STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

JOINT LEGISLATIVE BUDGET COMMITTEE
Wednesday, July 17, 2002
9:30 a.m.
Senate Appropriations Room 109

AGENDA

- Call to Order

- DIRECTOR'S REPORT (if necessary).

- EXECUTIVE SESSION
    A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
    B. Arizona Department of Administration - Risk Management Annual Report.

1. DEPARTMENT OF ECONOMIC SECURITY - Review of Plan and Methodology for Distributing Developmental Disabilities Provider Rate Adjustment.

2. DEPARTMENT OF HEALTH SERVICES
    A. Review of Children's Rehabilitative Services Capitation Rate Changes.
    B. Review of Behavioral Health Capitation Rate Changes.

3. AHCCCS - Report on the Implementation of the Ticket to Work Program.

4. PROPOSITION 204 PUBLIC HEALTH PROGRAMS - Consider Approval of Inflation Adjustments.

5. ARIZONA DEPARTMENT OF EDUCATION - Report on Implementation of FY 2003 Lump Sum Reduction.

6. ARIZONA COMMISSION ON THE ARTS - Review of the Arizona Arts Endowment Fund and Private Contributions.

7. ARIZONA DEPARTMENT OF ADMINISTRATION - Report on Human Resources Information System Status Questions and Responses.

8. REPORT ON RECENT AGENCY SUBMISSIONS
   A. Arizona Department of Administration - Report on On-Line Bidding Systems Implementation.
   B. Attorney General - Report on Model Court.
   C. Department of Economic Security - Bimonthly Report on Arizona Works.
   D. Department of Economic Security - Bimonthly Report on Children Services Program.
   E. Department of Environmental Quality - Preliminary Progress Report on the Arizona Alternative Testing and Compliance Study.
   F. Department of Health Services - Report on Health Crisis Fund Expenditures.
   G. Department of Revenue - Report on Ladewig Expenditure Plan.

The Chairman reserves the right to set the order of the agenda.
07/11/02

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 542-5491.

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

HOUSE OF
REPRESENTATIVES

DATE: July 10, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY - REVIEW OF PLAN AND METHODOLOGY FOR DISTRIBUTING DEVELOPMENTAL DISABILITIES PROVIDER RATE ADJUSTMENT

Request

Pursuant to a footnote in the FY 2003 General Appropriation Act (Laws 2002, Chapter 327), the Department of Economic Security (DES) requests the Committee review its plan and methodology for distributing a provider rate adjustment for community service and independent service agreement providers of services to developmentally disabled (DD) clients.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review to DES' plan. For most services, providers whose rates are less than 93% of the "base weighted average" of each service's cost would have their rates increased to the 93% level. Habilitation Group Home providers whose staff hour rates are less than 100% of the "base weighted average" would have their staff hour rates increased to the 100% level. The total cost of the proposal as estimated by DES, $19,593,993, exceeds the budgeted amount of $19,532,200 by $61,793, or about 0.3%. The Arizona Health Care Cost Containment System (AHCCCS) will also need to adjust the department's capitation rate for its Long Term Care program to ensure DES has sufficient funds to pay for the increase.

Analysis

The FY 2003 General Appropriation Act (Laws 2002, Chapter 327) includes the following footnote:

> "The amounts appropriated to the Department of Economic Security include an estimated $7,745,300 of state General Fund monies, $1,407,400 Long Term Care System Fund monies and $10,379,500 federal Title XIX monies to increase contracted community service providers and independent service agreement providers disbursements paid through the Developmental Disabilities and Long Term Care cost centers. It is the intent of the Legislature that increased funding be incorporated into current contracted rates effective

(Continued)

> July 1, 2002. Subject to the availability of funds, the adjustment shall be directed toward raising rates paid to providers receiving less than the average rate paid to all similar providers providing similar levels of service for the same service types in a manner and time to be determined by the department. Monies for the rate increases shall be allocated only to providers with contracts or agreements for eligible services in effect as of January 1, 2002. The adjustment shall be distributed by August 1, 2002. Prior to the distribution of the adjustment, the department shall submit its plan and methodology for distributing the adjustment to the Joint Legislative Budget Committee for its review. The adjustment in this section is exempt from the provisions of Title 41, Chapter 23, Arizona Revised Statutes, related to procurement, as well as the provisions of A.R.S. § 36-557B."

Consistent with methodology discussed during the budget process, DES has submitted a plan which would, with a few exceptions, increase rates for providers making less than 93% of the "base weighted average" paid per unit up to that 93% level. For example, if the base weighted average for a service was $15.00 per hour, every provider making less than $13.95 per hour (93% of $15.00) for that service would have their contract amended so that they were paid $13.95 per hour. Providers paid more than $13.95 per hour for that service would not receive any increase for the service. In determining the "base weighted average," the department eliminated high and low "outliers."

There are some exceptions to this process. Most notably, the rates for the Habilitation Group Home category are increased to 100% (not 93%) of the "base weighted average" of staff hour costs. The department selected the 100% level for this category because this category is particularly at risk of losing providers. Another exception is for occupational, physical and speech therapies, which are currently paid based on a published rate schedule, meaning there is no variation among providers for the same level of service. DES' proposal would increase these rates, unchanged since 1997, by 10%. A couple different types of transportation services also had non-standard increases.

DES has estimated the following fiscal impact of the increased rates based on the number of units of service provided in FY 2001, increased by 9.4% in both FY 2002 and FY 2003:

Service Category	*Estimated Fiscal Impact*
In Home Services (e.g., Attendant Care, Respite)	$ 2,578,117
Day Treatment and Training	3,039,140
Habilitation, Group Home	7,693,823
All Other Residential Services	3,190,345
Professional Services (e.g., Nursing, Therapies)	2,299,480
Other Services (e.g., Transportation)	493,088
Contingency	300,000
TOTAL	$19,593,993

The total cost of the proposal as estimated by DES, $19,593,993, exceeds the budgeted amount of $19,532,200 by $61,793, or about 0.3%. DES' total estimated amount, however, does include a $300,000 contingency in case providers appeal department decisions or utilization is higher than anticipated.

