date of this Charter, which will expire three years from this filing date unless terminated or extended by the Director, AOHS.

**Arizona  
Department of  
Health Services**

***Office of the Director***

150 N. 18th Avenue, Suite 500  
Phoenix, Arizona 85007-3247  
(602) 542-1025  
(602) 542-1062 FAX

JANET NAPOLITANO, GOVERNOR  
SUSAN GERARD, DIRECTOR

December 9, 2005



Richard Stavneak  
Director  
Joint Legislative Budget Committee  
Staff  
1716 West Adams  
Phoenix, Arizona 85007

Gary Yaquinto  
Director  
Office of Strategic Planning and Budgeting  
Office of the Governor  
1700 West Washington, Suite 500  
Phoenix, Arizona 85007

Dear Director Stavneak and Director Yaquinto:

Thank you for the opportunity to review and respond to the Homeland Security Strategic Program Area Review (SPAR.) While the report addresses activities of both the Arizona Office of Homeland Security (OHS) and the Arizona Department of Health Services (DHS), our response will only reference the DHS emergency preparedness activities.

The report presents a fair and comprehensive review of DHS' role as the lead agency for public health preparedness and response throughout Arizona, including readiness and response to health and medical services and bioterrorism emergencies. DHS is very proud of the progress and accomplishments it has made since 2001 in addressing public health emergency preparedness and response issues. Our comments regarding the SPAR findings and recommendations are included herein.

***JLBC Findings and Recommendations:***

DHS is grateful for the work done by JLBC to highlight the importance of coordinated, statewide emergency preparedness and response efforts in Arizona and to identify issues that warrant special attention or renewed awareness. In response to the JLBC findings and recommendations, DHS presents the following comments.

Richard Stavneak and Gary Yaquinto

December 9, 2005

Page 2

Both the Office of Homeland Security (OHS) and the Department of Health Services (DHS) should be required by statute to submit a homeland security award and expenditure report, which would be submitted annually to the Legislature: DHS agrees with JLBC that reporting regarding federal homeland security and emergency preparedness monies is necessary. DHS already prepares and submits federal reports regarding the expenditures and activities related to the CDC and HRSA monies. Financial Status Reports (FSRs) are required for both the HRSA and the CDC Grants 90 days prior to the end of a Grant period and one year after the last day of the Grant period. There are also reports required for changes or balances in Information Technology percentages. In addition to the FSRs, there are reports required at different times in the year at the request of CDC or HRSA. These reports are usually required to further justify fund requests or fund expenditures at the time DHS requests an award or if DHS is requesting to change plans or redirect grant funds during a grant period. DHS believes that instead of requiring DHS to prepare another award/expenditure report regarding the CDC and HRSA funds it receives, JLBC and OSPB could receive copies of all or some of the federal reports. Regarding performance measures, DHS agrees that performance measures that accurately demonstrate improvements made to the state's capabilities to respond to a terrorist attack are necessary and should be included in the Master List of State Government Programs and, possibly, in the budget. DHS has a number of performance measures that track statewide preparedness and response capabilities and is already working with OSPB and JLBC to identify performance measures in the Strategic Plan and Master List that best demonstrate DHS' progress in the areas of reduction, readiness, recognition, response, and recovery.

The Legislature should consider the creation of a legislative homeland security committee, which would offer recommendations to OHS, DHS, and the legislative Appropriations Committees regarding project priorities: DHS recognizes the need for coordination and oversight of Arizona's homeland security activities. However, since there already exist a number of oversight or advisory bodies that help direct the State's homeland security and emergency preparedness activities, a legislative Homeland Security Committee may not be necessary. The Homeland Security Coordinating Council, established by the Governor, provides guidance to the Office of Homeland Security, as do Regional Advisory Councils. In addition, DHS makes determinations regarding future projects based upon federal grant guidance, input from four EMS Regional Councils, input from four Public Health Emergency Preparedness Regional Planning Councils (that include representation from EMS Regional Councils, regional hospitals, community and tribal health departments, community health centers, emergency management, EMS, Red Cross, and Arizona's Metropolitan Medical Response System), and input from specialized professionals.

DHS and OHS should coordinate with federal authorities to create a "best practices" guide to ensure that terrorism monies distributed to different jurisdictions help establish effective response plans: DHS supports the establishment of a best practices guide, and supports coordinated efforts among local, state, and federal authorities to establish effective response plans. However, DHS is distinguished from OHS in that DHS actually is operating emergency preparedness programs with federal money, unlike OHS, which exists to manage the distribution

Richard Stavneak and Gary Yaquinto  
December 9, 2005  
Page 3

of federal money to state and local authorities. DHS employs best practices in the form of specific grant guidelines for the use and distribution of the federal emergency preparedness monies. The CDC and HRSA federal guidelines ensure that DHS uses the emergency preparedness funding to develop streamlined and coordinated response plans that are not duplicative and that maximize resources. These CDC and HRSA grant guidelines are aligned with a broader federal effort to develop metrics related to reduction, readiness, recognition, response, and recovery, which will serve as nationwide best practices. In keeping with federal guidelines, DHS provides guidance to local authorities about the use of emergency preparedness funds. DHS is committed to ensuring that statewide public health emergency preparedness practices result in timely and effective planning efforts among local entities and that there are clear routes for local entities to communicate with each other and discuss planning. For example, monies received and used by DHS and monies distributed by DHS to local programs are tracked through targeted performance measures that are aligned with the grant goals. Further, in 2005, DHS adopted a collaborative team approach to emergency preparedness funding. This team consists of four local health officers (one from each of the Public Health Emergency Preparedness Regional Planning Councils) who meet with DHS staff to coordinate planning and expenditure of grant funds throughout the state. Finally, DHS requires local programs to submit monthly reports on grant fund expenditures. These local program grant expenditure reports and other related information, such as the CDC and HRSA guidelines followed by DHS, can be made available to JLBC and OSPB for review.

DHS should demonstrate coordination between state and local officials to determine how successful state and local entities are in coordinating efforts: Coordination between state and local jurisdictions is essential in emergency preparedness planning and response. The process DHS uses to measure success in this area, involves DHS emergency preparedness and response training exercises, actual activation of DHS' Public Health Incident Management System (PHIMS), and the After-Action Reports generated at the conclusion of the exercise or incident response. The After-Action Report includes a chronology of events, lessons learned, potential changes to processes, and recommendations for improvements to emergency preparedness programs. Post exercise and post incident analysis is intended as a tool to gauge where improvements can be made in the communication, coordination, and execution of a joint response effort. In addition, post exercise and post incident meetings are conducted with involved and affected entities and agencies, including local jurisdictions, to discuss lessons learned and to coordinate corrective actions. It should also be noted that in 2005, Arizona's local health officers provided letters to CDC expressing support of DHS' emergency preparedness efforts and planning processes.

Other Issues for Legislative Consideration/Preparedness Training: DHS agrees that training exercises are an essential step in statewide emergency preparedness. A key component of DHS' emergency preparedness activities involves participation in training exercises, including "table top," "functional," and "full-scale" exercises. DHS has a written plan regarding conducting exercises and schedules training in advance to ensure readiness and to continuously evaluate its programs and make process improvements. Plans are updated regularly to include county and local exercises as DHS becomes aware of them. Exercises are conducted on a regular basis and

Richard Stavneak and Gary Yaquinto

December 9, 2005

Page 4

the outcomes of these exercises result in lessons learned (identifying deficiencies and proficiencies and proposing modification to plans and procedures.) Although not every plan is tested annually, aspects of plans that are utilized in multiple plans are typically exercised annually. Until the current grant year, there were no specific requirements for the number of exercises in which DHS needed to be involved or for DHS' level of participation in exercises being conducted by local, state and federal partners. The following list highlights exercises conducted since 2004:

On May 2004, a series of hospital table-top exercises to test plans to receive and distribute the Strategic National Stockpile (SNS) were held in four regions. Each county produced a list of five best practices and five gaps based on their verbal discussions. The after-action report identifies the strengths and weaknesses in these plans.

On June 9, 2004, the ADHS Office of Hospital and Community Preparedness and Response sponsored a hospital drill to address the identification of patients exposed to a biological agent (smallpox) as a result of a possible terrorist incident. Partners included the Office of Public Health Preparedness and Emergency Response and county health departments. The after action report identifies the strengths and weaknesses in these plans.

The Office of Public Health Emergency Preparedness and Response had proposed to sponsor a flu vaccination exercise in follow-up to the hospital table-top exercises that were held in May 2004. Participants were to include ADHS, county health departments, law enforcement and hospitals statewide. The purpose of this exercise was to test the distribution and receipt portions of the participants' SNS plans. This exercise was canceled due to the flu vaccine shortage, but enhancements have been made to the SNS plans based on the planning activities.

On March 1, 2005, Health Emergency Operations Center (HEOC) call-down of the Public Health Incident Command System (PHIMS) command staff. Among lessons learned were to keep designated office supplies in the HEOC, along with a phone list at each station and generic job descriptions. These have been implemented. The exercise was also used to train staff on the SIREN alert system.

On May 19, 2005, a pandemic influenza scenario-driven discussion was held for ADHS staff. The purpose of this table-top-like exercise was to assist staff in identifying key issues and missing pieces in the pandemic influenza plan.

During July 2005, a series of regional TTXs were conducted with the hospitals to address the suspicious powders protocol and how to handle a possible anthrax exposure. This was followed up with functional exercises being conducted at multiple hospitals throughout the state, again addressing a possible anthrax exposure.

Richard Stavneak and Gary Yaquinto

December 9, 2005

Page 5

On July 29, 2005, ADHS participated in a TTX conducted by the Arizona Division of Emergency Management (ADEM). This exercise involves the release of a biological agent in Mexico and tested communications between Mexico and Arizona and between various Arizona agencies.

On August 22, 2005, the scenario-driven discussion was presented to our county partners to assist them with their pandemic flu plan writing.

On October 14, 2005, the Arizona Division of Emergency Management held their full-scale exercise. ADHS was a support player in this exercise.

In addition to exercises, DHS has also activated its Public Health Incident Management System (PHIMS) eight times since July 1, 2004, including the Katrina Relief Effort and the Palo Verde Exercise. The following list identifies the PHIMS activations:

- Feb 04 - Palo Verde (exercise)
- May 04 - Small pox TTX (exercise)
- July 04 - W.Nile Virus
- Oct. 04 - Influenza Vaccine Shortage
- Summer 05 - Ricin (activated twice)
- Summer 05 - Pertussis
- Sept. 05 - Katrina (Operation Good Neighbor)
- Nov. 05 - Palo Verde (exercise)

Other Issues for Legislative Consideration/Development of Regional Response Plans: DHS agrees that the development of regional response plans, including collaborative efforts with other states, is essential. DHS actively and aggressively facilitates and coordinates state and regional committees on response and preparedness activities. DHS works with the Arizona Office of Homeland Security (OHS), Indian Health Services, County and Tribal Health Departments, individual hospital CEOs, the Arizona Association of Community Health Centers, the Arizona Healthcare and Hospital Association, individual community health center CEOs, Metropolitan Medical-Response System and fire departments, Department of Public Safety and local police, state and local emergency management, and region poison control centers to address a statewide plan for preparedness.

DHS is currently very active in national preparedness planning and currently has six representatives on National Committees charged with developing national guidelines for statewide preparedness. DHS also works in conjunction with many other state and national partners to protect the health of our communities, including Arizona Department of Emergency and Military Affairs, Arizona Department of Public Safety, Federal Bureau of Investigation, U.S. Department of Health and Human Services, U.S. Department of Homeland Security, Volunteer Agencies (e.g., American Red Cross), and all three State Universities.

Richard Stavneak and Gary Yaquinto

December 9, 2005

Page 6

In carrying out its responsibilities for public health emergency preparedness and response, DHS recognizes that regional participation is essential. Accordingly, DHS conducts emergency preparedness planning in conjunction with the four EMS Regional Councils (Arizona Emergency Medical Systems (AEMS) covering the central portion of Arizona, Northern Arizona Emergency Medical Services (NAEMS) covering the northern portion of Arizona, Southeastern Arizona Emergency Medical Services Region (SAEMS) covering the southeastern region of Arizona, and Western Arizona Council of EMS (WACEMS) covering the western portion of Arizona. See Attachment); four Regional Planning Councils that include representation from the EMS Regional Councils, as well as regional hospitals, community and tribal health departments, community health centers, emergency management, EMS, Red Cross, and Arizona's Metropolitan Medical Response System; and the five OHS Regional Advisory Councils.

DHS also collaborates with the OHS through representation on the Homeland Security Coordinating Council. DHS and OHS meet monthly to discuss planning and implementation strategies. OHS also provides security briefings to Department staff as appropriate; and DHS has a non-voting representative on the Homeland Security Regional Planning Councils.

DHS also maintains several public health networks that enhance regional cooperation and planning. The Secure Integrated Response Electronic Notification (SIREN) system is a secure web-based collaboration and alerting network to support response and disease surveillance applications for our emergency preparedness partners; OHS staff has access to SIREN for emergency communication. The MEDSIS system is designed to improve the reporting and surveillance of infectious disease; OHS will be able to request reports from MEDSIS as needed during emergencies. The EMS system provides hospitals and first responders with the ability to communicate information regarding hospital capacity to receive emergency room patients; OHS would have access to this information during an emergency event.

Other Issues for Legislative Consideration/Private Sector Partnerships: DHS agrees that public-private partnerships are important. DHS has strong and active public-private partnerships with the Arizona hospital community, including hospitals, long term care facilities, ambulatory services, health care providers, and health plans. Federal emergency preparedness funds provided to assist hospitals are considered supplementary and complimentary to the efforts Arizona hospitals have already taken on of their own accord to meet emergency preparedness goals. Together, DHS and Arizona's hospitals have created consensus and developed a framework for hospital emergency preparedness and response goals and objectives.

An innovative approach, unique to Arizona, is the use of the Arizona Telemedicine Network in redundant communication, education, and real-time consultation in an emergency event. The network has both private and public partners. DHS is also in the planning and development process to create Burn and Trauma capacity for the state, by using the network for both training and consultation in a public health emergency event.

Richard Stavneak and Gary Yaquinto  
December 9, 2005  
Page 7

***OSPB Findings and Recommendations:***

DHS agrees with the OSPB findings and appreciates OSPB's thorough analysis and recognition of DHS' progress and achievements. In response to the OSPB findings and recommendations, DHS presents the following comments.

*DHS is fulfilling its statutory mandates to plan response, recovery, and mitigation, to coordinate with private, local and federal authorities, and to facilitate the dissemination of public information in the event of a public health emergency:* DHS agrees that DHS is fulfilling its statutory mandates. This finding properly reflects DHS' evolving role, following the events of September 11, 2001 and the ensuing anthrax attacks, to ensure public health preparedness capability throughout Arizona.

*DHS has identified and is prepared to report comprehensive metrics related to public health emergency preparedness in five key areas: reduction of threats, readiness for response, recognition of threats, response to and recovery from public health emergencies:* DHS supports this finding and agrees with the recommendation. As OSPB identifies, DHS is currently working with OSPB and JLBC to identify performance measures in the Strategic Plan and Master List that best demonstrate DHS' progress in the areas of reduction, readiness, recognition, response, and recovery. DHS is eager to ensure that its emergency preparedness activities are accurately represented and to identify its progress in developing an operable statewide public health system that includes the counties, tribes, hospitals, long term care facilities, ambulatory services, health care providers, and health plans.

*The State Laboratory scientists maintain their skills in readiness and recognition of threats by completing state and federally mandated testing, and through the establishment of many partnerships with other entities, both public and private, in Arizona:* DHS agrees with OSPB and remains committed to ensuring state-of-the-art laboratory services capable of rapid recognition of threats and response in emergencies. Arizona State Laboratory scientists maintain up-to-date skill levels and partnerships with other authorities and state agencies maximize testing capacity and address surge capacity issues.

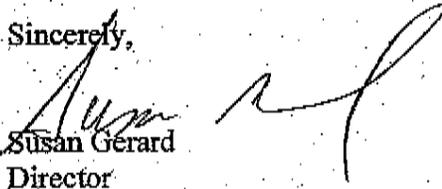
*DHS tracks the procurement, maintenance, and replacement of highly sensitive and specialized Public Health Response and Bioterrorism related equipment:* DHS supports this finding and agrees with the recommendation. The Arizona State Laboratory maintains bioterrorism and chemical terrorism testing equipment, most purchased and maintained with federal funds, that when not in use for federally funded activities is utilized for other testing involving state funded testing activities. DHS agrees that information regarding procurement and use of emergency preparedness equipment should be maintained and used for statewide planning purposes.

Richard Stavneak and Gary Yaquinto  
December 9, 2005  
Page 8

*Public Health and Bioterrorism Response is properly located within DHS:* As OSPB rightly concludes, public health emergency preparedness and response is properly located within DHS and should remain there. DHS agrees that DHS should retain the authority for public health emergency preparedness, including bioterrorism programs, and funding if a State Homeland Security agency is authorized in statute.

Again, thank you for allowing DHS to comment on this report. Should you have any questions regarding this response or require additional information, please contact me.

Sincerely,

  
Susan Gerard  
Director

SG:dmm

## **PORTS OF ENTRY Joint SPAR Report**

### **Program Background**

**Program Description** – The Ports-of-Entry (POE) operations are primarily focused to ensure commercial vehicles are in compliance with federal and state mandates related to vehicle size and weight, credentials and collection of fees from those using the Arizona highway system, vehicle and highway safety, agriculture inspections and enforcement of quarantines.

#### ***Arizona Department of Transportation***

Although there is no *specific* statutory reference in the Arizona Revised Statutes (A.R.S.) that requires the establishment of ports of entry, there are several sections in the statutes that make reference to the ports and require or authorize certain enforcement activities to take place at them. Title 23 of the United States Code requires that the state's size and weight laws (Arizona Revised Statutes, Title 28, Article 18) must be enforced on all Arizona roads that are built or maintained with federal aid. As an enforcement action, the United States Government could reduce federal highway funds to the state if the Federal Highway Administration (FHWA) deems that adequate truck size and weight enforcement is not occurring. The Arizona Department of Transportation (ADOT) must annually submit compliance reports to the FHWA in meeting the federal mandates.

The Arizona Department of Transportation (ADOT) has jurisdiction for implementing and enforcing federal and state laws related to motor vehicle size and weight, and for collecting highway users revenues. These responsibilities fall within the Department's Motor Vehicle Division (MVD) and are carried out through various MVD organizational units, including one that operates the ports-of-entry system. The POEs are part of an integrated motor vehicle enforcement activity that is administered by the Motor Vehicle Division and consisting of fixed ports-of-entry and mobile enforcement units. The ports-of-entry personnel perform inspections of commercial vehicles. Additionally, all trucks are subject to being stopped to check for registration credentials, tax compliance, size and weight, and special permits. The MVD present network consists of 22 fixed stations (see attached map), approximately 12 mobile stations, and 203 positions (appropriated and non-appropriated). Activities at the ports resulted in the collection of \$15.2 million in revenues and the processing of 7.5 million commercial vehicles in FY 2004-2005.

ADOT has cooperative agreements with the Arizona Department of Public Safety (DPS) and the Arizona Department of Agriculture (ADA) to share its fixed ports-of-entry facilities and enforce the provisions of ARS Title 3, Chapter 2, Article 1, regarding dangerous plants and diseases and Title 28, Chapter 14, Article 1 relating motor carrier safety. DPS is the lead agency for performing commercial vehicle safety enforcement in the state. The Department of Agriculture is charged with inspecting incoming vehicles for plant infestations, livestock identification and conducting Arizona enforcement of quarantine laws.

### ***Arizona Department of Public Safety***

A.R.S. §28-5204 requires DPS to enforce motor carrier safety regulations and A.R.S. §28-369 allows the DPS to stop commercial vehicles at the entry in order to enforce motor vehicle laws. DPS also receives federal funding, which requires the enforcement of federal motor carrier safety regulations throughout the state; however, DPS is not required to conduct inspections at the port-of-entries. There is no specific mandate that explicitly requires a DPS presence at the ports of entry.

The DPS maintains a force of 17 DPS officers and two DPS Sergeants working in areas near the state ports of entry. Four of these employees maintain a permanent presence at the Nogales port of entry. The DPS leases some offices from ADOT at the following locations: Topock, Kingman, Window Rock, Sanders, San Simon, Yuma, Ehrenberg, Parker, and Nogales. The presence of the patrol officers at the fixed facilities provides support to MVD's port of entry operations, mostly in the form of enforcing criminal matters and occasional joint agency inspection and enforcement efforts.

