



## Arizona Department of Gaming

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September 21, 2010

The Honorable Janice K. Brewer  
1700 W. Washington, 9<sup>th</sup> Floor  
Phoenix, AZ 85007

Dear Governor Brewer:

Please find attached the initial report from the Commission on Privatization and Efficiency ("COPE"). It provides information regarding recent efforts at privatization and efficiency, as well as setting forth an initial list of recommendations.

The recommendations are not exhaustive, but are designed to serve as a starting point. It is been said that a journey of a thousand miles begins with a single step. Likewise, we believe that the path toward privatization and greater efficiency begins with an initial report.

Thank you for your commitment to ensuring that Arizona taxpayers receive the best and most efficient government possible. We sincerely hope that this report will further your efforts.

Sincerely,

A handwritten signature in blue ink that reads "Mark Brnovich".

Mark Brnovich, Chairman  
Commission on Privatization and Efficiency



**Arizona**  
**Commission on Privatization and Efficiency**

**Initial Report to Governor Janice K. Brewer**

**FY2011 Recommendations**

September 21, 2010

**Arizona Commission on Privatization and Efficiency**

**Mark Brnovich, Director  
Arizona Department of Gaming  
Chairman, COPE**

**President Robert Burns  
Arizona State Senate**

**Speaker Kirk Adams  
Arizona House of Representatives**

**Chad Kirkpatrick, Director  
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**Dave Raber, Director  
Arizona Department of Administration**

**John Arnold, Director  
Office of Strategic Planning and Budgeting**

**John Halikowski, Director  
Arizona Department of Transportation**

**Glenn Hamer, President and CEO  
Arizona Chamber of Commerce and Industry**

**Leonard C. Gilroy, Director of Government Reform  
Reason Foundation**

**Stan Levine, Industrialist, Retired  
Public Member**

**Carol Springer, Yavapai County Supervisor  
Public Member**

## **EXECUTIVE SUMMARY**

On January 21, 2010, Governor Janice K. Brewer signed Executive Order number 2010-10, creating the Arizona Commission on Privatization and Efficiency (COPE). The Commission was created to conduct a thorough examination of state government functions and services to determine whether the state was providing the most cost-effective, efficient, and transparent government possible.

COPE has received and reviewed responses from each state agency to identify functions, activities and services that could be provided by or with the private sector. The Commission has also received suggestions from the public and from leading experts in the area of privatization and efficiency. COPE focused on the recommendations that the state can work towards implementation immediately for this initial report, and thus, makes the following recommendations:

### **1. Consolidate Email Systems**

- Consolidate the different email systems used by agencies, boards and commissions into a centrally maintained email system.
- Evaluate the pilot project currently in place at six agencies, which will be completed by November, 2010.
- Arizona Department of Administration (ADOA) recently switched email providers and expects to save approximately \$200,000.

### **2. Surplus Equipment**

- ADOA should implement a statewide web-based forum to facilitate the exchange of property at the state agency level prior to reaching the surplus property office.
- ADOA should develop a searchable online database of surplus equipment for agencies, boards and commissions to search and meet their equipment and software needs more efficiently.

### **3. Personal Computer (PC) Power Management**

- Arizona should implement software in all State computers to allow network administrators to shut down PCs and monitors after a certain period of inactivity in order to save power.
- Energy savings would be disbursed across agencies and is expected to reach \$484,600 annually.

### **4. Cell Phone Contract Management**

- Verizon presented an opportunity to ADOA's Telecommunications Program Office (TPO) to pool minutes from existing contracts saving \$600,000.

### **5. Performance-Based Building Maintenance Contracts**

- With performance-based maintenance contracts, the private sector provides services based on outcomes, not hours worked.
- Arizona should explore opportunities for performance-based facility management and maintenance, both for traditional public buildings and secure-site facilities.

### **6. Asset Management**

- ADOA should expand its inventory of all of real property assets owned by the state to include unimproved land and additional property turned over to ADOA.
- ADOA should work with or hire the State Cartographer to analyze where the land is located, what the land is used for, and whether or not the state would benefit from disposing the land.

## **7. Education Data Collection**

- Arizona should move forward with the RFP to provide an evaluation of Arizona Department of Education's current data system for enhancements needed in order to be compliant with the American Recovery and Reinvestment Act.
- The RFP should include options for private entities to provide and manage the required data system.
- An expanded, reliable, and robust data system will enable stakeholders to analyze individual teacher, school, and district performance at the K-12 level, as well as provide the ability to establish accountability measures for the higher education system.

## **8. Rest Areas**

- The Arizona Department of Transportation (ADOT) should continue to pursue federal statute changes in order to have the ability to privatize rest areas.
- ADOT could potentially garner large savings if changes at the federal level occur to allow for the privatization of rest areas or private-public partnerships.

## **9. Parks Concessions**

- Arizona State Parks (ASP) should continue to enter into concession agreements with private recreation firms for either or both of the following:
  - Whole park concession model, which would bundle certain parks for the management of private companies
  - Normal concession model, where private companies can manage or build buildings and/or sell other products and services to the public at State Parks.

## **10. Consolidate Credentialing**

- The Arizona Health Care Cost Containment System (AHCCCS) should continue participation in the consolidation effort of the credentialing process for health care providers.
- Inefficiencies in the health care industry lead to higher costs, thus higher fees for AHCCCS patients.
- Creating a more efficient process could produce savings in the private and public sector.

## **11. Use of Technology**

- COPE applauds the recent efforts at ADOA to automate and outsource the employment verification process and believes that other agencies could similarly attempt to automate processes.
- COPE recommends new legislation allowing taxpayers to use electronic signature directly benefitting the Department of Revenue (DOR) by streamlining processes.

This report is not designed to address all of the concerns or options that have been presented to COPE since inception. Instead, it is meant to be a starting point to identify some short-term savings opportunities in Fiscal Year 2011. COPE members believe that it is reasonable to proceed on these recommendations at this time, as the issues contained within have been of recent public concern and discussion and as a result have been analyzed and evaluated for review. COPE will continue to analyze any additional suggestions and consider recommending them in the final report. The implementation of the recommendations in this report can serve as a road map and will encourage further suggestions and recommendations.

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## A. INTRODUCTION

The Commission on Privatization and Efficiency (“COPE”) was created by Governor Janice K. Brewer via Executive Order 2010-10 to identify privatization opportunities and efficiencies that the State should pursue. Given the current economic climate, efficiency and cost savings have been a top priority. COPE was created in order to aid in this endeavor, and ensure that Arizona taxpayers receive the most cost effective and efficient government their tax dollars can provide. Specifically, COPE was designated to review state activities, functions, programs, and services and recommend whether the public would be better served through the elimination, consolidation, or privatization of these government functions, programs or services (Appendix 1).

In Arizona, budgetary cuts of more than \$2 billion have been implemented over the past two fiscal years, and future reductions may become necessary based upon current revenue projections (Appendix 2). But good stewardship of public dollars requires an examination of the type and method of delivering goods and services provided by the government occur on a regular basis regardless of the current budget situation. This includes a systematic review of all government services, programs, and functions and determining whether or not they should be done by or in conjunction with the private sector.

The concept of privatization is not new to Arizona. From 1983 to 1998, Arizona had a Private Enterprise Review Board (PERB) that provided a review of state government functions that compete with private enterprise. Arizona's initial PERB program waited for private sector petitions, but did not perform systematic reviews of agency functions. By contrast, COPE is engaged in a statewide review of all agencies and will continue to examine and evaluate all functions that could potentially be done by the private sector.

Throughout the creation of this report, it became evident that Arizona is not alone in addressing the on-going fiscal crisis through privatization. For example, over the past year New Jersey, Nevada, Louisiana and Georgia created similar commissions that made recommendations designed to make government more cost-effective and efficient, and initiatives similar to COPE are currently underway in Virginia and Washington State. Additionally, there are other historical examples of federal, state, and city governments working with the private sector to create better government for its citizens (Appendix 3).

Finding areas where the private sector can perform government functions more efficiently and at a lower cost can be a significant part of the budget solution. Whenever possible, the government should look to the private sector to deliver goods and services or partner with the private sector to attract private enterprise capital, management or innovation. Due to severe budget cuts, many agencies have already eliminated functions, or privatized where it was practical and garnered savings. Examples of several efforts at privatization can be found in Appendix 4.

COPE received recommendations at a public hearing held on June 14, 2010, as well as through submissions received from the public through the website <http://azcope.gov> in preparing this report, as well as from presentations and testimony from leading experts in the area of privatization and efficiency. For the purpose of this report, COPE focused on recommendations the State can start implementation on immediately. Several other suggestions and proposals are still under consideration and may be contained in the final comprehensive report due on December 31, 2010. COPE members believe the attached recommendations are a starting point that should encourage innovative thinking on how government services can be most effectively delivered, be it through consolidation, privatization or efficiency.

## **B. RECOMMENDATIONS**

### ***Recommendation 1: Consolidate Email Systems***

**Recommendation:** Consolidate the different email systems used by agencies, boards and commissions into a centrally maintained email system. The email system would be hosted either within Arizona state government (private cloud) or by a 3<sup>rd</sup> party vendor (public cloud).

**Background:** Email is currently managed at the agency level across Arizona state government. This decentralized system leads to many inefficiencies, cost duplications and security concerns. Cost inefficiencies include surplus email licenses, surplus hardware, and redundant maintenance and support staff.

Most agencies manage email internally. However, the Arizona Department of Administration (ADOA) hosts email for 27 customers, many of which are smaller boards and commissions.

**Benefits:** Significant savings could be achieved by consolidating to an email “software as a service” (SaaS) model. Many other cities and states have moved or are in the process of moving to a single email system. The City of Los Angeles has begun a major email consolidation initiative to a public cloud. They estimate a savings of \$13.8 million for its 30,000 employees (Arizona has approximately 25,000 computer users and 37,475 licenses). Colorado state government also recently began offering a hosted email solution to state agencies.

An example that shows potential benefits is ADOA’s recent switch from Novell-based email to MS Exchange/Outlook. Novell-based email cost ADOA \$26 per month per user in usage fees, whereas Microsoft products cost \$3 per month per user. Given the number of ADOA employees and the additional cost of Novell-based software and hardware maintenance, savings in ADOA alone are expected to reach over \$220,000. Given the amount of email users in the state and other consolidation effort benefits, the cost savings to the state could be in the millions of dollars. Full time employee (FTE) savings would also be realized once agencies cut unneeded IT staff dedicated to providing email and hardware troubleshooting support.

**Implementation Considerations:** A pilot project on email consolidation has started and will be completed in November. Six agencies are evaluating the Google SaaS solution and the Microsoft private cloud option. Participants will evaluate the features and functions, including end-user ease of use, technical set-up and maintenance, uptime, and security. Recommendations for the state will be made based on the results.

The pilot will produce a summary report that will identify what worked and guide the state on the best solution for email consolidation. The pilot will provide baseline metrics on the costs and benefits associated with both options, and the effort involved in the consolidation.

## ***Recommendation 2: Surplus Equipment Sales***

**Recommendation:** Arizona should implement a statewide web-based forum for state agencies to exchange property prior to reaching the surplus property office. This would likely be used in cases of sharing software licenses, exchanging IT equipment and trading smaller equipment that can be easily stored or transported.

Arizona should also develop and implement a web-based searchable database for all surplus property through ADOA. This database will be utilized by agencies, boards and commissions, as well as the public in order to search through ADOA's surplus property inventory, electronically request information and purchase equipment. ADOA should additionally analyze existing online auctions that specialize in state surplus property liquidation.

**Background:** GITA has developed and implemented a beta website called the "Copper List" to serve as a marketplace for exchanging excess supplies between state agencies prior to these supplies reaching ADOA's surplus property system. The site is intended to act as a forum that facilitates communication between agencies about excess property. This website has already resulted in \$30,000 worth of savings when two agencies shared software licenses between them rather than purchasing them outright.

Currently, surplus equipment at ADOA is housed in a large storage lot and warehouse. There is no searchable online database of what is stored, the condition of the equipment and any associated costs. Agencies that need additional supplies must take time to go visit the warehouse and see what is available or call ADOA to discuss equipment needs and determine whether or not surplus property can meet those needs.

Due to widespread reductions in workforce from budgetary cuts, many agencies have excess furniture, vehicles and software licenses. Over the past year, ADOA has received semi containers full of office equipment and furniture due to various agency office closures across the state. As a result, ADOA has no shortage of surplus property to redistribute, sell, recycle or dispose of.

**Benefits:** By expanding on GITA's "Copper List" and creating an online forum for agencies to use, ADOA's surplus property inventory could be reduced by allowing agencies to discuss, trade and exchange their goods before reaching the surplus property system in the first place. Once the website is in place, all state agencies should consult the list before any new purchase of equipment or software.

By providing a searchable online database of ADOA's surplus property and equipment, agencies and ADOA can reduce the amount of employee time used in determining whether or not the agency's needs can be met with ADOA's surplus property. Potential savings would be generated through fewer new purchases at agencies and would provide better advertisements for the public auctions by allowing the public to view photos and descriptions of the items prior to the three auctions ADOA holds each year. This could potentially increase public participation, increase sales of unused state equipment and reduce the amount of surplus property stored by the state.

**Implementation Considerations:** As a direct result of the Governor's request for agencies to examine their own practices and evaluate processes for potential efficiencies, ADOA has begun development of a

searchable online database for surplus property to be hosted on ADOA's website to be used by state agencies. The database will be searchable by group and sub-group, for example Group: Furniture, Sub-Group: Kitchen. ADOA's surplus property division will need to utilize its current email listserv and bimonthly newsletter to publicize the new searchable database and target property sales to its customer base.

At present, ADOA is using current staff within the Surplus Property and the IT departments to implement the initiative and at this time, it is unknown whether additional staff will be needed to take on the additional task of website maintenance and management of the expected increased volume of information requests and equipment sales.

