FY 2014

Baseline Book

January 2013

JLBC

FY 2014 JLBC Baseline Summary

January 2013

The FY 2014 Baseline provides an estimate of the state's annual General Fund balances through FY 2016. Beyond adopting the annual FY 2014 budget, the Legislature is required to provide 3-year revenue and spending projections in the budget bill. The JLBC Baseline revenue projections reflect a consensus economic forecast while the spending estimates represent active funding formula requirements. The Baseline is not a budget proposal, but an estimate of available resources after statutory requirements.

The 3-Year Baseline Budget Outlook

- In the FY 2014 Baseline, ongoing General Fund revenues are projected to be $8.32 billion. In contrast, projected FY 2014 Baseline formula spending is $8.67 billion – well above the ongoing revenue level.
- The FY 2014 Baseline, however, is balanced by using $651 million of one-time monies remaining from the end of FY 2013. After adjusting for these funds, FY 2014's projected ending balance is $310 million.
- During FY 2015 and FY 2016, the structural shortfall between ongoing revenues and spending remains. The projected FY 2015 cash balance is $25 million, followed by a $(70) million shortfall in FY 2016.
- The large projected FY 2014 ending balance may create an incentive for new initiatives above the Baseline. Any such proposals would effectively result in turning the $25 million FY 2015 balance into a shortfall and increasing the FY 2016 shortfall.
- The Baseline does not include the impact of the Court of Appeals' K-12 inflation ruling. If upheld, the ruling would result in a FY 2015 shortfall of $(223) million and a FY 2016 shortfall of $(346) million.

General Fund Revenues

Total FY 2014 General Fund revenues are projected to be $8.98 billion, including both ongoing revenues and the beginning balance. This amount is $(385) million less than FY 2013.

- Based on the 4-sector consensus, FY 2014 base revenues are projected to grow by $416 million, or 4.9%. This gain, however, would be more than offset by the loss of the temporary 1 cent sales tax.
- Given that 3-year projections are uncertain, a forecast's probability establishes the potential risk level. The likelihood of meeting or exceeding the Baseline forecast is 65%.
- Base revenue growth will be offset by transferring an additional $(46) million to cities as part of the urban revenue sharing formula and by $(47) million for previously authorized tax reductions.

General Fund Spending

At $8.67 billion, the FY 2014 Baseline would increase spending by $157 million, or 1.8%:

- K-12 spending would grow $55 million due to the statutory funding formula. If the state concurs with the K-12 inflation court ruling, the cost would further increase by $82 million in FY 2014.
- Prior to mandatory federal health care changes, Medicaid spending is projected to decline by $(97) million due to overfunded FY 2013 caseloads and a higher federal match rate.
- Mandatory federal health care requirements are forecast to increase Medicaid costs by $74 million, primarily due to greater participation by currently eligible non-participants. The Baseline does not include the optional expansion to 133% of poverty.
- Corrections' costs would increase $9 million as 1,500 public and private prison beds begin to open.
- Debt service payments increase by $20 million, primarily for the Phoenix Convention Center.

Budget Concerns and Risks

- Arizona continues to have the third lowest credit among the states, in part due to its structural shortfall.
- The state suspends $678 million in annual formula spending – if funded, the structural gap would grow.
- As a remnant of the recession, the state continues to "rollover" $1.2 billion in annual payments.
- Several factors create economic uncertainty: 1) the current slow growth/0% interest rate environment, 2) the outcome of "federal fiscal cliff 2" and 3) unforeseen natural disasters and political events.
- As a result, 3-year budget forecasts come with risks. A 1% change in revenue or spending growth rates could affect the balance by more than $500 million in the third year.

Alternate Budget Scenario

- Given the budgetary risks, JLBC Staff has developed an Alternate budget scenario to allow the Legislature to evaluate the impact of a different set of assumptions.
- The Alternate reduces the long term revenue growth by 1% and adds $500 million in spending above statutory formulas over 3 years, or an annual average increase of $167 million.
- In this Alternate scenario, the state has a shortfall of $(411) million in FY 2015 and $(572) million in FY 2016. These shortfall estimates have not accounted for the state's $450 million Rainy Day reserve.

FY 2014 BASELINE BOOK

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SUMMARY

FY 2014 BASELINE SUMMARY

Overview

The FY 2014 Baseline provides an estimate of the state's General Fund balances. The revenue projections reflect a consensus economic forecast while the spending estimates represent active funding formula requirements and other obligations. The Baseline does not represent a budget proposal, but an estimate of available resources after statutory requirements.

Laws 2012, Chapter 244 requires that the General Appropriation Act annually delineate the revenue and expenditure projections for 3 years. The budget, however, would only provide actual appropriations for FY 2014.

In terms of the budget outlook:

- Total FY 2014 General Fund revenue is projected to be $8.98 billion, including $651 million in a FY 2013 year-end balance. Revenues would be $(385) million less than in FY 2013. While the 4-sector consensus base revenues are forecast to grow by $416 million, or 4.9%, the state will lose sales tax collections with the expiration of the temporary 1-cent tax.
- In comparison, FY 2014 spending is projected to be $8.67 billion. Medicaid and K-12 account for most of the $157 million, or 1.8%, growth in expenditures, which is limited to current funding formulas and other legal obligations.
- The projected FY 2014 ending balance is $310 million. With ongoing revenues of $8.32 billion and spending of $8.67 billion, however, the budget would have a structural shortfall.
- In FY 2015, the Baseline projected ending balance declines to $25 million after accounting for added revenue growth and statutory spending in that year.
- The FY 2016 Baseline is forecast to have a $(70) million shortfall. This estimate does not include $450 million in the state's Rainy Day reserve (Budget Stabilization Fund).
- The state has accumulated a large budget balance to address the loss of the $(924) million 1 cent sales tax. The Baseline assumes that these large balances will be retained and used as revenue in both the FY 2015 and FY 2016 budgets. If the state instead uses the FY 2014 balance to spend above the Baseline, the FY 2015 budget will effectively become unbalanced and the shortfall in FY 2016 would increase.
- The Baseline does not include the impact of the Court of Appeals' ruling on K-12 inflation. If upheld, the court decision would increase K-12 funding by over $80 million annually. With the cumulative effects of inflation and a reduced beginning balance, FY 2015 would end the year with a $(223) million shortfall. The FY 2016 shortfall would grow from $(70) million to $(346) million.
- Altering other Baseline assumptions can result in a significantly different budget picture. JLBC Staff has developed an Alternate scenario to the Baseline that lowers the 3-year revenue growth rate by 1% and adds $167 million in annual discretionary spending. These assumptions would result in a $(572) million FY 2016 shortfall.

Budget Concerns

- The state has made considerable progress in improving its fiscal condition, compared to the $(4) billion shortfall in FY 2010. Nonetheless, Arizona has the third lowest credit rating among the states. Several components of our budget process still cause concern in the financial markets.
- Especially in light of the loss of the 1 cent sales tax, both the Baseline and Alternate scenarios have structural shortfalls – ongoing revenues are short of ongoing spending.
- The state continues to suspend $678 million in annual statutory formula spending. If the suspensions are not renewed, the budget shortfall would increase by a corresponding amount.
- As a remnant of the recent budget shortfalls, the state pays $1.2 billion of current fiscal year obligations in the next year. While this "rollover" mechanism was used in both the early 1990's and the early 2000's, those debts were paid off by this point in the economic recovery.
- A 3-year forecast comes with risks – a 1% annual change in either revenue or spending estimates would affect the balance by over $500 million in the third year.

Budget Risks

The risks of the current forecast could easily account for a 1% change in the Baseline projections.

- The rate of economic recovery from the Great Recession remains difficult to forecast, as demonstrated by the Federal Reserve Board's decision to leave interest rates near 0% for the foreseeable future.
- The broader federal deficit problems remain unresolved, despite the recent January 1st Congressional legislation. Without further action, federal defense and domestic spending could be reduced by 9% in March 2013. Lower defense contractor spending, for example, could have a negative impact on the Arizona economy.
- Unforeseen political events and natural disasters have economic consequences. Just in the last quarter, Superstorm Sandy demonstrated the disruptive influence of a natural disaster.
- In an increasingly interconnected world, international economics has domestic repercussions. While recent prospects have improved, for example, the euro debt crisis remains unresolved.

Over the 3-year outlook horizon, Consensus base revenues are forecast to grow by an annual average rate of 5.7%. A forecast's probability level provides a prospective on the risk level. Based on input from the 4-sector consensus, the likelihood of meeting or exceeding the 5.7% 3-year revenue growth forecast is 65%. The probability of achieving the lower 4.7% growth rate in the Alternate scenario is 75%.

The forecast risks also exist on the spending side of the equation:

- The mandatory Medicaid costs associated with the Affordable Care Act are largely driven by the expected increase in enrollment of currently eligible non-participants. The Baseline assumes that 50% of that population will enroll in Medicaid due to the higher visibility of this available service. The probability of this projection, however, is no higher than 60%.
- Budget litigation can also change the fiscal picture. On January 15, 2013, the Arizona Court of Appeals ruled that the Legislature is required to fund a fuller measure of K-12 inflation than its current practice. If this decision is ultimately upheld, the cost would be $82 million above the Baseline in FY 2014 and in excess of $250 million over FY 2014 – FY 2016. In addition, the state's budgeted deposit of $50 million of mortgage settlement monies into the General Fund in FY 2013 is also being contested in court.

FY 2013

The FY 2013 ending balance is currently projected to be $651 million, an increase of $402 million over the original budget estimate of $249 million. Total revenues, including the beginning balance, are forecast to be $9.36 billion compared to spending of $8.71 billion. The $402 million adjustment has 3 main components:

- Increased balance forward from FY 2012. Due to higher than expected growth, the state ended FY 2012 with a carry-forward balance of $397 million, or $275 million above the original forecast.
- Higher ongoing FY 2013 collections, albeit at a lower growth rate. After excluding all one-time and statutory adjustments, the underlying FY 2013 base revenue growth has been adjusted from 5.1% in the enacted budget to 4.0% in the current Baseline. While the growth rate is lower than the original budget, the higher than expected FY 2012 base results in a $67 million increase in revenues above the original FY 2013 estimate.
- Spending is $(60) million lower, mostly due to lower than expected Medicaid enrollment and K-12 formula costs. This savings will appear in the form of unspent FY 2013 appropriations, otherwise known as revertments.

In addition, FY 2013 General Fund individual income tax revenues may be higher than forecast due to an increase in capital gains and dividends. The federal fiscal cliff threat of higher taxes on investor income in January 2013 created an incentive for taxpayers to take capital gains and corporations to issue dividends in the 4th quarter of calendar 2012.

Due to several factors, the Baseline has not incorporated these potential added revenues. First, the magnitude of this impact is highly speculative. Second, this tax shifting may simply accelerate collections from FY 2014 to FY 2013. As a result, any FY 2013 gain may be offset by a FY 2014 loss. Third, the state collected an unrelated one-time individual income tax payment of $60 million in January 2012. If the payment is not repeated again in January 2013, the investor windfall may help offset the loss of the $60 million.

The JLBC Staff suggests that the Legislature consider one of two methods for addressing this issue. One option is to not budget for the windfall. The FY 2013 ending balance may be higher than projected, but those extra monies would absorb the reduction in FY 2014 liability due to the acceleration into the earlier year. A second option is to establish a target for expected individual income tax collections prior to this windfall and dedicate collections above that level to one-time purposes. Since the windfall may simply reflect accelerating income tax collections from one year to the next, the Legislature could also set aside these funds until the future year impacts of the January 1 tax changes are clearer. There may not be sufficient information, however, to establish the target level with any degree of accuracy.

FY 2014 Baseline Revenues

While base revenues are forecast to grow in FY 2014, the growth is insufficient to fully offset the elimination of the temporary 1-cent sales tax. Overall FY 2014 collections would decline to $8.98 billion, or $(385) million below the revised FY 2013 estimate for the following reasons:

- Based on JLBC's 4-sector consensus, FY 2014 base revenues are projected to grow by $416 million, or 4.9%. Base revenues reflect the underlying growth in the economy and exclude one-time adjustments, urban revenue sharing and new tax law changes. This amount includes implementation of sales tax collections on Amazon purchases, which is estimated to generate $3 million in FY 2013 and $15 million in FY 2014.
- The elimination of the temporary 1-cent sales tax would reduce revenues by $(924) million.
- The state set-aside for urban revenue sharing formula distributions would grow from $514 million to $559 million, thereby reducing state revenue by $(46) million.
- Previously enacted legislative changes would reduce state revenue by $(47) million, primarily from a $3,000 job tax credit and the start of a phased-in 25% reduction of long term capital gain taxation.
- Discontinuing fund transfers would reduce revenue by $(90) million.
- A one-time $52 million gain related to the nonrecurring FY 2013 cost of raising the sales tax early payment threshold.
- A $254 million gain in the balance forward – increasing from $397 million at the beginning of FY 2013 to $651 million at the start of FY 2014.

The 4-sector estimate was developed using a consensus forecasting process. This consensus equally weights the results of 4 forecasts: *(See the General Fund Revenue section for more information.)*

- The Finance Advisory Committee (FAC), an independent 15-member group of public and private sector economists,
- The University of Arizona Economic and Business Research (EBR) Center's econometric forecasting baseline model,
- The EBR's conservative forecast model, and
- The JLBC Staff forecast.

FY 2014 Baseline Spending

Based on statutory funding formulas and other obligations, FY 2014 Baseline spending is projected to be $8.67 billion, a $157 million, or a 1.8%, increase above FY 2013. This estimate excludes the $200 million deposit to the Budget Stabilization Fund in FY 2013. The major adjustments are:

- Prior to mandatory federal health care changes, Medicaid spending would decrease by $(97) million primarily due to slower-than-anticipated caseload growth in FY 2013, a continued Childless Adult enrollment freeze, and an increase in the federal share of program costs. Those savings are partially offset by modest caseload growth in remaining populations and a 2% capitation rate increase.
- The mandatory components of the Medicaid expansion under the federal Affordable Care Act are expected to cost $74 million. This estimate includes higher enrollment of currently eligible non-participants, an expansion in children's eligibility to 133% of the federal poverty level, and both permanent and temporary rate adjustments.
- Department of Education spending would increase by $55 million, due to a 1.2% increase in student enrollment, an increase in the state share of homeowner K-12 property taxes, and an offset from new construction property taxes. This amount includes $8 million for inflating the more limited transportation and charter additional assistance base. If the state concurs with the January 15 Court of Appeals ruling regarding funding the fuller measure of inflation, the added cost would be $82 million above the Baseline.
- Lease-purchase and debt service payments are projected to grow by $20 million. This amount includes a $15 million increase in the state share of the Phoenix convention center debt service payment (to a total level of $20 million).
- Department of Corrections (ADC) spending would increase $9 million to fund legislatively approved prison openings. The cost covers 500 new private medium security prison beds opening on January 1, 2014 and startup costs for 500 state-operated maximum security prison beds anticipated to open on July 1, 2014. Another 500 private beds would be activated in January 2015.
- The financing of $11 million in Land Department operations would return to the General Fund after the Supreme Court ruled that the Permanent Trust Fund could not be used for administrative expenses.
- The Baseline does not continue the one-time $16 million cost of the state employee retention payments or the one-time $(25) million savings associated with a state employee health insurance premium holiday.

The $8.67 billion spending level would support a Full-Time Equivalent (FTE) Position ceiling of 48,800 state employees.

Alternate Scenario

While the Baseline represents the primary forecast, the volatility of the outcome can be demonstrated by changing a few assumptions in an Alternate scenario. If revenue growth declines slightly and the budget includes new permanent initiatives, the projected FY 2015 ending balance of $25 million becomes a $(411) million shortfall. The FY 2016 shortfall of $(70) million would grow to $(572) million. The FY 2016 Alternate estimate assumes resolution of the FY 2015 shortfall, otherwise the combined 2-year impact would be $(983) million. These projections do not include use of the $450 million Budget Stabilization Fund, which would be available to offset the shortfall.

Beyond the 4.9% base revenue growth rate in FY 2014, the 4-sector foresees accelerating growth in the longer term with a 5.9% increase in FY 2015 and 6.2% in FY 2016. Across all 3 years, the Baseline average growth rate is 5.7%. Several factors, such as uncertainty over resolution of the federal "fiscal cliff," could slow both the national and state economy. Other unpredictable influences, such as political events and natural disasters, could have unknown impacts. In addition, revenue forecasts traditionally become more cautious with each successive year as the level of uncertainty increases rather than the acceleration in the 4-sector consensus.

Given these potential issues, the Alternate scenario lowers the projected 3-year base revenue growth rate by 1% to a level of 4.7%. The growth rate is held flat at 4.7% for each year, rather than accelerate the growth. By FY 2016, the Alternate revenue projection is $(295) million less than the Baseline.

The Baseline estimates assume that the state does not enact new permanent spending initiatives beyond statutory funding formulas. Based on past experience however, the Legislature has typically added discretionary adjustments to formula spending. The availability of a projected $310 million FY 2014 ending balance increases the possibility of these types of changes.

The Alternate scenario therefore attempts to calculate the potential impact of enacting discretionary spending increases. Numerous Alternate spending plans could be formulated. One of the larger potential adjustments would fund the optional component of the recent federal health care changes. The federal Affordable Care Act (ACA) provides states with the option of expanding coverage of adults to 133% of the federal poverty level (coverage of children at this level is mandatory). In contrast, the Baseline assumes that the state continues its Childless Adult enrollment freeze. The state had previously provided this coverage to any individual with an income below 100% of poverty. The federal government financed this program at its regular match rate of 67%.

If the state selects the ACA option, the federal government would finance 84% of the cost of restoring the childless adults to 100% of poverty and pay the entire cost above 100% of poverty. (By FY 2020, both of these rates would be 90%.) Relative to the Baseline, the adult 133% expansion option is projected to cost $6 million in FY 2014, $103 million in FY 2015 and $89 million in FY 2016. If the state chooses any coverage option less than 133%, the federal government would finance the expansion at the regular 67% match, thereby increasing the cost. The Executive is proposing to fund the 133% expansion option with a hospital provider assessment.