JLBC Staff recommends the Committee give the DES proposal a favorable review. The methodology is consistent with proposals discussed during the budget process in that it raises rates for the lowest-paid providers except in the few cases (such as therapies or transportation) where published rates already exist or variation in rates is too complex.

It should be noted, however, that this proposal (as well as the appropriation in the General Appropriation Act) assumes AHCCCS provides DES with a capitation rate increase for its Long Term Care program. Without such an increase, DES will not be able to adjust the rates in the amounts shown here.

RS/SSh:jb

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

DATE: July 10, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF HEALTH SERVICES – REVIEW OF CHILDREN'S REHABILITATIVE SERVICES CAPITATION RATE CHANGES

Request

Pursuant to a footnote in the General Appropriation Act, the Department of Health Services (DHS) must present a plan to the Committee for its review prior to implementing any change in the capitation rates for the Title XIX Children's Rehabilitative Services (CRS) program. DHS has received approval from the Arizona Health Care Cost Containment System (AHCCCS) to change the capitation rates for the CRS line item effective July 1, 2002.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request, since the proposed rate changes are based upon actuarial study and do not reflect any anticipated additional cost to the General Fund in FY 2003.

Analysis

Prior to FY 2001, CRS contracted with community providers for Title XIX services on a fixed price annual basis. During FY 2000, CRS and AHCCCS developed a capitation methodology for the Title XIX component of the CRS program. Beginning in FY 2001, DHS began covering all CRS Title XIX services using per-member, per month capitation rates, which vary by provider. The rate structure also includes a high, medium, and low tier, which represent varying levels of medical acuity.

(Continued)

The following table shows the proposed rates for FY 2003.

Proposed Rate Changes for the CRS Title XIX Program

	FY 2002 Rate	Proposed FY 2003 Rate	FY 2003 % Change Above/(Below) FY 2002	Anticipated State Match Savings
Phoenix				
High	$507.06	$464.43	-8.4%	$ (369,000)
Medium	297.52	281.19	-5.5%	(314,100)
Low	210.98	197.18	-6.5%	(358,800)
Tucson				
High	401.03	395.26	-1.4%	(136,300)
Medium	377.21	364.66	-3.3%	(119,300)
Low	228.20	218.29	-4.3%	(123,000)
Flagstaff				
High	320.09	318.39	-0.5%	(31,100)
Medium	192.02	189.30	-1.4%	(35,600)
Low	160.03	150.26	-6.1%	(39,100)
Yuma				
High	220.87	220.05	-0.4%	(13,900)
Medium	152.68	156.94	2.8%	3,000
Low	134.82	132.91	-1.4%	(13,100)
Total				**$(1,550,300)**

The proposed rates for FY 2003 represent significant decreases in the rates paid to contractors in almost every acuity level in FY 2002. This decrease better reflects the actual costs per member per month incurred by program contractors.

Using population estimates used in developing the FY 2003 appropriation, these changes would represent a reduction of approximately $(4,670,600) in Total Funds, or roughly $(1,550,300) in state match dollars. However, because the Title XIX eligible population has also grown considerably, these capitation rate reductions are not likely to translate into significant General Fund savings.

Since Title XIX is a federal entitlement program and states are required to provide reimbursement rates that are actuarially sound, capitation rates are not set by the Legislature. DHS contracts with an actuarial firm, which uses claims and encounter data and projected enrollment to determine the actual costs of services and thereby recommends increases or decreases in capitation rates. Once DHS requests a change in rates, the new rates must be approved by AHCCCS and the federal Centers for Medicare and Medicaid Services (CMMS).

RS/GG:jb

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

HOUSE OF REPRESENTATIVES

DATE: July 11, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF HEALTH SERVICES - REVIEW OF BEHAVIORAL HEALTH CAPITATION RATE CHANGES

Request

Pursuant to a footnote in the General Appropriation Act, the Department of Health Services (DHS) must present its plan to the Committee for its review prior to implementing any change in capitation rates for the Title XIX behavioral health programs. DHS is requesting review of rate changes for the Children's Behavioral Health (CBH), Seriously Mentally Ill (SMI), and General Mental Health/Substance Abuse (GMH/SA) Title XIX rates. These rate changes may affect the CBH, SMI, and GMH/SA Special Line Items, as well as the Proposition 204 Line Item.

Recommendation

DHS is proposing rate increases for the CBH and GMH/SA populations and a rate decrease for the SMI population. There are a number of outstanding questions on the CBH rate increase that require additional information and therefore JLBC Staff recommends deferring a decision on the proposed rate change for the CBH capitation rate until those issues are resolved.

The net impact of the SMI and GMH/SA adjustments would require a supplemental of $8.6 million, given the population assumptions used in the FY 2003 budget. The FY 2003 budget had envisioned a larger decrease in Title XIX rates than is currently being proposed. These decreases were anticipated because the population eligible for Title XIX services has grown tremendously as a result of the implementation of Proposition 204. This population increase in turn should result in a decreased cost per enrolled person on a monthly basis.

The federal government requires that Title XIX programs use actuarially sound rates, and the recommended rates are those proposed by an actuary. While we believe that a range of possible rates could be defended as actuarially sound, the proposal represents the actuaries' best estimates.