After an initial testing period, ADOA and COPE should analyze the effectiveness of both the statewide "Copper List" and the searchable online database to determine whether or not these are feasible and practical ways to deal with surplus property. ADOA will review how state procurement laws affect this type of interagency transaction or exchange. Additionally, DOA should analyze the feasibility of using online auctions as a potential sales strategy for surplus property and take advantage of services provided by online auctions such as PropertyRoom.com which specialize in liquidation of surplus property for state governments.

### ***Recommendation 3: Personal Computer Power Management***

**Recommendation:** Arizona should implement software in State computers that will allow network administrators to put personal computers (PCs) and monitors to sleep after a certain period of inactivity. This idea is also known as PC Power Management.

**Background:** In FY 2010, the State of Arizona spent approximately \$41.5 million on energy, not including Universities. In a typical organization, IT is the third largest consumer of energy. Two-thirds of a PC's energy is used when it is not in active use, including after business hours. By continuing to use energy, money is being spent on energy in non-productive activities. Energy usage could be curtailed if PCs were forced to either be turned off at the end of each day or induced by a software program to temporarily shut down during periods of inactivity.

**Benefits:** GITA and DES conducted a pilot program on 75 PCs in May and June 2010. Based on the results of the pilot, DES alone would see energy savings from 154 Kwh to 217 Kwh per PC per year (although an HP study found savings of 240 Kwh). Industry standards for PCs that do not currently have a PC Power Management program could see energy usage reduced by 60%. Those with a basic "sleep mode" program could see savings of around 25%. GITA estimates that savings could be as much as \$484,600 per year for the estimated 25,000 PC users within Arizona State government at an average energy rate of \$0.1045 per Kwh. This savings amount is roughly equivalent to 1% of the State's energy bill and would potentially be disbursed across agencies, depending upon what PC power management programs are already in place and usage levels.

#### **Implementation Considerations:**

Network software will need to be installed to monitor PC power usage in the state agencies. According to GITA, costs for the first year are estimated at \$375,000 in license fees and \$50,000 per year after.

The installation will occur at the server level which can then push out the required scripts to the individual desktop PCs. This eliminates the need to conduct an installation on all 25,000 desktop PCs. The State will need to establish minimum guidelines on when PCs "go to sleep."

Finally, there would need to be some incentive for agencies to do this because they do not currently receive any benefit from reducing their energy usage and costs. Energy costs are built into the agencies' rent charges, so the agencies would not see savings unless the State lowered the agencies' rent charges accordingly.

#### ***Recommendation 4: Cell Phone Contract Management***

**Recommendation:** The ADOA Telecommunications Program Office (TPO) has been investigating ways to reduce expenses for cell phones. TPO was presented with an opportunity from Verizon, the State's largest wireless carrier, to pool the minutes used on its billings to provide immediate cost savings. COPE recommends that the TPO continue to look for ways to save and proceed with Verizon to pool minutes under existing contracts.

**Background:** The State of Arizona, including the Universities, currently utilizes over 12,000 cell phones. Each agency monitors contracts for its own employees. Due to the decentralized nature of cell phone acquisition and monitoring, several vendors and contracts are available for use by State agencies. While many of the contracts have provisions that are favorable to the State, larger efficiencies are potentially available through an effort to pool minutes.

In the Verizon proposal, the State's minutes would be combined in a pre-determined manner to allow the pooling of used minutes to go toward the aggregate minutes allowed under the current contract. As an example, an agency with wireless devices may now have all staff share rollover minutes avoiding overage charges. Under the proposed plan, the aggregate minutes of all agency employees would be combined and if the total usage was under the aggregate of allocated minutes, there would be no overage charges billed.

**Benefits:** Significant savings could be generated by matching users to the optimal phone plans based on their usage, eliminating unneeded data plans, and identifying and correcting billing errors. Furthermore, TPO conducted initial analysis that indicated that pooling minutes with Verizon alone could save in excess of \$600,000 per year.

**Implementation Considerations:** Verizon and other vendors provided reports to ADOA to show how rollover minutes could be pooled to achieve savings within those plans. After the TPO completes its analysis of the vendor information provided, the ADOA State Procurement Office will be enlisted to modify or procure contracts that maximize the efficiency of a centralized management effort through the TPO.

## ***Recommendation 5: Performance-Based Building Maintenance Contracting***

**Recommendation:** Arizona should explore opportunities for performance-based facility management and maintenance for both traditional public buildings and secure-site facilities.

**Background:** Governments at local, state and federal levels have found that contracting the operation and maintenance of facilities can lead to innovations, greater productivity and cost savings. Facility management contracts are abundant in government and can be applied in a variety of forms, from individual building maintenance and janitorial contracts to agency-wide facility maintenance management systems. Maintenance contracts typically cover a range of building services including HVAC, electrical and mechanical systems, janitorial services and landscaping. Various agencies in Arizona government already contract for some of these services.

However, the piecemeal approach to contracting has limitations. Typical building management and maintenance contracts emphasize inputs such as: procedures, processes, wages, and the amount or type of equipment, time and labor used. Piecemeal contracting companies are paid for the quantity of work they do, not on the quality of work that is provided. These contracts are usually limited to one year with four option years. While traditional contracting in building operations and maintenance offers significant cost savings over in-house government provision, there is little or no flexibility in determining efficient work methods, as the contracting agency typically defines the work processes. In effect, the private contractor mimics the agency's processes thereby restricting innovation and limiting the potential benefits.

Long-term performance-based maintenance contracts are preferable. The time period for these contracts, sometimes referred to as "total asset management" contracts, are typically greater than three years. Under this type of arrangement, the contracting agency defines an end-goal and the contractor decides how best to achieve the desired outcome. The contract creates clearly defined performance measures, outcomes and timetables, while not explicitly defining work processes. This allows for new and innovative methods, opportunities for value engineering and improved efficiencies to be incorporated into delivery of service. A performance contract may tie at least a portion of a contractor's payment, as well as any contract extension or renewal, to his achievement. This allows governments to purchase results, not just process, rewarding the private firm only if specified quality and performance goals are met. With performance-based contracting, governments are purchasing something fundamentally different from in-house services.

This approach to performance-based or "total asset management" contracting emerged from the field of road and highway maintenance, but the very same approach is starting to be applied to the maintenance of public buildings, including secure-site prisons and juvenile corrections facilities.

**Benefits:** Although an investment in building maintenance is required, in the long run state agencies embracing this economy-of-scale approach to contracted maintenance services could realize cost savings through having a fixed-rate, predictable budget line item over a multi-year period, as opposed to the variability and cost inflation seen under piecemeal contracts for individual building maintenance tasks. Additional benefits include transferring key maintenance and project risks from the state to the contractor and efficiency gains through embracing a life-cycle approach.

Reduced spending on facility maintenance over time amid tight budgets tends to cause buildings and facilities to deteriorate faster, accelerating the need and driving up the costs for major system repairs and replacements and facility construction. By shifting towards a life-cycle oriented approach to building maintenance contracting, agencies like ADOA, ADOC and ADJC could avoid major deferred maintenance backlogs as well as reduce the current backlog while simultaneously ensuring that their facilities stay properly maintained in a cost effective manner.

*Case Study: Georgia* – Georgia has been the leading state in applying the concept of performance-based secure-site facility maintenance. Georgia’s Department of Juvenile Justice (DJJ) began outsourcing facility maintenance at 30 of its 35 facilities in 2001. They contracted with CGL Engineering Inc. for a comprehensive maintenance solution, which marked the first successful state correctional system maintenance outsourcing to a private firm. The partnership was structured to provide a long-term maintenance solution without increasing the budget. The goal was to have a private partner tackle major corrective maintenance projects the state had been unable to address it from within existing budget constraints.

The results have been impressive. The DJJ found significant improvement in the condition of facilities after just one year. For the first six months of the contract, corrective maintenance work orders outnumbered preventive maintenance orders as longstanding needs were addressed. After two full years of the contract, preventive maintenance work orders were almost double the corrective work orders (19,700 preventive, compared to 11,504 corrective). Significantly, the cost of preventive maintenance in the contract held labor costs steady at their 2000 levels, before maintenance was outsourced.

To date, this partnership has generated significant improvement in facility conditions and resolved lingering maintenance needs, all while holding the budget flat. CGL also developed a computerized maintenance management system for all of the facilities as part of the initiative, dramatically improving budget and facility conditions information management. Prior to this, the state did not collect this information.

The Georgia DJJ's successful secure-site facility maintenance contract was viewed as such a success that policymakers subsequently decided to apply the same model at the 30 DJJ sites and 18 secure-site facilities across two additional agencies—the Georgia Department of Corrections and the Georgia Bureau of Investigation. This multi-agency, multi-facility performance-based contracting approach could help Arizona keep its maintenance budgets flat—if not lower costs—while helping the state tackle core facility maintenance challenges and do more with its maintenance dollars.

**Implementation Considerations:** Arizona does not have a consistent history in preventative maintenance investment. For example, in FY 2010 Georgia spent \$2.00 per square foot for the preventative maintenance contract for correctional facilities. In contrast, the Arizona Department of Corrections (ADOC) estimates it spent approximately \$.42. Implementing the Georgia system at ADOC would cost an additional \$12 million. The ADOA building system would require a similar increase in resources. However, it has been demonstrated that preventative maintenance saves money over the long term.

The procurement process needed to implement this recommendation would be more complex than existing maintenance procurements, and substantial time for negotiations should be planned. However, there are two mitigating factors. First, agencies like the Department of Administration already have significant experience in developing maintenance contracts. Second, agencies can utilize Georgia and other

jurisdictions' successful procurements and contract models to provide guidance on scope of work requirements, performance metrics and more.

Facility maintenance and management contracts could cover individual facilities in a common category, within individual districts, in bundles of districts, and even agency-wide. Major landholding agencies for which this approach should be considered include the departments of Administration, Corrections and Juvenile Corrections. COPE will also need to investigate any legal restrictions on contract length and it may be the case that statutory adjustments or rule changes are necessary for a competitive procurement.

Further, the State should carefully evaluate corrective versus preventative maintenance needs prior to issuing an RFP to so that it can clearly communicate its expectations to potential bidders regarding the scope and nature of the work to be undertaken, which party will be responsible for major and minor corrective maintenance projects. The more uncertainty regarding how large potential capital expenditures would be handled under a contract, the greater the contractor risks and thus, bids at a higher rate. More certainty on current and future capital expenditures upfront in the procurement process will help bidders provide more accurate and competitive pricing.

## ***Recommendation 6: Asset Management***

**Recommendation:** Per A.R.S. §41-793, ADOA does an inventory of real property on an annual basis. COPE recommends that this inventory collection be expanded to include raw land and any assets whose title was transferred to ADOA. ADOA should work with and/or hire the State Cartographer to analyze where the land is located, what the land is used for, and whether or not the state would benefit from disposing the land.

Additionally, with the reductions in state workforce over the last three years, ADOA should complete a comprehensive review of office space utilization. This review should focus on opportunities to consolidate unused space that can then be mothballed or disposed.

**Background:** A real property inventory is a written record of what land and assets a government owns. Real property assets are typically immovable property, such as office buildings, warehouses, heavy equipment, or bridges. Governments can also track additional property, like vehicles, in a comprehensive inventory.

The Arizona Department of Administration (ADOA) currently retains a comprehensive inventory of improved real property state-owned assets for 22 state agencies, boards, and commissions. ADOA's annual inventory of improved real property does not include unimproved property, also known as raw land, owned by one or more of the foregoing agencies. ADOA does have an informal inventory of unimproved real property easily converted to an official format as a section of its existing improved real property database. Arizona's State Trust lands expressly are intended to be excluded from this inventory pursuant to the Arizona Enabling Act and the Arizona Constitution.

ADOA also acquires property interests under Title 42, Chapter 18 and via quit claim deed in the instance of Judicial and Administrative Foreclosures associated with tax liens imposed by Arizona's counties. When a county is unable to dispose of tax liens on properties by selling them to private investors, the county forecloses on the property and transfers the title to the State of Arizona. The counties are not required to notify the State of the transfer and usually do not. The State's titled interest in the property is in trust – not proprietary in nature - for the State and other taxing governmental subdivisions in the county wherein the land is situated. The State does have the power to sell the property and apportion the proceeds to the State and other governmental subdivisions.

ADOA currently holds an undetermined quantity of titles or other records associated with these properties. ADOA does not have sufficient staff to either inventory these properties or complete the required research to determine if the commercial value of these properties. The number of properties transferred to the State in this manner on an annual basis is also unknown, and ADOA has been in dispute with Maricopa County over the obligation of "ownership" associated with some of these properties.

**Benefits:** Arizona would benefit from taking comprehensive steps towards being a better steward of the land it owns and streamlining the efficient transfer of all unnecessary or under-used real property. A comprehensive list of land and assets, up-to-date with their current use, would allow the State to assess what property it might be able to lease or divest to generate upfront cash in times of economic crisis.

Developing a comprehensive list of assets will also permit the accumulation of benchmarking data to facilitate decision-making while implementing property management decisions, and provide documented institutional memory in the face of changes in personnel.

Georgia offers a powerful example of this process's success. When it set out to inventory its property it found many cases of mismanagement of public resources. Using its state "Building, Land & Lease Inventory of Property" (BLLIP), Georgia identified several properties that were not being used to their full potential. In one case, underused properties were consolidated into the Douglasville One Stop Shop, a collocation project of three state agencies. BLLIP also identified two properties in close proximity of each other that could be consolidated.

Significant savings at the State may be also achieved through the relocation of those agencies, boards and commissions currently housed in office space within commercial buildings to state-owned or managed facilities. Recent experience in Arizona suggests that significant savings are possible through more efficient utilization of office space. Since 2009, ADOA's General Services Division (Building and Planning Services) has taken advantage of a down commercial office space market to lower costs, working with its tenant broker contractor to reduce rental costs for state agencies in commercial office space by \$2 million annually. Over that same period, space consolidations and lease terminations have generated approximately \$7 million in savings.