The Alternate scenario contains other adjustments relative to suspended formulas and the continuation of one-time funding:

- New school construction funding of $41 million in FY 2014 and $14 million in FY 2015. The state has been able to place a moratorium on new construction for several years due to the general slowdown in the state's population. The School Facilities Board, however, now estimates that school districts will qualify for new schools over the next several years.
- Continuation of the state employee retention payments, designated as a one-time bonus in the FY 2013 budget and removed in the Baseline, would cost an additional $22 million if annualized for a full year.
- The FY 2013 budget provided the Department of Economic Security with $44 million in non-General Fund monies to backfill the loss of Federal Funds. The availability of that funding source, the Long Term Care System Fund, is expected to decline in future years. While $35 million of funding is projected to be available in FY 2014, no further monies are expected in FY 2015 or FY 2016. The Baseline does not backfill the loss of these funds. The Alternate scenario would cover the difference with General Fund monies in FY 2014 $(9 million) and FY 2015 and FY 2016 ($44 million).

The preceding adjustments are only illustrative and other options could be substituted in their place. For example, the optional Medicaid expansion could be replaced with increases to the Department of Education.

Relative to the Baseline, the Alternate scenario adds $501 million in spending over 3 years – $74 million in FY 2014, $220 million in FY 2015 and $206 million in FY 2016.

Lower revenues of $(295) million and higher spending of $206 million in FY 2016 would turn the projected $(70) million shortfall into a $(572) million imbalance.

JLBC Staff Suggested Process Improvements

Based on its review of agency requests in preparing this Baseline, the JLBC Staff has developed several suggestions to improve legislative oversight and transparency of government spending, including:

- Arizona Department of Education (ADE) Automation: The department has made progress in improving the K-12 automation system. If additional funding is approved, this project would benefit from increased oversight of an independent contracted third party along with the state's Information Technology Advisory Committee (ITAC).
- ADE Charter School Conversions: Additional school districts are considering whether to convert to charter status, which would increase their per pupil funding. This issue has the potential to have a significant impact on the state share of funding formula costs as each student would cost approximately $1,000 more in the charter system. The Legislature may want to consider clarifying its intent to fund large scale conversions.
- ADE/School Facilities Board Local Initiatives: There is a lack of consolidated information on the magnitude and breadth of school districts' operating and capital overrides and bonding efforts. The JLBC Staff suggests that ADE and the School Facilities Board develop statewide reports on these issues.
- Department of Corrections (ADC): The Legislature approved expanding the prison system by 1,500 beds last year. This expansion may be used to supplant and/or supplement 5,000 temporary beds. To ensure that the state has a consistent policy objective with regard to the use of these new beds, ADC's current bed report should be expanded to address the fate of these temporary beds.
- Department of Economic Security (DES): Of the total funding for Child Protective Services (CPS) and related programs, 45% is from non-appropriated sources. As the Legislature determines the appropriate funding of the CPS system, these non-General Fund monies will play an important role. The Legislature could consider instituting Total Expenditure Authority estimates in the budget bill to account for these resources. A similar budget display is already in use for all Medicaid funding.
- Arizona Department of Transportation (ADOT) Highway Construction: ADOT has several different measures of reporting the funding level of its highway construction program. A joint report of ADOT and the Arizona Department of Administration's (ADOA) General Accounting Office would help ensure accurate calculation of the state's highway construction funding.
- University Performance Measures: The Arizona Board of Regents (ABOR) has made a first step in the development of performance measures by using them to allocate shares of the University budget request among the different campuses. These measures, however, were not used to derive the total performance request. The JLBC Staff recommends that ABOR report on the feasibility of taking this next step in modifying the University funding model.
- ADOA State Employee Health Insurance: Despite transferring considerable monies from the State Employee Health Insurance Fund in the last several years, that fund will have a projected balance of $363 million at the end of FY 2014. Based on a JLBC Staff analysis, additional monies could be transferred from the balance without undermining the fund's structural balance.
- County Reporting: There is no ongoing reporting mechanism to receive information on the state's current funding of county immigration and employer sanction efforts as well as Justice of the Peace salaries. The latter has been underfunded and requires a FY 2013 supplemental of $116,300. The JLBC Staff suggests that the Legislature add a new statutory reporting requirements for both programs.

Further details on the issues raised here can be found in the relevant agency narrative.

Debt

In FY 2014, the state's projected level of lease purchase and bonding obligations is $8.0 billion. This amount includes:

- $3.3 billion, state and university office buildings
- $1.7 billion, state highway construction projects
- $1.4 billion, school district projects
- $1.3 billion, state operating debt from FY 2011
- $260 million, Phoenix Convention Center

The associated annual debt service payment is $910 million.

Of the $8.0 billion in total obligations, the General Fund share is $3.2 billion. The General Fund annual debt service is projected to be $373 million in FY 2014.

These obligations exclude the $1.2 billion in current year K-12, University and Department of Economic Security payments that are not paid until the following fiscal year, otherwise known as a "rollover." The $8.0 billion estimate also does not include any unfunded retirement liability.

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 rating from both firms. 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.

Other Funds

Besides the General Fund, the state has dedicated special revenue funds. Only a portion of these monies is subject to legislative appropriation. The Baseline includes a FY 2014 Other Fund appropriated spending level of $3.34 billion, or (0.3)% below FY 2013.

The level of FY 2014 non-appropriated state funds is expected to be $7.0 billion, while non-appropriated Federal Funds are forecasted to be $9.9 billion. When all appropriated and non-appropriated fund sources are combined, total FY 2014 state spending would be $28.9 billion.

The Baseline includes no fund transfers to the General Fund except for the $6 million in transfers authorized in the FY 2013 budget for the Judiciary for FY 2014. This is a $(90) million decline from the $96 million in transfers expected in FY 2013.

Other Information

Besides providing line item detail on individual agencies, this Baseline book also includes sections with information on the following topics:

- Narrative Summary of Baseline Revenue and Spending Assumptions
- Detailed Changes and Overall Totals by Agency
- FY 2013 Supplementals and Statutory Changes
- Number of State Employees
- Budget Reconciliation Bill Provisions
- Major Footnote Changes
- General Fund Revenues
- Long-Term General Fund Estimates
- Technical Budget Assumptions

JLBC BASELINE 1/
STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 2/
WITH ONE-TIME FINANCING SOURCES

	FY 2013 Adjusted	FY 2014 Baseline	FY 2015 Baseline	FY 2016 Baseline
REVENUES				
Ongoing Revenues	$8,512,182,700	$8,928,557,600	$9,407,385,900	$9,848,864,300
Previously Enacted Changes 3/		(46,900,000)	(133,500,000)	(108,300,000)
1¢ Sales Tax	924,237,300			
Urban Revenue Sharing	(513,584,100)	(559,486,400)	(587,726,400)	(622,202,100)
Net On-going Revenues	$8,922,835,900	$8,322,171,200	$8,686,159,500	$9,118,362,200
One-time Financing Sources				
Balance Forward	396,960,000	$650,987,100	$309,668,800	$24,626,200
Previously Enacted Changes 3/	(52,000,000)			
Fund Transfers	96,000,000	6,000,000		
Subtotal One-time Revenues	$440,960,000	$656,987,100	$309,668,800	$24,626,200
Total Revenues	$9,363,795,900	$8,979,158,300	$8,995,828,300	$9,142,988,400
EXPENDITURES				
Operating Budget Appropriations	$8,512,886,700	$8,575,369,700	$8,907,098,500	$9,149,423,100
FY 2013 Supplementals 4/	116,900			
Administrative Adjustments	37,600,000	60,000,000	60,000,000	60,000,000
Revertments	(133,800,000)	(80,000,000)	(80,000,000)	(80,000,000)
Asset Sale/Lease-Back Debt Service	84,119,800	84,119,800	84,103,600	84,094,500
Subtotal Ongoing Expenditures	$8,500,923,400	$8,639,489,500	$8,971,202,100	$9,213,517,600
One-time Expenditures				
Capital Outlay	$20,252,000	$30,000,000		
Budget Stabilization Fund Deposit	200,000,000			
Employee Retention Payments	16,633,400			
Health Insurance Premium Holiday	(25,000,000)			
Subtotal One-time Expenditures	$211,885,400	$30,000,000	$0	$0
Total Expenditures	$8,712,808,800	$8,669,489,500	$8,971,202,100	$9,213,517,600
Ending Balance 5/	$650,987,100	$309,668,800	$24,626,200	($70,529,200)
Structural Balance 6/		*($317,318,300)*	*($285,042,600)*	*($95,155,400)*

1/ Represents an estimate of available balances with a consensus revenue forecast and a statutory funding formula expenditure projection.

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

3/ See General Fund Revenue Section for details.

4/ See page S-27 for details.

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

6/ This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments.

SUMMARY OF FY 2014 BASELINE REVENUE AND SPENDING ASSUMPTIONS

The JLBC Baseline revenue estimates include the 4-Sector consensus forecast and previously enacted tax law and other revenue changes, while the expenditures represent a projection of active funding formula requirements and other obligations.

General Fund Revenues

- The projected FY 2013 revenues of $9.36 billion are $342 million higher than originally forecasted due to:
  - ⇒ A higher than projected FY 2013 beginning balance. The original budget assumed a FY 2013 beginning balance of $122 million. Due to unexpected growth in FY 2012, the state began FY 2013 with $397 million, or $275 million more than forecast.
  - ⇒ An increase of $66 million in ongoing revenue above the original FY 2013 budget estimate. Excluding one-time and statutory adjustments, the underlying FY 2013 base revenue growth is forecast to be 4.0%.
- While base revenues are forecast to grow in FY 2014, one-time factors would reduce FY 2014 collections by $(385) million to $8.98 billion:
  - ⇒ Based on JLBC's 4-sector consensus, base revenues are projected to grow by $416 million, or 4.9%.
  - ⇒ A $254 million increase in the beginning balance, from $397 million at the beginning of FY 2013 to $651 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 $559 million, thereby reducing state revenue by $(46) million.
  - ⇒ Previously enacted legislative changes would reduce state revenue by $(47) million, primarily from a reduction in capital gains taxes and increased usage of a $3,000 new job tax credit.
  - ⇒ Elimination of most fund transfers would reduce revenue by $(90) million.
  - ⇒ An increase of $52 million due to a nonrecurring one-time cost in FY 2013.

General Fund Spending

- FY 2014 General Fund spending is projected to be $8.67 billion, an increase of $157 million, or 1.8%, increase above FY 2013. This estimate excludes the one-time deposit to the Budget Stabilization Fund in 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 would increase by $55.2 million, or 1.6%. The $55.2 million includes:
  - ⇒ $66.5 million for 0.7% ADM growth plus 5.0% special education growth
  - ⇒ $(46.0) million net decrease for 2.2% new property growth.
  - ⇒ $19.9 million for Homeowner's Rebate increase to prevent a shift in residential property taxes as the statutory reduction in commercial assessed value is implemented.
  - ⇒ $19.5 million for Homeowner's Rebate shortfall in FY 2013.
  - ⇒ $8.4 million for a 1.8% inflation adjustment of transportation and charter additional assistance. Adjusting the per pupil "base level" would have cost another $81.7 million.
  - ⇒ $(8.0) million to eliminate one-time funding for the ADE data system and other programs.
  - ⇒ $(7.1) million for third year of 5-year Career Ladder phase out.
  - ⇒ $2.0 million for other adjustments.

School Facilities Board

- SFB spending would increase by $4.7 million, or 2.7%, due to increased debt service associated with past lease-purchase agreements.
- The Baseline assumes no additional new construction is authorized in FY 2014. SFB has requested $109 million for 10 new schools, including $22.3 million for 6 schools expected to exceed capacity by FY 2014.

Universities

- The Universities' General Fund spending would remain unchanged other than for statewide adjustments.
- University enrollment was 136,000 full-time equivalent students in fall 2012 (FY 2013), an increase of 3,223, or 2.4%, above fall 2011.

Community Colleges

- Community College General Fund spending would decrease by $(2.6) million, or (3.9)%, due to statutory operating aid and equalization aid formula decreases.
- 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% capitation rate increase.

AHCCCS

- AHCCCS' General Fund spending would decrease by $(29.6) million, or (2.1)%. The $(29.6) million includes:
  - ⇒ $(87.9) million for formula adjustments.
  - ⇒ $58.3 million for new mandatory costs associated with the expansion of federal health care requirements. When combined with DHS costs *(see below)*, the overall mandatory cost is $74.2 million.
- AHCCCS enrollment is projected to grow to 1.32 million by June 2014. This level represents a caseload increase of 74,100, or 6.0%, above June 2013. The higher caseload includes 86,500 new recipients related to federal health care changes and a decline of (12,400) in the base population, primarily due to the Childless Adult freeze.

Department of Health Services

- DHS' General Fund spending would decrease by $(10.4) million, or (1.8)%, for changes comparable to the AHCCCS budget. The $(10.4) million includes the following:
  - ⇒ $(26.3) million for formula adjustments.
  - ⇒ $15.9 million for mandatory costs associated with federal health care legislation.

Department of Economic Security

- DES' General Fund spending would increase by $17.3 million, or 2.8%. The $17.3 million includes the following Medicaid changes:
  - ⇒ An increase of $5.2 million for new FY 2014 Developmentally Disabled (DD) Medicaid caseload growth.
  - ⇒ An increase of $5.4 million for the annualization of the April 1, 2013 provider rate adjustment.
  - ⇒ An increase of $6.7 million for a 2% capitation rate increase in FY 2014.

Corrections

Department of Corrections

- Arizona Department of Corrections (ADC) General Fund spending would increase by $9.2 million for activation of 500 private prison beds and start-up costs associated with the July 2014 opening of 500 new state-operated maximum security beds.
- The total public and private population is projected to be 40,000. ADC would have a rated bed shortfall of (2,883) in June 2014. This shortfall would be offset by the availability of 5,000 temporary beds.

Revertments

- The Baseline includes an increase of $76.2 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.

Financing and Payment Deferral

- The Baseline includes an increase of $19.6 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 Baseline includes no net change in budgeted payment deferrals or "rollovers." The budget continues to defer $1.2 billion in General Fund spending from FY 2013 to FY 2014, including:
  - ⇒ $953 million of school district payments.
  - ⇒ $200 million of payments to the University system.
  - ⇒ $35 million of DES payments.

State Employee Issues

FTE Positions

- The Baseline would decrease the Full-Time Equivalent (FTE) ceiling by (579.0) Positions in FY 2014, almost entirely due to the privatization of Department of Corrections Inmate Health Care Services.
- These adjustments would bring the total appropriated FTE Position ceiling to 48,794.4.

Employee Pay and Salary Issues

- The Baseline includes a $(16.6) million reduction in funding for a one-time FY 2013 employee retention payment.
- Employer and employee retirement rates will increase in FY 2014 in all retirement systems. The Baseline includes no change in funding for the employer or employee share of these rate increases. If funded, the General Fund cost would be $13.8 million.
- The Baseline eliminates $(25.0) million in savings for a one-time payment holiday of state employee health insurance. Other than this elimination, the Baseline 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.

Capital

- The Baseline includes $30 million as appropriated in the FY 2013 budget to complete 500 maximum-security prison beds operated by the Department of Corrections, an increase of $10 million above the $20 million appropriated in FY 2013 for this purpose.
- The Baseline 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 Baseline also includes $67,800 of General Fund monies for lease-purchase and privatized lease-to-own payments changes.

FY 2014 GENERAL FUND SUMMARY BY AGENCY

	FY 2013 Estimate	FY 2014 Baseline	FY 2014 Baseline - FY 2013
BUDGET UNITS			
Administration, AZ Department of	$30,230,300	$31,430,300	$1,200,000
Administrative Hearings, Office of	808,100	808,100	0
Agriculture, AZ Department of	7,927,100	7,835,000	(92,100)
AHCCCS	1,397,607,300	1,368,032,900	(29,574,400)
Attorney General - Department of Law	23,049,900	21,849,900	(1,200,000)
Charter Schools, State Board for	748,100	748,100	0
Commerce Authority, Arizona	31,500,000	31,500,000	0
Community Colleges, Arizona	65,942,600	63,365,300	(2,577,300)
Corporation Commission	589,100	589,100	0
Corrections, State Department of	956,404,200	965,644,900	9,240,700
Deaf and the Blind, Schools for the	20,586,100	20,586,100	0
Economic Security, Department of	612,296,200	629,584,700	17,288,500
Education, Department of	3,496,900,300	3,552,067,600	55,167,300
Emergency & Military Affairs, Dept of	8,834,300	7,820,400	(1,013,900)
Environmental Quality, Department of	7,000,000	7,000,000	0
Equal Opportunity, Governor's Office of	187,100	187,100	0
Equalization, State Board of	629,500	629,500	0
Executive Clemency, Board of	821,500	821,500	0
Financial Institutions, State Department of	2,920,800	2,912,800	(8,000)
Fire, Building and Life Safety, Department of	1,699,100	1,699,100	0
Forester, State	7,062,400	7,062,400	0
Geological Survey, Arizona	853,600	853,600	0
Governor, Office of the	6,586,600	6,586,600	0
Gov's Ofc of Strategic Planning & Budgeting	1,871,700	1,871,700	0
Health Services, Department of	587,120,700	576,723,500	(10,397,200)
Historical Society, Arizona	3,042,100	3,042,100	0
Historical Society, Prescott	654,200	654,200	0
Independent Redistricting Commission	1,445,300	-- 1/	(1,445,300)
Indian Affairs, AZ Commission of	53,700	53,700	0
Insurance, Department of	5,169,600	5,169,600	0
Judiciary			
Supreme Court	15,677,700	15,677,700	0
Court of Appeals	13,817,600	13,817,600	0
Superior Court	79,100,700	79,100,700	0
SUBTOTAL - Judiciary	108,596,000	108,596,000	0
Juvenile Corrections, Department of	43,428,400	43,428,400	0
Land Department, State	1,258,600	12,038,100	10,779,500
Law Enforcement Merit System Council	70,500	70,500	0
Legislature			
Auditor General	17,240,100	17,240,100	0
House of Representatives	13,067,100	13,067,100	0
Joint Legislative Budget Committee	2,418,800	2,418,800	0
Legislative Council	7,884,700	7,884,700	0
Senate	8,036,300	8,036,300	0
SUBTOTAL - Legislature	48,647,000	48,647,000	0
Mine Inspector, State	1,183,600	1,183,600	0
Navigable Stream Adjudication Commission	126,200	126,200	0
Occupational Safety & Health Review Board	0	0	0
Pioneers' Home, AZ	1,604,800	1,604,800	0
Postsecondary Education, Commission for	1,396,800	1,396,800	0
Public Safety, Department of	45,524,000	45,524,000	0
Racing, Arizona Department of	2,029,500	2,029,500	0
Radiation Regulatory Agency	1,420,800	744,800	(676,000)
Real Estate Department, State	2,902,200	2,902,200	0
Revenue, Department of	45,442,100	45,309,900	(132,200)
School Facilities Board	173,708,300	178,443,600	4,735,300
Secretary of State	14,923,200	11,479,900	(3,443,300)
Tax Appeals, State Board of	254,800	254,800	0
Tourism, Office of	7,000,000	7,000,000	0
Transportation, Department of	50,500	50,500	0