### ***Arizona Department of Agriculture***

A.R.S. §3-107 authorizes the Department of Agriculture to operate inspection stations or other necessary facilities within Arizona boundaries or ports of entry into the State. Additionally, A.R.S. §3-216 requires that ADOT and ADA cooperate at the ports-of-entry to enforce the provisions of ARS Title 3, Chapter 2, Article 1, regarding dangerous plants and diseases. The FHWA also encourages local agencies to coordinate efforts when enforcing motor carrier laws.

The inspections conducted at the ports of entry serve to assure compliance with Arizona's entry requirements for regulated commodities and animals, as well as general inspections of commercial vehicles for the presence of pests of concern to the State that may be "hitchhiking" in or on those vehicles. These inspections safeguard the agricultural and horticultural industries as well as the State's food supply and quality of life, including protection of the environment.

The Motor Vehicle Division (MVD) shares facilities with the ADA at Sanders, San Simon, Yuma, Ehrenberg and Duncun ports-of entry. MVD employees have been cross-trained to conduct some agricultural inspections, and ADA inspectors have been cross-trained to provide commercial vehicle screening functions for the MVD. The initiatives of these departments to share resources have enhanced their respective enforcement efforts and have benefited their customers as well.

**Program Funding** – The ADOT POE activities are funded through legislative appropriations from the State Highway Fund, the Safety Enforcement and Transportation Infrastructure Fund (SETIF), and non-appropriated Federal Funds. ADA services are paid from the State General Fund and other funds. DPS supports its enforcement through appropriations from the State Highway Fund, SETIF, and Federal Funds.

Although the ports' funding is not specifically identified in the appropriation format, their operating budget is usually part of the appropriations for the ADOT, DPS, and the Department of Agriculture. Each department uses an internal budget allocation to determine the adequate funding level to support the operations of each individual port. Direct costs attributed to each

Port of Entry include expenditures for personal services, employee related expenditures, in-state travel, professional and outside services and other operating expenditures. Of the funding and 41 FTE positions reported for the Department of Agriculture, 31 FTE positions are supported by the General Fund and 10 FTE positions are funded through a contract with the State of California. ADA receives \$350,000 per year through a contract with the State of California to support the program's inspections at the Duncan POE and enables the Department to maintain 24/7 operations at San Simon and Sanders. The work performed under this contract benefits the two states in stopping infested commodities at border before getting into the state.

**Program Revenues and Expenditures**

	<b>FY 2005</b>	<b>FY 2006</b>
<b>MVD's Revenue Collected:</b>		
Highway User Revenue	\$15,190,522	\$16,137,400
<b>MVD's Expenditures:</b>		
FTE Positions	177.0	203.0
Personal Services	\$5,067,300	\$5,733,400
ERE	1,971,000	2,260,300
All Other Operating	<u>940,600</u>	<u>1,296,200</u>
Total	\$7,978,900	\$9,289,900
<b>ADA's Expenditures:</b>		
FTE Positions	41.0	41.0
Personal Services	\$1,037,000	\$1,037,000
ERE	384,000	384,000
All Other Operating	<u>89,000</u>	<u>89,000</u>
Total	\$1,510,000	\$1,510,000
<b>DPS's Expenditures:</b>		
FTE Positions	4.5	4.5
Personal Services	\$243,500	\$262,900
ERE	78,400	84,700
All Other Operating	<u>254,700</u>	<u>266,800</u>
Total	\$576,600	\$614,400
<b>Total Expenditures:</b>		
FTE Positions	222.5	248.5
Personal Services	\$6,347,800	\$7,366,800
ERE	2,433,400	2,895,400
All Other Operating	<u>1,284,300</u>	<u>1,350,200</u>
<b>TOTAL</b>	\$10,065,500	\$11,414,300

**Findings and Recommendations - OSPB**

The ports-of-entry system performs a useful role in the enforcement of the State's commercial vehicle size, weight and safety regulations, agricultural cargo inspections and pest exclusions, and in the collection of tax revenues due from highway users. Collaborative

involvements and joint operations at the port-of-entry involving the ADOT, DPS, and the Department of Agriculture have enabled these agencies to share resources and to enhance their enforcement capabilities. The consolidation of these agencies is not feasible, since they are charged with different missions. The Arizona Department of Transportation (ADOT) has jurisdiction for implementing and enforcing Federal and State laws related to motor vehicle size and weight, and for collecting highway users revenues. The Department of Public Safety (DPS) is the lead agency for enforcing commercial vehicle safety, and the Department of Agriculture has jurisdiction over the transportation and regulation of plants and livestock. While the three agencies carry out responsibilities, when practical they have used cross-training to allow employees to perform different type of inspections. Limited agency-specific functions are being performed by each of these partnering agencies to help to inspect and process all commercial vehicles in a timely manner. The vast majority of trucks entering Arizona are checked at ports of entry for regulatory compliance. In FY 2005, approximately 7.4 million vehicles passed through the POE and 8.9 million are projected for FY 2008.

Commercial Vehicle Traffic Processed at Fixed POE				
	FY 2003	FY 2004	FY 2005	FY 2006
Vehicles Processed	6,768,335	7,124,696	7,378,516	7,821,200
Revenue collected	\$14,025,374	\$14,173,743	\$15,190,522	\$16,137,400
Approximate receipt per transaction	\$2.07	\$1.99	\$2.05	\$2.06

There is no specific provision in the Arizona Revised Statutes that requires the establishment of Ports-of- Entry (ports), but there are several sections in the statutes that make reference to the ports and require and/or authorize certain enforcement activities to take place at them. Additionally, Title 23 of the United States Code requires that all Arizona roads built with or receiving Federal Aid be subject to the state’s size and weight laws and that enforcement of those laws take place. A loss of federal highway funds could result if the United States Government determines that adequate enforcement is not occurring.

The program continues to meet federal mandates, comparing actual enforcement data to planned activities and evaluating its enforcement activities. The ADOT is required to submit annually two compliance reports to the Federal Highway Administration (FHWA). The first report is the “*The Enforcement Plan*” which is a planning document by which the FHWA reviews and evaluates the state’s operation as to its acceptability in either the plan itself or its implementation. The second document submitted to FHWA is “*The Certification Report*” (USC 23-141) which includes a certification by the Department of Transportation Director ensuring that the state is enforcing laws regarding maximum vehicle size and weights permitted on federal aid highways and the Interstate System. These enforcement activities of weights and size regulations within the State deter overloads and reduce infrastructure damage to pavements and structures due to illegal weights.

A.R.S. § 28-5204 requires that DPS enforce motor carrier regulations. DPS also receives federal Motor Carrier Safety Assistance Program Funds, which require that they enforce vehicle safety standards statewide. To both the trucking industry and DPS, the port facilities offer a safe and convenient location to conduct vehicle inspections. Motorists have the opportunity to make a

single stop at the port of entry and ensure compliance with Arizona laws as administered by ADOT, DPS, and ADA.

DPS estimates that about 900 man-hours per year are spent on operations at ports other than the Nogales port. DPS has de-emphasized its role at the ports because MVD personnel is now able to adequately conduct safety inspections at the ports and because DPS has determined it can better serve by conducting roadside enforcement (inspecting trucks on the road). The roadside enforcement program is preferred by DPS because it enables the state to inspect trucks that never enter the port area, observe driver behavior and make stops, and provide ancillary services to the motoring public. In 2004 DPS conducted 29,497 inspections. These inspections yielded traffic violations 47% of the time as opposed to a national average of 27%. About 5% (or 1,568) of these inspections were conducted at ports-of-entry around the state.

The efforts of ADA are designed to exclude and prevent the establishment of hazardous pests in Arizona, minimize delays to motorists, and carry out the mandate of A.R.S. § 3-216, which requires that ADOT and ADA cooperate by “interagency agreement” at ports of entry to enforce the provisions of A.R.S. Title 3, Chapter 2, Article 1, related to agricultural pests.

**Recommendation** - The interagency agreements covering the collaborative efforts and joint operations between ADOT, DPS, and ADA should be continued. This will allow these agencies to further share resources while retaining their specialized enforcement roles and ensure the program’s effectiveness. The program should also step up its statewide efforts to extend operational coverage at the ports and use weigh-in-motion mainline screening systems. These efforts will enable port clearance of safe and compliant carriers and improve customer service at the fixed POE.

**Although mobile units have been used to complement MVD enforcement activities, the fixed POE inspection stations continue to be the dominant compliance mechanism.** The current enforcement system is susceptible to avoidance, as the ports can easily be bypassed through routes that do not have established POE. Such situation hinders ADOT’s ability to maintain an effective enforcement program, which adds to the fact that most of the fixed POE do not maintain a 24-hour operation.

Several states and jurisdictions (Oregon, Alberta) would provide positive evidence of the effect of mobile enforcement on motor carrier compliance. Although it is not suggested that the fixed stations be eliminated, increased mobile units would be designed to complement the fixed port-of-entry enforcement activity and will allow ADOT to improve the program’s overall effectiveness and protect the State’s infrastructure. Mobile enforcement strategies within the State appear to be best suited to addressing several compliance situations. The Self Assessment completed by ADOT reports that mobile enforcement activities tend to lead to a much higher violation rate for commercial drivers (about 4% to 9 %).

There are about 33 roads leading into the state, of which only 22 have fixed ports of entry, 17 of which are non-border ports. The 11 remaining roads are commonly used by commercial vehicles entering and operating illegally and/or in violation of size and weight laws. The severity of the situation is also increased since only 3 of the 22 ports are open on a 24-hour basis. A significant amount of commercial traffic travels through Arizona without having to pass through a port-of-entry compliance inspection. The number of vehicles circumventing/bypassing the ports can be estimated at more than 7%. Based on the 7.4 million vehicles passing through Arizona ports in

FY 2005 that would mean 518,000 vehicles circumventing/bypassing the ports. The limited number of mobile enforcement activities and few fixed POE maintaining a 24-hour operation are likely to cause the state to lose a minimum of \$ 4.0 million per year in revenues.

The Agency’s Self Assessment indicates that the lack of resources has compelled a managerial emphasis on addressing meeting staffing requirements at the fixed ports, where most vehicle traffic passes and is processed. Consequently, the program’s targets for processing commercial vehicles were reduced from 19,159 vehicles in FY 2002 to 11,066 in FY 2005.

Commercial Vehicle Traffic Processed by Mobile Enforcement				
	FY 2002		FY 2005	
	Target	Actual	Target	Actual
Baseline	27,000	19,159	13,000	11,066

**Recommendation** - MVD mobile inspection levels should be increased to complement the existing fixed POE network and to ensure a rigorous enforcement system. To meet state and federal expectations in preserving the highway infrastructure, the program should include an effective combination of fixed ports and mobile unit enforcement. There is presently potential risk of losing substantial revenues, as motor carrier traveling within the State will likely to go unchecked and receipts uncollected.

It remains important for MVD and ADA in particular to continue to sustain vigilant enforcement efforts at the fixed ports-of-entry. These inspection systems are primarily designed to ensure compliance with Arizona entry requirements at the borders and to safeguard the agricultural industries and protect the environment by preventing non-compliant cargos from entering the state in the first place.

The agencies should also jointly examine efficient ways to further realign the POE structure. As mentioned, the effective use of mobile enforcement by MVD has complemented the fixed port-of-entry enforcement activity. MVD should continue to process commercial vehicles through its mobile enforcement efforts to improve the program’s overall effectiveness and protect the State’s infrastructure.

**The implementation and use of emerging technologies and automation at the POEs should be increased and pursued as a statewide measure.** Although the Agency’s Self-Assessment agrees that the use of technology is important to improve the program’s efficiency, ADOT needs to step up its automation efforts in order to improve customer and enhance efficiencies at the ports-of-entry. These types of technologies and systems, such as the PrePass™, should be designed to process traffic more efficiently by reducing the number of trucks that the port staff would otherwise have to handle manually. This streamlining will free up resources to focus on motorists with problem accounts and vehicles.

An electronic clearance system, called PrePass™, has been proven effective pre-screening commercial vehicles with a satisfactory compliance rate. ADOT, ADA and DPS have jointly and share in use of PrePass at selected locations. It is a voluntary, multi-state service that enables state motor carrier enforcement agencies to electronically validate participant vehicles for safety and credential compliance. This system allows vehicles to get electronic clearance in exchange for higher level of compliance. ADOT has successfully implemented this electronic clearance

method but so far only 7 ports are using this system: Saint George, Kingman, Topock, Ehenberg, Yuma, San Simon, and Sanders.

Similarly, in 2001 the Department of Agriculture installed a digital imaging system at the laboratory coupled with a digital imaging photography at the fixed ports of entry. This technology allows digital photo imaging of certain organisms at the inspections sites to be electronically transmitted to the laboratory for analysis. The inspectors can then obtain the real-time results from the laboratory as a result of upgrading the technology to digital imaging.

Furthering the implementation of innovative technology applications may require initial resource investment in order to foster efficiencies, increase productivity and enable the program to increase its processing capacity.

**Recommendation** - The program should step up its automation efforts and invest in innovative methods and proven infrastructure technologies to improve processing efficiencies.

**Except for the port in Nogales, DPS does not maintain a regular presence at the other international ports.** On-going presence and enforcement of DPS officers at the Nogales port-of-entry have helped to enhance safety standards for commercial vehicles coming into Arizona. The out-of-service rate for trucks coming into the U.S. through Nogales has dropped from 80% to 25% since enforcement efforts began in 1994. Except for the port in Nogales, DPS does not maintain a regular presence at any of the other international ports (Douglas, Lukeville, Naco, Sasabe or San Luis).

**Recommendation** - DPS should, in collaboration with MVD, examine reasonable options to establish practical safety inspection coverage at all international ports to strengthen its enforcement activities.

#### **Findings and Recommendations - JLBC Staff**

**ADOT should fill their existing approved port FTE Positions, before requesting any more port staff. If ADOT believes that they need any additional port staff they should provide an analysis of how additional revenue would offset additional costs.** It is unclear what constitutes an optimal level of staffing at the ports. ADOT's operating budget was increased by \$495,200 and 12 new FTE Positions in FY 2005 for increased staff at the ports of entry. This amount included \$381,800 and 10 FTE Positions from the State Highway Fund and \$113,400 and 2 FTE Positions from the Safety Enforcement and Transportation Infrastructure Fund. Despite this budget increase, ADOT reports that they have 20 fewer filled port State Highway Fund FTE Positions in FY 2006 than they did in FY 2004 as shown in the following table. Nevertheless, the number of vehicles at ports open for business has steadily increased each year from 6.7 million in FY 2001 to 7.5 million in FY 2005, while the percent of vehicles waived through due to traffic back-ups has decreased from 7.1% in FY 2001 to 1.2% in FY 2005. ADOT is requesting additional resources in FY 2007 for its ports staffing.

**MVD State Highway Fund Port Staffing and Expenditures <sup>1/</sup>**

	<u><b>FY 04</b></u>	<u><b>FY 05</b></u>	<u><b>FY 06</b></u>
Approved FTE Positions	152	162	162
Actual FTE Positions	148	138	128
<u><b>Expenditures</b></u>	<u><b>Actual</b></u>	<u><b>Actual</b></u>	<u><b>Approved</b></u>
Personal Services	\$3,585,800	\$4,064,800	\$4,799,800
Employee Related Expenditures	1,686,500	1,504,000	1,775,900
Other Operating Expenditures	<u>518,300</u>	<u>579,000</u>	<u>579,000</u>
Total	\$5,790,600	\$6,147,800	\$7,154,700

<sup>1/</sup> Based on State Highway Fund information submitted by ADOT. Does not match information in the facts section due to data discrepancies.

**ADOT and ADA could do more to foster a spirit of cooperation to increase the efficiency of the ports. ADOT and ADA should formalize written high-level interagency agreements on procedures for insuring interagency cooperation. ADOT, ADA and DPS should co-write a 5-Year Strategic Plan for the Ports and annually jointly update the plan to help facilitate communication.**

The level of interagency cooperation seems to be good at some ports, but not so good at other ports, and may largely depend on the MVD and ADA port supervisors. JLBC Staff observed some discontent about interagency relationships during its site visits. This is similar to the JLBC Staff finding in the 2000 POE SPAR, that levels of interagency cooperation and conflict had varied at different ports and at different times. Some limited cross training has occurred between MVD and ADA staff, given the agencies' different missions and areas of expertise. ADA has staff at only 5 fixed ports, where they have the opportunity to directly interact with MVD personnel (*See Appendix A*). ADA is not present at Mexican border ports, where federal personnel handle agricultural inspections. There seems to be a good level of cooperation between MVD and federal personnel at Mexican border ports.

ADOT reports that they rely on verbal agreements for sharing port facilities and responsibilities, and have no written port interagency agreements. The JLBC Staff recommended in the 2000 POE SPAR, that ADOT and ADA put more specificity into their existing interagency agreement to foster more cooperation.

DPS' use of fixed ports is essentially independent of ADOT and ADA operations at the ports. DPS has not cross-trained with MVD and ADA, since the three agencies have different responsibilities and authorities (with the exception of MVD's truck safety inspection function at the ports). DPS has office space available for their use at 9 fixed ports (*See Appendix A*). However, some DPS officers may spend a minimum or varying amount of time at the ports, preferring to do on-the-road enforcement of selected trucks that may have by-passed the ports or be in obviously poor repair. Although the DPS officers assigned to certain areas may frequently be on patrol away from the port, MVD can call them for assistance if an enforcement issue arises. Only 1,568 (or 5.3%) of the 27,929 total motor carrier inspections conducted by DPS in FY 2004 occurred at fixed ports. DPS provides commercial vehicle safety (CVSA) inspection

training and Level 1 certification to MVD officers, and has trained and certified 6 MVD officers in Level VI CVSA inspections for radioactive shipments.

ADOT has not regularly updated their Port's of Entry 5-Year Plan, which limits the usefulness of the plan. ADOT just recently updated their Port's of Entry 5-Year Plan in September 2005, during the current POE SPAR. The 5-Year Plan for the ports was previously updated in August 2000 by ADOT, in response to a recommendation in the 2000 POE SPAR. Prior to the 2000 POE SPAR, ADOT had last updated their 5-Year Plan for the ports in 1989.

**ADOT's collection of performance measurement data has improved since the 2000 POE SPAR.** The 2000 POE SPAR had recommended that ADOT improve the program's data tracking system and performance measurements. Specifically, it had recommended that ADOT collect data on the number of trucks weighed, number overweight, revenue generated, and operating budget expenditures separately for both its fixed ports and for its mobile units. The current data presents a clearer picture of port operations, such as reporting the unduplicated number of vehicles weighed at fixed ports, in addition to the previously reported duplicated total number of weighings which includes multiple weighings of the same truck to check the results of a load shift or off-loading. ADOT also now reports separate data for fixed ports and for mobile units, which facilitates better comparison of the results for the 2 enforcement methods.

This facilitates comparing the relative merits, shortcomings and costs of fixed ports versus mobile units. Fixed ports provide the basis for checking the vast majority of trucks for the lowest cost, but they cannot check trucks that solely operate intrastate or that bypass the fixed ports. Mobile units supplement the fixed ports, by checking a relatively small number of intrastate trucks and some that might or might not have bypassed the fixed ports, but at a higher cost than at the fixed ports. For instance, the measurements show that fixed ports processed the vast majority of vehicles (98.5%) with 0.6% being over weight/size in FY 2005. Although mobile units only processed 1.5% of the vehicles, 4.9% were over weight/size in FY 2005. ADOT reports \$2.22 of revenue collected per \$1 expended at fixed ports in FY 2005. Most of the total revenue attributed to fixed ports (\$13.3 million out of \$15.5 million in FY 2005) is due to port permit sales which goes to the Highway User Revenue Fund (HURF). The remaining \$2.2 million is assessed fines. It is unknown how much of the assessed fines are actually collected, and most of the revenue from fines goes to local jurisdictions. The revenue results are reversed for mobile units. ADOT reports \$1.38 of revenue collected per \$1 expended at mobile units. Only \$1,225 out of \$142,065 total revenue attributed to mobile units (less than 1%) came from permit sales in FY 2005. The remaining \$140,840 (over 99%) is assessed fines. Please see *Appendix B* for a list of selected performance measures for the fixed ports and mobile units.