**Implementation Considerations:** A first step to move Arizona towards a more robust and useful real property inventory would be for ADOA to undertake an "inventory of inventories" to find out what buildings, facilities and other non-land, real property assets that state agencies already know that they own. Second, ADOA should inventory all quit claim assets. ADOA should determine what types of additional resources are needed to complete these inventories and if the State Cartographer or other state entities could assist in that process.

Upon completion of the asset inventory, ADOA could categorize all state-owned property as: (1) property currently serving a critical function that would be unlikely for sale or divestiture such as state courthouses and public safety facilities; (2) real estate that is unused, underutilized, or not linked to concrete program goals; (3) revenue-generating assets that offer significant lease opportunities; or (4) non-critical assets that are not supporting an inherently governmental function for which both sale or lease are viable options.

As ADOA completes a space utilization report, ADOA should recommend which agencies could be moved and analyze the possibility of clearing out an entire building. Significant program and staff reductions in state government in recent years have left much unused office space in state-owned or managed office buildings. At the same time, there are some agencies, boards and commissions who lease office space in properties not owned or managed by the state. As discussed above, the state may be underutilizing its own office space while paying money to third party vendors to rent space it may not need. The State's ability to dispose of these properties and retain any proceeds requires legal review.

## ***Recommendation 7: Education Data Collection***

**Recommendation:** The State should set aside funds to finance the evaluation of the Arizona Department of Education's current Student Accountability Information System (SAIS) and data warehouse in order to support the education reform goals outlined in the State's Race to the Top application. Furthermore, Arizona's data system needs to be updated in order to meet federal compliance.

**Background:** SAIS was created to electronically store all student level and school finance data that are compiled and submitted to ADE. This data collection is necessary to comply with statutory requirements assigned to ADE and the State Board of Education for calculating school funding and determining the academic progress of students. Data elements stored in SAIS include a student's identifier, name, date and place of birth, gender and ethnicity, attendance record, absences, school membership, and special needs information. All collection, maintenance, or disclosure of student educational records must comply with the Federal Family Educational Rights and Privacy Act (FERPA).

HB 2733, signed into law this year, requires the Arizona Department of Education (ADE) to explore the possibility of privatizing its data system. Specifically, ADE must enter into contracts with public or private entities by August 1, 2010 to evaluate its current data collection, compilation and reporting system. Using the evaluation results, and based upon availability of funds, ADE must enter into a contract by October 1, 2011 to replace or update SAIS and bring it into compliance with the American Recovery and Reinvestment Act of 2010 (ARRA).<sup>1</sup> In addition, the bill establishes a Data Governance Commission and a Task Force on Data System Privatization.

Arizona's Race to the Top<sup>2</sup> application highlighted the necessity for a reliable data system as a priority of educational reform. In order to move forward with the reform goals set in Arizona's plan, it is imperative that the data system provides accurate and robust data across the P-20 continuum.

**Benefits:** A strong longitudinal data system is the foundation to all areas of both K-12 and higher education reform. An expanded, reliable, and robust data system will enable stakeholders to analyze individual teacher, school, and district performance, as well as provide the ability to evaluate and streamline school finance. Arizona's plan for K-12 reform, outlined in Arizona's Race to the Top application, clearly detailed the need for a strong data system in order to accomplish the following reform areas: teacher and leader effectiveness, turning around the lowest achieving schools, and ensuring alignment of standards and assessments. Additionally, to accomplish ongoing higher education reform initiatives, an aligned and integrated data warehouse will provide the data necessary to establish accountability measures for the higher education system, monitor progress, and provide transparency.

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<sup>1</sup> The State Fiscal Stabilization Funds are part of ARRA to backfill state budget cuts to education. By accepting the second round of State Fiscal Stabilization Funds (SFSF), the State of Arizona also agreed to update its education data system to include several new variables, including the capability of linking teachers to student performance. In the application for SFSF Phase II, Arizona provided a plan to collect and report new data elements by *September 30, 2011*.

<sup>2</sup> Race to the Top (RTTT) is a competitive ARRA grant in which Arizona applied for \$250 million. Arizona's RTTT proposal provided a statewide, comprehensive education reform plan designed to improve instructional effectiveness, close achievement gaps and increase educational outcomes. Governor Brewer stated that Arizona will move forward with plan proposed in the application, regardless of the fact that Arizona was not selected to receive the award.

Although this will require some upfront costs, outsourcing the data system will likely reduce the cost of rebuilding a new system and reduce annual costs. Furthermore, in order to be compliant with the ARRA, the completion of a longitudinal data system is required.

**Implementation Considerations:** There are two separate initial costs to be considered: 1) the cost of evaluating ADE's current data management system, and 2) the actual cost of modifying or replacing the system. Based on prior contracts, ADE estimates the evaluation cost could be up to \$500,000; however, others estimate it will be closer to \$200,000. The Governor has agreed to set aside money from her discretionary funds in order to finance this study.

The SAIS replacement/update cost could range from \$10 million to \$20 million. Arizona anticipates some financial support to come from ADE, private foundations, and other financial resources to enhance existing data systems to make all data readily available to educators, policy makers, parents, and the general public.

When developing the privatization model, the State needs to make sure that it continues to own the education data. If the education data is managed and owned by a private company, the State's options are limited if and when it wants to renegotiate prices or make any changes. The Department of Education should move forward with the evaluation RFP as soon as possible. Once the evaluation is completed, steps in privatizing the data system should be taken (per the evaluation's recommendations).

## ***Recommendation 8: Rest Areas***

**Recommendation:** Arizona should pursue changes at the federal level to allow for the privatization of rest areas or public-private partnerships to operate the facilities. Only states with rest areas in operation before the 1956 Interstate Highway Act are eligible to privatize, outsource or engage in public-private partnerships, and unlike many East Coast states, Arizona currently has none of these options. COPE recommends that the Arizona Department of Transportation (ADOT) continues to work with its Congressional delegation and with other states to seek changes in federal law to allow for alternative funding strategies, the flexibility to use federal highway funds to support rest areas, and the ability to designate existing establishments as state-certified rest areas.

**Background:** ADOT has 18 rest areas under its jurisdiction. Ten of these rest areas are open to the public and another four rest areas are due to reopen by the fall, with four to remain closed due to serious repair issues. Most of the state's rest areas are at least 40 years old and in need of major improvements. ADOT annually spends about \$320,000 per rest area for maintenance, electricity, and water services. This funding level only enables the Department to keep the rest areas functioning to meet basic needs, but longer-term solutions need to be explored to establish rest areas as a permanent part of Arizona's highway infrastructure.

**Benefits:** Currently maintenance and improvements to rest areas must compete with other critical public safety services, such as snow removal, highway maintenance, and highway crash responses that are funded from the same source, specifically the State Highway Fund. The annual maintenance cost for all 18 rest areas is about \$4.7 million. For the 14 rest areas that will be open in FY 2011, the estimated, annual maintenance costs will be about \$4.1 million. It is important to note, that these costs do not include rehabilitation work that may be required to keep these facilities operating in the long term. The total costs of these identified rehabilitation projects could be as high as \$50 million over the next five years.

Public-private partnership (PPP) opportunities or having the ability to use existing federal funding sources would greatly reduce current financial limitations that ADOT faces each year in maintaining and improving Arizona's rest areas.

**Implementation Considerations:** Arizona needs Congressional approval to: 1) enable states like Arizona to privatize or allow for public-private partnerships to operate rest areas; 2) provide states flexibility to use existing federal highway funding sources to maintain rest areas and 3) amend federal and state law to make it more feasible for states to join forces with businesses that are located near highways that can be designated as state-certified rest areas. In addition, potential changes to ARS § 28-7058 to make it more feasible for ADOT to establish a state-certified rest area program without administrative rule making.

## ***Recommendation 9: State Parks Concessions***

**Recommendation:** Arizona State Parks (ASP) should maximize efforts to enter into more long-term concession agreements with private recreation firms. ASP should enhance its relationship with Tourism, Arizona Game and Fish Department, and locals to help promote the state park system to in-state and out-of-state residents.

**Background:** In the fall of 2009, ASP entered into a contractual agreement with the City of Yuma to operate the Yuma Quartermaster Depot State Historic Park. This agreement represented the first time Arizona State Parks utilized a city for operation of a park. As the economic and budget crisis continued, ASP worked with local governments and nonprofit organizations on creative ways to keep parks open in their communities as the economic loss of a closed state park often outweighed a one-time cash infusion.<sup>3</sup>

Within state parks, the term concession can mean different things. A common type of parks-related concession involves having a private company operate a retail store, food or equipment rental operation within a government park. ASP should expand these types of concession contracts within parks to increase revenue and visitation. For example, private concessionaires currently operate the commercial activities such as lodging, retail, or food in the national parks, including the Grand Canyon, Yosemite and Yellowstone. ASP already makes use of similar concessions in several of its parks; a list of current concessions can be found in Appendix 6. Future plans for concessions include Contact Point, a proposed marina project located on Lake Havasu. Contact Point will thus be a prime example of the perfect Arizona park with great recreation, close proximity to water and newly developed facilities.

Whole park concessions consist of a long-term (10-20 year) lease of the entire operation of a park or group of parks under a performance-based contract with a private recreation management company. This is an approach pioneered and used extensively by federal agencies like the U.S. Forest Service (USFS). Contracts might be structured as commercial leases in which the concessionaire collects 100% of gate and recreation fees to fund the park's operations and maintenance costs. The concessionaire would then pay a set percentage of gate revenues to the public agency as an annual lease payment, generally from 5% to 20%.

**Benefits:** Concessions by private vendors could increase the popularity of Arizona State Parks, as well as increase ASP revenue and encourage economic growth. Furthermore, whole park concessions offer an opportunity to turn state parks which operate at a loss into self-sustaining assets for the state by bundling these concessions with revenue generating parks. Through risk-transfer and decreased costs, ASP may see large savings.

**Implementation Considerations:** SB 1349, signed into law by Governor Brewer, allows the State Parks Board (Board) to contract with public or private entities or an Indian tribe to operate state parks. Specifically, it authorizes the Board to make emergency procurements for contracts from a public or private entity or an Indian tribe to assist in the operation, management or maintenance of one or more state parks or completely operate, manage or maintain one or more state parks. SB 1349 granted ASP statutory authority to implement this recommendation.

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<sup>3</sup> See Appendix 6 for other Arizona State Parks partnerships.

Although SB 1349 allows an outside vendor to take over full operation of a state park, it is rare for a state park to be completely managed without state resources. As mentioned previously, in cases where there is a third-party operator, the state typically contributes resources for law enforcement, capital maintenance, and resource protection. However, if ASP contract for whole park concessions, it would be advantageous for ASP to bundle parks together to create optimal packages of state parks that can be run cost-effectively and on a self-sustaining basis. This would involve bundling attractive packages for concessionaires that incorporate revenue-generating parks and parks operating at a loss, as well as coordination with federal land agencies adjacent to or in partnership with certain ASP parks. Private concessionaires will have greater interest in parks that have higher visitation and therefore the potential to bring in more revenue.

The procurement process needed to implement the whole park concession model would likely be more difficult than the normal process. USFS has already implemented whole park concessions model to operate part of its recreation facilities throughout Arizona; thus, there exists successful procurement and contract models that can serve as a useful guide to ASP if that route is taken.

Finally, it is important to note that a number of state park lands have restrictions that limit the type of development and uses on land regardless if it is operated by the state or a private entity.

## ***Recommendation 10: Consolidate Credentialing***

**Recommendation:** COPE recommends that the Arizona Health Care Cost Containment System (AHCCCS) continue participation in the consolidation effort of the credentialing process for health care providers.

**Background:** Every provider that receives Medicaid payments must be “credentialed,” which means that they comply with a series of AHCCCS and health plan requirements. These include proof of licensure or board certification, graduation from an accredited school, and postgraduate training, as well as a five year work history and attestations of items such as malpractice insurance coverage, history of discipline action, and lack of present illegal drug use. Additionally, site visits for PCP and OB/GYN applicants verify compliance with vaccine/drug storage and other regulations.

In the current structure, there are multiple instances in which provider qualifications are verified. When a provider applies for his or her AHCCCS identification number, AHCCCS requires a “registration” process in which a provider must provide proof of license, DEA number (if a prescribing provider) and proof of malpractice insurance. The provider’s information is checked against a federal database of banned and excluded providers to ensure the provider is qualified to participate in the Medicaid program. Information collected through this process is then shared with participating health plans.

A second layer of verification (known as credentialing) is required by each health plan participating in the acute and long-term care programs. This credentialing process can be exhaustive and is repeated every three years. Furthermore, if providers wish to participate with multiple health plans in an area, they must go through the credentialing process with each health plan.

Current AHCCCS regulations permit health plans to delegate responsibility for the credentialing process to another entity, but require the plans to retain the right to approve, suspend or terminate their own providers. There have been at least two previous efforts to consolidate health plan credentialing at the state level (in AHCCCS). The health plan medical directors have been resistant due to liability issues associated with accepting providers that the health plans did not directly verify.

The Arizona Association of Health Plans (AAHP) began an effort to voluntarily consolidate the majority of health plan credentialing activity through a private contractor. The contractor would collect all the necessary information from providers and compile it into a centralized usable file that the health plans could then use to make their credentialing decisions. This model leaves the actual decision-making at the health plan level but eases the burden on providers by allowing them to provide required information to only one entity. It will also reduce duplicative staff at the health plan level, likely resulting in some savings.

AAHP issued an RFI in May, and has received at least three potentially viable responses. Health plans are developing criteria regarding what additional information and requirements they would want to be included in any contract for credentialing. AAHP reports that it expects to move forward with the effort in September.

County health plans (who operate some of the long-term care contracts) and state contractors (e.g., CMDP) are not members of AAHP and therefore would not automatically be included in the centralization effort. However, AAHP has indicated willingness to allow those providers to participate.

This effort does not eliminate the separate AHCCCS registration process because that process is needed to validate providers who receive fee-for-service payments so their claims can be processed.