	FY 2013 Estimate	FY 2014 Baseline	FY 2014 Baseline - FY 2013
Treasurer, State	1,115,100	1,115,100	0
Universities			
Arizona State University - Tempe/DPC	257,332,200 2/	257,332,200	0
Arizona State University - East Campus	20,771,200 2/	20,771,200	0
Arizona State University - West Campus	33,017,700	33,017,700	0
Northern Arizona University	104,907,400 2/	104,907,400	0
Board of Regents	21,926,500 2/	21,926,500	0
University of Arizona - Main Campus	207,793,500	207,793,500	0
University of Arizona - Health Sciences Center	61,585,300	61,585,300	0
SUBTOTAL - Universities	707,333,800	707,333,800	0
Veterans' Services, Department of	5,212,800	5,212,800	0
Water Resources, Department of	12,033,300	12,033,300	0
Weights and Measures, Department of	1,472,500	1,197,500	(275,000)
OPERATING BUDGET TOTAL	$8,507,276,300	8,554,852,900	47,576,600
FY 2013 Treasurer/JP Salaries Supplemental	116,900	0	(116,900)
Debt Service Payments	84,119,800	84,119,800	0
Civic Center Debt Service	5,595,000	20,449,000	14,854,000
Unallocated Reverse ASRS 47/53 Split	7,600	0	(7,600)
Unallocated Retirement Rate Increase	4,100	0	(4,100)
Health Insurance Holiday	(25,000,000)	0	25,000,000
One-time Employee Retention Payments 3/	16,633,400	0	(16,633,400)
Unallocated Lease-Purchase and Rent Adjustments	3,700	0	(3,700)
Lease-Purchase and Rent Adjustments	0	67,800	67,800
Building Renewal Transfer	252,000	0	(252,000)
Capital	20,000,000	30,000,000	10,000,000
Budget Stabilization Fund Deposit	200,000,000	0	(200,000,000)
Administrative Adjustments	37,600,000	60,000,000	22,400,000
Revertments	(133,800,000)	(80,000,000)	53,800,000
GRAND TOTAL	$8,712,808,800	$8,669,489,500	($43,319,300)

1/ Funding to be determined. See Independent Redistricting Commission narrative.

2/ 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 and FY 2014.

3/ These payments have been distributed to agencies, but are displayed here due to their one-time nature.

FY 2014 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	FY 2013 Estimate	FY 2014 Baseline	FY 2014 Baseline - FY 2013
BUDGET UNITS			
Accountancy, State Board of			
Board of Accountancy Fund	$1,897,700	$1,897,700	$0
Acupuncture Board of Examiners			
Acupuncture Board of Examiners Fund	125,800	125,800	0
Administration, AZ Department of			
Air Quality Fund	714,100	714,100	0
Automation Operations Fund	22,930,100	18,730,100	(4,200,000)
Capital Outlay Stabilization Fund	17,878,700	17,878,700	0
Corrections Fund	558,300	558,300	0
Federal Surplus Materials Revolving Fund	451,600	451,600	0
Information Technology Fund	4,644,500	3,144,500	(1,500,000)
Motor Vehicle Pool Revolving Fund	10,041,300	10,041,300	0
Personnel Division Fund	14,420,800	11,101,200	(3,319,600)
Risk Management Revolving Fund	91,919,200	91,919,200	0
Special Employee Health Insurance Trust Fund	5,136,700	5,136,700	0
State Surplus Materials Revolving Fund	2,375,000	2,375,000	0
State Web Portal Fund	5,850,000	250,000	(5,600,000)
Telecommunications Fund	1,805,200	1,805,200	0
Total - AZ Department of Administration	178,725,500	164,105,900	(14,619,600)
Administrative Hearings, Office of			
Healthcare Group Fund	13,300	13,300	0
AHCCCS			
Budget Neutrality Compliance Fund	3,221,100	3,303,900	82,800
Children's Health Insurance Program Fund	18,126,400	32,193,800	14,067,400
Healthcare Group Fund	2,281,300	1,065,500	(1,215,800)
Prescription Drug Rebate Fund	69,950,000	95,009,600	25,059,600
Tobacco Products Tax Fund Emergency Health Services Account	19,222,900	18,320,100	(902,800)
Tobacco Tax and Health Care Fund Medically Needy Account	38,295,800	37,389,300	(906,500)
Total - AHCCCS	151,097,500	187,282,200	36,184,700
Appraisal, State Board of			
Board of Appraisal Fund	756,500	756,500	0
Athletic Training, Board of			
Athletic Training Fund	101,800	101,800	0
Attorney General - Department of Law			
Antitrust Enforcement Revolving Fund	242,800	242,800	0
Attorney Gen'l Legal Svcs Cost Allocation Fund	2,026,900	2,026,900	0
Collection Enforcement Revolving Fund	5,313,900	5,313,900	0
Consumer Protection-Consumer Fraud Rev. Fund	3,450,300	3,450,300	0
Interagency Service Agreements Fund	13,116,900	13,116,900	0
Risk Management Revolving Fund	9,183,500	9,183,500	0
Victims' Rights Fund	3,240,200	3,240,200	0
Total - Attorney General - Department of Law	36,574,500	36,574,500	0
Automobile Theft Authority			
Automobile Theft Authority Fund	4,274,500	4,274,500	0
Barbers, Board of			
Board of Barbers Fund	321,900	321,900	0
Behavioral Health Examiners, Board of			
Board of Behavioral Health Examiners Fund	1,611,100	1,611,100	0
Chiropractic Examiners, State Board of			
Board of Chiropractic Examiners Fund	454,800	454,800	0
Contractors, Registrar of			
Registrar of Contractors Fund	12,059,800	12,059,800	0
Corporation Commission			
Arizona Arts Trust Fund	50,200	50,200	0
Investment Management Regulatory and Enforcement Fund	684,300	684,300	0

	FY 2013 Estimate	FY 2014 Baseline	FY 2014 Baseline - FY 2013
Public Access Fund	6,414,200	6,414,200	0
Securities Regulatory and Enforcement Fund	4,625,900	4,625,900	0
Utility Regulation Revolving Fund	13,532,700	13,182,700	(350,000)
Total - Corporation Commission	25,307,300	24,957,300	(350,000)
Corrections, State Department of			
Alcohol Abuse Treatment Fund	554,400	554,400	0
Corrections Fund	27,517,600	27,517,600	0
Penitentiary Land Fund	979,200	979,200	0
Prison Construction and Operations Fund	11,499,400	11,499,400	0
State Charitable, Penal and Reformatory Institutions Land Fund	360,000	360,000	0
State Education Fund for Correctional Education	512,100	512,100	0
Transition Program Fund	3,485,000	3,485,000	0
Total - State Department of Corrections	44,907,700	44,907,700	0
Cosmetology, Board of			
Board of Cosmetology Fund	1,750,300	1,750,300	0
Criminal Justice Commission, Arizona			
Criminal Justice Enhancement Fund	629,100	629,100	0
Drug and Gang Prevention Resource Center Fund	235,500	235,500	0
State Aid to County Attorneys Fund	973,600	973,600	0
Victim Compensation and Assistance Fund	3,792,500	3,792,500	0
Total - Arizona Criminal Justice Commission	5,630,700	5,630,700	0
Deaf and the Blind, AZ Schools for the			
Schools for the Deaf and the Blind Fund	13,296,100	13,585,500	289,400
Deaf and the Hard of Hearing, Comm. for the			
Telecommunication Fund for the Deaf	3,749,000	3,749,000	0
Dental Examiners, State Board of			
Dental Board Fund	1,189,600	1,189,600	0
Economic Security, Department of			
Child Abuse Prevention Fund	1,459,100	1,459,100	0
Child Support Enforcement Administration Fund	16,601,100	16,601,100	0
Children and Family Services Training Program Fund	206,600	206,600	0
Domestic Violence Shelter Fund	2,220,000	2,220,000	0
Federal Child Care and Development Fund Block Grant	130,567,500	130,567,500	0
Federal Temporary Assistance for Needy Families Block Grant	220,775,800	220,775,800	0
Long Term Care System Fund	75,075,300	65,458,900	(9,616,400)
Public Assistance Collections Fund	427,100	427,100	0
Special Administration Fund	1,129,900	1,129,900	0
Spinal and Head Injuries Trust Fund	1,867,600	1,867,600	0
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	0
Workforce Investment Act Grant	56,032,700	56,032,700	0
Total - Department of Economic Security	507,362,700	497,746,300	(9,616,400)
Education, Department of			
Department of Education Empowerment Scholarship Account Fund	200,000	200,000	0
Education Learning and Accountability Fund	1,200,000	0	(1,200,000)
Permanent State School Fund	46,475,500	46,475,500	0
Proposition 301 Fund	7,000,000	7,000,000	0
Teacher Certification Fund	2,292,200	2,292,200	0
Total - Department of Education	57,167,700	55,967,700	(1,200,000)
Emergency & Military Affairs, Dept of			
Emergency Response Fund	132,700	132,700	0
Environmental Quality, Department of			
Air Permits Administration Fund	7,038,800	7,038,800	0
Air Quality Fund	5,379,100	5,379,100	0
Emissions Inspection Fund	28,354,300	26,554,300	(1,800,000)
Hazardous Waste Management Fund	1,718,900	1,718,900	0
Indirect Cost Recovery Fund	13,008,700	13,008,700	0
Recycling Fund	1,200,000	1,338,900	138,900
Solid Waste Fee Fund	1,226,600	1,226,600	0

	FY 2013 Estimate	FY 2014 Baseline	FY 2014 Baseline - FY 2013
Underground Storage Tank Fund	22,000	22,000	0
Used Oil Fund	138,900	0	(138,900)
Water Quality Fee Fund	10,393,900	10,393,900	0
Total - Department of Environmental Quality	68,481,200	66,681,200	(1,800,000)
Exposition and State Fair Board, AZ			
Arizona Exposition and State Fair Fund	11,131,200	11,131,200	0
Financial Institutions, Department of			
Financial Services Fund	922,900	914,900	(8,000)
Funeral Directors and Embalmers, Board of			
Board of Funeral Directors & Embalmers Fund	340,600	340,600	0
Game and Fish Department, AZ			
Capital Improvement Plan	1,000,000	1,000,000	0
Game and Fish Fund	33,277,100	33,277,100	0
Game, Nongame, Fish and Endangered Species Fund	338,600	338,600	0
Watercraft Licensing Fund	4,504,200	4,504,200	0
Waterfowl Conservation Fund	43,400	43,400	0
Wildlife Endowment Fund	16,000	16,000	0
Total - AZ Game and Fish Department	39,179,300	39,179,300	0
Gaming, Department of			
Tribal-State Compact Fund	2,003,800	2,003,800	0
State Lottery Fund	300,000	300,000	0
Arizona Benefits Fund	9,784,000	10,353,300	569,300
Total - Department of Gaming	12,087,800	12,657,100	569,300
Health Services, Department of			
Arizona State Hospital Fund	12,507,400	12,507,400	0
ASH Land Earnings Fund	650,000	650,000	0
Health Services Licensing Fund	7,904,300	7,904,300	0
Capital Outlay Stabilization Fund	1,146,500	1,146,500	0
Child Fatality Review Fund	93,400	93,400	0
Emergency Medical Services Operating Fund	5,044,100	5,044,100	0
Environmental Laboratory Licensure Revolving Fund	910,800	910,800	0
Federal Child Care and Development Fund Block Grant	829,400	829,400	0
Hearing and Speech Professionals Fund	309,900	309,900	0
Indirect Cost Fund	8,886,700	8,886,700	0
Long-Term Care System Fund	1,379,600	1,379,600	0
Newborn Screening Program Fund	6,692,600	6,692,600	0
Nursing Care Institution Resident Protection Fund	438,100	38,100	(400,000)
Substance Abuse Services Fund	2,250,000	2,250,000	0
Tobacco Tax and Health Care Fund Health Research Account	1,000,000	1,000,000	0
Tobacco Tax and Health Care Fund Medically Needy Account	35,167,000	35,167,000	0
Vital Records Electronic System Fund	3,607,500	3,607,500	0
Total - Department of Health Services	88,817,300	88,417,300	(400,000)
Homeopathic & Integrated Medicine Examiners, Bd of			
Bd of Homeopathic & Integrated Medicine Exmnrs' Fund	107,600	107,600	0
Housing, Department of			
Housing Trust Fund	304,600	304,600	0
Industrial Commission of AZ			
Industrial Commission Administrative Fund	19,656,400	19,656,400	0
Judiciary - Supreme Court			
Confidential Intermediary and Fiduciary Fund	480,500	480,500	0
Court Appointed Special Advocate Fund	2,925,800	2,925,800	0
Criminal Justice Enhancement Fund	2,961,300	2,961,300	0
Defensive Driving School Fund	4,123,800	4,123,800	0
Judicial Collection Enhancement Fund	13,792,300	13,792,300	0
State Aid to the Courts Fund	2,944,600	2,944,600	0
Total - Supreme Court	27,228,300	27,228,300	0
Judiciary - Superior Court			
Criminal Justice Enhancement Fund	6,933,500	6,933,500	0
Judicial Collection Enhancement Fund	5,029,200	5,029,200	0

	FY 2013 Estimate	FY 2014 Baseline	FY 2014 Baseline - FY 2013
Drug Treatment and Education Fund	500,000	500,000	0
Total - Superior Court	12,462,700	12,462,700	0
SUBTOTAL - Judiciary	39,691,000	39,691,000	0
Juvenile Corrections, Department of			
Criminal Justice Enhancement Fund	530,600	530,600	0
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600	1,098,600	0
State Education Fund for Committed Youth	2,261,700	2,261,700	0
Total - Department of Juvenile Corrections	3,890,900	3,890,900	0
Land Department, State			
Due Diligence Fund	500,000	500,000	0
Environmental Special Plate Fund	260,000	260,000	0
Risk Management Revolving Fund	10,747,400	0	(10,747,400)
Trust Land Management Fund	3,469,200	3,469,200	0
Total - State Land Department	14,976,600	4,229,200	(10,747,400)
Liquor Licenses & Control, Department of			
Liquor Licenses Fund	2,850,400	2,850,400	0
Lottery Commission, AZ State			
State Lottery Fund	95,524,800 1/	99,117,200	3,592,400
Medical Board, Arizona			
Arizona Medical Board Fund	5,809,400	5,809,400	0
Mine Inspector, State			
Aggregate Mining Reclamation Fund	112,500	112,500	0
Naturopathic Physicians Medical Board			
Naturopathic Physicians Medical Board Fund	587,500	587,500	0
Nursing, State Board of			
Board of Nursing Fund	4,056,000	4,056,000	0
Nursing Care Institution Administrators Board			
Nursing Care Institution Administrators' Licensing & Assisted Living Facility Managers' Certification Fund	426,700	426,700	0
Occupational Therapy Examiners, Board of			
Occupational Therapy Fund	162,700	162,700	0
Opticians, State Board of Dispensing			
Board of Dispensing Opticians Fund	131,300	131,300	0
Optometry, State Board of			
Board of Optometry Fund	197,800	197,800	0
Osteopathic Examiners, AZ Board of			
Board of Osteopathic Examiners Fund	699,200	699,200	0
Parks Board, Arizona State			
State Parks Revenue Fund	12,649,500	12,649,500	0
Total - Arizona State Parks Board	12,649,500	12,649,500	0
Personnel Board, State			
Personnel Board Account of the Personnel Division Fund	364,500	364,500	0
Pest Management, Office of			
Pest Management Fund	1,999,700	1,999,700	0
Pharmacy, AZ State Board of			
Board of Pharmacy Fund	1,921,900	1,921,900	0
Physical Therapy, Board of			
Board of Physical Therapy Fund	365,900	365,900	0
Pioneers' Home, AZ			
Miners' Hospital Fund	1,501,500	1,501,500	0
State Charitable Fund	3,099,200	3,099,200	0
Total - AZ Pioneers' Home	4,600,700	4,600,700	0
Podiatry Examiners, State Board of			
Podiatry Fund	143,000	143,000	0
Postsecondary Education, Commission for			
Postsecondary Education Fund	1,742,700	1,593,600	(149,100)
Private Postsecondary Education, Board for			
Board for Private Postsecondary Education Fund	327,500	327,500	0
Psychologist Examiners, State Board of			
Board of Psychologist Examiners Fund	344,900	344,900	0
Public Safety, Department of			