(Continued)

Nonetheless, the question of how to fund the $8.6 million supplemental cost of the proposed rate changes remains. There are several options. First, the CBH rate changes may allow us to receive additional federal funds for an existing population that would free up state resources to offset the cost of the other rate adjustments. As we noted above, more work needs to be done on this issue. Second, as more data becomes available on the Proposition 204 population, we may be able to further reduce rates.

We would recommend that the committee give a favorable review to the SMI downward rate adjustment. This would begin to generate at least some of the savings anticipated in the budget. Because the rate decline is not as great as originally anticipated, however, DHS would still require a supplemental of approximately $7.2 million if no other changes are made later in the year or no other alternative fund sources are identified.

At this time, we would suggest deferring the GMH/SA rate increase that will add $1.5 million to the cost of the supplemental. DHS has raised some concerns that the SMI rate decrease in combination with no GMH/SA adjustment might affect the financial viability of particular RBHAs. In addition, the rates do need to be based on a sound actuarial analysis. Prior to funding this upward adjustment, however, it seems prudent to have a better understanding of how we would fund the supplemental in a very tight budget year.

Analysis

Since Title XIX is a federal entitlement program and states are required to provide reimbursement rates that are actuarially sound, capitation rates are not set by the Legislature. DHS contracts with an actuarial firm, which uses claims and encounter data and projected enrollment to determine the actual costs of services and thereby recommends increases or decreases in the capitation rates. Once DHS requests a change in rates, the new rates must be approved by Arizona Health Care Cost Containment System (AHCCCS).

DHS has received approval from AHCCCS to change the capitation rates for CBH, SMI and GMH/SA, on July 1, 2002, and has submitted its planned capitation rate changes for the Committee's review. These rate changes will affect each Title XIX Special Line Item, as well as the Proposition 204 Special Line Item.

The following table show the budgeted and proposed capitation rates for each program and JLBC Staff estimates for General Fund cost impact by program above the FY 2003 appropriation based on the enrollment projections used in developing the FY 2003 appropriation. The table also assumes no change in the capitation rate for children, pending review of the children's rate at a later time. Final costs based on the new capitation rates may be higher or lower, depending upon the actual number of people that are eligible for Title XIX behavioral health services.

	FY 2003 Capitation Rate		FY 2003 Appropriation		Estimated Need with Capitation Rate Changes	
	Budgeted	Proposed	TF	GF	TF	GF
CBH	$25.75	$25.75	$117,853,500	$ 40,344,600	$117,853,500	$40,344,600
SMI	$75.13	$63.48	148,064,900	49,241,500	123,687,900	41,209,100
GMH/SA	$17.69	$19.82	37,538,800	12,532,300	42,063,900	14,014,600
			$303,457,200	$102,118,400	$283,605,300	$95,568,300
Less Capitation Rate Adj.				(15,200,000)		
				$ 86,918,400		
Diff. between GF Available and Est. Need						$ (8,649,900)

TF = Total Funds GF = General Fund

JLBC Staff is unable to determine the impact of these capitation rate changes on the Proposition 204 Special Line Item. This line item receives its state match funding from the Tobacco Settlement. The estimates for this line item were developed by the Governor's Office and have not been revised. In theory, however, Proposition 204 costs should be reduced as a result of the decrease in the SMI capitation rate.

In recognition of the fact that the population eligible for Title XIX services is increasing rapidly, which in turn should result in a decreased cost per enrolled person on a monthly basis, the FY 2003 budget included a reduction of $(15,200,000) from the General Fund. This reduction was not applied to a specific line item, but was available to be used to among all three Title XIX line items. DHS's proposed capitation rate changes would generate a net savings of approximately $6,550,100, which is ($8,649,900) less than anticipated by the Legislature. DHS has not addressed potential funding sources for this deficit.

Based on enrollment projections used in developing the FY 2003 appropriation, the capitation rate changes will create a decrease of $(8,032,400) associated with the SMI program, and an increase of $1,482,300 for General Mental Health. The actual cost of the capitation rate increase will depend upon the number of people that are eligible for Title XIX behavioral health services.

DHS has also requested review of a capitation rate change for the Children's Title XIX capitation rate. In developing the proposed Children's rate, the actuaries included an adjustment for behavioral health services for children in the foster care system. This adjustment is based several assumptions that may translate into savings in the Department of Economic Security. These savings could then be used for other DES programs, or transferred to DHS. Based upon the information available at this time, however, the level of savings is not clear. JLBC Staff recommends deferring a review of the CBH rate until better information becomes available.

RS:GG:jb

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

DATE: July 11, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF HEALTH SERVICES - REVIEW OF BEHAVIORAL HEALTH CAPITATION RATE CHANGES

Request

Pursuant to a footnote in the General Appropriation Act, the Department of Health Services (DHS) must present its plan to the Committee for its review prior to implementing any change in capitation rates for the Title XIX behavioral health programs. DHS is requesting review of rate changes for the Children's Behavioral Health (CBH), Seriously Mentally Ill (SMI), and General Mental Health/Substance Abuse (GMH/SA) Title XIX rates. These rate changes may affect the CBH, SMI, and GMH/SA Special Line Items, as well as the Proposition 204 Line Item.

Recommendation

DHS is proposing rate increases for the CBH and GMH/SA populations and a rate decrease for the SMI population. There are a number of outstanding questions on the CBH rate increase that require additional information and therefore JLBC Staff recommends deferring a decision on the proposed rate change for the CBH capitation rate until those issues are resolved.

The net impact of the SMI and GMH/SA adjustments would require a supplemental of $8,649,000, given the population assumptions used in the FY 2003 budget. The FY 2003 budget had envisioned a larger decrease in Title XIX rates than is currently being proposed. These decreases were anticipated because the population eligible for Title XIX services has grown tremendously as a result of the implementation of Proposition 204. This population increase in turn should result in a decreased cost per enrolled person on a monthly basis.

