

STATE OF ARIZONA

FY 2014

Appropriations Report

July 2013

JLBC

FY 2014 APPROPRIATIONS REPORT

INTRODUCTION

This annual *Appropriations Report* provides detailed information on FY 2014 appropriations, as provided in the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) and other legislative acts. The *Report* also includes the economic and state revenue forecast upon which the budget was based. This *Report* provides information relative to the legislative intent of appropriations.

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BUDGET HIGHLIGHTS

HIGHLIGHTS OF THE FY 2014 BUDGET

The FY 2014 budget is based primarily upon the actions of the 51st Legislature's 1st Special Session and 1st Regular Session. On June 17, 2013, the Governor signed into law the FY 2014 budget for the year beginning July 1, 2013.

The state's FY 2014 General Fund budget is \$8.81 billion. After accounting for non-General Fund monies, the state's "all funds" budget is \$29.2 billion. (*See the Summary of Appropriated Funds and Summary of Total Spending Authority for more details.*)

Revised FY 2013 Budget – At the time of publication of the *FY 2013 Appropriations Report* in June 2012 after the 50th Legislature's 2nd Regular Session, the FY 2012 ending balance was forecasted to have a surplus of \$122 million. Beyond funding normal caseload growth and other policy issues, the FY 2013 budget would increase that surplus to \$249 million. By January 2013, however, the projected FY 2013 balance had grown to an estimated \$651 million. The primary adjustments included:

- Increased balance forward from FY 2012 of \$397 million, or \$275 million above the original forecast.
- Increased FY 2013 revenue of \$67 million, albeit at a lower growth rate.
- Lower spending of \$(60) million, mostly due to lower than expected Medicaid enrollment and K-12 formula costs.

As part of the FY 2014 budget, the Legislature approved additional FY 2013 changes. Revenue changes included a base revenue change of \$(4) million, an Internal Revenue Code conformity bill which increased FY 2013 revenues by \$5 million, and \$11 million in revenues from a Department of Environmental Quality settlement. The Legislature also added \$15 million in supplemental spending, including \$5 million in new Child Protective Services (CPS) staff, \$6 million for lower-than-anticipated savings from a health insurance premium holiday, and \$1 million for Independent Redistricting Commission costs. The adjustments also include an additional \$20 million in savings from higher revertments and \$48 million in one-time tobacco settlement savings, partially offset from \$22 million in one-time costs from eliminating the K-12 payment deferral for small schools.

These adjustments resulted in a budgeted FY 2013 ending balance of \$694 million. (*See FY 2013 General Fund Adjustments at the end of this Appropriations Report for more details.*) The actual ending balance is expected to be at least \$100 million higher than the budget forecast, primarily due to greater than projected revenues.

Comparison to the JLBC Baseline – At the beginning of session, the JLBC Staff calculated the growth in the state's anticipated FY 2014 spending based on existing statutory

funding formulas and other technical requirements. The projected spending level was \$8.67 billion.

In comparison, the January Baseline Revenues were based on the 4-sector consensus projections. Excluding enacted statutory changes and one-time adjustments, base revenues were forecast to grow 4.0% in FY 2013 and 4.9% in FY 2014. After adjusting for the loss of \$924 million from the expiration of the 1-cent sales tax, \$(47) million in enacted tax law changes, and \$46 million in additional Urban Revenue Sharing distributions, total General Fund revenues were anticipated to be \$8.98 billion in FY 2014.

The Legislature adopted April revenue growth rates as part of the final budget; these rates were very close to January Baseline rates and were also 4.0% overall for FY 2013. In addition, the budget assumed \$78 million in additional fund transfers, primarily from the Health Insurance Trust Fund, and \$43 million in additional FY 2013 carry-forward revenues, partially offset by \$(39) million in other tax law changes. Total General Fund revenues are now anticipated to be \$9.05 billion in FY 2014.

The Legislature also made subsequent revisions to the Baseline spending level of \$8.67 billion, which resulted in a final FY 2014 budget of \$8.81 billion. These changes to the Baseline included the following:

- \$99 million for K-12 education, including \$90 million for a base support level increase.
- \$57 million for the Department of Economic Security (DES), almost all for CPS issues.
- \$42 million for employee issues, including \$24 million for continuing 5% retention payments designated as one-time in FY 2013 and \$14 million for the employer's share of retirement increases in the Arizona Department of Corrections and Department of Public Safety.
- \$31 million for increased University funding.
- \$14 million for increased Building Renewal funding in the School Facilities Board budget.

Under the JLBC Baseline, the FY 2014 budget was projected to have a \$310 million ending balance. The revenue changes and additional spending reduced the projected ending balance to \$248 million.

(*See FY 2014 State General Fund Budget - A Narrative Summary and the General Provisions section for further details on FY 2014 changes.*)

Comparison to the FY 2013 Budget – General Fund revenues, including one-time monies, are projected to decrease from \$9.37 billion in FY 2013 to \$9.05 billion in FY 2014. Base ongoing revenues are projected to increase by \$415 million, from \$8.51 billion in FY 2013 to \$8.92

billion in FY 2014. After technical adjustments, the projected base growth is 4.9%, which will be further modified by the following revenue changes (*see the General Fund Revenue section*):

- \$(924) million loss from the temporary 1-cent sales tax; which expired at the end of FY 2013.
- \$(47) million net loss from previously-enacted budget legislation.
- \$(11) million net loss from budget legislation enacted in the 2013 Legislative Session, including \$9 million in new savings above FY 2013 associated with Internal Revenue Code conformity and \$7 million from increased premium tax collections associated with Medicaid expansion, offset by \$(28) million in reductions from other bills, including \$(18) million from expanding the Working Poor tax credit to non-itemizers.
- \$(47) million loss due to increased contributions to Urban Revenue Sharing based on state income tax collections from 2 years prior.

The FY 2014 budget also has a net \$746 million in one-time revenues. This amount reflects \$77 million in fund transfers, including \$68 million from the state's Health Insurance Trust Fund. In addition, there will be a loss of \$(25) million associated with eliminating the \$25,000 cap on deductions for qualified business equipment purchases, effectively bringing the state back into conformity with the Internal Revenue Code for this provision. The net one-time revenues also include a \$694 million projected carry-forward balance from FY 2013.

General Fund spending is projected to increase from \$8.68 billion in FY 2013 to \$8.81 billion in FY 2014, which is an increase of \$125 million, or 1.4%. Excluding the one-time deposit to the Budget Stabilization Fund in FY 2013, the spending increase is \$325 million, or 3.8% above FY 2013.

The FY 2014 budget includes:

- \$(16) million in net AHCCCS and \$(37) million in Department of Health Services Medicaid caseload changes. This amount excludes \$(56) million of net savings from Medicaid expansion and its associated assessment as those savings were not specifically incorporated into AHCCCS' budget.
- \$102 million for K-12 education, including \$82 million for a base support level increase, \$2 million for a new performance funding program, \$4 million for school safety officers, and \$5 million for adult education programs.
- \$70 million for the Department of Economic Security (DES), including \$13 million for CPS staff, \$13 million for group home costs, \$9 million for CPS-related child care, \$5 million for CPS intensive family services, and \$17 million for Developmental Disabilities caseloads and provider adjustments.

- \$28 million in increased University funding, including \$15 million for parity funding, \$8 million to expand the University of Arizona Phoenix Medical Campus, and \$5 million for performance funding.
- \$19 million for the School Facilities Board, of which \$14 million is dedicated to higher building repair funding.
- \$7 million to give \$550,000 grants to all Arizona counties except Maricopa and Pima Counties.
- \$11 million for the Department of Corrections, including \$5 million to open and monitor 500 private beds on January 1, 2014.
- \$75 million in technical estimates of net administrative adjustment spending and reverts.
- \$20 million to restore one-time state employee health insurance savings.
- \$15 million for the state's contribution to the Phoenix Convention Center debt service.

(*See FY 2014 State General Fund Budget - A Narrative Summary for a more detailed list of changes.*)

General Fund Balance – The FY 2014 General Fund cash balance is projected to be \$248 million. Beyond its cash balance, a budget is also evaluated by the difference between ongoing revenues and expenditures. The state can have a cash balance but a shortfall in ongoing funds through the use of one-time revenue and/or expenditure savings. Ongoing spending is projected to exceed ongoing revenues by \$467 million in FY 2014.

The FY 2014 budget did not appropriate a specific amount for Medicaid expansion and restoration. Instead, the FY 2014 Health and Welfare Budget Reconciliation Bill appropriated “sufficient monies for Expenditure Authority” for FY 2014. These balance figures above exclude an estimated \$(56) in savings in FY 2014 from the Medicaid expansion and associated hospital assessment; the final level of savings will depend on Executive Branch decisions regarding the level of the assessment.

Long-Term Projections – Laws 2012, Chapter 244 added A.R.S. § 35-125, which requires that the General Appropriation Act delineate the revenue and expenditure estimates for the following 3 years. The expenditure estimates are to be based on existing statutory funding requirements. Chapter 244 requires the Legislature to discuss the estimates in a public hearing before the adoption of the General Appropriation Act.

Discussions on the FY 2014 budget included analyzing the impact of budget decisions on estimated FY 2015 and FY 2016 spending. The *Statement of General Fund Revenues and Expenditures* on page BH-5 incorporates the FY 2015 and FY 2016 estimates, which are based upon Baseline revenue projections and existing statutory funding requirements. Based on legislative guidance, the FY 2015 and FY 2016 estimates also include the continuation of FY 2014 initiatives which were considered to be ongoing.

The figures reflected in the 4-Year Analysis on page BH-7 differ from the figures listed in the FY 2014 General Appropriation Act due to technical reasons such as the incorporation of bills with a fiscal impact signed into law after the passage of budget bills. The General Appropriation Act gives JLBC Staff the authority to make such technical adjustments.

The General Appropriation Act forecasted FY 2015 revenues to be \$9.05 billion and expenditures to be \$8.95 billion, with a \$100 million balance. After accounting for legislation enacted separately from the budget and technical adjustments, the FY 2015 balance is estimated to be \$12 million. The spending includes statutory formula caseload growth as well as \$(102) million in net savings from the Medicaid expansion and assessment. As noted above, these net savings depend on Executive Branch decisions regarding the level of the assessment. FY 2015 ongoing revenues are primarily based on a 4-sector consensus growth rate of 6.1%, but also incorporate separately enacted tax law changes and new Medicaid expansion-related premium tax revenues.

The General Appropriation Act forecasted FY 2016 revenues to be \$9.24 billion and expenditures to be \$9.13 billion, with a \$109 million balance. After accounting for legislation enacted separately from the budget and technical adjustments, the FY 2016 budget is estimated to have a \$(12) million shortfall. The ongoing spending includes caseload growth plus \$(119) in net savings from the Medicaid expansion and assessment. As noted above, these net savings depend on Executive Branch decisions regarding the level of the assessment. The revenues reflect base growth of 5.7%. Those revenues also incorporate separately enacted tax law changes and additional premium tax revenue.

The Budget Stabilization Fund is expected to have a balance of \$456 million at the end of FY 2014 which could be used to offset any shortfall in FY 2015 or FY 2016.

Given the multiple years involved in these calculations, long-run estimates are especially sensitive to small percent changes in revenue and spending growth. For example, a 1% change in the growth rate of either revenue or spending in FY 2014 through FY 2016 would change the ending balance calculations by \$500 million in the third year. As a result, these projections are subject to considerable change.

**STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 1/
WITH ONE-TIME FINANCING SOURCES**

	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Estimate	FY 2016 Estimate
REVENUES				
Ongoing Revenues	\$8,508,164,800	\$8,923,340,200	\$9,418,656,600	\$9,815,100,400
Previously Enacted Changes		(46,900,000)	(133,500,000)	(108,300,000)
Newly Enacted Changes	4,600,000	(6,896,000)	22,306,500	22,173,500
1¢ Sales Tax	924,237,300			
Urban Revenue Sharing	(513,584,100)	(561,001,200)	(585,777,800)	(612,490,700)
Net On-going Revenues	\$8,923,418,000	\$8,308,543,000	\$8,721,685,300	\$9,116,483,200
One-time Financing Sources				
Balance Forward	396,960,000	693,732,500	247,775,400	11,719,100
Previously Enacted Changes	(52,000,000)			
Newly Enacted Changes		(24,800,000)		
Fund Transfers	106,500,000	76,900,000	(5,400,000)	(5,400,000)
Subtotal One-time Revenues	\$451,460,000	\$745,832,500	\$242,375,400	\$6,319,100
Total Revenues	\$9,374,878,000	\$9,054,375,500	\$8,964,060,700	\$9,122,802,300
EXPENDITURES				
Operating Budget Appropriations	\$8,532,510,300	\$8,732,380,300	\$8,911,338,000	\$9,090,512,900
FY 2013 Supplementals	5,944,900			
Administrative Adjustments	37,600,000	60,000,000	60,000,000	60,000,000
Revertments	(153,800,000)	(100,900,000)	(103,100,000)	(100,000,000)
Asset Sale/Lease-Back Debt Service	84,119,800	84,119,800	84,103,600	84,094,500
Subtotal Ongoing Expenditures	\$8,506,375,000	\$8,775,600,100	\$8,952,341,600	\$9,134,607,400
One-time Expenditures				
Capital Outlay	\$20,252,000	\$31,000,000		
Budget Stabilization Fund Deposit	200,000,000			
Health Insurance Premium Holiday	(19,381,500)			
AHCCCS Tobacco Settlement Offset	(48,000,000)			
Reduce K-12 Payment Deferral (Small Schools)	21,900,000			
Subtotal One-time Expenditures	\$174,770,500	\$31,000,000	\$0	\$0
Total Expenditures	\$8,681,145,500	\$8,806,600,100	\$8,952,341,600	\$9,134,607,400
Ending Balance 2/	\$693,732,500 3/	\$247,775,400	\$11,719,100	(\$11,805,100)
Structural Balance 4/	\$417,043,000	(\$467,057,100)	(\$230,656,300)	(\$18,124,200)

1/ Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.

2/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.

3/ The actual FY 2013 ending balance is expected to be at least \$100 million greater than budgeted.

4/ This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments. Excludes any Budget Stabilization Fund balance.

ENACTED BUDGET SPENDING BY MAJOR BUDGET UNITS

	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Estimate	FY 2016 Estimate
EXPENDITURES				
Operating Budget				
-- Department of Administration	\$13,664,300	\$11,694,300	\$11,694,300	\$11,694,300
-- ADOA Automation Projects Fund	16,800,000	18,400,000	18,400,000	9,200,000
-- AHCCCS	1,398,817,800	1,334,933,400	1,300,137,100	1,366,120,800
-- Attorney General	23,579,500	22,464,600	22,464,600	22,464,600
-- Commerce Authority	31,500,000	31,500,000	31,500,000	31,500,000
-- Community Colleges	68,932,800	69,513,400	69,024,100	69,267,100
-- Department of Corrections	960,291,600	971,743,900	995,757,800	1,002,826,400
-- County Funding	0	7,150,500	7,150,500	7,150,500
-- Department of Economic Security	615,308,000	690,112,900	706,650,200	734,310,000
-- Department of Education	3,497,226,100	3,620,831,200	3,707,666,700	3,768,382,400
-- Department of Environmental Quality	7,000,000	7,000,000	7,000,000	7,000,000
-- Department of Health Services	588,109,400	550,646,400	620,473,200	635,651,200
-- Judiciary	109,353,700	109,841,000	109,751,000	109,751,000
-- Department of Juvenile Corrections	44,053,900	43,822,700	43,822,700	43,822,700
-- State Land Department	1,266,200	12,345,400	12,345,400	12,345,400
-- Department of Public Safety	45,525,600	51,560,800	50,810,800	50,810,800
-- Public Safety Personnel Retirement System	0	5,000,000	5,000,000	5,000,000
-- Department of Revenue	46,611,400	47,025,300	47,025,300	47,025,300
-- School Facilities Board	173,749,700	193,181,400	193,558,400	192,079,900
-- Office of Tourism	7,065,200	7,102,600	7,102,600	7,102,600
-- Universities	707,333,800	735,517,300	750,791,000	766,064,700
-- Department of Water Resources	12,267,200	12,326,400	12,326,400	12,326,400
-- All Other Budgets	158,257,900	158,164,500	160,436,900	158,167,800
-- Civic Center Payment	5,595,000	20,449,000	20,449,000	20,449,000
-- Unallocated Adjustments	201,200	53,300		
Total - Operating Budget	\$8,532,510,300	\$8,732,380,300	\$8,911,338,000	\$9,090,512,900
-- FY 2013 Supplementals	5,944,900			
-- Capital Outlay	20,252,000	31,000,000		
-- Budget Stabilization Fund Deposit	200,000,000			
-- Health Insurance Premium Holiday	(19,381,500)			
-- Administrative Adjustments	37,600,000	60,000,000	60,000,000	60,000,000
-- Revertments	(153,800,000)	(100,900,000)	(103,100,000)	(100,000,000)
-- Asset Sale/Lease-Back Debt Service	84,119,800	84,119,800	84,103,600	84,094,500
-- AHCCCS Tobacco Settlement Offset	(48,000,000)			
-- Reduce K-12 Payment Deferral	21,900,000			
Total Spending	\$8,681,145,500	\$8,806,600,100	\$8,952,341,600	\$9,134,607,400

ENACTED BUDGET PROPOSAL

\$ in Millions

	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	
1 Beginning Balance	\$ 397.0	\$ 693.8	\$ 247.5	\$ 11.2	
2 Revenues - January Baseline	\$ 8,966.8	\$ 8,326.7	\$ 8,686.2	\$ 9,118.4	
3 April Revenue Adjustments	(4.0)	(5.2)	13.2	(34.1)	
4 Additional OSPB Revenue		0.0	0.0	10.0	
5 IRS Conformity	4.6	13.7	17.6	15.6	
6 TPT Simplification		0.0	0.0	1.3	
7 Bonus Depreciation		(24.8)	0.0	0.0	
8 Data Centers		(4.2)	(6.0)	(7.9)	
9 Enterprise Zones - Prior Awards		(0.5)	(0.3)	0.0	
10 Foster Care Tax Credit		(0.9)	(0.9)	(0.9)	
11 Expansion Insurance Premium Tax		7.3	34.2	36.4	
12 Prior FBLS Fee Increase		0.3	0.3	0.3	
13 Working Poor Tax Credit		(18.0)	(18.0)	(18.0)	
14 College Savings Deduction		(4.0)	(4.0)	(4.0)	
15 TPT Interlock Devices		(0.6)	(0.6)	(0.6)	
16 Employee Health Transfer		68.0	0.0	0.0	
17 SEI Fund Transfer		10.0	0.0	0.0	
18 DEQ Chevron Settlement	10.5	0.0	0.0	0.0	
19 Transfer To Automation Projects Fund		(7.1)	(5.4)	(5.4)	
20 Total Revenues	\$ 9,374.9	\$ 9,054.5	\$ 8,963.8	\$ 9,122.3	Notes
21 Base FY 13 Spending	\$ 8,512.8	\$ 8,512.8	\$ 8,512.8	\$ 8,512.8	
22 JLBC January Baseline Increase		156.7	458.4	700.7	
23 Total Baseline Spending	\$ 8,512.8	\$ 8,669.5	\$ 8,971.2	\$ 9,213.5	
Changes to JLBC Baseline					
24 ADOA - Automation IT Charge		(1.6)	(1.6)	(13.8)	Notes
25 ADOA - Named Claimants	0.3	0.0	0.0	0.0	
26 Agr/DEMA/RAD - NEMF		2.2	2.3	0.0	
27 AHCCCS/DHS - Formula		(66.0)	(162.2)	(191.0)	
28 AHCCCS/DHS - Optional Population		Notes	154.0	105.0	Notes
29 AHCCCS - Provider Assessment		Notes	(256.0)	(224.0)	Notes
30 AHCCCS - Tobacco Settlement Offset	(48.0)	0.0	0.0	0.0	
31 AHCCCS - Ambulance Rates		0.0	3.4	8.1	
32 Arts Commission - Rainy Day Fund Interest		Notes	0.0	0.0	
33 Comm Colleges - Navajo College TPT		0.9	0.9	0.9	
34 Comm Colleges - Rural Capital Outlay		2.0	2.0	2.0	
35 Comm Colleges - Rural County Reimbursement	3.0	3.3	3.3	3.3	
36 Corrections - Health Care Surplus		(5.0)	(5.0)	(5.0)	
37 Corrections - New State Beds		(4.5)	0.2	0.0	
38 Corrections - Private Bed Monitoring		0.4	0.4	0.4	
39 Corrections - Retirement		8.3	8.3	8.3	
40 DES - DD Caseload		(3.5)	(12.6)	(13.1)	
41 DES - DD Rate Increase (2% to 3%)		3.3	3.3	3.3	
42 DES - Adoption Caseload		2.9	2.9	2.9	
43 DES - Child Care Caseload		9.0	9.0	9.0	
44 DES - CPS Group Homes		13.0	13.0	13.0	
45 DES - CPS Staff	4.4	17.3	17.3	17.3	
46 DES - CPS/AG Attorneys		1.5	1.5	1.5	
47 DES - Foster Care Placement		4.8	4.8	4.8	
48 DES - Grandparent Stipend		1.0	1.0	1.0	
49 DES - Children Support Services		4.0	4.0	4.0	

ENACTED BUDGET PROPOSAL

\$ in Millions

BH-8

	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	
50 DES - Intensive Family Services		5.0	5.0	5.0	
51 DES - Long-Term Care Fund Allocation		Notes	0.0	0.0	
52 DES - LTC Realign with DHS		(1.4)	(1.4)	(1.4)	
53 ADE - Student Count Savings		(25.5)	(25.5)	(46.4)	
54 ADE - Base Level Increase		82.0	82.0	82.0	Notes
55 ADE - Performance Funding		2.4	35.0	35.0	
56 ADE - Small School Rollover Repayment	21.9	0.0	0.0	0.0	
57 ADE - School Safety Officers		3.6	3.6	3.6	Notes
58 ADE - Adult Education/GED		4.5	4.5	4.5	
59 ADE - Audit Unit		BSA	BSA	BSA	Fund From Basic State Aid
60 ADE - Fund Small JTEDs at 100%		1.2	1.2	1.2	
61 DEMA - Emergency Fund		1.1	1.1	1.1	
62 DFBLS - Self Funding		0.3	0.3	0.3	
63 Forester - Environment County Grants		0.1	0.1	0.1	
64 Forester - Resource Management Plans		0.1	0.0	0.0	
65 DHS - Electronic Medical Records		0.6	0.6	0.6	
66 DHS - Mental Health First Aid		0.3	0.3	0.3	
67 DHS - 3-Year SVP Phase Out		1.8	1.8	1.8	
68 DHS - LTC Realign with DES		1.4	1.4	1.4	
69 IRC - Continue Funding	1.1	1.1	0.0	0.0	
70 JUD - Mohave Judge / Water Master		0.2	0.2	0.2	
71 JUD - Foster Care Review Board		0.2	0.2	0.2	
72 JUD - Court of Appeals		0.1	0.1	0.1	
73 JUD - Mental Health Courts		0.1	0.0	0.0	
74 Parks Board - Rainy Day Fund Interest		Notes	0.0	0.0	
75 Prescott Historical Society		0.2	0.2	0.2	
76 DPS - Retirement		5.5	5.5	5.5	
77 DPS - ACTIC Operating Costs		0.8	0.0	0.0	Notes
78 DOR - Attorneys		0.2	0.2	0.2	
79 SFB - Building Renewal		14.0	14.0	14.0	Notes
80 SFB - Increase Local Bonding Limits		Yes	Yes	Yes	Permanent Increase
81 SFB - New Construction Funding		0.7	1.3	0.0	Thatcher/Benson
82 Treasurer - Justice of Peace Salaries		0.1	0.1	0.1	
83 Uniform State Laws		0.1	0.1	0.1	
84 Universities - Performance Funding		5.0	5.0	5.0	Notes
85 Universities - Parity		15.3	30.5	45.8	Notes
86 Universities - Med School		8.0	8.0	8.0	
87 Universities - UA Freedom Center		0.5	0.5	0.5	
88 Weights and Measures - Equipment		0.1	0.0	0.0	
89 Employee Pay - Retention Payments		23.5	23.5	23.5	
90 Other - HR Pro-rata Adjustment		(1.6)	(1.6)	(1.6)	
91 Other - Risk Management		0.3	0.3	0.3	
92 Other - EORP Revisions		5.0	5.0	5.0	
93 Other - Direct County Appropriation		7.2	7.2	7.2	13 Counties
94 Capital - ADOA Capitol Mall Security		Non-GF	0.0	0.0	Capital Outlay Stabilization Fund
95 Capital - ASDB Tucson Dorms		1.0	0.0	0.0	
96 Other - Insurance Premium Holiday Adj.	5.6	0.0	0.0	0.0	
97 Other - Admin Adjustments/Reversions	(20.0)	(20.0)	(20.0)	(20.0)	
98 Other - SFB Refinance Reversions		(0.9)	(3.1)	0.0	
99 Net Spending Issues	\$ (31.7)	\$ 137.5	\$ (18.6)	\$ (78.7)	
100 Total Spending Change	\$ (31.7)	\$ 294.2	\$ 439.8	\$ 622.0	

ENACTED BUDGET PROPOSAL

\$ in Millions

	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	
101 Prior Budget Rainy Day Fund Deposit	\$ 200.0	\$ -	\$ -	\$ -	
102 Total Spending	\$ 8,681.1	\$ 8,807.0	\$ 8,952.6	\$ 9,134.8	Notes
103 Ending Balance	\$ 693.8	\$ 247.5	\$ 11.2	\$ (12.5)	
104 Structural Balance	\$ 417.1	\$ (467.4)	\$ (230.9)	\$ (18.3)	

NOTES

20 Total Revenues

Section 137 of the General Appropriation Act included forecasted revenue levels of \$9,375.0 million in FY 2013, \$9,112.0 million in FY 2014, \$9,048.0 million in FY 2015 and \$9,237.0 million in FY 2016. The current estimates differ due to legislation enacted separately from the budget and technical adjustments.

24 ADOA - Automation IT Charge
28/29 AHCCCS - Optional Population/
Provider Assessment

Other Funds are charged \$17.0 million to defray their proportionate share of the AFIS Replacement Project.

Enacted budget expands eligibility to 133% FPL and authorizes provider assessment, but did not modify FY 2014 funding level in the General Appropriation Act.

32 Arts Commission - Rainy Day Fund Interest
51 DES - Long-Term Care Fund Allocation
54 ADE - Base Level Increase

\$1 million of one-time funding in FY 2014 which is allocated from Budget Stabilization Fund interest income.

Enacted budget includes \$10.5 million of one-time funding in FY 2014 for unanticipated CPS and Child Care caseload expenditures from the Long-Term Care System Fund.

The Baseline includes \$8.4 million to increase transportation and additional assistance funding by 1.8%. Enacted budget adds \$82 million to increase the Base Level by \$58.82 per pupil, or 1.8%.

57 ADE - School Safety Officers
74 Parks Board - Rainy Day Fund Interest
77 DPS - ACTIC Operating Costs
79 SFB - Building Renewal
84 Universities - Performance Funding

Includes \$100,000 for School Readiness Pilot. 25% minimum used for security hardware.

\$1 million of one-time funding in FY 2014 which is allocated from Budget Stabilization Fund interest income.

Enacted budget requires report on consolidating function with another entity in FY 2015 and beyond.

Eliminate unfunded Building Renewal Formula, in lieu of Building Renewal Grants.

\$5 million from FY 2013 allocated to campuses. Legislative intent that ABOR's performance funding model be used in future university requests and used by Legislature in developing future year appropriations.

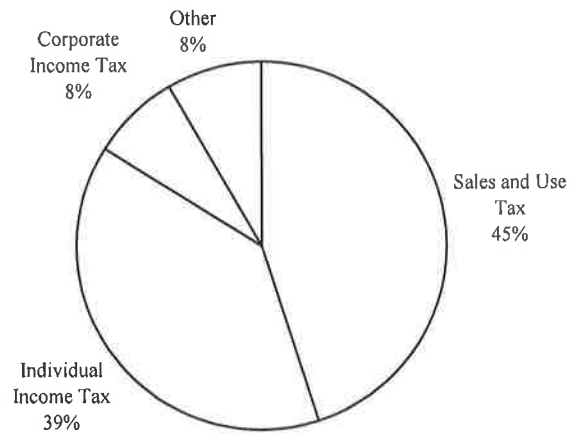
85 Universities - Parity
102 Total Spending

Legislative intent to achieve parity no later than FY 2017

Section 137 of the General Appropriation Act included forecasted spending levels of \$8,948.0 million in FY 2015 and \$9,128.0 million in FY 2016. The current estimates differ due to legislation enacted separately from the budget and technical adjustments.

FY 2014 General Fund Revenue - Where it Comes From

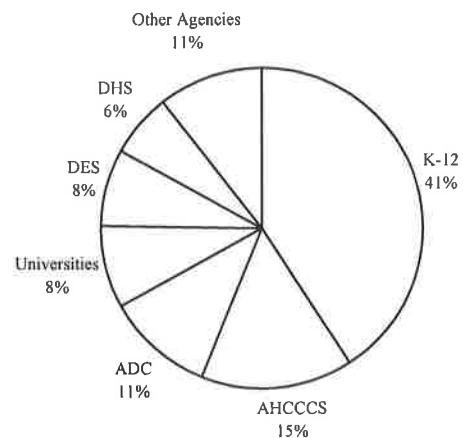
Source	Revenue (Millions)
Sales and Use Tax	\$ 3,998.3
Individual Income Tax	3,446.8
Corporate Income Tax	683.4
Other	741.1
TOTAL REVENUE	\$ 8,869.5 ^{1/}



^{1/} Includes all legislative revenue changes, but does not include beginning balance of \$694 million, urban revenue sharing, or other one-time revenue adjustments.

FY 2014 General Fund Appropriations - Where it Goes

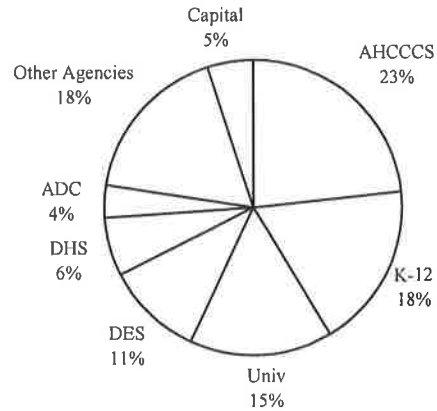
Budget Unit	Appropriation (Millions)
Education (K-12)	\$ 3,620.8
AHCCCS	1,334.9
Corrections	971.7
Universities	735.5
Economic Security	690.1
Health Services	550.6
Other Agencies	943.7
TOTAL BUDGET	\$ 8,847.5 ^{1/}



^{1/} Does not include administrative adjustments and reverts.

FY 2014 Total Spending - All Sources ^{1/}

Budget Unit	Spending (Millions)
AHCCCS	\$ 6,782.1
Education (K-12)	5,308.1
Universities	4,511.3
Economic Security	3,094.4
Health Services	1,853.9
Corrections	1,080.9
Other Agencies	5,133.4
Capital	1,453.5
TOTAL	\$ 29,217.7 ^{2/}

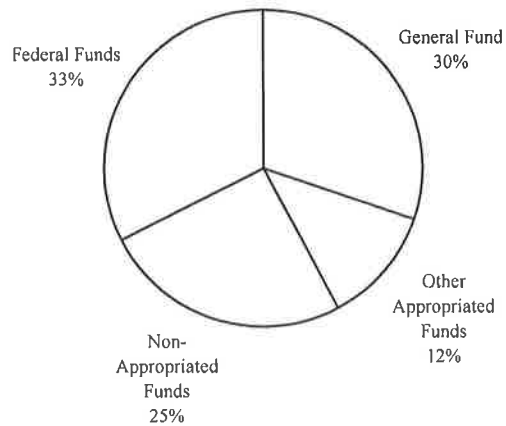


^{1/} Does not include administrative adjustments and reverts.

^{2/} Prior to FY 2008, the same chart in Appropriations Reports excluded capital.

FY 2014 Total Spending by Fund Source ^{1/}

Fund Source	Spending (Millions)
General Fund	\$ 8,847.5
Other Appropriated Funds	3,487.8
Non-Appropriated Funds	7,356.4
Federal Funds	9,526.0
TOTAL	\$ 29,217.7 ^{2/}

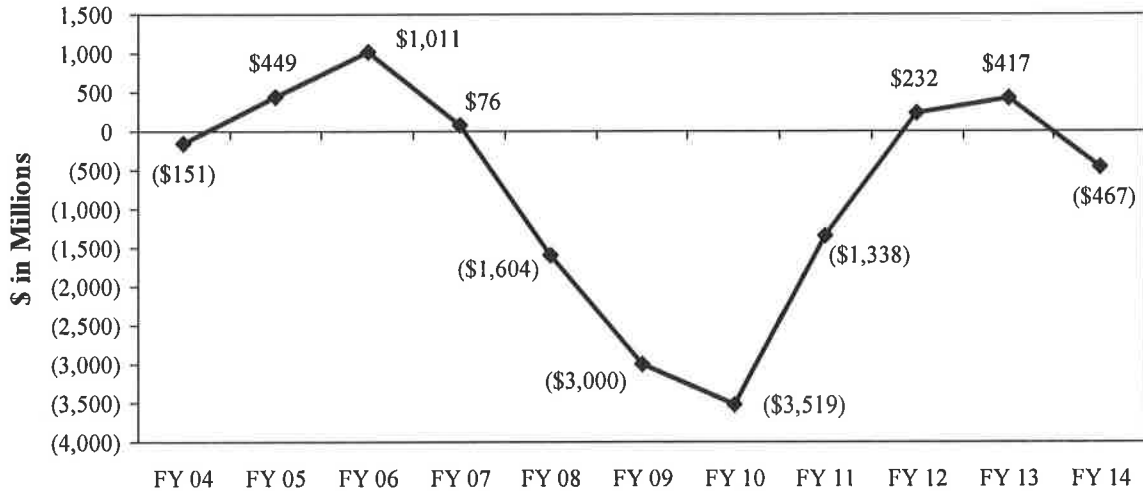


^{1/} Does not include administrative adjustments and reverts.

^{2/} Prior to FY 2008, the same chart in Appropriations Reports excluded capital.

The Structural General Fund Balance

Difference Between Ongoing Revenues and Ongoing Expenditures



Ongoing Fund Surplus (+) / Shortfall (-)

Counts 1 ¢ Sales Tax as Ongoing in FY '11 - FY '13

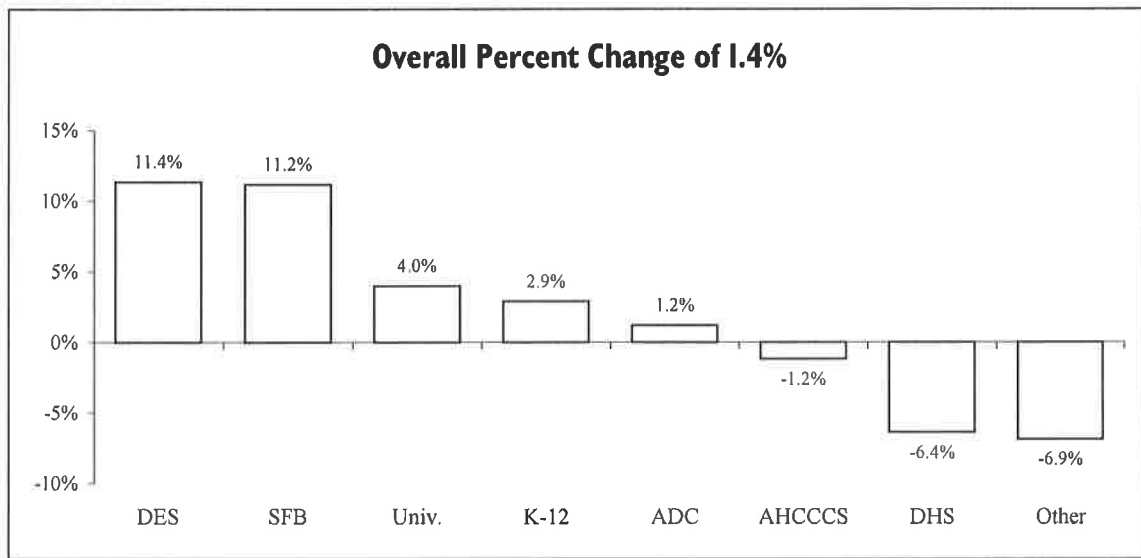
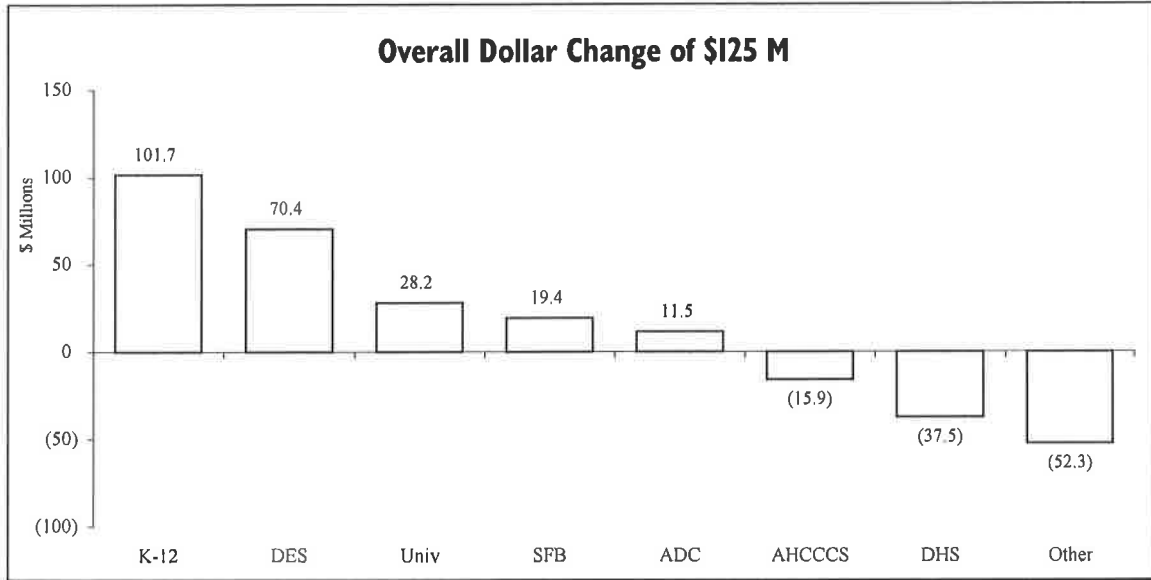
Recent History of Ongoing General Fund Balance ^{1/} (\$ in Millions)

Fiscal Year	Ongoing Revenues	Ongoing Expenditures	Surplus/ (Shortfall)
2004	6,462	6,613	(151)
2005	7,719	7,270	449
2006	9,266	8,255	1,011
2007	9,624	9,548	76
2008	8,765	10,369	(1,604)
2009	6,967	9,967	(3,000)
2010	6,295	9,814	(3,519)
2011	8,056 ^{2/}	9,394	(1,338)
2012	8,535 ^{2/}	8,303	232
2013	8,923 ^{2/}	8,506	417
2014	8,309	8,776	(467)

^{1/} Excludes one-time revenues and expenditures.

^{2/} Includes the 1-cent sales tax increase from Proposition 100 as ongoing revenue.

Changes to Major Agencies' General Fund Budget 1/ FY 2013 to FY 2014



1/ Represents change in total General Fund spending from FY 2013 (including supplementals and ex-appropriations) to FY 2014. See page BD-5.

FY 2014 STATE GENERAL FUND BUDGET – A NARRATIVE SUMMARY

General Fund Balances

- Given forecasted FY 2014 General Fund revenues of \$9.05 billion and spending of \$8.81 billion, the budget has a projected FY 2014 balance of \$248 million.
- Under the 3-year budget projections, there would be an ending balance of \$12 million in FY 2015 and a shortfall of \$(12) million in FY 2016.
- The ending balance projections exclude the state's Budget Stabilization Fund reserve of \$456 million.

General Fund Revenues

- Projected FY 2014 revenues are \$9.05 billion. While base revenues are forecast to grow in FY 2014, overall net revenues would decline by \$(321) million compared to FY 2013.
 - ⇒ Based on JLBC's 4-sector consensus, base revenues are projected to grow by \$415 million, or 4.9%.
 - ⇒ A \$297 million increase in the beginning balance, from \$397 million at the beginning of FY 2013 to \$694 million at the start of FY 2014.
 - ⇒ The Proposition 100 1-cent sales tax increase approved by voters expires at the end of FY 2013, reducing FY 2014 revenues by \$(924) million.
 - ⇒ The state set-aside for urban revenue sharing formula distributions would grow from \$514 million to \$561 million, thereby reducing state revenue by \$(47) million.
 - ⇒ Enacted tax and revenue legislative changes would reduce state revenue by \$(58) million, primarily from a reduction in capital gains taxes and increased usage of a \$3,000 new job tax credit.
 - ⇒ Fund transfer revenue would decline by \$(30) million to a level of \$77 million. The primary transfer would be \$68 million from the State Employee Health Insurance Trust Fund.
 - ⇒ A net increase of \$27 million due to one-time changes.

General Fund Spending

- FY 2014 General Fund spending is projected to be \$8.81 billion, an increase of \$125 million, or 1.4% above FY 2013. Excluding the one-time deposit to the Budget Stabilization Fund in FY 2013, the spending increase is \$325 million, or 3.8% above FY 2013.
- The entire FY 2014 state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$29 billion.

Education

Department of Education

- ADE General Fund spending increases by \$101.7 million, or 2.9%, including:
 - ⇒ \$66.5 million for 0.7% student growth plus 5.0% special education growth.
 - ⇒ \$(43.9) million adjustment for lower than projected prior year enrollment growth.
 - ⇒ \$90.4 million for a 1.8% inflation adjustment of per pupil base level, transportation and charter additional assistance.
 - ⇒ \$11.8 million for property tax and Homeowner's Rebate changes.
 - ⇒ \$(5.0) million for information technology (IT) funds to the Department of Administration.
 - ⇒ \$4.5 million for Adult Education.
 - ⇒ \$3.6 million for School Safety.
 - ⇒ \$2.4 million for Performance Funding with the intent to fund a \$35 million program in FY 2015.
 - ⇒ \$(7.1) million for third year of 5-year Career Ladder phase out.
 - ⇒ \$(3.0) million to eliminate one-time funding for innovative education grants.
 - ⇒ \$3.4 million for other adjustments.
 - ⇒ \$(21.9) million to eliminate a one-time Rollover payoff.
- ADE statutory changes include:
 - ⇒ As permanent law, increase district bonding authority to 10% for non-unified districts and 20% for unified districts.
 - ⇒ As permanent law, eliminate Capital Outlay Revenue Limit (CORL) and the Soft Capital Allocation (SCA) and consolidate the 2 allocations into one per pupil allocation titled "District Additional Assistance." The per pupil allocation would be equivalent to the combined FY 2013 permanent law funding level (but notwithstanding in FY 2014).
 - ⇒ Reduce the "Rollover" by \$21.9 million in FY 2013. Exempts school districts with less than 600 students from the K-12 Rollover, requires Rollover payments to be made by July 12 rather than August 29, and requires equal amounts to be deferred each month.

School Facilities Board

- SFB spending increases by \$19.4 million, or 11.2%, including:
 - ⇒ \$4.7 million for increased debt service associated with past lease-purchase agreements.
 - ⇒ New construction funding of \$672,000 would be used for the first year cost of constructing 2 projects in the Thatcher and Benson districts.
 - ⇒ \$14.0 million for Building Renewal Grants.
- SFB statutory changes include:
 - ⇒ Elimination of the 3-year window to project new school construction requirements.
 - ⇒ Elimination of the Building Renewal formula in lieu of a grant program. The current Building Renewal formula has a cost of \$260 million but has not been funded for several years.
 - ⇒ Elimination of the new school construction moratorium.
 - ⇒ An increase in the school district bonding limit to 10% and 20% of property values for non-unified and unified districts, respectively.

Universities

- The Universities' General Fund spending increases by \$28.2 million, or 4.0%, including:
 - ⇒ \$15.3 million for parity funding as part of a multi-year plan to align Arizona State University's and Northern Arizona University's General Fund per student funding to that of the higher University of Arizona (UA) amount.
 - ⇒ \$8.0 million for UA's Phoenix Biomedical Campus.
 - ⇒ \$5.0 million for new performance funding.
 - ⇒ \$500,000 for the UA Freedom Center.
- Total university enrollment is expected to be 128,655 full-time equivalent students in FY 2014, or 2.8% above FY 2013.

Community Colleges

- Community College General Fund spending increases by \$580,600, or 0.7%, including:
 - ⇒ \$(2.6) million for statutory operating aid and equalization aid formula decreases.
 - ⇒ \$2.0 million for Capital Outlay State Aid.
 - ⇒ \$875,000 of Transaction Privilege Tax revenues collected from the Navajo Indian Reservation for Navajo Technical College.
- Enrollment decreased by (3,996) full-time equivalent students, or (2.7) %, for a total enrollment of 141,474.

Health and Welfare

Medicaid Agencies

- All 3 Medicaid agencies are adjusted for the following funding formula factors: enrollment changes, an increase in the federal match rate from 66.09% to 66.84%, and a 2% - 3% capitation rate increase.

AHCCCS

- AHCCCS' General Fund spending decreases by \$(15.9) million, or (1.2)%. The Health and Welfare Budget Reconciliation Bill expands adult eligibility and authorizes a provider assessment, but does not modify the agency funding level in the General Appropriation Act. As a result, those savings are not incorporated into this estimate. The \$(15.9) million includes:
 - ⇒ \$(74.1) million for formula adjustments.
 - ⇒ \$58.2 million for new mandatory costs associated with the expansion of federal health care requirements. When combined with the Department of Health Services (DHS) costs (*see below*), the overall mandatory cost is \$74 million.
- AHCCCS enrollment is projected to grow to 1.39 million by June 2014. This level represents a caseload increase of 163,300, or 13.3%, above June 2013. The higher caseload includes the following 190,000 new recipients related to federal health care changes:
 - ⇒ 87,000 enrollees due to mandatory coverage provisions. This population consists of currently eligible, but not enrolled individuals and children in families with income from 100-133% of the federal poverty level (FPL).
 - ⇒ 103,000 enrollees due to optional expansion of adult eligibility. Of this population, 79,000 of these individuals are childless adults from 0-100% FPL and 24,000 are adults from 100-133% FPL.

Medicaid Expansion/Assessment

- If adjusted for optional expansion and the assessment, AHCCCS General Fund spending would further decrease by \$(56) million. This amount includes:
 - ⇒ \$(2.2) million for costs of expanding adult eligibility that are more than offset by savings from a reduced state match of current childless adult costs.

- ⇒ \$(53.8) million for a provider assessment that would replace the General Fund portion of costs for Proposition 204 and adult expansion populations.

Department of Health Services

- DHS General Fund spending decreases by \$(37.5) million, or (6.4)%, including:
 - ⇒ \$(57.6) million for formula adjustments.
 - ⇒ \$15.8 million for new mandatory costs associated with the expansion of federal health care requirements. This estimate does not include savings associated with Medicaid expansion and assessment.
 - ⇒ \$1.8 million to allow DHS to reduce the percentage of the cost of care reimbursement by counties for the treatment of sexually violent persons.
 - ⇒ \$1.4 million to shift Long Term Care Fund monies to the Department of Economic Security (DES).
 - ⇒ \$600,000 for ongoing Electronic Medical Records costs.
 - ⇒ \$250,000 for Mental Health First Aid.

Department of Economic Security

- DES General Fund spending increases by \$70.4 million, or 11.4%, including:
 - ⇒ \$7.1 million for new FY 2014 Developmentally Disabled (DD) Medicaid formula changes. This funds \$5.4 million for the annualization of the April 1, 2013 provider rate adjustment.
 - ⇒ \$10.0 million for a 3% DD capitation rate increase in FY 2014.
 - ⇒ \$13.0 million for Emergency and Residential Placement, providing for the backfill of one-time funds.
 - ⇒ \$12.9 million for 150 Child Protective Services staff. With the 50 FTE Positions authorized in a FY 2013 supplemental, total staffing would grow by 200 FTE Positions.
 - ⇒ \$4.8 million for Foster Care caseload growth and receiving homes.
 - ⇒ \$1.5 million plus matching Federal Funds to add 22 attorneys for Child Protective Services legal support.
 - ⇒ \$2.9 million for Adoption Services caseload growth.
 - ⇒ \$9.0 for Intensive Family Services and other Children Support Services.
 - ⇒ \$1.0 million to provide Grandparent Stipends for children in unlicensed kinship foster care.
 - ⇒ \$9.0 million to maintain the FY 2013 Child Care caseload level, as well as providing for Child Care caseload growth in Child Protective Services.
 - ⇒ \$(1.4) million to consolidate expenditures from the Long Term Care System Fund in DES.

Criminal Justice/Public Safety

Department of Corrections

- Arizona Department of Corrections (ADC) General Fund spending increases by \$11.5 million, or 1.2%, including:
 - ⇒ \$5.1 million and 6 FTE Positions for opening and monitoring 500 private medium-security beds in January 2014.
 - ⇒ \$(5.0) million for an inmate health care surplus based on capitation rates paid to private provider.
 - ⇒ \$8.3 million for the employer share of a retirement contribution increase.
 - ⇒ No funding for 500 state-operated maximum-security beds as construction delays will defer staffing until FY 2015.
- The total public and private population is projected to be 40,700. ADC would have a rated bed shortfall of (3,505) in June 2014. This shortfall would be offset by the availability of 5,000 temporary beds.

Department of Emergency and Military Affairs

- DEMA General Fund spending increases by \$1.4 million, including \$1.1 million for restoration of the Governor's Emergency Fund expenditure authority to its full \$4.0 million.

Judiciary

- Judiciary General Fund spending increases by \$487,300, or 0.5%, including:
 - ⇒ \$200,000 for additional resources for the Foster Care Review Board.
 - ⇒ \$98,000 for a new Superior Court judgeship in Mohave County.
 - ⇒ \$74,000 to fund an operating shortfall for the Gila River Water Master.
 - ⇒ \$50,000 for a new Deputy Clerk position in Division II of the Court of Appeals.
 - ⇒ \$90,000 to fund a report on Arizona's Mental Health Courts.

Department of Public Safety

- DPS General Fund spending increases by \$6.0 million, or 13.9%, including:
 - ⇒ \$750,000 to backfill reduced Federal Funds for Arizona Counter Terrorism Information Center (ACTIC) operating costs.
 - ⇒ \$5.5 million for the employer share of a retirement contribution increase.

State Employee Issues

FTE Positions

- The budget decreases the Full-Time Equivalent (FTE) ceiling by (513.8) Positions in FY 2014, primarily due to the privatization of Department of Corrections Inmate Health Care Services.
- These adjustments would bring the total appropriated FTE Position ceiling to 48,909.6.

Employee Pay and Salary Issues

- The budget includes an increase of \$6.9 million from the General Fund to annualize and make permanent the October 2012 retention pay bonus for uncovered employees. The total General Fund cost is \$23.5 million.
- Employer and employee retirement rates will increase in FY 2014 in all retirement systems. The budget includes funding for the employer share of these rate increases in the ADC and DPS budgets. All other agencies would absorb higher employer retirement cost (estimated at \$2.1 million).
- The budget eliminates \$(19.4) million in savings for a one-time payment holiday of state employee health insurance. The budget includes no change in funding for the employee or employer share of health insurance, as surplus health insurance funds are expected to cover any cost increase. The budget also eliminates the 90-day waiting period for new state employees to receive health insurance, but does not restore funding to agencies for this cost.

Local Issues

- The budget includes the following \$7.5 million General Fund adjustments for local governments, including:
 - ⇒ \$550,000 for all counties except Maricopa and Pima for a total of \$7.2 million.
 - ⇒ \$100,000 for State Forester Environmental County grant (for a total of \$175,000).
 - ⇒ \$100,000 for State Forester Resource Management plans.
- The budget includes an increase of \$47.4 million, or 9.2%, for higher urban revenue sharing payments to city governments. Total funding would be \$561.0 million.

General Government

Automation

- The budget includes a decrease from the General Fund of \$(1.6) million in FY 2014 and FY 2015, and \$(13.8) million in FY 2016 from the original multi-year appropriation to replace the state's financial accounting system. These reductions will be offset by \$17.0 million in charges to Other Appropriated and Non-Appropriated Funds that will utilize the new system.
- The budget includes \$18.4 million from the General Fund and \$66.7 million from Other Funds for information technology and automation projects, including:
 - ⇒ \$28.6 million for the second year of a 4-year project to replace the state's financial and accounting system.
 - ⇒ \$11.5 million for ADOA technology including:
 - \$3.1 million for enhancing statewide data security.
 - \$2.7 million to improve and maintain the state's Data Center.
 - \$2.5 million for project management.
 - \$2.0 million for one-time costs associated with a change to the state web portal contract.
 - \$1.0 million for enhancing enterprise architecture.
 - \$325,000 for projects related to E-government.
 - ⇒ \$8.0 million for the replacement of ADC's Adult Inmate Management System (AIMS).
 - ⇒ \$7.0 million for ADE's IT project, the Education Learning and Accountability System (ELAS).
 - ⇒ \$5.0 million for DEQ's E-Licensing Project.
 - ⇒ \$4.9 million to enhance data security and encryption at DOR.
 - ⇒ \$1.7 million for the second year of a 2-year project to update DOR's Business Reengineering and Integrated Tax System (BRITS).

Payment Deferral

- The budget includes a \$21.9 million decline in budgeted payment deferrals or "rollovers." The budget defers \$1.2 billion in General Fund spending from FY 2014 to FY 2015, including:
 - ⇒ \$931 million of school district payments (a decline of \$22 million).

- ⇒ \$200 million of payments to the University system.
- ⇒ \$35 million of DES payments.

Revertments

- The budget includes an increase of \$75.3 million from the General Fund for the loss of one-time net revertments in FY 2013. Revertments are unspent appropriations offset by any administrative adjustments.
- In FY 2013, AHCCCS and DHS are expected to revert funding due to lower than expected caseloads, while ADE will revert funding due to an early disbursement of FY 2013 obligations in FY 2012.

Capital

- The budget includes \$30 million in FY 2014 as appropriated in the FY 2013 budget to complete 500 maximum-security prison beds operated by the Department of Corrections. This amount is an increase of \$10 million above the \$20 million appropriated in FY 2013 for this purpose.
- The budget adjusts rental rates to reflect the change from usable square feet to rentable square feet. This change generates an increase of \$697,800 to the Capital Outlay Stabilization Fund, but reflects no net General Fund impact. The budget also includes \$67,800 of General Fund monies for lease-purchase and privatized lease-to-own payments changes.
- The budget includes an increase of \$19.7 million from the General Fund for debt and lease-purchase payments in FY 2013. This increase includes:
 - ⇒ \$14.9 million related to financing payments for the expansion of the Phoenix Convention Center.
 - ⇒ \$4.7 million due to increased debt service associated with past SFB new construction lease-purchase agreements.
 - ⇒ The budget authorizes, but does not require, SFB to enter into a refinancing agreement, provided the agreement meets certain criteria. A preliminary proposal would achieve savings of \$(0.9) million in FY 2014 and \$(3.1) million in FY 2015.

FY 2014 FUNDING FORMULA SUSPENSIONS 1/2/

	FY 2014 Formula Requirement
<u>Statutory</u>	
Community Colleges - Capital State Aid Reduction	\$20,991,600
Department of Education - District Additional Assistance	238,985,500
Department of Education - Charter Additional Assistance	15,656,000
Department of Education - Fund Non-Rural JTEDs at 91%	4,162,000
Department of Environmental Quality - WQARF	8,000,000
Department of Health Services - Restoration to Competency	1,740,600
Department of Health Services - Sexually Violent Persons	3,600,000 <u>3/</u>
Universities - Financial Aid Trust	<u>11,321,800</u>
 Total - FY 2014 Statutory Funding Formula Suspensions	 \$304,457,500
<u>Non-Statutory</u>	
Department of Administration - Building Renewal	\$19,006,600
Universities - Building Renewal	<u>100,401,400</u>
 Total - FY 2014 Non-Statutory Funding Formula Suspensions	 \$119,408,000

1/ Represents the cost of funding formulas that are currently suspended on an annual basis.

2/ Excludes AHCCCS suspension of Proposition 204 Childless Adults through December 2013.

3/ Reflects counties' estimate of remaining cost.

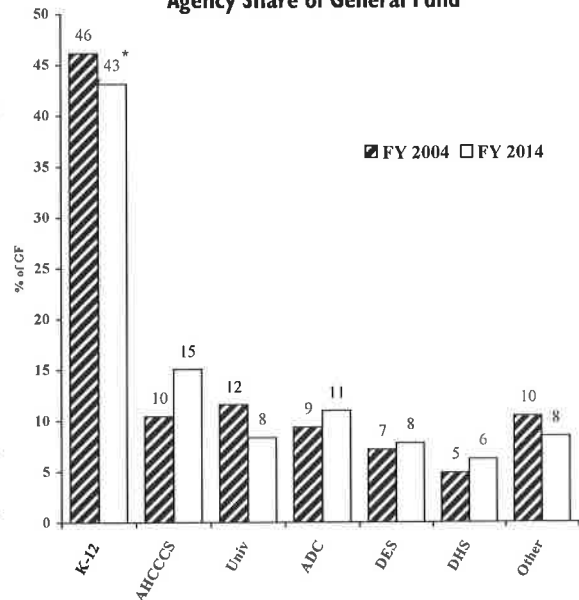
"THEN AND NOW" - FY 2004 vs. FY 2014 General Fund Spending

Comparison of 10 Largest General Fund Budgets 1/
(\$ in Millions)

	FY 04 Actuals	FY 14 Approp.	\$ Change FY 04-14	% Change FY 04-14
Education (K-12)	\$ 2,959.4	\$ 3,620.8	\$ 661.4	22.3
AHCCCS	674.2	1,334.9	660.7	98.0
Corrections	604.7	971.7	367.0	60.7
Universities	748.8	735.5	(13.3)	(1.8)
Economic Security	462.5	690.1	227.6	49.2
Health Services	315.0	550.6	235.6	74.8
Judiciary	111.0	109.8	(1.2)	(1.1)
Community Colleges	132.6	69.5	(63.1)	(47.6)
School Facilities Board	21.4	193.2	171.8	NA
Public Safety	29.6	51.6	22.0	74.3
Other	403.7	519.8	116.1	28.8
TOTAL	\$ 6,462.9	\$ 8,847.5	\$ 2,384.6	36.9%

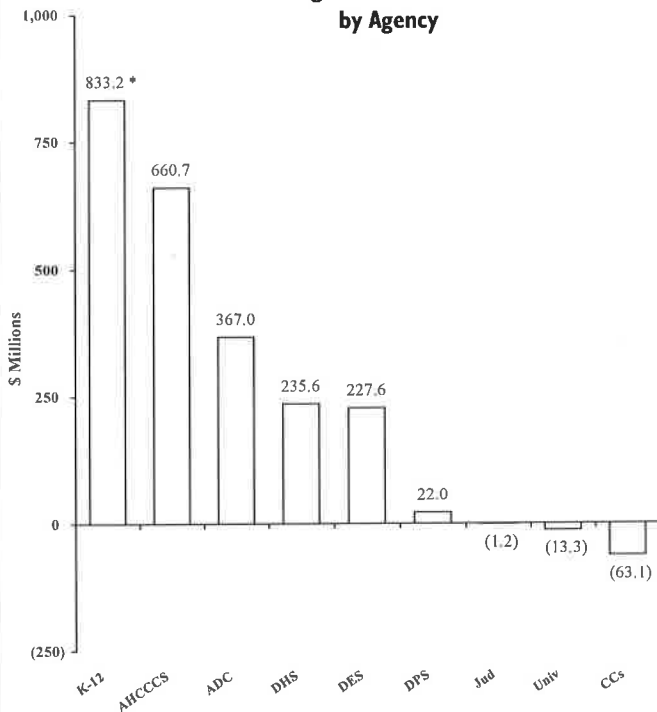
1/ Represents individual agency General Fund spending only. Excludes administrative adjustments and reverts.

Agency Share of General Fund



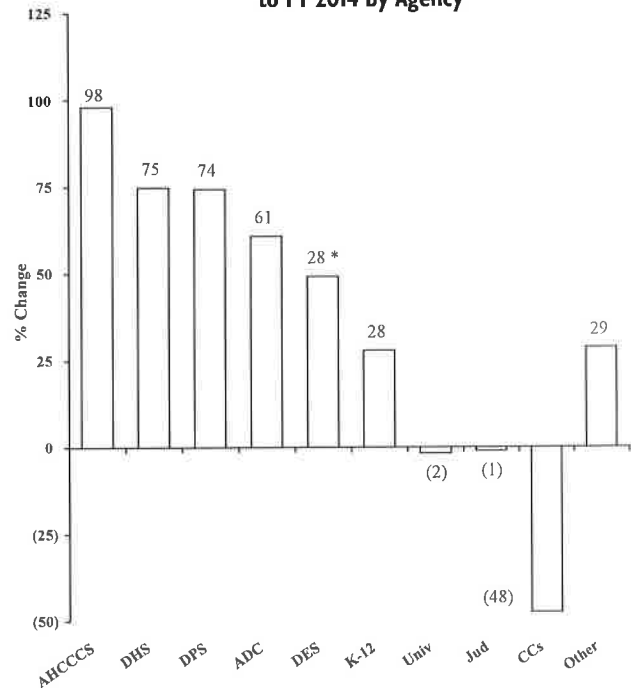
* K-12 includes School Facilities Board spending.

Dollar Change from FY 2004 to FY 2014
by Agency



* K-12 includes School Facilities Board spending.

Percent Change from FY 2004
to FY 2014 by Agency



* K-12 includes School Facilities Board spending.

"THEN AND NOW" - FY 2004 vs. FY 2014 General Fund Revenue and Ending Balances

General Fund Revenue, Expenditures and Ending Balances (\$ in Millions)

Fiscal Year	Revenue	Expenditures	Ending Balance	Ending Balance as a % of Revenue
2004	6,876.2	6,515.8	360.4	5.2%
2005	8,184.1	7,545.1	639.0	7.8%
2006	9,814.9	8,768.4	1,046.5	10.7%
2007	10,672.2	10,200.5	471.7	4.4%
2008	10,038.2	10,037.2	1.0	0.0%
2009	8,273.7	8,754.4	(480.7)	-5.8%
2010	7,845.8	7,851.5	(5.7)	-0.1%
2011	8,374.8	8,371.6	3.2	0.0%
2012	8,647.3	8,524.9	122.4	1.4%
2013	9,374.9	8,681.1	693.7	7.4%
2014	9,054.4	8,806.6	247.8	2.7%

General Fund Major Tax Sources as a Percent of Total Revenue ^{1/}

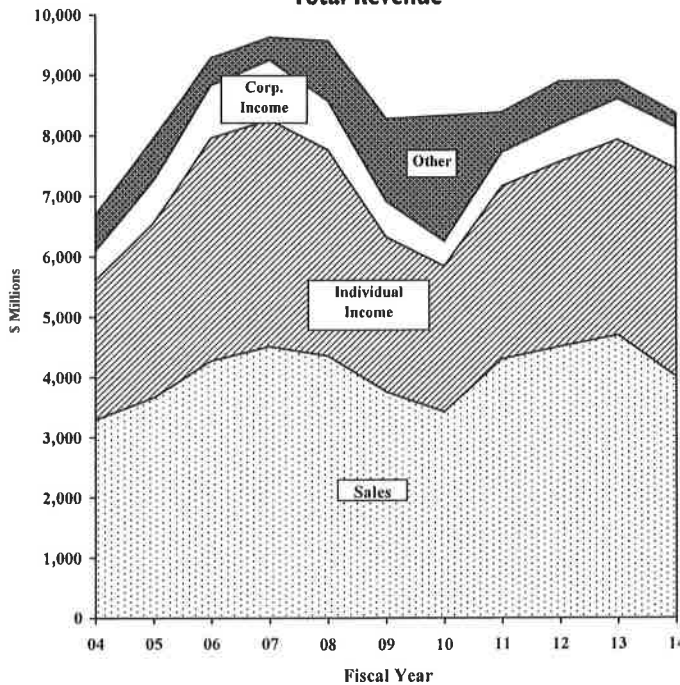
Fiscal Year	Sales	Individual Income	Corporate Income	Other
2004	49.2%	34.5%	7.4%	8.9%
2005	46.1%	36.4%	8.8%	8.7%
2006	46.0%	39.7%	9.4%	4.8%
2007	46.9%	38.9%	10.2%	3.9%
2008	45.5%	35.6%	8.5%	10.4%
2009	45.4%	31.0%	7.2%	16.4%
2010	41.1%	29.0%	5.0%	24.9%
2011	51.3%	34.2%	6.7%	7.8%
2012 ^{2/}	50.7%	34.4%	6.9%	8.0%
2013 ^{2/}	52.8%	36.3%	7.6%	3.3%
2014	47.8%	41.2%	8.2%	2.8% ^{3/}

^{1/} Excludes balance forward from prior year.

^{2/} Excludes transfers out to Budget Stabilization Fund.

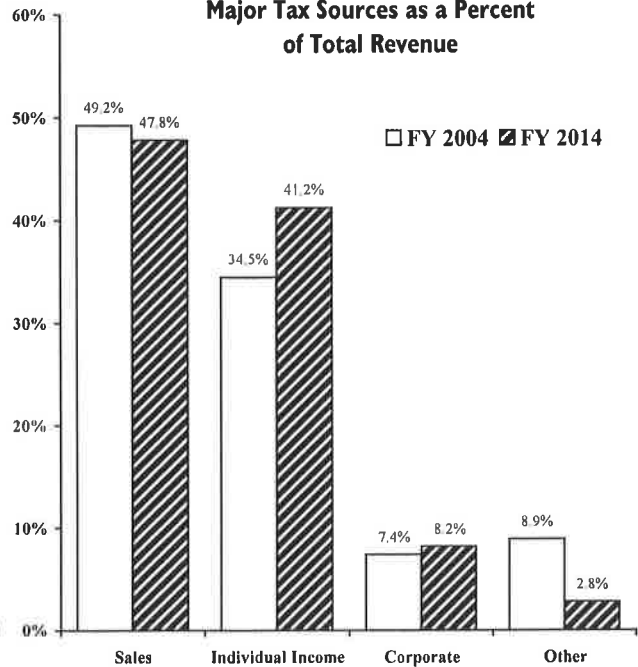
^{3/} Includes \$52.1 million in FY 2014 one-time revenue adjustments (excluding FY 2013 carry-forward balance). See prior Appropriations Reports for earlier years.

General Fund Major Tax Sources as a Share of Total Revenue



FY 2004 vs. FY 2014

Major Tax Sources as a Percent of Total Revenue



BUDGET DETAIL

SUMMARY OF GENERAL FUND APPROPRIATIONS

By Individual Chapter

For Fiscal Years 2013 - 2015 1/2/3/

Chap. Bill No. Number	Reference Title	FY 2013 General Fund	FY 2014 General Fund	FY 2015 General Fund
<u>Fiftieth Legislature - First Regular Session (2013)</u>				
1 HB 2502	Supplemental Appropriation; CPS funding	4,409,200		
2 HB 2503	Supplemental Appropriation; IRC	500,000		
13 HB 2034	Nuclear Emergency Appropriation and Assessment		2,153,500	2,269,100
14 HB 2069	Appropriations; Named Claimants	283,700		
158 SB 1482	IRC; Supplemental Appropriation	635,200		
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION		5,828,100	2,153,500	2,269,100
<u>Fiftieth Legislature - First Special Session (2013)</u>				
1 HB 2001	2013-2014; General Appropriations*	(20,364,700)	7,495,071,800	1,164,127,700 <u>4/</u>
4 HB 2004	2013-2014; Environment; Budget Reconciliation		(8,000,000)	
8 HB 2008	2013-2014; Capital Outlay		1,000,000 C	
SUBTOTAL APPROPRIATIONS - 1st SPECIAL SESSION		(20,364,700)	7,488,071,800	1,164,127,700
<u>Fiftieth Legislature - Second Regular Session (2012)</u>				
176 HB 2438	Government Land; Private Land; Study	\$ 132,200		
294 SB 1524	General Appropriations; 2012-2013*	7,400,204,200	\$ 1,207,627,700 <u>5/</u>	20,000,000
295 SB 1525	Capital Outlay; 2012-2013	20,000,000 C	30,000,000 C	
298 SB 1527	Government Budget Reconciliation; 2012-2013	(1,100,000) <u>11/</u>		
303 SB 1532	Environment; Budget Reconciliation; 2012-2013	(8,000,000) <u>14/</u>		
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION		7,411,236,400	1,237,627,700	20,000,000
<u>Fiftieth Legislature - First Regular Session (2011)</u>				
24 SB 1612	2011-2012; General Appropriations	1,300,228,400 <u>6/</u>		
35 SB 1623	Budget Reconciliation; Regulation; 2011-2012	(9,864,200) <u>7/</u>	(9,864,200) <u>7/</u>	
132 SB 1135	Nuclear Emergency Appropriation and Assessment	1,782,100		
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION		1,292,146,300	(9,864,200)	0
<u>Forty-Ninth Legislature - First Regular Session (2009)</u>				
1 HB 2051	2008-2009; Appropriations; Budget Revisions	9,864,200 <u>7/</u>	9,864,200 <u>7/</u>	
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION		9,864,200	9,864,200	0
<u>Permanent General Fund Appropriations and Allocations <u>8/</u> *</u>				
9-602	Phoenix Convention Center Financing	5,595,000	20,449,000	20,449,000
15-1469.01	Community College Rural County Allocation	2,990,200	3,273,100	3,273,100
15-1670	University Research Infrastructure Financing <u>9/</u>	34,625,000	34,625,000	34,625,000
35-192	General Emergency Authority <u>10/11/</u>	4,000,000	4,000,000	4,000,000
37-623	Wild Land Fire Emergency <u>10/</u>	3,000,000	3,000,000	3,000,000
38-810	Elected Officials' Retirement Plan Closure <u>12/</u>	0	5,000,000	5,000,000
42-5031.01	Indian Tribal Postsecondary Educational Institutions <u>13/</u>	1,750,000	2,625,000 <u>12/</u>	2,625,000 <u>12/</u>
43-409	Arizona Commerce Authority/Income Tax Withholding	31,500,000	31,500,000	31,500,000
49-282	WQARF Priority Site Remediation <u>14/</u>	15,000,000	15,000,000	15,000,000
L '04, Ch. 235	Military Airport Planning; Appropriation <u>15/</u>	175,000	175,000	175,000
SUBTOTAL APPROPRIATIONS - PERMANENT		98,635,200	119,647,100	119,647,100
TOTAL APPROPRIATIONS		\$ 8,797,345,500	\$ 8,847,500,100	\$ 1,306,043,900

* Appropriation beyond FY 2015.

C Designates a capital appropriation. All other appropriations are operating appropriations.

1/ For FY 2013 - FY 2015, this table summarizes all General Fund appropriations enacted in any session. Equals total spending less administrative adjustments and revertsments.

2/ All appropriations have been rounded to the nearest \$100.

3/ Excludes administrative adjustments, revertsments, and statutory revertsments.

4/ Laws 2013, 1st Special Session, Chapter 1 appropriates \$1,165,727,700 in FY 2015 for the payment of FY 2014 payment deferrals into FY 2015 as follows: Department of Economic Security (DES) - \$35,000,000; Arizona Department of Education (ADE) - \$930,727,700; Universities - \$200,000,000. The legislation also includes a reduction of \$(1,600,000) made to a prior appropriation to ADOA for automation projects.

5/ Laws 2012, Chapter 294 appropriates \$1,187,627,700 in FY 2014 for the payment of FY 2013 payment deferrals into FY 2014 as follows: Department of Economic Security (DES) - \$35,000,000; Arizona Department of Education (ADE) - \$952,627,700; Universities - \$200,000,000. The legislation also includes \$16,800,000 appropriation to ADOA for automation projects in FY 2013, \$20,000,000 in FY 2014 and FY 2015, along with \$23,000,000 in FY 2016. Laws 2013, 1st Special Session, Chapter 1 revised these amounts to: FY 2014 - \$18,400,000; FY 2015 - \$18,400,000; FY 2016 - \$9,202,000.

6/ Laws 2011, Chapter 24 appropriates \$1,300,228,400 in FY 2013 for the payment of FY 2012 payment deferrals into FY 2013 as follows: AHCCCS - \$112,600,700; Department of Economic Security (DES) - \$35,000,000; Arizona Department of Education (ADE) - \$952,627,700; Universities - \$200,000,000.

7/ Laws 2009, 1st Regular Session, Chapter 1 appropriates \$4,659,700 and \$5,204,500 from the General Fund to the Arizona Property and Casualty Insurance Guaranty Fund and the Life and Disability Insurance Guaranty Fund, respectively, in FY 2012 - FY 2014 as reimbursement for prior transfers from these funds. However, because litigation has been filed to stop the original transfers, Laws 2011, Chapter 35, Section 6 requires repayment only if the actual transfers are made. The FY 2012 - FY 2014 repayments are shown as offsetting amounts because as of writing, the actual transfers have not occurred.

8/ Permanent law authorizes these appropriations and allocations.

9/ Starting in FY 2008 and continuing through FY 2031, A.R.S. § 15-1670 annually appropriates the collective total of \$34,625,000 to Arizona State University, Northern Arizona University, and the University of Arizona for debt service on research infrastructure projects.

10/ In an emergency, the Governor can order the withdrawal of these monies from the General Fund without specific appropriation authority.

11/ Laws 2012, Chapter 298 reduced the appropriation by \$1,100,000 for FY 2013.

- 12/ Laws 2013, Chapter 217 appropriates \$5,000,000 annually from the General Fund to the EORP Fund from FY 2014 through FY 2043 to supplement the normal cost plus an amount to amortize the unfunded accrued liability of the Elected Officials Retirement Plan.
- 13/ Includes additional allocation to the Navajo Technical College as enacted by Laws 2013, 1st Special Session, Chapter 9.
- 14/ A.R.S. § 49-282 directs \$18,000,000 annually to the Water Quality Assurance Revolving Fund (WQARF). The statute instructs the State Treasurer to transfer \$15,000,000 from corporate income tax receipts into WQARF at the start of each fiscal year. The statute also instructs the State Treasurer to adjust the corporate income tax deposit at the end of each fiscal year to supplement other deposits, so that WQARF receives \$18,000,000 total from all sources. Laws 2012, Chapter 303 and Laws 2013, 1st Special Session, Chapter 4 reduce the appropriations by \$8,000,000 for FY 2013 and FY 2014, respectively.
- 15/ \$90,000 to DEMA and \$85,000 to the Attorney General.

SUMMARY OF OTHER FUND APPROPRIATIONS By Individual Chapter For Fiscal Years 2013 and 2014 1/2/3/

Chap	Bill	Reference Title	FY 2013 Other Fund	FY 2014 Other Fund
<u>Fiftieth Legislature - First Regular Session (2013)</u>				
110	SB 1170			\$ 200,000
118	HB 2154	Supplemental Appropriation; Mortgage Settlement Monies	\$ 47,000,000	
216	HB 2562	Public Retirement Systems; Ineligible Employees		502,400
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION			47,000,000	702,400
<u>Fiftieth Legislature - First Special Session (2013)</u>				
1	HB 2001	2013-2014; General Appropriations	18,769,800	3,210,247,900
8	HB 2008	2013-2014; Capital Outlay		274,850,000 C
9	HB 2009	2013-2014; Revenue; Budget Reconciliation		2,000,000 C, 4/
SUBTOTAL APPROPRIATIONS - 1st SPECIAL SESSION			18,769,800	3,487,097,900
<u>Fiftieth Legislature - Second Regular Session (2012)</u>				
88	SB 1119	ASRS; Spousal Consent	\$ 200,000	
294	SB 1524	General Appropriations; 2012-2013	3,092,542,500 5/	
295	SB 1525	Capital Outlay; 2012-2013	264,579,800 C	
303	SB 1532	Environment; Budget Reconciliation; 2012-2013	350,000	
341	HB 2748	Alarm Business; Alarm Agent; Certification	180,000	
360	HB 2622	School Rankings; Display; Time Period	200,000	
362	HB 2745	PSPRS; Employer Contributions	47,000	
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION			3,358,099,300	0
TOTAL APPROPRIATIONS			\$ 3,423,869,100	\$ 3,487,800,300

- C Designates a capital appropriation. All other appropriations are operating appropriations.
- 1/ For FY 2013 and FY 2014, this table summarizes all Other Fund appropriations enacted in any session.
- 2/ All appropriations have been rounded to the nearest \$100.
- 3/ Excludes administrative adjustments, reversionments, and statutory reversionments.
- 4/ Of the \$2,000,000, \$1,000,000 is a capital appropriation to State Parks Board.
- 5/ Includes an increase of \$22,728,900 for FY 2013 adjustments. See page 389 for details.

SUMMARY OF FISCAL-RELATED VETOES

Fifty-First Legislature - First Regular Session

Bill No.	Reference Title	Description of Vetoed Bill
HB 2018	school district budget errors; repayment	Would allow Saddle Mountain Unified School District to pay the remainder of its annual installments at 5% instead of 10%, and extend the repayment period by 5 years.
HB 2125	property tax levy; community colleges	Would allow a community college district (district) to resubmit a primary property tax proposal at least 20 but no more than 35 years after initial approval.
HB 2342	increased research; tax credit refund	Effective January 1, 2014, would increase the annual maximum income tax refunds the Arizona Commerce Authority may award to taxpayers for increased research activities and modify the payment process.
HB 2439	income tax brackets; inflation index	Would require the Arizona Department of Revenue (DOR) to adjust the income dollar amounts for each tax bracket in accordance with the average annual change in the Metropolitan Phoenix Consumer Price Index, beginning in taxable year (TY) 2014.
HB 2446	property tax; religious institution; exemption	Would broaden the tax exemption for religious property to include any property held primarily for religious use, rather than religious worship.
HB 2591	governmental reporting; websites; budgets	Would require state government and local government to publish the prior year's actual budget on the homepage of its website.
HB 2617	school tuition organizations; preapproval; entities	Would allow a tax credit for a small business corporation that makes a contribution to a school tuition organization (STO) and outline requirements associated with the credit.

SUMMARY OF APPROPRIATED FUNDS

By Agency For Fiscal Years 2013 and 2014 I/

BD-5

	Fiscal Year 2013			Fiscal Year 2014		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
BUDGET UNITS						
Accountancy, State Board of	\$0	\$1,921,800	\$1,921,800	\$0	\$1,933,700	\$1,933,700
Acupuncture Examiners, Board of	0	129,500	129,500	0	150,200	150,200
Administration, AZ Department of	13,948,000	177,170,000	191,118,000	11,694,300	172,264,200	183,958,500
- Automation Projects Fund	16,800,000	11,300,000	28,100,000	18,400,000	66,738,000	85,138,000
Administrative Hearings, Office of	839,600	13,300	852,900	862,200	12,300	874,500
Agriculture, AZ Department of	8,129,800	0	8,129,800	8,320,200	0	8,320,200
AHCCCS	1,350,817,800	151,160,600	1,501,978,400	1,334,933,400	187,260,500	1,522,193,900
Appraisal, State Board of	0	766,700	766,700	0	808,700	808,700
Arts, Arizona Commission on the	0	0	0	0	1,000,000	1,000,000
Athletic Training, Board of	0	104,500	104,500	0	105,200	105,200
Attorney General - Department of Law	23,579,500	84,292,300	107,871,800	22,464,600	38,688,400	61,153,000
Automobile Theft Authority	0	4,286,900	4,286,900	0	5,297,600	5,297,600
Barbers, Board of	0	329,300	329,300	0	333,800	333,800
Behavioral Health Examiners, Board of	0	1,640,400	1,640,400	0	1,758,100	1,758,100
Capital Postconviction Public Defender Ofc, State	0	0	0	0	0	0
Charter Schools, State Board for	767,600	0	767,600	822,400	0	822,400
Chiropractic Examiners, State Board of	0	463,800	463,800	0	469,400	469,400
Commerce Authority, Arizona	31,500,000	0	31,500,000	31,500,000	0	31,500,000
Community Colleges, Arizona	68,932,800	0	68,932,800	69,513,400	0	69,513,400
Contractors, Registrar of	0	12,191,600	12,191,600	0	14,893,300	14,893,300
Corporation Commission	605,300	25,854,100	26,459,400	609,700	26,282,500	26,892,200
Corrections, State Department of	960,291,600	44,907,700	1,005,199,300	971,743,900	44,911,800	1,016,655,700
Cosmetology, Board of	0	1,777,000	1,777,000	0	1,784,500	1,784,500
County Funding	0	0	0	7,150,500	0	7,150,500
Criminal Justice Commission, Arizona	0	5,648,700	5,648,700	0	5,954,200	5,954,200
Deaf and the Blind, Schools for the	21,458,600	13,296,100	34,754,700	21,795,300	13,585,500	35,380,800
Deaf and the Hard of Hearing, Comm. for the	0	3,780,300	3,780,300	0	3,776,400	3,776,400
Dental Examiners, State Board of	0	1,209,100	1,209,100	0	1,214,800	1,214,800
Economic Security, Department of	619,717,200	507,949,300	1,127,666,500	690,112,900	521,555,200	1,211,668,100
Education, Department of	3,519,126,100	57,235,900	3,576,362,000	3,620,831,200	56,035,200	3,676,866,400
Emergency & Military Affairs, Dept of	8,901,300	132,700	9,034,000	10,312,400	132,700	10,445,100
Environmental Quality, Department of	7,000,000	68,925,700	75,925,700	7,000,000	67,334,000	74,334,000
Equal Opportunity, Governor's Office of	189,100	0	189,100	188,500	0	188,500
Equalization, State Board of	635,800	0	635,800	639,500	0	639,500
Executive Clemency, Board of	827,300	0	827,300	838,400	0	838,400
Exposition and State Fair Board, AZ	0	11,270,100	11,270,100	0	11,423,500	11,423,500
Financial Institutions, Department of	2,990,100	938,000	3,928,100	3,019,100	936,700	3,955,800
Fire, Building and Life Safety, Department of	1,748,000	0	1,748,000	2,026,000	0	2,026,000
Forester, State	7,118,600	0	7,118,600	7,336,400	0	7,336,400
Funeral Directors and Embalmers, Board of	0	348,300	348,300	0	353,600	353,600
Game and Fish Department, AZ	0	39,513,300	39,513,300	0	39,681,900	39,681,900
Gaming, Department of	0	12,332,600	12,332,600	0	13,497,000	13,497,000
Geological Survey, Arizona	880,200	0	880,200	941,400	0	941,400
Governor, Office of the	6,749,900	0	6,749,900	6,926,000	0	6,926,000

	Fiscal Year 2013			Fiscal Year 2014		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Gov's Ofc of Strategic Planning & Budgeting	1,920,700	0	1,920,700	1,993,200	0	1,993,200
Health Services, Department of	588,109,400	89,195,300	677,304,700	550,646,400	92,553,400	643,199,800
Historical Society, Arizona	3,091,800	0	3,091,800	3,155,000	0	3,155,000
Historical Society, Prescott	668,300	0	668,300	826,000	0	826,000
Homeopathic & Integrated Medicine Examiners, Board of	0	110,000	110,000	0	102,100	102,100
Housing, AZ Department of	0	311,200	311,200	0	313,800	313,800
Independent Redistricting Commission	2,592,500	0	2,592,500	1,115,100	0	1,115,100
Indian Affairs, AZ Commission of	54,700	0	54,700	56,900	0	56,900
Industrial Commission of AZ	0	19,907,600	19,907,600	0	19,989,500	19,989,500
Insurance, Department of	5,275,200	0	5,275,200	5,364,900	0	5,364,900
Judiciary						
Supreme Court	15,975,700	27,548,000	43,523,700	16,020,000	27,574,400	43,594,400
Court of Appeals	14,079,700	0	14,079,700	14,186,700	0	14,186,700
Superior Court	79,298,300	12,512,700	91,811,000	79,634,300	13,531,400	93,165,700
SUBTOTAL - Judiciary	109,353,700	40,060,700	149,414,400	109,841,000	41,105,800	150,946,800
Juvenile Corrections, Department of	44,053,900	3,916,900	47,970,800	43,822,700	3,925,400	47,748,100
Land Department, State	1,266,200	30,233,800	31,500,000	12,345,400	3,934,500	16,279,900
Law Enforcement Merit System Council	70,500	0	70,500	0	0	0
Legislature						
Auditor General	17,722,600	0	17,722,600	17,989,700	0	17,989,700
House of Representatives	13,295,700	0	13,295,700	13,372,200	0	13,372,200
Joint Legislative Budget Committee	2,472,600	0	2,472,600	2,492,000	0	2,492,000
Legislative Council	8,001,800	0	8,001,800	8,046,500	0	8,046,500
Senate	8,204,800	0	8,204,800	8,283,800	0	8,283,800
SUBTOTAL - Legislature	49,697,500	0	49,697,500	50,184,200	0	50,184,200
Liquor Licenses & Control, Department of	0	2,911,300	2,911,300	0	2,932,300	2,932,300
Lottery Commission, AZ State	0	95,671,300	95,671,300	0	99,360,200	99,360,200
Massage Therapy, Board of	0	0	0	0	457,200	457,200
Medical Board, Arizona	0	5,907,500	5,907,500	0	5,738,700	5,738,700
Medical Student Loans, Board of	0	0	0	0	0	0
Mine Inspector, State	1,207,700	112,500	1,320,200	1,223,300	112,500	1,335,800
Naturopathic Physicians Medical Board	0	599,300	599,300	0	158,900	158,900
Navigable Stream Adjudication Commission	128,900	0	128,900	129,200	0	129,200
Nursing, State Board of	0	4,128,900	4,128,900	0	4,275,600	4,275,600
Nursing Care Institution Administrators Board 2/	0	434,700	434,700	0	420,200	420,200
Occupational Safety & Health Review Board	0	0	0	0	0	0
Occupational Therapy Examiners, Board of	0	166,200	166,200	0	172,500	172,500
Opticians, State Board of Dispensing	0	133,900	133,900	0	135,800	135,800
Optometry, State Board of	0	202,600	202,600	0	206,000	206,000
Osteopathic Examiners, AZ Board of	0	711,300	711,300	0	775,500	775,500
Parks Board, Arizona State	0	12,782,300	12,782,300	0	12,821,100	12,821,100
Personnel Board, State	0	369,000	369,000	0	374,900	374,900
Pest Management, Office of	0	2,029,900	2,029,900	0	2,039,000	2,039,000
Pharmacy, AZ State Board of	0	1,969,000	1,969,000	0	2,103,700	2,103,700
Physical Therapy, Board of	0	372,100	372,100	0	432,600	432,600
Pioneers' Home, AZ	1,604,800	4,642,700	6,247,500	1,602,800	4,656,600	6,259,400
Podiatry Examiners, State Board of	0	145,700	145,700	1,396,800	147,300	1,544,100
Postsecondary Education, Commission for	1,396,800	1,748,000	3,144,800	0	1,535,300	1,535,300
Private Postsecondary Education, Board for	0	335,600	335,600	0	641,200	641,200
Psychologist Examiners, State Board of	0	352,200	352,200	0	375,500	375,500
Public Safety, Department of	45,525,600	182,727,000	228,252,600	51,560,800	183,375,000	234,935,800

	Fiscal Year 2013			Fiscal Year 2014		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Public Safety Personnel Retirement System	0	0	0	5,000,000	0	5,000,000
Racing, Arizona Department of	2,029,500	2,879,300	4,908,800	2,029,500	2,895,900	4,925,400
Radiation Regulatory Agency	1,440,600	847,400	2,288,000	1,468,600	852,900	2,321,500
Real Estate Department, State	2,952,800	0	2,952,800	2,988,700	0	2,988,700
Residential Utility Consumer Office	0	1,324,500	1,324,500	0	1,334,400	1,334,400
Respiratory Care Examiners, Board of	0	290,400	290,400	0	297,100	297,100
Retirement System, Arizona State	0	24,534,100	24,534,100	0	26,973,500	26,973,500
Revenue, Department of	46,611,400	26,777,600	73,389,000	47,025,300	26,746,700	73,772,000
School Facilities Board	173,749,700	0	173,749,700	193,181,400	0	193,181,400
Secretary of State	15,121,200	3,525,200	18,646,400	11,635,500	3,682,000	15,317,500
State Boards' Office	0	216,900	216,900	0	231,000	231,000
Tax Appeals, State Board of	261,900	0	261,900	264,700	0	264,700
Technical Registration, State Board of	0	2,058,800	2,058,800	0	2,119,500	2,119,500
Tourism, Office of	7,065,200	0	7,065,200	7,102,600	0	7,102,600
Transportation, Department of	50,500	363,955,500	364,006,000	50,400	371,260,200	371,310,600
Treasurer, State	1,231,900	4,936,500	6,168,400	1,205,100	5,004,700	6,209,800
Uniform State Laws, Commission on	0	0	0	75,000	0	75,000
Universities						
Arizona State University - Tempe/DPC	257,332,200	452,685,000	710,017,200	270,228,200	452,685,000	722,913,200
Arizona State University - East Campus	20,771,200	37,590,900	58,362,100	22,704,200	37,590,900	60,295,100
Arizona State University - West Campus	33,017,700	41,990,200	75,007,900	33,328,100	41,990,200	75,318,300
Northern Arizona University	104,907,400	107,409,100	212,316,500	109,245,000	107,409,100	216,654,100
Board of Regents	21,926,500	0	21,926,500	21,925,500	0	21,925,500
University of Arizona - Main Campus	207,793,500	269,918,000	477,711,500	208,501,000	269,918,000	478,419,000
University of Arizona - Health Sciences Center	61,585,300	43,920,300	105,505,600	69,585,300	43,920,300	113,505,600
SUBTOTAL - Universities	707,333,800	953,513,500	1,660,847,300	735,517,300	953,513,500	1,689,030,800
Veterans' Services, Department of	5,366,400	28,659,700	34,026,100	5,436,300	28,774,500	34,210,800
Veterinary Medical Examining Board	0	464,900	464,900	0	483,400	483,400
Water Resources, Department of	12,267,200	407,200	12,674,400	12,326,400	906,800	13,233,200
Weights and Measures, Department of	1,504,500	1,765,400	3,269,900	1,325,800	1,793,800	3,119,600
OPERATING BUDGET SUBTOTAL	\$8,506,559,000	\$3,159,235,000	\$11,665,794,000	\$8,711,878,000	\$3,212,214,900	\$11,924,092,900
Budget Stabilization Fund Deposit	200,000,000	0	200,000,000	0	0	0
Health Insurance Premium Holiday ^{1/}	(19,381,500)	0	(19,381,500)	0	0	0
Unallocated Adjustments	201,200	54,300	255,500	53,300	(264,600)	(211,300)
Capital Outlay Projects	20,252,000	264,579,800	284,831,800	31,000,000	275,850,000	306,850,000
Capital Outlay - Debt Service	89,714,800	0	89,714,800	104,568,800	0	104,568,800
Administrative Adjustments	37,600,000	0	37,600,000	60,000,000	0	60,000,000
Revertments	(153,800,000)	0	(153,800,000)	(100,900,000)	0	(100,900,000)
GRAND TOTAL	\$8,681,145,500	\$3,423,869,100	\$12,105,014,600	\$8,806,600,100	\$3,487,800,300	\$12,294,400,400

^{1/} This table summarizes FY 2013 and FY 2014 appropriations from the 1st Special Session and 1st Regular Session of the 51st Legislature and all prior sessions.

Section 132 of the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) ex-appropriated \$(25,000,000) for one-time Health Insurance Premium Holiday Adjustments.

Section 135 required ADOA to not collect premiums for the self-insured State Employee Health Insurance Program for sufficient pay periods during FY 2013 to generate \$25,000,000 of state General Fund savings. ADOA reported to the JLBC on its plan for implementing the premium holiday; the allocation by agency is based on these plans. As a one-time savings, however, the reduction is only displayed as a single amount and is not allocated by agency. Section 113 of the FY 2014 General

Appropriation Act (Laws 2013, Chapter 1) specifies that the health insurance premium holiday adjustments shall be no more than \$(19,381,500) from the General Fund in FY 2013.

^{2/} The full agency name is the Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers.

SUMMARY OF CAPITAL OUTLAY APPROPRIATIONS

(Capital Outlay Bill and Other Bills with Capital Appropriations) 1/2/3/

	FY 2013		FY 2014	
	General Fund	Other Funds	General Fund	Other Funds
ARIZONA DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM				
Administration, Arizona Department of				
Building Renewal for ADOA System (excluding Corrections) 4/5/6/7/		10,372,600 8/		9,000,000
Capitol Mall Security System Replacement/Upgrade				2,000,000
Subtotal - State Department of Corrections	\$0	\$10,372,600	\$0	\$11,000,000
Corrections, State Department of				
Building Renewal for Corrections Facilities 9/ 10/		4,630,500		5,000,000
500 Maximum Security Beds	20,000,000		30,000,000	
Yuma Prison Complex - Cheyenne Unit Repairs				8,000,000
Subtotal - State Department of Corrections	\$20,000,000	\$4,630,500	\$30,000,000	\$13,000,000
Deaf and the Blind, Arizona State Schools for the				
Tucson Campus Residential Facilities Repairs			\$1,000,000	
Game and Fish Department, Arizona				
Building Renewal 11/		523,300		547,600
Statewide Preventative Maintenance		30,000		
Property Maintenance		500,000		
Black Canyon Dam Repairs				327,200
Dam Maintenance		500,000		
Subtotal - Arizona Game and Fish Department	\$0	\$1,553,300	\$0	\$874,800
Lottery Commission, Arizona State				
Building Renewal 11/		85,200		90,300
Fire Alarm Replacement		156,300		
Subtotal - Arizona State Lottery Commission	\$0	\$241,500	\$0	\$90,300
Arizona State Parks Board				
Capital Improvement Projects				\$1,000,000
SUBTOTAL - ADOA BUILDING SYSTEM	\$20,000,000	\$16,797,900	\$31,000,000	\$25,965,100
ARIZONA DEPARTMENT OF TRANSPORTATION BUILDING SYSTEM				
Arizona Department of Transportation				
Building Renewal 12/		1,050,000		3,188,200
Airport Planning and Development 13/		21,924,900		21,123,700
Highway Construction 14/ 15/		224,807,000		220,293,000
De-Icer Storage				2,280,000
Vehicle Wash Systems				3,000,000
SUBTOTAL - ADOT BUILDING SYSTEM 16/ 17/	\$0	\$247,781,900	\$0	\$249,884,900
GRAND TOTAL - ALL APPROPRIATIONS 8/	\$20,000,000	\$264,579,800	\$31,000,000	\$275,850,000
SUMMARY OF CAPITAL APPROPRIATIONS BY SESSION				
Laws 2013, 1st Special Session			\$31,000,000	\$275,850,000
Laws 2012, 2nd Regular Session	\$20,000,000	\$264,579,800		

1/ This table summarizes all capital appropriations for FY 2013 and FY 2014 from the 2nd Regular Sessions of the 50th Legislature and the 1st Special Session of the 51st Legislature. Appropriations are listed by the state's "building systems." Capital Outlays are budgeted on an annual basis except under special circumstances. More detail on these projects can be found starting on page 298 of this report.

2/ FY 2013 amounts represent appropriations from the FY 2013 Capital Outlay Bill (Laws 2012, Chapter 295). FY 2014 amounts represent appropriations from the FY 2014 Capital Outlay Bill (Laws 2013, 1st Special Session, Chapter 8), except for the \$1,000,000 appropriation to the State Parks Board for capital improvement projects, which is from the FY 2014 Revenue Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 9).

3/ A.R.S. § 41-1252 requires review of any capital projects over \$250,000 by the Joint Committee on Capital Review (JCCR).

- 4/ Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2014 and shall be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Of the amounts appropriated to the Arizona Department of Administration (ADOA), up to \$275,000 in Personal Services and Employee Related Expenditures (ERE) for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall not be spent for Personal Services or ERE or for maintenance contracts on building components and equipment without review by the JCCR. Any monies appropriated for building renewal in FY 2014 that are unexpended or unencumbered on June 30, 2015 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- 5/ ADOA was required to first allocate \$1,700,000 (of the FY 2013 appropriation) for the purchase of a generator at the Arizona State Hospital, with the remaining monies being allocated to state agencies for necessary building renewal.
- 6/ ADOA shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund (COSF) are insufficient to fund the appropriation to the ADOA for building renewal, the appropriation to the ADOA shall be reduced by the difference between the amount appropriated to the ADOA from COSF and the balance in COSF. (Capital Outlay Appropriation Act footnote)
- 7/ The FY 2013 appropriation represents 39% of the non-Department of Corrections (ADC) building renewal formula, while the FY 2014 appropriation represents 32%.
- 8/ Not charging the Secretary of State rent for the Library for the Blind, which had its last lease-purchase payment in FY 2012, would have resulted in General Fund savings of \$(252,000) during FY 2013. This amount was instead allocated to ADOA for building renewal pursuant to Laws 2012, Chapter 294, Section 132. ADOA's total building renewal allocation in FY 2013 of \$10,372,600 includes this \$252,000 allocation. After accounting for this \$252,000, the total General Fund capital appropriation is \$20,252,000.
- 9/ ADC shall report monthly to the Joint Legislative Budget Committee Staff on the status of the projects funded under this section. The department may not spend any of this appropriation on Personal Services or overhead expenses related to the management of the funded projects. (Capital Outlay Appropriation Act footnote)
- 10/ Both the FY 2013 and FY 2014 appropriations represent 33% of the Department of Corrections (ADC) building renewal formula.
- 11/ Both the FY 2013 and FY 2014 appropriations represent 100% funding of the building renewal formula.
- 12/ Includes \$1,000,000 from the State Highway Fund (SHF) to fund 9.9% of the revised highways building renewal formula in FY 2013. Also includes \$50,000 from the State Aviation Fund to fund 28.4% of the aviation building renewal formula in FY 2013. Includes \$3,000,000 from SHF to fund 28.5% of the revised highways building renewal formula in FY 2014. Also includes \$188,200 from the State Aviation Fund to fund 100% of the aviation building renewal formula in FY 2014.
- 13/ The amount is appropriated from the State Aviation Fund for the planning, construction, development, and improvement of state, county, city, or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- 14/ The amount appropriated for highway construction is from the State Highway Fund (SHF) for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the SHF in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- 15/ The Department of Transportation shall report on or before November 1, 2013 to JCCR on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. Before submitting the report, the Department of Transportation and the General Accounting Office shall provide the report format to the Directors of JLBC and OSPB for their review. (Capital Outlay Appropriation Act footnote).
- 16/ On or before November 1, 2013, the Department of Transportation shall report capital outlay information for FY 2013, FY 2014, and FY 2015 to the Directors of JLBC and OSPB. This information shall appear in the same format as tables 2, 3, 4 and 6, as found in the *FY 2013 Appropriations Report*. (Capital Outlay Appropriation Act footnote)
- 17/ On or before November 1, 2013, the Department of Transportation shall report the Department's estimated outstanding debt principal balance at the end of FY 2015 and the estimated debt service payment amount for FY 2015 to the Directors of JLBC and OSPB. This report shall include State Highway Fund statewide construction bonds, Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds, Maricopa Regional Area Road Fund bonds and grant anticipation notes and is intended to be comparable to the information in the *FY 2014 Appropriations Report*. (Capital Outlay Appropriation Act footnote)

**SUMMARY OF ADDITIONAL OPERATING AND STATUTORY APPROPRIATIONS 1/ 2/
(Other Than FY 2013/FY 2014 Changes in All General Appropriation Acts
and All Capital Outlay Appropriations)**

GENERAL FUND

	FY 2013	FY 2014
Administration, Arizona Department of		
Laws 2013, Ch. 14 (HB 2069) Appropriations; Named Claimants	283,700	
Agriculture, Department of		
Laws 2013, Ch. 13 (HB 2034) Nuclear Emergency Appropriation and Assessment		198,400
Laws 2011, Ch. 132 (SB 1135) Nuclear Emergency Appropriation and Assessment	92,100	
Attorney General - Department of Law		
23-263 - Military Airport Planning; Appropriation	85,000	85,000
Commerce Authority, Arizona		
43-409 - Arizona Commerce Authority Income Tax Withholding	31,500,000	31,500,000
Community Colleges		
42-5031.01 - Indian Tribal Postsecondary Educational Institutions		2,625,000
15-1469.01 - Rural County Allocation	2,990,200	3,273,100
Economic Security, Department of		
Laws 2013, Ch. 1 (HB 2502) Supplemental Appropriation; CPS Funding	4,409,200	
Emergency and Military Affairs, Department of		
26-263 - Military Airport Planning; Appropriation	90,000	90,000
Laws 2013, Ch. 13 (HB 2034) Nuclear Emergency Appropriation and Assessment		1,259,800
Laws 2011, Ch. 132 (SB 1135) Nuclear Emergency Appropriation and Assessment	1,013,900	
35-192 - Governor's Emergency Authority	4,000,000	4,000,000
Laws 2012, Ch. 298 (SB 1527) Government BRB	(1,100,000)	
Subtotal	2,900,000	4,000,000
Subtotal - Department of Emergency and Military Affairs	4,003,900	5,349,800
Environmental Quality, Department of		
49-282 - WQARF Priority Site Remediation	15,000,000	15,000,000
Laws 2013, 1st Special Session, Ch. 4 (HB 2004) Environment BRB		(8,000,000)
Laws 2012, Ch. 303 (SB 1532) Environment BRB	(8,000,000)	
Subtotal - Department of Environmental Quality	7,000,000	7,000,000
Forester, State		
37-623 - Wild Land Fire Emergency	3,000,000	3,000,000
Independent Redistricting Commission		
Laws 2013, Ch. 2 (HB 2503) Supplemental Appropriation; IRC	500,000	
Laws 2013, Ch. 158 (SB 1482) IRC; Supplemental Appropriation	635,200	
Public Safety Personnel Retirement System		
Laws 2013, Ch. 217 (HB 2608) EORP; Closure; Defined Contribution		5,000,000
Radiation Regulatory Agency		
Laws 2013, Ch. 13 (HB 2034) Nuclear Emergency Appropriation and Assessment		695,300
Laws 2011, Ch. 132 (SB 1135) Nuclear Emergency Appropriation and Assessment	676,000	
Department of Revenue		
Laws 2012, Ch. 176 (HB 2438) Government Land; Private Land; Study	132,200	
Arizona State University - Tempe/DPC		
15-1670 - University Research Infrastructure Financing	13,555,000	13,555,000
Arizona State University - West Campus		
15-1670 - University Research Infrastructure Financing	917,000	917,000
Northern Arizona University		
15-1670 - University Research Infrastructure Financing	5,900,000	5,900,000

University of Arizona - Main Campus		
15-1670 - University Research Infrastructure Financing	14,253,000	14,253,000
Other		
9-602 - Phoenix Convention Center Financing	5,595,000	20,449,000
	<hr/>	<hr/>
GENERAL FUND TOTAL	\$ 95,527,500	\$ 113,800,600

OTHER FUNDS

	<hr/> FY 2013	<hr/> FY 2014
Arts, Arizona Commission on the		
Laws 2013, 1st Special Session, Ch. 9 (HB 2009) Revenue BRB		1,000,000
Attorney General - Department of Law		
Laws 2013, Ch. 118 (HB 2154) Condominiums; Planned Communities; Administrative Hearings (now: Supplemental Appropriation; Mortgage Settlement Monies)	47,000,000	
Education, Department of		
Laws 2012, Ch. 360 (HB 2622) School Rankings; Display; Time Period	200,000	
Environmental Quality, Department of		
Laws 2012, Ch. 303 (SB 1532) Environment BRB	350,000	
Retirement System, Arizona State		
Laws 2013, Ch. 110 (SB 1170) ASRS; Amendments		200,000
Laws 2013, Ch. 216 (HB 2562) Public Retirement Systems; Ineligible Employees		502,400
Laws 2012, Ch. 88 (SB 1119) ASRS; Spousal Consent	200,000	
Laws 2012, Ch. 362 (HB 2745) PSPRS; Employer Contributions	47,000	
Technical Registration, State Board of		
Laws 2012, Ch. 341 (HB 2748) Cities; Alarm Licenses; Reciprocity (now: Alarm Business; Alarm Agent; Certification)	180,000	
	<hr/>	<hr/>
OTHER FUNDS TOTAL	\$ 47,977,000	\$ 1,702,400

1/ All appropriations have been rounded to the nearest \$100.

2/ Excludes all General Appropriation Act and all Capital Outlay Appropriations bills.

**SUMMARY OF TOTAL SPENDING AUTHORITY
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
For Fiscal Years 2013 and 2014 1/**

	Fiscal Year 2013			Fiscal Year 2014		
	Appropriated General and Other Funds	Non- Appropriated Federal and Other Funds 2/	Total	Appropriated General and Other Funds	Non- Appropriated Federal and Other Funds 2/	Total
BUDGET UNITS						
Accountancy, State Board of	\$1,921,800	\$0	\$1,921,800	\$1,933,700	\$0	\$1,933,700
Acupuncture Examiners, Board of	129,500	0	129,500	150,200	0	150,200
Administration, AZ Department of	191,118,000	831,221,400	1,022,339,400	183,958,500	960,947,900	1,144,906,400
- Automation Projects Fund	28,100,000	0	28,100,000	85,138,000	0	85,138,000
Administrative Hearings, Office of	852,900	1,035,600	1,888,500	874,500	1,035,600	1,910,100
Agriculture, AZ Department of	8,129,800	17,961,400	26,091,200	8,320,200	16,810,700	25,130,900
AHCCCS	1,501,978,400	5,347,034,200	6,849,012,600	1,522,193,900	5,259,951,200	6,782,145,100
Appraisal, State Board of	766,700	0	766,700	808,700	0	808,700
Arts, Arizona Commission on the	0	2,519,200	2,519,200	1,000,000	2,321,000	3,321,000
Athletic Training, Board of	104,500	0	104,500	105,200	0	105,200
Attorney General - Department of Law	107,871,800	49,390,900	157,262,700	61,153,000	49,449,400	110,602,400
Automobile Theft Authority	4,286,900	0	4,286,900	5,297,600	0	5,297,600
Barbers, Board of	329,300	0	329,300	333,800	0	333,800
Behavioral Health Examiners, Board of	1,640,400	0	1,640,400	1,758,100	0	1,758,100
Capital Postconviction Public Defender Ofc, State	0	0	0	0	0	0
Charter Schools, State Board for	767,600	18,000	785,600	822,400	18,000	840,400
Chiropractic Examiners, State Board of	463,800	0	463,800	469,400	0	469,400
Citizens Clean Elections Commission	0	7,117,900	7,117,900	0	8,767,900	8,767,900
Commerce Authority, Arizona	31,500,000	25,200,500	56,700,500	31,500,000	23,735,200	55,235,200
Community Colleges, Arizona	68,932,800	15,713,200	84,646,000	69,513,400	15,713,200	85,226,600
Compensation Fund, State	0	252,200,000	252,200,000	0	0	0
Constable Ethics Standards & Training Board	0	294,600	294,600	0	294,600	294,600
Contractors, Registrar of	12,191,600	4,629,100	16,820,700	14,893,300	4,629,100	19,522,400
Corporation Commission	26,459,400	1,055,600	27,515,000	26,892,200	760,800	27,653,000
Corrections, State Department of	1,005,199,300	64,625,900	1,069,825,200	1,016,655,700	64,249,900	1,080,905,600
Cosmetology, Board of	1,777,000	0	1,777,000	1,784,500	0	1,784,500
County Assistance	0	0	0	7,150,500	0	7,150,500
Criminal Justice Commission, Arizona	5,648,700	20,044,900	25,693,600	5,954,200	14,250,500	20,204,700
Deaf and the Blind, Schools for the	34,754,700	20,612,700	55,367,400	35,380,800	20,612,700	55,993,500
Deaf and the Hard of Hearing, Comm. for the	3,780,300	0	3,780,300	3,776,400	0	3,776,400
Dental Examiners, State Board of	1,209,100	0	1,209,100	1,214,800	0	1,214,800
Early Childhood Development & Health Board, AZ	0	177,562,300	177,562,300	0	179,432,700	179,432,700
Economic Security, Department of	1,127,666,500	2,068,516,300	3,196,182,800	1,211,668,100	1,882,780,700	3,094,448,800
Education, Department of	3,576,362,000	1,559,266,300	5,135,628,300	3,676,866,400	1,631,225,800	5,308,092,200
Emergency & Military Affairs, Dept of	9,034,000	72,183,800	81,217,800	10,445,100	60,468,000	70,913,100
Environmental Quality, Department of	75,925,700	187,694,100	263,619,800	74,334,000	188,742,600	263,076,600
Equal Opportunity, Governor's Office of	189,100	90,900	280,000	188,500	90,900	279,400
Equalization, State Board of	635,800	0	635,800	639,500	0	639,500
Executive Clemency, Board of	827,300	0	827,300	838,400	0	838,400
Exposition and State Fair Board, AZ	11,270,100	0	11,270,100	11,423,500	0	11,423,500

	Fiscal Year 2013			Fiscal Year 2014		
	Non-		Total	Non-		Total
	Appropriated General and Other Funds	Appropriated Federal and Other Funds 2/		Appropriated General and Other Funds	Appropriated Federal and Other Funds 2/	
Financial Institutions, Department of	3,928,100	1,628,800	5,556,900	3,955,800	838,800	4,794,600
Fire, Building and Life Safety, Department of	1,748,000	665,200	2,413,200	2,026,000	665,200	2,691,200
Forester, State	7,118,600	17,609,300	24,727,900	7,336,400	17,609,300	24,945,700
Funeral Directors and Embalmers, Board of	348,300	0	348,300	353,600	0	353,600
Game and Fish Department, AZ	39,513,300	55,372,200	94,885,500	39,681,900	55,372,200	95,054,100
Gaming, Department of	12,332,600	0	12,332,600	13,497,000	0	13,497,000
Geological Survey, Arizona	880,200	8,818,000	9,698,200	941,400	8,818,000	9,759,400
Governor, Office of the	6,749,900	73,260,600	80,010,500	6,926,000	25,062,400	31,988,400
Gov's Ofc of Strategic Planning & Budgeting	1,920,700	0	1,920,700	1,993,200	0	1,993,200
Health Services, Department of	677,304,700	1,268,817,700	1,946,122,400	643,199,800	1,210,672,300	1,853,872,100
Historical Society, Arizona	3,091,800	948,200	4,040,000	3,155,000	937,500	4,092,500
Historical Society, Prescott	668,300	566,700	1,235,000	826,000	566,700	1,392,700
Homeland Security, AZ Department of	0	41,750,900	41,750,900	0	23,464,000	23,464,000
Homeopathic & Integrated Medicine Examiners, Board of	110,000	0	110,000	102,100	0	102,100
Housing, AZ Department of	311,200	104,779,800	105,091,000	313,800	95,506,200	95,820,000
Independent Redistricting Commission	2,592,500	0	2,592,500	1,115,100	0	1,115,100
Indian Affairs, AZ Commission of	54,700	14,500	69,200	56,900	14,500	71,400
Industrial Commission of AZ	19,907,600	37,271,200	57,178,800	19,989,500	35,753,900	55,743,400
Insurance, Department of	5,275,200	9,306,000	14,581,200	5,364,900	8,754,500	14,119,400
Judiciary						
Supreme Court	43,523,700	25,844,500	69,368,200	43,594,400	25,844,500	69,438,900
Court of Appeals	14,079,700	0	14,079,700	14,186,700	0	14,186,700
Superior Court	91,811,000	7,097,300	98,908,300	93,165,700	7,097,300	100,263,000
SUBTOTAL - Judiciary	149,414,400	32,941,800	182,356,200	150,946,800	32,941,800	183,888,600
Juvenile Corrections, Department of	47,970,800	1,450,700	49,421,500	47,748,100	1,450,700	49,198,800
Land Department, State	31,500,000	903,500	32,403,500	16,279,900	903,500	17,183,400
Law Enforcement Merit System Council	70,500	0	70,500	0	0	0
Legislature						
Auditor General	17,722,600	1,867,800	19,590,400	17,989,700	1,867,800	19,857,500
House of Representatives	13,295,700	0	13,295,700	13,372,200	0	13,372,200
Joint Legislative Budget Committee	2,472,600	0	2,472,600	2,492,000	0	2,492,000
Legislative Council	8,001,800	0	8,001,800	8,046,500	0	8,046,500
Senate	8,204,800	0	8,204,800	8,283,800	0	8,283,800
SUBTOTAL - Legislature	49,697,500	1,867,800	51,565,300	50,184,200	1,867,800	52,052,000
Liquor Licenses & Control, Department of	2,911,300	919,600	3,830,900	2,932,300	919,600	3,851,900
Lottery Commission, AZ State	95,671,300	486,057,800	581,729,100	99,360,200	519,083,200	618,443,400
Massage Therapy, Board of	0	0	0	457,200	0	457,200
Medical Board, Arizona	5,907,500	0	5,907,500	5,738,700	0	5,738,700
Medical Student Loans, Board of	0	0	0	0	0	0
Mine Inspector, State	1,320,200	417,400	1,737,600	1,335,800	417,400	1,753,200
Naturopathic Physicians Medical Board	599,300	0	599,300	158,900	0	158,900
Navigable Stream Adjudication Commission	128,900	0	128,900	129,200	0	129,200
Nursing, State Board of	4,128,900	507,800	4,636,700	4,275,600	507,800	4,783,400
Nursing Care Institution Administrators Board 3/	434,700	0	434,700	420,200	0	420,200
Occupational Safety & Health Review Board	0	0	0	0	0	0
Occupational Therapy Examiners, Board of	166,200	0	166,200	172,500	0	172,500
Opticians, State Board of Dispensing	133,900	0	133,900	135,800	0	135,800

	Fiscal Year 2013			Fiscal Year 2014		
	Non-		Total	Non-		Total
	Appropriated General and Other Funds	Appropriated Federal and Other Funds 2/		Appropriated General and Other Funds	Appropriated Federal and Other Funds 2/	
Optometry, State Board of	202,600	0	202,600	206,000	0	206,000
Osteopathic Examiners, AZ Board of	711,300	0	711,300	775,500	0	775,500
Parents Commission on Drug Educ. & Prev., AZ	0	5,167,900	5,167,900	0	5,167,900	5,167,900
Parks Board, Arizona State	12,782,300	40,970,300	53,752,600	12,821,100	30,241,500	43,062,600
Personnel Board, State	369,000	0	369,000	374,900	0	374,900
Pest Management, Office of	2,029,900	113,500	2,143,400	2,039,000	113,500	2,152,500
Pharmacy, AZ State Board of	1,969,000	325,300	2,294,300	2,103,700	325,300	2,429,000
Physical Therapy, Board of	372,100	0	372,100	432,600	0	432,600
Pioneers' Home, AZ	6,247,500	15,300	6,262,800	6,259,400	15,300	6,274,700
Podiatry Examiners, State Board of	145,700	0	145,700	1,544,100	0	1,544,100
Postsecondary Education, Commission for	3,144,800	2,286,700	5,431,500	1,535,300	1,682,800	3,218,100
Power Authority, Arizona	0	39,284,200	39,284,200	0	39,284,200	39,284,200
Private Postsecondary Education, Board for	335,600	115,300	450,900	641,200	103,100	744,300
Psychologist Examiners, State Board of	352,200	0	352,200	375,500	0	375,500
Public Safety, Department of	228,252,600	74,892,200	303,144,800	234,935,800	64,118,300	299,054,100
Public Safety Personnel Retirement System	0	36,436,400	36,436,400	5,000,000	36,436,400	41,436,400
Racing, Arizona Department of	4,908,800	97,900	5,006,700	4,925,400	97,900	5,023,300
Radiation Regulatory Agency	2,288,000	256,900	2,544,900	2,321,500	256,900	2,578,400
Real Estate Department, State	2,952,800	143,800	3,096,600	2,988,700	143,800	3,132,500
Residential Utility Consumer Office	1,324,500	0	1,324,500	1,334,400	0	1,334,400
Respiratory Care Examiners, Board of	290,400	0	290,400	297,100	0	297,100
Retirement System, Arizona State	24,534,100	71,715,000	96,249,100	26,973,500	74,712,000	101,685,500
Revenue, Department of	73,389,000	41,150,000	114,539,000	73,772,000	42,150,000	115,922,000
School Facilities Board	173,749,700	121,538,700	295,288,400	193,181,400	116,606,900	309,788,300
Secretary of State	18,646,400	5,652,400	24,298,800	15,317,500	4,716,800	20,034,300
State Boards' Office	216,900	0	216,900	231,000	0	231,000
Tax Appeals, State Board of	261,900	0	261,900	264,700	0	264,700
Technical Registration, State Board of	2,058,800	0	2,058,800	2,119,500	0	2,119,500
Tourism, Office of	7,065,200	12,869,900	19,935,100	7,102,600	12,869,900	19,972,500
Transportation, Department of	364,006,000	32,465,900	396,471,900	371,310,600	32,465,900	403,776,500
Treasurer, State	6,168,400	5,059,700	11,228,100	6,209,800	5,059,700	11,269,500
Uniform State Laws, Commission on	0	0	0	75,000	0	75,000
Universities						
Arizona State University - Tempe/DPC	710,017,200	986,999,600	1,697,016,800	722,913,200	1,013,023,400	1,735,936,600
Arizona State University - East Campus	58,362,100	42,636,200	100,998,300	60,295,100	43,290,200	103,585,300
Arizona State University - West Campus	75,007,900	50,833,500	125,841,400	75,318,300	51,987,400	127,305,700
Northern Arizona University	212,316,500	269,996,400	482,312,900	216,654,100	274,698,100	491,352,200
Board of Regents	21,926,500	12,220,500	34,147,000	21,925,500	10,041,300	31,966,800
University of Arizona - Main Campus	477,711,500	1,114,211,600	1,591,923,100	478,419,000	1,144,882,300	1,623,301,300
University of Arizona - Health Sciences Center	105,505,600	276,303,300	381,808,900	113,505,600	284,382,400	397,888,000
SUBTOTAL - Universities	1,660,847,300	2,753,201,100	4,414,048,400	1,689,030,800	2,822,305,100	4,511,335,900
Veterans' Services, Department of	34,026,100	3,465,100	37,491,200	34,210,800	8,580,500	42,791,300
Veterinary Medical Examining Board	464,900	0	464,900	483,400	0	483,400
Water Resources, Department of	12,674,400	9,919,600	22,594,000	13,233,200	9,919,600	23,152,800
Weights and Measures, Department of	3,269,900	0	3,269,900	3,119,600	0	3,119,600
OPERATING BUDGET SUBTOTAL	\$11,665,794,000	\$16,129,007,400	\$27,794,801,400	\$11,924,092,900	\$15,735,789,000	\$27,659,881,900

	Fiscal Year 2013			Fiscal Year 2014		
	Appropriated General and Other Funds	Non- Appropriated Federal and Other Funds <u>2/</u>	Total	Appropriated General and Other Funds	Non- Appropriated Federal and Other Funds <u>2/</u>	Total
Budget Stabilization Fund Deposit	200,000,000	0	200,000,000	0	0	0
Health Insurance Premium Holiday <u>1/</u>	(19,381,500)	0	(19,381,500)	0	0	0
Unallocated Adjustments	255,500	0	255,500	(211,300)	0	(211,300)
Capital Outlay Projects	284,831,800	1,216,483,800	1,501,315,600	306,850,000	1,146,604,000	1,453,454,000
Capital Outlay - Debt Service	89,714,800	0	89,714,800	104,568,800	0	104,568,800
Administrative Adjustments	37,600,000	0	37,600,000	60,000,000	0	60,000,000
Reversions	(153,800,000)	0	(153,800,000)	(100,900,000)	0	(100,900,000)
GRAND TOTAL	<u>\$12,105,014,600</u>	<u>\$17,345,491,200</u>	<u>\$29,450,505,800</u>	<u>\$12,294,400,400</u>	<u>\$16,882,393,000</u>	<u>\$29,176,793,400</u>

1/ This table summarizes FY 2013 and FY 2014 appropriations from the 1st Special Session and 1st Regular Session of the 51st Legislature and all prior sessions.

Section 132 of the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) ex-appropriated \$(25,000,000) for one-time Health Insurance Premium Holiday Adjustments. Section 135 required ADOA to not collect premiums for the self-insured State Employee Health Insurance Program for sufficient pay periods during FY 2013 to generate \$25,000,000 of state General Fund savings. ADOA reported to the JLBC on its plan for implementing the premium holiday; the allocation by agency is based on these plans. As a one-time savings, however, the reduction is only displayed as a single amount and is not allocated by agency. Section 113 of the FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) specifies that the health insurance premium holiday adjustments shall be no more than \$(19,381,500) from the General Fund in FY 2013.

2/ The amounts shown are generally based on estimates published in the JLBC Staff's Baseline Book (January 2013), but may have been updated for later information.

3/ The full agency name is the Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers.

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2013 and 2014 I/

BD-16

BUDGET UNITS	Fiscal Year 2013			Fiscal Year 2014		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
Accountancy, Arizona State Board of	0.0	13.0	13.0	0.0	13.0	13.0
Acupuncture Board of Examiners	0.0	1.0	1.0	0.0	1.0	1.0
Administration, Arizona Department of	133.6	394.5	528.1	133.6	394.5	528.1
Capital Outlay	0.0	5.0	5.0	0.0	5.0	5.0
Administrative Hearings, Office of	12.0	0.0	12.0	12.0	0.0	12.0
Agriculture, Arizona Department of 2/	161.0	0.0	161.0	162.9	0.0	162.9
AHCCCS	424.2	608.0	1,032.2	424.2	608.0	1,032.2
AHCCCS - DES Eligibility	564.1	621.0	1,185.1	564.1	621.0	1,185.1
SUBTOTAL - AHCCCS 3/	988.3	1,229.0	2,217.3	988.3	1,229.0	2,217.3
Appraisal, State Board of	0.0	5.5	5.5	0.0	8.0	8.0
Athletic Training, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Attorney General - Department of Law	222.2	325.7	547.9	222.2	325.7	547.9
Automobile Theft Authority	0.0	6.0	6.0	0.0	6.0	6.0
Barbers, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Behavioral Health Examiners, Board of	0.0	17.0	17.0	0.0	17.0	17.0
Charter Schools, State Board for	9.0	0.0	9.0	9.0	0.0	9.0
Chiropractic Examiners, State Board of	0.0	5.0	5.0	0.0	5.0	5.0
Contractors, Registrar of	0.0	105.6	105.6	0.0	105.6	105.6
Corporation Commission	5.6	292.3	297.9	6.0	294.9	300.9
Corrections, State Department of	10,112.2	6.0	10,118.2	9,378.0	6.0	9,384.0
Cosmetology, Board of	0.0	24.5	24.5	0.0	24.5	24.5
Criminal Justice Commission, AZ	0.0	9.0	9.0	0.0	9.0	9.0
Deaf & the Blind, AZ State Schools for the	263.8	277.4	541.2	263.8	277.4	541.2
Deaf and the Hard of Hearing, Commission for the	0.0	15.0	15.0	0.0	15.0	15.0
Dental Examiners, State Board of	0.0	11.0	11.0	0.0	11.0	11.0
Economic Security, Department of 4/	2,282.4	3,221.1	5,503.5	2,411.4	3,242.7	5,654.1
Education, Department of	140.4	31.0	171.4	144.9	31.0	175.9
Emergency and Military Affairs, Department of 2/ 5/	66.6	0.0	66.6	66.6	0.0	66.6
Environmental Quality, Department of	0.0	322.0	322.0	0.0	322.0	322.0
Equal Opportunity, Governor's Office of	4.0	0.0	4.0	4.0	0.0	4.0
Equalization, State Board of	7.0	0.0	7.0	7.0	0.0	7.0
Executive Clemency, Board of	14.0	0.0	14.0	14.0	0.0	14.0
Exposition & State Fair Board, AZ	0.0	184.0	184.0	0.0	184.0	184.0
Financial Institutions, Department of	46.1	12.0	58.1	46.1	12.0	58.1
Fire, Building and Life Safety, Department of	47.0	0.0	47.0	47.0	0.0	47.0
Forester, State	52.0	0.0	52.0	52.0	0.0	52.0
Funeral Directors & Embalmers, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Game and Fish Department, Arizona	0.0	273.5	273.5	0.0	273.5	273.5

	Fiscal Year 2013			Fiscal Year 2014		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
<u>BUDGET UNITS</u>						
Gaming, Department of	0.0	115.3	115.3	0.0	115.3	115.3
Geological Survey, Arizona	10.3	0.0	10.3	10.3	0.0	10.3
Governor's Office of Strategic Planning & Budgeting	22.0	0.0	22.0	22.0	0.0	22.0
Health Services, Department of	875.8	300.9	1,176.7	875.8	300.9	1,176.7
Historical Society, Arizona	51.9	0.0	51.9	51.9	0.0	51.9
Historical Society of AZ, Prescott	13.0	0.0	13.0	13.0	0.0	13.0
Homeopathic & Integrated Medicine Examrs., Bd. of	0.0	1.0	1.0	0.0	1.0	1.0
Housing, Arizona Department of	0.0	3.0	3.0	0.0	3.0	3.0
Indian Affairs, AZ Commission of	3.0	0.0	3.0	3.0	0.0	3.0
Industrial Commission of Arizona	0.0	235.6	235.6	0.0	235.6	235.6
Insurance, Department of	90.5	0.0	90.5	90.5	0.0	90.5
Judiciary						
Supreme Court	130.5	38.5	169.0	133.5	38.5	172.0
Court of Appeals	134.8	0.0	134.8	136.8	0.0	136.8
Superior Court	127.8	8.7	136.5	128.8	8.7	137.5
SUBTOTAL - Judiciary	393.1	47.2	440.3	399.1	47.2	446.3
Juvenile Corrections, Department of	692.5	46.0	738.5	692.5	46.0	738.5
Land Department, State	4.0	121.7	125.7	4.0	121.7	125.7
Law Enforcement Merit System Council 6/	1.0	0.0	1.0	0.0	0.0	0.0
Legislature						
Auditor General	184.8	0.0	184.8	184.8	0.0	184.8
Joint Legislative Budget Committee	29.0	0.0	29.0	29.0	0.0	29.0
Legislative Council	42.8	0.0	42.8	47.0	0.0	47.0
SUBTOTAL - Legislature	256.6	0.0	256.6	260.8	0.0	260.8
Liquor Licenses & Control, Department of	0.0	45.2	45.2	0.0	45.2	45.2
Lottery Commission, Arizona State	0.0	97.8	97.8	0.0	98.8	98.8
Massage Therapy, Board of 7/	0.0	0.0	0.0	0.0	5.0	5.0
Medical Board, AZ	0.0	58.5	58.5	0.0	58.5	58.5
Mine Inspector, State	14.0	0.0	14.0	14.0	0.0	14.0
Naturopathic Physicians Medical Board 7/	0.0	7.0	7.0	0.0	2.0	2.0
Navigable Stream Adjudication Commission, AZ	2.0	0.0	2.0	2.0	0.0	2.0
Nursing, State Board of	0.0	40.2	40.2	0.0	42.2	42.2
Nursing Care Institution Administrators and Assisted Living						
Facility Managers, Bd. of Examiners of	0.0	6.0	6.0	0.0	6.0	6.0
Occupational Therapy Examiners, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Opticians, State Board of Dispensing	0.0	1.0	1.0	0.0	1.0	1.0
Optometry, State Board of	0.0	2.0	2.0	0.0	2.0	2.0
Osteopathic Examiners, AZ Board of	0.0	6.7	6.7	0.0	6.7	6.7
Parks Board, Arizona State	0.0	163.0	163.0	0.0	163.0	163.0
Personnel Board, State	0.0	3.0	3.0	0.0	3.0	3.0
Pest Management, Office of	0.0	30.0	30.0	0.0	30.0	30.0

BUDGET UNITS	Fiscal Year 2013			Fiscal Year 2014		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
Pharmacy, AZ State Board of	0.0	18.0	18.0	0.0	18.0	18.0
Physical Therapy, Board of	0.0	3.8	3.8	0.0	4.0	4.0
Pioneers' Home, AZ	27.0	79.3	106.3	27.0	79.3	106.3
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Postsecondary Education, Commission of	0.0	5.0	5.0	0.0	5.0	5.0
Private Postsecondary Education, State Board for	0.0	4.0	4.0	0.0	4.0	4.0
Psychologist Examiners, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Public Safety, Department of <u>6/</u>	322.7	1,581.0	1,903.7	323.7	1,581.0	1,904.7
Racing, Arizona Department of	0.0	40.5	40.5	0.0	40.5	40.5
Radiation Regulatory Agency <u>2/</u>	20.5	13.0	33.5	20.5	13.0	33.5
Real Estate Department, State	59.0	0.0	59.0	37.0	0.0	37.0
Residential Utility Consumer Office	0.0	11.0	11.0	0.0	11.0	11.0
Respiratory Care Examiners, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Retirement System, Arizona State <u>8/</u>	0.0	233.9	233.9	0.0	246.9	246.9
Revenue, Department of	816.9	43.4	860.3	818.4	43.4	861.8
School Facilities Board	17.0	0.0	17.0	17.0	0.0	17.0
Secretary of State, Department of State	130.9	8.2	139.1	130.9	10.2	141.1
State Boards' Office	0.0	3.0	3.0	0.0	3.0	3.0
Tax Appeals, State Board of	4.0	0.0	4.0	4.0	0.0	4.0
Technical Registration, State Board of	0.0	23.0	23.0	0.0	25.0	25.0
Tourism, Office of	25.0	0.0	25.0	28.0	0.0	28.0
Transportation, Department of	2.0	4,546.0	4,548.0	2.0	4,546.0	4,548.0
Treasurer, State	0.0	30.4	30.4	0.0	30.4	30.4
Universities <u>9/</u>						
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9
Arizona State University - Tempe/DPC Campus	6,142.9	0.0	6,142.9	6,142.9	0.0	6,142.9
Arizona State University - East Campus	425.6	0.0	425.6	425.6	0.0	425.6
Arizona State University - West Campus	562.9	0.0	562.9	562.9	0.0	562.9
Northern Arizona University	2,057.2	0.0	2,057.2	2,057.2	0.0	2,057.2
University of Arizona - Main Campus	5,365.0	0.0	5,365.0	5,365.0	0.0	5,365.0
University of Arizona - Health Sciences Center	1,009.1	0.0	1,009.1	1,054.1	0.0	1,054.1
SUBTOTAL - Universities	15,588.6	0.0	15,588.6	15,633.6	0.0	15,633.6
Veterans' Services, Department of	88.3	412.0	500.3	88.3	412.0	500.3
Veterinary Medical Examining Board, AZ. State	0.0	5.5	5.5	0.0	5.5	5.5
Water Resources, Department of	88.5	1.5	90.0	88.5	1.5	90.0
Weights and Measures, Department of	19.4	17.0	36.4	19.4	17.0	36.4
TOTAL APPROPRIATED FUNDS	34,206.7	15,216.7	49,423.4	33,646.0	15,263.6	48,909.6

- 1/ Full-Time Equivalent (FTE) Positions shown for individual agencies include only those positions funded by appropriated funds. The detail for changes in FTE Positions that occurred between FY 2013 and FY 2014 can be found in the individual agency pages.
- 2/ Includes 4.5 General Fund FTE Positions in the Department of Emergency and Military Affairs and 4.5 General Fund FTE Positions in the Radiation Regulatory Agency for FY 2013 as appropriated by Laws 2011, Chapter 132, and for FY 2014 and FY 2015 as appropriated by Laws 2013, Chapter 13. Laws 2013, Chapter 13 also appropriated 1.88 General Fund FTE Positions in the Department of Agriculture in FY 2014 and FY 2015.
- 3/ Includes 1,174.8 FTE Positions in the FY 2013 and 1,174.8 FTE Positions in the FY 2014 Other Fund FTE columns funded from the Medicaid Federal Expenditure Authority.
- 4/ Includes 1,689.9 FTE Positions in FY 2013 and 1,689.9 FTE Positions in FY 2014 funded by the Long Term Care System Fund and Federal Funds for Child Support Enforcement.
- 5/ Includes 1 General Fund FTE Position in the Department of Emergency and Military Affairs for the administration of the Military Installation Fund per A.R.S. § 26-263.
- 6/ The FY 2014 General Appropriation Act merged the Law Enforcement Merit System Council with the Department of Public Safety.
- 7/ Laws 2013, Chapter 108 separated the Board of Massage Therapy from the Naturopathic Physicians Medical Board.
- 8/ Includes 1 FTE Position in FY 2014 for the Arizona State Retirement System appropriated by Laws 2013, Chapter 216 for modifications regarding ineligible employees.
- 9/ All university FTE Positions are attributed to the General Fund, although the universities fund these positions from Other Appropriated Funds as well.

BUDGET UNITS

Arizona State Board of Accountancy

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	651,000	710,300	717,600
Employee Related Expenditures	313,000	331,600	331,500
Professional and Outside Services	450,200	564,900	564,900
Travel - In State	4,400	6,000	6,000
Travel - Out of State	3,500	10,600	10,600
Other Operating Expenditures	210,600	283,400	288,100
Equipment	7,400	15,000	15,000
AGENCY TOTAL	1,640,100	1,921,800	1,933,700^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Accountancy Fund	1,640,100	1,921,800	1,933,700
SUBTOTAL - Other Appropriated Funds	1,640,100	1,921,800	1,933,700
SUBTOTAL - Appropriated Funds	1,640,100	1,921,800	1,933,700
TOTAL - ALL SOURCES	1,640,100	1,921,800	1,933,700

AGENCY DESCRIPTION — The board licenses, investigates, and conducts examinations of certified public accountants and public accountants. The board is also responsible for registering and investigating accounting firms owned by certified public accountants.

Operating Budget

The budget includes \$1,933,700 and 13 FTE Positions from the Board of Accountancy Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$11,900 from the Board of Accountancy Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Acupuncture Board of Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	53,100	85,600	88,500
Employee Related Expenditures	6,500	17,500	17,500
Professional and Outside Services	400	1,200	18,200
Travel - In State	1,000	0	0
Other Operating Expenditures	32,300	25,200	26,000
Equipment	900	0	0
AGENCY TOTAL	94,200	129,500	150,200^{1/}

FUND SOURCES

Other Appropriated Funds

Acupuncture Board of Examiners Fund	94,200	129,500	150,200
SUBTOTAL - Other Appropriated Funds	94,200	129,500	150,200
SUBTOTAL - Appropriated Funds	94,200	129,500	150,200
TOTAL - ALL SOURCES	94,200	129,500	150,200

AGENCY DESCRIPTION — The Acupuncture Board of Examiners licenses and regulates the practice of acupuncture by individuals who are not licensed to practice acupuncture by another professional board. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$150,200 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Board Member Compensation

The budget includes an increase of \$1,800 from the Acupuncture Board of Examiners Fund in FY 2014 for compensation for 3 consumer board members.

Rulemaking Expenses

The budget includes a one-time increase of \$5,000 from the Acupuncture Board of Examiners Fund in FY 2014 for rulemaking expenses associated with adapting to national licensing standards.

Temporary Services

The budget includes an increase of \$12,000 from the Acupuncture Board of Examiners Fund in FY 2014 for temporary administrative support to process license renewals.

Statewide Adjustments

The budget includes an increase of \$1,900 from the Acupuncture Board of Examiners Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona Department of Administration

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	689.7	528.1	528.1 ^{1/}
Personal Services	25,127,800	30,139,300	30,949,700
Employee Related Expenditures	10,093,600	12,280,700	12,412,300
Professional and Outside Services	4,686,600	5,430,000	9,643,000
Travel - In State	308,600	318,200	318,200
Travel - Out of State	39,600	49,900	49,900
Other Operating Expenditures	33,577,800	28,989,400	30,136,400
Equipment	4,053,900	2,921,300	2,921,300
OPERATING SUBTOTAL	77,887,900	80,128,800	86,430,800 ^{2/}
SPECIAL LINE ITEMS			
Facilities Management			
Utilities	6,962,600	8,275,600	8,275,600
Financial Services			
County Attorney Immigration Enforcement	1,213,200	1,213,200	1,213,200 ^{3/}
ENSCO	1,436,400	0	0
Named Claimants	198,300	283,700	0
White Mountain Apache Water Rights Settlement	0	2,000,000	0
Human Resources			
Human Resources Information Solution COP	5,550,600	3,319,600	0
Information Technology Services			
Public Safety Communications	504,000	546,300	549,700
Statewide Information Security and Privacy Office	835,300	866,900	871,700
Risk Management			
Federal Transfer Payment	5,921,900	8,831,400	0
Risk Management Administrative Expenses	5,112,400	8,746,100	8,746,100
Risk Management Losses and Premiums	37,639,300	44,691,200	45,656,200
Workers' Compensation Losses and Premiums	29,409,200	30,955,200	30,955,200
Support Services			
State Surplus Property Sales Proceeds	1,192,300	1,260,000	1,260,000 ^{4/}
Other			
One-Time COSF: Rosenbaum Archives Building	613,300	0	0
AGENCY TOTAL	174,476,700	191,118,000 ^{5/}	183,958,500 ^{6/}
FUND SOURCES			
General Fund	15,133,400	13,948,000	11,694,300
<u>Other Appropriated Funds</u>			
Air Quality Fund	621,800	714,100	927,100 ^{7/}
Automation Operations Fund	16,531,300	18,983,000	19,108,000 ^{8/}
Capital Outlay Stabilization Fund	16,139,800	17,989,700	18,070,700
Corrections Fund	416,600	566,700	572,900
Federal Surplus Materials Revolving Fund	90,800	460,600	464,100
Information Technology Fund	2,726,000	3,208,100	3,232,300
Motor Vehicle Pool Revolving Fund	9,463,400	10,059,500	10,155,800 ^{9/}
Personnel Division Fund	14,969,300	14,624,900	12,898,700
Risk Management Revolving Fund	90,231,500	95,769,100	93,072,200
Special Employee Health Insurance Trust Fund	4,020,800	10,323,000	5,259,200
State Surplus Materials Revolving Fund	2,277,300	2,389,600	2,399,600 ^{4/}
State Web Portal Fund	183,600	250,000	4,250,000
Telecommunications Fund	1,671,100	1,831,700	1,853,600
SUBTOTAL - Other Appropriated Funds	159,343,300	177,170,000	172,264,200
SUBTOTAL - Appropriated Funds	174,476,700	191,118,000	183,958,500

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
Other Non-Appropriated Funds	863,517,200	822,118,500	956,876,900
Federal Funds	7,810,900	9,102,900	4,071,000
TOTAL - ALL SOURCES	1,045,804,800	1,022,339,400^{10/}	1,144,906,400

AGENCY DESCRIPTION — The department provides centralized general support services to state agencies, including accounting, financial, purchasing, building and grounds maintenance, personnel, information technology, motor pool, travel reduction, and risk management services.

Operating Budget

The budget includes \$86,430,800 and 521.1 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$9,305,700
Air Quality Fund	927,100
Automation Operations Fund	19,108,000
Capital Outlay Stabilization Fund (COSF)	10,420,800
Corrections Fund	572,900
Federal Surplus Materials Revolving Fund	464,100
Information Technology Fund	2,360,600
Motor Vehicle Pool Revolving Fund	10,155,800
Personnel Division Fund	12,898,700
Risk Management Revolving Fund	7,714,700
Special Employee Health Insurance	5,259,200

Trust Fund

State Surplus Materials Revolving Fund	1,139,600
State Web Portal Fund	4,250,000
Telecommunications Fund	1,853,600

These amounts fund the following adjustments:

Web Portal Transition

The budget includes an increase of \$4,000,000 from the State Web Portal Fund in FY 2014 for costs associated with the transition to a new state web portal contract.

The previous contract required a third party vendor to collect all web portal revenues directly from the sale of motor vehicle record copies. The vendor would then distribute a portion to the Highway User Revenue Fund (HURF) pursuant to A.R.S. § 28-446, deduct their cost of operating and maintaining the state's web portal, and

^{1/} Includes 4 GF and 3 OF FTE Positions funded from Special Line Items in FY 2014.

^{2/} The department may collect an amount not to exceed \$1,762,600 from other funding sources, excluding Federal Funds, to recover pro rata costs of operating AFIS II. (General Appropriation Act footnote)

^{3/} Of the \$1,213,200 appropriated to the County Attorney Immigration Enforcement line item, \$200,000 shall be distributed to the county attorney of a county in this state having a population of 2,000,000 or more persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes, and \$500,000 shall be distributed to the county sheriff of a county in this state having a population of 2,000,000 or more persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes. Subject to the prior approval of the Joint Legislative Budget Committee, the remaining monies may be distributed to county attorneys and county sheriffs of counties with populations of less than 2,000,000 persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes. This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. The appropriated monies may be spent in the sole discretion of the county attorney or county sheriff to whom the monies are distributed for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes, without any further approval or other action by the county board of supervisors of the county. Each county shall submit an annual report to the Department of Administration on or before October 1, 2013 on the actual use of funds in the previous fiscal year and the projected use of monies in the current fiscal year. The Department of Administration shall report to the Directors of the Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee on or before November 1, 2013 on the use of these monies. (General Appropriation Act footnote)

^{4/} All State Surplus Materials Revolving Fund revenues received by the Department of Administration in excess of the \$2,399,600 in FY 2014 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund receipts in excess of \$2,399,600 in FY 2014, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{5/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(76,700) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments Section.)

^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{7/} The amounts appropriated for the State Employee Transportation Service Subsidy shall be used for up to a 50% subsidy of charges payable for transportation service expenses as provided in A.R.S. § 41-710.01, of nonuniversity state employees in a vehicle emissions control area as defined in A.R.S. § 49-541, of a county with a population of more than 400,000 persons. (General Appropriation Act footnote)

^{8/} The appropriation for the Automation Operations Fund is an estimate representing all monies, including balance forward, revenue and transfers during FY 2014. These monies are appropriated to the Department of Administration for the purposes established in A.R.S. § 41-711. The appropriation shall be adjusted as necessary to reflect receipts credited to the Automation Operations Fund for Automation Operation Center projects. Before the expenditure of any Automation Operations Fund revenues in excess of \$19,108,000 in FY 2014, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{9/} It is the intent of the Legislature that the department not replace vehicles until an average of 120,000 miles or more. (General Appropriation Act footnote)

^{10/} Excludes \$16,800,000 from the General Fund and \$11,300,000 from Other Funds in FY 2013 for automation projects. The Other Funds amount consists of \$4,200,000 from the Automation Operations Fund, \$5,600,000 from the State Web Portal Fund, and \$1,500,000 from the Information Technology Fund. These amounts are now displayed as part of the ADOA - Automation Projects program.

deposit any remaining amount into the State Web Portal Fund. As a result, the costs of the vendor operating and maintaining the state web portal were not included in ADOA's annual budget.

The new web portal contract will require all revenues from the sale of motor vehicle record copies, excluding the HURF distribution, to be deposited directly into the State Web Portal Fund. ADOA will then expend the increased funding amount of \$4,000,000 for contracted Professional and Outside Services to operate and maintain the state web portal on an ongoing basis.

The FY 2014 Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 6) requires all Web Portal Fund distributions to be subject to legislative appropriation, with the exception of any distribution to the Highway User Revenue Fund.

In addition, the budget includes \$1,975,000 from the Automation Projects Fund in FY 2014 for one-time costs associated with the transition to a new State Web Portal Contract. *(Please see the Automation Projects narrative for more information.)*

Personnel Division Funding

The budget includes an increase of \$1,493,700 from the Personnel Division Fund in FY 2014 for an increase in Personnel Division funding. The funding will be used for implementation costs related to personnel reform enacted by Laws 2012, Chapter 321.

The Budget Procedures BRB reduced the HRD pro-rata assessment from 1.10% to 0.86%. *(Please see the Human Resource Division Pro Rata Section in Other Issues for more information.)*

Travel Reduction Office Bus Subsidies

The budget includes an increase of \$213,000 from the Air Quality Fund in FY 2014 to continue to subsidize bus fares for state employees at a level of 50%. A fare increase by Valley Metro effective January 1, 2013 increased the cost of the program.

Statewide Adjustments

The budget includes an increase of \$595,300 in FY 2014 for statewide adjustments.

This amount consists of:

General Fund	\$26,600
Automation Operations Fund	125,000
Capital Outlay Stabilization Fund (COSF)	81,000
Corrections Fund	6,200
Federal Surplus Materials Revolving Fund	3,500
Information Technology Fund	19,400
Motor Vehicle Pool Revolving Fund	96,300
Personnel Division Fund	99,700
Risk Management Revolving Fund	65,400

Special Employee Health Insurance	40,300
Trust Fund	
State Surplus Materials Revolving Fund	10,000
Telecommunications Fund	21,900

(Please see the Agency Detail and Allocations section.)

Facilities Management

Utilities

The budget includes \$8,275,600 in FY 2014 for Utilities. This amount consists of:

General Fund	625,700
COSF	7,649,900

These amounts are unchanged from FY 2013.

This line item funds utility charges, including electric, water, gas, and garbage disposal, for state-owned buildings.

Financial Services

County Attorney Immigration Enforcement

The budget includes \$1,213,200 from the General Fund in FY 2014 for County Attorney Immigration Enforcement. This amount is unchanged from FY 2013.

This line item is for distribution to county attorneys and county sheriffs for the purpose of enforcement of Title 23, Chapter 2, Article 2, Arizona Revised Statutes which prohibits an employer from knowingly employing unauthorized immigrants and general enforcement of immigration related matters.

A General Appropriation Act footnote specifies that of the \$1,213,200 appropriated to this line item:

- \$200,000 shall be distributed to the county attorney of a county with a population of 2,000,000 or more persons.
- \$500,000 shall be distributed to the county sheriff of a county with a population of 2,000,000 or more persons.
- Subject to prior approval by the Joint Legislative Budget Committee, the remaining monies may be distributed to county attorneys and county sheriffs of counties with populations of less than 2,000,000 persons.
- In addition, the footnote requires that each county shall submit an annual report to ADOA by October 1, 2013 on the actual use of the monies in the previous

year and the projected use of the monies in the current year. ADOA is required to report to JLBC and OSPB on the use of these monies by November 1, 2013.

In FY 2012 and FY 2013, ADOA did not request committee approval prior to distributing the remaining funds due to an oversight. ADOA distributed the non-Maricopa County funding proportionately by population.

Laws 2012, Chapter 346 states that monies distributed to the Apache County Attorney's Office shall indefinitely be used to represent the interests of the people of Arizona and Apache County for legal action against the United States Forest Service for the destruction of endangered species habitat in Arizona caused by the lack of forest thinning and forage fuel removal activities.

Named Claimants

The budget includes no funding from the General Fund in FY 2014 for Named Claimants. This amount funds the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(283,700) from the General Fund in FY 2014 for the elimination of one-time funding of prior year unpaid claims.

The state must annually settle legitimate unpaid claims against received goods and services, as submitted by the various state agencies. Monies in this SLI are not included in the General Appropriation Act. A separate legislative act usually makes this appropriation. Laws 2013, Chapter 14 appropriates \$283,681.96 from the General Fund in FY 2013 for prior year unpaid claims.

The General Fund is used to pay the Named Claimants bills, but is reimbursed if the claim would have otherwise been paid by another fund source. Of the \$283,681.96, the General Fund will receive \$44,371.73 from the Capital Outlay Stabilization Fund, \$10,180.25 from the State Highway Fund, and \$470.68 from the Air Quality Fund. The total of \$55,022.66 will be deposited in the General Fund as revenue.

Vendors providing goods and services to the state can make claims against the receiving agencies if invoices are not paid in full. Up to 1 year following receipt, state agencies have the financial authority to pay such claims through administrative adjustments. However, the Legislature must grant special appropriation authority to pay claims older than 1 year.

White Mountain Apache Water Rights Settlement

The budget includes no funding from the General Fund in FY 2014 for the White Mountain Apache Tribe's water

rights settlement. This amount funds the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2014 for the elimination of one-time funding. The state's obligation related to the settlement of the White Mountain Apache Tribe's water rights claims was a one-time expenditure made in FY 2013.

This line item funded an obligation which becomes effective on receipt of notice by the Executive Director of the Arizona Legislative Council from the Department of Water Resources that the Secretary of the United States Department of Interior has issued a Record of Decision approving the construction of the White Mountain Apache Tribe rural water system. The monies are exempt from lapsing requirements.

Human Resources

Human Resources Information Solution COP

The budget includes no funding from the Personnel Division Fund in FY 2014 for the Human Resources Information Solution (HRIS) Certificate of Participation (COP). This amount funds the following adjustments:

Expiration of COP Lease-Purchase

The budget includes a decrease of \$(3,319,600) from the Personnel Division Fund in FY 2014 for the expiration of the HRIS COP lease-purchase. The lease-purchase payments for HRIS end in FY 2013.

This line item funded semi-annual payments made on the \$35,000,000 12-year COP issued to fund HRIS.

Information Technology Services

Public Safety Communications

The budget includes \$549,700 and 4 FTE Positions from the General Fund in FY 2014 for Public Safety Communications. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,400 from the General Fund in FY 2014 for statewide adjustments.

The Public Safety Communications Program designs and implements a standard based system that provides interoperability between statewide public safety agencies.

Radio interoperability allows public safety personnel from one agency to communicate with personnel from other agencies.

Statewide Information Security and Privacy Office

The budget includes \$871,700 and 3 FTE Positions from the Information Technology Fund in FY 2014 for the Statewide Information Security and Privacy Office. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,800 from the Information Technology Fund in FY 2014 for statewide adjustments.

The office performs strategic planning, policy development, and risk assessment to protect the state's information resources.

Risk Management

Federal Transfer Payment

The budget includes no funding in FY 2014 to eliminate one-time payments to the federal government. This amount funds the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(8,831,400) in FY 2014 to eliminate one-time payments to the federal government. This amount consists of:

Risk Management Fund	(3,727,300)
Special Employee Health Insurance Trust Fund	(5,104,100)

The FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1, Section 105) included an FY 2013 supplemental appropriation of \$3,727,300 from the Risk Management Fund to repay a portion of certain disallowed costs and fund transfers to the federal government. This amount consists of:

- \$618,400 for disallowed costs relating to Attorney General legal services.
- \$341,400 for disallowed costs relating to the Government Information Technology Agency (GITA).
- \$2,767,500 for fund transfers prior to FY 2013.

In addition, Chapter 1 specifies that it is the intent of the Legislature that ADOA shall not enter into any agreements to pay for any federal reimbursements related to excess balances in the Special Employee Health Insurance Trust Fund (HITF), or interest payments made for the Human Resource Information Solution (HRIS) Certificate of

Participation (COP), unless the proposed agreements are reviewed by the Joint Legislative Budget Committee.

The FY 2013 General Appropriation Act (Laws 2012, Chapter 294, Section 2) gave ADOA the authority in FY 2013 to settle with the federal government any debts incurred due to HITF transfers to the General Fund that occurred in FY 2012. During FY 2012, the state had transferred \$40,000,000. Chapter 294 appropriated settlement monies from HITF to ADOA for this purpose, under the stipulation that ADOA submit an expenditure plan to JLBC for review before any federal repayment was made.