## APPENDIX A

### Agencies, Hours and Services Available at the Fixed Ports

<b>Port</b>	<b>Open</b>	<b>MVD</b>						<b>ADA</b>	<b>DPS</b>
		<b>Issue Permits</b>	<b>Weigh Vehicles</b>	<b>Inspect Vehicles</b>	<b>CVSA <sup>1/</sup></b>	<b>T&amp;R <sup>2/</sup></b>	<b>DL <sup>3/</sup></b>		
<b><u>7 Interstate</u></b>									
St. George	20 hr/7 day	X	X	X	X				X
Topock	16 hr/7 day	X	X	X	X				X
Kingman	8 hr/6 day	X	X	X	X				X
Sanders	24 hr/5 day & 16/2	X	X	X	X			24 hr/7 day	X
Ehrenberg	24 hr/7 day	X	X	X	X			8 hr/5 day	X
Yuma I-8	24 hr/7 day	X	X	X	X			24 hr/6 day	X
San Simon	20 hr/7 day	X	X	X	X			24 hr/7 day	X
<b><u>8 Non-International</u></b>									
Parker	8 hr/5 day	X	X						X
Yuma B-8	15 hr/7 day	X	X	X					
Douglas State	10 hr/5 day	X	X	X	X				
Duncan	19 hr/3 day & 10/2	X	X	X				16 hr/7 day	
Springerville	11 hr/5 day	X		X	X		X		
Teec Nos Pos	16 hr/6 day	X		X	X		X		
Page	18 hr/5 day	X	X	X	X	X	X		
Fredonia	10 hr/4 day	X		X	X	X	X		
<b><u>6 International</u></b>									
San Luis	9 hr/5 day & 5/1	X	X	X	X				
Lukeville	8 hr/5 day	X		X	X				
Sasabe	9 hr/5 day	X		X	X				
Nogales	10.5 hr/5 day & 8.5/1	X	X	X	X				X
Naco	8 hr/5 day	X		X	X				
Douglas Federal	9 hr/3 day & 10/2	X		X	X				
<b><u>1 Internal</u></b>									
Phoenix	10 hr/5 day	X							
<sup>1/</sup> Commercial Vehicle Safety Inspections. <sup>2/</sup> Title and registration. <sup>3/</sup> Driver license.									

## APPENDIX B

### Performance Measure for Fixed Ports and Mobile Units

<b><u>Fixed Ports</u></b>	<b><u>FY 2001</u></b>	<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>
Vehicles at ports open for business (millions)	6.7	6.8	6.9	7.2	7.5
% of vehicles waved through due to traffic back-ups	7.1%	6.2%	2.2%	1.0%	1.2%
Vehicles document checked (millions)	NA	NA	3.5	3.7	3.4
Pre-cleared vehicles that do not stop (millions)	NA	NA	3.2	3.5	4.0
Vehicles weighed (millions)	3.7	3.4	4.4	4.5	4.5
% of over weight/size vehicles	0.6%	0.6%	0.6%	0.6%	0.6%
Revenue collected (millions)	NA	\$14.2	\$14.0	\$14.2	\$15.5
Operating budget expenditures (millions)	\$6.2	\$7.0	\$7.5	\$8.2	\$7.0
Revenue collected/\$1 expended	NA	\$2.03	\$1.87	\$1.73	\$2.22
Cost/vehicle processed	\$1.00	\$1.10	\$1.10	\$1.15	\$0.95
<b><u>Mobile Units</u></b>					
Number of mobile details	70	83	69	62	100
Vehicles at mobile units	24,361	19,159	8,246	10,434	11,066
Vehicles document checked	21,686	14,524	6,089	6,041	6,491
Vehicles weighed	20,667	14,616	5,455	6,652	8,234
% of over weight/size vehicles	3.3%	7.3%	9.4%	5.0%	4.9%
Revenue collected	NA	\$201,300	\$133,200	\$59,400	\$142,100
Operating budget expenditures	\$276,700	\$289,400	\$152,700	\$103,200	\$103,000
Revenue collected/\$1 expended	NA	\$0.70	\$0.87	\$0.58	\$1.38
Cost/vehicle processed	\$12.76	\$19.80	\$25.08	\$15.51	\$12.51



# Arizona Department of Transportation

## Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janet Napolitano  
Governor

Victor M. Mendez  
Director

David P. Jankofsky  
Deputy Director

December 6, 2005

Ms. Monica Seymour, Deputy Director  
Governor's Office of Strategic Planning and Budgeting  
1700 West Washington, Suite 500  
Phoenix, AZ 85007

Mr. Stefan Shepherd, Assistant Director  
Joint Legislative Budget Committee  
1716 West Adams  
Phoenix AZ 85007



Dear Ms. Seymour and Mr. Shepherd:

The following is in response to the OSPB and JLBC recommendations contained in the final Strategic Program Area Review/Ports-of-Entry that accompanied your letter of November 29, 2005. We appreciate the opportunity to respond.

### Response to OSPB Recommendations:

**OSPB Recommendation #1:** *"The interagency agreements covering the collaborative efforts and joint operations between ADOT, DPS, and ADA should be continued. This will allow these agencies to further share resources while retaining their specialized enforcement roles and ensure the program's effectiveness. The program should also step up its statewide efforts to extend operational coverage at the ports and use weigh-in-motion mainline screening systems. These efforts will enable port clearance of safe and compliant carriers, improve customer service and reduce personnel resources at the fixed POE."*

**Agency Response:** ADOT agrees with the recommendation. In addition to our current agency partnerships with ADA and DPS, we all partner and share resources with other state and federal agencies, including: the Arizona Radiation Regulatory Agency, Arizona Department of Weights and Measures, Federal Motor Carrier Safety Administration (FMCSA), United States Border Protection, United States Customs and other local government entities. These added partners allow our agencies to better achieve agency specific goals and improve our program enforcement effectiveness without added personnel resources.

ADOT also agrees with the recommendation to step-up its statewide efforts to extend operational coverage at the ports and use weigh-in-motion mainline



2001 Award Recipient

B - 13

Ms. Monica Seymour  
Mr. Stefan Shepherd  
December 6, 2005  
Page Two

screening systems. The use of technology is important to improve the program's overall effectiveness by reducing the number of trucks that the port staff would otherwise have to manually screen for mandated documents and safety compliance. Furthering the implementation of innovative technology applications will require initial resource investment in order to foster efficiencies, increase productivity and enable the program to increase its processing capacity.

**OSPB Recommendation #2:** *"The mobile inspection levels should be increased to complement the existing fixed POE network and to ensure a rigorous enforcement system. To meet state and federal expectations in preserving the highway infrastructure, the program should include an effective combination of fixed ports and mobile unity enforcement. There is presently a potential risk of losing substantial revenues, as motor carrier traveling within the State will likely to go unchecked and receipts uncollected."*

*"It remains important for MVD and ADA in particular, to continue to sustain vigilant enforcement efforts at the fixed ports of entry. These inspection systems are primarily designed to ensure compliance with Arizona entry requirements at the borders and to safeguard the agricultural industries and protect the enforcement by preventing non-compliant cargos from entering the state in the first place."*

*"The agencies should also jointly examine efficient ways to further realign POE structure and direct additional resources toward mobile enforcement operations to enhance interior inspections and detection."*

**Agency Response:** ADOT agrees with the recommendations. However, budgetary constraints and personnel shortages have prevented MVD from achieving this objective. Consequently, realigning resources to mobile enforcement can only happen by reducing fixed port coverage. Therefore, additional resources are critical for a successful mobile and fixed enforcement program.

ADOT is not the only agency in need of additional resources to implement a more comprehensive mobile enforcement program. In 2000, ADA and MVD developed plans to expand joint agency operations at other fixed ports and actively participate with DPS and MVD in intrastate mobile enforcement operations. During that same year, ADA advised MVD that due to the agency's budgetary constraints they were unable to expand their port presence and did not have the resources available to participate in mobile enforcement operations. More recently, ADA advised MVD that they have experienced additional budgetary reductions, which further prevents the agencies' ability to enhance.

Ms. Monica Seymour  
Mr. Stefan Shepherd  
December 6, 2005  
Page Three

joint agency interior inspections. However, to the extent possible, MVD will continue to assist ADA in the screening of agricultural carriers.

**OSPB Recommendation #3:** *"The program should step up its automation efforts and invest in innovative methods and proven infrastructure technologies to improve processing efficiencies."*

**Agency Response:** ADOT agrees with the recommendation. MVD has entered into a partnership with Help Inc. and currently utilizes PrePass™, as Arizona's electronic pre-clearance system, at seven of the major interstate ports. This electronic clearance technology has vastly improved processing efficiencies without compromising regulatory compliance or public safety.

Research is being conducted regarding the feasibility of adding other pre-clearance systems, such as *Norpass* or *Green Light* at these facilities to increase the electronic pre-clearance process, which will direct more resources to those carriers with unknown safety records.

Additional technologies added to commercial vehicle screening efforts include the Operational Roadside Computer Systems (ROCS). This system, included in Arizona's CVISN project, will make available to the POE personnel delinquent tax account information. This system will provide our employees information regarding delinquent accounts owed by specific carriers.

In 2001, ADA developed a digital imaging system at the laboratory coupled with digital imaging photography at the ports with ADA presence. This technology allows digital photo imaging of certain organisms at the inspection sites to be electronically transmitted to the laboratory for analysis. The inspectors can then obtain the real-time results from the laboratory as a result of upgrading the technology to digital imaging.

Furthering the implementation of innovative technology applications will require initial resource investment in order to foster efficiencies, increase productivity and enable the program to increase its processing capacity.

**OSPB Recommendation #4:** *"DPS should, in collaboration with MVD, examine options to establish safety inspection coverage at all international ports to strengthen its enforcement activities."*

**Agency Response:** ADOT defers to DPS for an answer to this recommendation. However, MVD takes every opportunity to collaborate with DPS. As an example, MVD has entered into a partnership with the Federal Motor Carrier Safety Administration (FMCSA), which requires MVD to take a leadership role in all aspects of international traffic associated with the NAFTA

Ms. Monica Seymour  
Mr. Stefan Shepherd  
December 6, 2005  
Page Four

implementation. MVD, DPS and FMCSA entered into a mutual assistance agreement to enhance safety inspection operations along the international border. FMCSA provides ADOT an annual grant of \$1.4 million dollars to fund enforcement activities. With the present volume, and future increases in commercial traffic, and the full implementation of NAFTA expected at these international facilities and in the border zone in general, it is imperative that the present staffing levels be maintained by MVD to meet the production levels expected.

The Motor Vehicle Division Enforcement Services Program is also pursuing multiple improvement projects to improve and increase the capacity to screen international traffic for safety issues at or near the border area and we look for ways to utilize the DPS capability in those screening efforts.

**Response to JLBC Recommendations:**

**JLBC Findings and Recommendations #1:** *"Fill existing positions before requesting more staff. If requesting more staff, provide an analysis of how additional revenues would offset additional costs."*

**Agency Response:** ADOT has had tremendous difficulties in filling positions at the ports. The reasons include:

- o Finding staff with a willingness to work in rural and remote areas of the state
- o Finding staff willing to work a variety of shifts to provide 24-hour port coverage, or work rotating shifts at non-24-hour ports.
- o Most significantly, we have difficulty attracting candidates who can pass the required background checks.
- o Even after we successfully qualify, hire and train officers, ADOT continues to lose staff to other, higher-paying law enforcement agencies. Retention is an additional issue with these positions.

**JLBC Recommendation #2:** *"Formalize written IGAs with ADA to ensure interagency cooperation. Co-write a 5-year ports plan with DPS and ADA and update it annually."*

**Agency Response:** ADOT generally agrees with the recommendation as long as the differing missions of the agencies are recognized. In fact, ADOT has been at the vanguard of proposing cross training and has taken on several duties, such as checking agricultural manifests and applying the proper documentation as trucks proceed through the ports on behalf of ADA and vehicle safety inspections on behalf of DPS.

Ms. Monica Seymour  
Mr. Stefan Shepherd  
December 6, 2005  
Page Five

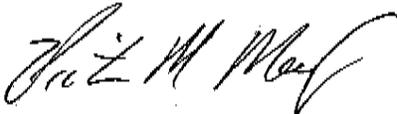
Regardless, ADOT will continue to work with its sister agencies to foster continued cooperation between all users at the ports. To that end, ADOT commits to being a fully integrated partner in any joint effort to develop plans as suggested in the recommendation.

**JLBC Finding #3:** *"ADOT's collection of performance measurement data has improved since the 2000 POE SPAR."*

**Agency Response:** ADOT appreciates the recognition for all the hard work MVD has put into its performance measures and continues to strive for ways to identify and report meaningful and reliable data.

We look forward to the final SPAR report. If you have any questions please direct them to Terry Trost, (602) 712-8981.

Sincerely,



Victor Mendez, Director

VM/ng

JANET NAPOLITANO  
Governor



DONALD BUTLER  
Director

# Arizona Department of Agriculture

1688 W. Adams Street, Phoenix, Arizona 85007  
(602) 542-4373 FAX (602) 542-5420

December 8, 2005



Richard Stavneak, Director  
Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, Arizona 85007

Gary Yaquinto, Director  
Governor's Office of Strategic Planning and Budgeting  
1700 West Washington, Suite 500  
Phoenix, Arizona 85007

Dear Mr. Stavneak and Mr. Yaquinto:

Thank you for the opportunity to share with you the Arizona Department of Agriculture's (ADA) response to the findings and recommendations of the Strategic Program Area Review (SPAR) for the Ports of Entry.

As the SPAR report explains, the ADA is mandated to cooperate with the Arizona Department of Transportation (ADOT) at Arizona's borders to intercept plant pests, weeds and plant and livestock diseases. In large part, due to the ADA's presence at the ports, Arizona's economy benefits from producers' ability to ship agricultural goods and products from one of the only federally pest-free states in the country. From farmers to ranchers, landscape contractors to nurseries, as well as the general public, the ADA is assuring the State's numerous interests are protected from plant and animal pests and diseases.

We generally support the findings and recommendations of the SPAR, and have the following comments with regard to its content.

First, the ADA fully supports the recommendation that it work with ADOT and the Department of Public Safety (DPS) to co-write a strategic plan for the ports to facilitate communication, and upon publication of the SPAR, the ADA will participate in its development with ADOT and DPS.

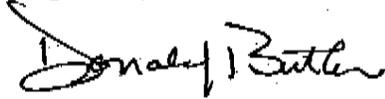
Arizona Department of Agriculture  
Strategic Program Area Review Response  
December 8, 2005  
Page 2

Second, as a state-wide program with only 41 authorized FTEs (10 FTEs are funded through contract with CDFA), the ADA has worked diligently to find innovative and cost-effective means to continue to operate at the ports of entry. As noted in Appendix B, only two of the four major interstate ports of entry are staffed by the ADA seven days a week, twenty-four hours a day (24/7) due to funding. The contract with CDFA is the only means of support to continue with 24/7 operations at the two eastern, interstate ports of entry, and this funding mechanism has proven tenacious.

However, if there are further efficiencies to be gained to the benefit of Arizona agriculture and the public, without compromising the quality of services provided by the ADA, we will work with our sister agencies to see them implemented.

We look forward to the publication of the Ports of Entry SPAR. If you have any questions or concerns about the ADA response, please contact G. John Caravetta, Associate Director, at (602) 542-0996.

Respectfully,



Donald Butler  
Director

DB/jc/lh

# ARIZONA DEPARTMENT OF PUBLIC SAFETY

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



JANET NAPOLITANO  
GOVERNOR

ROGER VANDERPOOL  
DIRECTOR

December 9, 2005

Mr. Gary Yaquinto, Director  
Governor's Office of Strategic Planning and Budgeting  
1700 West Washington, Suite 500  
Phoenix, AZ 85007

Mr. Richard Stavneak, Director  
Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, AZ 85007

Dear Messrs. Yaquinto and Stavneak:

This responds to your November 29, 2005 letter regarding the Ports-of-Entry SPAR.

DPS is in general agreement with the facts of the report. Below are our comments regarding two recommendations.

OSPB Finding 4, Recommendation 4, Page 7

*DPS should, in collaboration with MVD, examine reasonable options to establish practical safety inspection coverage at all international ports to strengthen its enforcement activities.*

**Comments:** DPS evaluates its operations along the border on an ongoing basis. We have determined that – at the present time – we do not need a full-time presence at the smaller ports-of-entry. This is based on the following:

1. Incoming traffic counts at the smaller ports are low. In fact, traffic decreased at some ports. The following chart is a comparison of annual incoming traffic in 1994 (the year of the proposed NAFTA border opening) and 2003. The information is derived from the US Department of Transportation.

Port-of-Entry	1994	2003
Nogales	191,902	243,365
Douglas	37,140	26,122
Lukeville	2,498	821
Naco	5,240	3,643
Sasabe	1,230	1,324
San Luis	44,472	37,975

SPAR

December 9, 2005

Page 2 of 3

2. The Federal Motor Carrier Safety Administration (FMCSA) has officers stationed at the smaller ports. These officers conduct inspections full-time.
3. MVD personnel at these ports are trained to conduct motor carrier inspections. In fact, MVD recently received a renewal of their NAFTA grant from the FMCSA to pay for MVD personnel at these ports.
4. DPS has a schedule established for 80-hour inspection classes in response to MVD's request for more training of international port personnel. This is a requirement of the grant noted in 3. above.
5. Safety inspections generally last 30 minutes. The existing federal and MVD personnel can easily handle the traffic at the smaller ports.
6. It is also very important to recognize that the traffic counts above include repeated trips by the same vehicles and drivers. For example, a truck and driver may cross the border twice or even three times in one day, taking cargo from the border warehouses in Mexico to US warehouses within the commercial zone. Thus, if the vehicle is inspected once, it does not need to be reinspected again that day.

Furthermore, vehicles which meet certain strict safety criteria, receive a decal which is effective for 3 months – essentially enabling the truck to cross and re-cross for 3 months without reinspection during that 3-month period. This reduces the number of trucks to be inspected even further.

Thus, while the truck crossing numbers are correct, in reality, they do not reflect the count of vehicles that need to be inspected. That number is much lower than the actual traffic count.

7. Traffic is seasonal. During the winter produce season, traffic tends to be heavy, while there is only a trickle of incoming traffic during the late spring to early fall. The traffic during the "produce season" can be 45% higher than the average daily count for the year.
8. DPS has conducted train-the-trainer classes in Mexico to certify Mexican federal officers as trainers to train their own people in conducting safety. This means that trucks will be inspected before they cross the border, thereby reducing the need for inspection again on the US side.

DPS takes this information into account when assessing our need to be present at all international ports. While we maintain a daily presence at the Nogales port, DPS believes that its officers' time is better spent patrolling the roads near the smaller ports as opposed to being stationed full-

SPAR

December 9, 2005

Page 3 of 3

time in these locations. Officers are always available for MVD and federal personnel should their assistance be requested.

We will continue to work with MVD to assess safety inspection needs at the International Ports and take into account traffic changes that may occur over time.

JLBC Recommendation 2, Page 8

*.....ADOT, ADA and DPS should co-write a 5-Year Strategic Plan for the ports and annually jointly update the plan to help facilitate communication.*

**Comments:** Even though DPS' presence at the ports-of-entry is minimal, we would be happy to participate in a strategic planning program. However, since the ports are the responsibility of MVD, we believe that MVD should lead the process.

If you have questions, please contact Major Deston Coleman at 602-223-2789.

Sincerely,

*Roger Vanderpool*, Chief, Agency Support Division

Roger Vanderpool  
Director

## UNIVERSITY FINANCIAL ASSISTANCE Joint SPAR Report

### Program Background

**Program Description** – Financial assistance for students of the Arizona University System is administered through the individual offices of each university: The Arizona State University (ASU) Student Financial Assistance Office (SFAO); the Northern Arizona University (NAU) Office of Student Financial Aid (OSFA); and the University of Arizona (UA) OSFA. The Arizona Board of Regents (ABOR), the constitutional governing body over the state universities, administers the distributions of certain state financial aid programs. Furthermore, the Commission for Postsecondary Education administers 1 financial aid partnership relevant to the state universities. While the Arizona Community Colleges and private post-secondary institutions also distribute financial assistance, they are outside the scope of this study.

