

# The Four Cornerstones of Reform

Building a Framework of Effective and Responsible Governance

Janice K. Brewer

Governor



January 14, 2013

# Building on the Four Cornerstones of Reform

*Tempered by economic adversity, empowered by bold leadership, Arizona is building a lasting framework of success through government transformation*

GOVERNOR JANICE K. BREWER  
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In 2011, we set the cornerstones of reform: (1) **Economic Competitiveness**, (2) **Education**, (3) **State Government**, and (4) **Renewed Federalism**.

In 2012, we poured the foundation of opportunity and prosperity.

In 2013, we are framing the future and assembling a solid infrastructure for economic prosperity. When the transformation of State Government is complete, we will have created an enduring model of effective and responsible governance.

## ECONOMIC COMPETITIVENESS

### DEVELOPING PEOPLE AND CAPITAL

*"Our first calling at this capitol is to generate capital – to call forth the creativity, determination and entrepreneurial spirit that made these United States the most prosperous great power in the history of the world."*

— Governor Janice K. Brewer  
Inaugural Address, January 21, 2009

Building on the cornerstone of economic competitiveness calls for focusing our resources on the critical areas of small business growth, workforce development, commerce-related infrastructure, and State policy reforms.

#### ENTREPRENEURIAL DEVELOPMENT

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Arizona's reputation as a catalyst for business creation and growth is underscored by the Kauffman Index of Entrepreneurial Activity, which in 2012 ranked Arizona first in the nation for start-up activity – "Arizona is a sizzling spot for startups"<sup>1</sup> – and by FORBES magazine, which ranks Arizona second among states for business growth prospects.<sup>2</sup>

We must continue to explore ways to foster the entrepreneurial spirit in Arizona that will lead to greater economic development. Consistent with that mandate, I have tasked the Arizona Commerce Authority (ACA) to continue partnering with various entities including the state's 26 Small Business Development Centers to enhance opportunities for Arizona entrepreneurs. I have also directed ACA to further develop Arizona's strong entrepreneurial climate and continue to lead efforts to highlight our position as a global leader in innovation. In meeting this charge, ACA will soon be launching a new website devoted to innovation that will better capture the assets and opportunities available to Arizona's early state entrepreneurs. This site will serve as a statewide portal for our innovators.

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<sup>1</sup> "10 Most Entrepreneurial States," [www.money.cnn.com](http://www.money.cnn.com)

<sup>2</sup> [http://www.forbes.com/special-report/2011/best-states-11\\_rank.html](http://www.forbes.com/special-report/2011/best-states-11_rank.html)

## TAX REFORM

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**Taxation.** In the last two years, Arizona has enacted several of the most significant tax reforms in Arizona's history. These changes focused on areas of our income tax and property tax code that offer the greatest impacts in improving the competitiveness of our state's economy. We will continue to monitor the implementation and application of these reforms and make adjustments and enhancements as necessary to ensure the maximum economic benefit.

Now it's time to turn to the third leg of our tax system stool, our transaction privilege tax (TPT). Commonly referred to as the "sales tax," it is arguably State government's most important revenue source. Yet, it also true that our sales tax system is among the most complex in the country, resulting in taxpayer confusion and frustration. It is in the best interest of taxpayers and State and local governments to make the sales tax code easier to understand, follow and administer.

For these reasons I assembled a special task force of private and public sector tax experts to identify ways in which we can simplify our sales tax code. Through the process of 17 thorough and extensive meetings, the task force determined that the most detrimental quality of Arizona's sales tax system is its multi-jurisdictional nature. Differences between city codes and state statutes and varying options and exceptions among the cities result in multiple licensing contacts, multiple tax returns, multiple state and local tax bases, multiple audits, and varying interpretations of even identically worded tax codes.

In addition to reporting its findings, the task force offered 10 important recommendations for reforming Arizona's sales tax system. I call on Arizona's legislators to join me -- with the same energy and vigor we displayed in enacting our recent property and income tax reforms -- to approve another aggressive package of reforms to avoid redundancies, alleviate frustration and improve compliance with our sales tax code.

## WORKFORCE DEVELOPMENT

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Arizona is focused on stimulating job growth, connecting people to paychecks, and reducing unemployment.

**Career Readiness.** The new Workforce Arizona Council has been tasked with identifying other states' best practices that help unemployed and underemployed workers gain necessary job skills. The Council will also restructure our state's goals, governance and processes for the workforce development system and integrate with our education system to produce a seamless education pipeline, from preschool through higher education, into the workforce.