The federal government requires that Title XIX programs use actuarially sound rates, and the recommended rates are those proposed by an actuary. While we believe that a range of possible rates could be defended as actuarially sound, the proposal represents the actuaries' best estimates.

(Continued)

Nonetheless, the question of how to fund the $8.6 million supplemental cost of the proposed rate changes remains. There are several options. First, the CBH rate changes may allow us to receive additional federal funds for an existing population that would free up state resources to offset the cost of the other rate adjustments. As we noted above, more work needs to be done on this issue. Second, as more data becomes available on the Proposition 204 population, we may be able to further reduce rates.

We would recommend that the committee give a favorable review to the SMI downward rate adjustment. This would begin to generate at least some of the savings anticipated in the budget. Because the rate decline is not as great as originally anticipated, however, DHS would still require a supplemental of approximately $7.2 million if no other changes are made later in the year or no other alternative fund sources are identified.

At this time, we would suggest deferring the GMH/SA rate increase that will add $1.5 million to the cost of the supplemental. DHS has raised some concerns that the SMI rate decrease in combination with no GMH/SA adjustment might affect the financial viability of particular RBHAs. In addition, the rates do need to be based on a sound actuarial analysis. Prior to funding this upward adjustment, however, it seems prudent to have a better understanding of how we would fund the supplemental in a very tight budget year.

Analysis

Since Title XIX is a federal entitlement program and states are required to provide reimbursement rates that are actuarially sound, capitation rates are not set by the Legislature. DHS contracts with an actuarial firm, which uses claims and encounter data and projected enrollment to determine the actual costs of services and thereby recommends increases or decreases in the capitation rates. Once DHS requests a change in rates, the new rates must be approved by Arizona Health Care Cost Containment System (AHCCCS).

DHS has received approval from AHCCCS to change the capitation rates for CBH, SMI and GMH/SA, on July 1, 2002, and has submitted its planned capitation rate changes for the Committee's review. These rate changes will affect each Title XIX Special Line Item, as well as the Proposition 204 Special Line Item.

The following table show the budgeted and proposed capitation rates for each program and JLBC Staff estimates for General Fund cost impact by program above the FY 2003 appropriation based on the enrollment projections used in developing the FY 2003 appropriation. The table also assumes no change in the capitation rate for children, pending review of the children's rate at a later time. Final costs based on the new capitation rates may be higher or lower, depending upon the actual number of people that are eligible for Title XIX behavioral health services.

	FY 2003 Capitation Rate		FY 2003 Appropriation		Estimated Need with Capitation Rate Changes	
	Budgeted	Proposed	TF	GF	TF	GF
CBH	$25.75	$25.75	$117,853,500	$ 40,344,600	$117,853,500	$40,344,600
SMI	$75.13	$63.48	148,064,900	49,241,500	123,687,900	41,209,100
GMH/SA	$17.69	$19.82	37,538,800	12,532,300	42,063,900	14,014,600
			$303,457,200	$102,118,400	$283,605,300	$95,568,300
Less Capitation Rate Adj.				(15,200,000)		
				$ 86,918,400		
Diff. between GF Available and Est. Need						$ (8,649,900)

TF = Total Funds GF = General Fund

JLBC Staff is unable to determine the impact of these capitation rate changes on the Proposition 204 Special Line Item. This line item receives its state match funding from the Tobacco Settlement. The estimates for this line item were developed by the Governor's Office and have not been revised. In theory, however, Proposition 204 costs should be reduced as a result of the decrease in the SMI capitation rate.

In recognition of the fact that the population eligible for Title XIX services is increasing rapidly, which in turn should result in a decreased cost per enrolled person on a monthly basis, the FY 2003 budget included a reduction of $(15,200,000) from the General Fund. This reduction was not applied to a specific line item, but was available to be used to among all three Title XIX line items. DHS's proposed capitation rate changes would generate a net savings of approximately $6,550,100, which is ($8,649,900) less than anticipated by the Legislature. DHS has not addressed potential funding sources for this deficit.

Based on enrollment projections used in developing the FY 2003 appropriation, the capitation rate changes will create a decrease of $(8,032,400) associated with the SMI program, and an increase of $1,482,300 for General Mental Health. The actual cost of the capitation rate increase will depend upon the number of people that are eligible for Title XIX behavioral health services.

DHS has also requested review of a capitation rate change for the Children's Title XIX capitation rate. In developing the proposed Children's rate, the actuaries included an adjustment for behavioral health services for children in the foster care system. This adjustment is based several assumptions that may translate into savings in the Department of Economic Security. These savings could then be used for other DES programs, or transferred to DHS. Based upon the information available at this time, however, the level of savings is not clear. JLBC Staff recommends deferring a review of the CBH rate until better information becomes available.

RS:GG:jb

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

DATE: July 10, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM Gretchen Logan, Senior Fiscal Analyst

SUBJECT: ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS) – REPORT ON THE IMPLEMENTATION OF THE TICKET TO WORK PROGRAM

Request

Senator Solomon has requested that the Committee receive a report on the implementation of the Ticket to Work program.

Recommendation

This item is for information only and no Committee action is required. AHCCCS had a statutory requirement to implement Ticket to Work by January 2002, but does not plan on starting the program until January 2003.

Analysis

Laws 2001, Chapter 385 authorized a new eligibility category that allows for the provision of Medicaid coverage to disabled individuals who return to work. This new program is referred to as both Ticket to Work and Freedom to Work.

Pursuant to Chapter 385, the Ticket to Work program's implementation date is January 1, 2002. However, Chapter 385 also specifies that implementation is subject to approval of the Ticket to Work state plan amendment by the Center for Medicare and Medicaid Services (CMS). AHCCCS began work on the program's implementation in July 2001, however, suspended work in November 2001, in part because funding for the program was not included in the Executive Budget Recommendations.