	FY 2013 Estimate	FY 2014 Baseline	FY 2014 Baseline - FY 2013
Arizona Deoxyribonucleic Acid Identification System Fund	5,470,800	5,470,800	0
Arizona Highway Patrol Fund	19,282,500	19,282,500	0
Automated Fingerprint Identification System Fund	3,009,700	3,009,700	0
Automation Operations Fund	0	296,200	296,200
Crime Laboratory Assessment Fund	870,300	870,300	0
Crime Laboratory Operations Fund	14,702,100	14,702,100	0
Criminal Justice Enhancement Fund	2,872,200	2,872,200	0
GIITEM Border Security and Law Enforcement Subaccount	2,390,000	2,390,000	0
Highway User Revenue Fund	119,961,000	119,961,000	0
Motorcycle Safety Fund	205,000	205,000	0
Parity Compensation Fund	1,819,300	1,819,300	0
Public Safety Equipment Fund	2,390,000	2,390,000	0
Risk Management Fund	1,452,300	1,156,100	(296,200)
Safety Enforcement and Transportation Infrastructure Fund	1,510,200	1,510,200	0
State Highway Fund	6,780,000	6,780,000	0
Total - Department of Public Safety	182,715,400	182,715,400	0
Racing, Arizona Department of			
Racing Regulation Fund	2,831,200	2,831,200	0
Radiation Regulatory Agency			
State Radiologic Technologist Certification Fund	266,000	266,000	0
Radiation Regulatory Fee Fund	563,800	563,800	0
Total - Radiation Regulatory Agency	829,800	829,800	0
Residential Utility Consumer Office			
Residential Utility Consumer Office Revolving Fund	1,299,900	1,299,900	0
Respiratory Care Examiners, Board of			
Board of Respiratory Care Examiners' Fund	257,600	257,600	0
Retirement System, Arizona State			
Long-Term Disability Administration Account	2,800,000	2,800,000	0
State Retirement System Administration Account	21,216,500	20,969,500	(247,000)
Total - Arizona State Retirement System	24,016,500	23,769,500	(247,000)
Revenue, Department of			
Department of Revenue Administrative Fund	24,990,700	24,990,700	0
Liability Setoff Fund	1,080,100	1,080,100	0
Tobacco Tax and Health Care Fund	671,200	671,200	0
Total - Department of Revenue	26,742,000	26,742,000	0
Secretary of State			
Election Systems Improvement Fund	2,934,500	2,934,500	0
Records Services Fund	572,900	572,900	0
Total - Secretary of State	3,507,400	3,507,400	0
State Boards' Office			
Special Services Revolving Fund	212,500	212,500	0
Technical Registration, State Board of			
Technical Registration Fund	2,028,300 2/	2,076,200	47,900
Transportation, Department of			
Air Quality Fund	72,800	72,800	0
Driving Under the Influence Abatement Fund	148,000	148,000	0
Highway User Revenue Fund	625,600	625,600	0
Motor Vehicle Liability Insurance Enforcement Fund	1,060,600	1,060,600	0
Safety Enforcement and Transportation Infrastructure Fund	1,868,900	1,868,900	0
State Aviation Fund	1,585,600	1,585,600	0
State Highway Fund	326,163,600	326,163,600	0
Transportation Department Equipment Fund	26,702,200	26,702,200	0
Vehicle Inspection & Title Enforcement Fund	1,444,300	1,444,300	0
Total - Department of Transportation	359,671,600	359,671,600	0
Treasurer, State			
Law Enforcement and Boating Safety Fund	2,183,800	2,183,800	0
State Treasurer Empowerment Scholarship			

	FY 2013 Estimate	FY 2014 Baseline	FY 2014 Baseline - FY 2013
Account Fund	0	40,000	40,000
State Treasurer's Operating Fund	2,493,000	2,493,000	0
State Treasurer's Management Fund	198,000	198,000	0
Total - State Treasurer	4,874,800	4,914,800	40,000
Universities			
Arizona State University - Tempe/DPC			
University Collections Fund	452,685,000 3/	452,685,000	0
Arizona State University - East Campus			
University Collections Fund	35,590,900 3/	35,590,900	0
Technology and Research Initiative Fund	2,000,000	2,000,000	0
Total - Arizona State University - East Campus	37,590,900	37,590,900	0
Arizona State University - West Campus			
University Collections Fund	40,390,200 3/	40,390,200	0
Technology and Research Initiative Fund	1,600,000	1,600,000	0
Total - Arizona State University - West Campus	41,990,200	41,990,200	0
Northern Arizona University			
University Collections Fund	107,409,100 3/	107,409,100	0
University of Arizona - Main Campus			
University Collections Fund	269,918,000 3/	269,918,000	0
University of Arizona - Health Sciences Center			
University Collections Fund	43,920,300 3/	43,920,300	0
SUBTOTAL - Universities	953,513,500	953,513,500	0
Veterans' Services, Department of			
State Veterans' Conservatorship Fund	884,100	884,100	0
State Home for Veterans' Trust Fund	27,614,700	27,614,700	0
Total - Department of Veterans' Services	28,498,800	28,498,800	0
Veterinary Medical Examining Board			
Veterinary Medical Examining Board Fund	456,600	456,600	0
Water Resources, Department of			
Assured and Adequate Water Supply Admin Fund	266,800	266,800	0
Water Resources Fund	140,400	140,400	0
Total - Department of Water Resources	407,200	407,200	0
Weights and Measures, Department of			
Air Quality Fund	1,419,100	1,419,100	0
Motor Vehicle Liability Insurance Enf. Fund	319,200	319,200	0
Total - Department of Weights and Measures	1,738,300	1,738,300	0
OPERATING BUDGET TOTAL	$3,076,715,900	$3,078,302,100	$1,586,200
Rent/Lease-Purchase Adjustments 4/	0	712,900	712,900
One-time Employee Retention Payments 5/	11,695,200	0	(11,695,200)
Unallocated Retirement Increases	2,600	0	(2,600)
Unallocated Reverse ASRS 47/53 Split	1,700	0	(1,700)
Capital	264,579,800	265,525,900	946,100
GRAND TOTAL	$3,352,995,200	$3,344,540,900	($8,454,300)

1/ Revised Lottery forecast.

2/ The Board of Technical Registration includes $180,000 as appropriated by Laws 2012, Chapter 341 and is in addition to the amount that appears in the *FY 2013 Appropriations Report.*

3/ 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.

4/ These adjustments would be allocated to individual agencies as part of the *FY 2014 Appropriations Report.*

5/ These payments have been distributed to agencies, but are displayed here due to their one-time nature.

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY

	FY 2013 Current	FY 14 Baseline 1/ Above FY 13	FY 2014 Baseline
OPERATING SPENDING CHANGES			
DOA - Arizona Department of Administration	30,230,300		31,430,300
DOA - White Mountain Apache Settlement		(2,000,000)	
DOA - Prior Automation Projects Funding		3,200,000	
OAH - Office of Administrative Hearings	808,100		808,100
AGR - Department of Agriculture	7,927,100		7,835,000
AGR - Nuclear Emergency Management		(92,100)	
AXS - AHCCCS	1,397,607,300		1,368,032,900
AXS - Formula Changes		(29,574,400)	
ATT - Attorney General	23,049,900		21,849,900
ATT - Cross-Border Prosecutions Backfill		(1,200,000)	
CHA - State Board for Charter Schools	748,100		748,100
COM - Arizona Commerce Authority	31,500,000		31,500,000
CCO - Arizona Community Colleges	65,942,600		63,365,300
CCO - Formula Changes		(2,577,300)	
COR - Corporation Commission	589,100		589,100
DOC - Department of Corrections	956,404,200		965,644,900
DOC - 500 New Private Beds (Open Jan. 1, 2014)		4,743,700	
DOC - 500 State Maximum Beds Start-Up Costs (Open July, 2014)		4,497,000	
SDB - AZ State Schools for the Deaf and the Blind	20,586,100		20,586,100
DES - Department of Economic Security	612,296,200		629,584,700
DES - DD Formula Changes		17,288,500	
ADE - Arizona Department of Education	3,496,900,300		3,552,067,600
ADE - Formula Changes		60,167,300	
ADE - Remove One-time Data System Funding		(5,000,000)	
EMA - Department of Emergency & Military Affairs	8,834,300		7,820,400
EMA - Nuclear Emergency Management		(1,013,900)	
DEQ - Department of Environmental Quality	7,000,000		7,000,000
OEO - Governor's Office of Equal Opportunity	187,100		187,100
EQU - State Board of Equalization	629,500		629,500
EXE - Board of Executive Clemency	821,500		821,500
DFI - Dept of Financial Institutions	2,920,800		2,912,800
DFI - Remove One-Time Equipment		(8,000)	
BFS - Department of Fire, Building & Life Safety	1,699,100		1,699,100
FOR - State Forester	7,062,400		7,062,400
GEO - Arizona Geological Survey	853,600		853,600

	FY 2013 Current	FY 14 Baseline 1/ Above FY 13	FY 2014 Baseline
GOV - Office of the Governor	6,586,600		6,586,600
OSP - Gov's Ofc of Strategic Planning & Budgeting	1,871,700		1,871,700
DHS - Department of Health Services	587,120,700		576,723,500
DHS - Formula Changes		(10,397,200)	
AZH - Arizona Historical Society	3,042,100		3,042,100
PAZ - Prescott Historical Society	654,200		654,200
IND - Independent Redistricting Commission	1,445,300		0
IND - Remove One-Time FY 13 Funding		(1,445,300)	
CIA - Arizona Commission of Indian Affairs	53,700		53,700
INS - Department of Insurance	5,169,600		5,169,600
SPA - Judiciary - Supreme Court	15,677,700		15,677,700
COA - Judiciary - Court of Appeals	13,817,600		13,817,600
SUP - Judiciary - Superior Court	79,100,700		79,100,700
DJC - Department of Juvenile Corrections	43,428,400		43,428,400
LAN - State Land Department	1,258,600		12,038,100
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
AUD - Auditor General	17,240,100		17,240,100
HOU - House of Representatives	13,067,100		13,067,100
JLBC - Joint Legislative Budget Committee	2,418,800		2,418,800
LEG - Legislative Council	7,884,700		7,884,700
SEN - Senate	8,036,300		8,036,300
MIN - State Mine Inspector	1,183,600		1,183,600
NAV - AZ Navigable Steam Adjudication Comm.	126,200		126,200
PIO - Arizona Pioneers' Home	1,604,800		1,604,800
POS - Commission for Postsecondary Education	1,396,800		1,396,800
DPS - Department of Public Safety	45,524,000		45,524,000
RAC - Arizona Department of Racing	2,029,500		2,029,500
RAD - Radiation Regulatory Agency	1,420,800		744,800
RAD - Nuclear Emergency Management		(676,000)	
REA - State Real Estate Department	2,902,200		2,902,200

	FY 2013 Current	FY 14 Baseline 1/ Above FY 13	FY 2014 Baseline
REV - Department of Revenue	45,442,100		45,309,900
REV - Remove One-Time Property Status Study Report Funding		(132,200)	
SFB - School Facilities Board	173,708,300		178,443,600
SFB - New School Debt Service Change		4,735,300	
SOS - Secretary of State	14,923,200		11,479,900
SOS - Non-Election Year Funding Adjustment		(3,443,300)	
TAX - State Board of Tax Appeals	254,800		254,800
TOU - Office of Tourism	7,000,000		7,000,000
DOT - Department of Transportation	50,500		50,500
TRE - State Treasurer	1,115,100		1,115,100
UNI - Universities			
UNI - Arizona Board of Regents	21,926,500		21,926,500
UNI - ASU - Tempe/DPC	257,332,200		257,332,200
UNI - ASU - East Campus	20,771,200		20,771,200
UNI - ASU - West Campus	33,017,700		33,017,700
UNI - Northern Arizona University	104,907,400		104,907,400
UNI - UA - Main Campus	207,793,500		207,793,500
UNI - UA - Health Sciences Center	61,585,300		61,585,300
VSC - Department of Veterans' Services	5,212,800		5,212,800
WAT - Department of Water Resources	12,033,300		12,033,300
WEI - Department of Weights & Measures	1,472,500		1,197,500
WEI - Remove One-Time Test Truck Funding		(275,000)	
OTH - Other			
OTH - Debt Service Payments	84,119,800	0	84,119,800
OTH - Civic Center Debt Service	5,595,000	14,854,000	20,449,000
OTH - Unallocated Lease-Purchase and Rent Adjustments	3,700	(3,700)	0
OTH - Unallocated Reverse ASRS 47/53 Split	7,600	(7,600)	0
OTH - Unallocated Retirement Rate Increase	4,100	(4,100)	0
OTH - Lease-Purchase and Rent Adjustments	0	67,800	67,800
OTH - Health Insurance Holiday	(25,000,000)	25,000,000	0
OTH - One-time Employee Retention Payments	16,633,400	(16,633,400)	0
OTH - Budget Stabilization Fund Deposit	200,000,000	(200,000,000)	0
OTH - FY 2013 Treasurer/JP Salaries Supplemental	116,900	(116,900)	0
OTH - Administrative Adjustments	37,600,000	22,400,000	60,000,000
OTH - Revertments	(133,800,000)	53,800,000	(80,000,000)
TOTAL - OPERATING SPENDING CHANGES	**8,692,556,800**	**(53,067,300)**	**8,639,489,500**
CAPITAL SPENDING			
ADOA - Building Renewal Transfer	252,000	(252,000)	0
ADOA - 500 Maximum Security ADC Beds (Approp to ADOA)	20,000,000	10,000,000	30,000,000

	FY 2013 Current	FY 14 Baseline 1/ Above FY 13	FY 2014 Baseline
TOTAL - CAPITAL SPENDING	**20,252,000**	**9,748,000**	**30,000,000**
TOTAL - OPERATING & CAPITAL SPENDING	**8,712,808,800**	**(43,319,300)**	**8,669,489,500**
TOTAL - ALL SPENDING	**8,712,808,800**	**(43,319,300)**	**8,669,489,500**
FUND TRANSFERS			
TOTAL - FUND TRANSFERS	**(96,000,000)**	**90,000,000**	**(6,000,000)**
REVENUE CHANGES			
REV - Ongoing Revenue	8,922,835,900	(600,664,700)	8,322,171,200
REV - One-Time Revenue	344,960,000	306,027,100	650,987,100
TOTAL - REVENUE CHANGES (INCL. FUND TRANSFERS) 2/	**9,363,795,900**	**(384,637,600)**	**8,979,158,300**
ENDING BALANCE	**650,987,100**	**(341,318,300)**	**309,668,800**

1/ Represents FY 2014 Baseline cost above FY 2013 Baseline estimate.

2/ Represents all revenue changes, including fund transfers. Fund Transfers appear as negative numbers (savings) in the Fund Transfer section, but are reflected as positive numbers (revenue) in the total.

DETAILED LIST OF OTHER FUND CHANGES BY AGENCY

	FY 2013 OF Current	FY 14 Baseline 1/ Above FY 13	FY 2014 Baseline
OPERATING SPENDING CHANGES			
SBA - State Board of Accountancy	1,897,700		1,897,700
ACU - Acupuncture Board of Examiners	125,800		125,800
DOA - Arizona Department of Administration	178,725,500		164,105,900
DOA - Expiration of HRIS COP Payment - Personnel Division Fund		(3,319,600)	
DOA - Remove One-Time Automation Projects Funding		(11,300,000)	
OAH - Office of Administrative Hearings	13,300		13,300
AXS - AHCCCS	151,097,500		187,282,200
AXS - Formula Changes		37,400,500	
AXS - Discontinuation of Healthcare Group		(1,215,800)	
APP - State Board of Appraisal	756,500		756,500
BAT - Board of Athletic Training	101,800		101,800
ATT - Attorney General	36,574,500		36,574,500
ATA - Automobile Theft Authority	4,274,500		4,274,500
BAR - Board of Barbers	321,900		321,900
BHE - Board of Behavioral Health Examiners	1,611,100		1,611,100
BCE - State Board of Chiropractic Examiners	454,800		454,800
ROC - Registrar of Contractors	12,059,800		12,059,800
COR - Corporation Commission	25,307,300		24,957,300
COR - Remove One-Time Hearing Room Construction Costs		(350,000)	
DOC - Department of Corrections	44,907,700		44,907,700
COS - Board of Cosmetology	1,750,300		1,750,300
JUS - Arizona Criminal Justice Commission	5,630,700		5,630,700
SDB - AZ State Schools for the Deaf and the Blind	13,296,100		13,585,500
SDB - Formula Changes		289,400	
HEA - Comm for the Deaf & the Hard of Hearing	3,749,000		3,749,000
DEN - Board of Dental Examiners	1,189,600		1,189,600
DES - Department of Economic Security	507,362,700		497,746,300
DES - Decrease LTC Funding Shift		(9,616,400)	
ADE - Arizona Department of Education	57,167,700		55,967,700
ADE - Remove One-time Data System Funding		(1,200,000)	

	FY 2013 OF Current	FY 14 Baseline 1/ Above FY 13	FY 2014 Baseline
EMA - Department of Emergency & Military Affairs	132,700		132,700
DEQ - Department of Environmental Quality	68,481,200		66,681,200
DEQ - Remove VEI Fund for Safe Drinking Water Program		(1,800,000)	
COL - Arizona Exposition and State Fair Board	11,131,200		11,131,200
DFI - Dept of Financial Institutions	922,900		914,900
DFI - Remove One-Time Equipment		(8,000)	
EMB - Board of Funeral Directors and Embalmers	340,600		340,600
FIS - Arizona Game and Fish Department	39,179,300		39,179,300
GAM - Department of Gaming	12,087,800		12,657,100
GAM - Higher Revenues		569,300	
DHS - Department of Health Services	88,817,300		88,417,300
DHS - Remove One-Time Nursing Care Quality Study		(400,000)	
HOM - Board of Homeopathic & Integrated Medicine Examiners	107,600		107,600
HOU - Department of Housing	304,600		304,600
IND - Industrial Commission	19,656,400		19,656,400
SPA - Judiciary - Supreme Court	27,228,300		27,228,300
SUP - Judiciary - Superior Court	12,462,700		12,462,700
DJC - Department of Juvenile Corrections	3,890,900		3,890,900
LAN - State Land Department	14,976,600		4,229,200
LAN - Shift From Risk Management to General Fund		(10,747,400)	
LIQ - Department of Liquor Licenses & Control	2,850,400		2,850,400
LOT - Arizona State Lottery Commission	95,524,800		99,117,200
LOT - Higher Revenues		3,592,400	
MED - Arizona Medical Board	5,809,400		5,809,400
MIN - State Mine Inspector	112,500		112,500
NAT - Naturopathic Physicians Medical Board	587,500		587,500
NUR - State Board of Nursing	4,056,000		4,056,000
NCI - Nursing Care Inst. Administrators Board	426,700		426,700
OCC - Board of Occupational Therapy Examiners	162,700		162,700
DIS - State Board of Dispensing Opticians	131,300		131,300
OPT - State Board of Optometry	197,800		197,800