One key aspect of having a ready workforce is to ensure that Arizonans possess the work-related skills that employers require. It is projected that, by 2018, 64% of all jobs in Arizona will require some form of postsecondary education or training and only 11% of jobs will not require a high school diploma. While high school graduation rates continue to improve, it is essential that Arizona maintain pathways for non-graduates to earn their General Educational Development (GED) certificate en route to gaining employment or receiving postsecondary training.

The Arizona Department of Education's Adult Education program provides training statewide to individuals seeking to earn a GED. Every year, through Adult Education, thousands of Arizonans get the basic education training they need to be successful in postsecondary education and careers. It is imperative that federal dollars continue to support this program and that the State collaborates with our community colleges in producing career-ready graduates.

Finally, State agencies must continue to seek maximum effectiveness in helping people find jobs as a condition of receiving public assistance. Accordingly, the Department of Economic Security (DES) will launch a demonstration project to test an alternative operating structure that will assist consumers of DES services in developing necessary skills and reducing their dependency on public support.

**Connecting Employers, Job Seekers.** The next step to restructuring our workforce system is to reform the functions and activities of our local One-Stop Service Centers, where businesses with workforce needs can partner with local chambers of commerce and service center staff to connect job creators with job seekers. Arizona will be changing the way in which job seekers and employers interact with service center staff by adopting a "no wrong door" policy in each One-Stop:

- Job seekers will be able to walk into a One-Stop office and, by talking to only one person, learn about the local job market, future opportunities, and local training partnerships.
- Employers will be able to contact the same facility and learn about adult workers in the pipeline and what type of job training programs exist with community colleges or other partners.

All of these activities will be tied to statewide strategic goals and metrics, including a focus on targeted industry sectors: Aerospace and Defense, Semiconductor, Bioscience, Optics, and Renewable Energy.

In addition to maximizing the benefits of One-Stop Service Centers, 11 Local Workforce Investment Area (LWIA) boards will continue to develop Sector Strategy Partnerships among industry, education, economic development and other LWIAs areas across the state. An industry sector strategy helps workforce development practitioners and education leaders tailor their approach to supporting local economic development. The next phase for sector strategies will be to connect each regional effort to the LWIAs in coordinating local activities. This will allow best practices to be shared around the state.

**Opportunities for Returning Veterans.** With the nation's military forces reducing their overseas deployments, thousands of service members are returning home. In recognition of their sacrifice and service to America and the valuable skills and experience they possess, it is imperative that we connect these trained veterans to jobs in the civilian labor force. I will work with veterans groups, military members and the business community to find ways to help our veterans rejoin the workforce.

## INFRASTRUCTURE

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**Global Competitiveness.** While we have already enacted numerous reforms to enhance the state's business climate during the economic recovery, now is the time to create more investment in Arizona.

In February 2012, we established the Transportation and Trade Corridor Alliance (TTCA), which is comprised of Arizonans with extensive knowledge of transportation, energy and international trade. The TTCA is working to increase the capacity of Arizona's trade and transportation corridors and assess opportunities to create jobs, attract investment capital and foster economic growth.

With the formal designation of Interstate 11, the nation's newest interstate highway, Arizona's long-term vision of creating an intermountain west corridor for North America is now a reality. This significant north-south corridor, which connects central Arizona directly to Las Vegas, will solidify Arizona's standing as an important conduit for international trade.

Further, we need to continue exploring improved and secured ports of entry to enhance international commerce. To that end, I call on the federal government to commit adequate resources to, first, improve our international trade infrastructure and, second, maximize the benefits of Arizona's natural trade corridors.

Border Region development will naturally require collaboration with local communities to ensure that growth maximizes trade and minimizes negative impacts on affected communities. Border Region Roadmapping is an essential tool for these

border communities in their long-term planning and economic strategy. The Roadmap will identify the advantages of Arizona's border communities in order to position the region competitively with communities in Texas and California, thus capturing and growing our share of cross-border trade and investment. Expanding the capacity of our commercial ports of entry, the connectivity through our enhanced corridor system, and a focused trade and transportation strategy for Arizona will foster job creation and attract new business and investment.

**Solar Leadership.** When I took office, I pledged to make Arizona the "Solar Capital of the World." In 2011, I established the Solar Energy Taskforce, which has worked to streamline the solar permitting process to make installations easier, faster and more affordable. Through our Renewable Energy Tax Incentive Program, 12 renewable energy companies have recently invested over \$1.2 billion in our state. The world's largest solar manufacturers now have operations here. Also, in the second quarter of 2012, Arizona ranked second nationally in solar installations and third nationally in renewable energy jobs, demonstrating our success in keeping energy dollars and energy jobs in Arizona.