ADOA's General Accounting Office (GAO) negotiated with the U.S. Department of Health and Human Services (HHS) to determine the amounts due. Including accrued interest since the transfer, ADOA agreed to repay \$5,104,100. The JLBC gave a favorable review to this amount at its June 11, 2013 meeting. *(Please see the Federal Financial Participation Repayment section in Other Issues for more information.)*

Risk Management Administrative Expenses

The budget includes \$8,746,100 from the Risk Management Revolving Fund in FY 2014 for Risk Management Administrative Expenses. This amount is unchanged from FY 2013.

This line item funds financial and actuarial analyses, relevant investigations, and related travel. This line item also funds legal representation from outside the Office of the Attorney General.

Risk Management Losses and Premiums

The budget includes \$45,656,200 from the Risk Management Revolving Fund in FY 2014 for Risk Management Losses and Premiums. This amount funds the following adjustments:

Risk Management Losses

The budget includes an increase of \$965,000 from the Risk Management Revolving Fund in FY 2014 for an estimated increase in Risk Management Losses and Premiums. This increase is a result of an independent actuarial review of the department's claim history and exposure.

This line item represents estimated payments for liability and property settlements, medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Workers' Compensation Losses and Premiums

The budget includes \$30,955,200 from the Risk Management Revolving Fund in FY 2014 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2013.

This line item accounts for the state's liability in workplace injuries. The funding represents payments for workers' compensation beneficiaries, hospital and medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Support Services

State Surplus Property Sales Proceeds

The budget includes \$1,260,000 from the State Surplus Materials Revolving Fund in FY 2014 for State Surplus Property Sales Proceeds. This amount is unchanged from FY 2013.

This line item separates surplus sales proceeds returned to agencies from the division's operating budget. The surplus property yard returns 90% of sales proceeds to the agency from which the property originated. The yard retains 10% of the proceeds to fund its operations.

Additional Legislation

The FY 2014 Government BRB (Laws 2013, 1st Special Session, Chapter 2) eliminated the requirement that state employees work regularly for at least 90 days before becoming eligible for state employee benefits.

Other Issues

Automation Projects

The budget includes \$40,138,000 from the Automation Projects Fund in FY 2014 for automation and information technology projects at ADOA. This amount consists of:

AFIS Replacement

The budget includes \$28,638,000 from the Automation Projects Fund in FY 2014 for the second year of a 4-year project to replace the state's financial and accounting system.

ASET Initiatives

The budget includes \$11,500,000 from the Automation Projects Fund in FY 2014 for a variety of technology projects administered by the Arizona Strategic Enterprise Technology (ASET) office in ADOA.

(Please see the Department of Administration – Automation Projects Fund section for details regarding these information technology projects.)

Health Insurance Trust Fund

The Health Insurance Trust Fund (HITF) is used to administer state employee health insurance benefit plans. Funding consists of employer and employee medical and dental insurance contributions. At the end of FY 2012, HITF had a balance of \$328,500,000. Recent budgets have included a number of measures to reduce the HITF balance.

The FY 2014 General Appropriation Act (Laws 2012, 1st Special Session, Chapter 1) requires a \$68,000,000 transfer from the HITF balance to the General Fund, and the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) required a \$30,000,000 transfer. Some of the HITF revenues come from Federal Funds. As a result, the federal government requires that they receive a refund as well, known as a federal financial participation (FFP) repayment, when HITF monies are transferred to the General Fund. In FY 2013, ADOA is expected to make a \$5,100,000 FFP repayment for current and prior year transfers.

Additionally, the FY 2013 General Appropriation Act, as amended by the FY 2014 General Appropriation Act, required a health insurance premium holiday that would generate \$19,381,500 in General Fund savings in FY 2013. After accounting for non-General Fund and employee savings, the holiday will reduce total fund revenues by \$43,118,500.

Despite both of the balance reduction measures, HITF is expected to have a fund balance of \$337,300,000 at the end of FY 2014. Information on HITF receipts, expenses and fund balances are displayed in *Table 1*.

Table 1		
Health Insurance Trust Fund		
Balance Sheet		
(\$ in millions)		
	Estimated FY 2013	Estimated FY 2014
Beginning Balance	\$328.5	\$325.4
Receipts	802.3	805.7
Premium Holiday	(64.7)	0.0
Net Receipts	737.6	805.7
Expenses	705.6	745.3
FFP Repayment	5.1	0.0 ^{1/}
Transfer	30.0	73.5
Net Expenses	740.7	818.8
HITF Ending Balance	\$325.4	\$312.3
^{1/} To be determined		

Risk Management Fund

ADOA's Risk Management Division annually levies a charge on all state agencies to provide funding to pay the state's property and liability losses and workers' compensation losses, and to purchase insurance coverage for losses not covered under our self-insured limits. The revenue generated from the charges to agencies is deposited in the Risk Management Fund. Property and liability losses, along with workers' compensation losses, comprise the majority of Risk Management Fund expenditures.

In recent years, Risk Management expenditures have been significantly lower than fund revenue. Even with transfers of Risk Management monies to other agencies and transfers to the General Fund to help balance the budget, the fund has consistently had an ending balance of approximately \$50,000,000.

Table 2

Risk Management Fund (\$ in thousands)

	Actual	Estimated	Estimated
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Beginning Balance	59,487.8	45,361.3	14,624.4
Revenues	<u>105,723.5</u>	<u>104,884.4</u>	<u>104,236.9</u>
Total Funds Available	165,211.3	150,245.7	118,861.3
Expenditures			
ADOA	78,433.0	92,041.8	93,072.2
Other Agencies	19,368.0	36,852.2	10,639.4 ^{1/}
Legislative Transfers	16,127.1	-	-
Federal Repayment	<u>5,921.9</u>	<u>6,727.3</u>	-
Total Expenditures	119,850.0	135,621.3	103,711.6
Ending Balance	45,361.3	14,624.4	15,149.7
Spending Adjustment ^{2/}	-	(13,000.0)	(13,000.0)
Adjusted Expenditures	-	122,621.3	90,711.6
Revised Balance	45,361.3	27,624.4	41,149.7

^{1/} Incorporates shifting \$10,986,600 of State Land Department funding from the Risk Management Fund to the General Fund in FY 2014.

^{2/} Would reduce projected expenditures closer to historical spending levels.

Table 2 depicts actual balance, revenue, and expenditure information for FY 2012 as well as the estimated amounts for FY 2013 and FY 2014. ADOA estimates that the ADOA-related expenditures (claims and administrative costs) would be considerably more than what was spent in FY 2012, resulting in significant decreases to the balance in FY 2013 and FY 2014. Due to the unpredictable nature of the Risk Management program, ADOA tends to estimate future expenditures above historical spending levels. Table

2 also includes adjusted expenditure estimates for FY 2013 and FY 2014, which are closer to historical spending levels. Under these adjusted estimates, the balance would be \$27,600,000 in FY 2013 and \$41,100,000 in FY 2014.

As a result of the large balance in the Risk Management Fund, monies from the fund have been used to support other agencies in recent years. The use of the funding has typically been in circumstances where the lack of funding would result in potential liability to the state. Risk Management funds have been used to pay for State Land Department operations, Department of Public Safety (DPS) disaster recovery planning, DPS-Capitol Police salaries, and Arizona Navigable Streams Adjudication Commission litigation costs. *(Please see the next issue on Federal Financial Participation Repayment for more information.)*

The FY 2014 budget shifts funding for DPS disaster recovery planning from the Risk Management Fund to the Automation Operations Fund. *(Please see the Department of Public Safety agency section for more information.)*

The Risk Management Fund has been used to fund the operating expenses of the State Land Department since FY 2012 when the Arizona Court of Appeals ruled that the department could no longer use a 10% commission on the proceeds from the sale of State Trust land for the department's operating expenses. On January 9, 2013, the Arizona Supreme Court upheld the Arizona Court of Appeals ruling. As a result, the budget shifts \$10,747,400 in State Land Department funding from the Risk Management Fund to the General Fund in FY 2014. *(Please see State Land Department Other Issues section for more information.)*

In addition to funding other agencies, the balance was used to refund a portion of certain fund balances to the federal government in FY 2013. *(Please see the Federal Transfer Payment Section above, and the Federal Financial Participation Repayment Section below for more information.)*

Federal Financial Participation Repayment

As part of its budget balancing, the state transferred monies from several ADOA funds in FY 2009 through FY 2012. The federal government contributed to several of those funds. For example, the state's Risk Management Fund is funded from charges to state agencies. These agencies may use Federal Funds to pay their charge. If part of the fund balance is transferred to the General Fund, the federal government bills the state to have a proportionate share of the fund balance paid back to the federal government.

The federal government also does not allow the use of Federal Funds to pay state agency charges in certain

circumstances. In 3 circumstances, the federal government objected to the use of monies in these state charge funds:

- The Attorney General (AG) pro rata charge, which billed state agencies based on a percentage of payroll to fund AG activities. In response to this, the FY 2013 Criminal Justice BRB (Laws 2012 Chapter 302) eliminated the AG pro rata charge and replaced it with a charge that cannot be paid from Federal Funds.
- The use of Risk Management Funds to pay for State Land Department operations, DPS disaster recovery planning, DPS-Capitol Police salaries, and Navigable Streams Adjudication Commission litigation costs.
- Certain uses of the state Information Technology pro rata charge, which is funded as a percentage of state agency payroll expenses.

In FY 2013, the federal government charged the state \$8,831,300 for fund transfers and disallowed spending of federal monies in FY 2012. This amount consists of:

- \$5,104,100 from the Special Employee Health Insurance Trust Fund (HITF) for FY 2012 transfers to the General Fund.
- \$3,727,200 from the Risk Management Fund for disallowed costs relating to Attorney General legal services, the Government Information Technology Agency (GITA), and fund transfers prior to FY 2013.

The FY 2013 General Appropriation Act appropriated funding from HITF in FY 2013 to settle with the federal government any debts incurred due to HITF transfers to the General Fund in FY 2012. As a result, ADOA negotiated with the U.S. Department of Health and Human Services (HHS) and agreed to repay \$5,104,100 from HITF to settle these debts. *(Please see the Federal Transfer Payment Section above for more information.)*

The FY 2014 General Appropriation Act included an FY 2013 supplemental appropriation of \$3,727,300 from the Risk Management Fund to refund a portion of certain disallowed costs and fund transfers to the federal government. *(Please see the Federal Transfer Payment Section above for more information.)*

ADOA was appropriated \$10,400,000 from the Risk Management Fund in FY 2012 to pay for disallowed transfers and expenditures made in FY 2010 and FY 2011. ADOA used approximately \$5,900,000 of the appropriation to repay the federal government in FY 2012 along with another \$3,000,000 during FY 2013.

Telecommunications Fund

In 2003, the Legislature mandated the privatization of telecommunication services for all state agencies and branch offices, excluding state universities and community colleges (Laws 2003, Chapter 263). The result was the implementation of the state's telecommunications network, known as AZNet 1, administered by Accenture, with an original 5-year cost of \$145,000,000. The Accenture contract lasted nearly 6.5 years, expiring in January of 2012. AZNet 1 was followed by a temporary contract with Black Box Network Services to provide minimal telecommunications services during a transitional period to AZNet 2, the state's current telecommunications network. AZNet 2 was implemented in September 2012, is administered by CenturyLink, and has a 5-year cost of \$119,000,000.

The billing function of AZNet 2 is administered by Telesoft, a third party Telecommunications Expense Management (TEM) provider. Telesoft aggregates an agency's various bills, including CenturyLink and other service providers, as well as an amount for the Arizona Strategic Enterprise Technology Office (ASET). Each agency pays Telesoft directly but the monies collected for ASET (equal to an additional 6.1% above an agency's telecommunications service charge) are deposited into ADOA's Telecommunications Fund to operate the Enterprise Infrastructure and Communications Program (EIC), as established in A.R.S. § 41-712. EIC is tasked with management and oversight of statewide contracts for telecommunications products and services.

Human Resource Division Pro Rata Charge

Pursuant to A.R.S. § 41-750, state agencies are required to pay a pro rata share of their overall payroll to fund the State Personnel Board and the Human Resources Division (HRD). The FY 2014 Budget Procedures BRB reduced the HRD pro-rata assessment from 1.10% to 0.86%, where 0.03% of total payroll funds the State Personnel Board and the remaining 0.83% funds the HRD.

Additional agencies are being charged the pro rata assessment in FY 2014, increasing HRD's revenue base. Laws 2012, Chapter 321, the omnibus personnel bill, expanded ADOA's personnel system to cover an additional 7 state agencies. The 7 agencies are:

- Department of Gaming
- Governor's Office
- Governor's Office of Strategic Planning and Budgeting
- Public Safety Personnel Retirement System
- Arizona State Retirement System
- Secretary of State
- Office of Tourism

Chapter 321 did not provide funding to these new agencies to pay the pro-rata assessment. While originally

scheduled to begin collecting the charge from these agencies in October 2012, the FY 2014 Budget Procedures BRB delayed implementation until FY 2014. The budget includes funding for these new agencies to pay the HRD pro-rata assessment of 0.86% beginning in FY 2014. *(Please see the Agency Detail and Allocations Section.)*

A second component of the reduction to the pro rata charge is lower expenditure requirements. The Human Resources Information Solution (HRIS) Certificate of Participation (COP) ends in FY 2013, resulting in a reduction to FY 2014 expenditure requirements of \$(3,319,600). *(Please see the Human Resources Information Solution COP special line item section above for more information.)*

The new rate of 0.86%, however, also incorporates upward budget adjustments. The budget includes an increase of \$1,493,700 from the Personnel Division Fund in FY 2014. The funding will be used for implementation costs related to personnel reform enacted by Laws 2012, Chapter 321. *(Please see the Personnel Division section in the Operating Budget above for more information.)*

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Arizona Department of Administration - Automation Projects Fund

	FY 2013 ESTIMATE	FY 2014 APPROVED	FY 2015 APPROVED	FY 2016 APPROVED
INDIVIDUAL PROJECTS				
Department of Administration				
AFIS Replacement ^{1/}	8,627,000	28,638,000	26,533,000	9,202,000
ASET Initiatives ^{1/}				
State Data Center	4,086,500	2,675,000	0	0
Security, Privacy, and Risk	1,925,200	3,075,000	0	0
Enterprise Architecture	850,000	1,000,000	0	0
Project Management	100,000	2,450,000	0	0
E-Government	3,025,000	325,000	0	0
Web Portal Transition Costs	0	1,975,000	0	0
ASET Initiatives Subtotal	9,986,700	11,500,000	0	0
Department of Administration Subtotal	18,613,700	40,138,000	26,533,000	9,202,000
AHCCCS				
Data Security	830,000	0	0	0
Department of Corrections				
AIMS Replacement ^{1/}	0	8,000,000	0	0
Department of Environmental Quality				
E-Licensing ^{1/}	0	5,000,000	0	0
Department of Education				
LAS	0	7,000,000 ^{2/}	0	0
Department of Revenue				
BRITS ^{1/}	3,431,200	1,700,000	0	0
Encryption ^{1/}		4,900,000	0	0
Department of Revenue Subtotal	3,431,200	6,600,000	0	0
Undesignated Funds	5,225,100	0	0	0
TOTAL - ALL PROJECTS^{3/4/}	28,100,000	66,738,000	26,533,000	9,202,000
FUND SOURCES				
General Fund	16,800,000	18,400,000 ^{5/}	18,400,000	9,202,000
<u>Other Appropriated Funds</u>				
Automation Operations Fund	4,200,000	0	0	0
State Web Portal Fund	5,600,000	0	0	0
Information Technology Fund	1,500,000	0	0	0
Automation Projects Fund	0	66,738,000	26,475,700	9,202,000
SUBTOTAL - Other Appropriated Funds	11,300,000	66,738,000	26,475,700	9,202,000
SUBTOTAL - Appropriated Funds	28,100,000	85,138,000	44,875,700	18,404,000
TOTAL - ALL SOURCES	28,100,000	85,138,000	44,875,700	18,404,000

AGENCY DESCRIPTION — Laws 2012, Chapter 298 established the Automation Projects Fund, administered by the Arizona Department of Administration (ADOA). Monies in this appropriated fund are designated to implement, upgrade, or maintain automation and information technology projects for any state agency. Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit an expenditure plan to JLBC for review.

^{1/} In addition to the initial review of expenditures from the Automation Projects Fund by the Joint Legislative Budget Committee pursuant to A.R.S. § 41-714, monies appropriated in subsections A through F of this section from the Automation Projects Fund established by A.R.S. § 41-714, shall not be used for any purpose other than the specified purposes within each subsection without prior review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

Background

The FY 2013 Government Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 298) established the Automation Projects Fund, consisting of monies appropriated by the Legislature and administered by ADOA. The FY 2014 Budget Procedures BRB (Laws 2013, 1st Special Session, Chapter 6) subjects the Automation Projects Fund to legislative appropriation, retroactive to June 30, 2013. As a technical matter associated with subjecting the fund to legislative appropriation, Chapter 6 additionally gives ADOA the FY 2014 appropriation authority to spend remaining balances above \$5,300,000 as of June 30, 2013. The fund is exempt from lapsing. Monies in the fund are to be used to implement, upgrade or maintain automation and information technology projects for any state agency. Pursuant to A.R.S. § 41-714, before monies are expended from the fund, ADOA must submit an expenditure plan to JLBC for review.

The FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1, Section 115) specifies that monies appropriated for specific projects may not be used for any other purpose without prior review by the Joint Legislative Budget Committee. In addition, ADOA shall submit quarterly reports to the JLBC on the progress of all automation projects funded through the Automation Projects Fund, including the projects' deliverables, timeline for completion, and current status.

Department of Administration

The budget includes \$40,138,000 in FY 2014 from the Automation Projects Fund (APF) for automation and information technology projects at the Department of Administration.

The \$40,138,000 APF appropriation is financed from the following sources:

- \$18,400,000 appropriated from the General Fund
- \$8,937,900 transferred from individual agency Section 127 Automation Charge Transfers (*See below*).
- \$8,130,000 transferred from the Automation Operations Fund
- \$4,000,000 transferred from the State Web Portal Fund

- \$345,000 transferred from the Information Technology Fund
- \$325,100 transferred from FY 2013 remaining balances in the Automation Projects Fund

The \$40,138,000 consists of 2 main initiatives:

AFIS Replacement

The budget includes \$28,638,000 in FY 2014 from the Automation Projects Fund for the second year of a 4-year project to replace the state's financial and accounting system, the Arizona Financial Information System (AFIS). The project name is Business Re-Engineering Arizona (BREA).

AFIS was last upgraded in 1992 and is increasingly problematic due to its incompatibility with newer systems and capacity limitations. Laws 2012, Chapter 294 appropriated a total of \$79,800,000 from the General Fund over 4 years for deposit into the Automation Projects Fund, primarily for the replacement of AFIS.

In the 2013 Legislative Session, the Legislature enacted a plan to allocate a portion of AFIS replacement costs to non-General Fund sources. As a result, the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) reduced the Chapter 294 General Fund appropriation by \$16,998,000 over 4 years and replaced it with a one-time transfer totaling \$17,013,600 charged to other appropriated and non-appropriated funds for the replacement of AFIS. This charge represents a proportional contribution from the General Fund and all other funds, at an estimated 0.72% of FY 2014 expenditures.

Table 1 delineates the change in the Chapter 294 General Fund appropriation.

Table 1

Change in 4-year Chapter 294 General Fund Appropriation (\$ in thousands)

	<u>Chapter 294</u>	<u>Chapter 1</u>	<u>Difference</u>
FY 2013	16,800	16,800	0
FY 2014	20,000	18,400	(1,600)
FY 2015	20,000	18,400	(1,600)
FY 2016	<u>23,000</u>	<u>9,202</u>	<u>(13,798)</u>
Total	79,800	62,802	(16,998)

2/ In addition to the \$7,000,000, any remaining balances as of June 30, 2013 from fees collected from universities and community college districts from the Education Learning and Accountability Fund established by A.R.S. § 15-249.02, are appropriated for implementing, upgrading and maintaining the Student Longitudinal Data System and the Education Learning and Accountability System established pursuant A.R.S. § 15-249.02. (General Appropriation Act footnote)

3/ Starting in FY 2014, the Automation Projects Fund is appropriated. The General Fund dollar amount is appropriated for AFIS replacement and deposited into the Automation Projects Fund, and then further appropriated from the APF. As a result of this "double" appropriation, the "Total - All Projects" does not equal the "Total - All Sources."

4/ The Department of Administration shall submit to the Joint Legislative Budget Committee quarterly reports on or before the last day of each calendar quarter on the implementation of projects described in this section, including the projects' deliverables, timeline for completion and current status. (General Appropriation Act footnote)

5/ In addition to the \$18,400,000 direct General Fund appropriation for AFIS replacement, the FY 2014 budget transferred \$7,100,000 into the Automation Projects Fund to pay for the cost of the AELAS and BRITS projects.

The non-General Fund contributions can be found in Section 127 of the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) as a one-time transfer from other appropriated and non-appropriated funds from various state agencies. *(See Table 3 for individual agency charges.)*

In addition to these fund transfers, Section 127 authorizes ADOA to charge the Arizona Department of Agriculture and the Arizona State Retirement System for their proportionate share of the cost of AFIS replacement. These charges are estimated to be \$21,500 and \$151,000 respectively.

Including the charges to the Arizona Department of Agriculture and the Arizona State Retirement System, Section 127 transfers a total of \$17,013,600 to the Automation Projects Fund. This amount was charged to other appropriated and non-appropriated funds as a one-time charge in FY 2014, however, the funds will be spent over the next 2 years of the 4-year project, in FY 2014 and FY 2015.

The 4-year project is now estimated to cost \$73,000,000. The main project components are:

Vendor Contract	\$47,700,000
ADOA and Other Staffing	16,000,000
Third Party Oversight	5,200,000
Contingency Costs	<u>4,100,000</u>
Total	\$73,000,000

ADOA has awarded a \$47,700,000 contract to Consulting for Government and Industry (CGI) to construct the new AFIS system over 4 years. This amount includes \$32,700,000 for the vendor, \$12,600,000 for software licensing and maintenance, \$1,300,000 for hardware, and \$1,100,000 for other costs, including disaster recovery hosting. The vendor will devote as many as 81 Full Time Equivalent (FTE) Positions to this project, with some located on-site.

Project costs for the state are estimated to total \$16,000,000 through FY 2016. The most significant portion of state staffing costs will be \$11,700,000 allocated to hiring 40-43 FTE Positions during the design, build, and test phases of the project. Included in this total will be FTE Positions devoted to developing financial reports for the various AFIS functions and business modules, in addition to technical developers and analysts who will focus on programming and data security.

Given the complexity of information technology projects, ADOA has contracted with a third-party consultant, STA, to assist in the oversight of the replacement of AFIS, including providing estimates for remaining expenditures, and guidance on the scope of the new system. Initially \$3,000,000 was allocated to the consultant for the planning stages of the project. An additional \$2,200,000 was

allocated to fund the consultant through FY 2016, for a total cost of \$5,200,000 for project oversight.

Due to possible unforeseen costs, the project budget sets aside \$4,100,000 for a contingency.

The new AFIS system is scheduled to go live on July 1, 2015, based on the following timeline:

- March 2013 - August 2013: Business Process Reengineering (BPR)
- July 2013 - June 2015: Plan, design, build, test, train and implement
- July 1, 2015: Deploy the system to all state agencies
- July 2015 - September 2016: The vendor provides post-implementation support through the first fiscal year-end process

ASET Initiatives

The budget includes \$11,500,000 from the Automation Projects Fund in FY 2014 for technology projects administered by the Arizona Strategic Enterprise Technology (ASET) Office in ADOA. This amount consists of:

- \$2,675,000 to improve the state Data Center, including upgrading aging infrastructure, and implementing back-up power supply systems and disaster recovery solutions.
- \$3,075,000 to improve the security, privacy and risk of the state's information technology systems, including implementing firewalls and encrypting private and sensitive information.
- \$1,000,000 to improve enterprise architecture, including implementing tools to facilitate planning and data collection of information technology systems across all state agencies.
- \$2,450,000 for project management in the ASET office in ADOA. This includes Personal Services and Employee Related Expenditures to manage all projects funded through the Automation Projects Fund.
- \$325,000 to enhance E-government, including consolidating infrastructure and improving online financial applications.
- \$1,975,000 to account for one-time costs associated with transitioning to a new State Web Portal contract. This amount includes replacing the state's online proprietary payment processing system and modernizing certain aspects of the state web portal, as required by the new contract. *(Please see the Web Portal Transition section in ADOA's Operating Budget for more information.)*

AHCCCS

The budget includes no funding in FY 2014 from the Automation Projects Fund for AHCCCS automation and information technology projects. AHCCCS received a one-time allocation of ADOA's FY 2013 information technology appropriation. *(Please see Other Issues for more information.)*

Department of Corrections

The budget includes \$8,000,000 in FY 2014 from the Automation Projects Fund for Department of Corrections (ADC) automation and information technology projects. FY 2014 is the first year of a 3-year \$24,000,000 project to replace the Adult Inmate Management System (AIMS) operated by ADC. AIMS is an IT system that assists in tracking identification, population management, sentencing calculations, and the appeals and grievance processes for inmates in the correctional system.

The \$8,000,000 APF appropriation is financed from the following 2 ADC funds:

- \$5,500,000 from the Inmate Store Proceeds Fund
- \$2,500,000 from the State DOC Revolving Fund

Department of Environmental Quality

The budget includes \$5,000,000 in FY 2014 from the Automation Projects Fund for an e-licensing project at the Department of Environmental Quality. This project will develop an electronic permitting and record submission system that reduces the time required to grant permits.

The \$5,000,000 APF appropriation is financed from the Vehicle Emissions Inspection Fund.

Department of Education

The budget includes \$7,000,000 in FY 2014 from the Automation Projects Fund for further revisions to the Education Learning and Accountability System (ELAS) at the Department of Education. This project will allow ADE to collect, compile, maintain and report student level data for students enrolled in public schools. *(Please see the Department of Education, Education Learning and Accountability System section for more information.)*

The \$7,000,000 APF appropriation is financed from the following 2 sources:

- \$5,400,000 from the General Fund
- \$1,600,000 from the ELAS Fund

In addition, Section 115 (G)(2) of the General Appropriation Act appropriates any remaining FY 2013 LAS Fund balance for use in FY 2014.

Department of Revenue

The budget includes \$6,600,000 in FY 2014 from the Automation Projects Fund for automation and information technology projects at the Department of Revenue.

The \$6,600,000 APF appropriation is financed by transferring the following amounts from the following sources:

- \$1,700,000 from the General Fund
- \$4,900,000 from FY 2013 remaining balances in the Automation Projects Fund

The \$6,600,000 consists of 2 main initiatives:

BRITS

The budget includes \$1,700,000 from the Automation Projects Fund in FY 2014 for the second year of a 2-year project for the Business Reengineering and Integrated Tax System (BRITS). This amount will fund hardware, software, and related expenses required to refresh numerous systems including the Taxpayer Accounting System (TAS), AZTaxes, as well as disaster recovery buildout in Tucson. The second year of this 2-year project is funded entirely through the General Fund. *(Please see Other Issues for FY 2013 expenditures.)*

Encryption

The budget includes \$4,900,000 from the Automation Projects Fund in FY 2014 for data encryption and security projects for the Department of Revenue. This amount will fund encryption of personally identifiable information and implement tools to detect and prevent data loss. This project is funded through FY 2013 remaining balances in the Automation Projects Fund.

Additional Legislation

Special Audit; Information Technology Procurement

Laws 2013, Chapter 100 requires the Office of the Auditor General to conduct a special audit regarding the procurement of IT services comparing the procedures used in solicitations and contracts awarded in FY 2012 by 4 state agencies as determined by the Auditor General. The Auditor General is required to provide a report on or before November 30, 2013 to the Governor, the Legislature and the Secretary of State that shall include:

- An analysis of the state's IT procurement methodology compared to other states regarding warranties, indemnification, liability and insurance.

- An analysis of IT platform standardization and its impact on the procurement process in comparison to other states.
- Best practices for management and ownership of intellectual property.

Other Issues

FY 2013 Expenditures

ADOA

The FY 2013 budget included \$18,613,700 from the Automation Projects Fund for automation and information technology projects at ADOA.

The budget funded these projects from the following fund sources:

- \$8,627,000 from the General Fund
- \$9,986,700 from other ADOA funds

The \$18,613,700 consists of 2 main initiatives:

AFIS Replacement

The FY 2013 budget included \$8,627,000 from the Automation Projects Fund for the first year of a 4-year project to replace the state's financial and accounting system, the Arizona Financial Information System (AFIS). *(Please see the ADOA Section above for more information.)*

ASET Initiatives

The FY 2013 budget included \$9,986,700 from the Automation Projects Fund for technology projects administered by the ASET Office in ADOA. This amount consists of:

- \$4,086,500 for improvements to the State Data Center
- \$1,925,200 for Security Privacy and Risk
- \$850,000 for Enterprise Architecture
- \$100,000 for Program Management
- \$3,025,000 for E-government

AHCCCS

The FY 2013 budget included \$830,000 from the Automation Projects Fund for data security at AHCCCS. The project enhanced data security to protect the personally identifiable information and protected health information of the state's Medicaid participants, including encryption of data at rest, implementing firewalls, penetration testing, vulnerability scanning, and data loss prevention.

The budget funded this project through an appropriation from the General Fund to ADOA.

DOR

The FY 2013 budget included \$3,431,200 from the Automation Projects Fund for the first year of a 2-year project for BRITS in the Department of Revenue. The project updated the Taxpayer Application System (TAS) software, AZ Taxes application software, application integration software, and allowed for the purchasing of hardware to move the BRITS system to the State Data Center.

The budget funded this project through an appropriation from the General Fund to ADOA.

Undesignated Funds

FY 2013 expenditures from the Automation Projects Fund are estimated to be \$22,874,900, as follows:

ADOA - AFIS Replacement	\$8,627,000
ADOA - ASET Initiatives	9,986,700
AHCCCS - Data Security	830,000
DOR - BRITS	<u>3,431,200</u>
Total	\$22,874,900

FY 2013 revenues into the Automation Projects Fund totaled \$28,100,000, as follows:

General Fund	\$16,800,000
Automation Operations Fund	4,200,000
State Web Portal Fund	5,600,000
Information Technology Fund	<u>1,500,000</u>
Total	\$28,100,000

As a result, FY 2013 remaining balances in the fund total \$5,225,100. This amount was designated for 2 FY 2014 projects, as follows:

ADOA - ASET Initiatives	\$325,100
DOR - BRITS	<u>4,900,000</u>
Total	\$5,225,100

If agencies did not expend the full amount in FY 2013, it is possible that FY 2013 remaining balances in the fund are greater than \$5,225,100. As a result, the FY 2014 Budget Procedures BRB gives ADOA the FY 2014 appropriation authority to spend remaining balances above \$5,300,000 as of June 30, 2013. *(Please see the Automation Project Fund Background section above for more information.)*

Automation Project Oversight

In addition to JLBC review of Automation Projects Fund expenditures, all IT projects over \$25,000 are additionally reviewed by ASET through the Project Investment Justification (PIJ) process. If an IT project exceeds \$1,000,000 statute requires additional approval by the Information Technology Authorization Committee (ITAC). ITAC consists of members from both the public and private sectors and is staffed by ADOA.

APF Revenues

The FY 2013 General Appropriation Act (Laws 2012, Chapter 294, Section 124) appropriated a total of \$91,100,000 over 4 years for deposit into the Automation Projects Fund. The FY 2014 General Appropriation Act reduced the Chapter 294 General Fund appropriation by \$16,998,000 over 4 years and replaced it with a one-time transfer totaling \$17,013,600 charged to other appropriated and non-appropriated funds primarily for the replacement of AFIS. *(Please see the AFIS Replacement section and Table 3 for more information.)*

Chapter 1 made additional transfers into the Automation Projects Fund in FY 2014 for various IT projects in ADOA, ADC, DEQ, ADE, and DOR. These transfers totaled \$34,175,000, as delineated in *Table 2*.

Table 2				
Automation Projects Fund				
(\$ in thousands)				
	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Beginning Balance		5,225.1	8,075.7	(57.3)
Revenues				
General Fund Appropriation	16,800.0	18,400.0	18,400.0	9,202.0
General Fund Transfer		7,100.0		
Automation Charges		17,013.6		
ADOA Automation Operations Fund	4,200.0	8,130.0		
ADOA State Web Portal Fund	5,600.0	4,000.0		
ADOA Information Technology Fund	1,500.0	345.0		
ADC Inmate Store Proceeds Fund		5,500.0		
State DOC Revolving Fund		2,500.0		
DEQ Emissions Inspection Fund		5,000.0		
ADE Education Learning and Accountability Fund		1,600.0		
Total Funds Available	28,100.0	74,813.7	26,475.7	9,144.7
Total Expenditures	22,874.9	66,738.0	26,533.0	9,202.0
Ending Balance	5,225.1	8,075.7	(57.3)	(57.3)

Table 3

FY 2014 NON-GENERAL FUND INFORMATION TECHNOLOGY CHARGE I/

<u>BUDGET UNITS</u>	<u>IT Charge</u>
Administration, AZ Department of	
Air Quality Fund	5,100
Construction Insurance (4219)	21,500
Co-Op State Purchasing Agreement (4213)	21,500
Corrections Fund	4,000
Emergency Telecommunication Services Revolving (2176)	124,300
IGA & ISA Fund (2500)	37,800
Motor Vehicle Pool Revolving Fund	72,300
Payroll Administration (9200)	1,000
Personnel Division Fund	79,900
Retiree Accumulated Sick Leave (3200)	88,200
Risk Management Revolving Fund	661,800
Special Employee Health Insurance Trust Fund	5,496,000
Special Events (2503)	100
Special Services Revolving (4208)	5,800
State Employee Travel Reduction (2261)	4,600
Statewide ARRA Administration SWCAP (2950)	2,400
Telecommunications Fund	13,000
Total - AZ Department of Administration	6,639,300
Administrative Hearings, Office of	
IGA and ISA (2500)	7,500
Total - Office of Administrative Hearings	7,500
Arizona Department of Agriculture (AHA)	
Administrative Support (2436)	400
Federal-State Inspection (2113) 2/	21,500
Total - Arizona Department of Agriculture	21,900
AHCCCS	
IGA and ISA Fund (2500)	27,500
Intergovernmental Service (2438)	57,600
Third Party Liability (3791/3019)	1,500
Total - AHCCCS	86,600
AZ Commission on the Arts (HUA)	
Arts Special Revenues (2116)	600
Arts Trust, Arizona (3014)	10,300
Total - AZ Commission on the Arts	10,900
Attorney General - Department of Law	
Anti-Racketeering Revolving (2131)	214,300
Antitrust Enforcement Revolving Fund	1,700
CJEF Distribution to County Attorneys (2068)	29,100
Collection Enforcement Revolving Fund	38,300
Consumer Protection-Consumer Fraud Rev. Fund	24,800
Criminal Case Processing (2461)	600
Indirect Cost Recovery (9000)	16,200
Intergovernmental Agreements (2500)	32,900
Prosecuting Attorneys' Advisory Council Training (2057)	9,600
Risk Management Revolving Fund	66,100
Victims' Rights Fund	23,300
Total - Attorney General - Department of Law	456,900
Automobile Theft Authority	
Automobile Theft Authority Fund	30,800
Constable Ethics Standards & Training Board (CNA)	
Constable Ethics Standards & Training (2346)	2,100
Corporation Commission	
Arizona Arts Trust Fund	400
Investment Management Regulatory and Enforcement Fund	4,900
Public Access Fund	46,200
Securities Regulatory and Enforcement Fund	33,300
Utility Regulation Revolving Fund	94,900
Total - Corporation Commission	179,700
Corrections, State Department of	
Alcohol Abuse Treatment Fund	4,000
Community Corrections Enhancement (2395)	3,700
Correctional Industries Revolving, Arizona (4002)	303,100
Corrections Fund	198,100
Indirect Cost Recovery (9000)	6,800

Inmate Store Proceeds (2505)	30,000
Interagency Service Agreement (2500)	400
Prison Construction and Operations Fund	82,800
Special Services (3187)	31,700
State DOC Revolving (2515)	12,900
State Education Fund for Correctional Education	3,700
Transition Program Fund	25,100
Total - State Department of Corrections	702,300
Criminal Justice Commission, Arizona	
Criminal Justice Enhancement Fund	4,500
Drug & Gang Enforcement Account (2134)	43,000
Drug and Gang Prevention Resource Center Fund	1,700
State Aid to County Attorneys Fund	7,000
Victim Compensation and Assistance Fund	27,300
Total - Arizona Criminal Justice Commission	83,500
Deaf and the Blind, AZ Schools for the	
Enterprise (4222)	500
State Grants (2011)	100
Regional Cooperatives (4221)	115,300
Schools for the Deaf and the Blind Fund	97,800
Total - Arizona State Schools for the Deaf and the Blind	213,700
Deaf and the Hard of Hearing, Comm. for the	
Telecommunication Fund for the Deaf	27,000
Economic Security, Department of	
Children and Family Services Training	0
Program Fund	1,500
Domestic Violence Shelter Fund	16,000
Special Administration Fund	8,100
Spinal and Head Injuries Trust Fund	13,400
Total - Department of Economic Security	39,000
Education, Department of	
Department of Education Empowerment Scholarship Account Fund	1,400
IGA and ISA (2500)	26,800
Indirect Cost Recovery (9000)	36,300
Internal Services (4209)	25,900
Production Revolving (4211)	14,500
Total - Department of Education	104,900
Emergency & Military Affairs, Dept of	
Emergency Response Fund	1,000
Total - Department of Emergency & Military Affairs	1,000
Environmental Quality, Department of	
Air Permits Administration Fund	50,700
Air Quality Fund	38,700
Emissions Inspection Fund	191,200
Greater AZ Development Authority Revolving (2311)	300
Hazardous Waste Management Fund	12,400
Indirect Cost Recovery Fund	93,700
Institutional and Engineering Control (2563)	300
Monitoring Assistance (2308)	5,700
Recycling Fund	9,600
Regulated Substance (2545)	137,600
Solid Waste Fee Fund	8,800
Underground Storage Tank Fund Revolving Fund	200
UST - Regulatory Account (2271)	3,000
Voluntary Remediation (2564)	1,300
Water Quality Assurance Revolving (2221)	108,100
Water Quality Fee Fund	74,800
Total - Department of Environmental Quality	736,400
Exposition and State Fair Board, AZ	
Arizona Exposition and State Fair Fund	80,100
Financial Institutions, Department of	
IGA and ISA Fund (2500)	500
Total - Department of Financial Institutions	500
Department of Fire, Building and Life Safety (MMA)	
Interagency Service Agreement (2500)	300
Game and Fish Department, AZ	
Capital Improvement Plan	7,200
Game and Fish Publications Revolving (4007)	1,100
Indirect Cost Recovery (9000)	20,800

Off Highway Vehicle Recreation (2253)	11,300
Watercraft Licensing Fund	32,400
Waterfowl Conservation Fund	300
Arizona Geological Survey (GSA)	
Geological Survey (3030)	3,700
Indirect Cost Recovery (9000)	3,900
Total - Arizona Geological Survey	7,600
Governor, Office of the	
IGA and ISA (2500)	4,500
Indirect Cost Recovery (9000)	9,700
Prevention of Child Abuse (2439)	2,800
Total - Office of the Governor	17,000
Health Services, Department of	
Health Services Licensing Fund	56,900
Child Fatality Review Fund	700
Emergency Medical Services Operating Fund	36,300
Environmental Laboratory Licensure Revolving Fund	6,600
IGA/County Contributions (2144/2500)	556,300
Indirect Cost Fund	64,000
Medical Student Loan (MSA3306)	100
Newborn Screening Program Fund	48,200
Nursing Care Institution Resident Protection Revolving Fund	300
Oral Health (3038)	2,100
Risk Assessment (2427)	100
Seriously Mentally Ill Housing Trust (2555)	14,400
Substance Abuse Services Fund	16,200
Total - Department of Health Services	802,200
Housing, Department of	
Housing Program (9600)	33,100
Housing Trust Fund	85,700
IGA & ISA Fund (2500)	1,900
Total - Arizona Department of Housing	120,700
Industrial Commission of AZ	
Administrative Fund	141,500
Revolving (2002)	1,000
Total - Industrial Commission of Arizona	142,500
Department of Insurance (IDA)	
Assessment Fund for Voluntary Plans (2316)	1,000
Captive Insurance Regulatory/Supervision (2377)	1,000
Financial Surveillance (2473)	2,400
Health Care Appeals (2467)	1,700
Insurance Examiners' Revolving (2034)	41,100
Total - Department of Insurance	47,200
Judiciary - Supreme Court	
Alternative Dispute Resolution (3245)	1,300
Certified Reporters (2440)	900
Confidential Intermediary and Fiduciary Fund	3,500
Court Appointed Special Advocate Fund	21,100
Criminal Justice Enhancement Fund	21,300
Grants and Special Revenue (2084)	171,900
Judicial Collection Enhancement Fund	99,300
Lengthy Trial, Arizona (2382)	6,800
State Aid to the Courts Fund	21,200
Total - Supreme Court	347,300
Judiciary - Superior Court	
Community Punishment Program Fines (2119)	200
Criminal Justice Enhancement Fund	49,900
Grants and Special Revenue (2084)	11,700
Judicial Collection Enhancement Fund	36,200
Drug Treatment and Education Fund	31,200
Total - Superior Court	129,200
SUBTOTAL - Judiciary	476,500
Juvenile Corrections, Department of	
Criminal Justice Enhancement Fund	3,800
State Education Fund for Committed Youth	16,300
State Education System for Committed Youth Classroom Site (2487)	1,200
Total - Department of Juvenile Corrections	21,300
Land Department, State	
Due Diligence Fund	3,600

Interagency Agreements (2212)	400
Off-Highway Vehicle Recreation (2253)	2,000
Resource Analysis Division Revolving (4009)	600
Total - State Land Department	6,600
Legislature - Auditor General (AUA)	
Audit Services Revolving (2242)	13,400
Liquor Licenses & Control, Department of	
Liquor Licenses Fund	20,500
Liquor License Special Collections (3008)	29,200
Total - Department of Liquor Licenses & Control	49,700
Lottery Commission, AZ State	
State Lottery Fund	713,600
Mine Inspector, State	
Abandoned Mines Safety (2408)	600
Aggregate Mining Reclamation Fund	800
Total - State Mine Inspector	1,400
Parks Board, Arizona State	
Off Highway Vehicle Recreation (2253)	19,400
State Lake Improvement (2105)	42,300
State Parks Revenue Fund	91,100
Total - Arizona State Parks Board	152,800
Personnel Board, State	
Personnel Board Subaccount of the Personnel Division Fund	2,600
Pharmacy, AZ State Board of	
Controlled Substances Prescription Monitoring Program (2359)	2,300
Total - Arizona State Board of Pharmacy	2,300
Postsecondary Education, Commission for	
Family College Savings Program Trust (3121)	3,300
Total - Commission for Postsecondary Education	3,300
Public Safety, Department of	
Anti-Racketeering Revolving (3123)	42,700
Arizona Deoxyribonucleic Acid Identification System Fund	39,400
Arizona Highway Patrol Fund	138,800
Automated Fingerprint Identification System Fund	21,700
Capitol Police Administrative Towing (1999)	100
Crime Laboratory Assessment Fund	6,300
Crime Laboratory Operations Fund	105,900
Criminal Justice Enhancement Fund	20,700
DPS Administration (2322)	14,700
DPS Licensing Fund (2490)	8,100
Fingerprint Clearance Card (2433)	43,700
Fingerprinting Fund, Board of (2435)	4,100
GITEM Border Security and Law Enforcement Subaccount	17,200
Highway User Revenue Fund	863,700
IGA and ISA Fund (2500)	58,500
Indirect Cost Recovery (9000)	4,400
Motor Carrier Safety Revolving (2380)	100
Motorcycle Safety Fund	1,500
Parity Compensation Fund	13,100
Peace Officers' Training (2049)	51,100
Public Safety Equipment Fund	25,800
Records Processing (2278)	38,900
Risk Management Revolving Fund	8,300
Safety Enforcement and Transportation Infrastructure Fund	10,900
State Highway Fund	48,800
Total - Department of Public Safety	1,588,500
Racing, Arizona Department of	
Racing Investigation (2369)	100
Racing Regulation Fund	20,400
Racing Regulation Fund - Mixed Martial Arts Account (2393)	500
Total - Arizona Department of Racing	21,000
Radiation Regulatory Agency	
Laser Safety (2138)	300
State Radiologic Technologist Certification Fund	1,900
Radiation Regulatory Fee Fund	4,100
Total - Radiation Regulatory Agency	6,300
State Real Estate Department (REA)	
Education Revolving (4011)	100
Total - State Real Estate Department	100

Residential Utility Consumer Office	
Residential Utility Consumer Office Revolving Fund	9,400
Retirement System, Arizona State	
State Retirement System Administration Account <u>2/</u>	151,000
Total - Arizona State Retirement System	151,000
Revenue, Department of	
Department of Revenue Administrative Fund	179,900
IGA and ISA (2500)	1,100
Liability Setoff Revolving Fund	7,800
Total - Department of Revenue	188,800
Secretary of State	
Data Processing Acquisition (2265)	300
Gift Shop Revolving (LAA4008)	600
Notary Bond (3000)	800
Records Services Fund	4,100
Standing Political Committee Administrative (2426)	100
Total - Secretary of State	5,900
Transportation, Department of	
Air Quality Fund	500
Driving Under the Influence Abatement Fund	1,100
Highway User Revenue Fund	4,500
Highways Magazine, Arizona (2031)	34,400
Motor Vehicle Liability Insurance Enforcement Fund	7,600
Railroad Review Fund (2493)	1,000
Safety Enforcement and Transportation Infrastructure Fund	13,500
State Aviation Fund	11,400
State Highway Fund	2,348,400
Transportation Department Equipment Fund	192,300
Vehicle Inspection & Title Enforcement Fund	10,400
Total - Department of Transportation	2,625,100
Treasurer, State	
State Treasurer's Operating Fund	17,900
State Treasurer's Management Fund	1,400
Total - State Treasurer	19,300
Veterans' Services, Department of	
State Home for Veterans' Trust Fund	198,800
Total - Department of Veterans' Services	198,800
Water Resources, Department of	
Assured and Adequate Water Supply Admin Fund	1,900
Augmentation and Conservation Assistance (2213)	6,300
Dam Repair (2218)	1,800
Flood Warning System (1021)	400
Indirect Cost Recovery (9000)	3,600
Interagency Service Agreement (2500)	3,400
Water Banking, Arizona (2110)	35,900
Water Protection, Arizona (1302)	12,700
Water Quality, Arizona (2304)	2,200
Water Resources Fund	1,000
Well Administration and Enforcement (2491)	2,300
Total - Department of Water Resources	71,500
Weights and Measures, Department of	
Air Quality Fund	10,200
Motor Vehicle Liability Insurance Enf. Fund	2,300
Total - Department of Weights and Measures	12,500
TOTAL	17,013,600

1/ Fund numbers are provided for all non-appropriated funds. The intent of the IT charge is for each state agency to pay their proportionate share for the cost of statewide IT projects, primarily the replacement of the state's financial and accounting system, the Arizona Financial Information System (AFIS). At \$17 million, these funds would contribute the same proportionate share as the General Fund.

2/ Instead of transferring these amounts directly into the Automation Projects Fund, the Department of Administration may charge the Arizona State Retirement System (ASRS) and the Department of Agriculture for their proportionate share of the cost of statewide IT projects.

Office of Administrative Hearings

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	548,200	552,600	562,200
Employee Related Expenditures	222,900	213,300	214,100
Other Operating Expenditures	83,000	87,000	98,200
AGENCY TOTAL	854,100	852,900 ^{1/}	874,500 ^{2/}
FUND SOURCES			
General Fund	839,600	839,600	862,200
<u>Other Appropriated Funds</u>			
Healthcare Group Fund	14,500	13,300	12,300
SUBTOTAL - Other Appropriated Funds	14,500	13,300	12,300
SUBTOTAL - Appropriated Funds	854,100	852,900	874,500
Other Non-Appropriated Funds	963,100	1,035,600	1,035,600
TOTAL - ALL SOURCES	1,817,200	1,888,500	1,910,100

AGENCY DESCRIPTION — The Office of Administrative Hearings is an independent office whose services and personnel are to be used by all state agencies to conduct administrative hearings, unless exempted by law. All agencies supported by other appropriated or non-appropriated funding sources are to contract for administrative hearing services from the office. The Director shall assign Administrative Law Judges (ALJ) from the office to an agency, on either a temporary or permanent basis, to preside over contested cases in accordance with the special expertise of the ALJ in the subject matter of the agency.

Operating Budget

The budget includes \$874,500 and 12 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$862,200
Healthcare Group Fund	12,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$21,600 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	22,600
Healthcare Group Fund	(1,000)

(Please see the Agency Detail and Allocations section.)

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the Automation Projects narrative for more details.)

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(11,800) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona Department of Agriculture

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	166.7	161.0	162.9 ^{1/}
Personal Services	4,386,100	4,554,700	4,615,600
Employee Related Expenditures	1,964,000	1,933,500	1,936,000
Professional and Outside Services	28,500	48,500	48,500
Travel - In State	346,400	349,500	349,500
Travel - Out of State	9,800	6,700	6,700
Other Operating Expenditures	958,200	894,700	915,400
Equipment	108,800	10,100	10,100
OPERATING SUBTOTAL	7,801,800	7,797,700	7,881,800
SPECIAL LINE ITEMS			
Agricultural Consulting and Training Pari-Mutuel	128,500	128,500	128,500
Agricultural Employment Relations Board	23,300	23,300	23,300
Animal Damage Control	65,000	65,000	65,000
Nuclear Emergency Management Fund	92,100	92,100	198,400 ^{2/3/}
Red Imported Fire Ant	23,200	23,200	23,200
AGENCY TOTAL	8,133,900	8,129,800 ^{4/}	8,320,200 ^{5/}
FUND SOURCES			
General Fund	8,133,900	8,129,800	8,320,200
SUBTOTAL - Appropriated Funds	8,133,900	8,129,800	8,320,200
Other Non-Appropriated Funds	11,083,000	11,618,800	10,468,100
Federal Funds	6,845,700	6,342,600	6,342,600
TOTAL - ALL SOURCES	26,062,600	26,091,200	25,130,900

AGENCY DESCRIPTION — The Arizona Department of Agriculture administers and enforces agriculture-related statutes. The department regulates certain phases of food production (such as milking, butchering, and harvesting) to guard public health and to ensure product quality. The department administers programs to protect livestock and crops from pests and diseases and to protect farm workers who handle agricultural chemicals. It also tests certain non-food agricultural products to ensure product quality and content, as well as providing administrative support to several agricultural product promotion groups.

Operating Budget

The budget includes \$7,881,800 and 161 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$84,100 from the General Fund in FY 2014 for statewide adjustments. (Please see Agency Detail and Allocations section.)

Agricultural Consulting and Training Pari-Mutuel

The budget includes \$128,500 from the General Fund in FY 2014 for the Agricultural Consulting and Training Pari-Mutuel line item. This amount is unchanged from FY 2013.

This line item funds on-site visits to establishments and for consultation, interpreting, and applying alternative methods of complying with statutes, rules, regulations, and standards relating to compliance.

^{1/} Includes 1.88 FTE Positions appropriated by Laws 2013, Chapter 13.

^{2/} Laws 2013, Chapter 13 appropriated \$198,434 and 1.88 FTE Positions in both FY 2014 and FY 2015 for the Nuclear Emergency Management Fund.

^{3/} Pursuant to A.R.S. § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations; however any unexpended monies shall be used to reduce the assessment and appropriation in future years.

^{4/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(97,800) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Agricultural Employment Relations Board

The budget includes \$23,300 from the General Fund in FY 2014 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2013.

This line item funds accounting and budgeting support for the Agricultural Employment Relations Board. The board receives and investigates complaints and conducts farm labor union elections.

Animal Damage Control

The budget includes \$65,000 from the General Fund in FY 2014 for the Animal Damage Control line item. This amount is unchanged from FY 2013.

This line item funds agreements with the U.S. Department of Agriculture to control, dispatch, or relocate predatory animals and noxious rodents, which are injurious to livestock, poultry, agriculture, other industries, or the public health.

Nuclear Emergency Management Fund

The budget includes \$198,434 and 1.88 FTE Positions from the General Fund in FY 2014 and FY 2015 for the Nuclear Emergency Management Fund (NEMF). These amounts fund the following adjustments:

NEMF Allocation Increase

Laws 2013, Chapter 13 includes an increase of \$106,321 and 1.88 FTE Positions from the General Fund in FY 2014 and FY 2015 for the NEMF Special Line Item. These amounts represent the increase above the FY 2013 NEMF allocation of \$92,113, originally appropriated in Laws 2011, Chapter 132.

The monies in this line item are appropriated by Laws 2013, Chapter 13. As a result, these monies do not appear in the General Appropriation Act. The Radiation Regulatory Agency, Department of Emergency and Military Affairs, and Department of Agriculture receive monies from this bill. *(Please see the Radiation Regulatory Agency and the Department of Emergency and Military Affairs narratives for more information.)*

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the General Fund appropriation to the NEMF.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and

testing necessary to comply with federally prescribed criteria. Department representatives assist in the planning for off-site responses to an emergency at the Palo Verde Nuclear Generating Station and participate in the annual response exercises, mainly the Ingestion Pathway Zone exercises. They are responsible for controlling embargoes of food, water, and milk in the event that there is an emergency that would contaminate those items produced in the areas around the plant.

Monies appropriated to the NEMF are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, except that monies left unexpended or unencumbered at the end of the fiscal year shall be used to offset the next year's assessment and appropriation.

Red Imported Fire Ant

The budget includes \$23,200 from the General Fund in FY 2014 for the Red Imported Fire Ant line item. This amount is unchanged from FY 2013.

This line item funds ongoing pest exclusion efforts aimed at preventing the introduction of the red imported fire ant. The state has successfully suppressed isolated infestations of red imported fire ants and continues to be federally certified as free from this pest.

Other Issues

Fee Use Authority

The FY 2014 Revenue Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 9) permits the Director, upon recommendation from the Agricultural Advisory Council, to continue prior year fee increases in FY 2014 with the intent that the additional fee revenues would not generate more than \$218,000 to the General Fund, \$113,000 to the Pesticide Trust Fund, and \$26,000 to the Dangerous Plants, Pests, and Diseases Trust Fund.

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Arizona Health Care Cost Containment System

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,975.4	2,217.3	2,217.3 ^{1/}
Personal Services	33,315,200	41,313,400	41,020,800
Employee Related Expenditures	15,090,700	18,088,500	17,845,000
Professional and Outside Services	3,355,800	5,369,800	5,289,500
Travel - In State	61,900	78,100	78,100
Travel - Out of State	24,600	29,200	29,200
Other Operating Expenditures	17,171,800	12,394,000	12,174,400
Equipment	2,080,600	1,964,500	1,964,500
OPERATING SUBTOTAL	71,100,600	79,237,500	78,401,500
SPECIAL LINE ITEMS			
Administration			
DES Eligibility	49,911,400	54,600,300	54,867,700 ^{2/}
Proposition 204 - AHCCCS Administration	8,738,400	6,806,200	6,863,100 ^{3/}
Proposition 204 - DES Eligibility	26,391,700	38,213,800	38,354,100 ^{3/}
Medical Services			
Traditional Medicaid Services	3,088,709,900	3,420,887,100	3,630,655,800 ^{4/}
Proposition 204 Services	1,392,928,500	1,166,614,700	1,047,967,600 ^{3/}
Children's Rehabilitative Services	124,233,900	128,599,100	111,736,400
KidsCare Services	31,073,100	21,622,300	12,081,300
KidsCare II	0	0 ^{5/}	26,825,700 ^{6/}
ALTCS Services	1,380,288,300	1,177,910,000	1,271,574,100 ^{7/8/9/}
Payments to Hospitals			
Disproportionate Share Payments	4,202,300	13,487,100	13,487,100 ^{10/}
DSH Payments - Voluntary Match	0	28,457,100	28,457,100 ^{11/}
Rural Hospitals	13,858,100	13,858,100	13,858,100
Graduate Medical Education	0	90,977,300	160,184,900 ^{12/}
Safety Net Care Pool	0	0 ^{13/}	166,000,000 ^{14/}
AGENCY TOTAL	6,191,436,200	6,241,270,600 ^{15/16/}	6,661,314,500 ^{17-27/}
FUND SOURCES			
General Fund	1,402,751,200	1,350,817,800	1,334,933,400
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	3,161,100	3,221,100	3,303,900
Children's Health Insurance Program Fund	26,539,000	18,162,800	32,139,100
Healthcare Group Fund	1,424,700	2,307,000	1,097,200
Prescription Drug Rebate Fund - State	46,589,600	69,951,000	95,010,900
TPTF Emergency Health Services Account	18,957,900	19,222,900	18,320,100
TTHCF Medically Needy Account	38,295,800	38,295,800	37,389,300
SUBTOTAL - Other Appropriated Funds	134,968,100	151,160,600	187,260,500
SUBTOTAL - Appropriated Funds	1,537,719,300	1,501,978,400	1,522,193,900
<u>Expenditure Authority Funds</u>			
County Funds	284,502,300	294,122,200	295,193,300
Federal Medicaid Authority	4,228,335,600	4,050,692,100	4,384,338,400 ^{25/}
Nursing Facility Provider Assessment Fund	0	0	17,698,000
Political Subdivision Funds	0	40,523,000	124,680,900
Prescription Drug Rebate Fund - Federal	0	165,392,300	178,543,000
Third Party Liability and Recovery Fund	0	194,700	194,700
Tobacco Litigation Settlement Fund	101,067,400	148,000,000	100,000,000
TPTF Proposition 204 Protection Account	39,811,600	40,367,900	38,472,300
Hospital Assessment Fund	0	0	-- ^{27/}
SUBTOTAL - Expenditure Authority Funds	4,653,716,900	4,739,292,200	5,139,120,600

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
SUBTOTAL - Appropriated/Expenditure Authority Funds	6,191,436,200	6,241,270,600	6,661,314,500
Other Non-Appropriated Funds	125,171,300	198,700,900	45,005,500
Federal Funds	445,582,600	409,041,100	75,825,100
TOTAL - ALL SOURCES	6,762,190,100	6,849,012,600	6,782,145,100^{27/}

AGENCY DESCRIPTION — The Arizona Health Care Cost Containment System (AHCCCS) operates on a health maintenance organization model in which contracted providers receive a predetermined monthly capitation payment for the medical services cost of enrolled members. AHCCCS is the state's federally matched Medicaid program and provides acute and long-term care services.

- 1/ Includes 618.8 GF and 694.3 EA FTE Positions funded from Special Line Items in FY 2014.
- 2/ The amounts appropriated for the Department of Economic Security Eligibility line item shall be used for intergovernmental agreements with the Department of Economic Security for the purpose of eligibility determination and other functions. The General Fund share may be used for eligibility determination for other programs administered by the Division of Benefits and Medical Eligibility based on the results of the Arizona Random Moment Sampling Survey. (General Appropriation Act footnote)
- 3/ The amounts included in the Proposition 204 - AHCCCS Administration, Proposition 204 - DES Eligibility, and Proposition 204 Services Special Line Item includes all available sources of funding consistent with A.R.S. § 36-2901.01B. (General Appropriation Act footnote)
- 4/ The AHCCCS Administration shall transfer up to \$1,200,000 from the Traditional Medicaid Services line item for FY 2014 to the Attorney General for costs associated with tobacco settlement litigation. (General Appropriation Act footnote)
- 5/ All voluntary payments from political subdivisions to the AHCCCS Administration for KidsCare II and related Children's Health Insurance Program Fund monies are appropriated to the AHCCCS Administration in FY 2013. (General Appropriation Act footnote)
- 6/ Any monies received in excess of \$26,825,700 for KidsCare II by the AHCCCS Administration in FY 2014, including any federal matching monies, are appropriated to the Administration in FY 2014. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. (General Appropriation Act footnote)
- 7/ Any Federal Funds that the AHCCCS Administration passes through to the Department of Economic Security for use in long-term administration care for the developmentally disabled shall not count against the long-term care expenditure authority above. (General Appropriation Act footnote)
- 8/ Pursuant to A.R.S. § 11-292B the county portion of the FY 2014 nonfederal portion of the costs of providing long-term care services is \$244,696,100. This amount is included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 9/ Any supplemental payments received in excess of \$51,567,500 for nursing facilities that serve Medicaid patients in FY 2014, including any federal matching monies, by the AHCCCS Administration are appropriated to the Administration in FY 2014. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. These payments are included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 10/ The \$13,487,100 appropriation for Disproportionate Share Payments for FY 2014 made pursuant to A.R.S. § 36-2903.01O, includes \$4,202,300 for the Maricopa County Healthcare District and \$9,284,800 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)
- 11/ Any monies received for Disproportionate Share Payments from political subdivisions of this state, tribal governments and any university under the jurisdiction of the Arizona Board of Regents, and any federal monies used to match those payments, that are received in FY 2014 by the AHCCCS Administration in excess of \$28,457,100 are appropriated to the Administration in FY 2014. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. (General Appropriation Act footnote)
- 12/ Any monies for Graduate Medical Education received in FY 2014, including any federal matching monies, by the AHCCCS Administration in excess of \$160,184,900 are appropriated to the Administration in FY 2014. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. (General Appropriation Act footnote)
- 13/ All voluntary payments from political subdivisions to the AHCCCS Administration for the Safety Net Care Pool and related Federal Medicaid Authority monies are appropriated to the AHCCCS Administration in FY 2013. (General Appropriation Act footnote)
- 14/ Any monies received in excess of \$166,000,000 for the Safety Net Care Pool by the AHCCCS Administration in FY 2014, including any federal matching monies, are appropriated to the Administration in FY 2014. Before the expenditure of these increased monies, the Administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. (General Appropriation Act footnote)
- 15/ All monies from the city of Phoenix Access to Care Assessment and other political subdivision hospital assessments, including monies for coverage expansion, and related Federal Medicaid Authority monies are appropriated in FY 2013. The AHCCCS Administration shall report the amounts paid in FY 2013 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before August 1, 2013 and in FY 2014 on or before February 1, 2014. The AHCCCS Administration shall provide a monthly report to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on the number of individuals provided health care coverage through this program or include this information in the agency's monthly population by category report. (General Appropriation Act footnote)
- 16/ In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(705,500) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- 17/ The non-appropriated portion of the Prescription Drug Rebate Fund is included in the federal portion of the Expenditure Authority fund source. (General Appropriation Act footnote)

AHCCCS' FY 2014 General Fund spending decreases by \$(15,884,400) or (1.2)%. The \$(15,884,400) includes:

- \$(74,075,800) for formula adjustments.
- \$58,191,400 for mandatory costs associated with federal health care legislation.

These amounts exclude the fiscal impact associated with the Medicaid Expansion/Restoration population and the hospital assessment. Below is an overview of FY 2014 formula adjustments, a discussion of mandatory changes from federal health care legislation, and a discussion of Medicaid expansion and childless adult restoration.

Formula Adjustments

Formula adjustments are comprised of FY 2013 and FY 2014 changes to caseloads, FY 2014 changes in capitation rates, FY 2014 changes to the federal match rate, and adjustments in other appropriated funds which result in an adjustment to the General Fund. *Table 2*, on the following page, summarizes the formula adjustments.

FY 2013 and FY 2014 Caseload Growth

Aside from caseload growth due to federal health care legislation (*see Mandatory Changes Resulting from Federal Health Care Legislation*), Medicaid expansion, and the childless adult restoration (*see Medicaid Expansion and Restoration*), Traditional acute care and Proposition 204 non-childless adult populations are projected to increase by 1.5% and ALTCS populations are projected to increase by 2.0% in FY 2014. The childless

adult population, which has had an enrollment freeze since July 2011, is projected to decline through December 31, 2013. The budget ends this freeze on January 1, 2014. Unlike the childless adult program, the KidsCare program will continue to maintain its freeze throughout FY 2014. The KidsCare II program will end on December 31, 2013. At that time, children on KidsCare and KidsCare II with incomes up to 133% of the Federal Poverty Level (FPL) (\$31,300 for a family of 4) will transfer to the Traditional program.

In addition to forecasted caseload changes, FY 2013 caseloads have been lower than projected. Since the beginning of FY 2013, both the Traditional acute care program and the non-childless adult programs have remained relatively flat or declined slightly. The childless adult population continues to decline but at a slower rate than anticipated.

The lower than projected FY 2013 caseload growth, coupled with changes in the FY 2014 caseloads, results in General Fund savings of \$(67,697,000) in FY 2014. Caseloads, including expansions and the childless adult restoration, are shown in *Table 1*.

FY 2014 2% Capitation Rate Increase

In comparison to caseload growth rates which vary significantly by population, capitation rate inflation is assumed to be 2% above FY 2013 across most capitated programs. Recent budgets have not provided a capitation rate increase. The 2% capitation increase is budgeted to cost an additional \$23,098,700 from the General Fund in FY 2014.

- 18/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the AHCCCS Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 19/ The AHCCCS Administration shall report to the Joint Legislative Budget Committee on or before March 1 of each year on the preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be no more than 2%. Before implementation of any changes in capitation rates, the AHCCCS Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before the Administration implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the Administration shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the Administration shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 20/ The Expenditure Authority fund source includes voluntary payments made from political subdivisions for Medicaid coverage of certain children and for payments to hospitals that operate a graduate medical education program or treat low-income patients. The political subdivision portions of the FY 2014 costs of KidsCare II, Graduate Medical Education, Disproportionate Share Payments - Voluntary March and Safety Net Care Pool line items are included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 21/ In addition to the appropriation listed above, all monies from the city of Phoenix Access to Care Assessments and other political subdivision hospital assessments, including monies for coverage expansion, and related Federal Medicaid Authority monies are appropriated in FY 2014. (General Appropriation Act footnote)
- 22/ On or before January 6, 2014, the AHCCCS Administration shall report to the Director of the Joint Legislative Budget Committee the total amount of Medicaid reconciliation payments and penalties received by that date since July 1, 2013. On June 30, 2014, the Administration shall report the same information for all of FY 2014. (General Appropriation Act footnote)
- 23/ Beginning July 1, 2013, the AHCCCS Administration shall report 30 days after the end of each calendar quarter to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on the implementation of its required automation interaction with the health insurance exchange and eligibility modifications. (General Appropriation Act footnote)
- 24/ On or before August 1, 2013, the AHCCCS Administration shall provide to the Joint Legislative Budget Committee for review a report on the interagency agreement with the Department of Health Services for providing acute care services for persons enrolled in the Maricopa County Integrated Regional Behavioral Health Authority. (General Appropriation Act footnote)
- 25/ Laws 2013, 1st Special Session, Chapter 10 appropriated "sufficient monies" from the Expenditure Authority fund source for the purposes of implementing A.R.S. § 36-2901.01 and A.R.S. § 36-2901.07. Amount not displayed in table above.
- 26/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.
- 27/ Does not include monies from the Hospital Assessment Fund.

Table 1**JLBC Forecasted Member Months ^{1/}**

Population ^{2/}	June 2012	June 2013 ^{3/}	June 2014	'13-'14% Change
Traditional Acute Care ^{4/}	887,077	881,880	968,197	9.8%
Prop 204 Childless Adults ^{5/}	116,403	74,507	130,795	75.5
Other Proposition 204	151,328	147,486	163,117	10.6
Adult Expansion ^{6/}	0	0	24,121	--
KidsCare ^{4/}	10,331	6,742	2,648	(60.7)
KidsCare II ^{4/7/}	1,907	22,000	0	(100.0)
ALTCS - Elderly & Physically Disabled ^{8/}	27,592	27,913	28,471	2.0
Emergency Services	60,809	64,985	71,484	10.0
Total Member Months ^{9/}	1,255,447	1,225,513	1,388,833 ^{10/}	13.3

^{1/} The figures represent June 1 estimates.

^{2/} Children in the Children's Rehabilitative Services program are included in the Traditional Acute Care, Other Proposition 204, and KidsCare populations.

^{3/} Represents revised forecast.

^{4/} Children on KidsCare and KidsCare II with incomes up to 133% of the Federal Poverty Level (FPL) are transferred to the Traditional program on January 1, 2014.

^{5/} Program frozen until January 1, 2014.

^{6/} Parents and Childless Adults 100%-133% FPL.

^{7/} Program ends on December 31, 2013.

^{8/} The Arizona Long Term Care System (ALTCS) program funded in AHCCCS.

^{9/} In addition, approximately 25,000 people will receive Medicaid services through the Department of Economic Security's Developmental Disabilities program.

^{10/} Includes 86,508 added as a result of mandatory federal health care legislation and 103,220 as a result of Medicaid expansion and childless adult restoration.

FY 2014 Federal Match Rate Increase

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year. Typically, the federal government provides an approximate 2:1 match for most Medicaid services and a 3:1 match for KidsCare. During FY 2014, the FMAP for Medicaid will increase to 66.84% (0.75% increase). The KidsCare rate will increase to 76.79% (0.53% increase). The formula adjustments include a decrease of \$(56,122,500) in General Fund spending to reflect savings from the federal rate increase.

Tobacco Settlement Backfill

The budget includes an increase of \$48,000,000 from the General Fund and a corresponding decrease from the Tobacco Litigation Settlement Fund in FY 2014 to backfill tobacco settlement funds. In addition to its annual settlement payment, Arizona received a one-time additional settlement payment of \$48,000,000 from tobacco settlement funds in FY 2013. These monies were appropriated in the budget as an FY 2013 supplemental.

Prescription Drug Rebate Fund Increase

The budget includes an increase of \$25,059,600 from the state portion of the Prescription Drug Rebate Fund and a corresponding decrease from the General Fund in FY 2014

based on AHCCCS estimates. Federal health care legislation requires drug manufacturers to provide rebates for drugs sold to Medicaid managed care plans. AHCCCS has been collecting these rebates since spring 2011.

Tobacco Tax Decline

The budget includes a decrease of \$(3,704,900) from tobacco tax revenues and a corresponding increase from the General Fund in FY 2014 as a result of declining tobacco tax revenues.

**Mandatory Changes Resulting from
Federal Health Care Legislation**

Federal health care legislation passed in 2010, known as the Affordable Care Act (ACA), has a number of impacts on the AHCCCS and the Department of Health Services (DHS) Medicaid budget in FY 2014. Mandatory changes resulting from federal health care legislation are described below. A summary of the AHCCCS portion of the mandatory costs appears in *Table 2* and the combined AHCCCS and DHS cost appears in *Table 3*.

Table 2**AHCCCS Spending Changes
(\$ in millions)****Formula Adjustments**

FY 2013 and FY 2014 Caseload Growth	\$ (68)
FY 2014 2% Capitation Rate Increase	23
FY 2014 Federal Match Rate Increase	(56)
Tobacco Settlement Backfill	48
Prescription Drug Rebate Fund Increase	(25)
Tobacco Tax Decline	4
Subtotal	\$ (74)

Mandatory Federal Health Care Changes

Child Expansion	\$ 5
Currently Eligible But Not Enrolled	30
Provider Rate Increase	14
Health Insurer Fee	9
Subtotal	\$ 58

Child Expansion

Federal health care legislation requires the expansion for children under age 19 to 133% FPL beginning on January 1, 2014. AHCCCS currently provides coverage for children under age 1 up to 140% FPL, children from 1-5 up to 133% FPL, and children from 6-18 up to 100% FPL at an approximate 2:1 match rate.

The budget assumes that on January 1, 2014, 1,985 children on KidsCare and 10,850 children on KidsCare II will transfer from their respective programs to the Traditional program, and these children will continue to receive the 3:1 federal match rate. In addition to the transfer of children, the budget assumes that the newly eligible children will enroll over a 12-month period; by June 2014, an additional 9,325 children will be added to the program.

Table 3

General Fund and Federal Funds Medicaid Expansion and Childless Adult Cost Estimates Above FY 2013 ^{1/}
(\$ in millions)

		FY 2014 ^{2/}		FY 2015		FY 2016	
		GF	FF ^{3/}	GF	FF	GF	FF
Mandatory Expansion – 133% FPL	AHCCCS	\$ 58	\$ 244	\$ 155	\$ 400	\$ 168	\$ 388
Children, and increase from	DHS	<u>16</u>	<u>34</u>	<u>54</u>	<u>115</u>	<u>62</u>	<u>137</u>
eligible but not enrolled ^{4/}	Total	\$ 74	\$ 278	\$ 209	\$ 515	\$ 230	\$ 525
Full Expansion to 133% FPL and	AHCCCS	\$ (2)	\$ 191	\$ 68	\$ 1,078	\$ 54	\$ 1,380
Childless Adult Restoration ^{5/6/}	DHS	<u>0</u>	<u>52</u>	<u>17</u>	<u>294</u>	<u>14</u>	<u>374</u>
	Total	\$ (2)	\$ 243	\$ 85	\$1,372	\$ 68	\$1,754
Estimated Assessment ^{6/7/}	Total	54	-	196	-	185	-
GF Savings With Assessment ^{8/}	Total	(56)	-	(111)	-	(117)	-

1/ Estimates include the following assumptions: 1) 50% of those who are eligible but not enrolled will enroll and 2) the enrollment phase-in is completed in FY 2015.

2/ The expansion and restoration begins on January 1, 2014.

3/ Includes Federal Medicaid Authority and the federal match for KidsCare. The FY 2014 budget did not appropriate a specific amount for Federal Medicaid Authority for the expansion and restoration. Instead, the FY 2014 Health and Welfare BRB appropriated "sufficient monies for Expenditure Authority" for both AHCCCS and DHS in FY 2014.

4/ Includes the mandatory costs that result from federal health care legislation. Mandatory expansion costs were projected to receive a 67.71% match in FY 2015 and FY 2016.

5/ Costs are in addition to the mandatory costs. The federal government pays 100% of the cost of the adult expansion from 2014 to 2016 and 83.6% of the childless adults up to 100% FPL in 2014. These percentages converge to 90% by 2020.

6/ Represents JLBC Staff estimates. The FY 2014 budget was not adjusted for expansion/restoration and the hospital assessment.

7/ The budget includes a hospital assessment that would cover the cost of the full expansion plus offset the current AHCCCS Proposition 204 General Fund cost, beginning January 1, 2014.

8/ Excludes the mandatory cost of federal health care legislation. The FY 2014 budget was not adjusted to reflect the net FY 2014 savings. The Executive's estimated net savings are \$(102) million in FY 2015 and \$(119) million in FY 2016. The latter 2 estimates were used in calculating the 3-year statewide budget projections.

In total, the child expansion is budgeted to cost \$5,328,600 from the General Fund in FY 2014. The FY 2014 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 10) changes Arizona Revised Statutes to coincide with the federal requirement.

Currently Eligible But Not Enrolled

Beginning on January 1, 2014, individuals will be required to have health insurance or pay a fine unless they meet certain criteria. Uninsured individuals will also have access to health insurance through newly created health insurance exchanges, and individuals under 400% FPL will be eligible for premium subsidies.

Most individuals eligible for Medicaid but not enrolled will not be subject to the ACA fine. Nonetheless, publicity surrounding the individual mandate and additional availability of health insurance may induce some who are currently eligible but not enrolled to sign up. The budget assumes that 50% of the eligible non-participants will ultimately enroll, and it assumes these individuals enroll over a 15-month period; by June 2014, an estimated 66,009 currently eligible individuals will be added to the program at a \$30,099,100 budgeted General Fund cost. The federal government will provide the regular 2:1 match rate for these new enrollees.

Provider Rate Increase

Federal health care legislation requires that Medicaid reimburse primary care providers (PCPs) 100% of the Medicare rates in 2013 and 2014. The federal government will pay 100% of the cost above what they reimbursed PCPs on July 1, 2009. Since AHCCCS has lowered reimbursement rates for PCPs since then, the state receives the regular match rate for the difference between the rate in effect on December 31, 2014 and the July 1, 2009 rate. The budget includes an increase of \$13,525,800 from the General Fund in FY 2014 for the PCP rate increase. The FY 2013 budget did not include a PCP rate increase.

Health Insurer Fee

Federal health care legislation places an \$8 billion annual fee on the health insurance industry nationwide beginning in 2014. The fee grows to \$14.3 billion in 2018 and is indexed to inflation thereafter. The fee will be allocated to qualifying health insurers based on their respective market share of premium revenue in the previous year. Milliman, an actuarial consulting firm, estimates the fee will increase the cost of Medicaid managed care plans by 1.3% in 2014. The budget includes an increase of \$9,237,900 from the General Fund in FY 2014 for the health insurer fee.

Young Adults Formerly in the Foster Care System

Federal health care legislation requires states to provide Medicaid coverage for children who were in foster care

and who qualified for Medicaid as of their eighteenth birthday until age 26. The FY 2014 Health and Welfare BRB changes Arizona Revised Statutes to coincide with the federal requirement. The cost associated with this change is incorporated into the overall budget.

Modified Adjusted Gross Income and Income Disregards
Currently, the rules for counting eligibility for Medicaid vary from state to state and also can differ based on the eligibility category. Beginning in 2014, the ACA requires states to calculate income for most eligibility categories based on modified adjusted gross income (MAGI) and standardizes income disregards. Income disregards refer to what is included in calculating one's income. These changes will ultimately have some impact on who qualifies for AHCCCS, but it is not yet clear how these changes will impact the cost of the AHCCCS program. To coincide with federal health care legislation, the FY 2014 Health and Welfare BRB changes Arizona Revised Statutes so that most eligibility categories are determined using the MAGI methodology.

Disproportionate Share Hospital Payments
Federal health care legislation reduces Medicaid Disproportionate Share Hospital (DSH) payments nationwide by \$500 million in 2014 and \$600 million in 2015, or about 5% of overall payments. The reductions increase to \$5.6 billion by 2019, which is about 50% of the current nationwide funding level.

Preliminary information indicates that Arizona's share of the reduction is estimated at \$7,690,300 in 2014. This may have an impact on voluntary match payments for DSH but is not expected to have an impact on the \$13,487,100 appropriated in the Disproportionate Share Payments Special Line Item (SLI) or revenues distributed to the General Fund (*see Disproportionate Share Payments SLI and DSH Payments - Voluntary Match SLI for additional information*).

Medicaid Expansion and Restoration

In addition to the mandatory expansion components, federal health care legislation allows states to expand Medicaid coverage for adults up to 133% FPL beginning on January 1, 2014 and receive a higher match rate. The federal government will pay 100% of the cost of the Adult Expansion (parents and childless adults whose incomes are from 100% to 133% FPL) in 2014 to 2016. The federal share will gradually decline to 90% by 2020.

The childless adult population has had an enrollment freeze since July 2011. The FY 2014 budget includes both the adult Medicaid expansion and the childless adult restoration. While the childless adult population from 0-100% FPL will not receive the 100% match rate, it will receive a higher match rate than the standard 2:1 match.

The increased match starts at 83.6% in 2014 and increases to 90% by 2016.

The FY 2014 Health and Welfare BRB does not specify a specific amount from Expenditure Authority funds for these populations; instead it appropriates "sufficient monies" from Expenditure Authority funds in FY 2014 to pay for the expansion and restoration. It also discontinues the expansion if any of the following occur: 1) the federal matching rate for adults from 100%-133% FPL or childless adults falls below 80%; 2) the maximum amount that can be assessed from the hospital assessment (*see Hospital Assessment section*) and still retain the same federal match rate, along with any other appropriated monies, is insufficient to pay for the newly eligible populations; or 3) the Federal ACA is repealed. The BRB also adds intent language regarding the purposes of expanded Medicaid coverage.

Together, the Adult Expansion and Childless Adult Restoration is expected to add 103,000 persons to Medicaid by the end of FY 2014 and 250,000 by the end of FY 2015. The number of people estimated to enroll due to the expansion and restoration is displayed in *Table 4*.

Table 4

Total Medicaid Population Increase ^{1/}

	June 2014	June 2015	June 2016
Mandatory Expansion	87,000	168,000	173,000
Childless Adult Restoration	79,000	191,000	200,000
Adult Expansion 100%- 133% FPL	<u>24,000</u>	<u>59,000</u>	<u>61,000</u>
Total	190,000	418,000	434,000

^{1/} All estimates reflect cumulative increase resulting from federal health care legislation. Population changes which would have occurred absent federal legislation are not included.

Hospital Assessment

To fund the expansion, the budget includes a hospital assessment. Monies raised by the assessment can be used as state match monies and will be used to fund the Adult Expansion and the Proposition 204 populations. The FY 2014 Health and Welfare BRB includes the following provisions regarding the assessment:

- Requires the AHCCCS Director to establish an assessment on hospital revenue, discharges, or bed days for the purpose of funding the state match portion of the Proposition 204 and Adult Expansion populations beginning January 1, 2014.
- Provides guidance and requirements for the process of designing the assessment.

- Repeals the assessment if any of the following conditions are met: 1) the federal matching rate for adults from 100%-133% FPL or childless adults falls below 80%; 2) the maximum amount that can be assessed and still retain a federal match, along with any other appropriated monies, is insufficient to pay for the Adult Expansion and Childless Adult restoration; or 3) the Federal ACA is repealed.
- Establishes the non-appropriated Hospital Assessment Fund.
- Adds an intent statement regarding the purpose of the assessment.
- Adds the following Legislative intent statements: 1) the requirement that the hospital assessment is subject to approval by the federal government does not adopt federal law by reference; 2) the requirement that AHCCCS establish a hospital assessment does not delegate legislative taxing authority to AHCCCS; and 3) the hospital assessment is to be used for the benefit of the hospitals for the purpose of providing health care for persons eligible due to the assessment.

At the time of this writing, AHCCCS is still working on developing the assessment. Since details are still being worked on, it is uncertain how much the assessment will generate, and the Hospital Assessment Fund is not incorporated into the Expenditure Authority. The JLBC Staff, however, estimates that approximately \$54 million would need to be collected to fund the Adult Expansion and Proposition 204 populations from January - June 2014.

Operating Budget

The budget includes \$78,401,500 and 904.2 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$28,735,000
Healthcare Group Fund	1,097,200
Children's Health Insurance Program (CHIP) Fund	1,683,500
Prescription Drug Rebate Fund (PDRF) - State	116,100
Federal Medicaid Authority (FMA)	46,769,700

These amounts fund the following adjustments:

Discontinue Healthcare Group

The budget includes a decrease of \$(1,215,800) from the Healthcare Group Fund in FY 2014 to discontinue Healthcare Group.

The FY 2014 Health and Welfare BRB repeals Healthcare Group on January 1, 2014 and repeals the Healthcare Group Fund on January 1, 2015. It also prohibits

AHCCCS from enrolling new members or businesses in Healthcare Group after July 31, 2013.

Healthcare Group was designed to provide access to community-rated healthcare insurance for the small business community. Federal health care legislation creates health care exchanges which are expected to provide health insurance beginning in 2014. The exchanges are expected to provide a marketplace for uninsured individuals to obtain health insurance as well as provide community-rated health insurance for small business owners. Beginning on January 1, 2014, it is assumed that currently enrolled members in Healthcare Group will shift into health insurance offered in the healthcare exchange, making Healthcare Group no longer necessary.

Statewide Adjustments

The budget includes an increase of \$379,800 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	141,400
Healthcare Group Fund	6,000
CHIP Fund	10,400
PDRF - State	300
Federal Medicaid Authority	221,700

(Please see the Agency Detail and Allocations section.)

Administration

DES Eligibility

The budget includes \$54,867,700 and 885 FTE Positions in FY 2014 for Department of Economic Security (DES) Eligibility services. These amounts consist of:

General Fund	25,487,800
Federal Medicaid Authority	29,379,900

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$267,400 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	112,300
Federal Medicaid Authority	155,100

Through an Intergovernmental Agreement, DES performs eligibility determination for AHCCCS programs. This SLI funds those costs for all Traditional Acute Care programs except "Ticket to Work," women diagnosed with breast or cervical cancer by a provider recognized by the Well Women Healthcheck program, and aged, blind, and disabled adults.

Proposition 204 - AHCCCS Administration

The budget includes \$6,863,100 and 128 FTE Positions in FY 2014 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	2,320,500
Federal Medicaid Authority	4,542,600

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$56,900 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	23,900
Federal Medicaid Authority	33,000

Proposition 204 expanded AHCCCS eligibility. This line item contains funding for AHCCCS' administration costs of the Proposition 204 program.

Proposition 204 - DES Eligibility

The budget includes \$38,354,100 and 300.1 FTE Positions in FY 2014 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	17,416,000
Budget Neutrality Compliance Fund	3,303,900
Federal Medicaid Authority	17,634,200

These amounts fund the following adjustments:

Statutory Adjustment

The budget includes a decrease of \$(82,800) from the General Fund and a corresponding increase from the Budget Neutrality Compliance Fund (BNCF) in FY 2014 to reflect a statutorily-required increase of county contributions in FY 2014 (A.R.S. § 11-292O). *(Please see Table 6 for contributions by county.)*

Statewide Adjustments

The budget includes an increase of \$140,300 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	58,900
Federal Medicaid Authority	81,400

Background – The BNCF is comprised of contributions from Arizona counties for administrative costs of the implementation of Proposition 204. Prior to the proposition, the counties funded and administered the health care program for some of the Proposition 204 population.

This line item contains funding for eligibility costs in DES for the Proposition 204 program.

Medical Services

AHCCCS oversees acute care and long term care services, as well as the Children's Rehabilitative Services program. Overall formula adjustments are below. A description of program components can be found in the *Other Issues* section.

Traditional Medicaid Services

The budget includes \$3,630,655,800 in FY 2014 for Traditional Medicaid Services. This amount consists of:

General Fund	913,059,400
County Funds	50,497,200
PDRF - State	88,397,500
TTHCF Medically Needy Account	37,389,300
Third Party Liability and Recovery Fund	194,700
Federal Medicaid Authority	2,374,799,200
PDRF - Federal	166,318,500

These amounts fund the following adjustments:

Formula Adjustments

The budget includes a decrease of \$(27,027,900) in FY 2014 for formula adjustments. This amount consists of:

General Fund	(48,379,300)
County Funds	(404,500)
PDRF - State	24,656,200
TTHCF Medically Needy Account	(906,500)
Federal Medicaid Authority	(16,879,200)
PDRF - Federal	14,885,400

The formula adjustments include:

- 1.5% enrollment growth after the continuation of the FY 2013 caseload savings.
- A change in the federal match rate from 66.09% to 66.84%.
- 2% capitation rate increase.
- \$(404,500) decrease in Maricopa County Acute Care contribution under A.R.S. § 11-292 with a corresponding General Fund increase.
- \$24,656,200 increase to the state portion of the PDRF and a corresponding General Fund decrease.
- \$14,885,400 increase to the federal portion of the PDRF and a corresponding Federal Medicaid Authority decrease.
- \$(906,500) decrease from the TTHCF Medically Needy Account due to declining tobacco taxes and a corresponding General Fund increase.

Mandatory Federal Health Care Legislation

The budget includes an increase of \$236,796,600 in FY 2014 for mandatory costs associated with Federal Health Care Legislation. This amount consists of:

General Fund	46,633,600
Federal Medicaid Authority	190,163,000

Mandatory changes due to federal health care legislation include the expansion of eligibility for children under age 19 up to 133% FPL, the transition of children from 100%-133% FPL from KidsCare and KidsCare II to Traditional Medicaid services, an increase of individuals who are currently eligible but not enrolled, a primary care provider rate increase, and the health insurer fee. An estimated 1,985 from KidsCare and 10,850 from KidsCare II are expected to transfer to Traditional Medicaid services beginning on January 1, 2014. By June 2014, an estimated 52,590 individuals who had previously been eligible but not enrolled and an estimated 9,325 newly eligible children between 100%-133% FPL are expected to enroll in Medicaid.

Background -- Traditional Medicaid Services funds the following populations (*see Chart 1*):

- Children less than 1, up to 140% FPL.
- Children aged 1-5, up to 133% FPL.
- Children aged 6-18, up to 100% FPL through December 31, 2013 and up to 133% FPL thereafter.
- Pregnant women, up to 150% FPL.
- Aged, blind, and disabled adults, up to 75% FPL.
- Parents, up to 22% FPL.
- Women diagnosed with breast or cervical cancer by a provider recognized by DHS' Well Women Healthcheck program up to 250% FPL.
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL ("Ticket to Work").

Proposition 204 Services

The budget includes \$1,047,967,600 in FY 2014 for Proposition 204 Services. This amount consists of:

General Fund	138,506,000
Tobacco Litigation Settlement Fund	100,000,000
TPTF Proposition 204 Protection Account	38,472,300
TPTF Emergency Health Services Account	18,320,100
Federal Medicaid Authority	752,669,200

These amounts fund the following adjustments:

Formula Adjustments

The budget includes a decrease of \$(168,812,400) in FY 2014 for formula adjustments. This amount consists of:

General Fund	(62,211,600)
TPTF Proposition 204 Protection Account	(1,895,600)
Emergency Health Services Account	(902,800)
Federal Medicaid Authority	(103,802,400)

The formula adjustments include:

- Restoration of the childless adults beginning on January 1, 2014.
- 1.5% enrollment growth for the non-childless adult Proposition 204 populations after the continuation of the FY 2013 caseload savings.
- A change in the federal match rate from 66.09% to 66.84%.
- 2% capitation rate increase.
- \$48,000,000 increase from the General Fund and a corresponding decrease from the Tobacco Litigation Settlement Fund to offset a one-time increase from the Tobacco Settlement Litigation Fund in FY 2013.
- \$(1,895,600) decrease from the TPTF Proposition 204 Protection Account due to declining tobacco taxes and a corresponding General Fund increase.
- \$(902,800) decrease from the TPTF Emergency Health Services Account due to declining tobacco taxes and a corresponding General Fund increase.

Mandatory Federal Health Care Legislation

The budget includes an increase of \$50,165,300 in FY 2014 for mandatory costs associated with Federal Health Care Legislation. This amount consists of:

General Fund	9,694,400
Federal Medicaid Authority	40,470,900

Mandatory changes due to federal health care legislation include an increase of individuals who are currently eligible but not enrolled, a primary care provider rate increase, and the health insurer fee. By June 2014, an estimated 13,419 individuals who had previously been eligible but not enrolled are expected to enroll in Medicaid.

Background -- The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population, but are below 100% FPL (*see Chart 1*). The Childless Adult program has had an enrollment freeze since July 8, 2011. The budget ends the freeze on January 1, 2014.

Children's Rehabilitative Services

The budget includes \$111,736,400 in FY 2014 for Children's Rehabilitative Services (CRS). This amount consists of:

General Fund	37,049,000
Federal Medicaid Authority	74,687,400

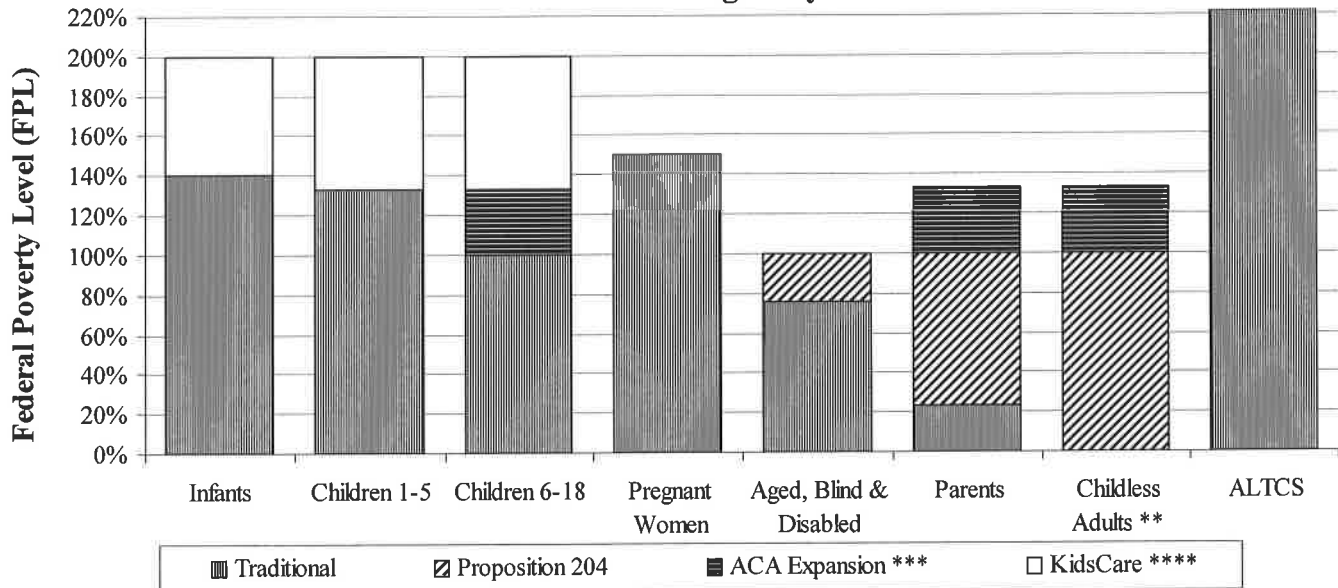
These amounts fund the following adjustments:

Formula Adjustments

The budget includes a decrease of \$(16,862,700) in FY 2014 for formula adjustments. This amount consists of:

Chart 1

AHCCCS Eligibility*



- * Women diagnosed with breast or cervical cancer by a provider recognized by the Well Women Healthcheck program and those in the "Ticket to Work" program receive coverage to 250% FPL.
- ** The Childless Adult Program has had an enrollment freeze since July 8, 2011. The freeze will be lifted on January 1, 2014.
- *** Beginning January 1, 2014.
- **** The KidsCare program has had an enrollment freeze since January 1, 2010. From May 1, 2012 to December 31, 2013, the KidsCare II program will enroll approximately 22,000 per month.

General Fund	(6,565,400)
Federal Medicaid Authority	(10,297,300)

savings, an increase to the federal match rate, and a 2% capitation rate increase.

The formula adjustments include 5.5% enrollment growth after the continuation of the FY 2013 caseload savings, an increase to the federal match rate, and a 2% capitation increase. This would result in approximately 25,000 members per month being served in June 2014.

The CRS program offers health care to children with handicapping or potentially handicapping conditions.

KidsCare Services

The budget includes \$12,081,300 in FY 2014 for KidsCare Services. This amount consists of:

General Fund	2,549,700
CHIP Fund	9,531,600

These amounts fund the following adjustments:

Formula Adjustments

The budget includes a decrease of \$(11,844,500) in FY 2014 for formula adjustments. This amount consists of:

General Fund	(3,117,500)
CHIP Fund	(8,727,000)

The formula adjustments include a (30)% enrollment decline after the continuation of the FY 2013 caseload

Mandatory Federal Health Care Legislation

The budget includes an increase of \$2,303,500 in FY 2014 for mandatory costs associated with Federal Health Care Legislation. This amount consists of:

General Fund	534,600
CHIP Fund	1,768,900

Mandatory changes due to federal health care legislation include a primary care provider rate increase. Federal health care legislation expands eligibility for the Traditional program up to 133% FPL beginning January 1, 2014. At that time, children from 100% to 133% FPL will transition from the KidsCare program to the Traditional program resulting in a decline of 1,985 children.

Background – The KidsCare program, also referred to as the Children's Health Insurance Program (CHIP), provides health coverage to children in families with incomes below 200% FPL, but above the levels required for the regular AHCCCS program. The KidsCare program receives an approximate 3 to 1 match rate, which is higher than the regular 2 to 1 match in the other programs. The federal monies are deposited into the CHIP Fund, and the CHIP Fund is then appropriated, along with the General Fund match, to fund the KidsCare program.

KidsCare II

The budget includes \$26,825,700 in FY 2014 for KidsCare II. This amount consists of:

Political Subdivision Funds	5,901,700
CHIP Fund	20,924,000

These amounts fund the following adjustments:

Change to Appropriated Funds

The budget includes an increase of \$26,825,700 in FY 2014 for KidsCare II. This amount consists of:

Political Subdivision Funds	5,901,700
CHIP Fund	20,924,000

The KidsCare II program expands access to KidsCare from May 1, 2012 to December 31, 2013. KidsCare II was initially funded by voluntary payments made by political subdivisions, and the voluntary payments are matched by Federal Funds. The program initially limited eligibility to 175% FPL. During spring 2013, AHCCCS received federal approval to expand the KidsCare II program using monies collected from a Phoenix hospital assessment. Under the expansion, the eligibility limit was increased to 200% FPL. Monies collected from the hospital assessment will be matched by Federal Funds. Like the original program, the majority of the payments are used for the Safety Net Care Pool (*see Safety Net Care Pool and Safety Net Care Pool and Coverage Expansion section*). Since not all aspects of this program had been finalized during the budget process, these monies are not included in this line item.

In prior budgets, all monies received by AHCCCS for KidsCare II have been non-appropriated. The FY 2014 budget converts KidsCare II monies to the regular budget structure. Monies in FY 2012 and FY 2013 appear in the Other Non-Appropriated Funds line in the appropriation table above.

ALTCS Services

The budget includes \$1,271,574,100 in FY 2014 for Arizona Long Term Care System (ALTCS) expenditures. This amount consists of:

General Fund	162,226,100
County Contributions	244,696,100
PDRF - State	6,497,300
Federal Medicaid Authority	828,232,100
PDRF - Federal	12,224,500
Nursing Facility Provider Assessment Fund	17,698,000

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$26,617,500 in FY 2014 for formula adjustments. This amount consists of:

General Fund	(1,697,000)
County Contributions	(308,800)
PDRF – State	403,400
Federal Medicaid Authority	29,954,600
PDRF – Federal	(1,734,700)

The formula adjustments include:

- 2.0% enrollment growth after continuation of the FY 2013 caseload savings. Caseloads are projected to grow to a level of 28,500 in June 2014 (*see Table 1*).
- A change in the federal match rate from 66.09% to 66.84%.
- 2% capitation rate increase.
- \$403,400 increase to the state portion of the PDRF and corresponding decreases of \$(182,100) in County Contributions and \$(221,300) from the General Fund.
- \$(1,734,700) decrease to the federal portion of the PDRF and a corresponding Federal Medicaid Authority increase.

Mandatory Federal Health Care Legislation

The budget includes an increase of \$15,479,100 in FY 2014 due to mandatory federal health legislation requirements of a primary care provider rate increase and new health insurer fee. This amount consists of:

General Fund	1,328,800
County Contributions	1,784,400
Federal Medicaid Authority	12,365,900

Nursing Facility Assessments

The budget includes an increase of \$51,567,500 in FY 2014 for supplemental payments to nursing facilities. This amount consists of:

Nursing Facility Provider Assessment Fund	17,698,000
Federal Medicaid Authority	33,869,500

ALTCS enrollees that require 24-hour nursing care are treated at nursing facilities while individuals with less chronic conditions receive assisted living or home and community based services. Laws 2012, Chapter 213 requires AHCCCS to charge a provider assessment on health items and services provided by nursing facilities that are not paid for by Medicare. Charges are then used to obtain a federal match and make supplemental payments to facilities for covered AHCCCS expenditures.

Each facility that provides care to ALTCS enrollees receives supplemental payments, though some are exempt from paying the assessment. Non-exempt facilities with less than 43,500 Medicaid bed days per year are charged

\$7.50 per day of care provided while facilities with more than 43,500 Medicaid bed days are charged \$1 per day. Monies in FY 2013 appear in the Other Non-Appropriated Funds and Federal Funds lines in the appropriation table above. The FY 2014 budget converts these funds to the regular budget structure.

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$25,508 per person. The federal government requires coverage of individuals up to 100% of the Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or \$8,613 per person.

Clients contribute to the cost of their care based on their income and living arrangement, with institutionalized members contributing more of their income to the cost of their care. For FY 2012, AHCCCS estimates that client contributions paid for 7.1% of care.

Payments to Hospitals

These line items represent payments made directly to hospitals separate from the traditional capitated or fee-for-service system.

Disproportionate Share Payments

The budget includes \$13,487,100 in FY 2014 for Disproportionate Share Hospital (DSH) Payments. This amount consists of:

General Fund	3,042,600
Federal Medicaid Authority	18,444,500

These amounts fund the following adjustments:

Formula Adjustments

The budget includes a decrease of \$(143,900) from the General Fund and a corresponding increase from Federal Medicaid Authority in FY 2014 due to a change in the federal match rate.

Background – This line item represents supplementary payments to hospitals that serve a large, or disproportionate, number of low-income patients. *Table 5* displays the allocation of Disproportionate Share Funding. The state only appropriates General Fund dollars for DSH payments to private hospitals (\$9,284,800 in total funds in FY 2014). Publicly operated hospitals are required to document uncompensated care costs to the federal government through a Certified Public Expenditure (CPE) process. Those CPEs result in the drawdown of Federal Funds. Typically the state retains all of the Federal Funds with the exception of \$4,202,300 which is allocated to Maricopa Integrated Health System (MIHS).

The FY 2014 Health and Welfare BRB limits the DSH payment attributed to MIHS in FY 2014 to \$89,877,700. This limitation allows MIHS to use monies they spend on uncompensated care above that amount as a match for the Safety Net Care Pool (SNCP) and KidsCare II programs and results in the loss of some federal funding which would have otherwise been distributed to the General Fund. After MIHS has exhausted all monies above \$89,877,700 which the federal government allows to be used for SNCP, the FY 2014 Health and Welfare BRB requires that any additional monies be deposited into the General Fund.

Table 5

Disproportionate Share Hospital Program

<u>Eligible Funding</u>	<u>FY 2013</u>	<u>FY 2014</u>
Public Hospitals	\$ 89,877,700	\$ 89,877,700
Arizona State Hospital (ASH)	26,724,700	26,724,700
Private Hospitals	9,284,800	9,284,800
Total Allocations	\$125,887,200	\$125,887,200
<u>Distribution of Funding</u>		
Federal DSH to GF (Maricopa)	\$ 64,460,900	\$ 60,424,800
Federal DSH to GF (ASH)	16,400,300	17,443,600
Subtotal	\$ 80,861,200	\$ 77,868,400
County-Operated Hospitals	4,202,300	4,202,300
Private Hospitals	9,284,800	9,284,800
Total	\$ 94,348,300	\$ 91,355,500

DSH Payments - Voluntary Match

The budget includes \$28,457,100 in FY 2014 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds (PSF)	9,325,400
Federal Medicaid Authority	19,131,700

These amounts fund the following adjustments:

Formula Adjustment

The budget includes an increase of \$25,800 from Political Subdivision Funds and a corresponding decrease from Federal Medicaid Authority in FY 2014 due to a change in the federal match rate.

Background – Beginning in FY 2010, the Health and Welfare BRB has allowed local governments, tribal governments and universities to provide voluntary DSH payments in order to receive a federal match. In FY 2012, 6 hospitals contributed the state match for \$7,618,600 in total DSH payments.

The FY 2013 budget converted the Voluntary Match payments to the regular budget structure. Payments in FY 2012 appear in the Other Non-Appropriated Funds line in the appropriation table above.

Rural Hospitals

The budget includes \$13,858,100 in FY 2014 for Rural Hospitals. This amount consists of:

General Fund	4,541,300
Federal Medicaid Authority	9,316,800

These amounts fund the following adjustments:

Formula Adjustment

The budget includes a decrease of \$(214,800) from the General Fund and a corresponding increase from Federal Medicaid Authority in FY 2014 due to a change in the federal match rate.

Background – This line item is comprised of 2 programs. The Rural Hospital Reimbursement program increases inpatient reimbursement rates for qualifying rural hospitals. The Critical Access Hospitals program provides increased reimbursement to small rural hospitals that are federally designated as critical access hospitals. In FY 2012, 21 hospitals qualified for funding from Rural Hospital Reimbursement and 11 from Critical Access Hospitals.

Graduate Medical Education

The budget includes \$160,184,900 in FY 2014 for Graduate Medical Education (GME) expenditures. This amount consists of:

Political Subdivision Funds	52,482,600
Federal Medicaid Authority	107,702,300

These amounts fund the following adjustments:

Increased Funding

The budget includes an increase of \$69,207,600 in FY 2014 for anticipated increased funding reflecting current expenditures.

Political Subdivision Funds	21,259,200
Federal Medicaid Authority	47,948,400

Background – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. While AHCCCS no longer provides any General Fund monies to this program, A.R.S. § 36-2903.01 allows local, county, and tribal governments, along with public universities to provide state match for GME, and entities may designate the recipients of such funds. In 2011, 6 hospitals received a total of \$113,352,900 for Graduate Medical Education.

The FY 2013 budget converted Graduate Medical Education to the regular budget structure. Payments in FY

2012 appear in the Other Non-Appropriated Funds line in the appropriation table above.

Safety Net Care Pool

The budget includes \$166,000,000 in FY 2014 for the Safety Net Care Pool (SNCP) program. This amount consists of:

Political Subdivision Funds	56,971,200
Federal Medicaid Authority	109,028,800

These amounts fund the following adjustments:

Change to Appropriated Funds

The budget includes an increase of \$166,000,000 in FY 2014 for SNCP. This amount consists of:

Political Subdivision Funds	56,971,200
Federal Medicaid Authority	109,028,800

In prior budgets, all monies received by AHCCCS for SNCP have been non-appropriated. The FY 2014 budget converts SNCP monies to the regular budget structure. Monies in FY 2012 and FY 2013 appear in the Other Non-Appropriated Funds line in the appropriation table above. This amount reflects a half year of funding.

Background – In April 2012, AHCCCS received federal approval to establish the SNCP program to fund unreimbursed costs incurred by hospitals in caring for the uninsured and AHCCCS recipients through December 31, 2013. SNCP uses voluntary monies from political subdivisions to draw down federal matching monies at a 2:1 match. The funds are then distributed to participating hospitals. As a federal condition of participating in the program, some of the monies must be used for Medicaid coverage. Initially, these monies were used to expand KidsCare (*see KidsCare II section*).

During spring 2013, AHCCCS received federal approval to expand SNCP using monies collected from a Phoenix hospital assessment. The expansion is projected to generate an additional \$264,000,000 in total fund distributions in FY 2014. Since the details were still being finalized during the budget process, these monies are not included in this line item (*see Safety Net Care Pool and Coverage Expansion in Other Issues for additional details*).

While this program was originally expected to end on December 31, 2013, the FY 2014 Health and Welfare BRB allows Phoenix Children's Hospital to continue to participate in the SNCP program through December 31, 2017 if approved by the federal government.

At the time of this writing, it is unclear which hospitals will receive monies for SNCP in FY 2014.

Other Information

FY 2013 Supplemental

The budget includes an increase of \$48,000,000 from the Tobacco Litigation Settlement Fund in FY 2013 and a corresponding decrease from the General Fund in FY 2013 as a result of a one-time increase of tobacco settlement monies in FY 2013.

Health and Welfare BRB

In addition to the previously mentioned items, the FY 2014 Health and Welfare BRB includes the following provisions:

Changes to Rates and Services

Administrative Costs

Section 24 continues to reduce the risk contingency rate setting for all managed care organizations by 50% and impose a 5.88% reduction on funding for all managed care organizations administrative funding levels.

A risk contingency is added to capitation rates to cover unforeseen circumstances and/or pricing mismatches (e.g. actual trends differ from assumptions). If this risk contingency is not necessary, or is insufficient, it is retained as profit (or loss) and there is no limit. Previously, risk contingency was set at 2%.

Capitation Rates

Section 48 states that it is the intent of the Legislature that AHCCCS not increase capitation rates more than 3% in FY 2015 and FY 2016.

Ambulance Rates

Sections 3 and 25 permanently reset ambulance reimbursement rates to 80% of the DHS-set rate, except that from October 1, 2013 to September 30, 2014, they will remain at 68.59% and from October 1, 2014 to September 30, 2015 they will be 74.74%.

Outpatient Hospital Fee Schedules

Section 6 permanently resets the inpatient prospective per diem rates to the amounts payable for those services on October 1, 2011. This is the same rate that was charged in FY 2013.

Transplants

Section 7 permanently restores coverage for 5 types of transplants which were restricted by Laws 2010, 7th Special Session, Chapter 10. Laws 2011, Chapter 31 effectively lifted the restriction but the provision was set to expire on December 31, 2013.

Well Exams

Section 7 also restores coverage for the well exams which were eliminated by Laws 2010, 7th Special Session, Chapter 10.

Coverage Exclusions

Section 40 allows AHCCCS to not withstand coverage exclusions which are in permanent law in order to cover outpatient health services, medical supplies, durable medical equipment, orthotics, and prosthetic devices if the preferred treatment option is consistent with Medicare guidelines and are less expensive than all other treatment options or surgical procedures to treat the same diagnosed condition. AHCCCS is required to report by January 1, 2016 on whether cost savings were achieved.

Erroneous Payments

Section 26 continues to permit AHCCCS to recover erroneous Medicare payments the state has made due to errors on behalf of the federal government. Credits may be used to pay for the AHCCCS program in the year they are received.

Additionally, Section 47 continues to state that it is the intent of the Legislature that AHCCCS comply with the Federal False Claims Act, achieve the maximum savings as possible under the federal act, and to consider best available technologies to reduce fraud.

Available Funding

Section 46 continues to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.

Continuation

Sections 11, 12, 53, and 54 continue AHCCCS through July 1, 2023, retroactive to July 1, 2013. Current law terminates AHCCCS on July 1, 2013.

Reports

Section 31 requires AHCCCS to submit a report by December 1, 2013 on the use of emergency departments for non-emergency use by AHCCCS enrollees.

Section 34 requires AHCCCS to submit a report by December 31, 2013 on the cost, reimbursement, and utilization of air ambulances for AHCCCS enrollees.

Section 37 requires AHCCCS, in conjunction with DHS, to submit a report by January 1, 2014 on hospital costs and charges.

Section 39 creates the Medicaid Circuit Breaker and Outcomes Study Committee. The committee is required to report by October 1, 2014 on the potential impact on AHCCCS of a decrease in federal funding. By January 1, 2016, the committee is required to report on the potential impact of restoring Medicaid coverage and the hospital assessment.

By October 1, 2013 and annually through 2017, Section 41 requires AHCCCS to report on the change in uncompensated hospital costs and hospital profitability.

Section 41 also requires AHCCCS to submit a report by August 1, 2013, and annually through 2017, on the amount contributed for the assessment by each hospital and the estimated payment each hospital received.

Other

Cost Sharing

Section 36 requires AHCCCS to pursue the maximum cost sharing allowable under federal law for AHCCCS enrollees. If approved by the federal government, AHCCCS is required to charge the adult expansion population a premium of up to 2% of their income, a co-pay of \$200 for non-emergency use of the emergency room if the person is not admitted to the hospital, and a \$200 co-pay for non-emergency use of the emergency room if there is a community health center, rural health center, or urgent care facility within 20 miles of the hospital. AHCCCS is exempted from rulemaking for this purpose for 1 year.

Recovery Audits

Section 9 allows AHCCCS to deposit monies from first party payors and statewide recovery audit contractors into the Third Party Liability Fund. It also changes the name of the fund to Third Party Liability and Recovery Fund.

Proposition 204 Services

Section 14 extends hospitals' authority to partner with political subdivisions to provide coverage for individuals who no longer qualify for Proposition 204 services from September 30, 2013 to December 31, 2013.

Safety Net Care Pool and Coverage Expansion

During spring 2013, the federal government approved an expansion of the Safety Net Care Pool using monies from a Phoenix hospital assessment. The assessment will obtain a 66% federal match and is conditional on using some of the monies to fund additional services. AHCCCS will be required to use some of the funding for KidsCare II as well as to continue coverage for parents whose children age out of the Medicaid system (and, therefore, are classified as "childless adults").

The SNCP expansion is expected to distribute \$121,000,000 in total funds for SNCP during FY 2013 and \$264,000,000 in total funds in FY 2014. An additional \$107,424,300 in total funds is expected to be used to expand KidsCare and to provide coverage for parents whose children age out of the Medicaid system. The budget appropriates these monies in FY 2013 and FY 2014 but did not include an amount. At the time the budget was passed, it was uncertain how much would be distributed in FY 2013 or FY 2014. Therefore, the actual SNCP and KidsCare II payments in FY 2014 are expected to be higher than in the table above (*see the KidsCare II and*

Safety Net Care Pool section for additional details.) This program ends on December 31, 2013.

Hospital Reimbursement

Laws 2013, Chapter 202 requires AHCCCS to continue to use a prospective tiered per diem methodology for inpatient hospital reimbursement through September 30, 2014. The law further requires that AHCCCS obtain legislative approval prior to adopting a different methodology of hospital reimbursement.

County Contributions

County governments make 4 different payments to defray the AHCCCS budget's costs, as summarized in *Table 6*.

The counties' single largest contribution is the ALTCS program. Pursuant to A.R.S. § 11-292, the state and the counties share in the growth of the ALTCS program, as defined by the following formula:

1. The growth is split 50% to the state, 50% to the counties.
2. The counties' portion is allocated among the counties based on their FY 2012 ALTCS utilization.
3. Each county's contribution is then limited to 90¢ per \$100 of net assessed property value. In FY 2014, this provision provides 3 counties with a total of \$4,283,000 in relief.
4. In counties with an "on-reservation" population of at least 20%, the contribution is limited by an alternative formula specified in statute. In FY 2014, this provision provides 3 counties with a total of \$16,108,300 in relief.
5. If any county could still pay more under the above provisions than under the previous statutory percentages, that county's contribution is limited by a further alternative formula specified in statute. In FY 2014 no counties qualify for this relief.
6. The state pays for county costs above the average statewide per capita (\$38.91 in FY 2014). In FY 2014 this provision provides 7 counties with a total of \$10,709,000.

In FY 2014, provisions 3 through 6 of the ALTCS formula result in the state providing a total of \$31,100,300 in relief to 10 counties.

The FY 2014 Health and Welfare BRB requires AHCCCS to transfer any excess monies back to the counties on December 31, 2014 if the counties' portion of the state match exceeds the proportion allowed in order to comply with the ACA.

Table 6

County Contributions

County	FY 2013				FY 2014			
	BNCF	Acute	DUC	ALTCS	BNCF	Acute	DUC	ALTCS
Apache	\$ 106,200	\$ 268,800	\$ 87,300	\$ 611,200	\$ 108,900	\$ 268,800	\$ 87,300	\$ 613,500
Cochise	198,000	2,214,800	162,700	5,266,800	203,100	2,214,800	162,700	5,179,900
Coconino	195,400	742,900	160,500	1,834,500	200,400	742,900	160,500	1,841,200
Gila	80,200	1,413,200	65,900	2,146,400	82,300	1,413,200	65,900	2,126,000
Graham	57,000	536,200	46,800	1,434,200	58,500	536,200	46,800	1,427,300
Greenlee	14,700	190,700	12,000	192,800	15,000	190,700	12,000	128,800
La Paz	30,400	212,100	24,900	625,200	31,200	212,100	24,900	691,300
Maricopa	0	20,225,200	0	148,533,600	0	19,820,700	0	149,698,100
Mohave	228,000	1,237,700	187,400	8,000,100	233,900	1,237,700	187,400	7,952,700
Navajo	149,500	310,800	122,800	2,529,300	153,300	310,800	122,800	2,538,600
Pima	1,358,300	14,951,800	1,115,900	39,316,400	1,393,200	14,951,800	1,115,900	39,129,200
Pinal	265,800	2,715,600	218,300	15,081,500	272,600	2,715,600	218,300	15,246,800
Santa Cruz	62,800	482,800	51,600	1,904,900	64,400	482,800	51,600	1,908,200
Yavapai	251,000	1,427,800	206,200	8,450,900	257,500	1,427,800	206,200	8,382,500
Yuma	223,800	1,325,100	183,900	7,292,700	229,600	1,325,100	183,900	7,832,000
Subtotal	\$3,221,100	\$48,255,500	\$2,646,200	\$243,220,500	\$3,303,900	\$47,851,000	\$2,646,200	\$244,696,100
Total				\$297,343,300				\$298,497,200

Program Components

Traditional Medicaid, Proposition 204, KidsCare, CRS, and ALTCS services include the following costs:

Capitation

The majority of AHCCCS payments are made through monthly capitated payments. This follows a health maintenance organization (HMO) model in which capitated providers accept a predetermined rate for each member. In FY 2014, the average capitation rate is expected to be approximately \$314 per member per month (or \$3,768 annually). Of that amount, \$102 is from state match and \$212 from Federal Medicaid Authority.

Reinsurance

Reinsurance is a stop-loss program for health plans and program contractors for patients with unusually high costs. The health plan is responsible for paying all of a member's costs until an annual deductible has been met.

Fee-For-Service

Rather than using Capitation, Fee-For-Service payments are made for 4 programs: 1) federally-mandated services for Native Americans living on-reservations; 2) rural Federally Qualified Health Centers (FQHC); 3) temporary Fee-For-Service coverage for those who leave AHCCCS before enrolling in a capitated plan; and 4) federally-mandated emergency services for unauthorized and qualified immigrants.

Medicare Premiums

AHCCCS provides funding for the purchase of Medicare Part B (supplemental medical insurance) and Part A (hospital insurance). Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, this

includes the cost of premiums for certain disabled workers and low-income Qualified Medicare Beneficiaries.

Clawback

AHCCCS is not required to pay for prescription drug costs for members who are eligible for Medicare. Instead, AHCCCS is required to make "Clawback" payments to Medicare based on a certain percent (76.7% in 2014) of the estimated drug costs.

Proposition 202 – Trauma and Emergency Services Fund

In April 2012, AHCCCS received federal approval to obtain a federal match for Proposition 202 - Trauma and Emergency Services Fund. This fund consists of tribal gaming monies received from the Arizona Benefits Fund. Currently, hospitals receive approximately \$20,000,000 annually from this fund. AHCCCS distributes 90% to trauma facilities and 10% to emergency departments. The additional federal match is expected to generate approximately \$13,300,000 annually through December 31, 2013. AHCCCS intends to distribute 40% of the additional money to rural hospitals, 30% to trauma centers, and 30% to emergency departments.

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the Automation Projects narrative for more details.)

Tobacco Tax Allocation

Table 7 is a summary of the tobacco tax allocations.

Table 7

Summary of Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Medically Needy Account			
<u>Funds Available</u>			
Balance Forward	\$ 5,050,200	\$ 4,260,800	\$ 2,460,000
Transfer In - Tobacco Tax and Health Care Fund	46,903,400	46,377,400	42,747,000
Transfer In - Tobacco Products Tax Fund	25,580,600	25,284,600	24,732,200
Interest & Refunds	<u>151,600</u>	<u>0</u>	<u>0</u>
Total Funds Available	\$ 77,685,800	\$ 75,922,800	\$ 69,939,200
<u>Allocations</u>			
<u>AHCCCS</u>			
AHCCCS State Match Appropriation	\$ <u>38,295,800</u>	\$ <u>38,295,800</u>	\$ <u>37,389,300</u>
Total AHCCCS Allocations	\$ 38,295,800	\$ 38,295,800	\$ 37,389,300
<u>DHS</u>			
Behavioral Health GF Offset	\$ 34,767,000	\$ 34,767,000	\$ 34,767,000
Folic Acid	362,200	400,000	400,000
Renal, Dental Care, and Nutrition Supplements	<u>0</u>	<u>0</u>	<u>300,000</u>
Total DHS Allocations	<u>35,129,200</u>	<u>35,167,000</u>	<u>35,467,000</u>
Balance Forward	\$ 4,260,800	\$ 2,460,000	\$ (2,917,100) ^{1/}
AHCCCS Proposition 204 Protection Account			
<u>Funds Available</u>			
Balance Forward	\$ 19,600	\$ 0	\$ (1,036,300)
Transfer In - Tobacco Products Tax Fund	<u>39,792,000</u>	<u>39,331,600</u>	<u>38,472,300</u>
Total Funds Available	\$ 39,811,600	\$ 39,331,600	\$ 37,436,000
<u>Allocations</u>			
AHCCCS State Match Appropriation	\$ <u>39,811,600</u>	<u>40,367,900</u>	<u>38,472,300</u>
Balance Forward	\$ 0	\$ (1,036,300) ^{1/}	\$ (1,036,300) ^{1/}
AHCCCS Emergency Health Services Account			
<u>Funds Available</u>			
Balance Forward	\$ 9,300	\$ 0	\$ 0 ^{2/}
Transfer In - Tobacco Products Tax Fund	<u>18,948,600</u>	<u>18,729,300</u>	<u>18,320,100</u>
Total Funds Available	\$ 18,957,900	\$ 18,729,300	\$ 18,320,100
<u>Allocations</u>			
AHCCCS State Match Appropriation	\$ <u>18,957,900</u>	<u>19,222,900</u>	<u>18,320,100</u>
Balance Forward ^{2/}	\$ 0	\$ (493,600) ^{1/}	\$ 0 ^{1/}
DHS Health Education Account			
<u>Funds Available</u>			
Balance Forward	\$ 8,406,100	\$ 7,741,100	\$ 6,452,300
Transfer In - Tobacco Tax and Health Care Fund	15,516,400	15,238,300	14,045,400
Transfer In - Tobacco Products Tax Fund	<u>1,894,900</u>	<u>1,872,900</u>	<u>1,832,000</u>
Total Funds Available	\$ 25,817,400	\$ 24,852,300	\$ 22,329,700
<u>Allocations</u>			
Tobacco Education and Prevention Program	\$ 15,745,200	\$ 16,200,000	\$ 16,200,000
Leading Causes of Death - Prevention and Detection	<u>2,331,100</u>	<u>2,200,000</u>	<u>2,200,000</u>
Balance Forward	\$ 7,741,100	\$ 6,452,300	\$ 3,929,700
Health Research Account			
<u>Funds Available</u>			
Balance Forward	\$ 6,912,000	\$ 10,307,100	\$ 12,275,000
Transfer In - Tobacco Tax and Health Care Fund	4,283,900	3,312,600	3,053,400
Transfer In - Tobacco Products Tax Fund	<u>6,057,500</u>	<u>4,682,300</u>	<u>4,580,000</u>
Total Funds Available	\$ 17,253,400	\$ 18,302,000	\$ 19,908,400
<u>Allocations</u>			
Biomedical Research	\$ 5,946,300	\$ 5,027,000	\$ 5,027,000
Alzheimer's Disease Research	1,000,000	1,000,000	1,000,000
Biotechnology (Laws 2002, Ch. 186)	<u>0</u>	<u>0</u>	<u>0</u>
Balance Forward	\$ 10,307,100	\$ 12,275,000	\$ 13,881,400

^{1/} Actual balances will not be negative.

^{2/} Any unencumbered funds in the Emergency Health Services Account are transferred to the Proposition 204 Protection Account at the end of each year.

State Board of Appraisal

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.5	5.5	8.0
Personal Services	286,700	306,300	309,400
Employee Related Expenditures	120,300	131,800	131,800
Professional and Outside Services	193,600	226,500	226,500
Travel - In State	7,500	12,800	12,800
Travel - Out of State	9,700	10,400	10,400
Other Operating Expenditures	76,300	78,800	117,700
Equipment	6,800	100	100
AGENCY TOTAL	700,900	766,700	808,700^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Appraisal Fund	700,900	766,700	808,700
SUBTOTAL - Other Appropriated Funds	700,900	766,700	808,700
SUBTOTAL - Appropriated Funds	700,900	766,700	808,700
TOTAL - ALL SOURCES	700,900	766,700	808,700

AGENCY DESCRIPTION — The board licenses, certifies, and regulates real estate appraisers. The board also registers property tax agents.

Operating Budget

The budget includes \$808,700 and 8 FTE Positions from the Board of Appraisal Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Software Upgrade

The budget includes a one-time increase of \$30,000 from the Board of Appraisal Fund in FY 2014 for a database upgrade.

FTE Position Increase

The budget includes an increase of 2.5 FTE Positions in FY 2014 to convert temporary contract services to full-time positions. The board will add 1 FTE Position for a full-time investigator to review complaints and 1.5 FTE Positions for full-time administrative personnel. These positions will not require additional funds.

Statewide Adjustments

The budget includes an increase of \$12,000 from the Board of Appraisal Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona Commission on the Arts

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
SPECIAL LINE ITEMS			
Arts Trust Fund Deposit	0	0	1,000,000
AGENCY TOTAL	0	0	1,000,000
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Budget Stabilization Fund	0	0	1,000,000
SUBTOTAL - Other Appropriated Funds	0	0	1,000,000
SUBTOTAL - Appropriated Funds	0	0	1,000,000
Other Non-Appropriated Funds	1,768,100	1,673,800	2,513,800
Federal Funds	868,600	845,400	807,200
TOTAL - ALL SOURCES	2,636,700	2,519,200	4,321,000

AGENCY DESCRIPTION — The agency promotes arts in the state by offering matching grants to communities and arts organizations, developing programs in-house to showcase artists in all disciplines, and serving as a resource for local artists.

Arts Trust Fund Deposit

The budget includes \$1,000,000 one-time from the Budget Stabilization Fund in FY 2014 for deposit into the non-appropriated Arts Trust Fund. The FY 2014 Revenue Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 9) appropriates this amount from interest income earned on the Budget Stabilization Fund.

Monies in the Arts Trust Fund are used to award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are used to provide grants to organizations representing handicapped persons or racial or ethnic minorities and organizations representing rural areas.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the Automation Projects narrative for more details.)

Board of Athletic Training

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	62,900	67,700	68,500
Employee Related Expenditures	23,900	14,700	14,600
Travel - In State	500	1,100	1,100
Other Operating Expenditures	14,800	21,000	21,000
AGENCY TOTAL	102,100	104,500	105,200^{1/}

FUND SOURCES

Other Appropriated Funds

Athletic Training Fund	102,100	104,500	105,200
SUBTOTAL - Other Appropriated Funds	102,100	104,500	105,200
SUBTOTAL - Appropriated Funds	102,100	104,500	105,200
TOTAL - ALL SOURCES	102,100	104,500	105,200

AGENCY DESCRIPTION — The board examines and licenses athletic trainers, investigates complaints and holds hearings to enforce standards of practice.

Operating Budget

The budget includes \$105,200 and 1.5 FTE Positions from the Athletic Training Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$700 from the Athletic Training Fund in FY 2014 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

Other Issues

Use of FY 2014 Appropriation

Section 116 of the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) provides that the Board of Athletic Training may use up to \$431 of the board's FY 2014 appropriation to pay obligations incurred in FY 2012.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Attorney General - Department of Law

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	592.9	547.9	547.9 ^{1/}
Personal Services	26,655,400	29,853,300	30,164,800
Employee Related Expenditures	9,710,900	10,989,000	10,987,700
Professional and Outside Services	643,600	1,243,300	1,243,300
Travel - In State	96,500	119,700	119,700
Travel - Out of State	65,700	187,900	187,900
Other Operating Expenditures	4,699,600	5,566,600	4,241,200
Equipment	464,600	0	0
OPERATING SUBTOTAL	42,336,300	47,959,800	46,944,600
SPECIAL LINE ITEMS			
Capital Postconviction Prosecution	0	0	500,000 ^{2/}
Military Airport Planning	84,800	88,900	90,000 ^{3/}
National Mortgage Settlement Distribution	0	47,000,000 ^{4/}	0
Risk Management ISA	7,987,500	9,395,200	9,439,500
State Grand Jury	175,300	180,100	181,100
Victims' Rights	3,222,500	3,247,800	3,997,800
AGENCY TOTAL	53,806,400	107,871,800 ^{5/}	61,153,000 ^{6/7/}
FUND SOURCES			
General Fund	17,386,900	23,579,500	22,464,600
<i>Other Appropriated Funds</i>			
Antitrust Enforcement Revolving Fund	141,600	244,400	244,200
Attorney General Legal Services Cost Allocation Fund	5,625,900	2,076,700	2,087,500
Collection Enforcement Revolving Fund	4,486,100	5,378,400	5,387,800
Consumer Protection - Consumer Fraud Revolving Fund	2,307,400	3,500,300	3,506,200
Court-Ordered Trust Fund	0	47,000,000	0
Interagency Service Agreements Fund	12,648,500	13,449,500	13,525,400 ^{8/}
Risk Management Revolving Fund	7,987,500	9,395,200	9,439,500
State Aid to Indigent Defense Fund	0	0	500,000
Victims' Rights Fund	3,222,500	3,247,800	3,997,800
SUBTOTAL - Other Appropriated Funds	36,419,500	84,292,300	38,688,400
SUBTOTAL - Appropriated Funds	53,806,400	107,871,800	61,153,000
Other Non-Appropriated Funds	36,204,700	43,513,900	44,345,400
Federal Funds	6,859,500	5,877,000	5,104,000
TOTAL - ALL SOURCES	96,870,600	157,262,700	110,602,400

^{1/} Includes 2.6 GF and 99 OF FTE Positions funded from Special Line Items in FY 2014.

^{2/} The \$500,000 appropriation for Capital Postconviction Prosecution is a one-time appropriation pending further legislative review of the appropriate location of those duties. The Attorney General shall submit a report on or before November 1, 2013, to the Joint Legislative Budget Committee for review of the Attorney General's plan to transition capital postconviction prosecution responsibilities for Maricopa County related cases to Maricopa County during the next 4 years. (General Appropriation Act footnote)

^{3/} Includes \$90,000 from the General Fund appropriated by A.R.S. § 26-263 for Military Airport Planning, as adjusted for statewide allocations.

^{4/} Laws 2013, Chapter 118 appropriates the National Mortgage Settlement proceeds, excluding the \$50,000,000 deposit into the General Fund, in FY 2013 to the Attorney General as a nonlapsing appropriation. This amount is estimated to be \$47,000,000.

^{5/} In addition to these amounts, the General Appropriation Act included a one-time FY 2013 adjustment of \$(176,600) GF for a state employee health insurance payment holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{7/} The Attorney General shall submit to the Joint Legislative Budget Committee for review the quarterly reports on legal settlements required by A.R.S. § 41-192, 44-1531.01 and 44-1531.02, as amended by Laws 2013, Chapter 143. (General Appropriation Act footnote)

^{8/} In addition to the \$13,525,400 appropriated from the Interagency Service Agreements Fund in FY 2014, an additional \$800,000 and 11 FTE Positions are appropriated from the Interagency Service Agreements Fund in FY 2014 for new or expanded interagency service agreements. The Attorney General shall report to the Joint Legislative Budget Committee whenever an interagency service agreement is established that will require expenditures from the additional amount. The report shall include the name of the agency or entity with which the agreement is made, the dollar amount of the contract by fiscal year and the number of associated FTE Positions. (General Appropriation Act footnote, as adjusted for statewide allocations)

AGENCY DESCRIPTION — The Attorney General is an elected constitutional officer. The office provides legal counsel to state agencies, represents the state in juvenile dependency matters, enforces civil rights, environmental, consumer protection and anti-trust laws, and investigates and prosecutes criminal cases, handles criminal appeals, and assists county attorneys.

Operating Budget

The budget includes \$46,944,600 and 446.3 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$22,193,500
Antitrust Enforcement Revolving Fund	244,200
Attorney General Legal	2,087,500
Services Cost Allocation Fund	
Collection Enforcement Revolving Fund	5,387,800
Consumer Protection-Consumer Fraud	3,506,200
Revolving Fund	
Interagency Service Agreements Fund	13,525,400

These amounts fund the following adjustments:

Elimination of One-Time Federal Grant Backfill

The budget includes a decrease of \$(1,200,000) from the General Fund in FY 2014 to eliminate one-time funding. In FY 2013, the budget included an increase of \$1,200,000 from the General Fund to backfill expiring funding from a Federal Recovery Act Cross Border Grant that supports prosecutions within the Criminal Division.

Statewide Adjustments

The budget includes an increase of \$184,800 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	83,000
Antitrust Enforcement Revolving Fund	(200)
Attorney General Legal	10,800
Services Cost Allocation Fund	
Collection Enforcement Revolving Fund	9,400
Consumer Protection - Consumer Fraud	5,900
Revolving Fund	
Interagency Service Agreements Fund	75,900

(Please see the Agency Detail and Allocations section.)

Capital Postconviction Prosecution

The budget includes \$500,000 from the State Aid to Indigent Defense Fund in FY 2014 for capital postconviction prosecution. These amounts fund the following adjustments:

Capital Postconviction Prosecution

The budget includes an increase of \$500,000 from the State Aid to Indigent Defense Fund in FY 2014 to fund capital postconviction prosecution.

This line item serves as a one-time appropriation to fund capital postconviction prosecutions for the state over the next 4 years. The FY 2014 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 5) permits the Attorney General to use State Aid to Indigent Defense Fund monies for this purpose. A General Appropriation Act footnote directs the Attorney General to submit a report by November 1, 2013, on its plan to transition these responsibilities to Maricopa County during the 4 years to the Joint Legislative Budget Committee for its review.

Military Airport Planning

The budget includes \$90,000 and 1 FTE Position from the General Fund in FY 2014 for Military Airport Planning. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,100 from the General Fund in FY 2014 for statewide adjustments.

A.R.S. § 26-263 appropriated \$85,000 annually (prior to statewide adjustments) from the General Fund to the Attorney General's Office. Therefore, \$85,000 of this funding does not appear in the General Appropriation Act. The legislation sought to preserve the state's military bases by appropriating monies to several state agencies and charging them with certain responsibilities. Monies in this line item pay for the department's duties under the original 2004 legislation, including review and determination of compliance with land use plans.

National Mortgage Settlement Distribution

The budget includes no funding from the National Mortgage Settlement Distribution in FY 2014 for disbursement of court orders. This amount funds the following adjustments:

Remove One-Time Settlement Distribution

The budget includes a decrease of \$(47,000,000) from the Court-Ordered Trust Fund in FY 2014 associated with a one-time distribution of \$47,000,000 from the National Mortgage Settlement Distribution in FY 2013. This amount excludes the \$50,000,000 that will be transferred into the General Fund by Laws 2012, Chapter 294.

In 2012, Arizona, along with 49 other states and attorneys general, reached a state-federal settlement with the nation's 5 largest residential mortgage loan servicers. The National Mortgage Settlement is a result of state and federal investigations that the 5 loan servers did not act

legally in signing foreclosure documents, thus acting fraudulently in services and practices. The total settlement was \$25 billion, of which Arizona's total share was \$1.3 billion.

The settlement requires Arizona to use the funds received from the settlement "for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices, and to compensate the State for costs resulting from the alleged unlawful conduct of the Defendants."

Of the \$1.3 billion, the Attorney General received approximately \$97,000,000 in a direct payment from the National Mortgage Settlement. The FY 2013 General Appropriation Act required the Attorney General to direct \$50,000,000 of these monies to the General Fund. In May 2012, a lawsuit was filed arguing that the state could not transfer money from the settlement to the General Fund. In October 2012, a Superior Court judge ruled that the State Legislature can decide how to spend the funds from the settlement. In March 2013, the Court of Appeals upheld the Superior Court ruling but the Arizona Supreme Court subsequently directed the Attorney General to not transfer the \$50,000,000 to the General Fund pending final resolution of the case in the Supreme Court.

Laws 2013, Chapter 118 appropriates the remainder of the settlement to the Attorney General for distribution pursuant to applicable court orders.

The Attorney General also has discretion to determine the remainder of the state's allocation. An approximate amount of \$47,000,000, plus \$10,000,000 from a settlement with Bank of America not subject to this appropriation, will be used as follows:

- \$41,000,000 for direct assistance to help keep residents in their home and consumer restitution;
- \$5,000,000 for enforcement and monitoring;
- \$5,000,000 for housing counseling;
- \$4,000,000 for legal services; and
- \$2,000,000 for outreach, marketing, and education.

Of the remaining \$1.3 billion from Arizona's share of the National Mortgage Settlement, \$1 billion is to be used to directly help residents who owe more on their property than what it is presently worth. In addition, \$110,000,000 is to be directed to residents who experienced foreclosures between 2008-2011. The remaining \$85,000,000 is to be used to lower interest rates for some homeowners.

In June 2013, the Attorney General announced that restitution monies from the settlement have started being sent out to individuals who have filed claims. Restitution checks are in the amount of \$1,480 to those who lost their homes to foreclosure as a result of the banks' alleged

misconduct. These restitution amounts are being funded directly by participating banks.

Risk Management ISA

The budget includes \$9,439,500 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2014 for the Risk Management ISA. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$44,300 from the Risk Management Revolving Fund in FY 2014 for statewide adjustments.

This line item provides funding for the Attorney General's contract with the Risk Management Division of the Arizona Department of Administration.

State Grand Jury

The budget includes \$181,100 and 1.6 FTE Positions from the General Fund in FY 2014 for the State Grand Jury. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,000 from the General Fund in FY 2014 for statewide adjustments.

This line item funds expenses incurred by the Attorney General to investigate and try matters that are under the jurisdiction of the State Grand Jury.

Victims' Rights

The budget includes \$3,997,800 and 6 FTE Positions from the Victims' Rights Fund in FY 2014 for Victims' Rights. These amounts fund the following adjustments:

Victims Services

The budget includes funding of \$749,100 from the Victims' Rights Fund in FY 2014 for victims services (\$509,700) and a one-time increase for grants management software (\$239,400).

Statewide Adjustments

The budget includes an increase of \$900 from the Victims' Rights Fund in FY 2014 for statewide adjustments.

This line item provides monies to state and local agencies that are required to notify victims during various steps in the criminal justice process. The program includes 7.68% of Criminal Justice Enhancement Fund monies and an assessment on parents of juvenile offenders.

Additional Legislation

Consumer Restitution and Remediation Revolving Fund

Laws 2013, Chapter 143 establishes the Consumer Restitution and Remediation Revolving Fund. In addition, the statute directs any monies resulting from compromises or settlements by or against the state, excluding restitution and reimbursement funds, into the General Fund.

The Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund is to be used for monies collected from lawsuits intended to compensate a specific, identifiable person, including the state, for economic loss resulting from violations of consumer protection laws.

The Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable persons. Monies in this subaccount up to \$3,500,000 are continuously appropriated. Any amount of money collected over that amount is subject to legislative appropriation. The Attorney General must submit an expenditure plan to the JLBC for review before expending any monies in this subaccount.

Chapter 143 requires the Attorney General to report quarterly to the Joint Legislative Budget Committee on the receipts and disbursements from the fund by subaccount (A.R.S. § 44-1531.02) and in the Consumer Protection - Consumer Fraud Revolving Fund (A.R.S. § 44-1531.01), as well as deposits made pursuant to other specified settlements (A.R.S. § 41-192). A General Appropriation Act further requires that these reports be submitted for Committee review. As a result of this provision, the FY 2014 budget does not include previous reporting guidelines on settlements exceeding \$100,000.

Collections Enforcement Revolving Fund Limit

The FY 2014 Criminal Justice BRB (Laws 2013, 1st Special Session, Chapter 5), as permanent law, raises the non-lapsing cap for the Collections Enforcement Revolving Fund from \$100,000 to \$500,000. This provision had previously been in session law.

Other Issues

Attorney General Legal Services Cost Allocation Fund

The FY 2013 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 302) revised the mechanism for agencies to pay their Attorney General pro rata charges. Prior to FY 2013, agencies paid a percent of their Personal Services to the Attorney General as part of a statewide allocation of that department's expenses. This pro rata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The FY 2013 Criminal Justice BRB eliminated the 0.675% pro rata Personal Services charge. An agency's General Fund appropriation and Federal Funds are no longer charged for Attorney General Services. The pro rata for all other monies has been converted into a flat dollar charge as annually specified by the General Appropriation Act. The Attorney General received a FY 2013 General Fund appropriation to backfill for the loss of pro rata revenue.

The FY 2014 General Appropriation Act sets the level of charges at \$1,809,500 and specifies the charge per agency as required by Chapter 302. See *Table 1* for a list of agencies and their corresponding Attorney General Legal Services charge.

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (*Please see the Automation Projects narrative for more details.*)

Table 1**FY 2014 Attorney General Legal Services Charges**

<u>Agency</u>	<u>Legal Services Charge</u>
Arizona Department of Administration	\$127,700
Office of Administrative Hearings	3,000
Commission on the Arts	3,100
Automobile Theft Authority	1,400
Citizens Clean Elections Commission	2,700
State Department of Corrections	2,000
Arizona Criminal Justice Commission	8,700
Arizona Schools for the Deaf and the Blind	100,200
Commission for the Deaf and the Hard of Hearing	4,100
Early Childhood Development and Health Board	47,100
Department of Education	132,000
Department of Emergency and Military Affairs ^{1/}	30,000
Department of Environmental Quality	135,600
Exposition and State Fair Board	20,900
Department of Financial Institutions	1,900
Department of Fire, Building, and Life Safety	2,500
State Forester	12,100
Department of Gaming	35,000
Arizona Geological Survey	6,800
Department of Health Services	170,000
Arizona Historical Society	700
Department of Housing	18,100
Department of Insurance	10,500
Department of Juvenile Corrections	9,400
State Land Department	2,100
Department of Liquor, Licenses & Control	11,400
Arizona State Lottery Commission	24,800
Arizona State Parks Board	45,800
State Personnel Board	600
Arizona Pioneers' Home	12,100
Commission on Postsecondary Education	1,800
Department of Public Safety	677,400
Arizona Department of Racing	2,300
Radiation Regulation Authority	3,800
Arizona State Retirement System	69,100
Department of Revenue	4,900
Secretary of State	1,800
State Treasurer	9,200
Department of Veterans' Services	52,700
Department of Weights and Measures	4,200
Total Legal Services Charges	\$1,809,500

^{1/} The Department of Emergency and Military Affairs' Legal Services charge has been modified in FY 2014 to \$30,000 from \$115,300 in FY 2013.

Automobile Theft Authority

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	236,600	328,700	332,400
Employee Related Expenditures	101,900	138,100	138,100
Professional and Outside Services	8,500	12,800	12,800
Travel - In State	2,800	9,500	9,500
Travel - Out of State	300	6,000	6,000
Other Operating Expenditures	113,300	125,100	132,100
Equipment	68,300	9,000	9,000
OPERATING SUBTOTAL	531,700	629,200	639,900
SPECIAL LINE ITEMS			
Automobile Theft Authority Grants	3,608,300	3,607,700	4,607,700 ^{1/2/}
Reimbursable Programs	0	50,000	50,000 ^{3/}
AGENCY TOTAL	4,140,000	4,286,900	5,297,600 ^{4/}

FUND SOURCES

<i>Other Appropriated Funds</i>			
Automobile Theft Authority Fund	4,140,000	4,286,900	5,297,600
SUBTOTAL - Other Appropriated Funds	4,140,000	4,286,900	5,297,600
SUBTOTAL - Appropriated Funds	4,140,000	4,286,900	5,297,600
TOTAL - ALL SOURCES	4,140,000	4,286,900	5,297,600

AGENCY DESCRIPTION — The Automobile Theft Authority (ATA) is responsible for analyzing the methods of combating the problem of vehicle theft and promoting successful methods of reducing the number of vehicle thefts in Arizona. The ATA is primarily funded from motor vehicle insurance premium fees.

Operating Budget

The budget includes \$639,900 and 6 FTE Positions from the ATA Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$10,700 from the ATA Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Automobile Theft Authority Grants

The budget includes \$4,607,700 from the ATA Fund in FY 2014 for ATA Grants. This amount funds the following adjustments:

Funding Increase

The budget includes an increase of \$1,000,000 from the ATA Fund in FY 2014 for additional grants to law enforcement agencies.

This line item funds grants awarded to law enforcement agencies for an auto theft task force, attorneys dedicated to auto theft prosecution, and other law enforcement activities that reduce auto theft. In FY 2013, ATA is estimated to award approximately \$3,000,000 to the Department of Public Safety for the Automobile Theft Task Force which helps to investigate and pursue automobile related crimes. An additional \$500,000 is estimated to be awarded to county attorneys to prosecute automobile theft related crimes.

- 1/ The Automobile Theft Authority shall pay 75% of the Personal Services and Employee Related Expenses for city and county sworn officers who participate in the Arizona Vehicle Theft Task Force. (General Appropriation Act footnote)
- 2/ Automobile Theft Authority grants shall be awarded with consideration given to areas with greater automobile theft problems and shall be used to combat economic automobile theft operations. (General Appropriation Act footnote)
- 3/ The Automobile Theft Authority shall submit a report to the Joint Legislative Budget Committee for review before expending any monies for the Reimbursable Programs line item. The agency shall also show sufficient funds collected to cover the expenses indicated in the report. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Reimbursable Programs

The budget includes \$50,000 from the ATA Fund in FY 2014 for Reimbursable Programs. This amount is unchanged from FY 2013.

This line item funds programs such as training seminars and “bait car” projects. This Special Line Item is funded from donations and grants from the private sector. Monies have never been expended from this Special Line Item since it was established in FY 2006.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency’s funds associated with its proportionate share of costs for replacement of the state’s financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Board of Barbers

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	172,400	193,600	195,800
Employee Related Expenditures	67,900	68,500	68,500
Professional and Outside Services	5,500	5,100	5,100
Travel - In State	17,800	23,600	23,600
Travel - Out of State	3,300	4,000	4,000
Other Operating Expenditures	29,500	33,400	35,700
Equipment	700	1,100	1,100
AGENCY TOTAL	297,100	329,300	333,800^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Barbers Fund	297,100	329,300	333,800
SUBTOTAL - Other Appropriated Funds	297,100	329,300	333,800
SUBTOTAL - Appropriated Funds	297,100	329,300	333,800
TOTAL - ALL SOURCES	297,100	329,300	333,800

AGENCY DESCRIPTION — The board licenses barbers, inspects barbering establishments, and investigates violations of sanitation requirements and barbering procedures. It conducts hearings and imposes enforcement actions where appropriate.

Operating Budget

The budget includes \$333,800 and 4 FTE Positions from the Board of Barbers Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,500 from the Board of Barbers Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Board of Behavioral Health Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	692,200	691,000	699,800
Employee Related Expenditures	324,400	368,200	368,400
Professional and Outside Services	231,800	333,800	383,800
Travel - In State	7,200	10,000	10,000
Travel - Out of State	0	8,300	8,300
Other Operating Expenditures	161,500	170,400	229,100
Equipment	40,800	58,700	58,700
AGENCY TOTAL	1,457,900	1,640,400	1,758,100^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Behavioral Health Examiners Fund	1,457,900	1,640,400	1,758,100
SUBTOTAL - Other Appropriated Funds	1,457,900	1,640,400	1,758,100
SUBTOTAL - Appropriated Funds	1,457,900	1,640,400	1,758,100
TOTAL - ALL SOURCES	1,457,900	1,640,400	1,758,100

AGENCY DESCRIPTION — The board certifies and regulates behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board also licenses and regulates professionals engaged in the practice of psychotherapy.

Operating Budget

The budget includes \$1,758,100 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Operational Changes

The budget includes an increase of \$109,000 from the Board of Behavioral Health Examiners Fund in FY 2014 for operational changes to improve service to professional license holders. *(See Additional Legislation.)*

Statewide Adjustments

The budget includes an increase of \$8,700 from the Board of Behavioral Health Examiners Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Additional Legislation

Behavioral Health Examiners Board, Continuation

Laws 2013, Chapter 242 makes changes that affect the following aspects of board operations:

- Board composition, powers and duties.
- Executive director duties.
- Establishment of academic review committees.
- Fee and licensing.
- Disciplinary actions.
- Licensing qualifications.

These changes are expected to increase board cost of operation. The budget includes an amount sufficient to fund these changes.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

State Capital Postconviction Public Defender Office

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	0.0	0.0
Personal Services	346,200	0	0
Employee Related Expenditures	152,000	0	0
Professional and Outside Services	133,300	0	0
Travel - In State	3,400	0	0
Travel - Out of State	13,600	0	0
Other Operating Expenditures	74,500	0	0
Equipment	6,300	0	0
AGENCY TOTAL	729,300	0	0
FUND SOURCES			
General Fund	697,800	0	0
<u>Other Appropriated Funds</u>			
Capital Postconviction Public Defender Office Fund	31,500	0	0
SUBTOTAL - Other Appropriated Funds	31,500	0	0
SUBTOTAL - Appropriated Funds	729,300	0	0
TOTAL - ALL SOURCES	729,300	0	0

AGENCY DESCRIPTION — The State Capital Postconviction Public Defender Office is responsible for providing representation to any person who is not financially able to employ counsel in postconviction relief proceedings in state court after a judgment of death has been rendered. The Governor appoints the State Capital Postconviction Public Defender to serve one 4-year term. The first term of the State Capital Postconviction Defender began February 1, 2007.

Operating Budget

The budget includes no funding in FY 2014 for the operating budget. This amount is unchanged from FY 2013.

The FY 2013 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 302) repealed the Capital Postconviction Public Defender Office on August 2, 2012, returning these responsibilities to the counties. The BRB also required any monies remaining in the Capital Postconviction Public Defender Office Fund after June 30, 2012 to be transferred to the General Fund.

State Board for Charter Schools

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9.0	9.0	9.0
Personal Services	423,600	472,100	478,000
Employee Related Expenditures	179,200	185,000	185,100
Professional and Outside Services	21,400	23,100	23,100
Travel - In State	4,000	5,800	5,800
Travel - Out of State	1,400	0	0
Other Operating Expenditures	104,300	78,300	127,100
Equipment	300	3,300	3,300
AGENCY TOTAL	734,200	767,600^{1/}	822,400^{2/}
FUND SOURCES			
General Fund	734,200	767,600	822,400
SUBTOTAL - Appropriated Funds	734,200	767,600	822,400
Other Non-Appropriated Funds	24,000	18,000	18,000
TOTAL - ALL SOURCES	758,200	785,600	840,400

AGENCY DESCRIPTION — The board reviews and approves charter school applications, including renewal applications, and monitors the schools that it sponsors for compliance with provisions of their individual charters. It consists of the Superintendent of Public Instruction, 6 members of the general public, 2 members of the business community, a charter school teacher, a charter school operator, and 3 members of the Legislature who serve as advisory members. Currently the board oversees 509 charter schools.

Operating Budget

The budget includes \$822,400 and 9 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$54,800 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Charter School Sponsorship

The majority of charter schools in the state are sponsored by the State Board for Charter Schools (SBCS); however, charter schools may also be sponsored by school district governing boards pursuant to A.R.S. § 15-183C. A growing number of districts is opting to convert “traditional” schools to district-sponsored charters because charter schools receive approximately \$1,000 more per pupil under the basic state aid funding formula for public schools than traditional schools, on average. There are 2 main differences between district-sponsored charters and

those sponsored by the SBCS: (1) district-sponsored charters are ineligible for “small school weights,” which provide additional support for schools with less than 600 students, while charters sponsored by the SBCS are eligible for them, and, (2) district-sponsored charters are eligible to receive locally approved bond and override funding, while charters sponsored by the SBCS are not. (See the “Charter Conversions” policy issue in the Department of Education budget for more information.)

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(7,300) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

State Board of Chiropractic Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	241,200	256,000	258,700
Employee Related Expenditures	86,100	88,400	88,400
Professional and Outside Services	12,500	31,400	31,400
Travel - In State	7,200	5,000	5,000
Travel - Out of State	1,200	0	0
Other Operating Expenditures	88,700	80,000	82,900
Equipment	5,000	3,000	3,000
AGENCY TOTAL	441,900	463,800	469,400^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Chiropractic Examiners Fund	441,900	463,800	469,400
SUBTOTAL - Other Appropriated Funds	441,900	463,800	469,400
SUBTOTAL - Appropriated Funds	441,900	463,800	469,400
TOTAL - ALL SOURCES	441,900	463,800	469,400

AGENCY DESCRIPTION — The board licenses, investigates, and regulates chiropractors who practice a system of therapy in which disease is considered the result of neural malfunction. Manipulation of the spinal column and other structures is the preferred method of treatment.

Operating Budget

The budget includes \$469,400 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Rent Increase

The budget includes an increase of \$3,000 from the Board of Chiropractic Examiners Fund in FY 2014 for a private rent increase.