In March 2002, the Appropriations Chairmen met with AHCCCS and expressed support for the program and the need to proceed with implementation. AHCCCS subsequently requested a revised implementation date of January 1, 2003 and explained that, due to the unique eligibility

(Continued)

determination process for this new population and internal resource constraints, the implementation of the program required additional time (*see Attachment 1, which provides detail on the program's implementation requirements*). The Legislature did not modify the implementation date. In May 2002, AHCCCS resumed Ticket to Work implementation activities. Currently, the agency plans to implement the program on January 1, 2003 (*see Attachment 2 for implementation schedule).* The agency believes that this delayed implementation date is not in conflict with statute since Chapter 385 subjects start-up to federal approval of the proposal.

AHCCCS, however, does not plan to submit its proposal to the federal government until December 2002. This timetable is inconsistent with legislative intent, given that the Legislature has retained the January 2002 start date.

RS/GL:jb
Attachments

STATE OF ARIZONA

Joint Legislative Budget Committee

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

DATE: July 10, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Beth Kohler, Fiscal Analyst

SUBJECT: PROPOSITION 204 PUBLIC HEALTH PROGRAMS — CONSIDER APPROVAL OF INFLATION ADJUSTMENTS

Request

Proposition 204 requires the Joint Legislative Budget Committee to calculate annual inflation adjustments for the public health programs that are funded in the proposition from the Tobacco Litigation Master Settlement and to provide this information to the director of the Arizona Health Care Cost Containment System (AHCCCS).

Recommendation

The JLBC Staff has calculated the FY 2002 allocations for the programs and requests Committee approval of the calculations, as required by A.R.S. § 36-2901.02. We calculated the adjustments using the GDP price deflator. Based on these calculations, we recommend the following allocations:

Program	FY 2002 Increase	FY 2002 Total
Healthy Families	$ 95,303	$ 5,522,563
Arizona Health Education System	76,242	4,418,050
Teenage Pregnancy Prevention	57,182	3,313,538
Disease Control Research	38,121	2,209,025
Health Start	38,121	2,209,025
Women, Infants, and Children Food Program	19,061	1,104,513
Total	**$324,030**	**$18,776,714**

The actual funding of each of these programs will depend on the availability of tobacco settlement monies after accounting for AHCCCS coverage of the 100% of the federal poverty level (FPL) population. AHCCCS reports that all FY 2002 program payments for the AHCCCS expansion have been made and sufficient monies remain to fund the public health programs. Pursuant to A.R.S. § 5-522, these allocations are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations and do not revert to the General Fund at the end of each fiscal year.

(Continued)

Analysis

Proposition 204, approved by voters on November 7, 2000, specifies that the public health programs listed in A.R.S. § 5-522(E), as enacted in 1996 by Proposition 203, shall be funded from the monies the state receives from the Tobacco Litigation Master Settlement. The following table displays the programs funded in A.R.S. § 5-522, the 1996 allocation for each program, and the agency that administers each program.

Program	**1996 Allocation**	**Agency**
Healthy Families	$5,000,000	Department of Economic Security
Arizona Health Education System	4,000,000	Arizona Board of Regents
Teenage Pregnancy Prevention	3,000,000	Department of Health Services
Disease Control Research	2,000,000	Disease Control Research Commission
Health Start	2,000,000	Department of Health Services
Women, Infants, and Children Food Program	1,000,000	Department of Health Services

The programs listed in A.R.S. § 5-522 were originally funded from the State Lottery Fund but received monies only after numerous other programs were funded. Because the lottery has not generated sufficient revenue to fund all the statutory programs, the public health programs have not received any monies from the State Lottery Fund since their inception in 1996. Proposition 204 changed the funding source to the Arizona Tobacco Litigation Settlement Fund, which receives monies from the Tobacco Litigation Master Settlement.

Proposition 204 also requires the Joint Legislative Budget Committee to calculate annual inflation and provide the adjustment amount to the director of AHCCCS, who will then transfer the monies to the agencies that administer the programs. AHCCCS reports it will transfer the monies upon approval of allocations by the Committee.

We have used the Gross Domestic Product (GDP) price deflator to calculate the inflation adjustment as specified by A.R.S. § 5-522. The GDP deflator growth since 1996 is shown below:

	GDP Price Deflator
FY 1997	2.0%
FY 1998	1.6%
FY 1999	1.3%
FY 2000	1.8%
FY 2001	2.3%
FY 2002	1.7%

Proposition 204 also included an AHCCCS expansion, which is funded from the tobacco settlement monies before the public health programs receive monies. If all of the tobacco settlement monies are expended for the AHCCCS expansion, the public health programs would not receive funding. AHCCCS estimates there is approximately $21.5 million remaining from the tobacco settlement remaining after funding the AHCCCS expansion, which is sufficient to fund the programs in FY 2002. However, A.R.S. § 5-522 specifies that if there are not sufficient monies to fully fund all the public health programs, the funding shall be adjusted on a prorated basis in line with the monies available. AHCCCS reports that all program payments for the expansion have been made, and that any subsequent administrative adjustments will not affect the public health program funding. Therefore, we believe that the programs would receive full funding in FY 2002.

Based on the current FY 2003 estimates for the AHCCCS expansion, we do not believe the public health programs will receive funding in FY 2003.

RS:BK:jb

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

HOUSE OF
REPRESENTATIVES

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

DATE: July 11, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Steve Schimpp, Senior Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF EDUCATION – REPORT ON IMPLEMENTATION OF FY 2003 LUMP SUM REDUCTION

Request

Senator Solomon has requested that the Committee receive a report on the Arizona Department of Education (ADE) plan to allocate its lump sum reduction for FY 2003.