**Energy Planning.** Notwithstanding the importance of energy for our state and nation, more than 20 years have passed since Arizona's most recent comprehensive energy plan was developed. Since 1990, what began as a comprehensive plan has devolved into a patchwork of unfocused and, in some cases, incompatible policies.

I propose the drafting of a master energy plan in collaboration with my Office of Energy Policy, the Legislature, the Arizona Corporation Commission, the Arizona Commerce Authority, and industry partners. Our focus will be on four major areas of energy production and consumption:

- Transportation, Fuels and Infrastructure Development;
- Business and Workforce Development;
- Environment, Natural Resources and Land Use; and
- Technology Development.

I will initiate this effort through an Executive Order, directing the Governor's Office of Energy Policy to prepare a Master Energy Plan by December 31, 2013. This plan will help lead Arizona to an affordable and reliable energy future by promoting policies and initiatives that strengthen the economy, protect the environment and ensure lasting energy security.

Once drafted, this plan will be updated at least every five years so that future state energy decisions can be made with insight and in-depth background information.

## EDUCATION

### COLLEGE- AND CAREER READINESS

*"That's my commitment to children for the next century: quality teachers, a safe environment, a setting of parents' choosing, data-driven decisions and the highest of standards."*

— Governor Janice K. Brewer  
State of the State Address, January 9, 2012

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#### K-12 EDUCATION

Arizona's plan for education reform, "Arizona Ready," is truly raising the bar for our children, our schools, and ourselves. We are diligently implementing comprehensive reforms that support this vital and ambitious goal:

- *By 2020, 93% of our high school students will graduate with the knowledge and discipline to be successful in college and careers.*

Those students will be equipped to go on to postsecondary education and training to acquire the career-specific skills necessary for a high-quality, high-wage job.

The Arizona Ready Council, Arizona's coordinating body for preschool through higher education and the workforce, has been a driving force of innovation by leading some of the largest school reforms in Arizona history. Those reforms include:

- raising the focus and rigor of Arizona's learning standards, and working to implement a new, online state assessment that measures progress toward those standards;
- using student-growth data to help evaluate the effectiveness of teachers and principals;
- increasing early literacy interventions so that, by third grade, all students can read at grade level; and
- building an up-to-date education data system to help teachers tailor their instruction to the needs of each student.

Feedback from the field indicates that teachers and principals are excited to embrace these reforms, and the State needs to provide the time and resources necessary to implement them effectively.

Additionally, we must continue to make K-12 education funding a priority. A major reason that I opposed Proposition 204 was its failure to directly fund these sweeping reforms or effectively fund school performance, and I was pleased that voters rejected that initiative. However, Arizona's schools still need additional resources in key areas to implement these vital reforms.

**Performance-Based School Funding.** Many schools in Arizona produce impressive, encouraging results.

Unfortunately, our school funding formulas neither reward high-performing schools nor provide incentives for low-performing schools to improve. We can no longer afford, and it

is not good policy, to give equivalent funding to low-performing schools for merely having students in their classrooms. Instead, we must invest our resources in schools that deliver the results we seek.

Our school finance system should provide a catalyst for student achievement at the local level. My Arizona Ready Council has approved a framework for school district and charter school performance funding that rewards districts and charters for producing what we earnestly seek: improved academic achievement. This shift toward outcome-based funding will fundamentally change Arizona's K-12 system. By rewarding our improving and high-performing schools, we will raise accountability and better equip the next generation of Arizonans to succeed in work and in life.

**School Facilities.** In addition to improving our school funding system, we must ensure that school facilities remain safe for students and teachers and provide an environment that promotes effective learning. We can no longer delay on this critical issue.

School capital finance reform will allow for additional bonding capacity at the local level while limiting the long-term school construction costs to the State.

We should lift the new school construction freeze and repeal the required projection period for the School Facilities Board. This will reduce the costs to the State while ensuring that schools that are currently over capacity receive the new school construction funds they need.

We should also repeal the outdated Building Renewal formula for schools and replace it with a system where the School Facilities Board uses a detailed database of all major school systems to effectuate a statewide systems replacement schedule. This will direct Building Renewal funds to the most critical projects and directly link the State appropriations process to the maintenance of Arizona's schools.

**Common Core Standards.** Arizona's Common Core Standards are the next generation of K-12 standards in reading, writing, and mathematics. These standards:

- provide a consistent framework to prepare students for success in college and/or the 21st century workplace, and
- improve *what* students learn and *how* they learn.