Statewide Adjustments

The budget includes an increase of \$2,600 from the Board of Chiropractic Examiners Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Citizens Clean Elections Commission

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	3,295,000	7,117,900	8,767,900
TOTAL - ALL SOURCES	3,295,000	7,117,900	8,767,900

AGENCY DESCRIPTION — As authorized by a 1998 ballot initiative, the Citizens Clean Elections Commission (CCEC) provides full public funding to qualified candidates who agree to abide by the commission's guidelines. To qualify for funding, participating candidates must adhere to spending and contribution limits, and gather \$5 qualifying contributions from district constituents who are registered voters. Participating candidates also agree to attend required debates. The commission is not subject to legislative appropriation.

	FY 2012 <u>Actual</u>	FY 2013 <u>Estimate</u>
Funds Available		
Balance Forward	\$16,357,600	\$18,660,100
Revenue:		
Fine Surcharge	\$9,223,600	\$9,000,000
Civil Penalties (election related)	13,300	15,000
Qualifying Contributions	46,900	0
\$5 Check Off Box	6,192,700	0
Donations/Tax Credits	121,000	125,000
Other	0	20,000
Total Revenue	\$15,597,500	\$9,160,000
Total Funds Available	\$31,955,100	\$27,820,100
Expenditures:		
Personal Services	\$ 390,300	\$ 478,900
Employee Related Expenditures	169,200	177,100
Professional & Outside Services	2,125,200	2,316,200
Travel - In State	1,900	1,800
Travel - Out of State	500	2,500
Candidate Funding	532,100	2,500,000
Other Operating Expenses	69,500	1,641,400
Capital Equipment	6,300	0
Non-Capital Equipment	0	0
Total Funds Expended	\$ 3,295,000	\$ 7,117,900
Transfer to General Fund	\$10,000,000	\$0*
Year-End Fund Balance	\$18,660,100	\$20,702,200

* The FY 2013 budget assumed a \$10,000,000 transfer to the General Fund. The 1998 ballot initiative establishes a formula for the reversion of unused Clean Election funds to the General Fund. The ballot language makes the commission solely responsible for calculating the reversion amount. The commission projected that the ballot formula did not require a reversion in FY 2013.

Arizona Commerce Authority

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET	10,000,000	10,000,000	10,000,000 ^{1/}
SPECIAL LINE ITEMS			
Arizona Competes Fund Deposit	21,500,000	21,500,000	21,500,000 ^{2/}
AGENCY TOTAL	31,500,000	31,500,000	31,500,000
FUND SOURCES			
General Fund	31,500,000	31,500,000	31,500,000
SUBTOTAL - Appropriated Funds	31,500,000	31,500,000	31,500,000
Other Non-Appropriated Funds	7,577,500	19,228,800	17,832,900
Federal Funds	1,377,700	5,971,700	5,902,300
TOTAL - ALL SOURCES	40,455,200	56,700,500	55,235,200

AGENCY DESCRIPTION — The Arizona Commerce Authority promotes economic, community, and workforce development. The Authority's duties include: support statewide for business expansion and attraction; workforce development and job training; online assistance for new business start-ups; tax credit administration.

Arizona Commerce Authority

Laws 2011, 2nd Special Session, Chapter 1 established the Arizona Commerce Authority (ACA) and eliminated the Department of Commerce. The ACA's main purpose is to attract and retain business in Arizona and is governed by a board of directors. In addition to attracting businesses, ACA is responsible for the following functions:

- Economic Strength Fund and Projects
- Healthy Forest Enterprise Incentives Program
- Defense Contractor Restructuring Assistance Program
- Environmental Technology Assistance Program
- Capital Investment Incentives (Angel Investment) Program
- Small Business Investment Tax Credit
- Commercial Solar Energy Tax Credit Applications
- Renewable Energy Tax Incentives Program Applications
- Increased Research Activity Tax Credit Certification
- Arizona 21st Century Fund Administration and Fund
- Job Training Program and Fund
- Governor's Council on Workforce Policy Member
- Ecological Restoration Workforce Training Tax Credit
- Quality Jobs Tax Credit
- Research and Development Refundable Tax Credit
- Private Activity Bonds
- Qualified Energy Conservation Bonds

- Arizona Innovation Accelerator Fund

ACA receives \$31,500,000 in income tax withholding from the General Fund. Of that amount, \$10,000,000 is deposited into the Arizona Commerce Authority Fund for ACA operational expenses and \$21,500,000 is deposited into the Arizona Competes Fund. In accordance with statute, the General Appropriation Act allocates these monies to ACA. Both funds are non-appropriated.

Additionally, ACA receives an annual deposit of \$3,500,000 in lottery revenues to the Arizona Competes Fund. Combining General Fund and lottery revenues, ACA will have \$25,000,000 in resources to provide grants to help attract, expand, or retain businesses in Arizona.

Of the \$25,000,000 in the Arizona Competes Fund in FY 2013, ACA expended \$6,199,400 and committed a further \$4,853,700. At the time of this publication, final expenditure figures for the operating appropriation for FY 2013 were not available.

The bill also allowed the Authority access to the remaining balance in the Commerce and Economic Development Fund in FY 2012, which totaled approximately \$3,500,000.

^{1/} In accordance with A.R.S. § 43-409, \$31,500,000 of state General Fund withholding tax revenue is allocated in FY 2014 to the Arizona Commerce Authority, of which \$10,000,000 shall be credited to the Arizona Commerce Authority Fund established by A.R.S. § 41-1506, and \$21,500,000 shall be credited to the Arizona Competes Fund established by A.R.S. § 41-1545.01. (General Appropriation Act footnote)

^{2/} Excludes most remaining American Recovery and Reinvestment Act monies allocated to the ACA.

Additional Legislation

Arizona Competes Fund Fees

The Government Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 2) allows monies from the Arizona Competes Fund to be used for a loan not to exceed \$2,000,000 in Navajo County in FY 2014. The loan is intended to be provided to the Snowflake Community Foundation to help finance the purchase of the Apache Railway, which runs north from Snowflake to its intersection with the Burlington Northern Santa Fe railroad. The Snowflake Community Foundation will need to seek an additional loan of approximately \$4,500,000 from the federal government to completely finance the purchase.

Arizona Community Colleges

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	5,572,000	5,784,600	5,710,100
Coconino	1,836,000	1,847,900	1,840,400
Gila	428,100	410,000	370,700
Graham	2,260,000	2,373,200	2,345,700
Maricopa	6,891,200	8,315,700	7,913,300
Mohave	1,792,200	1,785,600	1,659,400
Navajo	1,730,100	1,689,700	1,646,600
Pima	7,146,400	7,353,500	7,136,600
Pinal	2,086,200	2,107,800	2,135,000
Santa Cruz	0	63,500	58,700
Yavapai	899,200	957,600	893,900
Yuma/La Paz	2,683,000	2,802,600	2,754,400
<i>Subtotal - Operating State Aid</i>	<i>33,324,400</i>	<i>35,491,700</i>	<i>34,464,800</i>
Capital Outlay State Aid			
Cochise	0	0	450,400
Coconino	0	0	147,500
Gila	0	0	50,000
Graham	0	0	218,100
Mohave	0	0	211,700
Navajo	0	0	122,600
Pinal	0	0	257,700
Santa Cruz	0	0	16,700
Yavapai	0	0	248,600
Yuma/La Paz	0	0	276,700
<i>Subtotal - Capital Outlay State Aid</i>	<i>0</i>	<i>0</i>	<i>2,000,000</i>
Equalization Aid			
Cochise	8,048,900	5,614,700	4,712,400
Graham	19,345,700	16,867,300	16,075,100
Navajo	6,451,700	5,370,100	5,514,200
Yuma/La Paz	1,406,600	0	0
<i>Subtotal - Equalization Aid</i>	<i>35,252,900</i>	<i>27,852,100</i>	<i>26,301,700</i>
Rural County Allocation	3,051,700	2,990,200	3,273,100
Rural County Reimbursement Subsidy	848,800	848,800	848,800 ^{1/}
Tribal Community Colleges	1,750,000	1,750,000	2,625,000 ^{2/}
AGENCY TOTAL	74,227,800	68,932,800	69,513,400 ^{3/}
FUND SOURCES			
General Fund	74,227,800	68,932,800	69,513,400
SUBTOTAL - Appropriated Funds	74,227,800	68,932,800	69,513,400
Other Non-Appropriated Funds	14,943,500	15,713,200	15,713,200
TOTAL - ALL SOURCES	89,171,300	84,646,000	851,226,600

^{1/} Of the \$848,800 appropriated to the Rural County Reimbursement Subsidy line item, Apache County will receive \$466,000 and Greenlee County \$382,800. (General Appropriation Act footnote)

^{2/} A.R.S. § 42-5031.01 directs the State Treasurer to annually transmit to the tribal colleges 10% of Transaction Privilege Tax (TPT) revenues collected from sources located on the reservation, or \$1,750,000, whichever is less, as well as 5% of TPT revenues collected on the reservation, or \$875,000, whichever is less, to a technical college on the same reservation.

^{3/} General Appropriation Act funds are appropriated as District-by-District Special Line Items.

AGENCY DESCRIPTION — The Arizona community college system is comprised of 10 college districts and 2 provisional districts. Arizona's community colleges provide programs and training in the arts, sciences and humanities, and vocational education leading to an Associates degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

Operating State Aid

The budget includes \$34,464,800 from the General Fund in FY 2014 for Operating State Aid. This amount funds the following adjustments:

Formula Decreases

The budget includes a decrease of \$(1,026,900) from the General Fund in FY 2014 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (3,996), or (2.7%), decrease in Full Time Student Equivalent (FTSE) students in community colleges statewide (*see Table 1*). The (3,996) net FTSE decrease consists of a (4,190) FTSE decrease in non-dual enrollment students and a 194 FTSE increase in dual enrollment students. A.R.S. § 15-1466.01 requires dual enrollment students be funded at 50% for state aid purposes. Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit.

Table 1

Community College Enrollment

District	FY 2011 FTSE	FY 2012 FTSE	Percentage Change
Cochise	9,511	9,210	(3.2)%
Coconino	2,399	2,355	(1.8)%
Gila	964	790	(18.0)%
Graham	3,512	3,433	(2.2)%
Maricopa	84,544	83,024	(1.8)%
Mohave	3,975	3,450	(13.2)%
Navajo	2,219	2,070	(6.7)%
Pima	22,907	22,028	(3.8)%
Pinal	5,129	5,246	2.3%
Santa Cruz	277	258	(6.9)%
Yavapai	4,205	3,974	(5.5)%
Yuma/La Paz	5,828	5,636	(3.3)%
Total	145,470	141,474	(2.7)%

Background — The Operating State Aid Special Line Items provide each community college district with funds for continuing operating and maintenance expenses pursuant to A.R.S. § 15-1466. The Operating State Aid formula adjusts state aid in an amount that reflects changes in the FTSE enrollment count. This enrollment adjustment is calculated by multiplying the change in the most recent year's actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. (*For FY 2014, the last actual FTSE data was from FY 2012.*)

Capital Outlay State Aid

The budget includes \$2,000,000 from the General Fund in FY 2014 for Capital Outlay State Aid. This amount funds the following adjustments:

Rural District Capital Outlay Aid

The budget includes an increase of \$2,000,000 from the General Fund in FY 2014 for rural district Capital Outlay State Aid. The \$2,000,000 will be distributed proportionally to all community college districts, excluding Maricopa and Pima, in a manner that provides each rural district with approximately 31% of the full formula amount that it otherwise would receive pursuant to A.R.S. § 15-1464. The Higher Education Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 7) suspends the capital outlay state aid formula in A.R.S. § 15-1464 for FY 2014 and instead funds the amounts specified in the General Appropriations Act.

The Capital Outlay State Aid formula previously had been completely suspended since FY 2009. The FY 2014 suspension forgoes \$20,991,600 in formula costs for Capital Outlay State Aid for FY 2014.

Background — The Capital Outlay Special Line Items provide the community college districts with funds for capital land, building, and equipment needs pursuant to A.R.S. § 15-1464.

The Capital Outlay State Aid formula provides per capita funding to districts based on the district's size and the most recent year's actual audited FTSE. The statutory formula provides \$210 per FTSE for districts with 5,000 or less FTSE or \$160 per FTSE for districts with greater than 5,000 FTSE.

(*See Additional Legislation for more information.*)

Equalization Aid

The budget includes \$26,301,700 from the General Fund in FY 2014 for Equalization Aid. This amount funds the following adjustments:

Formula Decreases

The budget includes a decrease of \$(1,550,400) from the General Fund in FY 2014 to reflect reduced formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in *Table 2*.

Table 2

FY 2014 Equalization Funding Changes

District	FY 2013	Year-over-Year Change	FY 2014
Cochise	\$ 5,614,700	\$(902,300)	\$ 4,712,400
Graham	16,867,300	(792,200)	16,075,100
Navajo	5,370,100	144,100	5,514,200
Total	\$27,852,100	\$(1,550,400)	\$26,301,700

Background – The Equalization Special Line Items provide additional state aid to community college districts with property tax bases that are less than the minimum assessed value specified in A.R.S. § 15-1402. Under the Equalization Aid formula, the minimum assessed valuation is revised by the average change in actual assessed valuation for the most recent year for all rural districts with populations of less than 500,000 persons. For the FY 2014 Equalization Aid formula calculation, the minimum assessed valuation decreased (5.3)% to \$1.38 billion. (See Table 3 for the calculation of the growth rate.)

Table 3

Equalization Growth Factor
for Tax Years (TY) 2011-2012

District	Ty 2011 Primary AV	Ty 2012 Primary AV	Ty 2011-2012 % Growth
Cochise*	\$ 1,049,827,400	\$ 1,038,327,100	(1.1)%
Graham*	228,474,100	208,931,300	(8.6)%
Navajo*	1,026,137,100	974,292,400	(5.1)%
Coconino	1,808,850,500	1,747,818,100	(3.4)%
Mohave	1,932,681,700	1,791,765,200	(7.3)%
Pinal	2,160,151,200	2,153,783,700	(0.3)%
Yavapai	2,712,177,900	2,405,473,700	(11.3)%
Yuma/LaPaz	1,473,877,600	1,414,572,400	(4.0)%
Total	\$12,392,177,500	\$11,734,963,900	(5.3)%

* These districts qualify to receive Equalization Aid under the state funding formula.

Equalization Aid is paid based on the difference between the minimum assessed valuation and the most recent actual assessed valuation for the district. Equalization Aid is calculated at the lesser of \$1.37 per \$100 of the district's assessed valuation or the district's levy rate.

As noted in Table 3, the average rural district assessed value declined by (5.3)% in TY 2012. In comparison, Cochise declined by (1.1)%, Graham declined by (8.6)% and Navajo declined by (5.1)%. By not declining as much as the average districts or by having an assessed valuation that comes closer to the minimum assessed value than in the previous year, Cochise and Graham qualify for less aid in FY 2014 than in FY 2013. Due in part to raising its levy rate, Navajo qualifies for additional aid.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.38 billion in FY 2014) and 2) whether the district's change in assessed value was less than the rural districts' average and 3) the applicable tax rate.

Rural County Allocation

The budget includes \$3,273,100 from the General Fund in FY 2014 for Rural County Allocation. This amount funds the following adjustments:

Formula Increases

The budget includes an increase of \$282,900 from the General Fund in FY 2014 to reflect increased formula costs for funding Rural County Allocation.

Background - The Rural County Allocation Special Line Item facilitates payment to community college districts for students enrolled from counties that are not a part of an established community college district. If a county is not part of a community college district, it is responsible for the cost of their students attending community college in another county. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and then the state will withhold these counties' sales tax revenues to offset that cost; therefore there is no net General Fund impact. The FY 2012 expenditure of \$3,051,700 and the FY 2013 expenditure of \$2,990,200 were offset by corresponding reductions in the counties' sales tax apportionment. The payments made on behalf of the counties are not included in county expenditure limits established in the Arizona Constitution. The county payments are partially offset by a state subsidy (see next Special Line Item).

Monies for the Rural County Allocation are authorized by A.R.S. § 15-1469.01, and therefore do not appear in the General Appropriation Act.

Rural County Reimbursement Subsidy

The budget includes \$848,800 from the General Fund in FY 2014 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2013.

This funding partially offsets the cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee Counties. The FY 2014 budget allocates \$466,000 to Apache and \$382,800 to Greenlee.

Tribal Community Colleges

The budget includes \$2,625,000 from the General Fund in FY 2014 for Tribal Community Colleges. This amount funds the following adjustments:

Tribal Technical Colleges

The budget includes an increase of \$875,000 from the General Fund in FY 2014 to begin funding the Navajo Technical College. The increase is required by A.R.S. § 42-5031.01, as amended by the Revenue BRB for FY 2014 (Laws 2013, 1st Special Session, Chapter 9).

Background – A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the Transaction Privilege Tax (TPT) revenues collected from all sources located on the reservation, whichever is less. These monies provide tribal community colleges with funding for maintenance, renewal, and capital expenses. As amended by the Revenue BRB, A.R.S. § 42-5031.01 also allows any additional technical college located on the same reservation to receive \$875,000, or 5% of the TPT revenues collected from sources located on the reservation, whichever is less, starting in FY 2014. While actual amounts for FY 2014 will depend on FY 2014 collections, the projected distribution amount to tribal community and technical colleges is \$2,625,000. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act. The most recent actual distribution in FY 2012 was \$1,750,000.

This funding is limited to tribes that entered into a contract with the Executive prior to September 1, 2012. Diné College and Navajo Technical College on the Navajo Nation are the only schools that currently qualify to receive TPT revenues.

Additional Legislation

Provisional College Rural County Reimbursement

Laws 2013, Chapter 155 requires a provisional community college district to continue to provide reimbursement payments to other community college districts that serve its students until the fiscal year in which a “qualifying levy” is adopted and budgeted by the provisional district. A “qualifying levy” must be at least equal to the sum of the reimbursement payments in the fiscal year immediately before the year that a levy was first adopted to support the operations of the provisional district.

Under Chapter 155, a provisional district that was formed before the effective date of the act that has not adopted a qualifying levy is not required to provide reimbursement payments to other community college districts if a qualifying levy is adopted within 2 years after the effective date of the act.

Voters in Santa Cruz County approved a levy to support a provisional community college district in FY 2011. The \$0.07 primary tax rate generated \$287,600, which was less than the \$1,355,600 in total reimbursement payments owed in the year prior. In order to avoid having to make reimbursement payments, the Santa Cruz County Provisional Community College Board approved increasing the primary tax rate to \$0.42 in FY 2014, which will generate more than the \$1,355,600 required for a “qualifying levy”.

STEM and Workforce Programs State Aid

Laws 2013, Chapter 223 replaces state aid for community college capital outlay with aid for Science, Technology,

Engineering and Mathematics (STEM) and Workforce Programs. The funding formula remains the same as only the funding name and allowed uses are changed. Appropriations for community college STEM and Workforce Programs Aid shall be made to an account designated as the Science, Technology, Engineering and Mathematics and Workforce Programs Fund. Districts may use the monies for STEM and workforce programs purposes, including:

- 1) partnerships with businesses and educational institutions
- 2) additional faculty for improved and expanded classroom instruction and course offerings
- 3) technology, equipment and technology infrastructure for advanced teaching and learning in classrooms or laboratories
- 4) student services such as assessment, advisement and counseling for new and expanded job opportunities
- 5) the purchase, lease or lease-purchase of real property, for new construction, remodeling or repair of buildings or facilities on real property

The General Appropriation Act provided \$2,000,000 in capital outlay funding. The preliminary Legislative Council interpretation of this language is that these monies in FY 2014 are limited to capital outlay and not the broader STEM purposes.

Tuition Waiver for Former Foster Care Children

Laws 2013, Chapter 237 establishes a 5-year pilot program requiring public universities and community colleges to provide tuition waivers to qualifying former foster children. Qualifying persons are currently in foster care and are at least 16 years old, or were in foster care when they were at least 16 years old. Recipients must have less than \$10,000 in personal assets and be under 21 when the first waiver is awarded. They may continue to receive the waiver until they are 23. Recipients are also required to submit a completed federal financial application each year, be accepted into a degree or certificate program, annually complete 30 hours of volunteer service, and remain in good standing with the policies of the school they attend. The tuition waiver covers the remaining tuition balance after the application of other grants and scholarships.

If the pilot program is terminated before a recipient is 23 and obtains a degree or certificate, that person must continue to be awarded a tuition waiver until the person obtains a degree or certificate or reaches 23 years of age.

Other Issues

Community College Revenue Sources

In addition to state General Fund monies, Arizona’s community colleges receive revenues from a number of other sources, including student tuition and fees, local property taxes, grants, and other monies generated by the

Table 4

Total Estimated Community College Revenues – FY 2013

District	State Aid	Tuition/Fees	Property Taxes	Grants	Other ^{1/}	FY 2013 Total ^{2/}	FY 2012 Total ^{3/}	% Change from FY 2012
Cochise	\$11,399,300	\$ 8,487,200	\$ 17,993,200	\$ 16,500,000	\$ 4,047,700	\$ 58,427,400	\$ 54,573,000	7.1%
Coconino	1,847,900	7,542,400	8,623,300	7,806,800	912,000	26,732,400	26,532,600	0.8%
Gila ^{4/}	410,000	-	3,654,800	116,000	475,000	4,655,800	4,298,100	8.3%
Graham	19,240,500	7,364,100	5,040,100	12,000,000	8,471,900	52,116,600	46,105,700	13.0%
Maricopa	8,315,700	287,898,300	472,393,400	247,768,900	82,506,300	1,098,882,600	993,944,700	10.6%
Mohave	1,785,600	12,101,400	19,621,600	14,903,000	361,100	48,772,700	48,274,200	1.0%
Navajo	7,059,800	5,300,000	13,167,600	5,400,000	2,275,000	33,202,400	34,457,500	(3.6)%
Pima	7,353,500	55,763,000	94,819,000	89,643,000	5,958,000	253,536,500	223,288,300	13.5%
Pinal	2,107,800	13,168,000	38,411,900	24,000,000	12,743,800	90,431,500	78,855,300	14.7%
Santa Cruz ^{4/}	63,500	-	258,300	75,600	500	397,900	369,400	7.7%
Yavapai	957,600	10,636,000	45,424,000	13,230,000	3,354,000	73,601,600	71,810,200	2.5%
Yuma/La Paz	2,802,600	13,754,100	28,943,900	20,000,000	3,203,500	68,704,100	79,965,400	(10.7)%
Total	\$63,343,800	\$422,014,500	\$748,351,100	\$451,443,300	\$124,308,800	\$1,809,461,500	\$1,659,474,400	9.0%

^{1/} Includes auxiliary programs, interest incomes, workforce development funds, and transfers.

^{2/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,443,040,100 for FY 2013.

^{3/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,856,415,800 for FY 2012.

^{4/} Gila Provisional Community College contracts with Graham County's Eastern Arizona College in order to provide degree programs. Therefore, Gila's tuition and fee revenues are collected by Graham according to their contract agreement. Santa Cruz Provisional Community College contracts with Cochise County's Community College in order to provide degree programs. Therefore, Santa Cruz's tuition and fee revenues are collected by Cochise according to their contract agreement.

colleges. Of the total, the community colleges receive 4% of their revenues from state aid.

For FY 2013, base operating revenues from all sources are estimated to be \$1,809,461,500, an increase of 9% from FY 2012. (See Table 4 for a summary of FY 2013 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 41% of their revenues. There are 2 types of property taxes: primary and secondary. For the community colleges, primary property taxes are levied for operating purposes and secondary property taxes are levied to pay for capital outlay expenses. Each community college district determines its primary and secondary property tax rates. (See Table 5 for a summary of FY 2013 property tax rates.)

Table 5

Community College Tax Rates – FY 2013

District	Primary Rate	Secondary Rate	Combined Rate	% Change in Combined Rate from FY 2012
Cochise	\$1.73	\$0.00	\$1.73	3.6%
Coconino	0.39	0.11	0.50	6.4%
Gila	0.75	0.00	0.75	10.3%
Graham	2.41	0.00	2.41	12.6%
Maricopa	1.16	0.22	1.38	14.0%
Mohave	1.10	0.00	1.10	12.2%
Navajo	1.35	0.00	1.35	8.9%
Pima	1.15	0.03	1.18	7.3%
Pinal	1.61	0.27	1.88	18.6%
Santa Cruz	0.07	0.00	0.07	0.0%
Yavapai	1.67	0.22	1.89	16.7%
Yuma/La Paz	1.69	0.35	2.04	4.6%

In November 2012, Arizona voters approved Proposition 117, which will consolidate the primary and secondary tax bases into a single tax base (for purposes of levying taxes) and will cap annual property value increases on any single parcel of real property to 5% starting in FY 2016. The proposition will not limit the community college districts' current ability to generate 2% more in property tax revenues annually, not including revenue from new construction. Any increase over 2% requires voter approval, unless the district has forgone increases in prior years and consolidates those increases into a single year.

Long term property value growth has been approximately 5%. From that perspective, Proposition 117 would tend to reduce the year-to-year volatility in property tax values rather than reduce the dollar amount of long term revenues. However, the property tax base might grow more slowly under Proposition 117 because the property tax values would not be able to increase by more than 5% to offset the years that experience growth that is less than 5%.

To the extent that the property value grows more slowly because of Proposition 117, the community colleges could still generate the same level of revenue by increasing their tax rates.

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 23% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2013 weighted average tuition was \$2,207, an increase of 3% from FY 2012. Full-time annual tuition costs range from \$1,600

at Graham, to \$2,550 at Coconino. (See Table 6 for FY 2013 resident tuition and fee rates.)

Table 6

Community College Resident Tuition and Fees – FY 2013

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost ^{1/}</u>	<u>% Change from FY 2012</u>
Cochise	\$70	\$2,100	6.6%
Coconino	85	2,550	(3.4)%
Gila	82	2,470	17.0%
Graham	53	1,600	0.0%
Maricopa	76	2,280	0.0%
Mohave	84	2,520	2.4%
Navajo	64	1,930	3.2%
Pima	69	2,060	7.9%
Pinal	70	2,100	0.0%
Santa Cruz ^{2/}	70	2,100	-
Yavapai	70	2,100	4.5%
Yuma/La Paz	72	2,160	2.9%
Weighted Average	\$74	\$2,207	3.3%

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

^{2/} Santa Cruz did not submit tuition and fees data for FY 2012.

Community colleges also receive grants and “other” revenue from a variety of sources. Combined, they account for approximately 32% of community college revenues. Grants traditionally come from the federal government, including: the U.S. Department of Education, Small Business Administration, National Science Foundation, and Health and Human Services. Revenue listed in the “other” category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

Total Community College Expenditures

Table 7 shows total budgeted FY 2013 community college expenditures. In FY 2013, total budgeted expenditures are \$2,430,228,500. As mentioned previously, base operating revenues for FY 2013 are \$1,809,461,500; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,443,040,100. Of the total \$2,430,228,500 in expenditures, \$1,601,600,000, or 66%, of these expenditures are from the community colleges’ general and restricted funds. This includes about \$521,461,400, or 21%, for instruction and \$229,474,600, or 9%, for administrative support.

Table 7

Community Colleges - FY 2013 Budgeted Expenditures

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$ 521,461,400	21%
Public Service	25,383,900	1%
Academic Support	134,542,400	6%
Student Services	145,912,600	6%
Administrative Support	229,474,600	9%
Operation & Maintenance	103,652,500	4%
Scholarships/Grants	381,774,800	16%
Contingency	59,397,800	2%
Subtotal	\$1,601,600,000	66%
Auxiliary Enterprises Fund	\$ 139,844,900	6%
Plant Fund	580,922,800	24%
Debt Service	107,860,800	4%
Total	\$2,430,228,500	100%

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$139,844,900, or 6% of the total. Plant Fund expenditures, which generally include capital costs, are \$580,922,800, or 24% of the total. The remaining \$107,860,800 is for debt service.

State Compensation Fund

	CY 2011* ACTUAL	CY 2012* ACTUAL	CY 2013* ESTIMATE
BUDGET			
Operating Budget	103,900,000	97,200,000	
Dividends and Claims	144,500,000	155,000,000	
TOTAL	248,400,000	252,200,000	
FUND SOURCES			
Other Non-Appropriated Funds	248,400,000	252,200,000	
TOTAL - ALL SOURCES	248,400,000	252,200,000	

AGENCY DESCRIPTION — The State Compensation Fund insures employers against liability for workers' compensation, occupational disease compensation, and medical, surgical, and hospital benefits pursuant to the provisions of Arizona and federal statutes.

* Represents Calendar Years

Laws 2010, Chapter 268 terminated the State Compensation Fund (SCF) effective January 1, 2013 and required the SCF Board of Directors to perform all acts necessary to establish a successor mutual insurer corporation by January 1, 2013. The successor mutual insurer corporation became the successor in interest to all SCF assets and liabilities, including title to all SCF property and responsibility for SCF obligations, effective January 1, 2013. The successor mutual insurer corporation is not an agency or a public entity of Arizona. The successor mutual insurer corporation is prohibited from using the term "State Compensation Fund" or "SCF" in its new name or logo, effective July 1, 2014.

Constable Ethics Standards and Training Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	179,400	294,600	294,600
TOTAL - ALL SOURCES	179,400	294,600	294,600

AGENCY DESCRIPTION — The board establishes and enforces the code of conduct for constables throughout the state. The board also administers funding for constable training and equipment. The Arizona Association of Counties currently manages the board's administrative responsibilities. The board receives fees from every writ collected on behalf of a Justice of the Peace.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Registrar of Contractors

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	144.8	105.6	105.6
Personal Services	4,102,900	5,627,100	5,666,900
Employee Related Expenditures	1,856,800	2,359,300	2,354,700
Professional and Outside Services	148,300	405,300	405,300
Travel - In State	158,700	505,100	505,100
Travel - Out of State	0	11,800	11,800
Other Operating Expenditures	1,254,100	2,165,100	2,131,600
Equipment	55,400	100,300	100,300
OPERATING SUBTOTAL	7,576,200	11,174,000	11,175,700
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	471,900	1,017,600	1,017,600 ^{1/}
Residential Contractors' Recovery Fund Deposit	0	0	2,700,000
AGENCY TOTAL	8,048,100	12,191,600	14,893,300 ^{2/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Registrar of Contractors Fund	8,048,100	12,191,600	14,893,300
SUBTOTAL - Other Appropriated Funds	8,048,100	12,191,600	14,893,300
SUBTOTAL - Appropriated Funds	8,048,100	12,191,600	14,893,300
<i>Other Non-Appropriated Funds</i>	4,454,900	4,629,100	4,629,100
TOTAL - ALL SOURCES	12,503,000	16,820,700	19,522,400

AGENCY DESCRIPTION — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

Operating Budget

The budget includes \$11,175,700 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,700 from the Registrar of Contractors Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Office of Administrative Hearings Costs

The budget includes \$1,017,600 from the Registrar of Contractors Fund in FY 2014 for Office of Administrative Hearings (OAH) Costs. This amount is unchanged from FY 2013.

Monies in this line item are transferred from the Registrar of Contractors to OAH for services provided by OAH.

Residential Contractors' Recovery Fund Deposit

The budget includes \$2,700,000 from the Registrar of Contractors Fund in FY 2014 for a new Residential Contractors' Recovery Fund Deposit Line Item. This amount funds the following adjustments:

Recovery Fund Backlog

The budget includes a one-time increase of \$2,700,000 from the Registrar of Contractors Fund in FY 2014 to eliminate the backlog of approved claims in the Residential Contractors' Recovery Fund. Without the \$2,700,000 deposit into the Recovery Fund the department estimates a 5-month wait time for homeowners to receive payments for claims approved in May 2013. The department reports that the backlog totaled \$1,700,000 as of June 1, 2013.

^{1/} Any transfer to or from the amount appropriated for the Office of Administrative Hearings Costs line item shall require review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

The Residential Contractors' Recovery Fund compensates homeowners who are injured by a residential contractor. The maximum payout is \$30,000 per homeowner. The Residential Contractors' Recovery Fund is funded by an assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies per A.R.S. § 32-1132. The current assessment set by the agency is \$300 per biennial license period.

Additional Legislation

Recovery Fund Administration Expenses

The Revenue Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 9) amends A.R.S. § 32-1134 to allow the Registrar of Contractors to use up to 14% of prior fiscal year revenues from the Residential Contractors' Recovery Fund for employee and contracted services, equipment, and operational costs in any fiscal year, rather than 10% of the fund balance. This provision has been in session law in prior years.

Corporation Commission

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	308.3	297.9	300.9 ^{1/}
Personal Services	14,355,000	15,764,400	16,234,000
Employee Related Expenditures	5,844,600	6,142,300	6,342,900
Professional and Outside Services	277,500	315,000	315,000
Travel - In State	133,500	134,900	134,900
Travel - Out of State	67,200	71,500	71,500
Other Operating Expenditures	2,691,800	3,072,400	2,833,700
Equipment	453,500	175,000	175,000
OPERATING SUBTOTAL	23,823,100	25,675,500	26,107,000
SPECIAL LINE ITEMS			
Corporation Filings, Same Day Service	0	403,900	405,200 ^{2/}
Utilities Audits, Studies, Investigations, & Hearings	0	380,000	380,000 ^{3/4/}
AGENCY TOTAL	23,823,100	26,459,400 ^{5/}	26,892,200 ^{6/}
FUND SOURCES			
General Fund	596,200	605,300	609,700
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	51,200	50,200	50,100
Investment Management Regulatory and Enforcement Fund	705,200	707,800	715,400
Public Access Fund	5,510,200	6,488,700	6,535,500
Securities Regulatory and Enforcement Fund	4,319,200	4,732,800	4,787,500
Utility Regulation Revolving Fund	12,641,100	13,874,600	14,194,000
SUBTOTAL - Other Appropriated Funds	23,226,900	25,854,100	26,282,500
SUBTOTAL - Appropriated Funds	23,823,100	26,459,400	26,892,200
Other Non-Appropriated Funds	22,600	0	0
Federal Funds	1,107,900	1,055,600	760,800
TOTAL - ALL SOURCES	24,953,600	27,515,000	27,653,000

AGENCY DESCRIPTION — The Arizona Corporation Commission (ACC) was established by Article 15 of the Arizona Constitution and consists of 5 statewide elected Commissioners, each serving 4-year terms. The commission has 3 primary responsibilities. The Corporations Division provides public access to corporate annual reports, articles of incorporation, and corporate status change documents. The Securities Division regulates securities dealers and investment advisers. The Utilities Division monitors approximately 500 public service corporations operating in Arizona and establishes public utility rates. Other functions of the commission include inspecting gas pipelines and railroad track.

^{1/} Includes 2 OF FTE Positions funded from Special Line Items in FY 2014.

^{2/} The \$405,200 appropriated from the Public Access Fund for the Corporation Filings, Same Day Service line item shall revert to the Public Access Fund at the end of FY 2014 if the commission has not established a same day service pursuant to section A.R.S. § 10-122. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{3/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

^{4/} The Corporation Commission and the General Accounting Office shall report to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before November 1, 2013 on the expenditures from the Utilities Audits, Studies, Investigations, & Hearings Special Line Item since FY 2007, or an earlier year that the 2 agencies deem appropriate. The report shall also include an estimate of the remaining amount of nonlapsing funds as well as any recommendations to improve the consistency of the special line item expenditures reporting. (General Appropriation Act footnote)

^{5/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(4,400) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$26,107,000 and 298.9 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$609,700
Arizona Arts Trust Fund	50,100
Investment Management Regulatory and Enforcement Fund	715,400
Public Access Fund	6,130,300
Securities Regulatory and Enforcement Fund	4,787,500
Utility Regulation Revolving Fund	13,814,000

These amounts fund the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(350,000) from the Utility Regulation Revolving Fund in FY 2014 for the elimination of one-time costs of constructing a hearing room.

Backfill Federal ARRA Funds

The budget includes an increase of \$500,000 and 3 FTE Positions from the Utility Regulation Revolving Fund in FY 2014 to replace federal grants from the American Recovery and Reinvestment Act (ARRA), which are due to expire at the end of FY 2013. The purpose of this increase is to continue to provide sufficient resources to maintain the agency's goal of processing utility rate cases within 270 days.

Statewide Adjustments

The budget includes an increase of \$281,500 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	\$4,400
Arizona Arts Trust Fund	(100)
Investment Management Regulatory and Enforcement Fund	7,600
Public Access Fund	45,500
Securities Regulatory and Enforcement Fund	54,700
Utility Regulation Revolving Fund	169,400

(Please see the Agency Detail and Allocations section.)

Corporation Filings, Same Day Service

The budget includes \$405,200 and 2 FTE Positions from the Public Access Fund in FY 2014 for Corporation Filings, Same Day Service. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,300 from the Public Access Fund in FY 2014 for statewide adjustments.

A footnote in the General Appropriation Act specifies that same day and next day services shall not be offered unless the commission has established a same day service pursuant to A.R.S. § 10-122. The fee for same day and next day services must be determined by a supermajority vote of the Commissioners. To date, such a fee has not been set and same day and next day services have not been implemented.

In previous years, in order to offer same day and next day services, the Corporation Commission was also required to process all expedited services within a minimum of 5 business days and all other documents and services within 30 business days. The Government Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 2) permanently eliminated this requirement. As a result, the General Appropriation Act footnote was modified to reflect this change.

Utilities Audits, Studies, Investigations, & Hearings

The budget includes \$380,000 from the Utility Regulation Revolving Fund in FY 2014 for Utilities Audits, Studies, Investigations, & Hearings. This amount is unchanged from FY 2013.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff. A General Appropriation Act footnote requires the Corporation Commission and the General Accounting Office of the Arizona Department of Administration to report to the Directors of the Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee on or before November 1, 2013 on expenditures from this line item dating back to at least FY 2007. The report must also include an estimate of the remaining amount of nonlapsing funds as well as any recommendations to improve the consistency of the reporting expenditures from this line item.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

State Department of Corrections

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10,015.2	10,118.2	9,384.0
Correctional Officer Personal Services	317,201,000	317,807,400	318,935,700
Health Care Personal Services	40,009,500	2,656,500	2,665,000
All Other Personal Services	59,638,800	63,173,700	63,472,300
Personal Services Subtotal	416,849,300	383,637,600	385,073,000
Employee Related Expenditures	196,753,100	186,331,800	194,179,800
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	32,135,200	15,507,900	15,760,300
Health Care All Other Operating Expenditures			
Professional and Outside Services	14,536,800	2,143,700	2,143,700
Travel - In State	22,700	50,000	50,000
Travel - Out of State	2,000	10,000	10,000
Other Operating Expenditures	57,689,900	888,300	888,300
Equipment	193,800	17,600	17,600
Health Care Operating Subtotal	72,445,200	3,109,600	3,109,600
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	4,127,300	5,375,000	5,375,000
Travel - In State	558,600	775,800	775,800
Travel - Out of State	44,100	119,100	119,100
Food	43,302,700	46,290,700	46,290,700
Other Operating Expenditures	99,160,900	102,674,100	104,787,800
Equipment	7,681,300	3,466,200	3,529,400
Non-Health Care Operating Subtotal	154,874,900	158,700,900	160,877,800
OPERATING SUBTOTAL	873,057,700	747,287,800	759,000,500
SPECIAL LINE ITEMS			
Private Prison Per Diem	123,479,400	127,636,600	132,380,300
Inmate Health Care Contracted Services ^{1/}	0	130,274,900	125,274,900
Leap Year Costs	800,100	0	0
Narrowband Radio Conversion	3,902,700	0	0
AGENCY TOTAL	1,001,239,900	1,005,199,300^{1/}	1,016,655,700^{2/-3/}
FUND SOURCES			
General Fund	953,781,400	960,291,600	971,743,900
Other Appropriated Funds			
Alcohol Abuse Treatment Fund	425,200	554,400	554,400
Corrections Fund	26,699,200	27,517,600	27,517,600
Penitentiary Land Fund	1,728,400	979,200	979,200 ^{6/}
Prison Construction and Operations Fund	13,072,700	11,499,400	12,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	1,647,000	360,000	360,000 ^{2/}
State Education Fund for Correctional Education	497,000	512,100	516,200 ^{8/}
Transition Program Fund	930,000	3,485,000	2,485,000 ^{2/}
Transition Services Fund	2,459,000	0	0
SUBTOTAL - Other Appropriated Funds	47,458,500	44,907,700	44,911,800
SUBTOTAL - Appropriated Funds	1,001,239,900	1,005,199,300	1,016,655,700
Other Non-Appropriated Funds	44,616,400	54,059,000	53,980,100
Federal Funds	18,253,200	10,566,900	10,269,800
TOTAL - ALL SOURCES	1,064,109,500	1,069,825,200	1,080,905,600

AGENCY DESCRIPTION — The Arizona Department of Corrections (ADC) maintains and administers a statewide system of prisons for adult and minor offenders legally committed to the department. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.

Operating Budget

The budget includes \$759,000,500 and 9,384 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$755,084,900
Alcohol Abuse Treatment Fund	554,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000
State Education Fund for Correctional Education	516,200
Transition Program Fund	2,485,000

These amounts fund the following adjustments:

Privatization of Inmate Health Care Services

The budget includes a decrease of (740.2) FTE Positions from the General Fund in FY 2014 to reflect the privatization of correctional health care services provided by the state.

Pursuant to Laws 2011, Chapter 278, the department established a contract with a private entity to provide health care services for inmates in state-run prisons, which was implemented on July 1, 2012. Funding for the health care services contract is reflected in the Inmate Health Care Contracted Services Special Line Item. A total of \$6,712,100 remains in Health Care Personal Services and Health Care All Other Operating Expenditures for 34 FTE

Positions and administrative costs associated with monitoring the contract, as well as to pay for health care related legal expenses. *(Please see the Inmate Health Care Contracted Services Special Line Item section for further details on funding for the department's health care contract.)*

Monitoring of Private Prison Beds

The budget includes an increase of \$374,500 and 6 FTE Positions from the General Fund in FY 2014 to provide contractual oversight and other state-provided services associated with the addition of 500 medium-security private prison beds starting in January 2014. This amount includes \$63,200 in one-time equipment costs. *(Please see Private Prison Per Diem narrative below for further details on the additional beds.)*

Funding Shift

The budget includes an increase of \$1,000,000 from the General Fund and a decrease of \$(1,000,000) from the Transition Program Fund in FY 2014 to bring the Transition Program Fund into structural balance. An additional shift in the Inmate Health Care Contracted Services Special Line Item means that the net agencywide impact is to shift \$1,000,000 of costs off of the Transition Program Fund and onto the Prison Construction and Operations Fund.

The FY 2014 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 5) permits

- 1/ In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(8,956,300) GF for a state employee health insurance premium holiday. *(Please see the FY 2013 General Fund Adjustments section.)*
- 2/ Before placing any inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in this state and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- 3/ A monthly report comparing State Department of Corrections expenditures for the month and year-to-date as compared to prior year expenditures shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee on or before the 30th of the following month. The report shall be in the same format as the prior fiscal year and shall include an estimate of potential shortfalls, potential surpluses that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 4/ The State Department of Corrections shall provide a report on bed capacity to the Joint Legislative Budget Committee for its review on or before August 1, 2013. The report shall reflect the bed capacity for each security classification at each state-run and private institution, divided by rated and total beds. The report shall include bed capacity data for June 30 of the previous fiscal year, June 30 of the current fiscal year and June 30 of the subsequent fiscal year, as well as the reasons for any change within that time period. Within the total bed count, the department shall provide the number of temporary and special use beds. If the department develops a plan subsequent to its August 1 report to close state-operated prison rated beds or cancel or not renew contracts for privately operated prison beds, the State Department of Corrections shall submit a bed plan detailing the proposed bed closures for review by the Joint Legislative Budget Committee before implementing these changes. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.
- 6/ One hundred percent of land earnings and interest from the Penitentiary Land Fund shall be distributed to the State Department of Corrections in compliance with the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 7/ Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund shall be distributed to the State Department of Corrections in compliance with the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 8/ Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$516,200, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 9/ The State Department of Corrections shall submit a report to the Joint Legislative Budget Committee on or before October 1, 2013 concerning the uses of the Transition Program Fund established by A.R.S. § 31-284 so as to allow the Legislature to consider returning the use of these monies to the intended statutory purpose in the FY 2015 budget. (General Appropriation Act footnote)

the department to use the Transition Program Fund and the non-appropriated Interagency Service Agreement Fund for department operating expenses in FY 2014. In addition, a FY 2014 General Appropriation Act footnote requires the department to submit a report to the Joint Legislative Budget Committee by October 1, 2013 concerning the use of the Transition Program Fund to allow the Legislature to consider returning the use of fund monies to their intended statutory purpose in the FY 2015 budget.

Increased Retirement Contributions

The budget includes an increase of \$8,281,200 in FY 2014 for increased retirement contribution costs. This amount consists of:

General Fund	8,276,300
State Education Fund for Correctional Education	4,900

These amounts fund increases in the employer's share of contributions for its employees in the Arizona State Retirement System and the Correctional Officers Retirement Plan. *(Please see the State Retirement Systems discussion in the General Provisions section at the back of this Appropriations Report for more details on contribution rate changes.)*

Statewide Adjustments

The budget includes an increase of \$3,057,000 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	3,057,800
State Education Fund for Correctional Education	(800)

(Please see the Agency Detail and Allocations section.)

Private Prison Per Diem

The budget includes \$132,380,300 in FY 2014 for Private Prison Per Diem. This amount consists of:

General Fund	103,883,500
Corrections Fund	27,517,600
Penitentiary Land Fund	979,200

These amounts fund the following adjustments:

500 Medium-Security Private Prison Beds

The budget includes an increase of \$4,743,700 from the General Fund in FY 2014 to fund the activation of 500 medium-security private prison beds beginning in January 2014. This increase assumes the department will open 150 beds on the first of each month, concluding with the final 50 beds on April 1, 2014.

The FY 2013 Criminal Justice BRB (Laws 2012, Chapter 302) required the department to award a contract for up to 500 male, medium-security private beds to open on January 1, 2014 and up to 500 more male, medium-security beds to open on January 1, 2015. These contracts

were to be awarded by September 1, 2012 from the 2000-bed Request for Proposals (RFP) issued by the department in February 2012. On August 31, 2012, the department awarded the contract to Corrections Corporation of America (CCA) at a per diem rate of \$65.43 per bed. CCA will house these prisoners at their existing Red Rock Correctional Center in Eloy. The FY 2014 Criminal Justice BRB prohibits the department from awarding the remainder of the 2,000 beds without legislative authorization.

Background – Monies in this line item are paid to private prison contractors for housing Arizona inmates in 7,038 beds under contract and operational by June 30, 2014. Private prison beds are permanent beds the department typically owns on average after a period of 20 years. ADC will own the facilities after a specified amount of time because the per diem rate includes a portion of the facilities' purchasing cost. Administrative expenses related to private prison contracts are included in the department's operating budget.

Inmate Health Care Contracted Services

The budget includes \$125,274,900 in FY 2014 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	112,775,500
Prison Construction and Operations Fund	12,499,400

These amounts fund the following adjustments:

Contract Savings

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2014 to reflect savings from implementing a new inmate health care services contract.

Laws 2011, Chapter 278 required the department to issue a Request for Information regarding privatization of its correctional health care services and then, within 90 days of committee review of that information, issue an RFP. The department issued the RFP on October 21, 2011, and on April 2, 2012, awarded a contract to Wexford Health Sources, Inc. The winning vendor bid \$9.51 per prisoner per day at state-operated prisons, or an estimated \$116,915,300, to provide services under the terms of the contract, which became fully operational on July 1, 2012.

On January 30, 2013, the department and Wexford announced that they had mutually agreed to dissolve the contract. The department then contracted with Corizon to provide inmate health care services effective March 4, 2013. Corizon's price is higher than that bid, but the estimated FY 2014 cost of \$125,274,900 is still \$(5,000,000) lower than the original FY 2013 appropriation for health care services.

Funding Shift

The budget includes a decrease of \$(1,000,000) from the General Fund and an increase of \$1,000,000 from the Prison Construction and Operations Fund in FY 2014 to bring the Transition Program Fund into structural balance. *(Please see the Funding Shift issue in the Operating Budget section for more details.)*

Background - Funding to reimburse the contractor is redirected from Health Care Personal Services, Employee Related Expenditures, and Health Care All Other Operating Expenditures as ADC only provides supervisory and administrative health care functions. Although the FY 2013 General Appropriation Act did not include the Inmate Health Care Contracted Services line item, the FY 2013 funding for the contract has been redirected to this line item for comparability.

As the population fluctuates, so will the cost of the contract. Additionally, the contract allows for annual price adjustments that could affect the per diem rate, which the department must approve. The contract does not allow price increases above the percent of change in the average medical consumer price index for the Phoenix Metro area.

Leap Year Costs

The budget includes no funding in FY 2014 for Leap Year Costs. This line item was established in the FY 2012 budget to pay for the increased per diem costs associated with the extra day in 2012's leap year.

Narrowband Radio Conversion

The budget includes no funding in FY 2014 for Narrowband Radio Conversion. This line item was established in the FY 2012 budget to pay for the one-time costs of converting department radios and other equipment to narrowband frequency by January 2013 as mandated by the Federal Communications Commission.

Additional Legislation

Budget Structure

The FY 2014 Criminal Justice BRB requires the department to report FY 2013 actual expenditures, FY 2014 estimated expenditures, and FY 2015 requested expenditure amounts for each line item as delineated in the prior year when the department submits its FY 2015 budget request pursuant to A.R.S. § 35-113. This provision is a continuation of prior year policies.

Other Issues

Status of Maximum-Security Beds

The FY 2013 Capital Outlay Bill (Laws 2012, Chapter 295) appropriated \$20,000,000 from the General Fund in FY 2013 and \$30,000,000 from the General Fund in

FY 2014 to the Arizona Department of Administration (ADOA) to construct 500 male maximum-security beds. The Lewis Rast Unit has been selected as the site for the beds. These beds will be operated by the Department of Corrections.

The Joint Committee on Capital Review (JCCR) favorably reviewed the ADOA plan for construction of the 500 beds at its June 6, 2013 meeting. The Department of Corrections currently expects construction to be complete in time to accept prisoners by October 1, 2014.

Arizona State Prison (ASP)-Marana RFP

Since 1994, the department has contracted with Management and Training Corporation (MTC) to operate ASP-Marana, a self-standing 500-bed unit providing services to male, minimum-security inmates. ADC signed a new 10-year contract with two 5-year renewals with MTC in October 2000.

Pursuant to a mutually-agreed-to June 2011 contract amendment, the contract permits the department to purchase the Marana facility and the land on which it sits for \$150,000 on October 5, 2013 and the department notified MTC at the time of signing the amendment that it intended to purchase the Marana facility and issue an RFP to solicit bids to operate the Marana facility, a process open to MTC and other vendors. The JCCR favorably reviewed ADC's plan to purchase the facility at its April 2, 2013 meeting.

Inmate Growth Rate

There is uncertainty regarding inmate growth. The inmate population has been essentially flat over the past 48 months, though it has grown an average of 110 inmates per month in the last 6 months. In comparison, monthly inmate growth rates averaged 144 between FY 2002 and FY 2008 and exceeded 300 inmates per month at times. The budget assumes that the inmate population will remain flat at the June 30, 2013 level of 40,686 through the end of FY 2014. Given the rate of increase seen in the second half of FY 2013, this assumption may need to be revised.

Bed Capacity

There are 2 methods of defining bed capacity:

- "Rated" beds: Beds originally designed for housing prisoners. This amount was 37,109 in public and private prisons on June 30, 2012, which was the same level as on June 30, 2011.
- Operating Capacity: "Rated" beds plus temporary beds established, for example, in areas not originally intended for housing prisoners or double-bunked beds in areas intended for single-bunked beds. As of June 30, 2012, public and private prisons have a total 4,880 temporary beds, which was reduced from 5,842, the level on June 30, 2011.

In addition to rated and temporary beds, special use beds are used for investigative detention, disciplinary isolation, maximum behavior control, mental health observation, or medical inpatient care. Due to their short-term usage, these beds are not counted as part of ADC's operational capacity. The number of special use beds in public and private prisons was 1,555 as of June 30, 2012, (58) fewer beds than June 30, 2011.

The department has flexibility in establishing or decommissioning beds (or shifting between inmate classification). As a result, a FY 2014 General Appropriation Act footnote requires the department to provide a report to the JLBC for its review regarding bed counts and reasons for changes in the number or classification of beds; this footnote also clarifies when the department needs to provide closure plans to the JLBC for its review after submitting the bed plan above. (See the *Footnotes* section.)

FY 2014 Bed Surplus/Shortfall

At the end of FY 2012, the department had a total rated bed shortfall of (2,768). ADC addressed this shortfall by placing prisoners in temporary beds as discussed above. After adjusting for the 4,880 temporary beds in the overall ADC system, the rated bed shortfall became a 2,112 bed surplus as shown in *Table 1*.

Assuming the population remains flat through the end of FY 2014, the rated bed shortfall is expected to be (3,505). This increase from the June 30, 2012 bed shortfall results from the FY 2013 inmate growth (see *Inmate Growth Rate* above). In addition, bed shortfall estimates may vary by level of security (e.g. minimum, medium, or maximum). The department's largest shortfalls are in male medium- and maximum-security beds. This issue will be addressed with the 1,000 medium-security private beds and the 500 maximum-security state beds being activated in FY 2014 and FY 2015.

Department of Corrections Building Renewal Fund

The FY 2013 Criminal Justice BRB transferred administration of the Department of Corrections Building Renewal Fund from the Director of the Arizona Department of Administration to the ADC Director.

The FY 2013 General Appropriation Act transferred \$2,500,000 from the Corrections Fund into the Building Renewal Fund to compensate for lower-than-estimated fee revenue into the fund. This one-time transfer ensured a sufficient balance in the Building Renewal Fund to fund its FY 2013 capital appropriation of \$4,630,500.

The FY 2014 Criminal Justice BRB authorized as permanent law an annual \$2,500,000 transfer from the Corrections Fund into the Building Renewal Fund. With this annual transfer, the Building Renewal Fund should have sufficient annual revenues to support its current

capital appropriation (Please see the *Capital Budget - ADOA* narrative for more information.)

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the *Automation Projects* narrative for more details.)

Arizona Inmate Management System

The budget includes FY 2014 transfers from Department funds associated with beginning the replacement of the Adult Inmate Management System. (Please see the *Department of Administration – Automation Projects Fund* section for details regarding this information technology project.)

Table 1

Fiscal Year-End Operating Capacity

	FY 2012 Actual			FY 2013 Estimate			FY 2014 Estimate		
	<u>Rated</u>	<u>Temp.</u>	<u>Operating Capacity</u>	<u>Rated</u>	<u>Temp.</u>	<u>Operating Capacity</u>	<u>Rated</u>	<u>Temp.</u>	<u>Operating Capacity</u>
State:									
Douglas	1,925	417	2,342	1,925	417	2,342	1,925	417	2,342
Eyman	4,104	1,107	5,211	4,024	1,187	5,211	4,024	1,187	5,211
Florence	3,644	697	4,341	3,440	677	4,117	3,440	677	4,117
Perryville	4,202	72	4,274	4,202	72	4,274	4,202	72	4,274
Phoenix	552	162	714	552	162	714	552	162	714
Lewis ^{1/}	4,604	630	5,234	4,604	752	5,356	4,604	752	5,356
Safford	1,453	316	1,769	1,453	316	1,769	1,453	316	1,769
Tucson ^{2/}	4,749	545	5,294	4,605	545	5,150	4,605	545	5,150
Winslow	1,626	216	1,842	1,626	216	1,842	1,626	216	1,842
Yuma	4,350	80	4,430	4,350	80	4,430	4,350	80	4,430
Subtotal	31,209	4,242	35,451	30,781	4,424	35,205	30,781	4,424	35,205
Private (Per Diem):									
Kingman (\$62.16)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$49.28)	400	100	500	400	100	500	400	100	500
Marana (\$49.03)	500	-	500	500	-	500	500	-	500
Florence West (\$44.95-55.79)	600	150	750	600	150	750	600	150	750
Florence II (\$67.22)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Eloy (\$65.43) ^{3/}	-	-	-	-	-	-	500	-	500
Subtotal	5,900	638	6,538	5,900	638	6,538	6,400	638	7,038
Total - All Beds ^{4/}	37,109	4,880	41,989	36,681	5,062	41,743	37,181	5,062	42,243
State Prison Population	33,504		33,504	34,304		34,304	34,304		34,304 ^{5/}
Private Prison Population	6,373		6,373	6,382		6,382	6,382		6,382
Total Population	39,877		39,877	40,686		40,686	40,686		40,686 ^{6/}
Bed Surplus/(Shortfall)	(2,768)		2,112	(4,005)		1,057	(3,505)		1,557
Bed Surplus / (Shortfall) (% of Beds)	(7)%		5%	(11)%		3%	(9)%		4%

^{1/} Another 500 maximum security beds are scheduled to open in FY 2015.

^{2/} During FY 2013, the department converted 144 rated beds at the Tucson SACRC unit to create a community corrections facility that will provide released offenders on community supervision temporary transitional housing. The new community corrections facility capacity is not reflected in this chart.

^{3/} Another 500 medium-security beds are scheduled to open in FY 2015 (for a total of 1,000 including the 500 medium-security beds opening in FY 2014).

^{4/} Excludes special use beds totaling 1,555 in FY 2012, 1,553 in FY 2013, and 1,533 in FY 2014.

^{5/} The department announced in July 2013 that it signed a contract to house 50 male, medium-security inmates in temporary beds in Navajo County facilities for no more than 6 months in FY 2014. The rate will be \$49.44 per inmate per day.

^{6/} With the addition of 500 private prison beds in FY 2014, it is uncertain how the department will allocate inmates. If the department shifts inmates from state prisons, temporary beds may be decommissioned, reducing operating capacity.

Board of Cosmetology

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	698,800	746,800	754,800
Employee Related Expenditures	323,200	329,900	329,900
Professional and Outside Services	186,000	275,000	275,000
Travel - In State	30,000	42,500	42,500
Travel - Out of State	8,700	8,800	8,800
Other Operating Expenditures	373,700	350,000	349,500
Equipment	61,800	24,000	24,000
AGENCY TOTAL	1,682,200	1,777,000	1,784,500^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Cosmetology Fund	1,682,200	1,777,000	1,784,500
SUBTOTAL - Other Appropriated Funds	1,682,200	1,777,000	1,784,500
SUBTOTAL - Appropriated Funds	1,682,200	1,777,000	1,784,500
TOTAL - ALL SOURCES	1,682,200	1,777,000	1,784,500

AGENCY DESCRIPTION — The board administers licensing examinations and licenses; inspects salons and schools; investigates violations of sanitation requirements and procedures. It conducts hearings and imposes enforcement actions where appropriate.

Operating Budget

The budget includes \$1,784,500 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$7,500 from the Board of Cosmetology Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

County Funding

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
FUND SOURCES			
General Fund	0	0	7,150,500
SUBTOTAL - Appropriated Funds	0	0	7,150,500
TOTAL - ALL SOURCES	0	0	7,150,500

AGENCY DESCRIPTION — The Arizona Department of Administration (ADOA) distributes these monies to counties for maintenance of essential county services.

Essential County Services

The budget includes \$7,150,500 from the General Fund in FY 2014 for essential county services.

These monies are appropriated to ADOA and are allocated equally among all counties with a population of less than 900,000 according to the 2010 Decennial Census. This includes all counties except Pima and Maricopa. Each county will receive \$550,038.

Table 1

County Assistance for 13 Counties

<u>County</u>	<u>2010 Decennial Census Population</u>
Pinal	375,770
Yavapai	211,033
Mohave	200,186
Yuma	195,751
Coconino	134,421
Cochise	131,346
Navajo	107,449
Apache	71,518
Gila	53,597
Santa Cruz	47,420
Graham	37,220
La Paz	20,489
Greenlee	8,437
Total	1,594,637

Arizona Criminal Justice Commission

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9.0	9.0	9.0
Personal Services	436,700	466,700	472,200
Employee Related Expenditures	185,500	157,400	157,600
Professional and Outside Services	175,200	145,200	145,200
Travel - In State	4,400	6,900	6,900
Travel - Out of State	5,400	6,400	6,400
Other Operating Expenditures	34,500	100,000	99,800
Equipment	6,700	0	0
OPERATING SUBTOTAL	848,400	882,600	888,100
SPECIAL LINE ITEMS			
State Aid to County Attorneys	973,600	973,600	973,600
Victim Compensation and Assistance	3,084,700	3,792,500	4,092,500
AGENCY TOTAL	4,906,700	5,648,700	5,954,200^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Criminal Justice Enhancement Fund	628,800	644,800	649,200
Drug and Gang Prevention Resource Center Fund	219,600	237,800	238,900
State Aid to County Attorneys Fund	973,600	973,600	973,600 ^{2/}
Victim Compensation and Assistance Fund	3,084,700	3,792,500	4,092,500 ^{3/}
SUBTOTAL - Other Appropriated Funds	4,906,700	5,648,700	5,954,200
SUBTOTAL - Appropriated Funds	4,906,700	5,648,700	5,954,200
Other Non-Appropriated Funds	3,873,600	5,970,100	5,970,100
Federal Funds	14,747,400	14,074,800	8,280,400
TOTAL - ALL SOURCES	23,527,700	25,693,600	20,204,700

AGENCY DESCRIPTION — The commission was created to enhance the effectiveness and coordination of the criminal justice system in Arizona. The commission may identify needed revisions in the system and make reports. It receives 1.57% of Criminal Justice Enhancement Fund (CJEF) monies.

Operating Budget

The budget includes \$888,100 and 9 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
CJEF	\$649,200
Drug and Gang Prevention Resource Center Fund	238,900

Statewide Adjustments

The budget includes an increase of \$5,500 in FY 2014 for statewide adjustments. This amount consists of:

CJEF	4,400
Drug and Gang Prevention Resource Center Fund	1,100

(Please see the Agency Detail and Allocations section.)

These amounts fund the following adjustments:

- ^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{2/} All State Aid to the County Attorneys Fund receipts received by the Arizona Criminal Justice Commission in excess of \$973,600 in FY 2014 are appropriated to the State Aid to the County Attorney Program. Before the expenditure of any State Aid to the County Attorneys Fund receipts in excess of \$973,600, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{3/} All Victim Compensation and Assistance receipts received by the Arizona Criminal Justice Commission in excess of \$4,092,500 in FY 2014 are appropriated to the Crime Victims Program. Before the expenditure of any Victim Compensation and Assistance receipts in excess of \$4,092,500 in FY 2014, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

State Aid to County Attorneys

The budget includes \$973,600 from the State Aid to County Attorneys Fund in FY 2014 for State Aid to County Attorneys. This amount is unchanged from FY 2013.

This line item provides funding for the various offices of county attorneys throughout Arizona to improve the processing of criminal cases. The line item receives funds from a 15.44% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals. The Arizona Criminal Justice Commission (ACJC) is required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population.

Victim Compensation and Assistance

The budget includes \$4,092,500 from the Victim Compensation and Assistance Fund in FY 2014 for Victim Compensation and Assistance. This amount funds the following adjustments:

Victim Compensation and Assistance

The budget includes an increase of \$300,000 from the Victim Compensation and Assistance Fund in FY 2014 for Victim Compensation and Assistance. Effective February 2, 2013, the distribution of these funds to victims was expanded and the allocation formula was revised to better address the needs of victims eligible for the program. This increase funds those rule changes and a decrease in the federal funding of victim compensation programs. The FY 2014 beginning balance for the Victims Compensation and Assistance Fund is projected to be \$2,678,700 and FY 2014 revenues are expected to be \$3,363,700. With the increase in expenditures, the FY 2014 year-end fund balance is projected to be \$1,949,900.

This line item provides funding for 2 crime victim grant programs: the Victim Compensation Program and the Victim Assistance Program. Victim compensation monies are distributed to county compensation boards that award cash compensation to crime victims for specified expenses resulting from their victimization. Revenues for victim compensation grant monies come from 3 sources: 4.6% CJEF distribution, inmate work fees, and unclaimed victim restitution. Victim assistance monies are granted to local government and not-for-profit agencies on a competitive basis and are used for operating expenses related to their victim assistance programs. Revenues for victim assistance grants come from community supervision fees and interstate compact fees.

Other Issues

Indigent Defense

The budget includes a \$500,000 transfer from the State Aid to Indigent Defense Fund to fund capital postconviction prosecutions for the state over the next 4 years. A General Appropriation Act footnote permits the Attorney General to use State Aid to Indigent Defense Fund monies for this purpose. The Criminal Justice Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 5) directs the Attorney General to submit a report by November 1, 2013, on its plan to transition these responsibilities to Maricopa County during the 4 years to the Joint Legislative Budget Committee for its review.

The State Aid to Indigent Defense fund receives funding from a 14.66% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals. ACJC was required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population.

Subsequent to the passage of the FY 2012 General Appropriation Act, Laws 2011, Chapter 308 transferred these monies in FY 2012 to the Department of Public Safety's (DPS) Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement subaccount. Chapter 308 intended the use of these monies in DPS as one-time. No funds were appropriated from this fund for FY 2013. The projected FY 2013 year-end balance is \$982,100 and the fund is expected to receive \$979,900 in revenues in FY 2014. The projected FY 2014 year-end fund balance, including the appropriation to the Attorney General, is \$1,462,000.

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Arizona State Schools for the Deaf and the Blind

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
PROGRAM BUDGET			
Administration/Statewide Programs	4,392,700	4,940,800	5,041,700
Phoenix Day School for the Deaf	9,770,700	9,695,100	10,018,300
Preschool/Outreach Programs	4,366,100	4,652,500	4,682,900
Regional Cooperatives	908,600	916,900	931,500
Tucson Campus	14,838,100	14,549,400	14,706,400
AGENCY TOTAL	34,276,200	34,754,700	35,380,800
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	572.2	541.2	541.2
Personal Services	17,994,000	18,905,800	19,171,900
Employee Related Expenditures	8,676,300	9,075,000	9,135,100
Professional and Outside Services	1,617,100	1,761,200	1,761,200
Travel - In State	33,700	26,200	26,200
Travel - Out of State	29,700	16,300	16,300
Food	62,800	50,000	50,000
Other Operating Expenditures	3,845,400	3,511,400	3,521,900
Equipment	865,300	670,800	670,800
OPERATING SUBTOTAL	33,124,300	34,016,700	34,353,400
SPECIAL LINE ITEMS			
School Bus Replacement	1,151,900	738,000	738,000
Voucher Fund Adjustment	0	0	289,400
AGENCY TOTAL	34,276,200	34,754,700^{1/}	35,380,800^{2/}
FUND SOURCES			
General Fund	20,803,100	21,458,600	21,795,300
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	13,473,100	13,296,100	13,585,500 ^{3/}
SUBTOTAL - Other Appropriated Funds	13,473,100	13,296,100	13,585,500
SUBTOTAL - Appropriated Funds	34,276,200	34,754,700	35,380,800
Other Non-Appropriated Funds	18,138,000	18,161,600	18,161,600
Federal Funds	2,705,300	2,451,100	2,451,100
TOTAL - ALL SOURCES	55,119,500	55,367,400	55,993,500

AGENCY DESCRIPTION — The Arizona State Schools for the Deaf and the Blind (ASDB) provides comprehensive educational programs for students with sensory impairment from birth to age 22. ASDB has 2 main campuses, a day school in Phoenix and a residential campus in Tucson, satellite preschools in the Tucson and Phoenix Metropolitan areas, and 5 regional offices from which cooperative programs with school districts are operated. ASDB also serves infants and toddlers throughout the state. ASDB serves approximately 2,245 children: 634 students in Preschool - 12 programs (206 in Tucson and 428 in Phoenix), 328 infant/toddlers in regional areas, and 1,283 children through the 5 existing regional cooperatives.

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(396,800) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

^{3/} Before the expenditure of any Arizona State Schools for the Deaf and the Blind Fund monies in excess of \$13,585,500 in FY 2014, the Arizona State Schools for the Deaf and the Blind shall report to the Joint Legislative Budget Committee the intended use of the funds. (General Appropriation Act footnote)

Operating Budget

The budget includes \$34,353,400 and 541.2 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$21,671,700
Schools for the Deaf and the Blind Fund	12,681,700

These amounts fund the following adjustments:

Assistive Technology Devices

The budget includes no change in funding from the General Fund in FY 2014 for assistive technology devices. The budget includes a total of \$253,100 from the General Fund in FY 2014 for assistive technology devices. Assistive technology devices include: electronic dictionaries for visually impaired students, mobile classroom computer labs for visually disabled students, interactive whiteboards for hearing impaired students, and computer and software upgrades for computers used by visually impaired students.

Foundation for Blind Children

The budget maintains funding in FY 2014 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

Statewide Adjustments

The budget includes an increase of \$336,700 from the General Fund in FY 2014 for statewide adjustments. (Please see the *Agency Detail and Allocations* section.)

School Bus Replacement

The budget includes \$738,000 from the General Fund in FY 2014 for School Bus Replacement. This amount is unchanged from FY 2013.

Monies in this line item are used for the purchase of new school buses. According to the School Facilities Board rules for the Arizona State Schools for the Deaf and the Blind (ASDB), a gasoline powered bus should be replaced after 10 years or 150,000 miles.

Voucher Fund Adjustment

The budget includes \$289,400 from the Schools for the Deaf and the Blind Fund in FY 2014 for a Voucher Fund Adjustment. This amount funds the following adjustments:

Enrollment Growth

The budget includes an increase of \$289,400 from the ASDB Fund in FY 2014 for enrollment growth. This assumes that ASDB will receive \$13,585,500 in special education voucher funding for FY 2014 under current JLBC Staff enrollment projections, which would be \$289,400 above the currently appropriated level. (Please see *Other Issues* for additional enrollment information.)

Background – Special education voucher monies in the ASDB Fund represent ASDB's reimbursement from the Arizona Department of Education (ADE) for educational costs based on its enrollment. As with school districts, ASDB's ADE funding is determined by statutory formula. The amounts are reflected within a special line item to give ASDB flexibility in allocating the increased funding among its 4 programs.

Other Issues

Enrollment History

In the last 5 years, enrollment at the Tucson campus has decreased from 256 to 204, while Phoenix campus enrollment has increased from 273 to 339 during the same time period (see *Table 1*).

Table 1

Enrollment History

<u>Fiscal Year</u>	<u>Tucson</u>	<u>Phoenix</u>	<u>Total</u>
2008	256	273	529
2009	282	288	570
2010	263	286	549
2011	231	358	589
2012	204	339	543

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the *Automation Projects* narrative for more details.)

Tucson Dorm Renovations

See Capital Outlay section for information on a \$1,000,000 one-time appropriation for dormitory renovations.

Commission for the Deaf and the Hard of Hearing

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	15.0	15.0	15.0
Personal Services	717,200	810,200	819,700
Employee Related Expenditures	298,300	342,300	342,600
Professional and Outside Services	276,500	318,700	318,700
Travel - In State	14,000	34,900	34,900
Travel - Out of State	16,000	12,400	12,400
Other Operating Expenditures	1,744,400	2,097,300	2,083,600
Equipment	179,700	164,500	164,500
AGENCY TOTAL	3,246,100	3,780,300	3,776,400^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Telecommunication Fund for the Deaf	3,246,100	3,780,300	3,776,400
SUBTOTAL - Other Appropriated Funds	3,246,100	3,780,300	3,776,400
SUBTOTAL - Appropriated Funds	3,246,100	3,780,300	3,776,400
TOTAL - ALL SOURCES	3,246,100	3,780,300	3,776,400

AGENCY DESCRIPTION — The agency acts as an information and referral resource for the deaf and the hard of hearing and provides educational materials to the general public. The agency also administers the Telecommunication Devices for the Deaf (TDD) Relay Program, a statewide telephone access program. The agency licenses interpreters for the deaf and the hard of hearing. The agency is supported by the Telecommunication Fund for the Deaf, which derives monies from the Telecommunication Services Excise Tax.

Operating Budget

The budget includes \$3,776,400 and 15 FTE Positions from the Telecommunication Fund for the Deaf in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(3,900) from the Telecommunication Fund for the Deaf in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

State Board of Dental Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	462,300	541,400	547,300
Employee Related Expenditures	212,300	153,600	153,700
Professional and Outside Services	174,800	299,200	299,200
Travel - In State	2,300	3,200	3,200
Travel - Out of State	4,400	5,500	5,500
Other Operating Expenditures	181,100	182,500	182,200
Equipment	77,800	23,700	23,700
AGENCY TOTAL	1,115,000	1,209,100	1,214,800^{1/}

FUND SOURCES

Other Appropriated Funds

Dental Board Fund	1,115,000	1,209,100	1,214,800
SUBTOTAL - Other Appropriated Funds	1,115,000	1,209,100	1,214,800
SUBTOTAL - Appropriated Funds	1,115,000	1,209,100	1,214,800
TOTAL - ALL SOURCES	1,115,000	1,209,100	1,214,800

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

Operating Budget

The budget includes \$1,214,800 and 11 FTE Positions from the Dental Board Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$5,700 from the Dental Board Fund in FY 2014 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona Early Childhood Development and Health Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	141,355,100	177,562,300	179,432,700
TOTAL - ALL SOURCES	141,355,100	177,562,300	179,432,700

AGENCY DESCRIPTION — As authorized by a 2006 ballot initiative, the Arizona Early Childhood Development and Health Board (ECDHB) is funded from an 80 cents per pack cigarette tax, plus taxes on other tobacco products. The board funds early childhood development programs and services for children prior to kindergarten and their families.

Background

Early Childhood Development and Health Fund

Revenues from the tax are deposited into the Early Childhood Development and Health (ECDH) Fund and go into 2 accounts: 90% of funds are allocated to the Program Account and 10% of funds to the Administrative Costs Account.

Of the annual Program Account budget set by the board each year, 10% (or 9% of the statewide total) may be spent on statewide programs with the remaining funds allocated to the Regional Councils (81% of the statewide total). Of the amount made available to regions, 60.8% is allocated to the various regions based on the population aged 5 and under and the population under 5 living below the poverty line. The board uses its discretion to allocate the other 20.2% to regions.

Monies in the fund are to be used for 1 or more of the following 6 purposes: 1) Improve the quality of ECDH programs; 2) Increase access to quality ECDH programs; 3) Increase access to preventive health care and health screenings for children through age 5; 4) Offer parent and family support and education concerning early childhood development and literacy; 5) Provide professional development and training for ECDH providers; and 6) Increase coordination of ECDH programs and public information about the importance of ECDH. The ECDH Fund is not subject to legislative appropriation.

During FY 2012, the board's revenues were \$133,357,900 and expenditures were \$141,355,100. In FY 2013, the board expects to collect \$140,936,600 in revenues and expend \$177,562,300. Of this FY 2013 spending amount, \$162,242,800 and \$14,314,800 will be from the Program Account and the Administrative Account, respectively. In FY 2013, the board's expenditure plan includes \$14,314,800 for administration, \$13,641,000 for statewide grants, \$148,601,800 for regional grants, and \$1,004,700 for miscellaneous programs. These estimates were as of October 15, 2012. The board was not able to provide any updated information.

The above expenditures leave the fund with a projected balance of \$397,813,100 at the end of FY 2013. The board's large balance is a result of the initiative's

language, which called for the approval of grants to Regional Partnership Councils to begin in May 2009. The delay between the beginning of revenue collections in FY 2007 and the implementation of regional grants has allowed the board to accrue a significant balance. The board intends to use the balance in future years to offset ongoing revenue losses that may occur if tobacco use (and the corresponding tax collections) continues to decline.

Department of Economic Security

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,472.9	5,503.5	5,654.1 ^{1/}
Personal Services	128,355,600	142,345,900	82,897,400
Employee Related Expenditures	59,845,500	66,073,100	39,973,300
Professional and Outside Services	19,494,100	21,531,100	17,656,700
Travel - In State	1,552,800	1,596,300	458,000
Travel - Out of State	37,200	43,900	43,900
Other Operating Expenditures	51,892,400	59,896,900	46,746,600
Equipment	9,713,000	9,486,600	7,230,400
OPERATING SUBTOTAL	270,890,600	300,973,800	195,006,300 ^{2/3/4/5/6/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	20,878,900	21,727,600	10,563,100
Aging and Adult Services			
Adult Services	7,924,100	6,924,100	6,924,100
Community and Emergency Services	3,350,300	3,724,000	3,724,000
Coordinated Homeless	2,416,500	2,522,600	2,522,600
Domestic Violence Prevention	11,420,500	12,123,700	12,123,700 ^{7/8/}
Benefits and Medical Eligibility			
TANF Cash Benefits	53,999,400	44,999,400	44,999,400
Coordinated Hunger	1,701,800	1,754,600	1,754,600
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	6,449,400	8,600,200	8,600,200
Children, Youth and Families			
Division of Children, Youth and Families Operating Lump Sum Appropriation	0	0	166,689,200
Division of Children, Youth and Families Attorney General Legal Services	0	0	20,307,100
Children Support Services	70,334,400	79,168,300	155,053,400 ^{9/}
CPS Emergency and Residential Placement	33,948,000	24,001,700	80,969,300 ^{9/}
Foster Care Placement	17,160,400	23,112,600	52,251,200 ^{9/}
Grandparent Stipends	0	0	1,000,000 ^{10/}
Independent Living Maintenance	1,671,600	2,719,300	3,469,300
Intensive Family Services	0	0	5,000,000 ^{11/}
Permanent Guardianship Subsidy	11,283,700	11,215,300	11,215,300
Adoption Services	63,744,600	74,772,000	177,554,600
Developmental Disabilities ^{12/13/14/15/}			
Case Management - Medicaid	41,937,100	39,117,400	39,524,400
Home and Community Based Services - Medicaid	588,650,800	710,554,400	763,056,000
Institutional Services - Medicaid	19,736,400	19,452,900	20,303,700
Medical Services	120,335,200	139,046,900	144,909,500
Arizona Training Program at Coolidge - Medicaid	16,675,000	15,716,600	15,761,200
Medicare Clawback Payments	2,496,900	2,848,400	3,072,000
Case Management - State Only	4,012,900	3,913,700	3,926,600
Home and Community Based Services - State Only	17,349,800	32,615,300	33,443,200
State-Funded Long Term Care Services	26,531,900	26,528,100	26,528,100
Employment and Rehabilitation Services			
JOBS	12,098,800	13,005,600	13,005,600
Day Care Subsidy	110,923,400	121,396,600	130,396,600 ^{16/}
Rehabilitation Services	4,683,400	4,799,100	4,799,100
Independent Living Rehabilitation Services	0	1,289,400	1,289,400
Workforce Investment Act Services	42,452,700	51,654,600	51,654,600 ^{17/}

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
Agencywide			
Contingency Funding	0	0	10,500,000 ^{18/}
AGENCY TOTAL	1,589,738,800	1,804,958,500 ^{19/}	2,226,577,700 ^{20/-22/}
FUND SOURCES			
General Fund	596,086,400	619,717,200	690,112,900 ^{23/}
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,100	1,459,100
Child Support Enforcement Administration Fund	11,998,800	16,765,000	16,787,400 ^{4/}
Children and Family Services Training Program Fund	72,100	207,500	207,700
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000 ^{7/8/}
Federal CCDF Block Grant	121,508,100	130,726,100	130,769,700
Federal TANF Block Grant	228,235,900	221,011,500	221,007,100 ^{24/}
Long Term Care System Fund (Non-Federal Matched)	30,522,200	75,075,300	86,912,600 ^{24/25/}
Public Assistance Collections Fund	65,400	427,400	427,000
Special Administration Fund	112,200	1,129,900	2,829,900
Spinal and Head Injuries Trust Fund	1,705,200	1,873,100	1,874,700
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	44,424,000	56,054,400	56,060,000 ^{17/}
SUBTOTAL - Other Appropriated Funds	440,863,900	507,949,300	521,555,200
SUBTOTAL - Appropriated Funds	1,036,950,300	1,127,666,500	1,211,668,100
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund (EA)	35,153,300	40,397,800	40,397,800
Division of Children, Youth, and Families Expenditure Authority	0	0	294,170,400
Developmental Disabilities Medicaid Expenditure Authority [Long Term Care System Fund (Federal Match)]	517,635,200	636,894,200	680,341,400 ^{25/}
SUBTOTAL - Expenditure Authority Funds	552,788,500	677,292,000	1,014,909,600
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,589,738,800	1,804,958,500	2,226,577,700
Other Non-Appropriated Funds	568,234,000	449,953,500	420,135,000
Federal Funds	1,259,949,600	941,270,800	447,736,100
TOTAL - ALL SOURCES	3,417,922,400	3,196,182,800	3,094,448,800

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration; Developmental Disabilities; Benefits and Medical Eligibility; Child Support Enforcement; Aging and Adult Services; Children, Youth and Families; and Employment and Rehabilitation Services.

^{1/} Includes 1,608.5 GF, 731.5 OF, and 1,120.6 EA FTE Positions funded from Special Line Items in FY 2014.

^{2/} In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the Department of Economic Security West Building and any other building lease-purchased by the State of Arizona in which the Department of Economic Security occupies space. The Department of Administration shall deposit these monies in the state General Fund. (General Appropriation Act footnote)

^{3/} The Operating Lump Sum Appropriation may be expended on Arizona Health Care Cost Containment System eligibility determinations based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)

^{4/} All state share of retained earnings, fees and federal incentives above \$16,787,400 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{5/} The Department of Economic Security shall provide training to any new Child Protective Services FTE Positions before assigning to any of these employees any client caseload duties. (General Appropriation Act footnote)

^{6/} It is the intent of the Legislature that the Department of Economic Security use the funding in the Division of Children, Youth and Families to achieve a 100% investigation rate. (General Appropriation Act footnote)

^{7/} All Domestic Violence Shelter Fund monies above \$2,220,000 received by the Department of Economic Security are appropriated for the Domestic Violence Prevention line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$2,220,000 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

- 8/ The Department of Economic Security shall report to the Joint Legislative Budget Committee on the amount of state and federal monies available statewide for domestic violence funding on or before December 15, 2013. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)
- 9/ Of the amounts appropriated for Children Support Services, CPS Emergency and Residential Placement and Foster Care Placement, the department may transfer up to 10% of the total amount of Federal Temporary Assistance for Needy Families Block Grant monies appropriated to the Department of Economic Security to the Social Services Block Grant for use in the following line items in the Division of Children, Youth and Families: Children Support Services, CPS Emergency and Residential Placement and Foster Care Placement. Before transferring Federal Temporary Assistance for Needy Families Block Grant monies to the Social Services Block Grant, the department shall report the proposed amount of the transfer to the Director of the Joint Legislative Budget Committee. This report may be in the form of an expenditure plan that is submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year. (General Appropriation Act footnote)
- 10/ The amount appropriated for Grandparent Stipends shall be used for a monthly stipend for a grandparent or great-grandparent if a dependent child is placed in the grandparent's or great-grandparent's care pursuant to department guidelines or as directed by legislation enacted in the 51st Legislature, 1st Regular Session. (General Appropriation Act footnote)
- 11/ Before the expenditure of monies from the Intensive Family Services Special Line Item in FY 2014, the Department of Economic Security shall submit an expenditure plan for review by the Joint Legislative Budget Committee. The expenditure plan shall include an estimate of any comparable funding in the Children Support Services Special Line Item. (General Appropriation Act footnote)
- 12/ It is the intent of the Legislature that the Department of Economic Security increase home and community based service provider rates by 3% above the June 30, 2013 rate beginning on July 1, 2013. (General Appropriation Act footnote)
- 13/ The department shall report to the Joint Legislative Budget Committee on or before March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be not more than 2%. Before implementation of any changes in capitation rates for the Long Term Care program, the department shall report for review the expenditure plan to the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 14/ Prior to the implementation of any developmentally disabled or Long Term care statewide provider rate adjustments not already specifically authorized by the Legislature, court mandates or changes to federal law, the department shall submit a report for review by the Joint Legislative Budget Committee. The report shall include, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriation Act footnote)
- 15/ The Department of Economic Security shall report all new placements into a state-owned ICF-MR or the Arizona Training Program at Coolidge Campus in FY 2014 to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee and the reason why this placement, rather than a placement into a privately run facility for the developmentally disabled, was deemed as the most appropriate placement. The department shall also report if no new placements were made. This report shall be made available on or before July 15, 2014. (General Appropriation Act footnote)
- 16/ Of the \$130,396,600 appropriated for Day Care Subsidy, plus any funding authorized to be deferred to FY 2015, \$115,119,900 is for a program in which the upper income limit is no more than 165% of the federal poverty level. (General Appropriation Act footnote)
- 17/ All Federal Workforce Investment Act monies that are received by this state in excess of \$56,060,000 are appropriated to the Workforce Investment Act Services line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$56,060,000 to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 18/ Before the expenditure of monies from the Contingency Funding Special Line Item in FY 2014, the Department of Economic Security shall submit an expenditure plan to the Joint Legislative Budget Committee for its review. Monies in the Contingency Projects Special Line Item shall be spent only to address unanticipated shortfalls in Child Protective Services or in the Day Care Subsidy Special Line Item. (General Appropriation Act footnote)
- 19/ In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(1,452,800) GF for a state employee health insurance premium holiday. *(Please see the FY 2013 General Fund Adjustments section.)*
- 20/ The above appropriations are in addition to funds granted to the state by the federal government for the same purposes but shall be deemed to include the sums deposited in the State Treasury to the credit of the Department of Economic Security, pursuant to A.R.S. § 42-5029. (General Appropriation Act footnote)
- 21/ A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee on or before the 30th of the following month. The report shall include an estimate of potential shortfalls in entitlement programs and potential federal and other funds, such as the statewide assessment for indirect costs, and any projected surplus in state supported programs that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 22/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 23/ Laws 2012, Chapter 294 appropriated \$35,000,000 from the General Fund in FY 2014 to account for the deferral of FY 2013 payments into FY 2014 so that \$35,000,000 does not appear in the FY 2014 General Appropriation Act. Laws 2013, 1st Special Session, Chapter 1 appropriates \$35,000,000 in FY 2015 to reflect the deferral of FY 2014 payments to FY 2015.
- 24/ Any Federal Temporary Assistance for Needy Families Block Grant monies received in FY 2014, including the beginning balance, by the Department of Economic Security in excess of \$221,007,100 is appropriated to the department in FY 2014. For every dollar the Department of Economic Security receives in Federal Temporary Assistance for Needy Families Block Grant monies in FY 2014 in excess of the \$221,007,100 appropriated, minus any FY 2013 reverts expected to be spent as administrative adjustments in FY 2014, there shall be a corresponding dollar reduction in the department's Long Term Care System Fund appropriation. The department shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before September 1, 2013 its estimate of how much of its FY 2013 revertment will be spent as administrative adjustments in FY 2014 and excluded from the total amount of Federal Temporary Assistance for Needy Families Block Grant monies. On or before June 30, 2014, the department shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of Long Term Care System Fund monies, if any, that will not be expended under this provision. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 25/ All monies in the Long Term Care System Fund unexpended and unencumbered at the end of FY 2014 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System Administration. (General Appropriation Act footnote)

Summary

The Department of Economic Security's (DES) FY 2014 General Fund spending increased by \$70,395,700, or 11.4% above FY 2013. These changes include:

- \$7,130,500 for new FY 2014 Developmentally Disabled (DD) Medicaid formula changes. This funds \$5,374,800 for the annualization of the April 1, 2013 provider rate adjustment.
- \$9,988,300 for a 3% DD capitation rate increase in FY 2014.
- \$13,000,000 for the backfill of one-time monies in Emergency and Residential Placement.
- \$12,923,300 for 150 Child Protective Services (CPS) staff. Given the 50 staff authorized in the FY 2013 supplemental, total staffing would grow by 200 FTE Positions.
- \$4,804,100 for Foster Care caseload growth and receiving homes.
- \$1,549,300 plus matching Federal Funds to add 22 attorneys for CPS legal support.
- \$9,000,000 to maintain the FY 2013 Child Care caseload level, as well as providing for Child Care caseload growth in CPS.
- \$2,875,400 for Adoption Services caseload growth.
- \$5,000,000 to reestablish Intensive Family Services.
- \$4,000,000 for caseload growth in Children Support Services.
- \$1,000,000 to provide Grandparent Stipends for children in unlicensed kinship foster care.
- \$(1,379,600) to consolidate Long Term Care System Fund expenditures from the Department of Health Services into DES.
- \$504,400 for statewide adjustments.

Operating Budget

The budget includes \$195,006,300 and 2,193.5 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$92,893,200
Child Support Enforcement Administration Fund	13,066,300
Child Support Enforcement Administration Fund (EA)	26,547,900
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,409,900
Federal Child Care and Development Fund (CCDF) Block Grant	12,073,200
Long Term Care System Fund	1,337,500
Long Term Care System Fund (EA)	22,671,900
Public Assistance Collections Fund	335,400
Special Administration Fund	1,719,000
Spinal and Head Injuries Trust Fund	546,600
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,405,400

These amounts fund the following adjustments:

Unemployment Insurance Program Collectors

The budget includes an increase of \$1,700,000 and 21.6 FTE Positions from the Special Administration Fund in FY 2014 to backfill expiring Federal Funds for unemployment insurance (UI) program collectors, who are dedicated to recouping delinquent employer UI payments and erroneous or fraudulent UI benefit disbursements.

Funding Exchange

The budget includes an increase of \$1,379,600 from the Long Term Care System Fund and a decrease of \$(1,379,600) from the General Fund to consolidate the Department of Health Services' (DHS) Long Term Care System funding into DES.

Children Support Services Funding

The budget includes a decrease of \$(339,600) from the General Fund in FY 2014 to show DES' intended use of the funding in Children Support Services instead of the operating budget.

Funding Shift

The budget includes a decrease of \$(106,752,300) and (1,448.4) FTE Positions in FY 2014 to display operating budget funding for the Division of Children, Youth and Families (DCYF) as a separate operating budget. These amounts consist of:

General Fund	(53,858,300)
Children and Family Services Training Program Fund	(206,600)
Federal TANF Block Grant	(52,687,400)

Statewide Adjustments

The budget includes a decrease of \$(575,600) in FY 2014 for statewide adjustments. This amount consists of:

General Fund	(406,400)
Child Support Enforcement Administration Fund	13,100
Children and Family Services Training Program Fund	(900)
Federal TANF Block Grant	(189,800)
Federal Child Care and Development Fund (CCDF) Block Grant	43,500
Long Term Care System Fund	(42,100)
Public Assistance Collections Fund	(200)
Spinal and Head Injuries Trust Fund	1,600
Workforce Investment Act Grant	5,600

(Please see the Agency Detail and Allocations section.)

The FY 2014 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 10) allows, as session law, DES use of the LTCSF for any DES operational or programmatic expenses in FY 2014.

Administration

Attorney General Legal Services

The budget includes \$10,563,100 and 160.1 FTE Positions in FY 2014 for Attorney General Legal Services. These amounts consist of:

General Fund	1,313,600
Child Support Enforcement Administration Fund	2,382,000
Federal TANF Block Grant	169,400
Federal CCDF Block Grant	17,700
Federal Expenditure Authority	6,588,800
Public Assistance Collections Fund	91,600

These amounts fund the following adjustments:

Funding Shift

The budget includes a decrease of \$(11,033,400) and (151.1) FTE Positions in FY 2014 to display Attorney General Legal Services funding for DCYF as a separate special line item. These amounts consist of:

General Fund	(10,981,100)
Federal TANF Block Grant	(52,300)

Statewide Adjustments

The budget includes a decrease of \$(131,100) in FY 2014 for statewide adjustments. This amount consists of:

General Fund	(140,000)
Child Support Enforcement Administration Fund	9,300
Federal TANF Block Grant	(300)
Federal CCDF Block Grant	100
Public Assistance Collections Fund	(200)

Monies in this line item fund all non-DCYF Attorney General Legal Services for the department.

Aging and Adult Services

Adult Services

The budget includes \$6,924,100 from the General Fund in FY 2014 for Adult Services. This amount is unchanged from FY 2013.

This line item provides an array of independent living support to elderly persons, distributed as shown in *Table 1*.

Table 1**Independent Living Support**

Services	FY 2014
Adult Protective Contracted Services	\$ 276,900
Supplemental Payments	132,700
Home Care	2,396,600
Older Americans Act	2,000,000
Assessments and Case Management	1,655,900
Respite Care	462,000
Total	\$6,924,100

Community and Emergency Services

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2014 for Community and Emergency Services. This amount is unchanged from FY 2013.

Monies in this line item provide funding to 15 community action agencies to deliver a wide range of services related to the needs of low-income families and individuals. In FY 2012, this line item provided short-term crisis services to 2,083 households, energy assistance to 50,689 households, and 30,571 households participated in telephone discount programs.

Coordinated Homeless

The budget includes \$2,522,600 in FY 2014 for Coordinated Homeless programs. This amount consists of:

General Fund	873,100
Federal TANF Block Grant	1,649,500

These amounts are unchanged from FY 2013.

In FY 2012, this line item provided emergency shelter services to 13,136 individuals and transitional shelter services to 2,015 individuals.

Domestic Violence Prevention

The budget includes \$12,123,700 in FY 2014 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,000
Federal TANF Block Grant	6,620,700
Domestic Violence Shelter Fund	2,220,000

These amounts are unchanged from FY 2013.

In FY 2012, this line item, along with non-appropriated funds, served approximately 9,569 women and children in emergency shelters, 473 women and children in transitional housing, and 11,171 victims with legal and lay legal advocacy.

Benefits and Medical Eligibility

TANF Cash Benefits

The budget includes \$44,999,400 from the Federal TANF Block Grant in FY 2014 for TANF Cash Benefits. This amount is unchanged from FY 2013.

The appropriation funds a regular TANF Cash Benefits caseload of approximately 34,346 recipients each month at a cost of \$90 per recipient and a monthly Grant Diversion caseload of 848 at a cost of \$777 per case. As of May 2013, the program had a TANF Cash Benefits caseload of 36,770 individual recipients at an average cost of about \$90 per recipient and a Grant Diversion caseload of 848 at an average cost of \$777 per case. The TANF Grant Diversion Program's purpose is to divert applicants from receiving long term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis.

The FY 2014 Government BRB (Laws 2013, 1st Special Session, Chapter 2) includes a session law provision continuing to require recipients of TANF Cash Benefits pass a drug test in order to be eligible for benefits if DES has reasonable cause to believe that the recipient uses illegal drugs.

Monies in this line item provide financial assistance on a temporary basis to dependent children in their own homes, or in the homes of responsible caretaker relatives. There is a 24-month cumulative lifetime time limit on regular TANF Cash Benefits. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL), or \$5,022 for a family of 4.

Coordinated Hunger

The budget includes \$1,754,600 in FY 2014 for Coordinated Hunger programs. This amount consists of:

General Fund	1,254,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2013.

State and federal dollars are used to administer a USDA commodities food program, to assist in statewide food distribution, and for food banks. Monies are also used to provide information on where individuals and families can obtain food. In FY 2012, the USDA Commodities Food Program served 478,388 households quarterly. On an annual basis, over 5,221,348 individuals are served through this program.

Tribal Pass-Through Funding

The budget includes \$4,680,300 from the General Fund in FY 2014 for Tribal Pass-Through Funding. This amount is unchanged from FY 2013.

Monies in this line item are passed through to Native American tribes operating their own TANF programs. When originally implemented, program funding was designed to be roughly equivalent to what the state was spending on the population when the state still had responsibility for the case assistance program for any particular tribe.

Child Support Enforcement

The Division of Child Support Enforcement (DCSE) budget includes direct appropriations from the following 4 fund sources: 1) General Fund; 2) State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received TANF Cash Benefits; 3) Federal incentives and 4) Fees from non-custodial parents.

The last 3 fund sources are deposited in the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund. In addition to the General Fund and CSEA Fund appropriations, the displayed amounts also include Federal Expenditure Authority for DCSE. The federal monies received by DCSE generally match state funds at a ratio of 66% federal to 34% state.

Table 2 details the sources and uses of the CSEA Fund.

Table 2

CSEA Fund Sources and Uses

Sources	FY 2014
Balance Forward	\$ 1,850,000
State Share of Retained Earnings	5,500,000
Federal Incentive Payments	6,500,000
Fees	1,730,000
Excess Appropriation Authority	<u>3,524,900</u>
Total	\$19,104,900
Uses	
DCSE Administration	\$16,787,400
Administration (Non-Appropriated)	<u>2,317,500</u>
Total	\$19,104,900

County Participation

The budget includes \$8,600,200 in FY 2014 for County Participation. This amount consists of:

CSEA Fund	1,339,100
Federal Expenditure Authority	7,261,100

These amounts are unchanged from FY 2013.

The division contracts with several Arizona counties to operate child support programs in those counties. This line item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match.

Children, Youth and Families

For FY 2014, the Legislature appropriated the division's resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available to DCYF but does not appropriate any specific non-appropriated fund.

The budget provides funding of \$481,270,200 for Child Protective Services (CPS) in 7 separate line items (*see Table 3*).

Table 3

CPS Funding Sources and Uses

Sources	FY 2014
General Fund	\$164,674,300
Federal TANF Block Grant	109,076,300
Long Term Care System Fund (Non-Federal Matched)	12,339,600
Children and Family Services Training Program Fund	207,700
Child Abuse Prevention Fund	1,459,100
DCYF Expenditure Authority	<u>193,513,200</u>
Total	\$481,270,200
Uses	
DCYF Operating Budget	\$166,689,200
DCYF Attorney General Legal Services	20,307,100
Children Support Services	155,053,400
CPS Emergency & Residential Placement	80,969,300
Foster Care Placement	52,251,200
Grandparent Stipends	1,000,000
Intensive Family Services	<u>5,000,000</u>
Total	\$481,270,200

DES deposits TANF into the federal Social Services Block Grant (SSBG); once deposited, the monies are spent on the Children Services program. The federal government caps the amount of TANF Block Grant monies that can be transferred to the SSBG at 10%. A footnote in the General Appropriation Act allows DES to make this transfer of TANF monies in the Children Support Services, CPS Emergency and Residential Placement, and Foster Care Placement line items to the SSBG. This amount is estimated at \$20,014,100 in FY 2014. The transfer to SSBG provides additional funding flexibility to DES.

The FY 2014 Health and Welfare BRB requires, as session law, DES, JLBC, and the Governor's Office of Strategic Planning and Budgeting to evaluate reporting requirements for CPS and make recommendations for adding, eliminating, and consolidating reports. The legislation also instructs the Auditor General to evaluate and report on certain expenditures for Children Support Services.

DCYF Operating Lump Sum Appropriation

The budget includes \$166,689,200 and 1,562.4 FTE Positions in FY 2014 for the DCYF operating budget. These amounts consist of:

General Fund	67,429,100
Children and Family Services Training Program Fund	207,700
Federal TANF Block Grant	52,872,900
DCYF Expenditure Authority	46,179,500

These amounts fund the following adjustments:

CPS Staff

The budget includes \$15,931,700 and 114 FTE Positions in FY 2014 for new CPS staff. These amounts consist of:

General Fund	12,923,300
DCYF Expenditure Authority	3,008,400

The Expenditure Authority funding adds an additional 36 FTE Positions, which are not reflected in the appropriated FTE Position total. Of these 150 FTE Positions, the 93 case carrying positions have an average salary of \$45,300. With the continuation of \$4,409,200 and 50 supplemental CPS staff authorized for FY 2013 in Laws 2013, Chapter 1, total CPS staff grows by 200 positions. (*Please see the Additional Legislation section for more information on the FY 2013 CPS staff supplemental.*)

Funding Shift

The budget includes an increase of \$106,752,300 and 1,448.4 FTE Positions in FY 2014 to display operating budget funding for the Division of Children, Youth and Families (DCYF) as a separate operating budget. These amounts consist of:

General Fund	53,858,300
Children and Family Services Training Program Fund	206,600
Federal TANF Block Grant	52,687,400

Expenditure Authority

The budget includes an increase of \$43,171,100 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

Statewide Adjustments

The budget includes an increase of \$834,100 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	647,500
Children and Family Services Training Program Fund	1,100
Federal TANF Block Grant	185,500

Monies in this line item are for the DCYF operating budget.

DCYF Attorney General Legal Services

The budget includes \$20,307,100 and 166.1 FTE Positions in FY 2014 for DCYF Attorney General Legal Services. These amounts consist of:

General Fund	12,768,500
Federal TANF Block Grant	52,600
DCYF Expenditure Authority	7,486,000

These amounts fund the following adjustments:

CPS Legal Support

The budget includes \$2,466,400 and 15 FTE Positions in FY 2014 for additional CPS attorneys. These amounts consist of:

General Fund	1,549,300
DCYF Expenditure Authority	917,100

DCYF Expenditure Authority funding adds an additional 7 FTE Positions, which are not reflected in the appropriated FTE Position total.

Funding Shift

The budget includes an increase of \$11,033,400 and 151.1 FTE Positions in FY 2014 to display Attorney General Legal Services funding for DCYF as a separate special line item. These amounts consist of:

General Fund	10,981,100
Federal TANF Block Grant	52,300

Expenditure Authority

The budget includes an increase of \$6,568,900 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

Statewide Adjustments

The budget includes an increase of \$238,400 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	238,100
Federal TANF Block Grant	300

Monies in this line item fund all Attorney General Legal Services for DCYF.

Children Support Services

The budget includes \$155,053,400 and 1 FTE Position in FY 2014 for Children Support Services. These amounts consist of:

General Fund	36,954,400
Federal TANF Block Grant	32,754,700
Child Abuse Prevention Fund	1,459,100
Long Term Care System Fund	12,339,600
DCYF Expenditure Authority	71,545,600

These amounts fund the following adjustments:

Caseload Growth

The budget includes an increase of \$4,000,000 from the General Fund in FY 2014 for caseload growth in Children Support Services.

Funding Shift from Operating Budget

The budget includes an increase of \$339,600 from the General Fund in FY 2014 to show DES' intended use of the funding in Children Support Services instead of the operating budget.

Expenditure Authority

The budget includes an increase of \$71,545,600 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

Statewide Adjustments

The budget includes a decrease of \$(100) from the Federal TANF Block Grant in FY 2014 for statewide adjustments.

The Children Support Services line item provides support services for both in-home and out-of-home clients. This does not include the cost of residential placement. For March 2013, the department reported 14,314 out-of-home children and 5,245 in-home cases.

This line item also funds Arizona Families F.I.R.S.T. Individuals must meet 1 of the following 2 requirements to qualify for the program:

- Any parent, guardian or custodian of a child who is named in a CPS report as a victim of abuse or neglect and whose substance abuse is a significant barrier to maintaining, preserving or reunifying the family.
- A person whose substance abuse is a significant barrier to obtaining or maintaining employment if the person is receiving TANF Cash Benefits.

The budget for Arizona Families F.I.R.S.T. is outlined in Table 4.

Table 4

Arizona Families F.I.R.S.T.

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
<i>Appropriated</i>				
General Fund	\$3,778,300	\$ 15,000	\$ 15,000	\$ 15,000
TANF	4,000,000	9,523,900	10,192,300	12,156,600
<i>Non-Appropriated</i>				
CPS Expedited	-	-	247,000	-
Substance Abuse Treatment Fund				
Joint Substance Abuse Trtmt Fund	-	-	610,800	-
Total	\$7,778,300	\$9,538,900	\$11,065,100	\$12,171,600

In FY 2012, 6,154 CPS clients were referred to the Arizona Families F.I.R.S.T. program for substance abuse

treatment services, and it is anticipated that 5,000 CPS clients will be referred to the program in FY 2013 and FY 2014.

The Children Support Services line item also provides full coverage of the medical and dental expenses of foster children. The General Fund monies in this program provide medical services to children who are not eligible for coverage through the Arizona Health Care Cost Containment System (AHCCCS).

The budget also includes \$10,300,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$36,954,400 would consist of \$10,300,000 from Chapter 294 and \$26,654,400 from the FY 2014 General Appropriation Act.

CPS Emergency and Residential Placement

The budget includes \$80,969,300 in FY 2014 for CPS Emergency and Residential Placement. This amount consists of:

General Fund	24,578,700
Federal TANF Block Grant	12,423,000
DCYF Expenditure Authority	43,967,600

These amounts fund the following adjustments:

Backfill One-Time Funding

The budget includes an increase of \$13,000,000 from the General Fund in FY 2014 for the backfill of one-time funding, the majority of which was from SSBG.

Expenditure Authority

The budget includes an increase of \$43,967,600 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

The CPS Emergency and Residential Placement line provides funding for 1) short-term placement until a more permanent placement can be arranged and 2) behavioral or other therapeutic residential treatment.

In March 2013, 344 children were reported in emergency placements at an average monthly cost of \$3,600 per child, while 1,738 children were reported in residential placements at an average monthly cost of \$3,300 per child. Funding in this special line item will provide for 2,153 emergency and residential placements in FY 2014 at an average monthly cost per child of \$3,134.

The budget also includes \$1,800,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$24,578,700 would consist of \$1,800,000 from

Chapter 294 and \$22,778,700 from the FY 2014 General Appropriation Act.

Foster Care Placement

The budget includes \$52,251,200 in FY 2014 for Foster Care Placement. This amount consists of:

General Fund	16,943,600
Federal TANF Block Grant	10,973,100
DCYF Expenditure Authority	24,334,500

These amounts fund the following adjustments:

Caseload Growth

The budget includes \$8,616,700 in FY 2014 for caseload growth of 13%, funding 6,544 foster care placements at an average monthly cost per child of \$638. The funding also provides for 200 placements in foster care receiving homes at an average monthly cost per child of \$896. Foster care receiving homes are available 24/7 to receive children on a temporary basis until other placement options become available. This amount consists of:

General Fund	4,804,100
DCYF Expenditure Authority	3,812,600

Expenditure Authority

The budget includes an increase of \$20,521,900 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

The Foster Care Placement line provides funding for the placement of children in the CPS system into foster homes. This line item only includes the cost of the maintenance payments, not additional support services. In March 2013, 11,504 children were reported in foster care. Of that number, 5,675 children were placed with relatives in unlicensed foster care. The remaining 5,829 children were in licensed foster care at an average monthly cost of \$670 per child.

The budget also includes \$1,900,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$16,943,600 would consist of \$1,900,000 from Chapter 294 and \$15,043,600 from the FY 2014 General Appropriation Act.

Grandparent Stipends

The budget includes \$1,000,000 from the General Fund in FY 2014 for Grandparent Stipends.

Grandparent Stipends

The budget includes an increase of \$1,000,000 from the General Fund in FY 2014 for Grandparent Stipends.

The program provides a \$75-a-month stipend per child to an unlicensed foster grandparent or great-grandparent who has an income that does not exceed 200% of the Federal Poverty Level, does not receive TANF Cash Benefits, and does not receive a permanent guardianship subsidy.

Independent Living Maintenance

The budget includes \$3,469,300 in FY 2014 for Independent Living Maintenance. This amount consists of:

General Fund	2,719,300
DCYF Expenditure Authority	750,000

These amounts fund the following adjustments:

Expenditure Authority

The budget includes an increase of \$750,000 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

The Independent Living Maintenance program provided stipends to 283 former foster youth between 18 and 21 in March 2013. These youth are living on their own and are either enrolled in a postsecondary program or employed.

Intensive Family Services

The budget includes \$5,000,000 from the General Fund in FY 2014 for Intensive Family Services.

Intensive Family Services

The budget includes an increase of \$5,000,000 from the General Fund in FY 2014 for Intensive Family Services.

The program provides contracted intensive, time-limited services to families whose children are at imminent risk of out-of-home placement due to abuse, neglect, or dependency. A footnote in the FY 2014 General Appropriation Act directs DES to submit an expenditure plan for review by the Joint Legislative Budget Committee outlining any comparable funding in the Children Support Services Special Line Item. *(Please see footnote 11.)*

Permanent Guardianship Subsidy

The budget includes \$11,215,300 in FY 2014 for Permanent Guardianship Subsidy. This amount consists of:

General Fund	9,472,300
Federal TANF Block Grant	1,743,000

These amounts are unchanged from FY 2013.

The Guardianship Subsidy program supports permanent placements for children who cannot return home and for

whom adoption is not an option. The guardianship subsidy is intended to be only a partial reimbursement for expenses involved in the care of the child. The funding only provides for maintenance subsidies, which are provided to assist with the expenses involved in addressing the special needs of the child. In March 2013, 2,479 clients received permanent guardianship subsidies.

Adoption Services

The budget includes \$177,554,600 in FY 2014 for Adoption Services. This amount consists of:

General Fund	50,947,100
Federal TANF Block Grant	19,802,400
Long Term Care System Fund	6,897,900
DCYF Expenditure Authority	99,907,200

These amounts fund the following adjustments:

Caseload Growth

The budget includes \$12,006,100 in FY 2014 for caseload growth of 8%, funding 18,976 adoption placements. This amount consists of:

General Fund	2,875,400
DCYF Expenditure Authority	9,130,700

Expenditure Authority

The budget includes an increase of \$90,776,500 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

The program subsidizes the adoption of children who otherwise would entail high financial risks to prospective parents because of physical, mental, or emotional disorders or who would be otherwise difficult to place in adoption because of age, sibling relationship, or racial or ethnic background. The funding provides for maintenance subsidies, special services subsidies, expenditures related to the legal process of adopting a child, and adoption home recruitment costs. In March 2013, 17,741 clients received adoption subsidies.

Developmental Disabilities

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long Term Care (LTC) program. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the FPL, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for federal Medicaid services.

As of April 2013, the Division of Developmental Disabilities serves 32,866 clients, which includes 25,579 clients in the LTC program and 7,287 clients in the state-only portion. The primary disabilities of these clients are shown in *Table 5*.

Table 5		
Primary Disability of Clients Served		
Disability	Number	Percentage
Cognitive Disability	14,330	44%
At Risk	7,857	24%
Autism	5,947	18%
Cerebral Palsy	3,150	10%
Epilepsy	1,451	4%
Not Indicated	131	<1%

The LTC program is funded from 2 sources: the General Fund and the Long Term Care System Fund.

Overall DES Formula Adjustments

The budget includes an increase of \$17,118,800 from the General Fund in FY 2014 for DES formula changes. Changes are described in further detail below.

As the AHCCCS-authorized provider of DD services, DES receives federal monies through prepaid monthly capitation payments based on rates for types of clients.

FMAP Adjustments

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During FY 2014, the Medicaid FMAP will increase to 66.84% (0.75% increase). The increased FMAP results in additional General Fund savings of \$(7,535,200).

FY 2014 Caseload Growth

The budget includes a net increase of \$9,290,900 from the General Fund in FY 2014 for DD caseload changes. From FY 2013 to FY 2014, caseloads are expected to grow by 4.5% to a level of 26,544 in June 2014.

Table 6 summarizes the average monthly caseload estimates for the Special Line Items (SLIs). All clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

Table 6	
June 2014 Long Term Care Caseloads	
Special Line Item	Clients
Home and Community Based Services	23,459
Institutional Services	108
Arizona Training Program at Coolidge	97
Subtotal	23,664
Case Management/Medical Services only	2,280
Total	26,544

Annualization of FY 2013 Provider Rate Adjustments

The FY 2013 budget included a 2% provider rate increase for DD providers beginning April 1, 2013. The FY 2014 budget continues that increase and includes an additional \$5,374,800 for a full year of provider rate increases.

FY 2014 Capitation Rate Adjustments

The budget includes a 3% net capitation rate increase beginning July 1, 2013. The increased capitation rate results in an additional General Fund cost of \$9,988,300 in FY 2014. The General Appropriation Act contains a footnote that it is the intent of the Legislature that DES increase provider rates for home and community service providers by 3% in FY 2014.

Case Management - Medicaid

The budget includes \$39,524,400 and 755.5 FTE Positions in FY 2014 for Medicaid Case Management. These amounts consist of:

General Fund	12,928,200
Long Term Care System Fund	26,596,200

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$1,551,800 from the General Fund and a corresponding decrease from the Long Term Care System Fund in FY 2014 for formula adjustments. The formula adjustments consist of the federal match rate change.

Statewide Adjustments

The budget includes an increase of \$407,000 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	97,900
Long Term Care System Fund	309,100

Background – In addition to providing case management services to an estimated 23,664 clients receiving direct services, this line item also funds “case management only” services to another 2,280 clients.

Home and Community Based Services - Medicaid

The budget includes \$763,056,000 and 94.5 FTE Positions in FY 2014 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	252,943,000
Long Term Care System Fund	510,113,000

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$52,383,500 in FY 2014 for formula adjustments:

General Fund	3,309,600
Long Term Care System Fund	49,073,900

Statewide Adjustments

The budget includes an increase of \$118,100 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	14,400
Long Term Care System Fund	103,700

The formula adjustments include 4.5% enrollment growth in FY 2014, the annualization of the April 2013 provider rate increase, a 3% provider rate increase, and changes to the federal match rate.

Background – Monies in this line item fund residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. It also funds staff in state-operated group homes, excluding the Arizona Training Program at Coolidge (ATP-C). Approximately 23,459 individuals are expected to receive Medicaid home and community based services in June 2014.

Of the \$763,056,000 in this line item, \$750,747,300 funds HCBS services to clients enrolled in the LTC program; the other \$12,308,700 funds program staff.

The budget also includes \$20,000,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$252,943,000 would consist of \$20,000,000 from Chapter 294 and \$232,943,000 from the FY 2014 General Appropriation Act.

Institutional Services - Medicaid

The budget includes \$20,303,700 and 74 FTE Positions in FY 2014 for Medicaid Institutional Services. These amounts consist of:

General Fund	6,703,800
Long Term Care System Fund	13,599,900

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$810,700 in FY 2014 for formula adjustments:

General Fund	1,315,300
Long Term Care System Fund	(504,600)

The formula adjustments include 4.5% enrollment growth in FY 2014, the annualization of the April 2013 provider rate increase, a capitation rate increase, and changes to the federal match rate.

Statewide Adjustments

The budget includes an increase of \$40,100 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	3,800
Long Term Care System Fund	36,300

Background – Monies in this line item fund residential and day programs to clients with more severe developmental disabilities. These clients reside in Intermediate Care Facilities for Persons with Intellectual Disabilities (ICF-IDs) (formerly referred to as ICF-MRs) or other nursing facilities, both privately and state-operated, excluding the ATP-C. Approximately 108 individuals are expected to receive Medicaid institutional services in June 2014.

Of the \$20,303,700 in this line item, \$14,738,200 funds Institutional Services to clients enrolled in the LTC program; the other \$5,565,500 funds program staff.

Medical Services

The budget includes \$144,909,500 and 35.4 FTE Positions in FY 2014 for Medical Services. These amounts consist of:

General Fund	48,022,000
Long Term Care System Fund	96,887,500

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$5,825,300 in FY 2014 for formula adjustments:

General Fund	9,441,500
Long Term Care System Fund	(3,616,200)

The formula adjustments include 4.5% enrollment growth in FY 2014, the annualization of the April 2013 provider rate increase, a capitation rate increase, and changes to the federal match rate.

Statewide Adjustments

The budget includes an increase of \$37,300 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	3,600
Long Term Care System Fund	33,700

Background – Of the \$144,909,500 in this line item, \$140,431,500 funds Acute Care services to clients enrolled in the LTC program; the other \$4,478,000 funds the staff of the division's Managed Care unit.

Arizona Training Program at Coolidge - Medicaid

The budget includes \$15,761,200 and 383.7 FTE Positions in FY 2014 for the Arizona Training Program at Coolidge (ATP-C). These amounts consist of:

General Fund	5,288,300
Long Term Care System Fund	10,472,900

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$448,900 from the General Fund in FY 2014 for formula adjustments and a corresponding decrease from the Long Term Care System Fund. This formula adjustment consists of the federal match rate change.

Statewide Adjustments

The budget includes an increase of \$44,600 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	32,600
Long Term Care System Fund	12,000

Background – Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus, either in ICF-ID's or state-operated group homes (SOGHs). The June 2014 caseload is estimated at 97. At that caseload, the blended cost per DD client at ATP-C will be \$153,000.

Medicare Clawback Payments

The budget includes \$3,072,000 in FY 2014 for Medicare Clawback Payments. This amount consists of:

General Fund	223,600
Long Term Care System Fund	2,848,400

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$223,600 from the General Fund in FY 2014 for formula growth associated with Medicare Clawback Payments.

Background – DES is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, DES is required to make "Clawback" payments to Medicare based on a certain percent (76.7% in 2014) of the estimated drug costs.

Case Management - State-Only

The budget includes \$3,926,600 and 79.3 FTE Positions from the General Fund in FY 2014 for state-only case

management. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$12,900 from the General Fund in FY 2014 for statewide adjustments.

Background – This line item funds case management services to clients in the state-only DD program. As of April 2013, there are approximately 7,287 clients in the state-only program.

Home and Community Based Services - State-Only

The budget includes \$33,443,200 and 53.6 FTE Positions from the Long Term Care System Fund in FY 2014 for state-only Home and Community Based Services. These amounts consist of:

General Fund	6,982,100
Long Term Care System Fund	26,461,100

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$828,100 from the General Fund in FY 2014 for a 3% provider rate increase.

Statewide Adjustments

The budget includes a decrease of \$(200) from the Long Term Care System Fund in FY 2014 for statewide adjustments.

Background – This line item funds residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. It also includes funding for state-operated facilities, excluding ATP-C.

Of the \$33,450,000 in this line item, \$28,432,900 funds Home and Community Based Services to clients enrolled in the DD program, \$1,698,100 funds program staff, and \$3,319,000 funds the Arizona Early Intervention Program.

State-Funded Long Term Care Services

The budget includes \$26,528,100 and 2 FTE Positions from the Long Term Care System Fund in FY 2014 for State-Funded Long Term Care Services. These amounts are unchanged from FY 2013.

Background – This line item funds a variety of services ineligible for Federal Fund reimbursement from AHCCCS. The most common service provided in this line item is room and board. The program also funds residential and day programs to clients with more severe developmental disabilities. These clients reside in Large Group Living Facilities or other nursing facilities.

Of the \$26,528,100 in this line item, \$26,466,300 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other \$61,800 funds program staff.

Employment and Rehabilitation Services

JOBS

The budget includes \$13,005,600 and 93 FTE Positions in FY 2014 for JOBS. These amounts consist of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Workforce Investment Act Grant	2,000,000
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2013.

This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well to former TANF recipients. These services are contracted out to third-party vendors. *Table 7* highlights total estimated expenditures for the JOBS line item.

Table 7

Estimated JOBS Expenditures

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 9,904,100
Job Training	1,015,900
FLSA Supplement	155,900
Work-Related Transportation	1,729,700
Job Search Stipends	200,000
Total	\$13,005,600

Day Care Subsidy

The budget includes \$130,396,600 in FY 2014 for Day Care Subsidy. This amount consists of:

General Fund	9,000,000
Federal CCDF Block Grant	118,678,800
Federal TANF Block Grant	2,717,800

These amounts fund the following adjustments:

CPS Caseload Growth

The budget includes an increase of \$9,000,000 from the General Fund in FY 2014 for CPS child care caseload growth. The funding also backfills lost funds from the federal sequester, maintaining the FY 2013 caseload level for non-CPS categories of child care.

The FY 2014 Health and Welfare BRB includes a session law provision continuing to allow DES to reduce the maximum income eligibility levels for child care assistance to manage within appropriated and available monies. DES is required to report to JLBC within 15 days of implementing any change in eligibility levels.

This line item funds child care subsidies to TANF clients engaged in job activities, low-income working individuals under 165% of the FPL, and children in the CPS program.

This line item includes the Transitional Child Care program in which child care subsidies are provided to clients who no longer receive TANF Cash Benefits due to finding employment.

Depending on the population group to which they belong, the length of time for which families are eligible to receive child care subsidies is restricted by statute. For the low-income working population, there is a 60-month cumulative time limit per child. The Transitional Child Care benefit is available for 24 months, and eligible families receiving TANF Cash Benefits are eligible as long as they are receiving TANF Cash Benefits, which has a 24-month cumulative lifetime time limit. The only population for which there is no specified time limit is families referred by CPS and children in Foster Care.

Subsidy Rates - The average subsidy paid to providers per child is projected to be approximately \$351 per month in FY 2014. The maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County is \$26.60 per day.

Families in non-mandatory categories are required to make co-payments to defray the state's share of the cost of care. For families with an income level at or below 100% of the FPL, the required daily co-payment for their first child in care is \$2.00. Using the \$26.60 Maricopa rate, this \$2.00 co-payment would account for 7.5% of the total cost of care (with the state paying the other 92.5%). By comparison, a family at 165% FPL is required to make a co-payment of \$10.00 per child. Using the same scenario as above, a family at 165% FPL would contribute 37.6% of the child's day care costs.

Caseloads - The estimated average number of children receiving child care services in FY 2014 is projected to be 25,500 (*see Table 8*). DES initiated a waiting list for the Low-Income Working category of child care services on February 18, 2009. According to DES, as of June 2013, approximately 6,632 children had been found eligible for child care services and placed on the waiting list. It is unknown whether those children remain eligible.

Table 8

Children Served

<u>Category</u>	<u>Estimated FY 2014 ^{1/}</u>
TANF	3,400
CPS	9,200
Low-Income Working	7,000
Transitional Child Care SLI	<u>5,900</u>
Total Served	25,500

^{1/} Represents projected average caseload.

Rehabilitation Services

The budget includes \$4,799,100 in FY 2014 for Rehabilitation Services. This amount consists of:

General Fund	4,594,400
Spinal and Head Injuries Trust Fund	204,700

These amounts are unchanged from FY 2013.

Background – This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. The program is expected to serve up to 8,500 clients at an average Total Funds cost of \$9,300 per client. Administrative expenditures and local match draw down additional federal match.

The budget also includes \$1,000,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$4,594,400 would consist of \$1,000,000 from Chapter 294 and \$3,594,400 from the FY 2014 General Appropriation Act.

Independent Living Rehabilitation Services

The budget includes \$1,289,400 in FY 2014 for Independent Living Rehabilitation Services. This amount consists of:

General Fund	166,000
Spinal and Head Injuries Trust Fund	1,123,400

These amounts are unchanged from FY 2013.

The Independent Living Rehabilitation Services program is expected to serve up to 900 clients at an average Total Funds cost of \$5,300.

In addition to these clients, the division is also expected to serve 550 clients at an average annual cost of \$3,700 per client, using federal Social Services Block Grant.

Prior to FY 2013, monies in this line item were included in the Rehabilitation Services line item.

The line item assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training.

Workforce Investment Act Services

The budget includes \$51,654,600 from the Workforce Investment Act (WIA) Grant in FY 2014 for the

Workforce Investment Act Services line item. This amount is unchanged from FY 2013.

Background – These monies are the state's allotment of the federal WIA Grant for job training activities of dislocated workers and disadvantaged adults and youth. Of the total grant received by the state, 95% is allocated to local governments and 5% is retained at the state level.

The allocation of the WIA Grant for workforce related programs in FY 2014 is shown in *Table 9*.

Table 9 FY 2014 WIA Grant Allocations	
Category	Amount
WIA SLI	\$51,654,600
Administration	2,405,400 ^{1/}
JOBS	2,000,000 ^{2/}
Total	\$56,060,000

^{1/} This funding is included in the operating budget.

^{2/} This funding is included in the JOBS line item.

Agencywide

Contingency Funding

The budget includes \$10,500,000 from the Long Term Care System Fund in FY 2014 for Contingency Funding.

Contingency Funding

The budget includes an increase of \$10,500,000 from the General Fund in FY 2014 for Contingency Funding.

The line item provides funding to address unanticipated shortfalls in CPS or in the Day Care Subsidy Special Line Item. A footnote in the FY 2014 General Appropriation Act stipulates that the funding in this special line item be spent only to address unanticipated shortfalls in Child Protective Services or in the Day Care Subsidy Special Line Item. (*Please see footnote 18.*)

Additional Legislation

FY 2013 CPS Supplemental

Laws 2013, Chapter 1 appropriated \$4,409,200 and 50 FTE Position (CPS IV classification) from the General Fund in FY 2013 for new CPS staff. Funding for this policy was continued in the FY 2014 budget. The bill also required a monthly CPS financial and program accountability report until June 30, 2014.

CPS Reform

Laws 2013, Chapter 220 requires AHCCCS, DES and DHS to determine and report on the most effective method for delivering medical, dental and behavioral health services to children who qualify for the Comprehensive Medical and Dental Program, considering the possibility of

an administratively integrated system. These agencies are also required to determine specific behavioral health metrics about children in the foster care system. The report is due by October 1, 2015.

DES is also directed to (1) develop an alternate response for designated reports, (2) allow the reporting of instances of child abuse and neglect electronically, (3) add surreptitious viewing of a minor as a reportable offense, and (4) allow the Office of Child Welfare Investigations to employ research analysts and peace officers. The role of the Office of Child Welfare Investigations in Child Protective Services is also defined further in the legislation. The requirements in this paragraph also appear in the FY 2014 Criminal Justice BRB (Laws 2013, 1st Special Session, Chapter 5).

Under this legislation, the CPS oversight committee is reinstituted with additional members until December 31, 2015. In addition, it instructs DES and DHS to issue quarterly financial and program accountability reports.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Payment Deferral

The budget continues the \$35.0 million payment deferral from FY 2014 to FY 2015. DES plans to defer a total of \$35.0 million in payments from the Special Line Items specified below:

Children Support Services	10,300,000
Emergency and Residential Placement	1,800,000
Foster Care Placement	1,900,000
Home and Community Based Services - Medicaid	20,000,000
Rehabilitation Services	1,000,000

The \$35.0 million in FY 2014 to pay the amount deferred from FY 2013 to FY 2014 was appropriated in Laws 2012, Chapter 294, so this adjustment does not appear in the General Appropriation Act; however, the amount is included in the General Fund amount for DES in this section. As a result, the FY 2014 General Fund amount of \$690.1 million would consist of \$35.0 million from the deferral appropriation and \$655.1 million from the General Appropriation Act.

Long Term Care System Fund

The budget includes an increase of \$11.8 million from the non-federally matched portion of the Long Term Care System Fund (LTCSF) in FY 2014 for the Contingency Projects Special Line Item and a funding exchange with

DHS. The FY 2013 budget appropriated \$44.5 million of LTCSF for caseload growth and to backfill the loss of Federal Funds.

The state deposits room and board charges to the LTCSF. Those ongoing monies of \$30.5 million primarily fund regular 100% state-funded DD programs and have not been used for other purposes in DES.

The vast majority of the LTCSF consists of federal payments made for the Developmental Disabilities (DD) program through a capitated system of payments. According to the terms of the federal agreement, the state assumes all liability for cost overages above the agreed capitation.

Conversely, if DES is able to operate the program at a cost less than the federal capitation rate, then DES is able to retain the "profit." In addition and unrelated to the LTCSF profit, the state deposited one-time revenue from the DSH program (*see AHCCCS narrative*) into the LTCSF for FY 2013. The combination of the LTCSF profit, which was accumulated over multiple years, and the one-time DSH revenue is the \$44.5 million amount. This amount is the difference between LTCSF spending of \$30.5 million in FY 2012 and \$75.1 million in FY 2013 that the state used for caseload growth and Federal Funds' backfill in FY 2013 (*see Table 10*).

A FY 2013 General Appropriation Act footnote requires DES to report on the amount of LTCSF monies appropriated but not expended due to the receipt of additional TANF Block Grant monies. Based on this report DES will receive unanticipated TANF revenue of \$25.8 million in FY 2013, which makes the total TANF Block Grant higher than the FY 2013 appropriation of \$221.0 million. As a result, the additional TANF Contingency Fund revenue triggers the FY 2013 General Appropriation Act footnote stipulating that DES revert LTCSF monies dollar for dollar for TANF Block Grant monies received above \$221.0 million in FY 2013, including the beginning balance. This means that only \$18.7 million of the \$44.5 million increase will be appropriated from LTCSF in FY 2013, with the other \$25.8 million coming instead from the TANF Block Grant, thereby preserving more LTCSF for FY 2014. The budget table at the front of this section and *Table 10* have not yet been adjusted for this revision. *(For more information see TANF Block Grant section below.)*

Theoretically, the capitated system of payments should not generate a profit in the long run. Capitation rates are renegotiated annually, and the federal government should be adjusting their rates accordingly. Nonetheless, there can still be multiple years where the state generates a profit.

Table 10**Long Term Care System Fund (Non-Federal Matched)**

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
Children Support Services	\$0	\$12,339,600	\$12,339,600
Adoption Services	0	6,897,900	6,897,900
Medicare Clawback Payments	0	2,848,400	2,848,400
Home & Community Based Services - State Only	3,990,300	26,461,300	26,461,100
State Funded Long Term Care Services	26,531,900	26,528,100	26,528,100
DHS Funding Exchange Contingency Funding	-	-	1,337,500
	-	-	10,500,000
Total	\$30,522,200	\$75,075,300	\$86,912,600

TANF Block Grant

The budget appropriates \$221.0 million of the state's federal TANF Block Grant allocation in FY 2014. *Table 11* shows expected yearly revenues, expenditures, and fund balances.

TANF revenues were reduced in FY 2012 due to the loss of the Population Supplemental revenues associated with the TANF Block Grant. Federal authorization for the Population Supplemental expired at the end of FY 2011 and Congress has not restored that funding. To offset the loss of the TANF Population Supplemental revenues and other federal monies, DES was appropriated an additional \$44.6 million from LTCSF in FY 2013. In the event that DES receives more TANF monies than anticipated, a General Appropriation Act footnote requires DES to revert LTCSF monies dollar for dollar for TANF Block Grant monies received above \$221.0 million in FY 2013, including the beginning balance.

Based on the latest information, DES is now forecast to receive additional TANF funding above \$221.0 million in FY 2013 because of unanticipated revenue from the TANF Contingency Fund, which is a reserve set aside for states with rising costs in TANF-related programs. This additional revenue will trigger \$25.8 million in additional TANF spending and an \$(25.8) million reduction in the LTCSF appropriation, as indicated in *Table 11* by footnote 4. The budget table at the front of this section, however, has not yet been adjusted for this revision.

Under revised General Appropriation Act footnotes, administrative adjustments from the prior fiscal year are not counted against the \$221.0 million appropriation in FY 2014 and FY 2013. The Legislature also added a footnote requiring that the department report to JLBC Staff and the Governor's Office of Strategic Planning and Budgeting by September 1, 2013 how much of the FY 2013 reverted

amount from the TANF Block Grant will be spent as administrative adjustments in FY 2014 and excluded from the total.

The Contingency Fund is not subject to the Federal Budget Control Act's sequester, so it is anticipated that DES will receive this funding again in FY 2014.

For FY 2014, the TANF Block Grant permanent revenues are projected to be \$20.9 million less than permanent spending. The Contingency Fund revenues are not included in the permanent revenue calculation.

Table 11

TANF Block Grant Spending

	Actual FY 2012	Estimate FY 2013	Estimate FY 2014
Revenues			
Beginning Balance	\$ 51,413,200	\$ 33,060,500	\$ -
Adjustment for Obligated Funds	-	(13,127,400) ^{1/}	-
TANF Base Revenues	200,141,300	200,141,300	200,141,300
TANF Population Supplemental Revenues	-	-	-
TANF Contingency Fund Revenues ^{2/}	17,409,400	26,763,600	26,763,600
Total TANF Available	\$ 268,963,900	\$ 246,838,000	\$ 226,904,900
Expenditures			
Special Line Item			
Operating	\$ 64,769,000	\$ 73,287,100	\$ 20,409,900
Administration			
Attorney General Legal Services	\$ 162,600	\$ 222,000	\$ 169,400
Aging and Adult Services			
Community and Emergency Services	\$ 3,350,300	\$ 3,724,000	\$ 3,724,000
Coordinated Homeless Programs	1,543,400	1,649,500	1,649,500
Domestic Violence Prevention	5,917,500	6,620,700	6,620,700
Total - Aging and Community Services	\$ 10,811,200	\$ 11,994,200	\$ 11,994,200
Benefits and Medical Eligibility			
TANF Cash Benefits	\$ 53,999,400	\$ 44,999,400	\$ 44,999,400
Coordinated Hunger Program	447,200	500,000	500,000
Total - Benefits and Medical Eligibility	\$ 54,446,600	\$ 45,499,400	\$ 45,499,400
Children, Youth and Families			
DCYF Operating	\$ -	\$ -	\$ 52,872,900
DCYF Attorney General Legal Services	-	-	52,600
Children Support Services ^{3/}	52,530,000	32,754,800	32,754,700
CPS Emergency and Residential Placement	14,369,300	12,423,000	12,423,000
Foster Care Placement	4,520,900	10,973,100	10,973,100
Permanent Guardianship Subsidy	4,211,400	1,743,000	1,743,000
Adoption Services ^{3/}	9,802,400	19,802,400	19,802,400
Total - Children, Youth and Families	\$ 85,434,000	\$ 77,696,300	\$ 130,621,700
Employment and Rehabilitation Services			
JOBS	\$ 11,894,700	\$ 9,594,700	\$ 9,594,700
Day Care Subsidy	717,800	2,717,800	2,717,800
Total - Employment and Rehabilitation Services	\$ 12,612,500	\$ 12,312,500	\$ 12,312,500
SUBTOTAL	\$ 228,235,900	\$ 221,011,500	\$ 221,007,100
Administrative Adjustments	5,328,800	- ^{1/}	-
General Appropriation Act Footnote Additional Authority ^{4/}	-	25,826,500 ^{2/}	5,897,800 ^{2/}
Non-Lapsing Authority from Prior Years	2,338,700	-	-
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 235,903,400	\$ 246,838,000	\$ 226,904,900
Ending Balance	\$ 33,060,500	\$ -	\$ -
Permanent Revenues vs. Expenditures ^{5/}	\$ (28,094,600)	\$ (20,870,200)	\$ (20,865,800)

^{1/} Per a revised FY 2013 General Appropriation Act footnote, the portion of the FY 2012 carry-forward balance into FY 2013 that is used to pay administrative adjustments would be deducted from the FY 2013 beginning balance.

^{2/} Assumes Arizona receives contingency funds at the level the U.S. Department of Health & Human Services projects for FY 2013. DES has not received confirmation that it will continue to receive contingency funds in FY 2014, but this table assumes contingency funds will continue at the FY 2013 level in FY 2014.

^{3/} \$3,450,500 of TANF from Children Support Services and \$15,078,100 of TANF from Adoption Services was shifted to the General Fund in FY 2013.

^{4/} Per a General Appropriation Act footnote, all available TANF is appropriated to DES in FY 2013 and FY 2014. Therefore, the difference between the total TANF available and that fiscal year's TANF appropriation is included in the annual budget, and the department's LTCSF appropriation is reduced by the same amount.

^{5/} Difference between Base Revenues and Expenditure Subtotal. Contingency Fund Revenues are not included in Permanent Revenues.

Department of Education

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	192.5	171.4	175.9 ^{1/}
Personal Services	4,480,300	4,576,100	4,885,500
Employee Related Expenditures	1,697,000	1,698,600	1,789,900
Professional and Outside Services	508,800	345,000	345,000
Travel - In State	29,100	24,300	28,300
Travel - Out of State	25,400	22,200	22,200
Other Operating Expenditures	1,683,700	1,386,000	1,470,400
Equipment	143,500	57,800	57,800
OPERATING SUBTOTAL	8,567,800	8,110,000	8,599,100 ^{2/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	3,045,827,600	3,143,605,000	3,206,155,100 ^{3/-2/}
K-3 Reading	0	40,005,700	40,007,600 ^{8/}
Additional State Aid	305,775,400	303,188,200	339,269,300
Special Education Fund	33,242,100	33,242,100	33,242,100
Other State Aid to Districts	518,000	983,900	983,900
Non-Formula Programs			
Accountability and Achievement Testing	8,668,200	10,222,300	10,223,600 ^{9/}
Adult Education	0	0	4,500,000
Arizona Structured English Immersion Fund	4,791,400	8,791,400	8,791,400
Education Learning and Accountability System	1,200,000	6,223,600	0
English Learner Administration	8,898,900	4,004,500	4,016,200 ^{10/}
Innovative Education Program Grants	0	3,000,000	0
Performance Incentive Fund Deposit	0	0	2,400,000 ^{11/}
School Safety Program	0	0	3,646,400 ^{12/}
State Block Grant - Vocational Education	11,492,800	11,556,000	11,575,400
Teacher Certification	1,662,100	1,822,100	1,841,900
State Board of Education			
State Board of Education	861,100	1,607,200	1,614,400 ^{13/}
AGENCY TOTAL	3,431,505,400	3,576,362,000 ^{14/}	3,676,866,400 ^{15/-18/}
FUND SOURCES			
General Fund	3,374,706,200	3,519,126,100	3,620,831,200
Other Appropriated Funds			
Department of Education Empowerment Scholarship Account Fund	0	200,000	200,000
Education Learning and Accountability Fund	1,200,000	1,223,600	0
Permanent State School Fund	46,475,500	46,475,500	46,475,500
Proposition 301 Fund	7,000,000	7,000,000	7,000,000
Teacher Certification Fund	2,123,700	2,336,800	2,359,700
SUBTOTAL - Other Appropriated Funds	56,799,200	57,235,900	56,035,200
SUBTOTAL - Appropriated Funds	3,431,505,400	3,576,362,000	3,676,866,400
Other Non-Appropriated Funds			
Federal Funds	444,356,400	485,181,500	557,141,000
	1,165,736,300	1,074,084,800	1,074,084,800
TOTAL - ALL SOURCES	5,041,598,100	5,135,628,300	5,308,092,200

AGENCY DESCRIPTION — The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 2014 it is anticipated that the department will oversee 238 school districts, accommodation districts and Joint Technological Education Districts and approximately 400 charter schools in their provision of public education from preschool through grade 12.

Summary

ADE's FY 2014 General Fund budget increases by \$101,705,100 or 2.9%. The budget includes:

- An increase of \$66,535,500 for 0.7% Average Daily Membership (ADM) growth plus special education growth in FY 2014.
- A decrease of \$(43,909,500) for lower than projected prior year enrollment growth.
- An increase of \$90,372,600 for 1.8% inflator.
- An increase of \$11,766,500 for property tax and Homeowner's Rebate changes.
- A decrease of \$(5,000,000) for information technology funding shifted to the Arizona Department of Administration (ADOA).
- An increase of \$4,500,000 for Adult Education.
- An increase of \$3,646,400 for School Safety.
- An increase of \$2,400,000 for Performance Funding with the intent to fund a \$35,000,000 program in FY 2015.
- A decrease of \$(7,089,900) for third year of 5-year Career Ladder phase out.

- 1/ Includes 56 GF and 29 OF FTE Positions funded from Special Line Items in FY 2014.
- 2/ The operating lump sum appropriation includes \$683,900 and 8.5 FTE Positions for average daily membership auditing and \$200,000 and 2 FTE Positions for information technology security services. (General Appropriation Act footnote)
- 3/ Includes K-12 rollover appropriation of \$930,727,700 from Laws 2012, Chapter 294, as amended by Laws 2013 1st Special Session, Chapter 1. Laws 2013, 1st Special Session, Chapter 1 also appropriates \$930,727,700 in FY 2015 to reflect the deferral of FY 2014 payments.
- 4/ The above appropriation provides basic state support to school districts for maintenance and operations funding as provided by A.R.S. § 15-973, and includes an estimated \$46,475,500 in expendable income derived from the Permanent State School Fund and from state trust lands pursuant to A.R.S. § 37-521B for FY 2014. (General Appropriation Act footnote)
- 5/ The appropriated amount for Basic State Aid includes an increase of \$82,000,000 that is available for increased operating costs of school districts and charter schools. (General Appropriation Act footnote)
- 6/ Receipts derived from the Permanent State School Fund and any other nonstate General Fund revenue source that is dedicated to fund Basic State Aid will be expended, whenever possible, before expenditure of state General Fund monies. (General Appropriation Act footnote)
- 7/ Except as required by A.R.S. § 37-521, all monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, the income from the investment of permanent funds as prescribed by the Enabling Act and the Constitution of Arizona and all monies received by the Superintendent of Public Instruction from whatever source, except monies received pursuant to A.R.S. § 15-237 and 15-531, when paid into the State Treasury are appropriated for apportionment to the various counties in accordance with law. An expenditure shall not be made except as specifically authorized above. (General Appropriation Act footnote)
- 8/ The appropriated amount is for funding costs of the K-3 reading weight established in A.R.S. § 15-943, except that the State Board of Education may use up to \$1,500,000 of the appropriated amount on technical assistance and state level administration of the K-3 reading program. The appropriated amount includes 2 FTE positions. (General Appropriation Act footnote)
- 9/ Before making any changes to the Achievement Testing program that will increase program costs, the State Board of Education shall report the estimated fiscal impact of those changes to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 10/ The appropriated amount is to be used by the Department of Education to provide English language acquisition services for the purposes of A.R.S. § 15-756.07 and for the costs of providing English language proficiency assessments, scoring and ancillary materials as prescribed by the Department of Education to school districts and charter schools for the purposes of Title 15, Chapter 7, Article 3.1, Arizona Revised Statutes. The Department of Education may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of A.R.S. § 15-756.07. Notwithstanding A.R.S. § 41-192, the Superintendent of Public Instruction also may use a portion of the appropriated amount to contract with one or more private attorneys to provide legal services in connection with the case of Flores v. State of Arizona, No. CIV 92-596-TUC-RCC. (General Appropriation Act footnote)
- 11/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- 12/ At least twenty-five per cent of the appropriated amount shall be spent on security hardware. (General Appropriation Act footnote)
- 13/ The State Board of Education program may establish its own strategic plan separate from that of the Department of Education and based on its own separate mission, goals and performance measures. (General Appropriation Act footnote)
- 14/ In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(118,600) for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- 15/ The department shall provide an updated report on its budget status every 3 months for the first half of each fiscal year and every month thereafter to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, the Director of the Joint Legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting. Each report shall include, at a minimum, the department's current funding surplus or shortfall projections for Basic State Aid and other major formula-based programs and shall be due 30 days after the end of the applicable reporting period. (General Appropriation Act footnote)
- 16/ Within 15 days of each apportionment of state aid that occurs pursuant to A.R.S. § 15-973B, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data. (General Appropriation Act footnote)
- 17/ For FY 2014, the State Board of Education, in collaboration with the Department of Education and the Department of Administration, shall report quarterly on or before the last day of each calendar quarter on its progress in implementing the Education Learning and Accountability System and other related projects that may be funded through the Education Learning and Accountability Fund to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, the Director of the Joint Legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting. The quarterly report shall include an assessment of progress from an independent third party that is not affiliated with state government. (General Appropriation Act footnote)
- 18/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

- A decrease of \$(3,000,000) to eliminate innovative education grants.
- An increase of \$3,383,500 for other adjustments.
- A decrease of \$(21,900,000) to eliminate a one-time rollover payoff.

Operating Budget

The budget includes \$8,599,100 and 90.9 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$8,261,000
Department of Education Empowerment	
Scholarship Account Fund	200,000
Teacher Certification Fund	138,100

These amounts fund the following adjustments:

ADM Auditors

The budget includes an increase of \$392,800 and 4.5 FTE Positions from the General Fund in FY 2014 for more Average Daily Membership (ADM) auditors. *(See related discussion under Basic State Aid for more information.)*

Statewide Adjustments

The budget includes an increase of \$96,300 in FY 2014 for statewide adjustments.

This amount consists of:

General Fund	95,400
Teacher Certification Fund	900

(Please see Agency Detail and Allocations section.)

Formula Programs

Basic State Aid

The budget includes 3,206,155,100 in FY 2014 for Basic State Aid. This amount consists of:

General Fund	3,159,679,600
Permanent State School Fund	46,475,500

The \$3,206,155,100 total does not include \$86,280,500 in "additional school day" funding from Proposition 301 that will be allocated through Basic State Aid in FY 2014 because those monies are non-appropriated *(see Table 1)*. It also excludes local property taxes that will help fund K-12 formula costs for FY 2014, as they also are non-appropriated. In addition, it excludes \$40,000,000 continued in the budget for costs of the K-3 Reading weight established by Laws 2012, Chapter 300, as those monies are appropriated to a separate special line item *(see narrative for "K-3 Reading" Special Line Item below)*.

The \$3,206,155,100 appropriated total includes a net General Fund increase of \$62,550,100 and no change from the Permanent State School Fund for FY 2014. These amounts fund the following adjustments:

Table 1

FY 2014 Basic State Aid Formula Summary

General Fund	
FY 2013 Appropriation ^{1/}	\$3,097,129,500
Base Adjustment - ADM	(43,909,500)
Base Adjustment - Rollover	(21,900,000)
Enrollment Growth @ 1.2%	66,535,500
Property Taxes - New Construction	(41,335,900)
Property Taxes - Existing Property	13,721,300
1.8% Inflator	90,372,600
Career Ladder Phase Out	(7,089,900)
Homeowner's Rebate Statutory Changes	4,300,000
JTED 91% Factor - Exempt Small Districts	1,237,800
JTED QTR Offset	1,011,000
ADM Auditor Shift	(392,800)
FY 2014 budget	3,159,679,600
K-3 Reading Program (separate Special Line Item)	40,000,000
Permanent State School Fund (no change)	46,475,500
Prop 301 Sales Tax (no change) ^{2/}	86,280,500
Local Property Taxes ^{2/}	
FY 2013 Base	2,323,373,400
Property Taxes - New Construction	41,335,900
Property Taxes - Existing Property	(13,721,300)
Property Taxes - Homeowner's Rebate	(4,300,000)
FY 2014 Estimated ^{3/}	2,346,688,000
Grand Total (all sources) ^{4/}	\$5,679,123,600

^{1/} Includes FY 2013 supplemental of \$21,900,000 to exempt school districts with less than 600 students from the FY 2013 K-12 rollover.

^{2/} Non-appropriated, so excluded from appropriated totals.

^{3/} An estimated \$339,269,300 of this total will be funded by the state through the Homeowner's Rebate.

^{4/} Statutory formula cost would be approximately \$259,000,000 higher without the Soft Capital, CORL, charter school Additional Assistance and JTED reductions that are continued in the budget on a session law basis.

Base Adjustment - ADM Growth

The budget includes a decrease of \$(43,909,500) from the General Fund in FY 2014 in order to adjust the program's base budget for a projected FY 2013 surplus due to lower than projected prior year costs for enrollment growth. This is primarily due to the lagged impact of an unexpected (1.2)% decline in statewide ADM for FY 2011 under reported ADE payment data *(see Table 2)*. This decline resulted in a larger than budgeted surplus occurring in FY 2012 than was assumed for base adjustment purposes in the FY 2013 budget (which was enacted before FY 2012 was completed). (Basic State Aid funding for most school districts in FY 2012 was based on their ADM counts from FY 2011, since non-growing school districts are funded based on their prior year counts.) As a result, starting point costs for Basic State Aid for FY 2013 were lower than expected, resulting in a currently projected Basic State Aid surplus of \$43,909,500 for FY 2013 (excluding

one-time factors). The FY 2014 budget therefore includes a \$(43,909,500) General Fund decrease in order to bring the program's base budget into alignment with currently projected prior year costs.

Base Adjustment - Rollover

The budget includes a decrease of \$(21,900,000) from the General Fund in FY 2014 in order to eliminate one-time monies appropriated in FY 2013 for a K-12 rollover payoff for school districts with less than 600 students. (See the "Rollover" policy issue below for additional information.)

Enrollment Growth

The budget includes an increase of \$66,535,500 from the General Fund in FY 2014 for enrollment growth. This assumes that total K-12 formula costs will increase by approximately 1.2% in FY 2014 due to 0.7% ADM growth for K-12 students as a whole (see Table 2) and 5.0% ADM growth for students in special education (Table 3). Both types of growth affect formula costs, as special education students receive "add on" funding in addition to the formula monies that they receive for being part of the overall public school population.

Table 2

K-12 ADM (unweighted) ^{1/}

Fiscal Year	Districts	Charters	Total	Change	% Change
2008	947,396	93,851	1,041,247	15,542	1.5%
2009	941,139	101,145	1,042,284	1,037	0.1%
2010	935,845	110,821	1,046,666	4,382	0.4%
2011	914,078	120,173	1,034,251	(12,415)	(1.2)%
2012	908,395	131,748	1,040,143	5,892	0.6%
2013 est	906,160	145,001	1,051,161	11,018	1.1%
2014 est	902,202	156,467	1,058,669	7,508	0.7%

^{1/} Actuals for FY 2008 through FY 2012 are from ADE payment data.

Table 3

Special Education ADM (unweighted) ^{1/}

Fiscal Year	Districts	Charters	Total	Change	% Change
2008	14,383	498	14,881	930	6.7%
2009	15,205	588	15,793	912	6.1%
2010	15,480	734	16,214	421	2.7%
2011	16,293	928	17,221	1,007	6.2%
2012	16,967	1,042	18,009	788	4.6%
2013 est	17,816	1,094	18,910	901	5.0%
2014 est	18,707	1,149	19,856	946	5.0%

^{1/} Actuals for FY 2008 through FY 2012 are from ADE payment data. Excludes "Group B" category that only receives funding weight of 0.003 (100,279 additional students for FY 2012).

The budgeted amount for enrollment growth also assumes that most K-12 enrollment growth for FY 2014 will continue to be in charter schools. This increases the average per pupil cost of enrollment growth because charter schools typically receive about \$1,000 more per pupil under the Basic State Aid formula than non-charter pupils. Charter schools, however, do not receive School Facilities Board funding and typically do not receive K-12 bond and override funding.

On a related note, the budget does not provide specific monies to fund the higher per pupil formula cost of district schools that will be converted into charter schools for FY 2014. At least 60 "charter conversions" are planned for FY 2014. (See "Charter Conversions" narrative below for additional information.)

Property Taxes from New Construction

The budget includes a decrease of \$(41,335,900) from the General Fund in FY 2014 due to a projected 1.83% increase in statewide Net Assessed Value (NAV) from new construction in FY 2014. This will increase local property tax revenues from the K-12 "Qualifying Tax Rate" (QTR) and State Equalization Tax Rate (SETR) by an estimated \$41,335,900 in FY 2014. It also will decrease state costs by \$(41,335,900), since QTR and SETR revenues offset state formula costs on a dollar for dollar basis.

Property Taxes from Existing Property

The budget includes an increase of \$13,721,300 from the General Fund in FY 2014 due to a projected (8.47)% decrease in statewide Net Assessed Value (NAV) from existing property in FY 2014. This will decrease local property tax revenues from the K-12 QTR and SETR by an estimated \$(13,721,300) in FY 2014. It also will increase state costs by \$13,721,300, since (as noted above) QTR and SETR revenues offset state formula costs on a dollar for dollar basis. The projected (8.47)% NAV decline for existing property plus projected 1.83% NAV increase for new construction would result in a net (6.64)% decrease in statewide NAV for FY 2014.

The projected (8.47)% NAV decline for existing property typically would not affect net QTR or SETR collections because A.R.S. § 41-1276 (the "Truth in Taxation" or "TNT" law) requires the QTR and SETR to be adjusted each year in order to offset NAV changes for existing properties. For FY 2014, however, the projected (8.47)% NAV decline will be only partially offset by higher TNT tax rates because those rates now will have hit the maximum levels allowed under A.R.S. § 41-1276 (the TNT law, as amended by voters through passage of Proposition 301 in November 2000). As a result, the QTR will increase to \$4.25 (from \$3.92 in FY 2013) and the SETR will increase to \$0.51 (from \$0.47 in FY 2013) in FY 2014 (see Table 4).