Recommendation

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

ADE's current lump sum reduction plan appears inconsistent with current statutory language. Most of the reduction is in the Assistance to Schools cost center, which the Legislature held harmless from lump sum reductions. Legislative intent was to reduce administrative costs, not program monies for schools. ADE may still be able to comply with the spirit of the law, if reductions for Assistance to Schools programs are targeted at administrative rather than program costs. We have asked ADE to clarify whether this would be the case under their plan.

Analysis

The FY 2003 appropriation for ADE in the General Appropriation Act (Laws 2002, Chapter 327, Section 20) includes a "State Board and General Services Administration lump sum reduction" of $(358,900). This amount was computed by multiplying by 3.125% the FY 2002 General Fund budgets for the State Board of Education and General Services Administration cost centers. Funding for ADE's third cost center ("Assistance to Schools") was not included in computing the lump sum reduction amount because most Assistance to Schools funding goes directly to schools. The "State Board and General Services Administration lump sum reduction" that appears in the General Appropriation Act therefore reflected a policy decision to exclude Assistance to Schools programs from lump sum cuts.

(Continued)

ADE's current plan, however, allocates most of the $(358,900) lump sum reduction to programs in Assistance to Schools. That plan is summarized in the table below.

ADE's Current Plan for Allocating Its Lump Sum Reduction

Cost Center	**Program**	**Lump Sum Reduction**
State Board of Education	Arizona Teacher Evaluation	$(6,060)
State Board of Education	Career Ladder Administration	(2,565)
State Board of Education	Charter Schools Administration	(6,207)
General Services Administration	Charter Schools Liaison	(4,536)
Assistance to Schools	Adult Education Assistance	(165,948)
Assistance to Schools	Chemical Abuse	(53,462)
Assistance to Schools	School Report Cards	(34,802)
Assistance to Schools	School Safety Program	(5,995)
Assistance to Schools	Early Childhood Block Grant	(79,325)
Total		**$(358,900)**

We recently notified ADE that its current allocation plan is inconsistent with legislative intent regarding the protection of Assistance to Schools programs from lump sum cuts. We do not yet know if ADE plans to alter its original allocation plan.

RS/SSC:jb

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

RUTH SOLOMON
CHAIRMAN 2002
MARSHA ARZBERGER
TIMOTHY S. BEE
KEN BENNETT
JACK A. BROWN
SCOTT BUNDGAARD
EDWARD J. CIRILLO
PETE RIOS

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

HOUSE OF REPRESENTATIVES

LAURA KNAPEREK
CHAIRMAN 2001
CAROLYN S. ALLEN
MEG BURTON CAHILL
LINDA GRAY
STEVE MAY
RUSSELL K. PEARCE
MARION L. PICKENS
CHRISTINE WEASON

DATE: July 10, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jill Young, Fiscal Analyst

SUBJECT: ARIZONA COMMISSION ON THE ARTS – REVIEW OF THE ARIZONA ARTS ENDOWMENT FUND AND PRIVATE CONTRIBUTIONS

Request

Pursuant to A.R.S. § 41-986(F), the Committee shall annually review the Arizona Commission on the Arts' records regarding private monies that are donated for use in conjunction with public monies from the Arizona Arts Endowment Fund.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the agency's report.

Analysis

The Arizona Arts Endowment Fund was created by Laws 1996, Chapter 186. The legislation was intended to encourage the establishment of arts endowments supported by public and private funds. The public component of the legislation began in FY 1998 and consists of an annual appropriation of up to $2 million to the Arizona Arts Endowment Fund. These monies are then invested by the State Treasurer, who distributes the interest income to the Arts Commission to fund arts programs across the state. Laws 2002, Chapter 1, 3rd Special Session suspended the FY 2002 and FY 2003 deposit to the Arts Endowment Fund and extended the final deposit to FY 2009 when the fund will have accrued $20,000,000. As of June 30, 2002, the fund has earned approximately $989,900 in interest, $892,800 of which has been expended or committed in the form of grants and contracts.

The private component of the legislation allows the Arts Commission to partner with non-profits such that the non-profit may receive, invest and manage private donations 1) to its own endowment, 2) to the endowment of other arts organizations or 3) to the non-designated portion of the Arizona Arts Endowment Fund. Donors who wish to support endowments of a specific arts organization, such as the

(Continued)

Phoenix Symphony, may do so. Such donations are administered by the individual arts organization, but must conform to the rules adopted by the Arts Commission to qualify as a contribution to the Arizona Arts Endowment Fund. Several smaller arts organizations have arranged for the Arizona Community Foundation to administer endowments on their behalf. For example, donors who wish to endow the Orpheum Theatre may do so via a designated fund administered by the Arizona Community Foundation. Donors who wish to endow the arts generally, without designating a particular arts organization, may do so by giving to the private non-designated portion of the Arizona Arts Endowment Fund. Such donations are invested and managed by the Arizona Community Foundation and not commingled with the public monies. The Arts Commission receives the interest income from these donations and distributes the earnings according to its rules.

The table below summarizes private contributions that have been collected since the establishment of the Arizona Arts Endowment Fund. Private contributions are less in 2001 than in previous years due to the slowing economy. As of December 2001, private pledged contributions total approximately $24 million. The public monies appropriated to the Arizona Arts Endowment Fund total $8 million for FY 1998 through FY 2001. There is no statutory requirement that private donations match public appropriations for the Arizona Arts Endowment Fund.