In adapting to this new environment, it will be necessary for many teachers to change how they operate in the classroom. Helping our teachers respond to this new opportunity raises the ante for the State's investment in the classroom. Teachers will need:

- professional development for new lesson plans and techniques,
- assistance in identifying the best curricula that align with Arizona's Common Core Standards, and
- the time necessary to accomplish those two steps.

**State Testing.** In less than two years, Arizona's Instrument to Measure Standards (AIMS) will be replaced with an online test administered by the Partnership for Assessment of Readiness for College and Careers (PARCC). The PARCC exam, which will test children based on Arizona's Common Core Standards, will be much more challenging than its predecessor.

Far too often, AIMS has falsely indicated that students were ready for college-level work. Among the consequences of its misleading results is that employers have struggled to hire high school graduates who have the skills needed for basic, entry-level jobs.

With PARCC, Arizona's students will be accurately measured on their readiness for college and careers. The PARCC exam's online platform has several benefits, including the following:

- Teachers will receive timely feedback.
- Parents will see their child's progress and strengths and make better planning decisions.
- Students will be measured on their depth of knowledge, problem-solving abilities, and critical thinking rather than on their ability to reiterate rote facts.

To administer the PARCC exam, schools will need computers and other devices and enhanced internet connectivity. I will issue an Executive Order to establish a needs assessment and a plan for providing better internet connectivity for the schools that need it. These efforts will assist in administering the PARCC exam and offer students more opportunities to learn in their own style, at their own pace, anywhere, and anytime.

**School Choice.** Arizona continues to be a national leader in school choice. However, for academic and governance reasons, some growing charter school networks have registered each charter school as a separate entity with different governing boards. This creates challenges for families already within these charter networks because current law restricts seamless transfers between charter schools to only those charter schools that have identical governing boards. A family whose child has attended a charter network's elementary school cannot move on to the same charter network's middle school if the middle school has reached capacity. For the families who have sacrificed for and embraced a charter network's vision, we must ensure that a charter school can give enrollment preference and reserve capacity to pupils who attended other charter schools within the same network.

**Graduation Rates.** The class of 2013 will be the first statewide to graduate with four years of using an Education and Career Action Plan (ECAP). In producing curricula that are relevant to future careers (and clearly answer the "why?" of education), ECAPs are an effective tool in making education more meaningful and relevant to high school students.

Many potential high school drop-outs will be encouraged to stay in school if they clearly see the economic benefits of what

they are learning. To that end, the State must continue to explore:

- Increased use of “career pathway” programs of study, and clear course structures to guide student planning,
- Quality Career and Technical Education that leads to meaningful credentials and certifications,
- Increased availability of academic credit for Career and Technical Education courses, and
- STEM (science, technology, engineering and math) instruction that integrates rigorous academics with project-based learning.

All of these options increase the quality and relevance of a high school education and will keep more students engaged all the way to graduation.

**School Improvement.** Almost 80,000 Arizona students attend a school that has received a proficiency grade of D or lower. Perpetually failing schools are a chronic problem. Unfortunately, most of the approaches to improve failing schools have produced only short-term improvements that fade over time.

We must introduce school improvement solutions that produce long-lasting results, including reversing the culture of failure that is present in too many of our schools. Those solutions must recognize the particular local factors that contribute to each school’s failure, instead of imposing one-size-fits-all reforms.

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#### HIGHER EDUCATION

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Arizona’s universities and community colleges constitute a key asset to economic development. By 2018, almost two-thirds of Arizona jobs will require some level of postsecondary education and training.

In an effort to meet that requirement, I have challenged our universities and community colleges to pursue new paths of accountability, accessibility, and affordability in order to double the number of bachelor’s degrees awarded in Arizona by 2020.

While much work remains to be done, our institutions should be commended for their recent accomplishments. These include increased partnership programs, in which students can seamlessly transfer from a community college to a university, and innovative four-year programs throughout rural Arizona.

In addition, the universities and community colleges have voluntarily accepted accountability on a host of measures. These metrics will help us to analyze our progress as we continue to push for increased results from our investments in higher education.

**Public/Private Partnerships for Our Universities.** Arizona has made important strides in encouraging the exchange of technological expertise and other valuable information between private enterprise and Arizona’s university system.

We need to turn the lessons of these public-private partnership experiences into a renewed spirit of partnership and collaboration, to streamline the exchange process and meet the demands and challenges posed by technological advances and economic growth. Recognizing the economic and social benefits of such cooperation, I will propose specific measures that will accelerate, promote, and enhance efforts to bring together Arizona’s universities, entrepreneurs, and business institutions.

**Economic Success Measures.** In choosing a college degree program that will lead to career success, students and parents need effective tools. With the support of the Lumina Foundation, College Measures (a joint venture of American Institutes for Research and Matrix Knowledge Group) is helping states make available valuable information about the earnings and career prospects of graduates from the higher education programs within their state.