**Benefits:** It is anecdotally reported that the current process of credentialing is burdensome enough to discourage some providers from participating in AHCCCS networks entirely, and multiple layers of verification introduce inefficiencies into the health care system. If consolidation occurs, the system itself could see cost savings that would reach the state. If more providers agree to participate in AHCCCS, it is possible that the increased competition could lower rates. Further, efficiencies in the health care system may result in savings to the rates paid to health plans and providers. This would result in lower General Fund costs for AHCCCS.

**Implementation Considerations:** The State should monitor AAHP's effort toward consolidation of the credentialing process. The State should also engage AHCCCS in further discussions regarding potential ways to streamline the registration process.

## ***Recommendation 11: Use of Technology***

**Recommendation:** COPE applauds the recent effort of ADOA in automating and outsourcing the employment verification process. The Commission believes that other agencies could follow suit and attempt to automate processes. COPE recommends new legislation allowing taxpayers to use electronic signature directly benefitting the Department of Revenue (DOR) by streamlining processes.

**Background:** On June 18, 2010, the State of Arizona implemented an automated employment and income verification system, making it faster and more convenient for verifiers to obtain this information. All verification requests are now handled by phone or internet through the State's vendor, The Work Number (TALX). The Work Number is a fully-automated, secured employment verification service, which allows organizations to retrieve employment verification and/or payroll verification in minutes, 24 hours a day and seven days a week. State agency human resources and payroll professionals handle approximately 14,000 requests a month for verification of an employee's employment or income. These requests are received from both private and public sector organizations seeking information to support an employee's application for a loan, new apartment, government assistance, etc. The verification of employee information is a manual, labor intensive process. It is estimated that state personnel spend over 3,500 man hours each year processing these requests.

Furthermore, taxpayers currently have the option of submitting the JT-1 (Joint Application for Transaction Privilege, Withholding and Unemployment Tax), either online via AZTaxes, or by submitting a paper application by mail or in person. DOR could realize significant labor cost savings by driving more traffic to AZTaxes to submit electronically instead of submitting on paper. Currently, all aspects of completing the JT-1 can be completed on-line except that current law requires the taxpayer's signature. COPE believes that legislation facilitating the acceptance of electronic signatures would improve customer service as well as decrease labor costs as more taxpayers utilize website services.

**Benefits:** Benefits of the automated, outsourced solution for employment verification include:

- *Reduced workload and increased productivity for state employees that handle verifications.*
  - It is estimated over 3,500 hours of state staff time is spent annually on verifications. Using a \$13 per verification industry average, those verifications annually cost the state approximately \$182,000. When fully deployed, it is anticipated the solution will reduce current staff workload by 75%, and estimated savings of \$136,500.
- *Reduced risk of unauthorized disclosures.*
  - The TALX solution requires any organization requesting employee information to have a legitimate purpose for the request. An organizational background check is performed and specific purposes for each request must be declared before TALX will provide verification information.
- *Reduced costs for AHCCCS and DES for social services verifications.*
  - AHCCCS and DES have contracted with TALX to secure on-line income verification information for people applying for social service program assistance. With the addition of state employee data to the TALX system, TALX reduced AHCCCS and DES contract costs approximately \$25,000 per year.

COPE believes that the first benefit – reduced workload and increased productivity for state employees – would be present in any similar automated processes. According to DOR, electronically filed returns require very little labor, on a marginal basis to process, have an error rate vastly lower than paper returns, and allow for faster service to taxpayers. DOR could potentially realize significant labor cost savings if more taxpayers filed individual income tax returns electronically. Allowing a tax credit to cover the vendor charge to the taxpayer for filing electronically may encourage more taxpayers to do so.

**Implementation Considerations:** ADOA reports that the new automated, outsourced solution is meeting expectations.

## **C. CREATING A STATE PRIVATIZATION PROCESS IN ARIZONA**

Recommendations for privatization are not self-implementing. Privatization requires a change in thinking among career civil servants and among appointees mastering new responsibilities. In order to systematically uncover, examine, and implement prudent privatization, consolidation and efficiency proposals in agencies, Arizona needs an appropriate management structure and suitable processes have to be designed, learned, and carried out.

Privatization is implemented most effectively when government establishes privatization as a standard management policy and adopts appropriate management structures and policies that reflect best practices in procurement and contracting. To this end, we recommend that the Governor issue administrative policy guidance to state agencies stating that achieving efficiency through private sector competition is a standard policy across state government.

States and national governments with the most experience and success in privatization have also created centralized entities to manage privatization and government efficiency initiatives. For example, many states have created “centers of excellence” to assist decision-making and disseminate best practices in contracting out public services and governmental functions. In practice, these entities take a variety of forms, ranging from internal working groups within an executive office to stand-alone privatization councils with dedicated staff. Regardless of the form it takes, the entity is typically tasked with implementing and/or monitoring privatization initiatives consistently across state and national governments, ensuring that privatization is done for the right reasons and with proper due diligence.

A “center of excellence” along these lines would help Arizona’s state agencies streamline processes, identify efficiencies and walk through the process of outsourcing services where appropriate. It could assist government agencies in developing business cases for proposed privatization initiatives as well as evaluating other key policy considerations such as potential cost savings, service quality improvements, risks, and employee transitions that are essential to a successful privatization initiative. This center would apply a business case process and a rigorous cost-benefit analysis to determine if privatization should go forward for state agencies and services. The center should also:

- Develop a standardized, enterprise-wide process for identifying and implementing competitive sourcing;
- Develop rules instituting performance-based contracting and business case development as requirements for state procurements;
- Disseminate lessons learned and best practices in competitive sourcing across state government;
- Assist agencies in developing business cases that clearly outline the rationale for any proposed privatization initiative before any RFP/RFQ is issued,
- Conduct an annual or biannual inventory of all functions and activities performed by state government, distinguishing between inherently governmental activities and commercial activities
- Create a uniform cost accounting model to facilitate appropriate cost comparisons between public and private sector service provisions
- Track agency performance in implementing the privatization strategy, and report periodically to the Governor and to the Legislature on the results and status of the privatization program.

The idea of a centralized privatization center is not new to Arizona. In 1983, the Legislature established the Private Enterprise Review Board (PERB) as an independent body with the mission to review state functions that compete with private enterprise. However, the PERB was seen by many observers as having limited effectiveness primarily because it lacked an effective mandate. PERB had ten volunteer members that primarily reviewed complaints about state agencies competing with private enterprise, and solicited and evaluated expressions of interest from the private sector to perform functions performed by state agencies. Its role as an advisory body, its lack of a clear statutory mandate to drive statewide privatization initiatives, and its lack of integration into the executive branch constrained its effectiveness at limiting the size and scope of government and PERB was discontinued in the late 1990's.

Florida's Council on Efficient Government (CEG) offers an illustrative example of the potential savings and other benefits achievable through a more structured, comprehensive approach. Florida's CEG was established in 2004 during former Governor Jeb Bush's tenure and was a key component of a larger privatization strategy that ultimately helped his administration realize over \$550 million in cost savings through over 130 privatization and competition initiatives over Bush's eight-year term. Although most of the work was done during good economic times, by creating CEG, Florida has been better able to manage through the difficult times of recent years. Meanwhile Arizona has undergone its own rough overhaul of state government since 2008, and could have benefitted from having a CEG of its own to assist.

A similar privatization center could be established in various ways in Arizona either by executive order, as was done in Florida, by statute, as was done in Utah, Virginia and Texas, or executive action as was done in Louisiana. Avoiding new expenditures on state positions in a time of fiscal crisis is an obvious concern, so COPE recommends that any new privatization center rely on existing staff with requisite skills to the extent possible.

## **D. CONCLUSION**

As the result of this current economic crisis, Governor Brewer has tasked COPE and ultimately the people of Arizona, to look at government with a more critical eye focused on efficiency and value. The recommendations in this report are suggested as initial steps to put Arizona on solid financial ground. History has shown that when implemented with attention to best practices, privatization can help governments achieve significant cost savings, improved service delivery, access to technology and advantages in risk management.

Although any crisis involves danger, it also provides the opportunity for transformation. Arizona now has a chance to quell the inflated cost of public services that have long escaped scrutiny and to create a new model for improving government performance. This innovative approach will not only reduce spending, but will provide significant environmental and quality-of-life benefits such as reducing energy consumption, streamlining the distribution of supplies and restoring crumbling rest stops and public buildings – all at a reduced cost to taxpayers.

In the months ahead, COPE will continue to ask if our government should be doing what it is doing today, and if are there things that can be accomplished more efficiently through streamlining, reorganization or privatization. While this initial report is focused on efficiencies that can be immediately pursued, the next report will propose structural changes to better position the state for long term stability.

# Appendix 1: Executive Order Creating COPE

## EXECUTIVE ORDER 2010-10

### Establishing the Commission on Privatization and Efficiency *(Amending and Superseding Executive Order 2010-04)*

**WHEREAS**, the citizens of Arizona deserve the best and most effective State government their tax dollars can provide;

**WHEREAS**, Arizona taxpayers should be confident that State government is providing only necessary services, functions, and goods and is doing so in the most cost-effective manner;

**WHEREAS**, government should focus on performing inherently government functions with full transparency and accountability;

**WHEREAS**, the private sector often provides benefits and solutions not always available or considered by government agencies;

**WHEREAS**, input from public and private sector leaders can assist in identifying state services and agencies whose functions can be eliminated, consolidated, streamlined or outsourced to achieve greater operational efficiency in meeting the needs of the citizens;

**WHEREAS**, Governor Brewer signed into law House Bill 2396, which expands the authority of the Arizona Department of Transportation to use public-private partnerships and has been recognized nationally;

**WHEREAS**, during the last year, Governor Brewer and the Arizona Legislature imposed the largest spending reductions – \$1.09 billion – in Arizona’s history, streamlined government operations, eliminated State services and programs, and reduced the State workforce by almost 10%;

**WHEREAS**, a more formal and systematic review of government services, programs, and functions is required to ensure State government is operating in the most efficient manner and to purge unnecessary expenditures;

**NOW THEREFORE, I, JANICE K. BREWER**, Governor of the State of Arizona, by virtue of the authority vested by the Constitution and the laws of the State of Arizona, do hereby order and direct as follows:

- 1) The Commission on Privatization and Efficiency (hereafter COPE) is hereby established. Its mission is to examine each state agency, department, board, commission, and entity’s constitutional, statutory and practical functions, to determine which powers, duties and responsibilities can be (1) eliminated, (2) streamlined, (3) consolidated or (4) outsourced to reduce the size and cost of state government.

- 2) The Governor will appoint the Chairperson of COPE and it shall consist of a total of eleven (11) members, six (6) of which shall form a quorum. COPE shall consist of the following members:
  - The Chairperson appointed by the Governor;
  - The President of the Senate;
  - The Speaker of the House of Representatives;
  - The Director of the Office of Strategic Planning and Budget;
  - The Director of the Government Information Technology Agency;
  - The Director of the Department of Administration;
  - The Director of the Department of Transportation;
  - One individual engaged or employed in the private sector, appointed by the Governor;
  - One individual with expertise in public-private partnerships, appointed by the Governor;
  - One individual engaged or employed in the private sector or expertise in public-private partnerships, appointed by the President of the Senate;
  - One individual engaged or employed in the private sector or expertise in public-private partnerships, appointed by the Speaker of the House of Representatives.
  
- 3) The duties of COPE shall include, but are not limited to, the following:
  - A. Review whether a state agency, department, board, commission, entity, or function is essential to the operation of government, and if it is, whether it should be streamlined, consolidated, or outsourced to maintain quality of service while achieving greater efficiency.
  - B. Recommend elimination, consolidation, or outsourcing of a state agency, department, board, commission, entity, or function if a proposed change can provide a more cost effective manner of providing a governmental service.
  - C. Review activities, functions, programs, and services of state agencies, departments, boards, commissions, and entities to ensure they are necessary, not duplicative and are meeting the needs of Arizona citizens.
  - D. Evaluate the operation of public institutions and services to determine if, given the evolution of available alternative resources, these services may be provided in a more cost-effective manner without diminishing their quality or availability.
  - E. Recommend standards, processes, and guidelines for COPE and state agencies to use in evaluating government activities to eliminate, streamline, consolidate or outsource.

- 4) COPE may hold public hearings as part of its evaluation process, and the Chairperson may appoint advisory groups to conduct studies, research or analyses, and make reports and recommendations with respect to a matter within the jurisdiction of COPE.
- 5) Members may send designees to represent them at COPE meetings.
- 6) COPE shall submit a report to the Governor by July 30, 2010. The report shall focus on recommendations that could be implemented during fiscal year 2011. A final report shall be prepared and submitted to the Governor no later than December 31, 2010.
- 7) All departments, commissions, boards, offices, entities, agencies, and officers of the State of Arizona, or any political subdivision thereof, are authorized and directed to cooperate with COPE in implementing the provisions of this Order.
- 8) The Office of Strategic Planning and Budgeting (OSPB) shall provide administrative support to COPE as directed by the Governor.

**IN WITNESS WHEREOF**, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Arizona.

**GOVERNOR**

**DONE** at the Capitol in Phoenix, Arizona this 21<sup>st</sup> day of January in the Year Two Thousand and Ten and of the Independence of the United States of America the Two Hundred and Thirty-Fourth.