	FY 2013 OF Current	FY 14 Baseline 1/ Above FY 13	FY 2014 Baseline
OST - Arizona Board of Osteopathic Examiners	699,200		699,200
SPB - Arizona State Parks Board	12,649,500		12,649,500
PER - Personnel Board	364,500		364,500
PES - Office of Pest Management	1,999,700		1,999,700
PHA - Arizona State Board of Pharmacy	1,921,900		1,921,900
PHY - Board of Physical Therapy Examiners	365,900		365,900
PIO - Arizona Pioneers' Home	4,600,700		4,600,700
POD - State Board of Podiatry Examiners	143,000		143,000
POS - Commission for Postsecondary Education	1,742,700		1,593,600
POS - Shift Family College Savings to Non-Approp Fund		(149,100)	
PRI - Board for Private Postsecondary Education	327,500		327,500
PSY - State Board of Psychologist Examiners	344,900		344,900
DPS - Department of Public Safety	182,715,400		182,715,400
RAC - Arizona Department of Racing	2,831,200		2,831,200
RAD - Radiation Regulatory Agency	829,800		829,800
RUC - Residential Utility Consumer Office	1,299,900		1,299,900
RES - Board of Respiratory Care Examiners	257,600		257,600
RET - Arizona State Retirement System	24,016,500		23,769,500
RET - Eliminate One-Time Plan Design Costs		(247,000)	
REV - Department of Revenue	26,742,000		26,742,000
SOS - Secretary of State	3,507,400		3,507,400
SBO - State Boards' Office	212,500		212,500
TEC - State Board of Technical Registration	2,028,300		2,076,200
TEC - Security Alarm Program (Previously Enacted)		47,900	
DOT - Department of Transportation	359,671,600		359,671,600
TRE - State Treasurer	4,874,800		4,914,800
TRE - Empowerment Scholarship Administration (Previously Enacted)		40,000	
UNI - Universities			
UNI - ASU - Tempe/DPC	452,685,000		452,685,000

	FY 2013 OF Current	FY 14 Baseline 1/ Above FY 13	FY 2014 Baseline
UNI - ASU - East Campus	37,590,900		37,590,900
UNI - ASU - West Campus	41,990,200		41,990,200
UNI - Northern Arizona University	107,409,100		107,409,100
UNI - UA - Main Campus	269,918,000		269,918,000
UNI - UA - Health Sciences Center	43,920,300		43,920,300
VSC - Department of Veterans' Services	28,498,800		28,498,800
VME - Veterinary Medical Examining Board	456,600		456,600
WAT - Department of Water Resources	407,200		407,200
WEI - Department of Weights & Measures	1,738,300		1,738,300
OTH - Other			
OTH - Rent/Lease-Purchase Adjustments	0	712,900	712,900
OTH - Unallocated Reverse ASRS 47/53 Split	1,700	(1,700)	0
OTH - Unallocated Retirement Increases	2,600	(2,600)	0
OTH - One-time Employee Retention Payments	11,695,200	(11,695,200)	0
TOTAL - OPERATING SPENDING CHANGES	**$3,088,415,400**	**($9,400,400)**	**$3,079,015,000**
CAPITAL SPENDING CHANGES			
Building Renewal			
Arizona Department of Administration	10,372,600		10,372,600
ADC Building Renewal and Preventative Maintenance	4,630,500		4,630,500
Game & Fish Department	523,300	24,300	547,600
Arizona Lottery Commission	85,200	5,100	90,300
Arizona Department of Transportation	1,050,000		1,050,000
New Projects			
ADOT '13/'14 Statewide Highway Construction	18,450,000	8,438,000	26,888,000
ADOT '13/'14 Controlled Access Highways	84,554,000	(295,000)	84,259,000
ADOT '13/'14 Debt Service	121,803,000	(5,377,000)	116,426,000
ADOT '13/'14 Airport Planning & Development	21,924,900	(663,000)	21,261,900
Game & Fish '13/'14 Property Maintenance	500,000	(500,000)	0
Game & Fish '13/'14 Dam Maintenance	500,000	(500,000)	0
Game & Fish '13/'14 Preventative Maintenance	30,000	(30,000)	0
Lottery '13 Fire Alarm Replacement	156,300	(156,300)	0
TOTAL - CAPITAL SPENDING CHANGES	**$264,579,800**	**$946,100**	**$265,525,900**
TOTAL - ALL OTHER FUND	**$3,352,995,200**	**($8,454,300)**	**$3,344,540,900**

1/ Represents FY 2014 Baseline cost above FY 2013 Baseline estimate.

FY 2013 SUPPLEMENTALS

	Change to Original '13 Budget
General Fund	
State Treasurer	$116,900
General Fund - Total	$116,900

FY 2013 STATUTORY CHANGES

In addition to the FY 2013 supplementals listed above, the Baseline would change the following items:

- Modify the FY 2013 General Appropriation Act (Laws 2012, Chapter 294) to eliminate the Attorney General legal services charges for general agency counsel:
  - Governor's Office of Equal Opportunity
  - State Mine Inspector
  - School Facilities Board
  - Office of Tourism
- Revise the Department of Emergency and Military Affairs' Attorney General legal services charge from $115,300 to $30,000.
- Clarify the FY 2013 General Appropriation Act Department of Economic Security footnote regarding the calculation of excess Federal Temporary Assistance for Needy Families (TANF) Block Grant monies used to offset appropriation of Long Term System Fund monies.
- Exempt the 7 agencies added to the State Personnel System by Laws 2012, Chapter 321 from paying the 1.10% Personnel Division Pro Rata charge in FY 2013.

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES
For Fiscal Years 2012, 2013 and 2014 1/

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
BUDGET UNITS			
Department of Administration (ADA)			
Administration - AFIS II Collections (4203)	1,351,600	1,732,000	1,732,000
Automation Projects (2566)	0	0	0
Certificate of Participation (5005)	98,926,300	111,679,000	109,059,200
Construction Insurance (4219)	1,155,400	2,225,100	2,992,100
Co-Op State Purchasing Agreement (4213)	2,726,000	2,982,100	2,982,100
Electronic Commerce (2482)	0	0	0
Emergency Telecommunication Services Revolving (2176)	15,935,900	18,455,600	17,265,600
Employee Related Expenditures/Benefits Admin (3035)	35,794,700	30,117,900	32,241,300
Federal Grants (2000)	2,414,500	2,001,600	2,001,600
Federal Grants - American Recovery & Reinvestment Act (2999)	5,396,400	7,101,300	2,069,400
IGA & ISA Fund (2500)	4,919,800	5,253,700	5,253,700
Management Services Division Plan Deposits (3196)	0	0	0
Payroll Administration (9200)	106,800	142,900	142,900
Privatized Lease-to-Own (2495)	12,312,500	12,580,100	12,879,400
Racing Investigation (2369)	0	0	0
Retiree Accumulated Sick Leave (3200)	12,234,800	12,250,100	12,250,100
Special Employee Health Insurance Trust (3015)	676,581,900	622,816,500	758,195,000
Special Events (2503)	1,200	14,500	14,500
Special Services Revolving (4208)	748,100	801,500	801,500
State Employee Suggestion Program Award (3190)	0	0	0
State Employee Travel Reduction (2261)	481,100	643,100	643,100
State Web Portal (2531)	0	0	0
Statewide ARRA Administration SWCAP (2950)	218,400	330,000	330,000
Statewide Donations (2025)	22,700	94,400	94,400
Statewide E-Rate Program (2584)	0	0	0
Total - Department of Administration	$871,328,100	$831,221,400	$960,947,900
Office of Administrative Hearings (HGA)			
IGA and ISA (2500)	$963,100	$1,035,600	$1,035,600
Arizona Department of Agriculture (AHA)			
Administrative Support (2436)	42,500	49,900	49,900
Agricultural Consulting and Training Trust (1239)	4,200	15,100	15,100
Agricultural Products Marketing (2368)	267,400	839,900	576,900
Agricultural Protection (2381)	0	0	0
Aquaculture Trust (2297)	8,800	7,000	7,000
Beef Council (2083)	304,400	300,000	300,000
Citrus, Fruit and Vegetable Trust (2260)	308,800	332,200	332,200
Citrus Trust (2299)	13,900	63,500	37,500
Commercial Feed Trust (2012)	265,800	289,200	289,200
Commodity Promotion (2458)	11,400	8,000	8,000
Cotton Research and Protection Council (2013)	1,893,800	2,293,500	2,293,500
Dangerous Plants, Pests and Diseases Trust (2054)	125,800	60,000	60,000
Designated (3011)	378,100	398,000	398,000
Egg Inspection Trust (2022)	804,300	1,039,300	1,039,300
Equine Inspection (2489)	1,000	1,300	1,300
Federal (2000)	6,684,600	6,166,300	6,166,300
Federal-State Inspection (2113)	3,384,800	2,981,500	2,981,500
Fertilizer Materials Trust (2081)	280,800	300,700	300,700
Grain Trust (2201)	145,900	139,500	139,500
Iceberg Lettuce Trust (2259)	81,600	100,000	100,000
IGA & ISA (2500)	75,800	104,100	104,100
Indirect Cost Recovery (9000)	161,100	176,300	176,300
Livestock and Crop Conservation (2378)	1,960,200	1,747,100	885,400
Livestock Custody Trust (2065)	118,300	120,000	120,000
Livestock Inspection Service Fee Increase (1050)	700	0	0
Nuclear Emergency Management (2138)	0	0	0
Pesticide Trust (2051)	461,600	295,700	295,700
Protected Native Plant Trust (2298)	90,700	80,000	80,000
Seed Law Trust (2064)	52,400	53,300	53,300
Total - Arizona Department of Agriculture	$17,928,700	$17,961,400	$16,810,700
AHCCCS (HCA)			
Children's Health Insurance Program (2409)	285,700	38,846,400	0
County Funds (2120/2223)	284,502,300	294,122,200	295,193,300

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
Employee Recognition (2025)	9,300	10,500	10,500
Federal - Medicaid Direct Services (2120)	24,889,200	25,404,000	26,398,400
Federal Funds (2000)	163,391,100	272,654,600	15,515,600
Federal Grants - American Recovery & Reinvestment Act (2999)	76,183,400	72,136,100	33,911,100
Federal Medicaid Funds (2120/2223)	4,228,335,600	4,049,365,700	4,379,477,200
Healthcare Group (3197)	28,654,000	24,990,500	10,750,500
Hospital Loan Residency (2532)	0	0	0
IGA and ISA Fund (2500)	75,545,500	131,146,400	3,815,400
Intergovernmental Service (2438)	6,563,100	8,000,000	8,000,000
Nursing Facility Provider Assessment (2567)	0	13,273,500	17,698,000
Political Subdivision (1111)	0	40,523,000	124,680,900
Prescription Drug Rebate (2546)	180,833,200	165,392,300	178,543,000
Proposition 202 - Trauma & Emergency Services (2494)	14,385,200	21,267,000	22,416,900
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Third Party Collections (3791/3019)	14,200	207,700	206,900
Tobacco Litigation Settlement, Arizona (TRA2561)	101,067,400	100,000,000	100,000,000
Tobacco Tax & Health Care - Medically Needy Account (1306)	0	0	0
Tobacco Products Tax Fund - Proposition 204 Protection Account (1304)	39,811,600	40,367,900	38,472,300
Total - AHCCCS	$5,224,470,800	$5,297,707,800	$5,255,090,000
AZ Commission on the Arts (HUA)			
Arts Special Revenues (2116)	102,100	116,900	76,900
Arts Trust, Arizona (3014)	1,666,000	1,556,900	1,436,900
Federal Grant (2000)	868,600	845,400	807,200
State Poet Laureate (NA)	0	0	0
Federal Grants - American Recovery & Reinvestment Act (2999)	0	0	0
Total - AZ Commission on the Arts	$2,636,700	$2,519,200	$2,321,000
Attorney General - Department of Law (AGA)			
Anti-Racketeering Revolving (2131)	25,162,000	28,973,300	29,764,700
Attorney General Expendable Trust (3102)	7,300	1,080,800	1,080,800
CJEF Distribution to County Attorneys (2068)	3,710,500	4,041,100	4,041,100
Colorado River Land Claims Revolving (2430)	0	0	0
Court-Ordered Trust (3180)	1,164,500	20,164,300	20,164,300
Criminal Case Processing (2461)	81,700	78,800	78,800
Federal Grants (2000)	4,729,500	5,877,000	5,104,000
Federal Grants - American Recovery & Reinvestment Act (2999)	2,130,000	0	0
Indirect Cost Recovery (9000)	1,804,200	2,256,000	2,256,000
Intergovernmental Agreements (2500)	2,551,000	4,514,900	4,572,300
Microsoft Settlement (1992)	79,500	17,300	0
Motor Carrier Safety Revolving (2380)	0	0	0
Prosecuting Attorneys' Advisory Council Training (2057)	1,600,600	1,340,000	1,340,000
Victim Witness (2228)	43,400	47,400	47,400
Total - Attorney General - Department of Law	$43,064,200	$68,390,900	$68,449,400
State Board for Charter Schools (CHA)			
Charter Arizona Online Instruction Processing (2319)	$24,000	$18,000	$18,000
New Charter Application Processing (2568)	0	0	0
Total - State Board for Charter Schools	$24,000	$18,000	$18,000
Citizens Clean Elections Commission			
Citizens Clean Elections Fund (2425)	$3,295,000	$7,117,900	$8,767,900
Commerce Authority, Arizona (CAA)			
Application Fees (3005)	$0	$9,100	$9,100
Commerce Authority Carryover, AZ (1001)	2,341,300	5,572,000	4,176,100
Commerce Authority, Arizona (8813)	0	0	0
Commerce Authority Local Communities, AZ (EPA2498)	0	0	0
Competes, Arizona (8814)	0	0	0
Commerce Development Bond (2196)	1,000,000	4,500	4,500
Commerce Workshops (2149)	0	0	0
Corporation for Skilled Workforce (1002)	501,700	107,900	107,900
Donations (3189)	100,000	0	0
Federal Funds (2000)	1,018,700	951,600	882,200
Innovation Accelerator, Arizona (2080)	359,000	5,020,100	5,020,100
Job Training (1237)	3,634,500	13,535,300	13,535,300
Twenty-First Century Competitive Initiative, Arizona (2524)	0	0	0
Total - Arizona Commerce Authority	$8,955,200	$25,200,500	$23,735,200
Arizona Community Colleges (CMA)			
Tribal Assistance (NA)	729,900	738,700	738,700
Workforce Development Accounts (varies by account)	14,213,600	14,974,500	14,974,500
Total - Arizona Community Colleges	$14,943,500	$15,713,200	$15,713,200

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
State Compensation Fund (TRA) 2/			
State Compensation Fund (9002)	$248,400,000	$255,000,000	$0
Constable Ethics Standards & Training Board (CNA)			
Constable Ethics Standards & Training (2346)	$179,400	$294,600	$294,600
Registrar of Contractors (RGA)			
Residential Contractors' Recovery (3155)	4,454,900	4,629,100	4,629,100
Corporation Commission (CCA)			
Federal (2000)	821,400	760,800	760,800
Federal Grants - American Recovery & Reinvestment Act (2999)	286,500	294,800	0
IGA and ISA (2500)	600	0	0
Utility Siting (2076)	22,000	0	0
Total - Corporation Commission	$1,130,500	$1,055,600	$760,800
State Department of Corrections (DCA)			
Correctional Industries Revolving, Arizona (4002)	35,653,000	42,101,200	42,101,200
Community Corrections Enhancement (2395)	62,900	515,000	515,000
Corrections Donations (3147)	200	0	0
Criminal Justice Enhancement (2035)	0	0	0
Federal (2000)	12,291,200	10,566,900	10,269,800
Federal Grants - American Recovery & Reinvestment Act (2999)	5,962,000	0	0
Indirect Cost Recovery (9000)	874,800	941,500	941,500
Inmate Store Proceeds (2505)	3,702,300	4,170,000	4,170,000
Interagency Service Agreement (2500)	119,900	136,300	57,400
Prisoner Spendable Accounts (2428)	0	0	0
Special Services (3187)	2,570,700	4,405,000	4,405,000
State DOC Revolving (2515)	1,632,600	1,790,000	1,790,000
Statewide Employee Recognition Gifts/Donations (2449)	0	0	0
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Total - State Department of Corrections	$62,869,600	$64,625,900	$64,249,900
Arizona Criminal Justice Commission (JCA)			
Drug & Gang Enforcement Account (2134)	3,873,600	5,970,100	5,970,100
Federal Grants (2000)	11,826,800	13,726,700	8,280,400
Federal Grants - American Recovery & Reinvestment Act (2999)	2,920,600	348,100	0
Total - Arizona Criminal Justice Commission	$18,621,000	$20,044,900	$14,250,500
Arizona State Schools for the Deaf and the Blind (SDA)			
ASDB Classroom Site (2486)	1,612,100	1,848,400	1,848,400
Enterprise (4222)	33,500	70,300	70,300
Federal Grants (2000)	2,705,300	2,451,100	2,451,100
IGA and ISA (2500)	0	0	0
Instructional Improvement (2492)	500	109,200	109,200
Non-Federal Grants (2011)	33,900	16,200	16,200
Regional Cooperatives (4221)	16,305,700	16,008,500	16,008,500
Trust (3148)	152,300	109,000	109,000
Total - Arizona State Schools for the Deaf and the Blind	$20,843,300	$20,612,700	$20,612,700
Arizona Early Childhood Development & Health Board			
Early Childhood Development & Health (2542)	$141,355,100	$177,562,300	$179,432,700
Department of Economic Security (DEA)			
Capital Investment (2093)	0	188,000	188,000
Child Restraint (2192)	154,900	165,500	165,500
Child Protective Services Expedited Substance Abuse Treatment (2421)	0	0	0
Child Support Enforcement Administration (2091)	35,153,300	40,397,800	40,397,800
Client Trust (3152)	1,278,000	1,541,400	1,541,400
Developmentally Disabled Client Investment (3146)	53,400	55,900	55,900
Developmentally Disabled Client Services Trust (2019)	29,500	30,900	30,900
Donations (3145)	3,700	3,300	3,300
Federal Grants (2000)	1,259,949,600	941,270,800	741,906,500
Industries for the Blind, Arizona (4003)	21,896,900	20,292,000	20,292,000
Job Training, Arizona (1237)	1,521,300	1,068,100	1,068,100
Joint Substance Abuse Treatment (2429)	0	0	0
Long Term Care System - Federal Matched (2225)	517,635,200	635,551,400	680,515,300
Neighbors Helping Neighbors (2348)	63,200	40,000	40,000
Special Olympics Tax Refund (3207)	38,600	75,000	75,000
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Unemployment Insurance Benefits (7510)	445,325,400	269,647,900	396,674,900
Unemployment Special Assessment (2558)	97,869,100	156,845,500	0
Total - Dept. of Economic Security	$2,380,972,100	$2,067,173,500	$1,882,954,600
Department of Education (EDA)			
Academic Contest (1006)	0	0	0
Agricultural Youth Organization Special Plate, AZ (2547)	20,700	20,700	20,700