These “Economic Success Metrics” help parents and students recognize the value of a certain degree and the school from which it is received. We should use these metrics to move towards a process by which high school and postsecondary students can be accurately informed on a program’s “bang for the buck.” I am calling on State agencies and Arizona’s universities and community colleges to collaborate in generating the necessary data. The wise use of this information will help students make the most of their time and money.

## MODERNIZATION, TRANSFORMATION

*"With budgets tight, it has never been more critical that State services be conducted in a manner as efficient and cost-effective as possible."*

– Governor Janice K. Brewer  
August 16, 2012

Arizona has become a leader among states whose political leaders pursue shared principles of limited government, regulatory restraint, and business vitality.

Commitment to those principles has helped restore Arizona to its historical role as a magnet for business relocation, business formation and growth, capital formation and investment, employment and personal income growth, and prosperity statewide.

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### HEALTH AND PROTECTION

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**Health Care Reform.** Americans enjoy a standard of health care that is among the world's highest. Conditions that were at one time fatal can now be treated or prevented. Doctors, nurses, hospitals, pharmacists and others work diligently to provide the best care possible for their patients.

At the same time, in too many cases our health care system falls short with respect to quality, cost, outcomes, transparency and equity.

The Institute of Medicine report, *Best Care at a Lower Cost: The Path to Continuously Learning Health Care in America*, identified more than \$750 billion during 2009 in largely wasted health care spending that did little to improve health outcomes or the quality of care. This spending makes health care more expensive for consumers, employers, insurers and taxpayers.

Arizona has a long history of health care innovation inspired by free market principles of competition, choice, public/private partnerships, and limited government regulations. Arizona was the last state to join the Medicaid system and was the first to use managed care in a public/private partnership to provide high quality health care to its members at an affordable cost. This is the opportunity to once again find innovative ways to improve our health care system using free market principles.

More than 1.2 million Arizonans do not have health insurance, a condition that strains the health care delivery system and artificially imposes higher health insurance premiums on consumers and employers.

In 2000, Arizona voters approved Proposition 204, which mandates health care coverage, within available resources, for all Arizonans whose incomes are below 100% of the federal poverty level. During the recent recession, funding for this purpose was temporarily frozen to help address State Government's unprecedented budget crisis. Restoring eligibility for childless adults will respect the will of the voters.

To stand up for states' rights and protect Arizonans, I opposed the Patient Protection and Affordable Care Act (ACA) from its introduction and spoke repeatedly about the high costs it would impose on our State. However, despite the best efforts of Arizona and a coalition of 26 other states, the U.S. Supreme Court upheld most of the ACA's provisions and it remains the law of the land.

Recent guidance from the Centers for Medicare and Medicaid Services stipulates that in order for Arizona to restore coverage for childless adults and receive the higher federal matching rates, we must expand Medicaid coverage to adults with incomes up to 133% of the federal poverty limit. After careful consideration and deliberation, it is clear that by agreeing to expand our Medicaid program just slightly beyond what Arizona voters have already mandated through Prop. 204, we will:

- Protect rural and safety net hospitals from being pushed to the brink by their growing costs in caring for the uninsured.
- Take advantage of the enormous economic benefits from injecting almost \$2 billion into Arizona's economy, which will save and create thousands of well paying jobs in the health care sector.
- Provide health care to an additional 240,000 Arizonans and prevent approximately 50,000 childless adults from losing their AHCCCS coverage on January 1, 2014.
- Reduce the "hidden tax" of nearly \$2,000 in their health insurance premiums Arizona employers and families are already paying for uncompensated care.

To protect Arizona taxpayers, my plan includes a provision that automatically repeals the expansion if the federal government decides to reduce the federal match at any point in the future. Additionally, the funding for the expansion will come from a fee that hospitals will assess upon themselves, which is similar to what is already being done in 47 other states. With the revenue this hospital assessment generates, we can assure that our General Fund bears no cost in expanding Medicaid.

With the realities facing us, taking advantage of this federal assistance is the strategic way to reduce Medicaid pressure on the State budget, prevent health care expenses from eroding core services such as education and public safety, and improve Arizona's ability to compete in the years ahead.

At the same time, we must continue to explore ways to leverage the private insurance market, to promote individual choice, reduce dependency on public entitlement programs, and strengthen Arizona's health care system.