Title IV of the Federal Higher Education Act of 1965, as amended (Title IV), establishes student assistance programs including Federal Pell Grants, Federal Supplemental Educational Opportunity Grants, Federal Work-Study, Federal Perkins Loans, Federal Family Education Loans, Federal Direct Student Loans, and the Leveraging Educational Assistance Partnership. The United States Department of Education, through Title 34 of the Code of Federal Regulations §§ 668.14 to 668.16, requires legally-authorized, accredited, postsecondary educational institutions to meet certain criteria in order to participate in federal financial aid programs, including staffing and funding minimums. Among other requirements, the universities cannot charge students for financial aid services, must comply with civil rights and privacy regulations, must practice sound fiscal policies, and must have good credit and a drug prevention program. Each university signs a Program Participation Agreement with the federal Education Department acceding to these conditions.

On the state level, Article 11, Section 6 of the Arizona Constitution directs ABOR that “instruction furnished shall be as nearly free as possible.” In 1935, the Arizona Supreme Court held, as cited by the Office of the Arizona Attorney General, “that a state university does not violate the constitutional requirement when it imposes fees that are neither excessive nor unreasonable.” The Attorney General further opined that the nature of this inquiry is factual, not legal, leaving ABOR with broad responsibility for tuition setting.

A.R.S. § 15-1642 authorizes ABOR to collect financial aid tuition surcharges from university students in the Arizona Financial Aid Trust (AFAT). The AFAT fee is 1% of the full-time resident undergraduate tuition rate, or around \$42 in FY 2006. All students pay roughly the same fee, except part-time students, who pay half the regular fee. AFAT also receives legislative appropriations. AFAT retains half of all annual receipts as a permanent financial aid endowment. ABOR distributes the remaining monies, in proportion to each university’s respective contribution, to provide immediate assistance to students with need or to minority in-state students.

Additionally, A.R.S. § 15-1646 requires the state universities to fairly and equitably distribute merit-based scholarships to qualified state students, regardless of their method of primary or

secondary education. A.R.S. § 15-1641 creates the non-appropriated Collegiate Special Plate Fund under ABOR. Pursuant to statute, the board directs donations for special license plates towards academic scholarships. Furthermore, financial aid is one of the tools the universities use in accordance with A.R.S. § 15-1639, to recruit and retain economically disadvantaged, minority, and underrepresented student populations.

At the institutional level, ABOR believes it can use tuition increases to fund additional gift aid for the neediest students. Therefore, ABOR Policy 4-104 A.2, amended in FY 2004, now states:

Total mandatory undergraduate resident student tuition and fees shall not exceed the amount required to maintain a position at the top of the lower one-third of rates set by all other states for undergraduate resident tuition and mandatory fees at the senior public universities. It is the intention of the Board to reach the top of the lowest one-third (the 34th position) and maintain that position for the foreseeable future.

Meanwhile, ABOR and the universities now annually adjust nonresident tuition. Each university has its own methodology for making this determination.

ABOR Policy 4-300 B.3 requires the universities to award at least 50% of undergraduate resident aid based on need and at least 30% based on merit. These percentages can overlap. ABOR Policy 4-309 sets aside 14% of the full-time resident undergraduate tuition rate from each student for need-based financial assistance.

Under these regulations, the university student financial aid offices administer federal, state, local, and private funds, working to maximize the number of eligible students financially able to matriculate and graduate. These offices focus on economically disadvantaged, minority, and other underrepresented students. The offices provide outreach to potential applicants and advising to existing students for all types of financial aid.

The university student financial aid offices handle receipt, authorize disbursement, and account for most financial aid monies, including some third-party monies. These offices also monitor other student social benefits and financial assistance, including veterans', employee, economic security, and Native American benefits. The university financial aid offices establish consortium agreements when students attend more than 1 school simultaneously, to ensure that students receive the correct amount of aid.

**Program Process** – The student financial assistance process begins with the student completing an application, usually 6 months or more prior to beginning classes. The state universities require all students who desire consideration for need-based financial assistance to complete the Free Application for Federal Student Aid (FAFSA). The FAFSA collects information on family size, age of family members, likely family college attendees, taxable and nontaxable income, social and veterans' benefits, bank accounts, businesses, and investments. Financial aid offices also check for special circumstances, such as unusual medical expenses or unemployment. The information a student must include is contingent upon his dependency status. The federal government classifies a student as independent if he is enrolling in a graduate program, is married, is caring for dependents, is an orphan, is a veteran, or is over 23 years old. The

government also permits a university’s financial aid administrator to classify a student as independent in special circumstances, with documentation. If none of these conditions applies, the student is a dependent. Dependent students must report information for themselves and their parents. Independent students must report on themselves and their spouses, if applicable.

With the provided data, the U.S. Education Department calculates an Expected Family Contribution (EFC) according to the formulas in Title IV and sends that information to the universities of the student’s choice. The EFC measures financial strength and ability to pay. The federal Education Department and universities use EFC to determine each student’s eligibility for various aid programs.

Meanwhile, each financial aid office annually determines students’ total cost of attendance, including tuition and estimates of room, board, books, travel, and miscellaneous expenses. Since each of these components varies based on student level, residency status, and living arrangements, total cost of attendance differs among students even at the same university.

The federal Education Department defines a student’s “demonstrated need” as her total cost of attendance minus her Expected Family Contribution. The university financial aid offices strive to cover this amount with a variety of student assistance. The offices send a proposed financial aid package to each accepted student in the spring preceding the start of classes.

The EFC formulas are complex, incorporating many variables. Nevertheless, *Table 1* summarizes information provided by the state universities on the general correlation between EFC and relevant family income. According to ASU, the mean household income of resident undergraduates with an EFC of \$0 was \$11,500 in FY 2004, while that for resident undergraduates with an EFC above \$16,000 was \$129,800.

<b>Table 1</b>				
<b>Expected Family Contribution</b>				
<b>FY 2004 Comparison to Mean Taxable Family Income <sup>1/2/3/</sup></b>				
<u>EFC Range (\$)</u>	<u>Undergraduate</u>		<u>Graduate</u>	
	<u>Resident Household Income</u>	<u>Non-Resident Household Income</u>	<u>Resident Household Income</u>	<u>Non-Resident Household Income</u>
0	\$ 11,500	\$ 12,300	\$ 9,100	\$ 5,700
1-4000	22,500	26,100	17,200	9,900
4,001-8,000	46,000	57,700	32,600	22,700
8,001-12,000	64,300	79,200	43,700	32,300
12,001-16,000	82,300	93,600	56,700	40,000
> 16,000	129,800	144,400	90,300	70,200

<sup>1/</sup> Means derive from statistics of those students who applied for aid.  
<sup>2/</sup> Taxable family income includes student's income plus father's, mother's, and spouse's income, where applicable.  
<sup>3/</sup> This table reflects statistics provided by ASU. EFC-to-income comparisons vary somewhat between the universities due to demographic differences.

**Program Benefits: Federal** –*Table 2* summarizes available federal grants, while *Table 3* lists available federal self-help benefits. All amounts represent FY 2005 levels.

<b>Table 2</b>	
<b>Federal Education Grants</b>	
<u>Benefit</u>	<u>Description</u>
Federal Pell Grant	An entitlement for the most underprivileged undergraduates; eligible students with an EFC less than \$3,850 receive awards ranging from \$400 to \$4,050; students receive the entire amount for which they qualify.
Federal Supplemental Educational Opportunity Grant (FSEOG)	A need-based undergraduate grant, ranging from \$100 to \$4,000.
Leveraging Educational Assistance Partnership (LEAP)	A federal, state, and institutional partnership, administered by the Commission for Postsecondary Education, that provides need-based grants to students attending on at least a half-time basis.
Robert C. Byrd Honors Scholarship	A federal merit award, available for up to the first 4 years of postsecondary education, averaging \$1,500.
Montgomery GI Bill	A monthly benefit of up to \$1,000 per month, up to 36 months, of postsecondary education or training tuition assistance, for active duty veterans and up to \$300 per month for reserve veterans; in most cases, expires after 10 years following honorable discharge; exact amounts depend upon length of service, military role, and incentives received; GI Bill predecessor benefits still apply to certain older veterans.
Survivors' and Dependents' Educational Assistance Program	A monthly benefit of up to \$800 per month, up to 45 months, of postsecondary education or training tuition assistance, for spouses and children of fallen, permanently disabled, missing, or detained servicemembers; various time limits apply.

<b>Table 3</b>	
<b>Federal Education Self-Help</b>	
<u>Benefit</u>	<u>Description</u>
Federal Perkins Loan	University-managed 5% fixed-interest need-based loans; annual cap of \$4,000 for undergraduates and \$6,000 for graduates; total cap of \$20,000 for undergraduates and \$40,000 for graduates.
Stafford Loan	Variable rate loans for at-least-half-time students; can be managed either by a third-party (Federal Family Education Loans [FFEL]) or directly by the federal government (Direct); no interest may accrue while the student is in school (subsidized) or interest may constantly accrue (unsubsidized); subsidized loans are need-based and range annually from \$2,625 to \$8,500; unsubsidized loans can cover remaining need and EFC up to \$18,500; total undergraduate cap of \$46,000, of which \$23,000 can be subsidized, and graduate cap of \$138,500, of which no more than \$65,500 may be subsidized.
PLUS Loan	Variable rate loans for the parents of at-least-half-time students; can be managed either by a third party (FFEL) or directly by the federal government (Direct); capped by remaining student need and EFC.
Federal Work-Study	Federally sponsored jobs for undergraduate and graduate students; the U.S. Education Department subsidizes around 75% of student salary; unlike other student income, is not included in calculations of future financial aid packages and does not increase EFC.

**Program Benefits: Institutional** – Each university offers a range of financial benefits, including merit scholarships, tuition waivers for merit or other special achievement, and work-study. Partial funding for these awards derives from the Regents’ Financial Aid Set-Aside from ABOR Policy 4-309, briefly described above.

**Program Benefits: Tax Incentives** – A tax credit is a dollar for dollar reduction in amounts owed to the government. A nonrefundable tax credit can reduce tax liability, but will not be returned to the taxpayer as cash. A deduction reduces the amount of a taxpayer’s income subject to taxation. Since all the following tax incentives have income caps, these incentives do not benefit families with higher incomes.

*Table 4* lists education-related tax incentives, which are mutually exclusive, except that both deductions can be taken simultaneously. Additionally, because these tax incentives decrease a family’s tax payments and increase the family’s available income, EFC calculations for the following year of financial aid will partially offset the benefits explained in *Table 4*.

<b>Table 4</b>	
<b>Education-Related Tax Incentives</b>	
<u>Incentive</u>	<u>Description</u>
Hope Tax Credit	A nonrefundable federal tax credit of up to \$1,500 (the first \$1,000 of tuition and mandatory fees plus 50% of the next \$1,000) per eligible student; only at-least-half-time undergraduate students in their first 2 years of degree pursuit are eligible; households with earnings greater than \$42,000 are subject to a lower maximum and households with income higher than \$52,000 are not eligible.
Lifetime Learning Tax Credit	A federal tax credit of up to \$2,000 (20% of the first \$10,000 of tuition and mandatory fees) per return for virtually any postsecondary education or training; households with earnings greater than \$42,000 are subject to a lower maximum and households with income higher than \$52,000 are not eligible.
Student Loan Interest Deduction	A federal income adjustment of up to \$2,500; households with earnings greater than \$50,000 are subject to a lower maximum and households with income higher than \$65,000 are not eligible; includes capitalized and voluntary interest payments, as well as interest payments on consolidated student loans.
Tuition and Fees Deduction	A federal income adjustment of up to \$4,000 for households with earnings less than \$65,000 or \$2,000 for households with earnings between \$65,000 and \$80,000; households with earnings greater than \$80,000 are not eligible.
State Tax Benefits	State tax calculations begin with Federal Adjusted Gross Income; an individual taking 1 or both of the deductions above would also benefit from those adjustments in state tax calculations.

**Program Funding** – ASU SFAO occupies a main office in Tempe, with supplemental staff residing at the east and west campuses in Mesa and Phoenix, respectively. The main office of NAU OSFA resides on the Flagstaff campus, with satellite offices in Phoenix and Tucson. UA OSFA is located entirely in Tucson.

*Table 5* shows the FTE Positions, equipment purchases, and budgets of the financial aid offices themselves during FY 2003 and FY 2004. Collectively, the university financial aid offices staffed 117 FTE Positions. The universities spent \$4.9 million on financial aid office operations

in FY 2003, including \$27,000 for equipment, and \$5.3 million on operations in FY 2004, including \$57,000 for equipment. The largest source of funding for each financial aid office is General Fund appropriations.

**Table 5**

**Arizona University System  
FY 2003 - FY 2004 Financial Aid Office Budgets**

	<u>ASU</u>		<u>NAU</u>		<u>UA</u>		<u>Totals</u>	
	<u>FY 2003</u>	<u>FY 2004</u>						
<i>FTE Positions</i>								
General	36.8	35.8	16.5	20.5	32.9	30.3	86.2	86.6
Other Appropriated	0	0	4.9	5.4	0	0	4.9	5.4
Non-Appropriated	11.1	11.4	0	0	0	0	11.1	11.4
Federal	<u>0</u>	<u>0</u>	<u>2.6</u>	<u>2.9</u>	<u>12.8</u>	<u>11.0</u>	<u>15.4</u>	<u>13.9</u>
<b>Total FTE Positions</b>	47.9	47.2	24.0	28.8	45.7	41.3	117.6	117.3
<i>Equipment</i>								
	\$10,000	\$25,100	\$7,500	\$14,500	\$9,900	\$16,900	\$27,400	\$56,500
<i>Funding</i>								
General	\$1,297,600	\$1,276,000	\$ 734,900	\$ 931,300	\$1,395,700	\$1,514,400	\$3,428,200	\$3,721,700
Other Appropriated	0	0	253,800	266,800	0	0	253,800	266,800
Non-Appropriated	467,500	529,800	0	0	0	0	467,500	529,800
Federal	<u>245,300</u>	<u>246,800</u>	<u>136,700</u>	<u>143,700</u>	<u>355,100</u>	<u>375,700</u>	<u>737,100</u>	<u>766,200</u>
<b>Total Funding</b>	\$2,010,400	\$2,052,600	\$1,125,400	\$1,341,800	\$1,750,800	\$1,890,100	\$4,886,600	\$5,284,500

Table 6 displays the funding sources for financial aid programs by university during FY 2003 and FY 2004. Overall university financial aid increased from \$713.8 million in FY 2003 to \$806.7 million in FY 2004. Of this amount, university institutional aid increased \$49.8 million, to \$284.6 million in FY 2004.

Meanwhile, Table 7 illustrates the distribution of those same financial aid monies by student type and university during FY 2003 and FY 2004. Grants to resident undergraduate students increased \$44.4 million to \$175.3 million, while loans to the same group increased \$13.0 million to \$185.3 million. In the same period, grants to resident graduates increased \$5.2 million to \$19.7 million, while loans to the same group increased \$16.7 million to \$87.7 million. The universities themselves provided for most of the growth in grants.

**Table 6**

**Arizona University System  
FY 2003 - FY 2004 Financial Aid by Funding Source (thousands)**

	<u>ASU</u>		<u>NAU</u>		<u>UA</u>		<u>Totals</u>	
	<u>FY 2003</u>	<u>FY 2004</u>						
<i>Federal Aid</i>								
Federal Grants	\$ 28,942.4	\$ 33,406.9	\$13,686.0	\$14,349.0	\$ 22,974.8	\$ 19,087.6	\$ 65,603.2	\$ 66,843.5
Federal Loans	183,348.8	189,422.8	57,324.2	70,388.0	103,535.8	109,536.3	344,208.8	369,347.1
Federal Employment <sup>1/</sup>	<u>2,136.3</u>	<u>2,077.5</u>	<u>1,097.6</u>	<u>897.3</u>	<u>2,911.2</u>	<u>2,409.0</u>	<u>6,145.0</u>	<u>5,383.9</u>
<i>Federal Subtotal</i>	\$214,427.5	\$224,907.1	\$72,107.8	\$85,634.3	\$129,421.7	\$131,032.9	\$415,957.0	\$441,574.5
<i>State Aid</i>								
State Grants	\$441.7	\$456.6	\$198.3	\$193.1	\$469.9	\$318.9	\$1,109.9	\$ 968.7
State Loans	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>295.3</u>	<u>203.4</u>	<u>295.3</u>	<u>203.4</u>
<i>State Subtotal</i>	\$441.7	\$456.6	\$198.3	\$193.1	\$765.2	\$522.3	\$1,405.3	\$1,172.1
<i>Institutional Aid</i>								
Institutional Grants	\$ 42,619.8	\$68,904.3	\$19,397.8	\$24,300.7	\$ 39,295.2	\$59,510.8	\$101,312.8	\$152,715.8
Institutional Loans	0.0	0.0	76.5	0.0	27.7	0.0	104.2	0.0
Institutional Employment <sup>1/</sup>	<u>58,757.7</u>	<u>59,163.4</u>	<u>13,836.4</u>	<u>13,064.5</u>	<u>60,712.5</u>	<u>59,619.7</u>	<u>133,306.5</u>	<u>131,847.6</u>
<i>Institutional Subtotal</i>	\$101,377.5	\$128,067.7	\$33,310.6	\$37,365.3	\$100,035.4	\$119,130.5	\$234,723.5	\$284,563.4
<i>Private Aid</i>								
Private Grants	\$19,430.9	\$19,714.7	\$5,078.9	\$5,442.0	\$20,385.1	\$31,281.5	\$44,895.0	\$56,438.1
Private Loans	<u>10,177.2</u>	<u>12,863.0</u>	<u>1,470.0</u>	<u>1,858.7</u>	<u>5,209.2</u>	<u>8,193.3</u>	<u>16,856.3</u>	<u>22,915.0</u>
<i>Private Subtotal</i>	\$29,608.1	\$32,577.7	\$6,548.9	\$7,300.7	\$25,594.3	\$39,474.8	\$61,751.3	\$79,353.1
<b>Total</b>	<b>\$345,854.9</b>	<b>\$386,009.2</b>	<b>\$112,165.6</b>	<b>\$130,493.4</b>	<b>\$255,816.7</b>	<b>\$290,160.5</b>	<b>\$713,837.1</b>	<b>\$806,663.1</b>

<sup>1/</sup> The universities included graduate assistantships in their FY 2003 employment statistics, but excluded those positions from their FY 2004 employment statistics. Therefore, JLBC Staff assumed graduate employment amounts remained constant from FY 2003 to FY 2004.

Table 7

**Arizona University System**  
**FY 2003 - FY 2004 Financial Aid Distribution by Student Type (thousands)**

	<u>ASU</u>		<u>NAU</u>		<u>UA</u>		<u>Totals</u>	
	<u>FY 2003</u>	<u>FY 2004</u>						
<i>Grants</i>								
Resident Undergrad	\$58,544.2	\$ 81,993.3	\$27,655.6	\$33,557.1	\$44,689.5	\$ 59,719.1	\$130,889.3	\$175,269.6
Resident Grad	5,043.3	6,118.7	2,172.9	2,377.5	7,289.5	11,229.1	14,505.7	19,725.4
Nonresident Undergrad	21,415.4	28,943.5	7,354.1	6,946.5	16,250.8	19,785.9	45,020.4	55,676.0
Nonresident Grad	<u>6,432.0</u>	<u>5,426.9</u>	<u>1,178.3</u>	<u>1,403.6</u>	<u>14,895.2</u>	<u>19,464.6</u>	<u>22,505.5</u>	<u>26,295.1</u>
<i>Grants Subtotal</i>	\$91,434.9	\$122,482.5	\$38,361.0	\$44,284.8	\$83,125.0	\$110,198.8	\$212,920.9	\$276,966.1
<i>Loans</i>								
Resident Undergrad	\$ 92,793.4	\$101,908.6	\$30,897.4	\$35,399.6	\$ 48,668.7	\$ 48,016.6	\$172,359.5	\$185,324.8
Resident Grad	32,231.6	38,028.3	17,852.6	24,619.6	20,865.3	25,017.1	70,949.5	87,665.0
Nonresident Undergrad	55,751.9	47,818.4	7,054.3	8,435.5	28,811.4	32,060.0	91,617.6	88,313.9
Nonresident Grad	<u>12,749.2</u>	<u>14,530.5</u>	<u>3,066.4</u>	<u>3,792.0</u>	<u>10,722.6</u>	<u>12,839.3</u>	<u>26,538.1</u>	<u>31,161.8</u>
<i>Loans Subtotal</i>	\$193,526.0	\$202,285.8	\$58,870.7	\$72,246.7	\$109,068.0	\$117,933.0	\$361,464.6	\$392,465.5
<i>Employment</i>								
Resident Undergrad	\$11,649.3	\$11,996.7	\$ 7,769.2	\$7,070.5	\$13,833.8	\$12,527.8	\$ 33,252.2	\$31,595.1
Resident Grad <sup>1/</sup>	12,819.5	12,819.5	3,135.1	3,135.1	11,607.8	11,607.8	27,562.4	27,562.4
Nonresident Undergrad	4,411.6	4,411.2	1,538.8	1,265.4	3,661.1	3,372.0	9,611.5	9,048.5
Nonresident Grad <sup>1/</sup>	<u>32,013.5</u>	<u>32,013.5</u>	<u>2,490.9</u>	<u>2,490.9</u>	<u>34,521.0</u>	<u>34,521.0</u>	<u>69,025.4</u>	<u>69,025.4</u>
<i>Employment Subtotal</i>	\$60,893.9	\$61,240.9	\$14,934.0	\$13,961.9	\$63,623.7	\$62,028.7	\$139,451.6	\$137,231.5
<b>Total</b>	<b>\$345,854.9</b>	<b>\$386,009.2</b>	<b>\$112,165.6</b>	<b>\$130,493.4</b>	<b>\$255,816.7</b>	<b>\$290,160.5</b>	<b>\$713,837.1</b>	<b>\$806,663.1</b>

<sup>1/</sup> The universities included graduate assistantships in their FY 2003 employment statistics, but excluded those positions from their FY 2004 employment statistics. Therefore, JLBC Staff assumed graduate employment amounts remained constant from FY 2003 to FY 2004.