Private Donations to the Arizona Arts Endowment Fund, by Calendar Year

	1996*	1997	1998	1999	2000	2001	Total
Designated	$1,682,685	$2,973,245	$5,799,633	$3,887,349	$6,559,045	$2,044,004	$22,945,961
Non-Designated	0	76,481	545,336	475,921	58,731	0	1,156,469
Total	$1,682,685	$3,049,726	$6,344,969	$4,363,270	$6,617,776	$2,044,004	$24,102,430

* 1996 reporting period is from April 15, when the legislation was passed, to December 31

Although private donors have pledged approximately $24 million to arts endowments since 1996, the agency estimates that only about 40% of that total has actually been transferred from the donor to the recipient. Federal accounting laws require non-profit organizations to count all money in the year it was pledged, even if the pledged amount is to be transferred in several allotments over future years. This law allows donors to count their pledge as a tax deduction all in one year.

The impact of the Arizona Arts Endowment Fund may also be measured by the increase in the number of arts endowments. Prior to the legislation only 2 of the participating arts organizations had endowments, now 18 of them do. While it is clear that private support of arts endowments has grown significantly, it is difficult to determine how much of the growth is attributable to this legislation. Nevertheless, the records indicate that the Arizona Arts Endowment Fund is technically operating as the Legislature intended.

RS:JY:ss

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

HOUSE OF
REPRESENTATIVES

DATE: July 10, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Paul Shannon, Senior Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION – REPORT ON HUMAN RESOURCES INFORMATION SYSTEM (HRIS) STATUS QUESTIONS AND RESPONSES

Request

At the June 20, 2002 Committee meeting, members of the Committee asked for the written responses to a series of questions posed by the Government Information Technology Agency (GITA) in their quarterly report on the progress of the Human Resources Information System.

Recommendation

This item is for information only and no Committee action is necessary. GITA has reviewed the responses and is generally satisfied with the information the Arizona Department of Administration (ADOA) provided. GITA will provide a more detailed and written reaction to the responses in their next report to the Committee. GITA and ADOA continue to work together on the design of the project, including discussions on the level to which agencies will participate in the full package of HRIS features.

Analysis

In general, GITA reports that the ADOA responses provided reassurance that the project was progressing adequately through the initial development period. GITA's primary concern is that the project is adequately planned and executed in the early stages of development to avoid cost over-runs and reduced functionality as the project nears completion.

(Continued)

GITA believes that ADOA is doing many things well and cited the project communication plan and the level of agency cooperation as examples. GITA maintains some concern that ADOA complete a detailed scope of work for the project by August 2002. When changes are made to the scope of work after design has begun, it is necessary to change completed work, which wastes both time and money. GITA also recommends that the project provide a system of mid-level reporting that provides enough information to understand technical aspects of the project without creating overwhelming detail. These mid-level reports are critical for GITA's understanding of the progress of the project.

In their quarterly report, GITA posed a number of questions to ADOA about the progress of the Human Resources Information System. Primary among those concerns were questions about the project timeline. The project management has delayed the initial phase of implementation from January 1, 2003 until April 14, 2003. This was done because of the continued need to clarify the business and technical needs of the agencies and to clarify the necessary functionality of the new system. ADOA also cited the need to achieve agreement among several key agencies about the security structures to be implemented and the need to understand agencies' sub-systems. ADOA reports that the project is within budget and that the new timeline is achievable.

GITA also raised questions about the project management structure. ADOA responded that the management structure and agency involvement in the project are governed by plans approved by the Information Technology Assessment Committee of GITA, and that those structures are being implemented according to plan.

Finally, GITA asked several questions about specific technical requirements of the project. GITA will provide a more technical analysis of those items in their next report to the Committee.

RS:PS:ss
Attachment

STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

HOUSE OF REPRESENTATIVES

DATE: July 10, 2002

TO: Senator Ruth Solomon, Chairman
Members, Joint Legislative Budget Committee

FROM: Richard Stavneak, Director

SUBJECT: REPORT ON RECENT AGENCY SUBMISSIONS

Request

The JLBC has received a number of statutorily required reports during the past month. Each report is briefly described below.

Recommendation

The reports are for information only and no Committee action is required. We do not intend to discuss the reports at the JLBC meeting unless a member has a question. If any member knows in advance that they will have questions, we would appreciate knowing that before the meeting so as to ensure the relevant agency is available.

Reports

A. Arizona Department of Administration - Report on On-Line Bidding Systems Implementation.

The Arizona Department of Administration (ADOA) is required by Laws 2001, 2nd Special Session, Chapter 5 to prepare a report on efforts to implement Laws 2001, Chapter 375, relating to on-line bidding systems. Chapter 375 provided $200,000 to implement an on-line bidding system for use by the State Procurement Office.

The report notes that the $200,000 appropriation was repealed in Laws 2001, 2nd Special Session, Chapter 2, and that no portion of those funds were expended.

ADOA did utilize part of its regular operating budget to begin development of an on-line procurement system. This system, known as the SPIRIT system, is currently in the final stages of development and will provide much of the functionality originally envisioned in the Chapter 375 appropriation. ADOA expects this system to be on-line sometime during this Fall, 2002.

B. Attorney General - Report on Model Court.

Laws 2001, Chapter 238 requires the Office of the Attorney General to submit a quarterly report summarizing program information related to Model Court. The agency's summary for the 3rd Quarter of FY 2002 reports total expenditures at approximately $618,500. As of January 1, 1999 there were approximately 6,000 open dependency cases (cases open before statewide implementation of Model Court). By the end of the 3rd Quarter of FY 2002, 843 of the original 6,000 remain. The total number of children (both new and existing) placed during the 3rd Quarter was 494. Of this amount, 106 children represent backlog cases. A case is considered a "backlog" case if it was open before January 1, 1999, or before statewide implementation of Model Court. The number of cases does not correspond directly to the number of children (i.e. each case may involve more than one child). Of the 494 children placed, 49 were adopted by a relative, 78 were adopted by a non-relative, 129 were placed with a guardian related to the child, 38 were placed with a guardian not related to the child, and 200 were reunited with a parent. The agency reports a total of 6,788 children still awaiting placement. Of this amount, 1,694 children (or 843 cases) represent backlog cases.

