

**Major General Fund Policy Issues  
FY 2003 Increases Above (Below) the FY 2002 Budget**

<b>GENERAL ISSUES</b>	
General Fund Revenue	<ul style="list-style-type: none"> <li>• \$(167) M, or (2.6)% reduction, consisting of:</li> <li>• \$263 M, or 4.2% baseline revenue growth</li> <li>• \$222 M in revenue enhancements (mostly fund transfers)</li> <li>• \$(547) M loss of one-time FY 2002 fund transfers and other revenues</li> <li>• \$(75) M set aside for litigation settlements and</li> <li>• \$(30) M in other adjustments</li> </ul>
General Fund Spending	<ul style="list-style-type: none"> <li>• \$(172) M, or (2.7)% reduction, consisting of:</li> <li>• \$191 M growth in K-12 enrollment and inflation costs;</li> <li>• \$153 M for AHCCCS growth</li> <li>• \$60 M to annualize the state employee pay raise</li> <li>• \$(240) M in lease rather than cash financing of K-12 school construction</li> <li>• \$(161) M in other school related building expenses</li> <li>• \$(191) M in a one-month deferral of K-12 operating aid (the “rollover”) and</li> <li>• \$16 M in all other adjustments</li> </ul>
General Fund - Tax Reductions	<ul style="list-style-type: none"> <li>• \$(17) M of net tax law reductions, consisting of:</li> <li>• \$(28) M of federal tax law conformity changes, excluding bonus depreciation and</li> <li>• \$11 M in treatment of corporate dividends for corporate income taxes.</li> </ul>
Salary Adjustments	<ul style="list-style-type: none"> <li>• \$60 M to annualize the cost of the \$1,450 pay increase for all state employees on June 8, 2002. There is no further adjustment in FY 2003.</li> </ul>
State Employee Health Insurance	<ul style="list-style-type: none"> <li>• \$12 M for new state employee health insurance costs. There is no increase in state employee premiums for the HMO plan.</li> </ul>
Capital Outlay	<ul style="list-style-type: none"> <li>• \$2.6 M, primarily consisting of funding for a new State Health Laboratory.</li> </ul>
<b>EDUCATION</b>	
Department of Education	FY 03: \$(0.3) M Below FY 02: <ul style="list-style-type: none"> <li>• \$127.1 M for 3.4% Enrollment Growth</li> <li>• \$69.5 M for 2% Deflator</li> <li>• \$44.5 M for English Learner Programs</li> <li>• \$18.0 M for Homeowner’s Rebate</li> <li>• \$25.3 M for Truth in Taxation</li> <li>• \$2.4 M for Special Education Vouchers</li> <li>• \$(191.0) M for K-12 Rollover</li> <li>• \$(94.8) M Due to 6.96% Assessed Value Growth</li> </ul>
School Facilities Board	FY 03: \$(343.7) M Below FY 02: <ul style="list-style-type: none"> <li>• \$(93.7) M for Building Renewal</li> <li>• \$(240.0) M for Lease rather than Cash Financing of New School Construction</li> </ul>
Universities	FY 03: \$23.4 M Above FY 02: <ul style="list-style-type: none"> <li>• \$22.9 M for Pay Annualization</li> <li>• \$(11) M for Student Enrollment</li> <li>• \$(19.1) M in Lump Sum Reduction</li> <li>• \$4 M NAU Debt Offset</li> <li>• \$4.2 M Health Insurance Increase</li> </ul>
Community Colleges	FY 03: \$0.6 M Above FY 02: <ul style="list-style-type: none"> <li>• \$5.7 M for Enrollment Growth</li> <li>• \$(0.5) M for Reduced Board Responsibilities</li> <li>• \$(4.4) M for Lump Sum Reduction</li> </ul>