### Findings and Recommendations - JLBC Staff

JLBC Staff makes the following findings regarding the Student Financial Assistance program:

**While the total cost of Arizona University System attendance increased by around \$1,200 between FY 2003 and FY 2004 and growth in gift aid mostly covered that amount for low-income students, middle income students received an added \$800 in gift-aid. Nearly 2,000 more low-income students and 3,000 middle-income students had additional net costs above their financial aid packages in FY 2004 compared to FY 2003. Due to changing data collection methodologies between the 2 years, JLBC Staff cannot offer accurate comparisons on how loans reduced student need. Furthermore, the lag of data compilation prevents JLBC Staff from yet conducting the same analysis for FY 2005 or FY 2006.**

For FY 2004, ABOR began significant tuition increases. *Table 8* displays tuition and cost of attendance changes between FY 2003 and FY 2004. Although current tuition information for FY 2005 and FY 2006 exists, detailed financial aid information is not yet available. To allow for

a more meaningful evaluation of financial aid changes in light of tuition adjustments, JLBC Staff chose to focus this study on the FY 2003 to FY 2004 period.

Between FY 2003 and FY 2004, tuition alone increased by at least \$1,000 for every student, a nearly 40% increase for resident undergraduate students. Tuition rate growth accounted for the majority of cost of attendance increases at NAU and UA. However, tuition changes constituted less than half of cost of attendance increases at ASU, where room, board, and book prices inflated 10% between FY 2003 and FY 2004.

**Table 8**

**Arizona University System  
Cost of Attendance (COA) and Tuition by Student Type  
FY 2003 to FY 2004**

<b>Student Type</b> <sup>1/</sup>	<b>FY 2004</b>			<b>FY 2003</b>			<b>FY 2004 - FY 2003 Change</b>		
	<b>ASU</b>	<b>NAU</b>	<b>UA</b>	<b>ASU</b>	<b>NAU</b>	<b>UA</b>	<b>ASU</b>	<b>NAU</b>	<b>UA</b>
<i>Undergraduate</i>									
Resident Tuition	\$ 3,595	\$ 3,593	\$ 3,604	\$ 2,585	\$ 2,585	\$ 2,594	\$1,010	\$1,008	\$1,010
Off-Campus COA <sup>2/</sup>	14,703	13,481	14,494	12,524	12,337	13,264	2,179	1,144	1,230
Commuter COA <sup>2/</sup>	10,528	9,551	9,464	8,729	8,465	8,326	1,799	1,086	1,138
Non-Resident Tuition	12,115	12,113	12,374	11,028	11,105	11,114	1,087	1,008	1,260
Non-Resident COA	23,223	22,001	23,264	20,967	20,857	21,784	2,256	1,144	1,480
<i>Graduate</i>									
Resident Tuition	3,795	3,793	3,854	2,585	2,785	2,594	1,210	1,008	1,260
Resident COA	17,621	16,381	17,184	14,744	15,197	15,372	2,877	1,184	1,812
Non-Resident Tuition	12,315	12,313	12,624	11,028	11,105	11,114	1,287	1,208	1,510
Non-Resident COA	26,141	24,901	25,954	23,187	23,517	23,892	2,954	1,384	2,062

<sup>1/</sup> Assumes undergraduate students are dependent and graduate students are independent. Also assumes students are more likely to live off-campus.

<sup>2/</sup> Off-campus students are those who live in private housing separate from their legal guardians. Commuter students are those who live with their parents or relatives and travel to campus for their classes.

Although this study focuses on the changes between FY 2003 and FY 2004, subsequent tuition increases deserve mention. In FY 2005, although ABOR allowed different tuition rates for each university and each campus, resident student rates overall grew by around \$480, or over 13% of resident undergraduate tuition. In FY 2006, resident undergraduate rates grew around an additional \$350, or 8.5% of resident undergraduate tuition. In FY 2005 and FY 2006, nonresident tuition rates increased by greater amounts than those for residents.

Although total gift aid (grants, scholarships, and waivers) also increased between FY 2003 and FY 2004, the rate of growth was not sufficient to match tuition increases. *Table 9* displays information on resident undergraduate students with additional net costs for those years, including the average gift award they received.

Students have additional net costs, what the federal Education Department terms “unmet need,” when their total financial aid package does not equal the difference between their cost of attendance and the expected family contribution (EFC). Generally, in the Arizona University

System, the EFC of resident families with household incomes up to around \$82,000 may not reach the level of their students' cost of attendance. (Please see Table 1 for a more thorough discussion of EFC.)

**Table 9**

**Arizona University System  
Resident Undergraduate Additional Net Costs  
FY 2003 to FY 2004 <sup>1/</sup>**

	FY 2004				FY 2003				FY 2004 - FY 2003 Change			
	ASU	NAU	UA	All	ASU	NAU	UA	All	ASU	NAU	UA	All
Pell Recipients w/ Need												
Unmet by Gift Aid	8,528	3,405	5,358	17,291	7,436	3,429	4,475	15,340	1,092	-24	883	1,951
Average Gift Award (\$) to												
Pell Students Above	5,868	6,078	5,676	5,850	4,512	5,068	4,419	4,609	1,356	1,010	1,256	1,241
Students with Unmet Need <sup>2/</sup>	14,977	5,598	7,594	28,169	12,635	4,567	6,022	23,224	2,342	1,031	1,572	4,945
Average Gift Award (\$) to												
Students Above	4,262	5,239	4,816	4,606	3,431	4,639	3,798	3,764	831	599	1,018	842

<sup>1/</sup> The format and methodology of the ABOR Student Financial Aid Report changed between FY 2003 and FY 2004. JLBC Staff has made reasonable efforts to assure the comparability of data.

<sup>2/</sup> "Unmet need" here means cost of attendance remaining after applying EFC, gift aid, subsidized loans, and federal work-study awards, but excluding unsubsidized loans, parent loans, other work, and other funding sources.

However, as an estimate, a student's cost of attendance does not necessarily reflect his actual expenses. The calculation may include costs borne by a household under any circumstance. For example, when a student lives at his parents' home, cost of attendance includes an adjustment for his share of living expenses, although his parents previously bore those costs unaided.

Nearly 2,000 additional Pell recipients' costs could not be covered by gift aid and nearly 5,000 additional students (including Pell recipients) had unmet need in FY 2004. Among resident undergraduates, Pell recipients are generally those students whose annual family household income is \$23,000 or less. Average gift awards for Pell recipients grew by \$1,240, roughly equaling the FY 2004 tuition rate changes. Therefore, the number of Pell recipients with additional net costs may have increased due to inflation in other costs of attendance. Average gift awards for all recipients (including Pell recipients) grew by \$840.

To meet the over \$1,000 tuition increase illustrated by Table 8, students had to use more loans and more work than in FY 2003. Unfortunately, due to changing data collection methodologies between the 2 years, JLBC Staff cannot offer accurate comparisons on how loans reduced student need.

Table 9 also suggests that the higher a student's family income, the more fully she must bear the cost of tuition increases. In FY 2004, the average gift award to all university system students with unmet need was \$4,600, while the average award to Pell recipients with unmet need was \$5,900. However, it is possible, as explained above, for resident families with household incomes up to \$82,000 to incur additional net costs.

The universities do not collect information by income level nor EFC. However, the National Center for Education Statistics (NCES) did calculate nationwide average aid packages for FY 2004. For dependent undergraduates, although total aid amounts are similar for all income groups, higher income groups rely further on loans, work-study, and other means of financing, while more gift aid is available to lower income groups.

The universities do not collect information on graduate students with the same detail as on undergraduates. Therefore, JLBC Staff was unable to determine how recent tuition increases have affected affordability for that group. However, NCES reports, on a national level, that graduate students with higher incomes receive smaller aid packages overall than those with lower incomes.

The limited information currently available for FY 2005 suggests the trend of increasing unmet need has continued, although that result varies by campus. Considering the university system as a whole, total unmet need increased \$164, or 3%, in response to 13% tuition rate growth. These increases occurred at NAU and UA, while ASU was able to decrease unmet need for its students by \$195. The average gift award rose \$380, compared to the \$480 tuition increase.

**While additional net costs and student debt levels appear to be rising due to tuition rate growth and other increases, under 50% of undergraduate students graduate with debt.**

An examination of student indebtedness can also contribute to an understanding of the effectiveness of university financial aid policies. *Table 10* illustrates changes in student debt between FY 2003 and FY 2004. These statistics vary widely among the universities. Additionally, the information below does not consider students who planned to enroll, but could not gather the financial means to do so.

Regarding the university system as a whole, the percentage of undergraduate students with debt increased 2.3% as the average amount of debt increased almost \$120. Meanwhile, the debt effect of tuition increases on graduate students was mixed. The percentage of students in debt decreased 3.3%, but the average amount increased by more than \$3,000.

**Table 10**

**Arizona University System  
FY 2003 to FY 2004 Student Indebtedness <sup>1/</sup>**

	FY 2004				FY 2003				FY 2004 - FY 2003 Change			
	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>All</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>All</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>All</u>
Undergraduate Students <sup>2/</sup>												
% with debt	45.2%	49.5%	46.8%	47.2%	44.4%	53.9%	40.9%	44.9%	0.8%	-4.4%	5.9%	2.3%
Average Debt (\$)	17,270	17,901	16,012	17,061	16,954	16,334	17,340	16,943	316	1,567	-1,328	118
Graduate Students <sup>2/</sup>												
% with debt	35.3%	30.0%	43.4%	36.2%	35.7%	45.1%	40.2%	39.5%	-0.4%	-15.1%	3.2%	-3.3%
Average Debt (\$)	33,150	31,904	32,961	32,672	29,858	23,330	36,314	29,638	3,292	8,574	-3,353	3,034

<sup>1/</sup> Indebtedness here means amounts borrowed through any student loan programs, including federal, state, subsidized, unsubsidized, and private programs, but excluding parent loans.

<sup>2/</sup> This table considers resident and non-resident students together.

Overall, a majority of students have not incurred academic debt. Systemwide, 47.2% of all undergraduates owe for their educations. This percentage does not vary substantially among the different universities. Those undergraduates with debt have an average of \$16,000 to \$18,000 in outstanding loans.

Again, these trends continue in the limited available FY 2005 data. Among resident undergraduates, 244 additional students took on debt. The average amount of debt increased by \$181, or 4.6%.

Two other statistics often used to assess the effectiveness of student financial aid packages are debt upon graduation and the alumni default rate for student loans. However, the effect of recent Arizona University System tuition changes will take many years to impact these measures.

**Financial aid packages for undergraduate resident students met 65% of average costs after EFC in FY 2004, while packages for undergraduate nonresident students met 53% of average costs after EFC. The average aid package for nonresident students is larger, due to the higher cost of nonresident tuition.**

*Table 11* compares the FY 2004 financial aid situation for resident and non-resident undergraduates. There are fewer non-residents overall (19,100 compared to 52,400 residents) and a smaller percentage of those students (32% compared to 50% of residents) with demonstrated need. However, the percentages of non-residents awarded any aid and whose needs are fully met are very similar to those for residents. The universities awarded some aid to 98% of resident undergraduates with need and 96% of non-residents with need. Additionally, for 13% of all residents with need and 10% of all non-residents with need, the universities provided sufficient financial aid packages, when combined with EFC, to meet students' total costs of attendance.

	<b>Arizona University System FY 2004 Undergraduate Resident versus Non-Resident Financial Aid</b>							
	<b>Resident</b>				<b>Non-Resident</b>			
	<b>ASU</b>	<b>NAU</b>	<b>UA</b>	<b>All</b>	<b>ASU</b>	<b>NAU</b>	<b>UA</b>	<b>All</b>
Students w/ Need Awarded Aid	12,959	5,058	7,512	25,529	3,220	740	1,931	5,891
as % of students w/ need	100.0%	98.6%	95.5%	98.4%	100.0%	98.9%	89.9%	96.3%
as % of undergraduate enrollment	48.5%	55.9%	45.1%	48.7%	33.9%	37.3%	25.5%	30.9%
Students w/ Need Fully Met As % of Students w/ Need	7.6%	24.6%	12.9%	12.6%	8.0%	21.4%	10.1%	10.4%
Average Need (\$)	12,561	10,695	10,629	11,607	16,109	13,546	14,776	15,327
Average Aid Package to Students w/ Need	7,741	7,822	7,038	7,534	7,960	8,770	7,757	8,162
as % of average need	61.6%	73.1%	66.2%	64.9%	49.4%	64.7%	52.5%	53.3%

The average need of non-resident undergraduate students, at \$15,300, was higher than the need of resident undergraduates, at \$11,600. However, the average aid package to non-residents, at \$8,200, was also higher than the average package for residents, at \$7,500. These award amounts represent 53% of non-resident need and 65% of resident need.

The universities did not provide information allowing a specific comparison of gift aid between the 2 groups. However, in FY 2003, the average debt burden for resident undergraduate students was \$17,200, while the load for non-resident undergraduates was \$15,500. In FY 2004, NAU and UA reported average debt amounts of roughly \$17,000 for both resident and non-resident undergraduate students. At ASU, the average FY 2004 debt burden for resident undergraduates was \$20,000, while the load for non-resident undergraduates was \$16,900.

**At over \$7,500, the average FY 2004 Arizona University System aid package finances more than double the amount of resident undergraduate tuition. Whether a particular package meets a certain student's need depends on a wide variety of possible living arrangements and financial circumstances. Thus far, a lack of university information on aid by income level prevents further analysis.**

For comparison, *Table 8* above displays tuition information, while *Table 11* above shows the average aid package to students with need. However, these broad averages obscure a distribution by income level that provides more total aid, and specifically more gift aid, to lower-income students. (*Please see Table 9.*) Without data at this level of detail, true determinations of unmet need are not possible.

**Federal and state tax incentives partially reduce student need. Future financial aid reports should acknowledge the different incentives available to defray educational costs.**

While federal tax incentives provide families some additional resources to meet higher education expenses, the state universities cannot provide any information on how families use such benefits in practice. Since students with unmet need in the statistics above did continue their university educations, it is likely their families utilized tax incentives to some extent to close this gap. However, JLBC Staff does not have any data on how actual tax benefits compare to unmet needs.

For example, the Hope Tax Credit can provide up to \$1,500 (the first \$1,000 plus 50% of the next \$1,000) per eligible student during the first 2 years of degree pursuit. Meanwhile, the Lifetime Learning Tax Credit offers up to \$2,000 (20% of the first \$10,000) for virtually any postsecondary education or training. These credits apply to households with incomes below \$52,000. Please see *Table 4* above for a more thorough discussion of education-related tax incentives.

The use of tax incentives in a particular year factors into EFC calculations in the subsequent year. While these situations do not result in a dollar-for-dollar increase to EFC, and a corresponding decrease in demonstrated need, JLBC Staff has no specific information on the magnitude of these effects.

**Financial aid data compiled by ABOR and its universities are insufficient for state policy purposes. Especially lacking is information on aid by income level and on graduate students. JLBC Staff recommends that its office and OSPB work with ABOR to expand the current Student Financial Aid Report and to ensure more timely reporting.**

For its FY 2004 Student Financial Aid Report, ABOR adopted the use of the Common Data Set, a nationwide initiative spearheaded by national college ranking organizations to standardize financial aid comparisons among the nation's institutions of higher learning. While this effort is commendable, the resulting report remains inefficient for state policy purposes, especially in its lack of information for graduate students and by income level. Additionally, JLBC Staff believes that financial aid details for the past fiscal year should become available before November of the current year.

JLBC Staff recommends expanding the annual financial aid report. This report should examine students grouped by education level, residency, and income level, addressing average cost of attendance and delineating average aid package components together in order to provide a complete financial picture for defined "sample" students.

#### **Findings and Recommendations - OSPB**

**College affordability can be severely impacted by the lack of investment of State funded financial aid despite rising tuition costs and increased student enrollment.** According to a 2004 report published by the National Association of State Student Grant and Aid Programs (NASSGAP), Arizona is ranked in the bottom five of all of the states in state aid. At the high end, New York provides \$959 million and in the low end, Wyoming allots \$163,000. In Arizona, when the college costs of a 4-year public university could represent up to 46% of a poor family's income (average of \$26,000), and 56% of all student aid is made up of loans; the issue of affordability is crucial. Affordability extends beyond whether there are sufficient monies available, but to the question of whether college costs in relation to income are a psychological barrier, and whether the benefits of one's college education exceed the long-term debt of student loans. For low-income families, total college costs, including room and board, in Arizona (even though tuition in Arizona is one of the lowest in the country) can still be obstacle. Sufficient financial aid acts as a numbing factor, in that, while the total dollar amount is high, the net cost to the family can be managed. When financial aid (non-loans) is insufficient, students of all income levels must rely on debt (either individual or parental debt.) According to a report from the Committee for Economic Development, in 2000, 65% of students earning a bachelor's degree borrowed an average of \$19,300. For students who choose careers that do not have huge future income potential (teaching, social work, etc), the debt associated with their advance degree can be burdensome. Oftentimes, parents themselves do not have sufficient resources or the credit worthiness to enter into debt for their student's college education (they may still be paying their own student loans back).

Arizona students attending the three public universities are eligible for a variety of federal, state, institutional, and private financial aid programs. These programs provide financial aid in the form of grants, loans, and work-study (see table 2 – 3). In addition, there are a number of educational tax incentives (see table 4). These programs are generally prioritized based on

financial need; however, some funding is reserved for donor-specific or academically meritorious students. State funding for financial aid is limited to:

- Arizona Financial Aid Trust (AFAT) – monies collected from tuition surcharges representing 1% of full-time resident student tuition and 0.5% of part-time resident student tuition. Fifty percent of these monies are invested in a permanent financial aid endowment, with the remaining fifty percent to be distributed to needy or minorities. In FY 2006, the State appropriation was equal to \$2.2 million with an estimated program distribution total of \$6.2 million.
- Leveraging Educational Assistance Program (LEAP) – a partnership between the federal and state government and state institutions. LEAP is administered through the Arizona Commission for Postsecondary Education and provides grants to low income students so that they may attend any accredited Arizona postsecondary institution. In FY 2006, the total amount of LEAP monies available in Arizona is estimated at \$3.4 million, with \$1.2 million from the State General Fund.
- Board of Medical Student Loans – provides loans to medical students based on need. These students agree to practice in state’s medically underserved areas one year for each year of support in return for loan forgiveness. Loan funding in FY 2006 is equal to \$296,600 from fees collected from Arizona Medical Board. In addition, beginning in FY 2006, scholarships will be available to students attending either public or private medical schools in their first and second years. These students are then obligated to serve in the State’s medically underserved areas one year for each year of support. In FY 2006, the total appropriation for the scholarship program is equal to \$1.5 million.
- Private Postsecondary Education Student Financial Assistance Program (PFAP) – state monies that provide tuition vouchers for qualified community college graduates who enter private postsecondary educational institutions within Arizona. In FY 2006, the state appropriation is equal to \$170,900.