**ATTEST:**

***SECRETARY OF STATE***

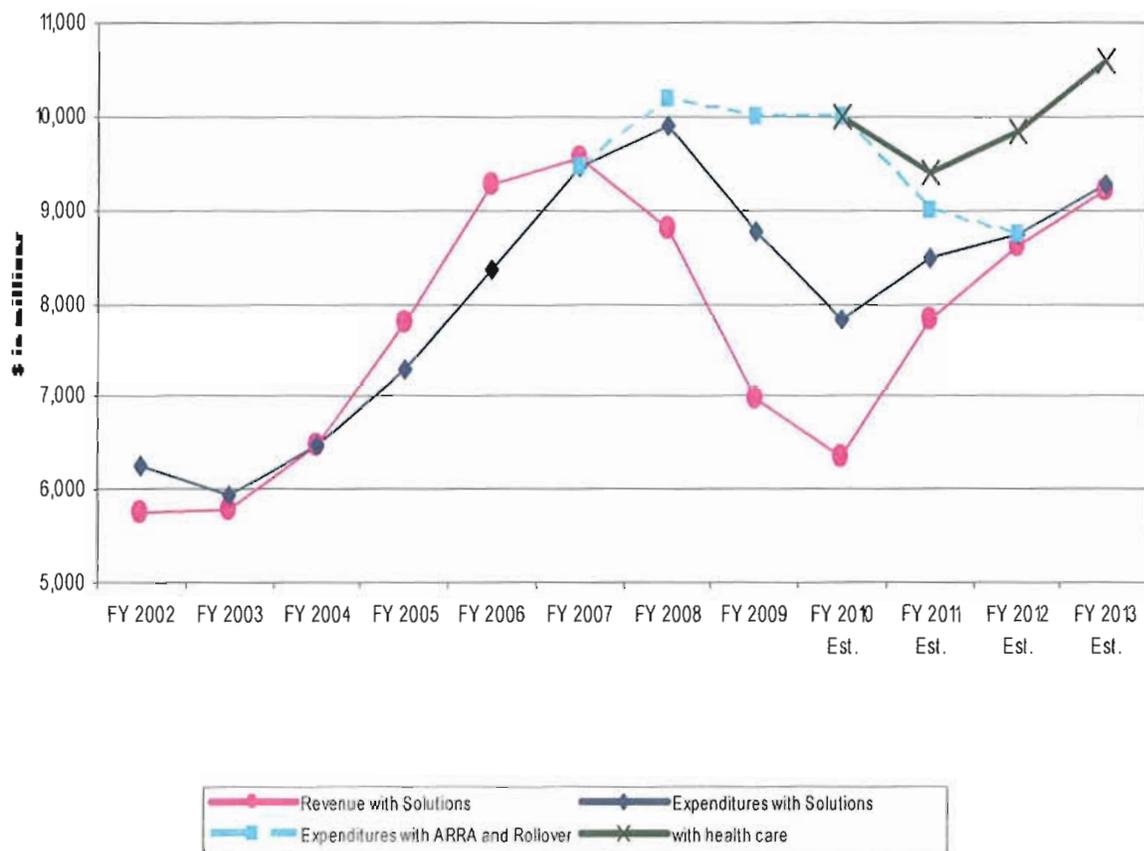
## Appendix 2: Arizona's Budget Crisis

The State of Arizona began FY 2011 with a positive account balance and a balanced budget. However, Federal Health Care reform created a \$150 million current year deficit. Additional risks to the FY 2011 state budget include:

- Voter approval of Proposition 302 in the General Election on November 2, 2010 repealing First Things First and redirect \$385 million in fund balance and tobacco tax revenues to the General Fund
- Voter approval of Proposition 301 in the General Election on November 2, 2010 allowing a transfer of \$124 million from the Land Conservation Fund to the General Fund
- Revenues meet or exceed projections in FY 2011

The budget impacts of federal healthcare reform expand in FY 2012 creating an estimated \$1 billion budget deficit that will be addressed in the coming year.

General Fund Ongoing Revenue and Expenditures Adopted Budget



## Appendix 3: State Privatization Overview

*“It is better for the public to procure at the market whatever the market can supply: because there it is by competition kept up in its quality, and reduced to its minimum price.”*

—Thomas Jefferson, 1808

In both public and private bureaucratic enterprise, some degree of mission creep is inevitable as budgets, staff and responsibilities build incrementally over time. All levels of governments have expanded into hundreds of activities that are considered to be commercial in nature. Both mission and operational functions are not always inherent or unique to the public sector. In challenging fiscal environments, identifying areas where the private sector can perform governmental functions more efficiently can be an important part of the budgetary solution.

Privatization refers to governments utilizing the private sector to both identify and implement reforms that take advantage of the capabilities of the private sector and provide better value for the public where appropriate. Privatization ranges from outsourcing simple contracts, such as highway snow removal and landscaping, to joint public-private ventures such as the construction and operation of roads, schools, prisons and hospitals. Over the last several decades, privatization has shifted from an ideological concept to a commonly-used policy management tool. Most governmental services have been privatized in some form somewhere in the world, from local services, such as road maintenance, to national services, such as air traffic control.

### ***A. Privatization in the States***

At all levels of government in the United States, privatization continues to be used by both major political parties to improve the efficiency and performance of government services. Because every state government uses privatization differently, comprehensive comparative studies of privatization are difficult to produce.

The Council of State Governments (CSG) released the most recent state-level privatization trend survey in 2003. The survey showed that the amount of privatization either remained static or increased slightly across the states between 1998 and 2002. When asked about the primary motivations for privatization of state budget directors cited cost savings, while agency heads ranked a lack of personnel or expertise. The CSG survey also noted that privatization trends will likely continue to increase as nearly half of surveyed officials responded that privatization in their state or agency was likely to increase and the other half responded that it would remain the same.

There are dozens of state services and government activities for which privatization could be applied. Some of the most privatized activities and services include:

- Highway design and maintenance
- Building repair and maintenance
- Vehicle fleet operations, maintenance & ownership
- Information technology
- Administrative support services
- Risk management
- Facilities financing, operations & maintenance
- Park operations & maintenance

- Corrections
- Core infrastructure
- Engineering and design services
- Welfare-to-work programs
- Child care, child welfare and adoption programs
- Mental health and developmental disability services
- Vehicle inspections and emissions testing
- Juvenile rehabilitation
- Environmental lab analysis
- Environmental remediation
- Golf course operations and management

Some representative examples drawn from recent state-level privatization initiatives and programs are listed below to illustrate the possible benefits gleaned through privatization:

#### NATIONWIDE

- Since the mid-1980s, twenty-six states have passed laws authorizing privately-financed transportation infrastructure, giving states a new source of infrastructure funding amid dramatic shortfalls in gasoline tax revenues. Several multi-billion dollar, privately-financed highway and tunnel projects are currently being constructed in Texas, Virginia and Florida; and systematic programs to facilitate private transportation finance are currently being developed in Arizona, California, Michigan, North Carolina and Puerto Rico.
- Many aspects of road and bridge maintenance are privatized in most states. For example, in 1996 the Virginia Department of Transportation began outsourcing over 250 miles of Interstate maintenance to one contractor in a 5.5-year, \$130 million fixed-cost contract that was subsequently renewed and extended to cover hundreds of additional Interstate miles. Various studies have estimated cost savings from this privatization ranging between 6-20%. As of 2008, the Florida Department of Transportation had developed 32 similar “fence-to-fence” maintenance contracts covering Interstates, toll roads, and other state highways, with an estimated 16% cost savings over in-house provision.
- Private providers play a major role in operating prisons and delivering correctional services in over a dozen states. According to the Texas Legislative Budget Board, cost savings in Texas’ private prisons averaged 15% annually between 1989 and 2008, ranging between 4 and 24% in any given year. During that 20-year period the average daily cost of operation in private prisons has never exceeded the costs in comparable state-run prisons. A 2009 Avondale Partners survey of 30 state correctional agencies found that states currently using private sector services report average daily savings of 28%. The Indiana Department of Correction has reduced the correctional food services costs at dozens of facilities by approximately 30% since contracting out in 2005.

#### FLORIDA

- The administration of former Florida Governor Jeb Bush advanced over 130 privatization initiatives. State services privatized under Governor Bush include highway maintenance, core enterprise IT infrastructure, vehicle fleet management, Medicaid billing, toll collections, online professional licensing,

state psychiatric hospitals, state park maintenance, and custodial services. Bush also saw the creation of the State's Council on Efficient Government, which serves as Florida's center of excellence in privatization and has helped standardize how the state identifies opportunities, conducts competitions, and awards and manages contracts for government services.

- After privatization of the South Florida State Hospital and the dramatic turnaround in quality and patient care upon its privatization, the Florida Statewide Advocacy Council unanimously passed a resolution in 2003 supporting the privatization of additional psychiatric facilities in Florida. The Florida Department of Children and Families told a legislative committee in 2007 that the average cost per bed in privately-operated state psychiatric facilities was as much as 15% lower than at state-run hospitals.

## GEORGIA

- Georgia's Department of Juvenile Justice (GDJJ) began outsourcing facility maintenance at 30 of its 35 secure-site facilities in 2001, marking the first successful state correctional system maintenance outsourcing. The contract was structured to provide a long term maintenance solution without increasing the budget. The initiative has generated significant improvement in facility conditions and resolved lingering maintenance needs, all while holding the budget flat. The contractor also developed a computerized maintenance management system for all of the facilities it maintains under the contract. The success of this model prompted Georgia officials to apply a similar model covering the maintenance of numerous facilities across the GDJJ, the Georgia Department of Corrections, and the state Bureau of Investigation.

## NEW JERSEY

- In New Jersey, privatization was used to implement regional groundwater restoration efforts in Camden, Gloucester and Burlington Counties. In coordination with the New Jersey Department of Environmental Protection, a private water company built and financed over \$200 million in new water treatment and transmission infrastructure to deliver treated surface water to these communities and help address aquifer depletion issues at no cost to the state.

## VIRGINIA

- In the late 1990s, the Virginia's Department of General Services (DGS) opened vehicle fleet maintenance to private competition, lowering costs by approximately 25%. In 2005, DGS contracted out for a new maintenance information management system that provides 24-hour on-call service and networks nearly 500 private maintenance facilities and 77 state facilities to provide repairs. The management system reduced preventative maintenance costs by 16%, reduced average brake service costs from \$228 to \$81, and significantly reduced vehicle downtime. DGS also began a contract with Enterprise Rent-A-Car in 2006 to provide short-term rentals as needed to state employees, thereby transferring capital costs and maintenance risks to the vendor.

## WEST VIRGINIA

- In 2005, West Virginia Governor Joseph Manchin signed a law to fully privatize the state's Workers' Compensation Commission, transforming it into a private insurance carrier, BrickStreet Insurance.

Since the completion of the privatization process in 2008, workers' compensation rates have declined an average of 30 percent statewide, translating to over \$150 million in annual employer savings. The initiative also dramatically reduced the outstanding unfunded liabilities of the old state-run system (from \$3.2 billion down to \$1.9 billion in the first two years), the number of protested claims (down 80 percent) and the amount of time required for a ruling on protested claims. Instead of one, state-run monopoly insurance provider, there are now over 140 competitors operating in the state, and BrickStreet—the former state monopoly—is now competing for business in other states.

Experiences like these demonstrate that privatization offers state officials a powerful means of reducing costs to taxpayers and improving state services when properly crafted and implemented.

## ***B. Common Goals of Privatization***

The primary reasons policymakers and public administrators turn to privatization include:

- ***Cost Savings:*** Cost savings may be realized through privatization via economies of scale, reduced labor costs, better technologies, innovations and/or more efficient business processes.
- ***Access to Expertise:*** Contracting gives government officials access to expertise they do not have in-house on an as-needed basis. It can be cheaper to hire architects, engineers, and lawyers on an as-needed basis than to hire them as full-time employees.
- ***Better Quality:*** Competition encourages the best delivery of services for the best value. In this case, government contract bidders have an incentive to offer the best possible combination of price and service quality in order to win the bid.
- ***Risk Transference:*** Contractors, rather than the government, should be held responsible for cost overruns, strikes, delays, and other risks.
- ***Innovation:*** Competition for contracts encourages innovative solutions for both the public and private sectors.
- ***Meeting Peak Demand:*** Contracting allows governments to obtain additional help and meet increased demand during peak periods without significantly raising costs associated with hiring new full time employees.
- ***Timeliness:*** Service delivery constraints are frequently built into contracts. Contractors can recruit additional workers or provide performance bonuses to meet or beat deadlines, options that often are unavailable to in-house staff.

## ***C. Types of Privatization***

While there are many different privatization techniques, the three most commonly used are contracts, franchises and sales, as described here:

- **Contracts:** The most common form of privatization occurs when governments contract with private sector service providers to deliver public services. For example, state governments routinely contract to provide a variety of services including road maintenance, custodial services and vehicle fleet.
- **Franchises:** In a franchise arrangement, also referred to as a lease or concession, government typically awards a private firm an exclusive right to provide a public service or operate a public asset, usually in return for an annual lease payment. This contract is subject to the private firm meeting performance expectations outlined by the public sector. In many jurisdictions, utility services are provided through long-term franchise agreements. Franchise-based privatization initiatives may involve the privatization of an existing government asset, such as a toll road.
- **Sales:** Some forms of privatization involve selling government assets outright. Governments routinely sell off aging or underutilized land, buildings and equipment. For example, Orange County, California raised more than \$300 million through real asset sales and asset sale-leaseback arrangements over the course of 18 months to help recover from bankruptcy in 1995.

#### **D. Privatization Best Practices**

The likelihood of success in privatization is maximized by paying close attention to best practices and lessons learned from the experiences of other governments, including:

- ***Non-policy making functions and activities that are not inherently governmental in nature present the best opportunities for competition.***
- ***Competition drives change.*** Competition reduces the expenditure of public funds, improves the quality of service, increases capital investment, increases flexibility and choice in service delivery and transfers financial and project risks to the private sector.
- ***Government should always set the agenda and establish goals and desired outcomes first.*** The privatization initiative should be structured in a manner that will best achieve those goals and outcomes.
- ***Establish guidelines for public/private cost comparisons.*** Formal guidelines are needed to ensure an appropriate cost comparison.
- ***Utilize “best value” contracting.*** Government procurements in the United States are frequently oriented towards selecting the lowest cost bidder as the winner of the contract. While this approach may make sense in procurements for supplies and other routine government purchasing, it is often not the best approach for outsourcing service contracts. Focusing on delivery costs alone ignores other considerations such as quality of service, financing plans, total project costs, risk transfer, expertise and technological innovation. Best practices are steadily moving toward “best-value” procurements in which governments choose the best combination of cost and quality to ensure that the state is receiving the best quality service at the best possible price.
- ***Develop a public employee transition plan.*** It is important that management communicate early and often with public employees regarding privatization initiatives and develop a plan to manage employee transitions. There are typically very few real layoffs in association with privatization as the bulk of

public employees are usually hired on by the contractor, reassigned to another government position or take early retirement incentive packages. Employee transition plans should be developed early in any privatization process that may impact current public employees. Officials should also consider developing a reemployment and retraining assistance plan for employees not retained by the agency or employed by the contractor.