C. Department of Economic Security - Bimonthly Report on Arizona Works.

As the vendor for the state's Arizona Works pilot welfare program, MAXIMUS is required to report bimonthly on Arizona Works. It submitted its latest report in May. Total caseloads in Arizona Works increased by 12.6% from March 2001 through March 2002. Over the same period of time, welfare caseloads in the rest of Maricopa County increased 30.3%. We would note, however, that any difference in recipient and economic characteristics in both areas may contribute to differences in caseloads. Laws 2002, Chapter 331 ends the Arizona Works pilot on September 30, 2002. After that date, the department will resume administration of the welfare program in Maricopa and Greenlee Counties.

D. Department of Economic Security - Bimonthly Report on Children Services Program.

Pursuant to a footnote in the FY 2002 Supplemental Bill, the Department of Economic Security has submitted the bimonthly Children Services report for June 1. The report includes actual expenditure and caseload data through April 2002. Year-to-date expenditures totaled $79.2 million, or 1.9% higher than the $77.7 million projected in DES' last bimonthly report. DES projected a $(2.1) million General Fund deficit for FY 2002. To address this deficit, DES made internal transfers including a $1 million transfer from the Developmental Disabilities cost center, which was favorably reviewed by the Committee at its June 2002 meeting.

E. Department of Environmental Quality - Preliminary Progress Report on the Arizona Alternative Testing and Compliance Study.

Pursuant to Laws 2000, Chapter 404 the Department of Environmental Quality submits the preliminary progress report on the major findings and conclusions of the vehicle emissions identification, testing and repair research study. The purpose of the study is to evaluate alternative emissions monitoring technologies in Areas A and B and address methods to improve motorist compliance with the current Vehicle Emissions Inspection Program. In addition, the study shall assess the methods to assure a high degree of motorist compliance with the options identified. The research study shall address alternative testing technologies, including improvements in remote sensing, the utilization of on-board diagnostics and any other alternatives for identifying high emitting vehicles and facilitating their repair.

The preliminary report from Eastern Research Group, the contractor responsible for the study, includes 7 appendices that cover a range of topics including: an evaluation of remote sensing, profiling and prediction of individual vehicle pass/fail rates, program repair data, evaluation of on board diagnostic testing effectiveness, analysis of historical remote sensing and emissions data, and overview of voluntary vehicle scrap programs.

Major conclusions relating to the evaluation of alternative emissions monitoring technologies include:

- 24 emissions monitoring strategies were identified for further study.
- These strategies were ranked according to their cost-effectiveness and anticipated benefits.
- Further analysis of each strategy is recommended.

Major findings relating to the analysis of program compliance include:

- 3% to 7% of eligible vehicles in Arizona are not in compliance with Vehicle Emissions Inspection program requirements.

F. Department of Health Services - Report on Health Crisis Fund Expenditures.

Pursuant to Laws 2001, Chapter 374, the Governor is required to submit a copy of the Executive Order when monies from the Health Crisis Fund are allocated for a health crisis. The Health Crisis Fund receives up to $1,000,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund. The Governor may declare a health crisis or a significant potential for a health crisis and authorize monies from the Health Crisis Fund for the emergency. On June 25, the Governor allocated $90,000 to the Arizona Health Care Cost Containment System (AHCCCS) to allow the agency to continue to provide kidney dialysis and chemotherapy to undocumented persons. On June 27, 2002, the Governor authorized up to $300,000 to the Governor's Community Policy Office, Division for Prevention of Family Violence, which will distribute the monies for the continuation of Sexual Abuse Hotline and Advocacy services in Arizona. The monies are intended to keep in operation 2 sexual abuse hotlines that faced funding deficits due to non-state funding reductions. On the same date, the Governor also allocated $100,000 to the Arizona Pioneers' Home to address a funding deficit. The FY 2002 allocations from the Health Crisis Fund to date total $1,000,000 and are shown below:

Executive Order	Recipient	Amount
2001-18	Department of Health Services - State Laboratory	$ 350,000
2001-19	Department of Health Services - Border Health Foundation	80,000
2002-2	Department of Health Services - Non-Renal Transplant Medications	80,000
2002-12	Arizona Pioneers' Home	100,000
2002-13	AHCCCS – Dialysis and Chemotherapy	90,000
2002-14	Gov.'s Community Policy Office, Div. for Prevention of Family Violence	300,000
	Total	**$1,000,000**

G. Department of Revenue - Report on Ladewig Expenditure Plan.

In June 2002, the Committee approved $866,400 for the Department of Revenue's (DOR) 3-month interim expenditure plan for Ladewig administration costs for the first quarter of FY 2003, and asked DOR to provide a monthly report on their status and expenditures. The judge ruled June 20, 2002 that DOR must begin mailing the notice to 675,000 putative class members 8 weeks from June 21, must complete the mailing within 6 weeks of the start, and must begin publishing the notice 2 weeks after the mailing begins. Within 2 weeks of the June 20 ruling, the parties must present the judge with options for possible mediators. Class members must opt out by October 11 or they will be included in the class.

DOR plans to use 4 existing FTE Positions to manage Ladewig. DOR moved 2 of these FTE Positions (program administrator and budget officer) to Ladewig effective July 1, expects to move the executive staff assistant the second week in July, and expects to transfer the clerk typist at an undetermined future date. DOR has not yet determined when they will hire temporary personnel to staff phones, open and sort mail, and act as audit clerks. DOR reports that they have established codes to track Ladewig expenditures. DOR reports that no other FY 2003 Ladewig expenditures have occurred as of July 2, 2002.

RS:lm