These three state funding sources represent less than 1% of the financial aid distributions from federal, state, institutional, and private sources. This contribution amounts to approximately \$2 dollars were student as compared to states such as Indiana, where the amount is closer to \$600.

The issue of affordability is impacted by a State’s failure to invest; federal and institutional monies are allocated generally in the same fashion annually. These monies by themselves can sustain only moderately the needs of students (many students have unmet needs). State dollars “fill in the gap” and allow more opportunities for students to attend college at very little present or future cost.

Arizona’s lack of state funding shows a limited commitment to financial aid for Arizona’s universities’ students, particularly those with insufficient financial means. In addition, it puts pressure on institutions to generate aid through tuition set-asides and loans, which are clearly less attractive options. This perspective is shortsighted since the economic benefits to the State are immense; increased tax collections, decreased unemployment, less dependence on public

assistance programs, and more active civic participation. The cost of reaping these benefits should be shared equally among all entities that benefit, including the State.

**Recommendation** - OSPB Staff recommends that the Financial Aid program be retained, with the following provisions:

- Increase financial aid contributions for needy students through existing State programs. In her FY 2006 Executive Budget Recommendation, Governor Napolitano recommended \$2.2 million additional monies for the AFAT program. This proposal would have doubled the State's current investment and brought the total state contribution closer to a \$1 for \$1 match with student contributions.
- Expanded scholarship opportunities through portable financial aid, or monies that follow the student. This allows the student the highest level of accessibility to higher education (not limited to affordability but to academic program and geographical concerns). This extends to any postsecondary institution, whether it is public or private university or community college.
- Create new programs using a workforce development model based on the premise of providing aid as a means of targeting students to enter high demand professions, such as teaching or nursing, using the Board of Medical Schools model of loan forgiveness or scholarships in return for time spent practicing in Arizona's underserved areas. This serves to fill the gap in a broad manner not only in geographic distribution (rural or urban centers), but also to the needs of the overall employment market.
- Evaluate the value of a state sponsored work-study program in collaboration with the business community. The private sector has its difficulties in managing a lagging labor force and can benefit from a partnership with public universities, to recruit students to attain the necessary technical skills to address the needs of the 21<sup>st</sup> century workforce. This partnership can be accomplished through summer employment, corporate sponsorships, loan forgiveness, and or guarantee of a job post graduation.
- Expand on-campus employment opportunities. This benefits universities who have a guaranteed workforce, but provides the student added funds to support the cost of their education (living costs), beyond incurring debt through student loans. Given that transportation is also often an issue for needy students, on-campus employment provides significant incentive. An intangible benefit is the attainment of personal responsibility that can be gained through financial self-sufficiency, and a debt-free post-graduation experience.
- Target new funds to the low to middle income students who fall within the gap where they do not qualify for need based aid, nor are they eligible for merit aid. These students depend in large part on debt, since the pool of donor specific scholarships is modest.

**Financial Aid opportunities can be more effectively used as marketing tools to provide access for underserved, low-income minority populations.** For many of our low-income

minority youth, access to higher education seems to be an insurmountable goal. Beyond the financial and academic considerations, many of our minority youth are first generation immigrants and the first in their families to attend college. For many students, the act of applying to college and completing the Free Application for Student Aid (FASFA) form for financial aid is daunting enough to deter them from the pursuit of a postsecondary education. In the case of public universities, improving access takes form in student outreach programs in partnership with the K-12 system to encourage students to pursue higher education. The act of validation that occurs when information is brought to the student (versus requiring the student to inquire) can provide the introduction necessary for a prospective student to feel connected and remain interested in a postsecondary career track. In many cases, outreach replaces the lack of peer or parental guidance, community resources and inequalities in the K-12 schools (such as qualified teachers or guidance/career counselors).

In general, there are many types of outreach programs: community based; university based; K-12 partnerships, private non-profits; and state sponsored. However, experts agree that students are best reached if the intervention occurs early in their educational career. That is mostly discussed as it related to early education and providing students opportunities to learn. However, the model of early intervention in reaching younger students can be an invaluable tool for ensuring at risk populations access to higher education. The types of activities associated with outreach usually involve academic enrichment, college and career counseling, parental involvement, and orientations to financial resources available to cover higher education costs.

**Recommendation** - OSPB Staff recommends that the Financial Aid program be retained, with the following provisions:

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

**Postsecondary educational institutions struggle to maintain a fair and equitable balance in using limited financial aid resources to attract meritorious students to maintain quality**

**educational standings and making the investments to motivate at risk student populations into higher education.** Promoting access and affordability in higher education continues to be a priority of policymakers across the country. The benefit of a more educated and informed citizenry is priceless; not only from an economic perspective and international competitiveness, but for the overall betterment of the individual as it relates to his/her role in the society. The major concern regarding access centers around perceived gaps in participation and the linkage to socioeconomic status. This apprehension is based on the belief that the contributors to the decision to attend college are linked to “academic preparation, family, peer influences, and socio-cultural factors.” All of which are generally understood to be adversely affected by low socioeconomic status.

As a result, the goal of financial aid in higher education institutions has historically been focused on providing opportunity to those students with the greatest financial need. The reasoning is that college attendance is negatively impacted by cost, or the “financial barrier”, and those students with more economic need are at greater risk of non-participation. Studies have shown that enrollment by low-income students and the cost of tuition have an inverse relationship. Through need-based aid, the “playing field” is equalized to allow for greater affordability for students from less privileged socioeconomic backgrounds. Most federal financial aid programs continue to favor needy students, such as the Pell and the SEOG. It is important to note, however, that despite this focus, many student with low means have unmet financial need and must either borrow and/or work to support the cost of attaining their education.

However, over the last ten years, there has been a shift in attention placed on the use of merit scholarships by public college and universities. Merit based aid is generally awarded for unique talents and achievements in academics, athletics, and the arts. However, there are many bright students who would not have thought to plan for college until they receive notice of possible scholarship opportunities. There are many cited reasons why schools are motivated to increase merit aid opportunities. The first reason is to encourage more high school students to attend higher education institutions. Financial assistance of any type promotes access and merit aid can overlap with need based aid to compensate the “best and the brightest” students with more economic need. Second, the promise of attending college tuition free serves as dramatic incentive to students to strive for academic excellence. Third, merit aid, in large part, can address the issue of “brain drain”, and encourage the most academically proficient students to attend in state. The effect of retaining the State’s most talented individuals preserves potential future research and development opportunities, as well as retention beyond their degree attainment and into the State’s workforce. While studies have not proved conclusively that merit aid serves the overall good since most students who would be eligible for this type of aid are likely to go to college, it is still politically attractive. In addition, when merit aid is attached with some responsibility of service, it is generally well received by the taxpayers.

**Recommendation** - OSPB Staff recommends that the Financial Aid program be retained, with the following provisions:

- Statewide funding strategy adopted by Board of Regents for prioritization of need based and merit based financial assistance.

According to the 2002-2003 Student Financial Aid Report:

- 72% of all aid dollars distributed to financially needy students
- 48.2% of scholarship dollars awarded to needy students
- 38.6% of waiver dollars awarded to needy students
- 38.3% of on-campus employment dollars earned to needy students

In FY 2004, as part of the Changing Directions initiative, tuition was increased by \$500 per semester, and the Regents set-aside was increased to fourteen percent (14%). In FY 2004, the Arizona University System awarded \$152.7 million in institutional grants (includes Regents Set Aside, Grants, Scholarships, and Waivers). Arizona Board of Regents policy dictate that at least fifty percent (50%) of undergraduate aid be distributed based on financial need, thirty percent (30%) on merit, and the remaining is discretionary. Additionally, \$132 million was allocated to on campus employment (does not include federal work-study).

Several states have state merit scholarship programs, with a majority funded through state lottery revenues. In Georgia, the Helping Outstanding Pupils Educationally (HOPE) scholarship is the largest merit aid program in the country. Eligible students with “B” averages attending public and private colleges in Georgia receive a fixed scholarship amount to be used for tuition, fees, and books. In addition, grants are provided to students who attend non-degree or technical/vocational schools, without consideration of a minimum high school grade point average. Since its inception in 1993, the HOPE scholarship has distributed over \$2.0 billion dollars to Georgia students. Other states such as Kentucky, and New Mexico have implemented similar programs driven by minimum grade point average and ACT/SAT score criteria.



Arizona Board of Regents  
 2020 N. Central Avenue  
 Suite 230  
 Phoenix, AZ 85004-4593  
 (602) 229-2500  
 Fax (602) 229-2555  
[www.abor.asu.edu](http://www.abor.asu.edu)

Arizona State University

Northern Arizona University

University of Arizona

December 5, 2005

Mr. Stefan Shepherd  
 Assistant Director  
 Joint Legislative Budget Committee  
 1716 West Adams  
 Phoenix, AZ 85007

Ms. Monica Seymour  
 Deputy Director  
 Office of Strategic Planning and Budgeting  
 1700 West Washington  
 Phoenix, AZ 85007

Dear Mr. Shepherd and Ms. Seymour:

Thank you for the opportunity to comment on the draft joint Strategic Program Area Review (SPAR) report for student financial assistance programs in the Arizona University System.

Letters from each of the University Presidents are enclosed, which address the recommendations and areas specific to their institutions.

As you will see, we agree with your overall recommendations. Specifically, with respect to the JLBC recommendations, we agree with the recommendations for additional reporting and data collection and look forward to working with you to enhance the usefulness of the Student Financial Aid Report.

In regard to the OSPB recommendations, we concur with the recommendation to retain financial aid programs since such programs are key ingredients in enhancing access to and affordability of a university education in Arizona. As you know, in the Board of Regents' budget request, the Board has requested \$6.9 million in incremental funding for need-based financial aid. Such funding would provide for a two-to-one match of students' contributions to the Arizona Financial Aid Trust fund.

We also agree with the OSPB recommendations to explore and expand, as appropriate, other opportunities for providing financial assistance for students.

Thank you again for the opportunity to respond to your draft report.

Sincerely,

Joel Sideman  
 Executive Director

Enclosures



Board Members: President Christina A. Palacios, Phoenix Fred T. Bolce, Tucson Robert B. Bulla, Scottsdale  
 Ernest Calderón, Phoenix Lorraine W. Frank, Scottsdale Chris Herstam, Phoenix  
 Jack B. Jewett, Tucson Gary L. Stuart, Phoenix  
 Governor Janet Napolitano Superintendent of Public Instruction Tom Horne  
 Student Regents: Benjamin W. Graff, UA Edward Hemes, ASU  
 Executive Director: Joel Sideman

C-21

**ASU**  
ARIZONA STATE UNIVERSITY

December 5, 2005

Stefan Shepherd  
Assistant Director  
Joint Legislative Budget Committee  
1716 W. Adams  
Phoenix, AZ 85007

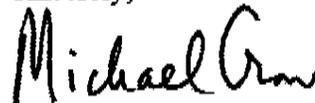
Monica Seymour  
Deputy Director  
Office of Strategic Planning and Budgeting  
Office of the Governor  
1700 West Washington, Suite 500  
Phoenix, AZ 85007

Dear Mr. Shepherd and Ms. Seymour:

We have reviewed the Student Financial Assistance Joint SPAR report prepared by the JLBC Staff and OSPB. While Arizona State University concurs with the SPAR report, we offer the following comments:

1. The report states that the financial assistance offices focus on economically disadvantaged, minority, and other underrepresented students. ASU assists students from all economic groups who seek assistance in financing their education through both need-based and merit aid.
2. The report recommends that the universities expand their annual financial aid reports for state policy purposes. ASU welcomes the opportunity to collaborate with interested parties in creating an annual financial aid report that meets the needs of all constituencies.

Sincerely,



Michael M. Crow  
President

MMC:rd  
/c

OFFICE OF THE PRESIDENT

PO Box 877705, TEMPE, AZ 85287-7705  
(480) 965-8972 FAX: (480) 965-0865

C - 22



**NORTHERN  
ARIZONA  
UNIVERSITY**

December 5, 2005

Dear Ms Shepherd and Ms Seymour:

Thank you for the final copy of the Strategic Program Area Review (SPAR) report and recommendations. I appreciate your efforts to evaluate financial aid procedures and policies at the three state universities.

A thorough summary for the legislature of the aid process, procedures, and aid awarded at the universities is of great value in helping to demonstrate the need for support of financial assistance to help Arizona residents attain a higher education. The implication of such a process is to improve financial assistance to Arizona residents attending Arizona's state universities. This is a goal I strongly support.

I agree wholeheartedly with your overall recommendation to improve state funding of financial aid and scholarships for Arizona residents. The findings and recommendations included in the report provide several potential program extensions and the establishment of new programs. We look forward to discussions on the best investments in financial aid for Arizona students. As noted in your report, Arizona falls far behind the average amount of state aid afforded students in other states and the economic consequences to the state are potentially immense.

Your recommendations for outreach are on target. With funding for such projects we could successfully encourage more students to pursue postsecondary education, especially low income and first generation college eligible students.

Finally, I look forward to working with the Arizona Board of Regents, JLBC and OSPB to improve reporting that would help efforts to better understand the nuances of the aid process. Combining enhanced financial aid availability, improved outreach and a more in-depth knowledge of the population we serve can only be positive for higher education.

Thank you again for your thorough report and insightful suggestions.

Sincerely,

A handwritten signature in cursive script that reads "John D. Haeger".

John D. Haeger  
President

Office of the President



Administration Building  
PO Box 210066  
Tucson, AZ 85721-0066  
(520) 621-5511  
FAX: (520) 621-9323

December 5, 2005

Richard Stavneak, Director  
Joint Legislative Budget Committee Staff  
STATE OF ARIZONA  
1716 West Adams  
Phoenix, Arizona 85007

Gary Yaquinto, Director  
Governor's Office of Strategic Planning and Budgeting  
STATE OF ARIZONA  
1700 West Washington, Suite 500  
Phoenix, Arizona 85007

Re: The University of Arizona Joint SPAR Report

Gentlemen:

Thank you for the opportunity to respond to the Joint Strategic Program Area Review (SPAR) Report on Student Financial Assistance. I appreciate the effort made to grapple with the complex data and critical issues associated with student financial aid at the Arizona universities. I would like to take this opportunity to comment on the Joint Legislative Budget Committee (JLBC) and Office of Strategic Planning and Budget (OSPB) recommendations.

#### **Recommendations – JLBC Staff**

We appreciate that JLBC Staff commends us for recent revisions to the Financial Aid Report. These were significant revisions that move us toward having financial aid data that are better for university and ABOR planning purposes and more comparable to national standards that have been recently established. We agree with the recommendation that this report should be expanded and plan to collaborate with the other constituents to continue our development of a Financial Aid Report that best meets statewide needs.



Richard Stavneak  
Gary Yaquinto  
December 5, 2005  
Page 2 of 2

**Recommendations – OSPB Staff**

**Recommendation 1**

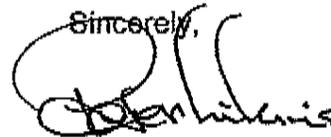
We support the development of further State investment in financial aid programs.

**Recommendation 2**

We agree with OSPB recommendations in this area. The UA strongly supports the development of outreach programs and is the recent recipient of a \$9.2M GEAR UP grant that will help us achieve state-wide improvements.

Again, thank you for the opportunity to provide this response.

Sincerely,



Peter Likins  
President

PL/slh

## WORKFORCE DEVELOPMENT Joint SPAR Report

### Program Background

**Program Description** - The Workforce Development Program encompasses three state agencies: Arizona Department of Economic Security (DES), Arizona Department of Commerce (ADOC), and Arizona Department of Education (ADE). The Agency Heads for each agency sit on the Governor's Council on Workforce Policy (GCWP), the policy-making entity for workforce development. In addition, Arizona's Community College system offers a wide variety of workforce development programs, and therefore has been included within the scope of this SPAR.

#### *Arizona Department of Economic Security (WIA)*

Much of Arizona's workforce development funding comes from Title 1-B of the federal Workforce Investment Act (WIA) of 1998, Public Law 105-220. The stated purpose of the 1998 Act "is to provide workforce investment activities, through statewide and local workforce investment systems, that increase the employment, retention, and earnings of participants, and increase occupational skill attainment by participants, and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the Nation." The Arizona Department of Economic Security is the fiscal agent for the Workforce Investment Act.

To ensure responsiveness to local conditions, WIA requires the designation of Local Workforce Investment Areas (LWIAs). In Arizona, there are fifteen (15) LWIAs. A Local Workforce Investment Board (LWIBs) exists in each LWIA to set policy for the portion of the statewide workforce investment system within the local area. Representatives of the business community must represent the majority of each board, local educational entities, labor organizations, community-based organizations, economic development agencies, and representatives of each of the one-stop partners must also be included.

WIA requires establishment of a one-stop delivery system. The one-stop delivery system is a system under which entities responsible for administering separate workforce investment, educational, and other human resource programs and funding streams collaborate in with the goal of creating a seamless system of service delivery that will enhance access to the programs' services and improve long-term employment outcomes for individuals receiving assistance.

There are three levels of services described in the WIA. First are core services that include eligibility determinations, orientation, assessments, job search assistance and placement, and providing employment-related information. Intensive services are provided to individuals who are unemployed and unable to obtain employment through core services or those who are employed but the one-stop operator determines are in need of intensive services to retain employment. Intensive services include more comprehensive and specialized assessments, development of an individual employment plan, individual and group counseling, case management, and short-term prevocational skills such as interviewing and personal maintenance

skills. Training services for those unable to obtain employment after receiving intensive services include occupational skills training, entrepreneurial training, adult education and literacy activities, and customized training conducted with a commitment by an employer to employ an individual upon successful completion of the training. The Youth Program design provides preparation for postsecondary educational opportunities, linkages between academic and occupational learning, preparation for unsubsidized employment, skill upgrade and training, and connections to intermediaries with links to the job market and local employers. In state fiscal year 2004, over 22,000 individuals received WIA services.

Several state governmental agencies are involved in the delivery of workforce development services. The Department of Economic Security is Arizona's designated WIA grant recipient. DES monitors the performance of the LWIAs, prepares and distributes technical assistance concerning day-to-day policies for operation of the program, maintains a statewide automated case management and record keeping system accounting for program performance, and reports financial information to the federal government.

WIA requires that state governors establish a state workforce investment board. Governor Napolitano issued Executive Order 2003-24, which established the Governor's Council on Workforce Policy. WIA establishes a number of responsibilities for the Council, including the designation of Local Workforce Investment Areas and the determination of their allocations, the preparation of an annual report to the Secretary of Labor, the development of the state plan and a statewide employment statistics system, and the continuous improvement of the statewide system and comprehensive performance measures.

In addition to the WIA, DES combines job services with Unemployment Insurance, Aging and Adult Services, Veterans Services, Wagner-Peyser Job Service Programs, Temporary Assistance for Needy Families (TANF), etc. The relevant fund sources for the Workforce Development Program will be discussed below.

### ***Arizona Department of Economic Security (Non-WIA)***

While the WIA is the primary source of funding for the Workforce Development Program there are other sources that should be mentioned.

The Jobs Program - Enabled by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the program seeks to reduce welfare dependency by providing recipients of TANF with employment-related activities and training that increase the chances of employment, retention, and increased earnings. This program is focused on those individuals already enrolled in TANF or at risk for becoming a TANF recipient. The key services offered by the Jobs Program are the reduction of out-of-wedlock pregnancies, encouraging two-parent households, independence of government assistance, and job promotion.

To avoid an overlap of services with other programs, collaboration with WIA One-Stop partners is used to identify common customers. When such an individual is identified, they are referred to the program that will make most efficient use of its funds. In FY 2006, the Jobs Program received \$31.7 million and was allocated 214.5 FTE positions. Data from May 2004 – May

2005 shows that the Jobs Program has reduced its caseload by 19.85% over the last year by moving individuals off of Cash Assistance and into the workforce.

Unemployment Insurance – Enabled by Section 303(a) of the Social Security Act and A.R.S. Title 23, Chapter 4, Section 23-601 through 23-799, this program provides unemployment benefits to workers who are unemployed through no fault of their own. Sweeping layoffs would result in UI claims, for example.

The UI program is funded solely through taxes from employers that are kept in a solvent trust fund. Individuals must qualify for UI benefits, as determined under state law, and be actively seeking employment to receive assistance.

There is no conflict with WIA benefits because as long as a worker qualifies for UI services, they are entitled to assistance. There is no means test to determine UI allocations. Other programs may monitor the UI program's assistance for an individual when determining the aid the individual receives from that other program.