- ***Develop performance metrics and goals and build these goals and benchmarks into the contract.*** The legal foundation of a privatization initiative is a contract that spells out all of the responsibilities and performance expectations that the government will require of the contractor. Failure to meet these performance metrics specified in the contract could expose the contractor to financial penalties and/or termination of the contract.
- ***Outline contract management and project implementation plans.*** Once a private partner has been selected and a contract is signed, the role of the public sector shifts from planning to contract monitoring and oversight. Strong reporting, evaluation and auditing components must be put into place to strictly monitor the contract and the contractor's performance. Effective monitoring pays for itself by improving the quality, transparency, and accountability of services. A well-designed monitoring plan should define precisely what a government must do to guarantee that the contractor's performance is in accordance with the contract.
- ***Develop a centralized privatization unit designed to manage initiatives and to establish best practices, utilize lessons learned and present a standard performance-based process.*** Global experience in privatization shows that governments are most successful when they develop a centralized decision-making unit to manage privatization initiatives and guide planning and implementation. This subject is discussed in further detail of part C of this report.
- ***Communicate with the public.*** A clear communications and public relations strategy is crucial to the success of any privatization initiative to provide transparency. This communication will build support with the public and encourage accountability.

## Appendix 4: Arizona Privatization Efforts

### *Initial COPE Scoping List of Privatized Agency Services*

This list includes a sample of current privatized functions across State agencies. COPE intends to include a full list in the following report.

<b>Agency</b>	<b>Service/Function</b>	<b>Notes</b>
AHCCCS	Medical Services	99% of funds administered by AHCCCS is either contracted out through a Request for Proposals (RFP) process, or is paid out to participating providers through the agency's fee-for-service program.
AZ Department of Corrections	Contracted Private Prison Beds	As of May 31, 2010, ADC had a total of 7,324 inmates housed in private prison beds, accounting for 18% of the total inmate population (40,611). Private prison contracts are estimated at \$175.9 million for FY2010.
AZ Department of Corrections	5,000 Private Prison Bed RFP	A 2009 statute required ADC to issue an RFP and contract for 5,000 new minimum/medium-security, in-state private prison beds to be operational in FY2012. Upon contract award, ADC estimates that it will have approximately 25% of its prison population in private prison beds. ADC is currently reviewing submissions received under the RFP.
AZ Department of Corrections	Correctional Health Care	ADC has privatized some health care functions, including pharmacy, emergency medical transport, laboratory, medical linen, radiology, hospitalization and routine/pre-scheduled care at health care institutions, off-site community provider facilities, and specialty clinics. Health services contracts are estimated at \$65.8 million for FY2010.
AZ Department of Corrections	Health Services RFP	A 2009 statute required ADC to issue an RFP for the privatization of all correctional health services in the ADC system, at a cost below the FY2008 costs to the state for similar services (\$137.4 million). ADC is currently reviewing submissions received under the RFP.
AZ Department of Corrections	Food Services	ADC began to privatize its food services in 1986 and completed the full privatization of all institutional food services in 1997, which remains in place. Food services contracts are estimated at \$41.6 million for FY2010.
AZ Department of Corrections	Inmate Commissary Service	Inmate commissary services were privatized in 2004 in a 5-year contract that ended in June 2010. ADC is currently engaged in a new RFP process for commissary services for a 5-year period.
AZ Department of Corrections	Inmate Phone Service	ADC inmate phone service was privatized in 1999. The current 7-year contract expires in October 2014.
AZ Department of Corrections	Work Based Education	ADC contracts with seven Arizona Community Colleges to provide Work-Based Education (WBE) programs to assist offenders in gaining marketable employment skills. WBE contracts are estimated at \$2.3 million for FY2010.

<b>Agency</b>	<b>Service/Function</b>	<b>Notes</b>
AZ Department of Corrections	Prison Security Perimeter	ADC began contracting for prison security perimeter maintenance in 1992. Prison security contracts are estimated at \$1.4 million in FY2010.
AZ Department of Corrections	Re-Entry/Transition Services	ADC contracts with five vendors to provide various inmate re-entry/transition services (e.g., substance abuse, behavioral modification, etc.), and ADC partners with community organizations on prisoner reentry grants. Transition services contracts are estimated at \$775,000 for FY2010.
AZ Department of Corrections	COTA Food Service	ADC Correctional Officer Training Academy (COTA) food services were privatized in 1996. The current 5-year contract expires in December 2014. The COTA food service contract is estimated at \$400,000 for FY2010.
AZ Department of Corrections	Polygraph Services	ADC polygraph services were first privatized in 2007, and the current contract expires in 2011. Polygraph service contracts are estimated at \$5,000 for FY2010.
AZ Department of Economic Security	Individual and Family Services	ADES currently has over 14,500 contracts and agreements with nonprofit and for-profit community partners to provide a variety of child welfare, child care, employment services, and home and community-based services to the elderly, individuals with developmental disabilities, victims of domestic violence and the homeless.
Department of Emergency and Military Affairs	Academic Instruction in Residential At-Risk Youth Program (Arizona Project Challenge)	DEMA recently eliminated teaching positions partnered with a charter high school to provide the academic instruction services at no cost to DEMA
AZ Department of Environmental Quality	Copy Center	ADEQ uses a private company for all of its copying services, including large copy jobs and maintaining agency copy machines. ADEQ recently began using the contract to operate its centralized file room, a function previously undertaken in-house at a higher cost to the state.
AZ Department of Environmental Quality	Security	In 2010, ADEQ hired a private firm to handle its security needs, saving an estimated \$64,000 annually.
AZ Department of Environmental Quality	Information Technology	ADEQ contracts with several private entities to assist the agency with the development of its complex data systems.
AZ Department of Environmental Quality	Vehicle Emissions Inspections	ADEQ uses a private contractor to operate the vehicle emissions inspection stations in and around metropolitan Phoenix and Tucson, with a contract in excess of \$25 million per year.
AZ Department of Environmental Quality	Monitoring Assistance Program	All small drinking water utilities are required by State law to pay ADEQ to perform their sampling, analysis and reporting rather than conduct this work themselves. Since the program's inception, ADEQ has utilized private contractors to perform this work.

Agency	Service/Function	Notes
AZ Department of Environmental Quality	WQARF/UST Remedial Actions	Under ADEQ's Water Quality Assurance Fund (WQARF) and the Underground Storage Tank State Assurance Fund programs, ADEQ uses private contractors to perform activities related to soil and groundwater remediation.
AZ Department of Environmental Quality	Drinking Water/Wastewater System Operator Certification	In the past, ADEQ performed all of the training, testing and certification of water/wastewater system operators in-house. Today, ADEQ partners with several community colleges to provide the training and testing associated with the operator certification program.
AZ Department of Environmental Quality	Permitting	ADEQ currently uses private contractors to expedite the permitting process in all of its major programs (e.g., air quality, water quality and waste programs). Under the expedited permit program, applicants can receive expedited permit application processing if they agree to pay the actual costs to ADEQ for using a private contractor.
AZ Department of Environmental Quality	Air Quality Monitoring	ADEQ has long-standing contracts with private entities for air quality monitoring and Web-based data access to the public.
AZ Department of Health Services	Various Mental Health Services	The majority of ADHS' general fund budget goes towards mental health services provided by private and non-profit Regional Behavioral Health Authorities and are awarded through the state procurement process.
AZ Department of Insurance	Examination of Insurance Agents for Licensure	
AZ Department of Juvenile Corrections	Parole Services for Juvenile Offenders	While parole officers are ADJC employees, the programs and services in which they enroll juveniles, whether residential or non-residential, are almost entirely privatized.
AZ Department of Juvenile Corrections	Educational Services at Day and Evening Support Centers (DESCs)	At the DESCs, juveniles not attending public school are provided educational services delivered in partnership with an online charter school at no cost to the department (other than the computers the youth use).
AZ Department of Liquor Licenses and Control	Title 4 Training to Licensees and Management Staff	DLLC approves and regulates approximately 27 privately-owned businesses that provide mandatory Title 4 training to licensees and their management staff.
AZ Department of Liquor Licenses and Control	Independent Auditors for Annual Lottery	DLLC is required to hire independent auditors to determine a fair market value and conduct a random selection drawing for an annual lottery for "quota" licenses. The lottery, based on population by county, makes new "quota" licenses available to the private sector.
AZ Department of Public Safety	Various Information Technology Functions	
AZ Department of Public Safety	Various Fleet Services Functions	

<b>Agency</b>	<b>Service/Function</b>	<b>Notes</b>
AZ Department of Public Safety	Purchase of Essential Equipment and Systems	
AZ Department of Public Safety	Wireless Services and Facilities	
AZ Department of Public Safety	Privatization of Rocky Mountain Information Network (RMIN)	RMIN is one of six Regional Information Sharing System (RISS) entities funded by the federal government. All of the other RIIS organizations have already been privatized by becoming nonprofit entities. The RMIN board voted recently to pursue nonprofit status by July 2011.
AZ Department of Real Estate	Testing of Real Estate License Applicants	The Department has worked with private testing vendors for approximately 20 year. Pearson VUE was recently selected as the state's testing vendor following an RFP process.
AZ Department of Real Estate	Education Programs for Real Estate License Applicants	The Department is no longer responsible for developing or delivering education programs for real estate license applicants (or continuing education for licensees). That duty is now performed by many private sector educators approved by the Department. Through this outsourcing, the Department has been able to focus its resources on the technology capabilities for online license approval and renewal.
AZ Department of Revenue	Supplemental Tax Collection Enforcement	In 2010, the legislature approved the Governor's request that the Department be given the authority to augment current collections staffing with private sector collections staffing. Implementation of this initiative is currently in progress.
AZ Department of Revenue	Data Center Operations	In FY2009, the Department conducted an RFP for data center services in which both public and private sector organizations participated. A contract was awarded to a private sector company at a savings of over \$800,000 annually.
AZ Department of Revenue	Short-Term/Targeted Information Technology Staffing	The Department currently utilizes staff augmentation and private sector consulting for one-time costs associated with projects.
AZ Department of Revenue	Unclaimed Property Audits	The Department currently outsources the audit functions associated with Unclaimed Property.
AZ Department of Transportation	Highway Construction	
AZ Department of Transportation	Highway Design	
AZ Department of Transportation	Various Highway Maintenance Activities	Contracted maintenance activities include litter pickup, landscaping, cable barrier installation and repair, graffiti removal and highway stripping.
AZ Department of Transportation	MVD Third Parties	
AZ Department of Transportation	MVD Online Services	

Agency	Service/Function	Notes
AZ Department of Water Resources	AZ Flood Warning System-- Information Technology	ADWR established the AZ Statewide Flood Warning System (AFWS) in 1993, and ADWR operates and maintains flood warning gauges statewide, conducts interagency coordination, and operates the AFWS website. ADWR contracts with the Salt River Project for database and web server functions.
AZ Department of Water Resources	Floodplain Management Standards	ADWR employs private contractors for short-term projects in development of standards for floodplain management.
AZ Department of Water Resources	Monitor Well Drilling	Though it operates the statewide water monitoring program, ADWR does not drill wells or drop pumps. When new monitor wells are required and will be state-owned, ADWR contracts with private drilling companies.
AZ Department of Weights and Measures	Fuel Testing Services	Some fuel testing is performed by Registered Service Representatives (RSRs), private entities trained by the Department then hired by private sector gas stations to review the station for fueling and air quality.
AZ Game and Fish Department	Sale of Hunting and Fishing Licenses, Stamps and Big Game Tags	2009 department data showed that over 80% of their gross sales for licenses, tags and stamps were sold from private vendors. The Department currently partners with 350 private vendors to provide these services on behalf of the state.
AZ Game and Fish Department	Management of State Public Shooting Ranges	The Department owns or operates six ranges through a diverse array of agreements with private organizations, municipalities and other parties.
AZ Game and Fish Department	Licensed Wildlife Control Operators	These private vendors address urban nuisance wildlife issues on behalf of the department. Within the Phoenix-metro area in 2009, approximately 40% of the more than 1,000 nuisance wildlife calls were referred to service providers. Today there are 97 wildlife control operators licensed statewide.
Arizona State Parks	Buckskin Mountain SP: Concession for retail, restaurant, clothing, boat storage and fuel	Concessionaire is Mordor Development, with contract through October 2018. Concession yielded \$57,287 in revenue to ASP in 2009.
Arizona State Parks	Cattail Cove SP: Concession for retail, restaurant, marina, personal watercraft, boat & RV storage, campground	Concessionaire is Sandpoint, Inc., with contract through January 2015. Concession yielded \$24,154 in revenue to ASP in 2009.
Arizona State Parks	Kartchner Caverns SP: Concession for retail and vending	Concessionaire is Aramark, with contract through June 2016. Concession yielded \$227,299 in revenue to ASP in 2009.
Arizona State Parks	Lake Havasu SP: Concession for retail and watercraft rental	Concessionaire is Southwest Sports and Recreation (dba Windsor Beach Rentals), with contract through December 2012. Concession yielded \$18,000 in revenue to ASP in 2009.