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
American Competitiveness Project (2361)	0	0	0
Assistance for Education (2420)	0	0	0
Character Education Special Plate (2522)	44,500	40,000	40,000
Charter Schools Stimulus (1007)	0	0	0
Classroom Site (2471)	283,544,200	320,310,400	320,310,400
Displaced Pupils Choice Grant (2533)	0	0	0
Early Graduation Scholarship (2364)	0	0	0
Education Commodity (4210)	73,400	99,300	99,300
Education Donations (2025)	121,800	114,500	114,500
Education Learning and Accountability (2552)	0	0	0
Failing Schools Tutoring (2470)	1,956,600	1,816,500	1,816,500
Federal (2000)	1,027,915,100	1,053,001,800	1,053,001,800
Federal Grants - American Recovery & Reinvestment Act (2999)	137,821,200	21,083,000	21,083,000
Golden Rule Special Plate (2366)	180,800	180,500	180,500
IGA and ISA (2500)	11,494,300	3,718,300	3,718,300
Indirect Cost Recovery (9000)	3,966,500	5,042,000	5,042,000
Instructional Improvement (2492)	42,221,400	42,090,000	42,090,000
Internal Services (4209)	3,889,000	3,598,800	3,598,800
Production Revolving (4211)	1,700,200	2,013,800	2,013,800
Proposition 301 (1014)	95,143,000	94,484,000	94,484,000
Scholarships for Pupils with Disabilities Program, AZ (2534)	0	0	0
Special Education (1009)	0	0	0
Structured English Immersion, Arizona (2535)	0	0	0
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Youth Farm Loan, Arizona (2136)	0	0	0
Total - Department of Education	$1,610,092,700	$1,547,613,600	$1,547,613,600
Department of Emergency & Military Affairs (MAA)			
Camp Navajo (2106)	10,763,000	10,869,000	10,061,100
Emergency Management Registration Fee (2087)	0	0	0
Federal Funds - Emergency (2000)	12,084,700	13,904,200	11,909,100
Federal Funds - Military (2000)	51,120,800	45,326,200	36,533,000
Freedom Academy (2104)	0	3,600	0
Indirect Cost Recovery (9000)	811,600	977,300	977,300
Interagency Service Agreement (2500)	927,900	815,800	815,800
Military Installation (1010)	0	0	0
Morale, Welfare and Recreational (2124)	4,400	6,000	6,000
National Guard (2140)	228,800	219,400	105,700
National Guard Relief (2349)	0	60,000	60,000
Nuclear Emergency Management (2138)	0	0	0
State Armory Property (2146)	0	0	0
Statewide Donations (2025)	315,100	2,300	0
Total - Department of Emergency & Military Affairs	$76,256,300	$72,183,800	$60,468,000
Department of Environmental Quality (EVA)			
Brownfields Cleanup Revolving Loan (2456)	0	0	0
Clean Water Revolving (2254)	98,878,800	97,577,800	97,939,000
Donations (2449)	5,300	1,400	1,400
Drinking Water Revolving (2307)	36,751,300	30,987,200	31,674,500
Federal (2000)	18,195,700	16,539,500	16,539,500
Federal Grants - American Recovery & Reinvestment Act (2999)	493,900	0	0
Greater AZ Development Authority Revolving (2311)	43,900	46,000	46,000
Greenfields Program (2309)	0	0	0
Hardship Grant (2437)	0	0	0
IGA & ISA (2500)	5,218,400	6,718,800	6,718,800
Institutional and Engineering Control (2563)	18,500	41,100	41,100
Intergovernmental Agreement (2180)	0	0	0
Monitoring Assistance (2308)	731,400	789,100	789,100
Regulated Substance (2545)	0	19,111,500	19,111,500
Small Water Systems (2225)	0	0	0
Specific Site Judgment (3006)	111,000	265,800	265,800
Technical Appeals Program (3411)	0	0	0
UST - Area A Assurance Account (2271)	2,844,200	0	0
UST - Municipal Tank Closure & Corrective Action Program Account (2271)	96,200	0	0
UST - Non-Maricopa County Assurance Account (2271)	5,756,900	0	0
UST - Policy Commission (2271)	0	0	0
UST - Regulatory Account (2271)	411,700	422,300	422,300
UST - Technical Appeals Account (2271)	0	0	0
Voluntary Lawn & Garden Equipment Emissions Reduction (2306)	0	0	0

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
Voluntary Remediation (2564)	145,000	183,000	183,000
Voluntary Vehicle Repair & Retrofit (2365)	0	0	0
Water Quality Assurance Revolving (2221)	10,434,300	15,010,600	15,010,600
Total - Department of Environmental Quality	$180,136,500	$187,694,100	$188,742,600
Equal Opportunity, Governor's Office of (AFA)			
Equal Employment & Economic Development (2000)	$70,700	$90,900	$90,900
State Department of Financial Institutions (BDA)			
IGA and ISA Fund (2500)	67,300	72,000	72,000
Mortgage Recovery (1997)	0	0	0
Receivership Revolving (3023)	1,320,800	503,500	13,500
Revolving (2126)	871,600	1,053,300	753,300
Total - State Department of Financial Institutions	$2,259,700	$1,628,800	$838,800
Department of Fire, Building and Life Safety (MMA)			
Arson Detection Reward (2169)	900	0	0
Building and Fire Safety (2211)	0	0	0
Condominium and Planned Community Hearing Office (2537)	14,000	0	0
Consumer Recovery (3090)	22,100	0	0
Federal Grant (2000)	309,400	164,100	164,100
Interagency Service Agreement (2500)	76,100	39,700	39,700
Manufactured Housing Cash Bond (3722)	0	0	0
Mobile Home Relocation (2237)	444,700	461,400	461,400
Total - Department of Fire, Building and Life Safety	$867,200	$665,200	$665,200
State Forester (FOA)			
Community Protection Initiative (2343)	0	0	0
Cooperative Forestry (2232)	6,651,100	5,362,500	5,362,500
Federal Grants - American Recovery & Reinvestment Act (2999)	1,284,600	329,800	329,800
Fire Suppression Revolving (2360)	25,508,000	11,917,000	11,917,000
Total - State Forester	$33,443,700	$17,609,300	$17,609,300
Arizona Game & Fish Department (GFA)			
Big Game Permit (3712)	0	0	0
Conservation Development (2062)	0	0	0
Federal (2000)	16,100	0	0
Federal Grants - American Recovery & Reinvestment Act (2999)	239,500	51,500	51,500
Federal Revolving (2028)	33,950,200	29,162,100	29,162,100
Firearms Safety and Ranges (2442)	0	0	0
Game and Fish Trust (3111)	1,907,900	2,700,000	2,700,000
Heritage (2295)	4,431,200	12,495,400	12,495,400
IGA and ISA (2500)	28,000	0	0
Indirect Cost Recovery (9000)	3,394,300	2,888,900	2,888,900
Kaibab Co-op (3714)	69,700	36,900	36,900
Off Highway Vehicle Recreation (2253)	1,496,200	1,570,400	1,570,400
Publications Revolving (4007)	138,400	150,000	150,000
Wildlife Conservation (2497)	5,945,700	6,265,100	6,265,100
Wildlife Theft Prevention (2080)	155,500	51,900	51,900
Total - Arizona Game & Fish Department	$51,772,700	$55,372,200	$55,372,200
Arizona Geological Survey (GSA)			
Federal Grants (2000)	693,700	852,000	852,000
Federal Grants - American Recovery & Reinvestment Act (2999)	5,308,600	6,924,100	6,924,100
Geological Survey (3030)	1,023,000	507,000	507,000
Indirect Cost Recovery (9000)	834,600	534,900	534,900
Total - Arizona Geological Survey	$7,859,900	$8,818,000	$8,818,000
Office of the Governor (GVA)			
Biofuels Conversion Program, Arizona (6666)	0	0	0
Border Security, Immigration Legal Defense (3212)	0	0	0
County Fairs Livestock & Agricultural Promotion (2037)	0	0	0
Endowment Partnership (3206)	1,324,900	1,300,900	1,289,500
Energy Conservation (3209)	0	0	0
Energy Office Donations (EPA3189)	0	0	0
Federal Grants (2000)	19,977,600	48,615,400	17,820,600
Federal Grants - American Recovery & Reinvestment Act (2999)	167,700,400	20,603,000	3,332,200
Governor's Arizona Promotional & Public Service (3207)	0	0	0
IGA and ISA (2500)	631,800	628,600	628,600
Inauguration (3214)	0	0	0
Indirect Cost Recovery (9000)	903,800	1,349,500	1,349,500
Oil Overcharge (3171)	163,800	254,000	254,000
Other Non-Appropriated Funds (2038)	0	0	0
Prevention of Child Abuse (2439)	392,400	388,000	388,000
Statewide ARRA Administration SWCAP (2950)	2,450,300	121,200	0
Total - Office of the Governor	$193,545,000	$73,260,600	$25,062,400

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
Department of Health Services (HSA)			
Addiction Reduction and Recovery (2523)	100	0	0
Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (2513)	335,600	180,000	180,000
Childhood Cancer and Rare Childhood Disease Research (NA)	0	0	0
Disease Control Research (2090)	2,200,500	2,427,000	2,427,000
Donations - DHS (3010/2025)	222,300	224,100	224,100
Donations - Statewide (2025)	5,800	2,800	2,800
Federal Grants (2000)	302,519,800	313,641,100	313,641,100
Federal Grants - American Recovery & Reinvestment Act (2999)	3,843,000	1,339,300	1,339,300
Federal Medicaid Services (2500)	853,785,000	840,658,800	845,913,600
IGA/County Contributions (2144/2500)	77,319,400	77,257,200	77,257,200
Internal Services (4202)	0	0	0
Medical Marijuana (9999)	1,682,500	4,250,700	4,250,700
Medical Student Loan (MSA3306)	0	15,000	15,000
Multiple Sclerosis Awareness (NA)	0	0	0
Oral Health (3038)	258,100	286,100	286,100
Prescription Drug Rebate (2546)	0	0	0
Risk Assessment (2427)	14,400	20,000	20,000
Serious Mental Illness Services (2464)	0	0	0
Seriously Mentally Ill Housing Trust (2555)	0	2,000,000	2,000,000
Service Fees Increase (1050)	1,100	0	0
Smoke-Free Arizona (2541)	3,242,900	2,940,500	2,940,500
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Tobacco Tax & Health Care - Health Education Account (1308)	18,076,300	18,400,000	18,400,000
Tobacco Tax & Health Care - Health Research Account (DSA2096)	5,946,400	5,027,000	5,027,000
Tobacco Tax & Health Care - Medically Needy Account (1306)	0	0	0
Total - Department of Health Services	$1,269,453,200	$1,268,669,600	$1,273,924,400
Arizona Historical Society (HIA)			
Federal Grants (2000)	0	0	0
Permanent Arizona Historical Society Revolving (2900)	364,900	399,900	397,900
Preservation and Restoration (2125)	20,000	48,600	47,400
Private (9447)	449,700	322,000	344,900
Private Grants (9449)	38,100	11,300	22,400
Restricted (9448)	80,300	162,200	124,500
Trust (9450)	0	4,200	400
Total - Arizona Historical Society	$953,000	$948,200	$937,500
Prescott Historical Society of Arizona (PHA)			
Sharlot Hall Historical Society (9505)	$917,500	$566,700	$566,700
Department of Homeland Security (HLA)			
Federal Funds (2000)	$47,737,500	$41,750,900	$23,464,000
Arizona Department of Housing (HDA)			
Federal Funds (2000)	87,641,100	88,844,200	79,042,100
Federal Grants - American Recovery & Reinvestment Act (2999)	7,360,700	778,800	0
Housing Development (2313)	0	0	0
Housing Program (9600)	3,129,100	4,332,400	4,600,700
Housing Trust (2235)	5,373,500	10,322,300	11,599,100
IGA & ISA Fund (2500)	369,900	502,100	264,300
Total - Arizona Department of Housing	$103,874,300	$104,779,800	$95,506,200
Arizona Commission of Indian Affairs (IAA)			
IGA and ISA (2500)	0	0	0
Indian Town Hall, Arizona (4014)	0	500	500
Publications (4013)	0	1,500	1,500
Statewide Donations (2025)	12,300	12,500	12,500
Total - AZ Commission of Indian Affairs	$12,300	$14,500	$14,500
Industrial Commission of Arizona (ICA)			
Federal Grants (2000)	4,956,100	5,897,200	6,079,900
Revolving (2002)	240,800	132,800	132,800
Special (9003)	35,908,600	31,241,200	29,541,200
Total - Industrial Commission of Arizona	$41,105,500	$37,271,200	$35,753,900
Department of Insurance (IDA)			
Assessment Fund for Voluntary Plans (2316)	141,700	138,500	138,500
Captive Insurance Regulatory/Supervision (2377)	146,700	140,600	140,600
Federal (2000)	751,900	546,100	0
Financial Surveillance (2473)	295,200	329,900	329,900

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
Health Care Appeals (2467)	258,600	231,200	231,200
Insurance Examiners' Revolving (2034)	5,485,100	5,706,400	5,706,400
Life and Disability Insurance Guaranty (2154)	1,364,500	1,412,600	1,409,900
Property and Casualty Insurance Guaranty, AZ (2114)	842,200	751,800	749,100
Receivership Liquidation (3104)	45,300	48,900	48,900
Total - Department of Insurance	$9,331,200	$9,306,000	$8,754,500
Judiciary - Supreme Court (SPA)			
Alternative Dispute Resolution (3245)	162,800	183,800	183,800
Certified Reporters (2440)	97,200	130,000	130,000
Grants and Special Revenue (2084)	15,281,200	23,880,900	23,880,900
Lengthy Trial, Arizona (2382)	507,300	946,200	946,200
Public Defender Training (3013)	684,600	703,600	703,600
Total - Judiciary - Supreme Court	$16,733,100	$25,844,500	$25,844,500
Judiciary - Superior Court (SPA)			
Community Punishment Program Fines (2119)	62,900	30,800	30,800
Drug and Gang Enforcement Account (2074)	2,099,300	1,608,200	1,608,200
Drug Treatment and Education (2277)	3,675,800	3,839,800	3,839,800
Grants and Special Revenue (2084)	1,495,200	1,618,500	1,618,500
Juvenile Probation Services (2193)	0	0	0
State Aid to Detention (2141)	0	0	0
Total - Judiciary - Superior Court	$7,333,200	$7,097,300	$7,097,300
Department of Juvenile Corrections (DJA)			
DJC Career Technical Education (2326)	0	0	0
DJC Restitution (2476)	0	0	0
Employee Recognition (2449)	200	0	0
Federal (2000)	1,384,500	1,239,100	1,239,100
IGA and ISA Fund (2500)	0	0	0
Indirect Cost Recovery (9000)	0	0	0
Instructional Improvement (2492)	0	0	0
Juvenile Corrections (3024)	44,400	44,800	44,800
State Education System for Committed Youth Classroom Site (2487)	174,800	166,800	166,800
Statewide Donations (2025)	6,700	0	0
Training Institute (2001)	0	0	0
Total - Department of Juvenile Corrections	$1,610,600	$1,450,700	$1,450,700
State Land Department (LDA)			
CAP Municipal & Industrial Repayment (2129)	0	0	0
Federal Grants - American Recovery & Reinvestment Act (2999)	796,400	44,100	44,100
Federal Reclamation Trust (2024)	15,300	15,000	15,000
Interagency Agreements (2212)	34,500	62,000	62,000
Military Airport Land Exchange (NA)	0	0	0
Off-Highway Vehicle Recreation (2253)	280,400	280,000	280,000
Resource Analysis Division Revolving (4009)	56,900	77,400	77,400
Riparian Acquisition Trust (3201)	0	0	0
State Land Department (2451)	422,200	425,000	425,000
Universities Timber Land Account (3134)	0	0	0
Total - State Land Department	$1,605,700	$903,500	$903,500
Legislature - Auditor General (AUA)			
Audit Services Revolving (2242)	$2,380,100	$1,867,800	$1,867,800
Department of Liquor Licenses & Control (LLA)			
Anti-Racketeering Revolving (2131)	29,300	0	0
Audit Surcharge (3010)	183,100	181,500	181,500
Enforcement Surcharge - Enforcement Unit (3012)	303,800	335,200	335,200
Enforcement Surcharge - Multiple Complaints (3011)	398,900	402,900	402,900
Federal Grants (2000)	113,500	0	0
Total - Department of Liquor Licenses & Control	$1,028,600	$919,600	$919,600
Arizona State Lottery Commission (LAO)			
State Lottery (2122)	400,641,900	423,334,100	450,653,200
Debt Service Fund	20,709,600	37,499,600	37,499,800
University Capital Improvement (NA)	10,298,500	13,330,600	18,531,200
Mass Transit (NA)	11,200,000	12,040,000	12,642,000
Total - Arizona State Lottery Commission	$442,850,000	$486,204,300	$519,326,200
State Mine Inspector (MIA)			
Abandoned Mines Safety (2408)	8,500	81,500	81,500
Federal Education and Training (2400)	31,900	54,100	54,100
Federal Grants (2000)	360,500	281,800	281,800
IGA and ISA (2500)	0	0	0
Total - State Mine Inspector	$400,900	$417,400	$417,400