In FY 2006, the UI Program was awarded a grant of \$26.8 million and allocated 466.2 FTE positions.

Vocational Rehabilitation (VR) – This program is mandated by the Rehabilitation Act of 1973 as amended by WIA. A.R.S. §§ 41-1953, 41-1954(a), 23-501 – 508, and 23-901 (f) are the statutes affecting the VR program in Arizona. The VR program seeks to enable individuals with disabilities to maximize employment and self-sufficiency by providing independent living centers and services, research, training, demonstration projects, and a guarantee of equal opportunity. The program expects a federal grant of \$51.7 million, internal matches of \$13.2 million, and external matches of \$6.0 million in FY 2006.

In order to eliminate to overlap of funds, VR regulations require the use of 'comparable benefits' before VR funds are expended. In other words, where VR dollars would overlap with another program's, the other program must fund the issue rather than VR. The state also forms cooperative agreements to establish the responsibility of other programs in relation to VR.

In the past, the program has met or exceeded all of its service level indicators.

Veterans Employment and Disabled Veterans Outreach Programs – Enabled by 20 CFR Chapter IX, Public Law 107-288, the Jobs for Veterans Act, and Title 38 U.S.C. Chapter 41 & 42, these programs provides employment assistance to veterans and veterans with service-connected disabilities. The program seeks to identify and eliminate key barriers to employment for veterans by providing workshops, job searches, and application preparation.

There is no similar service for veterans in Arizona, but the local one-stops do provide job-search assistance to anyone seeking it.

Funding for this program originates from two fund sources. While the FY 2006 grant awards are still pending, the 2005 grant awards are as follows:

Local Veterans Employment Representatives (LVER): \$951,000 and 19.0 FTE positions  
Disabled Veterans Outreach Program (DVOP): \$1,386,000 and 42.0 FTE positions

The Migrant Seasonal Farmworker Program – Enabled by the WIA Public Law 105-220 and funded by the Wagner-Peyser Employment Service Program, the program Migrant Seasonal Farm Workers (MSFWs) and Limited-English Proficient (LEP) individuals with career and labor market decisions. There are no monies allocated directly to this program, as all funds are included in the Wagner-Peyser grants.

This is primarily an outreach program enacted in rural areas to make workers aware of other state employment programs. Thus, there is no overlap as services will be determined at a local one-stop area agency.

The state has traditionally met or exceeded the annual service levels set by the US DOL. Arizona is ranked 9<sup>th</sup> in the nation in terms of the number of MSFWs registered with Employment Service.

Food Stamp Employment and Training Program - Mandated by the Food Stamp Act of 1977 and the Personal Responsibility and Work Opportunity Act of 1996, this program provides job training assistance to individuals receiving food stamps.

This program partners with similar programs to avoid overlapping services. Staff from the Job Service Program facilitates the pre-employment workshops while the one-stops coordinate statewide case management.

In FY 2006, the program received \$519,200 in Federal Grants and a \$30,000 state stipend match. There are 5.0 FTE.

Currently, the number of participants served statewide is 1,458.

Senior Community Service Employment Program (Title V) – Enabled by the Older Americans Act, this program fosters useful part-time opportunities to low-income individuals over the age of 55. These individuals must have poor employment prospects. This program partners with one-stops in order to make sure there is no overlap in services.

This program is funded by a grant from the US DOL. In FY 2006, it was awarded \$1,160,235 and 1.75 FTE. Last year, the program did not meet 3-of-4 service level indicators. As a result, the US DOL suggested outsourcing the program to Area Agencies on Aging and the Mohave County One-Stop. That process will be monitored monthly to assess the effectiveness of the program in reaching its target goals.

The Trade Adjustment Assistance Program – The Trade Adjustment Reform Act of 2002 enables this program along with Law 93-618. The TAA focuses on assisting workers who have/will be separated from employment due to foreign imports or outsourcing.

In order to eliminate the overlapping of services, the program pools its resources with local one-stops. This way all funds for similar programs are funneled together and no overlap is possible.

The program was given a grant by NAFTA in FY 2003 for \$810,052. The other grant is the Trade Adjustment Assistance Grant, which is still pending for 2006. In 2005, this grant award was \$2.7 Million and awarded 0 FTE. To avoid a duplication of employees, all work for this program is performed by Wagner-Peyser Staff.

For the 3 performance indicators set by the US DOL, Arizona exceeded or met all goals. The TAA is discussed in more detail under Department of Education.

### ***Arizona Department of Commerce***

Section 111 (a) and (3) (1) of the Work Force Investment Act (WIA) of 1998, required that state governors establish a State Workforce Investment Board. Governor Napolitano issued Executive Order 2003-24 to create this Board and made it known as the Governor's Council on Workforce Policy (GCWP). The Council's primary responsibility is to carry out the duties prescribed under the WIA and to advise the Governor on all matters of workforce development strategy and policy for the State of Arizona.

The Arizona Department of Commerce staffs the Governor's Council on Workforce Policy and provides policy advice and technical assistance to the fifteen (15) Local Workforce Investment Boards (LWIBs). In this role, the Department serves as the liaison to the local workforce areas on behalf of the Council. In conjunction with the GCWP and LWIBs, the Arizona Department of Commerce carries out programs and partnership projects to create the links to businesses, industry and economic development entities.

The Council is comprised of thirty-five (35) members, made up of business, education, and state leaders to include four (4) members of the State Legislature. In accordance with the Executive Order, private sectors employers constitute a majority of the council membership and the directors of the Arizona Department of Commerce, the Department of Economic Security, and the State Superintendent of Public Education are also active members of the Council. The Governor's Council on Workforce Policy serves as an umbrella entity under which all WIA mandated workforce partners coordinate activities to better help job seekers meet business standards for employment and to provide employers with an adequate supply of skilled workers.

### ***Arizona Department of Education***

The mission of the Workforce Development Unit within the Career and Technical Education at the Arizona Department of Education (ADE) is to provide leadership and technical assistance to assist workforce participants in accessing quality programs which integrate academic, occupational training and support services so participants may continue their education, obtain employment and progress through meaningful workforce preparation and participation.

The Workforce Development Unit is responsible for the administration of comprehensive education and training programs that address the needs of youth and adults who face barriers to employment. These programs include occupational training, workplace skills development, related academic and support services as well as providing employment preparation

opportunities that support the participants' career goals. These education, employment and training programs also promote partnerships among service providers to increase linkages and provide a comprehensive and meaningful approach to workforce preparation.

As a partner to DES, ADE maintains the Eligible Training Provider List (ETPL) as required by WIA through the Arizona HEAT (Helping Everyone Access Training) program. The ETPL, as posted on the ADE website, has been developed to identify eligible training programs for individuals who may be involved in WIA-funded training activities. ADE believes that the use of the ETPL will provide an opportunity for acquisition of necessary tools to allow eligible individuals, as well as the general public, to make informed choices about training preferences that will drive their future career decisions. The types of training providers eligible for this list include, but are not exclusive to, postsecondary educational institutions, vocational education institutions, and community-based organizations who provide occupational training and apprenticeship programs. In addition, ADE staff provide technical assistance to providers as well as LWIA and LWIB staff and maintain the Arizona HEAT website.

In addition, ADE administers the Trade Act of 1974 (TAA) program through an ISA with DES for monitoring activities such as review of training contractors, technical assistance, student record keeping and financial management and distribution of TAA monies earmarked for recipients. However, the overall program performance of the TAA is the responsibility of DES. The TAA created a program of Trade Adjustment Assistance (TAA) to assist individuals, who became unemployed as a result of increased imports or a company or business going off shore, return to suitable employment. The reemployment services allowed under TAA may also include counseling, testing, training, placement, and other supportive services. Additionally, weekly Trade Readjustment Allowances (TRA), a form of unemployment insurance benefits, may be payable to eligible adversely affected workers following their exhaustion of regular state unemployment benefits. Also available under TRA are job search and relocation allowances.

The Career and Technical Education Division's general mission is to prepare Arizona students for workforce success and continuous learning. In addition to the Workforce Development Office, the Career and Technical Education provides oversight and outreach to Arizona's youth in a variety of educational programs as related to the Carl Perkins vocational programs, as well as access to resources for career planning and guidance.

### ***Community Colleges***

In general, community colleges offer a wide variety of collaborative partnerships and one stop centers through the WIA program to provide job training and education services based on community assessment of demand occupations. While the State does not directly partner with community college districts to offer non-WIA workforce development opportunities, community college districts do consider "workforce development" as part of their charter. As shown above, the community college linkage to WIA is mainly through the offerings as training providers through the Arizona Heat program. However, community colleges do engage in many workforce development programs in partnership with K-12 school districts, local businesses and municipalities. Service centers include district campuses where traditional and alternative delivery instruction is provided and skill centers that focus on training and retraining of specific

skill sets. The Job Training Program, in association with private and public sector organizations, may utilize community colleges as training developers and providers. Several community college districts offer support through established small development business centers to assist the entrepreneurial and transitional segments of the workforce.

Additionally, the community colleges provide services under the Carl D. Perkins Vocational and Technical Education Act, a basic federal grant that funds secondary and post-secondary vocational and technical programs. Perkins seeks to improve the academic and occupational competence of all segments of vocational students, with emphasis on special populations, such as students with disabilities, and students who are academically or economically disadvantaged. The funds have a variety of uses, including vocational education services required in an individual education plan under Individuals with Disabilities Education Act, and for leasing, purchasing, or adapting equipment, mentoring, and support services to help students to complete coursework content in order to obtain employment.

While all community college districts provide workforce development programs, each community college district varies in the types and focus of services. This is due to differences in geographical and occupational workforce needs. Some colleges exclusively target transitional workers for specific high demand, low supply occupations. Others may focus primarily on emerging workers, particularly in rural areas, where larger number of students exiting high school are more apt to pursue vocational or occupational work, rather than pursue higher education. A growing trend for community colleges is to recruit a large number of their participants through customized contract training opportunities intended to provide current employees in established businesses with continued skill improvement.

<b>Program Funding</b>
------------------------

The Workforce Investment Act (WIA) – WIA is an important fund source for Arizona’s workforce development program. The WIA is actually comprised of three separate funding streams: Youth, Adult, and Dislocated Worker. Although each funding stream has a slightly different method for determining the states’ allocations, the formulas are generally based on the number of unemployed persons and the number of individuals with earnings below the poverty level. Since Arizona’s allocation is dependent upon the performance of other states’ economies, the grant totals can vary significantly from year to year. By virtue of having an unemployment rate lower than many other states, Arizona’s federal fiscal year 2006 grant fell by over 15 percent, or nearly \$8.5 million to \$47.4 million. Further, Arizona’s allocation is subject to the vagaries of the federal appropriations process. On more than one occasion, President Bush has proposed a consolidation of the funding streams and an overall reduction in the total appropriation.

Table 1: WIA Grant Awards

	<u>Grant Award</u>	<u>State FTE Allocated</u>
FY 2003	\$49,798,164	33
FY 2004	\$52,603,221	33
FY 2005	\$55,818,564	33
FY 2006	\$47,363,141	33

The Act requires that a minimum of 85 percent of the Youth and Adult grants be passed through to the LWIAs. The state may retain up to 5 percent of each grant for administrative costs and 10 percent for statewide activities. Use of these funds is left to the discretion of the governor. In addition to this cumulative 15 percent, the state may choose to keep 25 percent of the Dislocated Workers grant for statewide rapid response. Unlike most federal funds, the Legislature can appropriate the WIA monies and has approved a percentage of these funds to DES of which a small portion out of these administrative monies is used to staff the Governor’s Council on Workforce Policy.

Table 2: Distribution of WIA Funds

	<u>Pass-Through</u>	<u>State Admin Costs</u>	<u>State Discretionary Fund</u>	<u>Rapid Response</u>	<u>Total</u>
Adult	85%	5%	10%	0%	100%
Youth	85%	5%	10%	0%	100%
Dislocated Workers	60%	5%	10%	25%	100%

Table 3: WIA Allocation to Governor’s Council on Workforce Policy

	<u>State Allocation</u>	<u>Commerce / GCWP</u>
FY 2004	\$52,603,221	\$600,000
FY 2005	\$55,818,564	\$600,000
FY 2006	\$47,363,141	\$600,000

Federal law requires state legislatures to appropriate funds granted under WIA. The Arizona Legislature currently appropriates WIA funds to four line items. The operating budget of DES’ Division of Employment and Rehabilitation Services (DERS) receives a little more than \$2 million for administrative support. Another \$2 million is appropriated to the JOBS program, which generally provides job training to recipients of Cash Assistance. The approximately \$48 million in the Workforce Investment Act – Local Governments line item is the amount to be distributed to the LWIAs. The Workforce Investment Act – Discretionary line item has a \$3.6 million appropriation in fiscal year 2006. This line item funds activities mandated by the Act, such as maintaining a list of eligible training providers and technical assistance to LWIAs, and other programs including Early Childhood Educators Scholarships and a nursing program. The Governor’s Council on Workforce Policy is funded from federal 5% monies in the WIA – Discretionary special line item, not the DERS operating budget.

The Arizona Department of Education receives funding from the 10% of WIA funds that may be used for statewide activities. The allocation given to ADE from the Governor’s Council on Workforce Policy represents funding needed to support the 2.85 FTE that are currently housed within the Career and Technical Education division at the Department. Funding for the last four years is as follows:

Table 4: ADE funding for Workforce Programs

	WIA	TAA
FY 2003	\$140,000	\$298,077
FY 2004	\$127,000	\$245,761
FY 2005	\$127,100	\$238,699

Community Colleges - Aside from community college participation as WIA training providers, most districts have several main sources of funding for their workforce development activities; the largest categories being their main general fund and Proposition 301 funding through the dedicated sales tax passed by Arizona voters in 2002.

Table 5: Community College Workforce Development Funding

Funding						
	General Fund	301	Carl Perkins	WIA	Other (non-WIA)	Total
Cochise	\$537,846	\$480,000	\$204,412	\$0	\$0	\$1,222,258
Coconino	\$0	\$366,402	\$316,431	\$0	\$100,000	\$782,833
Graham	\$0	\$400,000	\$200,882	\$0	\$27,227	\$628,109
Maricopa	\$155,207,650	\$5,465,129	\$1,119,837	\$304,500	\$546,736	\$162,643,852
Mohave	\$3,150,991	\$425,000	\$143,423	\$0	\$180,207	\$3,899,621
Navajo	\$9,087,588	\$455,000	\$286,807	\$0	\$347,687	\$10,177,082
Pima	\$17,600,000 in all sources					
Pinal	\$963,813	\$161,468	\$0	\$0		\$5,027,286
Yavapai	\$0	\$526,000	\$155,174	\$0	\$640,075	\$1,321,249
Yuma/La Paz	\$4,070,066 in all sources					

**Program Eligibility** - As discussed above, WIA is divided into three separate funding streams: Youth, Adult, and Dislocated Worker. There are separate eligibility criteria for each stream.

### Youth

The eligibility for the Youth funding stream is for individuals receiving aid that are between 14 and 21 years of age, meet the WIA definition of 'low income', and meet at least one of the following criteria:

- Deficient in literacy skills
- A dropout
- Homeless
- A runaway
- A foster child
- Pregnant or parenting
- An offender

- Requires additional assistance to complete an educational program or to secure employment.  
In addition, a minimum of 30 percent of funds must be spent on out-of-school youth (dropouts or graduates that are basic skill deficient or unemployed).

### Adult

The Adult funding stream has the same basic requirements as the youth stream, though the individuals receiving assistance must be over 18 years of age.

### Dislocated Worker

Dislocated workers are those individuals that have been terminated or laid off, are eligible for or have exhausted unemployment compensation (or has been employed for sufficient time to demonstrate attachment to the workforce despite ineligibility for unemployment compensation), and is unlikely to return to a previous occupation or industry.

Alternate criteria are also considered, including:

- The worker was terminated or laid off as a result of a substantial layoff or is employed at a facility that has made a general announcement that it will close within 180 days.
- The worker was self-employed, but is now unemployed because of general economic conditions or a natural disaster.
- The worker is a displaced homemaker who has been dependent on another family member but is no longer supported by that income and is experiencing difficulty in obtaining or upgrading employment.

**Program Monitoring and Evaluation** – In order to effectively monitor the program, there are several measures that stakeholders evaluate.

Arizona Department of Economic Security - The LWIAs partner with each other in order to provide feedback and best practices. Representatives visit other one stop centers in order to compare/contrast practices. The state also sets performance goals for each LWIA and takes corrective action if these goals are consistently unmet. The United States Department of Labor recently conducted a review of Arizona's system and sent its findings to DES. The Department then responds by either accepting the US DOL's recommendation or disputing it.

Arizona Department of Commerce - The Arizona Department of Commerce staffs the Governor's Council on Workforce Policy and provides policy advice and technical assistance to fifteen (15) Local Workforce Investment Boards (LWIBs). In this role, the Department does not make allocation decisions and serves primarily as the liaison to the local workforce areas on behalf of the Council. Under the WIA, performance levels are established through the Arizona Department of Economic Security and the U.S Department of Labor for each program year. Additionally, the Department of Commerce uses the State's Strategic Workforce Plan as the roadmap to guide the workforce system with adopted policies and agreed upon performance measures.

Arizona Department of Education - Aside from the administrative responsibilities of providing eligible recipients a comprehensive and accurate list of training opportunities and programs, the Arizona Department of Education must also ensure that the training partners are providing quality programs to interested clients. The purpose of monitoring activities is to verify that the training site meets set criteria under federal and state requirements. A monitoring guide has been developed to assist staff in determining compliance through planned and unplanned site visits. The major areas of review are: a) program criteria assurance, b) individual training account review, c) statistical reporting requirements, d) fiscal review, e) equipment and facilities, and f) participant interview.

Community Colleges - Each community college assemble performance outcome measures through different means of collection, however, there appear to be five main forms of data gathering: a) program reviews, b) mandatory reporting as a requirement of funding source, and c) outreach through site visits and feedback from private and public workforce development committees and boards, and d) market, client, faculty, and administrator surveys, and e) national accreditation standards. Each community college reports that performance measures service to assist in resource allocation, review of course content, long range strategic planning, faculty and staff development, implementation of new programs and curriculum, and finally, assessing demand for services. Through formal and informal coordination through workforce development agencies, school districts, state and national agencies, and local business partners, community college stay abreast of the community needs as it relates to workforce development. In this way, the community college districts can leverage resources so that effective programs can be shared through the whole community college system.

### **Findings and Recommendations - OSPB**

**Based on the performance measures defined by the WIA, Arizona exceeded standards in all areas in FY 2005.** The Workforce Investment Act Section 136 and the Federal Register define seventeen (17) performance indicators to measure the effectiveness of Arizona's Workforce Development Program. Using past data, forecasts, and demographics, the state develops performance goals for the LWIAs. If the LWIAs come within 80% of the target goal, they are considered to have 'met' the performance level. If they reach 100% of the target goal, they are considered to have 'exceeded' the performance level. In FY 2004, the LWIAs failed to exceed three of the seventeen target goals. All three of these indicators fell within the youth services arena. To the department's credit, FY 2005 performance exceeds that of FY 2004 and all target goals were in fact met.

Two barriers work against retaining youth in training and certification programs. First, these individuals often have math and reading skills below a ninth grade level. Second, they often see obtaining permanent work as more of a priority than education, training, and certification. Many Older Youths leave the program early to begin full time jobs.

**Recommendation** - Structure Program to Accentuate Benefit of Completing Program

- It may be impossible to deter businesses from hiring these willing workers, but companies should make an investment in the individual's future. Tax credits are already available to employers hiring WIA-eligible youth and LWIA's may work to reimburse a

portion or the full wage amount of the youth. Further tax credits could be made available specifically for those who employ youths who have completed the program.

- Furthermore, LWIAs must enhance existing partnerships with educational institutions to make diploma attainment a reachable goal for these individuals.
- Finally, Arizona must address the low basic skill levels and other barriers that prevent these youths from completing their education. Initiatives of this partnership could include childcare for time in school/training, gang/drug awareness programs, and support for needy families where youths are working to support their households.

**While the performance measures for the WIA system are established by the US Department of Labor, the Arizona program does not have a statewide performance management system.**

**Recommendation** - The GCWP has established a subcommittee to review additional performance outcomes for Arizona's Workforce Program. This subcommittee should explore ways to develop *Arizona-specific* measures that can be used to identify joint accountability issues and to establish a statewide performance management system that will enable the state leadership to secure relevant information that is needed to make informed decisions on the best policies and practices in order to enhance the local investment system. Presently, there are no additional performance outcomes other than those prescribed by the Workforce Investment Act Section 136 and the Federal Register.