Agency	Service/Function	Notes
Arizona State Parks	Patagonia Lake SP: Concession for retail and boat rentals	Concessionaire is Recreation Resource Management, with contract through November 2011. Concession yielded \$58,804 in revenue to ASP in 2009.
Arizona State Parks	Slide Rock SP: Concession for snack foods, picnic supplies, souvenir items and orchard maintenance	Concessionaire is Recreation Resource Management, with contract through January 2011. Concession yielded \$10,000 in revenue to ASP in 2009.

**Note: These initiatives are drawn from responses received from state agencies pursuant to a COPE information request. ADOA sent a complete list as shown in Appendix 6.**

## Appendix 5: Arizona Department of Administration Complete List of Outsourced Services

DOA Division	Organization	Function	Company
General Services	Building and Planning	Lease Negotiation; Tenant Broker Services	Jones Lang La Salle
General Services	Building and Planning	Tenant Improvements	Use existing SPO repair and maintenance contract - various contractors depending on scope and cost; TI's were previously completed by ADOA state personnel; TI crew RIF'd 2/09
General Services	FOAM	Labor for Custodial Services	ADC Phoenix West Correctional Services; ADC ASPC Perryville Tucson
General Services	FOAM	Custodial Services	GCA Services Group
General Services	FOAM	Custodial Services	Corporate Cleaning
General Services	FOAM	Maintenance over \$1,000	<b>Cranes:</b> Westside Cranes
General Services	FOAM	Maintenance over \$1,000	<b>Diesel Generators:</b> WW Williams Generator Maintenance and Repair
General Services	FOAM	Maintenance over \$1,000	<b>Electrical:</b> BAS
General Services	FOAM	Maintenance over \$1,000	<b>Electrical:</b> M37
General Services	FOAM	Maintenance over \$1,000	<b>Electrical:</b> Sky Engineering
General Services	FOAM	Maintenance over \$1,000	<b>Electrical:</b> Precision Electric
General Services	FOAM	Maintenance over \$1,000	<b>Electrical:</b> Diamond Ridget Development Corporation
General Services	FOAM	Maintenance over \$1,000	<b>Electrical:</b> Woodruff Construction
General Services	FOAM	Maintenance over \$1,000	<b>Electrical:</b> Energy Management System Control
General Services	FOAM	Maintenance over \$1,000	<b>Electrical:</b> Wilson Electric
General Services	FOAM	Maintenance over \$1,000	<b>Electrical:</b> Netisian
General Services	FOAM	Maintenance over \$1,000	<b>Fire systems:</b> Kazal Fire Protection
General Services	FOAM	Maintenance over \$1,000	<b>Fire systems:</b> Detection Logic
General Services	FOAM	Maintenance over \$1,000	<b>Fire systems:</b> Securitech Security Technologies
General Services	FOAM	Maintenance over \$1,000	<b>Fire systems:</b> Sundevil Fire Equipment
General Services	FOAM	Maintenance over \$1,000	<b>Fire systems:</b> SimplexGrinnel
General Services	FOAM	Maintenance over \$1,000	<b>Fire systems:</b> Johnson Controls

DOA Division	Organization	Function	Company
General Services	FOAM	Maintenance over \$1,000	<b>HVAC Contractors:</b> Mechline Services, Honeywell, Imcor Mechanical Contractors, Emcor Mechanical Contractors, Johnson Controls, Midstate Mechanical
General Services	FOAM	Maintenance over \$1,000	<b>HVAC Contractors:</b> Honeywell
General Services	FOAM	Maintenance over \$1,000	<b>HVAC Contractors:</b> Imcor Mechanical Contractors
General Services	FOAM	Maintenance over \$1,000	<b>HVAC Contractors:</b> Johnson Controls
General Services	FOAM	Maintenance over \$1,000	<b>HVAC Contractors:</b> Emcor Mechanical Contractors
General Services	FOAM	Maintenance over \$1,000	<b>HVAC Contractors:</b> Midstate Mechanical
General Services	FOAM	Maintenance over \$1,000	<b>HVAC Controls:</b> BAS Technologies, M3T, Neitsian
General Services	FOAM	Maintenance over \$1,000	<b>Pest Control:</b> Warrior's Pest Control
General Services	FOAM	Maintenance over \$1,000	<b>Pest Control:</b> Burns Pest Control
General Services	FOAM	Maintenance over \$1,000	<b>Pest Control:</b> University Pest Control
General Services	FOAM	Maintenance over \$1,000	<b>Plumbing:</b> A&S, Imcor, Johnson Controls
General Services	FOAM	Maintenance over \$1,000	<b>Roofing:</b> Jim Brown & Sons
General Services	FOAM	Maintenance over \$1,000	<b>Security systems:</b> Securitech Security Technology
General Services	FOAM	Maintenance over \$1,000	<b>Security systems:</b> Electronic Security Concepts
General Services	FOAM	Labor for Grounds keeping	ADC Phoenix West Correctional Services (Correctional Service Incorporation AZ); ADC ASPC Perryville for Tucson
General Services	Fleet	Vehicle Maintenance and Repair	ADOT
General Services	Fleet	CNG Fueling Services	Clean Energy
General Services	Fleet	Labor for Car wash and Details	Corrections (Inmate labor)
General Services	Fleet	Fuel Card Service	Voyager
General Services	Fleet	Overflow Taxi vehicles	Enterprise Rentals
General Services	Mail Room	Mail Presort Services	Valley Presort
General Services	Mail Room	Shuttle Service (Phx-Tucson)	Intelliquick
General Services	Surplus	Auctioneering	Auction Systems
General Services	Surplus	Paper Recycle Collection	International Paper
General Services	Surplus	Metals Recycling Collection	Metals Management
General Services	Surplus	Materials Handling Equip. Repair	Lift Pro
General Services	Surplus	Labor for Warehouse Support	Corrections (Inmate labor)
Risk Management	Administration	Record Destruction Services	TCH (The Centers For Habilitation)

<b>DOA Division</b>	<b>Organization</b>	<b>Function</b>	<b>Company</b>
Risk Management	Administration	Media Services-news articles, videos-related to claims, events, people	CISION
Risk Management	Administration	Media Services-news articles, videos-related to claims, events, people	Media Center AZ
Risk Management	Administration	Media Services-news articles, videos-related to claims, events, people	Media Watch
Risk Management	Finance	Actuarial Services	Mercer Oliver Wyman
Risk Management	Information Technology/Systems	Annual Maint. Risk Envisions & Emergency Back-up Svcs & Medicare Mandatory Reporting	Envision Technology Solutions
Risk Management	Information Technology/Systems	Document Management System/Software/Maintenance	Image Conversions and Management (ICM)
Risk Management	Insurance	Insurance Policy Broker	Marsh
Risk Management	Insurance	Insurance Policy Broker	A. J. Gallagher
Risk Management	Insurance	Insurance Policy Broker	Willis
Risk Management	Insurance	Statewide agency exposure surveys	Exigis
Risk Management	Loss Prevention/Environmental Claims	Assessment/Abatement Svcs - Asbestos/Lead	Spray Systems
Risk Management	Loss Prevention/Environmental Claims	Delivery and Refueling of propane gas	Ferrellgas
Risk Management	Loss Prevention/Environmental Claims	Environmental Consulting Services -Assessment/Remediation	AMEC Earth & Environmental Inc.
Risk Management	Loss Prevention/Environmental Claims	Environmental Consulting Services -Assessment/Remediation	SCS Engineers
Risk Management	Loss Prevention/Environmental Claims	Environmental Consulting Services -Assessment/Remediation	URS Corporation
Risk Management	Loss Prevention/Environmental Claims	Environmental Emergency Response	Belfor Environmental

<b>DOA Division</b>	<b>Organization</b>	<b>Function</b>	<b>Company</b>
Risk Management	Loss Prevention/ Environmental Claims	Environmental Emergency Response	Environmental Response, Inc.
Risk Management	Loss Prevention/ Environmental Claims	Environmental Emergency Response	Kary Environmental Services, Inc.
Risk Management	Loss Prevention/ Environmental Claims	Environmental Emergency Response	MP Environmental Services, Inc.
Risk Management	Loss Prevention/ Environmental Claims	Environmental Emergency Response	PSC, LLC
Risk Management	Loss Prevention/ Environmental Claims	Environmental Emergency Response	Southwest Hazard Control (Tucson)
Risk Management	Loss Prevention/ Environmental Claims	Environmental Emergency Response	Western Technologies Inc. (GEC- SA&B)
Risk Management	Loss Prevention/ Environmental Claims	Pollutant Assessment/Remediation	Hydro Gem Chem
Risk Management	Loss Prevention/ Environmental Claims	Power to Operate Therm-Ox Remediation Unit	Electrical District #2
Risk Management	Loss Prevention/ Environmental Claims	Tanks- Remediation of leaking underground storage Site	SCS Engineers
Risk Management	Loss Prevention/ Environmental Claims	Tanks- Remediation of leaking underground storage Site	Terranext
Risk Management	Loss Prevention/ Environmental Claims	Waste Tire Recycling	CRM Co. LLC
Risk Management	Occupational Health	Drug and Alcohol testing	Timothy T. Woehl, MD
Risk Management	Occupational Health	Laboratory Services / Drug Screens	Southwest Laboratories
Risk Management	Occupational Health	Physical Assessment- musculoskeletal lifting exams	Kingman Regional Medical Center
Risk Management	Occupational Health	Physical Assessment- musculoskeletal lifting exams	Southwest Therapy Specialists
Risk Management	Occupational Health	Preplacement Medical Exams	Banner Occupational Health Svc
Risk Management	Occupational Health	Preplacement Medical Exams	Bradford Croft, DO (Name Change)
Risk Management	Occupational Health	Preplacement Medical Exams	Concentra Medical Center (McDowell)
Risk Management	Occupational Health	Preplacement Medical Exams	Halteman, R. William
Risk Management	Occupational Health	Preplacement Medical Exams	MBI Industrial Medicine
Risk Management	Occupational Health	Preplacement Medical Exams	Replogle Medical Clinic

<b>DOA Division</b>	<b>Organization</b>	<b>Function</b>	<b>Company</b>
Risk Management	Occupational Health	Preplacement Medical Exams	Summit Healthcare
Risk Management	Occupational Health	Preplacement Medical Exams	Sunnyside Medcenter, PC
Risk Management	Occupational Health	Preplacement Medical Exams	US Healthworks Medical Group
Risk Management	Occupational Health	Preplacement Medical Exams	Well America
Risk Management	Property & Liability	Investigation	Aries Claim Services
Risk Management	Property & Liability	Investigation	Arizona All Claims
Risk Management	Property & Liability	Investigation	Bonnamy & Associates LLC
Risk Management	Property & Liability	Investigation	Cunningham Lindsey Claims
Risk Management	Property & Liability	Investigation	Custard Insurance Adjusters Inc.
Risk Management	Property & Liability	Investigation	Dan Boozer Adjustment Inc.
Risk Management	Property & Liability	Investigation	Factual Photo Inc.
Risk Management	Property & Liability	Investigation	Frontier Adjusters
Risk Management	Property & Liability	Investigation	GAB Robins North America
Risk Management	Property & Liability	Investigation	Insight Investigations Inc.
Risk Management	Property & Liability	Investigation	Investigative Resources Services
Risk Management	Property & Liability	Investigation	Jim Humphrey Consulting
Risk Management	Property & Liability	Investigation	Kolb, Stewart & Associates, Inc.
Risk Management	Property & Liability	Investigation	Lochmoor Investigations LLC
Risk Management	Property & Liability	Investigation	Nathe & Nathe Inc.
Risk Management	Property & Liability	Investigation	Outback Adjusting & Investigative
Risk Management	Property & Liability	Investigation	Private Eye Investigations LLC
Risk Management	Property & Liability	Investigation	United Professional Claim Services, LLC (Vericlaim)
Risk Management	Property & Liability	Investigation	Western Claims & Appraisers
Risk Management	Property & Liability	Claims Appraisal	Crawford & Co.
Risk Management	Property & Liability	Claims Appraisal	Cunningham Lindsey Claims
Risk Management	Property & Liability	Claims Appraisal	Diversified Claim Management
Risk Management	Property & Liability	Claims Appraisal	Frontier Adjusters
Risk Management	Property & Liability	Claims Appraisal	GAB Robins North America
Risk Management	Property & Liability	Claims Appraisal	Outback Adjusting & Investigative
Risk Management	Property & Liability	Claims Appraisal	Vericlaim
Risk Management	Property & Liability	Claims Appraisal	Western Claims & Appraisers
Risk Management	Property & Liability	Replacement Vehicle Glass	Safelite Fulfillment Corp.
Risk Management	Workers Comp	3 Point Contact for WC claims	Crawford & Co.