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
State Board of Nursing (BNA)			
Nurse Aide Training & Registration (2000)	$606,200	$414,600	$414,600
Statewide Donations (2025)	84,500	93,200	93,200
Total - State Board of Nursing	$690,700	$507,800	$507,800
AZ Parents Commission on Drug Education & Prevention (PCA)			
Drug Treatment and Education (2277)	$4,379,900	$5,167,900	$5,167,900
Arizona State Parks Board (PRA)			
Arizona Trail Fund (2525)	0	0	0
Development Rights Retirement (NA)	0	0	0
Federal (2000)	2,685,100	3,815,000	3,815,000
Land Conservation - Administration Account (2432)	0	227,200	227,200
Land Conservation - Donation Account (2432)	0	0	0
Land Conservation - Public Conservation Account (2432)	40,460,000	25,590,200	17,085,200
Off Highway Vehicle Recreation (2253)	1,585,800	4,136,600	2,700,100
Partnership (2448)	444,400	752,200	354,000
Publications and Souvenir Revolving (4010)	372,300	149,100	0
State Lake Improvement (2105)	3,818,100	6,000,000	5,880,000
State Parks Enhancement (2202)	0	0	0
State Parks Fund (3117)	112,400	300,000	180,000
Total - Arizona State Parks Board	$49,478,100	$40,970,300	$30,241,500
Office of Pest Management (SBA)			
Federal Fund (2000)	$116,600	$113,500	$113,500
Service Fees Increase (1050)	4,100	0	0
Total - Office of Pest Management	$120,700	$113,500	$113,500
Arizona State Board of Pharmacy (PMA)			
Controlled Substances Prescription Monitoring Program (2359)	236,100	323,100	323,100
Federal Grants (2000)	2,700	2,200	2,200
Total - Arizona State Board of Pharmacy	$238,800	$325,300	$325,300
Arizona Pioneers' Home (PIA)			
IGA and ISA (2500)	0	0	0
Pioneers' Home Fund (Cemetery Proceeds) (3144)	15,300	12,000	12,000
Pioneer's Home Fund (Donations) (3143)	0	0	0
Statewide Employee Recognition Gifts (2449)	2,700	3,300	3,300
Total - Arizona Pioneers' Home	$18,000	$15,300	$15,300
Commission for Postsecondary Education (PEA)			
Early Graduation Scholarship (2364)	0	0	0
Family College Savings Program Trust (3121)	342,600	452,900	452,900
Federal Grant Fund (2000)	1,293,500	1,200,000	1,200,000
IGA & ISA Fund (2500)	0	603,900	0
Mathematics, Science, & Special Education Student Teacher Loan (2358)	0	0	0
Postsecondary Education (2405)	37,100	29,900	29,900
Postsecondary Education Grant Program (2530)	0	0	0
Private Postsecondary Education Student Financial Assistance (2128)	0	0	0
Teachers Incentive Program (2249)	0	0	0
Total - Commission for Postsecondary Education	$1,673,200	$2,286,700	$1,682,800
Arizona Power Authority (PAA)			
Hoover Uprating (1113)	35,224,500	35,178,700	35,178,700
Interest Income (1112)	8,700	5,500	5,500
Power Authority, Arizona (9506)	5,342,900	4,100,000	4,100,000
Total - Arizona Power Authority	$40,576,100	$39,284,200	$39,284,200
State Board for Private Postsecondary Education (PVA)			
Student Tuition Recovery (3027)	$71,800	$115,300	$103,100
Department of Public Safety (PSA)			
Anti-Racketeering Revolving (3123)	4,604,500	5,931,100	5,931,100
Capitol Police Administrative Towing (1999)	14,800	12,000	12,000
Conferences, Workshops, and Other Education (2700)	0	0	0
Criminal Justice Enhancement (3702)	0	0	0
DPS Administration (2322)	2,441,100	2,408,000	2,046,600
DPS Licensing Fund (2490)	1,044,100	1,131,000	1,131,000
Driving Under the Influence Abatement (2422)	0	0	0
Families of Fallen Police Officers Special Plate Fund (2386)	165,000	150,300	150,000
Federal Grants - American Recovery & Reinvestment Act (2999)	2,101,400	30,200	0
Federal Grants and Reimbursements (2000)	32,889,400	32,293,900	25,753,900
Fingerprint Clearance Card (2433)	4,639,400	6,071,800	6,071,800
Fingerprinting Fund, Board of (2435)	490,400	576,200	576,200

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
IGA and ISA Fund (2500)	6,981,200	9,198,000	8,125,400
Indirect Cost Recovery (9000)	615,300	2,120,900	614,500
Motor Carrier Safety Revolving (2380)	4,900	10,800	10,800
Peace Officers' Training (2049)	6,884,900	8,361,100	7,098,100
Public Safety Equipment Fund (2391)	998,300	1,200,000	1,200,000
Records Processing (2278)	4,879,300	5,396,900	5,396,900
State Highway Work Zone Safety (2480)	0	0	0
Statewide Donations (2025)	0	0	0
Traffic and Parking Control (ADA2453)	0	0	0
Total - Department of Public Safety	$68,754,000	$74,892,200	$64,118,300
Public Safety Personnel Retirement System (NA)			
Fire Fighter and Peace Officer Cancer Insurance Policy Program Administrative Expenses (NA)	0	28,900	28,900
Investment and Administrative Expenses (NA)	37,551,300	36,407,500	36,407,500
Total - Public Safety Personnel Retirement System	$37,551,300	$36,436,400	$36,436,400
Arizona Department of Racing (RCA)			
Breeders Award, Arizona (2206)	0	0	0
County Fair Racing (2170)	0	0	0
County Fairs Racing Betterment (2207)	0	0	0
Greyhound and Retired Racehorse Adoption (2015)	1,800	3,400	3,400
Racing Investigation (2369)	22,800	20,000	20,000
Stallion Award (2315)	0	0	0
Unarmed Combat (2393)	5,500	74,500	74,500
Total - Arizona Department of Racing	$30,100	$97,900	$97,900
Radiation Regulatory Agency (AEA)			
Federal Grants (2000)	285,100	211,900	211,900
Laser Safety (2138)	16,200	45,000	45,000
Nuclear Emergency Management (2138)	0	0	0
Total - Radiation Regulatory Agency	$301,300	$256,900	$256,900
State Real Estate Department (REA)			
Condominium Recovery (3121)	26,100	0	0
Education Revolving (4011)	2,800	11,800	11,800
Real Estate Recovery (3119)	114,100	132,000	132,000
Total - State Real Estate Department	$143,000	$143,800	$143,800
Arizona State Retirement System (RSA)			
Administration Account - Investment Expenses (1407)	64,977,100	71,715,000	74,712,000
Long-Term Disability Administration Account (1408)	16,900	0	0
Total - Arizona State Retirement System	$64,994,000	$71,715,000	$74,712,000
Department of Revenue (RVA)			
Client County Equipment Capitalization (2457)	0	0	0
Escheated Estates (3745)	299,400	0	0
Estate and Unclaimed Property (1520)	40,049,500	41,000,000	42,000,000
I Didn't Pay Enough (6001)	0	0	0
IGA and ISA (2500)	123,000	150,000	150,000
Revenue Publications Revolving (2166)	10,800	0	0
Special Collections (2168)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	300	0	0
Waste Tire (2356)	0	0	0
Total - Department of Revenue	$40,483,000	$41,150,000	$42,150,000
School Facilities Board (SFA)			
Building Renewal (2465)	0	0	0
Building Renewal Grant (7777)	0	0	0
Deficiencies Correction (2455)	0	0	0
Emergency Deficiencies Correction (2484)	2,334,100	2,669,900	0
Federal Grants - American Recovery & Reinvestment Act (2999)	16,540,500	101,300	0
Land Trust Bond Debt Service (5030)	24,248,700	24,250,200	24,248,600
Lease-to-Own Debt Service (2373)	0	0	0
New School Facilities (2460)	41,855,200	30,371,400	28,201,000
School Improvement Revenue Bond Debt Service (5020)	64,224,900	64,145,900	64,157,300
Total - School Facilities Board	$149,203,400	$121,538,700	$116,606,900
Secretary of State - Department of State (STA)			
Address Confidentiality Program (2557)	0	0	0
Blue Book Revolving, Arizona (2006)	0	0	0
Data Processing Acquisition (2265)	46,000	46,000	46,000
Election Training (2521)	0	0	0
Federal Grants (LAA2000)	3,832,000	3,577,100	3,577,100
Federal Grants - American Recovery & Reinvestment Act (2999)	668,900	935,600	0
Gift Shop Revolving (LAA4008)	76,900	76,900	76,900

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
Health Care Directives Registry (2508)	0	0	0
Notary Bond (3000)	106,600	106,600	106,600
Standing Political Committee Administrative (2426)	7,900	7,900	7,900
State Library (LAA2115)	921,900	902,300	902,300
Total - Secretary of State - Department of State	$5,660,200	$5,652,400	$4,716,800
Office of Tourism (TOA)			
Tourism (2236)	$11,697,400	$12,869,900	$12,869,900
Department of Transportation (DTA)			
Highways Magazine, Arizona (2031)	4,685,900	4,780,800	4,780,800
Cash Deposits (2266)	10,100	15,000	15,000
Contract Counsel (4212)	0	0	0
ADOT Donations (3080)	0	0	0
Federal Grants (2097)	1,756,400	1,620,000	1,620,000
Highway Expansion & Extension Loan Program (2417)	35,600	40,600	40,600
International Development Authority, AZ (1994)	0	0	0
Local Agency Deposits (3701)	552,100	580,000	580,000
Maricopa Regional Area Road (2029)	23,743,600	24,405,000	24,405,000
Motor Carrier Safety Revolving (2380)	0	0	0
Railroad Review Fund (2493)	12,200	135,000	135,000
Rental Tax and Bond Deposit (3737)	0	0	0
Shared Location and Advertising Agreements Expense (2414)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	21,100	20,000	20,000
Statewide Special Plates (2650)	858,700	869,500	869,500
Underground Storage Tank Revolving (3728)	0	0	0
Total - Department of Transportation	$31,675,700	$32,465,900	$32,465,900
State Treasurer (TRA)			
African-American Affairs, AZ Commission of (AMA2397)	0	0	0
Criminal Justice Enhancement (3702)	5,059,700	5,059,700	5,059,700
Total - State Treasurer	$5,059,700	$5,059,700	$5,059,700
Arizona Board of Regents (BRA)			
Federal (2000)	365,500	1,075,900	1,005,900
Health Education Center Program, AZ (BRA2)	0	0	0
Regents Local (BRA1)	2,746,100	4,698,200	2,632,600
Technology and Research Initiative (2472)	778,400	2,565,500	2,565,500
Trust Land (3131/3132/3134/3136)	3,817,400	3,880,900	3,837,300
Total - Arizona Board of Regents	$7,707,400	$12,220,500	$10,041,300
Arizona State University - Tempe/DPC (ASA)			
Auxiliary (UNI8906)	116,942,600	115,975,600	117,096,000
Designated (UNI8905)	390,363,200	474,455,400	477,819,800
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	272,818,900	278,619,300	299,009,000
Federal Grants - American Recovery & Reinvestment Act (UNI2999)	0	0	0
Federal Indirect Cost Recovery (UNI8902)	0	0	0
Indirect Cost Recovery (Non-Federal) (UNI8900)	329,500	1,901,300	1,920,000
Loan (UNI8901)	235,700	0	0
Restricted (Excluding Federal Funds) (UNI8907)	107,079,100	115,532,300	116,662,900
University Capital Improvement Lease-to-Own & Bond (BRA3042)	433,700	515,700	515,700
Total - Arizona State University - Main Campus	$888,202,700	$986,999,600	$1,013,023,400
Arizona State University - East Campus (ASA)			
Auxiliary (UNI8906)	625,600	43,500	32,200
Designated (UNI8905)	20,048,900	33,222,700	33,464,000
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	4,779,700	4,927,900	5,311,000
Restricted (Excluding Federal Funds) (UNI8907)	3,307,400	4,442,100	4,483,000
Total - Arizona State University - East Campus	$28,761,600	$42,636,200	$43,290,200
Arizona State University - West Campus (ASA)			
Auxiliary (UNI8906)	628,200	82,600	330,700
Designated (UNI8905)	32,963,900	35,520,200	35,789,800
Endowment and Life Income (UNI8904)	1,500	0	0
Federal Grants (UNI8903)	7,793,700	8,099,100	8,668,000
Loan (UNI8901)	0	0	0
Restricted (Excluding Federal Funds) (UNI8907)	9,288,200	7,131,600	7,198,900
Total - Arizona State University - West Campus	$50,675,500	$50,833,500	$51,987,400
Northern Arizona University (NAA)			
Auxiliary (UNI8906)	55,533,000	59,118,800	59,750,000
Designated (UNI8905)	88,014,900	97,549,100	100,160,600
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	72,781,600	73,680,400	74,377,400

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
Federal Indirect Cost Recovery (UNI8902)	2,666,200	2,522,000	2,587,000
Indirect Cost Recovery (Non-Federal) (UNI8900)	3,335,500	3,368,800	3,402,400
Loan (UNI8901)	624,500	240,000	245,000
Restricted (Excluding Federal Funds) (UNI8907)	32,227,600	32,549,700	32,875,100
University Capital Improvement Lease-to-Own & Bond (BRA3042)	501,600	967,600	1,300,600
Total - Northern Arizona University	$255,684,900	$269,996,400	$274,698,100
University of Arizona - Main Campus (UAA)			
Auxiliary (UNI8906)	190,926,800	200,254,700	204,410,400
Designated (UNI8905)	440,497,900	454,513,600	467,882,700
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	223,335,600	230,035,500	236,734,900
Federal Grants - American Recovery & Reinvestment Act (UNI2999)	0	0	0
Federal Indirect Cost Recovery (UNI8902)	50,389,600	51,901,200	53,413,300
Indirect Cost Recovery (Non-Federal) (UNI8900)	8,528,000	8,783,800	9,039,600
Loan (UNI8901)	410,400	464,200	477,700
Restricted (Excluding Federal Funds) (UNI8907)	154,717,600	166,409,100	170,774,200
University Capital Improvement Lease-to-Own & Bond (BRA3042)	1,639,300	1,849,500	2,149,500
Total - University of Arizona - Main Campus	$1,070,445,200	$1,114,211,600	$1,144,882,300
University of Arizona - Health Sciences Center (UAA)			
Auxiliary (UNI8906)	7,955,200	8,193,900	8,432,500
Designated (UNI8905)	51,239,100	52,776,500	54,313,600
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	80,238,500	82,645,700	85,052,500
Federal Indirect Cost Recovery (UNI8902)	25,754,100	26,526,500	27,299,000
Indirect Cost Recovery (Non-Federal) (UNI8900)	2,709,000	2,790,300	2,871,600
Restricted (Excluding Federal Funds) (UNI8907)	100,359,600	103,370,400	106,413,200
Total - University of Arizona - Health Sciences Ctr	$268,255,500	$276,303,300	$284,382,400
Veterans' Services, Department of (VSA)			
Federal (2000)	647,500	392,600	392,600
Military Family Relief (2339)	562,100	443,600	443,600
Southern Arizona Veterans' Cemetery Trust (2499)	176,000	183,600	183,600
Statewide Employee Recognition Gifts (2449)	200	0	0
Veterans' Cemetery (2481)	18,300	1,718,600	5,942,100
Veterans' Donations (2441)	1,910,000	726,700	1,618,600
Total - Department of Veterans' Services	$3,314,100	$3,465,100	$8,580,500
Department of Water Resources (WCA)			
Administrative (3025)	0	0	0
Augmentation and Conservation Assistance (2213)	125,700	875,000	875,000
Colorado River Water Use Fee Clearing (2538)	10,000	8,000	8,000
Dam Repair (2218)	195,700	250,000	250,000
Federal Grants (2000)	420,600	325,900	325,900
Flood Warning System (1021)	0	50,000	50,000
General Adjudications (2191)	27,400	21,800	21,800
Indirect Cost Recovery (9000)	30,600	500,100	500,100
Interagency Service Agreement (2500)	368,300	474,600	474,600
Production and Copying (2411)	200	5,000	5,000
Publications and Mailings (2410)	5,100	6,000	6,000
Purchase and Retirement Fund (2474)	0	0	0
Statewide Donations (2025)	800	20,000	20,000
Water Banking, Arizona (2110)	3,355,200	4,990,600	4,990,600
Water Protection, Arizona (1302)	2,765,100	1,766,100	1,766,100
Water Quality, Arizona (2304)	160,800	300,800	300,800
Well Administration and Enforcement (2491)	219,100	325,700	325,700
Total - Department of Water Resources	$7,684,600	$9,919,600	$9,919,600
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	$16,263,598,200	$16,088,483,900	$15,729,984,600
Subtotal - Other Funds	6,142,161,400	6,626,600,800	6,495,847,200
Subtotal - Federal Funds	10,121,436,800	9,461,883,100	9,234,137,400
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	$16,263,598,200	$16,088,483,900	$15,729,984,600

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
CAPITAL - NON-APPROPRIATED			
Aviation Federal Funds (2267)	564,000	978,000	1,000,000
Federal Grants (2097)	623,000,000	643,486,000	643,486,000
Economic Strength Project (2244)	1,000,000	1,000,000	1,000,000
Highway Expansion & Extension Loan Program (2417)	0	0	0
Local Agency Deposits (3701)	94,210,000	100,000,000	100,000,000
Maricopa Regional Area Road (2029)	234,830,000	470,066,000	400,268,000
Department of Public Safety IGA/ISA (2500)	146,300	800,000	696,200
Department of Public Safety Federal Funds (2000)	616,200	153,800	153,800
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	$954,366,500	$1,216,483,800	$1,146,604,000
Subtotal - Other Funds	330,186,300	571,866,000	501,964,200
Subtotal - Federal Funds	624,180,200	644,617,800	644,639,800
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	$954,366,500	$1,216,483,800	$1,146,604,000
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	$17,217,964,700	$17,304,967,700	$16,876,588,600
Subtotal - Other Funds	6,472,347,700	7,198,466,800	6,997,811,400
Subtotal - Federal Funds	10,745,617,000	10,106,500,900	9,878,777,200
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	$17,217,964,700	$17,304,967,700	$16,876,588,600

1/ If General Fund monies are deposited into a non-appropriated fund, the expenditures of these monies are not displayed in this chart to avoid double counting.

2/ Represents Calendar Year 2011 and 2012. As of January 1, 2013, the State Compensation is no longer a state entity.