**Improving the Behavioral Health System.** Last year, \$39 million was added to the Department of Health Services' budget for more services for non-Medicaid patients who have a Serious Mental Illness (SMI). These services supported employment, case management, assertive community treatment teams, family and peer support, supported housing, living

skills training, personal assistance, and respite care. This will significantly improve the quality of care and the quality of life for patients with SMI.

Individuals with SMI who do not qualify for Medicaid will be eligible for new coverage options through a Health Insurance Exchange. These individuals will have access to private health insurance that will pay for needed physical health care, some behavioral health services, and prescription drugs. This will allow Arizona to reallocate State-only funds to other needed services, including housing and employment assistance.

In May 2012, we reached a historic two-year agreement in the *Arnold v. Sarn* case that reaffirms Arizona's commitment to a community-based behavioral health system. The agreement includes a menu of community-based services to individuals with SMI and incorporates national behavioral health best-practice models and standards to ensure that individuals receive needed care. While the agreement does not conclude the *Arnold v. Sarn* legal proceedings, it does represent a significant breakthrough.

In providing behavioral health services, the State too often imposes bureaucratic hurdles to the very citizens who are least able to overcome them. In Arizona, an individual with SMI who seeks care may have to deal with as many as five health care systems. We are pursuing a fundamental restructuring of behavioral health and physical health care delivery to individuals with SMI. Integration of behavioral health and physical health services holds great promise to improve the quality of life for individuals and families struggling with the challenges of SMI.

"Recovery through Whole Health" is a program designed to coordinate and integrate behavioral healthcare and physical healthcare for Title XIX eligible adults with SMI, through the use of Health Home Services. This patient-focused approach, which has been incorporated into the new Maricopa County Regional Behavioral Health Authority contractual process, will result in better behavioral and physical health outcomes, such as fewer hospitalizations and less reliance on the crisis system. Once implemented, it will be a national model for delivering care to patients with SMI.

**Child Protection.** There is no higher priority than the safety of children who, through no fault of their own, are in the State's care and custody. Over the past year, the State has made substantial strides in its child safety system; many of the recommendations from the 2011 Governor's Child Safety Task Force have been implemented, and, as a result, there has been significant progress at Child Protective Services (CPS), including several legislative improvements and the establishment of the Office of Child Welfare Investigations.

Although there has been much progress to date, ongoing improvement efforts are fundamental to an effective child safety system. Accordingly, it is essential that we maintain our commitment to child well-being and continue to strengthen State safeguards. Further, process improvements must be

coupled with resources to improve case flow, management and resource allocation.

Specifically, we can do the following:

- *Amend State statutes to clarify that the primary purpose and priority of CPS is to protect children.* As recommended by my Child Safety Task Force, Arizona statutes should be amended to clarify CPS's purpose and reflect the recent establishment of the Office of Child Welfare Investigations.
- *Develop a Differential Response track for CPS reports in order to better prioritize cases of child abuse and neglect.* Differential Response recognizes that some cases can be resolved with community services and supports, thereby allowing CPS to focus greater attention on high-priority cases. CPS is currently required to maintain a 100% investigation rate. By clarifying which cases require a criminal conduct investigation, resources can be better leveraged to respond appropriately to the immediate safety risk posed to a child. While every case will be investigated by professionals, the most serious cases of alleged child abuse and neglect will be the priority of immediate investigations, in order to ensure that resources are used in the most efficient manner possible to protect critically endangered children.
- *Develop and launch online reporting of child abuse and neglect.* The toll-free Child Abuse Hotline is the only method for immediate reporting of alleged child abuse and neglect. Online reporting capabilities would allow the hotline operations to run more efficiently and yield a timelier response.
- *Continue streamlining CPS processes to ensure that caseworkers and hotline staff are able to address child safety concerns effectively and in a timely manner.* The Child Abuse Hotline is outdated, cumbersome and inefficient. Modernization efforts would allow DES to utilize staffing patterns to significantly reduce response time.
- *Address technology concerns posed by the CHILDS database.* A well-organized, efficient and user-friendly child safety database is essential to securing children's safety and permanency. Updating the Children's Information Library and Data Source (CHILDS) will reduce technological issues that impair the utility of that important tool.
- *Recruit foster and adoptive families.* With over 14,000 children currently in the State's care, it has never been more important to secure safe and loving foster and adoptive families. I will lead a campaign this year, through the DES and the ArizonaSERVES Task Force, to help recruit and support forever families for children in need.

**Human Trafficking.** Protecting children and other vulnerable persons also involves strengthening our human trafficking laws. While much has been done, there is more that we can do to address the growing problem of human trafficking. To that end, I will be establishing a new task force charged with



examining our human trafficking statutes and making recommendations on ways to strengthen them. This task force will consist of child safety and public safety experts with experience in enforcing human trafficking laws and prosecuting the people who violate them.