Table 4

TNT Tax Rates

Tax Rate	FY 2013	FY 2014
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.9585	\$2.1265
• Unified districts and elementary districts not located within a high school district	\$3.9170	\$4.2530
• State Equalization Tax Rate (SETR)	\$0.4717	\$0.5123

On a related note, Arizona voters approved Proposition 117 in November 2012, which will consolidate the primary and secondary tax bases into a single tax base for purposes

of levying taxes and limit annual property value increases to 5% starting in FY 2016. The proposition will not affect K-12 QTR and SETR revenues from existing property, since they already are held constant from year to year by TNT (except in FY 2014, as described above, due to a presumed one-time exception). The Proposition also should not affect school district override revenues, since they are based on a district's Revenue Control Limit rather than the size of its tax base. Proposition 117, however, could affect K-12 bonding, since caps on public school bonding are based on the size of a district's tax base. (*See the School Facilities Board narrative for additional information on K-12 Capital Bonding.*) Proposition 117 will slow tax base growth in the future for any year that otherwise would experience more than 5% growth in the value of existing properties.

1.8% Inflation Adjustment

The budget includes an increase of \$90,372,600 from the General Fund in FY 2014 for a 1.8% inflation increase in the per pupil "base level" prescribed in A.R.S. § 15-901B2, the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school "Additional Assistance" amounts prescribed in A.R.S. § 15-185B. These inflation adjustments are all included in the K-12 Education Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 3) and will result in a "base level" of \$3,326.54 per pupil for FY 2014 versus \$3,267.72 for FY 2013.

A.R.S. § 901.01 (established by Proposition 301) requires the Legislature to increase the "base level or other components of the Revenue Control Limit" (RCL) by 2% or by the change in the GDP price deflator for the most recent prior calendar year, whichever is less. The budgeted FY 2014 adjustment is 1.8%, which equals the currently projected GDP price deflator for calendar year 2012. A.R.S. § 15-901.01 prohibits the Legislature from setting a base level that is lower than the FY 2002 base level of \$2,687.32.

Prior to FY 2011, the base level, transportation and charter additional assistance levels all were increased annually for inflation. In FY 2011 through FY 2013, only the latter 2 items were increased for inflation.

A lawsuit was filed with the State Supreme Court in August 2010 contending that the state must also increase the base level annually for inflation. The Supreme Court declined special-action jurisdiction over the case in September 2010 and it was refiled in Maricopa County Superior Court in October 2010. The Maricopa County Superior Court dismissed the lawsuit in February 2011, finding that the inflation adjustment provision in Proposition 301 "is not self-executing." The state Court of Appeals reversed that decision in January 2013, resulting in a further appeal of the case to the state Supreme Court. The latter agreed on May 29, 2013 to review the Court of

Appeals decision and has scheduled oral arguments for July 23, 2013.

Career Ladder Phase Out

The budget includes a decrease of \$(7,089,900) from the General Fund in FY 2014 for the third year of a 5-year phase out of Career Ladder funding required by Laws 2011, Chapter 29. Chapter 29 phases out existing Career Ladder funding over 5 fiscal years, starting in FY 2012, which would eliminate program funding by FY 2016. It also phases out state funding first, which maximizes the state savings in the initial years of the phase out. The budgeted \$(7,089,900) decrease will provide Career Ladder districts with an estimated \$28,267,900 in total program funding for FY 2014. That total includes an estimated \$5,396,300 in state funding and \$22,871,600 from local property taxes. A total of 28 school districts participate in the Career Ladder program.

Property Taxes - Statutory Changes

The budget includes an increase of \$4,300,000 from the General Fund in FY 2014 to offset an anticipated reduction in K-12 QTR and SETR tax collections for FY 2014 due to tax law changes pertaining to commercial property. Laws 2011, 2nd Special Session, Chapter 1 phases down the assessment ratio on commercial property from 20% to 18% over 4 years beginning in FY 2014, which is projected to reduce K-12 QTR and SETR property tax collections by \$(3,400,000) in FY 2014. In addition, Laws 2012, Chapter 343 amends the calculation of the index used to determine the annual business personal property exemption amount starting in FY 2014.

Under Chapter 343 the index will be based on the percentage increase in the Employment Cost Index in the 2 most recent years, rather than only the most recent year. Additionally the index will be recalculated as if this provision had been continuously in effect since 1997. This change is expected to raise the exemption amount from \$68,079 to an estimated \$125,700 and reduce QTR and SETR revenues by an additional \$(900,000) in FY 2014.

Chapter 1 and Chapter 343 therefore are expected to reduce QTR and SETR revenues by a combined total of \$(4,300,000) in FY 2014. This will increase Basic State Aid costs by an estimated \$4,300,000 in FY 2014, since QTR and SETR revenues offset state K-12 formula costs on a dollar for dollar basis.

JTED 91% Factor

The budget includes an increase of \$1,237,800 from the General Fund in FY 2014 in order to fund Joint Technical Education Districts (JTEDs) with less than 2,000 ADM at 100% of the fully funded formula rate for FY 2014. The FY 2013 budget funded state aid for all JTEDs at 91% of the full formula amount for FY 2013 and the K-12 Education BRB continues that policy in FY 2014 for JTEDs with more than 2,000 students. It exempts JTEDs with less than 2,000 students from the 91% funding factor,

however, which will increase state aid for JTEDs by an estimated \$1,237,800 statewide in FY 2014. The exemption will apply to 10 of the 13 existing JTEDs. It will not apply to the 3 large JTEDs located in Maricopa and Pima Counties, which are the East Valley Institute of Technology, the Western Maricopa Education Center (West-MEC) and the Pima County JTED. The 91% factor is expected to continue to reduce “large” JTED state aid by an estimated \$4,162,000 collectively in FY 2014.

On a related note, Laws 2013, Chapter 229 establishes definitions in statute for a JTED “centralized campus,” “leased centralized campus” and “satellite campus.” It authorizes a “leased centralized campus” to receive up to 0.75 ADM per student (the same level currently authorized for a “centralized campus” only) if it meets certain conditions, including (through 2016) Joint Committee for Capital Review (JCCR) approval of the lease unless it was executed or reviewed before December 31, 2012. Chapter 229 also authorizes JTEDs to include accommodation school students in their ADM counts. The enacted budget does not include specific funding for higher JTED costs under the bill. The bill will likely increase General Fund costs for JTEDs by encouraging the formation of additional leased JTED sites.

JTED QTR Offset

The budget includes an increase of \$1,011,000 from the General Fund in FY 2014 to offset a reduction in QTR revenues that JTEDs otherwise would experience in FY 2014 due to declining property values. Property owners in JTED member districts pay an additional 5¢ QTR annually to support their JTED pursuant to A.R.S. § 15-971B3. Revenues from the 5¢ tax rate will decrease by an estimated \$(1,011,000) in FY 2014 due to an anticipated decline in statewide property values for the budget year. Unlike school districts’ “main” QTR, the JTED QTR is set at a flat 5¢ and does not change annually along with property values. The FY 2012 and FY 2013 budgets included funding for this issue. The FY 2014 budget continues the funding policy from the prior 2 years.

ADM Audits

The budget includes a decrease of \$(392,800) from the General Fund in FY 2014 for savings associated with increased ADM audits. The department’s operating budget for FY 2014 includes a corresponding \$392,800 increase from the state General Fund in FY 2014 for an additional 4.5 FTE positions for ADM auditing. The additional auditors are expected to generate enough Basic State Aid savings to offset their cost through corrections to reported ADM counts. The Basic State Aid budget for FY 2014 therefore includes a corresponding \$(392,800) General Fund reduction. *(See “ADM Auditors” policy issue in the agency operating budget narrative above for a related discussion.)*

Endowment Earnings

The budget includes no change from the Permanent State School Fund in FY 2014 for endowment earnings funding for Basic State Aid. This assumes no change in debt service costs for State School Trust Revenue Bonds and Qualified Zone Academy Bonds (QZABs) that were issued by the School Facilities Board (SFB) in prior years in order to fund deficiencies correction in public schools, which would remain at \$25,787,500 for FY 2014. This leaves the amount of land trust monies available to fund Basic State Aid in FY 2014 at \$46,475,500 (unchanged). A.R.S. § 37-521 caps the amount of K-12 endowment earnings that may be used for SFB debt service and Basic State Aid combined at the FY 2001 level of endowment earnings, which was \$72,263,000. Even without the enactment of Proposition 118 (*see below*), endowment earnings would be expected to exceed this level for FY 2014.

Endowment Earnings consist of interest and other gains on securities held in the Permanent State School Fund, receipts from leases of state lands, and interest paid to the State Land Department by buyers of state trust land who purchase land on an installment basis. “Principal” on those purchases is not considered expendable and is instead deposited into the Permanent State School Fund for investment by the State Treasurer.

Proposition 118 from the November 2012 General Election revises the formula for determining distributions of land trust earnings from the State Treasurer for FY 2013 through FY 2021 by making them equal to a flat 2.5% of the average 5-year monthly market value of a beneficiary’s permanent land trust proceeds fund. Prior to this change, State Treasurer distributions were based on both average market values and average rates of investment return for the prior 5 years. All endowment earnings above \$72,263,000 go to the Classroom Site Fund.

Under most economic scenarios, the new formula is expected to increase annual distributions of land trust earnings. After distributing the first \$72,263,000 in combined State Treasurer and Land Department land trust earnings to Basic State Aid and the School Facilities Board, the remainder goes to the K-12 Classroom Site Fund established in A.R.S. § 15-977. In FY 2013, the Classroom Site Fund allocation assumed that the State Treasurer would distribute \$30,400,000 in land trust earnings for FY 2013. Under Proposition 118, the revised estimate is approximately \$70,000,000. Since Classroom Site Fund per capital distributions for FY 2013 had already been determined when Proposition 118 was enacted into law, the additional earnings from FY 2013 will be available to districts and charters in FY 2014.

Rollover

The budget includes no change from the General Fund in FY 2014 for the K-12 rollover. This continues to defer through the General Appropriation Act \$930,727,700 of

current year (now FY 2014) state aid payments until the following fiscal year (now FY 2015).

The FY 2013 budget originally deferred \$952,626,700 in state aid payments to FY 2014, but Laws 2013, 1st Special Session, Chapter 1 reduced the deferral to \$930,727,700 by appropriating \$21,900,000 in supplemental funding to ADE in FY 2013 to exempt school districts with less than 600 students from the FY 2013 K-12 rollover. Chapter 1 continues to exempt small districts from the K-12 rollover in FY 2014, which will continue it at the \$930,727,700 revised level from FY 2013.

As a result of the continuing rollover, the 12 monthly payments that “large” school districts receive in FY 2014 will again consist of approximately 4.5 months of deferred payments from the prior year and 7.5 (rather than 12) payments from the current year. Laws 2012, Chapter 294 as amended by Laws 2013, 1st Special Session, Chapter 1, advance appropriated \$930,727,700 from the General Fund in FY 2014 in order to fund the \$930,727,700 deferred obligation from FY 2013. Chapter 1 also advance appropriates \$930,727,700 from the General Fund in FY 2015 in order to fund the deferred FY 2014 obligation.

As a result of existing rollovers, the budget continues to include a total deferred obligation of \$930,727,700 for FY 2014. That amount includes \$272,627,700 for the original FY 2008 rollover, \$330,000,000 for the additional FY 2009 rollover, \$350,000,000 for the additional FY 2010 rollover and \$(21,900,000) to exempt districts with less than 600 students.

The K-12 Education BRB continues to require school districts to include in the FY 2014 revenue estimates that they use for computing their FY 2014 tax rates the rollover monies that they will receive for FY 2014 in July 2014.

Formula Suspensions

The budget includes no change from the General Fund in FY 2014 for Basic State Aid formula suspensions. This continues to suspend \$238,985,500 in school district state aid and \$15,656,000 in charter school state aid for FY 2014 (both amounts unchanged from FY 2013).

The K-12 Education BRB, however, applies the entire \$238,985,500 school district state aid suspension to a new formula component called “District Additional Assistance” (DAA), which combines formerly separate Capital Outlay Revenue Limit (CORL) and Soft Capital funding. The FY 2013 budget instead separately suspended \$80,864,800 in CORL funding and \$158,120,700 in Soft Capital funding for an equivalent combined suspension of \$238,985,500. Chapter 3 combined CORL and Soft Capital by summing the previously-separate per pupil amounts authorized in statute for CORL and Soft Capital funding for districts of various sizes into combined totals and by making related conforming statutory changes.

School districts will receive an estimated \$184,691,600 in DAA funding in FY 2014 under current projections. Without the continuing suspension they would receive an estimated \$447,931,900, including an estimated \$24,254,800 self-funded by non-state aid districts. As in prior years, the K-12 Education BRB requires non-state aid districts to reduce their budgets by the amount that their state aid would be reduced under continuing formula suspensions if they did qualify for state aid. (Non-state aid districts are school districts that are able to fully fund their K-12 formula costs with local property taxes only because of their strong local property tax base.) The K-12 BRB for FY 2014 extends this requirement also to Charter Additional Assistance reductions for non-state aid districts that have district-sponsored charter schools in order to conform with existing practice for DAA reductions.

The K-12 Education BRB also includes provisions to address transition issues related to the elimination of separate CORL and Soft Capital funding. This includes provisions regarding existing fund balances, current CORL overrides and the correction of past overexpenditures.

The K-12 Education BRB also continues to cap total statewide DAA reductions for school districts with less than 1,100 students at \$5,000,000 for FY 2014.

Charter Conversions

The budget includes no change from the General Fund in FY 2014 for Basic State Aid costs related to the conversion of existing district schools into charter schools (“charter conversions”). Charter conversions increase state costs because charter schools typically receive \$1,000 more per pupil (approximately) under the Basic State Aid formula than district schools. Charter schools, however, typically do not receive K-12 bond and override funding.

As of early July 2013, ADE indicated that 60 schools in 20 school districts were expected to convert to charter status for FY 2014. Under preliminary calculations, ADE estimated that these conversions would involve approximately 33,900 ADM and increase Basic State Aid costs by roughly \$3,200,000 in FY 2014 and \$33,900,000 in FY 2015. The projected fiscal impact for FY 2014 is relatively small because only students who are new to a school district (primarily Kindergartners) are eligible for the higher charter school funding level during the first year of conversion pursuant to A.R.S. § 15-185A3a. The FY 2014 budget does not include specific funding for charter conversions for FY 2014.

Most charter schools are sponsored by the State Board for Charter Schools (SBCS), but they also can be sponsored by a school district governing board pursuant to A.R.S. § 15-183C. The main difference between district-sponsored and non-district sponsored charters from a funding perspective is that only district-sponsored charter schools are eligible for K-12 override and general obligation bond funding, whereas only non-district charters are eligible for “small school weight” funding pursuant to A.R.S. § 15-

185A3b. District-sponsored charter schools typically have served fewer than 1,000 ADM pupils statewide in recent years, but that number is expected to exceed 36,200 in FY 2014 (including an estimated 2,334 students already in district sponsored charter schools in FY 2013) due to rapid growth in charter conversions (*see Table 5*).

Table 5

District-Sponsored Charter ADM (unweighted) ^{1/}

Fiscal Year	K-8	High School	Total	Change	% Change
2008	77	490	568	(114)	(16.8)%
2009	86	469	555	(13)	(2.3)%
2010	100	490	589	35	6.3%
2011	315	536	851	262	44.4%
2012	546	524	1,070	219	25.7%
2013 est	1,893	441	2,334	1,264	118%
2014 est	35,793	441	36,234	33,900	1,452%

^{1/} Actuals for FY 2008 through FY 2012 are from ADE payment data. Estimates for FY 2013 are from current ADE payment data. Estimates for FY 2014 are from a preliminary ADE analysis as of late June 2013, which indicate that all known charter conversions for FY 2014 will be for elementary and middle schools only.

Empowerment Scholarship Accounts

The budget includes no change from the General Fund in FY 2014 for Basic State Aid costs related to Empowerment Scholarship Accounts (ESAs) authorized by A.R.S. § 15-2402. Eligible students can use monies in an ESA to attend private school or fund other educational expenses, such as textbooks and tutoring. ESAs are funded with a portion of the Basic State Aid monies that a school district or charter school otherwise would have received for the student if they had remained in public school. As a result, ESAs typically do not increase state costs for Basic State Aid, since participants otherwise generally would be attending public schools. Laws 2013, Chapter 250, however, exempts incoming Kindergartners from the requirement of being former public school students in order to qualify for an ESA starting in FY 2015. As a result, the program will not automatically generate an offsetting Basic State Aid savings in the future for all program participants starting in FY 2015.

The ESA program began in FY 2012 and originally was available only to pupils with disabilities who previously had attended public schools or had received a disabled pupil scholarship under A.R.S. § 43-1505. Laws 2012, Chapter 360, however, expanded it to also include 1) students attending a school district that has been assigned a letter grade of “D” or “F” pursuant to A.R.S. § 15-241, 2) a child of a parent who is a member of the United States armed forces and who is on active duty, 3) a child who is a ward of the juvenile court and who is residing with a prospective permanent placement, and 4) a child who was a ward of the juvenile court and who has been adopted or gained permanent guardianship. Laws 2013, Chapter 250 further expands the program (as noted above) starting in FY 2015 to also include incoming Kindergartners who previously were not eligible because they had not attended public school in the prior year. Prior to Chapter 250, only

Kindergartners who attended public school programs for preschoolers with disabilities the year before they enrolled in Kindergarten were eligible for ESA funding.

As of late June 2013, ADE estimated that the ESA program for FY 2014 would serve 1,000 students and award approximately \$11,500,000 in program funds (*see Table 6*). This would be substantially higher than the levels reported for program for its first 2 years (*see also Table 6*), apparently because of the broader eligibility requirements established for FY 2014 by Laws 2012, Chapter 360.

Table 6

Empowerment Scholarship Account Data ^{1/}

Fiscal Year	Program Enrollment	Total Awards
FY 2012	144	\$1,576,000
FY 2013	302	\$5,209,200
FY 2014 (est)	1,000	\$11,500,000
FY 2015 (est)	5,500	(not available)

^{1/} ADE data and estimates as of June 2013

Table 6 shows that ADE currently anticipates that program enrollment will grow dramatically in FY 2015 to approximately 5,500 students because of the provision in Laws 2013, Chapter 250 that exempts incoming Kindergartners from the requirement of being former public school students in order to qualify for ESA funding starting in FY 2015. The 5,500 student estimate assumes that ESA enrollment in FY 2015 would equal 0.5% of statewide public school enrollment, which is the level at which Chapter 250 caps program enrollment through FY 2019.

Chapter 250 also amends the funding formula for the ESA program in a manner that will provide more funding per pupil, at least for former charter school pupils. Prior to Chapter 250, the ESA per pupil funding for all students equaled 90% of the “Base Support Level” (BSL) funding that the student would receive if still attending public school, which can range from \$3,500 to \$26,000 depending on whether they have a disability. Chapter 250 instead funds 90% of the sum of the BSL and charter school Additional Assistance, at least for former charter school pupils. This will increase their ESA funding by approximately \$1,600 per pupil, which is 90% of the average “Additional Assistance” amounts defined in A.R.S. § 15-185B3 for charter school pupils.

A.R.S. § 15-2402C authorizes the department to retain for administration up to 5% of the BSL funding designated for each student’s ESA account, of which it is required to transfer one-fifth to the State Treasurer for related administration at the State Treasurer’s office. The ADE operating budget includes a \$200,000 appropriation from the Department of Education Empowerment Scholarship Account Fund (A.R.S. § 15-2402D) in FY 2014 for this issue (*see agency operating budget narrative above*). The operating budget for the State Treasurer likewise includes

an appropriation of \$40,000 from the State Treasurer Empowerment Scholarship Account Fund in FY 2014 for ESA program administration (*see related narrative in State Treasurer budget*).

Accommodation School Funding

The budget includes no change from the General Fund in FY 2014 for Basic State Aid costs for accommodation schools. Accommodation schools are public schools that serve students who do not live within the boundaries of a school district, live on a military base, are homeless or attend alternative education programs (A.R.S. § 15-101).

The K-12 Education BRB amends statutory language for computing state aid for accommodation districts in A.R.S. § 15-909 in order to conform it to current practice. In addition, the K-12 Education BRB makes accommodation schools ineligible for School Facilities Board funding (*see School Facilities Board narrative for additional information*).

Laws 2013, Chapter 229 authorizes JTEDs to include accommodation school students in their ADM counts (*see "JTED 91% Factor" narrative above for more information*).

K-3 Reading

The budget includes \$40,007,600 and 2 FTE Positions from the General Fund in FY 2014 for the K-3 Reading program. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,900 from the General Fund in FY 2014 for statewide adjustments.

The program is authorized by A.R.S. § 15-211, which requires the State Board of Education, in collaboration with the department, to establish a program to improve the reading proficiency of pupils in Grades K-3. Program funding is generated by the K-3 Reading "Group B" weight established in A.R.S. § 15-943. A General Appropriation Act footnote stipulates that the State Board of Education may use up to \$1,500,000 of the appropriated amount on technical assistance and state level program administration.

A.R.S. § 15-211 required school districts and charter schools to submit to the State Board of Education by October 1, 2012 a plan for improving the reading proficiency of their K-3 pupils. The plans were required to include baseline data and a budget for spending monies from both the current K-3 weight and the new K-3 Reading weight established in A.R.S. § 15-943. A.R.S. § 15-211 also stipulates that each school district and charter school that is assigned a letter grade of "C," "D," or "F" pursuant to A.R.S. § 15-241H, or that has more than 10% of its third grade pupils reading "far below" the third grade level on the AIMS Reading test shall receive monies from

the new K-3 Reading "Group B" weight only after the State Board of Education has approved its K-3 Reading program plan. Beginning in FY 2014, A.R.S. § 15-211 requires each school district and charter school to submit to the State Board of Education by October 1 an updated K-3 Reading program plan that includes data on program expenditures and results.

Additional State Aid

The budget includes \$339,269,300 from the General Fund in FY 2014 for Additional State Aid (ASA). This amount funds the following adjustments:

Base Adjustment

The budget includes an increase of \$19,481,100 from the General Fund in FY 2014 to align the program's base budget with actual reported costs for FY 2013. The Arizona Department of Revenue (DOR) reported in October 2013 that the program would cost \$322,669,300 for FY 2013, which was \$19,481,100 more than the program's FY 2013 appropriation. The shortfall was primarily due to a lower than budgeted savings from new restrictions on Homeowner's Rebate funding that took effect in FY 2013. Those restrictions were established by Laws 2011, 2nd Special Session, Chapter 1, as amended by Laws 2012, Chapter 350.

Chapter 1 limited the Homeowner's Rebate to primary residences only and required all homeowners to submit an affidavit that a home is their primary residence, which was estimated to reduce program costs by \$(39,000,000) in FY 2013. Laws 2012, Chapter 350 replaced the affidavit process with an expanded review of only those properties considered most likely to be misclassified. This includes properties where the owner 1) has a mailing address outside the county where the home is located, 2) has a mailing address different than the home's location, 3) has the same mailing address for multiple homes, or 4) appears to be a business entity. The FY 2013 budget assumed that Chapter 350 would result in the same \$(39,000,000) Homeowner's Rebate savings in FY 2013 assumed under Chapter 1. Actual savings appear to be roughly half of the assumed total, however, as reflected in the \$(19,481,100) funding shortfall reported for the program for FY 2013.

On a related note, the K-12 Education BRB repeals a provision from Laws 2011, 2nd Special Session, Chapter 1, that required the state to reimburse county assessors for costs associated with the now-repealed Homeowner's Rebate affidavit process.

Increased Rebate Percentage

The budget includes an increase of \$15,600,000 from the General Fund in FY 2014 for costs associated with an increased Homeowner's Rebate percentage required by Laws 2011, 2nd Special Session, Chapter 1. Chapter 1 requires DOR to adjust the Homeowner's Rebate percentages for FY 2014 through FY 2017 in order to

offset homeowner tax shifts that otherwise would occur in those years under Chapter 1 due to reduced assessment ratios for commercial property. The Homeowner's Rebate percentage authorized for FY 2013 in A.R.S. § 15-972 was 40%. Chapter 1 requires DOR to increase that percentage for FY 2014 by August 1, 2013. In early July 2013, DOR reported that the rebate percentage for FY 2014 would be 41.825%. The currently estimated cost of the required increase is \$15,600,000.

1% Cap

The budget includes an increase of \$1,000,000 from the General Fund in FY 2014 for projected changes in "1% Cap" costs. This pertains to Article IX, Section 18 of the State Constitution, which limits Class 3 primary property taxes to no more than 1% of a home's full cash value. State costs for funding homeowners' primary property taxes above the 1% cap are expected to increase by \$1,000,000 in FY 2014 to a total of \$9,863,000 under current JLBC Staff estimates due to a rising QTR (see Table 4) and declining property values.

Background – Additional State Aid is authorized by A.R.S. § 15-972, which requires the state to pay a portion of each homeowner's school district primary property taxes, up to a maximum of \$600 per parcel. The program also pays for any portion of a homeowner's primary property taxes for all taxing jurisdictions combined (not just schools) that exceeds 1% of the full cash value of their home. This second feature is referred to as the "1% cap" and is required by Article IX, Section 18 of the State Constitution, which limits Class 3 primary property taxes to no more than 1% of a home's full cash value. All Class III properties are eligible for both "homeowner's rebate" and "1% cap" funding.

Special Education Fund

The budget includes \$33,242,100 and 1 FTE Position from the General Fund in FY 2014 for the Special Education Fund Special Line Item. These amounts are unchanged from FY 2013.

The Special Education Fund provides funding for special education costs of students from 1) Arizona State Schools for the Deaf and the Blind, 2) Arizona State Hospital (ASH), or 3) programs for the developmentally disabled operated by DES [A.R.S. § 15-1202]. It also funds costs of residential education for students who require a private residential special education placement, or who are placed in a residential education facility by a state placing agency.

Other State Aid to Districts

The budget includes \$983,900 from the General Fund in FY 2014 for Other State Aid to Districts. This amount is unchanged from FY 2013.

This amount includes \$880,200 (unchanged) for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 (unchanged) for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

Non-Formula Programs

Accountability and Achievement Testing

The budget includes \$10,233,600 and 2 FTE Positions in FY 2014 for Accountability and Achievement Testing. These amounts consist of:

General Fund	3,223,600
Proposition 301 Fund	7,000,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,300 from the General Fund in FY 2014 for statewide adjustments.

This Special Line Item funds costs of developing, administering and scoring achievement tests required by A.R.S. § 15-741. The Proposition 301 amount of \$7,000,000 for Achievement Testing is from the "up to \$7 million" allowable appropriation for School Accountability in A.R.S. § 42-5029E7.

Table 7 shows current achievement testing costs by year under the current 5-year contract. The state typically funds approximately 55% of annual testing costs and federal monies typically fund about 45% of those costs.

Table 7
Current Achievement Testing Contract
Cost by Year

<u>Fiscal Year</u>	<u>Contract Cost</u>
FY 2010	\$11,833,200
FY 2011	13,487,600
FY 2012	15,001,000
FY 2013	13,652,300
FY 2014	14,243,100
Total	\$68,217,200

The Achievement Testing program will be substantially changed after FY 2014 due to the implementation of new "Common Core" academic standards. (Please see "Other Issues" section for additional information.)

Adult Education

The budget includes \$4,500,000 from the General Fund in FY 2014 for Adult Education. This amount funds the following adjustments:

Restore Program Funding

The budget includes an increase of \$4,500,000 from the General Fund in FY 2014 in order to restore state funding for the program. The program's state funding was discontinued after FY 2010 as part of reductions to the department's non-formula programs. Prior to FY 2010 it received approximately \$4,500,000 in state funding annually. The program also has received approximately \$11,800,000 in federal funding annually in recent years. Its federal funding is subject to "maintenance of effort" (MOE) requirements that stipulate that the state must continue to provide at least 90% of its prior year level of state Adult Education funding each year in order to remain eligible for federal Adult Education funding. Otherwise, federal Adult Education funding is reduced in proportion to the percentage of state reductions. Restoration of state funding for the program for FY 2014 is expected to enable it to continue to meet to meet federal MOE requirements for FY 2014. Program monies are distributed through a competitive grant process. In FY 2013, a total of 25 school districts, community colleges, counties and community based organizations operated Adult Education programs.

Arizona Structured English Immersion Fund

The budget includes \$8,791,400 from the General Fund in FY 2014 for the Arizona Structured English Immersion Fund. This amount is unchanged from FY 2013. The K-12 Education BRB, however, requires ADE to transfer \$10,000,000 from the Arizona Structured English Immersion Fund to the state General Fund during FY 2014 in order to draw down accumulated balances. In addition, the budget eliminates a one-time General Appropriation Act footnote that in FY 2013 allowed ADE to use a portion of the program's FY 2013 appropriation to fund a new English Language proficiency assessment. ADE had also received a \$4,000,000 transfer from the program in FY 2012 in order to begin replacement of the current "AzELLA" English language proficiency test.

The Arizona Structured English Immersion Fund was established by Laws 2006, Chapter 4 (A.R.S. § 15-756.04). Monies in the fund are distributed to school districts based on amounts that they request pursuant to A.R.S. § 15-756.04C.

Education Learning and Accountability System

The budget includes no funding in ADE in FY 2014 for the Education Learning and Accountability System (ELAS). These amounts fund the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(5,000,000) from the General Fund and \$(1,200,000) from the Education Learning and Accountability Fund (ELAF) in FY 2014 to eliminate one-time funding to ADE for the program. The General Appropriation Act, however, appropriates

\$5,400,000 from the state General Fund and \$1,600,000 from the Education Learning and Accountability Fund (ELAF) to the Arizona Department of Administration (ADOA) in FY 2014 on a one-time basis for continued ELAS development. *(Please see the Department of Administration - Automation Projects Fund section for details regarding this information technology project.)* The FY 2012 and FY 2013 budgets both appropriated \$5,000,000 from the General Fund and \$1,200,000 from ELAF directly to ADE on a one-time basis for ELAS development.

Statewide Adjustments

The budget includes a decrease of \$(23,600) from the General Fund in FY 2014 for statewide adjustments.

The K-12 Education BRB requires Arizona public universities and community colleges to continue to deposit \$6 per Full Time Student Equivalent (FTSE) into ELAF in order to provide continue support for ELAS development, as was required in FY 2012 and FY 2013. This requirement is expected to generate approximately \$1,600,000 in new ELAF funding for FY 2014, which is appropriated to ADOA in FY 2014, as described above. In addition, the General Appropriation Act appropriates for ELAS any remaining balances as of June 30, 2013 from \$6 per FTSE fees collected in prior years.

Background – Laws 2011, Chapter 29 authorized development of the Education Learning and Accountability System (ELAS), in order to "collect, compile, maintain and report student level data for students attending public educational institutions that provide instruction to pupils in preschool programs, kindergarten programs, grades one through twelve and postsecondary educational programs in this state" (A.R.S. § 15-249A).

Chapter 29 also established a Data Governance Commission (DGC) in ADE (A.R.S. § 15-249.01) to provide oversight on data management issues for public education, and requires the DGC to issue a report annually. The DGC's 2012 Annual Report, released in early December 2012, estimated that ADE will need \$34,500,000 in additional funding for ELAS over the next 2 fiscal years (\$23,100,000 in FY 2014 and \$11,400,000 in FY 2015). It also projected that ADE will need an additional \$35,200,000 in ELAS funding in FY 2016 through FY 2018, for a total estimated 5-year (FY 2014 – FY 2018) ELAS cost of \$69,700,000. The DGC report estimated that ELAS will generate a net benefit over that same 5-year period due to factors such as reduced man-hours spent on data management and corrections, improved data quality, and the elimination of redundant state and local data systems.

The DGC cost estimates include funding for the following items:

- Replace the current Student Accountability and Information System (SAIS) (for ADM and state aid calculations)
- Establish a statewide longitudinal data system (multi-year student and teacher performance data)
- Replace additional agency data systems (such as for managing school lunch and special education data)
- Provide districts and charters with “opt in” data management services for functions such as finance, human resources and transportation, and
- Replace the current “IDEAL” platform (digital teaching resources, including the “FreeThrows” math curriculum).

Laws 2013, Chapter 251 adds the Director of the Department of Administration, or the Director’s designee, to the DGC.

English Learner Administration

The budget includes \$4,016,200 and 19 FTE Positions from the General Fund in FY 2014 for English Learner Programs. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$11,700 from the General Fund in FY 2014 for statewide adjustments.

The English Learner Administration program was originally authorized by Laws 2006, Chapter 4 in order to address the *Flores v. State of Arizona* litigation. The lawsuit was filed in federal court in 1992 by parents of children enrolled in the Nogales Unified School District. Litigation in the case continued until March 2013, when a federal judge dismissed the case. Plaintiffs in the case appealed the federal judge’s ruling in April 2013. The timeline for appellate action in the case is unknown. (See *FY 2011 Appropriations Report for additional history on this issue.*)

The SLI funds costs associated with implementing the English Language Education requirements in A.R.S. § 15-751 through 15-757. Those requirements pertain primarily to additional testing, teacher training and instructional services prescribed for English Learners. (See *related discussion on replacement of the current AzELLA test for English Learners in narrative for the Arizona Structured English Immersion program.*)

Innovative Education Program Grants

The budget includes no funding in FY 2014 for Innovative Education Program Grants. This amount funds the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(3,000,000) from the General Fund in FY 2014 to eliminate one-time funding

for innovative educational programs in public schools. The FY 2013 budget appropriated \$3,000,000 for the program and required the State Board of Education to award the funding on a competitive grant basis to innovative education programs with a proven track record of success in improving student achievement and on related technology, instructional delivery and materials. Grantees were required to match their state grant with an equal or greater amount of private sector funding and are required to report program results by October 1, 2013. Program monies were awarded to 4 school districts, plus Teach for America, and the Center for the Future of Arizona. Funded projects dealt with (for example) instruction in Science, Technology, Engineering and Math (STEM) and “Move on When Ready” programs established pursuant to A.R.S. § 15-795.

Performance Incentive Fund Deposit

The budget includes \$2,400,000 from the General Fund in FY 2014 for a new Performance Incentive Fund Deposit Special Line Item. This amount funds the following adjustments:

New Program

The budget includes an increase of \$2,400,000 from the General Fund in FY 2014 for a new performance funding program for public schools. The appropriated amount will be deposited into a new Performance Incentive Fund established by the K-12 Education BRB. Statutory language for the new fund (A.R.S. § 15-917) makes it non-lapsing and requires ADE to distribute monies in the fund to school districts and charter schools starting in FY 2015 based on achievement and improvement on the assigned achievement profile pursuant to A.R.S. § 15-241. The enacted 3-year spending projection assumes that the program will receive \$35,000,000 from the state General Fund in FY 2015 and FY 2016. No monies, however, were advance appropriated for this purpose.

School Safety Program

The budget includes \$3,646,400 from the General Fund in FY 2014 for the School Safety program. This amount funds the following adjustments:

Funding Increase

The budget includes an increase of \$3,646,400 from the General Fund in FY 2014, which provides state General Fund funding for the program for the first time since FY 2010. The program received approximately \$6,700,000 from the state General Fund annually prior to FY 2010, but that funding was reduced in FY 2010 and eliminated in FY 2011.

The K-12 BRB requires \$100,000 of the \$3,646,400 appropriation to be used for a pilot program on school emergency readiness and establishes requirements for the

program. In addition, the General Appropriation Act requires at least 25% of the appropriated amount to be spent on security hardware.

The School Safety Program places trained school resource officers or juvenile probation officers in public schools and has existed in Arizona since FY 1995. It is authorized by A.R.S. § 15-154 and is administered by the State Board of Education in conjunction with the School Safety Program Oversight Committee established in A.R.S. § 15-153. The program began in FY 1995 with a General Fund appropriation of \$2,500,000. From FY 2002 through FY 2010 (its years of peak funding) the program received approximately \$14,500,000 annually, including \$6,700,000 from the General Fund and \$7,800,000 from Proposition 301 sales tax monies. From FY 2011 through FY 2013, the program operated solely with \$7,800,000 annually from Proposition 301.

The \$7,800,000 in Proposition 301 funding for the program is allocated annually by the School Safety Program Oversight Committee pursuant to A.R.S. § 15-153C. In FY 2013, a total of 35 sites received funding allocations under the program.

State Block Grant for Vocational Education

The budget includes \$11,575,400 and 28 FTE Positions from the General Fund in FY 2014 for the State Block Grant for Vocational Education. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$19,400 from the General Fund in FY 2014 for statewide adjustments.

The program provides block grants to school districts and charter schools that have Career and Technical Education (CTE) programs. CTE programs also currently receive approximately \$24,000,000 in federal funding annually pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006. Those monies are subject to a federal MOE provision that requires a state to continue to spend at least as much on CTE in a given fiscal year as it did in the prior fiscal year.

Teacher Certification

The budget includes \$1,841,900 and 23 FTE Positions from the Teacher Certification Fund in FY 2014 for Teacher Certification. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$19,800 from the Teacher Certification Fund in FY 2014 for statewide adjustments.

The program processes applications for teacher and administrator certification, including certification renewal. It is funded through fees paid by certification applicants pursuant to A.R.S. § 15-531.

State Board of Education

State Board of Education

The budget includes \$1,614,400 and 10 FTE Positions in FY 2014 for the State Board of Education. These amounts consist of:

General Fund	1,234,700
Teacher Certification Fund	379,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$7,200 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	5,000
Teacher Certification Fund	2,200

The 11-member State Board of Education establishes programs, initiates policies and enforces laws and regulations relating to schools and the educational development of the individual child as provided in A.R.S. § 15-203. The board members other than the Superintendent of Public Instruction are appointed by the Governor for 4-year terms.

The State Board of Education has jurisdiction over programs such as Adult Education (A.R.S. § 15-232) and the School Safety Program (A.R.S. § 15-154). (See narrative above for additional information on these 2 programs.)

Additional Legislation

Outcome-Based Funding Pilot

Laws 2013, Chapter 105 establishes a 4-year pilot program for outcome-based funding for Arizona public schools. The pilot program is intended to simulate how public school funding would work in the state if school districts and charter schools were paid based on student outcomes (such as test scores) rather than hours of instruction. The simulated funding amounts would be up to \$6,500 per pupil for Grades K-8 and \$7,500 per pupil for Grades 9-12, plus an additional \$250 per pupil for students who obtained a 3.0 on a 4.0 point scale in a dual enrollment or concurrent enrollment math or science course. Participating districts, however, would continue to be funded under the existing Basic State Aid formula during the 4-year pilot period. The bill states that the 4-year pilot is intended to begin in FY 2015, but that the SBE may

delay implementation until required assessments are developed to sufficiently measure outcomes.

School Finance

Laws 2013, Chapter 251 makes miscellaneous changes to laws affecting K-12 formula funding to public schools, including the following: 1) allows charter schools to offer programs for preschool disabled pupils and receive Basic State Aid funding for them (currently only authorized for school districts), 2) allows up to 0.75 JTED ADM for a charter school pupil who lives within the boundaries of a JTED member district (currently only allowed for non-charter pupils), 3) authorizes ADE to reduce a school district or charter school's state aid and budget limits if the district or charter did not provide the minimum amount of instructional time required for a school year, 4) requires ADE to publish criteria for a school district or charter school to exit from a letter grade of F, 5) modifies minimum weekly attendance for full-time status in an alternative education program, 6) removes certain reporting requirements for school districts regarding school buses, and 7) redirects "Assistance for Education" funds from public schools to "solution teams" assigned to D and F schools, and 8) allows Red Mesa Unified to correct budget errors over 5 years rather than 2.

Other Issues

Budget Overrides

Current law permits school districts to exceed statutory budget limits through "budget override" elections. This includes "Maintenance and Operation (M&O) overrides" (A.R.S. § 15-481E&F), "Special Program overrides" (A.R.S. § 15-482) and "Capital Overrides" (renamed "District Additional Assistance" overrides starting in FY 2014) (A.R.S. § 15-481L&M).

M&O and Special Program overrides together are capped at 15% of a district's Revenue Control Limit (RCL). ("RCL" essentially equals a district's total funding under the Basic State Aid formula minus its CORL and Soft Capital funding, pursuant to A.R.S. § 15-947.) District Additional Assistance overrides are capped at 10% of a district's RCL.

M&O and Special Program overrides provide additional funding for school district operating expenses, such as teacher salaries. District Additional Assistance overrides instead must be used for the capital improvements listed in the publicity pamphlet for the override, except that up to 10% of the override proceeds may be used for general capital expenses, including cost overruns of proposed capital improvements, pursuant to A.R.S. § 15-481X.

Overrides are funded with additional local property taxes. All 3 types of overrides may be authorized for up to 7 years. M&O and Special Program overrides are phased down over the last 2 years of authorization unless re-approved by voters.

For FY 2013, approximately 115 districts statewide had M&O overrides pursuant to A.R.S. § 15-481, 38 had M&O overrides pursuant to A.R.S. § 15-482, and 23 had capital overrides. The total amounts budgeted for overrides for FY 2013 included approximately \$410,000,000 for both types of M&O overrides combined and \$87,000,000 for capital overrides. (See the *School Facilities Board budget narrative for a related summary on K-12 Capital Bonding*.)

The K-12 Education BRB establishes a new permanent law provision (A.R.S. § 15-249.04) requiring ADE to report by November 30 of each year the amount budgeted for school district budget overrides by district and type of override for the current fiscal year.

Common Core

Arizona is one of 46 states currently working to implement new "Common Core" academic standards developed through a state-led initiative coordinated by the National Governors Association and the Council of Chief State School Officers (CCSSO). The Arizona State Board of Education adopted the Common Core standards for Arizona in 2010. There is no specific state statutory requirement regarding implementation of the Common Core standards.

In December 2012, ADE developed a working document suggesting that it would cost roughly \$131 million over 2 years (FY 2014 and FY 2015) to implement the Common Core standards in Arizona. That 2-year total includes approximately \$6 million for ADE program personnel, \$6 million for online curricula and ADE-provided training; \$5 million for contract training; \$34 million for teacher stipends or release time; and \$80 million for curriculum and textbook purchases.

The estimated \$131 million total does not include funding for student testing under the new standards, which will make Arizona's current AIMS tests obsolete in FY 2015. Nationally, it is envisioned that Common Core testing will be done on-line, rather than by paper and pencil (the current AIMS format). Two state consortia are currently working to develop Common Core tests: 1) the Partnership for Assessment of Readiness for College and Careers (PARCC), and 2) the SMARTER Balanced Assessment Consortium. Arizona is one of 23 member states for PARCC. Both consortia are using federal "Race to the Top" grants to fund test development and plan to make their Common Core tests available to states during the 2014-2015 school year. States will be responsible for costs of administering the tests, once developed.

In order for Common Core tests to be administered on-line to all Arizona public school pupils, every school would need sufficient computers, bandwidth and related infrastructure. The magnitude and cost of technology upgrades needed to equip all Arizona public schools for statewide Common Core testing is currently unknown. (See "*Achievement Testing*" narrative for more information.)

Early Graduation Scholarship Program

The K-12 Education BRB repeals the Early Graduation Scholarship program authorized in A.R.S. § 15-105 (which had been suspended in recent years) and transfers the remaining fund balance for the program to the Commission for Postsecondary Education (*see Commission for Postsecondary Education narrative for more information.*)

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (*Please see the Automation Projects narrative for more details.*)

Department of Emergency and Military Affairs

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
PROGRAM BUDGET			
Administration	1,678,100	1,825,900	1,880,000
Emergency Management	4,020,500	4,771,400	6,121,700
Military Affairs	1,730,800	2,436,700	2,443,400
AGENCY TOTAL	7,429,400	9,034,000	10,445,100
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	83.6	66.6	66.6 ^{1/2/}
Personal Services	1,605,600	1,644,600	1,664,700
Employee Related Expenditures	571,400	584,800	584,700
Professional and Outside Services	49,100	36,500	36,500
Travel - In State	68,600	5,500	5,500
Travel - Out of State	9,000	34,900	34,900
Other Operating Expenditures	1,752,500	2,595,000	2,640,200
Equipment	26,000	128,800	128,800
OPERATING SUBTOTAL	4,082,200	5,030,100	5,095,300
SPECIAL LINE ITEMS			
Governor's Emergency Fund	2,276,200	2,900,000	4,000,000 ^{3/}
Nuclear Emergency Management Fund	1,004,300	1,013,900	1,259,800 ^{4/5/}
Military Airport Planning	66,700	90,000	90,000 ^{6/}
AGENCY TOTAL	7,429,400	9,034,000 ^{7/}	10,445,100 ^{8/9/}
FUND SOURCES			
General Fund	7,429,400	8,901,300	10,312,400
<u>Other Appropriated Funds</u>			
Emergency Response Fund	0	132,700	132,700
SUBTOTAL - Other Appropriated Funds	0	132,700	132,700
SUBTOTAL - Appropriated Funds	7,429,400	9,034,000	10,445,100
Other Non-Appropriated Funds	1,476,200	1,107,100	987,500
Federal Funds	74,780,100	71,076,700	59,480,500
TOTAL - ALL SOURCES	83,685,700	81,217,800	70,913,100

AGENCY DESCRIPTION — The department's Emergency Management Program prepares and coordinates emergency response plans for the state. The Military Affairs Program operates the Arizona National Guard, the Military Installation Fund Program and Project Challenge, an educational program for at-risk youth.

- ^{1/} Includes 4.5 FTE Positions in FY 2014 appropriated by Laws 2013, Chapter 13.
- ^{2/} Includes 1 FTE Position funded from Special Line Items in FY 2014.
- ^{3/} Includes expenditures authorized by A.R.S. § 35-192, which states that up to \$4,000,000 may be spent on disaster prevention and mitigation. This amount is not included in the General Appropriation Act.
- ^{4/} Laws 2013, Chapter 13 appropriates \$1,259,833 and 4.5 FTE Positions in FY 2014 and \$1,375,402 and 4.5 FTE Positions in FY 2015 for the Nuclear Emergency Management Fund.
- ^{5/} Pursuant to A.R.S. § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriation, however, any unexpended monies shall be used to reduce the assessment and appropriation in future years.
- ^{6/} Appropriated by A.R.S. § 26-263 for the administration of the Military Installation Fund.
- ^{7/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(20,900) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- ^{8/} The Department of Emergency and Military Affairs appropriation includes \$1,215,000 for service contracts. This amount is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2014 monies remaining unexpended and unencumbered on October 31, 2014, revert to the state General Fund. (General Appropriation Act footnote)
- ^{9/} General Appropriation Act funds are appropriated as a Lump Sum by Program.

Operating Budget

The budget includes \$5,095,300 and 61.1 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$4,962,600
Emergency Response Fund	132,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$65,200 from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Governor's Emergency Fund

The budget includes \$4,000,000 from the General Fund in FY 2014 for the Governor's Emergency Fund. This amount funds the following adjustments:

Authorization Restoration

The budget includes an increase of \$1,100,000 from the General Fund in FY 2014 for the removal of the session law cap on the Governor's Emergency Fund authorization.

Under A.R.S. § 35-192, the Governor may, through emergency declarations, authorize up to \$4,000,000 annually from the General Fund for disaster prevention and mitigation without specific appropriation authority. Monies in this line item, therefore, are not included in the General Appropriation Act.

Since FY 2009, annual Budget Reconciliation Bills (BRBs) had reduced the authorization to \$2,900,000. No reductions were included in the FY 2014 budget.

Nuclear Emergency Management Fund

The budget includes \$1,259,833 and 4.5 FTE Positions from the General Fund in FY 2014 for the Nuclear Emergency Management Fund (NEMF) and \$1,375,402 and 4.5 FTE Positions in FY 2015. These amounts fund the following adjustments:

NEMF Allocation Increase

Laws 2013, Chapter 13 includes an increase of \$245,870 from the General Fund in FY 2014 for the NEMF Special Line Item and an increase of \$361,439 in FY 2015. These amounts represent the increase above the FY 2013 NEMF allocation of \$1,013,963 appropriated in Laws 2011, Chapter 132.

The monies in this line item are appropriated by Laws 2013, Chapter 13. As a result, these monies do not appear in the General Appropriation Act. The Radiation Regulatory Agency, Department of Emergency and

Military Affairs, and Department of Agriculture receive monies from this bill. *(Please see the Department of Agriculture and Radiation Regulatory Agency narratives for more information.)*

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the General Fund appropriation to the NEMF.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and testing necessary to comply with federally prescribed criteria.

Monies appropriated to the NEMF are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, except that monies left unexpended or unencumbered at the end of the fiscal year shall be used to offset the next year's assessment and appropriation.

Military Airport Planning

The budget includes \$90,000 and 1 FTE Position from the General Fund in FY 2014 for Military Airport Planning. These amounts are unchanged from FY 2013.

The FY 2012 General Government BRB eliminated the annual deposit into the Military Installation Fund in statute. A.R.S. § 26-263 retains the annual \$90,000 and 1 FTE Position administrative appropriation to the department and an annual \$85,000 appropriation to the Attorney General. Since these monies are appropriated in statute, they do not appear in the General Appropriation Act.

Previously, permanent law appropriated \$5,000,000 annually from the General Fund for military installation preservation projects. Of the \$5,000,000:

- \$4,825,000 was allocated to the Military Installation Fund. The Department of Emergency and Military Affairs was required to award 80% to acquire private property, real estate, property rights, and related infrastructure. The remaining 20% was awarded to cities, towns, and counties. The FY 2012 General Government BRB eliminated this amount.
- \$90,000 and 1 FTE Position is appropriated to the Department of Emergency and Military Affairs for administration.

The remaining \$85,000 for Military Airport Planning is appropriated to the Office of the Attorney General.

Other Issues

Attorney General Charge

The FY 2013 Criminal Justice BRB (Laws 2012, Chapter 302) revised the mechanism for agencies to pay their Attorney General pro rata charges from a percentage of the agency's Personal Services to a flat dollar amount that cannot be charged against the General Fund or Federal Funds. DEMA was allocated a charge of \$115,300 in FY 2013. DEMA was not able to pay this total charge due to a lack of other appropriated and non-federal, non-appropriated funds. The FY 2014 budget changed the charge to \$30,000. *(Please see the Attorney General narrative for more details.)*

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Department of Environmental Quality

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	467.4	322.0	322.0
Personal Services	10,930,700	16,019,700	16,154,600
Employee Related Expenditures	4,831,400	7,053,100	7,045,700
Professional and Outside Services	1,358,900	6,800,200	6,800,200
Travel - In State	252,500	442,500	442,500
Travel - Out of State	3,100	48,000	48,000
Other Operating Expenditures	14,535,700	17,010,300	15,291,100
Equipment	90,200	432,400	432,400
OPERATING SUBTOTAL	32,002,500	47,806,200	46,214,500
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	21,519,500	21,119,500	21,119,500
WQARF Priority Site Remediation	7,000,000	7,000,000	7,000,000 ^{1/2/3/}
AGENCY TOTAL	60,522,000	75,925,700	74,334,000 ^{3/}
FUND SOURCES			
General Fund	7,000,000	7,000,000	7,000,000
Other Appropriated Funds			
Air Permits Administration Fund	3,976,600	7,119,600	7,143,900 ^{5/}
Air Quality Fund	2,817,600	5,379,100	5,376,400
Emissions Inspection Fund	28,074,500	28,383,900	26,592,300
Hazardous Waste Management Fund	990,700	1,737,300	1,742,700
Indirect Cost Recovery Fund	11,425,300	13,177,600	13,308,500 ^{6/}
Recycling Fund	0	1,215,700	1,359,400
Solid Waste Fee Fund	690,700	1,239,100	1,242,700
Underground Storage Tank Revolving Fund	0	22,000	22,000
Used Oil Fund	132,900	138,900	0
Water Quality Fee Fund	5,413,700	10,512,500	10,546,100
SUBTOTAL - Other Appropriated Funds	53,522,000	68,925,700	67,334,000
SUBTOTAL - Appropriated Funds	60,522,000	75,925,700	74,334,000
Other Non-Appropriated Funds	161,446,900	171,154,600	172,203,100
Federal Funds	18,689,600	16,539,500	16,539,500
TOTAL - ALL SOURCES	240,658,500	263,619,800	263,076,600

1/ A.R.S. § 49-282 requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it is shown here as a General Fund expenditure. Laws 2013, 1st Special Session, Chapter 4 reduced this transfer to \$7,000,000 in FY 2014.

2/ The Department of Environmental Quality shall report annually on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. This report shall also include a budget for the WQARF program that is developed in consultation with the WQARF Advisory Board. The FY 2014 report shall be submitted to the Joint Legislative Budget Committee by September 1, 2013. This budget shall specify the monies budgeted for each listed site during FY 2014. In addition, the department and the advisory board shall prepare and submit to the Joint Legislative Budget Committee, on or before October 2, 2013, a report in a table format summarizing the current progress on remediation of each listed site on the WQARF registry. The table shall include the stage of remediation for each site at the end of FY 2013, whether the current stage of remediation is anticipated to be completed in FY 2014, and the anticipated stage of remediation at each listed site at the end of FY 2014, assuming FY 2014 funding levels. The department and advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)

3/ Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2015 budget for the Water Quality Assurance Revolving Fund before September 1, 2013, for review by the Senate and House of Representatives Appropriations Committees. (General Appropriation Act footnote)

4/ General Appropriation Act funds are appropriated by Operating Lump Sum with Special Line Items by Agency.

5/ All Air Permits Administration revenues received by the Department of Environmental Quality in excess of \$7,143,900 in FY 2014 are appropriated to the department. Before the expenditure of Air Permits Administration receipts in excess of \$7,143,900 in FY 2014, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

6/ All Indirect Cost Recovery Fund revenues received by the Department of Environmental Quality in excess of \$13,308,500 in FY 2014 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$13,308,500 in FY 2014, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

AGENCY DESCRIPTION — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the clean up (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.

Operating Budget

The budget includes \$46,214,500 and 322 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
Air Permits Administration Fund	\$7,143,900
Air Quality Fund	5,376,400
Emissions Inspection Fund	5,472,800
Hazardous Waste Management Fund	1,742,700
Indirect Cost Recovery Fund	13,308,500
Recycling Fund	1,359,400
Solid Waste Fee Fund	1,242,700
Underground Storage Tank Revolving Fund	22,000
Water Quality Fee Fund	10,546,100

These amounts fund the following adjustments:

Shift Administration of Used Oil Program

The budget includes an increase of \$138,900 from the Recycling Fund and a corresponding decrease of \$(138,900) from the Used Oil Fund in FY 2014 to shift administration of the Used Oil Program to the Solid Waste Program. The Used Oil Fund does not receive any revenue from its statutory fund sources. However, the department's Solid Waste Program includes the Recycling Fund, which generates revenues sufficient to continue the Used Oil Program.

Emissions Inspection Appropriation

The budget includes a decrease of \$(1,800,000) from the Emissions Inspection Fund in FY 2014 to eliminate a one-time increase for the Safe Drinking Water Program.

Statewide Adjustments

The budget includes an increase of \$208,300 in FY 2014 for statewide adjustments. This amount consists of:

Air Permits Administration Fund	24,300
Air Quality Fund	(2,700)
Emissions Inspection Fund	8,400
Hazardous Waste Management Fund	5,400
Indirect Cost Recovery Fund	130,900
Recycling Fund	4,800
Solid Waste Fee Fund	3,600
Water Quality Fee Fund	33,600

(Please see the Agency Detail and Allocations section.)

Emissions Control Contractor Payment

The budget includes \$21,119,500 from the Emissions Inspection Fund in FY 2014 for the Emissions Control Contractor Payment. This amount is unchanged from FY 2013.

Monies appropriated to this line item are used to pay the Emissions Control Program contractor. Under the contract, the contractor remits the entire amount of the fee to ADEQ for deposit in the Emissions Inspection Fund. ADEQ then determines the amount due to the contractor, based on the number of vehicles inspected, and makes payments to the contractor on a regular basis.

The Emissions Control Program is operated by an independent contractor in Maricopa and Pima Counties, with the purpose of identifying and repairing polluting motor vehicles. Pima County vehicle owners are subject only to the idle inspection. The program is funded through test fees that are charged to motorists at the time of inspection.

The FY 2013 Environment Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 303) required the State Agency Fee Commission to recommend reductions to Emissions Inspection fees by December 31, 2012, along with any proposed changes to the statutory use of monies from the Emissions Inspection Fund. The Fee Commission has recommended that the current fee structure remain unchanged and that the Legislature set a statutory cap of 140% of Emissions Inspection contract costs.

The FY 2014 budget does not implement a statutory fee cap on Emissions Inspection contract costs, as monies from the Emissions Inspection Fund have been transferred to the Arizona Department of Administration's (ADOA) to administer the ADEQ e-licensing system through the Automation Projects Fund as described in *Other Issues* below.

WQARF Priority Site Remediation

The budget includes \$7,000,000 from the General Fund in FY 2014 for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount is unchanged from FY 2013.

WQARF is funded in part from an annual \$15,000,000 transfer from the Corporate Income Tax (CIT), as

stipulated in A.R.S. § 49-282. Funding for this program, therefore, does not appear in the General Appropriation Act. In addition, WQARF generates other revenue from various license and registration fees. A.R.S. § 49-282 directs the State Treasurer to adjust the \$15,000,000 CIT transfer so that, when combined with the WQARF fee generated revenue, the program receives \$18,000,000 annually.

The FY 2014 Environment BRB (Laws 2013, 1st Special Session, Chapter 4) continues to notwithstanding these statutory provisions and reduces the General Fund allocation to \$7,000,000. *Table 1* describes program activity for FY 2012 and FY 2013. The budget continues the deposit at the reduced level in FY 2014.

Table 1		
WQARF Activity		
	Actual FY 2012	Estimated FY 2013
Balance Forward	\$ 7,175,800	\$ 8,273,400
General Fund	7,000,000	7,000,000
Other Revenue	5,068,200	3,312,900
Total Funds Available	\$19,244,000	\$18,586,300
General Fund Expenditures	\$ 5,021,700	\$ 7,000,000
Other Funds Expended	5,112,600	7,710,600
<u>Funds Transferred</u>		
Dept. of Water Resources	\$ 300,000	\$ 300,000
Legislative Fund Transfers	536,300	0
Year-End Fund Balance	\$ 8,273,400	\$ 3,575,700

The WQARF program is similar to the federal Superfund program in that it is designed to monitor and remediate contaminated groundwater at specified sites. Program expenditures include searching for responsible polluters, conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

Additional Legislation

Extension of Underground Storage Tank Tax

Laws 1990, Chapter 328 established the Underground Storage Tank (UST) Tax, a 1¢ excise tax on petroleum products and hazardous substances regulated under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980. The tax was deposited in the UST Assurance Account, which financed corrective action costs of repairing leaking underground storage tanks incurred by the department, owners, operators, or political subdivisions. The basic Assurance Account limit of coverage is \$500,000 per UST release with certain exceptions. An eligible owner may receive up to 90% of their costs. The deadline to make a claim against the Assurance Account was June 30, 2010.

Laws 2004, Chapter 273 repealed the UST Program and the associated 1¢ excise tax no later than December 31, 2013 and required that the program be replaced by the Regulated Substance Fund (RSF), which receives its

funding from underground storage tank revenues, reimbursements, donations, monies encumbered by the department for implementing work plans and corrective action plans. The RSF would then be the funding source for underground storage tanks where the owner cannot be located.

However, Laws 2013, Chapter 244 extended the UST tax to December 31, 2015. All monies collected from the tax will first be deposited into the UST Program. The bill also included the following provisions:

1. Extends eligibility for corrective action coverage from the UST Assurance Account for releases that could not have been reasonably reported prior to July 1, 2006.
2. Allows an owner or operator of a UST to apply for preapproval of corrective action costs until December 31, 2014 and extends reimbursement for corrective action until December 31, 2015.
3. Forms a UST study committee and requires the committee to consider and make recommendations related to funding the UST program, financial responsibility requirements, tank compatibility issues, leak protection and tank inspections
4. Requires a report of the study committee's findings by December 31, 2013.
5. Specifies that the department is not required to take any action on an application for coverage until after the study committee reports its findings and recommendations; however, reimbursement is contingent upon available funding.
6. If the UST Assurance Account does not have sufficient monies to pay for coverage of releases reported after July 1, 2006, those releases reported before July 1, 2006 have priority for coverage.
7. After payment of claims, the department is required to transfer any monies remaining in the Assurance Account to the RSF up to a maximum of \$60,000,000.
8. Any monies deposited to the RSF in excess of \$60,000,000 will be transferred to the State Highway Fund.

As of July 16, 2013, the balance in the Assurance Account is approximately \$11,300,000.

Underground Storage Tank Revolving Fund Cap

The FY 2014 Environment BRB continues to suspend the UST Revolving Fund Assurance Account administrative cap for FY 2014 and allows the department to utilize up to a combined \$6,531,000 from the UST Revolving Fund Assurance Account and the RSF for administrative costs.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting

system. *(Please see the Automation Projects narrative for more details.)*

Vehicle Emissions E-Licensing

The budget includes \$5,000,000 in FY 2014 from the Automation Projects Fund for implementing e-licensing projects by the department. These monies were transferred from the Emissions Inspection Fund to the ADOA Automation Projects Fund, which will administer the ADEQ e-licensing program. *(See Arizona Department of Administration Automation Projects Fund.)*

Governor's Office of Equal Opportunity

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	104,200	118,000	118,600
Employee Related Expenditures	49,100	42,200	42,100
Professional and Outside Services	800	1,000	1,000
Travel - In State	0	1,200	1,200
Other Operating Expenditures	22,000	26,700	25,600
Equipment	15,100	0	0
AGENCY TOTAL	191,200	189,100^{1/}	188,500^{2/}
FUND SOURCES			
General Fund	191,200	189,100	188,500
SUBTOTAL - Appropriated Funds	191,200	189,100	188,500
Federal Funds	70,700	90,900	90,900
TOTAL - ALL SOURCES	261,900	280,000	279,400

AGENCY DESCRIPTION — The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.

Operating Budget

The budget includes \$188,500 and 4 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(600) from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(9,200) GF for a state employee health insurance premium holiday. *(Please see the FY 2013 General Fund Adjustments section.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

State Board of Equalization

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	277,400	331,000	332,900
Employee Related Expenditures	70,400	116,300	115,900
Professional and Outside Services	28,800	29,500	29,500
Travel - In State	9,200	15,000	15,000
Other Operating Expenditures	146,400	144,000	146,200
Equipment	3,500	0	0
AGENCY TOTAL	535,700	635,800^{1/}	639,500^{2/}
FUND SOURCES			
General Fund	535,700	635,800	639,500
SUBTOTAL - Appropriated Funds	535,700	635,800	639,500
TOTAL - ALL SOURCES	535,700	635,800	639,500

AGENCY DESCRIPTION — The State Board of Equalization consists of 33 members. The board hears property tax appeals for Maricopa and Pima Counties. Property tax appeals in other counties continue to be heard by the respective County Boards of Equalization. Of the 33 members, the 13 gubernatorial appointments also hear appeals of centrally-valued properties and equalization orders by the Department of Revenue.

Operating Budget

The budget includes \$639,500 and 7 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,700 from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(1,800) GF for a state employee health insurance premium holiday. *(Please see the FY 2013 General Fund Adjustments section.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Board of Executive Clemency

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	496,000	485,800	487,600
Employee Related Expenditures	174,800	123,400	122,700
Professional and Outside Services	4,300	4,000	4,000
Travel - In State	900	15,000	15,000
Travel - Out of State	100	0	0
Other Operating Expenditures	132,000	197,800	207,800
Equipment	2,500	1,300	1,300
AGENCY TOTAL	810,600	827,300^{1/}	838,400^{2/3/}
FUND SOURCES			
General Fund	810,600	827,300	838,400
SUBTOTAL - Appropriated Funds	810,600	827,300	838,400
TOTAL - ALL SOURCES	810,600	827,300	838,400

AGENCY DESCRIPTION — The board consists of 1 full-time chairman and 4 full-time members. The board conducts home arrest, parole, or work furlough release hearings at all adult prison institutions for prisoners convicted prior to January 1, 1994. The board considers executive clemency actions such as pardons, commutations, and absolute discharges for all prisoners convicted on or after January 1, 1994.

Operating Budget

The budget includes \$838,400 and 14 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$11,100 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Caseload Data

A footnote in the FY 2014 General Appropriation Act requires the board to report on FY 2013 caseload by November 1, 2013. In FY 2011, the board heard 3,205 cases, as described below. The board has not responded to requests for its FY 2012 workload.

- **Phases 1 and 2 Commutation (290):** After reviewing an inmate's request to have their sentence commuted, the board can decide to deny the request or allow the request to move to a Phase 2 Commutation hearing.

- **Pardon (64):** The board may recommend that the Governor pardon an offender.
- **Absolute Discharge (22):** The board can discharge a person from imprisonment or parole supervision prior to the sentence expiration date or prior to the expiration of parole.
- **Modification (0):** The board can recommend to the Governor that an inmate's sentence be modified or commuted.
- **Reprieve (3):** The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate's punishment.
- **Parole (313):** These hearings only apply to offenders sentenced prior to 1994. The board may place these offenders on parole or deny their application for parole and return them to the Department of Corrections.
- **Probable Cause (107):** Upon the request of offenders participating in the Community Supervision Program who have been accused of violating the terms of community supervision, the board can place the inmate back in the program or move the inmate to a Violators Hearing.
- **Violator (2,406):** These hearings are conducted when an offender has violated the terms of community supervision.

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(4,100) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} The Board of Executive Clemency shall report to the Staff Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before November 1, 2013 on the total number and types of cases it reviewed in FY 2013. (General Appropriation Act footnote)

Arizona Exposition and State Fair Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	3,113,800	3,311,900	3,353,100
Employee Related Expenditures	857,700	947,000	950,900
Professional and Outside Services	3,446,600	3,655,900	3,655,900
Travel - In State	2,100	3,000	3,000
Travel - Out of State	6,600	7,000	7,000
Other Operating Expenditures	2,892,800	3,260,300	3,368,600
Equipment	59,800	85,000	85,000
AGENCY TOTAL	10,379,400	11,270,100	11,423,500^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Exposition and State Fair Fund	10,379,400	11,270,100	11,423,500
SUBTOTAL - Other Appropriated Funds	10,379,400	11,270,100	11,423,500
SUBTOTAL - Appropriated Funds	10,379,400	11,270,100	11,423,500
TOTAL - ALL SOURCES	10,379,400	11,270,100	11,423,500

AGENCY DESCRIPTION — The Arizona Exposition and State Fair Board is custodian of the 96-acre State Fairgrounds and Memorial Coliseum properties. The board directs and conducts the annual Arizona State Fair and leases the coliseum and fairgrounds facilities for special events, including the annual Arizona National Livestock Show.

Operating Budget

The budget includes \$11,423,500 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$153,400 from the Arizona Exposition and State Fair Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Additional Legislation

Arizona Exposition and State Fair Fund

The FY 2014 Government Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 2) increases the Exposition and State Fair Board Permanent Revolving Fund cap to \$60,000 for non-fair events and \$400,000 for fair events. The fund is used for making change at fairs and for purchases and activities requiring immediate cash outlays.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Department of Financial Institutions

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.1	58.1	58.1
Personal Services	1,926,900	2,311,700	2,337,400
Employee Related Expenditures	807,000	998,300	998,600
Professional and Outside Services	122,100	241,800	241,800
Travel - In State	500	6,000	6,000
Travel - Out of State	6,000	3,000	3,000
Other Operating Expenditures	402,400	350,300	368,000
Equipment	17,800	17,000	1,000
AGENCY TOTAL	3,282,700	3,928,100^{1/}	3,955,800^{2/3/}
FUND SOURCES			
General Fund	2,745,100	2,990,100	3,019,100
<u>Other Appropriated Funds</u>			
Financial Services Fund	537,600	938,000	936,700
SUBTOTAL - Other Appropriated Funds	537,600	938,000	936,700
SUBTOTAL - Appropriated Funds	3,282,700	3,928,100	3,955,800
Other Non-Appropriated Funds	2,259,700	1,628,800	838,800
TOTAL - ALL SOURCES	5,542,400	5,556,900	4,794,600

AGENCY DESCRIPTION — The department regulates state-chartered financial entities. The regulated entities include money transmitters, motor vehicle dealers, holding companies, trust companies, sales finance companies, collection agencies, escrow agents, debt management companies, consumer lenders, mortgage bankers, mortgage brokers, premium finance companies, credit unions and banks.

Operating Budget

The budget includes \$3,955,800 and 58.1 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$3,019,100
Financial Services Fund	936,700

These amounts fund the following adjustments:

Bank, Credit Union and Trust Examiners

The budget includes a decrease of \$(8,000) from the General Fund in FY 2014 to eliminate one-time equipment for bank, credit union, and trust company examiners.

Loan Originator and Mortgage Examiners

The budget includes a decrease of \$(8,000) from the Financial Services Fund in FY 2014 to eliminate one-time equipment for mortgage broker, mortgage banker, and loan originator examiners.

Statewide Adjustments

The budget includes an increase of \$43,700 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	37,000
Financial Services Fund	6,700

(Please see the Agency Detail and Allocations section.)

Additional Legislation

Department Receivership Revolving Fund

The Revenue Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 9) allows the agency to spend up to \$850,000 from the Receivership Revolving Fund in FY 2014 for an electronic licensing system.

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(31,300) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{2/} The Department of Financial Institutions shall assess and set fees to ensure that monies deposited in the state General Fund will equal or exceed its expenditure from the state General Fund. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Department of Fire, Building, and Life Safety

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	47.0	47.0	47.0
Personal Services	936,400	898,800	1,096,500
Employee Related Expenditures	415,000	421,200	487,500
Professional and Outside Services	9,100	42,400	42,400
Travel - In State	126,300	102,100	102,100
Other Operating Expenditures	257,200	268,100	282,100
Equipment	2,000	15,400	15,400
AGENCY TOTAL	1,746,000	1,748,000 ^{1/}	2,026,000 ^{2/}
FUND SOURCES			
General Fund	1,746,000	1,748,000	2,026,000
SUBTOTAL - Appropriated Funds	1,746,000	1,748,000	2,026,000
Other Non-Appropriated Funds	557,800	501,100	501,100
Federal Funds	309,400	164,100	164,100
TOTAL - ALL SOURCES	2,613,200	2,413,200	2,691,200

AGENCY DESCRIPTION — The agency enforces safety standards for manufactured homes, mobile homes, and factory-built buildings. The agency also includes the Office of the State Fire Marshal, which enforces the state fire codes and provides training and education for fire personnel and the general public. All training provided by the department must comply with safety standards prescribed by the National Fire Protection Association and the Occupational Safety and Health Administration of Arizona.

Operating Budget

The budget includes \$2,026,000 and 47 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Agency Operations

The budget includes an increase of \$270,000 from the General Fund in FY 2014 for operation of the State Fire Marshal and manufactured housing programs.

A 2011 Auditor General Performance Audit found that the non-appropriated Mobile Home Relocation Fund was being charged more than its proportionate share to support the agency's operating budget. To reduce the Relocation Fund's share of administrative costs, the State Fire Marshal and manufactured housing programs raised fees in FY 2013. These fees, however, are deposited into the General Fund. The increased appropriation is equivalent to the level of increased fees.

Statewide Adjustments

The budget includes an increase of \$8,000 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the Automation Projects narrative for more details.)

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(24,100) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

State Forester

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	52.0	52.0	52.0 ^{1/}
Personal Services	1,550,300	1,621,300	1,638,400
Employee Related Expenditures	580,100	590,000	585,800
Other Operating Expenditures	65,700	1,136,600	141,500
OPERATING SUBTOTAL	2,196,100	3,347,900	2,365,700
SPECIAL LINE ITEMS			
Environmental County Grants	75,000	75,000	175,000
Fire Suppression	2,719,900	3,000,000	4,000,000 ^{2/}
Inmate Fire Crews	700,000	695,700	695,700
Resource Management Plan Grants	0	0	100,000
AGENCY TOTAL	5,691,000	7,118,600 ^{3/}	7,336,400 ^{4/}
FUND SOURCES			
General Fund	5,691,000	7,118,600	7,336,400
SUBTOTAL - Appropriated Funds	5,691,000	7,118,600	7,336,400
Other Non-Appropriated Funds	32,159,100	17,279,500	17,279,500
Federal Funds	1,284,600	329,800	329,800
TOTAL - ALL SOURCES	39,134,700	24,727,900	24,945,700

AGENCY DESCRIPTION — The State Forester is responsible for the prevention and suppression of forest fires on State Trust Land and private land outside incorporated municipalities (about 22 million acres total).

Operating Budget

The budget includes \$2,365,700 and 39 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Fire Suppression

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2014 for a shift of resources to the Fire Suppression Special Line Item.

Statewide Adjustments

The budget includes an increase of \$17,800 from the General Fund in FY 2014 for statewide adjustments. (Please see *Agency Detail and Allocations* section.)

Environmental County Grants

The budget includes \$175,000 from the General Fund in FY 2014 for Environmental County Grants. These amounts fund the following adjustments:

Fund Increase

The budget includes an increase of \$100,000 from the General Fund in FY 2014 for Environmental County Grants.

Monies in this line item have been used by Greenlee, Graham, Gila, Navajo, and Apache Counties for environmental projects that impact economic development in those counties. The State Forester's Office must approve any project prior to expenditure of the monies.

In FY 2012, this funding supported the following 3 projects:

- \$30,500 was distributed to projects utilizing forest biomass to produce wood products, heating, and electricity.
- \$23,500 was distributed to manage the reintroduction of the Mexican Gray Wolf in an area of Greenlee County, an adjacent New Mexico area, and the Blue Range Wolf Recovery Area.

^{1/} Includes 13 GF FTE Positions funded from Special Line Items in FY 2014.

^{2/} A.R.S. § 37-623.02 annually appropriates \$3,000,000 from the General Fund to the Fire Suppression Revolving Fund. Because this authorization is in permanent statute, it is not included in the General Appropriation Act.

^{3/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(36,100) GF for a state employee health insurance premium holiday. (Please see the *FY 2013 General Fund Adjustments* section.)

^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

- \$21,000 was distributed to the Environmental Economic Communities Organization for participation in 11 professional and national forests organizations.

Fire Suppression

The budget includes \$4,000,000 from the General Fund in FY 2014 for Fire Suppression. These amounts fund the following adjustments:

Operating Budget Shift

The budget includes an increase of \$1,000,000 from the General Fund in FY 2014 for fire suppression activities. There is no net change in agency resources. This fund shift consolidates fire suppression funding into the Special Line Item.

This Special Line Item funds fire suppression on state trust land and rural private land. A.R.S. § 37-623.02 provides an annual appropriation of up to \$3,000,000 from the General Fund for fire suppression. Because this authorization is in permanent statute, \$3,000,000 of the \$4,000,000 is not included in the General Appropriation Act.

Inmate Fire Crews

The budget includes \$695,700 and 13 FTE Positions from the General Fund in FY 2014 for Inmate Fire Crews. These amounts are unchanged from FY 2013.

These monies provide fire-fighting training for 12 inmate fire crews. The crews act as first responders and are used for fuel treatment and fire suppression.

Resource Management Plan Grants

The budget includes \$100,000 from the General Fund in FY 2014 for a new Resource Management Plan Grants Special Line Item.

This Special Line Item provides one-time funding to the Arizona Natural Resources Review Council to study and develop a strategy to manage natural resources in a coordinated cross-agency effort designed to promote economic development and to address federal encroachment on state authorities tasked with managing the state's natural resources. The Council was established in January 2013 by Executive Order and consists of the agency heads of the Arizona Game and Fish Department, Arizona Department of Transportation, State Land Department, Department of Environmental Quality, Department of Water Resources, State Forester, Arizona Geological Survey, State Parks Board, and the Arizona Department of Agriculture.

State Board of Funeral Directors and Embalmers

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	177,300	194,300	196,600
Employee Related Expenditures	39,000	48,400	48,400
Professional and Outside Services	39,600	43,600	43,600
Travel - In State	5,200	9,000	9,000
Other Operating Expenditures	32,100	48,000	51,000
Equipment	900	5,000	5,000
AGENCY TOTAL	294,100	348,300	353,600^{1/}

FUND SOURCES

<i>Other Appropriated Funds</i>			
Board of Funeral Directors' and Embalmers' Fund	294,100	348,300	353,600
SUBTOTAL - Other Appropriated Funds	294,100	348,300	353,600
SUBTOTAL - Appropriated Funds	294,100	348,300	353,600
TOTAL - ALL SOURCES	294,100	348,300	353,600

AGENCY DESCRIPTION — The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$353,600 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$5,300 from the Board of Funeral Directors' and Embalmers' Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona Game and Fish Department

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	13,318,800	15,171,100	15,271,600
Employee Related Expenditures	7,605,300	8,124,200	8,111,600
Professional and Outside Services	850,700	418,300	418,300
Travel - In State	232,100	279,800	279,800
Travel - Out of State	154,500	4,500	4,500
Other Operating Expenditures	4,564,800	9,477,300	9,558,000
Equipment	600,300	284,000	284,000
OPERATING SUBTOTAL	27,326,500	33,759,200	33,927,800
SPECIAL LINE ITEMS			
Lower Colorado Multispecies Conservation	350,000	350,000	350,000
Performance Incentive Pay Program	346,100	346,100	346,100 ^{1/}
Pittman-Robertson/Dingell-Johnson Act	2,000,000	3,808,000	3,808,000 ^{2/}
Watercraft Grant Program	1,175,000	1,000,000	1,000,000
Watercraft Safety Education Program	250,000	250,000	250,000
AGENCY TOTAL	31,447,600	39,513,300	39,681,900 ^{3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Capital Improvement Fund	1,000,000	1,000,000	999,700
Game and Fish Fund	26,177,600	33,570,000	33,684,100
Game, Non-Game, Fish and Endangered Species Fund	205,500	344,500	346,300
Watercraft Licensing Fund	4,050,100	4,539,400	4,555,800
Waterfowl Conservation Fund	14,400	43,400	80,000
Wildlife Endowment Fund	0	16,000	16,000
SUBTOTAL - Other Appropriated Funds	31,447,600	39,513,300	39,681,900
SUBTOTAL - Appropriated Funds	31,447,600	39,513,300	39,681,900
Other Non-Appropriated Funds	17,566,900	26,158,600	26,158,600
Federal Funds	34,205,800	29,213,600	29,213,600
TOTAL - ALL SOURCES	83,220,300	94,885,500	95,054,100

AGENCY DESCRIPTION — The Arizona Game and Fish Department (AGFD) manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. A 5-member commission appointed by the Governor oversees department operations.

Operating Budget		FY 2014
The budget includes \$33,927,800 and 273.5 FTE Positions in FY 2014 for the operating budget. These amounts consist of:		Capital Improvement Fund
		\$999,700
		Game and Fish Fund
		29,576,100
		Game, Non-Game, Fish and Endangered Species Fund
		346,300
		Watercraft Licensing Fund
		2,909,700
		Waterfowl Conservation Fund
		80,000
		Wildlife Endowment Fund
		16,000

- ^{1/} The \$300,000 from the Game and Fish Fund and \$46,100 from the Watercraft Licensing Fund in FY 2014 for the Performance Incentive Pay Program line item shall be used for Personal Services and Employee Related Expenditures associated with the department's Performance Incentive Pay Program. This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} In addition to the \$3,808,000 for the Pittman-Robertson/Dingell-Johnson Act line item, the lump sum appropriation includes \$50,000 for cooperative fish and wildlife research, which may be used for the purpose of matching federal and apportionment funds. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$60,700 in FY 2014 for statewide adjustments. This amount consists of:

Capital Improvement Fund	(300)
Game and Fish Fund	49,100
Game, Non-Game, Fish and Endangered Species Fund	1,800
Watercraft Licensing Fund	10,100

(Please see the Agency Detail and Allocations section.)

Computer Replacement Program

The budget includes an increase of \$71,300 in FY 2014 for the Computer Replacement Program. This amount consists of:

Game and Fish Fund	65,000
Watercraft Licensing Fund	6,300

The Computer Replacement Program seeks to increase department efficiency by replacing the department's outdated personal computers to achieve a 4-year renewal cycle.

Waterfowl Conservation Projects

The budget includes an increase of \$36,600 in FY 2014 from the Waterfowl Conservation Fund for the Waterfowl Conservation Program to align spending with projected revenues. The Waterfowl Conservation Projects seek to develop waterfowl habitat conservation, research, and management throughout the state.

Lower Colorado Multispecies Conservation

The budget includes \$350,000 from the Watercraft Licensing Fund in FY 2014 for the Lower Colorado River Multispecies Conservation Plan (MSCP). This amount is unchanged from FY 2013.

The \$350,000 payment represents the department's share of Arizona's payment for the plan. This amount funds approximately 25% of the state's annual payment. Currently, the total payment to MSCP is \$1,400,000. The Central Arizona Water Conservation District pays the remaining \$1,050,000 share of the state's obligation under the plan.

Annual payments for the plan are made to the U.S. Bureau of Reclamation. The bureau uses the monies received from state payments to implement conservation measures under the MSCP agreement.

The MSCP is an agreement between Arizona, California, Nevada, Indian Tribes, and water and utility companies to protect species classified as threatened or endangered, and to prevent any additional species from being added to these lists. The MSCP implementation plan lasts for 50 years, is

estimated to cost \$626,000,000, and is administered by the U.S. Bureau of Reclamation.

Performance Incentive Pay Program

The budget includes \$346,100 in FY 2014 for the Performance Incentive Pay Program. This amount consists of:

Game and Fish Fund	300,000
Watercraft Licensing Fund	46,100

These amounts are unchanged from FY 2013.

These monies fund the department's Performance Incentive Pay Program. Employee distributions are based on 50% work unit performance measures and 50% on agencywide performance measures. These measures are determined by internal and external customer surveys, cycle times, and other quantifiable data.

Pittman-Robertson/Dingell-Johnson Act

The budget includes \$3,808,000 from the Game and Fish Fund in FY 2014 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2013.

These monies fund the state's 25% match for federal aid matching funds for wildlife restoration projects.

Watercraft Grant Program

The budget includes \$1,000,000 from the Watercraft Licensing Fund in FY 2014 for the Watercraft Grant Program Special Line Item (SLI). This amount is unchanged from FY 2013.

The program awards grants through a competitive grant process to Arizona watercraft enforcement agencies. These grants are used by agencies to expand Operation Under the Influence enforcement efforts, such as purchasing equipment, paying officers' overtime, or funding prevention and education programs.

Watercraft Safety Education Program

The budget includes \$250,000 from the Watercraft Licensing Fund in FY 2014 for the Watercraft Safety Education Program SLI. This amount is unchanged from FY 2013.

The Watercraft Safety Education Program SLI funds a statewide marketing campaign designed to promote a boating education class and an internet-based education program. Department data indicate that 79% of all boaters involved in accidents have never received any formal boating education.

Additional Legislation

License Classification, Registration, and Fees Rules

Laws 2013, Chapter 197 repeals statutory language relating to hunting and fishing license classifications, motorized watercraft registration, and fees for licenses, permits, tags, stamps, and nonresident boating safety infrastructure. The Arizona Game and Fish Commission is required to establish new rules relating to the repealed classifications, registrations, and fees.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Department of Gaming

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	123.0	115.3	115.3 ^{1/}
Personal Services	4,343,000	4,583,500	4,633,900
Employee Related Expenditures	1,813,500	1,851,300	1,902,100
Professional and Outside Services	526,700	465,900	465,900
Travel - In State	246,400	250,600	250,600
Travel - Out of State	48,100	40,200	40,200
Other Operating Expenditures	591,200	853,800	863,500
Equipment	345,100	156,700	156,700
OPERATING SUBTOTAL	7,914,000	8,202,000	8,312,900
SPECIAL LINE ITEMS			
Additional Operating Expenses	0	0	800,400 ^{2/}
Casino Operations Certification	2,033,300	2,067,900	2,104,000
Problem Gambling	1,894,900	2,062,700	2,279,700
AGENCY TOTAL	11,842,200	12,332,600	13,497,000 ^{3/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Arizona Benefits Fund	9,508,900	9,964,700	11,093,000
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	2,033,300	2,067,900	2,104,000
SUBTOTAL - Other Appropriated Funds	11,842,200	12,332,600	13,497,000
SUBTOTAL - Appropriated Funds	11,842,200	12,332,600	13,497,000
TOTAL - ALL SOURCES	11,842,200	12,332,600	13,497,000

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts. The agency is funded by the Arizona Benefits Fund, which receives a portion of tribal gaming revenues to pay for regulation of tribal gaming and prevention of problem gambling. The agency is also responsible for certifying casino employees and vendors working with casinos. The department receives monies from the Tribal State Compact Fund through casino employee and vendor certification application fees.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, the department's administration expenses from the Arizona Benefits Fund, excluding Problem Gambling, are limited to the greater of \$8,000,000, or 9% of state tribal gaming revenues. The budget includes \$9,113,300 in FY 2014, representing 9% of projected revenue and statewide adjustments. An amount of \$8,312,900 is appropriated for continuing operating budget expenditures and \$800,400 is appropriated for new operating budget expenditures. While the FY 2014 appropriation includes statewide adjustments above the estimated administrative allocation, the department would only be permitted to spend 9% of the state tribal gaming revenue, which is projected to be \$8,831,900. Any unexpended

administrative monies are transferred to the Department of Education's Instructional Improvement Fund.

From the Arizona Benefits Fund, the department is also appropriated 2% of tribal revenues and statewide adjustments, equal to \$1,979,700 for FY 2014, for the Problem Gambling Special Line Item (SLI). While the FY 2014 appropriation includes statewide adjustments above the estimated Problem Gambling allocation, the department would only be permitted to spend 2% of the state tribal gaming revenue, which is projected to be \$1,962,700.

From FY 2011 to FY 2012, state gaming revenues grew 7.8% to \$84,600,000. Gaming revenues are expected to

^{1/} Includes 33 OF FTE Positions funded from Special Line Items in FY 2014.

^{2/} The Department of Gaming shall report to the Staff Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before December 1, 2013 on the expected amount and purpose of expenditures from the Additional Operating Expenses Special Line Item for FY 2014. The report shall include the projected line item detail. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

grow by 4% from FY 2012 to FY 2013 to a level of \$88,000,000. From FY 2013 to FY 2014, revenues are forecasted to increase by 11.6% to \$98,100,000. (See Table 1 for more information on projected state revenues and department allocations.)

Operating Budget

The budget includes \$8,312,900 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$110,900 from the Arizona Benefits Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Additional Operating Expenses

The budget includes \$800,400 from the Arizona Benefits Fund in FY 2014 for additional operating expenses. The department would be required to report on any new administrative spending. This amount funds the following adjustments:

Additional Revenues

The budget includes an increase of \$800,400 from the Arizona Benefits Fund in FY 2014 to align spending with 9% of projected tribal contributions. The agency may use this additional appropriation for administrative costs of regulating gaming. In FY 2015, these resources will be allocated to the appropriate operating budget line items. (See footnote on additional operating expense reporting.)

Casino Operations Certification

The budget includes \$2,104,000 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2014 for Casino Operations Certification. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$36,100 from the Tribal-State Compact Fund in FY 2014 for statewide adjustments.

The department has the responsibility for investigating and certifying all vendors that provide over \$10,000 per month of goods and services to tribal gaming facilities and all tribal gaming employees, excluding food and beverage personnel who are certified by the relevant tribal gaming office. Certification application fees provide funding for the Casino Operations Certification SLI.

Problem Gambling

The budget includes \$2,279,700 and 5 FTE Positions in FY 2014 for Problem Gambling. These amounts consist of:

	FY 2014
Arizona Benefits Fund	\$1,979,700
Lottery Fund	300,000

These amounts fund the following adjustments:

Revenue Realignment

The budget includes an increase of \$210,200 from the Arizona Benefits Fund in FY 2014 to realign spending with projected revenues.

Statewide Adjustments

The budget includes an increase of \$6,800 from the Arizona Benefits Fund in FY 2014 for statewide adjustments.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, 2% of tribal revenues received by the state shall be appropriated from the Arizona Benefits Fund to the department to provide problem gambling prevention, treatment, and education programs. The budget includes \$1,979,700 for FY 2014 from the Arizona Benefits Fund. (See Table 1 for more information on projected state revenues and department allocations.)

Table 1

Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}

<u>Recipient</u>	<u>Proposition 202 Formula</u>	<u>FY 2011 Actual</u> ^{1/}	<u>FY 2012 Actual</u> ^{1/}	<u>FY 2013 Projected</u> ^{2/}	<u>FY 2014 Projected</u> ^{2/}
State Government Distribution	88% of total	\$78,840,200	\$84,580,600	\$87,963,800	\$ 98,132,200
Local Government Distribution ^{3/}	12% of total	<u>10,621,800</u>	<u>11,533,700</u>	<u>11,995,100</u>	<u>13,381,700</u>
Total	100% of total	\$89,462,000	\$96,114,300	\$99,958,900	\$111,513,900
<u>Allocation of State Government's Share</u>					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000 ^{4/}	\$ 8,831,900 ^{4/}
Department of Gaming Problem Gambling	2%	<u>1,576,800</u>	<u>1,691,600</u>	<u>1,759,300</u> ^{5/}	<u>1,962,700</u> ^{5/}
Subtotal-Department of Gaming		\$ 9,576,800	\$ 9,691,600	\$ 9,759,300	\$ 10,794,600
Instructional Improvement Fund (Department of Education)	56% of remainder	38,787,400	41,937,900	43,794,400	48,909,100
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	19,393,800	20,968,900	21,897,300	24,454,500
Arizona Wildlife Conservation Fund	8% of remainder	5,541,100	5,991,100	6,256,400	6,987,000
Tourism Fund	8% of remainder	<u>5,541,100</u>	<u>5,991,100</u>	<u>6,256,400</u>	<u>6,987,000</u>
Total		\$78,840,200	\$84,580,600	\$87,963,800	\$98,132,200

^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.

^{2/} The budget projects 4% growth in FY 2013 tribal contributions to the Arizona Benefits Fund and 11.6% growth in FY 2014.

^{3/} Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.

^{4/} While the FY 2013 appropriation is \$8,202,000 and the FY 2014 appropriation is \$9,113,300 (as adjusted for statewide allocations), A.R.S. § 5-601.02H3 requires 9% of state gaming revenues or \$8,000,000, whichever is greater, to be used for the department's operating budget. This provision is expected to allow the department to only expend \$8,000,000 for operating expenditures in FY 2013 and \$8,831,900 in FY 2014.

^{5/} While the FY 2013 appropriation is \$1,762,700 and the FY 2014 appropriation is \$1,979,700 (as adjusted for statewide allocations), A.R.S. § 5-601.02H3 requires 2% of state gaming revenues, to be used for problem gambling prevention. This provision is expected to allow the department to only expend \$1,759,300 for problem gambling expenditures in FY 2013 and \$1,962,700 in FY 2014.

Arizona Geological Survey

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10.3	10.3	10.3
Personal Services	449,100	488,700	496,700
Employee Related Expenditures	179,200	186,600	187,100
Professional and Outside Services	3,200	4,600	4,600
Travel - In State	5,500	3,300	3,300
Travel - Out of State	900	3,500	3,500
Other Operating Expenditures	238,300	192,500	245,200
Equipment	0	1,000	1,000
AGENCY TOTAL	876,200	880,200 ^{1/}	941,400 ^{2/}
FUND SOURCES			
General Fund	876,200	880,200	941,400
SUBTOTAL - Appropriated Funds	876,200	880,200	941,400
Other Non-Appropriated Funds	1,857,600	1,041,900	1,041,900
Federal Funds	6,002,300	7,776,100	7,776,100
TOTAL - ALL SOURCES	8,736,100	9,698,200	9,759,400

AGENCY DESCRIPTION — The Geological Survey investigates Arizona's geology and provides technical advice and assistance to state and local government agencies, industry and other members of the public concerning the geologic environment and the development and use of mineral resources in Arizona. The Survey also provides staffing to the Arizona Oil and Gas Conservation Commission, which regulates the drilling and production of oil, gas and other energy resources.

Operating Budget

The budget includes \$941,400 and 10.3 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$61,200 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the Automation Projects narrative for more details.)

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(7,700) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Office of the Governor

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	6,219,200	6,749,900	6,926,000
AGENCY TOTAL	6,219,200	6,749,900 ^{1/}	6,926,000 ^{2/3/4/}
FUND SOURCES			
General Fund	6,219,200	6,749,900	6,926,000
SUBTOTAL - Appropriated Funds	6,219,200	6,749,900	6,926,000
Other Non-Appropriated Funds	3,416,700	3,921,000	3,909,600
Federal Funds	190,128,300	69,339,600	21,152,800
TOTAL - ALL SOURCES	199,764,200	80,010,500	31,988,400

AGENCY DESCRIPTION — The Governor is the state's Chief Executive Officer and responsible for the execution of state laws. The Office of the Governor includes the Office for Children, Youth and Families, Office on Aging, Office of Constituent Services, Arizona-Mexico Commission, Northern Office, and Tucson Office.

Operating Budget

The budget includes \$6,926,000 from the General Fund in FY 2014 for the operating budget. This amount funds the following adjustments:

Statewide Adjustments

The budget includes an increase of \$176,100 from the General Fund in FY 2014 for statewide adjustments. (Please see the *Agency Detail and Allocations* section.)

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the *Automation Projects* narrative for more details.)

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(46,300) GF for a state employee health insurance premium holiday. (Please see the *FY 2013 General Fund Adjustments* section.)

^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{4/} Included in the Lump Sum appropriation of \$6,926,000 for FY 2014 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)

Governor's Office of Strategic Planning and Budgeting

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,118,700	1,316,100	1,330,900
Employee Related Expenditures	415,700	346,300	360,700
Professional and Outside Services	104,600	92,500	92,500
Travel - In State	500	100	100
Travel - Out of State	1,900	0	0
Other Operating Expenditures	138,100	163,900	207,200
Equipment	10,200	1,800	1,800
AGENCY TOTAL	1,789,700	1,920,700 ^{1/}	1,993,200 ^{2/3/}
FUND SOURCES			
General Fund	1,789,700	1,920,700	1,993,200
SUBTOTAL - Appropriated Funds	1,789,700	1,920,700	1,993,200
TOTAL - ALL SOURCES	1,789,700	1,920,700	1,993,200

AGENCY DESCRIPTION — The Governor's Office of Strategic Planning and Budgeting advises the Governor in the preparation of the Executive budget and provides the Executive Branch a central resource for the compilation, analysis, and investigation of state fiscal matters. It facilitates a strategic planning process and assists agencies in preparation and execution of their budgets.

Operating Budget

The budget includes \$1,993,200 and 22 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$72,500 from the General Fund in FY 2014 for statewide adjustments. (Please see the *Agency Detail and Allocations* section.)

- ^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(15,400) GF for a state employee health insurance premium holiday. (Please see the *FY 2013 General Fund Adjustments* section.)
- ^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Department of Health Services

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,632.1	1,176.7	1,176.7 ^{1/}
Personal Services	53,164,900	55,495,400	55,759,900
Employee Related Expenditures	22,566,800	23,317,500	23,312,000
Professional and Outside Services	12,138,500	14,038,500	14,038,500
Travel - In State	517,600	485,900	485,900
Travel - Out of State	65,900	67,900	67,900
Other Operating Expenditures	40,566,000	38,901,100	41,805,300
Equipment	1,873,600	1,308,700	1,308,700
OPERATING SUBTOTAL	130,893,300	133,615,000	136,688,200
SPECIAL LINE ITEMS			
Behavioral Health			
Medicaid Behavioral Health - Traditional	809,510,500	1,085,237,300 ^{2/}	878,054,300 ^{3/4/5/}
Medicaid Behavioral Health - Proposition 204	424,635,000	137,985,600 ^{2/}	105,251,500 ^{3/4/5/6/}
Medicaid Behavioral Health - Comprehensive Medical and Dental Program	0	0	140,896,200 ^{3/4/5/}
Proposition 204 Administration	5,283,000	6,446,700	6,446,700 ^{6/}
Medicare Clawback Payments	12,541,500	13,838,800	14,925,100
Medicaid Insurance Premium Payments	18,712,700	24,383,000	22,487,100
Non-Medicaid Seriously Mentally Ill Services	0	95,238,000	78,846,900
Non-Medicaid Prescription Medication	37,755,100	0	0
Supported Housing	5,215,500	5,324,800	5,324,800
Crisis Services	16,360,400	0	16,391,100
Community Placement Treatment	0	1,130,700	1,130,700
Mental Health First Aid	0	0	250,000 ^{2/}
One-Time Electronic Medical Records Start-Up	0	0	3,850,000
Public and Family Health			
Adult Cystic Fibrosis	78,900	105,200	105,200
AIDS Reporting and Surveillance	1,000,000	1,000,000	1,000,000
Alzheimer's Disease Research	1,125,000	1,125,000	1,125,000 ^{8/}
Breast and Cervical Cancer and Bone Density Screening	960,100	1,363,300	1,369,400
County Tuberculosis Provider Care and Control	486,300	590,700	590,700
Emergency and Trauma Services	0	300,000	300,000
Folic Acid	362,200	400,000	400,000
High Risk Perinatal Services	2,077,600	2,543,400	2,543,400
Newborn Screening Program	4,948,500	6,296,100	6,307,000
Nursing Facility Study	0	0	90,000
Poison Control Centers Funding	666,300	990,000	990,000
Nonrenal Disease Management	198,000	198,000	198,000 ^{2/}
Renal Dental Care and Nutrition Supplements	0	0	300,000
AGENCY TOTAL	1,472,809,900	1,518,111,600 ^{10/}	1,425,861,300 ^{11/-14/}
FUND SOURCES			
General Fund	506,370,400	588,109,400	550,646,400
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	9,476,200	12,517,800	14,918,500
ASH Land Earnings Fund	1,081,800	650,000	650,000
Capital Outlay Stabilization Fund	1,244,800	1,146,500	1,559,800
Child Fatality Review Fund	94,800	94,500	94,800
Emergency Medical Services Operating Fund	4,188,700	5,100,900	5,121,400
Environmental Laboratory Licensure Revolving Fund	749,500	923,100	926,900
Federal Child Care and Development Fund Block Grant	834,800	830,900	830,400
Health Services Licensing Fund	7,983,200	8,068,000	8,842,400

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
Hearing and Speech Professionals Fund	316,600	318,700	0
Indirect Cost Fund	7,292,500	8,953,100	10,390,400
Long Term Care System Fund	0	1,379,600	0
Newborn Screening Program Fund	4,948,500	6,728,000	6,738,900
Nursing Care Institution Resident Protection Revolving Fund	144,400	438,200	128,200
Prescription Drug Rebate Fund	33,900,000	0	0
Substance Abuse Services Fund	2,250,000	2,250,000	2,250,000
TTHCF Health Research Account	1,000,000	1,000,000	1,000,000
TTHCF Medically Needy Account	35,129,200	35,167,000	35,467,000
Vital Records Electronic Systems Fund	2,019,500	3,629,000	3,634,700
SUBTOTAL - Other Appropriated Funds	112,654,500	89,195,300	92,553,400
SUBTOTAL - Appropriated Funds	619,024,900	677,304,700	643,199,800
<u>Expenditure Authority Funds</u>			
Federal Medicaid Services	853,785,000	840,806,900	782,661,500
SUBTOTAL - Expenditure Authority Funds	853,785,000	840,806,900	782,661,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,472,809,900	1,518,111,600	1,425,861,300
Other Non-Appropriated Funds	109,305,400	113,030,400	113,030,400
Federal Funds	306,362,800	314,980,400	314,980,400
TOTAL - ALL SOURCES	1,888,478,100	1,946,122,400	1,853,872,100

- 1/ Includes 1 GF and 24.1 OF FTE Positions funded from Special Line Items in FY 2014.
- 2/ For FY 2013, the Department of Health Services may use monies in the IGA and ISA Fund as the state Medicaid match for behavioral health services. Before using the monies, the department shall report to the Director of the Joint Legislative Budget Committee the proposed amount of the IGA and ISA Fund monies to be used for the match, the source of those monies, including reconciliation payments and penalties, and the total amount of reconciliation payments and penalties in the fund. (General Appropriation Act footnote)
- 3/ On or before January 6, 2014, the Department of Health Services shall report to the Director of the Joint Legislative Budget Committee the total amount of Medicaid reconciliation payments and penalties received by that date since July 1, 2013. On June 30, 2014, the department shall report the same information for all of FY 2014. (General Appropriation Act footnote)
- 4/ The Department of Health Services shall report to the Joint Legislative Budget Committee 30 days after the end of each calendar quarter on the progress the department is making toward settling the *Arnold v. Sarn* lawsuit. The report shall include at a minimum the department's progress towards meeting the exit criteria and whether the department is in compliance with the exit criteria schedule. (General Appropriation Act footnote)
- 5/ It is the intent of the Legislature that the percent attributable to administration/profit for the Regional Behavioral Health Authority in Maricopa County is 9% of the overall capitation rate. (General Appropriation Act footnote)
- 6/ The amounts included in the Proposition 204 Administration and Medicaid Behavioral Health - Proposition 204 Special Line Items include all available sources of funding consistent with A.R.S. § 36-2901.01B. (General Appropriation Act footnote)
- 7/ It is the intent of the Legislature that monies in the Mental Health First Aid line item be spent to train mental health first aid instructors. (General Appropriation Act footnote)
- 8/ Of the \$1,125,000 for Alzheimer's Disease Research, \$1,000,000 of that amount is from the Tobacco Tax and Health Care Fund - Health Research Account. (General Appropriation Act footnote)
- 9/ The Department of Health Services may use up to 4% of the amounts appropriated for Nonrenal Disease Management for the administrative costs to implement the program. (General Appropriation Act footnote)
- 10/ In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(649,700) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- 11/ In addition to the appropriation for the Department of Health Services, earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated to the State Hospital in compliance with the Enabling Act and the Constitution of Arizona. (General Appropriation Act footnote)
- 12/ The department shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be no more than 2%. Before implementation of any changes in capitation rates for any behavioral health line items, the Department of Health Services shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 13/ A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded electronically to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall include an estimate of potential shortfalls in programs, potential Federal and Other Funds, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, and total expenditure authority of the month and year-to-date for federally-matched services. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

AGENCY DESCRIPTION — The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, most behavioral health programs, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring.

Summary

DHS' FY 2014 General Fund spending would decrease by \$(37,463,000), or (6.4)%. The budget includes:

- \$(57,611,800) for formula adjustments.
- \$15,816,000 for mandatory costs associated with federal health care legislation.
- \$3,779,600 for changes to programs funded by the operating budget.
- \$303,200 for statewide adjustments.
- \$250,000 for Mental Health First Aid.

Operating Budget

The budget includes \$136,688,200 and 1,151.6 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$82,780,500
Arizona State Hospital Fund	11,387,800
ASH Land Earnings Fund	650,000
Capital Outlay Stabilization Fund	1,559,800
Child Fatality Review Fund	94,800
Emergency Medical Services (EMS)	4,671,400
Operating Fund	
Environmental Laboratory Licensure	926,900
Revolving Fund	
Federal Child Care and Development	830,400
Fund (CCDF) Block Grant	
Health Services Licensing Fund	8,842,400
Indirect Cost Fund	8,940,400
Newborn Screening Program Fund	431,900
Nursing Care Institution Resident	38,200
Protection Revolving Fund	
Vital Records Electronic Systems Fund	3,634,700
Federal Medicaid Authority (FMA)	11,899,000

These amounts fund the following adjustments:

Increase State SVP Contribution

The budget includes an increase of \$1,800,000 from the General Fund in FY 2014 to increase the state share of costs for the treatment of Sexually Violent Persons (SVP) at the Arizona State Hospital (ASH).

The FY 2014 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 10) deletes an ongoing session law that required counties to pay 50% of the cost of care of sexually violent persons in the ASH. As session law, it is intended that the department set the percentage rate at a level that would

increase the state share of the cost by \$1,800,000 in FY 2014.

Realign Long-Term Care System Fund with DES

The budget includes an increase of \$1,379,600 from the General Fund and a corresponding decrease of \$(1,379,600) from the Long-Term Care (LTC) System Fund in FY 2014 to shift these resources back to the Department of Economic Security (DES). The FY 2013 budget shifted these monies from DES to DHS to fund a 2% provider rate increase in Medicaid behavioral health services.

Electronic Medical Records

The budget includes \$600,000 from the General Fund in FY 2014 for ongoing electronic medical record costs. *(Please see the One-Time Electronic Medical Records Start-Up line item for additional information.)*

Transfer Hearing and Speech Professionals Fund to the Health Services Licensing Fund

The budget includes an increase of \$402,100 in FY 2014 to consolidate licensing expenditures. This amount consists of:

Health Services Licensing Fund	712,000
Hearing and Speech Professionals Fund	(309,900)

Laws 2013, Chapter 33 repeals the Hearing and Speech Professionals Fund and consolidates revenues collected by the department from the examination and licensing of hearing professionals into the Health Services Licensing Fund.

The FY 2014 Health and Welfare BRB transfers any unexpended monies in the Hearing and Speech Professionals to Health Services Licensing Fund.

Nursing Care Study

The budget includes a decrease of \$(400,000) from the Nursing Care Institution Resident Protection Revolving Fund in FY 2014 to reduce funding for a one-time quality improvement study of nursing care facilities.

Statewide Adjustments

The budget includes an increase of \$671,100 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	297,100
Arizona State Hospital Fund	700
Capital Outlay Stabilization Fund	413,300
Child Fatality Review Fund	300

Table 1

General Fund Medicaid Behavioral Health Appropriations

	FY 2013 <u>Appropriated</u>	FY 2013 <u>Revised</u>	FY 2014	FY 2014 Above FY 2013 <u>Revised</u>
Medicare Clawback Payments	\$ 13,838,800	\$ 13,858,000	\$ 14,925,100	\$ 1,067,100
Medicaid Insurance Premium Payments	8,269,500	7,897,900	7,456,700	(441,200)
State Match for Medicaid ^{1/}				
CBH	144,232,600	144,791,400	93,320,400	(51,471,000)
SMI	175,913,000	160,544,700	149,652,100	(10,892,600)
GMH/SA	47,911,300	48,650,200	48,190,100	(460,100)
State Match for Proposition 204				
CBH	1,652,800	1,652,200	1,631,200	(21,000)
GMH/SA	45,144,800	39,255,500	33,270,200	(5,985,300)
State Match for CMDP ^{2/}	0	0	50,573,200	50,573,200
Total	\$436,962,800	\$416,649,900	\$399,019,000	\$ (17,630,900)

^{1/} Base amounts include \$34,767,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.

^{2/} Prior to FY 2014 State Match for CMDP was a component of funding for the CBH population.

Emergency Medical Services (EMS)	20,500
Operating Fund	
Environmental Laboratory Licensure	3,800
Revolving Fund	
Federal Child Care and Development	(500)
Fund (CCDF) Block Grant	
Health Services Licensing Fund	62,400
Hearing and Speech Professionals Fund	(8,800)
Indirect Cost Fund	(12,700)
Vital Records Electronic Systems Fund	5,700
Federal Medicaid Authority (FMA)	(110,700)

(Please see the Agency Detail and Allocations section.)

The FY 2014 Health and Welfare BRB also continues to require that all counties pay 100% of the daily cost of care for Restoration to Competency (RTC) patients at ASH. Treatment for RTC patients is funded through the agency operating budget.

Behavioral Health

These line items fund 4 types of services; 1) Serious Mental Illness (SMI), 2) Children's Behavioral Health (CBH), 3) General Mental Health and Substance Abuse (GMH/SA) and Comprehensive Medical and Dental Program (CMDP). (See Table 1 for more information.)

Formula Adjustments

The budget includes formula adjustments that are comprised of changes to capitation rates, caseloads, mandatory changes from federal health care legislation and changes to the Federal Medical Assistance Percentage (FMAP).

Capitation rate inflation is assumed to be 2% above FY 2013 for all Medicaid Behavioral Health programs. Recent budgets have not included a capitation rate

increase. The 2% capitation rate increase is estimated to cost the General Fund \$10,681,900 in FY 2014. Adjustments to Medicare Clawback payments will cost the General Fund an additional \$1,086,300.

Aside from caseload growth due to federal health care legislation, DHS caseloads are expected to decline by (4,358) from June 2013 to June 2014. This net decrease consists of 2 different components. Prior to mandatory federal health care changes described below, the Traditional population is expected to grow by 1.5%. This increase is offset by a freeze of enrollment for the Childless Adults population, which is projected to result in a Proposition 204 decrease of (3.3)%. As a result of the freeze on enrollment of Childless Adults and lower than expected Traditional caseload growth, FY 2013 caseloads were lower than budgeted. The lower than projected FY 2013 caseload growth, coupled with the decline in FY 2014 caseloads, is expected to produce a General Fund savings of \$(60,634,800) relative to the FY 2013 budget.

The FMAP is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year. Typically the federal government provides an approximate 2:1 match for most Medicaid services. During FY 2014, the FMAP for Medicaid will increase to 66.84% (0.75% increase). The formula adjustments include a decrease of \$(8,745,200) in General Fund spending to offset the federal rate increase.

Mandatory Federal Health Care Changes

Mandatory changes involved with federal health care legislation passed in 2010, known as the Affordable Care Act (ACA), will result in additional costs to various Medicaid programs of which DHS is a participant, resulting in an additional General Fund cost of \$15,816,000. (Please see Mandatory Changes Resulting from Federal Health Care legislation in the AHCCCS section of this report.)

Medicaid Expansion

The United States Supreme Court's ruling on ACA made the expansion of Medicaid eligibility for adults optional up to 133% of the Federal Poverty Level (FPL) beginning January 1, 2014. The Adult Expansion population, those parents and childless adults whose incomes are from 100% to 133% FPL will receive 100% coverage from FY 2014 to FY 2016. The federal share will gradually decrease to 90% by FY 2020.

As permanent law, the FY 2014 Health and Welfare BRB requires AHCCCS to establish an assessment on hospital revenue, discharges, or bed days for the purpose of funding the state match portion of the Medicaid expansion beginning January 1, 2014. The hospital assessment does not include behavioral health. The FY 2014 Health and Welfare BRB expands Medicaid eligibility for adults whose household's modified adjusted gross income is between 100% and 133% FPL. *(Please see Medicaid Expansion and Restoration in the AHCCCS section for additional information.)*

Medicaid Behavioral Health - Traditional

The budget includes \$878,054,300 in FY 2014 for Medicaid Behavioral Health - Traditional. This amount consists of:

General Fund	256,395,600
Tobacco Tax and Health Care Fund	34,767,000
Medically Needy Account	
Federal Medicaid Authority	586,891,700

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(54,670,400) in FY 2014 for Medicaid Behavioral Health - Traditional caseload and capitation rate changes. This amount consists of:

General Fund	(26,321,100)
Federal Medicaid Authority	(28,349,300)

The formula adjustments include 1.5% enrollment growth after the continuation of the FY 2013 caseload savings, an increase to the federal match rate, and a 2% capitation increase.

Comprehensive Medical and Dental Program

The budget shifts \$(152,512,600) in FY 2014 to a new Medicaid Behavioral Health - Comprehensive Medical and Dental Program (CMDP) line item. This amount consists of:

General Fund	(50,573,200)
Federal Medicaid Authority	(101,939,400)

This line item provides behavioral health treatment to Medicaid eligible children who are not enrolled in CMDP and adults. In June 2014, there would be approximately 1,125,477 eligible individuals. This estimate does not include those individuals who would receive services under the Medicaid expansion up to 133% FPL. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 10.66%, or 119,976, of the eligible population will utilize services.

Medicaid Behavioral Health - Proposition 204

The budget includes \$105,251,500 in FY 2014 for Medicaid Behavioral Health - Proposition 204. This amount consists of:

General Fund	34,901,400
Federal Medicaid Authority	70,350,100

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(32,734,100) in FY 2014 for Medicaid Behavioral Health - Proposition 204 caseload and capitation rate changes. This amount consists of:

General Fund	(11,896,200)
Federal Medicaid Authority	(20,837,900)

The formula adjustments include (3.3)% enrollment decline after the continuation of the FY 2013 caseload savings, an increase to the federal match rate, and a 2% capitation increase.

This line item provides behavioral health treatment to Medicaid eligible children and adults. In June 2014, there would be 205,728 eligible individuals. This estimate does not include those individuals who would receive services under the Medicaid expansion up to 133% FPL. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 10.66%, or 21,931, of the eligible population will utilize services.

Medicaid Behavioral Health - Comprehensive Medical and Dental Program

The budget includes \$140,896,200 in FY 2014 for a new Medicaid Behavioral Health - Comprehensive Medical and Dental Program (CMDP) Special Line Item. This amount consists of:

General Fund	46,721,200
Federal Medicaid Authority	94,175,000

These amounts fund the following adjustments:

Comprehensive Medical and Dental Program

The budget shifts \$152,512,600 in FY 2014 to a new Medicaid Behavioral Health - Comprehensive Medical and Dental Program (CMDP) line item. This amount consists of:

General Fund	50,573,200
Federal Medicaid Authority	101,939,400

Formula Growth

The budget includes a decrease of \$(11,616,400) in FY 2014 for Medicaid Behavioral Health - Comprehensive Medical and Dental Program caseload and capitation rate changes. This amount consists of:

General Fund	(3,852,000)
Federal Medicaid Authority	(7,764,400)

This line item provides behavioral health treatment to CMDP eligible children. CMDP is the health plan responsible for providing health services for children in foster care and is primarily administered by the DES, although DHS administers behavioral health services for these clients. Prior to FY 2014, DHS administered CMDP behavioral health through its Children's Behavioral Health (CBH) program. *(Please see CPS Reform in the Department of Economic Security section for additional information.)* In June 2014, there would be approximately 13,480 eligible individuals. This estimate does not include those individuals who would receive services under the Medicaid expansion up to 133% FPL. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for CMDP, and it is estimated that an average of 62.52%, or 8,428, of the eligible population will utilize services.

Proposition 204 Administration

The budget includes \$6,446,700 in FY 2014 for Proposition 204 Administration. This amount consists of:

General Fund	2,131,400
Federal Medicaid Authority	4,315,300

These amounts are unchanged from FY 2013.

This line item provides funding for the administrative component of the Proposition 204 population.

Medicare Clawback Payments

The budget includes \$14,925,100 from the General Fund in FY 2014 for Medicare Clawback Payments. This amount funds the following adjustments:

Formula Growth

The budget includes an increase of \$1,086,300 from the General Fund in FY 2014 for formula growth associated with Medicare Clawback Payments.

As part of the Medicare Modernization Act (MMA) effective January 1, 2006, DHS is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, DHS is required to make "Clawback" payments to Medicare based on 76.7% of the estimated prescription drug cost of this population in 2014. The state's share of 76.7% declines annually by 1.7% and the Clawback cost per member is annually increased based on national health trend information.

Medicaid Insurance Premium Payments

The budget includes \$22,487,100 in FY 2014 for Medicaid Insurance Premium Payments. This amount consists of:

General Fund	7,456,700
Federal Medicaid Authority	15,030,400

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(1,895,900) in FY 2014 for Medicaid Insurance Premium Payments related to caseload growth and FMAP adjustments. This amount consists of:

General Fund	(812,800)
Federal Medicaid Authority	(1,083,100)

This line item provides funding necessary for insurance premium tax payments by DHS. The department is required to pay a 2% tax on the capitation payments it pays to Regional Behavioral Health Authorities.

Non-Medicaid Seriously Mentally Ill Services

The budget includes \$78,846,900 in FY 2014 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount consists of:

General Fund	76,596,900
Tobacco Tax and Health Care Fund	2,250,000
Medically Needy Account	

These amounts fund the following adjustments:

Crisis Services

The budget shifts \$(16,391,100) from the General Fund in FY 2014 to a new Crisis Services line item.

Background – This line item provides funding for Non-Medicaid Seriously Mentally Ill clients. The state has been a longstanding defendant in the *Arnold v. Sarn*

litigation concerning the level of services provided to the SMI population. Due to the state's fiscal condition, the plaintiffs and the state agreed in March 2010 to suspend the lawsuit for 2 years due to lack of funding. As part of the suspension, the FY 2011 budget reduced Non-Medicaid behavioral health spending by \$(41,754,000). The FY 2013 budget restored the majority of this reduction. In accordance with the May 2012 agreement to end the suspension, the state has agreed to utilize the restored funding to provide *Arnold* class members with access to name-brand prescription medication, additional crisis services, and expanded support services. Additionally, the agreement requires that the amount of class members receiving treatment at the Arizona State Hospital is capped at 55, in order to encourage greater use of community-based treatment and living arrangements. (See Table 2 for more information.)

Supported Housing

The budget includes \$5,324,800 from the General Fund in FY 2014 for Supported Housing. This amount is unchanged from FY 2013.

This line item funds housing services that will enable individuals to live in the community. These funds may serve Medicaid and 100% state funded recipients. Medicaid, however, does not provide a match for housing assistance.

Crisis Services

The budget includes \$16,391,100 from the General Fund in FY 2014 for a new Crisis Services line item. This amount funds the following adjustments:

Crisis Services

The budget shifts \$16,391,100 from the General Fund in FY 2014 to a new Crisis Services line item. These monies were previously in the Non-Medicaid Seriously Mentally Ill (SMI) Services line item.

This line item provides funding for persons in need of emergency behavioral health assistance. These services may include 24-hour crisis telephone lines, crisis mobile teams, and facility-based crisis services. These funds serve 100% state funded recipients.

Community Placement Treatment

The budget includes \$1,130,700 from the ASH Fund in FY 2014 for Community Placement Treatment. This amount is unchanged from FY 2013.

This line item provides funding for housing, transportation, clinical support, and meaningful day activities for State Hospital patients treated in the community.

The budget includes approximately \$66,000,000 for inpatient hospitalization services at the State Hospital for the SMI. As of April 2013, the ASH census was 236 patients.

Mental Health First Aid

The budget includes \$250,000 from the General Fund in FY 2014 for a new Mental Health First Aid Special Line Item (SLI). This amount funds the following adjustments:

Mental Health First Aid Funding

The budget includes an increase of \$250,000 from the General Fund in FY 2014 to provide additional resources for Mental Health First Aid services.

This line item provides training for Mental Health First Aid instructors. The Mental Health First Aid program is a public education effort to teach the public to identify, understand, and respond to signs of mental illnesses and substance abuse.

One-Time Electronic Medical Records Start-Up

The budget includes \$3,850,000 in FY 2014 for one-time Electronic Medical Records start-up costs. This amount consists of:

ASH Fund	2,400,000
Indirect Cost Fund	1,450,000

These amounts fund the following adjustments:

One-Time Appropriation

The budget includes an increase of \$3,850,000 in FY 2014 for one-time electronic medical records costs. This amount consists of:

ASH Fund	2,400,000
Indirect Cost Fund	1,450,000

This line item funds one-time start-up costs to implement a new electronic medical records system at the Arizona State Hospital.

Public and Family Health

Adult Cystic Fibrosis

The budget includes \$105,200 from the General Fund in FY 2014 for Adult Cystic Fibrosis. This amount is unchanged from FY 2013.

This line item provides contracted care and treatment services through Phoenix Children's Hospital for 20 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the General Fund in FY 2014 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2013.

The line item provides \$125,000 for a database system administered by Maricopa and Pima Counties to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The program also receives \$875,000 to provide medications under the Arizona AIDS Drug Assistance Program, which also receives Federal Funds for the medications. The program served an average of 1,300 clients per month in FY 2012.

Alzheimer's Disease Research

The budget includes \$1,125,000 in FY 2014 for Alzheimer's Disease Research. This amount consists of:

General Fund	125,000
TTHCF Health Research Account	1,000,000

These amounts are unchanged from FY 2013.

This line item provides funding for grants to universities, hospitals, and research centers in Arizona for dollar-for-dollar matching grants for research on the causes of Alzheimer's disease.

The FY 2014 Health and Welfare BRB continues to permit the department to use Tobacco Tax and Health Care Fund Health Research Account monies for Alzheimer's disease research.

Breast and Cervical Cancer and Bone Density Screening

The budget includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2014 for Breast and Cervical Cancer and Bone Density Screening. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$6,100 from the General Fund in FY 2014 for statewide adjustments.

The Well Woman Healthcheck program contracts for cancer screening women over age 40 that do not have health insurance and have incomes less than 250% of the FPL. Women who are diagnosed with breast and cervical cancer through this program are eligible to receive treatment through AHCCCS.

County Tuberculosis Provider Care and Control

The budget includes \$590,700 from the General Fund in FY 2014 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2013.

This line item provides General Fund reimbursement to hospitals and physicians for the care of hospitalized tuberculosis patients and for assistance to all county health departments for local tuberculosis control programs.

Emergency and Trauma Services

The budget includes \$300,000 from the General Fund in FY 2014 to provide additional funding for the purpose of maintaining essential emergency department and Level IV trauma services. This amount is unchanged from FY 2013. A hospital must be located in a county with a population of less than 500,000 persons; be licensed to operate 25 or fewer beds; not be designated as a critical access hospital as of January 1, 2012, pursuant to U.S. Code 42 § 485, F; and located within 25 miles of a hospital operated by the Indian Health Service. La Paz Regional Hospital meets these criteria. *(This appropriation is located in Section 119 of the General Appropriation Act.)*

Folic Acid

The budget includes \$400,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund in FY 2014 for Folic Acid. This amount is unchanged from FY 2013.

This line item provides for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2012, 38,328 low-income women of childbearing age received multivitamins and 14,452 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,543,400 in FY 2014 for High Risk Perinatal Services. This amount consists of:

General Fund	2,093,400
Emergency Medical Services Operating Fund	450,000

These amounts are unchanged from FY 2013.

This line item provides contracted transport services for high risk expectant mothers and contracted physician follow-up services for uninsured newborns in intensive care centers. It also provides funding for 4 visits per year to families who have babies born at risk of having developmental problems (i.e. speech problems, poor motor skills, delay in walking, etc.). The purpose of the visits is to have children developmentally ready to enter school by age 5.

Newborn Screening Program

The budget includes \$6,307,000 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2014 for the Newborn Screening Program. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$10,900 from the Newborn Screening Program Fund in FY 2014 for statewide adjustments.

This line item funds the centralized testing of all newborns in the state for a standard set of 29 disorders. In FY 2013, the program provided screening for approximately 87,590 newborns. The program also provides for follow-up counseling for the parents of affected newborns. The State Health Laboratory is the designated laboratory for testing.

Nursing Facility Study

The budget includes an increase of \$90,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2014 for a new quality improvement study of nursing care facilities. This amount funds the following adjustments:

Nursing Care Study Appropriation

The budget includes a one-time appropriation of \$90,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2014 for a quality improvement study of nursing care facilities.

This line item provides funding to complete quality improvement studies of nursing care facilities that began in FY 2013.

Poison Control Centers Funding

The budget includes \$990,000 from the General Fund in FY 2014 for Poison Control Centers. This amount is unchanged from FY 2013.

A.R.S. § 36-1161 requires 2 poison control centers to be maintained in Arizona. DHS allocated \$647,300 to the University of Arizona Poison Information Center and \$342,700 to the Banner Poison Control Center in FY 2013.

Laws 2012, Chapter 317 allows the Board of Pharmacy to transfer up to \$1,000,000 from the Arizona State Board of Pharmacy Fund to the University of Arizona Poison Control Information Center. However, this amount is not reflected in the table at the beginning of this narrative.

Nonrenal Disease Management

The budget includes \$198,000 from the General Fund in FY 2014 for Nonrenal Disease Management. This amount is unchanged from FY 2013.

This line item provides funding for medication and other transplant-related services for nonrenal transplant patients who are ineligible for other public assistance programs.

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the Tobacco Tax and Health Care Fund in FY 2014 for a new Renal Dental and Nutrition Supplements SLI. This amount funds the following adjustments:

Renal Dental Care and Nutrition Funding

The budget includes an increase of \$300,000 from the Tobacco Tax and Health Care Fund in FY 2014 for renal dental and nutrition supplements.

This line item provides pre-operative dental care and ongoing nutritional assistance for low-income renal disease patients. Funding in this line item treats kidney disease and associated kidney damage.

Additional Legislation

Extended Rulemaking Exemption

The FY 2014 Health and Welfare BRB extends the department's exemption from rulemaking from July 1, 2013 to April 30, 2014 for reducing regulatory costs, promotion of behavioral health organizations and facilitating licensure of integrated behavioral health programs.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (*Please see the Automation Projects narrative for more details.*)

Non-Medicaid Behavioral Health Services Funding

The FY 2014 budget includes \$100,562,800 for Non-Medicaid behavioral health services, which are funded in the Non-Medicaid Seriously Mentally Ill (SMI) Services Special Line Item (SLI), Crisis Services SLI and the Supported Housing SLI. This is the same funding level as in FY 2013. When compared with the original FY 2009 appropriation for Non-Medicaid behavioral health services, the FY 2014 budgeted amount represents a reduction of \$(22,839,000). *Table 2* on the following page summarizes Non-Medicaid behavioral health funding totals and changes to funding in SLIs from FY 2009 to FY 2014. The FY 2011 budget consolidated Non-Medicaid behavioral health services into 3 SLIs. The FY 2013 budget further consolidated the Non-Medicaid behavioral health services SLIs to reflect additional monies that were added as part of the agreement to settle the *Arnold v. Sarn* lawsuit. The FY 2014 budget separates Crisis Services from the Non-Medicaid SMI Services SLI.

Table 2**Non-Medicaid Behavioral Health Appropriations**

Program	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2014 Change from FY 2009
CBH	\$ 8,851,800	\$ 7,320,700	\$ 0	\$ 0	\$ 0	\$ 0	\$ (8,851,800)
SMI	61,116,700	53,849,700	0	0	0	0	(61,116,700)
Court Monitor	197,500	197,500	0	0	0	0	(197,500)
Arnold v. Sarn	37,153,100	34,170,200	0	0	0	0	(37,153,100)
Mental Health	2,447,300	1,747,300	0	0	0	0	(2,447,300)
Substance Abuse	13,635,400	6,339,400	0	0	0	0	(13,635,400)
Prescription Medication	0	0	40,154,900	40,154,900	0	0	0
Supported Housing	0	0	5,324,800	5,324,800	5,324,800	5,324,800	5,324,800
Crisis Services	0	0	16,391,100	16,391,100	0	16,391,100	16,391,100
Non-Medicaid SMI Services	0	0	0	0	95,238,000	78,846,900	78,846,900
Total	\$123,401,800	\$103,624,800	\$61,870,800	\$61,870,800	\$100,562,800	\$100,562,800	\$(22,839,000)

Arizona Historical Society

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	51.9	51.9	51.9 ^{1/}
Personal Services	1,191,500	1,232,800	1,244,500
Employee Related Expenditures	546,500	551,100	551,300
Professional and Outside Services	1,200	1,100	1,100
Other Operating Expenditures	351,100	287,500	319,600
Equipment	3,000	0	0
OPERATING SUBTOTAL	2,093,300	2,072,500	2,116,500
SPECIAL LINE ITEMS			
Arizona Experience Museum	445,100	412,100	428,300
Field Services and Grants	65,000	65,800	66,000
Papago Park Museum	1,625,400	541,400	544,200
AGENCY TOTAL	4,228,800	3,091,800 ^{2/}	3,155,000 ^{3/}
FUND SOURCES			
General Fund	4,228,800	3,091,800	3,155,000
SUBTOTAL - Appropriated Funds	4,228,800	3,091,800	3,155,000
Other Non-Appropriated Funds	953,000	948,200	937,500
TOTAL - ALL SOURCES	5,181,800	4,040,000	4,092,500

AGENCY DESCRIPTION — The Arizona Historical Society acquires, preserves, maintains, and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West, and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix, and Tempe (Papago Park).

Operating Budget

The budget includes \$2,116,500 and 40.4 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$44,000 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Experience Museum

The budget includes \$428,300 and 1 FTE Position from the General Fund in FY 2014 for the Arizona Experience Museum. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$16,200 from the General Fund in FY 2014 for statewide adjustments.

This line item funds personnel and rent of the Arizona Experience Museum, previously called the Centennial Museum. This facility was formerly the Arizona Mining and Mineral Museum on the Capitol Mall. The museum closed May 1, 2011 for renovations. The Arizona Historical Society does not currently have an estimated re-opening date; however, rent is still paid on the property and a Curator position is maintained to care for the mineral collection. Of the total appropriation for the Arizona Experience Museum, \$360,800 is used to pay rent and the remaining \$67,500 is used to fund the Curator position. (See Other Issues section for additional information.)

Field Services and Grants

The budget includes \$66,000 and a 0.4 FTE Position from the General Fund in FY 2014 for Field Services and Grants. These amounts fund the following adjustments:

^{1/} Includes 11.5 GF FTE Positions funded from Special Line Items in FY 2014.

^{2/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(29,900) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustment section.)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2014 for statewide adjustments.

This line item funds contracts with certified county historical societies for services to be performed for the benefit of the state.

Papago Park Museum

The budget includes \$544,200 and 10.1 FTE Positions from the General Fund in FY 2014 for the Papago Park Museum. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,800 from the General Fund in FY 2014 for statewide adjustments.

This line item funds the operation and maintenance of the Papago Park Museum.

Other Issues

Centennial Special Plate Fund

A.R.S. § 28-2448 established the centennial specialty license plate. Of the \$25 fee required for the specialty plate, \$8 is for special plate administration costs, and \$17 is a donation for the Centennial Special Plate Fund. In FY 2012, statute (Laws 2011, Chapter 323) required the Arizona Department of Transportation (ADOT) to distribute the monies in the Centennial Special Plate Fund to the Office of Tourism quarterly to pay for costs related to Arizona centennial projects and events. Beginning in FY 2013, and thereafter, statute required ADOT to distribute the fund monies annually to the Arizona Historical Society to pay costs related to the maintenance and operations of the Centennial Museum. ADOT mistakenly continued to distribute the Centennial Plate Fund monies to the Office of Tourism in the first 2 quarters of FY 2013. Those distributed funds (\$90,700) were spent on centennial projects and events.

ADOT distributed \$70,000 from the fund to the Arizona Historical Society in the third quarter of FY 2013.

The Centennial Museum, now called the Arizona Experience Museum, has been closed since May 2011 for renovations. There are currently no plans to re-open the museum. The Arizona Historical Society is not able to use the revenues from the Centennial Special Plate Fund because statute stipulates that those monies may only be used to pay costs related to the maintenance and operations of the museum.

Prescott Historical Society of Arizona

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	385,800	442,900	447,100
Employee Related Expenditures	193,800	189,000	190,100
Other Operating Expenditures	73,500	36,400	188,800
Equipment	2,900	0	0
AGENCY TOTAL	656,000	668,300 ^{1/}	826,000 ^{2/}
FUND SOURCES			
General Fund	656,000	668,300	826,000
SUBTOTAL - Appropriated Funds	656,000	668,300	826,000
Other Non-Appropriated Funds	917,500	566,700	566,700
TOTAL - ALL SOURCES	1,573,500	1,235,000	1,392,700

AGENCY DESCRIPTION — The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving, and publicly exhibiting archival and museum objects pertaining to the history, geological, and anthropological life of Arizona and the West.

Operating Budget

The budget includes \$826,000 and 13 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$7,700 from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Curator Position

The budget includes an increase of \$60,000 from the General Fund in FY 2014 to fund a full-time Educational Curator position.

Utility Costs

The budget includes an increase of \$15,000 from the General Fund in FY 2014 for water and waste disposal costs. In the past, the City of Prescott has provided an annual water and waste disposal credit to the Sharlot Hall Museum; however, the city is planning on terminating that arrangement at the end of FY 2013.

IT Support

The budget includes an increase of \$15,000 from the General Fund in FY 2014 to fund information technology support.

Operating Expenses

The budget includes an increase of \$60,000 from the General Fund in FY 2014 for general operating expenses.

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(8,700) GF for a state employee health insurance premium holiday. *(Please see the FY 2013 General Fund Adjustments section.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona Department of Homeland Security

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 ESTIMATE
FUND SOURCES			
Federal Funds	45,737,500	41,750,900	23,464,000
TOTAL - ALL SOURCES	45,737,500	41,750,900	23,464,000

AGENCY DESCRIPTION — The Arizona Department of Homeland Security distributes funding received from the U.S. Department of Homeland Security to state agencies and local governments to prevent and mitigate acts of terrorism and natural disasters. The department publishes the Arizona Homeland Security Strategy and provides planning assistance to aid in the development of regional response plans for natural disasters or terrorism incidents.

Board of Homeopathic and Integrated Medicine Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	54,900	54,700	47,500
Employee Related Expenditures	29,300	29,600	27,900
Professional and Outside Services	200	3,000	3,000
Travel - In State	1,200	1,200	1,200
Other Operating Expenditures	21,300	21,500	22,500
AGENCY TOTAL	106,900	110,000	102,100^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	106,900	110,000	102,100
SUBTOTAL - Other Appropriated Funds	106,900	110,000	102,100
SUBTOTAL - Appropriated Funds	106,900	110,000	102,100
TOTAL - ALL SOURCES	106,900	110,000	102,100

AGENCY DESCRIPTION — The board licenses and regulates medical physicians who practice homeopathic and integrated medicine, a system of medical treatment based on the use of small quantities of remedies which in larger doses produce symptoms of the disease. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$102,100 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Revenue Alignment

The budget includes a decrease of \$(9,600) from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2014 for a revenue alignment. This will more closely match expenditures with current revenue.

Statewide Adjustments

The budget includes an increase of \$1,700 from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Limited Revenue

The Board of Homeopathic and Integrated Medicine Examiners has experienced a decrease in its revenue. Its licensed population has been declining. In addition, the board's primary fees (physician renewal and application fees) have reached their statutory cap. SB 1244 would

have increased and established new fees which would have provided sufficient revenue given the number of existing licensees. Under the requirements of Proposition 108, SB 1244 required a two-thirds majority of each house to be approved since it authorized a specific fee increase. In the House of Representatives, the bill received 35 yes votes, short of the 40 votes required for passage.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona Department of Housing

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	3.0	3.0
Personal Services	593,500	183,700	185,700
Employee Related Expenditures	228,600	69,000	69,000
Professional and Outside Services	8,000	3,300	3,300
Travel - In State	9,900	6,300	6,300
Travel - Out of State	600	0	0
Other Operating Expenditures	58,700	47,100	47,700
Equipment	6,500	1,800	1,800
AGENCY TOTAL	905,800	311,200	313,800^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Housing Trust Fund	905,800	311,200	313,800
SUBTOTAL - Other Appropriated Funds	905,800	311,200	313,800
SUBTOTAL - Appropriated Funds	905,800	311,200	313,800
Other Non-Appropriated Funds	8,872,500	15,156,800	16,464,100
Federal Funds	95,001,800	89,623,000	79,042,100
TOTAL - ALL SOURCES	104,780,100	105,091,000	95,820,000

AGENCY DESCRIPTION — Through a variety of housing and community improvement programs, the department annually administers approximately \$96 million in federal and non-appropriated state housing and community development funds. The appropriated budget reflects a portion of the agency's administration expenses. The department provides affordable housing opportunities in conjunction with the Arizona Housing Finance Authority.

Operating Budget

The budget includes \$313,800 and 3 FTE Positions from the Housing Trust Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,600 from the Housing Trust Fund in FY 2014 for statewide adjustments. (Please see the *Agency Detail and Allocations* section.)

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the *Automation Projects* narrative for more details.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Independent Redistricting Commission

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	4,093,900	2,592,500	1,115,100
AGENCY TOTAL	4,093,900 ^{1/}	2,592,500 ^{2/3/4/}	1,115,100 ^{5/6/}
FUND SOURCES			
General Fund	4,093,900	2,592,500	1,115,100
SUBTOTAL - Appropriated Funds	4,093,900	2,592,500	1,115,100
TOTAL - ALL SOURCES	4,093,900	2,592,500	1,115,100

AGENCY DESCRIPTION — Proposition 106, approved by voters in November 2000, established the Independent Redistricting Commission (IRC). The commission consists of 5 members, 4 of which are selected by the House and Senate majority and minority leadership. These 4 members then select the final member, who can not be affiliated with either of the 2 major political parties. The commission is charged with redrawing the boundaries for Arizona's legislative and congressional districts based on the 10-year census.

Operating Budget

The budget includes \$1,115,100 from the General Fund in FY 2014 for the operating budget. This amount funds the following adjustments:

Litigation Funding

The budget includes a decrease of \$(1,480,500) to reflect continued funding for litigation against recently drawn legislative district boundaries (*Harris v. AIRC*), along with funding for litigation regarding the commission's Congressional district boundaries (*Leach v. AIRC*) and the commission's legal authority to draw district boundaries (*Arizona Legislature v. AIRC*). Laws 2013, Chapter 158 allows the commission to use its FY 2014 appropriation for the payment of obligations incurred in FY 2013.

Statewide Adjustments

The budget includes an increase of \$3,100 from the General Fund in FY 2014 for statewide adjustments. (Please see *Agency Detail and Allocations* section.)

Other Issues

Current Redistricting Cycle Funding

For the first year of the current 2010 redistricting cycle, the Legislature appropriated \$500,000 from the General Fund in FY 2011 for start-up expenses. In FY 2012, the

Legislature appropriated \$3,000,000 from the General Fund. Given the commission's legal expenses, these appropriations were insufficient. Laws 2012, Chapter 108 provided the commission with a FY 2012 supplemental General Fund appropriation of \$700,000.

The original FY 2013 General Fund appropriation of \$1,457,300 (including statewide adjustments) was also insufficient to provide for the commission's legal expenses. Laws 2013, Chapter 2 appropriated \$500,000 from the General Fund and Laws 2013, Chapter 158 appropriated \$635,226 from the General Fund in FY 2013. These supplemental appropriations along with the FY 2014 budget amount bring total funding for the current redistricting cycle to \$7,907,626 (see Table 1).

Table 1

CY 2010 Redistricting Cycle Appropriations

<u>Fiscal Year</u>	<u>Appropriation</u>
FY 2011 (Laws 2010, 7 th Special Session, Ch. 1)	\$ 500,000
FY 2012 (Laws 2011, Ch. 24)	3,000,000
FY 2012 (Laws 2012, Ch. 108)	700,000
FY 2013 (Laws 2012, Ch. 294)	1,457,300
FY 2013 (Laws 2013, Ch. 2)	500,000
FY 2013 (Laws 2013, Ch. 158)	635,226
FY 2014 (Laws 2013, 1 st Special Session, Ch. 1)	1,115,100
Total	\$ 7,907,626

1/ The original \$3,000,000 FY 2012 appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all monies remaining unexpended and unencumbered after payment of fees, costs and expenses of the commission revert to the state General Fund. Laws 2012, Chapter 108 provided an FY 2012 supplemental appropriation of \$700,000, which is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that any monies remaining unspent on June 30, 2013 shall revert to the state General Fund.

2/ This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all monies remaining unexpended and unencumbered after payment of fees, costs and expenses of the commission revert to the state General Fund. (General Appropriation Act footnote, Laws 2012, Chapter 294)

3/ General Appropriation Act specifies that this appropriation may be used for the payment of obligations incurred in FY 2012. (Laws 2012, Chapter 294).

4/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustment of \$(3,800) GF for a state employee health insurance premium holiday. (Please see the *FY 2013 General Fund Adjustments* section.)

5/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

6/ Laws 2013, Chapter 158 specifies that the amount appropriated in FY 2014 may be used for the payment of obligations incurred in FY 2013.

Arizona Commission of Indian Affairs

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	28,000	28,800	29,100
Employee Related Expenditures	9,600	9,800	9,700
Travel - In State	500	500	500
Other Operating Expenditures	17,200	15,600	17,600
AGENCY TOTAL	55,300	54,700^{1/}	56,900^{2/}

FUND SOURCES

General Fund	55,300	54,700	56,900
SUBTOTAL - Appropriated Funds	55,300	54,700	56,900
Other Non-Appropriated Funds	12,300	14,500	14,500
TOTAL - ALL SOURCES	67,600	69,200	71,400

AGENCY DESCRIPTION — The agency studies policy issues affecting the Indian tribes, attempts to facilitate better working relationships between the tribes and government agencies, and promotes an understanding of Indian history and culture through statewide forums and other educational activities.

Operating Budget

The budget includes \$56,900 and 3 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,200 from the General Fund in FY 2014 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(600) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Industrial Commission of Arizona

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	279.0	235.6	235.6
Personal Services	8,166,800	9,022,900	9,098,900
Employee Related Expenditures	3,621,900	4,025,000	4,020,700
Professional and Outside Services	1,240,200	1,440,300	1,440,300
Travel - In State	111,400	222,600	222,600
Other Operating Expenditures	4,097,700	5,178,600	5,188,800
Equipment	30,300	18,200	18,200
AGENCY TOTAL	17,268,300	19,907,600	19,989,500^{1/}

FUND SOURCES

Other Appropriated Funds

Administrative Fund	17,268,300	19,907,600	19,989,500
SUBTOTAL - Other Appropriated Funds	17,268,300	19,907,600	19,989,500
SUBTOTAL - Appropriated Funds	17,268,300	19,907,600	19,989,500
Other Non-Appropriated Funds	36,149,400	31,374,000	29,674,000
Federal Funds	4,956,100	5,897,200	6,079,900
TOTAL - ALL SOURCES	58,373,800	57,178,800	55,743,400

AGENCY DESCRIPTION — The Industrial Commission regulates the workers' compensation insurance industry. The commission is also responsible for child labor issues, occupational safety and health issues, wage claim dispute resolutions, licensing of private employment agencies and providing workers' compensation coverage for claimants of uninsured and self-insured employers or insolvent carriers.

Operating Budget

The budget includes \$19,989,500 and 235.6 FTE Positions from the Administrative Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$81,900 from the Administrative Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Department of Insurance

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	90.5	90.5	90.5
Personal Services	2,954,400	3,157,800	3,189,900
Employee Related Expenditures	1,296,000	1,293,100	1,292,700
Professional and Outside Services	211,500	189,400	189,400
Travel - In State	22,600	23,900	23,900
Travel - Out of State	300	0	0
Other Operating Expenditures	581,500	604,600	662,600
Equipment	121,700	6,400	6,400
AGENCY TOTAL	5,188,000	5,275,200^{1/}	5,364,900^{2/}
FUND SOURCES			
General Fund	5,188,000	5,275,200	5,364,900
SUBTOTAL - Appropriated Funds	5,188,000	5,275,200	5,364,900
Other Non-Appropriated Funds	8,579,300	8,759,900	8,754,500
Federal Funds	751,900	546,100	0
TOTAL - ALL SOURCES	14,519,200	14,581,200	14,119,400

AGENCY DESCRIPTION — The Department of Insurance licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

Operating Budget

The budget includes \$5,364,900 and 90.5 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$89,700 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

costs for replacement of the state's financial accounting system. (Please see the Automation Projects narrative for more details.)

Additional Legislation

Statutory Fee Revenue Requirement Suspension

The Revenue Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 9) continues to suspend the statutory requirement that fee revenues be between 95% and 110% of the department's appropriation.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act includes a one-time FY 2013 adjustment of \$(60,700) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Judiciary - Supreme Court

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	169.1	169.0	172.0 ^{1/}
Personal Services	5,591,900	6,133,500	6,222,900
Employee Related Expenditures	1,942,500	2,161,900	1,997,100
Professional and Outside Services	326,000	345,800	345,800
Travel - In State	69,400	86,800	86,800
Travel - Out of State	22,000	25,000	25,000
Other Operating Expenditures	5,640,600	5,565,400	5,395,000
Equipment	207,700	0	0
OPERATING SUBTOTAL	13,800,100	14,318,400	14,072,600 ^{2/}
SPECIAL LINE ITEMS			
State Aid	4,731,400	5,942,600	5,949,100
County Reimbursements	187,900	187,900	187,900 ^{3/}
Automation	10,369,800	11,273,300	11,344,600 ^{4/}
Case and Cash Management System	2,874,900	3,326,500	3,326,500
Foster Care Review Board	3,269,200	3,393,900	3,617,100
Court Appointed Special Advocate	2,415,600	3,038,800	3,042,900
Model Court	425,300	447,600	447,600
Domestic Relations	582,600	651,300	655,400
Judicial Nominations and Performance Review	400,400	425,400	428,400
Commission on Judicial Conduct	507,100	518,000	522,300
AGENCY TOTAL	39,564,300	43,523,700 ^{5/}	43,594,400 ^{6/}
FUND SOURCES			
General Fund	16,229,600	15,975,700	16,020,000
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	402,300	486,000	488,000
Court Appointed Special Advocate Fund	2,318,700	2,936,800	2,940,900
Criminal Justice Enhancement Fund	2,002,700	2,998,000	3,004,500
Defensive Driving School Fund	3,551,200	4,175,100	4,194,400
Judicial Collection Enhancement Fund	12,331,100	14,007,500	14,002,000
State Aid to the Courts Fund	2,728,700	2,944,600	2,944,600
SUBTOTAL - Other Appropriated Funds	23,334,700	27,548,000	27,574,400
SUBTOTAL - Appropriated Funds	39,564,300	43,523,700	43,594,400
Other Non-Appropriated Funds	16,733,100	25,844,500	25,844,500
TOTAL - ALL SOURCES	56,297,400	69,368,200	69,438,900

^{1/} Includes 49.5 GF and 21.8 OF FTE Positions funded from Special Line Items in FY 2014.

^{2/} Included in the appropriation for the Supreme Court program is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

^{3/} Of the \$187,900 appropriated for County Reimbursements, State Grand Jury is limited to \$97,900 and Capital Postconviction Relief is limited to \$90,000 (General Appropriation Act footnote)

^{4/} On or before September 1, 2013, the Supreme Court shall report to the Joint Legislative Budget Committee on current and future automation projects coordinated by the Administrative Office of the Courts. The report shall include a list of court automation projects receiving or anticipated to receive state monies in the current or next 2 fiscal years as well as a description of each project, number of FTE Positions, the entities involved, and the goals and anticipated results for each automation project. The report shall be submitted in 1 summary document. The report shall indicate each project's total multi-year cost by fund source and budget line item, including any prior year, current year and future year expenditures. (General Appropriation Act footnote)

^{5/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(153,400) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

AGENCY DESCRIPTION — The Supreme Court consists of 5 Supreme Court Justices, judicial support staff and the Administrative Office of the Courts (AOC). The Supreme Court, as the state's highest court, has the responsibility to review appeals and to provide rules of procedure for all the courts in Arizona. Under the direction of the Chief Justice, the AOC provides administrative supervision over the Arizona court system.

Operating Budget

The budget includes \$14,072,600 and 100.7 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$10,059,300
Confidential Intermediary and Fiduciary Fund	488,000
Defensive Driving School Fund	702,200
Judicial Collection Enhancement Fund (JCEF)	2,823,100

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(245,800) in FY 2014 for statewide adjustments. This amount consists of:

General Fund	\$ (190,300)
Confidential Intermediary and Fiduciary Fund	2,000
Defensive Driving School Fund	13,900
Judicial Collection Enhancement Fund (JCEF)	(71,400)

(Please see the Agency Detail and Allocations section.)

State Aid

The budget includes \$5,949,100 and 3.3 FTE Positions in FY 2014 for State Aid. These amounts consist of:

Criminal Justice Enhancement Fund (CJEF)	3,004,500
State Aid to the Courts Fund	2,944,600

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$6,500 from CJEF in FY 2014 for statewide adjustments.

The State Aid line item provides state aid to counties for the payment of judges pro tempore salaries, and for projects designed to improve the processing of criminal cases in the Superior Court and Justice Courts. The State Aid to the Courts Fund receives: 1) 40.97% of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and 2) a portion of the monies collected by the Supreme Court and the Court of Appeals.

The AOC distributes the monies appropriated from court fines and collections to the Superior Court and the Justice Courts based on a composite index formula using Superior

Court felony filings and county population. Monies appropriated from the State Aid to the Courts Fund in the State Aid line item are distributed to all counties.

County Reimbursements

The budget includes \$187,900 from the General Fund in FY 2014 for County Reimbursements. This amount is unchanged from FY 2013.

The County Reimbursements line item provides reimbursement to counties for grand jury expenses and for state-funded representation of indigent defendants in first-time capital post conviction relief proceedings. A.R.S. § 13-4041 and 21-428 require the state to pay 50% of these expenses.

The FY 2014 Criminal Justice Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 5) continues to suspend the requirement of this 50% reimbursement, however, and requires that reimbursement not exceed the level in the General Appropriation Act.

Automation

The budget includes \$11,344,600 and 13 FTE Positions in FY 2014 for Automation. These amounts consist of:

Defensive Driving School Fund	3,352,800
JCEF	7,991,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$71,300 in FY 2014 for statewide adjustments. This amount consists of:

Defensive Driving School Fund	5,400
JCEF	65,900

The Automation line item provides funding for court automation projects throughout the state.

Case and Cash Management System

The budget includes \$3,326,500 in FY 2014 for the Case and Cash Management System. This amount consists of:

Defensive Driving School Fund	139,400
JCEF	3,187,100

These amounts are unchanged from FY 2013.

The Case and Cash Management System line item funds the replacement of the computer systems in the larger volume Superior and Limited Jurisdiction Courts in Pima and Maricopa Counties, as well as the case and financial management system that is provided to approximately 156 of the 180 courts at the state, county and municipal level located throughout the state. The AOC estimates upgrading of these systems will continue through FY 2014.

Foster Care Review Board

The budget includes \$3,617,100 and 37 FTE Positions from the General Fund in FY 2014 for the Foster Care Review Board. These amounts fund the following adjustments:

Increased Staffing

The budget includes an increase of \$200,000 and 3 FTE Positions from the General Fund in FY 2014 for the addition of 3 program specialist positions to help with increased caseloads.

Statewide Adjustments

The budget includes an increase of \$23,200 from the General Fund in FY 2014 for statewide adjustments.

The Foster Care Review Board line item coordinates local volunteer review boards for foster care children in out-of-home placement.

Court Appointed Special Advocate

The budget includes \$3,042,900 and 5.5 FTE Positions in FY 2014 for the Court Appointed Special Advocate (CASA). These amounts consist of:

General Fund	102,000
CASA Fund	2,940,900

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,100 from the CASA Fund in FY 2014 for statewide adjustments.

The CASA line item administers and monitors a community-based volunteer advocacy program for abused and neglected children in the Juvenile Court System. In FY 2012, 924 individuals volunteered for this program.

Model Court

The budget includes \$447,600 from the General Fund in FY 2014 for Model Court. This amount is unchanged from FY 2013.

Monies in this line item represent a pass-through to counties to improve processing of dependency cases.

Domestic Relations

The budget includes \$655,400 and 4.9 FTE Positions from the General Fund in FY 2014 for Domestic Relations. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,100 from the General Fund in FY 2014 for statewide adjustments.

The Domestic Relations line item provides coordination and technical support for groups formed to develop and review policies and programs related to domestic relations and child support.

Judicial Nominations and Performance Review

The budget includes \$428,400 and 3.6 FTE Positions from the General Fund in FY 2014 for Judicial Nominations and Performance Review. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,000 from the General Fund in FY 2014 for statewide adjustments.

This line item funds administrative costs to oversee the nominations for the Supreme Court, the Court of Appeals, and the Superior Court in Maricopa, Pima, and Pinal Counties, as well as evaluating the performance of all merit retention justices and judges. The results of the performance evaluations are provided to the voters before each retention election.

Commission on Judicial Conduct

The budget includes \$522,300 and 4 FTE Positions from the General Fund in FY 2014 for Commission on Judicial Conduct. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,300 from the General Fund in FY 2014 for statewide adjustments.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Fund Transfers

The budget includes the following FY 2014 transfers from this agency's funds to the General Fund:

Alternative Dispute Resolution Fund	200,000
Arizona Lengthy Trial Fund	100,000
Public Defender Training Fund	25,000
State Aid to the Courts Fund	50,000

The FY 2013 General Appropriation Act required these FY 2014 transfers along with identical transfers in FY 2013.