**Although steps have been taken to improve the program's outreach activities, there are still employers and potential workers that do not know about the available workforce services.**

**Recommendation** - The Council recently reorganized to include a Marketing subcommittee. This group should increase its efforts in developing outreach and marketing programs to promote the workforce services throughout the state and provide labor market information to enable and engage businesses, job seekers, educators and economic developers to access the services and link employers with skilled workers. It is also recommended that these outreach strategies be conducted in collaboration with local chambers of commerce and local investment organizations.

**Each community college has differing definitions of "workforce development" and does not have one central location for coordination.** While each governing board is tasked with assessing the employment and training needs for their communities, a synergy of programs should be available within the community college system to best serve statewide economic development.

**Recommendation** - The Governor's Council for Workforce Policy would serve as a valuable information center for community colleges to coordinate their workforce development activities that fall outside of WIA funding. While it is not possible to mandate a standard definition for workforce development to ten different communities with individual needs, the Council can serve as a clearinghouse for all federal, state, and local workforce activities so that all community colleges can articulate on best practices and innovative programs that may align with State workforce policy.

**Table 6: Overview of OSPB Findings and Recommendations**

OSPB Finding	Brief Summary	Recommendation
1. Youth are the hardest to serve	Based on the performance measures defined by the WIA, Arizona <u>exceeded</u> standards in all areas in FY2004 except: 1. Older Youth Employment Retention 2. Younger Youth Diploma Rate 3. Younger Youth Retention Rate	Provide tax credits to businesses that hire individuals that have completed the program. Provide support services to youth in order to remove the barriers to employment.
2. More outcome measures are required	In addition to Federal performance measures, state and local entities should search for additional criteria for improvement	Develop Arizona-specific measures. Create statewide performance management system with additional standards.
3. Many individuals still do not know about the program	Both employers and individual workers are unaware of the program.	More outreach programs should be developed to reach these entities.
4. Community Colleges have no coordination.	Each Community College has its own program and there is no way to mandate uniformity.	The GCWP can serve as a clearinghouse for information and coordination.

OSPB Staff recommends that the Workforce Development program be retained with the aforementioned provisions.

**Findings and Recommendations - JLBC Staff**

**Coordination among agencies and partners depends not only on the program, but also on the location within the state.** The Workforce Investment Act (WIA) partners and programs coordinate relatively well in many circumstances, while programs outside the WIA paradigm seem to lack coordination with each other. One of the possible reasons for this is the challenge of coordinating with different agencies, especially those that are led by non-Governor appointed heads, like the Department of Education and the Community Colleges. Another possible reason for the lack of coordination is that different programs serve different clients. For example, while the JOBS program in DES serves the unemployed, the Job Training program in the Department of Commerce serves business. There is the possibility of some coordination if the GCWP had increased oversight of all workforce development policy. This is similar to the goal the GCWP outlines in the federally mandated *Strategic Two-Year State Workforce Investment Plan* of “greater coordination of existing workforce efforts of the state workforce agencies.”

Within the WIA program, there seems to be a higher level of coordination. As previously alluded, part of the reason for this stems from the oversight of the GCWP. Additionally, the

federal government, which provides the WIA funds, further mandates that specific cooperation and coordination occur. Also based on federal mandates, the GCWP provides a coordinated strategic plan for WIA partners in the state. However, the effectiveness of that coordination seems to be based on location, clientele and available resources. In Maricopa and Pima counties, the various One-Stop Centers mandated under WIA enjoy a high degree of coordination with mandated partners as well as with optional local, state and private partners. These centers have representatives from the Department of Commerce, Community Colleges, the JOBS program, as well as local entities. However, rural One-Stop Centers are less likely to have all these representatives in one location. In its response to the self-assessment questions, the GCWP recognizes that there is a “major disadvantage of using options and strategies that vary area to area” in that “the system is not uniform or streamlined, making it difficult for customers (participants and employers alike) as they move around the state to get consistent services.”

**To increase the visibility of workforce development issues, the Governor’s Council on Workforce Policy should coordinate and publish annually a statewide workforce development budget and strategic plan.** The report should be submitted each year by February 1 to the Governor, the President of the Senate and the Speaker of the House of Representatives, and should include actual expenditures for the prior fiscal year, estimated expenditures for the current fiscal year, and proposed expenditures for the upcoming fiscal year based on the Governor’s budget proposal. The budget should include any state programs that receive funding for workforce development from state, federal or other sources. This should not include monies passed through other state agencies to avoid double counting. The list of programs should at the minimum include WIA, Trade Adjustment Act, and Carl Perkins programs in any agencies. In addition it should include JOBS, Wagner-Peyser Job Service, Unemployment Insurance, Food Stamp Employment and Training and other programs in the DES Employment Administration; Adult Education in the Department of Education; Apprenticeship, Job Training and other programs in the Office of Workforce Development in the Department of Commerce; the GCWP and any other programs in the Community Colleges or other state agencies related to workforce development. It may require some statutory change to give the GCWP authority to collect and present this information.

Several benefits could be obtained through this coordinated effort. First, this would allow the state to pursue a more focused workforce development policy. While the GCWP is intended to oversee all workforce development policy, it mainly focuses on WIA and Wagner-Peyser. As a result, there is the previously mentioned lack of coordination in many areas and potential duplication of effort. Having the GCWP coordinate a budget and strategic plan provides increased oversight and vision of the statewide policy. This would also help the GCWP elicit information and cooperation from the workforce development partners who were not appointed by the Governor, including the Community Colleges and the Department of Education.

A second benefit of providing a statewide budget and strategic plan is that it would allow individual programs to see what other workforce development programs operate in the state. This would provide them an opportunity to seek out cooperation and collaboration on their own, or to focus more intensely on specific populations that they find underserved. With the inclusion of a strategic plan and associated performance measures, it may also assist local, state and

private programs to discover best practices and share strategies that are working in other programs.

A third benefit is ease of information. This is a benefit for policymakers in the state, and is especially useful for the Legislature. Many of the funds used for workforce development in the state are either appropriated by the Legislature or are subject to some legislative oversight. For example, WIA monies are appropriated, as required by federal law. While there are specific funding requirements, there is also some latitude in how the monies are spent. By providing a statewide budget and strategic plan, the Legislature would be able to see that monies are being spent on effective programs and are not duplicating efforts of other programs outside the WIA umbrella. Further, the GCWP, as the body that compiles the budget, would be better able to recommend budgets that reflect the best use of the WIA funds within the requirements of federal formulas.

Even where funds are not legislatively appropriated, this information will be useful, whether to ensure that appropriated sources do not duplicate efforts, or to indicate if broader policies need to be changed. For example, the Department of Commerce Job Training Program is not appropriated. However, the funding for that program comes from an employer payroll tax, which is specified in statute. Adjustments to the funding can be made through statutory changes based on information received in a statewide budget and strategic plan.

Finally, such a statewide plan would provide policymakers, including the Legislature, the opportunity to shape a statewide vision of what workforce development is in Arizona. As currently constituted, programs operate in a vacuum. Each program potentially seeks to take part of the state in its own direction instead of working uniformly to move the state toward a defined goal. A statewide strategic plan for all workforce development would allow each program to continue to focus on its clientele and mandates while providing an overarching framework to direct state policy.

**In coordination with a statewide workforce development budget and strategic plan, emphasis should be put on developing performance measures that are both specific to the state and outcome based. These measures should be used to help guide funding decisions.** Currently, performance measures for the WIA programs are limited to the federally mandated performance measures required by the program. A study commissioned by the GCWP cites a perception that “Arizona has not gone far enough to identify measurable goals for workforce improvement.” It also referred to an “interest in ways to determine Arizona’s overall progress and ‘return on investment’ from publicly supported workforce programs.” These interests are not currently being met because “Arizona has followed the mandates of federal workforce programs rather than devising its own course and then applying federal resources.”

Funding allocations are determined not by these performance measures but by funding formulas. However, within the funding formulas, there is some discretion in how funding can be allocated. This discretion should be used to ensure that funding occur based on performance measures that indicate the effectiveness of the specific programs. In FY 2005, the Joint Legislative Budget Committee approved the proposed WIA budget with the provision that each of the programs funded in the budget provide performance measures. Future funding for these programs should

be based in part on their ability to meet those performance measures. Further, future budget proposals should include potential performance measures for new programs.

The federally mandated performance measures in the WIA program are not based on benchmarking or national standards, but rather are negotiated by DES and the US Department of Labor (USDOL). These performance standards serve as a minimum requirement to maintain funding levels and eligibility. They are not used to track individual subprograms performance and do not allow comparisons between different funding options. These mandated measures should be bolstered by measures that show how a funded program helps to develop its portion of the Arizona workforce, and how it coordinates with and compliments other programs. Customer satisfaction surveys could play an important role in measuring coordination and cooperation.

Other workforce development programs have limited performance measures as well. In the Department of Commerce, the Arizona Job Training Program performance measures only reflect the number of rural and small business that receive funding, rather than being outcome based. While it is important to track the legislative mandate of distributing the funds to rural and small businesses as well as larger urban businesses, it is also important that additional performance measures be created to measure outcomes of the program.

A few programs do have some limited outcome based performance measures. The JOBS program in DES provides a monthly Management Indicators report. These measures include job retention rates, average wages and benefits, in addition to participation measures. Nevertheless, more should be done to assure that all programs have outcome based performance measures and that funding reflects program performance.

Providing statewide performance measures also has the potential to reinforce a statewide mission and vision for workforce development in coordination with the statewide budget and strategic plan.



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**

Janet Napolitano  
Governor

1717 West Jefferson - P.O. Box 6123 - Phoenix, AZ 85005

David A. Berns  
Director

**DEC 09 2005**

Richard Stavneak, Director  
JLBC Staff  
1716 W. Adams Street  
Phoenix, AZ 85007

Gary Yaquinto, Director  
OSPB  
1700 W. Washington Street  
Phoenix, AZ 85007

Dear Mr. Stavneak and Mr. Yaquinto:

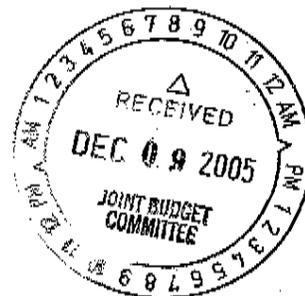
The DES Workforce Development Joint SPAR Report is attached. If you have any questions regarding the response, please contact me at (602) 542-5678.

Sincerely,

David A. Berns

Attachment

Cc: Mary Gill  
Nelba Chavez, Ph.D.  
Lynne Smith  
Pat Harrington



## WORKFORCE DEVELOPMENT Joint SPAR Report

### Findings and Recommendations – OSPB Staff

#### 1. Structure Program to Accentuate Benefit of Completing Program

- It may be impossible to deter business from hiring these willing workers, but companies should make an investment in the individual's future. Tax credits could be provided to businesses that employ youths who have completed the program.
- Furthermore, LWIAs must partner with educational institutions to make diploma attainment a reachable goal for these individuals.
- Finally, Arizona must address the low basic skill levels and other barriers that prevent these youths from completing their education. Initiatives of this partnership could include childcare for time in school/training, gang/drug awareness programs, and support for needy families where youths are working to support their households.

*DES Response – DES agrees that Arizona must address low basic skill levels and other barriers that prevent youth from completing their education. DES currently provides training, education and child care to members of this population through the Jobs Program.*

- #### 2. The Council should explore ways to develop Arizona-specific measures that can be used to identify joint accountability issues and to establish a statewide performance management system that will enable the state leadership to secure relevant information that is needed to make informed decisions on the best policies and practices in order to enhance the local investment system. Presently, there are no additional performance outcomes other than those prescribed by the Workforce Investment Action Section 136 and the Federal Register.

*DES Response – DES concurs with this recommendation. The Governor's Council on Workforce Policy (GCWP) has established a sub-committee to review additional performance outcomes for Arizona's workforce system.*

- #### 3. The Council should increase its efforts in developing outreach and marketing programs to promote the workforce services throughout the state and provide labor market information to enable and engage businesses, job seekers, educators and economic developers to access the services and link employers with skilled workers. It is also recommended that these outreach strategies be conducted in collaboration with local chambers of commerce and local investment organizations.

**DES Response** – *DES concurs with this recommendation. The GCWP recently reorganized to include a marketing subcommittee. The DES Research Administration is working with the Council on outreach efforts concerning local labor market information.*

4. **The Governor's Council for Workforce Policy would serve as a valuable information center for community colleges to coordinate their workforce development activities that fall outside of WIA funding. While it is not possible to mandate a standard definition for workforce development to ten different communities with individual needs, the Council can serve as a clearinghouse for all federal, state, and local workforce activities so that all community colleges can articulate on best practices and innovative programs that may align with State workforce policy.**

**DES Response** – *DES supports the Governor's Council on Workforce Policy's efforts to serve as a clearinghouse for best practices in the area of workforce development.*

#### **Findings and Recommendations - JLBC Staff**

1. **Coordination among agencies and partners depends on not only on the program, but also on the location within the state.**

**DES Response** – *DES concurs that coordination among all employment programs can and should be strengthened. To that end, the current DES administration has actively pursued integration and increased cooperation among employment programs across all areas. DES also continues to evaluate the unique challenges facing rural areas in Arizona in order to optimize outcome improvements.*

2. **To increase the visibility of workforce development issues, the Governor's Council on Workforce Policy should coordinate and publish annually a statewide workforce development budget and strategic plan.**

**DES Response** – *DES proposes an alternative approach. Since the Governor's Council on Workforce Policy already publishes a strategic plan, DES proposes that the Council measure performance against that plan, and publish an annual report on performance. DES proposes that the Council report annually on actual expenditures in the most recent year, estimated expenditures for the current year, and projected expenditures for the year to come for all workforce programs.*

3. **In coordination with a statewide workforce development budget and strategic plan, emphasis should be put on developing performance measures that are**

**both specific to the state and outcome based. These measures should be used to help guide funding decisions.**

**DES Response – *DES concurs with this recommendation. The recent reorganization of GCWP subcommittees includes one committee expressly charged with working on such measures.***



JANET NAPOLITANO  
GOVERNOR

# ARIZONA DEPARTMENT OF COMMERCE

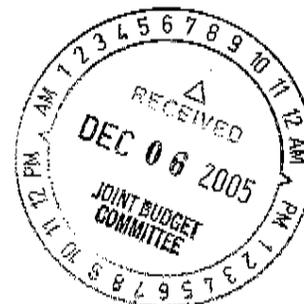
*Our Job is JOBS!*

GILBERT JIMENEZ  
DIRECTOR

December 5, 2005

Ms. Monica Seymour  
Deputy Director  
Office of the Governor, Office of Strategic Planning and Budgeting  
1700 West Washington Street, Suite 500  
Phoenix, Arizona 85007

Mr. Stefan Shepherd  
Assistant Director  
Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, Arizona 85007



Dear Ms. Seymour and Mr. Shepherd:

The Arizona Department of Commerce (ADOC) appreciates the opportunity to respond to the final draft of the Strategic Program Area Review for Workforce Development Programs.

As you are aware, the Governor's Council on Workforce Policy publishes an annual report on Arizona's Workforce System in accordance to Section 111 (d)(1) of the Workforce Investment Act of 1998, which charges the GCWP with developing a statewide Workforce Development Plan. Therefore, JLBC's recommendation in reference to the GCWP on page 14, third paragraph, to "coordinate and publish annually a statewide workforce development budget and strategic plan" is duplicative, as the GCWP already produces this information annually to meet its federal obligation. However, as an alternative, the ADOC proposes annually measuring performance against the existing strategic plan and publishing an annual report that includes expenditures and performance measures.

The ADOC does agree that continued improvements, including increased coordination and visibility of Arizona's current workforce structure should be encouraged. To that end, the GCWP has initiated a process to establish statewide outcome based performance measures, as well as a statewide marketing plan.

The ADOC looks forward to receiving the final copy of the Strategic Program Area Review of Workforce Development programs.

Sincerely,

Gilbert Jimenez

D-21

1700 WEST WASHINGTON STREET • SUITE 600 • PHOENIX, AZ 85007 • USA

602-771-1100 • FAX 602-771-1200 • <http://www.azcommerce.com>

# ACCA

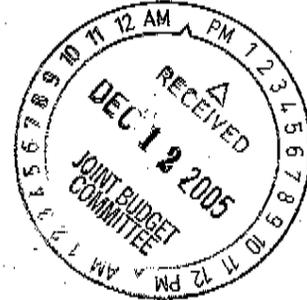
Arizona Community College Association

2411 West 14<sup>th</sup> Street  
Tempe, AZ 85281  
480/731-8115

December 9, 2005

Richard Stavneak, Director  
JLBC  
1716 W. Adams  
Phoenix, AZ 85007

Gary Yaquinto, Director  
Office of Strategic Planning and Budgeting  
1700 W. Washington #500  
Phoenix, AZ 85007



RE: SPAR Report – Workforce Development

Dear Richard and Gary:

Thank you for the opportunity to respond to the Strategic Program Area Review (SPAR) of Workforce Development in the State of Arizona. Community colleges have been strategic partners with other state agencies in offering quality workforce development programs and wish to continue those partnerships. Here are our comments as requested.

1. On page 12, Coordination Issue:

The report does not state any complaints received in how community colleges perform their roles in providing workforce development programs. In fact, the report states how well the "community colleges stay abreast of their community needs as it relates to workforce development." (see page 11, second paragraph) Community colleges currently work with the Arizona Community College President's Council (ACPC) within the Arizona Community College Association (ACCA) organization as the coordinating body for workforce development programs within community colleges as appropriate. Community colleges would also be happy to work on a common definition for workforce development and work with the Governor's Council for Workforce Policy as a clearinghouse of information but not as an oversight or coordinating body.

2. On page 14, Statewide Workforce Development Budget and Strategic Plan:

The community colleges request that a representative from the community colleges be an active participant in the design and development of the budget and

Page Two  
SPAR Report – Workforce Development

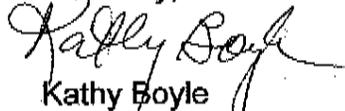
strategic planning process. Extremely limited opportunities, if any, have been provided to community colleges to review any budget or plan that includes them without any input into the development of the particular budget or plan. The community colleges must be active players in the process.

3. On page 15, Performance Measures:

Community colleges must meet rigorous accreditation standards that include performance-based measures. On page 11 of the report, second paragraph, the report highlights the use of performance outcome measures by community colleges in data gathering and resource allocation for workforce development. Such statements prove that community colleges already use performance measures in workforce development. However, as the state develops performance measures, the community colleges will be happy to provide the agencies with reports of performance under educationally define and validated outcome measures that relate to workforce development.

Thank you again for the opportunity to comment on the SPAR Report on Workforce Development. We look forward to continuing the dialogue on this important issue.

Sincerely,

  
Kathy Boyle  
Executive Director

DEC-29-2005 13:34  
12/22/2005 08:20

OSPB PANAFAX  
5203242220

TMC FOUNDATION

6025420868 P.001/001  
PAGE 02



December 22, 2005

Ms. Monica Seymour  
Deputy Director  
Office of the Governor, Office of Strategic Planning and Budgeting  
1700 West Washington Street, Suite 500  
Phoenix, Arizona 85007

Mr. Stefan Shepherd  
Assistant Director  
Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, Arizona 85007

Dear Ms. Seymour and Mr. Shepherd:

As Chair of the Governor's Council on Workforce Policy I appreciate the opportunity to respond to the final draft of the Strategic Program Area Review for Workforce Development Programs.

Many of the recommendations being suggested in this draft Strategic Program Area Review are the same areas the Council reviewed at our September 2005 strategic planning session. Since September, the Council has generated a statewide marketing plan to promote workforce services throughout the state. The Council is currently sharing this plan with all the workforce partners and agencies in the state and expects to start implementing the plan in March of 2006. Furthermore, the Council is also in the process of establishing statewide outcome based performance measures that will be used to identify joint accountability issues and establish a statewide performance management system.

I look forward to receiving the final copy of the Strategic Program Area Review of Workforce Development programs and working together to increase the coordination and visibility of Arizona's current workforce system.

Sincerely,

  
Jack B. Jewett  
Chair, Governor's Council on Workforce Policy

Public Policy  
5301 E. Grant Road ♦ Tucson, AZ 85712  
(520) 324-2018 ♦ Fax: (520) 324-2220