#### STATE GOVERNMENT OPERATIONS

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Through the reform and modernization of our State's personnel system, we have built the foundation for a State workforce that consistently excels. My plan is about making the State's workforce more accountable, efficient, competitive and productive.

When given the option to transition to at-will employment status, 38% of eligible employees accepted the change. Now, approximately 70% of the State's workforce operates in an uncovered at-will status.

Our State workforce is leaner and more efficient than ever, and it is critical that we attract and retain the best and brightest to ensure that we provide top-notch service.

**Government Transformation Office.** As part of our ongoing effort to improve and modernize State Government operations, I established the Government Transformation Office within the Department of Administration. This Office will improve government processes by identifying best practices that eliminate inefficiencies and redundancies and increase the quality of services provided to Arizona taxpayers. Specifically, the Government Transformation Office will assist agencies in, among other tasks:

- identifying and implementing process improvements;
- training supervisors in management strategies that eliminate waste and enhance innovation within the workforce;
- developing consistent toolkits, resources and other materials for agency use; and
- communicating process improvements to the public.

**Licensing Timeframes.** Last year, in order to encourage greater business investment in Arizona, I challenged State agencies to streamline licensing timeframes as part of an overall effort to improve efficiency and responsiveness. A prime example of this improvement can be seen at the Department of Environmental Quality (ADEQ), which has used the LEAN program to reduce permit processing times by approximately one-third while encouraging environmentally responsible economic growth.

The next step in this transformation of State Government will be in leveraging E-Technology. Again, I will point to ADEQ, in this case for its initiative in transitioning from the needless inefficiency and waste of paper transactions. To accomplish this goal, ADEQ plans to offer electronic tools for high-volume permits and reports, and to eventually give ADEQ customers the option to conduct all business with the agency electronically, via a customer-specific web portal similar to on-line banking. When complete, the portal will allow customers to log into ADEQ's webpage to perform such activities as paying fees and

submitting permit applications and reports. The portal will also provide customers with important information, including permit conditions, upcoming compliance and reporting deadlines, inspection results, permit expiration dates, and upcoming changes to environmental requirements. The completion of this project, with its cost savings, convenience and compliance assistance, will be a boon to businesses regulated by ADEQ and help attract new businesses to Arizona.

Other State agencies, such as the State Land Department, Department of Water Resources, Department of Weights and Measures, will undergo similar efforts to simplify the licensing process and expand the use of online electronic forms for preparing and submitting permit and license applications.

**Procurement Reform.** As the demand for State services continues to strain our limited resources, procurement has a growing impact on the economic and social well-being of the citizens of Arizona. It is time to modernize the State's procurement practices.

ProcureAZ, Arizona's online procurement system, has been a valuable innovation and dramatically improved the State's procurement process. Since its implementation, ProcureAZ has helped us achieve:

- savings averaging 26% for various commodities and services;
- a decrease in requisition processing time from four days to 2.3 (a 42.5% improvement);
- a decrease in purchase order/contract cycle time from five days to 2.7 (a 46% improvement);
- a decrease in "one-time-buy" cycle time from five days to 3.3 (a 34% improvement); and
- a 51% increase in Arizona political subdivisions participating in the State's procurement system.

State purchasing is governed by the Arizona Procurement Code (APC). However, outmoded provisions of the nearly 30-year-old APC lead to excessive spending for goods and services, delays in procurement, and inefficiencies in meeting the needs of a modern 21st century government. Reforms in the APC will promote greater efficiency and effectiveness and position State Government to deliver public services with enhanced productivity.

Now is the time to focus on reforming the State's procurement code. Procurement reform will:

- eliminate outdated, unproductive administrative requirements;
- enhance small business opportunities in providing goods and services to the State;
- encourage competition among vendors, resulting in lower costs and better service for the benefit of the State and its taxpayers;

- increase the use of new, innovative and efficient purchasing methods, such as joint cooperative purchasing; and
- improve consistency in the application and execution of the Code, through organizational modifications and alignments, while further increasing training and compliance.

**Technology.** When I came to office in 2009, I was met by a technology organization and platform so outdated that its inefficiencies and potential failures threatened the State’s ability to carry out its core functions. As part of our statewide modernization effort, we have reorganized state-level technology management and launched a series of major technology upgrades, including:

- replacing the State’s accounting system,
- upgrading the Department of Revenue’s tax collection system,
- upgrading the State Data center, and
- replacing the Medicaid eligibility system.

We have also collaborated with the State Superintendent of Education to establish a funding mechanism to replace the State’s failing student accountability system.