Judiciary - Court of Appeals

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
PROGRAM BUDGET			
Division I	9,937,100	9,827,200	9,896,900
Division II	4,330,700	4,252,500	4,289,800
AGENCY TOTAL	14,267,800	14,079,700	14,186,700
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	134.8	134.8	136.8 ^{1/}
Personal Services	9,629,000	9,838,800	9,920,700
Employee Related Expenditures	2,957,600	3,169,900	3,185,700
Professional and Outside Services	32,900	24,200	24,200
Travel - In State	179,900	189,400	189,400
Travel - Out of State	17,400	15,400	15,400
Other Operating Expenditures	1,301,800	842,000	851,300
Equipment	149,200	0	0
AGENCY TOTAL	14,267,800	14,079,700 ^{2/}	14,186,700 ^{3/}
FUND SOURCES			
General Fund	14,267,800	14,079,700	14,186,700
SUBTOTAL - Appropriated Funds	14,267,800	14,079,700	14,186,700
TOTAL - ALL SOURCES	14,267,800	14,079,700	14,186,700

AGENCY DESCRIPTION — The Court of Appeals has jurisdiction in all proceedings appealable from the Superior Court except criminal death penalty cases, which are automatically appealed to the Supreme Court. Division I also has statewide responsibility for reviewing appeals from the Arizona Corporation Commission, Industrial Commission, the Department of Economic Security unemployment compensation rulings, and the Arizona Tax Court. Division I convenes in Phoenix and encompasses the counties of Apache, Coconino, La Paz, Maricopa, Mohave, Navajo, Yavapai, and Yuma. Division II convenes in Tucson and encompasses the counties of Cochise, Gila, Graham, Greenlee, Pima, Pinal, and Santa Cruz.

Operating Budget

The budget includes \$14,186,700 and 136.8 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts include \$9,896,900 and 98.3 FTE Positions for Division I and \$4,289,800 and 38.5 FTE Positions for Division II. These amounts fund the following adjustments:

Deputy Clerk

The budget includes an increase of \$50,000 and 2 FTE Positions from the General Fund in FY 2014 for the addition of a deputy clerk position in Division II.

Statewide Adjustments

The budget includes an increase of \$57,000 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations sections.)

- ^{1/} Of the 136.8 FTE Positions for FY 2014, 98.3 FTE Positions are for Division I and 38.5 FTE Positions are for Division II. (General Appropriation Act footnote)
- ^{2/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(110,800) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

Judiciary - Superior Court

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
SPECIAL LINE ITEMS			
<i>Full Time Equivalent Positions</i>	136.5	136.5	137.5 ^{1/}
Judges Compensation	7,954,900	7,531,600	7,682,500
Adult Standard Probation	13,508,400	13,538,700	13,543,200
Adult Intensive Probation	10,732,000	10,750,800	10,754,500
Community Punishment	1,452,000	2,310,100	2,310,100
Interstate Compact	623,100	646,300	648,000
Drug Court	1,013,600	1,013,600	1,013,600
Probation Surcharge	4,788,800	5,029,200	6,029,200
Juvenile Standard Probation	4,592,900	4,604,700	4,606,200
Juvenile Intensive Probation	8,905,500	9,173,100	9,175,600
Juvenile Treatment Services	22,357,900	22,334,200	22,341,400
Juvenile Family Counseling	659,900	660,400	660,400
Juvenile Diversion Consequences	9,024,900	9,024,900	9,024,900 ^{2/}
Juvenile Crime Reduction	3,281,100	5,173,400	5,192,100
Mental Health Court Report	0	0	90,000
Special Water Master	20,000	20,000	94,000
AGENCY TOTAL	88,915,000	91,811,000 ^{3/}	93,165,700 ^{4/5/6/}
FUND SOURCES			
General Fund	79,393,100	79,298,300	79,634,300
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	4,245,800	6,983,500	7,002,200
Drug Treatment and Education Fund	487,300	500,000	500,000
Judicial Collection Enhancement Fund	4,788,800	5,029,200	6,029,200
SUBTOTAL - Other Appropriated Funds	9,521,900	12,512,700	13,531,400
SUBTOTAL - Appropriated Funds	88,915,000	91,811,000	93,165,700
Other Non-Appropriated Funds	5,233,900	5,489,100	5,489,100
Federal Funds	2,099,300	1,608,200	1,608,200
TOTAL - ALL SOURCES	96,248,200	98,908,300	100,263,000

^{1/} Of the 137.5 FTE Positions, 82 FTE Positions represent Superior Court judges in counties with a population of less than 2,000,000 persons. One-half of their salaries are provided by state General Fund appropriations pursuant to A.R.S. § 12-128. This is not meant to limit the counties' ability to add judges pursuant to A.R.S. § 12-121. (General Appropriation Act footnote)

^{2/} Up to 4.6% of the amounts appropriated for Juvenile Treatment Services and Juvenile Diversion Consequences may be retained and expended by the Supreme Court to administer the programs established by A.R.S. § 8-322, and to conduct evaluations as needed. The remaining portion of the Juvenile Treatment Services and Juvenile Diversion Consequences appropriations shall be deposited in the Juvenile Probation Services Fund established by A.R.S. § 8-322. (General Appropriation Act footnote)

^{3/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(101,700) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{4/} General Appropriation Act funds are appropriated as Special Line Items by Agency.

^{5/} Receipt of state probation monies by the counties is contingent on the county maintenance of FY 2004 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs. (General Appropriation Act Footnote)

^{6/} By November 1, 2013, the Administrative Office of the Courts shall report to the Joint Legislative Budget Committee the FY 2013 actual, FY 2014 estimated and FY 2015 requested amounts for the following:

1. On a county-by-county basis, the number of authorized and filled case carrying probation positions and non-case carrying positions, distinguishing between Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive. The report shall indicate the level of state probation funding, other state funding, county funding and probation surcharge funding for those positions.
2. Total receipts and expenditures by county and fund source for the Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive Probation line items, including the amount of Personal Services expended from each revenue source of each account.
3. The amount of monies from the Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive Probation line items that the office does not distribute as direct aid to counties. The report shall delineate how the office expends these monies that are not distributed as direct aid to counties. (General Appropriation Act footnote)

AGENCY DESCRIPTION — The Superior Court, which has a division in every county, is the state's only general jurisdiction court. Superior Court judges hear all types of cases except small claims, minor offenses, or violations of city codes and ordinances. In addition, the responsibility for supervising adults and juveniles who have been placed on probation resides in the Superior Court.

Judges Compensation

The budget includes \$7,682,500 and 82 FTE Positions from the General Fund in FY 2014 for Judges Compensation. These amounts fund the following adjustments:

Mohave County Judgeship

The budget includes an increase of \$98,000 and 1 FTE Position from the General Fund in FY 2014 for the addition of an additional judgeship in Mohave County.

Statewide Adjustments

The budget includes an increase of \$52,900 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Background — This line item provides funding for the state's 50% share of the salary and benefits of Superior Court judges. A.R.S. § 12-128 requires the state General Fund to pay for one-half of Superior Court Judges' salaries, except for Maricopa County judges. Maricopa County is responsible for 100% of the salary and benefits of its Superior Court Judges. Pursuant to A.R.S. § 12-121, each county receives one judge for the first 30,000 in population. Additional judges may be created for every additional 30,000 person increment upon approval by the Governor.

Probation Programs

The state and non-Maricopa Counties share the costs of adult probation. For the intensive programs, the state pays 100% of the costs (although the counties may provide offices and other support services). For the standard programs and treatment services, the state predominantly pays for the cost of additional probation officers. Counties typically contribute through Probation Service Fee collections, outside grants, and office space. Since FY 2004, Maricopa County has assumed the state's share of its adult probation costs.

Adult Standard Probation

The budget includes \$13,543,200 and 9.6 FTE Positions from the General Fund in FY 2014 for Adult Standard Probation. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,500 from the General Fund in FY 2014 for statewide adjustments.

Background — This line item provides funding for community supervision services for adults placed on standard probation by the Adult Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 12-251A, an adult probation officer shall not supervise more than 65 adults on standard probation at one time. In funding caseload growth, this ratio is adjusted downward by 2% because of the distances officers in rural counties must travel to supervise probationers.

Adult Intensive Probation

The budget includes \$10,754,500 and 7.8 FTE Positions from the General Fund in FY 2014 for Adult Intensive Probation. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,700 from the General Fund in FY 2014 for statewide adjustments.

Background — This line item provides funding for a sentencing alternative intended to divert serious, non-violent offenders from prison. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 13-916, 1 team shall not supervise more than 25 intensive probationers at one time. In funding caseload growth, this ratio is adjusted downward by 5% because of the distances officers in rural counties must travel to supervise probationers.

Community Punishment

The budget includes \$2,310,100 and 0.9 FTE Positions in FY 2014 for Community Punishment. These amounts consist of:

	FY 2014
Criminal Justice Enhancement Fund (CJEF)	\$1,810,100
Drug Treatment and Education Fund (DTEF)	500,000

These amounts are unchanged from FY 2013.

Background — This line item provides behavioral treatment services for adult probationers and for enhanced supervision, such as electronic monitoring and specialized probation caseloads. The funding is intended to provide for diversion of offenders from prison and jail, as well as to enhance probation programs, excluding Maricopa County.

Interstate Compact

The budget includes \$648,000 and 4.8 FTE Positions from the General Fund in FY 2014 for Interstate Compact. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,700 from the General Fund in FY 2014 for statewide adjustments.

Background – This line item provides funding for supervision and intervention to probationers transferring to Arizona and monitors the supervision of probationers transferred to other states from Arizona.

Drug Court

The budget includes \$1,013,600 from the General Fund in FY 2014 for Drug Court programs. This amount is unchanged from FY 2013.

Background – This line item provides funding for juvenile and adult drug courts within the Superior Court throughout the state. It provides funding for prosecuting, adjudicating and treating drug-dependent offenders. Superior Court divisions in 12 counties have implemented or are planning the implementation of drug courts. These programs utilize drug education, intensive therapy, parent support, case management, socialization alternatives, aftercare and compliance monitoring for drug abstinence.

Probation Surcharge

The budget includes \$6,029,200 and 0.8 FTE Positions from the Judicial Collection Enhancement Fund (JCEF) in FY 2014 for the Probation Surcharge. These amounts fund the following adjustments:

Increased Salaries

The budget includes an increase of \$1,000,000 from JCEF in FY 2014 to provide funding for salary increases and filling vacancies amongst county probation officers. The allocation will be distributed to approved program plans on a proportional basis based on aggregate need.

Background – This line item consists of monies collected from a \$20 surcharge applied to various criminal offenses, civil traffic violations, and game and fish statute violations throughout the state. Monies collected from the surcharge (excluding those collected in courts located within Maricopa County) are deposited into the JCEF and redistributed by the Administrative Office of the Courts (AOC) to all counties to supplement funding for the salaries of probation and surveillance officers and for the support of programs and services of the Superior Court adult and juvenile probation departments.

Juvenile Standard Probation

The budget includes \$4,606,200 and 3.6 FTE Positions from the General Fund in FY 2014 for Juvenile Standard Probation. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,500 from the General Fund in FY 2014 for statewide adjustments.

Background – This line item provides funding for community supervision services for juveniles placed on standard probation by the Juvenile Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-203B, a juvenile probation officer shall not supervise more than an average of 35 juveniles on standard probation at one time. In funding caseload growth, this ratio is adjusted downward by 5% because of the distances officers in rural communities must travel to supervise probationers.

Juvenile Intensive Probation

The budget includes \$9,175,600 and 5.4 FTE Positions from the General Fund in FY 2014 for Juvenile Intensive Probation. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,500 from the General Fund in FY 2014 for statewide adjustments.

Background – This line item provides funding for a sentencing alternative to divert serious, non-violent juvenile offenders from incarceration or residential care and to provide intensive supervision for high-risk offenders already on probation. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-353B, 1 JIPS team shall not supervise more than an average of 25 juveniles on intensive probation at one time. In funding caseload growth, this ratio is adjusted downward by 5% because of the distances officers in rural communities must travel to supervise probationers.

Juvenile Treatment Services

The budget includes \$22,341,400 and 15.6 FTE Positions from the General Fund in FY 2014 for Juvenile Treatment Services. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$7,200 from the General Fund in FY 2014 for statewide adjustments.

Background – This line item provides funding to the juvenile courts to meet the requirements of A.R.S. § 8-230.01 and A.R.S. § 8-230.02, relating to the assignment of youths referred for delinquency or incorrigibility to treatment programs, residential treatment centers, counseling, shelter care and other programs.

Juvenile Family Counseling

The budget includes \$660,400 from the General Fund in FY 2014 for Juvenile Family Counseling. This amount is unchanged from FY 2013.

Background – This line item provides funding to the Juvenile Division of the Superior Court for prevention of delinquency among juvenile offenders by strengthening family relationships. These monies are predominantly for non-adjudicated juveniles and their families and require a 25% county match.

Juvenile Diversion Consequences

The budget includes \$9,024,900 from the General Fund in FY 2014 for Juvenile Diversion Consequences. This amount is unchanged from FY 2013.

Background – This program diverts youth from formal court proceedings in order to reduce court costs and prevent re-offending. A juvenile diversion probation officer assigns consequences for the juvenile to complete, such as substance abuse education, graffiti abatement, counseling, or other community service programs. In FY 2012, there were approximately 15,019 juveniles diverted from formal court proceedings. Monies in this line item are distributed to all counties.

Juvenile Crime Reduction

The budget includes \$5,192,100 and 7 FTE Positions from CJEF in FY 2014 for Juvenile Crime Reduction. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$18,700 from CJEF in FY 2014 for statewide adjustments.

Background – This line item provides funding for the design and implementation of community-based strategies for reducing juvenile crime. Strategies include prevention, early intervention, effective intermediate sanctions, and rehabilitation. Through a grant process, AOC distributes monies in this line item to approximately 26 public and private entities.

Mental Health Court Report

The budget includes \$90,000 from the General Fund in FY 2014 for a Mental Health Court Report. This amount funds the following adjustments:

Report Funding

The budget includes a one-time increase of \$90,000 from the General Fund in FY 2014 to provide funding for a Mental Health Court Report mandated by Laws 2013, Chapter 140.

Background – Laws 2013, Chapter 140 requires the Administrative Office of the Courts (AOC) to evaluate the effectiveness, efficiency and accountability of the mental health courts and to establish operational standards on or before December 31, 2014. The funding provided in this special line item allows AOC to implement the provisions of this law.

Special Water Master

The budget includes \$94,000 from the General Fund in FY 2014 for the Special Water Master line item. This amount funds the following adjustments:

Gila River Water Master

The budget includes an increase of \$74,000 from the General Fund in FY 2014 for additional funding for the administration of the Gila River Water Master.

Background – This line item provides funding for the Special Water Master assigned by the court in 1990 to the Little Colorado River and Gila River water rights adjudications. The adjudication of water rights for the Little Colorado River and Gila River were petitioned in 1978 and 1980, respectively. In FY 2012, 906 water rights claims were filed by individuals, communities, governments, and companies. The Special Water Master conducts hearings for each claimant and makes recommendations to a Superior Court judge.

Pursuant to statute, the costs of the Water Master are funded from claimant fees. If claimant fees are insufficient, statute requires the state General Fund to pay for these expenses in a Special Line Item within the Superior Court budget. In FY 2012, revenue and interest to the Gila River water rights adjudication totaled \$17,687 and expenditures were \$160,047. The FY 2012 revenue, interest, and appropriations to the Little Colorado River water rights adjudication totaled \$23,894 and expenditures were \$28,402. The FY 2012 ending balances were \$249,388 and \$99,480 for the Gila and Little Colorado River funds, respectively.

Additional Legislation

County Non-Supplanting Provisions

The FY 2014 Criminal Justice Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 5) continues to suspend county non-supplanting requirements associated with funding for probation services, criminal case processing, and alternative dispute resolution programs and requires the counties to report on reductions in county funding as a result of the elimination of the non-supplanting provisions.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of

costs for replacement of the state’s financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Fund Transfers

The budget also includes the following FY 2014 transfers from this agency’s funds to the General Fund:

Criminal Justice Enhancement Fund	75,000
Drug Treatment and Education Fund	150,000
Judicial Collection Enhancement Fund	400,000
Juvenile Probation Services Fund	5,000,000

The FY 2013 General Appropriation Act required these FY 2014 transfers along with identical transfers in FY 2013.

Department of Juvenile Corrections

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,001.7	738.5	738.5
Personal Services	27,273,600	26,772,700	26,980,000
Employee Related Expenditures	12,534,800	12,441,300	12,477,100
Professional and Outside Services	1,767,900	1,867,700	1,867,700
Travel - In State	548,700	550,700	550,700
Travel - Out of State	4,100	5,700	5,700
Other Operating Expenditures	6,308,000	5,580,700	5,114,900
Equipment	642,900	752,000	752,000
AGENCY TOTAL	49,080,000	47,970,800^{1/}	47,748,100^{2/3/}

FUND SOURCES

General Fund	45,986,400	44,053,900	43,822,700
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	516,800	530,600	530,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,113,500	1,098,600	1,098,600
State Education Fund for Committed Youth	1,463,300	2,287,700	2,296,200
SUBTOTAL - Other Appropriated Funds	3,093,600	3,916,900	3,925,400
SUBTOTAL - Appropriated Funds	49,080,000	47,970,800	47,748,100
Other Non-Appropriated Funds	226,100	211,600	211,600
Federal Funds	1,384,500	1,239,100	1,239,100
TOTAL - ALL SOURCES	50,690,600	49,421,500	49,198,800

AGENCY DESCRIPTION — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youth until they are released from custody or reach age 18.

Operating Budget

The budget includes \$47,748,100 and 738.5 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$43,822,700
Criminal Justice Enhancement Fund (CJEF)	530,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600
State Education Fund for Committed Youth	2,296,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(222,700) in FY 2014 for statewide adjustments. This amount consists of:

General Fund	(231,200)
State Education Fund for Committed Youth	8,500

(Please see the Agency Detail and Allocations section.)

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the Automation Projects narrative for more details.)

- ^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(515,200) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- ^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- ^{3/} Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund shall be distributed to the Department of Juvenile Corrections, in compliance with Section 25 of the Enabling Act and the Constitution of Arizona, to be used for the support of state juvenile institutions and reformatories. (General Appropriation Act footnote)

Population Counts

Table 1 lists the DJC population by facility:

Table 1		
DJC Census		
	<u>FY 2013 Average Population</u>	<u>Population as of May 31, 2013</u>
Housed Population		
Adobe Mountain South	275	262
Adobe Mountain North	<u>73</u>	<u>68</u>
Total Housed Population	348	330
Parole Population		
Parole	371	369
Interstate Compact (inside Arizona) ^{1/}	<u>141</u>	<u>126</u>
Total Parole Population	512	495
^{1/} The Interstate Compact is an agreement between states to supervise parolees in each other's state. "Inside Arizona" means parolees from other states living in Arizona and "outside Arizona" means Arizona parolees living in other states. There were an average of 117 Arizona parolees outside of Arizona in FY 2013 and 122 parolees on May 31, 2013.		

State Land Department

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	152.9	125.7	125.7
Personal Services	6,199,600	6,848,000	6,922,700
Employee Related Expenditures	2,485,800	2,729,100	2,729,800
Professional and Outside Services	781,100	1,939,900	1,939,900
Travel - In State	135,100	133,500	133,500
Travel - Out of State	10,700	3,600	3,600
Other Operating Expenditures	1,967,100	3,106,200	2,796,600
Equipment	100,500	90,500	90,500
OPERATING SUBTOTAL	11,679,900	14,850,800	14,616,600
SPECIAL LINE ITEMS			
CAP User Fees	481,100	481,200	513,300 ^{1/}
Due Diligence Fund	0	500,000	500,000
Natural Resource Conservation Districts	563,000	650,000	650,000 ^{2/}
Trust Land Management Fund Repayment	0	15,018,000	0
AGENCY TOTAL	12,724,000	31,500,000 ^{3/}	16,279,900 ^{4/}
FUND SOURCES			
General Fund	1,235,500	1,266,200	12,345,400
<u>Other Appropriated Funds</u>			
Due Diligence Fund	0	500,000	500,000
Environmental Special Plate Fund	173,000	260,000	260,000
Risk Management Revolving Fund	9,886,500	26,004,600	0
Trust Land Management Fund	1,429,000	3,469,200	3,174,500
SUBTOTAL - Other Appropriated Funds	11,488,500	30,233,800	3,934,500
SUBTOTAL - Appropriated Funds	12,724,000	31,500,000	16,279,900
Other Non-Appropriated Funds	809,300	859,400	859,400
Federal Funds	796,400	44,100	44,100
TOTAL - ALL SOURCES	14,329,700	32,403,500	17,183,400

AGENCY DESCRIPTION — The agency manages the state's 9.3 million acres of trust land on behalf of its 14 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from the operators of 2 copper mines on state land.

Operating Budget

The budget includes \$14,616,600 and 125.7 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$11,442,100
Trust Land Management Fund	3,174,500

These amounts fund the following adjustments:

Fund Shift

The budget includes an increase of \$10,747,400 from the General Fund and a corresponding decrease of \$(10,747,400) from the Risk Management Revolving Fund in FY 2014 to reflect changes in fund source for the agency's operating budget in response to a January 9, 2013

- ^{1/} The appropriation includes \$513,300 for Central Arizona Project User Fees in FY 2014. For FY 2014, from municipalities that assume their allocation of Central Arizona Project water every dollar received as reimbursement to the state for past Central Arizona Water Conservation District payments, \$1.00 reverts to the state General Fund in the year that the reimbursement is collected. (General Appropriation Act footnote)
- ^{2/} Of the amount appropriated for Natural Resource Conservation Districts in FY 2014, \$30,000 shall be used to provide grants to Natural Resource Conservation Districts environmental education centers. (General Appropriation Act footnote)
- ^{3/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(2,500) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- ^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Supreme Court ruling. (See *Other Issues* section for more information.)

Statewide Adjustments

The budget includes a decrease of \$(234,200) for statewide adjustments. This amount consists of:

General Fund	299,700
Risk Management Revolving Fund	(239,200)
Trust Land Management Fund	(294,700)

(Please see *Agency Detail and Allocations* section.)

CAP User Fees

The budget includes \$513,300 from the General Fund in FY 2014 for Central Arizona Project (CAP) User Fees. This amount funds the following adjustments:

CAP Rate Increase

The budget includes an increase of \$32,100 from the General Fund in FY 2014 to adjust the appropriation for new CAP rates.

Monies in this line item are used to pay the Central Arizona Water Conservation District (CAWCD) for the department's allocation of CAP water related to state trust lands. The CAWCD sets the rates for all CAP subcontractors and applies the capital charges to the repayment of federal construction debt.

Due Diligence Fund

The budget includes \$500,000 from the Due Diligence Fund in FY 2014 for this line item. This amount is unchanged from FY 2013.

The State Land Department uses monies in this line item to fund due diligence studies on land that it prepares for auction. The purchasers of State Trust land then reimburse the State Land Department for the cost of the studies.

Natural Resource Conservation Districts

The budget includes \$650,000 in FY 2014 for Natural Resource Conservation Districts (NRCs). This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2013.

Monies in this line item are used to provide for natural resource research, activities, and staff at the state's 32 NRCs. These districts are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A.R.S. § 37-1014 requires the

department to include in its budget request up to \$30,000 for each NRC and \$60,000 for each education center for a 2-year period. A General Appropriation Act footnote requires that \$30,000 of the total appropriation for NRCs be used to provide grants to NRC environmental education centers. There are currently 24 education centers sponsored or co-sponsored by 30 NRCs. The \$30,000 is divided among the 24 education centers, meaning each center receives \$1,250. Districts that sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015. The revenue deposited in the Environmental Special Plate Fund consists of \$17 of the \$25 fee for environmental license plates. Current levels of Environmental Special Plate Fund revenue do not permit expenditure of the full appropriation.

Trust Land Management Fund Repayment

The budget includes a decrease of \$(15,018,000) from the Risk Management Revolving Fund in FY 2014 to eliminate the one-time FY 2013 payment to the Trust Land Management Fund. The budget included an FY 2013 supplemental appropriation of \$15,018,000 to refund earlier Trust Land Management Fund payments that were used in FY 2010 and FY 2011 to pay a portion of the State Land Department's operating budget. Subsequent court decisions ruled this practice unconstitutional and required that the diverted monies be refunded to the Trust Land Management Fund. (See *Other Issues* for more information.)

Other Issues

Change in Funding Source

The FY 2010 budget created the Trust Land Management Fund, which received revenue from a 10% commission on the proceeds from the sale of State Trust land and natural resources. In FY 2010, \$9,820,400 of the State Land Department's operating budget was shifted from the General Fund to the Trust Land Management Fund. The state was subsequently sued for using monies that would have otherwise been deposited into the Permanent Funds of the State Trust beneficiaries. In October 2010, the Superior Court of Arizona ruled in *Rumery v. Martin* that any diversion of proceeds raised by the sale of State Trust land from the Permanent Funds of State Trust beneficiaries is unconstitutional. Furthermore, the department is required to refund all proceeds that have been previously diverted from the Permanent Funds of State Trust beneficiaries to the Trust Land Management Fund. Since the establishment of the Trust Land Management Fund, the total amount of proceeds from sales deposited into the fund is \$24,024,400.

The Arizona Court of Appeals granted the State Land Department a stay of the Superior Court's judgment through FY 2011. On June 30, 2011, the Court of Appeals

stay extension was denied. As a result, the State Land Department's Trust Land Management Fund lost a significant portion of its revenue.

The FY 2012 Environment Budget Reconciliation Bill (Laws 2011, Chapter 36) appropriated \$9,888,400 to the State Land Department from the Risk Management Revolving Fund for operating expenses in FY 2012 as a short-term substitute while the Superior Court ruling was appealed. (The remaining \$3,174,500 Trust Land Management Fund appropriation for FY 2014 comes from fees, which are unaffected by the litigation.)

On January 9, 2013 the Arizona Supreme Court upheld the Superior Court ruling. Given this final resolution, the FY 2014 budget shifts funding for agency operations from the Risk Management Revolving Fund back to the General Fund. The budget includes an FY 2013 supplemental appropriation of \$15,018,000 from the Risk Management Revolving Fund to repay earlier Trust Land Management deposits, as ordered by the Superior Court.

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Law Enforcement Merit System Council

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	0.0
Personal Services	35,700	43,400	0
Employee Related Expenditures	20,500	21,500	0
Professional and Outside Services	100	0	0
Travel - In State	500	1,900	0
Other Operating Expenditures	8,200	3,300	0
Equipment	1,700	400	0
AGENCY TOTAL	66,700	70,500^{1/}	0
FUND SOURCES			
General Fund	66,700	70,500	0
SUBTOTAL - Appropriated Funds	66,700	70,500	0
TOTAL - ALL SOURCES	66,700	70,500	0

AGENCY DESCRIPTION — The Law Enforcement Merit System Council (LEMSC) sets the standards and qualifications for all classified positions within the Department of Public Safety (DPS). The Council provides the rules for selection, appointment, retention, separation, dismissal and retirement of DPS employees. The Council also hears appeals in connection with suspension, demotion or dismissal of classified employees.

Operating Budget

The budget includes no funding in FY 2014 for the operating budget. This amount funds the following adjustments:

Shift to DPS

The budget includes a decrease of \$(70,500) and (1) FTE Position from the General Fund in FY 2014 to reflect the shift of Law Enforcement Merit System Council staff and resources to the Department of Public Safety (DPS). This shift will place the responsibility for determining the standards for promotion, appointment, selection, retirement and dismissal of sworn law enforcement officers under the auspices of DPS.

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(1,100) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

Legislature - Auditor General

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	199.4	184.8	184.8
Personal Services	10,462,400	11,088,700	11,235,800
Employee Related Expenditures	3,788,900	4,240,000	4,271,900
Professional and Outside Services	499,100	499,100	499,100
Travel - In State	290,800	290,800	290,800
Travel - Out of State	4,500	4,500	4,500
Other Operating Expenditures	1,059,000	1,032,200	1,120,300
Equipment	567,300	567,300	567,300
AGENCY TOTAL	16,672,000	17,722,600^{1/}	17,989,700^{2/3/4/}
FUND SOURCES			
General Fund	16,672,000	17,722,600	17,989,700
SUBTOTAL - Appropriated Funds	16,672,000	17,722,600	17,989,700
Other Non-Appropriated Funds	2,380,100	1,867,800	1,867,800
TOTAL - ALL SOURCES	19,052,100	19,590,400	19,857,500

AGENCY DESCRIPTION — The Auditor General (AG) provides an independent financial, performance, and compliance audit capability in support of legislative oversight and public accountability of funds administered by the state and certain local governments.

Operating Budget

The budget includes \$17,989,700 and 184.8 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$267,100 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the Automation Projects narrative for more details.)

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(161,000) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{4/} Included in the lump sum appropriation is funding to pay state rent at the statewide rate. (General Appropriation Act footnote)

Legislature - House of Representatives

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	12,283,600	13,295,700	13,372,200
AGENCY TOTAL	12,283,600	13,295,700^{1/}	13,372,200^{2/34/}
FUND SOURCES			
General Fund	12,283,600	13,295,700	13,372,200
SUBTOTAL - Appropriated Funds	12,283,600	13,295,700	13,372,200
TOTAL - ALL SOURCES	12,283,600	13,295,700	13,372,200

AGENCY DESCRIPTION — The House of Representatives is made up of 60 members, 2 of whom are elected from each of the legislative districts. The officers and employees of the House of Representatives consist of the Speaker of the House, a Chief Clerk of the House, and other employees as the House directs.

Operating Budget

The budget includes \$13,372,200 from the General Fund in FY 2014 for the operating budget. This amount funds the following adjustments:

Statewide Adjustments

The budget includes an increase of \$76,500 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- ^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(170,500) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- ^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- ^{4/} Included in the Lump Sum appropriation of \$13,372,200 for FY 2014 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)

Legislature - Joint Legislative Budget Committee

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	1,373,700	1,645,200	1,661,800
Employee Related Expenditures	485,700	602,200	605,700
Professional and Outside Services	80,300	125,000	125,000
Travel - In State	300	500	500
Other Operating Expenditures	28,800	97,700	97,000
Equipment	0	2,000	2,000
AGENCY TOTAL	1,968,800	2,472,600 ^{1/}	2,492,000 ^{2/3/}
FUND SOURCES			
General Fund	1,968,800	2,472,600	2,492,000
SUBTOTAL - Appropriated Funds	1,968,800	2,472,600	2,492,000
TOTAL - ALL SOURCES	1,968,800	2,472,600	2,492,000

AGENCY DESCRIPTION — The Staff of the Joint Legislative Budget Committee, established by the Arizona Legislature, provides its members with analysis, forecasts, research and recommendations on state government finances and public policies.

Operating Budget

The budget includes \$2,492,000 and 29 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$19,400 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- ^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(16,700) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- ^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Legislature - Legislative Council

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	42.8	42.8	47.0 ^{1/}
Personal Services	2,382,300	2,554,200	2,585,300
Employee Related Expenditures	851,800	919,900	849,800
Professional and Outside Services	19,800	61,000	61,000
Travel - In State	200	700	700
Other Operating Expenditures	533,400	520,000	521,200
Equipment	374,600	3,400,000	3,400,000
OPERATING SUBTOTAL	4,162,100	7,455,800	7,418,000
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	614,600	546,000	628,500
AGENCY TOTAL	4,776,700	8,001,800 ^{2/}	8,046,500 ^{3/4/5/}
FUND SOURCES			
General Fund	4,776,700	8,001,800	8,046,500
SUBTOTAL - Appropriated Funds	4,776,700	8,001,800	8,046,500
TOTAL - ALL SOURCES	4,776,700	8,001,800	8,046,500

AGENCY DESCRIPTION — The Legislative Council, a staff agency of the Legislative Department, provides bill drafting and research services, continuing code revision and manages the operation and renovation of certain legislative buildings and grounds. The council is also responsible for the development, operation, and maintenance of the legislative computer system.

Operating Budget

The budget includes \$7,418,000 and 40 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Health and Dental Insurance Premiums

The budget includes a transfer of \$(77,000) from the General Fund in FY 2014 from the operating budget to the Ombudsman-Citizens Aide Office Special Line Item for health and dental insurance premiums of the Ombudsman-Citizens Aide Office which were previously paid from the operating budget. There is no net change in cost to the General Fund.

Statewide Adjustments

The budget includes an increase of \$39,200 from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Ombudsman-Citizens Aide Office

The budget includes \$628,500 and 7 FTE Positions from the General Fund in FY 2014 for the Ombudsman-Citizens Aide Office. These amounts fund the following adjustments:

Health and Dental Insurance Premiums

The budget includes a transfer of \$77,000 from the General Fund in FY 2014 to the Ombudsman-Citizens Aide Office Special Line Item from the operating budget for health and dental insurance premiums. There is no net change in cost to the General Fund.

Statewide Adjustments

The budget includes an increase of \$5,500 from the General Fund in FY 2014 for statewide adjustments.

Monies in this line item fund operation of the Ombudsman-Citizens Aide Office, which receives public complaints, investigates administrative acts of agencies,

^{1/} Includes 7 GF FTE Positions funded from Special Line Items in FY 2014.

^{2/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(35,800) GF for a state employee health insurance premium holiday. *(Please see the FY 2013 General Fund Adjustments section.)*

^{3/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{5/} Dues for the Council of State Governments shall be expended only on an affirmative vote of the Legislative Council. (General Appropriation Act footnote)

and may present their final opinion and recommendations to the Governor, the Legislature, the office of the appropriate prosecutor or the public, or any combination of these persons. The Ombudsman-Citizens Aide Office also trains public officials and educates the public on the rights of the public and the responsibilities of public agencies under the public access laws.

Legislature - Senate

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	8,457,800	8,204,800	8,283,800
AGENCY TOTAL	8,457,800	8,204,800 ^{1/}	8,283,800 ^{2/3/4/}
FUND SOURCES			
General Fund	8,457,800	8,204,800	8,283,800
SUBTOTAL - Appropriated Funds	8,457,800	8,204,800	8,283,800
TOTAL - ALL SOURCES	8,457,800	8,204,800	8,283,800

AGENCY DESCRIPTION — The Senate is made up of 30 members elected from each of the legislative districts. The officers and employees of the Senate consist of the President of the Senate, a Secretary of the Senate, and other employees as the Senate directs.

Operating Budget

The budget includes \$8,283,800 from the General Fund in FY 2014 for the operating budget. This amount funds the following adjustments:

Statewide Adjustments

The budget includes an increase of \$79,000 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- ^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(104,500) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- ^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- ^{4/} Included in the Lump Sum appropriation of \$8,283,800 for FY 2014 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)

Department of Liquor Licenses and Control

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	45.2	45.2	45.2
Personal Services	1,515,700	1,504,400	1,522,700
Employee Related Expenditures	691,700	725,500	729,900
Professional and Outside Services	64,000	40,400	40,400
Travel - In State	151,800	110,400	110,400
Travel - Out of State	6,900	3,300	3,300
Other Operating Expenditures	377,000	527,300	525,600
Equipment	72,500	0	0
AGENCY TOTAL	2,879,600	2,911,300	2,932,300^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	2,879,600	2,911,300	2,932,300
SUBTOTAL - Other Appropriated Funds	2,879,600	2,911,300	2,932,300
SUBTOTAL - Appropriated Funds	2,879,600	2,911,300	2,932,300
Other Non-Appropriated Funds	915,100	919,600	919,600
Federal Funds	113,500	0	0
TOTAL - ALL SOURCES	3,908,200	3,830,900	3,851,900

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

Operating Budget

The budget includes \$2,932,300 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$21,000 from the Liquor Licenses Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona State Lottery Commission

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	104.0	97.8	98.8
Personal Services	4,242,700	4,737,700	4,812,000
Employee Related Expenditures	1,896,200	1,758,600	1,769,400
Professional and Outside Services	314,500	384,300	386,800
Travel - In State	219,700	269,800	271,600
Travel - Out of State	1,800	16,700	16,800
Other Operating Expenditures	810,800	1,156,600	1,163,600
Equipment	218,900	0	0
OPERATING SUBTOTAL	7,704,600	8,323,700	8,420,200
SPECIAL LINE ITEMS			
Advertising	14,354,400	15,500,000	15,500,000
Charitable Commissions ^{1/}	654,000	686,700	721,100 ^{2/}
Instant Tickets ^{1/}	9,248,100	16,055,700	16,858,500 ^{3/}
On-Line Vendor Fees ^{1/}	8,644,300	9,055,700	9,508,400 ^{4/}
Retailer Commissions ^{1/}	43,708,100	46,049,500	48,352,000 ^{5/}
AGENCY TOTAL	84,313,500	95,671,300	99,360,200^{6/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
State Lottery Fund	84,313,500	95,671,300	99,360,200
SUBTOTAL - Other Appropriated Funds	84,313,500	95,671,300	99,360,200
SUBTOTAL - Appropriated Funds	84,313,500	95,671,300	99,360,200
Other Non-Appropriated Funds	400,641,900	423,187,600	450,410,200
TOTAL - ALL SOURCES	484,955,400	518,858,900	549,770,400

AGENCY DESCRIPTION — The Arizona Lottery is responsible for administering sanctioned games of chance. In addition to Arizona-specific games, the state also participates in multi-state Powerball and Mega-Millions on-line games.

Operating Budget

The budget includes \$8,420,200 and 98.8 FTE Positions from the State Lottery Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Product Development Assistant

The budget includes an increase of \$53,100 and 1 FTE Position from the State Lottery Fund in FY 2014 to fund hiring of a Product Development Assistant. Of this

amount, there would be one-time costs of \$1,500 for office equipment and ongoing costs of \$51,600 for employee salary and benefits.

Statewide Adjustments

The budget includes an increase of \$43,400 from the State Lottery Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- ^{1/} Charitable Commissions, Instant Tickets, On-Line Vendor Fees, and Retailer Commissions are appropriated as a percentage of sales. Therefore, the amounts shown for those line items are estimates only.
- ^{2/} An amount equal to 20% of Tab Ticket sales is appropriated for payment of sales commissions to charitable organizations. This amount is currently estimated to be \$721,100 in FY 2014. (General Appropriation Act footnote)
- ^{3/} An amount equal to 3.6% of actual instant ticket sales is appropriated for the printing of instant tickets or for contractual obligations concerning instant ticket distribution. This amount is currently estimated to be \$16,858,500 in FY 2014. (General Appropriation Act footnote)
- ^{4/} An amount equal to a percentage of actual on-line game sales as determined by contract is appropriated for payment of on-line vendor fees. This amount is currently estimated to be \$9,508,400, or 3.7% of actual on-line ticket sales in FY 2014. (General Appropriation Act footnote)
- ^{5/} An amount equal to 6.5% of gross lottery game sales, less Tab Tickets, is appropriated for payment of sales commissions to ticket retailers. An additional amount not to exceed 0.5% of gross lottery game sales is appropriated for payment of sales commissions to ticket retailers. The combined amount is currently estimated to be 6.7% of total ticket sales, or \$48,352,000 in FY 2014. (General Appropriation Act footnote)
- ^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Advertising

The budget includes \$15,500,000 from the State Lottery Fund in FY 2014 for Advertising. This amount is unchanged from FY 2013.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The budget includes \$721,100 from the State Lottery Fund in FY 2014 for Charitable Commissions. This amount funds the following adjustments:

Tab Ticket Increase

The budget includes an increase of \$34,400 from the State Lottery Fund in FY 2014 to realign spending with projected revenues.

Monies in this line item are used to compensate charities for selling lottery 'Tab Tickets.' Laws 2010, Chapter 126 established a special type of instant ticket, Tab Tickets, to be sold exclusively by charitable organizations, who receive a 20% commission for selling the games. The displayed amount is derived by applying the approved percentage, 20%, to the forecasted Tab Ticket sales. A.R.S. § 5-555 also allows the department to collect up to 35% of total Tab Ticket sales (which includes the 20% commission) for their operating budget, with the remainder distributed as prizes.

Instant Tickets

The budget includes \$16,858,500 from the State Lottery Fund in FY 2014 for Instant Tickets. This amount funds the following adjustments:

Instant Ticket Sales Increase

The budget includes an increase of \$802,800 from the State Lottery Fund in FY 2014 for Instant Tickets due to higher projected sales. (See Table 1 for more information.)

Monies in this line item are used to pay for instant ticket printing and distribution costs. The actual appropriation is for 3.6% of instant ticket sales. The amount displayed is derived by applying the approved spending percentage to the forecasted sales total.

On-Line Vendor Fees

The budget includes \$9,508,400 from the State Lottery Fund in FY 2014 for On-Line Vendor Fees. This amount funds the following adjustments:

On-Line Vendor Fees Increase

The budget includes an increase of \$452,700 from the State Lottery Fund in FY 2014 for On-Line Vendor Fees due to higher projected sales. (See Table 1 for more information.)

Monies in this line item are used to pay the vendor that operates the on-line game computer system. The actual appropriation is equal to a percentage of on-line ticket sales specified in the Lottery's contractual agreement with the vendor, which is 3.7%.

Retailer Commissions

The budget includes \$48,352,000 from the State Lottery Fund in FY 2014 for Retailer Commissions. This amount funds the following adjustments:

Retailer Commissions Increase

The budget includes an increase of \$2,302,500 from the State Lottery Fund in FY 2014 for Retailer Commissions due to higher projected sales. (See Table 1 for more information.)

Monies in this line item are used to compensate retailers for selling lottery tickets. A.R.S. § 5-555 specifies that compensation to retailers will be at least 5.5% but not more than 8% of non-Tab Ticket sales. The actual appropriation is equal to 6.5% of these sales. Pursuant to statute, an additional 0.5% of total non-Tab Ticket sales may be paid to retailers based on their attainment of specified sales and marketing objectives. Since 40% of retailers are estimated to meet these objectives, this would result in an additional 0.2% in retailer commissions and a total retail commission rate of 6.7%. The displayed amount is derived by applying the approved percentage to the forecasted sales total

Lottery Forecast and Distributions

The budget assumes a 6.8% increase in overall Lottery ticket sales in FY 2013, followed by a 6% increase in FY 2014. For FY 2013 and FY 2014, the budget assumes Lottery ticket sales of \$690,740,100 and \$731,902,400, respectively.

Sources and Uses of Lottery Profit Distribution

Table 1 shows the sources of forecasted Lottery profits by revenue stream and illustrates the actual distributions to fund beneficiaries for FY 2012 and the JLBC Staff projected distributions for FY 2013 and FY 2014. A brief description of each beneficiary follows in the order that they receive Lottery-generated revenue in accordance with A.R.S. § 5-534 and 5-572.

State Lottery Revenue Bond Debt Service Payment Fund
Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to issue a

20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments are made from Lottery revenues that would have otherwise been deposited into the General Fund. The FY 2012 bond payment was \$20,709,600, which was interest only. The principal and interest payments in FY 2013 and FY 2014 are expected to be \$37,499,600 and \$37,499,800, respectively. Chapter 4 requires the first Lottery proceeds to be distributed to the State Lottery Revenue Bond Debt Service Payment Fund.

Maricopa County Mass Transit

The projected annual distribution of Powerball proceeds to the Maricopa Public Transportation Fund is \$12,040,000 in FY 2013 and \$12,642,000 in FY 2014.

Laws 1993, 6th Special Session, Chapter 1 allocated not less than 31.5% of multi-state Powerball revenues to public transportation programs, otherwise known as Local Transportation Assistance Fund (LTAF) II. This allocation was capped at \$18,000,000 and was contingent upon the General Fund receiving \$45,000,000 in Lottery revenues.

Laws 2010, 7th Special Session, Chapter 12 redirected these monies to the General Fund. In September 2011, the U.S. District Court in the case of *Paisley v. Darwin* ruled that the Arizona Legislature must restore the distribution of mass transit monies to Maricopa County because the distribution was part of the state implementation plan to ensure compliance with the Clean Air Act. As a result, the state must calculate Maricopa County's share of 31.5% of statewide Powerball proceeds and distribute those monies to the county.

General Fund - Part 1

The statutory distribution requires the General Fund to receive up to \$84,150,000. The General Fund - Part 2 would receive up to an additional \$15,490,000 (for a total of \$99,640,000) after the statutory funding obligations have been met through the Homeless Shelters distribution. After all other statutory obligations have been met, the General Fund - Part 3 would receive all remaining revenues.

The profit distributions in FY 2013 and FY 2014 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2. The Lottery revenue bond payments of \$37,499,600 in FY 2013 and \$37,499,800 in FY 2014 count towards the \$84,150,000 General Fund - Part 1 requirement. Total General Fund distributions, net of bond payments, are therefore budgeted to be \$73,671,900 in FY 2013 and \$77,829,900 in FY 2014.

Heritage Fund

Statute caps annual distributions to the Arizona Game and Fish Commission's Heritage Fund at \$10,000,000. The funds are used to promote wildlife habitat and education programs and to rehabilitate historic buildings. In FY

2013 and FY 2014, the fund is projected to receive its entire allocation.

Health and Welfare Programs

Statute requires annual inflation adjustments for the Health and Welfare distribution. The revised allocation cap is \$20,539,000 in FY 2013 and \$20,829,100 in FY 2014. These amounts are distributed among the following agencies:

- 29.4% to the Department of Economic Security (DES) for the Healthy Families program.
- 23.5% to the Arizona Board of Regents (ABOR) for the Arizona Health Education Center program.
- 17.6% to the Department of Health Services (DHS) for teenage pregnancy prevention.
- 11.8% to DHS for Disease Control Research.
- 11.8% to DHS for the Health Start program.
- 5.9% to DHS for the Women, Infants and Children food program.

Health and Welfare Programs are expected to receive their entire allocation in both FY 2013 and FY 2014.

Homeless Shelters

Under the statutory distribution, DES would receive up to \$1,000,000 for Homeless Shelters. The department shall use the funding to distribute grants to nonprofit organizations, including faith based organizations, for homeless emergency and transitional shelters and related support services. The fund is estimated to receive its full allocation in both FY 2013 and FY 2014.

General Fund - Part 2

As noted above, the General Fund would receive up to an additional \$15,490,000 after all prior allocations have been met. In FY 2013 and FY 2014, the General Fund is estimated to receive its entire allocation of \$15,490,000.

Arizona Competes Fund

Statute caps annual distributions to the Arizona Competes Fund at \$3,500,000. Allotments to this fund are used for administering grants to qualifying businesses for the purpose of attracting, retaining, and expanding business within the state. This fund is estimated to receive its full allocation in both FY 2013 and FY 2014.

University Capital Improvement Fund

This fund serves as the source for up to 80% of the annual debt service associated with \$800,000,000 of University Capital construction lease-purchase agreements. This fund received \$10,298,500 in FY 2012, which was 80% of the annual debt service payments on the \$316,590,000 of lease-purchase agreements that have been issued to date. The UCI Fund is expected to require \$13,330,600 in FY 2013 and \$18,531,200 in FY 2014 to make the expected level of debt service payments. The FY 2014 estimate includes debt service payments on \$524,533,000 of lease-purchase agreements that have already been or will be

issued by the end of FY 2014. Once the full \$800,000,000 has been issued, debt service payments could total \$41,632,800, depending on assumptions of repayment lengths and interest rates. *(Please see the FY 2014 ABOR Capital Outlay section for more details.)*

General Fund - Part 3

The General Fund receives all remaining revenues after all statutory funding obligations have been met. These payments to the General Fund are budgeted to equal \$11,531,500 in FY 2013 and \$15,689,700 in FY 2014.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Table 1

Forecast of Lottery Revenue Distribution (\$ in Millions)

Sales	FY 2012	FY 2013	FY 2014
Instant Sales	\$413.1	\$446.0	\$481.6
On-Line Sales	233.6	244.7	250.3
Total Sales	\$646.7	\$690.7	\$731.9
<i>Less:</i>			
Operating Budget ^{1/}	\$ 84.3	\$ 95.7	\$ 99.4
Fund Transfers ^{2/}	1.9	0.0	0.0
Gaming Distribution	0.3	0.3	0.3
Prizes ^{3/}	400.6	423.1	450.4
Net Profit ^{4/}	\$159.6	\$171.6	\$181.8
Profit Transfers			
Debt Service Fund	\$ 20.7	\$ 37.5	\$ 37.5
Maricopa County Mass Transit ^{5/}	11.2	12.0	12.6
General Fund - Part 1 ^{6/}	59.9	46.7	46.7
Heritage	10.0	10.0	10.0
Health and Welfare Programs	19.3	20.5	20.8
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2 ^{6/}	15.5	15.5	15.5
Arizona Commerce Authority ^{7/}	3.5	3.5	3.5
University Capital	10.3	13.3	18.5
General Fund - Part 3 ^{6/}	8.2	11.6	15.7
Total Transfer	\$159.6	\$171.6	\$181.8

^{1/} Of this amount, an estimated \$686,700 in FY 2013 and an estimated \$721,100 in FY 2014 will be distributed to charities.

^{2/} In FY 2012, there was a \$1,352,400 continued Fund Reduction Transfer and a \$509,400 pay/benefit reduction.

^{3/} Prizes are estimated by subtracting net profit and operating budget expenditures from total Lottery sales.

^{4/} To derive the profit transfer amounts, the actual FY 2012 rate of return for each game was applied to the current budget forecast. The cumulative profit transfer rate is 25.01%.

^{5/} As a result of a federal court order, Maricopa County's share of Local Transportation Assistance Fund II monies was reinstated starting September 2011. *(See Lottery Forecast and Distributions for more information.)*

^{6/} Excluding fund transfers, distributions to the General Fund totaled \$83,578,300 in FY 2012 and are budgeted to be \$73,671,900 in FY 2013 and \$77,829,900 in FY 2014.

^{7/} Laws 2012, Chapter 297 moved the Arizona Competes Fund distribution from before the General Fund - Part 1 to after General Fund - Part 2, beginning in FY 2013.

Board of Massage Therapy

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	5.0
Personal Services	0	0	257,900
Employee Related Expenditures	0	0	76,700
Professional and Outside Services	0	0	49,500
Travel - In State	0	0	1,300
Other Operating Expenditures	0	0	68,600
Equipment	0	0	3,200
AGENCY TOTAL	0	0	457,200^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Massage Therapy Fund	0	0	457,200
SUBTOTAL - Other Appropriated Funds	0	0	457,200
SUBTOTAL - Appropriated Funds	0	0	457,200
TOTAL - ALL SOURCES	0	0	457,200

AGENCY DESCRIPTION — The board licenses and regulates massage therapists. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$457,200 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Fund Separation

The budget includes an increase of \$415,500 and 5 FTE Positions from the Board of Massage Therapy Fund in FY 2014 to create a separate Board of Massage Therapy. In prior years, expenditures for the Board of Massage Therapy were made from a subaccount of the Naturopathic Physicians Medical Board Fund. Starting in FY 2014, expenditures for the Board of Massage Therapy will be made from the Board of Massage Therapy Fund. In addition to separating these funds, Laws 2013, Chapter 108 requires the board to appoint their own Executive Director, instead of sharing one with the Naturopathic Physicians Medical Board. The Board of Massage Therapy is displayed as its own agency for the first time in FY 2014.

The FY 2014 Government Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 2), transfers all monies remaining in the separate subaccount established for the Board of Massage Therapy in the Naturopathic Physicians Medical Board Fund to the Board of Massage Therapy Fund established by A.R.S. § 32-4205, as added

by Laws 2013, Chapter 108. This is effective retroactively to July 1, 2013.

Statewide Adjustments

The budget includes an increase of \$41,700 from the Board of Massage Therapy Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency

Arizona Medical Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	58.5	58.5	58.5
Personal Services	2,346,500	2,833,200	2,862,900
Employee Related Expenditures	842,000	1,048,600	1,055,300
Professional and Outside Services	850,000	999,400	999,400
Travel - In State	17,500	23,000	23,000
Travel - Out of State	13,600	14,000	14,000
Other Operating Expenditures	1,024,500	925,100	719,900
Equipment	167,600	64,200	64,200
AGENCY TOTAL	5,261,700	5,907,500	5,738,700^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	5,261,700	5,907,500	5,738,700 ^{2/}
SUBTOTAL - Other Appropriated Funds	5,261,700	5,907,500	5,738,700
SUBTOTAL - Appropriated Funds	5,261,700	5,907,500	5,738,700
TOTAL - ALL SOURCES	5,261,700	5,907,500	5,738,700

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

Operating Budget

The budget includes \$5,738,700 and 58.5 FTE Positions from the Arizona Medical Board Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(168,800) from the Arizona Medical Board Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{2/} The Arizona Medical Board may use up to 7% of the Arizona Medical Board Fund balance remaining at the end of each fiscal year for a performance based incentive program the following fiscal year based on the program established in A.R.S. § 38-618. (General Appropriation Act footnote)

Board of Medical Student Loans

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
SPECIAL LINE ITEMS			
Medical Student Financial Assistance	87,200	0	0
AGENCY TOTAL	87,200	0	0
FUND SOURCES			
General Fund	67,000	0	0
Other Appropriated Funds			
Medical Student Loan Fund	20,200	0	0
SUBTOTAL - Other Appropriated Funds	20,200	0	0
SUBTOTAL - Appropriated Funds	87,200	0	0
TOTAL - ALL SOURCES	87,200	0	0

AGENCY DESCRIPTION — The Board of Medical Student Loans distributed financial aid to qualified resident students enrolled at the University of Arizona College of Medicine or private medical schools within Arizona. Previously, the University of Arizona College of Medicine, Midwestern University, and A.T. Still University provided the board with support services at no cost. Administrative responsibility of the fund was transferred to the Department of Health Services after the last student graduated in May 2012.

Medical Student Financial Assistance

The budget includes no funding in FY 2014 for Medical Student Financial Assistance. This amount is unchanged from FY 2013.

The final remaining medical student graduated from A.T. Still University in May 2012. Laws 2012, Chapter 301 transferred all Medical Student Loan Fund balances to the Primary Care Provider Loan Repayment Program, which is administered by the Department of Health Services.

State Mine Inspector

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	468,100	508,100	513,900
Employee Related Expenditures	211,100	219,400	219,600
Professional and Outside Services	4,700	800	800
Travel - In State	96,300	80,100	80,100
Travel - Out of State	3,500	9,000	9,000
Other Operating Expenditures	205,400	185,000	193,200
Equipment	17,800	12,000	12,000
OPERATING SUBTOTAL	1,006,900	1,014,400	1,028,600
SPECIAL LINE ITEMS			
Abandoned Mines	182,200	193,300	194,700
Aggregate Mined Land Reclamation	13,300	112,500	112,500 ^{1/}
AGENCY TOTAL	1,202,400	1,320,200 ^{2/}	1,335,800 ^{3/}
FUND SOURCES			
General Fund	1,189,100	1,207,700	1,223,300
<i>Other Appropriated Funds</i>			
Aggregate Mining Reclamation Fund	13,300	112,500	112,500
SUBTOTAL - Other Appropriated Funds	13,300	112,500	112,500
SUBTOTAL - Appropriated Funds	1,202,400	1,320,200	1,335,800
<i>Other Non-Appropriated Funds</i>			
Federal Funds	8,500	81,500	81,500
TOTAL - ALL SOURCES	1,603,300	1,737,600	1,753,200

AGENCY DESCRIPTION — The State Mine Inspector is an elected constitutional officer. The office inspects the health conditions and safety of mining operations, investigates mining accidents, identifies abandoned mines, and conducts safety certification classes for mine employees.

Operating Budget

The budget includes \$1,028,600 and 14 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$14,200 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Abandoned Mines

The budget includes \$194,700 from the General Fund in FY 2014 for Abandoned Mines. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,400 from the General Fund in FY 2014 for statewide adjustments.

Monies in this line item are used to pay contractors for costs to fill, plug, or fence abandoned mines. These monies are also used to pay administrative salaries and other costs. In addition to General Fund appropriations to

- ^{1/} All Aggregate Mining Reclamation Fund receipts received by the State Mine Inspector in excess of \$112,500 in FY 2014 are appropriated to the Aggregate Mined Land Reclamation line item. Before the expenditure of any Aggregate Mining Reclamation Fund receipts in excess of \$112,500 in FY 2014, the State Mine Inspector shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{2/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(10,500) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

the program, deposits can be made into the Abandoned Mines Safety Fund from sources such as intergovernmental agreements and donations.

Aggregate Mined Land Reclamation

The budget includes \$112,500 from the Aggregate Mining Reclamation Fund in FY 2014 for Aggregate Mined Land Reclamation. This amount is unchanged from FY 2013.

Monies in this line item are used to review legally required plans to reclaim land damaged by aggregated mining and ensure compliance with those plans. Aggregate mining is a process whereby earth moving equipment is used to mine an area close to the surface for crushed rock or stone, granite, and sand. Aggregate Mining Reclamation Fund revenues come from fees paid by owners or operators of aggregate mining sites upon submitting a reclamation plan.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Naturopathic Physicians Medical Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	2.0
Personal Services	361,600	364,900	114,800
Employee Related Expenditures	118,800	108,200	31,800
Professional and Outside Services	62,200	57,300	7,800
Travel - In State	1,300	1,500	200
Other Operating Expenditures	65,500	63,400	3,500
Equipment	2,400	4,000	800
AGENCY TOTAL	611,800	599,300	158,900^{1/}

FUND SOURCES

Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	611,800	599,300	158,900
SUBTOTAL - Other Appropriated Funds	611,800	599,300	158,900
SUBTOTAL - Appropriated Funds	611,800	599,300	158,900
TOTAL - ALL SOURCES	611,800	599,300	158,900

AGENCY DESCRIPTION — The board licenses and regulates naturopathic physicians and naturopathic medical assistants. The board certifies physicians to dispense natural remedies, and accredits and approves naturopathic medical schools, internships, and programs. The board also investigates persons unlawfully practicing naturopathic medicine and refers them for prosecution. This board is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$158,900 and 2 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Fund Separation

The budget includes a decrease of \$(415,500) and (5) FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2014 to create a separate Board of Massage Therapy Fund. In prior years, expenditures for the Board of Massage Therapy were made from a subaccount of the Naturopathic Physicians Medical Board Fund. Starting in FY 2014, expenditures for the Board of Massage Therapy will be made from the Board of Massage Therapy Fund. In addition to separating these funds, Laws 2013, Chapter 108 requires the board to appoint their own Executive Director, instead of sharing one with the Naturopathic Physicians Medical Board. The Board of Massage Therapy is displayed as its own agency for the first time in FY 2014.

Statewide Adjustments

The budget includes a decrease of \$(24,900) from the Naturopathic Physicians Medical Board Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona Navigable Stream Adjudication Commission

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	55,300	57,500	58,300
Employee Related Expenditures	26,200	26,700	26,800
Professional and Outside Services	10,600	5,400	5,400
Other Operating Expenditures	108,800	39,300	38,700
AGENCY TOTAL	200,900	128,900^{1/}	129,200^{2/}
FUND SOURCES			
General Fund	120,900	128,900	129,200
<u>Other Appropriated Funds</u>			
Risk Management Revolving Fund	80,000	0	0
SUBTOTAL - Other Appropriated Funds	80,000	0	0
SUBTOTAL - Appropriated Funds	200,900	128,900	129,200
TOTAL - ALL SOURCES	200,900	128,900	129,200

AGENCY DESCRIPTION — The Arizona Navigable Stream Adjudication Commission (ANSAC) is a 5-member body charged with determining the ownership of watercourses in the state by establishing whether the watercourses were navigable at the time of statehood. If navigable, title to the watercourse belongs to the state based on a series of court rulings. If non-navigable, the title to the watercourse belongs to the current title holder.

Operating Budget

The budget includes \$129,200 and 2 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$300 from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Litigation

The commission is responsible for determining the navigability of state watercourses at the time of statehood. If navigable, the watercourses are considered State Trust Land and any related proceeds from the waterbeds would be deposited in the Riparian Trust Fund, pursuant to A.R.S. § 37-1156. The monies in this fund are primarily used to acquire and maintain land adjacent to the waterbeds for conservation purposes.

As of May 2006, ANSAC had determined all watercourses in Arizona to be non-navigable at the time of statehood. In June 2006, the first appeal was filed against the commission by the Arizona Center for Law in the Public

Interest and the State Land Department regarding the commission's determination for the Lower Salt River. Five other appeals have been filed and stayed pending the completion of the Lower Salt River case.

In August 2007, the Maricopa County Superior Court affirmed the commission's determination. The Superior Court decision was appealed to the Arizona Court of Appeals. A decision by the Arizona Court of Appeals in May 2010 did not overturn the commission's determination concerning the Lower Salt River. Instead, the Court of Appeals set aside the Superior Court's original decision, and remanded the Lower Salt River case to the Maricopa County Superior Court to determine the "ordinary and natural condition" of the watercourses by considering navigability in the period prior to statehood.

In October 2011, the Maricopa County Superior Court remanded the 4 cases appealed in Maricopa County back to the commission to address issues raised by the May 2010 Arizona Court of Appeals opinion. The 2 cases appealed in Pima County were also returned to the commission to address the same issues. As of June 2013, the commission has begun to schedule hearings and testimony in order to make a determination based on prior evidence as well as new evidence put forth by the interested parties.

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(1,100) GF for a state employee health insurance premium holiday. *(Please see the FY 2013 General Fund Adjustments section.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Since FY 2011, the budget has allowed the commission to utilize up to \$80,000 from the Risk Management Revolving Fund for unpaid legal expenses and hearing related costs. This provision was included for FY 2014 in the Environment Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 4). In FY 2011 and FY 2012, the commission expended the entire appropriation. The commission is planning on expending the entire Risk Management allocation in FY 2013.

State Board of Nursing

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	40.2	40.2	42.2
Personal Services	2,189,500	2,055,000	2,157,100
Employee Related Expenditures	896,800	848,100	881,500
Professional and Outside Services	558,700	551,500	551,500
Travel - In State	6,500	7,000	7,000
Travel - Out of State	3,300	4,000	4,000
Other Operating Expenditures	439,800	608,300	614,700
Equipment	42,400	55,000	59,800
AGENCY TOTAL	4,137,000	4,128,900	4,275,600^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	4,137,000	4,128,900	4,275,600
SUBTOTAL - Other Appropriated Funds	4,137,000	4,128,900	4,275,600
SUBTOTAL - Appropriated Funds	4,137,000	4,128,900	4,275,600
<u>Other Non-Appropriated Funds</u>			
Federal Funds	84,500	93,200	93,200
	606,200	414,600	414,600
TOTAL - ALL SOURCES	4,827,700	4,636,700	4,783,400

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

Operating Budget

The budget includes \$4,275,600 and 42.2 FTE Positions from the Board of Nursing Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Complaint Processing

The budget includes an increase of \$122,100 and 2 FTE Positions from the Board of Nursing Fund in FY 2014 for 2 additional nurse practice consultants to accelerate the processing of complaints. The \$122,100 includes \$4,800 for one-time equipment.

The Board of Nursing reports that 1,300 of the 2,000 complaints received annually result in disciplinary action. The total time to investigate and adjudicate complaints that resulted in disciplinary action increased from 15.2 months in FY 2011, to 15.8 months in FY 2012, and is estimated to be 16.1 months in FY 2013. The Board could not estimate how much 2 additional nurse practice consultants would reduce or reverse those increases.

Statewide Adjustments

The budget includes an increase of \$24,600 from the Board of Nursing Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**Board of Examiners of Nursing Care Institution Administrators and
Assisted Living Facility Managers**

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	6.0	6.0
Personal Services	185,400	231,900	234,300
Employee Related Expenditures	74,300	91,500	91,500
Professional and Outside Services	31,700	39,100	33,100
Travel - In State	4,000	7,000	7,000
Travel - Out of State	2,400	4,000	4,000
Other Operating Expenditures	34,700	52,600	43,700
Equipment	4,600	8,600	6,600
AGENCY TOTAL	337,100	434,700	420,200^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	337,100	434,700	420,200
SUBTOTAL - Other Appropriated Funds	337,100	434,700	420,200
SUBTOTAL - Appropriated Funds	337,100	434,700	420,200
TOTAL - ALL SOURCES	337,100	434,700	420,200

AGENCY DESCRIPTION — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes.

Operating Budget

The budget includes \$420,200 and 6 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Revenue Alignment

The budget includes a decrease of \$(20,000) from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2014 for a revenue alignment. This will more closely match expenditures with current revenue. Without this adjustment, the agency's fund balance is estimated to decrease from \$125,400 at the end of FY 2013 to \$39,000 at the end of FY 2014.

Statewide Adjustments

The budget includes an increase of \$5,500 from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Occupational Safety and Health Review Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Lump Sum Appropriation	0	0	0
AGENCY TOTAL	0	0	0^{1/}
FUND SOURCES			
General Fund	0	0	0
SUBTOTAL - Appropriated Funds	0	0	0
TOTAL - ALL SOURCES	0	0	0

AGENCY DESCRIPTION — The board reviews cases involving violations of the state's occupational safety and health laws. The cases start with an informal conference with the Industrial Commission's Occupational Safety and Health Division Director. If the case cannot be resolved, the employer can request a hearing before an Industrial Commission Administrative Law Judge. If either the Director of the Occupational Safety and Health Division or the employer disagrees with the ruling, it can be appealed before the Occupational Safety and Health Review Board.

Operating Budget

The budget includes no funding from the General Fund in FY 2014 for the operating budget. This amount is unchanged from FY 2013.

In FY 2012 the board received a one-time non-lapsing appropriation of \$15,000. Pursuant to A.R.S. § 23-422E, General Fund appropriations to the Occupational Safety and Health Review Board are exempt from lapsing. The board had an ending balance of \$15,000 in FY 2012 and projects an FY 2013 ending balance of \$13,000.

The board uses the monies for outside legal counsel before the appeals court. One case is currently under appeal and the board estimates that 1 or 2 cases could appeal in FY 2014. Appealed cases may or may not be settled before reaching appeals court. Any unspent monies would be available for expenditure in FY 2015.

^{1/} Additional board expenses are paid for by the federal government as part of a grant. These monies are included in the non-appropriated budget of the Industrial Commission's Occupational Safety and Health Division.

Board of Occupational Therapy Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	95,700	98,100	102,600
Employee Related Expenditures	46,800	46,300	47,200
Travel - In State	1,500	1,700	1,700
Other Operating Expenditures	17,800	20,100	21,000
AGENCY TOTAL	161,800	166,200	172,500 ^{1/}

FUND SOURCES

Other Appropriated Funds			
Occupational Therapy Fund	161,800	166,200	172,500
SUBTOTAL - Other Appropriated Funds	161,800	166,200	172,500
SUBTOTAL - Appropriated Funds	161,800	166,200	172,500
TOTAL - ALL SOURCES	161,800	166,200	172,500

AGENCY DESCRIPTION — The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice.

Operating Budget

The budget includes \$172,500 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Overtime Allowance and Supplies

The budget includes an increase of \$5,200 from the Occupational Therapy Fund in FY 2014 for overtime pay and supply expenses during high volume work periods.

Statewide Adjustments

The budget includes an increase of \$1,100 from the Occupational Therapy Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Additional Legislation

FY 2012 Obligations

The FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) provides that the Board of Occupational Therapy Examiners may use up to \$1,030 of the board's FY 2014 appropriation to pay obligations incurred in FY 2012.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

State Board of Dispensing Opticians

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	63,500	66,700	67,500
Employee Related Expenditures	28,000	28,600	28,600
Professional and Outside Services	200	500	500
Travel - In State	7,200	4,600	4,600
Other Operating Expenditures	30,600	30,400	31,500
Equipment	3,200	3,100	3,100
AGENCY TOTAL	132,700	133,900	135,800^{1/}

FUND SOURCES

<i>Other Appropriated Funds</i>			
Board of Dispensing Opticians Fund	132,700	133,900	135,800
SUBTOTAL - Other Appropriated Funds	132,700	133,900	135,800
SUBTOTAL - Appropriated Funds	132,700	133,900	135,800
TOTAL - ALL SOURCES	132,700	133,900	135,800

AGENCY DESCRIPTION — The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eyeglasses. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$135,800 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,900 from the Board of Dispensing Opticians Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

State Board of Optometry

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	97,700	113,300	114,800
Employee Related Expenditures	43,200	45,800	45,900
Professional and Outside Services	22,000	22,000	22,000
Travel - In State	900	1,500	1,500
Travel - Out of State	700	3,000	3,000
Other Operating Expenditures	13,300	17,000	18,800
AGENCY TOTAL	177,800	202,600	206,000^{1/}

FUND SOURCES

<i>Other Appropriated Funds</i>			
Board of Optometry Fund	177,800	202,600	206,000
SUBTOTAL - Other Appropriated Funds	177,800	202,600	206,000
SUBTOTAL - Appropriated Funds	177,800	202,600	206,000
TOTAL - ALL SOURCES	177,800	202,600	206,000

AGENCY DESCRIPTION — The board licenses and regulates optometrists and issues certificates authorizing the use of diagnostic pharmaceutical agents. An optometrist examines eyes, measures vision, and prescribes corrective lenses and treatments which do not require a licensed physician.

Operating Budget

The budget includes \$206,000 and 2 FTE Positions from the Board of Optometry Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,400 from the Board of Optometry Fund in FY 2014 for statewide adjustments.
(Please see the Agency Detail and Allocations section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona Board of Osteopathic Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.7	6.7	6.7
Personal Services	267,700	345,600	349,200
Employee Related Expenditures	107,400	114,400	115,200
Professional and Outside Services	110,300	111,100	111,100
Travel - In State	0	500	500
Travel - Out of State	1,000	6,000	6,000
Other Operating Expenditures	126,200	124,700	184,500
Equipment	16,700	9,000	9,000
AGENCY TOTAL	629,300	711,300	775,500^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Osteopathic Examiners Fund	629,300	711,300	775,500
SUBTOTAL - Other Appropriated Funds	629,300	711,300	775,500
SUBTOTAL - Appropriated Funds	629,300	711,300	775,500
TOTAL - ALL SOURCES	629,300	711,300	775,500

AGENCY DESCRIPTION — The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.

Operating Budget

The budget includes \$775,500 and 6.7 FTE Positions from the Board of Osteopathic Examiners Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Administrative Hearing Services

The budget includes an increase of \$24,000 from the Board of Osteopathic Examiners Fund in FY 2014 to pay for rising costs associated with expert medical opinions required to investigate complaints against osteopathic physicians.

Accounting Expenses

The budget includes an increase of \$1,300 from the Board of Osteopathic Examiners Fund in FY 2014 to cover rising accounting expenses billed by the Central Services Bureau.

Attorney General Expenses

The budget includes an increase of \$10,000 from the Board of Osteopathic Examiners Fund in FY 2014 to pay for increasing costs of legal services provided by the Attorney General.

Equipment Replacement

The budget includes a one-time increase of \$24,900 from the Board of Osteopathic Examiners Fund in FY 2014 to replace laptop computers, install new software, and purchase a high-capacity scanner to scan medical records.

Statewide Adjustments

The budget includes an increase of \$4,000 from the Board of Osteopathic Examiners Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona Parents Commission on Drug Education and Prevention

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	4,379,900	5,167,900	5,167,900
TOTAL - ALL SOURCES	4,379,900	5,167,900	5,167,900

AGENCY DESCRIPTION — The commission funds programs that increase and enhance parental involvement and education regarding the serious risks and public health problems caused by the abuse of alcohol and controlled substances. The commission does not receive an appropriation from the Legislature.

Arizona State Parks Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	232.3	163.0	163.0 ^{1/}
Personal Services	3,589,000	4,655,800	4,687,600
Employee Related Expenditures	1,782,200	2,251,900	2,251,100
Professional and Outside Services	186,900	0	0
Travel - In State	10,000	0	0
Other Operating Expenditures	3,585,100	3,300,100	3,303,700
Equipment	414,900	350,000	350,000
OPERATING SUBTOTAL	9,568,100	10,557,800	10,592,400
SPECIAL LINE ITEMS			
Kartchner Caverns State Park	1,998,100	2,224,500	2,228,700
AGENCY TOTAL	11,566,200	12,782,300	12,821,100 ^{2/3/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Law Enforcement and Boating Safety Fund	2,431,700	0	0
Reservation Surcharge Revolving Fund	481,600	0	0
State Parks Enhancement Fund	8,652,900	0	0
State Parks Revenue Fund	0	12,782,300	12,821,100
SUBTOTAL - Other Appropriated Funds	11,566,200	12,782,300	12,821,100
SUBTOTAL - Appropriated Funds	11,566,200	12,782,300	12,821,100
<i>Other Non-Appropriated Funds</i>			
Federal Funds	46,793,000	37,155,300	26,426,500
	2,685,100	3,815,000	3,815,000
TOTAL - ALL SOURCES	61,044,300	53,752,600	43,062,600

AGENCY DESCRIPTION — The Arizona State Parks Board is responsible for managing the state parks system, which includes recreational parks, historical parks, and natural areas. The Parks Board consists of 7 members appointed by the Governor. Major functions of the Parks Board, through its staff, include the maintenance and development of existing parks, new parks acquisitions, statewide recreational planning, historic preservation, the administration of the Arizona State Parks Board Heritage Fund grant programs, and the administration of Growing Smarter Grants.

Operating Budget

The budget includes \$10,592,400 and 127.2 FTE Positions from the State Parks Revenue Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$34,600 from the State Parks Revenue Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Kartchner Caverns State Park

The budget includes \$2,228,700 and 35.8 FTE Positions from the State Parks Revenue Fund in FY 2014 for Kartchner Caverns State Park. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,200 from the State Parks Revenue Fund in FY 2014 for statewide adjustments.

^{1/} Includes 35.8 OF FTE Positions funded from Special Line Items in FY 2014.

^{2/} All Other Operating Expenditures include \$26,000 from the State Parks Revenue Fund for Fool Hollow State Park revenue sharing. If receipts to Fool Hollow exceed \$260,000 in FY 2014, an additional 10% of this increase of Fool Hollow receipts is appropriated from the State Parks Revenue Fund to meet the revenue sharing agreement with the City of Show Low and the United States Forest Service. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.

Additional Legislation

Budget Stabilization Fund Interest

The FY 2014 Revenue Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 9) appropriates \$1,000,000 from Budget Stabilization Fund interest income to the State Parks Revenue Fund in FY 2014. The funding is appropriated for State Parks capital improvement projects, subject to Joint Committee on Capital Review. *(Please see the Capital section.)*

State Parks Continuation and Operating Funding

The FY 2014 Environment BRB (Laws 2013, 1st Special Session, Chapter 4) includes the following provisions affecting the State Parks Board:

- As permanent law, continues the State Parks Board until July 1, 2023.
- As session law, continues to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs.

Other Issues

Status of Parks

As of July 2013, all 27 state parks are open to the public:

- Thirteen open parks plan to use only existing state fund sources (Alamo Lake, Buckskin Mountain, Catalina, Cattail Cove, Dead Horse Ranch, Fool Hollow, Kartchner Caverns, Lake Havasu, Lost Dutchman, Patagonia Lake, Picacho Peak, Slide Rock, and Tonto Natural Bridge).
- The remaining 14 parks will be funded through agreements between the State Parks Board and local governments or the local government will assume operational control of the park.
- Of the 14, the following 12 are scheduled to be opened year round: Fort Verde, Homolovi Ruins, Jerome, Red Rock, Riordan Mansion, Roper Lake, Boyce Thompson Arboretum, McFarland, Tombstone Courthouse, Tubac Presidio, Yuma Territorial Prison, and Yuma Quartermaster Depot.
- The remaining 2 parks will be operated on a seasonal basis. Lyman Lake is funded through an agreement between the State Parks Board and Apache County. Oracle is funded through an agreement between the State Parks Board and a private entity.

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

State Personnel Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	103,800	111,200	112,600
Employee Related Expenditures	46,000	46,700	47,100
Professional and Outside Services	163,200	177,900	177,900
Travel - In State	2,000	2,400	2,400
Other Operating Expenditures	35,700	30,800	34,900
Equipment	3,200	0	0
AGENCY TOTAL	353,900	369,000	374,900^{1/}

FUND SOURCES

Other Appropriated Funds

Personnel Board Subaccount of the Personnel Division Fund	353,900	369,000	374,900
SUBTOTAL - Other Appropriated Funds	353,900	369,000	374,900
SUBTOTAL - Appropriated Funds	353,900	369,000	374,900
TOTAL - ALL SOURCES	353,900	369,000	374,900

AGENCY DESCRIPTION — The State Personnel Board hears appeals for covered state employees in the State Personnel System who have been dismissed, involuntarily demoted, or suspended for more than 80 hours. The board may recommend modifying or reversing the agency decision, but the agency makes the final determination. The board also hears “whistleblower” complaints concerning reprisals against employees or former employees who disclose information to a public body. If the Personnel Board finds a reprisal occurred, the employee who committed the reprisal shall be ordered by the board to pay a civil penalty of up to \$5,000, and the board shall rescind the personnel action and order all lost pay and benefits be restored to the “whistleblower.”

Operating Budget

The budget includes \$374,900 and 3 FTE Positions from the Personnel Board Subaccount of the Personnel Division Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$5,900 from the Personnel Board Subaccount of the Personnel Division Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency’s funds associated with its proportionate share of costs for replacement of the state’s financial accounting system. *(Please see the Automation Projects narrative for more details.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Office of Pest Management

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	40.0	30.0	30.0
Personal Services	795,600	824,100	833,200
Employee Related Expenditures	386,600	375,600	375,500
Professional and Outside Services	10,100	0	0
Travel - In State	29,000	61,300	61,300
Travel - Out of State	0	2,800	2,800
Other Operating Expenditures	179,500	751,700	751,800
Equipment	16,100	14,400	14,400
AGENCY TOTAL	1,416,900	2,029,900	2,039,000^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Pest Management Fund	1,416,900	2,029,900	2,039,000
SUBTOTAL - Other Appropriated Funds	1,416,900	2,029,900	2,039,000
SUBTOTAL - Appropriated Funds	1,416,900	2,029,900	2,039,000
Other Non-Appropriated Funds	4,100	0	0
Federal Funds	116,600	113,500	113,500
TOTAL - ALL SOURCES	1,537,600	2,143,400	2,152,500

AGENCY DESCRIPTION — The agency licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides.

Operating Budget

The budget includes \$2,039,000 and 30 FTE Positions from the Pest Management Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$9,100 from the Pest Management Fund in FY 2014 for statewide adjustments. (Please see *Agency Detail and Allocations* section.)

Additional Legislation

Office of Pest Management Relocation

Laws 2011, Chapter 20 relocated the Office of Pest Management into the Arizona Department of Agriculture building on the bill's effective date, July 20, 2011. The bill also temporarily transferred the Office of Pest Management's supervision from the Department of Administration Director to the Department of Agriculture Director until December 31, 2013. Chapter 20 required an appointed task force to submit findings and recommendations concerning the regulation of pest management to the Governor, the President of the Senate, and the Speaker of the House of Representatives by

December 15, 2012. In November 2012, the task force recommended the permanent transfer of administrative authority of the Office of Pest Management to the Department of Agriculture. Laws 2013, Chapter 125 requires that permanent transfer and modifies related statutes for the program.

Fee Use Authority

The FY 2014 Revenue Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 9) continues the FY 2013 fee raising authority for the Office of Pest Management, depositing the increased fee revenue in the appropriated Pest Management Fund. The bill adds an intent clause that limits additional revenues to \$525,000.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona State Board of Pharmacy

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	18.0	18.0	18.0
Personal Services	1,084,500	1,171,300	1,225,500
Employee Related Expenditures	386,900	382,800	392,200
Professional and Outside Services	61,400	57,000	57,000
Travel - In State	52,200	53,200	53,200
Travel - Out of State	1,500	1,400	1,400
Other Operating Expenditures	358,300	288,300	321,600
Equipment	14,800	15,000	52,800
AGENCY TOTAL	1,959,600	1,969,000	2,103,700^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona State Board of Pharmacy Fund	1,959,600	1,969,000	2,103,700
SUBTOTAL - Other Appropriated Funds	1,959,600	1,969,000	2,103,700
SUBTOTAL - Appropriated Funds	1,959,600	1,969,000	2,103,700
Other Non-Appropriated Funds	236,100	323,100	323,100
Federal Funds	2,700	2,200	2,200
TOTAL - ALL SOURCES	2,198,400	2,294,300	2,429,000

AGENCY DESCRIPTION — The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.

Operating Budget

The budget includes \$2,103,700 and 18 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Annual Leave Payout

The budget includes an increase of \$48,900 from the Arizona State Board of Pharmacy Fund in FY 2014 for a one-time annual leave payout for anticipated retirements.

Board Room Equipment

The budget includes an increase of \$37,800 from the Arizona State Board of Pharmacy Fund in FY 2014 for one-time purchase of video equipment to broadcast board meetings on the internet.

Statewide Adjustments

The budget includes an increase of \$48,000 from the Arizona State Board of Pharmacy Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Board of Physical Therapy

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.8	3.8	4.0
Personal Services	170,900	176,800	202,600
Employee Related Expenditures	83,400	81,600	91,700
Professional and Outside Services	38,900	45,200	65,900
Travel - In State	3,900	5,500	5,500
Other Operating Expenditures	56,400	60,600	60,500
Equipment	400	2,400	6,400
AGENCY TOTAL	353,900	372,100	432,600^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Physical Therapy Fund	353,900	372,100	432,600
SUBTOTAL - Other Appropriated Funds	353,900	372,100	432,600
SUBTOTAL - Appropriated Funds	353,900	372,100	432,600
TOTAL - ALL SOURCES	353,900	372,100	432,600

AGENCY DESCRIPTION — The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$432,600 and 4 FTE Positions from the Board of Physical Therapy Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Electronic Licensing System

The budget includes a one-time increase of \$24,700 from the Board of Physical Therapy Fund in FY 2014 for conversion from paper files to an electronic licensing system.

Full-Time Investigator

The budget includes an increase of \$34,200 and 0.2 FTE Positions from the Board of Physical Therapy Fund in FY 2014 for upgrading a part-time complaint investigator to full-time status.

Statewide Adjustments

The budget includes an increase of \$1,600 from the Board of Physical Therapy Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona Pioneers' Home

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	115.8	106.3	106.3
Personal Services	3,289,500	3,350,600	3,363,100
Employee Related Expenditures	1,680,700	1,873,300	1,875,900
Professional and Outside Services	100,300	110,200	110,200
Travel - In State	27,400	26,200	26,200
Other Operating Expenditures	684,700	634,200	631,000
Equipment	51,500	53,000	53,000
OPERATING SUBTOTAL	5,834,100	6,047,500	6,059,400
SPECIAL LINE ITEMS			
Prescription Drugs	134,000	200,000	200,000
AGENCY TOTAL	5,968,100	6,247,500^{1/}	6,259,400^{2/3/}
FUND SOURCES			
General Fund	1,635,300	1,604,800	1,602,800
<u>Other Appropriated Funds</u>			
Miners' Hospital Fund	1,511,800	1,501,500	2,079,400
State Charitable Fund	2,821,000	3,141,200	2,577,200
SUBTOTAL - Other Appropriated Funds	4,332,800	4,642,700	4,656,600
SUBTOTAL - Appropriated Funds	5,968,100	6,247,500	6,259,400
Other Non-Appropriated Funds	18,000	15,300	15,300
TOTAL - ALL SOURCES	5,986,100	6,262,800	6,274,700

AGENCY DESCRIPTION — The Arizona Pioneers' Home provides a home and long-term nursing care and medical care for Arizona pioneers, long-term residents, and disabled miners. The Home, on average, cares for 105 residents.

Operating Budget

The budget includes \$6,059,400 and 106.3 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$1,602,800
Miners' Hospital Fund	2,079,400
State Charitable Fund	2,377,200

These amounts fund the following adjustments:

Fund Shift

The budget includes an increase of \$575,500 from the Miners' Hospital Fund in FY 2014 and a corresponding decrease from the State Charitable Fund to align appropriations with expected revenue.

Revenues in the State Charitable Fund come from the Pioneers' Home's share of the State Charitable, Penal, and Reformatory Grant lands. The State Treasurer expects lower than normal revenue in FY 2014 due to an extension agreement which delays interest payments until 2015.

Revenues in the Miners' Hospital Fund come from proceeds of all lands granted to Arizona by the United States. The State Treasurer expects to collect the normal interest payment amount in FY 2014.

The \$575,000 appropriation shift from the State Charitable Fund to the Miner's Hospital Fund is to avoid a potential shortfall in the State Charitable Fund in the future.

One-Time Equipment Funding

The budget includes an increase of \$29,500 from the Miner's Hospital Fund in FY 2014 for one-time funding to

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(77,200) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{2/} Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated for the Pioneers' Home and the Hospital for Disabled Miners in compliance with the Enabling Act and the Constitution of Arizona. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.

install radiator covers and thermostatic controls at the
Pioneers' Home facilities.

Statewide Adjustments

The budget includes a decrease of \$(17,600) in FY 2014
for statewide adjustments. This amount consists of:

General Fund	(2,000)
Miners' Hospital Fund	(27,100)
State Charitable Fund	11,500

(Please see the Agency Detail and Allocations section.)

<i>Prescription Drugs</i>

The budget includes \$200,000 from the State Charitable
Fund in FY 2014 for Prescription Drugs. This amount is
unchanged from FY 2013.

Monies in this line item provide funding for prescription
drugs used by residents at the Arizona Pioneers' Home.

State Board of Podiatry Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	73,800	76,000	76,800
Employee Related Expenditures	21,500	22,000	22,000
Professional and Outside Services	25,800	34,600	34,600
Travel - In State	2,300	2,300	2,300
Other Operating Expenditures	10,800	10,800	11,600
AGENCY TOTAL	134,200	145,700	147,300^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Podiatry Fund	134,200	145,700	147,300
SUBTOTAL - Other Appropriated Funds	134,200	145,700	147,300
SUBTOTAL - Appropriated Funds	134,200	145,700	147,300
TOTAL - ALL SOURCES	134,200	145,700	147,300

AGENCY DESCRIPTION — The board licenses and regulates Doctors of Podiatric Medicine. A podiatrist must take specialized training, serve an internship and pass a qualifying examination prior to licensure to diagnose and treat foot ailments. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$147,300 and 1 FTE Position from the Podiatry Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,600 from the Podiatry Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Commission for Postsecondary Education

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0 ^{1/}
Personal Services	80,600	120,000	121,600
Employee Related Expenditures	24,700	56,700	56,300
Professional and Outside Services	8,500	5,900	5,900
Travel - In State	500	1,000	1,000
Other Operating Expenditures	40,000	64,800	0
Equipment	300	0	0
OPERATING SUBTOTAL	154,600	248,400	184,800
SPECIAL LINE ITEMS			
Arizona College and Career Guide	20,600	21,300	21,300 ^{2/}
Arizona Minority Educational Policy Analysis Center	25,800	100,000	100,000 ^{2/}
Family College Savings Program	0	149,100	0
Leveraging Educational Assistance Partnership	2,319,500	2,319,500	2,319,500 ^{3/}
Math and Science Teacher Initiative	176,000	176,000	176,000
Twelve Plus Partnership	130,300	130,500	130,500 ^{2/}
AGENCY TOTAL	2,826,800	3,144,800	2,932,100 ^{4/5/}
FUND SOURCES			
General Fund	1,396,800	1,396,800	1,396,800
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	1,430,000	1,748,000	1,535,300
SUBTOTAL - Other Appropriated Funds	1,430,000	1,748,000	1,535,300
SUBTOTAL - Appropriated Funds	2,826,800	3,144,800	2,932,100
Other Non-Appropriated Funds	379,700	1,086,700	482,800
Federal Funds	1,293,500	1,200,000	1,200,000
TOTAL - ALL SOURCES	4,500,000	5,431,500	4,614,900

AGENCY DESCRIPTION — The Commission for Postsecondary Education reviews and recommends higher education policies, while providing a discussion forum for public and private postsecondary educational institutions and their stakeholders on issues of mutual interest. The 16 commissioners are authorized to administer certain federal and state student financial aid programs.

Operating Budget

The budget includes \$184,800 and 4.5 FTE Positions from the Postsecondary Education Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Revenue Alignment

The budget includes a decrease of \$(64,800) from the Postsecondary Education Fund in FY 2014 to align appropriations with expected revenue.

1/ Includes a 0.5 FTE Positions funded from Special Line Items in FY 2014.

2/ The appropriations for Arizona College and Career Guide, Arizona Minority Educational Policy Analysis Center and Twelve Plus Partnership are estimates representing all monies distributed to this fund, including balance forward, revenue and transfers, during FY 2014. The appropriations shall be adjusted as necessary to reflect actual final receipts credited to the Postsecondary Education Fund. (General Appropriation Act footnote)

3/ Each participating institution, public or private, in order to be eligible to receive state matching funds under the Leveraging Educational Assistance Partnership for grants to students, shall provide an amount of institutional matching funds that equals the amount of funds provided by the state to the institution for the Leveraging Educational Assistance Partnership. Administrative expenses incurred by the Commission for Postsecondary Education shall be paid from institutional matching funds and shall not exceed 12% of the funds in FY 2014. (General Appropriation Act footnote)

4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

5/ Any unencumbered balance remaining in the Postsecondary Education Fund on June 30, 2013, and all grant monies and other revenues received by the Commission for Postsecondary Education, when paid into the State Treasury, are appropriated for the explicit purposes designated by line items and for additional responsibilities prescribed in A.R.S. § 15-1851 and A.R.S. § 15-1852. (General Appropriation Act footnote)

Statewide Adjustments

The budget includes an increase of \$1,200 from the Postsecondary Education Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona College and Career Guide

The budget includes \$21,300 from the Postsecondary Education Fund in FY 2014 for the Arizona College and Career Guide Special Line Item (SLI). This amount is unchanged from FY 2013.

The Arizona College and Career Guide is an annual publication that lists Arizona public and private postsecondary educational institutions. The guide describes each institution's available degree and certificate programs, course lengths, and costs of attendance.

Arizona Minority Educational Policy Analysis Center

The budget includes \$100,000 and a 0.2 FTE Position from the Postsecondary Education Fund in FY 2014 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) SLI. These amounts are unchanged from FY 2013.

AMEPAC promotes minority students' access to Arizona's postsecondary educational institutions.

Family College Savings Program

The budget includes no funding in FY 2014 for the Family College Savings Program. This amount funds the following adjustments:

Eliminate FCSP Funding

The budget includes a decrease of \$(149,100) from the Postsecondary Education Fund in FY 2014 to reflect that a non-appropriated fund is now used to support the Family College Savings Program (FCSP).

In 2004, A.R.S. § 15-1873 established the Family College Savings Program Trust Fund, which is a non-appropriated fund. The FCSP Trust Fund will now directly receive FCSP fee revenues instead of the FCSP fee revenues passing through to the Postsecondary Education Fund. The commission transferred \$153,000 in FCSP fee balances from the Postsecondary Education Fund to the non-appropriated fund in June 2011 and \$49,600 in FCSP fee balances in October 2011.

FCSP was established pursuant to Laws 1997, Chapter 171. It enables parents to save for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). Monies in these plans grow tax-free, and withdrawals for qualified higher educational expenses are federal and state income tax free. FCSP operates from

the proceeds of new account fees, which are currently \$13 per account. The plans are available to both residents and non-residents of the state. The commission oversees 3 FCSP providers, 2 of which have multiple investment offerings in their plans.

Leveraging Educational Assistance Partnership

The budget includes \$2,319,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2014. This amount consists of:

General Fund	1,220,800
Postsecondary Education Fund	1,098,700

These amounts are unchanged from FY 2013.

LEAP is a state and institutional partnership that provides financial assistance to students demonstrating substantial financial need. To be eligible, students must attend, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution (including public universities, public community colleges, private collegiate institutions, and proprietary schools). The federal portion of these funds was eliminated in FY 2012. *(Please see Other Issues for more information.)*

Math and Science Teacher Initiative

The budget includes \$176,000 from the General Fund in FY 2014 for the Math and Science Teacher Initiative. This amount is unchanged from FY 2013.

The program offers forgivable loans to students pursuing a teaching degree at a postsecondary institution and who agree to teach math, science, or special education at an Arizona public school upon graduation. The legislation allows the commission to retain up to 10% of the annual fund deposit for administration costs. The commission may also use the interest deposited into the fund for administration costs of the loan repayment portion of the program. *(Please see Other Issues for more information.)*

Twelve Plus Partnership

The budget includes \$130,500 and a 0.3 FTE Position from the Postsecondary Education Fund in FY 2014 for the Twelve Plus Partnership (TPP). These amounts are unchanged from FY 2013.

TPP is an early education awareness initiative with 3 components: Best Education Practices Conference and Awards Recognition, Think College, and College Goal Sunday. Approximately 70% of this line item funds College Goal Sunday, 25% of the monies go to Best Education Practices Conference and Awards Recognition, and the remaining 5% funds Think College. Private gifts,

donations of service, and corporate sponsorships support TPP.

Other Issues

Status of Leveraging Educational Assistance Partnerships

LEAP was originally created as a federal, state, and institution partnership to provide financial assistance to students demonstrating substantial financial need. However, federal funding and authority was eliminated in FY 2012 by Public Law 112-10, Department of Defense and Full-Year Continuing Appropriations Act, 2011. In FY 2012, awards were provided through 40 postsecondary institutions. Of the total funding distributed, 33% went to public universities, 54% to community colleges, 4% to private technical schools, and 9% to private 2- and 4-year colleges.

Repayment Programs

The commission currently administers repayment programs for unforgiven loans from the Private Postsecondary Education Student Financial Assistance Program (PFAP) and the non-appropriated Paul Douglas Teacher Scholarship (PDTs). In addition, the commission administers repayment programs for unforgiven loans from the Postsecondary Education Grant (PEG) program and the Math, Science, and Special Education Teacher Loan Forgiveness Program (MSSE). Loan collections are returned to their respective program fund.

PFAP

Prior to FY 2011, PFAP distributed awards of up to \$2,000 annually, for up to 2 years, to qualified community college graduates enrolled at a private baccalaureate degree granting institution chartered in Arizona, pursuant to A.R.S. § 15-1854. The PFAP program has not been funded since FY 2010, but the repayment process for existing unforgiven loans remains. Repayments are deposited into the Private Postsecondary Education Student Financial Assistance Fund. If a grantee does not earn a baccalaureate degree within 3 years, the grantee must repay the commission all award monies. When a grantee refuses to repay award monies or cannot be located, the Office of the Attorney General takes over administration of the repayment process.

There have been 1,678 students awarded PFAP forgivable loans since its inception in 1996. Of those 1,678, 1,493 earned their degree within 3 years and 50 have not earned their degree within 3 years. Of the 50 who did not earn their degree within 3 years, 2 have completed their loan payment obligations, 20 loan repayments have been deemed uncollectible by the Office of the Attorney General, 5 have had their repayments forgiven due to medical reasons, 3 have been abated because the grantee is now deceased, and 20 are currently making payments. The graduation status of the remaining 135 students is not yet known, as they are still being tracked.

PEG

Prior to FY 2011, PEG distributed awards up to \$2,000 annually, for up to 4 years, to full-time and part-time students enrolled at a private baccalaureate degree-granting institution, pursuant to A.R.S. § 15-1855. The awards are forgiven if a student recipient earns a baccalaureate degree within 5 years. The program has not been funded since FY 2010, but the repayment process remains (though not started until FY 2012) for existing unforgiven loans. Repayments will be deposited into the Postsecondary Education Grant Program Fund.

MSSE

As of July 1, 2011, the commission has taken over responsibility for the MSSE program, which was transferred from the Arizona Board of Regents by Laws 2010, Chapter 332. Loans provided under the program may be forgiven if the grantee works as a teacher in Arizona for 1 year, plus 1 year for each year the grantee was awarded payment.

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Early Graduation Scholarship Fund Elimination

The K-12 Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 3) transfers all remaining monies in the Early Graduation Scholarship Fund (\$546,800) to the Commission on Postsecondary Education IGA and ISA Fund for the purpose of funding a 1-year continuation of the Special Education Grant Program that provides forgivable student loans to juniors and seniors who attend private postsecondary educational institutions in Arizona.

The K-12 Education BRB also repeals the Early Graduation Scholarship Program (A.R.S. § 15-105) *(see "Early Graduation Scholarship Program" narrative in the Department of Education budget for more information).*

Arizona Power Authority

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	40,576,100	39,284,200	39,284,200
TOTAL - ALL SOURCES	40,576,100	39,284,200	39,284,200

AGENCY DESCRIPTION — The Arizona Power Authority (APA) manages Arizona's allocation of hydroelectric power from the Hoover Dam for the benefit of the state. Within the scope of that management, APA cooperates with federal, state, and non-governmental agencies to address regulatory and environmental matters that impact electric and water uses of the Colorado River. In addition, the APA serves as an informational resource for its customers on electricity utilization. APA is not subject to appropriation.

State Board for Private Postsecondary Education

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	190,400	191,100	193,500
Employee Related Expenditures	87,100	72,000	72,500
Professional and Outside Services	24,400	27,400	27,400
Travel - In State	400	2,000	2,000
Travel - Out of State	600	0	0
Other Operating Expenditures	30,700	37,300	94,400
Equipment	2,800	5,800	5,800
OPERATING SUBTOTAL	336,400	335,600	395,600
SPECIAL LINE ITEMS			
Student Tuition Recovery Fund Deposit	0	0	245,600
AGENCY TOTAL	336,400	335,600	641,200^{1/}

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board for Private Postsecondary Education Fund	336,400	335,600	641,200
SUBTOTAL - Other Appropriated Funds	336,400	335,600	641,200
SUBTOTAL - Appropriated Funds	336,400	335,600	641,200
Other Non-Appropriated Funds	71,800	115,300	103,100
TOTAL - ALL SOURCES	408,200	450,900	744,300

AGENCY DESCRIPTION — The board licenses and regulates 245 private postsecondary education institutions that service approximately 593,900 students annually. The board processes license applications, determines compliance, investigates complaints and violations, and takes disciplinary action on all private postsecondary institutions that offer vocational and/or degree programs. However, the board does not have jurisdiction over cosmetology, barber, real estate, or professional driving schools. In addition to regulatory duties, the board administers the Student Tuition Recovery Fund, which provides restitution to students financially injured by private postsecondary institutional closures.

Operating Budget

The budget includes \$395,600 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Position Reclassification

The budget includes an increase of \$41,000 from the Board for Private Postsecondary Education Fund in FY 2014 to reclassify an Administrative Assistant position as a Program Compliance Manager position.

ERE Adjustment

The budget includes an increase of \$14,400 from the Board for Private Postsecondary Education Fund in FY 2014 to align funding with actual Employee Related Expenditures.

Statewide Adjustments

The budget includes an increase of \$4,600 from the Board for Private Postsecondary Education Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Student Tuition Recovery Fund Deposit

The budget includes \$245,600 from the Board for Private Postsecondary Education Fund in FY 2014 for a Student Tuition Recovery Fund deposit. This amount funds the following adjustments:

Balance Increase

The budget includes a one-time increase of \$245,600 from the Board for Private Postsecondary Education Fund in FY 2014 to transfer monies into the Student Tuition Recovery Fund.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

The Student Tuition Recovery Fund is used to compensate students who suffer financial damages as a result of an institution ceasing operations. The fund is financed from school assessments of tuition of newly enrolled students up to a maximum of \$10 per assessed student. Regionally accredited private postsecondary institutions, such as the University of Phoenix, are exempt from assessments. The board levies a new assessment on private postsecondary education institutions only when the fund's balance falls below \$500,000. Without the transfer the fund balance would be \$441,900.

State Board of Psychologist Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	179,000	179,400	181,600
Employee Related Expenditures	78,600	76,600	76,600
Professional and Outside Services	25,600	41,300	47,300
Travel - In State	4,900	6,500	6,500
Travel - Out of State	5,400	5,000	5,000
Other Operating Expenditures	31,400	39,200	54,300
Equipment	6,400	4,200	4,200
AGENCY TOTAL	331,300	352,200	375,500^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Psychologist Examiners Fund	331,300	352,200	375,500
SUBTOTAL - Other Appropriated Funds	331,300	352,200	375,500
SUBTOTAL - Appropriated Funds	331,300	352,200	375,500
TOTAL - ALL SOURCES	331,300	352,200	375,500

AGENCY DESCRIPTION — The board licenses and regulates psychologists and behavior analysts.

Operating Budget

The budget includes \$375,500 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Security Upgrades

The budget includes an increase of \$18,000 from the Board of Psychologist Examiners Fund in FY 2014 for security upgrades. The board will hire security personnel for in-person meetings and have one-time expenditures of \$12,000 for office security enhancements.

Statewide Adjustments

The budget includes an increase of \$5,300 from the Board of Psychologist Examiners Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Department of Public Safety

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,139.8	1,903.7	1,904.7 ^{1/}
Personal Services	94,570,700	102,198,100	102,201,000
Employee Related Expenditures	53,982,800	60,653,800	66,889,800
Professional and Outside Services	1,141,200	1,925,200	1,925,200
Travel - In State	214,400	486,700	486,700
Travel - Out of State	181,100	188,200	188,200
Other Operating Expenditures	29,879,500	25,332,800	25,779,200
Equipment	7,218,200	7,445,500	7,445,500
OPERATING SUBTOTAL	187,187,900	198,230,300	204,915,600
SPECIAL LINE ITEMS			
GIITEM	22,050,700	21,304,300	21,304,700 ^{2/3/}
GIITEM Subaccount	500,000	2,392,500	2,390,000
County Assistance	1,000,000	0	0
Public Safety Equipment	1,244,400	2,390,000	2,390,000
Motor Vehicle Fuel	3,912,200	3,935,500	3,935,500
DNA Testing	896,900	0	0
AGENCY TOTAL	216,792,100	228,252,600 ^{3/}	234,935,800 ^{5/6/1/}
FUND SOURCES			
General Fund	47,122,000	45,525,600	51,560,800
<u>Other Appropriated Funds</u>			
Automated Fingerprint Identification System Fund	2,915,800	3,009,800	3,009,700
Automation Operations Fund	0	0	296,200
Crime Laboratory Assessment Fund	882,600	870,400	870,600
Crime Laboratory Operations Fund	10,479,600	14,704,000	14,719,800
Criminal Justice Enhancement Fund	2,786,500	2,872,700	2,871,200
Arizona Deoxyribonucleic Acid (DNA) Identification System Fund	3,939,300	5,471,500	6,321,200
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	500,000	2,392,500	2,390,000
Arizona Highway Patrol Fund	18,585,900	19,284,000	19,658,900
Highway User Revenue Fund	123,210,600	119,965,000	119,247,100
Motorcycle Safety Fund	205,000	205,000	205,000
Parity Compensation Fund	1,873,200	1,819,400	1,885,300
Public Safety Equipment Fund	1,244,400	2,390,000	2,390,000
Risk Management Revolving Fund	1,493,900	1,452,400	1,199,900
Safety Enforcement and Transportation Infrastructure Fund	1,553,300	1,510,300	1,566,300
State Highway Fund	0	6,780,000	6,743,800
SUBTOTAL - Other Appropriated Funds	169,670,100	182,727,000	183,375,000
SUBTOTAL - Appropriated Funds	216,792,100	228,252,600	234,935,800
Other Non-Appropriated Funds	33,763,200	42,568,100	38,364,400
Federal Funds	34,990,800	32,324,100	25,753,900
TOTAL - ALL SOURCES	285,546,100	303,144,800	299,054,100

AGENCY DESCRIPTION — The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.

Operating Budget

The budget includes \$204,915,600 and 1,767.9 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$26,551,900
Automated Fingerprint Identification System (AFIS) Fund	3,009,700
Automation Operations Fund	296,200
Crime Laboratory Assessment Fund (CLAF)	870,600
Crime Laboratory Operations Fund (CLOF)	14,719,800
Criminal Justice Enhancement Fund (CJEF)	2,871,200
Deoxyribonucleic Acid (DNA) Identification System Fund	6,321,200
Highway Patrol Fund	19,427,600
Highway User Revenue Fund (HURF)	119,247,100
Motorcycle Safety Fund	205,000
Parity Compensation Fund	1,885,300
Risk Management Fund	1,199,900
Safety Enforcement and Transportation Infrastructure Fund (SETIF)	1,566,300
State Highway Fund	6,743,800

These amounts fund the following adjustments:

Retirement Increase

The budget includes an increase of \$6,234,900 in FY 2014 to offset an increase in the employer contribution rate for the Public Safety Personnel Retirement System (PSPRS) and Arizona State Retirement System (ASRS). This amount consists of:

General Fund	5,504,200
AFIS Fund	200
CLAF	1,600
CLOF	57,000
CJEF	7,700
DNA Identification System Fund	14,800
Highway Patrol Fund	466,200

- 1/ Includes 136.8 GF FTE Positions funded from Special Line Items in FY 2014.
- 2/ Of the \$21,304,700 appropriated to GIITEM, only \$2,603,400 shall be deposited in the GIITEM Fund established by A.R.S. § 41-1724, and is appropriated for the purposes of that section. The \$2,603,400 is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. This state recognizes that states have inherent authority to arrest a person for any immigration violation. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ Of the \$21,304,700 appropriated to GIITEM, \$9,327,600 shall be used for 100 Department of Public Safety GIITEM personnel. The additional staff shall include at least 50 sworn Department of Public Safety positions to be used for immigration enforcement and border security and 50 Department of Public Safety positions to assist GIITEM in various efforts, including: 1) strict enforcement of all federal law relating to illegal aliens and arresting illegal aliens, 2) responding to or assisting any county sheriff or attorney in investigating complaints of employment of illegal aliens, 3) enforcing Arizona's law known as the Legal Arizona Workers Act, strict enforcement of Arizona's SB 1070, Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act", investigating crimes of identity theft in the context of hiring illegal aliens and the unlawful entry into the country and 4) taking strict enforcement action. Any change in the GIITEM mission or allocation of monies must be approved by the Joint Legislative Budget Committee. The department shall submit an expenditure plan to the Joint Legislative Budget Committee for review before expending any monies not identified in the department's previous expenditure plans. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(307,600)GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 6/ Any monies remaining in the Department of Public Safety joint account on June 30, 2014 shall revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. (General Appropriation Act footnote)
- 7/ On or before November 1, 2013, the department shall provide to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting a report on a plan to consolidate the Arizona Counterterrorism Information Center with another governmental entity beginning in FY 2015. The report shall include an estimate of savings to this state as a result of the consolidation. (General Appropriation Act footnote)

Parity Compensation Fund	75,800
Risk Management Fund	42,900
SETIF	64,500

This funds an increase in the PSPRS employer contribution rate for DPS from 48.7% to 57% and an increase in the ASRS employer contribution rate from 10.9% to 11.3%. These increases represent an increase in aggregate retirement costs to DPS of 17% for PSPRS and 4% for ASRS. The General Fund share of the increase also covers the HURF and State Highway Fund share of the increased retirement costs.

ACTIC Operating Cost

The budget includes a one-time increase of \$750,000 from the General Fund in FY 2014 for the operational costs of the Arizona Counter Terrorism Information Center (ACTIC). These monies will offset a reduction in federal grant monies previously used to fund ACTIC. Additionally, a General Appropriation Act footnote requires DPS to submit a plan to consolidate ACTIC with another governmental entity beginning in FY 2015.

Crime Lab Backlog

The budget includes an increase of \$850,000 from the DNA Identification System Fund in FY 2014 for additional resources to help alleviate the testing backlog.

LEMSC Shift

The budget includes an increase of \$70,500 and 1 FTE Position from the General Fund in FY 2014 to reflect the shift of Law Enforcement Merit System Council (LEMSC) staff and resources to the Department of Public Safety.

Operating Budget Shift

The budget includes an increase of \$296,200 from the Automation Operations Fund and a commensurate decrease from the Risk Management Fund in FY 2014 for

a shift of Disaster Recovery expenditures. There is no net change in agency resources.

Statewide Adjustments

The budget includes a decrease of \$(1,220,100) in FY 2014 for statewide adjustments. This amount consists of:

General Fund	(289,900)
AFIS Fund	(300)
CLAF	(1,400)
CLOF	(41,200)
CJEF	(9,200)
DNA Identification System Fund	(15,100)
Highway Patrol Fund	(91,300)
HURF	(717,900)
Parity Compensation Fund	(9,900)
Risk Management Fund	800
SETIF	(8,500)
State Highway Fund	(36,200)

(Please see the Agency Detail and Allocations section.)

Radio and Infrastructure Equipment Replacement

The budget continues \$677,300 in FY 2014 for radio and infrastructure equipment replacement. This amount consists of:

General Fund	101,500
CJEF	117,900
Highway Patrol Fund	54,200
HURF	403,700

These amounts are unchanged from FY 2013. The equipment to be replaced includes portable radios, mobile radios, base stations, and telecommunications infrastructure.

GIITEM

The budget includes \$21,304,700 and 136.8 FTE Positions from the General Fund in FY 2014 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$400 from the General Fund in FY 2014 for statewide adjustments.

The GIITEM Special Line Item is comprised of monies for the following GIITEM functions, including: 1) \$8,773,700 for gang enforcement, investigation, and interdiction, 2) \$9,327,600 for at least 50 sworn DPS positions to be used for immigration enforcement and border security and up to 50 DPS positions to expand GIITEM's public awareness, investigation, and intelligence efforts, 3) \$2,603,400 for local gang and immigration enforcement grants, 4) \$600,000 for crime analysts associated with the state gang intelligence database (GangNet). *Table 1* identifies the various functions, as well as their corresponding allocations.

Monies deposited in the GIITEM Fund can be used for employer sanctions, smuggling, gang, and immigration enforcement. Local grants are distributed to county sheriffs and do not require further approval by the county board of supervisors. The local entity provides at least 25% of the cost of services.

Table 1

Allocation of GIITEM Funding

<u>Function/Purpose</u>	<u>FY 2014</u>
Gang Enforcement & Investigation	\$ 8,773,700
DPS Immigration Personnel	9,327,600
Local Immigration Enforcement Grants	2,603,400 ^{1/}
GangNet Upgrade & Crime Analysts	600,000
TOTAL	\$21,304,700

^{1/} DPS also has prior year non-lapsing monies available for local efforts.

Current statute allocates the first \$1,600,000 in local immigration enforcement grant monies to a county with more than 3,000,000 people (Maricopa County) and the next \$500,000 to a county with less than 500,000 people but more than 300,000 people (Pinal County).

The remaining monies may be used for agreements with cities, counties, and other entities at a 3:1 match rate. Maricopa and Pinal County are excluded from the matching requirements.

The FY 2014 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 5) requires DPS to distribute the monies in the GIITEM Fund as soon after July 1st of every year as practicable.

GIITEM Subaccount

The budget includes \$2,390,000 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2014 for the GIITEM Subaccount for equipment and supplies for border security. This amount funds the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,500) from the GIITEM Border Security and Law Enforcement Subaccount in FY 2014 for statewide adjustments.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$2,390,000 in FY 2014. The monies in the GIITEM Subaccount are for border security personnel and equipment. The monies are to be provided directly to county sheriffs without approval by the respective Board of Supervisors. The authorizing legislation does not specify any particular distribution by county.

The FY 2014 Criminal Justice BRB allows monies distributed from the GIITEM Subaccount to be used to purchase safety equipment. Additionally, DPS is required to submit to the JLBC for review a FY 2014 expenditure plan for the GIITEM Subaccount.

Public Safety Equipment

The budget includes \$2,390,000 from the Public Safety Equipment Fund in FY 2014 for Public Safety Equipment. This amount is unchanged from FY 2013.

The Public Safety Equipment Fund receives \$4 of a \$13 criminal fee. These monies are to be used for safety equipment. The revenues are estimated to total \$2,390,000 in FY 2014.

The Public Safety Equipment SLI monies can be used to purchase vehicles, protective armor, electronic stun devices and other safety equipment. These monies replace an annual \$3,000,000 General Fund appropriation for the same purpose that was eliminated in FY 2008.

Motor Vehicle Fuel

The budget includes \$3,935,500 in FY 2014 for Motor Vehicle Fuel. This amount consists of:

General Fund	3,704,200
Highway Patrol Fund	231,300

These amounts are unchanged from FY 2013.

The Motor Vehicle Fuel Special Line Item (SLI) centralizes monies appropriated to DPS for motor vehicle fuel. In addition to \$3,912,200 in Motor Vehicle Fuel SLI monies expended in FY 2012, DPS expended \$366,400 GF, \$1,142,200 OF, and \$1,245,800 in non-appropriated monies for fuel from other parts of the DPS budget in FY 2012.

Additional Legislation

HURF Cap

The FY 2014 Criminal Justice BRB continues to notwithstand the statutory spending provisions for HURF and the State Highway Fund, allowing DPS to spend more than the statutory cap of \$10,000,000 from each fund. DPS is appropriated less than the statutory cap for the State Highway Fund.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (*Please see the Automation Projects narrative for more details.*)

Table 2

**State Immigration Enforcement
Assistance to Local Governments**

DPS GIITEM Local Immigration Enforcement Grant Expenditures^{1/2/}

<u>Agency</u>	<u>FY 2007 Actual</u>	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Actual</u>	<u>FY 2011 Actual</u>	<u>FY 2012 Actual</u>
Pima County Sheriff's Department	\$390,500	\$756,600	\$823,600	\$904,800	\$825,400	-
Phoenix Police Department	260,200	262,300	794,700	716,100	584,400	342,100
Border Detention Liaison Officers (See Chart Below)	198,500	179,700	299,500	504,800	438,800	441,400
Border County Officers (See Chart Below)	206,100	288,900	451,400	364,800	384,900	350,700
AZ Fraudulent Identification Task Force ^{3/}	283,000	284,300	368,000	194,600	-	-
Maricopa County Sheriff's Office	944,000	1,125,200	400,000	1,200,000	1,600,000	1,600,000
DPS Expenditures in Support of Local Grants	1,195,700	2,570,900	1,190,600	441,800	378,500	695,800
Crime Lab Transfer ^{4/}	-	-	5,227,400	-	-	-
Pinal County Sheriff's Department	-	-	-	-	-	500,000
TOTAL	3,478,000	5,467,900	9,555,200	4,326,900	4,212,000	3,930,000
<u>Year of Appropriation of Funding</u>						
FY 2006	2,191,400	-	-	-	-	-
FY 2007	1,286,600	5,178,900	-	-	-	-
FY 2008	-	288,900	3,607,100	-	-	-
FY 2009	-	-	5,948,100	4,051,900	-	-
FY 2010	-	-	-	275,000	2,332,300	-
FY 2011 ^{5/}	-	-	-	-	1,879,700 ^{5/}	1,517,000
FY 2012	-	-	-	-	-	2,413,000
	3,478,000	5,467,800	9,555,200	4,326,900	4,212,000	3,930,000

1/ Funded from non-lapsing \$2.6 million General Fund appropriation, which is part of a \$21.3 million total GIITEM General Fund appropriation to DPS in FY 2012. Beginning in FY 2011, statute allocates the first \$1.6 million to the Maricopa County Sheriff's Office and the next \$500,000 to the Pinal County Sheriff's Office.

2/ All data was provided prior to December 2012. DPS did not respond to requests for updated information.

3/ Funding for AFIT was eliminated in the FY 2010 budget. DPS was able to keep the task force operating for a time with "vacancy savings" from other initiatives but disbanded AFIT in November 2009.

4/ The FY 2009 Crime Lab Transfer was a one-time event to cover a budget reduction initially intended to be replaced through charges to local agencies. Local agencies did not pay the fees, and the funding was restored in FY 2010.

5/ Includes \$1,003,200 in other GIITEM SLI monies in FY 2011.

Table 2 (Continued)

Border Detention Liasion Officer Grants^{6/}

	<u>FY 2011</u> <u>Actual</u>	<u>FY 2012</u> <u>Actual</u>
Cochise County Sheriff's Department	\$34,098	33,100
Graham County Sheriff's Department	31,209	21,100
Pima County Sheriff's Department	44,015	43,900
Pinal County Sheriff's Department	56,213	46,300
Santa Cruz County Sheriff's Department	44,139	18,600
Yuma County Sheriff's Department	41,101	41,000
Department of Corrections	188,054	237,400
Total	438,829	441,400

Border County Officers^{6/}

Benson Police	\$59,147	63,700
Coolidge Police	66,298	46,600
Douglas Police	117,818	123,700
Oro Valley Police	59,581	62,200
Pinal County Sheriff's Department	57,649	54,500
Yuma County Sheriff's Department	24,367	0
Total	384,861	350,700

6/ Funding for the Border Detention Liasion Officer Grants and the Border County Officers is included in the annual \$2.6 million General Fund appropriation for Local Immigration Enforcement Grants.

GIITEM Subaccount Expenditures^{7/8/}

<u>Agency</u>	<u>FY 2007</u> <u>Actual</u>	<u>FY 2008</u> <u>Actual</u>	<u>FY 2009</u> <u>Actual</u>	<u>FY 2010</u> <u>Actual</u>	<u>FY 2011</u> <u>Actual</u>	<u>FY 2012</u> <u>Actual</u>
Pima County Sheriff	-	-	-	-	-	\$500,000
General Fund Repayment	-	-	-	-	-	1,000,000
TOTAL	-	-	-	-	-	1,500,000

7/ Funded from a \$2.1 million GIITEM Fund appropriation. Laws 2011, Chapter 308 created a \$13 criminal fee, \$4 of which is to be deposited into the GIITEM Fund Border Security and Law Enforcement Subaccount. These revenues totaled \$1,693,800 in FY 2012. The monies in the GIITEM Subaccount are for border security personnel and equipment. Additionally, the bill redirected the monies normally deposited into the Arizona Criminal Justice Commission's State Aid to Indigent Defense Fund, which totaled \$659,300, to the GIITEM Fund Border Security and Law Enforcement Subaccount in FY 2012. This does not continue in FY 2013.

8/ Laws 2011, Chapter 308 requires that the first \$1,000,000 in criminal fee revenue received by the GIITEM Fund Border Security and Law Enforcement Subaccount in FY 2012, be used to repay the General Fund for a commensurate appropriation to the Pinal County Sheriff's Office in FY 2012. This does not continue in FY 2013.

Table 2 (Continued)

<u>Agency</u>	County Assistance ^{9/}					
	<u>FY 2007 Actual</u>	<u>FY 2008 Actual</u>	<u>FY 2009 Actual</u>	<u>FY 2010 Actual</u>	<u>FY 2011 Actual</u>	<u>FY 2012 Actual</u>
Pinal County Sheriff	-	-	-	-	-	\$1,000,000
TOTAL	-	-	-	-	-	1,000,000

9/ Funded from a one-time \$1 million General Fund appropriation. The monies were used to purchase and maintain a helicopter. The funding is not continued in FY 2013.

County Attorney Immigration Enforcement Distributions^{10/}

<u>Agency</u>	<u>FY 2007 Actual</u>	<u>FY 2008 Actual^{11/}</u>	<u>FY 2009 Actual^{12/}</u>	<u>FY 2010 Actual^{13/}</u>	<u>FY 2011 Actual^{14/}</u>	<u>FY 2012 Actual^{15/}</u>
Maricopa County Attorney	-	\$1,430,000	\$1,430,000	\$715,000	\$1,213,200	\$200,000
Maricopa County Sheriff	-	-	-	-	-	500,000
Pima County Attorney	-	500,000	500,000	-	-	97,687
Pima County Sheriff	-	-	-	-	-	97,687
Pinal County Attorney	-	93,351	93,351	-	-	37,447
Pinal County Sheriff	-	-	-	-	-	37,447
Yavapai County Attorney	-	71,638	71,638	-	-	21,030
Yavapai County Sheriff	-	-	-	-	-	21,030
Mohave County Attorney	-	66,480	66,480	-	-	19,949
Mohave County Sheriff	-	-	-	-	-	19,949
Yuma County Attorney	-	64,592	64,592	-	-	19,507
Yuma County Sheriff	-	-	-	-	-	19,507
Cochise County Attorney	-	43,999	43,999	-	-	13,089
Cochise County Sheriff	-	-	-	-	-	13,089
Coconino County Attorney	-	43,033	43,033	-	-	13,396
Coconino County Sheriff	-	-	-	-	-	13,396
Navajo County Attorney	-	38,365	38,365	-	-	10,708
Navajo County Sheriff	-	-	-	-	-	10,708
Apache County Attorney	-	24,492	24,492	-	-	7,127
Apache County Sheriff	-	-	-	-	-	7,127
Gila County Attorney	-	17,980	17,980	-	-	5,341
Gila County Sheriff	-	-	-	-	-	5,341
Santa Cruz County Attorney	-	14,836	14,836	-	-	4,726

Table 2 (Continued)

Santa Cruz County Sheriff	-	-	-	-	4,726
Graham County Attorney	-	11,592	11,592	-	3,709
Graham County Sheriff	-	-	-	-	3,709
La Paz County Attorney	-	6,976	6,976	-	2,042
La Paz County Sheriff	-	-	-	-	2,042
Greenlee County Attorney	-	2,665	2,665	-	841
Greenlee County Sheriff	-	-	-	-	841
TOTAL	-	2,430,000	2,430,000	715,000	1,213,200

10/ Funded by a General Fund appropriation.

11/ The FY 2008 budget required the Department of Administration to distribute \$1,430,000 to the County Attorney in each county with a population greater than 1.5 million, \$500,000 to the County Attorney in each county with a population between 800,000 and 1.5 million, with the remainder being divided among the other counties in the state.

12/ The FY 2009 budget required the Department of Administration to distribute \$1,430,000 to the County Attorney in each county with a population greater than 1.5 million, \$500,000 to the County Attorney in each county with a population between 800,000 and 1.5 million, with the remainder being divided among the other counties in the state.

13/ Due to a budget reduction only Maricopa County received funding.

14/ The FY 2011 budget required the Department of Administration to distribute \$1,213,200 to the County Attorney in a county with a population greater than 1.5 million.

15/ The FY 2012 budget required the Department of Administration to distribute \$200,000 to the County Attorney of a county with a population of 2,000,000 or more persons and \$500,000 to the County Sheriff of a county with a population of 2,000,000 or more persons. With Joint Legislative Budget Committee approval, the remaining monies can be distributed to County Attorneys and County Sheriffs of counties with populations of less than 2,000,000 persons. The Department of Administration, however, distributed these Non-Maricopa funds without JLBC approval.

Public Safety Personnel Retirement System

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
SPECIAL LINE ITEMS			
EORP Fund Deposit	0	0	5,000,000 ^{1/2/}
AGENCY TOTAL	0	0	5,000,000
FUND SOURCES			
General Fund	0	0	5,000,000
SUBTOTAL - Appropriated Funds	0	0	5,000,000
Other Non-Appropriated Funds	37,551,300	36,436,400	36,436,400
TOTAL - ALL SOURCES	37,551,300	36,436,400	41,436,400

AGENCY DESCRIPTION — The Public Safety Personnel Retirement System (PSPRS) provides retirement, survivors, health, and disability benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters. In addition, PSPRS staff administers the Correctional Officers Retirement Plan (CORP) and the Elected Officials' Retirement Plan (EORP), which provide the same benefits to specified populations at the state and local level. PSPRS is not subject to appropriation. The EORP will be closed to new enrollees as of January 1, 2014, at which time elected officials will be enrolled in the Elected Officials' Defined Contribution Retirement System (EODC System).

EORP Fund Deposit

Laws 2013, Chapter 217 appropriates \$5,000,000 from the General Fund to the EORP Fund in FY 2014. Chapter 217 makes several changes relating to the closure of the existing defined benefit EORP and in creation of a new defined contribution plan, the Elected Officials Defined Contribution Retirement System (EODC), as follows:

- 1) Prohibits the enrollment of new members in EORP who are elected or appointed after January 1, 2014. Elected officials who assume positions after this date are instead enrolled in the newly-created EODC System, except that elected officials who are existing members of the Arizona State Retirement System (ASRS) may continue to participate in the ASRS plan during their elected or appointed term.
- 2) Permanently establishes a 13% employee contribution rate for members of the now closed EORP. Deletes the previous statute that had also authorized an alternative computation for member contribution rates.
- 3) Requires from January 1, 2014 through June 30, 2044, a level 23.5% employer contribution rate for employees in elected official positions, regardless of the date of appointment or election. For existing members of EORP, this contribution is paid entirely to the EORP Fund. For EODC System members, 6% is retained by the defined contribution system as an employer contribution, with the remaining 17.5% being paid to the EORP Fund.
- 4) Establishes the EODC System, which is administered by the PSPRS Board of Trustees. Requires an 8% employee contribution rate for all EODC System members, which is to be partially matched by the 6% employer contribution rate, with the funds to be deposited into the individual member's retirement account.
- 5) Allows retired members of the EODC System to purchase health insurance through the Department of Administration, however, it excludes them from receiving the premium subsidy provided by the other state retirement systems.
- 6) Establishes the Elected Officials' Defined Contribution Retirement System Disability Program (EODC Disability Program), which provides long-term disability benefits to members of the EODC System. The program is administered by the PSPRS Board of Trustees, and is funded through contribution rates which are determined in an annual actuarial valuation. The contribution rate is divided equally between employer and employee.
- 7) Annually appropriates \$5,000,000 from the General Fund to the EORP Fund from FY 2014 through FY 2043 to supplement the normal cost and to

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.

^{2/} Laws 2013, Chapter 217 appropriated \$5,000,000 annually from the General Fund to the EORP Fund from FY 2014 through FY 2043 to supplement the normal cost plus an amount to amortize the unfunded accrued liability.

amortize the unfunded accrued liability of the now closed EORP.

- 8) Requires the PSPRS Board of Trustees to annually report to the Governor and the Legislature, on or before December 31 of each year, an analysis of the 23.5% level contribution rate and whether this rate structure is sufficient to pay the entire unfunded accrued liability of the now closed EORP.
- 9) Requires the PSPRS Board of Trustees to annually report to the Governor and the Legislature, on or before December 31 of each year, the status of the EODC System and EODC Disability Program.

Additional Legislation

CORP Amendments

Laws 2013, Chapter 78 makes various modifications to CORP. Among other provisions, Chapter 78 makes changes to disability provisions, clarifies the payment of survivor benefits to children, modifies the definition of physician, prohibits retroactive pension and disability payments more than 180 days before the date of application, requires local boards to meet at least twice a year, and prohibits members from accessing money in their account until receipt of benefits or termination.

EORP Amendments

Laws 2013, Chapter 111 makes various modifications to the existing EORP. Among other provisions, Chapter 111 clarifies the payment of survivor benefits to children, modifies the definition of physician, requires death benefits be paid directly to an eligible child at age 18, and prohibits members from accessing money in their account until receipt of benefits or termination.

EORP Court Commissioners

Laws 2013, Chapter 122 allows all Superior Court commissioners to be members of the existing EORP. Previously, the court commissioners were eligible to be members of EORP only if the commissioner was enrolled in EORP before the position became covered under a 218 Agreement with the Federal Social Security Administration (SSA), which provides Social Security and Medicare coverage to certain employees of state and local governments.

PSPRS Amendments

Laws 2013, Chapter 203 makes various modifications to PSPRS. Chapter 203 allows the Board of Trustees, in order to cover the cost of administering the Cancer Insurance Program following a year in which no contributions were received, to use up to 5% of the monies deposited into the Program Account during the most recent year when there was a deposit to administer the program. In addition, Chapter 203 clarifies Group Health and Accident Coverage, modifies the definition of physician,

prohibits retroactive pension and disability payments more than 180 days before the date of application, clarifies the payment of survivor benefits to children, and prohibits members from accessing money in their account until receipt of benefits or termination.

Other Issues

Membership and Actuarial Data

As of the June 30, 2012 valuation, there were 50,144 active, retired, and Deferred Retirement Option Plan (DROP) members in the 3 plans administered by PSPRS. *Table 1* shows membership by plan. Members of the DROP agree to retire at a specified time (within 5 years of the agreement). During the DROP period, members make no contributions and their retirement benefits are paid to a separate account, which provides a lump sum payment to members at retirement.

Table 1 shows each plan's assets and liabilities. To calculate the unfunded liability of each plan, actuaries use a modified amount for asset values to reflect certain plan assumptions. *Table 1* reflects current market values for assets and not the actuarial value. *Table 1* also shows the contribution rates for PSPRS and CORP in aggregate, as there is significant contribution rate variation between individual employers. The employee contribution rate remains essentially unchanged regardless of individual employer.

Table 1

PSPRS Valuation Data

Membership	PSPRS		CORP		EORP	
	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012
Active (working and contributing)	18,638	18,542	14,565	14,991	845	845
Retired Members and Survivor Beneficiaries	9,522	9,802	3,256	3,476	990	992
DROP	1,419	1,496	N/A	N/A	N/A	N/A
Funding Status (dollar values in millions) ^{1/}	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012
Market Value of Assets	\$5,048	\$5,075	\$1,304	\$1,287	\$315	\$297
Total Actuarial Liability	\$9,365	\$10,326	\$2,009	\$2,232	\$590	\$610
Unfunded Actuarial Liability ^{2/}	\$3,569	\$4,274	\$542	\$719	\$224	\$254
Funded Status	61.9%	58.6%	73.0%	67.8%	62.1%	58.4%
Aggregate Contribution Rates	FY 2013 ^{3/}	FY 2014 ^{4/}	FY 2013 ^{3/}	FY 2014 ^{4/}	FY 2013 ^{3/}	FY 2014 ^{4/}
Employer	27.18%	30.44%	11.31%	13.68%	20.87%	25.94%
Employee	9.55%	10.35%	8.38%	8.40%	11.50%	13.00%
Total	36.73%	40.79%	19.69%	22.08%	32.37%	38.94%

^{1/} Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has their own actuarial status. As a result, the funded status may vary for each employer group.

^{2/} Calculated on actuarial, not market, value of assets.

^{3/} Based on June 30, 2011 valuation.

^{4/} Based on June 30, 2012 valuation.

N/A = Not Applicable

Arizona Department of Racing

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	40.5	40.5	40.5
Personal Services	1,022,700	1,649,500	1,664,100
Employee Related Expenditures	394,600	629,000	628,500
Professional and Outside Services	232,500	293,000	293,000
Travel - In State	43,200	78,700	78,700
Travel - Out of State	4,300	5,700	5,700
Other Operating Expenditures	221,200	223,400	225,900
Equipment	6,200	0	0
OPERATING SUBTOTAL	1,924,700	2,879,300	2,895,900
SPECIAL LINE ITEMS			
Arizona Breeders' Award	0	250,000	250,000
County Fairs Livestock and Agricultural Promotion	1,779,500	1,779,500	1,779,500 ^{1/}
AGENCY TOTAL	3,704,200	4,908,800	4,925,400^{2/}
FUND SOURCES			
General Fund	2,814,800	2,029,500	2,029,500
<u>Other Appropriated Funds</u>			
Racing Regulation Fund	889,400	2,879,300	2,895,900
SUBTOTAL - Other Appropriated Funds	889,400	2,879,300	2,895,900
SUBTOTAL - Appropriated Funds	3,704,200	4,908,800	4,925,400
Other Non-Appropriated Funds	30,100	97,900	97,900
TOTAL - ALL SOURCES	3,734,300	5,006,700	5,023,300

AGENCY DESCRIPTION — The Arizona Department of Racing regulates the pari-mutuel horse and greyhound racing industries through the supervision of race meetings, screening of license applicants, collection of taxes and fees, and assessment of fines or other penalties. The Division of Boxing Regulation is responsible for licensing, investigating, and regulating professional boxing, Toughman, and nontraditional fighting contests within Arizona.

Operating Budget

The budget includes \$2,895,900 and 40.5 FTE Positions from the Racing Regulation Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$16,600 from the Racing Regulation Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations Section.)*

Arizona Breeders' Award

The budget includes \$250,000 from the General Fund in FY 2014 for the Arizona Breeders' Award. This amount is unchanged from FY 2013.

Monies in this line item award the breeder of every winning horse or greyhound foaled or whelped in this state.

County Fairs Livestock and Agricultural Promotion

The budget includes \$1,779,500 from the General Fund in FY 2014 for County Fairs Livestock and Agricultural Promotion. This amount is unchanged from FY 2013.

^{1/} The amount appropriated to the County Fairs Livestock and Agricultural Promotion line item is for deposit in the County Fairs Livestock and Agricultural Promotion Fund administered by the Office of the Governor. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Monies in this line item are deposited in the County Fairs Livestock and Agriculture Promotion Fund in the Office of the Governor. The fund is used to promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center.

Additional Legislation

Exemption from Rule-Making Requirements

The Revenue Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 9), as session law, continues to extend the Department of Racing's exemption from the rulemaking requirements of A.R.S. Title 41, Chapter 6, for the purpose of establishing fees until July 1, 2014. Additionally, the bill revises the intent clause that the fee adjustment is to raise \$2,600,000 in revenue, an increase of \$538,000 from FY 2013. The Racing Regulation Fund is also estimated to receive \$225,000 in pari-mutuel taxes in FY 2014.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Radiation Regulatory Agency

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	32.5	33.5	33.5 ^{1/}
Personal Services	844,800	911,700	923,000
Employee Related Expenditures	352,100	374,400	374,300
Professional and Outside Services	10,000	10,000	10,000
Travel - In State	10,600	10,600	10,600
Travel - Out of State	5,100	5,100	5,100
Other Operating Expenditures	234,700	265,200	268,200
Equipment	59,600	35,000	35,000
OPERATING SUBTOTAL	1,516,900	1,612,000	1,626,200
SPECIAL LINE ITEMS			
Nuclear Emergency Management Fund	701,200	676,000	695,300 ^{2/3/}
AGENCY TOTAL	2,218,100	2,288,000 ^{4/}	2,321,500 ^{5/}
FUND SOURCES			
General Fund	1,450,600	1,440,600	1,468,600
<u>Other Appropriated Funds</u>			
Radiation Regulatory Fee Fund	501,200	575,900	579,600
State Radiologic Technologist Certification Fund	266,300	271,500	273,300
SUBTOTAL - Other Appropriated Funds	767,500	847,400	852,900
SUBTOTAL - Appropriated Funds	2,218,100	2,288,000	2,321,500
Other Non-Appropriated Funds	16,200	45,000	45,000
Federal Funds	285,100	211,900	211,900
TOTAL - ALL SOURCES	2,519,400	2,544,900	2,578,400

AGENCY DESCRIPTION — The department regulates the use, storage, and disposal of sources of radiation. This includes licensing or certifying users, inspecting x-ray equipment, developing emergency response capability, and monitoring environmental radiation.

Operating Budget

The budget includes \$1,626,200 and 29 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$773,300
Radiation Regulatory Fee Fund	579,600
State Radiologic Technologist Certification Fund	273,300

Statewide Adjustments

The budget includes an increase of \$14,200 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	\$8,700
Radiation Regulatory Fee Fund	3,700
State Radiologic Technologist Certification Fund	1,800

(Please see the Agency Detail and Allocations section.)

These amounts fund the following adjustments:

^{1/} Includes 4.5 FTE Positions funded by Laws 2013, Chapter 13.

^{2/} Pursuant to A.R.S. § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations; however, any unexpended monies shall be used to reduce the assessment and appropriation in future years.

^{3/} Laws 2013, Chapter 13 appropriates \$695,250 and 4.5 FTE Positions in FY 2014 and FY 2015 for the Nuclear Emergency Management Fund.

^{4/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustments of \$(6,700) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{5/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Nuclear Emergency Management Fund

The budget includes \$695,250 and 4.5 FTE positions from the General Fund in FY 2014 and FY 2015 for the Nuclear Emergency Management Fund (NEMF). These amounts fund the following adjustments:

NEMF Allocation Increase

Laws 2013, Chapter 13 includes an increase of \$19,300 from the General Fund in FY 2014 and FY 2015 for the NEMF Special Line Item. These amounts represent the increase above the FY 2013 NEMF allocation of \$675,952, originally appropriated in Laws 2011, Chapter 132.

The monies in this line item are appropriated by Laws 2013, Chapter 13. As a result, these monies do not appear in the General Appropriation Act. The Radiation Regulatory Agency, Department of Emergency and Military Affairs, and Department of Agriculture receive monies from this bill. *(Please see the Department of Agriculture and the Department of Emergency and Military Affairs narratives for more information.)*

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the General Fund appropriation to the NEMF.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and testing necessary to comply with federally prescribed criteria.

Monies appropriated to the NEMF are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, except that monies left unexpended or unencumbered at the end of the fiscal year shall be used to offset the next year's assessment and appropriation.

Additional Legislation

Fee Authority Continuation

The Revenue Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 9) continues the fee raising authority and an exemption relating to establishing fees for the Radiation Regulatory Agency in FY 2014. The bill continues an intent clause that limits additional revenues to \$561,000.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

State Real Estate Department

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.0	59.0	37.0
Personal Services	1,254,800	1,634,700	1,650,000
Employee Related Expenditures	578,500	703,900	703,500
Professional and Outside Services	269,200	245,400	245,400
Travel - In State	1,900	4,000	4,000
Travel - Out of State	2,500	2,500	2,500
Other Operating Expenditures	378,300	346,300	367,300
Equipment	136,500	16,000	16,000
AGENCY TOTAL	2,621,700	2,952,800 ^{1/}	2,988,700 ^{2/}
FUND SOURCES			
General Fund	2,621,700	2,952,800	2,988,700
SUBTOTAL - Appropriated Funds	2,621,700	2,952,800	2,988,700
Other Non-Appropriated Funds	143,000	143,800	143,800
TOTAL - ALL SOURCES	2,764,700	3,096,600	3,132,500

AGENCY DESCRIPTION — The department issues licenses for real estate, cemetery, and membership campground sales. The department also regulates the real estate industry, including licensees, developers, subdividers, and real estate schools. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

Operating Budget

The budget includes \$2,988,700 and 37 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Decrease Appropriated FTE Count

The budget includes a decrease of (22) FTE Positions from the General Fund in FY 2014 to more closely align the department's appropriated FTE Position count with its actual number of filled FTE Positions. The FTE Position decrease was requested by the State Real Estate Department.

Statewide Adjustments

The budget includes an increase of \$35,900 from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(26,600) GF for a state employee health insurance premium holiday. *(Please see the FY 2013 General Fund Adjustments section.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Residential Utility Consumer Office

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	622,800	750,300	757,700
Employee Related Expenditures	241,600	249,400	249,200
Professional and Outside Services	1,900	2,400	2,400
Travel - In State	3,800	8,600	8,600
Travel - Out of State	3,500	7,000	7,000
Other Operating Expenditures	160,000	161,800	164,500
Equipment	1,900	0	0
OPERATING SUBTOTAL	1,035,500	1,179,500	1,189,400
SPECIAL LINE ITEMS			
Professional Witnesses	19,100	145,000	145,000 ^{1/}
AGENCY TOTAL	1,054,600	1,324,500	1,334,400^{2/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Residential Utility Consumer Office Revolving Fund	1,054,600	1,324,500	1,334,400
SUBTOTAL - Other Appropriated Funds	1,054,600	1,324,500	1,334,400
SUBTOTAL - Appropriated Funds	1,054,600	1,324,500	1,334,400
TOTAL - ALL SOURCES	1,054,600	1,324,500	1,334,400

AGENCY DESCRIPTION — The Residential Utility Consumer Office (RUCO) serves as an advocate for residential customers of public utilities in rate hearings held before the Arizona Corporation Commission. Through its technical staff and expert consultants, RUCO analyzes utility company data to determine appropriate positions to take and present on behalf of residential ratepayers. The RUCO Director is appointed by the Governor.

Operating Budget

The budget includes \$1,189,400 and 11 FTE Positions from the RUCO Revolving Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$9,900 from the RUCO Revolving Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Professional Witnesses

The budget includes \$145,000 from the RUCO Revolving Fund in FY 2014 for Professional Witnesses. This amount is unchanged from FY 2013.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the Automation Projects narrative for more details.)

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Board of Respiratory Care Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	151,400	175,800	178,200
Employee Related Expenditures	57,300	65,700	65,700
Professional and Outside Services	43,700	15,000	15,000
Travel - In State	1,000	1,500	1,500
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	72,500	30,900	35,200
Equipment	3,900	0	0
AGENCY TOTAL	329,800	290,400	297,100^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Respiratory Care Examiners Fund	329,800	290,400	297,100
SUBTOTAL - Other Appropriated Funds	329,800	290,400	297,100
SUBTOTAL - Appropriated Funds	329,800	290,400	297,100
TOTAL - ALL SOURCES	329,800	290,400	297,100

AGENCY DESCRIPTION — The board licenses and regulates respiratory care practitioners. A respiratory therapist performs inhalation therapy and respiratory therapy, which includes administering pharmacological, diagnostic, and therapeutic agents, as directed by a physician.

Operating Budget

The budget includes \$297,100 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Personal Services Adjustments

The budget includes a decrease of \$(200) from the Board of Respiratory Care Examiners Fund in FY 2014 for Personal Services adjustments. The budget, however, includes a supplemental increase of \$24,500 from the Board of Respiratory Care Examiners Fund in FY 2013 for the same issue, and that amount remains in the agency budget for FY 2014. An employee has changed from half-time to full-time status without the required Personal Services increase and there have been staff salary adjustments.

Statewide Adjustments

The budget includes an increase of \$6,900 from the Board of Respiratory Care Examiners Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona State Retirement System

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	236.0	233.9	246.9 ^{1/}
Personal Services	11,887,300	12,545,400	12,703,000
Employee Related Expenditures	4,663,500	4,856,300	4,994,900
Professional and Outside Services	4,153,600	3,881,800	3,881,800
Travel - In State	53,400	50,000	50,000
Travel - Out of State	47,400	28,600	28,600
Other Operating Expenditures	2,338,900	2,535,500	2,833,300
Equipment	444,700	389,500	389,500
OPERATING SUBTOTAL	23,588,800	24,287,100	24,881,100
SPECIAL LINE ITEMS			
ASRS Plan Design Changes	447,000 ^{2/}	0	0
Automation Upgrades	0	0	1,390,000 ^{3/}
Laws 2011, Ch. 26 Rate Change Administration Procedures	345,100 ^{2/}	0	0
Laws 2011, Ch. 357 Plan Changes	38,100 ^{2/}	0	0
Laws 2012, Ch. 362 Employer Contributions	0	47,000 ^{2/}	0
Laws 2012, Ch. 88 ASRS; Spousal Consent	0	200,000 ^{2/}	0
Laws 2013, Ch. 110 ASRS; Amendments	0	0	200,000 ^{2/4/}
Laws 2013, Ch. 216 Public Retirement Systems; Ineligible Employees	0	0	502,400 ^{2/5/}
AGENCY TOTAL	24,419,000	24,534,100	26,973,500 ^{6/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Long-Term Disability Trust Fund Administration Account	2,721,600	2,800,000	2,800,000
State Retirement System Administration Account	21,697,400	21,734,100	24,173,500
SUBTOTAL - Other Appropriated Funds	24,419,000	24,534,100	26,973,500
SUBTOTAL - Appropriated Funds	24,419,000	24,534,100	26,973,500
Other Non-Appropriated Funds	64,994,000	71,715,000	74,712,000
TOTAL - ALL SOURCES	89,413,000	96,249,100	101,685,500

AGENCY DESCRIPTION — The Arizona State Retirement System (ASRS) provides retirement, survivors, health and disability benefits to employees of most public employers in Arizona, including public schools, most local and county governments, and the State of Arizona. Funding for the agency is appropriated except for investment management and consulting fees, rent, actuarial consulting fees, legal counsel costs, retiree payroll and health insurance program administration.

- ^{1/} Includes 1 OF FTE Position funded from Special Line Items in FY 2014.
- ^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.
- ^{3/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. (General Appropriation Act footnote)
- ^{4/} Laws 2013, Chapter 110 appropriated \$200,000 from the State Retirement System Administration Account in FY 2014 for ASRS Plan Amendments.
- ^{5/} Laws 2013, Chapter 216 appropriated \$502,400 and 1 FTE Position from the State Retirement System Administration Account in FY 2014 for modifications regarding ineligible employees.
- ^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$24,881,100 and 245.9 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
State Retirement System Administration Account	\$22,081,100
Long-Term Disability (LTD) Trust Fund Administration Account	2,800,000

These amounts fund the following adjustments:

Automation Charge

The budget includes a one-time increase of \$151,000 from the State Retirement System Administration Account in FY 2014 for ASRS to pay for the agency's proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Data Security

The budget includes a one-time, non-lapsing increase of \$190,000 from the State Retirement System Administration Account in FY 2014 to upgrade the agency's information technology systems regarding data security.

Convert Consultants to FTE Positions

The budget includes an increase of 12 FTE Positions from the State Retirement System Administration Account in FY 2014 to convert information technology consultants to ASRS employees, whose funding source will be the appropriated State Retirement System Administration Account.

Statewide Adjustments

The budget includes an increase of \$253,000 from the State Retirement System Administration Account in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Automation Upgrades

The budget includes \$1,390,000 from the State Retirement System Administration Account in FY 2014 for Automation Upgrades. This amount funds the following adjustments:

IT Modernization

The budget includes an increase of \$1,390,000 from the State Retirement System Administration Account for the first year of a 5-year project to consolidate and upgrade an ASRS business application system with a more current Java-based Web application.

Laws 2012, Ch. 362 Employer Contributions

The budget includes no funding from the State Retirement System Administration Account in FY 2014 for the Laws 2012, Chapter 362; Employer Contributions Special Line Item. This amount funds the following adjustments:

Eliminate One-Time Costs

The budget includes a decrease of \$(47,000) from the State Retirement System Administration Account in FY 2014 to eliminate one-time implementation costs of modifications to employer contribution rates as authorized by Laws 2012, Chapter 362.

Laws 2012, Ch. 88 ASRS; Spousal Consent

The budget includes no funding from the State Retirement System Administration Account in FY 2014 for the Laws 2012, Chapter 88 ASRS; Spousal Consent Special Line Item. This amount funds the following adjustments:

Eliminate One-Time Costs

The budget includes a decrease of \$(200,000) from the State Retirement System Administration Account in FY 2014 to eliminate one-time implementation costs of modifications to spousal consent requirements as authorized by Laws 2012, Chapter 88.

Laws 2013, Ch. 110 ASRS; Amendments

Laws 2013, Chapter 110 appropriates \$200,000 from the State Retirement System Administration Account in FY 2014. This amount funds the following adjustments:

Appropriation for ASRS Plan Amendments

The budget includes an increase of \$200,000 from the State Retirement System Administration Account in FY 2014 for ASRS Plan Amendments as authorized by Laws 2013, Chapter 110. Chapter 110 makes the following changes:

- 1) Modifies survivor benefits, including removing the \$5,000 threshold for election of a survivor benefit annuity option, limiting a survivor to a lump sum or a straight-life annuity option, and eliminating the present value calculation for survivor benefits.
- 2) Allows the Board of Trustees to select any amortization period consistent with Generally Accepted Actuarial Standards. The board was previously required to use a rolling 30-year period.
- 3) Stipulates what information relating to a member's identity may or may not be inspected, retroactive to July 1, 2013.
- 4) Eliminates Permanent Benefit Increases (PBI) for members who enroll after the act's effective date.

- 5) Authorizes ASRS to establish a self-insured health insurance program if the board determines that such a plan would be more cost-effective than a fully insured plan.

ASRS estimates that beyond the costs of implementing Chapter 110, the elimination of PBIs for new members will result in future plan liabilities being reduced by \$263,000,000.

**Laws 2013, Ch. 216 Public Retirement Systems;
Ineligible Employees**

Laws 2013, Chapter 216 appropriates \$502,400 and 1 FTE Position from the State Retirement System Administration Account in FY 2014. These amounts fund the following adjustments:

Appropriation for Personal Services

Chapter 216 includes an increase of \$72,400 and 1 FTE Position from the State Retirement System Administration Account in FY 2014 for Personal Services and Employee Related Expenses for modifications regarding ineligible members.

Appropriation for Professional Services

Chapter 216 includes an increase of \$430,000 from the State Retirement System Administration Account in FY 2014 for professional services to implement information technology and legal modifications regarding ineligible members.

Chapter 216 enrolls state or political subdivision employees who are ineligible for ASRS or other public retirement systems into the defined contribution plan operated by ASRS. Some employees were not eligible for ASRS because they were not covered by Social Security.

Other Issues

ASRS Membership and Actuarial Data

As of the June 30, 2012 valuation, ASRS membership included 528,485 members. See *Table 1* for membership data detail. ASRS has approximately \$27.6 billion in assets, \$9.7 billion in unfunded liability, and approximately \$2.6 billion in annual benefit payments.

Table 1 also shows each plan's assets and liabilities. To calculate the unfunded liability of each plan, actuaries use a modified amount for asset values to reflect certain plan assumptions. *Table 1* reflects current market values for assets and not the actuarial value. ASRS has forecasted contribution rates for the retirement plan, excluding the LTD Plan rate, beyond those shown in *Table 1*. The rates, which are based on the June 30, 2012 valuation, peak at 23.85% in FY 2018 and decrease to 15.14% in FY 2042.

Table 1			
ASRS Valuation Data			
Membership			
	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Active (working and contributing)	213,530	208,939	203,994
Inactive	209,605	208,969	210,060
Retired Members and Survivor Beneficiaries	<u>101,307</u>	<u>107,996</u>	<u>114,431</u>
Total	524,442	525,904	528,485
Funding Status (\$ in Millions)			
	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Market Value of Assets	\$23,142	\$28,033	\$27,569
Total Actuarial Liability	\$37,558	\$38,555	\$39,952
Unfunded Liability ^{1/}	\$ 8,735	\$ 9,324	\$ 9,723
Funded Status (includes System)	77%	76%	76%
Contribution Rates			
	<u>FY 2012 ^{2/}</u>	<u>FY 2013 ^{3/}</u>	<u>FY 2014 ^{4/}</u>
Retirement Plan	21.00%	21.80%	22.60%
LTD Plan	.48%	.48%	.48%
Total	21.48%	22.28%	23.08%
Employer	10.74%	11.14%	11.54%
Employee	10.74%	11.14%	11.54%
^{1/} Calculated on actuarial, not market value, of assets. ^{2/} Based on June 30, 2010 valuation. While previous legislation required the FY 2012 rates to be split 53/47 between employee/employer, this non-50/50 split was repealed by Laws 2012, Chapter 304. ^{3/} Based on June 30, 2011 valuation. While previous legislation required the FY 2013 rates to be split 53/47 between employee/employer, this non-50/50 split was repealed by Laws 2012, Chapter 304. ^{4/} Based on June 30, 2012 valuation.			

Department of Revenue

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	935.0	860.3	861.8 ^{1/}
Personal Services	29,550,300	32,679,500	35,008,600
Employee Related Expenditures	13,383,800	14,250,800	15,133,300
Professional and Outside Services	5,455,700	4,355,900	4,355,900
Travel - In State	300,500	320,700	320,700
Travel - Out of State	319,800	489,800	489,800
Other Operating Expenditures	7,713,800	8,664,300	8,821,600
Equipment	2,133,000	269,600	269,600
OPERATING SUBTOTAL	58,856,900	61,030,600	64,399,500
SPECIAL LINE ITEMS			
BRITS Operational Support	5,577,000	7,568,500	7,602,500
County Assessors	0	132,200	0
Temporary Collectors	2,880,600	2,887,700	0
Unclaimed Property Administration and Audit	392,500	1,770,000	1,770,000 ^{2/}
AGENCY TOTAL	67,707,000	73,389,000	73,772,000 ^{3/4/5/}
FUND SOURCES			
General Fund	45,076,000	46,611,400	47,025,300
Other Appropriated Funds			
Department of Revenue Administrative Fund	21,609,100	25,014,700	24,980,200
Liability Setoff Revolving Fund	342,500	1,085,400	1,087,200
Tobacco Tax and Health Care Fund	679,400	677,500	679,300
SUBTOTAL - Other Appropriated Funds	22,631,000	26,777,600	26,746,700
SUBTOTAL - Appropriated Funds	67,707,000	73,389,000	73,772,000
Other Non-Appropriated Funds	40,483,000	41,150,000	42,150,000
TOTAL - ALL SOURCES	108,190,000	114,539,000	115,922,000

AGENCY DESCRIPTION — The Department of Revenue (DOR) administers and enforces the collection of personal and corporate income, sales, withholding, luxury and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes, nor the insurance premium tax.