<b>DOA Division</b>	<b>Organization</b>	<b>Function</b>	<b>Company</b>
Risk Management	Workers Comp	3 Point Contact for WC claims	Encore Unlimited, LLC
Risk Management	Workers Comp	3 Point Contact for WC claims	Genex Service, Inc.
Risk Management	Workers Comp	3 Point Contact for WC claims	Preferred Case Management
Risk Management	Workers Comp	3 Point Contact for WC claims	Rehabilitation Specialists Group
Risk Management	Workers Comp	Chiropractor Utilization Review	Definity Healthcare Management
Risk Management	Workers Comp	Independent Medical Evaluation Coordination	BASEC Medical Consult Services
Risk Management	Workers Comp	Independent Medical Evaluation Coordination	Columbia Medical Consultants
Risk Management	Workers Comp	Independent Medical Evaluation Coordination	Medical Assurance Group, LLC
Risk Management	Workers Comp	Independent Medical Evaluation Coordination	Medical Evaluation Specialists, Inc.
Risk Management	Workers Comp	Independent Medical Evaluation Coordination	Preferred Case Management
Risk Management	Workers Comp	Medical Bill Utilization Review	Advantage Work Comp Services
Risk Management	Workers Comp	Medical Case Management	Christina B. May, MS RN
Risk Management	Workers Comp	Medical Case Management	Corvel Corporation
Risk Management	Workers Comp	Medical Case Management	Encore Unlimited, LLC
Risk Management	Workers Comp	Medical Case Management	Genex Service Inc.
Risk Management	Workers Comp	Medical Case Management	Health Systems International LLC (Bass and Babb)
Risk Management	Workers Comp	Medical Case Management	Preferred Case Management
Risk Management	Workers Comp	Medical Case Management	Rehabilitation Specialist Group
Risk Management	Workers Comp	Pharmacy Bill Utilization Services	Catalyst Rx
Risk Management	Workers Comp	Vocational Rehabilitation	Action Rehabilitation, Inc.
Risk Management	Workers Comp	Vocational Rehabilitation	Arizona Vocational Services
Risk Management	Workers Comp	Vocational Rehabilitation	Beacon Group SW, Inc. (Southwest Rehab. Assoc)
Risk Management	Workers Comp	Vocational Rehabilitation	Christina B. May, MS RN
Risk Management	Workers Comp	Vocational Rehabilitation	Crawford & Co.
Risk Management	Workers Comp	Vocational Rehabilitation	DK Advocates, Inc.
Risk Management	Workers Comp	Vocational Rehabilitation	Empower Labor Market Services
Risk Management	Workers Comp	Vocational Rehabilitation	Genex Service, Inc.
Risk Management	Workers Comp	Vocational Rehabilitation	Intracorp

<b>DOA Division</b>	<b>Organization</b>	<b>Function</b>	<b>Company</b>
Risk Management	Workers Comp	Vocational Rehabilitation	Kelman Rehabilitation Consultants
Risk Management	Workers Comp	Vocational Rehabilitation	Komar & Associates LLC
Risk Management	Workers Comp	Vocational Rehabilitation	Mohaupt & Schonbrun Corp dba
Risk Management	Workers Comp	Vocational Rehabilitation	Rehabilitation Specialists Group
Risk Management	Workers Comp	Vocational Rehabilitation	Vocational Diagnostics, Inc.
Human Resources	HRIS	Hardware and Software Maintenance	Sirius Computer Solutions
Human Resources	HRIS	Hardware and Software Maintenance	Serene Corporation
Human Resources	HRIS	Hardware and Software Maintenance	Lawson
Human Resources	HRIS	Hardware and Software Maintenance	IBM
Human Resources	Classification / Compensation	Compensation Surveys	Milliman
Human Resources	Travel Reduction	Vanpool / Bus Services	City of Maricopa
Human Resources	Travel Reduction	Vanpool / Bus Services	Valley Metro
Human Resources	Travel Reduction	Vanpool / Bus Services	Total Transit, Inc.
Human Resources	Travel Reduction	Incentives	Victory Fundraising
Human Resources	Employee Relations	Investigation	HR4NON-PROFITS
Human Resources	Employee Relations	Investigation	McMinn and Associates, Ltd.
Human Resources	Employee Relations	Investigation	Synergy Seven Inc.
Human Resources	Employee Relations	Investigation	Traaen & Associates, LLC
Human Resources	Employment	Automated I9 & E-Verify Support	Fragomen, Del Rey, Bernsen & Loewy
Human Resources	Employment	Automated Employment and Income Verification	TALX
Human Resources	Employment	Temporary Staffing for State Agencies	Accountants Inc.
Human Resources	Employment	Temp Staffing for State Agencies	Accounting and Financing Professionals
Human Resources	Employment	Temp Staffing for State Agencies	Advantage Human Resourcing
Human Resources	Employment	Temp Staffing for State Agencies	Allstaff Services
Human Resources	Employment	Temp Staffing for State Agencies	AppleOne Employment
Human Resources	Employment	Temp Staffing for State Agencies	Corporate Job Bank
Human Resources	Employment	Temp Staffing for State Agencies	Dependable Personnel

<b>DOA Division</b>	<b>Organization</b>	<b>Function</b>	<b>Company</b>
Human Resources	Employment	Temp Staffing for State Agencies	Kelly Services
Human Resources	Employment	Temp Staffing for State Agencies	My Brothers Keeper
Human Resources	Employment	Temp Staffing for State Agencies	Prvincia Staffing
Human Resources	Employment	Temp Staffing for State Agencies	Randstad
Human Resources	Employment	Temp Staffing for State Agencies	Robert Half International
Human Resources	Employment	Temp Staffing for State Agencies	RW Staffing
Human Resources	Employment	Temp Staffing for State Agencies	Spherion
Human Resources	Employment	Temp Staffing for State Agencies	Staffmark
Human Resources	Employment	Temp Staffing for State Agencies	Superior Staff Resources
Capitol Police		Unarmed Security	Andrews International
Capitol Police		Unarmed Security	Blackstone Security
State Procurement Office		Hardware and Software Maintenance	Periscope Holdings, Inc.
Information Services	TPO	Voice and Data Services	Accenture LLP
Information Services	ISD	Voice and Data Services	Accenture
Information Services	ISD	Security	ADOA Capitol Police
Information Services	ISD	Maintenance over \$1,000	American Mechanical Services
Information Services	ISD	Voice and Data Services	Black Box Corporation
Information Services	ISD	Data Security	Cintas Document Management
Information Services	ISD	Temporary Staffing for State Agencies	Corporate Job Bank
Information Services	ISD	Applications Development	Data Solutions
Information Services	ISD	Hardware and Software Maintenance	DataPros
Information Services	ISD	Maintenance over \$1,000	Detention Logic
Information Services	ISD	Maintenance over \$1,000	Electronic Security Concepts
Information Services	ISD	Research	Gartner Group
Information Services	ISD	Applications Development	Geo-Comm, Inc
Information Services	ISD	Maintenance over \$1,000	Goodmans
Information Services	ISD	Maintenance over \$1,000	IKON Office Solutions
Information Services	ISD	Technical Education.	Interface Technical Training
Information Services	ISD	Maintenance over \$1,000	Konica Minolta Business Solutions (Hughes Calihan)
Information Services	ISD	Maintenance over \$1,000	Konica Minolta Danka Imaging

DOA Division	Organization	Function	Company
Information Services	ISD	Applications Development	L. Robert Kimball & Associates
Information Services	ISD	Maintenance over \$1,000	Lessor Business Machines
Information Services	ISD	Maintenance over \$1,000	NorthMarq Real State Svcs
Information Services	ISD	Maintenance over \$1,000	RCD Cleaning Service
Information Services	ISD	Applications Development	Spatial Data Research
Information Services	ISD	Hardware and Software Maintenance	Sun Microsystems
Information Services	ISD	Hardware and Software Maintenance	Sunrise Education Systems
Information Services	ISD	Maintenance over \$1,000	Titan Power
Information Services	ISD	Voice and Data Services	USA Mobility dba Arch Wireless
Information Services	ISD	Voice and Data Services	Verizon Wireless/Alltel
Information Services	ISD	Hardware and Software Maintenance	Xerox Corporation
Benefit Services	Operations	Dental Insurance	Delta Dental
Benefit Services	Operations	Dental Insurance	Total Dental Administrators
Benefit Services	Operations	Life Insurance	The Hartford
Benefit Services	Operations	Accidental Death & Dismemberment Insurance	The Hartford
Benefit Services	Operations	Supplemental Life Insurance	The Hartford
Benefit Services	Operations	Dependent Life Insurance	The Hartford
Benefit Services	Operations	Long Term Disability Insurance	The Hartford
Benefit Services	Operations	Short Term Disability Insurance	The Hartford
Benefit Services	Operations	Integrated Medical Network	United Healthcare
Benefit Services	Operations	Integrated Medical Network	CIGNA
Benefit Services	Operations	Integrated Medical Network	AETNA
Benefit Services	Operations	Non-integrated Medical Network	AmeriBen (BCBS)
Benefit Services	Operations	Utilization Review/Utilization Management	American Health Holding
Benefit Services	Operations	Stop Loss Insurance	Symetra
Benefit Services	Operations	Pharmacy Benefit Management	MedImpact
Benefit Services	Operations	Vision Insurance	Avesis
Benefit Services	Operations	Medical & Dependent Care Flexible Spending	ASI

DOA Division	Organization	Function	Company
Benefit Services	Operations	Health Savings Account Administration	AETNA
Benefit Services	Operations	Home & Auto Group Insurance	The Travelers
Benefit Services	Operations	Home & Auto Group Insurance	Liberty Mutual
Benefit Services	Operations	Home & Auto Group Insurance	MetLife
Benefit Services	Operations	Computer Purchase Program	Purchasing Power
Benefit Services	Operations	Temporary staffing for Open Enrollment	Provincia Staffing
Benefit Services	Operations	Benefits consulting	Buck Consultants
Benefit Services	Operations	Benefits consulting	Mercer
Benefit Services	Operations	Benefits consulting - Pharmacy Benefit	Pharmaceutical Strategies Group
Benefit Services	Operations	Actuarial services	Mercer
Benefit Services	Wellness	Health Screenings & Vaccinations	Healthwaves
Benefit Services	Wellness	Health Screenings & Vaccinations	Maxim Health Systems
Benefit Services	Wellness	Health Risk Assessment & Life Style Coaching	Mayo Health Clinic
Benefit Services	Wellness	Employee Assistance Program	Compsych
Benefit Services	Operations/Wellness	Large scale printing (booklets, mailings)	Williams Express
General Accounting	Central Payroll	Preparation of W2's including mailing, image file & electronic file for YES	AMERICAN SOLUTIONS FOR BUSINESS
General Accounting	AFIS	Preparation of 1099's including mailing & image file	AMERICAN SOLUTIONS FOR BUSINESS
General Accounting	Financial Reporting	Printing	Forms Management
General Accounting	Administration	Cd's and Stamps for warrant signature update	Typehaus
General Accounting	Administration	Document Shredding	Assured Security
General Accounting	Administration	Financial Advisor	RBC Capital Markets
General Accounting	Administration	Financial Advisor	Stone & Youngberg, LLC
General Accounting	Administration	Financial Advisor	Piper Jaffrey & Co.

DOA Division	Organization	Function	Company
General Accounting	Administration	Underwriters	RBC Capital Markets
General Accounting	Administration	Underwriters	Stone & Youngberg, LLC
General Accounting	Administration	Underwriters	Samuel A. Ramirez and Company
General Accounting	Administration	Underwriters	Piper Jaffrey & Co.
General Accounting	Administration	Underwriters	Morgan Stanley
General Accounting	Administration	Underwriters	Merrill Lynch Pierce Fenner & Smith, Inc
General Accounting	Administration	Underwriters	Wedbush Morgan Securities
General Accounting	Administration	Underwriters	Barclays Capital, Inc.
General Accounting	Administration	Underwriters	J.P. Morgan Securities, Inc.
General Accounting	Administration	Underwriters	Goldman Sachs & Co.
General Accounting	Administration	Underwriters	George K. Baum
General Accounting	Administration	Underwriters	Wachovia Bank, N.A.
General Accounting	Administration	Underwriters	Citigroup Global Markets, Inc.
General Accounting	Administration	Bond Counsel	Squire, Sanders & Dempsey L.L.P.
General Accounting	Administration	Bond Counsel	Gust Rosenfeld P.L.C.
General Accounting	Administration	Bond Counsel	Ballard Spahr Andrews & Ingersoll LLP
General Accounting	Administration	Bond Counsel	Kutak Rock LLP

**Source: Arizona Department of Administration  
Outsourced Services as of June 2010**

## Appendix 6: Arizona State Parks

### Contracts and Concessions

Park	Concession Contracts	Partnership Funding	3rd Party Operator
Alamo Lake	•	La Paz Cnty 6/2011 (opt 6/2013) \$30k	•
Boyce Thompson	•	•	U of A, BTA Foundation
Buckskin Mountain	Thru 10/2018 Mordor Dvelpmnt	•	•
Catalina	•	•	•
Cattail Cove	Thru 1/2015 Sandpoint Inc	•	•
Dead Horse Ranch	Pending	•	•
Fort Verde	•	Town of Camp Verde 3/2011 (opt 3/2013) \$105k	•
Homolovi	•	Working with Hopi and Winslow on funding solution; Tribal Council may consider contributing \$180K to re-open park in September	•
Jerome Douglas Mansion	•	Yavapai Cnty/ Jerome H.S. 10/2011 (opt 10/2013) \$30k – Target to open Labor Day	•
Kartchner Caverns	Thru 6/2016 Aramark	•	•
Lake Havasu/ Windsor Beach	Thru 12/2012 SW Sports & Rec	•	•
Lost Dutchman	•	Apache Jctn/Friends of LD 6/2011 \$24k	•
Lyman Lake	•	Apache County through 9/2010 \$40k	•
McFarland	•	•	Town of Florence taking over operations, no State Parks Staff; Board-approved; contract in Procurement then to Attorney General's office
Oracle	Pending	•	•
Patagonia Lake	Thru 11/2011 Rec. Res. Mngmt	•	•
Picacho Peak	•	City of Eloy 6/2011 (opt 6/2013) \$20k	•
Red Rock	•	Yavapai Cnty/ Benefactors 6/2011 (opt 6/2013) \$160k	•
Riordan	•	AZ Hist. Scty, Action Network 5/2013 (opt 5/2017) \$78k	•
Roper Lake	•	AZGFD, Graham Cnty 6/2011 (opt 6/2013) in-kind	•
Slide Rock	Thru 1/2011 Rec. Res. Mngmt	•	•
Tombstone Courthouse	•	•	City of Tombstone 3/2013 (opt 3/2017)

Park	Concession Contracts	Partnership Funding	3rd Party Operator
Tonto Natural Bridge	•	Payson \$25k, Star Valley \$5k, Friends \$10k; 9/2010 (opt 9/2012)	•
Tubac Presidio	•	•	Santa Cruz Cnty 3/2013 (opt 3/2015)
Yuma Prison	•	•	City of Yuma 3/2013 (opt 3/2019)
Yuma Qtr Master Depot	•	•	City of Yuma 6/2012 (opt 6/2018)

Contract Pending
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