<b>HEALTH AND WELFARE</b>	
AHCCCS	<p>FY 03: <i>\$153.4 M Above FY 02:</i></p> <ul style="list-style-type: none"> <li>• <i>\$90.2 M</i> for Acute Care Caseload, Inflation, and Other Changes</li> <li>• <i>\$2.9 M</i> for ALTCS Caseload and Inflation, and Other Changes; County Contribution Increase of <i>\$20.1 M</i></li> <li>• <i>\$(2.6 M)</i> in Administrative Reductions</li> <li>• <i>\$4.8 M</i> for SES Dr/Clinic Reimbursement</li> <li>• <i>\$26.6 M</i> for the Dispro Share Program</li> <li>• <i>\$48.8 M</i> for Prop 204</li> <li>• <i>\$(13.4)</i> Associated with one-time FY 02 Repayment of Medical Stabilization Fund</li> </ul>
Department of Economic Security	<p>FY 03: <i>\$(24.1) M Below FY 02:</i></p> <ul style="list-style-type: none"> <li>• <i>\$6.7 M</i> for LTC Caseload and Capitation Rates</li> <li>• <i>\$(22.5)M</i> for Shifts from GF to TANF</li> <li>• <i>\$(4.1) M</i> for Other Fund Shifts</li> <li>• <i>\$(3.4)M</i> for General Assistance Program Changes</li> <li>• <i>\$(1.1) M</i> for Intensive Family Services</li> <li>• <i>\$1.0 M</i> for Pima County Child Support</li> <li>• <i>\$(4.6) M</i> for Administrative Lump Sum Reductions</li> <li>• <i>\$1.8 M</i> for Pay Annualization</li> </ul>
Department of Health Services	<p>FY 03: <i>\$10.5 M Above FY 02:</i></p> <ul style="list-style-type: none"> <li>• <i>\$5.7 M</i> for Behavioral Health Title XIX Capitation and Enrollment growth.</li> <li>• <i>\$2.3 M</i> to Annualize the Salary Adjustment.</li> <li>• <i>\$2.0 M</i> for ASH New Hospital Support</li> <li>• <i>\$(4.6) M</i> for an Agencywide Lump Sum Reduction</li> <li>• <i>\$17.5 M</i> to Replace one-time FY 02 Funding from Other Funds</li> <li>• <i>\$(3.5) M</i> for One-time Fund Shifts</li> <li>• <i>\$(10) M</i> for a Capitation Rate Adjustment</li> </ul>
<b>CRIMINAL JUSTICE</b>	
Department of Corrections	<p>FY 03: <i>\$29.6 M Above FY 02:</i></p> <ul style="list-style-type: none"> <li>• <i>\$15.6 M</i> for FY 02 Pay Annualization</li> <li>• <i>\$9.2 M</i> for Inmate Health Care Costs; Includes Shift from Corrections Fund of <i>\$7.7 M</i></li> <li>• <i>\$3.6 M</i> for Per Diem Increases due to Renegotiated Private Prison Contracts</li> <li>• <i>\$(2.2) M</i> for Operating Cost Shifts to Other Funds</li> </ul> <p>FY 03 Corrections Fund: <i>\$20.4 M Above FY 02:</i></p> <ul style="list-style-type: none"> <li>• <i>\$5.7 M</i> for Inmate Population Growth. Growth of 200 Per Month through September and 118 Per Month thereafter</li> <li>• <i>\$20.6 M</i> for an Additional 1,874 Beds, Includes 350 State-Operated, 1,295 Privately-Operated and 229 Temporary Jail Beds. Keeps Average Bed Deficit Below 2,500.</li> <li>• <i>\$(7.7) M</i> for Inmate Health Care Cost Shift to GF</li> </ul>
Department of Juvenile Corrections	<p>FY 03: <i>\$(0.4) Below FY 02:</i></p> <ul style="list-style-type: none"> <li>• <i>\$1.8 M</i> for Pay Annualization</li> <li>• <i>\$(1.6) M</i> for Decreased Population Savings and Annualize Reduction of Funded Bed Surplus by 50</li> </ul>
Judiciary	<p>FY 03: <i>\$(2.8) M Below FY 02:</i></p> <ul style="list-style-type: none"> <li>• <i>\$2.2 M</i> to Annualize FY 02 Pay Increase</li> <li>• <i>\$(3.7) M</i> for Probation Cost Sharing with Counties</li> <li>• <i>\$(1.3) M</i> for Elimination of State Aid to Courts Funding for Non-rural Counties</li> </ul>
Department of Public Safety	<p>FY 03: <i>\$(4.4) M Below FY 02:</i></p> <ul style="list-style-type: none"> <li>• <i>\$2.8 M</i> for FY 02 Salary Annualization</li> <li>• <i>\$(2.7) M</i> for Fund Shifts to Other Appropriated Funds</li> <li>• <i>\$(1.1) M</i> for Elimination of PSPRS 2% Floor</li> <li>• <i>\$(1.1) M</i> for Elimination of Non-rural GITEM</li> </ul>