Operating Budget

The budget includes \$64,399,500 and 806.8 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$41,224,600
DOR Administrative Fund	21,408,400
Liability Setoff Revolving Fund	1,087,200
Tobacco Tax and Health Care Fund	679,300

These amounts fund the following adjustments:

^{1/} Includes 38 GF and 17 OF FTE Positions funded from Special Line Items in FY 2014.

^{2/} If 12.5% of the total dollar value of properties recovered by unclaimed property contract auditors exceeds \$1,770,000, the excess amount shall be transferred from the state General Fund to the DOR Administrative Fund and appropriated to the department for contract auditor fees. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{4/} The department shall report the department's General Fund revenue enforcement goals for FY 2014 to the Joint Legislative Budget Committee on or before September 30, 2013. The department shall provide an annual progress report to the Joint Legislative Budget Committee as to the effectiveness of the department's overall Enforcement and Collections Program for FY 2014 on or before September 30, 2014. The reports shall include a comparison of projected and actual General Fund revenue enforcement collections for FY 2014. (General Appropriation Act footnote)

^{5/} In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments of \$(633,400) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

Shift of Temporary Collectors

The budget includes an increase of \$2,887,700 from the General Fund in FY 2014 to represent the shift of the Temporary Collectors Special Line Item into the operating budget.

Tax Attorneys

The budget includes an increase of \$200,000 and 1.5 FTE Positions from the General Fund in FY 2014 to contract with the Attorney General's Office to fund 1.5 Tax Attorney positions.

Statewide Adjustments

The budget includes an increase of \$281,200 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	309,800
DOR Administrative Fund	(32,200)
Liability Setoff Revolving Fund	1,800
Tobacco Tax and Health Care Fund	1,800

(Please see the Agency Detail and Allocations section.)

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The budget includes \$7,602,500 and 55 FTE Positions in FY 2014 for operational support of BRITS. These amounts consist of:

General Fund	5,800,700
DOR Administrative Fund	1,801,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$34,000 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	36,300
DOR Administrative Fund	(2,300)

Monies in this line item are used for annual server and printer replacement costs, increased BRITS data storage requirements, and information technology personnel to operate and maintain the BRITS system. BRITS is the state's computer system for collecting and processing tax data.

County Assessors

The budget includes no funding in FY 2014 for distribution to county assessors for a Property Status Study Report. This amount funds the following adjustments:

Elimination of One-Time Monies

The budget includes a reduction of \$(132,213) from the General Fund in FY 2014 for the elimination of one-time funds for a Property Status Study Report.

Laws 2012, Chapter 176 required DOR to enter into a contract with each of the county assessors for the purpose of conducting a property status study report. The report will identify the total amount of private property, private property that is tax exempt, private property that is in conservation status, federally held lands in conservation areas, and municipal and county held lands in conservation areas within each county. DOR is to report the results of the study to the Governor and Legislature by December 31, 2013. The monies are to be used to help defray the costs for county assessors.

To offset the appropriation, Chapter 176 reverts the \$132,213 remaining from the FY 2008 appropriation to the Arizona Department of Water Resources for the Upper San Pedro Water District technical assistance line item.

Temporary Collectors

The budget includes no funding in FY 2014 for Temporary Collectors. This amount funds the following adjustments:

Shift of Temporary Collectors

The budget includes a decrease of \$(2,887,700) from the General Fund in FY 2014 to represent the shift of the Temporary Collectors SLI into the operating budget.

Monies in this line item are used to hire temporary collectors to assist in the collection of already established debt.

Unclaimed Property Administration and Audit

The budget includes \$1,770,000 from the DOR Administrative Fund in FY 2014 for Unclaimed Property Administration and Audit. This amount is unchanged from FY 2013.

Monies in this line item are used for the administrative costs of unclaimed or abandoned property. Contract auditors retain 12.5% of the dollar value of properties they recover. This amount is currently estimated at \$1,770,000.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (Please see the Automation Projects narrative for more details.)

BRITS Upgrade

Please see the Department of Administration - Automation Projects Fund section for details regarding this information technology project.

School Facilities Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	716,100	1,014,200	1,026,700
Employee Related Expenditures	262,500	293,800	294,200
Professional and Outside Services	142,300	153,700	153,700
Travel - In State	17,100	30,000	30,000
Travel - Out of State	100	0	0
Other Operating Expenditures	122,200	160,400	171,900
Equipment	23,200	0	0
OPERATING SUBTOTAL	1,283,500	1,652,100	1,676,500
SPECIAL LINE ITEMS			
Building Renewal Grants	14,167,900	2,667,900	16,667,900
New School Facilities	0	0	672,000 ^{1/}
New School Facilities Debt Service	160,105,700	169,429,700	174,165,000
AGENCY TOTAL	175,557,100	173,749,700 ^{2/}	193,181,400 ^{3/4/}
FUND SOURCES			
General Fund	175,557,100	173,749,700	193,181,400
SUBTOTAL - Appropriated Funds	175,557,100	173,749,700	193,181,400
Other Non-Appropriated Funds	132,662,900	121,437,400	116,606,900
Federal Funds	16,540,500	101,300	0
TOTAL - ALL SOURCES	324,760,500	295,288,400	309,788,300

AGENCY DESCRIPTION — The School Facilities Board (SFB) is composed of 9 gubernatorial appointments and the Superintendent of Education. The board administers the New School Facilities Fund, the Building Renewal Grants Fund, and the Emergency Deficiencies Correction Fund to provide capital funding for K-12 school districts.

Operating Budget

The budget includes \$1,676,500 and 17 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$24,400 from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations Section.)

Building Renewal Grants

The budget includes \$16,667,900 from the General Fund in FY 2014 for Building Renewal Grants. This amount funds the following adjustments:

Building Renewal Grant Increase

The budget includes an increase of \$14,000,000 from the General Fund in FY 2014 to allow SFB to address emergency school facilities repairs.

The Building Renewal Grants Fund was created in FY 2009 to provide grant-based funding for building renewal projects. The fund consists of legislative appropriations and is administered by SFB.

SFB distributes monies to school districts to fund “primary” building renewal projects. SFB prioritizes the projects with emphasis given to school districts that have provided routine preventative maintenance on their facility and can provide a match of monies provided by the fund. “Primary” building renewal funding is for projects

^{1/} The amount appropriated for new school construction shall be used only for a facility that is to be constructed for a school district that received final approval from the School Facilities Board before January 1, 2013. (General Appropriation Act footnote)

^{2/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(11,100) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{4/} Pursuant to A.R.S. § 35-142.01, any reimbursement received by or allocated to the School Facilities Board under the federal Qualified School Construction Bond program in FY 2014 shall be deposited in or revert to the state General Fund. (General Appropriation Act footnote)

required to meet the minimum school facility adequacy guidelines.

The FY 2014 K-12 Education Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 3) permanently repealed the Building Renewal formula, which has been suspended since FY 2009, having been replaced with the Building Renewal Grants program. The FY 2014 Building Renewal Fund amount, under the now repealed statutory formula, would have been \$260,009,700.

The FY 2014 K-12 Education BRB also enacted a provision prohibiting accommodation schools from receiving Building Renewal grant funding. An accommodation school is a school operated by the county board of supervisors or county school superintendent that serves students who do not live within the boundaries of a school district or who attend alternative education programs authorized by A.R.S. § 15-308B.

In addition to the Building Renewal Grants funding, pursuant to A.R.S. § 15-2022, SFB expects to transfer \$474,200 from the New School Facilities (NSF) Fund to the Emergency Deficiencies Correction (EDC) Fund in FY 2014. Statute requires SFB to transfer excess funds in the NSF Fund to the EDC Fund to the extent that the transfer does not affect or disrupt any approved new construction projects. The EDC Fund is used in a similar manner as the Building Renewal Grants program, where districts apply to SFB for funding to correct facilities emergencies that pose health or safety concerns. If there are insufficient monies in the EDC Fund for district requests, A.R.S. § 15-907 allows a district to levy an additional primary property tax to fund the repairs, with the approval of the respective County Board of Supervisors.

New School Facilities

The budget includes \$672,000 from the General Fund in FY 2014 for New School Facilities. This amount funds the following adjustments:

New School Construction Increase

The budget includes an increase of \$672,000 from the General Fund in FY 2014 for funding associated with New School Construction. This appropriation of \$672,000 is intended to allow SFB to begin construction on facilities in the Thatcher Unified School District (USD) and the Benson USD.

The FY 2014 K-12 Education BRB makes 4 changes to New School Facilities funding and eligibility: 1) eliminates the moratorium on new school construction projects which had been in effect from FY 2009 – FY 2013; 2) prohibits the use of new school construction funding for accommodation schools; 3) requires a school district to be currently over capacity in order to qualify for a new construction award (as opposed to qualifying based

on future projected enrollment); and 4) requires projects to receive SFB approval on or before March 1 of a given year in order to qualify for new construction funding.

Based on the updated guidelines for the New School Facilities program, the only currently eligible projects are for the Thatcher USD and the Benson USD. The funding for Thatcher USD will be used for additional K-6 space and the funding for Benson USD will be used for a new K-4 school facility.

While FY 2009 - FY 2013 budget legislation generally limited SFB new construction projects, the FY 2010 budget authorized \$100,000,000 in lease-purchase capacity primarily supported by Federal Funds.

In FY 2011, SFB entered into \$91,325,000 worth of lease-purchase transactions to be financed through a federal bonding program known as Qualified School Construction Bonds (QSCBs). QSCBs are taxable instruments that allow the state to receive a direct interest subsidy from the federal government. This subsidy essentially leaves the state to pay approximately 20% of the traditional taxable interest rate upon each lease-purchase payment.

SFB expects to finish construction on all 8 projects financed with QSCB proceeds by the end of FY 2013. In total, the 8 projects cost \$80,279,800 to build, including land and other site conditions. Pursuant to the lease-purchase agreements, any excess proceeds above and beyond projected new construction costs will be used to retire the outstanding principal on the agreements.

Background – The New School Facilities SLI provides funding for school districts to build new K-12 school facilities. The board distributes the monies to school districts as work is completed on approved projects. The amounts allocated to each school district are determined by statute. A school district qualifies for new construction funding when the current district-wide square feet per student falls below the statutory minimum. (As noted above, however, a limitation on new construction projects was authorized for FY 2009 - FY 2013.) Funding is then provided to the district at a statutorily prescribed dollar amount per square foot. For individual projects, the board may modify the square footage per student or the cost per square foot under certain circumstances.

The dollar amount per square foot is adjusted annually based on a construction market index identified by the Joint Legislative Budget Committee (JLBC). At its December 2012 meeting, the JLBC voted to maintain the FY 2013 rates. (See Table 1 for FY 2014 statutory funding guidelines.)

Table 1

**New School Facilities
Statutory Funding Guidelines**

Type of School	Square Feet Per Student	Funding Per Square Foot ^{1/2/}
K-6	90	\$136.66
7-8	100	\$144.27
9-12 (<1,800 pupils)	134	\$167.05
9-12 (≥1,800 pupils)	125	\$167.05

1/ Increased by 5% for rural school districts.

2/ FY 2014 amounts. Adjusted annually for inflation.

In addition to state funding, districts can generate local funding for new school construction projects by holding a Class B bond election (A.R.S. § 15-1021). Class B bonds are designed to supplement, not supplant, funding received from SFB. Space funded with Class B bond proceeds, therefore, is generally not included in the calculation for determining if a school district qualifies for funding from the board. As of the end of FY 2012, there are \$3.9 billion Class B Bonds outstanding. (See *Additional Legislation* for more information.)

A.R.S. § 15-2004 prohibits the board from entering into any new lease-purchase agreements to finance new school construction, and specifies the Legislature's intent not to appropriate funding in the future for payments on any lease-purchase transactions entered into by the board from and after May 15, 2006. The FY 2010 and FY 2011 K-12 Education BRBs notwithstanding this statute for the \$100,000,000 authorization.

New School Facilities Debt Service

The budget includes \$174,165,000 from the General Fund in FY 2014 for New School Facilities Debt Service. This amount funds the following adjustments:

Prior Lease-Purchase Payment Increase

The budget includes an increase of \$4,735,300 from the General Fund in FY 2014 for an increased lease-purchase payment. This change is the result of 2 factors: 1) the lease-purchase payment on the FY 2003 - FY 2005 outstanding lease-purchase agreements' increases by \$4,733,600 in FY 2014 to reflect the current payment schedule on these 15-year agreements; and 2) the lease-purchase payment on the FY 2009 outstanding issuance increases by \$1,700 to reflect the current payment schedule. Currently, the outstanding principal from these agreements will be \$990,495,000 at the end of FY 2014. The total non-QSCB lease-purchase payment will be \$162,977,700.

The budget includes an amount of \$11,187,300 for the entire debt service requirement for the QSCB issuance in FY 2014. The lease-purchase agreement associated with the QSCBs requires the state to appropriate the entire debt service amount for the payment, as opposed to deducting the expected federal subsidy from the payment. The state is expected to receive a federal subsidy of \$4,438,400 in

FY 2014 related to the lease-purchase payment. Pursuant to A.R.S. § 35-142.01, these funds will be deposited as revenue into the state General Fund, thereby leaving a net debt service obligation of \$6,748,900.

The FY 2014 K-12 Education BRB authorizes (but does not require) SFB to enter into a refinancing agreement, provided that the agreement must: 1) reduce SFB lease-purchase payments by a combined total of at least \$4,000,000 in FY 2014 and FY 2015; and 2) not increase or decrease SFB lease-purchase payments in any other fiscal year by more than \$100,000. Any refinancing agreement would be subject to JCCR review.

A preliminary proposal would achieve savings of \$(900,000) in FY 2014 and \$(3,100,000) in FY 2015. Any refinance savings are subject to change given future market conditions, and as such, the appropriation for SFB New School Facilities debt service was not adjusted in the FY 2014 budget. Any savings would be reverted to the state General Fund at the end of the fiscal year.

Additional Legislation

Reporting Deadline

The FY 2014 K-12 Education BRB changes the reporting deadline from October 15 to September 1 for the existing database used for the New School Facilities and Building Renewal Grants programs.

K-12 Capital Bonding

As permanent law, the FY 2014 K-12 Education BRB increases the limit on school district Class B bonding to 10% and 20% of property values for non-unified and unified districts, respectively. The limits were previously 5% and 10%.

A.R.S. § 15-1021 authorizes school districts to issue voter-approved bonds for long-term capital needs, such as school construction and renovation to be paid for with local property tax revenues. Article IX, Sections 8 and 8.1 of the Arizona Constitution limit non-unified and unified school district bonded indebtedness to no more than 15% or 30% of the district's assessed valuation, respectively.

However, A.R.S. § 15-1021D sets statutory limits below the constitutional limits for "Class B" bonds (bonds issued after December 31, 1999).

The proceeds from K-12 bonds may only be used for expenditures listed in A.R.S. § 15-491A3&4, which include new construction, building renovations, furniture, equipment, technology and pupil transportation vehicles. In addition, bonds issued for furniture, equipment and technology have a maximum maturity of 5 years.

As of the end of FY 2012, 125 school districts have outstanding voter approved bonds. The total amount of voter-approved Class B bonds outstanding at the end of FY 2012 was approximately \$3.9 billion.

Department of State - Secretary of State

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	139.1	139.1	141.1 ^{1/}
Personal Services	4,643,300	4,800,700	4,858,700
Employee Related Expenditures	2,071,400	2,106,000	2,159,200
Professional and Outside Services	139,000	139,000	139,000
Travel - In State	13,700	14,500	14,500
Travel - Out of State	17,300	17,300	17,300
Other Operating Expenditures	1,416,600	3,021,200	3,010,200
Equipment	393,800	397,600	397,600
OPERATING SUBTOTAL	8,695,100	10,496,300	10,596,500 ^{2/}
SPECIAL LINE ITEMS			
Election Services	4,261,500	4,463,300	1,031,600 ^{3/}
Help America Vote Act (HAVA)	832,600	2,938,400	2,941,000 ^{4/5/}
Library Grants-in-Aid	648,000	651,400	651,400 ^{6/}
Litigation Costs	1,000	0	0
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	14,535,200	18,646,400 ^{7/}	15,317,500 ^{8/}
FUND SOURCES			
General Fund	13,121,100	15,121,200	11,635,500
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	832,600	2,938,400	2,941,000
Records Services Fund	581,500	586,800	741,000
SUBTOTAL - Other Appropriated Funds	1,414,100	3,525,200	3,682,000
SUBTOTAL - Appropriated Funds	14,535,200	18,646,400	15,317,500
Other Non-Appropriated Funds	1,159,300	1,139,700	1,139,700
Federal Funds	4,500,900	4,512,700	3,577,100
TOTAL - ALL SOURCES	20,195,400	24,298,800	20,034,300

AGENCY DESCRIPTION — The Secretary of State is an elected Constitutional Officer. The Department of State is responsible for recordings and filings under the Uniform Commercial Code (U.C.C.); coordinating statewide elections; receiving required filings from legislators, state officials, judges, candidates for office, campaign committees, and lobbyists; receiving filings of administrative rules, intergovernmental agency agreements, and official executive orders/proclamations; registering trade names, trademarks and limited partnerships; appointing notaries public; and certifying certain telemarketing and charitable solicitation organizations. In addition, the Department of State is the archival authority and designated repository for historical records and documents of state and local governments, as well as a designated federal document regional repository.

- ^{1/} Includes 10 GF FTE Positions funded from Special Line Items in FY 2014.
- ^{2/} Included in the operating lump sum appropriation of \$10,596,500 for FY 2014 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{3/} Any transfer to or from the amount appropriated for the Election Services line item shall require review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{4/} The FY 2014 appropriation from the Election Systems Improvement Fund for HAVA is available for use pursuant to A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, until June 30, 2015. (General Appropriation Act footnote)
- ^{5/} The Secretary of State shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before December 31, 2013 the actual amount and purpose of expenditures from the Election Systems Improvement Fund in FY 2013 and the expected amount and purpose of expenditures from the fund for FY 2014. (General Appropriation Act footnote)
- ^{6/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{7/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(95,300) GF for the state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- ^{8/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$10,596,500 and 131.1 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$9,855,500
Record Services Fund	741,000

These amounts fund the following adjustments:

Funding Increase

The budget includes an increase of \$146,100 and 2 FTE Positions from the Record Services Fund in FY 2014 for a funding increase in the department's Division of Library and Archives. The funding will be used for Personal Services and equipment costs associated with increased digital storage activity.

Statewide Adjustments

The budget includes a decrease of \$(45,900) in FY 2014 for statewide adjustments. This amount consists of:

General Fund	(54,000)
Record Services Fund	8,100

(Please see the Agency Detail and Allocations section.)

Election Services

The budget includes \$1,031,600 and 10 FTE Positions from the General Fund in FY 2014 for Election Services. These amounts fund the following adjustments:

Non-Election Year Funding

The budget includes a decrease of \$(3,443,300) from the General Fund in FY 2014 for non-election year funding. FY 2014 will be the first fiscal year since FY 2010 with no major election. This adjustment would bring Election Services funding to an amount similar to what was expended in FY 2010. The remaining election services monies will continue to fund ongoing staff related to voter registration, registering of lobbyists and voting machine testing.

Statewide Adjustments

The budget includes an increase of \$11,600 from the General Fund in FY 2014 for statewide adjustments.

This line item funds election-related activities, including voter registration and the certification of candidates, voting devices and the results of statewide elections. Funding is also used to publish the publicity pamphlet on state ballot propositions.

For state elections, statute requires the Secretary of State to: 1) reimburse counties for the costs of printing, labeling, and postage for sample ballots; 2) pay the cost of any

recount of votes; 3) reimburse the County Recorder for the costs of certifying petition and referendum signatures; and 4) print and mail a publicity pamphlet to every household with a registered voter for any initiative or referendum.

Help America Vote Act (HAVA)

The budget includes \$2,941,000 from the Election Systems Improvement Fund in FY 2014 for the Help America Vote Act (HAVA) (P.L. 107-252). This amount funds the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,600 from the Elections Systems Improvement Fund in FY 2014 for statewide adjustments.

HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections. Assuming the Secretary of State spends the full appropriations in FY 2013 and FY 2014, approximately \$10,580,200 in HAVA monies would be available in FY 2015.

Library Grants-in-Aid

The budget includes \$651,400 from the General Fund in FY 2014 for Library Grants-in-Aid. This amount is unchanged from FY 2013.

Monies in this Special Line Item (SLI) are used to fund a portion of the state maintenance of effort that is required for receipt of federal dollars under the Library Services and Technology Act (LSTA). Receipt of LSTA monies is dependent on the state's ability to meet a maintenance-of-effort requirement, which is tied to the state contribution made in each of the 3 prior years.

Statewide Radio Reading Service for the Blind

The budget includes \$97,000 from the General Fund in FY 2014 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2013.

Monies in this SLI are used to provide information access services for blind and visually impaired individuals. Services include radio information broadcasts, a telephone and web-based news reading service, and internet radio broadcasting for individuals who are outside the range of the radio broadcast.

Additional Legislation

Museum Gift Shop Revolving Fund

The FY 2014 Government Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 2) formally establishes the Museum Gift Shop Revolving Fund, which was already in use by the department. The fund is non-appropriated and is used to collect the

proceeds from the sale of goods, gifts, non-federal grants and donations in order to provide goods for sale that are reflective of the themes of Arizona and the State Capitol Museum.

Professional Employer Organizations Registration

The FY 2014 Government BRB suspends the requirement that the Secretary of State register Professional Employer Organizations pursuant to A.R.S. § 23-563 until June 30, 2023.

<i>Other Issues</i>

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

State Boards' Office

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	131,900	128,800	130,100
Employee Related Expenditures	62,800	60,800	60,800
Professional and Outside Services	400	400	400
Other Operating Expenditures	22,700	26,900	39,700
AGENCY TOTAL	217,800	216,900	231,000^{1/}

FUND SOURCES

Other Appropriated Funds			
Special Services Revolving Fund	217,800	216,900	231,000
SUBTOTAL - Other Appropriated Funds	217,800	216,900	231,000
SUBTOTAL - Appropriated Funds	217,800	216,900	231,000
TOTAL - ALL SOURCES	217,800	216,900	231,000

AGENCY DESCRIPTION — The office serves to centralize services and pool resources of small regulatory boards. Examples of shared items include office space and equipment, as well as accounting, clerical, administrative, and telephone services. The office is under the Management Services Division of the Arizona Department of Administration, but is supported by transfers of appropriated funds from the participating boards.

Operating Budget

The budget includes \$231,000 and 3 FTE Positions from the Special Services Revolving Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$14,100 from the Special Services Revolving Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

The breakdown of the FY 2014 State Boards' Office charges by agency is reflected in Table 1.

Table 1

Total State Boards' Office Budget by Agency Contribution

Board	FY 2012	FY 2013	FY 2014
Acupuncture Board of Examiners	\$ 18,100	\$ 18,100	\$ 19,200
Barbers, Board of	1,500	1,500	1,600
Funeral Directors & Embalmers, State Board of	35,000	34,900	37,200
Homeopathic and Integrated Medicine Examiners, Board of	13,900	13,900	14,800
Massage Therapy, Board of	0	0	43,000
Naturopathic Physicians Medical Board	58,000	57,700	18,400
Nursing Care Inst. Admin. & Assisted Living Facility Mgrs.	24,700	24,600	26,200
Opticians, State Board of Dispensing	23,200	23,100	24,600
Optometry, State Board of	22,200	22,100	23,600
Physical Therapy, Board of	100	100	100
Podiatry Examiners, State Board of	21,100	20,900	22,300
Total	\$217,800	\$216,900	\$231,000

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

State Board of Tax Appeals

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	167,800	176,800	179,000
Employee Related Expenditures	49,000	44,400	44,500
Travel - In State	100	400	400
Other Operating Expenditures	39,300	40,300	40,800
AGENCY TOTAL	256,200	261,900 ^{1/}	264,700 ^{2/}
FUND SOURCES			
General Fund	256,200	261,900	264,700
SUBTOTAL - Appropriated Funds	256,200	261,900	264,700
TOTAL - ALL SOURCES	256,200	261,900	264,700

AGENCY DESCRIPTION — The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.

Operating Budget

The budget includes \$264,700 and 4 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,800 from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(1,200) GF for a state employee health insurance premium holiday. *(Please see the FY 2013 General Fund Adjustments section.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

State Board of Technical Registration

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	23.0	23.0	25.0
Personal Services	775,700	914,300	1,003,500
Employee Related Expenditures	327,300	376,500	409,300
Professional and Outside Services	50,000	79,000	79,000
Travel - In State	4,800	10,000	10,000
Travel - Out of State	14,900	15,000	15,000
Other Operating Expenditures	540,800	587,000	590,700
Equipment	2,100	77,000	12,000
AGENCY TOTAL	1,715,600	2,058,800	2,119,500^{1/}

FUND SOURCES

Other Appropriated Funds

Technical Registration Fund	1,715,600	2,058,800	2,119,500
SUBTOTAL - Other Appropriated Funds	1,715,600	2,058,800	2,119,500
SUBTOTAL - Appropriated Funds	1,715,600	2,058,800	2,119,500
TOTAL - ALL SOURCES	1,715,600	2,058,800	2,119,500

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, assayers (assessors of mineral value), engineers, geologists, home inspectors, land surveyors, and landscape architects.

Operating Budget

The budget includes \$2,119,500 and 25 FTE Positions from the Technical Registration Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Alarm System Program Support

The budget includes an increase of \$47,900 and 2 FTE Positions from the Technical Registration Fund in FY 2014 for support of the Alarm System Program. Laws 2012, Chapter 341 requires the State Board of Technical Registration (BTR) to license and regulate alarm businesses and alarm agents, and appropriated \$180,000 from the Technical Registration Fund in FY 2013 for program start-up and operating costs. BTR has reallocated its existing personnel in FY 2013 during program start-up. The Alarm System Program will require its own full-time personnel starting in FY 2014.

Statewide Adjustments

The budget includes an increase of \$12,800 from the Technical Registration Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Additional Legislation

Alarm Business and Alarm Agent Certificates

The Government Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 2) allows the State Board of Technical Registration to issue alarm business certificates and alarm agent certificates that are valid for either 1 year or 2 years from the date of issuance. This section is effective retroactively to from and after May 1, 2013.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Office of Tourism

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	25.0	28.0
Personal Services	0	1,649,400	1,669,100
Employee Related Expenditures	0	515,800	534,000
Professional and Outside Services	0	2,046,600	2,046,600
Travel - In State	0	25,900	25,900
Travel - Out of State	0	147,900	147,900
Other Operating Expenditures	0	2,654,200	2,653,700
Equipment	0	25,400	25,400
AGENCY TOTAL	0	7,065,200^{1/2/}	7,102,600^{3/}
FUND SOURCES			
General Fund	0	7,065,200	7,102,600
SUBTOTAL - Appropriated Funds	0	7,065,200	7,102,600
Other Non-Appropriated Funds	11,697,400	12,869,900	12,869,900
TOTAL - ALL SOURCES	11,697,400	19,935,100	19,972,500

AGENCY DESCRIPTION — The office is responsible for promoting tourism within the state, which includes planning and developing an information campaign, advertising, exhibitions, and operating a visitors' center. The agency receives General Fund appropriations, a transfer from the Arizona Sports and Tourism Authority (AZSTA), and a portion of tribal gaming contributions.

Operating Budget

The budget includes \$7,102,600 and 28 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

FTE Position Increase

The budget includes an increase of 3 FTE Positions from the General Fund in FY 2014 to align the staffing appropriation with the FY 2013 operating budget dollar increase.

Statewide Adjustments

The budget includes an increase of \$37,400 from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Allocations from the General Fund

The Government Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 2) specifies that General Fund allocations to the Office of Tourism in FY 2014 be deposited into the continuously appropriated Tourism Fund.

Funding Sources

The Office of Tourism receives funding from 3 primary sources: 1) a General Fund appropriation to fund the agency's operating budget; 2) a transfer from AZSTA, generated from partial allocations of a bed tax and car rental tax in Maricopa County (A.R.S. § 5-835), to fund Maricopa County tourism promotion; and 3) a portion of tribal gaming contributions (A.R.S. § 5-601.02) to fund statewide tourism promotion. *(For further details on agency revenues, please see Table 1.)*

^{1/} A.R.S. § 42-5029 previously transferred a portion of General Fund sales tax revenue to the Office of Tourism without legislative appropriation. A.R.S. § 42-5029 was made inactive until legislative authorization is taken to reinstate the transfer. Laws 2012, Chapter 297 eliminated the funding formula, beginning in FY 2013.

^{2/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(18,300) GF for a state employee health insurance premium holiday. *(Please see the FY 2013 General Fund Adjustments section.)*

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency in the form of a deposit to the Tourism Fund.

Table 1

Office of Tourism Revenues

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2012 Amount</u>	<u>FY 2013 Amount</u>	<u>FY 2014 Amount</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism.	General Fund	0	7,065,200	7,102,600
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	6,542,300 ^{1/}	6,869,900	7,213,400
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>5,991,100</u>	<u>6,256,400</u> ^{2/}	<u>6,987,000</u> ^{2/}
Total		\$12,533,400	\$20,191,500	\$21,303,000

^{1/} Laws 2010, Chapter 128, allowed the Office of Tourism to spend 50% of AZSTA monies on administrative expenses in FY 2011 and FY 2012.

^{2/} The Tribal Gaming amounts for FY 2013 and FY 2014 are JLBC estimates.

Department of Transportation

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,548.0	4,548.0	4,548.0 ^{1/}
Personal Services	89,422,300	95,235,200	96,118,600
Employee Related Expenditures	42,544,400	43,936,400	43,879,400
Professional and Outside Services	6,411,500	5,871,600	5,871,600
Travel - In State	704,700	671,700	671,700
Travel - Out of State	147,300	144,100	144,100
Other Operating Expenditures	54,349,100	55,875,700	55,889,700
Equipment	11,353,100	4,377,500	4,377,500
OPERATING SUBTOTAL	204,932,400	206,112,200	206,952,600
SPECIAL LINE ITEMS			
Attorney General Legal Services	2,895,600	2,895,600	2,895,600
Fraud Investigation	753,800	769,300	773,300
Highway Maintenance	125,143,800	126,329,200	132,716,500 ^{2/}
New Third Party Funding	934,100	964,500	971,100
Vehicles and Heavy Equipment	16,318,900	26,935,200	27,001,500
AGENCY TOTAL	350,978,600	364,006,000	371,310,600 ^{3/4/5/6/}
FUND SOURCES			
General Fund	50,900	50,500	50,400
<u>Other Appropriated Funds</u>			
Air Quality Fund	51,200	74,100	74,500
Driving Under the Influence Abatement Fund	146,400	152,400	153,800
Highway User Revenue Fund	88,576,200	644,800	651,500
Motor Vehicle Liability Insurance Enforcement Fund	1,088,900	1,080,800	1,086,700
Safety Enforcement and Transportation Infrastructure Fund	1,895,900	1,878,400	1,880,500
State Aviation Fund	1,603,300	1,615,300	1,624,400
State Highway Fund	239,773,500	330,114,400	337,323,200
Transportation Department Equipment Fund	16,318,900	26,935,200	27,001,500
Vehicle Inspection and Title Enforcement Fund	1,473,400	1,460,100	1,464,100
SUBTOTAL - Other Appropriated Funds	350,927,700	363,955,500	371,260,200
SUBTOTAL - Appropriated Funds	350,978,600	364,006,000	371,310,600
Other Non-Appropriated Funds	29,919,300	30,845,900	30,845,900
Federal Funds	1,756,400	1,620,000	1,620,000
TOTAL - ALL SOURCES	382,654,300	396,471,900	403,776,500

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

^{1/} Includes 1,188 OF FTE Positions funded from Special Line Items in FY 2014.

^{2/} Of the total amount appropriated, \$132,716,500 in FY 2014 for Highway Maintenance is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to their fund of origin, either the State Highway Fund or the Safety Enforcement and Transportation Infrastructure Fund, on August 31, 2014. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{3/} It is the intent of the Legislature that the department not include any administrative overhead expenditures in duplicate driver license fees charged to the public. (General Appropriation Act footnote)

^{4/} Of the \$371,310,600 appropriation to the Department of Transportation, the Department of Transportation shall pay \$16,773,800 in FY 2014 from all funds to the Department of Administration for its Risk Management payment. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{5/} The Department of Transportation shall submit an annual report to the Joint Legislative Budget Committee on progress in improving Motor Vehicle Division wait times and vehicle registration renewal by mail turnaround times in a format similar to prior years. The report is due on July 31, 2014 for FY 2014. (General Appropriation Act footnote)

^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$206,952,600 and 3,360 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$50,400
Air Quality Fund	74,500
Driving Under the Influence Abatement Fund	153,800
Highway User Revenue Fund	396,500
Motor Vehicle Liability Insurance Enforcement Fund	881,700
Safety Enforcement and Transportation Infrastructure Fund	1,318,000
State Aviation Fund	1,624,400
State Highway Fund	201,070,000
Vehicle Inspection & Title Enforcement Fund	1,383,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$840,400 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	(100)
Air Quality Fund	400
Driving Under the Influence Abatement Fund	1,400
Highway User Revenue Fund	2,500
Motor Vehicle Liability Insurance Enforcement Fund	4,800
Safety Enforcement and Transportation Infrastructure Fund	2,100
State Aviation Fund	9,100
State Highway Fund	816,500
Vehicle Inspection & Title Enforcement Fund	3,700

(Please see the Agency Detail and Allocations section.)

Attorney General Legal Services

The budget includes \$2,895,600 from the State Highway Fund in FY 2014 for Attorney General Legal Services. This amount is unchanged from FY 2013.

Monies in this line item reimburse the Attorney General for costs of providing legal services to the department, such as litigating cases, reviewing legal documents and proposed administrative rules, and issuing legal opinions.

Fraud Investigation

The budget includes \$773,300 and 10 FTE Positions from the State Highway Fund in FY 2014 for Fraud Investigation. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,000 from the State Highway Fund in FY 2014 for statewide adjustments.

Monies in this line item are used for investigation of fraudulent driver's licenses and motor vehicle documents.

Highway Maintenance

The budget includes \$132,716,500 and 932 FTE Positions in FY 2014 for Highway Maintenance. These amounts consist of:

Safety Enforcement and Transportation Infrastructure Fund	562,500
State Highway Fund	132,154,000

These amounts fund the following adjustments:

Highway Maintenance Workload

The budget includes an increase of \$6,044,200 from the State Highway Fund in FY 2014 to maintain and operate 600 new lane miles.

Statewide Adjustments

The budget includes an increase of \$343,100 from the State Highway Fund in FY 2014 for statewide adjustments.

In addition to the \$132,716,500 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$12,300,000 available in FY 2014 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Monies in this line item are used to maintain the state highway system, including pavements, bridges, landscaping, drainage, signals, lights, fences, signs, striping, and snow removal. The monies also fund the freeway management system and the traffic operations center.

New Third Party Funding

The budget includes \$971,100 and 21 FTE Positions in FY 2014 for New Third Party Funding. These amounts consist of:

Highway User Revenue Fund	255,000
Motor Vehicle Liability Insurance Enforcement Fund	205,000
State Highway Fund	430,300
Vehicle Inspection & Title Enforcement Fund	80,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$6,600 in FY 2014 for statewide adjustments. This amount consists of:

Highway User Revenue Fund	4,200
Motor Vehicle Liability Insurance Enforcement Fund	1,100
State Highway Fund	1,000
Vehicle Inspection & Title Enforcement Fund	300

Monies in this line item provide funding to review authorized third party transactions for accuracy. The funding also provides support for authorized third parties, which allow customers to receive Motor Vehicle Division services at non-ADOT locations.

Vehicles and Heavy Equipment

The budget includes \$27,001,500 and 225 FTE Positions from the Transportation Department Equipment Fund in FY 2014 for Vehicles and Heavy Equipment. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$66,300 from the Transportation Department Equipment Fund in FY 2014 for statewide adjustments.

Monies in this line item allow the department to maintain and replace the department's fleet and perform motor pool services for other state agencies.

Additional Legislation

Extension of Underground Storage Tank Tax

Laws 2013, Chapter 244 delays the repeal of the Underground Storage Tank Tax until December 31, 2015. The tax is 1 cent per gallon of fuel.

The legislation requires that all revenues from the tax continue to be deposited into the Underground Storage Tank (UST) Program. Any monies not required for the clean up of existing underground storage tanks would be deposited into the Regulated Substance Fund (RSF). If the RSF receives \$60,000,000, any additional revenues will be deposited into the State Highway Fund. *(Please see the Department of Environmental Quality's narrative for more details.)*

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

State Treasurer

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.4	30.4	30.4
Personal Services	1,570,500	1,672,000	1,690,800
Employee Related Expenditures	588,000	604,800	604,900
Professional and Outside Services	212,900	226,100	226,100
Travel - In State	700	2,000	2,000
Travel - Out of State	700	0	0
Other Operating Expenditures	238,000	247,800	297,100
Equipment	29,500	0	0
OPERATING SUBTOTAL	2,640,300	2,752,700	2,820,900
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	1,115,100	1,231,900	1,205,100
Law Enforcement/Boating Safety Fund Grants	0	2,183,800	2,183,800
Retirement System Study Committee	0	0	0
AGENCY TOTAL	3,755,400	6,168,400	6,209,800^{1/}
FUND SOURCES			
General Fund	1,115,100	1,231,900	1,205,100
Other Appropriated Funds			
Law Enforcement and Boating Safety Fund	0	2,183,800	2,183,800
State Treasurer Empowerment Scholarship Account Fund	0	0	40,000
State Treasurer's Management Fund	87,300	198,000	197,500
State Treasurer's Operating Fund	2,553,000	2,554,700	2,583,400
SUBTOTAL - Other Appropriated Funds	2,640,300	4,936,500	5,004,700
SUBTOTAL - Appropriated Funds	3,755,400	6,168,400	6,209,800
Other Non-Appropriated Funds	5,059,700	5,059,700	5,059,700
TOTAL - ALL SOURCES	8,815,100	11,228,100	11,269,500

AGENCY DESCRIPTION — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

Operating Budget

The budget includes \$2,820,900 and 30.4 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
State Treasurer's Empowerment Scholarship Account Fund	\$40,000
State Treasurer's Management Fund	197,500
State Treasurer's Operating Fund	2,583,400

These amounts fund the following adjustments:

Empowerment Scholarship Account Administration

The budget includes an increase of \$40,000 from the State Treasurer's Empowerment Scholarship Account Fund in FY 2014 for the administration of the Empowerment Scholarships program.

Laws 2012, Chapter 360 established the Department of Education Empowerment Scholarship Account Fund to fund administration of the program authorized in A.R.S. § 15-2402. Chapter 360 authorized the Department of Education to transfer into the new State Treasurer Empowerment Scholarship Account Fund up to 1% of amounts transferred from Basic State Aid to students' empowerment accounts pursuant to A.R.S. § 15-2402C. The appropriated amount will be funded from such

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

transfers. The 1% transfers are anticipated to total \$40,000 in FY 2014. Monies in the State Treasurer Empowerment Scholarship Account Fund are non-lapsing. *(Please see the Department of Education narrative for more information.)*

Statewide Adjustments

The budget includes an increase of \$28,200 in FY 2014 for statewide adjustments. This amount consists of:

State Treasurer's Management Fund	(500)
State Treasurer's Operating Fund	28,700

(Please see the Agency Detail and Allocations section.)

Justice of the Peace Salaries

The budget includes \$1,205,100 from the General Fund in FY 2014 for the Justice of the Peace (JP) Salaries Special Line Item. This amount funds the following adjustments:

Increased JP Salary Costs

The budget includes a decrease of \$(26,800) from the General Fund in FY 2014 for a JP salary cost adjustment.

Prior to FY 2012, A.R.S. § 22-117 required the state to pay 40% of the salary for each Justice of the Peace, with the county paying the remainder. This provision does not apply to Maricopa County, which pays 100% of its JP costs. Since FY 2003, there have been a series of annual session law provisions requiring the state to pay a lower percentage of JP salaries. The FY 2012 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 33) permanently reduced the state share of the Non-Maricopa County Justice of the Peace Salaries to 19.25%. The FY 2014 Criminal Justice BRB (Laws 2013, 1st Special Session, Chapter 5) permanently limited the amount that the state can reimburse to the counties to the amount appropriated.

The budget includes \$116,800 from the General Fund for a FY 2013 supplemental for unpaid Justice of the Peace salary claims. The Justice of the Peace Salaries SLI was not appropriated sufficient monies in FY 2011 and FY 2012 to cover the statutorily required state contribution of 19.25% of non-Maricopa County Justice of the Peace salaries. The Treasurer has outstanding bills from counties for Justice of the Peace salaries in the amount of \$37,489 for FY 2011 and \$79,371 for FY 2012.

Justice of the Peace salaries are based on a proportion of the annual compensation for a Superior Court judge as determined by the guidelines for Judicial Productivity Credits (JPCs) outlined in statute. JPCs are calculated every 2 years and are based on the total and type of cases that a Justice of the Peace hears and whether or not the Justice receives clerical help. An annual average JPC total is compared against the salary ranges in statute to determine an individual Justice's compensation.

Law Enforcement/Boating Safety Fund Grants

The budget includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2014 for the administration of the Law Enforcement and Boating Safety Fund. This amount is unchanged from FY 2013.

Laws 2011, Chapter 333 removed the requirement that grants be distributed by the Arizona Outdoor Recreation Coordinating Commission (AORCC) and required that the State Treasurer administer LEBSF monies beginning in FY 2013. The allocation determinations are made by the AORCC. The Treasurer disburses monies to county law enforcement agencies in Apache, Coconino, Gila, La Paz, Maricopa, Mohave, Navajo, and Yuma Counties in accordance with the distribution formula developed by the AORCC. The FY 2013 allocations are included in *Table 1* below. The distribution is less than the appropriation due to insufficient revenues.

Table 1
Allocation of LEBSF Grants

<u>County</u>	<u>FY 2013</u>
Apache	\$ 49,600
Coconino	175,400
Gila	172,000
La Paz	296,900
Maricopa	275,400
Mohave	502,100
Navajo	46,600
Yuma	143,300
Total	\$ 1,661,300

Retirement System Study Committee

The budget includes no funding in FY 2014 for the Retirement System Study Committee. This amount is unchanged from FY 2013.

Laws 2011, Chapter 357 appropriated \$100,000 in FY 2012 to fund the implementation and staffing of the Defined Contribution and Retirement System Study Committee. The Committee is tasked with evaluating the Arizona State Retirement System and the Public Safety State Retirement System to determine the feasibility of making certain changes to the existing system. The Committee was required to report on its findings by December 31, 2012. The monies are exempt from A.R.S. § 35-190 relating to the lapsing of appropriations and all remaining unexpended and unencumbered monies on September 30, 2013 revert to the fund from which they were appropriated.

The Treasurer reports that conducting the necessary research for the Retirement System Study Committee resulted in no expenditures from the \$100,000 appropriated for this purpose.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Commission on Uniform State Laws

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
SPECIAL LINE ITEMS			
National Dues and Travel	0	0	75,000
AGENCY TOTAL	0	0	75,000^{1/}
FUND SOURCES			
General Fund	0	0	75,000
SUBTOTAL - Appropriated Funds	0	0	75,000
TOTAL - ALL SOURCES	0	0	75,000

AGENCY DESCRIPTION — The commissioners are members of the National Uniform Laws Commission, which meets annually to discuss where uniformity among the 50 states is desirable. The commission then recommends to the Legislature proposed uniform laws promulgated by the National Commission which are deemed appropriate for Arizona.

National Dues and Travel

The budget includes \$75,000 from the General Fund in FY 2014 for the National Dues and Travel Special Line Item.

Monies in this line item are used to pay annual membership dues to the National Uniform Laws Commission, in addition to travel expenses for Arizona's 6 commissioners to attend various committees throughout the year. A total of \$54,000 will be used for dues; the remaining \$21,000 will be used for travel expenses.

The FY 2007 Budget Procedures Budget Reconciliation Bill (Laws 2007, Chapter 259) eliminated the agency's statutory authority. The commission was reestablished by Executive Order on July 24, 2007 but did not receive any appropriation until FY 2014. The National Commission is not seeking repayment of dues charged since FY 2008 and the commissioners have continued to attend committee meetings at their own expense.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Arizona Board of Regents

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,588,800	1,436,000	1,436,000
Employee Related Expenditures	443,100	521,600	521,600
Professional and Outside Services	50,500	62,400	62,400
Other Operating Expenditures	338,300	330,600	329,600
OPERATING SUBTOTAL	2,420,700	2,350,600	2,349,600
SPECIAL LINE ITEMS			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Performance Funding	0	5,000,000	5,000,000 ^{1/2/3/4/}
Student Financial Assistance	10,041,200	10,041,200	10,041,200
Western Interstate Commission Office	125,000	125,000	125,000
WICHE Student Subsidies	4,106,000	4,106,000	4,106,000
AGENCY TOTAL	16,996,600	21,926,500	21,925,500 ^{5/}
FUND SOURCES			
General Fund	16,996,600	21,926,500	21,925,500
SUBTOTAL - Appropriated Funds	16,996,600	21,926,500	21,925,500
Other Non-Appropriated Funds	7,341,900	11,144,600	9,035,400
Federal Funds	365,500	1,075,900	1,005,900
TOTAL - ALL SOURCES	24,704,000	34,147,000	31,966,800

AGENCY DESCRIPTION — Article 11 of the Arizona Constitution creates the Arizona Board of Regents (ABOR). ABOR governs the 3 state institutions comprising the Arizona University System: Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). The board is legally, fiscally, and strategically responsible for the state universities.

Operating Budget

The budget includes \$2,349,600 and 25.9 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,000) from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- 1/ The \$5,000,000 appropriation for performance funding shall be allocated by the Arizona Board of Regents to the 3 universities under its jurisdiction in accordance with a performance funding model to be adopted by the board that is substantially similar to what the board used in allocating the Performance Funding appropriation for FY 2013. (General Appropriation Act footnote)
- 2/ It is the intent of the Legislature that the Arizona Board of Regents adopt a performance funding model and report the final allocation of the \$5,000,000 performance funding lump sum appropriation on or before July 1, 2013. The formula shall be consistent with board objectives previously adopted in the board's enterprise plan. The performance funding model shall use select performance metrics that include, at minimum, the increase in degrees awarded, the increase in completed student credit hours and the increase in externally generated research and public service funding. The formula may give added weight to degrees related to science, technology, engineering and math, as well as other high-value degrees that are in short supply or are essential to the state's long-term economic development strategy. (General Appropriation Act footnote)
- 3/ It is further the intent of the Legislature that the Arizona Board of Regents use the adopted performance funding model in developing and submitting future budget requests for the universities under its jurisdiction, and that the Legislature use the performance funding model in the development of future fiscal year appropriations for the universities under the jurisdiction of the Arizona Board of Regents. (General Appropriation Act footnote)
- 4/ Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall submit an expenditure plan for review to the Joint Legislative Budget Committee. The expenditure plan shall include any tuition revenue amounts that are greater than the appropriated amounts and all retained tuition and fee revenue expenditures for the current fiscal year. The additional revenue expenditure plan shall provide as much detail as the university budget requests. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund in FY 2014 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2013.

Laws 1990, Chapter 340 mandated that ABOR establish and administer a loan program for students of deaf and blind education at the UA College of Education. Students may earn forgiveness for their loans by teaching in an Arizona deaf and blind program for a time equal to their period of loan support. In FY 2012, ATIP distributed \$50,000 in loans among 10 students, as well as \$40,000 to the UA College of Education for deaf and blind instructional resources.

Arizona Transfer Articulation Support System

The budget includes \$213,700 from the General Fund in FY 2014 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2013.

A.R.S. § 15-1824 establishes ATASS as a joint initiative, among the public community colleges and universities, to facilitate efficient transfer of course curricula and credits. ATASS is also developing a shared statewide student and financial information database. The tribal colleges and community college districts overall contributed \$277,200 to the system in FY 2012 and are projected to also contribute \$277,200 in both FY 2013 and FY 2014.

Performance Funding

The budget includes \$5,000,000 from the General Fund in FY 2014 for the Performance Funding Special Line Item (SLI). This amount is unchanged from FY 2013.

The FY 2013 appropriation of \$5,000,000 was distributed as follows: \$2,030,000 from ASU - Tempe/Downtown Phoenix, \$156,300 from ASU - East, \$271,700 from ASU - West, \$834,600 from NAU, and \$1,707,400 from UA - Main. While the \$5,000,000 remains part of the ABOR FY 2013 appropriation, the FY 2014 budget reallocates these monies to the university budgets, according to their FY 2013 allocation.

The FY 2014 budget appropriates a new \$5,000,000 to ABOR in FY 2014. The budget does not specify the campus distribution, but directs ABOR to allocate the funding in accordance with a performance funding model similar to the FY 2013 model.

The FY 2013 Higher Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 301), required ABOR and the universities to adopt a performance funding model by July 1, 2012. The model is to use performance metrics that include the increase in degrees awarded, the increase in completed student credit hours, and the increase in externally generated research and public service funding.

The formula may give added weight to degrees related to science, technology, engineering, mathematics, and other high-value degrees that are in short supply or that are essential to the state's long-term economic development strategy.

A footnote in the FY 2014 budget requires that ABOR use the adopted performance funding model in developing and submitting future budget requests for the universities under its jurisdiction, and that the Legislature use the performance funding model in the development of future fiscal year appropriations for the universities. (*See the Other Issues section for additional information.*)

Student Financial Assistance

The budget includes \$10,041,200 from the General Fund in FY 2014 for Student Financial Assistance. This amount is unchanged from FY 2013.

Pursuant to A.R.S. § 15-1642, monies in this line item match financial aid tuition surcharges collected from university students. The Arizona Financial Aid Trust (AFAT) fee is 1% of the full-time resident undergraduate tuition rate, or \$68 - \$91 in FY 2013, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The FY 2014 Higher Education BRB (Laws 2013, 1st Special Session, Chapter 7) suspends the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2014.

AFAT retains 25% of all annual receipts as an endowment. ABOR distributes the remaining monies, proportionally to each university's respective contribution, to provide immediate assistance for needy in-state students. In FY 2012, AFAT disbursed \$13,532,100.

Western Interstate Commission Office

The budget includes \$125,000 from the General Fund in FY 2014 for the Western Interstate Commission Office. This amount is unchanged from FY 2013.

Monies in this line item pay the state's share of administrative expenditures for the Western Interstate Commission on Higher Education (WICHE), in accordance with A.R.S. § 15-1742. The WICHE central office sets the administrative fee.

WICHE Student Subsidies

The budget includes \$4,106,000 from the General Fund in FY 2014 for WICHE student subsidies. This amount is unchanged from FY 2013.

Monies in this line item provide subsidies to Arizona students participating in the WICHE Professional Student Exchange Program (PSEP). Since the Arizona University System does not offer programs in dentistry, optometry,

occupational therapy, osteopathy, physician assistance, or veterinary medicine, PSEP allows interested students to enroll in these programs at private in-state institutions or other public western universities.

In FY 2013, the board is providing subsidies to 180 Arizona students, which is (7) fewer than FY 2012. Participating students receive admissions preference and subsidized tuition. A.R.S. § 15-1745 requires graduates to practice 1 year in Arizona, or 6 months in an under-served Arizona community, for each year of WICHE support. Participants who fail to meet their service requirements must repay 50% of their subsidies, plus interest.

The WICHE central office determines subsidy amounts for each program through negotiations with participating institutions. As rough guidance, WICHE subsidies are intended to cover the difference between resident and non-resident tuition at a public university or approximately half the private university tuition rate.

The FY 2014 Higher Education BRB requires recipients of WICHE scholarship funding to repay 100% of financial aid if they fail to fulfill the requirement to work in Arizona after graduation.

Other Issues

Outstanding Lease-Purchase and Bond Balances

The FY 2014 Higher Education BRB requires that ABOR report the projected outstanding lease-purchase and bond balances for the upcoming budget year to the JLBC Staff and the Governor's Office of Strategic Planning and Budgeting (OSPB) by November 1 of the current year.

Enrollment Report

The FY 2014 Higher Education BRB requires ABOR to modify its current student enrollment report to delineate between out-of-state and in-state full-time equivalent students (FTE).

Continued Student Deposit

The FY 2013 K-12 Education BRB (Laws 2012, Chapter 300) required each university and community college to deposit \$6 per each full-time student into the Department of Education's Education Learning and Accountability Fund by December 1, 2012. The FY 2014 K-12 Education BRB (Laws 2013, 1st Special Session, Chapter 3) requires each university and community college to deposit \$6 per each full-time student into the fund again by December 1, 2013. This assessment is expected to generate \$795,200 from the universities and \$848,800 from the community colleges. *(Please see Arizona Department of Education budget narrative for more information.)*

Payment Deferral

The budget includes \$200,000,000 from the General Fund for universitywide FY 2013 payments that were deferred until FY 2014 and includes a universitywide FY 2014 General Fund payment deferral of \$(200,000,000) until FY 2015. The payment deferral is unchanged from

FY 2011. *(Please see the individual university narrative pages for more information.)*

The FY 2014 payment deferrals are allocated among the universities as follows:

ASU-Tempe/DPC	\$ (74,760,400)
ASU-East	(5,750,200)
ASU-West	(10,064,800)
ASU Subtotal	\$ (90,575,400)
NAU	\$ (30,494,800)
UA-Main	\$ (62,153,100)
UA-HSC	(16,776,700)
UA Subtotal	\$ (78,929,800)
Total	\$(200,000,000)

University System Summary Tables

Table 1 summarizes the FY 2014 expenditure authority amounts for the Arizona University System. The Collections Fund amounts for each campus includes growth, as reported by the universities, due to FY 2013 increases in tuition collections. The General Fund amounts do not include additional growth.

Table 2 shows enrollment for Arizona University System students in fall 2011, spring 2012, fall 2012 and spring 2013. ASU-Tempe enrollment increased by 50 FTE for a total of 47,514 in spring 2013, ASU DPC grew by 1,060 for a total of 10,583, ASU East increased by 362 for a total of 5,298, ASU West increased by 106 for a total of 5,943, NAU increased by 702 for a total of 22,420, UA Main increased by 1,085 for a total of 34,466, and UA Health Sciences increased by 173 for a total of 2,885. Prior to the FY 2014 budget, the university system projected enrollment was calculated for the next academic year based on a weighted rolling average of the next, current, and prior academic years, with the current academic year receiving double the weight of each of the other 2 years. Enrollment information is now based on actual enrollment data.

Table 3 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2013 to FY 2014.

Table 4 shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2012. Of \$1,850,370,500 total financial aid distributions in FY 2012, the state appropriated \$1,849,200, university institutional services provided \$601,199,800, and AFAT (made up of both state and institutional funds) accounted for \$13,532,100.

Table 5 displays total tuition collections for the Arizona University System, which equal an estimated \$1,583,089,800 in FY 2013 and \$1,604,049,500 in FY 2014. The FY 2014 amount includes \$74,352,100 that accounts for the FY 2014 approved tuition increases, which are not incorporated into the individual university narratives. The \$74,352,100 amount will be allocated between appropriated and non-appropriated funds, however, that has yet to be determined.

The universities annually project their expenditure needs for financial aid, facilities (plant fund), debt service, and the operating budget. A.R.S. § 15-1626 authorizes ABOR to then allocate collections between the appropriated operating budgets, under legislative control, and non-appropriated funds, locally retained by the universities.

Table 1

FY 2014 Summary of Spending Authority						
	Appropriated Funds			Non-Appropriated Funds		Total
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	
ABOR	\$ 21,925,500	\$ 0	\$ 0	\$ 1,005,900	\$ 9,035,400	\$ 31,966,800
ASU-Tempe/DPC	270,228,200	452,685,000	0	299,009,000	714,014,400	1,735,936,600
ASU-East	22,704,200	35,590,900	2,000,000	5,311,000	37,979,200	103,585,300
ASU-West	33,328,100	40,390,200	1,600,000	8,668,000	43,319,400	127,305,700
NAU	109,245,000	107,409,100	0	76,964,400	197,733,700	491,352,200
UA-Main	208,501,000	269,918,000	0	290,148,200	854,734,100	1,623,301,300
UA-Health Sciences	69,585,300	43,920,300	0	112,351,500	172,030,900	397,888,000
Total	\$735,517,300	\$949,913,500	\$3,600,000	\$793,458,000	\$2,028,847,100	\$4,511,335,900

^{1/} Excludes FY 2014 tuition adjustments.

Table 2

Arizona University System 45th Day Enrollment ^{1/}					
	Fall 2011	Spring 2012	Fall 2012	Spring 2013	Fall 2011 to Fall 2012 % Change
ASU-Tempe/DPC	61,123	56,987	61,375	58,097	0.4%
ASU-East	4,920	4,935	5,057	5,298	2.8%
ASU-West	5,869	5,837	6,155	5,943	4.9%
NAU	22,737	21,718	23,990	22,420	5.5%
UA-Main	35,470	33,381	36,607	34,466	3.2%
UA-Health Sciences	<u>2,612</u>	<u>2,712</u>	<u>2,772</u>	<u>2,885</u>	<u>6.1%</u>
Total	132,732	125,570	135,955	129,109	2.4%

^{1/} Enrollment includes 240 full-time equivalent students with excess credit hours in fall 2011, 395 in spring 2012, 271 in fall 2012 and 453 in spring 2013.

Table 3

**Arizona University System
FY 2013 to FY 2014 Undergraduate Tuition and Fees Changes ^{1/}**

	Resident ^{2/}				Non-Resident ^{2/}			
	FY 2013	FY 2014	\$ Change	% Change	FY 2013	FY 2014	\$ Change	% Change
ASU	\$8,740 to \$9,720	\$9,074 to \$10,002	\$264 to \$282	2.9%	\$22,973	\$23,654	\$681	3.0%
ASU-Distance Ed.	\$6,236	\$6,418	\$182	2.9%	9,236	\$9,508	\$272	2.9%
NAU	\$6,909 to \$9,271	\$7,831 to \$9,738	\$467 to \$922	5.0% to 13.3%	\$18,136 to \$21,626	\$20,231 to \$22,093	\$467 to \$2,095	2.2% to 11.6%
NAU-Distance Ed.	\$4,948 to \$6,508	\$5,097 to \$6,705	\$149 to \$197	3.0%	\$14,715 to \$18,190	\$14,864 to \$18,387	\$149 to \$197	1.0% to 1.1%
UofA-Main/HSC	\$10,035	\$10,391	\$356	3.5%	\$26,231	\$27,073	\$842	3.8%
UofA-South	\$7,941	\$8,166	\$225	2.8%	\$25,808	\$26,570	\$762	3.0%

^{1/} The amounts represent combined full-time tuition for fall and spring semesters, as well as mandatory fees. Undergraduates must take at least 12 credit hours to qualify for full-time status. Mandatory fees include AFAT and student recreation charges, but do not include special class or program fees.

^{2/} NAU provides a guaranteed tuition rate for each incoming class. ASU previously had a tuition commitment rate for each incoming class, however, both ASU and UA currently do not have tuition guarantees.

Table 4

FY 2012 Financial Aid Distribution by Source
(\$ in Thousands) ^{1/}

	<u>Federal</u>	<u>State ^{2/}</u>	<u>Institutional ^{3/}</u>	<u>Private/Other ^{4/}</u>	<u>Total</u>
Grants	\$206,107.5	\$1,600.6	\$429,454.6	\$132,379.0	\$ 769,541.7
Loans	699,059.1	248.6	0.0	202,621.0	901,928.7
Employment	<u>7,154.9</u>	<u>0.0</u>	<u>171,745.2</u>	<u>0.0</u>	<u>178,900.1</u>
Total	\$912,321.5	\$1,849.2	\$601,199.8	\$335,000.1	\$1,850,370.5

^{1/} Information provided by ABOR.

^{2/} State sources of aid include revenues from the Commission for Postsecondary Education and the Board of Medical Student Loans.

^{3/} Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

^{4/} Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

Table 5

Tuition Revenue Allocation

	<u>FY 2012 Actual</u>	<u>FY 2013 Estimate</u>	<u>FY 2014 Estimate ^{1/}</u>
<u>Appropriated</u>			
Operating Budget	\$ 865,722,400	\$ 949,913,600	\$ 949,913,600
<u>Non-Appropriated</u>			
Operating Budget	\$ 94,441,900	\$ 126,842,900	\$ 133,329,700
Financial Aid	384,407,400	401,858,500	409,737,800
Plant Fund	18,502,100	18,502,100	19,002,100
Debt Service	<u>82,595,700</u>	<u>85,972,700</u>	<u>92,066,300</u>
<i>Subtotal</i>	<i>\$ 579,947,100</i>	<i>\$ 633,176,200</i>	<i>\$ 654,135,900</i>
Total	\$1,445,669,500	\$1,583,089,800	\$1,604,049,500

^{1/} Excludes any FY 2014 tuition adjustments.

Arizona State University - Tempe/DPC

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6,098.2	6,142.9	6,142.9 ^{1/}
Personal Services	337,233,800	356,350,300	356,350,300
Employee Related Expenditures	108,931,700	116,462,900	116,462,900
Professional and Outside Services	39,826,500	42,086,400	42,086,400
Travel - In State	221,100	234,000	234,000
Travel - Out of State	3,415,900	3,638,000	3,638,000
Other Operating Expenditures	53,843,100	45,157,900	47,831,700
Equipment	17,153,700	18,127,700	18,127,700
OPERATING SUBTOTAL	560,625,800	582,057,200	584,731,000
SPECIAL LINE ITEMS			
Biomedical Informatics	1,951,200	1,955,200	1,955,200
Parity Funding	0	10,222,200	20,444,400 ^{2/}
Downtown Phoenix Campus	97,171,800	102,227,600	102,227,600
Research Infrastructure Lease-Purchase Payment	13,555,000	13,555,000	13,555,000 ^{3/}
AGENCY TOTAL	673,303,800	710,017,200 ^{4/}	722,913,200 ^{5/6/7/}
FUND SOURCES			
General Fund	247,742,900	257,332,200	270,228,200 ^{8/9/}
<u>Other Appropriated Funds</u>			
University Collections Fund	425,560,900	452,685,000	452,685,000 ^{10/}
SUBTOTAL - Other Appropriated Funds	425,560,900	452,685,000	452,685,000
SUBTOTAL - Appropriated Funds	673,303,800	710,017,200	722,913,200
Other Non-Appropriated Funds	615,383,800	708,380,300	714,014,400
Federal Funds	272,818,900	278,619,300	299,009,000
TOTAL - ALL SOURCES	1,561,506,500	1,697,016,800	1,735,936,600

1/ Includes 849.2 GF FTE Positions funded from Special Line Items in FY 2014.

2/ It is the intent of the Legislature to appropriate funding to Arizona State University and Northern Arizona University with the goal of achieving per student funding parity between the universities under the jurisdiction of the Arizona Board of Regents no later than the beginning of FY 2017. (General Appropriation Act footnote)

3/ Includes \$13,555,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.

4/ In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(1,597,000) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

5/ The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

6/ The appropriated monies shall not be used by the Arizona State University College of Law Legal Clinic for any lawsuits involving inmates of the State Department of Corrections in which the state is the adverse party. (General Appropriation Act footnote)

7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

8/ The state General Fund shall not be used for alumni association funding. (General Appropriation Act footnote)

9/ It is the intent of the Legislature that the General Fund base funding for Arizona State University - Tempe and Downtown Phoenix Campus is \$256,673,200. This appropriation includes a deferral of \$74,760,400 from FY 2014 and FY 2015. This deferral shall be paid as required in this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The General Fund base funding of \$256,673,200 plus the \$13,555,000 in Laws 2003, Chapter 267 lease-purchase appropriations equals the FY 2014 total of \$270,228,200. The \$74,760,400 deferral amount was appropriated by Laws 2012, Chapter 294.

10/ Any unencumbered balances remaining in the collections account on June 30, 2013 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay, and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

AGENCY DESCRIPTION — Established in 1885, Arizona State University (ASU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, ASU offers 285 Baccalaureate, Master's, Doctoral and first professional degree programs, and 65 undergraduate and graduate certificate programs to 60,168 full- and part-time students at its Tempe Campus. The Downtown Phoenix Campus (DPC), budgeted as a unit of the Tempe Campus, offers 56 degree programs and 26 certificate programs to 19,041 full- and part-time students.

Operating Budget

The budget includes \$584,731,000 and 5,293.7 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$212,052,600
University Collections Fund	372,678,400

These amounts fund the following adjustments:

Performance Funding Reallocation

The budget includes an increase of \$2,192,000 from the General Fund in FY 2014 for the distribution of FY 2013 performance funding. This amount was reallocated from ABOR. New FY 2014 performance funding was appropriated to ABOR and will be subsequently distributed to individual universities. *(Please see ABOR for more information.)*

Statewide Adjustments

The budget includes an increase of \$481,800 from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections and the University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(See the Arizona Board of Regents (ABOR) narrative for a discussion of performance funding.)*

Biomedical Informatics

The budget includes \$1,955,200 and 14.2 FTE Positions from the General Fund in FY 2014 for the Biomedical Informatics Department. These amounts are unchanged from FY 2013.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data. This department moved from the Downtown Phoenix Campus to Mayo Clinic's hospital in Phoenix last year.

Parity Funding

The budget includes \$20,444,400 and 45 FTE Positions from the General Fund in FY 2014 for the Parity Funding Special Line Item (SLI). These amounts fund the following adjustments:

Parity Funding Increase

The budget includes an increase of \$10,222,200 from the General Fund in FY 2014 to align ASU's Tempe Campus and DPC per pupil funding to that of the higher University of Arizona amount.

The FY 2013 General Appropriation Act included \$15,273,700 from the General Fund in the Arizona Board of Regents' budget in order to align ASU's and Northern Arizona University's General Fund per student funding to that of the higher UA amount. The FY 2014 General Appropriation Act allocates ASU's and NAU's share of the FY 2013 funding in each university's base and also includes additional funding of an equal amount in FY 2014. Of this amount, \$10,222,200 is for ASU Tempe/DPC with the goal that per student funding parity is achieved among the universities no later than the beginning of FY 2017.

Downtown Phoenix Campus

The budget includes \$102,227,600 and 790 FTE Positions in FY 2014 for programs headquartered at the Downtown Phoenix Campus (DPC). These amounts consist of:

General Fund	22,221,000
University Collections Fund	80,006,600

These amounts are unchanged from FY 2013.

The DPC offers undergraduate and graduate programs in disciplines including health, nursing, journalism, mass communication, teaching and public programs. The campus opened in 2006 with 2,700 students and had a full-time student enrollment of 9,503 in spring 2013.

Research Infrastructure Lease-Purchase Payment

The budget includes \$13,555,000 from the General Fund in FY 2014 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount is unchanged from FY 2013.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, ASU-Tempe/DPC has issued \$187,200,000 in COPs.

Other Issues

Payment Deferral

The budget includes \$74,760,400 from the General Fund for FY 2013 payments that were deferred until FY 2014 and includes a FY 2014 General Fund payment deferral of \$(74,760,400) until FY 2015. These amounts constitute a portion of a \$200,000,000 universitywide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2014 General Fund budget is \$270,228,200. Of this amount:

- \$181,431,000 was included in ASU-Tempe/DPC's individual section of the FY 2014 General Appropriation Act.
- \$74,760,400 was appropriated in the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) to reflect the deferral of FY 2013 monies to FY 2014.
- \$13,555,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$481,800 was included to reflect FY 2014 statewide adjustments in the FY 2014 General Appropriation Act.

Arizona State University - East Campus

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	424.0	425.6	425.6 ^{1/}
Personal Services	23,197,800	22,704,000	22,704,000
Employee Related Expenditures	7,418,800	7,365,600	7,365,600
Professional and Outside Services	18,682,700	18,285,000	18,285,000
Travel - In State	27,000	26,400	26,400
Travel - Out of State	177,400	173,600	173,600
Other Operating Expenditures	6,417,700	4,313,800	4,497,900
Equipment	845,800	827,800	827,800
OPERATING SUBTOTAL	56,767,200	53,696,200	53,880,300
SPECIAL LINE ITEMS			
Parity Funding	0	1,748,900	3,497,800 ^{2/}
Research Infrastructure Lease-Purchase Payment	917,000	917,000	917,000 ^{3/}
TRIF Lease-Purchase Payment	2,000,000	2,000,000	2,000,000
PROGRAM TOTAL	59,684,200	58,362,100 ^{4/}	60,295,100 ^{5/6/}
FUND SOURCES			
General Fund	19,076,900	20,771,200	22,704,200 ^{7/8/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	2,000,000	2,000,000	2,000,000
University Collections Fund	38,607,300	35,590,900	35,590,900 ^{2/}
SUBTOTAL - Other Appropriated Funds	40,607,300	37,590,900	37,590,900
SUBTOTAL - Appropriated Funds	59,684,200	58,362,100	60,295,100
Other Non-Appropriated Funds	23,981,900	37,708,300	37,979,200
Federal Funds	4,779,700	4,927,900	5,311,000
TOTAL - ALL SOURCES	88,445,800	100,998,300	103,585,300

AGENCY DESCRIPTION — Established as a separate budget unit in 1994, Arizona State University - East Campus (ASU-East), also known as the Polytechnic Campus, currently offers 42 professional and technical Baccalaureate, Master's, and Doctoral degree programs and 5 undergraduate certificate programs to 11,164 full- and part-time students. ASU-East is located at the 600-acre site of the former Williams Air Force Base in southeast Mesa.

- ^{1/} Includes 9 GF FTE Positions funded from Special Line Items in FY 2014.
- ^{2/} It is the intent of the Legislature to appropriate funding to Arizona State University and Northern Arizona University with the goal of achieving per student funding parity between the universities under the jurisdiction of the Arizona Board of Regents no later than the beginning of FY 2017. (General Appropriation Act footnote)
- ^{3/} Includes \$917,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.
- ^{4/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(115,000) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- ^{5/} The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- ^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{7/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)
- ^{8/} It is the intent of the Legislature that the General Fund base funding for Arizona State University - East Campus is \$21,787,200. This appropriation includes a deferral of \$5,750,200 from FY 2014 to FY 2015. This deferral shall be paid as required in this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The General Fund base funding of \$21,787,200 plus the \$917,000 in Laws 2003, Chapter 267, lease-purchase appropriations equals the FY 2014 total of \$22,704,200. The \$5,750,200 deferral amount was appropriated by Laws 2012, Chapter 294.
- ^{9/} Any unencumbered balances remaining in the collections account on June 30, 2013 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

Operating Budget

The budget includes \$53,880,300 and 416.6 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$18,289,400
University Collections Fund	35,590,900

These amounts fund the following adjustments:

Performance Funding Reallocation

The budget includes an increase of \$156,300 from the General Fund in FY 2014 for the distribution of FY 2013 performance funding. This amount was reallocated from ABOR. New FY 2014 performance funding was appropriated to ABOR and will be subsequently distributed to individual universities. *(Please see ABOR for more information.)*

Statewide Adjustments

The budget includes an increase of \$27,800 from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections and the University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(See the Arizona Board of Regents (ABOR) narrative for a discussion of performance funding.)*

Parity Funding

The budget includes \$3,497,800 and 9 FTE Positions from the General Fund in FY 2014 for the Parity Funding Special Line Item (SLI). These amounts fund the following adjustments:

Parity Funding Increase

The budget includes an increase of \$1,748,900 from the General Fund in FY 2014 to align ASU's East Campus per pupil funding to that of the higher University of Arizona amount.

The FY 2013 General Appropriation Act included \$15,273,700 from the General Fund in the Arizona Board of Regents' budget in order to align ASU's and Northern Arizona University's General Fund per student funding to that of the higher UA amount. The FY 2014 General Appropriation Act allocates ASU's and NAU's share of the FY 2013 funding in each university's base and also includes additional funding of an equal amount in FY 2014. Of this amount, \$1,748,900 is for ASU East with the goal that per student funding parity is achieved among the universities no later than the beginning of FY 2017.

These monies shall be used by ASU for innovative course redesign technologies and capital improvements that will maintain or improve learning outcomes and decrease per-

student costs for large enrollment or high-failure rate classes.

Research Infrastructure Lease-Purchase Payment

The budget includes \$917,000 from the General Fund in FY 2014 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount is unchanged from FY 2013.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, ASU-East has issued \$19,000,000 in COPs for the Interdisciplinary Science & Technology Building II, which is now complete.

TRIF Lease-Purchase Payment

The budget includes \$2,000,000 from the Technology and Research Initiative Fund (TRIF) in FY 2014 for lease-purchase payment requirements. This amount is unchanged from FY 2013.

Laws 2000, 5th Special Session, Chapter 1 appropriated \$1,400,000 from TRIF to make the initial lease-purchase payment in FY 2002 on \$27,500,000 in infrastructure development at ASU-East. The payment schedule runs through FY 2021.

Other Issues

Payment Deferral

The budget includes \$5,750,200 from the General Fund for FY 2013 payments that were deferred until FY 2014 and includes a FY 2014 General Fund payment deferral of \$(5,750,200) until FY 2015. These amounts constitute a portion of a \$200,000,000 universitywide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2014 General Fund budget is \$22,704,200. Of this amount:

- \$16,009,200 was included in ASU-East's individual section of the FY 2014 General Appropriation Act.
- \$5,750,200 was appropriated in the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) to reflect the deferral of FY 2013 monies to FY 2014.
- \$917,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$27,800 was included to reflect FY 2014 statewide adjustments in the General Appropriation Act.

Arizona State University - West Campus

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	562.9	562.9	562.9
Personal Services	31,071,000	33,991,100	33,991,100
Employee Related Expenditures	10,397,100	11,519,000	11,519,000
Professional and Outside Services	19,502,100	21,335,100	21,335,100
Travel - In State	31,600	34,600	34,600
Travel - Out of State	145,000	158,700	158,700
Other Operating Expenditures	5,174,600	5,539,700	5,850,100
Equipment	758,400	829,700	829,700
OPERATING SUBTOTAL	67,079,800	73,407,900	73,718,300
SPECIAL LINE ITEMS			
TRIF Lease-Purchase Payment	1,600,000	1,600,000	1,600,000
AGENCY TOTAL	68,679,800	75,007,900^{1/}	75,318,300^{2/3/}
FUND SOURCES			
General Fund	33,159,600	33,017,700	33,328,100 ^{4/5/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	1,600,000	1,600,000	1,600,000
University Collections Fund	33,920,200	40,390,200	40,390,200 ^{6/}
SUBTOTAL - Other Appropriated Funds	35,520,200	41,990,200	41,990,200
SUBTOTAL - Appropriated Funds	68,679,800	75,007,900	75,318,300
Other Non-Appropriated Funds	42,881,800	42,734,400	43,319,400
Federal Funds	7,793,700	8,099,100	8,668,000
TOTAL - ALL SOURCES	119,355,300	125,841,400	127,305,700

AGENCY DESCRIPTION — Established as a separate budget unit in 1984, Arizona State University - West Campus (ASU-West) currently offers 45 Baccalaureate, selective Master's, and Doctoral degree programs in the professional and liberal arts and 9 undergraduate certificate programs to 13,877 full- and part-time students. ASU-West is located at a 277-acre site in northwest Phoenix.

Operating Budget

The budget includes \$73,718,300 and 562.9 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$33,328,100
University Collections Fund	40,390,200

These amounts fund the following adjustments:

- ^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(155,500) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- ^{2/} The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{4/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)
- ^{5/} It is the intent of the Legislature that the General Fund base funding for Arizona State University - West Campus is \$33,328,100. This appropriation includes a deferral of \$10,064,800 from FY 2014 to FY 2015. This deferral shall be paid as required in this act. (General Appropriation Act footnote, as adjusted for statewide allocations). The \$10,064,800 deferral amount was appropriated by Laws 2012, Chapter 294.
- ^{6/} Any unencumbered balances remaining in the collections account on June 30, 2013 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

Performance Funding Reallocation

The budget includes an increase of \$271,700 from the General Fund in FY 2014 for the distribution of FY 2013 performance funding. This amount was reallocated from ABOR. New FY 2014 performance funding was appropriated to ABOR and will be subsequently distributed to individual universities. *(Please see ABOR for more information.)*

Statewide Adjustments

The budget includes an increase of \$38,700 from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections and the University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(See the Arizona Board of Regents (ABOR) narrative for a discussion of performance funding.)*

TRIF Lease-Purchase Payment

The budget includes \$1,600,000 from the Technology and Research Initiative Fund (TRIF) in FY 2014 for lease-purchase payment requirements. This amount is unchanged from FY 2013.

Laws 2000, 5th Special Session, Chapter 1 appropriated \$1,100,000 from TRIF to make the initial lease-purchase payment in FY 2002 on \$21,600,000 in infrastructure development at ASU-West. The payment schedule runs through FY 2021.

Other Issues

Payment Deferral

The budget includes \$10,064,800 from the General Fund for FY 2013 payments that were deferred until FY 2014 and includes a FY 2014 General Fund payment deferral of \$(10,064,800) until FY 2015. These amounts constitute a portion of a \$200,000,000 universitywide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2014 General Fund budget is \$33,328,100. Of this amount:

- \$23,224,600 was included in ASU-West's individual section of the FY 2014 General Appropriation Act.
- \$10,064,800 was appropriated in the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) to reflect the deferral of FY 2013 monies to FY 2014.
- \$38,700 was included to reflect FY 2014 statewide adjustments in the FY 2014 General Appropriation Act.

Northern Arizona University

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,057.2	2,057.2	2,057.2 ^{1/}
Personal Services	127,229,300	130,094,700	130,094,700
Employee Related Expenditures	39,728,600	41,244,000	41,244,000
Professional and Outside Services	8,895,700	5,880,700	5,880,700
Travel - In State	272,500	366,700	366,700
Travel - Out of State	543,800	0	0
Other Operating Expenditures	17,847,100	19,816,800	20,851,800
Equipment	387,800	353,700	353,700
OPERATING SUBTOTAL	194,904,800	197,756,600	198,791,600
SPECIAL LINE ITEMS			
Parity Funding	0	3,302,600	6,605,200 ^{2/}
NAU - Yuma	3,006,500	3,066,700	3,066,700
Research Infrastructure Lease-Purchase Payment	5,900,000	5,900,000	5,900,000 ^{3/}
Teacher Training	2,179,500	2,290,600	2,290,600 ^{4/}
AGENCY TOTAL	205,990,800	212,316,500 ^{5/}	216,654,100 ^{6/7/}
FUND SOURCES			
General Fund	108,251,900	104,907,400	109,245,000 ^{8/9/}
Other Appropriated Funds			
University Collections Fund	97,738,900	107,409,100	107,409,100 ^{10/}
SUBTOTAL - Other Appropriated Funds	97,738,900	107,409,100	107,409,100
SUBTOTAL - Appropriated Funds	205,990,800	212,316,500	216,654,100
Other Non-Appropriated Funds	180,237,100	193,794,000	197,733,700
Federal Funds	75,447,800	76,202,400	76,964,400
TOTAL - ALL SOURCES	461,675,700	482,312,900	491,352,200

^{1/} Includes 29.4 GF FTE Positions funded from Special Line Items in FY 2014.

^{2/} It is the intent of the Legislature to appropriate funding to Arizona State University and Northern Arizona University with the goal of achieving per student funding parity between the universities under the jurisdiction of the Arizona Board of Regents no later than the beginning of FY 2017. (General Appropriation Act footnote)

^{3/} Includes \$5,900,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.

^{4/} The appropriated amount for the Teacher Training line item shall be distributed to the Arizona K-12 Center for Program Implementation and Mentor Training for the Arizona Mentor Teacher program prescribed by the State Board of Education. (General Appropriation Act footnote)

^{5/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(19,600) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{6/} The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

^{7/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{8/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

^{9/} It is the intent of the Legislature that the General Fund base funding for Northern Arizona University is \$103,345,000. This appropriation includes a deferral of \$30,494,800 from FY 2014 to FY 2015. This deferral shall be paid as required in this act. (General Appropriation Act footnote) The General Fund base funding of \$103,345,000 plus the \$5,900,000 in Laws 2003, Chapter 267, lease-purchase appropriations equals the FY 2013 total of \$109,245,000. The \$30,494,800 deferral amount was appropriated by Laws 2012, Chapter 294.

^{10/} Any unencumbered balances remaining in the collections account on June 30, 2013 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay, and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the enabling act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

AGENCY DESCRIPTION — Established in 1899, Northern Arizona University (NAU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). The university's primary focus is undergraduate residential education. NAU offers 136 degree programs and 62 certificate programs to 26,002 students in 9 colleges/divisions through its campus in Flagstaff and its extended campus programs, also known as distance learning programs. The university is responsible for providing the large majority of statewide extended campus programs, both over the Internet and through 35 instructional sites, including a Yuma Branch Campus that operates in conjunction with Arizona Western College and NAU Yavapai, a partnership with Yavapai Community College.

Operating Budget

The budget includes \$198,791,600 and 2,027.8 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$91,382,500
University Collections Fund	107,409,100

These amounts fund the following adjustments:

Performance Funding Reallocation

The budget includes an increase of \$1,035,000 from the General Fund in FY 2014 for the distribution of FY 2013 performance funding. This amount was reallocated from ABOR. New FY 2014 performance funding was appropriated to ABOR and will be subsequently distributed to individual universities. (*Please see ABOR for more information.*)

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections and the University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. (*See the Arizona Board of Regents (ABOR) narrative for a discussion of performance funding.*)

Parity Funding

The budget includes \$6,605,200 from the General Fund in FY 2014 for the Parity Funding Special Line Item (SLI). This amount includes the following adjustments:

Parity Funding Increase

The budget includes an increase of \$3,302,600 from the General Fund in FY 2014 to align NAU's per pupil funding to that of the higher University of Arizona amount.

The FY 2013 General Appropriation Act included \$15,273,700 from the General Fund in the Arizona Board of Regents' budget in order to align ASU's and NAU's General Fund per student funding to that of the higher UA amount. The FY 2014 General Appropriation Act incorporates ASU's and NAU's share of the FY 2013 funding into each university's base and also includes and additional equal amount of funding in FY 2014. Of this

amount, \$11,971,100 is for ASU and \$3,302,600 is for NAU with the goal that per student funding parity is achieved among the universities no later than the beginning of FY 2017.

NAU - Yuma

The budget includes \$3,066,700 and 29.4 FTE Positions from the General Fund in FY 2014 for NAU-Yuma. These amounts are unchanged from FY 2013.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

Research Infrastructure Lease-Purchase Payment

The budget includes \$5,900,000 from the General Fund in FY 2014 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount is unchanged from FY 2013.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, NAU has issued \$77,475,000 in COPs.

Teacher Training

The budget includes \$2,290,600 from the General Fund in FY 2014 for the Teacher Training Special Line Item. This amount is unchanged from FY 2013.

The Teacher Training program serves to increase the number of teachers serving as mentors under the Teacher Training ("Master Teacher") program. The Arizona K-12 Center is affiliated with NAU and is located in downtown Phoenix.

Other Issues

Payment Deferral

The budget includes \$30,494,800 from the General Fund for FY 2013 payments that were deferred until FY 2014 and includes a FY 2014 General Fund payment deferral of \$(30,494,800) until FY 2015. These amounts constitute a portion of a \$200,000,000 university-wide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2014 General Fund budget is \$109,245,000. Of this amount:

- \$72,850,200 would be included in NAU's section of the FY 2014 General Appropriation Act.
- \$30,494,800 was appropriated in the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) to reflect the deferral of FY 2013 monies to FY 2014.
- \$5,900,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.

University of Arizona - Main Campus

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,805.5	5,365.0	5,365.0 ^{1/}
Personal Services	254,376,500	250,840,100	250,840,100
Employee Related Expenditures	79,180,000	85,455,900	85,455,900
Professional and Outside Services	22,610,100	18,767,900	18,767,900
Travel - In State	107,300	95,800	95,800
Travel - Out of State	445,100	88,400	88,400
Other Operating Expenditures	45,302,900	50,804,000	51,011,500
Equipment	3,471,000	828,000	828,000
OPERATING SUBTOTAL	405,492,900	406,880,100	407,087,600
SPECIAL LINE ITEMS			
Agriculture	37,939,100	36,767,100	36,767,100
Arizona Cooperative Extension	12,602,700	12,779,800	12,779,800
Freedom Center	0	0	500,000
Research Infrastructure Lease-Purchase Payment	14,253,000	14,253,000	14,253,000 ^{2/}
Sierra Vista Campus	6,294,200	7,031,500	7,031,500
AGENCY TOTAL	476,581,900	477,711,500 ^{3/}	478,419,000 ^{4/5/}
FUND SOURCES			
General Fund	226,387,700	207,793,500	208,501,000 ^{6/7/}
Other Appropriated Funds			
University Collections Fund	250,194,200	269,918,000	269,918,000 ^{8/}
SUBTOTAL - Other Appropriated Funds	250,194,200	269,918,000	269,918,000
SUBTOTAL - Appropriated Funds	476,581,900	477,711,500	478,419,000
Other Non-Appropriated Funds	796,720,000	832,274,900	854,734,100
Federal Funds	273,725,200	281,936,700	290,148,200
TOTAL - ALL SOURCES	1,547,027,100	1,591,923,100	1,623,301,300

AGENCY DESCRIPTION — Established in 1885, The University of Arizona (UA) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, UA offers 351 degree-programs to approximately 37,576 full- and part-time students in 38 colleges and schools at its Main Campus in Tucson. Upon its establishment, UA received the federal land grant for Arizona, allowing the creation of agricultural and mining programs that continue today. UA-South is a branch campus of the university in Sierra Vista.

^{1/} Includes 742.9 GF FTE Positions funded from Special Line Items in FY 2014.

^{2/} Includes \$14,253,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.

^{3/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(1,582,600) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{4/} The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{6/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

^{7/} It is the intent of the Legislature that the General Fund base funding for University of Arizona - Main Campus is \$194,248,000. This appropriation includes a deferral of \$62,153,100 from FY 2014 to FY 2015. This deferral shall be paid as required in this act. (General Appropriation Act footnote, as adjusted for statewide allocations). The General Fund base funding of \$194,248,000 plus the \$14,253,000 in Laws 2003, Chapter 267, lease-purchase appropriations equals the FY 2013 total of \$208,501,000. The \$62,153,100 deferral amount was appropriated by Laws 2012, Chapter 294.

^{8/} Any unencumbered balances remaining in the collections account on June 30, 2013 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

Operating Budget

The budget includes \$407,087,600 and 4,622.1 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$151,052,200
University Collections Fund	256,035,400

These amounts fund the following adjustments:

Performance Funding Reallocation

The budget includes an increase of \$1,345,000 from the General Fund in FY 2014 for the distribution of FY 2013 performance funding. This amount was reallocated from ABOR. New FY 2014 performance funding was appropriated to ABOR and will be subsequently distributed to individual universities. *(Please see ABOR for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(1,137,500) from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections and the University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(See the Arizona Board of Regents (ABOR) narrative for a discussion of performance funding.)*

Agriculture

The budget includes \$36,767,100 and 515.1 FTE Positions in FY 2014 for the Agriculture Programs. These amounts consist of:

General Fund	28,708,600
University Collections Fund	8,058,500

These amounts are unchanged from FY 2013.

This line item supports agricultural academic programs in Animal Systems; Environment and Natural Resources; Family, Youth, and Community; Human Nutrition, Food Safety and Health; Marketing, Trade, and Economics; and Plant Systems.

Arizona Cooperative Extension

The budget includes \$12,779,800 and 155.1 FTE Positions in FY 2014 for the Arizona Cooperative Extension. These amounts consist of:

General Fund	11,079,800
University Collections Fund	1,700,000

These amounts are unchanged from FY 2013.

This line item supports Agriculture Experiment Stations and Cooperative Extension services that provide non-credit community outreach seminars and youth programs throughout the state.

Freedom Center

The budget includes \$500,000 from the General Fund in FY 2014 for a new Freedom Center Special Line Item. This amount funds the following adjustments:

Additional Freedom Center Funding

The budget includes an increase of \$500,000 from the General Fund in FY 2014 to provide additional funding to the Freedom Center.

This line item supports the Freedom Center, which is within the UA College of Social and Behavioral Sciences. The mission of the Freedom Center is to promote the understanding and appreciation of the ideals of freedom and responsibility along 4 dimensions: published research, undergraduate education, graduate education, and community outreach.

Research Infrastructure Lease-Purchase Payment

The budget includes \$14,253,000 from the General Fund in FY 2014 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount is unchanged from FY 2013.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation for research infrastructure projects.

Sierra Vista Campus

The budget includes \$7,031,500 and 72.7 FTE Positions in FY 2014 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,907,400
University Collections Fund	4,124,100

These amounts are unchanged from FY 2013.

UA-South offers upper-division undergraduate programs in 16 disciplines for community college transfer students. While ABOR authorized this UA branch campus for Sierra

Vista in 1995, the Legislature has not formally established the campus in statute.

Other Issues

Payment Deferral

The budget includes \$62,153,100 from the General Fund for FY 2013 payments that were deferred until FY 2014 and includes a FY 2014 General Fund payment deferral of \$(62,153,100) until FY 2015. These amounts constitute a portion of a \$200,000,000 university-wide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2014 General Fund budget is \$208,501,000. Of this amount:

- \$133,232,400 was included in UA's section of the FY 2014 General Appropriation Act.
- \$62,153,100 was appropriated in the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) to reflect the deferral of FY 2013 monies to FY 2014.
- \$14,253,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$(1,137,500) was included to reflect FY 2014 statewide adjustments in the FY 2014 General Appropriation Act.

University of Arizona - Health Sciences Center

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	979.1	1,009.1	1,054.1 ^{1/}
Personal Services	49,591,500	53,991,600	53,991,600
Employee Related Expenditures	14,049,200	14,687,900	14,687,900
Professional and Outside Services	816,000	480,700	480,700
Travel - In State	27,800	42,000	42,000
Travel - Out of State	93,700	7,700	7,700
Other Operating Expenditures	5,129,400	4,276,700	4,276,700
Equipment	942,100	186,800	186,800
OPERATING SUBTOTAL	70,649,700	73,673,400	73,673,400
SPECIAL LINE ITEMS			
Clinical Rural Rotation	341,100	357,600	357,600
Clinical Teaching Support	8,587,000	8,587,000	8,587,000
Liver Research Institute	452,900	458,500	458,500
Phoenix Medical Campus	15,647,600	20,575,200	28,575,200
Telemedicine Network	1,924,900	1,853,900	1,853,900
AGENCY TOTAL	97,603,200	105,505,600 ^{2/}	113,505,600 ^{3/4/}
FUND SOURCES			
General Fund	56,397,500	61,585,300	69,585,300 ^{5/6/}
Other Appropriated Funds			
University Collections Fund	41,205,700	43,920,300	43,920,300 ^{7/}
SUBTOTAL - Other Appropriated Funds	41,205,700	43,920,300	43,920,300
SUBTOTAL - Appropriated Funds	97,603,200	105,505,600	113,505,600
Other Non-Appropriated Funds	162,262,900	167,131,100	172,030,900
Federal Funds	105,992,600	109,172,200	112,351,500
TOTAL - ALL SOURCES	365,858,700	381,808,900	397,888,000

AGENCY DESCRIPTION — In 1994, the University of Arizona (UA) joined its Colleges of Medicine, Nursing, Pharmacy, and Public Health, its School of Health Professions, the University Medical Center, and university physicians into the Arizona Health Sciences Center (UA-HSC). UA-HSC enrolls over 4,320 undergraduate and graduate students at its 48-acre campus in Tucson. UA-HSC currently operates a medical campus in Phoenix that opened in FY 2006. The Colleges of Pharmacy and Public Health also have a presence on the Phoenix Biomedical campus, which has increased its enrollment to 339 medical and Master of Public Health students.

- ^{1/} Includes 424.9 GF FTE Positions funded from Special Line Items in FY 2014, including 212 FTE Positions, all filled by students and associated with the Clinical Teaching Support Special Line Item.
- ^{2/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(233,700) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- ^{3/} The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- ^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{5/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)
- ^{6/} It is the intent of the Legislature that the General Fund base funding for University of Arizona - Health Sciences Center is \$69,585,300. This appropriation includes a deferral of \$16,776,700 from FY 2014 to FY 2015. This deferral shall be paid as required in this act. (General Appropriation Act footnote) The \$16,776,700 deferral amount was appropriated by Laws 2012, Chapter 294.
- ^{7/} Any unencumbered balances remaining in the collections account on June 30, 2013 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

Operating Budget

The budget includes \$73,673,400 and 629.2 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$34,420,700
University Collections Fund	39,252,700

These amounts are unchanged from FY 2013.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections and the University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(See the Arizona Board of Regents (ABOR) narrative for a discussion of performance funding.)*

Clinical Rural Rotation

The budget includes \$357,600 and 6.1 FTE Positions from the General Fund in FY 2014 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2013.

This line item funds the Rural Health Professions Program, which enables nurse practitioner, medical, and pharmacy students to plan and complete clinical practice rotations in rural and medically under-served sites throughout the state.

Clinical Teaching Support

The budget includes \$8,587,000 and 212 FTE Positions from the General Fund in FY 2014 for Clinical Teaching Support. These amounts are unchanged from FY 2013.

Clinical Teaching Support provides hospital training, through internships and residencies, for medical, nursing, clinical, and other health students in a wide variety of specialty areas. Students fill all the above-mentioned FTE Positions. Since participation in the program has been stable for several years, the funding summary above includes these FTE Positions.

Liver Research Institute

The budget includes \$458,500 and 6.5 FTE Positions from the General Fund in FY 2014 for the Liver Research Institute. These amounts are unchanged from FY 2013.

The Liver Research Institute conducts clinical studies on all liver diseases, focusing on chemical and natural agents that may offer a cure for such ailments. The line item also supports a research development program that actively pursues outside grants and donations.

Phoenix Medical Campus

The budget includes \$28,575,200 and 185.4 FTE Positions in FY 2014 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	23,907,600
University Collections Fund	4,667,600

These amounts fund the following adjustments:

Student Population Expansion

The budget includes an increase of \$8,000,000 and 45 FTE Positions from the General Fund in FY 2014 to increase each year's class size to 80 students, in addition to funding additional faculty and support staff.

The Phoenix Biomedical Campus currently has 287 medical students. By FY 2025, UA envisions developing a campus of approximately 1,200,000 square feet incorporating research, instruction, and clinical facilities to serve a planned population of 480 medical students, 250 graduate students, and 1,660 science students.

Laws 2008, Chapter 287 as amended by Laws 2009, 1st Special Session, Chapter 6 and Laws 2009, 3rd Special Session, Chapter 9 authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities of which ABOR is required to allocate \$376,000,000 for the Phoenix Biomedical Campus.

The first phase of this project included \$172,940,000 in university lottery bonding for construction of the Health Sciences and Education Building and renovation of the Arizona Biomedical Collaborative 1 Building. Bonds for the first phase totaling \$121,126,000 were issued by UA in June 2010 and construction was completed in spring 2012. *(For additional information on university lottery bonding, please see the Capital Outlay - ABOR Building System section of this report.)*

In addition to the lottery bonding funding, the universities also received a \$15,000,000 federal grant to build an animal-related research building on the Phoenix Biomedical Campus for animal-related research. Since this was a federal grant, the Joint Committee on Capital Review (JCCR) review was not required. This project was completed in spring 2012.

In December 2012, the Joint Committee on Capital Review favorably reviewed UA's planned system revenue bond issuance of \$73,200,000 to fund a portion of the UA Cancer Center on the Phoenix Biomedical Campus. The bond was issued in February 2013 and the debt service will be paid with university system revenues, rather than lottery revenues.

In April 2013, the Joint Committee on Capital Review favorably reviewed UA's planned SPEED bond issuance of \$9,200,000 to build out shell space of the Health Sciences Education Building on the Phoenix Biomedical Campus. The bond was issued in May 2013 and the debt service will be paid with 80% from Lottery revenues and 20% from university system revenues

Telemedicine Network

The budget includes \$1,853,900 and 14.9 FTE Positions from the General Fund in FY 2014 for the Telemedicine Network. These amounts are unchanged from FY 2013.

Telemedicine is the use of computers, video imaging, broadband Internet channels, and other telecommunication technologies to diagnose and treat patients in rural communities and state penitentiaries

Other Issues

Payment Deferral

The budget includes \$16,776,700 from the General Fund for FY 2013 payments that were deferred until FY 2014 and includes a FY 2014 General Fund payment deferral of \$(16,776,700) until FY 2015. These amounts constitute a portion of a \$200,000,000 universitywide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2014 General Fund Baseline is \$69,585,300. Of this amount:

- \$52,808,600 was included in UA-HSC's individual section of the FY 2014 General Appropriation Act.
- \$16,776,700 was appropriated in the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) to reflect the deferral of FY 2013 monies to FY 2014.

Department of Veterans' Services

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	500.3	500.3	500.3 ^{1/}
Personal Services	1,568,500	1,704,800	1,725,700
Employee Related Expenditures	670,300	670,400	671,000
Professional and Outside Services	72,200	42,900	42,900
Travel - In State	41,200	25,900	25,900
Travel - Out of State	8,800	12,100	12,100
Other Operating Expenditures	434,900	469,200	496,200
Equipment	50,000	118,200	118,200
OPERATING SUBTOTAL	2,845,900	3,043,500	3,092,000
SPECIAL LINE ITEMS			
Arizona State Veterans' Homes	18,364,000	27,762,800	27,868,200
Southern Arizona Cemetery	271,400	284,200	287,100
Veterans' Benefit Counseling	2,888,300	2,935,600	2,963,500
AGENCY TOTAL	24,369,600	34,026,100 ^{2/}	34,210,800 ^{3/}
FUND SOURCES			
General Fund	7,158,400	5,366,400	5,436,300
<u>Other Appropriated Funds</u>			
Home for Veterans' Trust Fund	16,513,900	27,762,800	27,868,200
Veterans' Conservatorship Fund	697,300	896,900	906,300
SUBTOTAL - Other Appropriated Funds	17,211,200	28,659,700	28,774,500
SUBTOTAL - Appropriated Funds	24,369,600	34,026,100	34,210,800
Other Non-Appropriated Funds	2,666,600	3,072,500	8,187,900
Federal Funds	647,500	392,600	392,600
TOTAL - ALL SOURCES	27,683,700	37,491,200	42,791,300

AGENCY DESCRIPTION — The agency supervises and operates 2 skilled nursing homes for Arizona veterans in Phoenix and Tucson, assists veterans in developing and filing claims for federal entitlements, acts as a guardian or conservator for incapacitated veterans or their families, and operates the Southern Arizona Veterans' Memorial Cemetery.

Operating Budget

The budget includes \$3,092,000 and 56.3 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$2,185,700
Veterans' Conservatorship Fund	906,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$48,500 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	39,100
Veterans' Conservatorship Fund	9,400

(Please see the Agency Detail and Allocations section.)

Arizona State Veterans' Homes

The budget includes \$27,868,200 and 380 FTE Positions from the Home for Veterans' Trust Fund in FY 2014 for the Arizona State Veterans' Homes. These amounts fund the following adjustments:

^{1/} Includes 64 GF and 380 OF FTE Positions funded from Special Line Items in FY 2014.

^{2/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(54,700) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Statewide Adjustments

The budget includes an increase of \$105,400 from the Home for Veterans' Trust Fund in FY 2014 for statewide adjustments.

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes in Phoenix and Tucson.

Southern Arizona Cemetery

The budget includes \$287,100 and 7 FTE Positions from the General Fund in FY 2014 for the Southern Arizona Cemetery. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,900 from the General Fund in FY 2014 for statewide adjustments.

Monies in this line item are used to partially offset the operating costs at the Southern Arizona Cemetery in Sierra Vista.

Veterans' Benefit Counseling

The budget includes \$2,963,500 and 57 FTE Positions from the General Fund in FY 2014 for Veterans' Benefit Counselors. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$27,900 from the General Fund in FY 2014 for statewide adjustments.

The monies in this line item are used to assist Arizona veterans with questions about benefit eligibility, completion and filing of U.S. Department of Veterans Affairs claims, and in obtaining earned benefits.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

Capital Projects

The federal government has approved 2 new veterans' cemetery projects: an expansion of the Sierra Vista cemetery and the construction of a new cemetery in Flagstaff. The federal government typically pays most of the construction costs, but the state is responsible for the ongoing operational costs.

The expansion of the Sierra Vista cemetery is expected to cost \$1,718,600 and is 100% federally funded. The department does not believe there will be additional operational costs. The department will receive a \$287,100 FY 2014 General Fund appropriation for operational costs of the cemetery. They expect to spend another \$183,600 from the non-appropriated Southern Arizona Veterans' Cemetery Fund.

The construction of the Flagstaff cemetery is estimated to cost \$6,834,000. Of that amount, \$5,942,100 is expected to come from the federal government. The remaining \$891,900 will be funded through the non-appropriated Veterans' Donation Fund.

The department has indicated that they expect the cemetery to be operational by the end of FY 2015 or the beginning of FY 2016. They have further indicated that they expect the ongoing operational cost of the cemetery to be similar to cost of the Southern Arizona Cemetery.

Additionally, the U.S. Department of Veterans Affairs has acknowledged that they will allocate approximately \$5,300,000 to construct a cemetery in Marana in federal FY 2014. The department expects to receive written confirmation of this in October.

Given this activity, the Government Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 2) requires the department to submit an annual report on capital projects for which they have requested federal monies, the established construction start and end date, and the anticipated cost and fund source for ongoing operation costs.

Arizona State Veterinary Medical Examining Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.5	5.5	5.5
Personal Services	249,800	260,700	263,200
Employee Related Expenditures	85,000	90,200	90,100
Professional and Outside Services	40,300	40,700	40,700
Travel - In State	5,000	6,800	6,800
Travel - Out of State	1,000	1,500	1,500
Other Operating Expenditures	52,600	65,000	74,600
Equipment	800	0	6,500
AGENCY TOTAL	434,500	464,900	483,400^{1/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Veterinary Medical Examining Board Fund	434,500	464,900	483,400
SUBTOTAL - Other Appropriated Funds	434,500	464,900	483,400
SUBTOTAL - Appropriated Funds	434,500	464,900	483,400
TOTAL - ALL SOURCES	434,500	464,900	483,400

AGENCY DESCRIPTION — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises.

Operating Budget

The budget includes \$483,400 and 5.5 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Database Update

The budget includes a one-time increase of \$14,000 from the Veterinary Medical Examining Board Fund in FY 2014 for replacement of an obsolete database.

Statewide Adjustments

The budget includes an increase of \$4,500 from the Veterinary Medical Examining Board Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Department of Water Resources

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	207.2	90.0	90.0 ^{1/}
Personal Services	2,361,500	2,961,900	2,996,600
Employee Related Expenditures	945,300	1,251,100	1,252,000
Professional and Outside Services	657,600	205,400	205,400
Travel - In State	60,900	110,200	110,200
Travel - Out of State	22,700	69,500	69,500
Other Operating Expenditures	1,952,100	2,459,300	2,445,900
Equipment	319,800	419,500	419,500
OPERATING SUBTOTAL	6,319,900	7,476,900	7,499,100
SPECIAL LINE ITEMS			
Adjudication Support	1,192,200	1,246,300	1,256,700 ^{2/}
Assured and Adequate Water Supply Administration	1,772,900	1,975,600	1,989,500 ^{3/}
Automated Groundwater Monitoring	364,900	408,000	410,200
Conservation and Drought Program	397,800	406,600	410,000
Lower Colorado River Litigation Expenses	0	0	500,000 ^{4/5/}
Rural Water Studies	1,147,800	1,161,000	1,167,700 ^{6/}
AGENCY TOTAL	11,195,500	12,674,400 ^{7/}	13,233,200 ^{8/}
FUND SOURCES			
General Fund	5,821,900	12,267,200	12,326,400
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	268,200	266,800	266,400
Water Resources Fund	5,105,400	140,400	640,400
SUBTOTAL - Other Appropriated Funds	5,373,600	407,200	906,800
SUBTOTAL - Appropriated Funds	11,195,500	12,674,400	13,233,200
Other Non-Appropriated Funds	7,264,000	9,593,700	9,593,700
Federal Funds	420,600	325,900	325,900
TOTAL - ALL SOURCES	18,880,100	22,594,000	23,152,800

AGENCY DESCRIPTION — The Department of Water Resources administers and enforces Arizona's groundwater and surface water law, as well as legally representing the state's water rights. The department also participates in surveying water level and quality and planning flood control.

^{1/} Includes 52 GF FTE Positions funded from Special Line Items in FY 2014.

^{2/} Monies in the Adjudication Support line item shall be used only for the exclusive purposes prescribed in A.R.S. § 45-256 and A.R.S. § 45-257B4. The Department of Water Resources shall not transfer any funds into or out of the Adjudication Support line item. (General Appropriation Act footnote)

^{3/} Monies in the Assured and Adequate Water Supply Administration line item shall be used only for the exclusive purposes prescribed in A.R.S. § 45-108 and A.R.S. § 45-576 through A.R.S. § 45-579. The Department of Water Resources shall not transfer any funds into or out of the Assured and Adequate Water Supply Administration line item. (General Appropriation Act footnote)

^{4/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

^{5/} The Department of Water Resources shall not transfer any monies from the Lower Colorado River Litigation Expenses line item without the prior review of the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{6/} It is the intent of the Legislature that monies in the Rural Water Studies line item will be spent only to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs and not be made available for other department operating expenditures. (General Appropriation Act footnote)

^{7/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(93,300) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{8/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$7,499,100 and 38 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$7,358,700
Water Resources Fund	140,400

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$22,200 from the General Fund in FY 2014 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Adjudication Support

The budget includes \$1,256,700 and 14.5 FTE Positions from the General Fund in FY 2014 for Adjudication Support. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$10,400 from the General Fund in FY 2014 for statewide adjustments.

A.R.S. § 45-256 requires the Department of Water Resources to provide technical and administrative support to judicial proceedings involving water rights claims in the Gila River and Little Colorado River watersheds, which include approximately two-thirds of the land within the state. In 1952, Congress passed the McCarran Amendment, which waived the sovereign immunity of the United States to the adjudication of its federal reserved water right claims in state court on behalf of itself and Indian tribes. Due to the ongoing state court proceedings, the federal court has declined to exercise its jurisdiction over the federal reserved water right claims of the United States and Indian Tribes. Absent a state court proceeding, the federal court could exercise jurisdiction over these federal reserved water rights claims. *(Please see the Lower Colorado River Litigation Expenses section.)*

Assured and Adequate Water Supply Administration

The budget includes \$1,989,500 and 19.8 FTE Positions in FY 2014 for the Assured and Adequate Water Supply (AAWS) Program. These amounts consist of:

General Fund	1,723,100
AAWS Administration Fund	266,400

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$13,900 in FY 2014 for statewide adjustments. These amounts consist of:

General Fund	14,300
AAWS Fund	(400)

All new subdivisions within the state's 5 Active Management Areas (AMAs), must either obtain a Certificate of Assured Water Supply from the Department of Water Resources or obtain a commitment of water service from a municipal provider designated as having an Assured Water Supply. An applicant for a Certificate of Assured Water Supply or a Designation of Assured Water Supply must demonstrate the availability of water for the next 100 years.

New developers outside the 5 AMAs may obtain a commitment of water service from a municipal water provider designated as having an Adequate Water Supply or developers must obtain from the department a report of the water available to the new subdivision for 100 years before any lots may be sold. In most areas outside the AMAs, if the water supply report determined the water supply to be inadequate, lots may still be sold, but buyers must be notified of the determination. In certain areas outside the AMAs, lots may not be sold unless the water supply is determined to be adequate for 100 years.

Automated Groundwater Monitoring

The budget includes \$410,200 and 2 FTE Positions from the General Fund in FY 2014 for Automated Groundwater Monitoring. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,200 from the General Fund in FY 2014 for statewide adjustments.

Monies in this Special Line Item (SLI) are to provide for automated measuring instruments, which provide daily measurements of groundwater levels. This information is used to support the administration of all the water management programs that the Department of Water Resources is responsible for, including but not limited to, determining assured and adequate water supply, implementation and evaluation of recharge activities, rural water budgets, and water supply studies

Conservation and Drought Program

The budget includes \$410,000 and 4.7 FTE Positions from the General Fund in FY 2014 for the Conservation and Drought Program. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,400 from the General Fund in FY 2014 for statewide adjustments.

Monies in this SLI are used to assist local communities to assess conservation needs and assist rural communities in the development of conservation programs, promote water education throughout the state, create guidelines for more efficient use of water, and provide suggestions for funding and implementing conservation programs. Monies in this SLI are also used by the Department of Water Resources to administer the requirements of the Community Water System program, including but not limited to annual water use reporting (mailings, electronic notification and submittals), improvements to increase efficiencies of reporting and data collection, data analysis and compliance.

Lower Colorado River Litigation Expenses

The budget includes \$500,000 from the Water Resources Fund in FY 2014 for a new Lower Colorado River Litigation Expenses SLI. These amounts fund the following adjustments:

Funding Creation

The budget includes \$500,000 from the Water Resources Fund in FY 2014 for Lower Colorado Litigation expenses. This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Monies in this SLI are used to pay the litigation costs associated with the *Navajo Nation v. United States Department of the Interior* case, in which the Department of Water Resources is an intervening defendant. This case involves the Navajo Nation's claims to water from the Lower Colorado River and challenges operations that were put in place after the initial lawsuit was filed in 2003. The Navajo Nation filed an amended complaint on June 3, 2013 to begin litigating the case. The United States and the state interveners have until August 26, 2013 to file motions to dismiss. The court will not issue a decision on the motions to dismiss until late 2013 or early 2014.

Rural Water Studies

The budget includes \$1,167,700 and 11 FTE Positions from the General Fund in FY 2014 for Rural Water Studies. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$6,700 from the General Fund in FY 2014 for statewide adjustments.

Monies in this SLI are used to support the department's administration, data collection and evaluation of rural water studies. The monies are also used to provide assistance to local communities to assess local water use

needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs. The current AMAs are Prescott, Phoenix, Pinal, Tucson, and Santa Cruz. These studies are administered, in most cases, through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts, although if a community has a significant need the department can waive this requirement. The studies are primarily conducted by the local entity, with the department providing technical advice and financial assistance. The department is currently involved in 9 studies.

Additional Legislation

Water Protection Fund Administrative Costs

The Environment Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 4) allows the Arizona Water Protection Fund Commission to grant up to \$336,000 of the unobligated balance in the Arizona Water Protection Fund to the Department of Water Resources to pay for the cost of administering the Water Protection Fund in FY 2014.

Fee Revenue

The Environment BRB continues to allow the Director to increase fees for services in FY 2014. The bill specifies that the fee revenue be deposited in the Water Resources Fund with the intent that it shall not exceed \$100,200.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (*Please see the Automation Projects narrative for more details.*)

Department of Weights and Measures

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
PROGRAM BUDGET			
General Services	1,483,900	1,832,100	1,655,800
Oxygenated Fuel	654,800	810,700	834,500
Vapor Recovery	643,000	627,100	629,300
AGENCY TOTAL	2,781,700	3,269,900	3,119,600
OPERATING BUDGET			
Full Time Equivalent Positions	36.4	36.4	36.4
Personal Services	1,353,700	1,603,200	1,620,900
Employee Related Expenditures	610,300	622,700	622,800
Professional and Outside Services	101,300	98,800	98,800
Travel - In State	225,000	200,100	200,100
Travel - Out of State	1,300	600	600
Other Operating Expenditures	398,100	424,900	531,800
Equipment	92,000	319,600	44,600
AGENCY TOTAL	2,781,700	3,269,900^{1/}	3,119,600^{2/}
FUND SOURCES			
General Fund	1,159,600	1,504,500	1,325,800
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,297,800	1,437,800	1,463,800
Motor Vehicle Liability Insurance Enforcement Fund	324,300	327,600	330,000
SUBTOTAL - Other Appropriated Funds	1,622,100	1,765,400	1,793,800
SUBTOTAL - Appropriated Funds	2,781,700	3,269,900	3,119,600
TOTAL - ALL SOURCES	2,781,700	3,269,900	3,119,600

AGENCY DESCRIPTION — The department regulates the determination and representation of weight and measurement in the marketplace and also maintains 2 environmentally related gasoline inspection programs. All programs investigate consumer complaints.

Operating Budget

The budget includes \$3,119,600 and 36.4 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$1,325,800
Air Quality Fund	1,463,800
Motor Vehicle Liability Insurance Enforcement Fund	330,000

These amounts fund the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(275,000) from the General Fund in FY 2014 to eliminate one-time funding of

a replacement vehicle for testing all truck, contractor, freight, and other commercial scales.

One-Time Lab Equipment Funding

The budget includes an increase of \$86,500 from the General Fund in FY 2014 for one-time funding to replace equipment at the State Metrology Lab including humidifiers, a vibration-reduction pad, 3 scales, and 10 one-gallon test measures.

One-Time Field Equipment Funding

The budget includes an increase of \$20,900 from the Air Quality Fund in FY 2014 for one-time funding of 2 motor fuel analyzer devices used to field-test fuel samples.

^{1/} In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(13,000) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Program

Statewide Adjustments

The budget includes an increase of \$17,300 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	9,800
Air Quality Fund	5,100
Motor Vehicle Liability Insurance Enforcement Fund	2,400

(Please see the Agency Detail and Allocations section.)

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. *(Please see the Automation Projects narrative for more details.)*

CAPITAL OUTLAY

Capital Outlay Summary

	FY 2014 APPROVED
BUILDING RENEWAL	
ADOA Building System	14,637,900
ADOT Building System	3,188,200
ABOR Building System	0
SUBTOTAL	17,826,100
INDIVIDUAL PROJECTS	
ADOA Building System	42,327,200
ADOT Building System	246,696,700
ABOR Building System	0
SUBTOTAL	289,023,900
LEASE-PURCHASE PAYMENTS	
Lease-Purchase Obligations	104,568,800 ^{1/}
TOTALS	
ADOA Building System	161,533,900
ADOT Building System	249,884,900
ABOR Building System	0
TOTAL - ALL PROJECTS	411,418,800
FUND SOURCES	
General Fund	135,568,800
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	11,000,000
Department of Corrections Building Renewal Fund	13,000,000
Game and Fish Fund	547,600
Game and Fish Capital Improvement Fund	327,200
State Aviation Fund	21,311,900
State Highway Fund	228,573,000
State Lottery Fund	90,300
State Parks Revenue Fund	1,000,000
SUBTOTAL - Other Appropriated Funds	275,850,000
SUBTOTAL - Appropriated Funds	411,418,800
Other Non-Appropriated Funds	501,268,000
Federal Funds	644,486,000
TOTAL - ALL SOURCES	1,557,172,800

DESCRIPTION — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, enhance, or make a lease-purchase payment for the state's capital stock, which includes office buildings, service centers, residential treatment centers, state parks, prisons, highways, and other. For the purposes of capital management and planning, the state is divided into 3 building systems, the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. Capital appropriations are typically made through the Capital Outlay Bill, but may be made through other bills as well.

The following amounts are one-time appropriations:

is from Other Appropriated Funds. The budget consists of 3 main categories: 1) Building Renewal, 2) Individual Projects, and 3) Lease-Purchase Payments.

Capital Outlay

The budget includes a total of \$411,418,800 from Appropriated Funds in FY 2014. Of the total, \$135,568,800 is from the General Fund and \$275,850,000

^{1/} This amount was appropriated by the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1, Section 123 and Section 124). All other appropriations appear in the FY 2014 Capital Outlay Bill (Laws 2013, 1st Special Session, Chapter 8).

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review. The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by ADOA (or individual agencies within the ADOA Building System that have their own funding source for building renewal), ADOT, and ABOR.

The budget includes total funding of \$17,826,100 in FY 2014 for Building Renewal, which is from Other Appropriated Funds. These amounts include:

Arizona Department of Administration	\$9,000,000
Capital Outlay Stabilization Fund	
@ 32% (non-ADC buildings)	
Department of Corrections Building	5,000,000
Renewal Fund @ 33% (ADC-only buildings)	
Game and Fish Fund @ 100%	547,600
State Lottery Fund @ 100%	<u>90,300</u>
Subtotal - ADOA	\$14,637,900
Arizona Department of Transportation	
State Highway Fund @ 28.5%	\$ 3,000,000
State Aviation Fund @ 100%	<u>188,200</u>
Subtotal - ADOT	\$ 3,188,200

(See the individual building systems' write-ups for more information.)

Individual Projects

The budget includes a total of \$289,023,900 from Appropriated Funds in FY 2014 for individual capital projects. Of this amount, \$31,000,000 is from the General Fund for a previously enacted prison project and renovations to residential facilities at the Tucson campus of the Arizona State Schools for the Deaf and the Blind. The remaining \$258,023,900 is from Other Appropriated Funds. *(See the individual building systems' write-ups for more information.)*

Lease-Purchase Payments

The budget includes \$104,568,800 from the General Fund in FY 2014 for payments related to prior year lease-purchase agreements to resolve budget shortfalls and the state's share of the long term financing for the Phoenix Convention Center. *(See the Debt and Lease-Purchase Financing write-up for more information.)*

Capital Outlay
Arizona Department of Administration Building System

	FY 2014 APPROVED
BUILDING RENEWAL	
Department of Administration ^{1/}	9,000,000
Game and Fish Department	547,600
Arizona Lottery Commission	90,300
Department of Corrections ^{2/}	5,000,000
SUBTOTAL ^{3/}	14,637,900
INDIVIDUAL PROJECTS ^{4/}	
Department of Administration	
Capitol Mall Security System Replacement/Upgrade	2,000,000
Maximum Security Prison Beds	30,000,000
Department of Corrections	
Yuma Prison Complex - Cheyenne Unit Repairs	8,000,000
Game and Fish Department	
Black Canyon Dam Repairs	327,200
Arizona State Schools for the Deaf and the Blind	
Tucson Campus Residential Facilities Repairs	1,000,000
Arizona State Parks Board	
Capital Improvement Projects ^{5/}	1,000,000
SUBTOTAL	42,327,200
TOTAL - ALL PROJECTS	56,965,100
FUND SOURCES	
General Fund	31,000,000
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	11,000,000
Department of Corrections Building Renewal Fund	13,000,000
Game and Fish Fund	547,600
Game and Fish Capital Improvement Fund	327,200
State Lottery Fund	90,300
State Parks Revenue Fund	1,000,000
SUBTOTAL - Other Appropriated Funds	25,965,100
SUBTOTAL - Appropriated Funds	56,965,100
TOTAL - ALL SOURCES ^{6/7/8/9/}	56,965,100

DESCRIPTION — The Arizona Department of Administration (ADOA) Building System is comprised of all state agencies except the Arizona Board of Regents and the Arizona Department of Transportation. Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system.

- ^{1/} The Department of Administration shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund are insufficient to fund the appropriation to the Department of Administration for building renewal, the appropriation to the Department of Administration shall be reduced by the difference between the amount appropriated to the Department of Administration from the Capital Outlay Stabilization Fund and the balance in the Capital Outlay Stabilization Fund. (Capital Outlay Appropriation Act footnote)
- ^{2/} The State Department of Corrections shall report monthly to the Joint Legislative Budget Committee Staff on the status of the projects funded under this section. The department may not spend any of this appropriation on Personal Services or overhead expenses related to the management of the funded projects. (Capital Outlay Appropriation Act footnote)
- ^{3/} Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2014 and shall be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Of the amounts appropriated to the Department of Administration, up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall not be spent for Personal Services or Employee Related Expenditures or for maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review. Any monies appropriated for building renewal in FY 2014 that are unexpended or unencumbered on June 30, 2015 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)

Unless otherwise specified, funding for capital projects is appropriated by Laws 2013, 1st Special Session, Chapter 8 (FY 2014 Capital Outlay Bill).

Building Renewal

The budget includes \$14,637,900 from Other Appropriated Funds in FY 2014 for Building Renewal within the ADOA Building System. This amount consists of:

- \$9,000,000 from the Capital Outlay Stabilization Fund (COSF) to ADOA. This funds 32% of the non-Department of Corrections (ADC) building renewal formula. The FY 2013 budget included \$10,372,600, which represented 39% of the non-ADC formula.
- \$547,600 from the Game and Fish Fund to the Arizona Game and Fish Department to fund 100% of the building renewal formula. The FY 2013 budget included \$523,300 from the Game and Fish Fund, which also represented 100% of the agency's building renewal formula.
- \$90,300 from the State Lottery Fund to the Arizona State Lottery Commission to fund 100% of the building renewal formula. The FY 2013 budget included \$85,200 from the State Lottery Fund, which also represented 100% of the agency's building renewal formula.
- \$5,000,000 from the ADC Building Renewal Fund to ADC for ADC building renewal and preventative maintenance projects. This funds 33% of the ADC-only building renewal formula. The FY 2013 budget included \$4,630,500, which also represented 33% of the ADC-only formula.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The budget continues the footnote that allows up to \$275,000 and up to 5 FTE Positions be appropriated each year from building renewal monies to ADOA for supervision and management of building renewal projects, and a requirement that unused building renewal monies revert on June 30, 2015.

Individual Projects

Department of Administration

Capitol Mall Security System Replacement/Upgrade

The budget includes \$2,000,000 from COSF in FY 2014 for the replacement and upgrade of the security system at the State Capitol Mall. These monies are intended to address a variety of problems, including failures relating to employee badging and other security hardware.

Maximum Security Prison Beds

The budget includes \$30,000,000 from the General Fund in FY 2014 for the construction of 500 male, state-run, maximum security prison beds. These monies were originally appropriated to ADOA in the FY 2013 Capital Outlay Bill (Laws 2012, Chapter 295). The beds are scheduled to open in FY 2015. *(Please see the ADC agency narrative for more information.)*

Department of Corrections

Yuma Prison Complex - Cheyenne Unit Repairs

The budget includes \$8,000,000 from the ADC Building Renewal Fund in FY 2014 for repairs at the Cheyenne Unit at the ADC Yuma Prison Complex. These monies will be used to address significant structural problems in the unit, which has resulted in the deactivation of portions of the unit and the outsourcing of daily services to offsite areas.

Game and Fish Department

Black Canyon Dam Repairs

The budget includes \$327,200 from the Game and Fish Capital Improvement Fund in FY 2014 for repairs to the Black Canyon Dam located in Navajo County.

Arizona State Schools for the Deaf and the Blind

Tucson Campus Residential Facilities Repairs

The budget includes \$1,000,000 in one-time funding from the General Fund in FY 2014 for dormitory renovations on the Tucson campus. The monies will be used to finish renovations at an estimated cost of \$55 per square foot. Renovations will include updating bathrooms, plumbing, flooring, paint and lighting. Completion of these dorms will bring the total capacity in the remodeled dorms to 144 beds.

- 4/ Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose, and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- 5/ Laws 2013, 1st Special Session, Chapter 9 appropriates \$1,000,000 of interest income from the Budget Stabilization Fund to the State Parks Revenue Fund. The \$1,000,000 is then further appropriated from the State Parks Revenue Fund to the Arizona State Parks Board for capital improvement projects.
- 6/ Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- 7/ Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)
- 8/ The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request. (Capital Outlay Appropriation Act footnote)
- 9/ The Department of Administration may allocate FTE Positions authorized for specific projects to other projects in this act provided if the funding for the FTE Positions is cost allocated among the projects receiving benefit. The Department of Administration shall report any FTE Position reallocations to the Joint Committee on Capital Review by December 31, 2013. (Capital Outlay Appropriation Act footnote)

Arizona State Parks Board

Capital Improvement Projects

The budget includes \$1,000,000 from the State Parks Revenue Fund (SPRF) in FY 2014 for capital improvements in the State Park system. This funding is originally derived from the Budget Stabilization Fund (BSF), as the FY 2014 Revenue Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 9) appropriates \$1,000,000 from BSF interest income to the State Parks Revenue Fund in FY 2014. Chapter 9 further appropriates the \$1,000,000 from the SPRF to the Arizona State Parks Board.

Additional Legislation

COSF Rental Rate Change & Payment Adjustments

The budget includes \$67,800 net General Fund changes in all lease-purchase and rental charges. In total funds, the net increase is \$1,004,300. The lease-purchase and rent changes include the following adjustments:

	<u>General Fund</u>	<u>Total Funds</u>
• Lease-Purchase	\$ 1,100	\$ 6,800
• PLTO	66,700	299,300
• Rental Rate Reduction/ Square Footage Change	<u>0</u>	<u>698,200</u>
	\$67,800	\$1,004,300

Lease-Purchase

In FY 2014, lease-purchase payments will increase by \$6,800, of which \$1,100 is from the General Fund and \$5,700 from Other Appropriated Funds.

Privatized-Lease-to-Own (PLTO)

Privatized lease-to-own payments will increase by \$299,300, of which \$66,700 is from the General Fund, \$203,500 from Other Appropriated Funds.

Rental Rate Reduction/Square Footage Change

FY 2014 adjustments for the reduction in the state rental rate and the updated definition of square footage total \$698,200, of which \$504,400 is from Other Appropriated Funds. This adjustment has no net General Fund impact.

The FY 2013 Budget Procedures BRB (Laws 2012, Chapter 296) included a legislative intent statement that the rental rates would be converted from usable square feet to rentable square feet in FY 2014, if there is no General Fund impact. Other Fund and non-appropriated sources may increase or decrease over FY 2013 COSF rent payments.

ADOA classifies usable square feet as the net work area of an agency. Rentable area incorporates more square feet as it includes net work area plus shared common space in the building, such as hallways or lobbies. As a result of the larger amount of square feet in the FY 2014 office space rent calculation, the rentable rate can be adjusted

downward and still generate a comparable amount of COSF revenues.

The FY 2014 budget decreases the office space rate from \$13.82/square foot to \$13.08/square foot and the storage space rate is reduced from \$5.01/square foot to \$4.74/square foot. These revised levels would generate FY 2014 COSF collections of \$28,673,600. This amount is an increase of \$698,200 over the FY 2013 amount, but reflects no net General Fund impact.

The additional \$698,200 in revenue would come from \$504,400 in Other Appropriated Funds and \$193,800 in non-appropriated funds. *(Please see the FY 2014 Change in Lease-Purchase and Rent Payments – Detail by Agency table for additional information.)*

FY 2014 Change in Lease-Purchase and Rent Payments - Detail by Agency

Agency	Lease-Purchase 1/				PLTO 1/				Rent				Total Adjustments			
	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total
Accountancy, State Board of					0	5,100	0	5,100	0				0	5,100	0	5,100
Acupuncture Board of Examiners									0	900	0	900	0	900	0	900
Administration, AZ Dept. of	(100)	0	0	(100)	19,000	49,000	5,100	73,100	(107,200)	55,800	(3,500)	(54,900)	(88,300)	104,800	1,600	18,100
Administrative Hearings, Office of									12,200	(1,000)	22,600	33,800	12,200	(1,000)	22,600	33,800
Agriculture, AZ Dept. of									16,000	0	4,300	20,300	16,000	0	4,300	20,300
AZ Health Care Cost Containment System									(400)	0	(400)	(800)	(400)	0	(400)	(800)
Appraisal, State Board of									0	9,200	0	9,200	0	9,200	0	9,200
Arts, AZ Commission on the									0	0	(8,300)	(8,300)	0	0	(8,300)	(8,300)
Attorney General - Dept. of Law									(27,200)	(600)	15,700	(12,100)	(27,200)	(600)	15,700	(12,100)
Automobile Theft Authority									0	7,200	0	7,200	0	7,200	0	7,200
Barbers, Board of									0	2,600	0	2,600	0	2,600	0	2,600
Charter Schools, State Board for									47,300	0	0	47,300	47,300	0	0	47,300
Citizens Clean Election Commission									0	0	(1,600)	(1,600)	0	0	(1,600)	(1,600)
Contractors, Registrar of									0	(21,400)	0	(21,400)	0	(21,400)	0	(21,400)
Corporation Commission									(700)	107,400	(400)	106,300	(700)	107,400	(400)	106,300
Corrections, Arizona Department of	1,700	0	0	1,700					261,000	0	0	261,000	262,700	0	0	262,700
Criminal Justice Commission, Arizona					0	300	3,900	4,200					0	300	3,900	4,200
Deaf and Hard of Hearing, Commission for the					0	6,300	0	6,300					0			
Economic Security, Dept. of									0	(19,500)	0	(19,500)	0	(13,200)	0	(13,200)
Education, Dept. of									(134,000)	(48,100)	42,800	(139,300)	(134,000)	(48,100)	42,800	(139,300)
Environmental Quality, Department of					0	91,600	0	91,600	13,600	4,700	28,500	46,800	13,600	4,700	28,500	46,800
Environmental Quality, Department of - WIFA					0	0	2,500	2,500	0	(10,400)	0	(10,400)	0	81,200	0	81,200
Equal Opportunity, Governor's Office of													0	0	2,500	2,500
Equalization, State Board of					2,100	0	0	2,100	(1,000)	0	0	(1,000)	(1,000)	0	0	(1,000)
Executive Clemency, State Board of									200	0	0	200	2,300	0	0	2,300
Financial Institutions, Dept. of									10,300	0	0	10,300	10,300	0	0	10,300
Fire, Building and Life Safety, Dept. of									15,500	3,100	0	18,600	15,500	3,100	0	18,600
Funeral Directors & Embalmers, State Board of					3,400	0	1,200	4,600	(10,300)	0	(6,300)	(16,600)	(6,900)	0	(5,100)	(12,000)
Forester, State									0	3,100	0	3,100	0	3,100	0	3,100
Gaming, Dept. of					2,600	0	0	2,600					2,600	0	0	2,600
Geological Survey, AZ					0	14,000	0	14,000	0	(1,600)	0	(1,600)	0	12,400	0	12,400
Governor, Office of the									58,100	0	0	58,100	58,100	0	0	58,100
Gov's Ofc. Of Strategic Planning & Budgeting									93,300	0	22,700	116,000	93,300	0	22,700	116,000
Health Services, Dept. of	(500)	5,700	0	5,200	38,800	25,900	0	64,700	43,900	0	0	43,900	43,900	0	0	43,900
Historical Society, AZ									109,100	397,400	0	506,500	147,400	429,000	0	576,400
Homeland Security, AZ Dept. of									15,800	0	0	15,800	15,800	0	0	15,800
Homeopathic & Integ. Med. Exam., State Board of									0	0	32,800	32,800	0	0	32,800	32,800
Housing, Dept. of									0	1,100	0	1,100	0	1,100	0	1,100
Independent Redistricting Commission					0	700	10,700	11,400					0	700	10,700	11,400
Indian Affairs, AZ Commission of									(500)	0	0	(500)	(500)	0	0	(500)
Insurance, Dept. of									2,100	0	0	2,100	2,100	0	0	2,100
Judiciary - Court of Appeals					0	0	1,300	1,300	36,000	0	11,900	47,900	36,000	0	13,200	49,200
Judiciary - Supreme Court									(40,700)	0	0	(40,700)	(40,700)	0	0	(40,700)
Juvenile Corrections, Dept. of									(170,400)	0	0	(170,400)	(170,400)	0	0	(170,400)
Land Dept., State									(292,500)	0	0	(292,500)	(292,500)	0	0	(292,500)
Legislature - Auditor General									0	(82,800)	0	(82,800)	0	(82,800)	0	(82,800)
Liquor Licenses & Control, Dept. of									92,700	0	0	92,700	92,700	0	0	92,700
Massage Therapy, Board of									0	(2,300)	0	(2,300)	0	(2,300)	0	(2,300)
Medical Board, AZ									0	28,500	0	28,500	0	28,500	0	28,500
Mine Inspector, State									0	(11,200)	0	(11,200)	0	(11,200)	0	(11,200)
Naturopathic Physicians Medical Board									20,800	0	0	20,800	20,800	0	0	20,800
Navigable Stream Adj. Commission, AZ									0	(18,600)	0	(18,600)	0	(18,600)	0	(18,600)
Nursing Care Inst. Admin. & Asst. Living Fac. Mgrs.					(600)	0	0	(600)					(600)	0	0	(600)
Opticians, State Board of Dispensing									0	6,600	0	6,600	0	6,600	0	6,600
Optometry, State Board of									0	1,200	0	1,200	0	1,200	0	1,200
Osteopathic Examiners, AZ Board of									0	1,900	0	1,900	0	1,900	0	1,900
Parks Board, AZ State									0	500	0	500	0	500	0	500
Personnel Board									0	8,000	23,000	31,000	0	8,000	23,000	31,000
Pest Management, Office of									0	4,500	0	4,500	0	4,500	0	4,500
Pharmacy, AZ State Board of									0	1,400	0	1,400	0	1,400	0	1,400
									0	32,200	0	32,200	0	32,200	0	32,200

Agency	Lease-Purchase 1/				PLTO 1/				Rent				Total Adjustments			
	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total
Podiatry Examiners, State Board of									0	900	0	900	0	900	0	900
Private Postsecondary Ed., State Board for									0	2,500	600	3,100	0	2,500	600	3,100
Psychologist Examiners, State Board of									0	3,400	0	3,400	0	3,400	0	3,400
Public Safety, Dept. of									21,200	5,600	5,800	32,600	21,200	5,600	5,800	32,600
Racing, AZ Dept. of					0	3,500	0	3,500					0	3,500	0	3,500
Real Estate Dept., State									21,000	0	0	21,000	21,000	0	0	21,000
Residential Utility Consumer Office					0	2,800	0	2,800					0	2,800	0	2,800
Respiratory Care Examiners, Board of									0	4,400	0	4,400	0	4,400	0	4,400
Revenue, Dept. of									(44,200)	(22,900)	0	(67,100)	(44,200)	(22,900)	0	(67,100)
Rio Nuevo Board									0	0	(1,300)	(1,300)	0	0	(1,300)	(1,300)
School Facilities Board									11,800	0	4,900	16,700	11,800	0	4,900	16,700
Secretary of State - Dept. of State									(72,200)	0	0	(72,200)	(72,200)	0	0	(72,200)
State Boards' Office									0	12,800	0	12,800	0	12,800	0	12,800
Tax Appeals, State Board of					800	0	0	800					800	0	0	800
Technical Registration, State Board of					0	4,300	0	4,300					0	4,300	0	4,300
Tourism, Office of					0	0	4,400	4,400					0	0	4,400	4,400
Transportation, Dept. of									0	14,000	0	14,000	0	14,000	0	14,000
Treasurer, State									0	21,700	0	21,700	0	21,700	0	21,700
Veterinary Med. Examining Board, AZ State									0	2,200	0	2,200	0	2,200	0	2,200
TOTAL	\$1,100	\$5,700	\$0	\$6,800	\$66,700	\$203,500	\$29,100	\$299,300	\$0	\$504,400	\$193,800	\$698,200	\$67,800	\$713,600	\$222,900	\$1,004,300

1/ Under a traditional lease-purchase agreement, the state issues certificates of participation (COPs) to generate proceeds to finance capital projects. Subject to annual legislative and continuing appropriations, the state pays off the lease-purchase over a period of time. Under a privatized lease-to-own (PLTO) agreement, a private entity constructs a building and leases it to the state. At the end of the term, the state takes possession of the building.

Capital Outlay
Arizona Department of Transportation Building System

FY 2014
APPROVED

BUILDING RENEWAL

ADOT Building Renewal ^{1/}	3,188,200
SUBTOTAL	3,188,200

INDIVIDUAL PROJECTS ^{2/}

De-Icer Buildings ^{3/}	2,280,000
Vehicle Wash Systems ^{4/}	3,000,000
Airport Planning and Development ^{5/}	21,123,700
Statewide Highway Construction ^{6/7/}	220,293,000
SUBTOTAL	246,696,700

TOTAL - ALL PROJECTS ^{8/9/10/11/}	249,884,900
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FUND SOURCES

Other Appropriated Funds

State Aviation Fund	21,311,900
State Highway Fund	228,573,000
SUBTOTAL - Other Appropriated Funds	249,884,900
SUBTOTAL - Appropriated Funds	249,884,900

Other Non-Appropriated Funds	501,268,000
Federal Funds	644,486,000
TOTAL - ALL SOURCES	1,395,638,900

DESCRIPTION — The Arizona Department of Transportation (ADOT) Building System includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission.

- ^{1/} Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2014 and shall be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Of the amounts appropriated to the Department of Administration, up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall not be spent for Personal Services or Employee Related Expenditures or for maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review. Any monies appropriated for building renewal in FY 2014 that are unexpended or unencumbered on June 30, 2015 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- ^{2/} Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- ^{3/} The amount is appropriated from the State Highway Fund for 6 de-icer buildings. (Capital Outlay Appropriation Act footnote)
- ^{4/} The amount is appropriated from the State Highway Fund for 6 vehicle wash systems. (Capital Outlay Appropriation Act footnote)
- ^{5/} The amount is appropriated from the State Aviation Fund for the planning, construction, development and improvement of state, county, city or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- ^{6/} The amount appropriated for highway construction is from the State Highway Fund for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- ^{7/} The Department of Transportation and the General Accounting Office shall report on or before November 1, 2013 to the Joint Committee on Capital Review on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. Before submitting the report, the Department of Transportation and the General Accounting Office shall provide the report format to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting for their review. (Capital Outlay Appropriation Act footnote)
- ^{8/} Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)

Unless otherwise specified, funding for capital projects is appropriated by Laws 2013, 1st Special Session, Chapter 8 (FY 2014 Capital Outlay Bill).

Building Renewal

The budget includes \$3,188,200 in FY 2014 for Building Renewal within ADOT's Building System. This amount consists of \$3,000,000 from the State Highway Fund (SHF) and \$188,200 from the State Aviation Fund. The SHF amount is for the ADOT Building System and the State Aviation amount is for the Grand Canyon Airport.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The formula is based on the square footage and replacement cost of existing buildings. The amounts represent 28.5% funding of the revised highways building renewal formula and 100% funding of the aviation building renewal formula.

Individual Projects

De-Icer Buildings

The budget includes \$2,280,000 from SHF in FY 2014 for ADOT to construct 6 new buildings that will house de-icer chemicals, bulk sand, and cinders, used during winter months to de-ice highways after the snow has been plowed. They will be located at Alpine, Fort Rock, Oak Creek, Payson, Safford, and St. Johns and will replace existing deteriorated facilities and outside storage. These facilities will help ADOT incorporate environmental enhancements requested by the Arizona Department of Administration, Risk Management Division, minimizing the potential for environmental incidents. Each de-icer building will cost an estimated \$380,000.

Vehicle Wash Systems

The budget includes \$3,000,000 from SHF in FY 2014 for ADOT to construct new vehicle wash systems at 6 highway maintenance sites statewide, including Cordes Junction, Fredonia, Ganado, Globe, Kayenta, and Springerville. Each vehicle wash system costs \$500,000. A wash system includes a 1,200 square foot metal building, a rack frame for handling de-icer material spreaders, and equipment to contain contaminants such as road tar, lubricants and de-icer salts. The wash systems will help ADOT meet wastewater environmental regulations to protect surface and ground water. ADOT

plans to construct additional new vehicle wash systems in future years.

Airport Planning and Development

The budget includes \$21,123,700 from the State Aviation Fund in FY 2014 for ADOT's airport construction program. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of the Grand Canyon Airport. A footnote in the FY 2014 Capital Outlay Bill appropriates any additional monies in SAF above the appropriation to ADOT for aviation construction. (*Please see Footnote 5.*)

Statewide Highway Construction

The budget includes \$220,293,000 from SHF in FY 2014 for controlled access, debt service on bonds, and new construction. A footnote in the FY 2014 Capital Outlay Bill appropriates any additional monies in SHF above the appropriation to ADOT for highway construction. (*Please see Footnote 6.*)

Controlled Access Highways

The budget includes an estimated urban freeway controlled access funding level of \$84,259,000 from SHF in FY 2014. Please see *Table 6* for the HURF distribution analysis, which shows that after implementing statewide adjustments \$84,312,000 of net SHF monies will be available for controlled access in FY 2014 rather than \$84,259,000. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

Debt Service

The budget includes \$116,426,000 from SHF in FY 2014 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,600,620,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2014 debt service payments. (*See Table 3 for more information on debt service.*)

New Construction

The budget includes \$19,608,000 from SHF in FY 2014 for highway construction. Highway construction monies represent the amount that is available for the discretionary SHF to fund the State Transportation Board's 5-year plan after all other allocations have been made. Please see

^{9/} Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)

^{10/} On or before November 1, 2013, the Department of Transportation shall report the department's estimated outstanding debt principal balance at the end of FY 2015 and the estimated debt service payment amount for FY 2015 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. This report shall include State Highway Fund statewide construction bonds, Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds, Maricopa Regional Area Road Fund bonds and Grant Anticipation Notes and is intended to be comparable to the information in the *FY 2014 Appropriations Report*. (Capital Outlay Appropriation Act footnote)

^{11/} On or before November 1, 2013, the Department of Transportation shall report capital outlay information for FY 2013, FY 2014 and FY 2015 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. This information shall appear in the same format as tables 2, 3, 4 and 6, as found in the *FY 2013 Appropriations Report*. (Capital Outlay Appropriation Act footnote)

Table 6 for the HURF distribution analysis, which shows that after implementing statewide adjustments \$8,805,000 of net SHF monies will be available for statewide highway construction in FY 2014 rather than \$19,608,000. (Please see the *Summary of Highway Construction* section and Table 6 for additional information.)

Table 1 shows the allocation of the budget related to highway construction.

Table 1

FY 2014 Highway Construction & Debt Service

	<u>Capital Outlay Bill</u>
Controlled Access	\$ 84,259,000
Debt Service	116,426,000
Highway Construction	19,608,000
Total	\$220,293,000

As noted in the HURF distribution table (please see Table 6), an additional amount of \$253,800,000 from unspent FY 2013 State Highway Fund monies and the Statewide Transportation Acceleration Needs Account (STAN) will also be available in FY 2014.

Summary of Non-Appropriated Capital Funds

Table 2 provides a summary of non-appropriated capital fund expenditures. For further background information regarding the funds, please see the ADOT Summary of Funds in the ADOT operating budget section of the *FY 2014 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 2.

Table 2

**Non-Appropriated Capital Fund Expenditures
(\$ in Thousands)**

	<u>FY 2012 Actual</u>	<u>FY 2013 Estimate</u>	<u>FY 2014 Estimate</u>
Aviation Federal Funds	\$ 564	\$ 978	\$ 1,000
Federal Grants	623,000	643,486	643,486
Subtotal - Federal Funds	\$623,564	\$ 644,464	\$ 644,486
Economic Strength Project Fund	\$ 1,000	\$ 1,000	\$ 1,000
Local Agency Deposits Fund	94,210	100,000	100,000
Maricopa Regional Area Road Fund	234,830	470,066	400,268
Subtotal - Other Non-Appropriated Funds	\$330,040	\$ 571,066	\$ 501,268
Total	\$953,604	\$1,215,530	\$1,145,754

Summary of Highway Construction

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the Board on June 15, 2012 includes monies from SHF, Federal Funds, the Maricopa Regional Area Road Fund, HURF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board in 2012 totals \$1,195,947,000 for FY 2014, including \$879,574,000 for construction and maintenance projects scheduled to begin in FY 2014, and \$316,373,000 for debt service. The board adopted a new 5-year plan in June 2013, but this new plan's updated financial information was not received in time to be reflected in these figures. (Please see Table 3 for additional details.)

Total Highway Construction Funding

Only a small portion of the state's total highway construction funding is appropriated. Table 4 summarizes all estimated revenues and expenditures for FY 2014, on a cash flow basis as provided by ADOT. Table 3, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it shows the total dollar cost of highway projects scheduled to begin in FY 2014.

Of the revenue amounts in Table 4, only the Statewide Highway Construction, Controlled Access Highways, and Debt Service amounts are appropriated. Of the expenditure amounts, only a portion of the Debt Service is appropriated.

Table 3

**Highway Construction Projects Beginning in FY 2014
and Debt Service Payments
(\$ in Thousands)**

	<u>FY 2014 ^{1/}</u>
Construction	\$ 141,810
Urban Controlled Access ^{2/}	413,044
Pavement Preservation Maintenance	256,513
Other ^{3/}	68,207
Debt Service ^{4/}	316,373
Total	\$1,195,947

^{1/} Data from ADOT's 2013-2017 5-Year Transportation Facilities Construction Program.

^{2/} Includes expenditures from HURF for controlled access and from the Maricopa Regional Area Road Fund.

^{3/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

^{4/} Information provided by the department. Includes \$116,426,000 for SHF statewide construction bonds; \$33,572,000 for HURF, MAG, and PAG controlled access bonds; \$103,588,000 for Maricopa Regional Area Road Fund Bonds; and \$62,787,000 for Grant Anticipation Notes as of June 30, 2012.

Table 4
Estimated Highway Construction - Cash Basis
(\$ in Thousands)

Balance Forward ^{1/}	FY 2014 \$ 472,426
Revenues	
Appropriated Statewide Highway Construction	\$ 19,608
Appropriated Controlled Access Highways (MAG & PAG)	85,400
Appropriated Debt Service	116,426
½ Cent Sales Tax	202,900
Federal Aid	921,226
Maricopa Regional Area Road Fund Bond Proceeds ^{2/}	0
Miscellaneous Income/Expenses ^{3/}	(4,079)
Subtotal - Revenues	<u>\$1,341,481</u>
Total Funds Available for Construction	\$1,813,907
Debt Service Expenditures	
Appropriated Debt Service	\$ 116,426
Other Debt Service (All Other) ^{4/}	199,947
Subtotal - Debt Service	<u>\$ 316,373</u>
Planned Construction Expenditures	
Statewide Highway Construction (including PAG)	\$ 746,880
Controlled Access Highways (MAG)	529,405
Subtotal - Construction Expenditures	<u>\$1,276,285</u>
Total Planned Expenditures	\$1,592,658
Balance Forward	\$ 221,249

^{1/} Includes unexpended bond proceeds for bonds issued in prior years.

^{2/} Proceeds reflect a cash expenditure basis.

^{3/} Includes all MAG and Statewide program miscellaneous revenues and expenses, including inflation discount factors, construction operating budget reimbursements, interest income, third party billings and paybacks, Regional Public Transportation Authority payments, and Motor Vehicle program fees retainage.

^{4/} See footnote 4 on *Table 3* for a breakdown of the Other Debt Service payments.

Total FY 2012 HURF collections of \$1,210,586,000 were 0.5% above FY 2011. The budget assumes a 0.6% increase in total HURF revenue collections in FY 2013 followed by a 1.0% increase in FY 2014. Total FY 2013 HURF collections were essentially the same as FY 2012.

The increase in HURF collections in FY 2012 was due to growth in all major HURF revenue categories with the exception of VLT and the gas tax. VLT revenue decreased (0.3)% from FY 2011 because individuals are keeping their vehicles longer. Gas tax collections also declined (0.3)% over the prior fiscal year, while registration revenues increased 1.3%. Increased commercial trucking led to growth in the use fuel tax (diesel) and the motor carrier fee in FY 2012.

Table 5
Percentage Distribution of HURF Monies

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	<u>42.8%</u>
Total	100.0%

^{1/} A.R.S. § 28-6538 distributes 50.5% of HURF monies to SHF, with 12.6% of the monies distributed to SHF being allocated to controlled access highways in Maricopa and Pima Counties. The State Transportation Board adds 2.6% by Board Policy to the statutory 12.6%, making a total of 15.2% of SHF monies set aside for controlled access highways (50.5% of 15.2% = 7.7%). The controlled access monies are divided: 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

Highway User Revenue Fund Analysis

HURF consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax (VLT), vehicle registration, driver's license, and others. *Table 5* explains the formula distribution of HURF monies between state and local governments. *Table 6* presents the overall HURF distribution for FY 2012 through FY 2014. The line in *Table 6* showing Net SHF Available for Statewide Highway Construction, which totals \$8,805,000 for FY 2014, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, and Miscellaneous Funds available for construction. The line represents the amount that is available from the discretionary SHF to fund the State Transportation Board's 5-Year Plan.

Table 6

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
Total HURF Collections	\$1,210,586	\$1,217,850	\$1,230,028
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program ^{2/}	662	645	652
MVD Operating Budget ^{3/}	88,691	0	0
Dept. of Public Safety Transfer from HURF ^{4/}	<u>123,211</u>	<u>119,965</u>	<u>119,247</u>
Net HURF Collections	997,022	1,096,240	1,109,129
Less: Cities ^{5/}	304,092	334,353	338,284
Counties ^{5/}	189,434	208,286	210,735
VLT Transfer to General Fund ^{6/}	105,822	0	0
VLT Transfer to Parity Compensation Fund ^{7/}	2,396	2,467	2,528
VLT Transfer to General Fund (5-Year VLT) ^{8/}	1,234	1,200	1,200
VLT Transfer to General Fund (Abandoned Vehicle) ^{9/}	2,126	1,700	1,700
Distribution to 10 Least Populated Counties ^{10/}	4,090	0	0
Controlled Access ^{11/}	<u>58,950</u>	<u>83,332</u>	<u>84,312</u>
Net SHF (Discretionary)	328,878	464,902	470,370
Plus: Other Income ^{12/}	29,949	26,302	26,371
Less: Operating Budget ^{13/}	242,048	330,114	337,323
Dept of Public Safety Transfer from Highway Fund ^{14/}	0	6,780	6,744
Operating Carryovers, Adjustments and Transfers ^{15/}	5	5	5
Capital Outlay and Building Renewal	1,000	1,000	8,280
Motor Vehicle Third Party Payments ^{16/}	18,667	18,695	19,158
Debt Service ^{17/}	<u>110,675</u>	<u>109,306</u>	<u>116,426</u>
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{18/}	(13,568)	25,304	8,805
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	185,400	196,340	216,000
STAN Account Beginning Balance	<u>38,341</u>	<u>37,995</u>	<u>37,800</u>
Total SHF Available for Statewide Highway Construction	\$ 210,173	\$ 259,639	\$ 262,605

^{1/} Provides monies for economic strength highway projects recommended by the Commerce Authority and approved by the State Transportation Board.

^{2/} The FY 2012 General Appropriation Act amount included funding changes for statewide adjustments and an additional pay period for the Registration Compliance Program. The FY 2013 General Appropriation Act amount of \$644,800 discontinues the additional pay period funding, but it includes \$800 for statewide adjustments and \$19,200 for the retention payment. The FY 2014 General Appropriation Act amount of \$651,500 includes \$(400) for statewide adjustments and \$26,300 for the retention payment.

^{3/} The FY 2012 General Appropriation Act shifted the funding for the Motor Vehicle Division (MVD) from SHF to HURF. The FY 2012 appropriation for MVD included funding changes for statewide adjustments and an additional pay period. The FY 2013 General Appropriation Act shifted the funding for MVD back to SHF.

^{4/} The FY 2012 General Appropriation Act adjusted the amount transferred to the Department of Public Safety (DPS) from HURF to \$123,210,600. This amount includes \$(775,900) in statewide adjustments and \$3,249,600 for an additional pay period, which was discontinued in FY 2013. The FY 2013 General Appropriation Act amount of \$119,965,000 continued the FY 2012 statewide adjustments, and it includes \$4,000 for the retention payment. The FY 2014 General Appropriation Act amount of \$119,247,100 includes \$719,800 for statewide adjustments and \$5,900 for the retention payment.