While the most significant technology risks are being addressed, the State must ensure that there are sufficient resources to complete the projects listed above. Further, a number of State agencies continue to battle significant technology issues. We must soon address, among other issues, the Department of Corrections’ prisoner management system, the Department of Revenue’s taxpayer data system, the Department of Economic Security’s CHILDS system, and the School Facilities Board’s preventative maintenance system.

**Identity Verification.** Some State agencies have tested and approved a digital photo initiative that allows customer service representatives to verify the identity of applicants for public benefits. Through interagency collaboration, the pilot program agencies are able to compare applications for benefits with existing information and confirm that an applicant for public benefits is who he or she claims to be. Because of the success of this pilot program in combating fraud, I have instructed other State agencies that administer public benefits to explore expanding the program.

Further, we must strengthen internal credentialing systems to protect Arizonans from perpetrators of identity theft and other crimes. The Department of Transportation has launched an initiative to modernize its credentialing process and update the Arizona driver’s license to combat the growing crime of identity-related crimes.

**Agency Fees.** As part of rebalancing the State budget, the State has expanded the use of fees. To ensure that fee revenue is collected and used appropriately, the State created the Fee Commission to periodically review agency fees. In carrying out

its mission, the Commission will follow certain guiding principles:

1. The General Fund should not benefit from program fees.
2. Program cross-subsidization should be limited.
3. Fees should reflect the cost of the service provided.
4. The General Fund should not fund specialty programs.
5. Revenues and expenditures from fees should be as transparent as possible
6. Agencies should continue to undergo a systematic review of their fees.

**Highway Safety.** Historically, as the economy improves, more vehicles are on the road, resulting in increased numbers of traffic fatalities and injuries. To reduce this consequence, I have directed my Office of Highway Safety to coordinate with the Department of Transportation in developing a joint action plan that focuses on enforcement, education and engineering.

Targeting the three leading causes of death from traffic accidents – exceeding the speed limit, alcohol impairment, and unrestrained occupants in vehicles – will help to improve overall highway safety.

## BORDER SECURITY, ARIZONA'S LANDS, RIGHT TO WORK PROTECTION

*"In every way we can, we must make our people free. ... Freedom is not a mere word, but the purpose and calling of mankind."*

— Governor Janice K. Brewer  
Inaugural Address, January 21, 2009

Arizona has a proud heritage of doing things "our way" and pushing back against continuing federal encroachment on state authority. Occasionally, this has meant taking the lead nationally on controversial issues. Whether it is battling the federal government in court or leading the charge against federal mandates, Arizona will continue to set its own course for success.

**Border Security.** Amidst the various calls for immigration reform, we must keep border security a top priority. Earlier attempts at comprehensive reform have failed to fulfill their commitments to addressing border security. It is within our ability to get our border under control. In fact, we have largely achieved a secure border in the Yuma sector. Focusing on border security is not a delay tactic but rather a critical first step in addressing the larger problem of illegal immigration. After we secure our border, Arizona can and should play an important role in working to enact and enforce a fair-minded reform of our immigration system.

Beyond this, we must continue to strengthen our relationship with our largest trading partner: Mexico. Arizona's international ports of entry must be modernized and adequately staffed to meet the trading needs of businesses on both sides of the border. While the federal government has devoted some resources, more can be done to both improve the flow of trade and enhance border security. Arizona must continue to apply pressure on the federal government to do its job to secure the border and improve the flow of legitimate cross-border traffic.

**Land Management.** The ability of State natural resource agencies to engage and impact federal land and resource plans is paramount. By strengthening the coordination of programs among these agencies and local jurisdictions, Arizona can address federal encroachment and effectively impact public land and resource management through a comprehensive State natural resource management vision and strategy. Cross-agency coordination is imperative to a sound and timely response to federal actions that will impact State resources and rural economies.

We must protect State interests related to wildlife, land, water and natural resources by actively engaging and countering federal encroachment on State authorities tasked with managing Arizona's natural resources. I will issue an Executive Order creating the Natural Resources Review Council to develop a strategy to manage our natural resources in a coordinated effort designed to promote economic development in Arizona.

**Workers' Rights.** The federal government continues to use administrative actions by the National Labor Relations Board (NLRB) to support the goals and agenda of Big Labor. Recent NLRB decisions have attacked at-will employment disclaimers, thus undermining the private sector and giving union bosses more power over private employers. It is frustrating to witness the continual expansion of the NLRB and its encroachment into non-union employment environments.

We will protect Arizona's right to work and at-will status, ensuring that Arizona employers are able to operate their businesses without government intrusion.