^{5/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

^{6/} In FY 2012, the \$105,821,700 VLT transfer consisted of: a \$28,000,000 FRAT, a Highway Patrol Vehicle Replacement HURF transfer to DPS of \$6,780,000, an \$8,390,600 VLT transfer, a \$448,000 SETIF transfer to the General Fund, \$23,588,500 in DPS funding shift savings, and \$38,614,600 in MVD funding shift savings. The FY 2013 General Appropriation Act and the FY 2014 budget discontinue these VLT transfers to the General Fund.

^{7/} Laws 2005, Chapter 306 transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

^{8/} Laws 2010, 7th Special Session, Chapter 12 and Laws 2011, Chapter 28 transfers SHF share of the HURF VLT to the state General Fund that is generated from the difference between a 2-year registration and a 5-year registration.

^{9/} Laws 2010, 7th Special Session, Chapter 12 and Laws 2011, Chapter 28 also transfers SHF share of the HURF VLT to the state General Fund that is equal to 90% of the fees collected under A.R.S. § 28-4801A and 60% of the fees collected under A.R.S. § 28-4802B to the state General Fund.

^{10/} Laws 2011, Chapter 28 requires ADOT to transfer \$4,090,000 from SHF in FY 2012 to the 10 least populated counties to hold them harmless from the MVD funding shift. The FY 2013 General Appropriation Act and the FY 2014 budget discontinue this transfer.

^{11/} A statutorily defined distribution of SHF monies for design, acquisition and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

^{12/} Includes interest and rental income, transfers from the Public Roads Fund, revenue from 4 formerly non-appropriated funds, and miscellaneous sales and other income. In FY 2012 only, this amount includes \$28,838,000 in miscellaneous revenue, \$448,000 in transfers from SETIF to SHF, and \$663,000 for the Registration Compliance Program. The FY 2013 General Appropriation Act discontinued the \$448,000 transfer from SETIF to SHF, but the FY 2013 estimate of \$26,301,600 includes \$25,676,000 in miscellaneous revenue and \$625,600 for the Registration Compliance program. The FY 2014 budget amount of \$26,370,500 includes \$25,719,000 in miscellaneous revenue and \$651,500 for the Registration Compliance program.

^{13/} In FY 2012, the operating budget included funding changes for statewide adjustments and an additional pay period; it also excluded MVD, which was funded from HURF. The FY 2013 General Appropriation Act amount of \$330,114,400 includes \$413,800 in statewide adjustments, \$3,950,800 for the retention payment, and MVD. The FY 2014 General Appropriation Act amount of \$337,323,200 includes \$(295,400) in statewide adjustments, \$5,410,800 for the retention payment, and MVD.

^{14/} The FY 2014 General Appropriation Act amount of \$6,743,800 includes \$(36,200) in statewide adjustments.

^{15/} Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

^{16/} Statutory payments to third parties from VLT collected by third parties.

^{17/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

^{18/} Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction. Since SHF cannot literally run a deficit, this balance will be offset by other SHF adjustments listed below.

Capital Outlay

Arizona Board of Regents Building System

FY 2014
APPROVED

BUILDING RENEWAL

Arizona Board of Regents

TOTAL

0
0

FUND SOURCES

General Fund

TOTAL - ALL SOURCES

0
0

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review (JCCR). The formula takes into account the replacement value, age, and life cycle of a building. The ABOR formula, however, has not been funded in recent years and is not included in the FY 2014 budget.

Lease-Purchase Projects

In FY 2014, ABOR is projected to have \$799,536,000 in outstanding lease-purchase balances, with an overall debt service payment of \$82,525,100. The General Fund share of the debt service is \$34,065,300. (*See Capital Outlay - Debt and Lease-Purchase Financing for more information.*)

Bonding

In FY 2014, ABOR is projected to have \$2,186,477,500 in outstanding bond balances, including both system revenue and Lottery bonds. The projected debt service is \$184,903,300. (*See Capital Outlay - Debt and Lease-Purchase Financing for more information.*)

University Lottery Bonds

Laws 2008, Chapter 287 as amended by Laws 2009, 1st Special Session, Chapter 6 and Laws 2009, 3rd Special Session, Chapter 9 authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay facilities. The bonds are to be paid with 80% Lottery monies and 20% university system revenues.

Of the \$800,000,000, not more than \$167,671,200 could be issued in FY 2009 and not more than \$400,000,000 in FY 2010. ABOR is required to allocate \$376,000,000 of the \$800,000,000 for the Phoenix Biomedical Campus. ABOR also decided to allocate \$16,000,000 to Arizona State University's (ASU) School of Construction. With the Phoenix Biomedical Campus and School of Construction set-asides, \$408,000,000 remained to be

allocated. ABOR then split this amount evenly to each of the 3 universities (\$136,000,000 each) for building renewal, deferred maintenance, and new construction projects.

\$408,000,000 Allocation

In terms of the \$408,000,000 allocation, JCCR favorably reviewed \$167,700,000 for building renewal bond projects in November 2008 and February 2009, which were issued in April, June, and August 2010, as well as in May 2011. To date, \$163,430,000 of the favorably reviewed \$167,700,000 has been issued. In September 2011, the Committee favorably reviewed \$32,388,000 for ASU building renewal projects, of which \$30,915,000 was issued in November 2011. In October and December 2012, the Committee favorably reviewed \$38,000,000 for ASU building renewal projects, of which \$35,000,000 was issued in January 2013, with the remaining \$3,000,000 to be issued in fall 2013. Additionally, the Committee favorably reviewed \$66,500,000 for the University of Arizona (UA) new construction projects in December 2012, which was issued in April 2013.

As a result of these actions, \$304,573,000 of the \$408,000,000 has been favorably reviewed by JCCR. The entire \$304,573,000 has been issued.

Phoenix Biomedical Campus

The Committee also favorably reviewed \$172,940,000 for Phase I of the Phoenix Biomedical Campus in March 2010, which represents a portion of the \$376,000,000 requirement and was to be a collaboration between the 3 universities. Subsequent to the March 2010 JCCR meeting, ASU withdrew its partnership altogether from the Phoenix Biomedical Campus. As a result, ASU's \$43,235,000 portion of the \$172,940,000 will not be issued. UA issued \$122,245,000 in June 2010. Northern Arizona University (NAU) planned to issue \$7,685,000 in late spring 2011 but decided in March 2011 to pay for its \$7,685,000 portion in cash. If any of the ASU and NAU portions are not being spent for their originally reviewed

purposes, the new uses of those monies would need further JCCR review before issuance.

All of the NAU and UA bonds and 73% of the ASU bonds that were issued prior to December 2010 were issued as Build America Bonds (BABs). BABs, which expired December 2010, were taxable bonds which entitled the issuing entity to a 35% interest subsidy from the federal government. This left the issuing entity paying the remaining 65% of interest costs, together with principal, associated with the lease-purchase agreement.

School of Construction

The Committee also favorably reviewed \$16,000,000 for the ASU School of Construction in October 2012, which represents the total \$16,000,000 allocation for that portion of bonding authority. The entire \$16,000,000 was issued in April 2013.

Summary

Between the Phoenix Biomedical Campus, the ASU School of Construction and other projects, \$442,818,000 of the Chapter 287 authority has been reviewed (*see Table 1*). At this time, a total of \$357,182,000 in remaining authority is available for university lottery bonding projects, including \$253,755,000 for Phoenix Biomedical Campus expansion. (*See Table 1 for the statutory distribution amounts, the reviewed and planned issuances, and the remaining bonding authority by university.*)

Under Chapter 287, the annual debt service payments were designed to be paid from the University Capital Improvement Lease-to-Own and Bond (UCI) Fund and would be comprised of up to 80% Lottery revenues and at least 20% state university system revenues, as required by Chapter 287. The \$442,818,000 of reviewed issuances will result in a total debt service payment of \$23,164,000 in FY 2014.

After all Lottery revenue beneficiaries receive their statutory distributions, the UCI Fund receives its distribution before any remaining monies are deposited to the General Fund. The Joint Legislative Budget Committee (JLBC) Staff estimates that the UCI Fund could receive as much as \$34,220,900 in FY 2014. Since the maximum 80% Lottery portion of the debt service is expected to be only \$18,531,200 in FY 2014, the remaining \$15,689,700 will be deposited to the General Fund. The 20% share of the university payment, which will be paid for with university system revenues, is \$4,632,800 in FY 2014.

Chapter 287 also provided that the monies distributed from the UCI Fund would be exempt from the university debt limit calculations. However, each university is required to submit their debt limit calculations with and without this bonding package as part of their annual Capital Improvement Plans.

Table 2 shows the current projections for UCI Fund revenues and a summary of the payment schedule for the Phoenix Biomedical Campus, ASU School of Construction and building renewal projects if the maximum of 80% of the debt service was paid from Lottery funds.

The FY 2014 Higher Education Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 7) requires that ABOR report projected outstanding lease-purchase and bond balances for the upcoming budget year to the JLBC Staff and the Governor's Office of Strategic Planning and Budgeting by November 1 of the current year.

Table 1

University Issuances

<u>Purpose</u>	<u>University</u>	<u>Statutory Distribution</u>	<u>Reviewed Issuance</u>	<u>Remaining Authority</u>	<u>Planned Issuance</u> ^{2/}	<u>Total Issuance</u>
Phoenix Biomedical Campus	UA	\$376,000,000	\$122,245,000 ^{1/}	\$253,755,000	\$ 9,800,000	\$132,045,000
ASU's School of Construction	ASU	\$ 16,000,000	\$ 16,000,000	\$ 0	\$ 0	\$ 16,000,000
Building Renewal/ New Construction	ASU	\$136,000,000	\$104,388,000	\$ 31,612,000	\$ 0	\$104,388,000
	NAU	136,000,000	64,785,000	71,215,000	71,215,000	136,000,000
	UA	<u>136,000,000</u>	<u>135,400,000</u>	<u>600,000</u>	<u>0</u>	<u>135,400,000</u>
<i>Subtotal</i>		<i>\$408,000,000</i>	<i>\$304,573,000</i>	<i>\$103,427,000</i>	<i>\$71,215,000</i>	<i>\$375,788,000</i>
TOTAL		\$800,000,000	\$442,818,000	\$357,182,000	\$81,015,000	\$523,833,000

^{1/} Represents actual issuance amount. At its March 2010 meeting, JCCR only reviewed a UA issuance amount of \$121,126,000.

^{2/} Planned issuance by end of FY 2014.

Table 2

University Lottery Bonding Projects ^{1/}

		<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Projected Lottery Revenue to UCI Fund ^{2/}		\$18,446,900	\$24,862,000	\$34,220,900	\$43,312,500	\$52,858,700
Building Renewal Projects						
Lottery Debt Service	80%	\$ 6,272,200	\$ 9,304,300	\$13,448,900	\$13,195,500	\$23,020,300
University Debt Service	20%	<u>1,568,100</u>	<u>2,326,100</u>	<u>3,362,200</u>	<u>3,298,900</u>	<u>5,755,100</u>
Total Debt Service for \$194.3 M ^{3/}		\$ 7,840,300	\$11,630,400	\$16,811,100	\$16,494,400	\$28,775,400
Phoenix Biomedical Campus						
Lottery Debt Service	80%	\$ 4,026,300	\$ 4,026,300	\$ 4,186,300	\$ 4,426,300	\$ 6,630,300
University Debt Service	20%	<u>1,006,600</u>	<u>1,006,600</u>	<u>1,046,600</u>	<u>1,106,600</u>	<u>1,657,600</u>
Total Debt Service for \$122.2 M ^{4/5/}		\$ 5,032,900	\$ 5,032,900	\$ 5,232,900	\$ 5,532,900	\$ 8,287,900
ASU School of Construction						
Lottery Debt Service	80%			\$ 896,000	\$ 768,000	\$ 954,800
University Debt Service	20%			<u>224,000</u>	<u>192,000</u>	<u>238,700</u>
Total Debt Service for \$16.0 M				\$ 1,120,000	\$ 960,000	\$ 1,193,500
Total Lottery Share at 80% ^{6/}		\$10,298,500	\$13,330,600	\$18,531,200	\$18,389,800	\$30,605,400
Projected University Cost ^{6/7/}		\$ 2,574,700	\$ 3,332,700	\$ 4,632,800	\$ 4,597,500	\$ 7,651,400

^{1/} Represents JCCR reviewed projects and planned FY 2013 and FY 2014 issuances not yet reviewed by JCCR.

^{2/} Revenue estimates are based on a 5% annual increase in Lottery revenues. Represents that maximum amount of revenue available to the UCI Fund. UCI Fund revenues would not exceed the actual total lottery share of debt service in a given year. See Total Lottery share at 80% line.

^{3/} In FY 2014, includes \$12,818,100 in debt service for projects that have been reviewed by JCCR through 2012 and \$3,993,000 in debt service for a projected issuance to fund a science building at NAU that has not yet been reviewed.

^{4/} UA has already issued its \$122,245,000 share, NAU will be paying cash for its \$7,685,000 share, and ASU's \$43,235,000 share will not be issued as a result of the withdrawal of their partnership from the Phoenix Biomedical Campus.

^{5/} In FY 2014, includes \$5,032,900 in debt service for projects that have been reviewed by JCCR through 2012 and \$200,000 in debt service for projected issuances that would fund a portion of UA's Phoenix Biomedical Campus that has not yet been reviewed.

^{6/} The sum of Total Lottery Share at 80% and Projected University Cost represents the total debt service for the bond issuances. See the *Capital Debt and Lease-Purchase* section for more information.

^{7/} Represents the 20% university share.

Capital Outlay

Debt and Lease-Purchase Financing

FY 2014
APPROVED

LEASE-PURCHASE PAYMENTS*

Arizona Department of Administration - 2010 Leaseback Financing
Phoenix Convention Center

84,119,800

20,449,000

TOTAL - ALL PROJECTS

104,568,800

* Represents only General Fund lease-purchase payments not included in individual agency budgets. All other debt and lease-purchase payments are reflected in individual agency budgets. (Please see Table 2.)

FUND SOURCES

General Fund

104,568,800

TOTAL - ALL SOURCES

104,568,800

DESCRIPTION — This section summarizes the state's debt and lease-purchase obligations.

Debt Financed Projects

2010 Leaseback Financing

The budget includes \$84,119,800 from the General Fund in FY 2014 for lease-purchase payments related to the \$1,035,419,300 state building sale/lease-back agreements.

The FY 2010 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 6) and Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to enter into sale/lease-back agreements in FY 2010 for existing state-owned facilities, requiring the funds to be deposited to the General Fund to subsidize state operating expenses. ADOA sold the issuances in 2 series (January 2010 and June 2010) at an average tax-exempt interest rate ranging from 4.37% to 4.57%. These issuances range up to 20 years in period of time. (Please see the Debt and Lease-Purchase Financing narrative pages in the FY 2013 Appropriations Report for more information.)

Unless the state exceeds its working capital reserve (see below), the certificates are not subject to early repayment until FY 2020.

The sale/lease-back agreements were issued as a tax-exempt deficit financing mechanism in which the proceeds were used for state operational expenses. In this circumstance, the federal government essentially requires the state to set aside any cash reserves above certain thresholds. At the current time, these set aside requirements would be triggered if the state's General Fund balance, along with any monies in the Budget Stabilization Fund, exceeds 5% of General Fund spending.

The FY 2011 Budget Procedures BRB (Laws 2010, 7th Special Session, Chapter 3) requires ADOA to annually submit to JLBC by December 31 of each year a Working Capital Surplus Report associated with meeting the

requirements for tax-exempt deficit financing concerning agreements entered into after January 1, 2009. In December 2012, ADOA reported that the state ended FY 2012 with a working capital surplus of \$285.2 million. As discussed below, this surplus is required to be invested in tax-exempt securities during FY 2013.

If the working capital threshold is exceeded in a year during FY 2012 – FY 2014, the state is required to purchase tax-exempt securities to the extent that the balance exceeds 5%. The state is able to meet this requirement as part of its ongoing investment of the state's operating fund balance, and as such these funds do not need to be appropriated for this specific purpose. These temporary investments are held throughout the fiscal year as long as the state's cash balance (including the BSF) remains above the 5% threshold. However, the state may divest these funds as needed to meet budgeted expenditures.

Beginning with the working capital report for FY 2015 (published in mid-FY 2016 as required by statute), the state is required to commence the process of early payback of these issuances if its balance exceeds 5%. Given the timing of the required reporting, any FY 2015 surplus above the threshold would likely not have an impact until the FY 2017 budget. Once having commenced early payback, that process is irrevocable.

Phoenix Convention Center

The budget includes \$20,449,000 from the General Fund in FY 2014 related to the state participating in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. The City of Phoenix issued \$600,000,000 in Certificates of Participation (COPs) in FY 2005. The project was completed in January 2009.

Laws 2003, Chapter 266 initially enacted a debt service schedule related to this issuance, which was later modified

by the FY 2012 Revenue BRB (Laws 2011, Chapter 28). The FY 2014 payment amount reflects this new payment schedule.

State Debt Rating

With both major credit rating agencies, Arizona has the 4th highest rating out of 10 possible levels (Standard & Poor's: AA- and Moody's: Aa3). In comparison to other states, only California and Illinois have a lower credit rating from both credit rating agencies. Along with an overall rating, credit agencies also provide an outlook in terms of the future direction of rating changes. Both major agencies have a stable outlook for Arizona.

In adopting their credit ratings for Arizona, the major agencies have listed some of the following concerns: 1) reduced financial flexibility due to restrictions enacted by Proposition 105 and Proposition 108; 2) continued economic weakness; and 3) concerns about the disposition of current short-term budget surpluses. While noting these challenges, the agencies also indicated Arizona's comparably moderate debt levels and stabilized financial position as positive trends.

Long Term Financing Summary

The state's long-term financing consists of 3 different types of transactions.

Privatized Lease-to-Own Facilities

Under a privatized lease-to-own (PLTO) agreement, a private entity finances and constructs a building and leases it to the state. At the end of the lease term, the state takes possession of the building.

ADOA entered into PLTO agreements with private entities for 3 office buildings on the Capitol Mall. The 3 buildings house ADOA, the Department of Environmental Quality, and the Department of Health Services. *Table 1* provides information on current lease-to-own agreements.

Table 1		
Privatized Lease-to-Own Summary		
<u>Fund Type</u>	<u>FY 2014 Payment</u>	<u>Lease Completion</u>
General Fund	\$ 3,083,800	FY 2028
Other Approp.	8,581,900	FY 2028
Non-Approp.	<u>1,235,200</u>	FY 2028
Total	\$12,900,900	NA

These payments are not included in *Table 2's* Lease-Purchase and Bonding Summary since the debt is not held by the state.

Lease-Purchase Facilities

Under a traditional lease-purchase agreement, the state issues COPs to generate proceeds to finance capital projects. ADOA and the universities have entered into lease-purchase agreements for the acquisition and construction of state facilities.

The School Facilities Board (SFB) also entered into lease-purchase agreements between FY 2003 and FY 2005 for the construction of new schools. In FY 2006 and FY 2007, new school construction was financed on a cash basis. Since FY 2008, any new school construction has been done by lease-purchase financing.

The FY 2010 Education BRB (Laws 2009, 3rd Special Session, Chapter 12) allowed SFB to enter into up to \$100,000,000 of new construction lease-purchase agreements to be financed by a federal program known as Qualified School Construction Bonds (QSCB). The lease-purchase agreement was issued for \$91,325,000 in October 2010 and will be retired in FY 2028. *(Please see the SFB budget narrative for more information.)*

The FY 2014 K-12 Education BRB authorizes (but does not require) SFB to enter into a refinancing agreement, provided that the agreement must: 1) reduce SFB lease-purchase payments by a combined total of at least \$4,000,000 in FY 2014 and FY 2015; and 2) not increase or decrease SFB lease-purchase payments in any other fiscal year by more than \$100,000. Any refinancing agreement would be subject to JCCR review.

A preliminary proposal would achieve savings of \$(900,000) in FY 2014 and \$(3,100,000) in FY 2015. Any refinance savings are subject to change given future market conditions, and as such, the appropriation for SFB New School Facilities debt service was not adjusted in the FY 2014 budget. Any savings would be reverted to the state General Fund at the end of the fiscal year.

In addition, all other lease-purchase payments and PLTO payments that are made from the General Fund are budgeted to increase by \$67,800 from the General Fund in FY 2014. *(Please see the Capital Outlay ADOA Building System narrative for more information.)*

Table 2 provides information related to current state lease-purchase agreements.

Bonding Summary

The Arizona Board of Regents, on behalf of the universities; the Arizona Department of Transportation; and SFB have issued bonds to renovate, acquire, and construct facilities, as well as to purchase equipment.

SFB has also issued Qualified Zone Academy Bonds (QZABs). The QZAB program, enacted through federal legislation, allows state and local agencies to issue QZABs at low interest rates by providing federal tax credits to bond holders. SFB issued a total of \$26,350,000 in QZABs through 2 issuances in FY 2001 and FY 2003. The debt service on QZABs is paid from Proposition 301 sales tax revenues and Permanent State School Fund revenues.

Laws 2010, 6th Special Session, Chapter 4 authorized ADOA to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. Payments started in FY 2011 and have been made from the Lottery revenues that would have otherwise been deposited into the General Fund. The FY 2014 bond payment will be \$37,499,800. This results in the General Fund receiving \$(37,499,800) less in Lottery revenues in FY 2014.

The federal requirements pertaining to setting aside any cash reserves above a certain threshold also apply to the Lottery Revenue Bonds. *(Please see the 2010 Leaseback Financing section in the earlier part of this narrative for more information on these requirements.)*

Additional Legislation

Debt Retirement Reporting

Laws 2013, Chapter 99 requires ADOA to report annually to the Legislature by December 1 on the potential costs and savings associated with the early repayment of outstanding General Fund long-term financing under current economic conditions. The report is to outline methods that produce the highest cost savings to the state in the following repayment increments: 1) \$50,000,000; 2) \$100,000,000; 3) \$150,000,000; and 4) \$200,000,000.

Table 2

Lease-Purchase and Bonding Summary

	Overall Balance	1/	GF Balance	1/	Overall FY 14 Pymt.	2/	FY 14 GF Pymt.	2/	Retirement FY
Lease-Purchase Summary									
ADOA Building System									
2002A Issuance									
Health Laboratory	\$ 16,795,000		\$ -		\$ 2,315,800		\$ -		FY23
2002B Issuance									
ADC Prison Expansions	\$ 13,995,000		\$ 13,995,000		\$ 3,182,300		\$ 3,182,300		FY19
2008A Issuance									
ADC 4,000 Prison Beds, Water, and Wastewater	\$ 167,555,000		\$ 167,555,000		\$ 16,709,400		\$ 16,709,400		FY23, 28
DHS Forensic Hospital	22,790,000		22,790,000		3,112,200		3,112,200		FY23
Subtotal	\$ 190,345,000		\$ 190,345,000		\$ 19,821,600		\$ 19,821,600		
2010 A/B Issuance									
Sale/Leaseback	\$ 925,615,000		\$ 925,615,000		\$ 84,119,800		\$ 84,119,800		FY30
Subtotal - ADOA	\$ 1,146,750,000		\$ 1,129,955,000		\$ 109,439,500		\$ 107,123,700		
School Facilities Board									
New School Construction - FY 2003 - FY 2005	\$ 423,140,000		\$ 423,140,000		\$ 101,878,800		\$ 101,878,800		FY20
New School Construction - FY 2008 - FY 2009	454,870,000		454,870,000		58,649,100		58,649,100		FY24
Qualified School Construction Bonds	79,909,400		79,909,400		11,187,300	3/	11,187,300	3/	FY28
2011 Refinance	58,785,000		58,785,000		2,449,800		2,449,800		FY20
Subtotal - SFB	\$ 1,016,704,400		\$ 1,016,704,400		\$ 174,165,000		\$ 174,165,000		
ABOR Building System									
Arizona State University	\$ 321,282,000		\$ 166,660,000		\$ 31,137,000		\$ 14,431,200		FY39
Northern Arizona University	64,090,000		64,090,000		5,893,100		5,893,100		FY31
University of Arizona	414,164,000		156,480,000		45,495,000		13,741,000		FY37
Subtotal - ABOR	\$ 799,536,000		\$ 387,230,000		\$ 82,525,100		\$ 34,065,300		
Phoenix Convention Center 4/5/	\$ 260,124,300		\$ 260,124,300		\$ 20,449,000		\$ 20,449,000		FY44
TOTAL - Lease-Purchase	\$ 3,223,114,700		\$ 2,794,013,700		\$ 386,578,600		\$ 335,803,000		
Bonding Summary									
School Facilities Board									
Deficiencies Correction:									
Proposition 301	\$ 335,918,800		\$ -		\$ 64,134,500		\$ -		FY21
State Land Trust - FY 2004	82,880,000		0		24,246,100		0		FY18
Subtotal - SFB	\$ 418,798,800		\$ -		\$ 88,380,600		\$ -		
Department of Transportation	\$ 1,733,245,000	6/	\$ -		\$ 212,785,000	7/	\$ -		FY17 - 34
(Continued)									

Table 2 (Cont'd)

	Overall Balance	1/	GF Balance	1/	Overall FY 14 Pymt.	2/	FY 14 GF Pymt.	2/	Retirement FY
Bonding Summary									
ABOR Building System									
Arizona State University	\$ 878,437,500		\$ -		\$ 85,051,800		\$ -		FY43
Northern Arizona University	276,820,000		0		27,741,300		0		FY41
University of Arizona	521,120,000		0		48,946,200		0		FY48
University Lottery Bond (SPEED)	510,100,000	8/	0		23,164,000		0		FY48
Subtotal - ABOR	\$ 2,186,477,500		\$ -		\$ 184,903,300		\$ -		
Lottery Revenue Bond 4/	\$ 391,185,000		\$ 391,185,000		\$ 37,499,800		\$ 37,499,800		FY30
TOTAL - Bonding	\$ 4,729,706,300		\$ 391,185,000		\$ 523,568,700		\$ 37,499,800		
TOTAL - Lease-Purchase & Bonding	\$ 7,952,821,000		\$ 3,185,198,700		\$ 910,147,300		\$ 373,302,800		

1/ Represents principal balances as of June 30, 2014. The "GF Balance" column represents the portion of the overall balance paid from General Fund sources.

2/ Represents lease-purchase or debt service payments, including the portion paid from a General Fund source, which is represented in the "FY 14 GF Pymt." column.

3/ This type of financing entitles the state to an interest rate subsidy of 4.86% (out of the 6% due on the bonds), shortly after each payment. In FY 2014, this subsidy is expected to be \$4,438,400 of the \$11,187,300 payment.

4/ These obligations will be repaid with foregone General Fund revenues.

5/ The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000. Monies are given to the city to pay this portion of the lease-purchase payment. The FY 2014 payment amount reflects the changes to the payment schedule enacted by Laws 2011, Chapter 28.

6/ Includes \$1,485,535,000 for Highway User Revenue Fund bonds and \$247,710,000 for Grant Anticipation Notes.

7/ Future debt service schedule is: FY 2015 - \$214,892,000; FY 2016 - \$206,900,000; FY 2017 - \$169,160,000; FY 2018 - \$169,159,000.

8/ Represents outstanding balance as of the end of FY 2014 from \$523,833,000 of University Lottery Bond Issuances. JCCR reviewed and planned issuance amounts for SPEED bonds are: 1) \$304,573,000 for building renewal and new construction projects favorably reviewed by JCCR in November 2008, February 2009, September 2011, October 2012 and December 2012 along with a planned future issuance of \$71,215,000 for a science building at NAU; 2) \$122,245,000 for Phase I of the Phoenix Biomedical Campus favorably reviewed by JCCR in March 2010, along with a planned future issuance of \$9,800,000 for the Phoenix Biomedical Campus; and 3) \$16,000,000 for the ASU School of Construction reviewed by JCCR in October 2012. These are the initial projects counted under the \$800,000,000 University Lottery bonding authority, otherwise known as SPEED, which was originally authorized by Laws 2008, Chapter 287. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information)

SUMMARY OF RENT CHARGES 1/ 2/

	Fiscal Year 2014			
	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS				
Acupuncture Board of Examiners				
1400 W Washington	0	4,500	0	4,500
Administration, AZ Department of				
1400 W Washington	8,300	7,800	0	16,100
1510 W Adams	0	354,000	0	354,000
1520 W Adams	0	148,000	0	148,000
1522 W Jackson	0	60,300	0	60,300
1537 W Jackson	0	89,200	0	89,200
1616 W Adams	0	77,400	0	77,400
1802 W Jackson	0	24,900	62,000	86,900
1840 W Jackson	0	48,400	0	48,400
1850 W Jackson	0	44,500	0	44,500
1700 W Washington	25,400	61,300	0	86,700
1789 W Jefferson (DES West)	0	16,500	0	16,500
1937 W Jefferson/CDC	0	114,700	0	114,700
1801 W Madison	0	21,600	0	21,600
1805 W Madison	0	24,700	0	24,700
400 W Congress, Tucson	0	53,500	0	53,500
402 W Congress, Tucson	0	56,200	0	56,200
416 W Congress, Tucson	0	2,700	0	2,700
Subtotal - AZ Dept of Administration	\$33,700	\$1,205,700	\$62,000	\$1,301,400
Administrative Hearings, Office of				
1400 W Washington	71,000	900	131,600	203,500
400 W Congress, Tucson	0	11,400	0	11,400
Subtotal - Office of Administrative Hearings	\$71,000	\$12,300	\$131,600	\$214,900
Agriculture, AZ Department of				
1520 W Adams	106,500	0	0	106,500
1688 W Adams	197,700	0	222,900	420,600
400 W Congress, Tucson	32,000	0	4,700	36,700
Subtotal - AZ Dept of Agriculture	\$336,200	\$0	\$227,600	\$563,800
Appraisal, State Board of				
15 S 15th Ave	0	33,100	0	33,100
AZ Health Care Cost Containment System				
Kingman Building	6,700	0	6,600	13,300
Arts, AZ Commission on the				
417 W Roosevelt	0	0	49,700	49,700
Attorney General - Department of Law				
1275 W Washington	550,600	315,600	320,300	1,186,500
400 W Congress, Tucson	32,600	25,600	19,100	77,300
402 W Congress, Tucson	135,700	106,400	78,800	320,900
Capitol Center	968,100	340,100	0	1,308,200
Subtotal - Attorney General - Dept of Law	\$1,687,000	\$787,700	\$418,200	\$2,892,900
Automobile Theft Authority				
1400 W Washington	0	34,700	0	34,700
Barbers, Board of				
1400 W Washington	0	12,600	0	12,600
Charter Schools, State Board for				
1616 W Adams	70,400	0	0	70,400
1700 W Washington	24,700	0	0	24,700
Subtotal - State Board for Charter Schools	\$95,100	\$0	\$0	\$95,100

Fiscal Year 2014				
	General Fund	Other Fund	Non-Approp	Total
Citizens Clean Election Commission				
1616 W Adams	0	0	54,300	54,300
Contractors, Registrar of				
400 W Congress, Tucson	0	38,000	0	38,000
1700 W Washington	0	448,900	0	448,900
Subtotal - Registrar of Contractors	\$0	\$486,900	\$0	\$486,900
Corporation Commission				
1200 W Washington	0	528,000	0	528,000
1300 W Washington	0	382,500	0	382,500
1400 W Washington	0	154,200	0	154,200
400 W Congress, Tucson	5,500	47,800	3,100	56,400
Subtotal - Corporation Commission	\$5,500	\$1,112,500	\$3,100	\$1,121,100
Corrections, State Department of				
1601 W Jefferson	750,100	0	0	750,100
1645 W Jefferson	670,500	0	0	670,500
1831 W Jefferson	266,300	0	0	266,300
Subtotal - State Dept of Corrections	\$1,686,900	\$0	\$0	\$1,686,900
Deaf and the Hard of Hearing, Commission for the				
1400 W Washington	0	8,400	0	8,400
Economic Security, Department of				
1400 W Washington	0	0	100,400	100,400
1624 W Adams	64,200	29,200	23,400	116,800
1700 W Washington	15,600	7,100	5,700	28,400
1789 W Jefferson (DES West)	1,431,200	356,700	473,100	2,261,000
Kingman Building	50,800	104,100	70,000	224,900
400 W Congress, Tucson	202,000	190,300	91,600	483,900
DES Group Homes	149,900	215,600	0	365,500
Capitol Center	195,800	54,400	112,400	362,600
Subtotal - Department of Economic Security	\$2,109,500	\$957,400	\$876,600	\$3,943,500
Education, Department of				
1535 W Jefferson	301,700	103,200	561,700	966,600
400 W Congress, Tucson	0	12,000	42,600	54,600
416 W Congress, Tucson	0	900	21,200	22,100
Subtotal - Department of Education	\$301,700	\$116,100	\$625,500	\$1,043,300
Environmental Quality, Department of				
400 W Congress, Tucson	0	96,800	0	96,800
Equal Opportunity, Governor's Office of				
1700 W Washington	13,100	0	0	13,100
Equalization, State Board of				
416 W Congress, Tucson	1,400	0	0	1,400
Executive Clemency, Board of				
1645 W Jefferson	83,700	0	0	83,700
Financial Institutions, Department of				
2910 N 44th Street	166,000	32,400	0	198,400
Fire, Building, and Life Safety, Department of				
400 W Congress, Tucson	12,400	0	7,500	19,900
Funeral Directors & Embalmers, State Board of				
1400 W Washington	0	15,000	0	15,000
Gaming, Department of				
400 W Congress, Tucson	0	14,000	0	14,000
Geological Survey, AZ				
402 W Congress, Tucson	6,300	0	0	6,300
416 W Congress, Tucson	147,900	0	0	147,900

Fiscal Year 2014				
	General Fund	Other Fund	Non-Approp	Total
1520 W Adams	48,200	0	0	48,200
Subtotal - AZ Geological Survey	\$202,400	\$0	\$0	\$202,400
Governor, Office of the				
1645 W Jefferson	800	0	0	800
1700 W Washington	560,100	0	131,800	691,900
400 W Congress, Tucson	30,000	0	0	30,000
Subtotal - Office of the Governor	\$590,900	\$0	\$131,800	\$722,700
Gov's Ofc of Strategic Planning & Budgeting				
1700 W Washington	131,100	0	0	131,100
Health Services, Department of				
1740 W Adams	0	1,013,700	0	1,013,700
1818 W Adams	209,700	0	0	209,700
400 W Congress, Tucson	84,100	50,300	0	134,400
402 W Congress, Tucson	0	1,200	0	1,200
416 W Congress, Tucson	0	56,400	0	56,400
Subtotal - Department of Health Services	\$293,800	\$1,121,600	\$0	\$1,415,400
Historical Society, Arizona				
1502 W Washington	360,800	0	0	360,800
Homeland Security, AZ Dept of				
1700 W Washington	0	0	131,400	131,400
Homeopathic & Integrated Medicine Examiners, State Board of				
1400 W Washington	0	5,000	0	5,000
Independent Redistricting Commission				
1100 W Washington	24,200	0	0	24,200
Indian Affairs, AZ Commission of				
1700 W Washington	10,100	0	0	10,100
Insurance, Department of				
2910 N 44th Street	323,500	0	107,800	431,300
Judiciary - Court of Appeals				
400 W Congress, Tucson	380,900	0	0	380,900
Judiciary - Supreme Court				
1501 W Washington	2,860,700	0	0	2,860,700
400 W Congress, Tucson	83,900	0	0	83,900
Subtotal - Supreme Court	\$2,944,600	\$0	\$0	\$2,944,600
Subtotal - Judiciary	\$3,325,500	\$0	\$0	\$3,325,500
Juvenile Corrections, Department of				
1624 W Adams	364,900	0	0	364,900
Land Department, State				
1616 W Adams	0	780,000	0	780,000
Legislature - Auditor General				
2910 N 44th Street	387,500	0	0	387,500
Liquor Licenses and Control, Department of				
400 W Congress, Tucson	0	21,700	0	21,700
Medical Board, AZ				
9500 Doubletree Rd.	0	210,700	0	210,700
Massage Therapy Board				
1400 W Washington	0	28,500	0	28,500
Mine Inspector, State				
1700 W Washington	84,300	0	0	84,300

Fiscal Year 2014				
	General Fund	Other Fund	Non-Approp	Total
Naturopathic Physicians Medical Board				
1400 W Washington	0	4,300	0	4,300
Navigable Stream Adjudication Commission, AZ				
1700 W Washington	10,100	0	0	10,100
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.				
1400 W Washington	0	23,000	0	23,000
Opticians, State Board of Dispensing				
1400 W Washington	0	5,200	0	5,200
Optometry, State Board of				
1400 W Washington	0	9,100	0	9,100
Osteopathic Examiners, AZ Board of				
9500 Doubletree Rd.	0	32,900	0	32,900
Parks Board, AZ State				
1300 W Washington	0	61,300	249,100	310,400
1616 W Adams	0	0	51,500	51,500
Subtotal - AZ State Parks Board	\$0	\$61,300	\$300,600	\$361,900
Personnel Board				
1400 W Washington	0	24,800	0	24,800
Pest Management, Office of				
1688 W Adams	0	46,300	0	46,300
400 W Congress, Tucson	0	4,000	0	4,000
Subtotal - Office of Pest Management	\$0	\$50,300	\$0	\$50,300
Pharmacy, AZ State Board of				
1616 W Adams	0	117,900	0	117,900
Podiatry Examiners, State Board of				
1400 W Washington	0	4,400	0	4,400
Private Postsecondary Education, State Board for				
1400 W Washington	0	13,600	3,300	16,900
Psychologist Examiners, State Board of				
1400 W Washington	0	16,900	0	16,900
Public Safety, Department of				
14 N 18th Avenue	20,300	5,300	5,600	31,200
1700 W Washington	51,000	13,300	14,000	78,300
1937 W Jefferson/Wayland	14,700	3,900	4,200	22,800
400 W Congress, Tucson	10,800	2,800	2,900	16,500
Subtotal - Department of Public Safety	\$96,800	\$25,300	\$26,700	\$148,800
Real Estate Department, State				
2910 N 44th Street	235,900	0	0	235,900
400 W Congress, Tucson	23,900	0	0	23,900
Subtotal - State Real Estate Department	\$259,800	\$0	\$0	\$259,800
Respiratory Care Examiners, Board of				
1400 W Washington	0	19,900	0	19,900
Revenue, Department of				
402 W Congress, Tucson	116,900	59,500	0	176,400
416 W Congress, Tucson	74,900	38,200	0	113,100
1600 W Monroe	1,377,700	709,700	0	2,087,400
Subtotal - Department of Revenue	\$1,569,500	\$807,400	\$0	\$2,376,900
Rio Nuevo Board				
400 W Congress, Tucson	0	0	11,200	11,200
School Facilities Board				
1700 W Washington	79,900	0	32,800	112,700

Fiscal Year 2014				
	General Fund	Other Fund	Non-Approp	Total
Secretary of State - Dept of State				
1100 W Washington	23,600	0	0	23,600
1700 W Washington	193,300	0	0	193,300
400 W Congress, Tucson	6,000	0	0	6,000
Records Management Addition	303,400	0	0	303,400
Polly Rosenbaum Building	1,593,500	0	0	1,593,500
Subtotal - Secretary of State - Dept of State	\$2,119,800	\$0	\$0	\$2,119,800
State Boards' Office				
1400 W Washington	0	19,300	0	19,300
Transportation, Department of				
1275 W Washington <u>3/</u>	0	127,600	0	127,600
Treasurer, State				
1700 W Washington	0	140,900	0	140,900
Veterinary Medical Examining Board, AZ State				
9500 Doubletree Rd.	0	18,800	0	18,800
GRAND TOTAL	\$16,844,800	\$8,620,500	\$3,208,300	\$28,673,600

- 1/ Pursuant to Laws 2013, 1st Special Session, Chapter 6, Section 7, the FY 2013 office square footage rental rate is \$13.08 and the storage square footage rental rate is \$4.74.
- 2/ Pursuant to A.R.S. § 41-792.01, agencies occupying state-owned buildings shall pay the higher of the amount reported [herein] by the Joint Legislative Budget Committee or the pro rata share based on actual occupancy.
- 3/ Represents funding for space occupied by the Attorney General - Department of Law for provision of legal services to the Department of Transportation.

LEASE-PURCHASE APPROPRIATIONS 1/
Department of Administration Building System

	Fiscal Year 2014			Total
	General Fund	Other Fund	Non-Approp	
BUDGET UNITS				
Administration, AZ Department of				
Sale/Lease-Back	\$84,119,800	\$0	\$0	\$84,119,800
Corrections, Arizona Department of				
1,000 Public Prison Beds	3,182,300	0	0	3,182,300
4,000 Public Prison Beds	16,052,700	0	0	16,052,700
Water and Wastewater Projects	656,700	0	0	656,700
Subtotal - AZ Department of Corrections	<u>\$19,891,700</u>	<u>\$0</u>	<u>\$0</u>	<u>\$19,891,700</u>
Health Services, Department of				
Health Lab	0	2,315,800	0	2,315,800
Arizona State Hospital Forensic Unit	3,112,200	0	0	3,112,200
Subtotal - Department of Health Services	<u>\$3,112,200</u>	<u>\$2,315,800</u>	<u>\$0</u>	<u>\$5,428,000</u>
GRAND TOTAL	<u><u>\$107,123,700</u></u>	<u><u>\$2,315,800</u></u>	<u><u>\$0</u></u>	<u><u>\$109,439,500</u></u>

1/ Pursuant to A.R.S. § 41-792.01, state agencies occupying buildings being lease-purchased by the Arizona Department of Administration (ADOA) shall pay the higher of the billed amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share of the lease-purchase based on actual occupancy.

PRIVATIZED LEASE-TO-OWN APPROPRIATIONS ^{1/}

	Fiscal Year 2014			
	General Fund	Other Fund	Non-Approp	Total
<u>Arizona Department of Administration Building</u>				
Accountancy, State Board of	0	107,700	0	107,700
Administration, Arizona Department of	799,400	2,059,900	215,100	3,074,400
Deaf and Hard of Hearing, Commission for the	0	206,700	0	206,700
Equalization, State Board of	84,300	0	0	84,300
Tax Appeals, State Board of	32,400	0	0	32,400
Subtotal - ADOA Building	\$916,100	\$2,374,300	\$215,100	\$3,505,500
<u>Arizona Department of Environmental Quality Building</u>				
Criminal Justice Commission, Arizona	0	10,900	169,300	180,200
Environmental Quality, Department of	0	3,855,300	0	3,855,300
Environmental Quality, Department of - WIFA	0	0	108,400	108,400
Fire, Building and Life Safety, Department of	141,100	0	52,200	193,300
Forester, State	107,500	0	0	107,500
Gaming, Department of	0	592,600	0	592,600
Housing, Department of	0	28,900	452,600	481,500
Insurance, Department of	0	0	54,900	54,900
Racing, Arizona Department of	0	148,000	0	148,000
Residential Utility Consumer Office	0	115,000	0	115,000
Technical Registration, State Board of	0	177,400	0	177,400
Tourism, Office of	0	0	182,700	182,700
Subtotal - ADEQ Building	\$248,600	\$4,928,100	\$1,020,100	\$6,196,800
<u>Arizona Department of Health Services Building</u>				
Health Services, Department of	1,919,100	1,279,500	0	3,198,600
GRAND TOTAL	\$3,083,800	\$8,581,900	\$1,235,200	\$12,900,900

^{1/} Pursuant to Laws 2001, Chapter 317, the Arizona Department of Administration (ADOA) entered into 3 privatized lease-to-own (PLTO) agreements with private entities for the construction of 3 office buildings on the Capitol Mall. At the end of the lease period, the state will take possession of these buildings.

ECONOMIC AND REVENUE FORECAST

GENERAL FUND REVENUE

Summary of General Fund Forecast

The enacted June 2013 budget for FY 2014 assumes total net General Fund revenues of \$9.06 billion. This amount is a decrease of (3.4)% compared to enacted FY 2013 General Fund revenues.

Base revenues represent ongoing General Fund revenues, exclusive of tax law and revenue changes, one-time revenue adjustments, and any balance forward from the previous fiscal year. For FY 2014, base revenues are projected to increase 4.9% when compared to forecasted FY 2013 revenues. The detailed enacted budget revenue forecasts appear at the end of this section. *Table 10* compares the enacted FY 2014 forecast to the enacted FY 2013 forecast.

General Fund Base Revenue Forecast

FY 2013

The original FY 2013 budget was based on total net revenues of \$9.02 billion. Excluding enacted budget legislation, one-time revenues, and balance forward from FY 2012, ongoing base revenues were projected to be \$8.48 billion in FY 2013, or 5.1% above the prior fiscal year. As a result of revisions, the base revenue forecast was adjusted to 4.0%. Despite the lower percentage increase, the ongoing base revenue in the January Baseline was \$62 million higher than in the May 2012 enacted budget. The reason for this is that the actual FY 2012 base revenue was higher than the estimate used in the May 2012 enacted budget.

As noted, the enacted FY 2013 budget assumes a 4.0% increase in base revenues compared to FY 2012. While there was some shifting among categories, both the January and the April "four-sector" consensus forecasts predicted base revenue growth of 4.0% (*see FY 2014 section for more information on the 4-sector consensus process*). *Table 1* includes consensus estimates from January 2013 and updated estimates from April 2013.

FY 2014

The January FY 2014 JLBC Baseline forecasted total net revenues of \$8.98 billion for FY 2014. Excluding one-time revenues and Urban Revenue Sharing, the ongoing revenues were projected at \$8.93 billion. This amount reflected a base revenue increase of 4.9% compared to FY 2013. The JLBC's FY 2014 estimated growth rates for the "Big 3" revenue categories (sales tax, individual income tax, and corporate income tax) were initially developed and revised using a 4-sector consensus process. This

Table 1

4-Sector Estimates FY 2013 Forecast Percentages Base Revenue ^{1/}

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
January	4.2%	2.8%	4.7%	4.6%	4.1%
April	4.8%	4.3%	4.9%	4.6%	4.6%
Individual Income Tax					
January	5.2%	5.2%	7.6%	5.5%	5.9%
April	7.4%	5.4%	7.4%	5.4%	6.4%
Corporate Income Tax					
January	5.3%	4.7%	5.1%	3.3%	4.6%
April	1.4%	1.1%	1.1%	-3.5%	0.0%
Overall ^{2/}					
January	4.7%	4.0%	5.9%	4.0%	4.0%
April	5.6%	4.5%	5.6%	4.2%	4.0%

^{1/} Prior to any tax law or other revenue changes.

^{2/} Includes JLBC Staff estimates for other revenue categories. The enacted June 2013 budget revisions for FY 2013 utilized the January 4-Sector estimates.

process is based on averaging the results of the following 4 forecasts:

- The Finance Advisory Committee (FAC) panel forecast. This independent panel consists of 15 public and private sector economists that meet 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.
- The University of Arizona Economic and Business Research (EBR) General Fund base model. The model is a simultaneous-equation model consisting of over 100 equations that are updated on an ongoing basis to accommodate changes in the economy. The model uses over 200 variables related to Arizona's economy and is updated quarterly.
- EBR's conservative forecast model, and
- JLBC Staff projections.

The growth rates for the Big 3 categories used in the development of the JLBC revenue estimates from each sector of the forecast are detailed in *Table 2* below. As with the FY 2013 table in the prior section, *Table 2* includes consensus estimates from January 2013 and updated estimates from April 2013. As with the FY 2013 forecast noted in the prior section, both the January and the April 4-sector forecasts resulted in the same projected growth rate.

Table 2

**4-Sector Estimates
FY 2014 Forecast Percentages
Base Revenue ^{1/}**

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
January	5.8%	1.8%	6.1%	5.5%	4.8%
April	4.8%	2.6%	5.8%	5.5%	4.7%
Individual Income Tax					
January	5.7%	1.0%	6.2%	5.9%	4.7%
April	5.8%	1.6%	6.7%	5.9%	5.0%
Corporate Income Tax					
January	7.3%	14.0%	22.5%	2.8%	11.7%
April	5.9%	12.8%	18.3%	1.2%	9.7%
Overall ^{2/}					
January	5.9%	2.5%	7.5%	5.4%	4.9%
April	5.3%	3.0%	7.2%	5.3%	4.9%

^{1/} Prior to any tax law or other revenue changes.

^{2/} Includes JLBC Staff estimates for other revenue categories. The enacted June 2013 budget for FY 2014 utilized the January 4-Sector estimates.

The FY 2014 estimate for the remaining revenue categories, which constitute about 10% of the total, was based on JLBC Staff estimates.

The enacted FY 2014 budget assumes a 4.9% increase in base revenues compared to FY 2013, as shown in *Table 2*. This translates into a General Fund base revenue estimate of \$8.92 billion for FY 2014.

Table 3 below summarizes the changing revenue picture for FY 2013 and FY 2014 through the phases of budget development. The growth rates in the table reflect ongoing base revenues.

Table 3

Base Revenue Change Assumptions

	<u>% Change</u>
<u>FY 2013</u>	
Adopted FY 2013 Budget (May 2012)	5.1%
(compared to forecasted 12 revenues)	
JLBC Baseline (January and April 4-Sector Consensus)	4.0%
Enacted FY 2014 Budget (June)	4.0%
<u>FY 2014</u>	
4-Sector Consensus (January & April)	4.9%
Enacted FY 2014 Budget (June)	4.9%

Revenue Adjustments

Table 4 below provides an overview of base revenue growth rates for FY 2013 and FY 2014 with budget legislation changes (which include a number of tax law changes and revenue adjustments described in more detail in *Table 5* and *Table 6*) and one-time financing sources. The table shows the base and adjusted revenue growth rates based on the enacted FY 2014 budget.

Table 4

**General Fund Revenue Growth Rates
Based on Enacted FY 2013 and FY 2014 Budget
(\$ in Millions)**

	<u>FY 2013</u>	<u>%</u>	<u>FY 2014</u>	<u>%</u>
Base Revenue	\$8,508.2 ^{1/}	4.0%	\$8,923.3	4.9%
Previously Enacted Changes	N/A		(46.9)	
Newly Enacted Tax Law Changes	4.6		(6.9)	
Temporary 1¢ TPT Increase	924.2		0.0	
Urban Revenue Sharing	(513.6)		(561.0)	
One-Time Financing Sources:				
Balance Forward	397.0		693.7	
Previously Enacted Changes	(52.0)		0.0	
Newly Enacted Tax Law Changes	0.0		(24.8)	
Fund Transfers	96.0		76.9	
DEQ Settlement	10.5		0.0	
Subtotal	451.5		745.8	
Adjusted Revenue	<u>\$9,374.9</u>	3.4%	<u>\$9,054.4</u>	(3.4)%

^{1/} \$(33.3) million in tax law and revenue changes from the original FY 2013 budget are included in the FY 2013 base. The FY 2013 increase of 4.0% excludes these changes.

Ongoing Budget Legislation

Each year there are statutory tax law and other revenue changes that impact the state's revenue collection base. These may include tax rate or tax exemption changes, conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

FY 2013

For FY 2013, ongoing budget legislation enacted prior to the 2013 legislative session is estimated to reduce General Fund revenues by \$(33.3) million. *Table 5* provides a summary of budget legislation changes with ongoing revenue impacts in FY 2013. As noted above, the FY

Table 5

**FY 2013 Budget Legislation Changes
With Ongoing Revenue Impact
(\$ in Millions)**

<u>Prior Year Changes (Year Enacted)</u>	
Renewable Energy Production Credit (2010)	\$ (10.0)
Arizona Commerce Authority (2010)	(10.7)
QSCB Revenue (2010)	(1.8)
Lottery Decrease (Debt Service) (2010)	<u>(16.8)</u>
Subtotal	\$ (39.3)
<u>2012 Tax Law and Revenue Changes</u>	
New STO Tax Credit	\$ (4.0)
Clean Elections Tax Credit Elimination	12.8
Long-Term Care Insurance	(4.1)
Healthy Forest	(0.1)
Lottery Distribution	3.5
Pari-Mutuel Tax Redirect	(0.3)
Use Tax Declaration Repeal	<u>(1.8)</u>
Subtotal	\$ 6.0
Total – FY 2013 Revenue Impact	<u>\$ (33.3)</u>

2013 base revenue growth of 4.0% excludes these changes. Further details on these changes can be found on page 294 and 295 of the *FY 2013 Appropriations Report*.

As shown in *Table 4*, new tax legislation enacted after 2012 provided an additional \$4.6 million in ongoing revenue in FY 2013. This revenue increase was due to Laws 2013, Chapter 65, which conformed Arizona tax statutes to the federal tax code as of January 3, 2013. (For more detail, see Internal Revenue Code Conformity tax law change on page 329.)

FY 2014

For FY 2014, previously enacted tax law changes are estimated to reduce General Fund revenues by \$(46.9) million. Tax law and revenue changes enacted during the 2013 legislative session are expected to result in an additional revenue loss of \$(6.9) million in FY 2014. This reduces the FY 2014 ongoing net revenue impact to \$(53.8) million. This estimate does not reflect “dynamic” revenue impacts resulting from any potential change in taxpayer behavior induced by tax law changes. A summary of previously and newly enacted budget legislation changes with ongoing revenue impacts in FY 2014 is shown in *Table 6*.

Prior Year Changes

In addition to the tax law and revenue changes enacted during the 2013 legislative session, the following changes (as described below) were enacted in prior sessions and will have an impact on FY 2014 revenue collections.

Table 6

**FY 2014 Budget Legislation Changes
With Ongoing Revenue Impact
(\$ in Millions)**

<u>Prior Year Changes (Year Enacted)</u>	
Job Tax Credit (2011)	\$ (18.2)
Corporate Sales Factor Change for Service Providers (2012)	(3.0)
Reduction of Long-Term Capital Gains (2012)	(17.5)
Income Tax Deduction for Federal Bonus Depreciation (2012)	(4.2)
Qualified Facility Credit (2012)	<u>(4.0)</u>
Subtotal	\$ (46.9)
<u>2013 Tax Law and Revenue Changes</u>	
Prior FBLS Fee Increase	\$ 0.3
IRS Conformity	13.7
Premium Revenues from Medicaid Expansion	7.3
Data Center TPT Exemption	(4.2)
Foster Care Credit	(0.9)
Interlock Device TPT Exemption	(0.6)
Increased 529 College Savings Plan Deductions	(4.0)
Expanding Working Poor Credit to Include Non-Itemizers	(18.0)
Exempts EZ Credit Certification Requirement	<u>(0.5)</u>
Subtotal	\$ (6.9)
Total – FY 2014 Revenue Impact	<u>\$ (53.8)</u>

Job Tax Credit – Laws 2011, 2nd Special Session, Chapter 1 created a \$3,000 annual tax credit for each net new qualifying job added by an employer in the state. To qualify for the 3-year credit, the new employment position must: (1) be full-time, (2) pay at least the county median wage, and (3) include health insurance paid by the employer. In addition, a business cannot claim the credit unless it meets certain minimum job creation and capital investment requirements. Laws 2012, Chapter 343 removed the 400 maximum job tax credit claims per employer established by Chapter 1. The job tax credit is estimated to reduce revenues by \$(18.2) million in FY 2014. (For the revenue impact after FY 2014, see page 420 of the *FY 2014 Baseline Book*.)

Corporate Sales Factor for Service Providers – Laws 2012, Chapter 2 allows multi-state service-providing companies to reduce their Arizona corporate income tax liability through a change in the calculation of the sales factor. To be eligible for the change, a company is required to derive at least 85% of its sales of services from out-of-state customers. The change in the calculation of the sales factor is phased in over 4 years, beginning in TY 2014. This provision is estimated to reduce corporate income tax collections by \$(3.0) million in FY 2014. (For the revenue impact after FY 2014, see page 420 of the *FY 2014 Baseline Book*.)

Reduction of Long Term Capital Gains – Laws 2012, Chapter 343 reduces the individual income taxation of long term capital gains on assets acquired after TY 2011 by 25% over 3 years, beginning in TY 2013. This provision is estimated to reduce individual income tax

collections by \$(17.5) million in FY 2014. (For the revenue impact after FY 2014, see page 420 of the *FY 2014 Baseline Book*.)

Income Tax Deduction for Federal Bonus Depreciation – Laws 2012, Chapter 343 allows a one-time state individual income tax deduction equal to 10% of the bonus depreciation claimed on federal tax returns for assets placed in service after 2013. This provision is estimated to result in a one-time income tax loss of \$(4.2) million in FY 2014. The revenue impact in FY 2015 and subsequent years depends on future actions by the U.S. Government.

Qualified Facility Tax Credit – Laws 2012, Chapter 343 created a new income tax credit for businesses that expand or locate qualified facilities in the state, beginning in FY 2013. The credit is 10% of the lesser of (1) the capital investment in the facility or (2) \$200,000 for each net new employee hired at the facility. To qualify for the credit, a company is required to devote at least 80% of its property and payroll at the facility to manufacturing, research, or a national or regional headquarter. There are also certain minimum requirements with respect to wage and health insurance coverage for new employees at the facility. The credit is refundable but no single taxpayer can claim more than \$30 million per calendar year. The credit must be taken in equal installments over 5 years. The qualified facility credit is subject to an annual aggregate cap of \$70 million, which it shares with the renewable energy credit enacted in 2009. This provision is estimated to reduce revenues by \$(4.0) million in FY 2014. (For the revenue impact after FY 2014, see page 420 of the *FY 2014 Baseline Book*.)

Current Year Changes

In the 2013 Session, the Legislature enacted the following ongoing tax law and revenue changes.

Prior FBLS Fee Increase – A.R.S. § 41-2144 and § 41-2146 authorize the Department of Fire, Building, and Life Safety (FBLS) to establish fees to support the State Fire Marshal and manufactured housing programs. A 2011 Auditor General performance audit found that the non-appropriated Mobile Home Relocation Fund was being charged more than its proportionate share to support the agency's operating budget. To reduce the Relocation Fund's share of administrative costs, the State Fire Marshal and manufactured housing programs raised fees in FY 2013. The Board of Manufactured Housing increased fees effective July 2012, and the State Fire Safety Committee increased fees effective September 2012. In total, ongoing revenue gain in FY 2014, the first full year that the fees are in effect, is estimated to be \$270,000. These fees, however, are deposited into the General Fund. The department's budget includes an increase of \$270,000 from the General Fund in FY 2014 for operation of the State Fire Marshal and manufactured housing programs. The increased appropriation is equivalent to the level of increased fees.

Internal Revenue Code Conformity – Laws 2013, Chapter 65 conforms Arizona tax statutes to the Internal Revenue Code (IRC) as of January 3, 2013 and establishes a tax credit for Tax Year 2013 in lieu of conforming to the retroactive provision of the Federal Aviation Administration (FAA) Modernization and Reform Act relating to rollover of amounts received in airline carrier bankruptcy. Chapter 65 is estimated to result in a net revenue gain of \$4.6 million in FY 2013, \$13.7 million in FY 2014, \$17.6 million in FY 2015, and \$15.6 million in FY 2016.

Premium Tax Revenues from Medicaid Expansion – Laws 2013, 1st Special Session, Chapter 10 expands Medicaid coverage for adults up to 133% of the federal poverty level, beginning January 1, 2014. The expansion is estimated to gradually increase Medicaid enrollment by over 260,000 individuals by the end of FY 2016. Premiums paid to insure these additional enrollees are estimated to increase insurance premium tax collections deposited into the General Fund by \$7.3 million in FY 2014, \$34.2 million in FY 2015, and \$36.4 million in FY 2016.

Data Center TPT Exemption – Laws 2013, 1st Special Session, Chapter 9 establishes, effective September 1, 2013, Transaction Privilege Tax (TPT) and Use Tax exemptions, for equipment purchased by owners, operators, or co-location tenants of computer data centers certified by the Arizona Commerce Authority (ACA). To qualify for the exemption, newly constructed data centers located in Maricopa and Pima Counties must make a minimum investment of \$50 million over 5 years. The corresponding minimum requirement in other counties is \$25 million. Existing data centers, which made an investment of at least \$250 million during the 6 years immediately preceding the act's effective date, are eligible for the same exemption with respect to future equipment purchases. The exemptions are expected to reduce General Fund revenues by \$(4.2) million in FY 2014, \$(6.0) million in FY 2015, and \$(7.9) million in FY 2016.

Foster Care Tax Credit – Laws 2013, 1st Special Session, Chapter 9 expands (retroactive to January 1, 2013) the existing working poor credit to include qualifying foster care charitable organizations. The maximum credit for cash contributions to qualifying foster care organizations is \$400 for individuals filing as single or head of household and \$800 for married couples filing joint returns. The foster care credit is estimated to result in an annual individual income tax reduction of \$(850,000), beginning in FY 2014.

Subsequent to signing the FY 2014 budget into law on June 17, 2013, the Governor approved 2 additional tax bills with a revenue impact: SB 1179 (Laws 2013, Chapter 236) and HB 2531 (Laws 2013, Chapter 256). SB 1179, which includes numerous sales, income, and property tax provisions with ongoing revenue impact, is described below. *Table 11* at the end of this section lists all the

provisions contained in SB 1179, including those for which the fiscal impact is either unknown or believed to be minimal. HB 2531 is discussed in the *One-Time Financing* section on page 331.

Interlock Device TPT Exemption – Laws 2013, Chapter 236 exempts the leasing or renting of certified interlock devices from state and municipal TPT, retroactive to September 1, 2004. This provision is estimated to result in an annual General Fund revenue reduction of \$(600,000), beginning in FY 2014.

Increased 529 College Savings Plan Deductions – Laws 2013, Chapter 236 increases the 529 college savings plan contributions that are deductible from state income tax from \$1,500 to \$4,000 for married couples filing joint returns and from \$750 to \$2,000 for all other filers. This provision, which is retroactive to January 1, 2013, is expected to result in an annual individual income tax reduction of \$(4.0) million, beginning in FY 2014.

Expanding Working Poor Credit to Non-Itemizers – Laws 2013, Chapter 236 removes the requirement that an individual income tax filer itemizes deductions in order to claim the working poor tax credit. This provision is estimated to reduce individual income tax collections by \$(18.0) million annually, beginning in FY 2014.

Exempts Enterprise Zone Credit Certification Requirement – Laws 2013, Chapter 236 provides that businesses, which were certified by ACA and then claimed first year credits under the now repealed Enterprise Zone (EZ) Credit program, be exempt from the requirement to file for certification in order to claim second or third year credits. This provision, which is retroactive to July 1, 2011, is estimated to reduce General Fund revenues by \$(500,000) in FY 2014 and \$(300,000) in FY 2015.

Temporary 1-Cent TPT Increase

At the May 2010 Special Election, voters approved a 1-cent increase of the TPT (more commonly referred to as sales tax) for 3 years, effective from June 1, 2010 through May 31, 2013. As shown in *Table 4*, the temporary TPT increase is estimated to generate additional General Fund revenues of \$924.2 million in FY 2013, the third and final year of the temporary tax. The May 31, 2013 expiration of the 1-cent sales tax increase has the effect of reducing FY 2014 General Fund revenues by \$(924.2) million relative to FY 2013.

Urban Revenue Sharing

The Urban Revenue Sharing (URS) program provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and towns within the state. The amount that is currently distributed to cities and towns is 15% of net income tax collections from 2 years prior. As indicated in *Table 4*, total URS distributions will increase from

\$513.6 million in FY 2013 to \$561.0 million in FY 2014. The URS program reduces net General Fund revenues by an additional \$(47.4) million in FY 2014.

One-Time Financing

As shown in *Table 4*, one-time financing sources have been used to help provide a balanced budget. The following is a discussion of one-time financing sources included in the budget for FY 2013 and FY 2014. *Table 7* provides the one-time detail.

FY 2013

The \$54.5 million in one-time financing sources for FY 2013 includes:

TPT Estimated Payment – Laws 2010, 7th Special Session, Chapter 12 reduced the threshold for estimated Transaction Privilege Tax (TPT) payments from \$1.0 million in annual TPT liability to \$100,000 for FY 2010 through FY 2012. This change generated an estimated one-time General Fund revenue gain of \$48.0 million in FY 2010 and is expected to result in a one-time revenue loss of \$(52.0) million in FY 2013 when the estimated payment threshold reverts to \$1.0 million.

Fund Transfers – The enacted FY 2013 budget provided for a total of \$106.0 million in fund transfers. Under the January Baseline, this amount was adjusted to \$96.0 million. The FY 2013 budget assumed a \$10.0 million transfer to the General Fund from the Citizens Clean Elections Fund, based on the level of prior year transfers. A 1998 ballot initiative establishes a formula for the reversion of unused Clean Elections Funds to the General Fund. The ballot language makes the Citizens Clean Election Commission responsible for calculating the reversion amount. The Commission did not revert any funds in FY 2013.

DEQ Settlement – The Arizona Department of Environmental Quality (DEQ) settled a lawsuit with the Chevron Corporation in April 2013 over the misuse of State Assurance Funds from the Underground Storage Tank Program (UST). Under this settlement, Chevron is required to reimburse the State of Arizona an amount of \$10.5 million. This amount was deposited into the General Fund in FY 2013.

Balance Forward – The FY 2012 General Fund ending balance carry forward into FY 2013 was \$397.0 million.

FY 2014

The \$52.1 million in one-time financing sources for FY 2014 includes:

Fund Transfers – The enacted FY 2014 budget provides for a total of \$76.9 million in fund transfers (*for more detail, see the Detailed List of General Fund Transfers by Agency section*).

Instant Depreciation – Laws 2013, Chapter 256 (HB 2531) removes the \$25,000 cap on deductions from state income tax for qualified business equipment purchases under Section 179 of the Internal Revenue Code (IRC). Section 179 allows individual and corporate taxpayers to deduct, for income tax purposes, 100% of their qualified business expenses (up to a stipulated amount) in the year that the equipment was purchased rather than in smaller installments over several years according to a federal depreciation schedule. The \$25,000 deduction cap was instituted in 2004 as a result of the Legislature's decision (Laws 2004, Chapter 196) not to conform to the higher Section 179 deduction allowances provided under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003. Chapter 256 effectively conforms state tax statutes to Section 179 of IRC for qualified equipment acquired in taxable years beginning after December 31, 2012. The act is estimated to result in a one-time revenue loss of \$(24.8) million in FY 2014. The revenue loss after FY 2014, if any, is contingent on federal actions with respect to Section 179.

Balance Forward – The budgeted FY 2013 General Fund ending balance carried forward into FY 2014 was estimated to be \$693.7 million. Compared to the \$397.0 million FY 2013 beginning balance, the projected FY 2014 balance reflects a gain of \$296.7 million.

Table 7

FY 2013 and FY 2014 One-Time Financing Sources
(\$ in Millions)

	<u>FY 2013</u>	<u>FY 2014</u>
Balance Forward	\$397.0	\$693.7
Budget Legislation		
TPT Estimated Payment	(52.0)	
Instant Depreciation	0.0	(24.8)
Subtotal	(52.0)	(24.8)
DEQ Settlement	10.5	
Fund Transfers	96.0	76.9
Total One-Time Financing	\$451.5	\$745.8

Long-Term Projections

The FY 2014 budget also incorporated revenue planning estimates for FY 2015 and FY 2016. The January 2013 and April 2013 4-sector consensus estimate are shown in *Tables 8 and 9* respectively below.

The April 4-sector forecast was the basis for the JLBC Baseline. Under the April 4-sector consensus estimate,

base revenue would increase by 6.1% in FY 2015 and 5.6% in FY 2016.

Table 8

4-Sector Estimates
FY 2015 Forecast Percentages
Base Revenue ^{1/}

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
January	5.7%	5.8%	7.9%	5.6%	6.3%
April	5.6%	5.5%	8.5%	5.6%	6.3%
Individual Income Tax					
January	5.8%	2.2%	6.3%	6.5%	5.3%
April	6.3%	3.7%	6.3%	6.7%	5.8%
Corporate Income Tax					
January	7.5%	6.5%	10.2%	4.1%	7.2%
April	4.7%	10.4%	16.4%	5.0%	9.4%
Overall ^{2/}					
January	5.9%	4.4%	7.4%	5.9%	5.9%
April	5.8%	5.2%	8.3%	6.0%	6.1%

^{1/} Prior to any tax law or other revenue changes.

^{2/} Includes JLBC Staff estimates for other revenue categories.

Table 9

4-Sector Estimates
FY 2016 Forecast Percentages
Base Revenue ^{1/}

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
January	5.2%	7.5%	7.9%	5.7%	6.6%
April	5.3%	6.7%	7.8%	5.7%	6.4%
Individual Income Tax					
January	5.9%	4.8%	7.3%	6.5%	6.2%
April	5.9%	4.6%	6.0%	6.5%	5.8%
Corporate Income Tax					
January	7.6%	0.8%	2.4%	6.1%	4.0%
April	3.9%	3.3%	5.6%	5.6%	4.6%
Overall ^{2/}					
January	5.7%	5.8%	7.2%	6.1%	6.2%
April	5.4%	5.6%	6.9%	6.0%	5.6%

^{1/} Prior to any tax law or other revenue changes.

^{2/} Includes JLBC Staff estimates for other revenue categories.

Tax Law Changes – FY 2015 and Beyond

In addition to the tax law and revenue changes affecting FY 2014, as noted above, there was another tax law change (described below) enacted in 2013 that will not have a revenue impact until FY 2016.

TPT Simplification – Laws 2013, Chapter 255 makes numerous changes to the state and municipal Transaction Privilege Tax (TPT) with respect to administration, collections, and auditing. In addition, effective from January 1, 2015, Chapter 255 exempts service and trade contractors from state and municipal contracting tax whenever they work directly for the property owners and such work is limited to maintenance, repair, or replacement of existing property. Instead, the materials purchased by such contractors will be subject to retail TPT. Chapter 255 is estimated to result in a net General Fund gain of \$1.3 million in FY 2016.

Table 10

GENERAL FUND REVENUE - FY 2012-FY 2014

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2012	% CHANGE PRIOR YR	FORECAST FY 2013	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2014	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Taxes:								
Sales and Use	3,652,165.7	5.9%	3,801,949.3	4.1%	149,783.6	3,998,271.1	5.2%	196,321.8
Income - Individual	3,086,137.4	7.8%	3,265,549.1	5.8%	179,411.7	3,446,815.8	5.6%	181,266.7
- Corporate	643,771.8	14.9%	652,626.8	1.4%	8,855.0	683,355.9	4.7%	30,729.1
Property	15,887.9	-21.9%	16,000.0	0.7%	112.1	16,000.0	0.0%	0.0
Luxury - Tobacco	24,931.1	-0.5%	25,003.6	0.3%	72.5	24,158.5	-3.4%	(845.1)
- Liquor	31,426.0	10.1%	32,928.3	4.8%	1,502.3	33,140.6	0.6%	212.3
Insurance Premium	393,990.5	-4.8%	387,000.0	-1.8%	(6,990.5)	399,000.0	3.1%	12,000.0
Estate	200.8	-54.1%	0.0	-100.0%	(200.8)	0.0	N/A	0.0
Other Taxes	1,783.1	-57.5%	1,800.0	0.9%	16.9	1,800.0	0.0%	0.0
Sub-Total - Taxes	7,850,294.3	6.6%	8,182,857.1	4.2%	332,562.8	8,602,541.9	5.1%	419,684.8
Other Non-Tax Revenues:								
Lottery	81,932.2	0.6%	73,671.9	-10.1%	(8,260.3)	77,829.9	5.6%	4,158.0
Licenses, Fees and Permits	27,893.5	-1.2%	27,000.0	-3.2%	(893.5)	27,000.0	0.0%	0.0
Interest	10,177.1	123.3%	6,900.0	-32.2%	(3,277.1)	5,100.0	-26.1%	(1,800.0)
Sales and Services	35,730.9	-4.2%	35,000.0	-2.0%	(730.9)	35,000.0	0.0%	0.0
Other Miscellaneous	87,995.4	22.9%	76,874.6	-12.6%	(11,120.8)	73,000.0	-5.0%	(3,874.6)
Transfers and Reimbursements	23,471.4	-11.5%	25,000.0	6.5%	1,528.6	25,000.0	0.0%	0.0
Disproportionate Share Revenue	95,688.3	9.3%	80,861.2	-15.5%	(14,827.1)	77,868.4	-3.7%	(2,992.8)
Sub-Total - Other Non-Tax	362,888.7	7.6%	325,307.7	-10.4%	(37,581.0)	320,798.3	-1.4%	(4,509.4)
Subtotal On-Going Revenue	8,213,183.0	6.6% ^{1/}	8,508,164.8	3.6% ^{2/}	294,981.8	8,923,340.2	4.9%	415,175.4
Previously Enacted Tax Law Changes	0.0	N/A	0.0	N/A	0.0	(46,900.0)	N/A	(46,900.0)
Newly Enacted Tax Legislation	0.0	N/A	4,600.0	N/A	4,600.0	(6,896.0)	-249.9%	(11,496.0)
3-Year 1¢ TPT Increase	915,835.5	5.9%	924,237.3	0.9%	8,401.8	0.0	-100.0%	(924,237.3)
Subtotal w/Tax Law Changes	9,129,018.6	6.6%	9,437,002.1	3.4%	307,983.5	8,869,544.2	-6.0%	(567,457.9)
Urban Revenue Sharing (URS)	(424,423.4)	-10.5%	(513,584.1)	21.0%	(89,160.7)	(561,001.2)	9.2%	(47,417.1)
Subtotal w/Tax Law Changes/URS	8,704,595.1	7.6%	8,923,418.0	2.5%	218,822.9	8,308,543.0	-6.9%	(614,875.0)
One-Time Financing Sources:								
Previously Enacted Tax Legislation	13,867.4	N/A	(52,000.0)	-475.0%	(65,867.4)	0.0	-100.0%	52,000.0
Fund Transfers	306,403.5	19.1%	96,000.0	-68.7%	(210,403.5)	76,900.0	-19.9%	(19,100.0)
DEQ Settlement	0.0	-100.0%	10,500.0	N/A	10,500.0	0.0	-100.0%	(10,500.0)
Instant Depreciation	0.0	-100.0%	0.0	N/A	0.0	(24,800.0)	N/A	(24,800.0)
County Contributions	38,600.0	11.6%	0.0	-100.0%	(38,600.0)	0.0	N/A	0.0
Sub-Total - One-Time Financing Sources	358,870.9	-55.5%	54,500.0	-84.8%	(304,370.9)	52,100.0	-4.4%	(2,400.0)
Subtotal - Revenues	9,063,466.0	1.9%	8,977,918.0	-0.9%	(85,548.0)	8,360,643.0	-6.9%	(617,275.0)
Balance Forward	3,243.0	-156.7%	396,960.0	N/A	393,717.0	693,732.5	74.8%	296,772.5
Total - Resources	9,066,709.0	2.0%	9,374,878.0	3.4%	308,169.0	9,054,375.5	-3.4%	(320,502.5)

^{1/} The 6.6% FY 2012 increase includes \$(2.5) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2012 increase is 6.7%.

^{2/} The 3.6% FY 2013 increase includes \$(33.3) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2013 increase is 4.0%.

Table 11

General Fund Impact of Tax Provisions in Laws 2013, Chapter 236 (SB 1179)
(\$ in Millions)

<u>Description (Effective Date)</u>	<u>Tax</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Exempts qualified destination management companies from state TPT (Effective retroactively from January 1, 2002) ^{1/}	Sales	Unknown	Unknown	Unknown
Exempts the leasing or renting of certified interlock devices from state and municipal TPT (Effective retroactively from September 1, 2004) ^{1/ 2/}	Sales	(0.6)	(0.6)	(0.6)
Exempts energy drinks from state TPT (Effective September 13, 2013) ^{3/}	Sales	Unknown	Unknown	Unknown
Expands Class 6 to include property that is used to manufacture motor vehicle biofuel and its by-products (Effective September 13, 2013) ^{4/ 5/}	Property	Minimal	Minimal	Minimal
Increases the 529 college savings plan income tax subtraction from \$1,500 to \$4,000 for couples and from \$750 to \$2,000 for single filers (Effective retroactively from January 1, 2013) ^{6/}	Individual Income	(4.0)	(4.0)	(4.0)
Eliminates the requirement that a filer itemizes deductions in order to claim the working poor tax credit (Effective September 13, 2013) ^{7/}	Individual Income	(18.0)	(18.0)	(18.0)
Allows a higher education institution with at least 1 campus on which 2,000 or more students reside to reduce their tax liability by using a different sales factor calculation for educational services (Effective January 1, 2014) ^{8/}	Corporate Income	Unknown	Unknown	Unknown
Exempts taxpayers from the annual certification requirement with ACA for purposes of claiming second and third year credits under the repealed Enterprise Zone Tax Credit program (Effective retroactively from July 1, 2011)	Individual & Corporate Income	\$(0.5)	\$(0.3)	\$0.0
Total General Fund Impact ^{9/}		\$ (23.1)	\$ (22.9)	\$ (22.6)

Notes:

^{1/} Total amount of refundable claims from prior years is limited to \$10,000. Impact is likely minimal as companies do not appear to have previously been collecting TPT on a widespread basis.

^{2/} See fiscal note for Senate Engrossed version of SB 1179.

^{3/} Impact unknown. Application of TPT on energy drinks has been inconsistent, so there is no reliable means of determining current collections.

^{4/} At present time, JLBC Staff is only aware of one production plant that would be affected by this provision. The annual K-12 basic state aid cost associated with this plant is estimated to be \$20,000. This cost, however, could increase in future years.

^{5/} Property tax provisions affect state spending rather than state revenue.

^{6/} See fiscal note for SB 1176.

^{7/} See fiscal note for SB 1172.

^{8/} Due to taxpayer confidentiality, information on current collections is unavailable outside of the Department of Revenue.

^{9/} Does not include an estimate of "dynamic" revenue impacts.

BUDGET STABILIZATION FUND

Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The BSF is also known as the “Rainy Day Fund.”

The Formula

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The formula is based on total annual Arizona personal income (excluding transfer payments) adjusted for inflation.

The January budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of real adjusted state personal income, its trend growth rate over the past 7 years, and the calculated appropriation to or transfer from the BSF. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. In practice, the formula has only served as a general guideline and has rarely been used to determine the actual deposit or withdrawal.

Key features of the BSF can be summarized as follows:

- The deposit into or withdrawal from the BSF for a given fiscal year is determined by comparing the annual growth rate of real adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to its 7-year trend growth rate.
- Real adjusted personal income in the BSF formula is defined as Arizona personal income less transfer payments, adjusted by the gross domestic product price deflator index.
- Trend growth rate is defined as the average annual growth rate of real adjusted personal income for the most recent 7 calendar years.
- If the annual growth rate exceeds the trend growth rate, the “excess” percent multiplied by General Fund

revenue of the prior fiscal year would equal the amount to be deposited into the BSF.

- If the annual growth rate of real adjusted personal income is both less than 2% and less than the trend growth rate, the deficiency when multiplied by the General Fund revenue of the prior year would equal the amount to be withdrawn from the BSF. This 2% floor avoids withdrawing monies from the BSF when economic conditions are slowing but there is not a recession.
- By a two-thirds majority, the Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.
- The BSF's total balance cannot be larger than 7.0% of the current year's General Fund revenues, excluding the beginning balance.
- In addition to the fixed income investments, the Treasurer is allowed to invest up to 25% of the BSF in equity securities (A.R.S. § 35-314.02).

Deposits/Withdrawals

FY 2012

Arizona real adjusted personal income increased by 3.42% in CY 2011. Since this was 2.07% above the trend growth rate of 1.35%, the formula recommended a BSF deposit of \$167.4 million in FY 2012. This amount was less than the \$250.0 million BSF deposit authorized by Laws 2012, Chapter 294.

FY 2013

In CY 2012, Arizona real adjusted personal income grew by 1.99%, with a trend growth rate of 0.32%. Since the CY 2012 “excess” growth rate was 1.67%, the formula recommended a BSF deposit of \$145.6 million in FY 2013. The Legislature, however, did not authorize such deposit.

FY 2014

The University of Arizona's Economic and Business Research Center (EBR) estimates that Arizona real adjusted personal income will increase by 2.94% in CY 2013. Since this is 3.16% above the estimated trend growth rate of (0.22)%, the formula is expected to recommend a BSF deposit of \$282.0 million in FY 2014. A deposit of such amount cannot be made, however, since this would result in a BSF balance of more than \$150 million above the 7% cap.

Laws 2013, 1st Special Session, Chapter 9 provides that \$1.0 million in BSF interest earnings be deposited into the Arts Fund (administered by the Arizona Commission of the Arts) in FY 2014. Chapter 9 authorizes that \$1.0 million in interest earnings be transferred into the Arizona State Park Board's State Parks Revenue Fund in FY 2014 as well.

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

	Actual FY 2011	Actual FY 2012	Estimate FY 2013	Estimate FY 2014
General Fund Revenues				
Adjusted Revenues	\$8,053,922.7	\$8,704,595.1	\$8,923,418.0	\$8,308,543.0
Statutory Limit of Revenues	7.0%	7.0%	7.0%	7.0%
Maximum Balance	563,774.6	609,321.7	624,639.3	581,598.0
Arizona Personal Income in Prior CY				
Real Adjusted Annual Income Growth	(0.42)%	3.42%	1.99%	2.94%
7-Year Average Income Growth	1.92%	1.35%	0.32%	(0.22)%
Annual Difference	(2.34)%	2.07%	1.67%	3.16%
BSF Transactions				
Beginning BSF Balance	0.0	0.0	250,062.8	454,101.7
BSF Formula Recommendation	(163,903.8)	167,370.4	145,576.6	281,980.0
Actual Transfer In				
Actual Appropriation – L'12, Ch. 294 ^{2/}	0.0	250,000.0	200,000.0	0.0
Actual Transfer Out				
Transfer of BSF Interest Income – L'13, 1 st SS, Ch. 9 ^{3/}	0.0	0.0	0.0	(2,000.0)
Balance	0.0	250,000.0	450,062.8	452,101.7
Interest Earnings & Equity Gains/Losses ^{4/}	0.0	62.8	4,038.9	4,160.0
Ending BSF Balance	\$ 0.0	\$ 250,062.8	\$ 454,101.7	\$ 456,261.7
Percent of Revenues	0.0%	2.9%	5.1%	5.5%

^{1/} BSF history prior to FY 2011 can be found on the JLBC website.

^{2/} Laws 2012, Chapter 294 authorized the transfer of \$250.0 million in FY 2012 and \$200.0 million in FY 2013 from the General Fund to the BSF.

^{3/} Laws 2013, 1st Special Session, Chapter 9 authorizes a total transfer of \$2.0 million in BSF interest earnings in FY 2014. Of this amount, \$1.0 million is appropriated for deposit in the Arts Fund administered by the Arizona Commission of the Arts and \$1.0 million to the State Parks Revenue Fund administered by the Arizona State Parks Board.

^{4/} Estimated interest earnings for FY 2014 were provided by the State Treasurer's Office.

**GENERAL PROVISIONS OF THE
GENERAL APPROPRIATION ACT
AND OTHER OVERALL ISSUES**

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GENERAL PROVISIONS OF THE GENERAL APPROPRIATION ACT AND OTHER OVERALL ISSUES

In addition to the specific appropriations to agencies, departments and institutions, the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) provides direction with regard to several general provisions.

General Provisions

Statewide Adjustments — Each individual agency narrative refers to the allocation of statewide adjustments. The *Agency Detail and Allocations* section includes the specific adjustments for each agency. The adjustments are as follows:

Section 131 of the General Appropriation Act makes statewide adjustments totaling \$22,289,500 from the General Fund and \$14,013,600 from Other Appropriated Funds in FY 2014 for changes in 4 areas:

- **State Lease-Purchase and Rental Rates:** \$67,800 General Fund and \$713,600 Other Appropriated Funds for adjustments in agency lease-purchase and privatized-lease-to-own charges and converting state agency rental rates from usable square feet to rentable square feet pursuant to the FY 2013 Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 296). *(Please see the Capital Outlay section for more details on lease-purchase and rent charges.)*
- **Human Resources Pro Rata:** \$(1,605,400) General Fund and \$(1,200,000) Other Appropriated Fund savings from reducing the pro rata share of overall payroll most state agencies are required to pay to fund the State Personnel Board and Human Resources Division from 1.10% to 0.86%. The amount also includes adjustments to cover 7 state agencies incorporated into the Arizona Department of Administration's (ADOA) personnel system by Laws 2012, Chapter 312. *(Please see the ADOA section for more details on the human resources pro rata charge.)*
- **Risk Management:** \$327,100 General Fund increase and \$(2,000,000) Other Appropriated Funds savings for FY 2014 adjustments in agency risk management rates. *(Please see Risk Management discussion below for more details.)*
- **Retention Payments:** \$23,500,000 General Fund and \$16,500,000 Other Appropriated Funds to annualize the critical retention payments appropriated in the FY 2013 General Appropriation Act. These payments were for employees who had uncovered status as of September 29, 2012, including those who voluntarily converted to uncovered status or were required to convert by Laws 2012, Chapter 321. In the FY 2013 budget, the payments were designated as one-time, equal to 5% of the employee's annual salary level,

equivalent to 3.75% for a full year. The FY 2014 adjustment makes the adjustment permanent and includes sufficient funding to make it 5% for a full year.

Based on ADOA reports, an estimate 20,266 state employees were initially eligible for the retention payments, divided as follows:

- Uncovered prior to Chapter 321: 8,316
- Mandatorily made uncovered by Chapter 321: 6,616
- Voluntarily converted to uncovered status prior to September 29, 2012: 5,334

Those employees still in those same jobs as of September 29, 2012 would continue to receive the adjustment.

In addition to these changes, Section 113 changed the amount reduced from state agency health insurance premiums in FY 2013 from \$(25,000,000) as specified in the FY 2013 General Appropriation Act to no more than \$(19,381,500). This change had the net impact of making the General Fund reduction allocated to the Universities smaller than originally calculated.

Expenditure Reporting — Section 133 continues to state that it is the intent of the Legislature that all budget units receiving appropriations continue to report actual, estimated and requested expenditures by budget programs and classes in a format similar to the one used for budgetary purposes in prior years. The purpose of this section is to ensure stability and consistency in expenditure reporting regardless of yearly changes in appropriation formats. A different format may be used if agreed to by the Director of the JLBC and incorporated into the budget instructions issued by the Governor's Office of Strategic Planning and Budgeting.

FTE Position Reporting — Section 134 continues to state that the Full Time Equivalent (FTE) Positions contained in the General Appropriation Act are subject to appropriation. The section directs the Director of ADOA to account for the utilization of all appropriated and non-appropriated FTE Positions, excluding FTE Positions in the Department of Economic Security (DES), Universities, and Department of Environmental Quality (DEQ). The Director shall submit the FY 2014 report by October 1, 2014 to the Director of the JLBC.

The reports shall compare the level of FTE Position usage in each fiscal year to the appropriated level. This section defines FTE Positions as the total number of hours worked, including both regular and overtime hours as well as hours taken as leave, divided by the number of hours in a work year. The ADOA Director shall notify the director

of each budget unit if the budget unit has exceeded its number of appropriated FTE Positions. DES, the Universities, and DEQ shall report to the Director of the JLBC in a manner comparable to the ADOA report. This report is being expanded to include non-appropriated positions to provide a more comprehensive view of state employment.

Filled FTE Position Reporting — Section 135 continues to state that by October 1, 2013 each agency, including the Judiciary and the Universities, shall submit a report to the JLBC Director on the number of filled, appropriated and non-appropriated FTE Positions by fund source. The report shall reflect the number of filled, appropriated FTE Positions as of September 1, 2013. As with the ADOA report, this report is also being expanded to include non-appropriated funds.

Transfer Authority — Section 136 continues to require ADOA to provide a monthly report to the JLBC Staff on agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements — Section 137 continues to require the Executive Branch to provide to the JLBC a preliminary estimate of the FY 2013 General Fund ending balance by September 15, 2013. Based on this information, JLBC Staff shall report to JLBC by October 15, 2013 as to whether FY 2014's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections. Excluding the beginning balance and including one-time revenues, Section 141 states the revenues are forecasted to be \$9,375,000 for FY 2013 and \$9,112,000,000 for FY 2014.

Section 137 also provides revenue and expenditure estimates for FY 2015 and FY 2016, pursuant to Laws 2012, Chapter 244. Chapter 244 added A.R.S. § 35-125, requiring the General Appropriation Act to delineate the revenue and expenditure estimates for the budget year and the following 2 years based on existing statutory funding requirements. Chapter 244 requires the Legislature to discuss the estimates in a public hearing before the adoption of the General Appropriation Act. *Please see the Budget Highlights section for more details on FY 2015 and FY 2016 estimates.*

Expenditure Authority — Section 139 continues to state that for purposes of the General Appropriation Act, "expenditure authority" means that the fund sources are

continuously appropriated monies that are included in the individual line items of appropriations.

JLBC Review — Section 140 continues to state that for purposes of the General Appropriation Act, "review by the Joint Legislative Budget Committee" means a review by a vote of a majority of a quorum of the members.

Statewide Standard Changes

In addition to the adjustments to agency budgets and general provisions outlined previously, the FY 2014 budget reflects the adoption of technical assumptions. These technical assumptions are incorporated into each agency's individual appropriation in the FY 2014 General Appropriation Act. Statewide adjustment amounts are mentioned in any relevant agency narrative, but do not have additional discussion.

Employee Related Expenditures

Health Insurance — The state continues to self-insure state employee health benefits. Under self-insurance, the state assumes the risk of providing health coverage to state employees and pays health claims directly. Therefore, if the costs of employee health coverage exceed estimates, the state will be responsible for those losses. Similarly, if the costs are less than estimated, the state will retain the savings.

Employees have a choice between an Exclusive Provider Organization (EPO, which is the self-insured equivalent of an HMO), a Preferred Provider Organization (PPO) and a Health Savings Account (HSA) Option. Contracts for CY 2014, which begins on January 1, 2014, have not yet been signed. Additional information on the current plan design can be found on page 481 of the *FY 2010 Appropriations Report*.

Estimated FY 2013 health and dental costs are shown in *Table 1*. State employee and employer premiums for the CY 2013 plan year are shown in *Table 2*. The FY 2014 budget assumed employer premiums for the plan year starting January 1, 2014 would remain the same; however, rates for the upcoming plan year have not yet been released.

Table 1 FY 2014 Estimated State Employee Health/Dental Insurance (\$ in millions)							
	General Fund	Other Fund	Non- Approp.	Total Employer	Employee Premiums	Retiree Premiums	Total
Health <i>1/</i>	243.9	382.3	0	626.2	80.9	58.3	765.4
Dental	2.1	3.3	0	5.4	20.3	14.6	40.2
Total	246.0	385.6	0	631.6	101.1	72.9	805.6

Table 2

**Health Insurance
State Employee and Employer Monthly Contributions
Calendar Year 2013**

	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<u>Exclusive Provider Organization (EPO)</u>		
Employee	\$ 40.00	\$ 550.00
Employee Plus One Adult	119.00	1,113.00
Employee Plus One Child	101.00	1,078.00
Family	221.00	1,405.00
<u>Preferred Provider Organization (PPO)</u>		
Employee	155.00	741.00
Employee Plus One Adult	330.00	1,506.00
Employee Plus One Child	331.00	1,447.00
Family	486.00	1,929.00
<u>Health Spending Account (HSA) Option</u>		
Employee	26.00	503.00
Employee Plus One Adult	102.00	1,010.00
Employee Plus One Child	81.00	977.00
Family	193.00	1,265.00

Dental Insurance — Employees have a choice between one Dental PPO plan and one Dental HMO plan. Beginning in CY 2013, ADOA switched to a self-funded PPO plan and changed dental insurance premiums from a 3-tiered structure to a 4-tiered structure. Employee and employer premiums based on the CY 2013 plan year are shown in *Table 3*. Rates for the upcoming plan year have not yet been released.

Table 3

**Dental Insurance
State Employee and Employer Monthly Contributions**

	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<u>DHMO</u>		
Employee	\$4.03	\$4.96
Employee + 1 Adult	7.59	4.96
Employee + 1 Child	8.06	9.92
Family	13.27	13.70
<u>PPO</u>		
Employee	30.98	4.96
Employee + 1 Adult	50.56	9.92
Employee + 1 Child	65.71	9.92
Family	104.56	13.70

The FY 2014 budget requires ADOA to transfer a total of \$73.5 million from the Health Insurance Trust Fund (HITF) in FY 2014, of which \$68.0 million will be transferred to the General Fund and \$5.5 million will be transferred to the Automation Projects Fund. After subtracting out the HITF transfers, the JLBC Staff estimates the net total increase in health and dental insurance costs in FY 2014 to be approximately \$40 million in total funds, reflecting 5.6% growth. The budget

assumes that this increase will be funded by existing premiums. The estimated ending balance in HITF at the end of FY 2013 is \$325 million. *(Please see the Health Insurance Trust Fund section in the ADOA narrative for more details on overall HITF balances.)*

In addition to health and dental insurance, the following items are components of an agency's Employee Related Expenditures.

Employer Contribution Rates — *Table 4* provides a list of budgeted state employer contribution rates for state employee benefits during FY 2014. These rates may be different from actual funded charges (e.g., the Social Security FICA maximum may increase.) Except for life insurance, rates are calculated as a percent of Personal Services. Except as noted, the budget does not include funding for the changes in rates.

Life Insurance - \$23.40 per employee per year, unchanged from the FY 2013 rate.

Unemployment Insurance - 0.15% of Personal Services for each agency, unchanged from the FY 2013 rate.

Personnel Division Pro Rata - 0.86% of Personal Services for each agency in the State Personnel System, a decrease of (0.24)% from the FY 2013 rate of 1.10%. Of this amount, 0.83% is used to fund the ADOA Human Resources Division while the other 0.03% is used to fund the State Personnel Board. *(Please see ADOA narrative for more details.)*

The following *Appropriations Report* agencies are not incorporated into state personnel system oversight and are therefore exempt from paying the pro rata charge:

- Arizona State Schools for the Deaf and the Blind
- Legislative agencies (House of Representatives, Senate, Legislative Council, Auditor General, Joint Legislative Budget Committee)
- Judiciary (Supreme Court, Court of Appeals, Superior Court)
- Department of Public Safety
- Universities (including Arizona Board of Regents)

Table 4

FY 2014 Employer Contribution Rates

<u>Category</u>	<u>Rate</u>		
Life Insurance (per FTE Position)	\$23.40		
Unemployment Insurance	0.15%		
Personnel Division Pro Rata	0.86%		
Disability (Arizona State Retirement System)	0.24%		
Disability (Non-State Retirement System)	0.25%		
Information Technology Planning	0.20%		
Retiree Accumulated Sick Leave	0.40%		
Workers' Compensation	Varies		
<u>Federal Insurance Contributions Act (FICA)</u>			
Social Security (salary max \$113,700)	6.20%		
Medicare (no salary cap)	1.45%		
<u>Retirement System</u>			
	<u>Employer</u>	<u>Employee</u>	
	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2014 ^{1/}</u>
Arizona State Retirement System	10.90	11.30	11.30
<u>Correctional Officers Ret. Plan</u>			
Correctional Officers - ADC	11.14	13.45	8.40
Correctional Officers - DJC	12.30	15.39	8.40
DPS Dispatchers ^{2/}	7.90	12.99	7.96
Probation Officers	13.12	15.58	8.40
Elected Official Retirement Plan ^{3/}	20.87	25.94	13.00
University Optional	7.00	7.00	7.00
<u>Public Safety Personnel Retirement</u>			
Liquor License Investigators	46.99	44.34	10.35
Department of Public Safety ^{4/}	48.71	56.99	5.35
Northern Arizona University Police	36.81	40.83	10.35
University of Arizona Police	25.54	26.64	10.35
Arizona State University Police	24.42	27.43	10.35
Game and Fish Department	50.54	60.53	10.35
Attorney General Investigators	136.04	111.67	10.35
DEMA Firefighters	20.54	23.07	10.35
Parks Police	25.16	30.75	10.35

^{1/} Only Correctional Officers Retirement Plan, University Optional Plan and DPS Dispatcher employee contributions are unchanged from FY 2013. Arizona State Retirement System employee rates increased from 10.90%, Elected Officials Retirement Plan rates increased from 11.5%, and Public Safety Personnel Retirement Plan rates from 9.55% (4.55% for DPS).

^{2/} Dispatchers hired after November 24, 2009 are ASRS members.

^{3/} The state's employer rate shown reflects rate after being lowered as a result of the deposit of certain court fines.

^{4/} The displayed rates reflect that 5% of the DPS member contribution is paid by the state.

Disability Insurance - For Arizona State Retirement Systems (ASRS) employees the employer pays 0.24% of Personal Services for disability insurance, unchanged from the FY 2013 rate. The employee will also continue to pay 0.24%.

For non-ASRS employees the rate is 0.25% of Personal Services, unchanged from the FY 2013 rate.

Information Technology Planning - 0.20% of Personal Services for each agency, unchanged from the FY 2013 rate. The information technology review function in the ADOA budget is funded from an assessment on the payroll of all state agencies except the Universities.

Retiree Accumulated Sick Leave - 0.40% of Personal Services for each agency, unchanged from the FY 2013 rate. The Retiree Accumulated Sick Leave Fund is funded from an assessment on the payroll of all state agencies. The Fund is used to make payments to state employees who retire with 500 or more hours of sick leave.

Attorney General Pro Rata - Section 132 outlines \$1,809,500 in charges to selected state agencies for Attorney General services. The charges continue to replace the Attorney General Pro Rata charge of 0.675% of certain agencies' overall payroll eliminated by the FY 2013 Criminal Justice BRB (Laws 2012, Chapter 302). (Please see the Attorney General narrative for details.)

Workers' Compensation - The rates calculated by ADOA vary by individual agency and have changed from the FY 2012 workers' compensation rates. ADOA estimates the average statewide rate would decrease from 1.03% in FY 2013 to 1.00% in FY 2014. The FY 2014 does not adjust agency budgets for this change. Monies are deposited into the Risk Management Fund for payment of costs associated with Workers' Compensation losses.

Federal Insurance Contributions Act (FICA) - Social Security taxes are paid at a rate of 6.20% up to \$113,700 of an employee's salary beginning January 1, 2013, and increase from the current maximum of \$110,100; the rate is unchanged from FY 2013. The FY 2014 budget does not adjust agency budgets for this change.

In addition, Medicare taxes are applied at a rate of 1.45% on the full level of an employee's salary. This rate is unchanged from FY 2013. Effective January 1, 2013, the federal Affordable Care Act imposes an additional 0.9% Medicare withholding on employees for the amount of salaries above \$200,000. Employees will continue to be withheld at 1.45% for salaries below \$200,000. The FY 2014 budget does not adjust agency budgets for this change.

State Retirement Systems — There are 4 state employee retirement systems -- ASRS, the Public Safety Personnel Retirement System (PSPRS), the Corrections Officers Retirement Plan (CORP), and the Elected Officials

Retirement Plan (EORP). In addition, the Universities operate their own defined contribution plan. For ASRS, the total contribution for employees and employers combined will increase from 21.8% in FY 2013 to 22.6% in FY 2014. Employee contribution rates for EORP and the Public Safety Personnel Retirement Plan also changed pursuant to changes set in statute.

The FY 2014 budget does not adjust agency budgets for these changes except that the Arizona Department of Corrections (ADC) and Department of Public Safety (DPS) received separate appropriations to fund the increased cost in employer retirement contributions for those agencies. *(Please see the ADC and DPS narratives for more detail.)*

State Retirement Systems — There are 4 state employee retirement systems -- ASRS, the Public Safety Personnel Retirement System (PSPRS), the Corrections Officers Retirement Plan (CORP), and the Elected Officials Retirement Plan (EORP). In addition, the Universities operate their own defined contribution plan. For ASRS, the total contribution for employees and employers combined will increase from 21.8% in FY 2013 to 22.6% in FY 2014. Employee contribution rates for EORP and the Public Safety Personnel Retirement Plan also changed pursuant to changes set in statute.

The FY 2014 budget does not adjust agency budgets for these changes except that the Arizona Department of Corrections (ADC) and Department of Public Safety (DPS) received separate appropriations to fund the increased cost in employer retirement contributions for those agencies. *(Please see the ADC and DPS narratives for more detail.)*

In addition to rate changes in the Elected Officials Retirement Plan, Laws 2013, Chapter 217 appropriates \$5,000,000 annually from the General Fund to the EORP Fund from FY 2014 through FY 2043 to supplement the normal cost and to amortize the unfunded accrued liability of the now closed EORP. *(Please see the Public Safety Personnel Retirement System narrative for more details.)*

Table 5 lists ASRS contribution rates since FY 1983.

Other Operating Expenditures

The following items are included in agency's Other Operating Expenditures.

Building Payments — The Other Operating Expenditures line of individual agency budgets includes rental charges, lease-purchase, and privatized lease-to-own (PLTO) payments for certain buildings.

Rent charges in state-owned office space will decrease from \$13.82/square foot to \$13.08/square foot, with the charge for state-owned storage space decrease from \$5.01/square foot to \$4.74/square foot.

Table 5

ASRS Contribution Rates

<u>Fiscal Year</u>	<u>Rate ^{1/}</u>	<u>Fiscal</u>	<u>Rate ^{1/}</u>
FY 1983	7.00	FY 1999	2.85
FY 1984	7.00	FY 2000	2.17
FY 1985	6.27	FY 2001	2.17
FY 1986	5.67	FY 2002	2.00
FY 1987	5.53	FY 2003	2.00
FY 1988	4.00	FY 2004	5.20
FY 1989 ^{2/}	4.78	FY 2005	5.20
FY 1990 ^{2/}	1.29	FY 2006	6.90
FY 1991 ^{2/}	3.37	FY 2007	8.60
FY 1992 ^{2/}	3.17	FY 2008	9.10
FY 1993 ^{2/}	3.10	FY 2009	8.95
FY 1994 ^{2/}	2.65	FY 2010	9.00
FY 1995 ^{2/}	3.26	FY 2011	9.60
FY 1996	3.36	FY 2012	10.50
FY 1997	3.20	FY 2013	10.90
FY 1998	3.05	FY 2014	11.30

^{1/} Employee and employer each pay this rate except for FY 2012, when employers paid 9.87% and employees 11.13%. This non-50/50 split was repealed by Laws 2012, Chapter 304, which refunded excess contributions to employees.

^{2/} Long Term Disability not broken out of the contribution rate from FY 1989 - FY 1995. Rates for these years reflect amounts estimated to be attributable solely to retirement component.

Funding is also included in budgets for all agencies housed in buildings acquired by lease-purchase or PLTO, including changes to those payments. *(Please see the State Statewide Adjustments discussion above and the Rent, Lease-Purchase, and PLTO schedules in the Capital Outlay section for more details.)*

Risk Management — Individual agency budgets' Other Operating Expenditures include the Risk Management charges to be billed by the ADOA Risk Management Program. The billings vary by individual agency and have changed from the budgeted FY 2013 rates. *(Please see the Statewide Adjustments discussion above and the Risk Management Charges table following this section for more details.)*

Monies are deposited into an ADOA fund for payment of costs associated with Risk Management losses. The state self-insures for Risk Management services by assessing agencies charges based on actuarial projections and paying claims against the state.

Section 105 of the General Appropriation Act includes a FY 2013 supplemental appropriation of \$3,727,300 from the Risk Management Fund to refund a portion of certain fund balances to the federal government. In prior fiscal years, the state had transferred the balances of certain funds to the General Fund. If federal monies had been deposited into these funds, the federal government requires that they receive their own proportional share of fund transfers. The \$3,727,300 is intended to cover the state's obligation for transfers associated with Attorney General Legal Services, Government Information Technology

Agency and other transfers made prior to FY 2013.
(Please see the ADOA narrative for more details.)

Other Budget Issues

Administrative Adjustments — The budget assumes that state agencies will have expenditures totaling \$60,000,000 in FY 2014 for FY 2013 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2013 but for which the state was unbilled until FY 2014. An agency's administrative adjustments cannot exceed its prior year reversion, or unused appropriation authority. The \$60,000,000 is an increase of \$22,400,000 from the FY 2013 total of \$37,600,000. The FY 2013 amount is 39% of prior-year reversion, lower than the historical average of around 65%. Administrative adjustments as a percentage of prior year's reversion vary widely from year to year, however, from below 30% to above 70%. The low percentage reflects the expectation of large FY 2013 reversion from AHCCCS and the Department of Health Services (DHS) due to lower than expected caseloads and from the Arizona Department of Education (ADE) due to an early disbursement of FY 2013 obligations in FY 2012.

The FY 2013 estimate of \$37,600,000 was a \$(26,784,900) decrease from the originally-budgeted administrative adjustment total of \$64,384,900 for FY 2013. This amount is based on an analysis of individual agency spending reports and extrapolating final administrative adjustments based on those agencies' historical trends.

Reversion — The budget assumes that state agencies will revert \$(100,900,000) of FY 2014 appropriations back to the General Fund because the agencies will not spend their entire appropriation. This amount is a decrease of \$52,900,000 from the FY 2013 total of \$(153,800,000). The FY 2014 amount reflects 1.2% of total spending, a percentage based on historical averages. Of the \$(100,900,000), \$(100,000,000) reflects standard reversion and \$(900,000) reflects anticipated reversion from refinancing School Facilities Board new school facilities bonds. (Please see the School Facilities Board narrative for more details.)

The FY 2013 estimate of \$(153,800,000) was an increase of \$53,801,700 above the originally-budgeted FY 2013 reversion total of \$(99,998,300). This amount is approximately 1.8% of FY 2013 estimated spending. As noted above, reversion in AHCCCS, DHS, and ADE account for much of the FY 2013 estimate.

Budget Format — The format governs how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are the following:

Lump Sum — The appropriation for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review.

Lump Sum with Special Line Items — The appropriation for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include FTE Positions. Agencies are permitted to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review, though footnotes may place additional restrictions or notifications upon the agency prior to or associated with transfers between special line items or to or from the operating budget.

90/10 Agencies — The following 30 regulatory agencies are called "90/10" agencies for the fact that these agencies retain 90% of their revenues deposit the other 10% into the General Fund:

Arizona State Board of Accountancy
Acupuncture Board of Examiners
State Board of Appraisal
Board of Athletic Training
Board of Barbers
Board of Behavioral Health Examiners
State Board of Chiropractic Examiners
Registrar of Contractors
Board of Cosmetology
State Board of Dental Examiners
State Board of Funeral Directors and Embalmers
Board of Homeopathic and Integrated Medicine Examiners
Board of Massage Therapy
Arizona Medical Board
Naturopathic Physicians Medical Board
State Board of Nursing
Board of Examiners of Nursing Care Institution
Administrators and Assisted Living Facility Managers
Board of Occupational Therapy Examiners
State Board of Dispensing Opticians
State Board of Optometry
Arizona Board of Osteopathic Examiners
Office of Pest Management
Arizona State Board of Pharmacy
Board of Physical Therapy
State Board of Podiatry Examiners
State Board for Private Postsecondary Education
State Board of Psychologist Examiners
Board of Respiratory Care Examiners
State Board of Technical Registration
Arizona State Veterinary Medical Examining Board

SALARY ADJUSTMENTS FOR STATE EMPLOYEES SINCE FY 2004 (Shown in Nominal General Fund Dollars)

Fiscal Year	General Salary Adjustments					Additional Increases for Selected Classes		
	Dollars Appropriated	Effective Date	Annual Cost	% Salary Adjustment	% Performance Adjustment	Dollars Appropriated	Effective Date	Annual Cost
FY 2004	\$0	NA	\$0	-0-	-0-	-0-	NA	-0-
FY 2005	\$42,136,200	July 1	\$42,136,200	\$1,000/FTE <u>1/</u>	-0-	\$1,878,700	July 1	\$1,878,700 <u>2/</u>
FY 2006	\$26,992,200	July 2	\$26,992,200	1.7%	-0-	\$15,633,100	July 2	\$15,633,100 <u>3/4/</u>
FY 2007	\$129,686,700 <u>5/</u>	July 1	\$129,686,700 <u>6/</u>	\$1,650/FTE <u>7/</u>	2.50%	\$31,761,600	July 1	\$31,761,600 <u>8/9/</u>
FY 2008	\$68,755,000	July 1	\$68,755,000 <u>10/</u>	3.0%	0.25%	\$9,149,200	July 1	\$9,149,200 <u>11/</u>
FY 2009	\$0	NA	\$0	-0-	-0-	-0-	NA	-0-
FY 2010	\$0	NA	\$0	-0-	-0-	-0-	NA	-0-
FY 2011	\$(33,464,400) <u>12/</u>	July 1	\$(33,464,400)	-2.30% <u>13/</u>	-2.75% <u>13/</u>	-0-	NA	-0-
FY 2012	\$(3,390,700) <u>14/</u>	July 1	\$(3,390,700)	-0- <u>14/</u>	-0-	-0-	NA	-0-
FY 2013	\$16,633,400 <u>15/</u>	Sept 29	\$23,500,000	5.00% <u>15/</u>	-0-	-0-	NA	-0-
FY 2014	\$0	NA	\$0	0.00%	-0-	-0-	NA	-0-

- 1/ Equates to approximately 2.6%. Universities may determine how to delineate salary funding, there is no \$1,000 guarantee.
- 2/ Funds additional adjustments above \$1,000 for state-employed nurses and for sworn officers in the Arizona Department of Public Safety (DPS).
- 3/ Funds additional adjustments above 1.7% for sworn officers in DPS and Assistant Attorneys General.
- 4/ Funds \$1,410 adjustment for correctional officers in the Arizona Department of Corrections (ADC) and the Arizona Department of Juvenile Corrections (DJC) in lieu of the 1.7% general salary adjustment.
- 5/ Salary Adjustment went into effect on March 11, 2006. \$39,854,000 was appropriated for the FY 2006 adjustments.
- 6/ Laws 2006, Chapter 1 originally appropriated \$130,241,800 for the salary adjustments. Laws 2006, Chapter 261 reduced the appropriation by \$(555,100).
- 7/ Equates to approximately 3.8%.
- 8/ Funds additional adjustments above the \$1,650 per FTE and 2.5% performance adjustment for the Auditor General's Office, state-employed nurses and corrections officers in ADC and DJC.
- 9/ Includes \$17 million that was reallocated from the ADC's Overtime Special Line Item for Salary Adjustments.
- 10/ Provides funding for the equivalent of a 3.0% adjustment to the Personal Services Base in the FY 2008 JLBC Baseline.
- 11/ Funds additional adjustments above the 3.0% pay adjustment and 0.25% performance adjustment for the General Accounting Office, Assistant Attorney Generals, supervisor correctional officers at ADC, security officers at the Arizona State Hospital, officers at DJC, and sworn officers at DPS.

- 12/ Represents General Fund savings from the pay reduction that were budgeted in FY 2011, along with uncaptured furlough savings realized in FY 2011 during the FY 2012 budget process.
- 13/ Represents 6 furlough days (2.3%) except for certain exempted positions and a (2.75)% pay reduction. Where possible, the (2.75)% reduction was intended to eliminate the FY 2007 and FY 2008 Performance Adjustments. The furlough was originally authorized for FY 2011 and FY 2012 only, while the salary reduction was permanent.
- 14/ Represents General Fund savings from the prior enacted mandatory 6 day furlough, less additional funding to restore the furlough for several smaller agencies. The FY 2011 General Appropriation Act assumed a fixed level of General Fund savings associated with the furlough - savings were actually \$3.5 million greater and were reflected in the FY 2012 budget. Laws 2011, Chapter 26 eliminated one of the 6 mandatory furlough days in FY 2011 and all furlough days in FY 2012, but the budget did not restore any of the associated funding except for \$158,800 from the General Fund to several smaller agencies in FY 2012.
- 15/ Originally represented a one-time critical retention payment to state employees in FY 2013. The payments were made to non-university state employees who were uncovered on the effective date of September 29, 2012, and were equal to 5% of an employee's annual salary level prorated for the remainder of the fiscal year, increasing an employee's annual salary by an effective rate of 3.75%. This adjustment included payments to employees who converted from covered to uncovered status as a result of the 2012 omnibus personnel bill (Laws 2012, Chapter 321). The FY 2014 budget subsequently made the 5% adjustment permanent.

STATE OF ARIZONA ELECTED OFFICIALS' SALARIES

	Jan. 1, 2001	Jan. 1, 2002	Jan. 1, 2007 *	Jan. 1, 2009 *
Governor	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000
Secretary of State	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Treasurer	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Attorney General	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000
Superintendent of Public Instruction	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
Corporation Commissioners	\$ 79,500	\$ 79,500	\$ 79,500	\$ 79,500
Mine Inspector	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Supreme Court Chief Justice	\$ 129,150	\$ 129,150	\$ 145,294	\$ 160,000
Other Supreme Court Justices	\$ 126,525	\$ 126,525	\$ 142,341	\$ 155,000
Appellate Judges	\$ 123,900	\$ 123,900	\$ 139,388	\$ 150,000
Superior Court Judges	\$ 120,750	\$ 120,750	\$ 135,844	\$ 145,000
Legislators	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000

* There were no changes in elected officials' salaries between January 1, 2002 and January 1, 2007, January 1, 2007 and January 1, 2009, or January 1, 2009 and the present.

BUDGET CYCLE

Under A.R.S. § 35-113, the state has a “bifurcated” budget system in which most state agencies submit a biennial budget request each odd-numbered year, requesting a separate appropriation for each of the next 2 fiscal years. Larger state agencies make an annual budget request. These “annual budget units” are:

- Arizona Department of Administration (ADOA)
- Arizona Health Care Cost Containment System (AHCCCS)
- Arizona Community Colleges
- Department of Corrections (ADC)
- Department of Economic Security (DES)
- Arizona Department of Education (ADE)
- Department of Health Services (DHS)
- Judiciary
- Department of Juvenile Corrections (DJC)
- School Facilities Board (SFB)

- Arizona Department of Transportation (ADOT)
- Universities, including:
 - Arizona Board of Regents
 - Arizona State University - Tempe/DPC, East, and West
 - University of Arizona
 - Northern Arizona University

In addition to these agencies, the FY 2014 General Appropriation Act appropriated annual budgets to all other agencies. As a result, all agencies will also need to have an FY 2015 budget approved in the 2014 legislative session.

The table below provides additional detail on how the budget cycle has changed for state agencies since FY 2008. See the *FY 2010 Appropriations Report* for the history since FY 1992.

Biennium	Changes in Biennial Budgeting
FY 2008 - FY 2009	No changes in statutorily-mandated annual agencies from previous biennium. In addition to statutory annual budgets, the Department of Financial Institutions, State Mine Inspector, Arizona Navigable Streams Adjudication Commission, Department of Public Safety, and the State Treasurer received an annual budget. All other agencies received biennial budgets for FY 2008 and FY 2009.
FY 2010 - FY 2011	No changes in statutorily-mandated annual agencies from previous biennium. All agencies received an annual budget for FY 2010 in 2009 and an annual budget for FY 2011 in 2010.
FY 2012 - FY 2013	No changes in statutorily-mandated annual agencies from previous biennium. All agencies received an annual budget.
FY 2014	No changes in statutorily-mandated annual agencies from previous biennium. All agencies received an annual budget.

STRATEGIC PROGRAM AREA REVIEWS (SPARs)

The Strategic Program Area Review (SPAR) process was established in A.R.S. § 41-1275 to provide an opportunity for the Governor and the Legislature to evaluate the effectiveness and efficiency of programs crossing state agency lines. It required Joint Legislative Budget Committee (JLBC) Staff, in consultation with the Governor’s Office of Strategic Planning and Budgeting, to recommend to the JLBC program areas for SPAR by January 1 of every odd-numbered year.

Because the SPAR process was viewed as duplicating the efforts to review the effectiveness and efficiency of programs that cross state agency lines during session, no programs had been subject to SPAR since 2009. The FY 2014 Budget Procedures Budget Reconciliation Bill (Laws 2013, 1st Special Session, Chapter 6) permanently repealed the SPAR process.

AGENCY DETAIL AND ALLOCATIONS

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY I/

	FY 2013 GF 2/ Baseline	FY 2013 Change to Base	FY 2013 GF Revised	FY 14 Baseline 3/ Above FY 13	FY 2014 Change to Base	FY 2014 GF Enacted
OPERATING SPENDING CHANGES						
DOA - Arizona Department of Administration	13,430,300		13,948,000			11,694,300
DOA - Statewide Adjustments		234,000			264,000	
DOA - White Mountain Apache Settlement (One-Time)				(2,000,000)		
DOA - Named Claimants		283,700				
APF - Automation Projects Fund/ADOA	16,800,000		16,800,000			18,400,000
APF - AFIS Replacement				3,200,000	0	
APF - IT Charge					(1,600,000)	
OAHS - Office of Administrative Hearings	808,100		839,600			862,200
OAHS - Statewide Adjustments		31,500			54,100	
AGR - Department of Agriculture	7,927,100		8,129,800			8,320,200
AGR - Statewide Adjustments		202,700			286,800	
AGR - Nuclear Emergency Management				(92,100)	198,400	
AXS - AHCCCS	1,397,607,300		1,350,817,800			1,334,933,400
AXS - Statewide Adjustments		1,210,500			1,547,000	
AXS - Formula Changes				(29,574,400)	(34,646,500)	
AXS - Tobacco Settlement Offset		(48,000,000)				
ATT - Attorney General	23,049,900		23,579,500			22,464,600
ATT - Statewide Adjustments		529,600			614,700	
ATT - Cross-Border Prosecutions Backfill				(1,200,000)		
CHA - State Board for Charter Schools	748,100		767,600			822,400
CHA - Statewide Adjustments		19,500			74,300	
COM - Arizona Commerce Authority	31,500,000		31,500,000			31,500,000
CCO - Arizona Community Colleges	65,942,600		68,932,800			69,513,400
CCO - Formula Changes				(2,577,300)		
CCO - Capital Outlay State Aid					2,000,000	
CCO - Navajo College TPT Allocation					875,000	
CCO - Rural County Allocation		2,990,200			3,273,100	
COR - Corporation Commission	589,100		605,300			609,700
COR - Statewide Adjustments		16,200			20,600	
DOC - Department of Corrections	956,404,200		960,291,600			971,743,900
DOC - Statewide Adjustments		3,887,400			6,945,200	
DOC - 500 New Private Beds (Open Jan. 1, 2014)				4,743,700		
DOC - Private Bed Monitoring (6 FTE Positions)					374,500	
DOC - 500 State Maximum Beds Start-Up Costs (Open July, 2014)				4,497,000	(4,497,000)	
DOC - Health Care Surplus					(5,000,000)	
DOC - Retirement Contribution Increase					8,276,300	
COU - County Funding	0		0			7,150,500
COU - County Funding (13 smallest counties)					7,150,500	
SDB - AZ State Schools for the Deaf and the Blind	20,586,100		21,458,600			21,795,300
SDB - Statewide Adjustments		872,500			1,209,200	
DES - Department of Economic Security	616,705,400		619,717,200			690,112,900
DES - Statewide Adjustments		3,011,800			3,516,200	
DES - DD Formula Changes				17,288,500	(3,499,500)	
DES - Adjust DD Rate Increase from 2% to 3%					3,329,800	
DES - CPS Emergency and Residential Placement					13,000,000	
DES - CPS Staffing (Add'l 150 FTEs in FY 14)					12,923,300	
DES - Foster Care Placement					4,804,100	
DES - CPS Legal Support (Add 15 GF FTE and 22 Federal FTE)					1,549,300	
DES - Child Care Caseload					9,000,000	
DES - Adoption Services Caseload					2,875,400	
DES - Intensive Family Services					5,000,000	
DES - Children Support Services					4,000,000	
DES - Grandparent Stipends					1,000,000	
DES - LTC Realign with DHS					(1,379,600)	
ADE - Arizona Department of Education	3,496,900,300		3,519,126,100			3,620,831,200
ADE - Statewide Adjustments		325,800			460,500	
ADE - Formula Changes				55,167,300	(25,481,100)	
ADE - Performance Funding					2,400,000	
ADE - School Safety					3,646,400	
ADE - Audit Unit (Fund in Basic State Aid)					Yes	
ADE - Base Level Increase					82,000,000	
ADE - Education Learning and Accountability System					0	

	FY 2013 GF 2/ Baseline	FY 2013 Change to Base	FY 2013 GF Revised	FY 14 Baseline 3/ Above FY 13	FY 2014 Change to Base	FY 2014 GF Enacted
ADE - Fund Small JTEDs at 100%					1,237,800	
ADE - Eliminate K-12 Rollover (Districts < 600)		21,900,000				
ADE - Adult Education					4,500,000	
EMA - Department of Emergency & Military Affairs	8,834,300		8,901,300			10,312,400
EMA - Statewide Adjustments		67,000			132,200	
EMA - Nuclear Emergency Management				(1,013,900)	1,259,800	
EMA - Governor's Emergency Fund to \$4M					1,100,000	
EMA - Project Challenge						
EMA - Civil Air Patrol						
DEQ - Department of Environmental Quality	7,000,000		7,000,000			7,000,000
OEO - Governor's Office of Equal Opportunity	187,100		189,100			188,500
OEO - Statewide Adjustments		2,000			1,400	
EQU - State Board of Equalization	629,500		635,800			639,500
EQU - Statewide Adjustments		6,300			10,000	
EXE - Board of Executive Clemency	821,500		827,300			838,400
EXE - Statewide Adjustments		5,800			16,900	
DFI - Dept of Financial Institutions	2,920,800		2,990,100			3,019,100
DFI - Statewide Adjustments		69,300			106,300	
DFI - Remove One-Time Equipment				(8,000)		
BFS - Department of Fire, Building & Life Safety	1,699,100		1,748,000			2,026,000
BFS - Statewide Adjustments		48,900			56,900	
BFS - Manufactured Housing/State Fire Marshal					270,000	
BFS - Fire School						
FOR - State Forester	7,062,400		7,118,600			7,336,400
FOR - Statewide Adjustments		56,200			74,000	
FOR - Environmental County Grants					100,000	
FOR - Natural Resources Review Council Grant					100,000	
GEO - Arizona Geological Survey	853,600		880,200			941,400
GEO - Statewide Adjustments		26,600			87,800	
GOV - Office of the Governor	6,586,600		6,749,900			6,926,000
GOV - Statewide Adjustments		163,300			339,400	
OSP - Gov's Ofc of Strategic Planning & Budgeting	1,871,700		1,920,700			1,993,200
OSP - Statewide Adjustments		49,000			121,500	
DHS - Department of Health Services	587,120,700		588,109,400			550,646,400
DHS - Statewide Adjustments		988,700			1,291,900	
DHS - Formula Changes				(10,397,200)	(31,398,600)	
DHS - Electronic Medical Record - \$2.7M One-Time Start-up Costs					600,000	
DHS - LTC Realign with DES					1,379,600	
DHS - Crisis Services as Separate Line Item					Yes	
DHS - 3-Year SVP Phase Out					1,800,000	
DHS - Mental Health First Aid SLI					250,000	
AZH - Arizona Historical Society	3,042,100		3,091,800			3,155,000
AZH - Statewide Adjustments		49,700			112,900	
PAZ - Prescott Historical Society	654,200		668,300			826,000
PAZ - Statewide Adjustments		14,100			21,800	
PAZ - Operating Costs					150,000	
IND - Independent Redistricting Commission	2,580,500		2,592,500			1,115,100
IND - Statewide Adjustments		12,000			15,100	
IND - Funding				(2,580,500)	1,100,000	
CIA - Arizona Commission of Indian Affairs	53,700		54,700			56,900
CIA - Statewide Adjustments		1,000			3,200	
INS - Department of Insurance	5,169,600		5,275,200			5,364,900
INS - Statewide Adjustments		105,600			195,300	
SPA - Judiciary - Supreme Court	15,677,700		15,975,700			16,020,000
SPA - Statewide Adjustments		298,000			142,300	
SPA - Foster Care Review Board Operating					200,000	
COA - Judiciary - Court of Appeals	13,817,600		14,079,700			14,186,700
COA - Statewide Adjustments		262,100			319,100	
COA - Deputy Clerk					50,000	
SUP - Judiciary - Superior Court	79,100,700		79,298,300			79,634,300

	FY 2013 GF 2/ Baseline	FY 2013 Change to Base	FY 2013 GF Revised	FY 14 Baseline 3/ Above FY 13	FY 2014 Change to Base	FY 2014 GF Enacted
SUP - Statewide Adjustments		197,600			271,600	
SUP - Superior Court Judge: Mohave Division 7					98,000	
SUP - Special Water Master					74,000	
SUP - Mental Health Court Report					90,000	
DJC - Department of Juvenile Corrections	43,428,400		44,053,900			43,822,700
DJC - Statewide Adjustments		625,500			394,300	
LAN - State Land Department	1,258,600		1,266,200			12,345,400
LAN - Statewide Adjustments		7,600			307,300	
LAN - CAP Water Rate Increase				32,100		
LAN - Shift from Risk Management Fund				10,747,400		
LEM - Law Enforcement Merit System Council	70,500		70,500			0
LEM - Consolidation of Agency Functions w/DPS					(70,500)	
AUD - Auditor General	17,240,100		17,722,600			17,989,700
AUD - Statewide Adjustments		482,500			749,600	
HOU - House of Representatives	13,067,100		13,295,700			13,372,200
HOU - Statewide Adjustments		228,600			305,100	
JLBC - Joint Legislative Budget Committee	2,418,800		2,472,600			2,492,000
JLBC - Statewide Adjustments		53,800			73,200	
LEG - Legislative Council	7,884,700		8,001,800			8,046,500
LEG - Statewide Adjustments		117,100			161,800	
SEN - Senate	8,036,300		8,204,800			8,283,800
SEN - Statewide Adjustments		168,500			247,500	
MIN - State Mine Inspector	1,183,600		1,207,700			1,223,300
MIN - Statewide Adjustments		24,100			39,700	
NAV - AZ Navigable Steam Adjudication Comm.	126,200		128,900			129,200
NAV - Statewide Adjustments		2,700			3,000	
PIO - Arizona Pioneers' Home	1,604,800		1,604,800			1,602,800
PIO - Statewide Adjustments					(2,000)	
POS - Commission for Postsecondary Education	1,396,800		1,396,800			1,396,800
DPS - Department of Public Safety	45,524,000		45,525,600			51,560,800
DPS - Statewide Adjustments		1,600			(287,900)	
DPS - ACTIC Operating Costs					750,000	
DPS - LEMSC to DPS					70,500	
DPS - Retirement Contribution Increases					5,504,200	
PSP - Public Safety Personnel Retirement System	0		0			5,000,000
PSP - Elected Officials' Retirement Plan Revisions					5,000,000	
RAC - Arizona Department of Racing	2,029,500		2,029,500			2,029,500
RAD - Radiation Regulatory Agency	1,420,800		1,440,600			1,468,600
RAD - Statewide Adjustments		19,800			28,500	
RAD - Nuclear Emergency Management				(676,000)	695,300	
REA - State Real Estate Department	2,902,200		2,952,800			2,988,700
REA - Statewide Adjustments		50,600			86,500	
REA - Decrease Appropriated FTE Count by (22) FTE Positions					Yes	
REV - Department of Revenue	45,442,100		46,611,400			47,025,300
REV - Statewide Adjustments		1,169,300			1,515,400	
REV - In-House Attorneys - 1.5 FTE Positions					200,000	
REV - Transfer Temporary Collectors to Operating Budget					Yes	
REV - Remove One-Time Report Funding				(132,200)		
SFB - School Facilities Board	173,708,300		173,749,700			193,181,400
SFB - Statewide Adjustments		41,400			65,800	
SFB - New School Debt Service Change				4,735,300		
SFB - Building Renewal Grants (\$2.7M in base)					14,000,000	
SFB - New School Construction					672,000	
SOS - Secretary of State	14,923,200		15,121,200			11,635,500
SOS - Statewide Adjustments		198,000			155,600	
SOS - Non-Election Year Funding Adjustment				(3,443,300)		
TAX - State Board of Tax Appeals	254,800		261,900			264,700
TAX - Statewide Adjustments		7,100			9,900	

	FY 2013 GF 2/ Baseline	FY 2013 Change to Base	FY 2013 GF Revised	FY 14 Baseline 3/ Above FY 13	FY 2014 Change to Base	FY 2014 GF Enacted
TOU - Office of Tourism	7,000,000		7,065,200			7,102,600
TOU - Statewide Adjustments		65,200			102,600	
DOT - Department of Transportation	50,500		50,500			50,400
DOT - Statewide Adjustments					(100)	
TRE - State Treasurer	1,115,100		1,231,900			1,205,100
TRE - JP Salary Formula Increase					90,000	
TRE - Unpaid Justice of the Peace Salary Claims		116,800				
USL - Uniform State Law Commission	0		0			75,000
USL - Travel/Conference					75,000	
UNI - Universities						
UNI - Arizona Board of Regents	21,926,500		21,926,500			21,925,500
UNI - Statewide Adjustments					(1,000)	
UNI - FY 13 Performance Distribution					(5,000,000)	
UNI - New FY 14 Performance					5,000,000	
UNI - ASU - Tempe/DPC	257,332,200		257,332,200			270,228,200
UNI - Statewide Adjustments					481,800	
UNI - FY 14 Parity					10,222,200	
UNI - Allocate FY 13 Performance Funding					2,192,000	
UNI - ASU - East Campus	20,771,200		20,771,200			22,704,200
UNI - Statewide Adjustments					27,800	
UNI - FY 14 Parity					1,748,900	
UNI - Allocate FY 13 Performance Funding					156,300	
UNI - ASU - West Campus	33,017,700		33,017,700			33,328,100
UNI - Statewide Adjustments					38,700	
UNI - Allocate FY 13 Performance Funding					271,700	
UNI - Northern Arizona University	104,907,400		104,907,400			109,245,000
UNI - FY 14 Parity					3,302,600	
UNI - Allocate FY 13 Performance Funding					1,035,000	
UNI - UA - Main Campus	207,793,500		207,793,500			208,501,000
UNI - Statewide Adjustments					(1,137,500)	
UNI - Allocate FY 13 Performance Funding					1,345,000	
UNI - Freedom Center					500,000	
UNI - UA - Health Sciences Center	61,585,300		61,585,300			69,585,300
UNI - Phoenix Medical School - 45 FTE Positions					8,000,000	
VSC - Department of Veterans' Services	5,212,800		5,366,400			5,436,300
VSC - Statewide Adjustments		153,600			223,500	
WAT - Department of Water Resources	12,033,300		12,267,200			12,326,400
WAT - Statewide Adjustments		233,900			293,100	
WEI - Department of Weights & Measures	1,472,500		1,504,500			1,325,800
WEI - Statewide Adjustments		32,000			41,800	
WEI - One-Time Lab Equipment					86,500	
WEI - Remove One-Time Test Truck Funding				(275,000)		
OTH - Other						
OTH - Debt Service Payments	84,119,800		84,119,800	0		84,119,800
OTH - Civic Center Debt Service	5,595,000		5,595,000	14,854,000		20,449,000
OTH - SFB Refinance Reversion	0		0	0	(900,000)	(900,000)
OTH - Unallocated Lease-Purchase and Rent Adjustments	3,700		3,700	(3,700)		0
OTH - Unallocated Reverse ASRS 47/53 Split	7,600		7,600	(7,600)		0
OTH - Unallocated Retirement Rate Increase	4,100		4,100	(4,100)		0
OTH - Lease-Purchase and Rent Adjustments (All Allocated)	0		0	67,800	(67,800)	0
OTH - Unallocated Risk Management Adjustments	0		0	0	5,400	5,400
OTH - Health Insurance Holiday	(25,000,000)	5,618,500	(19,381,500)	25,000,000		0
OTH - Unallocated Employee Retention Payments	16,633,400	(16,447,600)	185,800	(16,633,400)	119,200	119,200
OTH - Budget Stabilization Fund Deposit	200,000,000		200,000,000	(200,000,000)		0
OTH - Unallocated HR Prorata Adjustment	0		0	0	(71,300)	(71,300)
OTH - FY 2013 Treasurer/JP Salaries Supplemental	116,900	(116,900)	0	(116,900)		0
OTH - Administrative Adjustments	37,600,000		37,600,000	22,400,000		60,000,000
OTH - Reversions	(133,800,000)	(20,000,000)	(153,800,000)	53,800,000	(20,000,000)	(100,000,000)
TOTAL - OPERATING SPENDING CHANGES	8,698,101,200	(37,207,700)	8,660,893,500	(54,202,500)	131,701,400	8,775,600,100
CAPITAL SPENDING						
ADOA - Building Renewal Transfer	252,000		252,000	(252,000)		0
ADOA - 500 Maximum Security ADC Beds (Enacted)	20,000,000		20,000,000	10,000,000		30,000,000
ASDB Tucson Dorm Renovations	0		0	0	1,000,000	1,000,000

	FY 2013 GF 2/ Baseline	FY 2013 Change to Base	FY 2013 GF Revised	FY 14 Baseline 3/ Above FY 13	FY 2014 Change to Base	FY 2014 GF Enacted
TOTAL - CAPITAL SPENDING	20,252,000	0	20,252,000	9,748,000	1,000,000	31,000,000
TOTAL - ALL SPENDING	8,718,353,200	(37,207,700)	8,681,145,500	(44,454,500)	132,701,400	8,806,600,100
REVENUE CHANGES						
REV - Ongoing Revenue	8,922,835,900	(4,017,900)	8,918,818,000	(602,179,500)	(5,217,400)	8,315,439,000
REV - One-Time Revenue	44,000,000		44,000,000	(38,000,000)		6,000,000
REV - Beginning Balance	396,960,000		396,960,000	249,117,900	47,654,600	693,732,500
REV - IRS Conformity		4,600,000	4,600,000		13,700,000	13,700,000
REV - TPT Interlock Devices			0		(600,000)	(600,000)
REV - Expansion Premium Tax			0		7,284,000	7,284,000
REV - Foster Care Tax Credit			0		(850,000)	(850,000)
REV - DEQ Chevron Settlement		10,500,000	10,500,000			0
REV - DOA Health Insurance Trust Transfer In			0		68,000,000	68,000,000
REV - ADE Structured English Immersion Fund Transfer In			0		10,000,000	10,000,000
REV - Automation Projects Fund Transfer Out			0		(7,100,000)	(7,100,000)
REV - Bonus Depreciation			0		(24,800,000)	(24,800,000)
REV - College Savings Deduction			0		(4,000,000)	(4,000,000)
REV - Data Centers			0		(4,200,000)	(4,200,000)
REV - Enterprise Zones - Prior Awards			0		(500,000)	(500,000)
REV - Prior Enacted Fire, Building & Life Safety Fee Increase			0		270,000	270,000
REV - Working Poor Tax Credit			0		(18,000,000)	(18,000,000)
TOTAL - REVENUE CHANGES (INCL. FUND TRANSFERS)	9,363,795,900	11,082,100	9,374,878,000	(391,061,600)	81,641,200	9,054,375,500
ENDING BALANCE	645,442,700	48,289,800	693,732,500	(346,607,100)	(51,060,200)	247,775,400

1/ Statewide Adjustments are explained further in the *Agency Detail and Allocations* section.

2/ Represents original FY 2013 appropriations adjusted for funding formula revisions.

3/ The FY 2014 Baseline is relative to the FY 2013 Baseline and does not include the "FY 2013 Change to Base."

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY 1/

	FY 2013 OF 2/ Baseline	FY 2013 Change to Base	FY 2013 OF Revised	FY 14 Baseline 3/ Above FY 13	FY 2014 Change to Base	FY 2014 OF Enacted
OPERATING SPENDING CHANGES						
SBA - State Board of Accountancy	1,897,700		1,921,800			1,933,700
SBA - Statewide Adjustments		24,100			36,000	
ACU - Acupuncture Board of Examiners	125,800		129,500			150,200
ACU - Statewide Adjustments		3,700			5,600	
ACU - Board Member Compensation					1,800	
ACU - Rulemaking					5,000	
ACU - Temporary Services					12,000	
DOA - Arizona Department of Administration	167,425,500		177,170,000			172,264,200
DOA - Statewide Adjustments		913,100			1,486,600	
DOA - Expiration of HRIS COP Payment - Personnel Division Fund				(3,319,600)	0	
DOA - Federal Participation Repayment		3,727,300				
DOA - Personnel Division					1,493,700	
DOA - Travel Reduction Office Bus Subsidies					213,000	
DOA - Risk Management Claims					965,000	
DOA - Federal Participation Repayment		5,104,100				
DOA - Web Portal Operating Expenditure					4,000,000	
APF - Automation Projects Fund/ADOA	11,300,000		11,300,000			66,738,000
APF - Automation Projects (Web Portal)				(5,600,000)		
APF - Automation Projects (Automation Operations)				(4,200,000)		
APF - Automation Projects (IT Fund)				(1,500,000)		
APF - AFIS Replacement					28,638,000	
APF - ASET Projects, State Data Center					2,675,000	
APF - ASET Projects, Data Security					3,075,000	
APF - ASET Projects, Enterprise Architecture					1,000,000	
APF - ASET Projects, Project Management					2,450,000	
APF - ASET Projects, E-Government					325,000	
APF - ASET Projects, Web Portal Transition					1,975,000	
APF - DEQ, E-Licensing					5,000,000	
APF - DOR, BRITS					1,700,000	
APF - DOR, Data Security					4,900,000	
APF - DOC, AIMS Replacement					8,000,000	
APF - ADE, AELAS					7,000,000	
OAH - Office of Administrative Hearings	13,300		13,300			12,300
OAH - Statewide Adjustments					(1,000)	
AXS - AHCCCS	151,097,500		151,160,600			187,260,500
AXS - Statewide Adjustments		63,100			79,800	
AXS - Formula Changes				37,400,500	(101,500)	
AXS - Discontinuation of Healthcare Group				(1,215,800)		
APP - State Board of Appraisal	756,500		766,700			808,700
APP - Statewide Adjustments		10,200			22,200	
APP - On Staff Investigator - 1 FTE Position					Yes	
APP - Temporary Staff to Full-Time Staff - 1.5 FTE Position					Yes	
APP - IT Request					30,000	
ART - Arizona Commission on the Arts	0		0			1,000,000
ART - BSF Interest					1,000,000	
BAT - Board of Athletic Training	101,800		104,500			105,200
BAT - Statewide Adjustments		2,700			3,400	
ATT - Attorney General	36,574,500		84,292,300			38,688,400
ATT - Statewide Adjustments		717,800			864,800	
ATT - National Mortgage Settlement Proceeds		47,000,000				
ATT - Victims Services					509,700	
ATT - One-Time Victims Services Grants Mgmt Software					239,400	
ATT - Capital Postconviction Prosecution					500,000	
ATA - Automobile Theft Authority	4,274,500		4,286,900			5,297,600
ATA - Statewide Adjustments		12,400			23,100	
ATA - Grant Appropriation Increase					1,000,000	
BAR - Board of Barbers	321,900		329,300			333,800
BAR - Statewide Adjustments		7,400			11,900	
BHE - Board of Behavioral Health Examiners	1,611,100		1,640,400			1,758,100
BHE - Statewide Adjustments		29,300			38,000	
BHE - Operational Changes					109,000	
BCE - State Board of Chiropractic Examiners	454,800		463,800			469,400

	FY 2013 OF 2/ Baseline	FY 2013 Change to Base	FY 2013 OF Revised	FY 14 Baseline 3/ Above FY 13	FY 2014 Change to Base	FY 2014 OF Enacted
BCE - Statewide Adjustments		9,000			11,600	
BCE - Rent Increase					3,000	
ROC - Registrar of Contractors	12,059,800		12,191,600			14,893,300
ROC - Statewide Adjustments		131,800			133,500	
ROC - Transfer \$2.7M from ROC to Recovery Fund					2,700,000	
COR - Corporation Commission	25,307,300		25,854,100			26,282,500
COR - Statewide Adjustments		546,800			825,200	
COR - Remove One-Time Hearing Room Construction Costs				(350,000)		
COR - Backfill Federal Funds - 3 FTE Positions					500,000	
DOC - Department of Corrections	44,907,700		44,907,700			44,911,800
DOC - Statewide Adjustments					(800)	
DOC - Yuma Building (3 Transfers)					See Capital	
DOC - Reduce Transition Program Operating Offset					(1,000,000)	
DOC - PCOF Operating Offset					1,000,000	
DOC - Retirement Contribution Increase					4,900	
COS - Board of Cosmetology	1,750,300		1,777,000			1,784,500
COS - Statewide Adjustments		26,700			34,200	
JUS - Arizona Criminal Justice Commission	5,630,700		5,648,700			5,954,200
JUS - Statewide Adjustments		18,000			23,500	
JUS - Victims Compensation					300,000	
SDB - AZ State Schools for the Deaf and the Blind	13,296,100		13,296,100			13,585,500
SDB - Formula Changes				289,400		
HEA - Comm for the Deaf & the Hard of Hearing	3,749,000		3,780,300			3,776,400
HEA - Statewide Adjustments		31,300			27,400	
DEN - Board of Dental Examiners	1,189,600		1,209,100			1,214,800
DEN - Statewide Adjustments		19,500			25,200	
DES - Department of Economic Security	507,362,700		507,949,300			521,555,200
DES - Statewide Adjustments		586,600			612,900	
DES - LTC Funding Shift				(9,616,400)	9,616,400	
DES - LTC Realign with DHS					1,379,600	
DES - Contingency Projects - CPS & Child Care					10,500,000	
DES - Foster Care Rate Increase					0	
DES - CPS Total Expenditure Authority					Yes	
DES - Domestic Violence Shelter					0	
DES - UI/Special Admin					1,700,000	
ADE - Arizona Department of Education	57,167,700		57,235,900			56,035,200
ADE - Statewide Adjustments		68,200			67,500	
ADE - Data System Funding				(1,200,000)	0	
EMA - Department of Emergency & Military Affairs	132,700		132,700			132,700
DEQ - Department of Environmental Quality	68,481,200		68,925,700			67,334,000
DEQ - Statewide Adjustments		444,500			652,800	
DEQ - Remove VEI Fund for Safe Drinking Water Program				(1,800,000)		
DEQ - Eliminate Used Oil Fund Appropriation				(138,900)		
DEQ - Shift Used Oil Admin to Recycling				138,900		
COL - Arizona Exposition and State Fair Board	11,131,200		11,270,100			11,423,500
COL - Statewide Adjustments		138,900			292,300	
DFI - Dept of Financial Institutions	922,900		938,000			936,700
DFI - Statewide Adjustments		15,100			21,800	
DFI - Remove One-Time Equipment - Financial Svcs Fund				(8,000)		
EMB - Board of Funeral Directors and Embalmers	340,600		348,300			353,600
EMB - Statewide Adjustments		7,700			13,000	
FIS - Arizona Game and Fish Department	39,179,300		39,513,300			39,681,900
FIS - Statewide Adjustments		334,000			394,700	
FIS - Computer Replacement Program					71,300	
FIS - Waterfowl Conservation Projects					36,600	
GAM - Department of Gaming	12,087,800		12,332,600			13,497,000
GAM - Statewide Adjustments		244,800			398,600	
GAM - Higher Revenues				569,300	441,300	
DHS - Department of Health Services	88,817,300		89,195,300			92,553,400
DHS - Statewide Adjustments		378,000			873,600	
DHS - Nursing Care Study (with One-Time FY '13 Adjustment)				(400,000)	90,000	

	FY 2013 OF 2/ Baseline	FY 2013 Change to Base	FY 2013 OF Revised	FY 14 Baseline 3/ Above FY 13	FY 2014 Change to Base	FY 2014 OF Enacted
DHS - Health Licensing					712,000	
DHS - Transfer Hearing/Speech \$ to Licensing					(309,900)	
DHS - Electronic Medical Records - Indirect + ASH Fund					3,850,000	
DHS - LTC Realign with DES					(1,379,600)	
DHS - Renal Dental Care/Nutrition					300,000	
HOM - Board of Homeopathic & Integrated Medicine Examiners	107,600		110,000			102,100
HOM - Statewide Adjustments		2,400			4,100	
HOM - Revenue Alignment					(9,600)	
HOU - Department of Housing	304,600		311,200			313,800
HOU - Statewide Adjustments		6,600			9,200	
IND - Industrial Commission	19,656,400		19,907,600			19,989,500
IND - Statewide Adjustments		251,200			333,100	
SPA - Judiciary - Supreme Court	27,228,300		27,548,000			27,574,400
SPA - Statewide Adjustments		319,700			346,100	
SUP - Judiciary - Superior Court	12,462,700		12,512,700			13,531,400
SUP - Statewide Adjustments		50,000			68,700	
SUP - Probation Officers					1,000,000	
DJC - Department of Juvenile Corrections	3,890,900		3,916,900			3,925,400
DJC - Statewide Adjustments		26,000			34,500	
LAN - State Land Department	14,976,600		30,233,800			3,934,500
LAN - Statewide Adjustments		239,200			(294,700)	
LAN - Shift From Risk Management to General Fund				(10,747,400)		
LAN - Fund Payback from Risk Management Fund		15,018,000				
LIQ - Department of Liquor Licenses & Control	2,850,400		2,911,300			2,932,300
LIQ - Statewide Adjustments		60,900			81,900	
LOT - Arizona State Lottery Commission	95,524,800		95,671,300			99,360,200
LOT - Statewide Adjustments		146,500			189,900	
LOT - Product Development Assistant - 1 FTE Position					53,100	
LOT - Revenue Alignment				3,592,400		
MAS - Board of Massage Therapy	0		0			457,200
MAS - Statewide Adjustments					41,700	
MAS - New Agency				0	415,500	
MED - Arizona Medical Board	5,809,400		5,907,500			5,738,700
MED - Statewide Adjustments		98,100			(70,700)	
MIN - State Mine Inspector	112,500		112,500			112,500
NAT - Naturopathic Physicians Medical Board	587,500		599,300			158,900
NAT - Statewide Adjustments		11,800			(13,100)	
NAT - Transfer to Massage Therapy Agency					(415,500)	
NUR - State Board of Nursing	4,056,000		4,128,900			4,275,600
NUR - Statewide Adjustments		72,900			97,500	
NUR - Nurses/Complaints					122,100	
NCI - Nursing Care Inst. Administrators Board	426,700		434,700			420,200
NCI - Statewide Adjustments		8,000			13,500	
NCI - Revenue Alignment					(20,000)	
OCC - Board of Occupational Therapy Examiners	162,700		166,200			172,500
OCC - Statewide Adjustments		3,500			4,600	
OCC - Overtime Allowance and Cost Increases					5,200	
DIS - State Board of Dispensing Opticians	131,300		133,900			135,800
DIS - Statewide Adjustments		2,600			4,500	
OPT - State Board of Optometry	197,800		202,600			206,000
OPT - Statewide Adjustments		4,800			8,200	
OST - Arizona Board of Osteopathic Examiners	699,200		711,300			775,500
OST - Statewide Adjustments		12,100			16,100	
OST - Administrative Hearing Services/Medical Expert					24,000	
OST - Increase in Accounting Expenses					1,300	
OST - Increase in Attorney General Expense					10,000	
OST - Equipment Replacement/New Software					24,900	
SPB - Arizona State Parks Board	12,649,500		12,782,300			12,821,100
SPB - Statewide Adjustments		132,800			171,600	

	FY 2013 OF 2/ Baseline	FY 2013 Change to Base	FY 2013 OF Revised	FY 14 Baseline 3/ Above FY 13	FY 2014 Change to Base	FY 2014 OF Enacted
PER - Personnel Board	364,500		369,000			374,900
PER - Statewide Adjustments		4,500			10,400	
PES - Office of Pest Management	1,999,700		2,029,900			2,039,000
PES - Statewide Adjustments		30,200			39,300	
PHA - Arizona State Board of Pharmacy	1,921,900		1,969,000			2,103,700
PHA - Statewide Adjustments		47,100			95,100	
PHA - One-Time Board Room Equipment					37,800	
PHA - One-Time Annual Leave Payout					48,900	
PHY - Board of Physical Therapy Examiners	365,900		372,100			432,600
PHY - Statewide Adjustments		6,200			7,800	
PHY - One-Time Electronic Licensing Files					24,700	
PHY - Investigator Full Time - 0.2 FTE Position					34,200	
PIO - Arizona Pioneers' Home	4,600,700		4,642,700			4,656,600
PIO - Statewide Adjustments		42,000			26,400	
PIO - Operating Funds - Home Miners' Hospital Fund					575,500	
PIO - Operating Funds - State Charitable Earnings Fund					(575,500)	
PIO - One-Time Radiator Covers and Thermostatic Controls - Miners Hospital Fund					29,500	
POD - State Board of Podiatry Examiners	143,000		145,700			147,300
POD - Statewide Adjustments		2,700			4,300	
POS - Commission for Postsecondary Education	1,742,700		1,748,000			1,535,300
POS - Statewide Adjustments		5,300			6,500	
POS - Revenue Alignment					(64,800)	
POS - Shift \$546.8K from Early Grad Scholarship Fund to SPEG					Yes	
POS - Shift Family College Savings to Non-Approp Fund				(149,100)		
PRI - Board for Private Postsecondary Education	327,500		335,600			641,200
PRI - Statewide Adjustments		8,100			12,700	
PRI - Position Reclassification					41,000	
PRI - Transfer \$245,600 to Student Tuition Recovery Fund					245,600	
PRI - Employee Benefit Adjustment					14,400	
PSY - State Board of Psychologist Examiners	344,900		352,200			375,500
PSY - Statewide Adjustments		7,300			12,600	
PSY - Security					18,000	
DPS - Department of Public Safety	182,715,400		182,727,000			183,375,000
DPS - Statewide Adjustments		11,600			(921,100)	
DPS - Crime Lab Backlog - DNA ID System Fund					850,000	
DPS - Retirement					730,700	
RAC - Arizona Department of Racing	2,831,200		2,879,300			2,895,900
RAC - Statewide Adjustments		48,100			64,700	
RAD - Radiation Regulatory Agency	829,800		847,400			852,900
RAD - Statewide Adjustments		17,600			23,100	
RUC - Residential Utility Consumer Office	1,299,900		1,324,500			1,334,400
RUC - Statewide Adjustments		24,600			34,500	
RES - Board of Respiratory Care Examiners	257,600		290,400			297,100
RES - Statewide Adjustments		8,300			15,200	
RES - Personal Services Adjustment - 0.5 FTE Position		10,000			24,300	
RES - Supplemental Appropriation		14,500				
RET - Arizona State Retirement System	24,016,500		24,534,100			26,973,500
RET - Statewide Adjustments		517,600			770,600	
RET - Automation Projects Charge					151,000	
RET - ASRS Plan Amendments					200,000	
RET - Ineligible Employees - 1 FTE Position					502,400	
RET - Eliminate One-Time Plan Design Costs				(247,000)		
RET - ASRS IT Modernization					1,390,000	
RET - Encryption and Data Security					190,000	
RET - Convert Consultants to FTE - 12 FTE Positions					Yes	
REV - Department of Revenue	26,742,000		26,777,600			26,746,700
REV - Statewide Adjustments		35,600			4,700	
SOS - Secretary of State	3,507,400		3,525,200			3,682,000
SOS - Statewide Adjustments		17,800			28,500	
SOS - Records Services - 2 FTE Positions					146,100	
SBO - State Boards' Office	212,500		216,900			231,000

	FY 2013 OF 2/ Baseline	FY 2013 Change to Base	FY 2013 OF Revised	FY 14 Baseline 3/ Above FY 13	FY 2014 Change to Base	FY 2014 OF Enacted
SBO - Statewide Adjustments		4,400			18,500	
TEC - State Board of Technical Registration	2,028,300		2,058,800			2,119,500
TEC - Statewide Adjustments		30,500			43,300	
TEC - Security Alarm Program (Previously Enacted)				47,900		
DOT - Department of Transportation	359,671,600		363,955,500			371,260,200
DOT - Statewide Adjustments		4,283,900			5,544,400	
DOT - Highway Maintenance Workload - SHF					6,044,200	
TRE - State Treasurer	4,874,800		4,936,500			5,004,700
TRE - Statewide Adjustments		61,700			89,900	
TRE - Empowerment Scholarship Administration (Previously Enacted)				40,000		
UNI - Universities						
UNI - ASU - Tempe/DPC	452,685,000		452,685,000			452,685,000
UNI - ASU - East Campus	37,590,900		37,590,900			37,590,900
UNI - ASU - West Campus	41,990,200		41,990,200			41,990,200
UNI - Northern Arizona University	107,409,100		107,409,100			107,409,100
UNI - UA - Main Campus	269,918,000		269,918,000			269,918,000
UNI - UA - Health Sciences Center	43,920,300		43,920,300			43,920,300
VSC - Department of Veterans' Services	28,498,800		28,659,700			28,774,500
VSC - Statewide Adjustments		160,900			275,700	
VME - Veterinary Medical Examining Board	456,600		464,900			483,400
VME - Statewide Adjustments		8,300			12,800	
VME - IT Updates					14,000	
WAT - Department of Water Resources	407,200		407,200			906,800
WAT - Statewide Adjustments					(400)	
WAT - Lower Colorado Litigation Expenses					500,000	
WEI - Department of Weights & Measures	1,738,300		1,765,400			1,793,800
WEI - Statewide Adjustments		27,100			34,600	
WEI - One-Time 2 Fuel Analyzer - Air Quality Fund					20,900	
OTH - Other						
OTH - Rent/Lease-Purchase Adjustments (All Allocated)	0		0	712,900	(712,900)	0
OTH - Unallocated Reverse ASRS 47/53 Split	1,700		1,700	(1,700)		0
OTH - Unallocated Retirement Increases	2,600		2,600	(2,600)		0
OTH - Unallocated One-time Employee Retention Payments	11,695,200	(11,645,200)	50,000	(11,695,200)	900,700	900,700
OTH - Unallocated Risk Management Adjustments	0		0		(720,100)	(720,100)
OTH - Unallocated HR Pro Rata Adjustments	0		0		(445,200)	(445,200)
TOTAL - OPERATING SPENDING CHANGES	\$3,088,415,400	\$70,873,900	\$3,159,289,300	(\$9,400,400)	\$132,935,300	\$3,211,950,300
CAPITAL SPENDING CHANGES						
Building Renewal						
Arizona Department of Administration	10,372,600		10,372,600		(1,372,600)	9,000,000
ADC Building Renewal and Preventative Maintenance	4,630,500		4,630,500		369,500	5,000,000
Game & Fish Department	523,300		523,300	24,300		547,600
Arizona Lottery Commission	85,200		85,200	5,100		90,300
Arizona Department of Transportation	1,050,000		1,050,000		2,138,200	3,188,200
New Projects			0			0
ADQA - Building Security (COSF)	0		0	0	2,000,000	2,000,000
ADC Yuma Building	0		0	0	8,000,000	8,000,000
ADOT '13/'14 Statewide Highway Construction	18,450,000		18,450,000	8,438,000	(7,280,000)	19,608,000
ADOT '13/'14 Controlled Access Highways	84,554,000		84,554,000	(295,000)		84,259,000
ADOT '13/'14 Debt Service	121,803,000		121,803,000	(5,377,000)		116,426,000
ADOT '13/'14 Airport Planning & Development	21,924,900		21,924,900	(663,000)	(138,200)	21,123,700
ADOT '14 De-Icer Storage	0		0	0	2,280,000	2,280,000
ADOT '14 Vehicle Wash Systems	0		0	0	3,000,000	3,000,000
Game & Fish '13/'14 Property Maintenance	500,000		500,000	(500,000)		0
Game & Fish '13/'14 Dam Maintenance	500,000		500,000	(500,000)		0
Game & Fish '13/'14 Preventative Maintenance	30,000		30,000	(30,000)		0
Game & Fish '14 Black Canyon Dam	0		0	0	327,200	327,200
Lottery '13 Fire Alarm Replacement	156,300		156,300	(156,300)		0
Parks - Capital Projects	0		0		1,000,000	1,000,000
TOTAL - CAPITAL SPENDING CHANGES	\$264,579,800	\$0	\$264,579,800	\$946,100	\$10,324,100	\$275,850,000

	FY 2013 OF 2/ Baseline	FY 2013 Change to Base	FY 2013 OF Revised	FY 14 Baseline 3/ Above FY 13	FY 2014 Change to Base	FY 2014 OF Enacted
TOTAL - OPERATING & CAPITAL SPENDING	\$3,352,995,200	\$70,873,900	\$3,423,869,100	(\$8,454,300)	\$143,259,400	\$3,487,800,300
FUND TRANSFERS						
APF/DOA - Automation Projects Fund/ Arizona Department of Administration						
APF/DOA - Automation Operations from DOA					8,130,000	8,130,000
APF/DOA - State Web Portal from DOA					4,000,000	4,000,000
APF/DOA - IT Fund from DOA					345,000	345,000
APF/DOA - Inmate Store Proceeds Fund from ADC					5,500,000	5,500,000
APF/DOA - Revolving Fund from ADC					2,500,000	2,500,000
APF/DOA - Other Fund Charges					17,013,600	17,013,600
APF/DOA - Education Learning & Accountability Fund					1,600,000	1,600,000
APF/DEQ - Emission Fund from DEQ					5,000,000	5,000,000
						0
DOC - Department of Corrections						0
DOC - Corrections Fund to Building Renewal					750,000	750,000
DOC - Prison Construction & Operations to Building Renewal					6,000,000	6,000,000
DOC - State Charitable to Building Renewal					1,250,000	1,250,000
TOTAL - FUND TRANSFERS	\$0	\$0	\$0	\$0	\$52,088,600	\$52,088,600

1/ Statewide Adjustments are explained further in the *Agency Detail and Allocations* section.

2/ Represents original FY 2013 appropriations adjusted for funding formula revisions.

3/ The FY 2014 Baseline is relative to the FY 2013 Baseline and does not include the "FY 2013 Change to Base."

**CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
GENERAL FUND - FY 2014 1/**

	General Appropriation Act - Individual Agency	Lease-Purchase/ Rental Rate Adjustment 2/	HR Pro Rata Adjustment 3/	Risk Management Adjustment 4/	Retention Payments 5/	FY 2014 Total Statewide Adjustments 6/	FY 2014 Additional Appropriations 7/	Prior Year Statutory Appropriations 8/	FY 2014 Approp Rpt Total	Statewide Adj Above FY 2013 9/
BUDGET UNITS										
Administration, AZ Department of	\$11,430,300	(\$88,300)	(\$11,700)	\$44,000	\$320,000	\$264,000			\$11,694,300	\$30,000
Administration, AZ Department of - Automation Projects Fund	0 10/	0	0	0	0	0		\$18,400,000 10/	18,400,000	0
Administrative Hearings, Office of	808,100	12,200	(1,300)	0	43,200	54,100			862,200	22,600
Agriculture, AZ Department of	7,835,000	16,000	(10,900)	4,700	277,000	286,800	198,400		8,320,200	84,100
AHCCCS	1,333,386,400	(400)	(92,700)	(18,700)	1,658,800	1,547,000			1,334,933,400	336,500
Attorney General - Department of Law	21,764,900	(27,200)	(35,200)	(49,300)	726,400	614,700		85,000	22,464,600	85,100
Charter Schools, State Board for	748,100	47,300	(1,100)	1,500	26,600	74,300			822,400	54,800
Commerce Authority, Arizona	31,500,000 11/	0	0	0	0	0			31,500,000	0
Community Colleges, Arizona	63,615,300	0	0	0	0	0		5,898,100 12/	69,513,400	0
Corporation Commission	589,100	(700)	(900)	0	22,200	20,600			609,700	4,400
Corrections, State Department of	964,798,700	262,700	(937,700)	1,845,100	5,775,100	6,945,200			971,743,900	3,057,800
County Funding	7,150,500	0	0	0	0	0			7,150,500	0
Deaf and the Blind, Schools for the	20,586,100	0	0	10,500	1,198,700	1,209,200			21,795,300	336,700
Economic Security, Department of	651,596,700	(134,000)	(222,900)	(248,600)	4,121,700	3,516,200		35,000,000	690,112,900	504,400
Education, Department of	2,689,643,000	13,600	(17,700)	18,600	446,000	460,500		930,727,700	3,620,831,200	134,700
Emergency & Military Affairs, Dept of	4,830,400	0	(4,700)	45,200	91,700	132,200	1,259,800	4,090,000	10,312,400	65,200
Environmental Quality, Department of	0	0	0	0	0	0		7,000,000	7,000,000	0
Equal Opportunity, Governor's Office of	187,100	(1,000)	(300)	(100)	2,800	1,400			188,500	(600)
Equalization, State Board of	629,500	2,300	(800)	(100)	8,600	10,000			639,500	3,700
Executive Clemency, Board of	821,500	10,300	(1,200)	(300)	8,100	16,900			838,400	11,100
Financial Institutions, State Department of	2,912,800	15,500	(4,300)	0	95,100	106,300			3,019,100	37,000
Fire, Building and Life Safety, Department of	1,969,100	(6,900)	(2,100)	(1,100)	67,000	56,900			2,026,000	8,000
Forester, State	4,262,400 13/	2,600	(8,900)	2,300	78,000	74,000		3,000,000	7,336,400	17,800
Geological Survey, Arizona	853,600	58,100	(1,100)	(5,400)	36,200	87,800			941,400	61,200
Governor, Office of the	6,586,600	93,300	32,100	(9,700)	223,700	339,400			6,926,000	176,100
Gov's Ofc of Strategic Planning & Budgeting	1,871,700	43,900	11,000	(600)	67,200	121,500			1,993,200	72,500
Health Services, Department of	549,354,500 14/	147,400	(95,100)	(118,700)	1,358,300	1,291,900			550,646,400	303,200
Historical Society, Arizona	3,042,100	15,800	(3,700)	32,100	68,700	112,900			3,155,000	63,200
Historical Society, Prescott	804,200	0	(1,000)	3,400	19,400	21,800			826,000	7,700
Independent Redistricting Commission	1,100,000 15/	(500)	(800)	0	16,400	15,100			1,115,100	3,100
Indian Affairs, AZ Commission of	53,700	2,100	(100)	(100)	1,300	3,200			56,900	2,200
Insurance, Department of	5,169,600	36,000	(7,400)	22,000	144,700	195,300			5,364,900	89,700
Judiciary										
Supreme Court	15,877,700	(170,400)	0	(96,900)	409,600	142,300			16,020,000	(155,700)
Court of Appeals	13,867,600	(40,700)	0	0	359,800	319,100			14,186,700	57,000
Superior Court	79,362,700	0	0	0	271,600	271,600			79,634,300	74,000
SUBTOTAL - Judiciary	109,108,000	(211,100)	0	(96,900)	1,041,000	733,000	0	0	109,841,000	(24,700)
Juvenile Corrections, Department of	43,428,400	(292,500)	(59,100)	(173,300)	919,200	394,300			43,822,700	(231,200)
Land Department, State	12,038,100	0	(15,900)	(14,900)	338,100	307,300			12,345,400	299,700
Law Enforcement Merit System Council	0	0	0	0	0	0			0	0
Legislature										
Auditor General	17,240,100	92,700	0	(4,600)	661,500	749,600			17,989,700	267,100
House of Representatives	13,067,100	0	0	(8,900)	314,000	305,100			13,372,200	76,500
Joint Legislative Budget Committee	2,418,800	0	0	(700)	73,900	73,200			2,492,000	19,400
Legislative Council	7,884,700	0	0	1,200	160,600	161,800			8,046,500	44,700
Senate	8,036,300	0	0	16,000	231,500	247,500			8,283,800	79,000
SUBTOTAL - Legislature	48,647,000	92,700	0	3,000	1,441,500	1,537,200	0	0	50,184,200	486,700
Mine Inspector, State	1,183,600	20,800	(1,400)	(12,600)	32,900	39,700			1,223,300	15,600
Navigable Stream Adjudication Commission	126,200	(600)	(100)	0	3,700	3,000			129,200	300
Occupational Safety & Health Review Board	0	0	0	0	0	0			0	0
Pioneers' Home, AZ	1,604,800	0	(2,000)	0	0	(2,000)			1,602,800	(2,000)
Postsecondary Education, Commission for	1,396,800	0	0	0	0	0			1,396,800	0
Public Safety, Department of	51,848,700	21,200	(100)	(311,300)	2,300	(287,900)			51,560,800	(289,500)

	Appropriation Act - Individual Agency	Lease-Purchase/ Rental Rate Adjustment	2/ HR Pro Rata Adjustment	3/ Risk Management Adjustment	4/ Retention Payments	5/ FY 2014 Total Statewide Adjustments	6/ FY 2014 Additional Appropriations	7/ Prior Year Statutory Appropriations	8/ FY 2014 Approp Rpt Total	9/ Statewide Adj Above FY 2013
Public Safety Personnel Retirement System	0	0	0	0	0	0		5,000,000	5,000,000	0
Racing, Arizona Department of	2,029,500	0	0	0	0	0			2,029,500	0
Radiation Regulatory Agency	744,800	0	(1,600)	3,000	27,100	28,500	695,300		1,468,600	8,700
Real Estate Department, State	2,902,200	21,000	(3,800)	0	69,300	86,500			2,988,700	35,900
Revenue, Department of	45,509,900	(44,200)	(58,400)	16,700	1,601,300	1,515,400			47,025,300	346,100
School Facilities Board	193,115,600	11,800	(2,400)	(300)	56,700	65,800			193,181,400	24,400
Secretary of State	11,479,900	(72,200)	41,200	(84,900)	271,500	155,600			11,635,500	(42,400)
Tax Appeals, State Board of	254,800	800	(400)	(300)	9,800	9,900			264,700	2,800
Tourism, Office of	7,000,000	0	13,700	(500)	89,400	102,600			7,102,600	37,400
Transportation, Department of	50,500	0	(100)	0	0	(100)			50,400	(100)
Treasurer, State	1,205,100	0	0	0	0	0			1,205,100	0
Uniform State Laws, Commission on Universities	75,000 16/	0	0	0	0	0			75,000	0
Arizona State University - Tempe/DPC	181,431,000	0	0	481,800	0	481,800		88,315,400	270,228,200	481,800
Arizona State University - East Campus	16,009,200	0	0	27,800	0	27,800		6,667,200	22,704,200	27,800
Arizona State University - West Campus	23,224,600	0	0	38,700	0	38,700		10,064,800	33,328,100	38,700
Northern Arizona University	72,850,200	0	0	0	0	0		36,394,800	109,245,000	0
Board of Regents	21,926,500	0	0	(1,000)	0	(1,000)			21,925,500	(1,000)
University of Arizona - Main Campus	133,232,400	0	0	(1,137,500)	0	(1,137,500)		76,406,100	208,501,000	(1,137,500)
University of Arizona - Health Sciences Center	52,808,600	0	0	0	0	0		16,776,700	69,585,300	0
SUBTOTAL - Universities	501,482,500	0	0	(590,200)	0	(590,200)	0	234,625,000	735,517,300	(590,200)
Veterans' Services, Department of	5,212,800	0	(7,500)	21,100	209,900	223,500			5,436,300	69,900
Water Resources, Department of	12,033,300	0	(14,000)	(13,400)	320,500	293,100			12,326,400	59,200
Weights and Measures, Department of	1,284,000	0	(1,700)	(200)	43,700	41,800			1,325,800	9,800
OPERATING BUDGET TOTAL	7,443,662,500	\$67,800	(\$1,534,100)	\$321,700	\$23,380,800	\$22,236,200	\$2,153,500	\$1,243,825,800	\$8,711,878,000	\$5,788,600
Employee Retention Payments	23,500,000	0	0	0	(23,380,800)	(23,380,800)	0	0	119,200	
Lease-Purchase and Rent Adjustments	67,800	(67,800)	0	0	0	(67,800)	0	0	0	
Risk Management Adjustments	327,100	0	0	(321,700)	0	(321,700)	0	0	5,400	
HR Pro Rata Adjustment	(1,605,400)	0	1,534,100	0	0	1,534,100	0	0	(71,300)	
Capital Outlay Projects	1,000,000	0	0	0	0	0		30,000,000	31,000,000	
Capital Outlay - Debt Service	104,568,800 17/	0	0	0	0	0	0	0	104,568,800	
Administrative Adjustments	60,000,000	0	0	0	0	0	0	0	60,000,000	
Reversions	(100,000,000)	0	0	0	0	0	(900,000)	0	(100,900,000)	
GRAND TOTAL	\$7,531,520,800	\$0	\$0	\$0	\$0	\$0	\$1,253,500	\$1,273,825,800	\$8,806,600,100	

1/ This chart provides a crosswalk between an agency's appropriation in the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) and the individual agency amount as it appears in the Appropriations Report.

2/ Section 131 of the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) appropriates \$67,800 from the General Fund and \$713,600 from Other Appropriated Funds in FY 2014 for state lease-purchase and rental rate adjustments. Section 131 requires JLBC Staff to determine the agency-by-agency distribution of these funds.

3/ Section 131 of the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) ex-appropriates (reduces) a total of \$(1,605,400) from the General Fund and \$(1,200,000) from Other Appropriated Funds for reducing the pro rata assessment for the Human Resources Division to 0.86%. Section 131 requires JLBC Staff to determine the agency-by-agency distribution of these funds.

4/ Section 131 of the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) appropriates \$327,100 from the General Fund and \$(2,000,000) from Other Appropriated Funds in FY 2014 for adjustments to Risk Management rates. Section 131 requires JLBC Staff to determine the agency-by-agency distribution of these funds.

5/ Section 131 of the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) appropriates \$23,500,000 from the General Fund and \$16,500,000 from Other Appropriated Funds in FY 2014 to annualize and make permanent the retention pay bonus for uncovered employees in the FY 2013 budget. Section 131 requires JLBC Staff to determine the agency-by-agency distribution of these funds. The adjustment includes associated Employee Related Expenditures.

6/ The FY 2014 Total Statewide Adjustments column is the sum of the following back of the bill adjustments: Lease-Purchase/Rental Rate Adjustment, HR Pro Rata Adjustment, Risk Management Adjustment and Retention Payments.

7/ Appropriations separate from the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1). Individual bill detail appears in the "Budget Detail" section.

8/ Represents ongoing statutory appropriations or appropriations enacted prior to the 1st Special Session.

9/ This column matches the statewide adjustments amount found in the individual agency narrative and represents the increase in new statewide adjustments above the revised FY 2013 budget. The adjustment for the retention payments (see footnote 5) occurs in both the revised FY 2013 budget and the FY 2014 budget. The difference between the FY 2014 Total Statewide Adjustments column (see footnote 6) and this column is the dollar value of the retention payments.

10/ Section 1 of the General Appropriation Act (Laws 2013, 1st Special Session, Section 1) decreased the amounts appropriated in Laws 2012, Chapter 294, Section 124 from the General Fund to the Automation Projects Fund by \$(1,600,000) in FY 2014 - from \$20,000,000 to \$18,400,000 for the replacement of the state's accounting and financial system, known as AFIS. Additionally, the budget transfers \$7,100,000 from the General Fund for other information technology projects.

11/ Section 117.

12/ Includes \$3,273,100 for rural county reimbursement, which represents an estimated cost.

13/ Includes \$100,000 from Section 118.

14/ Includes \$300,000 from Section 119.

15/ Section 120.

16/ Section 122.

17/ Section 123 and 124.

**CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
OTHER FUNDS - FY 2014 1/**

	General Appropriation Act - Individual Agency	Lease-Purchase/ Rental Rate Adjustment 2/	HR Pro Rata Adjustment 3/	Risk Management Adjustment 4/	Retention Payments	FY 2014 Total Statewide Adjustments 5/	FY 2014 Additional Appropriations 7/	FY 2014 Approp Rpt Total	Statewide Adj. Above FY 2013 8/
BUDGET UNITS									
Accountancy, State Board of									
Board of Accountancy Fund	\$1,897,700	\$5,100	(\$1,700)	(\$400)	\$33,000	\$36,000		\$1,933,700	\$11,900
Acupuncture Board of Examiners									
Acupuncture Board of Examiners Fund	144,600	900	(200)	(100)	5,000	5,600		150,200	1,900
Administration, AZ Department of									
Air Quality Fund	927,100	0	0	0	0	0		927,100	0
Automation Operations Fund	18,730,100	20,700	(15,500)	26,900	345,800	377,900		19,108,000	125,000
Capital Outlay Stabilization Fund	17,878,700	24,400	(8,000)	24,000	151,600	192,000		18,070,700	81,000
Corrections Fund	558,300	2,900	(600)	900	11,400	14,600		572,900	6,200
Federal Surplus Materials Revolving Fund	451,600	0	(100)	300	12,300	12,500		464,100	3,500
Information Technology Fund	3,144,500	4,500	(3,600)	0	86,900	87,800		3,232,300	24,200
Motor Vehicle Pool Revolving Fund	10,041,300	2,200	(1,100)	88,500	24,900	114,500		10,155,800	96,300
Personnel Division Fund	12,594,900	18,700	(14,100)	20,200	279,000	303,800		12,898,700	99,700
Risk Management Revolving Fund	92,884,200	10,800	(9,100)	18,700	167,600	188,000		93,072,200	65,400
Special Employee Health Insurance Trust Fund	5,136,700	6,300	(4,800)	8,600	112,400	122,500		5,259,200	40,300
State Surplus Materials Revolving Fund	2,375,000	2,900	(800)	2,600	19,900	24,600		2,399,600	10,000
State Web Portal Fund	4,250,000	0	0	0	0	0		4,250,000	0
Telecommunications Fund	1,805,200	11,400	(1,900)	2,700	36,200	48,400		1,853,600	21,900
Total - AZ Department of Administration	170,777,600	104,800	(59,600)	193,400	1,248,000	1,486,600	0	172,264,200	573,500
Administration, AZ Department of - Automation Projects Fund	66,738,000	0	0	0	0	0		66,738,000	0
Administrative Hearings, Office of Healthcare Group Fund	13,300	(1,000)	0	0	0	(1,000)		12,300	(1,000)
AHCCCS									
Budget Neutrality Compliance Fund	3,303,900	0	0	0	0	0		3,303,900	0
Children's Health Insurance Program Fund	32,092,300	0	(2,200)	(900)	49,900	46,800		32,139,100	10,400
Healthcare Group Fund	1,065,500	0	(3,000)	(500)	35,200	31,700		1,097,200	6,000
Prescription Drug Rebate Fund - State	95,009,600	0	0	0	1,300	1,300		95,010,900	300
Tobacco Products Tax Fund						0			
Emergency Health Services Account	18,320,100	0	0	0	0	0		18,320,100	0
Tobacco Tax and Health Care Fund									
Medically Needy Account	37,389,300	0	0	0	0	0		37,389,300	0
Total - AHCCCS	187,180,700	0	(5,200)	(1,400)	86,400	79,800	0	187,260,500	16,700
Appraisal, State Board of									
Board of Appraisal Fund	786,500	9,200	(700)	(300)	14,000	22,200		808,700	12,000
Arts, Arizona Commission on the Budget Stabilization Fund	0	0	0	0	0	0	1,000,000	1,000,000	0
Athletic Training, Board of Athletic Training Fund	101,800	0	(200)	0	3,600	3,400		105,200	700
Attorney General - Department of Law									
Antitrust Enforcement Revolving Fund	242,800	0	(300)	(500)	2,200	1,400		244,200	(200)
Attorney Gen'l Legal Svcs Cost Allocation Fund	2,026,900	0	(3,100)	(4,700)	68,400	60,600		2,087,500	10,800
Collection Enforcement Revolving Fund	5,313,900	(100)	(7,100)	(7,500)	88,600	73,900		5,387,800	9,400
Court-Ordered Trust Fund	0	0	0	0	0	0		0	0
Consumer Protection-Consumer Fraud Rev. Fund	3,450,300	(100)	(4,100)	(8,400)	68,500	55,900		3,506,200	5,900
Interagency Service Agreements Fund	13,116,900	(400)	(20,100)	(27,200)	456,200	408,500		13,525,400	75,900
Risk Management Revolving Fund	9,183,500	0	(13,100)	(21,200)	290,300	256,000		9,439,500	44,300
State Aid to Indigent Defense Fund	500,000	0	0	0	0	0		500,000	0
Victims' Rights Fund	3,989,300	0	(600)	(1,300)	10,400	8,500		3,997,800	900
Total - Attorney General - Department of Law	37,823,600	(600)	(48,400)	(70,800)	984,600	864,800	0	38,688,400	147,000
Automobile Theft Authority									

	Appropriation Act - Individual Agency	Lease-Purchase/ Rental Rate Adjustment 2/	HR Pro Rata Adjustment 3/	Risk Management Adjustment 4/	Retention Payments 5/	FY 2014 Total Statewide Adjustments 6/	FY 2014 Additional Appropriations 7/	FY 2014 Approp Rpt Total	Statewide Adj. Above FY 2013 8/
Automobile Theft Authority Fund	5,274,500	7,200	(800)	(200)	16,900	23,100		5,297,600	10,700
Barbers, Board of									
Board of Barbers Fund	321,900	2,600	(500)	(300)	10,100	11,900		333,800	4,500
Behavioral Health Examiners, Board of									
Board of Behavioral Health Examiners Fund	1,720,100	0	(1,600)	(300)	39,900	38,000		1,758,100	8,700
Chiropractic Examiners, State Board of									
Board of Chiropractic Examiners Fund	457,800	0	(600)	(100)	12,300	11,600		469,400	2,600
Contractors, Registrar of									
Registrar of Contractors Fund	14,759,800	(21,400)	(13,200)	(12,100)	180,200	133,500		14,893,300	1,700
Corporation Commission									
Arizona Arts Trust Fund	50,200	0	(100)	0	0	(100)		50,100	(100)
Investment Management Regulatory and Enforcement Fund	684,300	0	(1,200)	200	32,100	31,100		715,400	7,600
Public Access Fund	6,414,200	26,500	(8,800)	1,500	102,100	121,300		6,535,500	46,800
Securities Regulatory and Enforcement Fund	4,625,900	21,300	(6,900)	800	146,400	161,600		4,787,500	54,700
Utility Regulation Revolving Fund	13,682,700	59,600	(19,400)	2,600	468,500	511,300		14,194,000	169,400
Total - Corporation Commission	25,457,300	107,400	(36,400)	5,100	749,100	825,200	0	26,282,500	278,400
Corrections, State Department of									
Alcohol Abuse Treatment Fund	554,400	0	0	0	0	0		554,400	0
Corrections Fund	27,517,600	0	0	0	0	0		27,517,600	0
Penitentiary Land Fund	979,200	0	0	0	0	0		979,200	0
Prison Construction and Operations Fund	12,499,400	0	0	0	0	0		12,499,400	0
State Charitable, Penal and Reformatory Institutions Land Fund	360,000	0	0	0	0	0		360,000	0
State Education Fund for Correctional Education	517,000	0	(800)	0	0	(800)		516,200	(800)
Transition Program Fund	2,485,000	0	0	0	0	0		2,485,000	0
Total - State Department of Corrections	44,912,600	0	(800)	0	0	(800)	0	44,911,800	(800)
Cosmetology, Board of									
Board of Cosmetology Fund	1,750,300	0	(1,700)	(500)	36,400	34,200		1,784,500	7,500
Criminal Justice Commission, Arizona									
Criminal Justice Enhancement Fund	629,100	0	(900)	(500)	21,500	20,100		649,200	4,400
Drug and Gang Prevention Resource Center Fund	235,500	300	(100)	0	3,200	3,400		238,900	1,100
State Aid to County Attorneys Fund	973,600	0	0	0	0	0		973,600	0
Victim Compensation and Assistance Fund	4,092,500	0	0	0	0	0		4,092,500	0
Total - Arizona Criminal Justice Commission	5,930,700	300	(1,000)	(500)	24,700	23,500	0	5,954,200	5,500
Deaf and the Blind, AZ Schools for the Schools for the Deaf and the Blind Fund	13,585,500	0	0	0	0	0		13,585,500	0
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	3,749,000	(13,200)	(1,900)	(500)	43,000	27,400		3,776,400	(3,900)
Dental Examiners, State Board of									
Dental Board Fund	1,189,600	0	(1,300)	(300)	26,800	25,200		1,214,800	5,700
Economic Security, Department of									
Child Abuse Prevention Fund	1,459,100	0	0	0	0	0		1,459,100	0
Child Support Enforcement Administration Fund	16,601,100	(6,000)	(17,200)	(14,800)	224,300	186,300		16,787,400	22,400
Children and Family Services Training Program Fund	206,600	0	(200)	0	1,300	1,100		207,700	200
Domestic Violence Shelter Fund	2,220,000	0	0	0	0	0		2,220,000	0
Federal Child Care and Development Fund Block Grant	130,567,500	0	(14,800)	0	217,000	202,200		130,769,700	43,600
Federal Temporary Assistance for Needy Families Block Grant	220,775,800		(91,300)	0	322,600	231,300		221,007,100	(4,400)
Long Term Care System Fund	86,954,900	(42,100)	(200)	0	0	(42,300)		86,912,600	(42,300)
Public Assistance Collections Fund	427,100	0	(500)	0	400	(100)		427,000	(400)
Special Administration Fund	2,829,900	0	0	0	0	0		2,829,900	0
Spinal and Head Injuries Trust Fund	1,867,600	0	(600)	0	7,700	7,100		1,874,700	1,600
Statewide Cost Allocation Plan Fund	1,000,000	0	0	0	0	0		1,000,000	0
Workforce Investment Act Grant	56,032,700	0	(2,500)	0	29,800	27,300		56,060,000	5,600
Total - Department of Economic Security	520,942,300	(48,100)	(127,300)	(14,800)	803,100	612,900	0	521,555,200	26,300

	Appropriation Act - Individual Agency	Lease-Purchase/ Rental Rate Adjustment 2/	HR Pro Rata Adjustment 3/	Risk Management Adjustment 4/	Retention Payments 5/	FY 2014 Total Statewide Adjustments 6/	FY 2014 Additional Appropriations 7/	FY 2014 Approp Rpt Total	Statewide Adj. Above FY 2013 8/
Education, Department of									
Department of Education Empowerment									
Scholarship Account Fund	200,000	0	0	0	0	0		200,000	0
Education Learning and Accountability Fund	0	0	0	0	0	0		0	(23,600)
Permanent State School Fund	46,475,500	0	0	0	0	0		46,475,500	0
Proposition 301 Fund	7,000,000	0	0	0	0	0		7,000,000	0
Teacher Certification Fund	2,292,200	4,700	(3,200)	4,900	61,100	67,500		2,359,700	22,900
Total - Department of Education	55,967,700	4,700	(3,200)	4,900	61,100	67,500	0	56,035,200	(700)
Emergency & Military Affairs, Dept of									
Emergency Response Fund	132,700	0	0	0	0	0		132,700	0
Environmental Quality, Department of									
Air Permits Administration Fund	7,038,800	0	(5,700)	0	110,800	105,100		7,143,900	24,300
Air Quality Fund	5,379,100	0	(2,700)	0	0	(2,700)		5,376,400	(2,700)
Emissions Inspection Fund	26,554,300	0	(2,500)	0	40,500	38,000		26,592,300	8,400
Hazardous Waste Management Fund	1,718,900	0	(1,500)	0	25,300	23,800		1,742,700	5,400
Indirect Cost Recovery Fund	13,008,700	81,200	(12,600)	(400)	231,600	299,800		13,308,500	130,900
Recycling Fund	1,338,900	0	(1,100)	0	21,600	20,500		1,359,400	4,800
Solid Waste Fee Fund	1,226,600	0	(1,100)	0	17,200	16,100		1,242,700	3,600
Underground Storage Tank Fund Revolving Fund	22,000	0	0	0	0	0		22,000	0
Used Oil Fund	0	0	0	0	0	0		0	0
Water Quality Fee Fund	10,393,900	0	(10,500)	0	162,700	152,200		10,546,100	33,600
Total - Department of Environmental Quality	66,681,200	81,200	(37,700)	(400)	609,700	652,800	0	67,334,000	208,300
Exposition and State Fair Board, AZ									
Arizona Exposition and State Fair Fund	11,131,200	0	(7,700)	108,300	191,700	292,300		11,423,500	153,400
Financial Institutions, Department of									
Financial Services Fund	914,900	3,100	(1,100)	(900)	20,700	21,800		936,700	6,700
Funeral Directors and Embalmers, Board of									
Board of Funeral Directors & Embalmers Fund	340,600	3,100	(500)	(100)	10,500	13,000		353,600	5,300
Game and Fish Department, AZ									
Capital Improvement Plan	1,000,000	0	(300)	0	0	(300)		999,700	(300)
Game and Fish Fund	33,342,100	0	(32,700)	(27,200)	401,900	342,000		33,684,100	49,100
Game, Nongame, Fish and Endangered									
Species Fund	338,600	0	(400)	0	8,100	7,700		346,300	1,800
Watercraft Licensing Fund	4,510,500	0	(3,100)	0	48,400	45,300		4,555,800	10,100
Waterfowl Conservation Fund	80,000	0	0	0	0	0		80,000	0
Wildlife Endowment Fund	16,000	0	0	0	0	0		16,000	0
Total - AZ Game and Fish Department	39,287,200	0	(36,500)	(27,200)	458,400	394,700	0	39,681,900	60,700
Gaming, Department of									
Tribal-State Compact Fund	2,003,800	0	12,200	0	88,000	100,200		2,104,000	36,100
State Lottery Fund	300,000	0	0	0	0	0		300,000	0
Arizona Benefits Fund	10,794,600	12,400	40,600	(2,700)	248,100	298,400		11,093,000	117,700
Total - Department of Gaming	13,098,400	12,400	52,800	(2,700)	336,100	398,600	0	13,497,000	153,800
Health Services, Department of									
Arizona State Hospital Fund	14,907,400	0	(3,100)	0	14,200	11,100		14,918,500	700
ASH Land Earnings Fund	650,000	0	0	0	0	0		650,000	0
Health Services Licensing Fund	8,616,300	0	(10,000)	(800)	236,900	226,100		8,842,400	62,400
Capital Outlay Stabilization Fund	1,146,500	397,400	0	15,900	0	413,300		1,559,800	413,300
Child Fatality Review Fund	93,400	0	(100)	0	1,500	1,400		94,800	300
Emergency Medical Services Operating Fund	5,044,100	4,300	(3,200)	(2,000)	78,200	77,300		5,121,400	20,500
Environmental Laboratory Licensure						0			
Revolving Fund	910,800	0	(800)	0	16,900	16,100		926,900	3,800
Federal Child Care and Development Fund									
Block Grant	829,400	0	(1,200)	0	2,200	1,000		830,400	(500)
Hearing and Speech Professionals Fund	0	0	0	0	0	0		0	(8,800)
Indirect Cost Fund	10,336,700	27,300	(6,000)	(58,700)	91,100	53,700		10,390,400	(12,700)
Long-Term Care System Fund	0	0	0	0	0	0		0	0
Newborn Screening Program Fund	6,692,600	0	(2,300)	0	48,600	46,300		6,738,900	10,900
Nursing Care Institution Resident Protection									
Revolving Fund	128,100	0	0	0	100	100		128,200	0
Substance Abuse Services Fund	2,250,000	0	0	0	0	0		2,250,000	0

	Appropriation Act - Individual Agency	Lease-Purchase/ Rental Rate Adjustment 2/	HR Pro Rata Adjustment 3/	Risk Management Adjustment 4/	Retention Payments	FY 2014 Total Statewide Adjustments 5/	FY 2014 Additional Appropriations 7/	FY 2014 Approp Rpt Total	Statewide Adj. Above FY 2013 8/
Tobacco Tax and Health Care Fund									
Health Research Account	1,000,000	0	0	0	0	0		1,000,000	0
Tobacco Tax and Health Care Fund									
Medically Needy Account	35,467,000	0	0	0	0	0		35,467,000	0
Vital Records Electronic System Fund	3,607,500	0	(2,300)	0	29,500	27,200		3,634,700	5,700
Total - Department of Health Services	91,679,800	429,000	(29,000)	(45,600)	519,200	873,600	0	92,553,400	495,600
Homeopathic & Integrated Medicine Examiners, Bd of									
Bd of Homeopathic & Integrated Medicine Exmnr's Fund	98,000	1,100	(100)	(100)	3,200	4,100		102,100	1,700
Housing, Department of									
Housing Trust Fund	304,600	700	(400)	(100)	9,000	9,200		313,800	2,600
Industrial Commission of AZ									
Administrative Fund	19,656,400	0	(21,200)	10,200	344,100	333,100		19,989,500	81,900
Judiciary - Supreme Court									
Confidential Intermediary and Fiduciary Fund	480,500	0	0	0	7,500	7,500		488,000	2,000
Court Appointed Special Advocate Fund	2,925,800	0	0	0	15,100	15,100		2,940,900	4,100
Criminal Justice Enhancement Fund	2,961,300	0	0	(7,200)	50,400	43,200		3,004,500	6,500
Defensive Driving School Fund	4,123,800	0	0	0	70,600	70,600		4,194,400	19,300
Judicial Collection Enhancement Fund	13,792,300	0	0	(86,100)	295,800	209,700		14,002,000	(5,500)
State Aid to the Courts Fund	2,944,600	0	0	0	0	0		2,944,600	0
Total - Supreme Court	27,228,300	0	0	(93,300)	439,400	346,100	0	27,574,400	26,400
Judiciary - Superior Court									
Criminal Justice Enhancement Fund	6,933,500	0	0	0	68,700	68,700		7,002,200	18,700
Judicial Collection Enhancement Fund	6,029,200	0	0	0	0	0		6,029,200	0
Drug Treatment and Education Fund	500,000	0	0	0	0	0		500,000	0
Total - Superior Court	13,462,700	0	0	0	68,700	68,700	0	13,531,400	18,700
SUBTOTAL - Judiciary	40,691,000	0	0	(93,300)	508,100	414,800	0	41,105,800	45,100
Juvenile Corrections, Department of									
Criminal Justice Enhancement Fund	530,600	0	0	0	0	0		530,600	0
State Charitable, Penal and Reformatory									
Institutions Land Fund	1,098,600	0	0	0	0	0		1,098,600	0
State Education Fund for Committed Youth	2,261,700	0	(3,800)	0	38,300	34,500		2,296,200	8,500
Total - Department of Juvenile Corrections	3,890,900	0	(3,800)	0	38,300	34,500	0	3,925,400	8,500
Land Department, State									
Due Diligence Fund	500,000	0	0	0	0	0		500,000	0
Environmental Special Plate Fund	260,000	0	0	0	0	0		260,000	0
Risk Management Revolving Fund	0	0	0	0	0	0		0	(239,200)
Trust Land Management Fund	3,469,200	(82,800)	0	(211,900)	0	(294,700)		3,174,500	(294,700)
Total - State Land Department	4,229,200	(82,800)	0	(211,900)	0	(294,700)	0	3,934,500	(533,900)
Liquor Licenses & Control, Department of									
Liquor Licenses Fund	2,850,400	(2,300)	(3,500)	4,100	83,600	81,900		2,932,300	21,000
Lottery Commission, AZ State									
State Lottery Fund	99,170,300	0	(11,100)	(500)	201,500	189,900		99,360,200	43,400
Massage Therapy, Board of									
Board of Massage Therapy Fund	415,500	28,500	(600)	(800)	14,600	41,700		457,200	41,700
Medical Board, Arizona									
Arizona Medical Board Fund	5,809,400	(11,200)	(6,600)	(187,400)	134,500	(70,700)		5,738,700	(168,800)
Mine Inspector, State									
Aggregate Mining Reclamation Fund	112,500	0	0	0	0	0		112,500	0
Naturopathic Physicians Medical Board									
Naturopathic Physicians Medical Board Fund	172,000	(18,600)	(300)	(400)	6,200	(13,100)		158,900	(24,900)
Nursing, State Board of									
Board of Nursing Fund	4,178,100	0	(4,800)	2,300	100,000	97,500		4,275,600	24,600
Nursing Care Institution Administrators Board									
Nursing Care Institution Administrators'									
Licensing & Assisted Living Facility									
Managers' Certification Fund	406,700	6,600	(500)	(3,500)	10,900	13,500		420,200	5,500
Occupational Therapy Examiners, Board of									
Occupational Therapy Fund	167,900	0	(200)	(100)	4,900	4,600		172,500	1,100
Opticians, State Board of Dispensing									
Board of Dispensing Opticians Fund	131,300	1,200	(200)	(100)	3,600	4,500		135,800	1,900

	Appropriation Act - Individual Agency	Lease-Purchase/ Rental Rate Adjustment	2/ HR Pro Rata Adjustment	3/ Risk Management Adjustment	4/ Retention Payments	5/ FY 2014 Total Statewide Adjustments	6/ FY 2014 Additional Appropriations	7/ FY 2014 Approp Rpt Total	8/ Statewide Adj. Above FY 2013
Optometry, State Board of									
Board of Optometry Fund	197,800	1,900	(300)	(100)	6,700	8,200		206,000	3,400
Osteopathic Examiners, AZ Board of									
Board of Osteopathic Examiners Fund	759,400	500	(800)	(100)	16,500	16,100		775,500	4,000
Parks Board, Arizona State									
State Parks Revenue Fund	12,649,500	8,000	(13,700)	(4,400)	181,700	171,600		12,821,100	38,800
Total - Arizona State Parks Board	12,649,500	8,000	(13,700)	(4,400)	181,700	171,600	0	12,821,100	38,800
Personnel Board, State									
Personnel Board Subaccount of the									
Personnel Division Fund	364,500	4,500	(300)	(100)	6,300	10,400		374,900	5,900
Pest Management, Office of									
Pest Management Fund	1,999,700	1,400	(1,900)	(1,300)	41,100	39,300		2,039,000	9,100
Pharmacy, AZ State Board of									
Board of Pharmacy Fund	2,008,600	32,200	(2,700)	1,100	64,500	95,100		2,103,700	48,000
Physical Therapy, Board of									
Board of Physical Therapy Fund	424,800	0	(400)	(100)	8,300	7,800		432,600	1,600
Pioneers' Home, AZ									
Miners' Hospital Fund	2,106,500	0	(2,400)	(24,700)	0	(27,100)		2,079,400	(27,100)
State Charitable Fund	2,523,700	0	(3,600)	0	57,100	53,500		2,577,200	11,500
Total - AZ Pioneers' Home	4,630,200	0	(6,000)	(24,700)	57,100	26,400	0	4,656,600	(15,600)
Podiatry Examiners, State Board of									
Podiatry Fund	143,000	900	(200)	(100)	3,700	4,300		147,300	1,600
Postsecondary Education, Commission for									
Postsecondary Education Fund	1,528,800	0	(300)	(400)	7,200	6,500		1,535,300	1,200
Private Postsecondary Education, Board for									
Board for Private Postsecondary Education Fund	628,500	2,500	(400)	(400)	11,000	12,700		641,200	4,600
Psychologist Examiners, State Board of									
Board of Psychologist Examiners Fund	362,900	3,400	(400)	(300)	9,900	12,600		375,500	5,300
Public Safety, Department of									
Arizona Deoxyribonucleic Acid Identification System Fund	6,335,600	0	0	(15,400)	1,000	(14,400)		6,321,200	(15,100)
Arizona Highway Patrol Fund	19,748,700	0	0	(92,000)	2,200	(89,800)		19,658,900	(91,300)
Automated Fingerprint Identification System Fund	3,009,900	0	0	(300)	100	(200)		3,009,700	(300)
Automation Operations Fund	296,200	0	0	0	0			296,200	0
Crime Laboratory Assessment Fund	871,900	0	0	(1,400)	100	(1,300)		870,600	(1,400)
Crime Laboratory Operations Fund	14,759,100	0	0	(42,000)	2,700	(39,300)		14,719,800	(41,200)
Criminal Justice Enhancement Fund	2,879,900	0	0	(9,300)	600	(8,700)		2,871,200	(9,200)
GIITEM Border Security and Law Enforcement Subaccount	2,390,000	0	0	0	0	0		2,390,000	(2,500)
Highway User Revenue Fund	119,961,000	0	0	(719,800)	5,900	(713,900)		119,247,100	(717,900)
Motorcycle Safety Fund	205,000	0	0	0	0	0		205,000	0
Parity Compensation Fund	1,895,100	0	0	(9,900)	100	(9,800)		1,885,300	(9,900)
Public Safety Equipment Fund	2,390,000	0	0	0	0	0		2,390,000	0
Risk Management Revolving Fund	1,199,000	5,600	0	(4,800)	100	900		1,199,900	800
Safety Enforcement and Transportation Infrastructure Fund	1,574,700	0	0	(8,500)	100	(8,400)		1,566,300	(8,500)
State Highway Fund	6,780,000	0	0	(36,200)	0	(36,200)		6,743,800	(36,200)
Total - Department of Public Safety	184,296,100	5,600	0	(939,600)	12,900	(921,100)	0	183,375,000	(932,700)
Racing, Arizona Department of									
Racing Regulation Fund	2,831,200	3,500	(3,900)	(1,000)	66,100	64,700		2,895,900	16,600
Radiation Regulatory Agency									
State Radiologic Technologist Certification Fund	266,000	0	(300)	0	7,600	7,300		273,300	1,800
Radiation Regulatory Fee Fund	563,800	0	(700)	0	16,500	15,800		579,600	3,700
Total - Radiation Regulatory Agency	829,800	0	(1,000)	0	24,100	23,100	0	852,900	5,500
Residential Utility Consumer Office									
Residential Utility Consumer Office Revolving Fund	1,299,900	2,800	(1,800)	(100)	33,600	34,500		1,334,400	9,900
Respiratory Care Examiners, Board of									

	Appropriation Act - Individual Agency	Lease-Purchase/ Rental Rate Adjustment 2/	HR Pro Rata Adjustment 3/	Risk Management Adjustment 4/	Retention Payments 5/	FY 2014 Total Statewide Adjustments 6/	FY 2014 Additional Appropriations 7/	FY 2014 Approp Rpt Total	Statewide Adj. Above FY 2013 8/
Board of Respiratory Care Examiners' Fund	281,900	4,400	(400)	(100)	11,300	15,200		297,100	6,900
Retirement System, Arizona State									
Long-Term Disability Trust Fund Administration									
Account	2,800,000	0	0	0	0	0		2,800,000	0
State Retirement System Administration									
Account	22,700,500 9/	0	104,200	(43,200)	709,600	770,600	702,400	24,173,500	253,000
Total - Arizona State Retirement System	25,500,500	0	104,200	(43,200)	709,600	770,600	702,400	26,973,500	253,000
Revenue, Department of									
Department of Revenue Administrative Fund	24,990,700	(22,900)	(27,800)	7,300	32,900	(10,500)		24,980,200	(34,500)
Liability Setoff Revolving Fund	1,080,100	0	(400)	200	7,300	7,100		1,087,200	1,800
Tobacco Tax and Health Care Fund	671,200	0	(700)	200	8,600	8,100		679,300	1,800
Total - Department of Revenue	26,742,000	(22,900)	(28,900)	7,700	48,800	4,700	0	26,746,700	(30,900)
Secretary of State									
Election Systems Improvement Fund	2,934,500	0	1,100	0	5,400	6,500		2,941,000	2,600
Records Services Fund	719,000	0	2,900	0	19,100	22,000		741,000	8,100
Total - Secretary of State	3,653,500	0	4,000	0	24,500	28,500	0	3,682,000	10,700
State Boards' Office									
Special Services Revolving Fund	212,500	12,800	(300)	0	6,000	18,500		231,000	14,100
Technical Registration, State Board of									
Technical Registration Fund	2,076,200	4,300	(2,100)	(600)	41,700	43,300		2,119,500	12,800
Transportation, Department of									
Air Quality Fund	72,800	0	(100)	0	1,800	1,700		74,500	400
Driving Under the Influence Abatement Fund	148,000	0	(200)	0	6,000	5,800		153,800	1,400
Highway User Revenue Fund	625,600	0	(400)	0	26,300	25,900		651,500	6,700
Motor Vehicle Liability Insurance									
Enforcement Fund	1,060,600	0	(1,600)	0	27,700	26,100		1,086,700	5,900
Safety Enforcement and Transportation									
Infrastructure Fund	1,868,900	0	(1,500)	0	13,100	11,600		1,880,500	2,100
State Aviation Fund	1,585,600	0	(2,000)	0	40,800	38,800		1,624,400	9,100
State Highway Fund	332,207,800	14,000	(309,400)	0	5,410,800	5,115,400		337,323,200	1,164,600
Transportation Department Equipment Fund	26,702,200	0	(19,800)	0	319,100	299,300		27,001,500	66,300
Vehicle Inspection & Title Enforcement Fund	1,444,300	0	(1,800)	0	21,600	19,800		1,464,100	4,000
Total - Department of Transportation	365,715,800	14,000	(336,800)	0	5,867,200	5,544,400	0	371,260,200	1,260,500
Treasurer, State									
Law Enforcement and Boating Safety Fund	2,183,800	0	0	0	0	0		2,183,800	0
State Treasurer Empowerment Scholarship									
Account Fund	40,000	0	0	0	0	0		40,000	0
State Treasurer's Operating Fund	2,493,000	21,700	(3,400)	(12,400)	84,500	90,400		2,583,400	28,700
State Treasurer's Management Fund	198,000	0	(500)	0	0	(500)		197,500	(500)
Total - State Treasurer	4,914,800	21,700	(3,900)	(12,400)	84,500	89,900	0	5,004,700	28,200
Universities									
Arizona State University - Tempe/DPC									
University Collections Fund	452,685,000	0	0	0	0	0		452,685,000	0
Arizona State University - East Campus									
University Collections Fund	35,590,900	0	0	0	0	0		35,590,900	0
Technology and Research Initiative Fund	2,000,000	0	0	0	0	0		2,000,000	0
Total - Arizona State University - East Campus	37,590,900	0	0	0	0	0	0	37,590,900	0
Arizona State University - West Campus									
University Collections Fund	40,390,200	0	0	0	0	0		40,390,200	0
Technology and Research Initiative Fund	1,600,000	0	0	0	0	0		1,600,000	0
Total - Arizona State University - West Campus	41,990,200	0	0	0	0	0	0	41,990,200	0
Northern Arizona University									
University Collections Fund	107,409,100	0	0	0	0	0		107,409,100	0
University of Arizona - Main Campus									
University Collections Fund	269,918,000	0	0	0	0	0		269,918,000	0
University of Arizona - Health Sciences Center									
University Collections Fund	43,920,300	0	0	0	0	0		43,920,300	0
SUBTOTAL - Universities	953,513,500	0	0	0	0	0	0	953,513,500	0
Veterans' Services, Department of									
State Veterans' Conservatorship Fund	884,100	0	(1,200)	5,900	17,500	22,200		906,300	9,400

	Appropriation Act - Individual Agency	Lease-Purchase/ Rental Rate Adjustment	2/ HR Pro Rata Adjustment	3/ Risk Management Adjustment	4/ Retention Payments	5/ FY 2014 Total Statewide Adjustments	6/ FY 2014 Additional Appropriations	7/ FY 2014 Approp Rpt Total	8/ Statewide Adj. Above FY 2013
State Home for Veterans' Trust Fund	27,614,700	0	(33,000)	84,200	202,300	253,500		27,868,200	105,400
Total - Department of Veterans' Services	28,498,800	0	(34,200)	90,100	219,800	275,700	0	28,774,500	114,800
Veterinary Medical Examining Board									
Veterinary Medical Examining Board Fund	470,600	2,200	(600)	(100)	11,300	12,800		483,400	4,500
Water Resources, Department of									
Assured and Adequate Water Supply Admin Fund	266,800	0	(400)	0	0	(400)		266,400	(400)
Water Resources Fund	640,400	0	0	0	0	0		640,400	0
Total - Department of Water Resources	907,200	0	(400)	0	0	(400)	0	906,800	(400)
Weights and Measures, Department of									
Air Quality Fund	1,440,000	0	(1,600)	(100)	25,500	23,800		1,463,800	5,100
Motor Vehicle Liability Insurance Enf. Fund	319,200	0	(400)	(200)	11,400	10,800		330,000	2,400
Total - Department of Weights and Measures	1,759,200	0	(2,000)	(300)	36,900	34,600	0	1,793,800	7,500
OPERATING BUDGET TOTAL	\$3,196,234,300	713,600	(754,800)	(1,279,900)	15,599,300	14,278,200	1,702,400	3,212,214,900	2,640,500
Rent/Lease-Purchase Adjustments	713,600	(713,600)	0	0	0	(713,600)		0	
Employee Retention Payments	16,500,000	0	0	0	(15,599,300)	(15,599,300)		900,700	
Risk Management Adjustments	(2,000,000)	0	0	1,279,900	0	1,279,900		(720,100)	
HR Pro Rata Adjustment	(1,200,000)	0	754,800	0	0	754,800		(445,200)	
Capital	\$274,850,000	0	0	0	0	0	1,000,000	275,850,000	
GRAND TOTAL	3,485,097,900	\$0	\$0	\$0	\$0	\$0	\$2,702,400	\$3,487,800,300	

1/ This chart provides a crosswalk between an agency's appropriation in the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) and the individual agency amount as it appears in the Appropriations Report.

2/ Section 131 of the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) appropriates \$67,800 from the General Fund and \$713,600 from Other Appropriated Funds in FY 2014 for state lease-purchase and rental rate adjustments. Section 131 requires JLBC Staff to determine the agency-by-agency distribution of these funds.

3/ Section 131 of the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) ex-appropriates (reduces) a total of \$(1,605,400) from the General Fund and \$(1,200,000) from Other Appropriated Funds for reducing the pro rata assessment for the Human Resources Division to 0.86%. Section 131 requires JLBC Staff to determine the agency-by-agency distribution of these funds.

4/ Section 131 of the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) appropriates \$327,100 from the General Fund and \$(2,000,000) from Other Appropriated Funds in FY 2014 for adjustments to Risk Management rates. Section 131 requires JLBC Staff to determine the agency-by-agency distribution of these funds.

5/ Section 131 of the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) appropriates \$23,500,000 from the General Fund and \$16,500,000 from Other Appropriated Funds in FY 2014 to annualize and make permanent the retention pay bonus for uncovered employees in the FY 2013 budget. Section 131 requires JLBC Staff to determine the agency-by-agency distribution of these funds. The adjustment includes associated Employee Related Expenditures.

6/ The FY 2014 Total Statewide Adjustments column is the sum of the following back of the bill adjustments: Lease-Purchase/Rental Rate Adjustment, HR Pro Rata Adjustment, Risk Management Adjustment and Retention Payments.

7/ Appropriations separate from the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1). Individual bill detail appears in the "Budget Detail" section.

8/ This column matches the statewide adjustments amount found in the individual agency narrative and represents the increase in new statewide adjustments above the revised FY 2013 budget. The adjustment for the retention payments (see footnote 5) occurs in both the revised FY 2013 budget and the FY 2014 budget. The difference between the FY 2014 Total Statewide Adjustments column (see footnote 6) and this column is the dollar value of the retention payments.

9/ Includes \$151,000 from Section 121.

CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS EXPENDITURE AUTHORITY - FY 2014

AHCCCS	\$5,137,303,000				\$1,817,600	1,817,600		\$5,139,120,600	\$491,200
Economic Security, Department of	1,013,072,000				1,837,600	1,837,600		1,014,909,600	494,800
Health Services, Department of	782,624,100				203,500	203,500		782,827,600	55,400
GRAND TOTAL	\$6,932,999,100	\$0	\$0	\$0	\$3,858,700	\$3,858,700	\$0	\$6,936,857,800	\$1,041,400

SUMMARY OF RISK MANAGEMENT CHARGES 1/

Agency	FY 2012 / FY 2013	FY 2014 / FY 2015	Change
Accountancy, Arizona State Board of	\$3,800	\$3,400	(\$400)
Acupuncture Board of Examiners	1,300	1,200	(100)
Administration, Arizona Department of	1,758,600	2,014,800	256,200
Administrative Hearings, Office of	6,900	6,300	(600)
Agriculture, Arizona Department of	162,200	148,300	(13,900)
AHCCCS	412,300	373,800	(38,500)
Appraisal, State Board of	2,100	1,800	(300)
Arts, Arizona Commission on the	6,400	5,800	(600)
Athletic Training, Board of	1,000	1,000	0
Attorney General - Department of Law	523,900	367,400	(156,500)
Automobile Theft Authority	2,800	2,600	(200)
Barbers, Board of	1,700	1,400	(300)
Behavioral Health Examiners, Board of	5,500	5,200	(300)
Capital Postconviction Public Defender Ofc., State	1,400	0	(1,400)
Charter Schools, State Board for	4,800	6,300	1,500
Chiropractic Examiners, State Board of	1,700	1,600	(100)
Citizens Clean Election Commission	5,500	1,002,600	997,100
Commerce Authority, Arizona	56,400	14,300	(42,100)
Constable Ethics Standards and Training Board	1,000	1,000	0
Contractors, Registrar of	45,600	32,800	(12,800)
Corporation Commission	65,400	70,500	5,100
Corrections, State Department of	5,851,000	7,696,100	1,845,100
Cosmetology, Board of	5,900	5,400	(500)
Criminal Justice Commission, AZ	9,100	8,400	(700)
Deaf & the Blind, AZ State Schools for the	365,100	379,800	14,700
Deaf and the Hard of Hearing, Commission for the	5,300	4,800	(500)
Dental Examiners, State Board of	3,600	3,300	(300)
Early Childhood Development & Health, AZ	45,700	41,200	(4,500)
Economic Security, Department of	5,336,700	4,666,700	(670,000)
Education, Department of	209,900	326,400	116,500
Emergency and Military Affairs, Department of	413,100	496,200	83,100
Environmental Quality, Department of	162,600	167,600	5,000
Equal Opportunity, Governor's Office of	1,300	1,200	(100)
Equalization, State Board of	3,400	3,300	(100)
Executive Clemency, Board of	4,000	3,700	(300)
Exposition & State Fair Board, AZ	218,400	326,700	108,300
Financial Institutions, Department of	13,200	12,300	(900)
Fire, Building, and Life Safety, Department of	18,300	17,000	(1,300)
Forester, State	36,300	38,600	2,300
Funeral Directors & Embalmers, State Board of	1,700	1,600	(100)
Game and Fish Department, Arizona	906,100	797,100	(109,000)
Gaming, Department of	23,800	21,100	(2,700)
Geological Survey, Arizona	11,100	5,700	(5,400)
Governor, Office of the	74,300	64,600	(9,700)
Governor's Office of Strategic Planning & Budgeting	6,100	5,500	(600)
Health Services, Department of	1,278,600	1,075,700	(202,900)
Historical Society, Arizona	82,100	114,200	32,100
Historical Society of AZ, Prescott	17,000	20,400	3,400
Homeland Security, AZ Department of	10,800	9,900	(900)
Homeopathic and Integrated Medicine Examiners, Board of	1,500	1,400	(100)
Housing, Arizona Department of	18,900	17,500	(1,400)
Independent Redistricting Commission	1,000	1,000	0
Indian Affairs, AZ Commission of	1,700	1,600	(100)
Industrial Commission of Arizona	118,600	129,000	10,400
Insurance, Department of	7,700	29,700	22,000
Judiciary - Supreme Court	176,400	188,600	12,200
Judiciary - Court of Appeals, Division I	35,200	25,800	(9,400)
Judiciary - Court of Appeals, Division II	10,200	9,400	(800)
Judiciary - Superior Court	2,027,600	1,833,200	(194,400)
Juvenile Corrections, Department of	531,600	358,300	(173,300)
Land Department, State	1,147,500	920,700	(226,800)
Legislature - Auditor General	51,400	46,800	(4,600)
Legislature - House of Representatives	103,300	94,400	(8,900)
Legislature - Joint Legislative Budget Committee	7,800	7,100	(700)
Legislature - Legislative Council	10,900	12,100	1,200

Agency	FY 2012 / FY 2013	FY 2014 / FY 2015	Change
Legislature - Senate	40,000	56,000	16,000
Liquor Licenses & Control, Department of	16,800	20,900	4,100
Lottery Commission, Arizona State	40,000	39,500	(500)
Massage Therapy, Board of	1,000	1,000	0
Medical Board, Arizona	213,800	26,400	(187,400)
Mine Inspector, State	47,500	34,900	(12,600)
Naturopathic Physicians Medical Board	2,200	2,000	(200)
Navigable Stream Adjudication Commission, AZ	1,000	1,000	0
Nursing, State Board of	12,900	15,200	2,300
Nursing Care Institution of Administrators and Assisted Living Facility Managers, Board of Examiners of	5,700	2,200	(3,500)
Occupational Therapy Examiners, Board of	1,500	1,400	(100)
Opticians, State Board of Dispensing	1,100	1,000	(100)
Optometry, State Board of	1,500	1,400	(100)
Osteopathic Examiners, AZ Board of	2,100	2,000	(100)
Parks Board, Arizona State	323,800	326,200	2,400
Personnel Board	1,100	1,000	(100)
Pest Management, Office of	9,100	7,800	(1,300)
Pharmacy, AZ State Board of	7,600	8,700	1,100
Physical Therapy, Board of	1,500	1,400	(100)
Pioneers' Home, AZ	78,000	53,300	(24,700)
Podiatry Examiners, State Board of	1,100	1,000	(100)
Postsecondary Education, Commission for	4,000	3,600	(400)
Power Authority, Arizona	17,200	18,000	800
Private Postsecondary Education, State Board for	2,400	2,000	(400)
Psychologist Examiners, State Board of	2,100	1,800	(300)
Public Safety, Department of	5,077,300	3,720,300	(1,357,000)
Public Safety Retirement System	10,600	9,500	(1,100)
Racing, Arizona Department of	13,800	12,800	(1,000)
Radiation Regulatory Agency	6,600	11,000	4,400
Real Estate Department, State	38,500	12,100	(26,400)
Residential Utility Consumer Office	2,300	2,200	(100)
Respiratory Care Examiners, Board of	1,700	1,600	(100)
Retirement System, Arizona State	195,700	152,500	(43,200)
Revenue, Department of	199,700	224,100	24,400
School Facilities Board	5,000	4,700	(300)
Secretary of State, Department of State	157,600	72,700	(84,900)
Tax Appeals, State Board of	1,300	1,000	(300)
Technical Registration, State Board of	7,200	6,600	(600)
Tourism, Office of	9,400	8,900	(500)
Transportation, Department of ^{2/}	16,773,800	16,773,800	0
Treasurer, State	19,000	6,600	(12,400)
Universities - Regents, Arizona Board of	9,600	8,600	(1,000)
University - Arizona State University - Tempe/DPC	7,496,000	7,977,800	481,800
University - Arizona State University - East Campus	432,200	460,000	27,800
University - Arizona State University - West Campus	603,300	642,000	38,700
University - Northern Arizona University	2,740,300	2,598,900	(141,400)
University - University of Arizona - Main Campus	9,319,300	8,172,100	(1,147,200)
University - University of Arizona - Health Sciences Center	2,433,700	2,134,100	(299,600)
Veterans' Services, Department of	388,600	501,000	112,400
Veterinary Medical Examining Board, AZ. State	2,100	2,000	(100)
Water Resources, Department of	70,300	56,900	(13,400)
Weights and Measures, Department of	13,700	13,200	(500)
<i>Other Agencies</i>			
Boyce Thompson Arboretum	9,500	12,300	2,800
Central Arizona Water Conservation District	38,300	14,400	(23,900)
Water Infrastructure Financing Agency	5,400	4,600	(800)
GRAND TOTAL	\$69,352,900	\$68,301,200	(\$1,051,700)

^{1/} Total charges reflect Arizona Department of Administration billed amounts with the exception of the Arizona Department of Transportation (ADOT).

^{2/} A General Appropriation Act footnote requires ADOT to pay risk management charges of \$16,773,800.

BUDGET RECONCILIATION BILLS

FY 2014 BUDGET RECONCILIATION BILLS (BRBs)

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- Chapter numbers refer to 1st Special Session.

FY 2014 BUDGET RECONCILIATION BILLS PROVISIONS

BUDGET PROCEDURES - CHAPTER 6 (HB 2006)

Statewide	<u>Section</u>
1. As session law, continue to not withstand A.R.S. § 35-121 to permit annual budgets for all departments.	8
2. As session law, change the FY 2014 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration (ADOA) from \$13.82/square foot to \$13.08/square foot for rentable office space and from \$5.01/square foot to \$4.74/square foot for rentable storage space.	7
3. As permanent law, annually require all Executive Branch agencies to submit a 5-year strategic plan. (Previously, strategic plans only applied to statutory annual budget units.) Eliminate Appropriations Committee review of strategic plans.	1
4. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.	6
5. As permanent law, change the pro-rata assessment on Personal Services for the State Personnel System agencies from 1.1% to 0.86%.	3
6. As session law, exempt agencies that were added to the State Personnel System in FY 2013 from paying the required pro rata assessment in FY 2013.	9
7. As permanent law, repeal the Strategic Program Area Review (SPAR) process.	4
Arizona Department of Administration	
8. As permanent law, make the Automation Projects Fund subject to legislative appropriation, retroactive to July 1, 2013.	2, 10
9. As permanent law, no longer exempt web portal administrative expenses from appropriation. Specify that State Web Portal revenues for deposit into the Highway User Revenue Fund, pursuant to A.R.S. § 28-446, are not subject to legislative appropriation.	5
10. As session law, provide the Department of Administration the FY 2014 appropriation authority to spend certain Automation Projects Fund remaining balances as of June 30, 2013.	10

CRIMINAL JUSTICE - CHAPTER 5 (HB 2005)

Attorney General - Department of Law	
11. As permanent law, raise the non-lapsing cap for the Collections Enforcement Revolving Fund from \$100,000 to \$500,000. This provision had previously been in session law.	5
12. As session law, permit the Attorney General to use State Aid to Indigent Defense Fund for capital postconviction prosecution activities in FY 2014.	17
State Department of Corrections	
13. As session law, continue to permit the department to award contracts for remaining 1,000 beds from 2,000-bed Request for Proposals issued by the department on February 2, 2012 only with legislative authorization.	16
14. As session law, continue to require the department to report actual FY 2013, estimated FY 2014, and requested FY 2015 expenditures as delineated in the prior year when the department submits its FY 2015 budget request pursuant to A.R.S. § 35-113.	10
15. As session law, continue to allow 2 ADC special funds to be used for general operations.	11
16. As permanent law, annually transfer \$2,500,000 of Corrections Fund revenue to DOC Building Renewal Fund.	6, 7
Department of Economic Security	
17. As new permanent law, adds provisions for Child Protective Services. The major new provisions require the Department of Economic Security (DES) to (1) develop an alternate response for designated reports, (2) allow the reporting of instances of child abuse and neglect electronically, (3) add surreptitious viewing of a minor as a reportable offense, and (4) allow the Office of Child Welfare Investigations to employ research analysts and peace officers. The role of the Office of Child Welfare Investigations in Child Protective Services is also defined further.	1, 2, 9

Board of Executive Clemency

18. As permanent law, restrict Board of Executive Clemency members, excluding the Chairman, from receiving paid leave or other benefits (previously a session law provision), retroactive to June 30, 2013. As permanent law, continue those conditions after December 31, 2013, but permit board members to receive medical and life insurance benefits after that date. 4,18

Judiciary

19. As session law, continue to suspend county non-supplanting requirements associated with funding for probation services, criminal case processing, and alternative dispute resolution programs and require the counties to report on reductions in county funding as a result of the elimination of the non-supplanting provisions. 14
20. As session law, continue to suspend the requirement of 50% reimbursement to counties for grand jury expenses and for state-funded representation of indigent defendants in first-time capital post conviction relief proceedings and reimburse only the amount provided in the General Appropriation Act. 15

Department of Public Safety

21. As session law, continue to suspend the schedule established by A.R.S. § 28-6537 governing the level of Highway User Revenue Fund (HURF) and State Highway Fund revenues available to fund DPS's Highway Patrol costs. 12
22. As permanent law, require monies deposited into the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Fund to be distributed as soon after July 1 of every year as practicable. Also, as permanent law, allow monies distributed from the GIITEM Subaccount to be used to purchase safety equipment. As session law, require prior JLBC review of FY 2014 expenditures from the GIITEM Subaccount. 8, 13

Treasurer, State

23. As permanent law, limit Justice of the Peace salary reimbursement to appropriated amount. 3

ENVIRONMENT - CHAPTER 4 (HB 2004)**Department of Environmental Quality**

24. As session law, continue to allow the department to utilize up to \$6,531,000 from a combination of the Underground Storage Tank (UST) Fund and the Regulated Substance Fund in FY 2014 for department administrative expenses. 5
25. As session law, continue to decrease the General Fund appropriation to the Water Quality Assurance Revolving Fund from \$15,000,000 to \$7,000,000. 8

Arizona Navigable Stream Adjudication Commission

26. As session law, continue to allow up to \$80,000 from the Risk Management Revolving Fund to be spent for the commission's unpaid legal obligations. 7

Arizona State Parks Board

27. As session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs. 4
28. As permanent law, continue the Arizona State Parks Board until July 1, 2023. 1,2,9,10,11

Department of Water Resources

29. As session law, continue to allow the department's Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2014. 3
30. As session law, continue to allow the department non-municipality special fee authority, including an intent clause that limits additional revenue up to \$100,200. 6

GOVERNMENT - CHAPTER 2 (HB 2002)

Arizona Commerce Authority

31. As session law, allow monies from the Arizona Competes Fund to be used for a loan not to exceed \$2,000,000 in Navajo County in FY 2014. 12

Corporation Commission

32. As permanent law, eliminate the requirement that in order to offer same day and next day services, all expedited services must be processed within a minimum of 5 business days and all other documents and services must be filed within 30 business days. 2, 3, 5, 15

Department of Economic Security

33. As session law, continue to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable cause to believe that the recipient uses illegal drugs. 14

Arizona Exposition & State Fair Board

34. As permanent law, increase Revolving Fund cap to \$60,000 for non-fair events and \$400,000 for fair events. 1

Massage Therapy, Board of

35. As session law, transfer any unexpended monies in a subaccount previously used by the Board of Massage Therapy to the newly-created Board of Massage Therapy Fund established by Laws 2013, Chapter 108. 10

Secretary of State

36. As permanent law, establish the Museum Gift Shop Revolving Fund, which consists of proceeds from the sale of goods and gifts at the State Capitol Museum. 7
37. As session law, suspend the requirement that the Secretary of State register Professional Employer Organizations pursuant to A.R.S. § 23-563, until June 30, 2023. Retroactive to June 30, 2013. 9

Technical Registration, Board of

38. As session law, phase-in licensing cycle for alarm system installers. Retroactive to May 1, 2013. 11

Department of Veterans' Services

39. As permanent law, require the Department of Veterans' Services to submit an annual report on capital projects for which they have requested federal monies, the estimated construction start and end date, and the anticipated cost and fund source for ongoing operational costs. 8

Statewide

40. As permanent law, repeal the requirement that state employees work regularly for at least 90 days before becoming eligible for state employee benefits. 4, 6, 13

HEALTH & WELFARE - CHAPTER 10 (HB 2010)

AHCCCS

Rates and Services

41. As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels. 24
42. As session law, state that it is the intent of the Legislature that AHCCCS not increase capitation rates more than 3% in FY 2015 and FY 2016. 48
43. As permanent law, sets AHCCCS ambulance reimbursement rates at 68.59% of the Department of Health Services (DHS) approved rates from October 1, 2013 to September 30, 2014, 74.74% from October 1, 2014 to September 30, 2015, and 80% thereafter. 3, 25

44. As permanent law, reset the inpatient hospital prospective per diem rates to the amounts payable for those services on October 1, 2011. This language partially replaces language in the FY 2013 budget allowing AHCCCS to continue a 5% reduction in payments for institutional and noninstitutional services in the contract year beginning October 1, 2012.	6
45. As permanent law, continue to provide coverage for 5 types of transplants which were restricted by Laws 2010, 7 th Special Session, Chapter 10. Laws 2011, Chapter 31 effectively lifted the restriction but that provision is set to expire on December 31, 2013.	7
46. As permanent law, provide AHCCCS coverage for the well exams which were eliminated by Laws 2010, 7 th Special Session, Chapter 10.	7
47. As session law, allow AHCCCS to notwithstand coverage exclusions in order to cover outpatient health services, medical supplies, durable medical equipment, and prosthetic devices under certain conditions. Require AHCCCS to submit a report by January 1, 2016 on cost savings.	40
<i>Counties</i>	
48. As session law, set FY 2014 county Arizona Long Term Care System (ALTCS) contributions at \$244,696,100.	16
49. As session law, set the County Acute Care contribution at \$47,851,000. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.	21
50. As session law, require AHCCCS to transfer any excess monies back to the counties by December 31, 2014 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act.	20
51. As session law, continue to require the collection of \$2,646,200 in the Disproportionate Uncompensated Care pool contributions from counties other than Maricopa. Exclude these contributions from county expenditure limitations.	22
52. As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.	23
<i>Hospitals</i>	
53. As session law, establish FY 2014 disproportionate share (DSH) distributions to the Maricopa Special Healthcare District, the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. Continue to cap the DSH payments from the Maricopa Special Health Care District at \$89.9 million and set the DSH payment to the Arizona State Hospital at \$26.7 million and private hospitals at \$9.3 million. Allow Maricopa Special HealthCare District to use uncompensated care expenditures above \$89.9 million for the Safety Net Care Pool.	19
54. As session law, continue to permit local governments, tribal governments, and universities to contribute state match monies for disproportionate share hospital payments in FY 2014.	19
55. As session law, extend hospitals' authority to partner with political subdivisions to provide coverage for individuals who no longer qualify for Proposition 204 from September 30, 2013 to December 31, 2013.	14
56. As session law, allow Phoenix Children's Hospital to continue to participate in the Safety Net Care Pool (SNCP) program through December 31, 2017 if approved by the federal government. Limits the growth of supplemental payments from the SNCP and disproportionate share hospital payments to 3% annually.	15
<i>Erroneous Payments</i>	
57. As session law, continue to state that it is the intent of the Legislature that AHCCCS comply with the Federal False Claims Act, achieve the maximum savings as possible under the federal act, and continue to consider best available technologies to consider fraud.	47
58. As session law, continue to permit AHCCCS to recover erroneous Medicare payments made due to errors by the federal Social Security Administration. Subject to legislative appropriation, any credits received may be used to pay for the AHCCCS program in the year they are received.	26
<i>Available Funding</i>	
59. As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.	46
<i>Medicaid Expansion</i>	
60. As permanent law, increase Medicaid eligibility for children aged 6-18 to 133% FPL.	4
61. As permanent law, expands Medicaid eligibility for adults whose household's modified adjusted gross income is between 100% and 133% of the federal poverty level (FPL). As permanent and session law, discontinues eligibility if a) the federal matching rate for adults from 100%-133% FPL or childless adults is less than 80%, b) if the maximum amount that can be assessed and still retain the same federal match rate, along with any other appropriated monies, is insufficient to pay for the newly eligible adult populations, or c) the Federal Affordable Care Act is repealed.	5, 38, 52
62. As permanent law, defines "modified adjusted gross income."	4

63. As session law, appropriates sufficient expenditure authority funds to AHCCCS for implementing a program for the Proposition 204 and adult expansion populations.	50
64. As permanent law, allow children in the foster care system and qualified for Medicaid as of their eighteenth birthday to continue to qualify for Medicaid coverage until age 26.	4
65. As session law, adds intent statement regarding purposes of expanded Medicaid coverage.	45
<i>Hospital Assessment</i>	
66. As permanent law, require the AHCCCS Director to establish an assessment on hospital revenue, discharges, or bed days for the purpose of funding the state match portion of the Proposition 204 and adult expansion populations beginning January 1, 2014. Provides guidance and requirements for the process of designing the assessment. As permanent and session law, repeals the hospital assessment if: 1) The federal matching rate for adults from 100%-133% FPL or childless adults is less than 80%; 2) The Affordable Care Act is repealed; or 3) The maximum amount that can be assessed and still retain a federal match, along with any other appropriated monies, is insufficient to pay for the newly eligible adult populations.	5, 10, 35, 52
67. As permanent law, establish the non-appropriated Hospital Assessment Fund.	5
68. As permanent law, prohibit municipalities from imposing a hospital assessment beginning on January 1, 2014.	1, 51
69. As session law, states that it is the intent of the Legislature that 1) The requirement that the hospital assessment is subject to approval by the federal government does not adopt federal law by reference, 2) That the requirement that AHCCCS establish a hospital assessment does not delegate legislative taxing authority to AHCCCS, and 3) That it is the intent of the Legislatures that the hospital assessment is to be used for the benefit of hospitals for the purpose of providing health care for persons eligible for the assessment	44
70. As session law, adds intent statement regarding purposes of hospital assessment.	45
71. As permanent law, allow AHCCCS to suspend or revoke, in whole or part, the license of any health care institution for failure to comply with the assessment.	2
<i>Reports</i>	
72. As session law, require a report from AHCCCS on utilization of emergency departments for non-emergency use by AHCCCS enrollees.	31
73. As session law, require AHCCCS and DHS to submit a joint report by January 1, 2014 on hospital costs and charges.	37
74. As session law, creates the Medicaid Federal Circuit Breaker and Outcomes Study Committee to evaluate the potential impact on the AHCCCS program if Federal Funding decreases. The Study Committee shall also assess the potential impact of restoring Medicaid coverage and the hospital assessment. Requires reports on these issues by October 1, 2014 and January 1, 2016.	39
75. As session law, require AHCCCS to report annually from 2013 - 2017 on the change in uncompensated hospital costs and hospital profitability.	41
76. As session law, require AHCCCS to report annually from 2014 - 2017 on the amount contributed for the assessment by each hospital and the estimated payments each hospital received.	41
77. As session law, require AHCCCS to submit a report by December 31, 2013 on the cost, reimbursement, and utilization of air ambulances for AHCCCS enrollees.	34
<i>Continuation</i>	
78. As permanent law, continue AHCCCS through July 1, 2023. Current law terminates AHCCCS on July 1, 2013. Retroactive to July 1, 2013.	11, 12, 53, 54
<i>Other</i>	
79. As session law require AHCCCS to pursue the maximum cost sharing allowable under federal law for AHCCCS enrollees. If approved by the federal government, charge the adult expansion population a premium of up to 2% of their income, a co-pay of \$200 for non-emergency use of the emergency room if the person is not admitted to the hospital, and a co-pay of \$200 for an emergency room if there is a community health center, rural health center, or urgent care center within 20 miles of the hospital. Exempts AHCCCS from rulemaking for 1 year.	36
80. As permanent law, repeals Healthcare Group on January 1, 2014. Repeals the Healthcare Group Fund on January 1, 2015.	8
81. As session law, prohibits AHCCCS from enrolling new members or businesses in Healthcare Group, retroactive to August 1, 2013.	42
82. As permanent law, allow AHCCCS to deposit monies recovered from first party payors and statewide recovery audit contractors into the Third Party Liability Fund. Changes the name of the Third Party Liability Fund to Third Party Liability and Recovery Audit Fund.	9

Department of Economic Security

- 83. As session law, continue to permit DES to reduce income eligibility levels for all child care programs. 30
Require DES to report to the JLBC within 15 days of any change in levels.
- 84. As session law, continue to allow use of the Long Term Care System Fund for any DES operational or 28
programmatic expenses in FY 2014.
- 85. As session law, evaluate reporting requirements for child protective services and make recommendations 32
for adding, eliminating, and consolidating reports.
- 86. As session law, require the Auditor General to evaluate certain expenditures for children support services. 33

Department of Health Services

- 87. As session law, allow DHS to set the percentage of the cost of care reimbursed by counties for the 17
treatment and confinement for sexually violent persons in FY 2014. State that it is the intent of the
legislature that DHS set the percentage rate at a level that would increase the state share of the cost by
\$1,800,000 in FY 2014. Allow counties to use any source of county revenue to make the transfers and
exempt county contributions from county expenditure limitations.
- 88. As session law, continue to require all cities and counties to pay 100% of cost of Restoration to 18
Competency treatment in FY 2014. Allow counties to use any source of county revenue to make the
transfers.
- 89. As session law, continue to notwithstanding A.R.S. § 36-773 to permit DHS to use Tobacco Tax and Health 27
Care Fund - Health Research Account for Alzheimer's disease research.
- 90. As session law, transfer any unexpended monies in the Hearing and Speech Professionals Fund to the 29
Health Services Licensing Fund.
- 91. As session law, exempts DHS from rulemaking for purposes of this act for 1 year after the effective date of 43
this act.
- 92. As session law, appropriates sufficient expenditure authority funds to DHS for implementing a program for 50
Proposition 204 and adult expansion populations.
- 93. As session law, state that it is the intent of the Legislature that DHS may increase behavioral health service 49
provider rates up to 3% beginning on October 1, 2013.
- 94. As session law, extend DHS exemption from rulemaking from July 1, 2013 to April 30, 2014 for reducing 13, 55
regulatory costs, promotion of behavioral health organizations and facilitating licensure of integrated
behavioral health programs.

HIGHER EDUCATION - CHAPTER 7 (HB 2007)**Arizona Community Colleges**

- 95. As session law, continue to suspend capital outlay funding formula for FY 2014 and specify the 3
funding in the General Appropriations bill.

Universities

- 96. As session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state 4
funding to student fees deposited into Arizona Financial Aid Trust (AFAT).
- 97. As permanent law, require the Arizona Board of Regents (ABOR) to report projected outstanding 1
lease-purchase and bond balances for the upcoming budget year to the Directors of the JLBC Staff and
the Governor's Office of Strategic Planning and Budgeting (OSP) by November 1 of the current year.
- 98. As permanent law, modify ABOR's current student enrollment report (A.R.S. § 15-1626) to delineate 1
between out-of-state and in-state full-time equivalent students (FTE).
- 99. As permanent law, require recipients of WICHE scholarship funding to repay 100% of financial aid if 2
they fail to fulfill the requirement to work in Arizona after graduation.

K-12 EDUCATION - CHAPTER 3 (HB 2003)**Department of Education***Formula Requirements*

- 100. As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels 3, 14, 23
(A.R.S. § 15-945A5) and the charter school "Additional Assistance" amounts (A.R.S. § 15-185B4) by
1.8%.

Funding Formula Changes

- | | |
|---|--|
| 101. As session law, continue to fund state aid for Joint Technological Education Districts (JTEDs) in FY 2014 at 91% of the formula requirement for JTEDs with more than 2,000 students and reduce budget limits accordingly. Would fund smaller JTEDs at 100% (previously 91%). | 46 |
| 102. As permanent law, eliminate CORL and the Soft Capital Allocation (SCA) and consolidate the 2 allocations into one per pupil allocation titled "District Additional Assistance." The per pupil allocation would be equivalent to the combined FY 2013 permanent law funding level (but notwithstanding in FY 2014 -- see below). | 2, 3,4, 6, 7, 8,
9, 13, 15, 16,
17, 18, 19, 20,
21, 24, 25, 26,
27, 28, 29, 30,
31, 32, 33, 35,
36, 37 |
| 103. As session law, address transition issues pertaining to the elimination of CORL and Soft Capital funding with respect to existing fund balances, current CORL overrides and correction of past over expenditures. | 49, 50, 51, 57 |
| 104. As session law, continue to reduce school districts' Additional Assistance funding by \$238,985,500 and reduce budget limits accordingly. As session law, continue to reduce District Additional Assistance funding to school districts that do not receive state aid in FY 2014 by the amount that would be reduced if they did qualify for state aid for FY 2014 and reduce budget limits accordingly. | 52 |
| 105. As session law, continue to reduce Charter Additional Assistance by \$15,656,000. | 54 |
| 106. As session law, reduce Charter Additional Assistance funding to school districts with charter schools that do not receive state aid by the amount that would be reduced under the continuing \$15,656,000 statewide Charter Additional Assistance suspension if they did qualify for state aid for FY 2014 and reduce budget limits accordingly. (Conforms to current practice for corresponding District Additional Assistance reductions.) | 54 |
| 107. As session law, continue to cap total District Additional Assistance reductions for school districts with fewer than 1,100 students at \$5,000,000. | 53 |
| 108. As permanent law, amend statutory language for computing state aid for accommodation schools to conform to current practice. | 20 |

Other

- | | |
|---|----------------------|
| 109. As permanent law, repeal the Early Graduation Scholarship Program and transfer remaining balance to the Commission for Postsecondary Education IGA and ISA Fund for a 1-year continuation of the Special Postsecondary Education Grant (SPEG) Program. | 1, 11, 12, 13,
14 |
| 110. As permanent law, require the Arizona Department of Education (ADE) to report by November 30 of each year the amount budgeted for school district budget overrides by district and type of override for the current fiscal year. | 5 |
| 111. As session law, continue to require community colleges and universities to transfer \$6 per pupil to ADE by December 1, 2013 for deposit into the Education Learning and Accountability Fund. | 47 |
| 112. As permanent law, repeal provision requiring reimbursement of county assessor costs for now-repealed Homeowner's Rebate affidavit process. | 45 |
| 113. As session law, transfer \$10,000,000 from the Arizona Structured English Immersion Fund to the General Fund. | 56 |
| 114. As session law, stipulate that \$100,000 of the \$3,646,400 School Safety Program appropriation for FY 2014 is to be used for a pilot program on school emergency readiness and establish requirements for the pilot program. | 55 |
| 115. As permanent law, establish a new Performance Incentive Fund for school district and charter school performance funding and require ADE to distribute monies in the fund beginning in FY 2015 based on achievement and improvement on the assigned achievement profile pursuant to A.R.S. §15-241. Limit eligibility for performance funding only to school districts and charter schools that receive an achievement profile pursuant to A.R.S. §15-241, Subsections G and H, which typically would exclude accommodation schools, alternative schools and extremely small schools. | 22 |

School Facilities Board

- | | |
|---|---|
| 116. As permanent law, make accommodation schools ineligible for new construction and building renewal grant funding. | 43, 44 |
| 117. As permanent law, repeal the Building Renewal Fund formula. This provision had previously been an annual session law suspension. Previous database requirements retained in a new section. | 9, 10, 16, 34,
38, 39, 40, 41,
42, 43, 44 |
| 118. As permanent law, increase district bonding authority to 10% for non-unified districts and 20% for unified districts. | 35, 58 |

- | | |
|--|--------|
| 119. As session law, allow the board to refinance lease-purchase in FY 2014, subject to JCCR review. | 48 |
| 120. As permanent law, use actual rather than projected enrollment counts to determine eligibility for New School Construction. Requires SFB determination by March 1 of each year. | 41, 44 |
| 121. As permanent law, change to September 1 (from October 15 currently) the deadline for school districts to report to the School Facilities Board annual information required for administration of the Building Renewal Grant Fund and New School Facilities formula. | 38 |

REVENUE - CHAPTER 9 (HB 2009)

Department of Agriculture

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| 122. As session law, continue fee raising authority and an exemption relating to establishing fees for the Department of Agriculture in FY 2014. The bill continues an intent clause that limits additional revenues to \$357,000. | 12 |
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Arizona Commission on the Arts

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| 123. As session law, appropriate \$1,000,000 of Budget Stabilization Fund interest income in FY 2014 to the continuously appropriated Arts Fund. | 17 |
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Community Colleges

- | | |
|---|---|
| 124. As permanent law, direct 5% of all transaction privilege tax revenues collected from all sources located on an Indian reservation, up to \$875,000 annually, to be allocated to a technical college located on the Indian reservation. . | 4 |
|---|---|

Registrar of Contractors

- | | |
|---|---|
| 125. As permanent law, continue to allow 14% of prior fiscal year revenues from the Residential Contractors' Recovery Fund to be used for employee and contracted services, equipment, and for operational costs, rather than 10% of the fund balance. This provision had previously been an annual session law suspension. | 1 |
|---|---|

Counties

- | | |
|---|----|
| 126. As session law, allow counties with a population below 200,000 in the 2010 decennial census to use any source of county revenue to meet a county fiscal obligation for FY 2014. Requires counties using this authority to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2013. In prior years, these provisions applied to all counties. | 14 |
|---|----|

Department of Financial Institutions

- | | |
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| 127. As session law, permit the agency to spend up to \$850,000 from the Receivership Revolving Fund in FY 2014 for information technology upgrades. | 16 |
|--|----|

Department of Insurance

- | | |
|---|----|
| 128. As session law, continue to not withstand the provision that fees collected by the department fall between 95% and 110% of the department's appropriation. | 13 |
|---|----|

Arizona State Parks Board

- | | |
|---|--------|
| 129. As session law, appropriate \$1,000,000 from Budget Stabilization Fund interest income to the State Parks Revenue Fund in FY 2014. That funding is further appropriated in FY 2014 for State Parks capital improvement projects, subject to review by the Joint Committee on Capital Review. | 17, 18 |
|---|--------|

Office of Pest Management

- | | |
|--|----|
| 130. As session law, continue fee raising authority and an exemption relating to establishing fees for the Office of Pest Management in FY 2014. The bill continues an intent clause that limits additional revenues to \$525,000. | 11 |
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Department of Racing

- | | |
|---|----|
| 131. As session law, continue the FY 2013 rulemaking exemption relating to establishing fees for the Department of Racing until the end of FY 2014. The bill revises the intent clause that the fee adjustment is to raise \$2,600,000 in revenue (up from \$2,062,000 in FY 2013). | 10 |
|---|----|

Radiation Regulatory Agency

132. As session law, continue fee raising authority and an exemption relating to establishing fees for the Radiation Regulatory Agency in FY 2014. The bill continues an intent clause that limits additional revenues to \$561,000. 11

Revenues - Data Center TPT Provisions

133. As permanent law, establishes state and municipal retail transaction privilege tax exemptions, as well as use tax exemptions for the owner, operator or co-location tenants of computer data centers, if they meet certain requirements as determined by the Arizona Commerce Authority. Newly constructed data centers in urban areas must make a minimum investment of \$50,000,000 (\$25,000,000 in rural areas) during a 5-year period of time to receive the tax exemptions. 2, 3, 5, 6, 7, 8, 15
134. Certified computer data centers may receive state and municipal retail transaction privilege tax exemptions, as well as use tax exemptions for a period of 10 years beginning on the date that the owner or operator filed the form for certification. If the computer data center is further certified as a sustainable redevelopment project, they may receive tax exemptions for a period of 20 years. In order to be certified as a sustainable redevelopment project, the computer data center must occupy a facility that meets one of the following criteria: a) Was at least 50% vacant for 6 of the 12 months before the acquisition of the facility; b) Attains certification under a green building assessment and certification program. 2, 3, 5, 6, 7, 8
135. A computer data center facility may be divided into 1 or more data centers for the purposes of qualifying for the tax exemptions. 2
136. Existing data centers may receive the same exemptions for future equipment purchases if they have already made an investment of \$250,000,000 over the past 6 years. However, existing data centers would not receive tax exemptions for any equipment purchases made prior to the effective date of the legislation. 2
137. To receive any tax exemptions, data centers are prohibited from generating, providing or selling electricity for resale purposes. 2

Revenues - Foster Care Tax Credit

138. As permanent law, increases the maximum individual income tax credit, from \$200 to \$400 for individual filers and from \$400 to \$800 for married or joint filers, for contributions made to qualifying charitable organizations that serve foster children. 9

**FY 2013
GENERAL FUND ADJUSTMENTS**

FY 2013 GENERAL FUND ADJUSTMENTS

	FY 2012 Actual	FY 2013 Original	1/ Baseline Adjustments	2/ FY 2013 JLBC Baseline	Session Changes	FY 2013 Enacted
REVENUES						
Ongoing Revenues	\$8,213,183,000	\$8,446,652,900	\$65,529,800	\$8,512,182,700	(\$4,017,900)	\$8,508,164,800
Newly Enacted Changes					4,600,000	4,600,000
1¢ Sales Tax	915,835,500	912,794,900	11,442,400	924,237,300		924,237,300
Urban Revenue Sharing	(424,423,400)	(513,584,100)		(513,584,100)		(513,584,100)
Net On-going Revenues	\$8,704,595,100	\$8,845,863,700	\$76,972,200	\$8,922,835,900	\$582,100	\$8,923,418,000
One-time Financing Sources						
Balance Forward	3,243,000	122,420,300	274,539,700	396,960,000		396,960,000
County Contributions	38,600,000					
Previously Enacted Changes	13,867,400	(52,000,000)		(52,000,000)		(52,000,000)
Fund Transfers	306,403,500	106,000,000	(10,000,000)	96,000,000	10,500,000	106,500,000
Subtotal One-time Revenues	\$362,113,900	\$176,420,300	\$264,539,700	\$440,960,000	\$10,500,000	\$451,460,000
Total Revenues	\$9,066,709,000	\$9,022,284,000	\$341,511,900	\$9,363,795,900	\$11,082,100	\$9,374,878,000
EXPENDITURES						
Operating Budget Appropriations	\$8,295,663,700	\$8,529,520,100		\$8,529,520,100	\$2,990,200	\$8,532,510,300
FY 2013 Supplementals			116,900	116,900	5,828,000	5,944,900
Administrative Adjustments	43,551,900	64,384,900	(26,784,900)	37,600,000		37,600,000
Reversions	(190,028,200)	(99,998,300)	(33,801,700)	(133,800,000)	(20,000,000)	(153,800,000)
Asset Sale/Lease-Back Debt Service	49,050,700	84,119,800		84,119,800		84,119,800
Subtotal Ongoing Expenditures	\$8,198,238,100	\$8,578,026,500	(\$60,469,700)	\$8,517,556,800	(\$11,181,800)	\$8,506,375,000
One-time Expenditures						
Capital Outlay		\$20,252,000		\$20,252,000		\$20,252,000
Statutory Reversions	29,910,200					
Additional (27th) Pay Period	79,000,000					
Budget Stabilization Fund Deposit	250,000,000 3/	200,000,000 3/		200,000,000		200,000,000
Health Insurance Premium Holiday		(25,000,000)		(25,000,000)	5,618,500	(19,381,500)
AHCCCS Tobacco Settlement Offset					(48,000,000)	(48,000,000)
Reduce K-12 Payment Deferral (Small Schools)					21,900,000	21,900,000
Eliminate AHCCCS Payment Deferrals	112,600,700					
Subtotal One-time Expenditures	\$471,510,900	\$195,252,000	\$0	\$195,252,000	(\$20,481,500)	\$174,770,500
Total Expenditures	\$8,669,749,000	\$8,773,278,500	(\$60,469,700)	\$8,712,808,800	(\$31,663,300)	\$8,681,145,500
Ending Balance	\$396,960,000	\$249,005,500	\$401,981,600	\$650,987,100	\$42,745,400	\$693,732,500 4/
Structural Balance 5/	\$506,357,000	\$267,837,200	\$137,441,900	\$405,279,100	\$11,763,900	\$417,043,000

1/ Reflects the FY 2013 budget as published in the FY 2013 Appropriations Report.

2/ Reflect forecast adjustments to revenue and other technical adjustments.

3/ Originally displayed as a revenue deduction in the FY 2013 Appropriations Report.

4/ The actual FY 2013 ending balance is expected to be at least \$100 million greater than budgeted.

5/ This calculation reflects the difference between ongoing revenues and expenditures.

FY 2013 GENERAL FUND ADJUSTMENTS

FY 2013 Budget Revision — The preceding chart illustrates the changes to the FY 2013 budget from the publication of the *FY 2013 Appropriations Report* in June 2012 (incorporating changes through the 50th Legislature, 2nd Regular Session) to the current estimate in this *FY 2014 Appropriations Report*. The chart includes the projected FY 2013 mid-year budget surplus and the changes from the passage of bills in the 1st Special Session and 1st Regular Session of the 51st Legislature addressing the FY 2013 budget.

Original Budget Estimate — At the time of the publication of the *FY 2013 Appropriations Report* in June 2012, the FY 2013 budget was expected to have a \$249 million surplus.

Mid-Year Surplus — As estimated in January 2013, higher-than-expected revenues together with other changes led to the state's projected FY 2013 ending balance growing from \$249 million to \$651 million. The components of this \$402 million shift were as follows:

	<u>(\$ in M)</u>
• Increased FY 2012 Carry-Forward	275
• Increase in FY 2013 Revenues	67
• Lower FY 2013 Spending	<u>60</u>
Total	\$402

As enacted in May 2012, the original FY 2013 budget included \$122 million in revenues from a FY 2012 carry-forward balance. The FY 2012 revenue growth at the end of the year, however, was stronger than originally budgeted, producing a FY 2012 ending balance of \$397 million, or \$275 million more than budgeted.

This stronger revenue growth was estimated to continue into FY 2013. Although the enacted FY 2013 budget's 5.1% base revenue increase was revised down to 4.0% in the January 2013 estimates, the higher FY 2012 revenue base meant \$67 million of additional FY 2013 collections.

In addition to these increased revenues, lower-than-expected Medicaid enrollment and K-12 formula costs, appearing in the form of unspent FY 2013 appropriations, also known as revertments, were estimated to generate \$(60) million more in savings.

2013 Legislative Session — Laws 2013, 1st Special Session, Chapter 1, the General Appropriation Act, as well as other bills in the 1st Regular Session, also made a series of changes to the FY 2013 budget that increased the projected ending balance of \$651 million by \$43 million, allocated as follows:

<u>Mid-Year FY 2013 Changes</u>	<u>(\$ in M)</u>
• Technical Revenue Reestimates	(4)
• Internal Revenue Code (IRC) Conformity	5
• Increased Fund Transfers	11
• Supplemental Spending	(9)

• Increased Revertments	20
• Decreased Premium Holiday Revenues	(6)
• Increased Tobacco Settlement Revenues	48
• Eliminate K-12 Small School Rollover	<u>(22)</u>
Total	\$43

The final FY 2013 budget made technical re-estimates of FY 2013 revenues using April estimates (but identical growth rates), reducing revenues by \$(4) million. The passage of Laws 2013, Chapter 65, the IRC Conformity bill, is estimated to result in a net revenue gain of \$5 million. The revised budget also increased fund transfer revenue by \$11 million, the result of a settlement associated with the Department of Environmental Quality.

The budget reflects \$9 million in additional FY 2013 spending. This amount includes \$4.4 million appropriated for Child Protective Services staff by Laws 2013, Chapter 1, \$1.1 million for the Independent Redistricting Commission by Laws 2013, Chapters 2 and 158, and \$283,700 appropriated to the Arizona Department of Administration for "named claimants" legislation, which pays bills submitted to state agencies after the administrative adjustments period, by Laws 2013, Chapter 14. The budget also included \$116,800 to pay prior-year Justice of the Peace salary claims. Finally, the amount includes \$3.0 million to more accurately reflect rural county Community College reimbursement.

Additionally, the 1st Special Session budget reduced the amount of revenues from the health insurance premium holiday originally enacted in the FY 2013 budget by \$6 million, recognized \$48 million in increased one-time Tobacco Settlement monies by reducing AHCCCS General Fund expenditures by an equivalent amount, and appropriated \$22 million in one-time monies to eliminate the K-12 rollover for school districts with less than 600 students. (*See individual agency narratives and Detailed List of General Fund Changes by Agency.*)

With an estimated January FY 2013 ending balance of \$651 million and \$43 million in subsequent net changes, the FY 2013 budget was estimated to have an ending balance of \$694 million. The actual ending balance is projected to be at least \$100 million greater than budgeted.

Other Fund — The FY 2013 revisions included \$70 million in Other Fund supplementals. Laws 2013, Chapter 118 appropriated \$47 million to the Attorney General for a variety of uses; the amount reflects the portion of the National Mortgage Settlement that was not transferred into the General Fund by the FY 2013 budget. The revisions also appropriated monies from the Risk Management Fund to 2 agencies -- the Land Department received \$15.0 million to pay back Trust Land Management Fund for previous year expenditures ruled unconstitutional by the Arizona Supreme Court and the Arizona Department of Administration also received \$3.7 million to refund a portion of certain fund balances to the federal government.

FY 2013 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

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	FY 2013 Approp Rpt May 2012	Adjustments	FY 2013 Supplementals <u>2/</u>	Retention Payments	FY 2013 Additional Appropriations <u>3/4/</u>	Prior Year Statutory Appropriations <u>5/</u>	Enacted FY 2013 <u>6/</u>	Premium Holiday Adjustment <u>7/</u>
BUDGET UNITS								
Administration, AZ Department of	\$30,230,300	(\$16,800,000) <u>8/</u>		\$234,000	\$283,700		\$13,948,000	(\$76,700)
Administration, AZ Department of - Automation Projects Fund	0	16,800,000 <u>8/</u>		0			16,800,000	0
Administrative Hearings, Office of	808,100			31,500			839,600	(11,800)
Agriculture, AZ Department of	7,927,100			202,700			8,129,800	(97,800)
AHCCCS	1,397,607,300		(48,000,000)	1,210,500			1,350,817,800	(705,500)
Attorney General - Department of Law	23,049,900			529,600			23,579,500	(176,600)
Charter Schools, State Board for	748,100			19,500			767,600	(7,300)
Commerce Authority, Arizona	31,500,000			0			31,500,000	0
Community Colleges, Arizona	65,942,600			0		2,990,200 <u>9/</u>	68,932,800	0
Corporation Commission	589,100			16,200			605,300	(4,400)
Corrections, State Department of	956,404,200			3,887,400			960,291,600	(8,956,300)
County Funding	0			0			0	0
Deaf and the Blind, Schools for the	20,586,100			872,500			21,458,600	(396,800)
Economic Security, Department of	612,296,200		4,409,200	3,011,800			619,717,200	(1,452,800)
Education, Department of	3,496,900,300		21,900,000	325,800			3,519,126,100	(118,600)
Emergency & Military Affairs, Dept of	8,834,300			67,000			8,901,300	(20,900)
Environmental Quality, Department of	7,000,000			0			7,000,000	0
Equal Opportunity, Governor's Office of	187,100			2,000			189,100	(9,200)
Equalization, State Board of	629,500			6,300			635,800	(1,800)
Executive Clemency, Board of	821,500			5,800			827,300	(4,100)
Financial Institutions, State Department of	2,920,800			69,300			2,990,100	(31,300)
Fire, Building and Life Safety, Department of	1,699,100			48,900			1,748,000	(24,100)
Forester, State	7,062,400			56,200			7,118,600	(36,100)
Geological Survey, Arizona	853,600			26,600			880,200	(7,700)
Governor, Office of the	6,586,600			163,300			6,749,900	(46,300)
Gov's Ofc of Strategic Planning & Budgeting	1,871,700			49,000			1,920,700	(15,400)
Health Services, Department of	587,120,700			988,700			588,109,400	(649,700)
Historical Society, Arizona	3,042,100			49,700			3,091,800	(29,900)
Historical Society, Prescott	654,200			14,100			668,300	(8,700)
Independent Redistricting Commission	1,445,300			12,000	1,135,200		2,592,500	(3,800)
Indian Affairs, AZ Commission of	53,700			1,000			54,700	(600)
Insurance, Department of	5,169,600			105,600			5,275,200	(60,700)
Judiciary								
Supreme Court	15,677,700			298,000			15,975,700	153,400
Court of Appeals	13,817,600			262,100			14,079,700	(110,800)
Superior Court	79,100,700			197,600			79,298,300	(101,700)
SUBTOTAL - Judiciary	108,596,000	0	0	757,700	0	0	109,353,700	(59,100)
Juvenile Corrections, Department of	43,428,400			625,500			44,053,900	(515,200)
Land Department, State	1,258,600			7,600			1,266,200	(2,500)
Law Enforcement Merit System Council	70,500			0			70,500	(1,100)
Legislature								
Auditor General	17,240,100			482,500			17,722,600	(161,000)
House of Representatives	13,067,100			228,600			13,295,700	(170,500)
Joint Legislative Budget Committee	2,418,800			53,800			2,472,600	(16,700)

	FY 2013 Approp Rpt May 2012	Adjustments	FY 2013 Supplementals 2/	Retention Payments 3/4/	FY 2013 Additional Appropriations 5/	Prior Year Statutory Appropriations 6/	Enacted FY 2013	Premium Holiday Adjustment 7/
Legislative Council	7,884,700			117,100			8,001,800	(35,800)
Senate	8,036,300			168,500			8,204,800	(104,500)
SUBTOTAL - Legislature	48,647,000	0	0	1,050,500	0	0	49,697,500	(488,500)
Mine Inspector, State	1,183,600			24,100			1,207,700	(10,500)
Navigable Stream Adjudication Commission	126,200			2,700			128,900	(1,100)
Occupational Safety & Health Review Board	0			0			0	0
Pioneers' Home, AZ	1,604,800			0			1,604,800	(77,200)
Postsecondary Education, Commission for	1,396,800			0			1,396,800	0
Public Safety, Department of	45,524,000			1,600			45,525,600	(307,600)
Public Safety Personnel Retirement System	0			0			0	0
Racing, Arizona Department of	2,029,500			0			2,029,500	0
Radiation Regulatory Agency	1,420,800			19,800			1,440,600	(6,700)
Real Estate Department, State	2,902,200			50,600			2,952,800	(26,600)
Revenue, Department of	45,442,100			1,169,300			46,611,400	(633,400)
School Facilities Board	173,708,300			41,400			173,749,700	(11,100)
Secretary of State	14,923,200			198,000			15,121,200	(95,300)
Tax Appeals, State Board of	254,800			7,100			261,900	(1,200)
Tourism, Office of	7,000,000			65,200			7,065,200	(18,300)
Transportation, Department of	50,500			0			50,500	0
Treasurer, State	1,115,100		116,800	0			1,231,900	0
Uniform State Laws, Commission on	0			0			0	0
Universities								
Arizona State University - Tempe/DPC	247,110,000	10,222,200 10/		0			257,332,200	(1,597,000)
Arizona State University - East Campus	19,022,300	1,748,900 10/		0			20,771,200	(115,000)
Arizona State University - West Campus	33,017,700			0			33,017,700	(155,500)
Northern Arizona University	101,604,800	3,302,600 10/		0			104,907,400	(19,600)
Board of Regents	37,200,200	(15,273,700) 10/		0			21,926,500	0
University of Arizona - Main Campus	207,793,500			0			207,793,500	(1,582,600)
University of Arizona - Health Sciences Center	61,585,300			0			61,585,300	(233,700)
SUBTOTAL - Universities	707,333,800	0	0	0	0	0	707,333,800	(3,703,400)
Veterans' Services, Department of	5,212,800			153,600			5,366,400	(54,700)
Water Resources, Department of	12,033,300			233,900			12,267,200	(93,300)
Weights and Measures, Department of	1,472,500			32,000			1,504,500	(13,000)
OPERATING BUDGET TOTAL	\$8,507,276,300	\$0	(\$21,574,000)	\$16,447,600	\$1,418,900	\$2,990,200	\$8,506,559,000	(\$19,074,700)
Unallocated Reverse ASRS 47/53 Split	7,600			0			7,600	
Unallocated Retirement Rate Increase	4,100			0			4,100	
Health Insurance Premium Holiday	(25,000,000)		5,618,500	0			(19,381,500)	19,074,700
Employee Retention Payments	16,633,400			(16,447,600)			185,800	
Unallocated Lease-Purchase and Rent Adjustments	3,700			0			3,700	
Capital Outlay Projects	20,252,000			0			20,252,000	
Capital Outlay - Debt Service	89,714,800			0			89,714,800	
Budget Stabilization Fund Deposit	200,000,000			0			200,000,000	
Administrative Adjustments	64,384,900	(26,784,900)		0			37,600,000	
Reversions	(99,998,300)	(33,801,700)	(20,000,000)	0			(153,800,000)	
GRAND TOTAL	\$8,773,278,500	(\$60,586,600)	(\$35,955,500)	\$0	\$1,418,900	\$2,990,200	\$8,681,145,500	\$0

- 1/ This chart provides a crosswalk between an agency's original appropriation in the *FY 2013 Appropriations Report* and its final FY 2013 appropriation, excluding capital appropriations.
- 2/ Reflects changes from the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1).
- 3/ The Retention Payments adjustment includes Employee Related Expenditures.
- 4/ Section 133 of the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) appropriated \$16,633,400 from the General Fund and \$11,695,200 from Other Appropriated Funds in FY 2013 to fund one-time retention payment for all state employees who are uncovered as of September 29, 2012. Allocation has been determined by JLBC Staff based on report from ADOA to JLBC on the number of employees awarded a retention payment by fund source. As a one-time expenditure, the retention payments were not displayed as part of the individual agency totals in the *FY 2013 Appropriations Report*. The FY 2014 budget subsequently made these payments ongoing. As a result, this crosswalk now displays this funding as part of each individual agency's total.
- 5/ Appropriations separate from the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) enacted in 1st Special Session or 1st Regular Session. Individual bill detail appears in the "Budget Detail" section.
- 6/ Represents ongoing statutory appropriations or appropriations enacted prior to the 1st Special Session.
- 7/ Section 132 of the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) ex-appropriated \$(25,000,000) for one-time Health Insurance Premium Holiday Adjustments. Section 135 required ADOA to not collect premiums for the self-insured State Employee Health Insurance Program for sufficient pay periods during FY 2013 to generate \$25,000,000 of state General Fund savings. ADOA reported to the JLBC on its plan for implementing the premium holiday; the allocation by agency is based on these plans. Laws 2013, 1st Special Session, Chapter 1 subsequently revised the amount to \$(19,074,200).
- 8/ The \$16,800,000 for the Automation Projects Fund appropriated in Section 124 of the FY 2012 General Appropriation Act (Laws 2012, Chapter 294) is now reflected in its own line.
- 9/ Represents rural county reimbursement, which represents an estimated cost.
- 10/ The FY 2013 Appropriation Act (Laws 2012, Chapter 294) included \$15,273,700 from the General Fund in the Arizona Board of Regents' budget for ASU and NAU. Of this amount, \$11,971,100 has been distributed to ASU and \$3,302,600 to NAU. These monies have been allocated to the individual campuses in FY 2013.

FY 2013 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	FY 2013 Approp Rpt May 2012	Adjustments	FY 2013 Supplementals 2/	Retention Payments 3/4/	Enacted FY 2013
BUDGET UNITS					
Accountancy, State Board of					
Board of Accountancy Fund	\$1,897,700			\$24,100	\$1,921,800
Acupuncture Board of Examiners					
Acupuncture Board of Examiners Fund	125,800			3,700	129,500
Administration, AZ Department of					
Air Quality Fund	714,100			0	714,100
Automation Operations Fund	22,930,100	(4,200,000) 5/		252,900	18,983,000
Capital Outlay Stabilization Fund	17,878,700			111,000	17,989,700
Corrections Fund	558,300			8,400	566,700
Federal Surplus Materials Revolving Fund	451,600			9,000	460,600
Information Technology Fund	4,644,500	(1,500,000) 5/		63,600	3,208,100
Motor Vehicle Pool Revolving Fund	10,041,300			18,200	10,059,500
Personnel Division Fund	14,420,800			204,100	14,624,900
Risk Management Revolving Fund	91,919,200		3,727,300	122,600	95,769,100
Special Employee Health Insurance					
Trust Fund	5,136,700		5,104,100	82,200	10,323,000
State Surplus Materials Revolving Fund	2,375,000			14,600	2,389,600
State Web Portal Fund	5,850,000	(5,600,000) 5/		0	250,000
Telecommunications Fund	1,805,200			26,500	1,831,700
Total - AZ Department of Administration	178,725,500	(11,300,000)	8,831,400	913,100	177,170,000
Administration, AZ Department of - Automation					
- Projects Fund	0	11,300,000 5/		0	11,300,000
Administrative Hearings, Office of					
Healthcare Group Fund	13,300			0	13,300
AHCCCS					
Budget Neutrality Compliance Fund	3,221,100			0	3,221,100
Children's Health Insurance Program Fund	18,126,400			36,400	18,162,800
Healthcare Group Fund	2,281,300			25,700	2,307,000
Prescription Drug Rebate Fund - State	69,950,000			1,000	69,951,000
Tobacco Products Tax Fund					
Emergency Health Services Account	19,222,900			0	19,222,900
Tobacco Tax and Health Care Fund					
Medically Needy Account	38,295,800			0	38,295,800
Total - AHCCCS	151,097,500	0	0	63,100	151,160,600
Appraisal, State Board of					
Board of Appraisal Fund	756,500			10,200	766,700
Arts, Arizona Commission on the					
Budget Stabilization Fund	0			0	0
Athletic Training, Board of					
Athletic Training Fund	101,800			2,700	104,500
Attorney General - Department of Law					
Antitrust Enforcement Revolving Fund	242,800			1,600	244,400

	FY 2013 Approp Rpt May 2012	Adjustments	FY 2013 Supplementals 2/	Retention Payments 3/4/	Enacted FY 2013
Attorney Gen'l Legal Svcs Cost Allocation Fund	2,026,900			49,800	2,076,700
Collection Enforcement Revolving Fund	5,313,900			64,500	5,378,400
Court-Ordered Trust Fund	0		47,000,000	0	47,000,000
Consumer Protection-Consumer Fraud Rev. Fund	3,450,300			50,000	3,500,300
Interagency Service Agreements Fund	13,116,900			332,600	13,449,500
Risk Management Revolving Fund	9,183,500			211,700	9,395,200
State Aid to Indigent Defense Fund	0			0	0
Victims' Rights Fund	3,240,200			7,600	3,247,800
Total - Attorney General - Department of Law	36,574,500	0	47,000,000	717,800	84,292,300
Automobile Theft Authority					
Automobile Theft Authority Fund	4,274,500			12,400	4,286,900
Barbers, Board of					
Board of Barbers Fund	321,900			7,400	329,300
Behavioral Health Examiners, Board of					
Board of Behavioral Health Examiners Fund	1,611,100			29,300	1,640,400
Chiropractic Examiners, State Board of					
Board of Chiropractic Examiners Fund	454,800			9,000	463,800
Contractors, Registrar of					
Registrar of Contractors Fund	12,059,800			131,800	12,191,600
Corporation Commission					
Arizona Arts Trust Fund	50,200			0	50,200
Investment Management Regulatory and Enforcement Fund	684,300			23,500	707,800
Public Access Fund	6,414,200			74,500	6,488,700
Securities Regulatory and Enforcement Fund	4,625,900			106,900	4,732,800
Utility Regulation Revolving Fund	13,532,700			341,900	13,874,600
Total - Corporation Commission	25,307,300	0	0	546,800	25,854,100
Corrections, State Department of					
Alcohol Abuse Treatment Fund	554,400			0	554,400
Corrections Fund	27,517,600			0	27,517,600
Penitentiary Land Fund	979,200			0	979,200
Prison Construction and Operations Fund	11,499,400			0	11,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000			0	360,000
State Education Fund for Correctional Education	512,100			0	512,100
Transition Program Fund	3,485,000			0	3,485,000
Total - State Department of Corrections	44,907,700	0	0	0	44,907,700
Cosmetology, Board of					
Board of Cosmetology Fund	1,750,300			26,700	1,777,000
Criminal Justice Commission, Arizona					
Criminal Justice Enhancement Fund	629,100			15,700	644,800
Drug and Gang Prevention Resource Center Fund	235,500			2,300	237,800
State Aid to County Attorneys Fund	973,600			0	973,600
Victim Compensation and Assistance Fund	3,792,500			0	3,792,500
Total - Arizona Criminal Justice Commission	10,866,000	0	0	18,000	5,648,700
Deaf and the Blind, AZ Schools for the					
Schools for the Deaf and the Blind Fund	13,296,100			0	13,296,100

	FY 2013 Approp Rpt May 2012	Adjustments	FY 2013 Supplementals 2/	Retention Payments 3/4/	Enacted FY 2013
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	3,749,000			31,300	3,780,300
Dental Examiners, State Board of Dental Board Fund	1,189,600			19,500	1,209,100
Economic Security, Department of Child Abuse Prevention Fund	1,459,100			0	1,459,100
Child Support Enforcement Administration Fund	16,601,100			163,900	16,765,000
Children and Family Services Training Program Fund	206,600			900	207,500
Domestic Violence Shelter Fund	2,220,000			0	2,220,000
Federal Child Care and Development Fund Block Grant	130,567,500			158,600	130,726,100
Federal Temporary Assistance for Needy Families Block Grant	220,775,800			235,700	221,011,500
Long Term Care System Fund	75,075,300			0	75,075,300
Public Assistance Collections Fund	427,100			300	427,400
Special Administration Fund	1,129,900			0	1,129,900
Spinal and Head Injuries Trust Fund	1,867,600			5,500	1,873,100
Statewide Cost Allocation Plan Fund	1,000,000			0	1,000,000
Workforce Investment Act Grant	56,032,700			21,700	56,054,400
Total - Department of Economic Security	507,362,700	0	0	586,600	507,949,300
Education, Department of Department of Education Empowerment Scholarship Account Fund	200,000			0	200,000
Education Learning and Accountability Fund	1,200,000			23,600	1,223,600
Permanent State School Fund	46,475,500			0	46,475,500
Proposition 301 Fund	7,000,000			0	7,000,000
Teacher Certification Fund	2,292,200			44,600	2,336,800
Total - Department of Education	57,167,700	0	0	68,200	57,235,900
Emergency & Military Affairs, Dept of Emergency Response Fund	132,700			0	132,700
Environmental Quality, Department of Air Permits Administration Fund	7,038,800			80,800	7,119,600
Air Quality Fund	5,379,100			0	5,379,100
Emissions Inspection Fund	28,354,300			29,600	28,383,900
Hazardous Waste Management Fund	1,718,900			18,400	1,737,300
Indirect Cost Recovery Fund	13,008,700			168,900	13,177,600
Recycling Fund	1,200,000			15,700	1,215,700
Solid Waste Fee Fund	1,226,600			12,500	1,239,100
Underground Storage Tank Fund Revolving Fund	22,000			0	22,000
Used Oil Fund	138,900			0	138,900
Water Quality Fee Fund	10,393,900			118,600	10,512,500
Total - Department of Environmental Quality	68,481,200	0	0	444,500	68,925,700
Exposition and State Fair Board, AZ Arizona Exposition and State Fair Fund	11,131,200			138,900	11,270,100
Financial Institutions, Department of Financial Services Fund	922,900			15,100	938,000

	FY 2013 Approp Rpt May 2012	Adjustments	FY 2013 Supplementals	2/ Retention Payments	3/4/ Enacted FY 2013
Funeral Directors and Embalmers, Board of					
Board of Funeral Directors & Embalmers Fund	340,600			7,700	348,300
Game and Fish Department, AZ					
Capital Improvement Plan	1,000,000			0	1,000,000
Game and Fish Fund	33,277,100			292,900	33,570,000
Game, Nongame, Fish and Endangered					
Species Fund	338,600			5,900	344,500
Watercraft Licensing Fund	4,504,200			35,200	4,539,400
Waterfowl Conservation Fund	43,400			0	43,400
Wildlife Endowment Fund	16,000			0	16,000
Total - AZ Game and Fish Department	39,179,300	0	0	334,000	39,513,300
Gaming, Department of					
Tribal-State Compact Fund	2,003,800			64,100	2,067,900
State Lottery Fund	300,000			0	300,000
Arizona Benefits Fund	9,784,000			180,700	9,964,700
Total - Department of Gaming	12,087,800	0	0	244,800	12,332,600
Health Services, Department of					
Arizona State Hospital Fund	12,507,400			10,400	12,517,800
ASH Land Earnings Fund	650,000			0	650,000
Health Services Licensing Fund	7,904,300			163,700	8,068,000
Capital Outlay Stabilization Fund	1,146,500			0	1,146,500
Child Fatality Review Fund	93,400			1,100	94,500
Emergency Medical Services Operating Fund	5,044,100			56,800	5,100,900
Environmental Laboratory Licensure					
Revolving Fund	910,800			12,300	923,100
Federal Child Care and Development Fund					
Block Grant	829,400			1,500	830,900
Hearing and Speech Professionals Fund	309,900			8,800	318,700
Indirect Cost Fund	8,886,700			66,400	8,953,100
Long-Term Care System Fund	1,379,600			0	1,379,600
Newborn Screening Program Fund	6,692,600			35,400	6,728,000
Nursing Care Institution Resident Protection					
Revolving Fund	438,100			100	438,200
Substance Abuse Services Fund	2,250,000			0	2,250,000
Tobacco Tax and Health Care Fund					
Health Research Account	1,000,000			0	1,000,000
Tobacco Tax and Health Care Fund					
Medically Needy Account	35,167,000			0	35,167,000
Vital Records Electronic System Fund	3,607,500			21,500	3,629,000
Total - Department of Health Services	88,817,300	0	0	378,000	89,195,300
Homeopathic & Integrated Medicine Examiners, Bd of					
Bd of Homeopathic & Integrated Medicine Exmnr's Fund	107,600			2,400	110,000
Housing, Department of					
Housing Trust Fund	304,600			6,600	311,200
Industrial Commission of AZ					
Administrative Fund	19,656,400			251,200	19,907,600
Judiciary - Supreme Court					
Confidential Intermediary and Fiduciary Fund	480,500			5,500	486,000

	FY 2013 Approp Rpt May 2012	Adjustments	FY 2013 Supplementals 2/	Retention Payments 3/4/	Enacted FY 2013
Court Appointed Special Advocate Fund	2,925,800			11,000	2,936,800
Criminal Justice Enhancement Fund	2,961,300			36,700	2,998,000
Defensive Driving School Fund	4,123,800			51,300	4,175,100
Judicial Collection Enhancement Fund	13,792,300			215,200	14,007,500
State Aid to the Courts Fund	2,944,600			0	2,944,600
Total - Supreme Court	27,228,300	0	0	319,700	27,548,000
Judiciary - Superior Court					
Criminal Justice Enhancement Fund	6,933,500			50,000	6,983,500
Judicial Collection Enhancement Fund	5,029,200			0	5,029,200
Drug Treatment and Education Fund	500,000			0	500,000
Total - Superior Court	12,462,700	0	0	50,000	12,512,700
SUBTOTAL - Judiciary	39,691,000	0	0	369,700	40,060,700
Juvenile Corrections, Department of					
Criminal Justice Enhancement Fund	530,600			0	530,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600			0	1,098,600
State Education Fund for Committed Youth	2,261,700			26,000	2,287,700
Total - Department of Juvenile Corrections	3,890,900	0	0	26,000	3,916,900
Land Department, State					
Due Diligence Fund	500,000			0	500,000
Environmental Special Plate Fund	260,000			0	260,000
Risk Management Revolving Fund	10,747,400		15,018,000	239,200	26,004,600
Trust Land Management Fund	3,469,200			0	3,469,200
Total - State Land Department	14,976,600	0	15,018,000	239,200	30,233,800
Liquor Licenses & Control, Department of					
Liquor Licenses Fund	2,850,400			60,900	2,911,300
Lottery Commission, AZ State					
State Lottery Fund	87,592,600	7,932,200 6/		146,500	95,671,300
Massage Therapy, Board of					
Board of Massage Therapy Fund	0			0	0
Medical Board, Arizona					
Arizona Medical Board Fund	5,809,400			98,100	5,907,500
Mine Inspector, State					
Aggregate Mining Reclamation Fund	112,500			0	112,500
Naturopathic Physicians Medical Board					
Naturopathic Physicians Medical Board Fund	587,500			11,800	599,300
Nursing, State Board of					
Board of Nursing Fund	4,056,000			72,900	4,128,900
Nursing Care Institution Administrators Board					
Nursing Care Institution Administrators' Licensing & Assisted Living Facility Managers' Certification Fund	426,700			8,000	434,700
Occupational Therapy Examiners, Board of					
Occupational Therapy Fund	162,700			3,500	166,200
Opticians, State Board of Dispensing					
Board of Dispensing Opticians Fund	131,300			2,600	133,900
Optometry, State Board of					
Board of Optometry Fund	197,800			4,800	202,600

	FY 2013 Approp Rpt May 2012	Adjustments	FY 2013 Supplementals 2/	Retention Payments 3/4/	Enacted FY 2013
Osteopathic Examiners, AZ Board of					
Board of Osteopathic Examiners Fund	699,200			12,100	711,300
Parks Board, Arizona State					
State Parks Revenue Fund	12,649,500			132,800	12,782,300
Total - Arizona State Parks Board	12,649,500	0	0	132,800	12,782,300
Personnel Board, State					
Personnel Board Subaccount of the					
Personnel Division Fund	364,500			4,500	369,000
Pest Management, Office of					
Pest Management Fund	1,999,700			30,200	2,029,900
Pharmacy, AZ State Board of					
Board of Pharmacy Fund	1,921,900			47,100	1,969,000
Physical Therapy, Board of					
Board of Physical Therapy Fund	365,900			6,200	372,100
Pioneers' Home, AZ					
Miners' Hospital Fund	1,501,500			0	1,501,500
State Charitable Fund	3,099,200			42,000	3,141,200
Total - AZ Pioneers' Home	4,600,700	0	0	42,000	4,642,700
Podiatry Examiners, State Board of					
Podiatry Fund	143,000			2,700	145,700
Postsecondary Education, Commission for					
Postsecondary Education Fund	1,742,700			5,300	1,748,000
Private Postsecondary Education, Board for					
Board for Private Postsecondary Education					
Fund	327,500			8,100	335,600
Psychologist Examiners, State Board of					
Board of Psychologist Examiners Fund	344,900			7,300	352,200
Public Safety, Department of					
Arizona Deoxyribonucleic Acid Identification					
System Fund	5,470,800			700	5,471,500
Arizona Highway Patrol Fund	19,282,500			1,500	19,284,000
Automated Fingerprint Identification System Fund	3,009,700			100	3,009,800
Automation Operations Fund	0			0	0
Crime Laboratory Assessment Fund	870,300			100	870,400
Crime Laboratory Operations Fund	14,702,100			1,900	14,704,000
Criminal Justice Enhancement Fund	2,872,200			500	2,872,700
GLITEM Border Security and Law					
Enforcement Subaccount	2,390,000			2,500	2,392,500
Highway User Revenue Fund	119,961,000			4,000	119,965,000
Motorcycle Safety Fund	205,000			0	205,000
Parity Compensation Fund	1,819,300			100	1,819,400
Public Safety Equipment Fund	2,390,000			0	2,390,000
Risk Management Revolving Fund	1,452,300			100	1,452,400
Safety Enforcement and Transportation					
Infrastructure Fund	1,510,200			100	1,510,300
State Highway Fund	6,780,000			0	6,780,000
Total - Department of Public Safety	182,715,400	0	0	11,600	182,727,000
Racing, Arizona Department of					

	FY 2013 Approp Rpt May 2012	Adjustments	FY 2013 Supplementals 2/	Retention Payments 3/4/	Enacted FY 2013
Racing Regulation Fund	2,831,200			48,100	2,879,300
Radiation Regulatory Agency					
State Radiologic Technologist Certification Fund	266,000			5,500	271,500
Radiation Regulatory Fee Fund	563,800			12,100	575,900
Total - Radiation Regulatory Agency	829,800	0	0	17,600	847,400
Residential Utility Consumer Office					
Residential Utility Consumer Office Revolving Fund	1,299,900			24,600	1,324,500
Respiratory Care Examiners, Board of					
Board of Respiratory Care Examiners' Fund	257,600		24,500	8,300	290,400
Retirement System, Arizona State					
Long-Term Disability Trust Fund Administration Account	2,800,000			0	2,800,000
State Retirement System Administration Account	21,216,500			517,600	21,734,100
Total - Arizona State Retirement System	24,016,500	0	0	517,600	24,534,100
Revenue, Department of					
Department of Revenue Administrative Fund	24,990,700			24,000	25,014,700
Liability Setoff Revolving Fund	1,080,100			5,300	1,085,400
Tobacco Tax and Health Care Fund	671,200			6,300	677,500
Total - Department of Revenue	26,742,000	0	0	35,600	26,777,600
Secretary of State					
Election Systems Improvement Fund	2,934,500			3,900	2,938,400
Records Services Fund	572,900			13,900	586,800
Total - Secretary of State	3,507,400	0	0	17,800	3,525,200
State Boards' Office					
Special Services Revolving Fund	212,500			4,400	216,900
Technical Registration, State Board of					
Technical Registration Fund	2,028,300 7/			30,500	2,058,800
Transportation, Department of					
Air Quality Fund	72,800			1,300	74,100
Driving Under the Influence Abatement Fund	148,000			4,400	152,400
Highway User Revenue Fund	625,600			19,200	644,800
Motor Vehicle Liability Insurance Enforcement Fund	1,060,600			20,200	1,080,800
Safety Enforcement and Transportation Infrastructure Fund	1,868,900			9,500	1,878,400
State Aviation Fund	1,585,600			29,700	1,615,300
State Highway Fund	326,163,600			3,950,800	330,114,400
Transportation Department Equipment Fund	26,702,200			233,000	26,935,200
Vehicle Inspection & Title Enforcement Fund	1,444,300			15,800	1,460,100
Total - Department of Transportation	359,671,600	0	0	4,283,900	363,955,500
Treasurer, State					
Law Enforcement and Boating Safety Fund	2,183,800			0	2,183,800
State Treasurer Empowerment Scholarship Account Fund	0			0	0
State Treasurer's Operating Fund	2,493,000			61,700	2,554,700

	FY 2013 Approp Rpt May 2012	Adjustments	FY 2013 Supplementals 2/	Retention Payments 3/4/	Enacted FY 2013
State Treasurer's Management Fund	198,000			0	198,000
Total - State Treasurer	4,874,800	0	0	61,700	4,936,500
Universities					
Arizona State University - Tempe/DPC					
University Collections Fund	468,010,300	(15,325,300) 8/		0	452,685,000
Arizona State University - East Campus					
University Collections Fund	37,924,800	(2,333,900) 8/		0	35,590,900
Technology and Research Initiative Fund	2,000,000			0	2,000,000
Total - Arizona State University - East Campus	39,924,800	(2,333,900)	0	0	37,590,900
Arizona State University - West Campus					
University Collections Fund	31,330,800	9,059,400 8/		0	40,390,200
Technology and Research Initiative Fund	1,600,000			0	1,600,000
Total - Arizona State University - West Campus	32,930,800	9,059,400	0	0	41,990,200
Northern Arizona University					
University Collections Fund	99,660,700	7,748,400 8/		0	107,409,100
University of Arizona - Main Campus					
University Collections Fund	256,404,000	13,514,000 8/		0	269,918,000
University of Arizona - Health Sciences Center					
University Collections Fund	41,786,200	2,134,100 8/		0	43,920,300
SUBTOTAL - Universities	938,716,800	14,796,700	0	0	953,513,500
Veterans' Services, Department of					
State Veterans' Conservatorship Fund	884,100			12,800	896,900
State Home for Veterans' Trust Fund	27,614,700			148,100	27,762,800
Total - Department of Veterans' Services	28,498,800	0	0	160,900	28,659,700
Veterinary Medical Examining Board					
Veterinary Medical Examining Board Fund	456,600			8,300	464,900
Water Resources, Department of					
Assured and Adequate Water Supply Admin Fund	266,800			0	266,800
Water Resources Fund	140,400			0	140,400
Total - Department of Water Resources	407,200	0	0	0	407,200
Weights and Measures, Department of					
Air Quality Fund	1,419,100			18,700	1,437,800
Motor Vehicle Liability Insurance Enf. Fund	319,200			8,400	327,600
Total - Department of Weights and Measures	1,738,300	0	0	27,100	1,765,400
OPERATING BUDGET TOTAL	\$3,053,987,000	22,728,900	\$70,873,900	\$11,645,200	\$3,159,235,000
Employee Retention Payments	11,695,200			(11,645,200)	50,000
Unallocated Retirement Increases	2,600			0	2,600
Unallocated Reverse ASRS 47/53 Split	1,700			0	1,700
Capital	264,579,800			0	264,579,800
GRAND TOTAL	\$3,330,266,300	22,728,900	\$70,873,900	\$0	\$3,423,869,100

1/ This chart provides a crosswalk between an agency's original appropriation in the *FY 2013 Appropriations Report* and its final FY 2013 appropriation, excluding capital appropriations.

2/ Reflects changes from the General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1).

3/ The Retention Payments adjustment includes associated Employee Related Expenditures.

	FY 2013 Approp Rpt May 2012	Adjustments	FY 2013 Supplementals 2/	Retention Payments 3/4/	Enacted FY 2013
4/	Section 133 of the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) appropriated \$16,633,400 from the General Fund and \$11,695,200 from Other Appropriated Funds in FY 2013 to fund one-time retention payment for all state employees who are uncovered as of September 29, 2012. Allocation has been determined by JLBC Staff based on report from ADOA to JLBC on the number of employees awarded a retention payment by fund source. As a one-time expenditure, the retention payments were not displayed as part of the individual agency totals in the <i>FY 2013 Appropriations Report</i> . The FY 2014 budget subsequently made these payments ongoing. As a result, this crosswalk now displays this funding as part of each individual agency's total.				
5/	The \$13,300,000 for the Automation Projects Fund appropriated in Section 124 of the FY 2012 General Appropriation Act (Laws 2012, Chapter 294) is now reflected in its own line.				
6/	Revised Lottery forecast.				
7/	Includes \$180,000 as appropriated by Laws 2012, Chapter 341 and is in addition to the amount appropriated for the Board of Technical Registration listed in the <i>Appropriations Report</i> .				
8/	Reflects tuition collections receipts above the amount appropriated by the Legislature in FY 2013. A footnote in the FY 2013 General Appropriation Act appropriated any tuition collections receipts above the appropriated amount to the university.				

CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS EXPENDITURE AUTHORITY - FY 2013

AHCCCS	\$4,689,965,800	0	\$48,000,000	1,326,400	\$9,430,351,394
Economic Security, Department of	675,949,200	0	0	1,342,800	1,354,346,290
Health Services, Department of	840,658,800	0	0	148,100	1,681,587,100
GRAND TOTAL	\$6,206,573,800	0	\$48,000,000	\$2,817,300	\$12,466,284,784

**JLBC STAFF
AND
AGENCY DIRECTORY LISTINGS**

JOINT LEGISLATIVE BUDGET COMMITTEE

The Joint Legislative Budget Committee was established in 1966, pursuant to Laws 1966, Chapter 96. The primary powers and duties of the JLBC relate to ascertaining facts and making recommendations to the Legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and functions of state government. The following members serve on the Committee during the 51st Legislature:

Representative John Kavanagh Chairman 2013	Senator Don Shooter Chairman 2014
Representative Lela Alston	Senator Olivia Cajero Bedford
Representative David Gowan, Sr.	Senator Gail Griffin
Representative Adam Kwasman	Senator John McComish
Representative Debbie Lesko	Senator Al Melvin
Representative Stefanie Mach	Senator Lynne Pancrazi
Representative Justin Olson	Senator Anna Tovar
Representative Michelle Ugenti	Senator Steven B. Yarbrough

The objectives and major products of the staff of the JLBC are:

- Analysis and recommendations for the state budget, which is presented in January of each year.
- Technical, analytical, and preparatory support in the development of appropriations bills considered by the Legislature.
- Periodic economic and state revenue forecasts.
- Preparation of fiscal notes on legislation and ballot propositions that have a fiscal impact on the state or any of its political subdivisions.
- An annual *Appropriations Report*, which is published shortly after the budget is completed and provides detail on the budget along with an explanation of legislative intent.
- Support to the JLBC with respect to recommendations on business items placed on the committee's agenda such as transfers of appropriations pursuant to A.R.S. § 35-173.
- Support to the Joint Committee on Capital Review (JCCR) with respect to all capital outlay issues including land acquisition, new construction, and building renewal projects.
- Analyze the state tax structure, tax burdens on individuals and businesses and tax incentives for businesses pursuant to A.R.S. § 41-1272A4.

Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007
Phone: (602) 926-5491
Email: jlbcwebmaster@azleg.gov
JLBC Website: <http://www.azleg.gov/jlbc.htm>

JOINT COMMITTEE ON CAPITAL REVIEW

The Joint Committee on Capital Review (JCCR) was first established on April 11, 1986, pursuant to Laws 1986, Chapter 85. The primary powers and duties of the Joint Committee on Capital Review relate to ascertaining facts and making recommendations to the Legislature regarding state expenditures for land, buildings and improvements. This portion of the state budget is known as “capital outlay.” The following members serve on the Committee during the 51st Legislature:

Senator Don Shooter
Chairman 2013
Senator Gail Griffin
Senator Leah Landrum Taylor
Senator John McComish
Senator Al Melvin
Senator Lynne Pancrazi
Senator Anna Tovar

Representative John Kavanagh
Chairman 2014
Representative Lela Alston
Representative Chad Campbell
Representative Tom Forese
Representative David Gowan, Sr.
Representative Rick Gray
Representative Andrew C. Sherwood

The JCCR is staffed by the JLBC Staff. The objectives and major products of the JCCR are:

- Recommend capital appropriations to the Legislature.
- Approve capital transfers within a budget unit.
- Review the scope, purpose and cost of projects before releasing appropriations.
- Develop “Building Renewal Formula.”
- Approve the use of Renewal funds for infrastructure repair.
- Approve lease-purchase agreements.
- Approve corrections facilities expenditures from the Corrections Fund.
- Review the issuance of revenue bonds by the Board of Regents.
- Approve Arizona Department of Administration land and building purchases and condemnations.
- Review “Capital Improvement Plans.”
- Determine rental rates for buildings owned by or leased to the state.
- Review Community College District revenue bond projects.
- Review School Facilities Board assumptions for new school construction.
- Review School Facilities Board lease-to-own agreements.
- Review School Facilities Board building renewal calculations.

APPROPRIATIONS COMMITTEE MEMBERS

Fifty-first Legislature

First Regular Session

SENATE

Don Shooter, Chairman
Rick Murphy, Vice-Chairman
Olivia Cajero Bedford
Chester Crandell
Gail Griffin
Al Melvin
Lynne Pancrazi
Anna Tovar
Kelli Ward

HOUSE

John Kavanagh, Chairman
Justin Olson, Vice-Chairman
Lela Alston
Paul Boyer
Chad Campbell
Tom Forese
Rick Gray
Adam Kwasman
Stefanie Mach
Andrew Sherwood
Michelle Ugenti

STAFF OF THE JOINT LEGISLATIVE BUDGET COMMITTEE

- Director Richard Stavneak
- Office Manager Linda Monsanto
- Deputy Directors Steve Schimpp
..... Stefan Shepherd
- Principal Economist Tim Everill
- Chief Economist Hans Olofsson
- Principal Fiscal Analysts Jack Brown
..... Bob Hull
..... Amy Upston
- Senior Fiscal Analysts Ben Beutler
..... Eric Billings
..... Steve Grunig
..... Art Smith
- Fiscal Analysts Ben Henderson
..... Krista MacGahan
..... Tom Ritland
..... Jon Stall
- Administrative Assistant/JLBC Clerk TeVona Ball
- Administrative Assistant/JCCR Clerk Tera Scherer

**DIRECTORY OF JLBC ANALYSTS
AND AGENCY/DEPARTMENT HEADS**

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of	Steve Grunig	Monica Petersen [Executive Director]	602-364-0870
Acupuncture Board of Examiners	Steve Grunig	Pete Gonzalez [Director]	602-542-3095
Administration, Arizona Department of	Ben Henderson	Brian McNeil [Director]	602-542-1500
Administrative Hearings, Office of	Bob Hull	Cliff J. Vanell [Director]	602-542-9830
Agriculture, Arizona Department of	Krista MacGahan	Donald Butler [Director]	602-542-4373
Arizona Health Care Cost Containment System	Amy Upston/Jon Stall	Thomas J. Betlach [Director]	602-417-4111
Appraisal, State Board of	Steve Grunig	Debra J. Rudd [Executive Director]	602-542-1593
Arizona State University	Art Smith	Michael Crow, Ph.D. [President]	480-965-8972
Arts, Arizona Commission on the	Ben Henderson	Robert Booker [Executive Director]	602-771-6501
Athletic Training, Board of	Steve Grunig	J. Randy Frost [Executive Director]	602-589-6337
Attorney General - Department of Law	Andrew Hartsig	Honorable Tom Horne [Attorney General]	602-542-5025
Auditor General	Steve Grunig	Debra K. Davenport [Auditor General]	602-553-0333
Automobile Theft Authority	Eric Billings	Brian Salata [Executive Director]	602-364-2888
Barbers, Board of	Steve Grunig	Sam LaBarbera [Executive Director]	602-542-4498
Behavioral Health Examiners, Board of	Steve Grunig	Debra Rinaudo [Executive Director]	602-542-1884
Charter Schools, State Board for	Tom Ritland	DeAnna Rowe [Executive Director]	602-364-3080
Chiropractic Examiners, State Board of	Steve Grunig	Patrice Pritzl [Executive Director]	602-864-5088
Citizens Clean Elections Commission	Krista MacGahan	Daniel Ruiz [Interim Executive Director]	602-364-3477
Commerce Authority, Arizona	Eric Billings	Sandra Watson [President and CEO]	602-845-1215
Community Colleges, Arizona	Tom Ritland	--	--
Compensation Fund, State	Bob Hull	Donald A. Smith, Jr. [President]	602-631-2050
Constable Ethics Standards and Training Board	Steve Grunig	Vince Roberts [Chairman]	420-250-1179
Contractors, Registrar of	Bob Hull	Bill Mundell [Director]	602-542-1525
Corporation Commission	Ben Henderson	Honorable Bob Stump [Chairman]	602-542-3935
Corrections, State Department of	Stefan Shepherd	Charles L. Ryan [Director]	602-542-5225
Cosmetology, Board of	Steve Grunig	Donna Aune [Director]	480-784-4539
Court of Appeals, Division I	Eric Billings	Honorable Diane Johnson [Chief Judge]	602-542-1432
Court of Appeals, Division II	Eric Billings	Honorable Joseph W. Howard [Chief Judge]	520-628-6946
Criminal Justice Commission, Arizona	Krista MacGahan	John A. Blackburn, Jr. [Executive Director]	602-364-1171
Deaf and the Blind, Arizona State Schools for the	Tom Ritland	Robert Hill [Superintendent]	520-770-3704
Deaf and the Hard of Hearing, Commission for the	Andrew Hartsig	Sherri L. Collins [Executive Director]	602-542-3323
Dental Examiners, State Board of	Bob Hull	Elaine Hugunin [Executive Director]	602-242-1492
Early Childhood Development and Health Board, Arizona	Ben Beutler	Rhian Allvin [Executive Director]	602-771-5100
Economic Security, Department of	Ben Beutler/Amy Upston	Clarence H. Carter [Director]	602-542-5678
Education, Department of	Steve Schimpp	Honorable John Huppenthal [Superintendent of Public Instruction]	602-542-5460
Emergency and Military Affairs, Department of	Eric Billings	Hugo Salazar [Adjutant General]	602-267-2710
Environmental Quality, Department of	Art Smith	Henry Darwin [Director]	602-771-2309
Equal Opportunity, Governor's Office of	Bob Hull	Carolyn Pitre Wright [Director]	602-542-3711
Equalization, State Board of	Bob Hull	George R. Shook [Interim Chairman]	602-364-1600
Executive Clemency, Board of	Krista MacGahan	Jesse Hernandez [Chairman/Executive Director]	602-542-5656
Exposition and State Fair Board, Arizona	Steve Grunig	Don West [Executive Director]	602-252-6771
Financial Institutions, Department of	Steve Grunig	Lauren W. Kingry [Superintendent]	602-255-4421
Fire, Building and Life Safety, Department of	Bob Hull	Gene Palma [Director]	602-364-1003
Forester, State	Krista MacGahan	Scott Hunt [State Forester]	602-771-1400
Funeral Directors & Embalmers, State Board of	Steve Grunig	Rodolfo R. Thomas [Executive Director]	602-542-8152
Game and Fish Department, Arizona	Krista MacGahan	Larry Voyles [Director]	602-942-3000
Gaming, Department of	Jon Stall	Mark Brnovich [Director]	602-771-4263
Geological Survey, Arizona	Andrew Hartsig	M. Lee Allison, Ph.D. [Director and State Geologist]	520-770-3500
Governor, Office of the	Bob Hull	Honorable Janice K. Brewer [Governor]	602-542-4331
Governor's Office of Strategic Planning & Budgeting	Bob Hull	John Arnold [Director]	602-542-5381
Health Services, Department of	Art Smith	Will Humble [Director]	602-542-1025
Historical Society, Arizona	Tom Ritland	Anne I. Woosley [Executive Director]	520-628-5774
Historical Society of Arizona, Prescott	Tom Ritland	John Langellier [Director]	928-445-3122
Homeland Security, Department of	Krista MacGahan	Gilbert Orrantia [Director]	602-542-7013
Homeopathic and Integrated Medicine Examiners, Board of	Steve Grunig	Christine Springer [Executive Director]	602-542-3095

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
House of Representatives	Bob Hull	Honorable Andy Tobin [Speaker of the House]	602-926-5495
Housing, Arizona Department of	Andrew Hartsig	Michael Traylor [Director]	602-771-1000
Independent Redistricting Commission	Krista MacGahan	Ray Bladine [Executive Director]	602-542-5221
Indian Affairs, Arizona Commission of	Bob Hull	Kristine FireThunder [Executive Director]	602-542-4421
Industrial Commission of Arizona	Bob Hull	Laura I. McGrory [Director]	602-542-4411
Insurance, Department of	Andrew Hartsig	Germaine Marks [Director]	602-364-3471
Joint Legislative Budget Committee	Bob Hull	Richard Stavneak [Director]	602-926-5491
Juvenile Corrections, Department of	Eric Billings	Charles Flanagan [Director]	602-364-4051
Land Department, State	Krista MacGahan	Vanessa Hickman [Land Commissioner]	602-542-4621
Law Enforcement Merit System Council	Eric Billings	Captain Ramon Figueroa [Business Manager]	602-223-2286
Legislative Council	Bob Hull	Mike E. Braun [Executive Director]	602-926-4236
Liquor Licenses & Control, Department of	Tom Ritland	Alan Everett [Director]	602-542-9020
Lottery Commission, Arizona State	Jon Stall	Jeff Hatch-Miller [Executive Director]	480-921-4505
Massage Therapy, Board of	Steve Grunig	Kathleen Phillips [Executive Director]	602-542-8804
Medical Board, Arizona	Tom Ritland	Lisa Wynn [Executive Director]	480-551-2700
Medical Student Loans, Board of	Steve Grunig	Carol Q. Galper [Chairperson]	520-626-7145
Mine Inspector, State	Andrew Hartsig	Honorable Joe Hart [State Mine Inspector]	602-542-5971
Naturopathic Physicians Medical Board	Steve Grunig	Gail Anthony [Acting Director]	602-542-8242
Navigable Stream Adjudication Commission, AZ	Andrew Hartsig	George Mehnert [Executive Director]	602-542-9214
Northern Arizona University	Art Smith	John D. Haeger, Ph.D. [President]	928-523-3232
Nursing, State Board of	Bob Hull	Joey Ridenour [Executive Director]	602-771-7800
Nursing Care Institution Administrators & Assisted Living Facility Managers, Board of Examiners of	Steve Grunig	Allen Imig [Executive Director]	602-542-8156
Occupational Safety & Health Review Board	Bob Hull	Robert L. Hutzler [Chairman]	602-542-4411
Occupational Therapy Exam., Board of	Steve Grunig	J. Randy Frost [Executive Director]	602-589-8352
Opticians, State Board of Dispensing	Steve Grunig	Lori D. Scott [Executive Director]	602-542-8158
Optometry, State Board of	Steve Grunig	Margaret Whelan [Executive Director]	602-542-8155
Osteopathic Examiners, Arizona Board of	Tom Ritland	Jenna Jones [Executive Director]	480-657-7703
Parents Commission on Drug Education and Prevention, AZ	Bob Hull	Tammy Paz-Combs [Director]	602-542-3643
Parks Board, Arizona State	Art Smith	Bryan Martyn [Executive Director]	602-542-4174
Personnel Board, State	Bob Hull	Laurie Barcelona [Executive Director]	602-542-3888
Pest Management, Office of	Krista MacGahan	Jack Peterson [Acting Director]	602-542-3575
Pharmacy, Arizona State Board of	Bob Hull	Hal Wand [Executive Director]	602-771-2740
Physical Therapy, Board of	Steve Grunig	Charles Brown [Executive Director]	602-542-8157
Pioneers' Home, Arizona	Tom Ritland	Ted Ihrman [Superintendent]	928-445-2181
Podiatry Examiners, State Board of	Steve Grunig	Sarah Penttinen [Executive Director]	602-542-8151
Postsecondary Education, Commission for	Tom Ritland	April L. Osborn [Executive Director]	602-258-2435
Power Authority, Arizona	Andrew Hartsig	Joseph W. Mulholland [Executive Director]	602-368-4265
Private Postsecondary Education, State Board for	Tom Ritland	Teri R. Stanfill [Executive Director]	602-542-2399
Psychologist Examiners, State Board of	Steve Grunig	Cindy Olvey [Director]	602-542-8162
Public Safety, Department of	Eric Billings	Robert Halliday [Director]	602-223-2464
Public Safety Personnel Retirement System	Ben Henderson	Jim Hacking [Administrator]	602-255-5575
Racing, Arizona Department of	Ben Henderson	Bill Walsh [Director]	602-364-1730
Radiation Regulatory Agency	Andrew Hartsig	Aubrey V. Godwin [Director]	602-255-4845
Real Estate Department, State	Steve Grunig	Judy Lowe [Commissioner]	602-771-7799
Regents, Arizona Board of	Art Smith	Eileen Klein [President]	602-229-2500
Residential Utility Consumer Office	Ben Henderson	Patrick Quinn [Director]	602-364-4835
Respiratory Care Examiners, Board of	Steve Grunig	Jack Confer Director]	602-542-5995
Retirement System, Arizona State	Ben Henderson	Paul Matson [Director]	602-240-2031
Revenue, Department of	Eric Billings	John Greene [Director]	602-716-6090
School Facilities Board	Andrew Hartsig	Dean Gray [Executive Director]	602-542-6501
Secretary of State, Department of State	Krista MacGahan	Honorable Ken Bennett [Secretary of State]	602-542-4285
Senate	Bob Hull	Honorable Andy Biggs [President of the Senate]	602-926-5584
State Boards' Office	Steve Grunig	Megan Darian [Office Manager]	602-542-3095
Superior Court	Eric Billings	David K. Byers [Director]	602-452-3301
Supreme Court	Eric Billings	Rebecca White Berch [Chief Justice]	602-452-3536

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Tax Appeals, State Board of	Bob Hull	Janice C. Washington [Chairperson]	602-364-1102
Technical Registration, State Board of	Steve Grunig	Ronald W. Dalrymple [Executive Director]	602-364-4930
Tourism, Office of	Jon Stall	Sherry Henry [Director]	602-364-3717
Transportation, Department of	Ben Beutler	John Halikowski [Director]	602-712-7227
Treasurer, State	Eric Billings	Honorable Doug Ducey [State Treasurer]	602-604-7800
Uniform State Laws, Commission on	Ben Henderson	Timothy Berg [Commissioner]	602-916-5121
University of Arizona	Art Smith	Ann Weaver Hart, Ph.D. [President]	520-621-5511
Veterans' Services, Department of	Amy Upston	Ted Vogt [Director]	602-234-8415
Veterinary Medical Examining Board, AZ State	Steve Grunig	Victoria Whitmore [Executive Director]	602-542-8150
Water Resources, Department of	Krista MacGahan	Sandra A. Fabritz-Whitney [Director]	602-771-8426
Weights & Measures, Department of	Tom Ritland	Kevin Tyne [Director]	602-771-4920
<u>OTHER ASSIGNMENTS</u>			
Capital Review	Jack Brown		
Economic & Revenue Forecast	Tim Everill		
	Hans Olofsson		
	Ben Beutler		
	Eric Billings		
	Jack Brown		
	Andrew Hartsig		
	Jon Stall		
Federal/Non-Appropriated Funds	Stefan Shepherd		
Fiscal Note Manager	Stefan Shepherd		

[] Denotes Title for Information Purposes