NA = No Fund Number

STATE PERSONNEL SUMMARY

Full-Time Equivalent Positions by Agency for Fiscal Years 2013 and 2014 1/

BUDGET UNITS	Fiscal Year 2013 General Fund	Fiscal Year 2013 Other Fund	Fiscal Year 2013 Total	Fiscal Year 2014 General Fund	Fiscal Year 2014 Other Fund	Fiscal Year 2014 Total
Accountancy, 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	161.0	0.0	161.0	161.0	0.0	161.0
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 2/	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	5.5	5.5
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	291.9	297.9
Corrections, State Department of	10,112.2	6.0	10,118.2	9,555.0	6.0	9,561.0
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 3/	2,232.4	3,221.1	5,453.5	2,232.4	3,221.1	5,453.5
Education, Department of	140.4	31.0	171.4	140.4	31.0	171.4
Emergency and Military Affairs, Department of 4/ 5/	66.6	0.0	66.6	62.1	0.0	62.1
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, State 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
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	757.0	419.7	1,176.7	757.0	419.7	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, 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	130.5	38.5	169.0
Court of Appeals	134.8	0.0	134.8	134.8	0.0	134.8
Superior Court	127.8	8.7	136.5	127.8	8.7	136.5
SUBTOTAL - Judiciary	393.1	47.2	440.3	393.1	47.2	440.3
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	1.0	0.0	1.0	1.0	0.0	1.0
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	97.8	97.8
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	0.0	7.0	7.0	0.0	7.0	7.0

BUDGET UNITS	Fiscal Year 2013 General Fund	Fiscal Year 2013 Other Fund	Fiscal Year 2013 Total	Fiscal Year 2014 General Fund	Fiscal Year 2014 Other Fund	Fiscal Year 2014 Total
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	40.2	40.2
Nursing Care Institution of Administrators, Bd	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
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	3.8	3.8
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, 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	322.7	1,581.0	1,903.7	322.7	1,581.0	1,903.7
Racing, Arizona Department of	0.0	40.5	40.5	0.0	40.5	40.5
Radiation Regulatory Agency 4/	20.5	13.0	33.5	16.0	13.0	29.0
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	0.0	233.9	233.9	0.0	233.9	233.9
Revenue, Department of	816.9	43.4	860.3	816.9	43.4	860.3
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	8.2	139.1
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 6/						
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	1,009.1	0.0	1,009.1
SUBTOTAL - Universities	15,588.6	0.0	15,588.6	15,588.6	0.0	15,588.6
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	34,037.9	15,335.5	49,373.4	33,457.3	15,337.1	48,794.4

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 1,174.8 FTE Positions in FY 2013 and 1,174.8 FTE Positions in FY 2014. The Other Fund FTE columns are funded from the Medicaid Federal Expenditure Authority.

3/ 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.

4/ 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. The FY 2014 FTE Positions will be appropriated by separate legislation.

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/ All university FTE Positions are attributed to the General Fund, although the universities fund these positions from Other Appropriated Funds as well.

FY 2014 BUDGET RECONCILIATION BILL PROVISIONS

The Baseline would include the enactment of statutory changes associated with its funding amount. The following provisions would be grouped by subject into Budget Reconciliation Bills (BRBs). New provisions in the Baseline are noted with an asterisk (*). Deleted BRB provisions are shown with strike-through text.

Statewide

1. As session law, continue to notwithstand A.R.S. § 35-121 to permit annual budgets for all departments.
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 office space and from $5.01/square foot to $4.74/square foot for storage space.
3. ~~As session law, require all Executive Branch agencies to submit a 5-year strategic plan with their regularly scheduled FY 2013 budget request.~~
4. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.

Arizona Department of Administration

5. ~~As session law, continue to prohibit implementation of a differentiated health insurance premium in FY 2013 based on the integrated or non-integrated status of the provider.~~

Office of Administrative Hearings

6. ~~As session law, continue to suspend the requirement that the office hear appealed actions and contested cases within 60 days of the filing.~~

Arizona Department of Agriculture

7. As session law, permit the Director, upon recommendation from the Agricultural Advisory Council, to continue to allow special fee authority in FY 2014. The bill includes an intent clause that limits additional revenues up to $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.

Attorney General - Department of Law

8. As permanent law, raise the non-lapsing cap for the Collections Enforcement Fund from $100,000 to $500,000. This provision had previously been in session law.

AHCCCS

Rates and Services

9. 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.
10. 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.
11. As session law, continue to require AHCCCS to monitor contractor compliance and performance requirements in the provision of covered dental services to eligible members.
*12. As permanent law, continue to provide coverage for 6 types of transplants which were restricted by Laws 2010, 7th Special Session, Chapter 10. Laws 2011, Chapter 31 effectively lifted the restriction but that provision is set to expire on December 31, 2013.
13. 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.
14. ~~As session law, allow AHCCCS not to adjust outpatient hospital fee schedules by inflation in the contract year beginning October 1, 2012.~~

Counties

15. As session law, set FY 2014 county Arizona Long Term Care System (ALTCS) contributions at $244,696,100.
16. 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.
17. 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.

18. 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.
19. As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.

Hospitals

20. As session law, establish FY 2014 disproportionate share distributions to the Maricopa County Hospital District, the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center.
21. 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.
22. ~~As session law, limit the disproportionate share payment attributed to Maricopa County Special Health District in FY 2012 and FY 2013 to $89,877,700.~~

Erroneous Payments

23. 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.
24. 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.

Available Funding

25. As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.

Arizona Commerce Authority

*26. As permanent law, prohibit the Application Fees Fund from being compensated by the Arizona Competes Fund for the unpaid fees of incentive recipients.

Arizona Community Colleges

27. As session law, continue to suspend capital outlay funding for FY 2014.

Registrar of Contractors

28. As session 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.

State Department of Corrections

29. As session law, continue to permit the department to award contracts for remaining 1,000 beds from 2,000-bed Request for Proposal issued by the department on February 2, 2012 only with legislative authorization.
30. 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.
31. As session law, continue to allow 2 ADC special funds to be used for general operations.

Department of Economic Security

32. 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.
33. As session law, continue to permit DES to reduce income eligibility levels for all child care programs. Require DES to report to the Joint Legislative Budget Committee within 15 days of any change in levels.
34. As session law, continue to allow use of the Long Term Care System Fund for any DES operational or programmatic expenses in FY 2014.

Department of Education

Formula Requirements

35. As permanent law, increase the transportation funding levels (A.R.S. § 15-945A5) and the charter school "Additional Assistance" amounts (A.R.S. § 15-185B4) by 1.8%.
36. As permanent law, maintain at $3,267.72 for FY 2014 the per pupil "base level" amount prescribed in A.R.S. § 15-901B2 (unchanged from FY 2013).

Funding Formula Changes

37. As session law, continue to reduce school districts' Soft Capital funding by $158,120,700. As session law, reduce Soft Capital funding to school districts that do not receive state aid for FY 2014 by the amount that would be reduced if they did qualify for state aid for FY 2014.
38. As session law, continue to reduce charter school Additional Assistance funding by $15,656,000 below the level that otherwise would be funded pursuant to A.R.S. § 15-185B4.
39. As session law, continue to reduce school district's CORL funding by $80,864,800. As session law, continue to reduce CORL funding to school districts that do not receive state aid for FY 2014 by the amount that would be reduced if they did qualify for state aid for FY 2014.
40. As session law, continue to cap total combined Soft Capital and CORL reductions for school districts with a student count of fewer than 1,100 pupils at $5,000,000.
41. As session law, continue to fund state aid for Joint Technological Education Districts (JTEDs) in FY 2014 at 91% of the formula requirement.

Other

*42. As permanent law, amend statutory language for computing state aid for accommodation schools to conform with current practice.
43. As permanent law, repeal the Early Graduation Scholarship program. This provision had previously been in session law since FY 2009.
*44. As permanent law, require 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.
~~45. As session law, continue to require community colleges and universities to transfer $6 per pupil to the Arizona Department of Education (ADE) by December 1, 2012 for deposit into the Education Learning and Accountability Fund.~~

Department of Emergency and Military Affairs

46. As session law, continue the $(1,100,000) reduction to the Governor's Emergency Fund deposit in FY 2014.

Department of Environmental Quality

47. As session law, 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.
48. 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.
~~49. As session law, allow $1,800,000 of the department's Emissions Inspection Fund monies to be spent on the Safe Drinking Water Program in FY 2013.~~

Board of Executive Clemency

50. As permanent law, specify that members of the Board of Executive Clemency, excluding the Chairman, are paid on an hourly basis and restrict them from being eligible for paid leave or any other benefits provided to state employees. This provision had previously been in session law.

Department of Health Services

51. As session law, continue to require all cities and counties to pay 100% of cost of Restoration to Competency treatment in FY 2014. Allow counties to use any source of county revenue to make the transfers.
52. As session law, continue to require counties to pay 50% of the cost of treatment and confinement for sexually violent persons. Allow counties to use any source of county revenue to make the transfers and exempt county contributions from county expenditure limitations.
53. As session law, notwithstand A.R.S. § 36-773 to permit DHS to use Tobacco Tax and Health Care Fund - Health Research Account for Alzheimer's disease research.

Department of Insurance

54. As session law, continue to notwithstand the provision that fees collected by the department fall between 95% and 110% of the department's appropriation.

Judiciary

~~55. As session law, continue to suspend the reporting requirements for the Annual Juvenile Intensive Probation Report, the Community Punishment Program Report, the Emancipation of Minors Report, the Annual Drug Treatment and Education Fund Report, the Annual Child Support Committee Report, and the Annual Domestic Relations Committee Report.~~

56. 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.
57. 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.

Arizona Navigable Stream Adjudication Commission

58. 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.

Arizona State Parks Board

59. As session law, continue to allow the use of $692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs.

Office of Pest Management

60. As session law, continue fee raising authority in FY 2014 for the Office of Pest Management. The bill would add an intent clause that limits additional revenues to $525,000.

Department of Public Safety

61. As session law, continue to suspend the schedule established by A.R.S. § 28-6537 governing the level of Highway User Revenue Fund (HURF) revenues available to fund DPS's Highway Patrol costs.

Department of Racing

62. As session law, continue the FY 2013 rulemaking exemption relating to establishing fees for the Department of Racing until the end of FY 2014.

Radiation Regulatory Agency

63. As session law, continue fee raising authority in FY 2014 for the Radiation Regulatory Agency. The bill would add an intent clause that limits additional revenues to $561,000.

School Facilities Board

64. As session law, continue to prohibit the School Facilities Board (SFB) from authorizing or awarding funding for the design or construction of any new school facility or for school site acquisition in FY 2014. Continue to require school districts to submit capital plans annually in FY 2014 and permit SFB to review and award new school facilities, subject to future appropriations.
65. As session law, continue to suspend the Building Renewal Fund formula for FY 2014.
* 66. As permanent law, require SFB to report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting by December 1 of each year the following information for each school district for the current fiscal year: the amount of outstanding principal on school district capital bonds, statutory bonding capacity, annual bond debt service, and a summary of the projects which were funded with the listed bond proceeds. Would require school districts to provide associated reports to SFB by September 15 to assist the agency in compiling the report.

Treasurer, State

* 67. As permanent law, require the counties that receive a portion of their Justice of the Peace compensation from the state to report to the Treasurer on the total and types of cases by category and the amount of earned Judicial Productivity Credits.

Universities

68. As session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into Arizona Financial Aid Trust (AFAT).
* 69. As permanent law, require the Arizona Board of Regents (ABOR) to report projected outstanding lease-purchase and bond balances for the upcoming budget year to the Directors of the Joint Legislative Budget Committee Staff and the Governor's Office of Strategic Planning and Budgeting by November 1 of the current year.
* 70. As permanent law, modify ABOR's current student enrollment report (A.R.S. § 15-1626) to delineate between out-of-state and in-state full-time equivalent students (FTE).
* 71. As session law, require ABOR to report on whether their performance model can be used to determine the systemwide performance budget request.

Department of Veterans' Services

*72. 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.

Department of Water Resources

73. 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.
74. 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.

Revenues

~~75. As session law, allow counties to use any source of county revenue to meet a county fiscal obligation for FY 2013. Requires counties using this authority to report to the Director of the Joint Legislative Budget Committee on the intended amount and sources of funds by October 1, 2012.~~

GENERAL APPROPRIATIONS ACT PROVISIONS

Arizona Commerce Authority

76. As session law, in accordance with statute (A.R.S. § 43-409), continue to allocate $31,500,000 of General Fund withholding tax revenue to the Authority in FY 2014.

Department of Economic Security

77. As session law, continue the $35,000,000 payment deferral to providers from FY 2014 to FY 2015. Appropriate $35,000,000 in FY 2015 for these deferred payments.

Department of Education

78. As session law, continue to defer $952,627,700 in Basic State Aid payments for FY 2014 until FY 2015. Appropriate $952,627,700 in FY 2015 for these deferred Basic State Aid payments. Allow the State Board of Education to make the rollover payment no later than August 29, 2014.
79. As session law, continue 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 or August 2014.

Universities

80. As session law, continue the $200,000,000 universitywide payment deferral to the universities from FY 2014 to FY 2015. Appropriate $200,000,000 in FY 2015 for these deferred payments.

Debt Service

81. As session law, appropriate $84,119,800 from the General Fund to the Arizona Department of Administration in FY 2014 for a debt service payment on the 2010 sale and lease-back of state buildings.

Revenues

82. As session law, continue to specify revenue and expenditure estimates for FY 2013, FY 2014, FY 2015, and FY 2016.
83. As session law, continue to require the Executive branch to provide JLBC preliminary estimates of FY 2013 ending balances by September 15, 2013. Require JLBC Staff to report to JLBC by October 15, 2013 as to whether FY 2014 revenues and ending balance are expected to change by more than $50,000,000 from budgeted projections.

Statewide

84. As session law, appropriate $67,800 from the General Fund and $712,900 from Other Appropriated Funds in FY 2014 for state lease-purchase and rental rate adjustments. The JLBC Staff shall determine and ADOA shall allocate these amounts to individual agencies.
85. As session law, continue to specify FY 2014 individual agency charges totaling $1,809,500 for general agency counsel provided by the Attorney General
86. As session law, continue to state legislative intent that all budget units receiving appropriations continue to report actual, estimated and requested expenditures in a format similar to prior years.
87. As session law, continue to require ADOA to compile a report on Full-Time Equivalent (FTE) Position usage in

FY 2014 in all agencies and provide it to the JLBC Director by October 1, 2014. The Department of Economic Security, Universities, and Department of Environmental Quality are exempt from the report but are required to report separately. The report would be expanded from prior years by including non-appropriated fund sources.

88. As session law, continue to require each agency to submit a report to the JLBC Director by October 1, 2013 on the number of filled FTE Positions by fund source as of September 1, 2013. The report would be expanded from prior years by including non-appropriated fund sources.
89. As session law, continue to require ADOA to report monthly to the JLBC Director on agency transfers of spending authority from one expenditure class to another or between programs.

General

90. As session law, continue to define "*" as designating an appropriation exempt from lapsing.
91. As session law, continue to define "expenditure authority" as continuously appropriated monies included in individual line items of appropriations.
92. As session law, continue to define "review by the Joint Legislative Budget Committee" as a review by a vote of a majority of a quorum of the members.

MAJOR FOOTNOTE CHANGES

The Baseline would include the following major modification of footnotes. This list does not include footnotes pertaining to one-time reports or appropriations.

Arizona Department of Administration

- Adds footnote to require counties to submit an annual report to the Arizona Department of Administration (ADOA) by October 1 on the use of County Attorney Immigration Enforcement monies; ADOA will report to the Directors of OSPB and JLBC by November 1 on the use of the funds.

AHCCCS

- Adds a footnote requiring a quarterly report from the AHCCCS Administration on health insurance exchange interaction and eligibility modification.

Corporation Commission

- Adds footnote requiring the Corporation Commission and the General Accounting Office to report to the Directors of JLBC and OSPB by November 1, 2013 on expenditures from the Utilities Audit, Studies, Investigations, & Hearings line item.

State Department of Corrections

- Modifies footnotes related to reporting requirements associated with the Department of Corrections adjusting bed capacity by adding requirement that reports cover budget year in addition to current and prior year.

Department of Economic Security

- Modifies existing language so that administrative adjustments from the prior fiscal year do not count against the $220.8 million TANF Block Grant appropriation in FY 2014, including a requirement that the department report by September 1, 2013 how much of the FY 2013 reverted amount from the TANF Block Grant will be spent as administrative adjustment in FY 2014 and excluded from the total. The Baseline also makes a comparable adjustment in the existing FY 2013 footnote.
- Deletes footnote indicating that $500,000 of the amount appropriated for Temporary Assistance for Needy Families Cash Benefits reflects appropriation authority only to ensure sufficient cash flow to administer cash benefits for tribes operating their own welfare programs. The department does not require the float and has been spending the funding on benefits.

Board of Executive Clemency

- Adds footnote requiring annual report on the total number and types of cases it reviews.

Department of Health Services

- Deletes footnote allowing the agency to use IGA/ISA monies for state match for Medicaid.

Statewide

- Modifies footnotes requiring agencies and ADOA to report on FTE Position utilization to include non-appropriated fund sources along with appropriated fund sources.

Capital - ADOT

- Modifies footnote requiring report on prior, current, and upcoming fiscal year highway construction spending from all fund sources to require the department to jointly produce the report with the General Accounting Office; it also adds a requirement for review of the report's format by the Directors of JLBC and OSPB.
- Adds footnote that formalizes an ADOT reporting requirement concerning capital outlay information.

INDIVIDUAL AGENCY ESTIMATES

Arizona State Board of Accountancy

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	13.0	13.0	13.0
Personal Services	651,000	690,400	690,400
Employee Related Expenditures	313,000	327,400	327,400
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	283,400
Equipment	7,400	15,000	15,000
AGENCY TOTAL	**1,640,100** 1/	**1,897,700** 2/	**1,897,700**
FUND SOURCES			
Other Appropriated Funds			
Board of Accountancy Fund	1,640,100	1,897,700	1,897,700
SUBTOTAL - Other Appropriated Funds	1,640,100	1,897,700	1,897,700
SUBTOTAL - Appropriated Funds	**1,640,100**	**1,897,700**	**1,897,700**
TOTAL - ALL SOURCES	1,640,100	1,897,700	1,897,700

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 Baseline includes $1,897,700 and 13 FTE Positions from the Board of Accountancy Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Board of Accountancy Fund (ABA2001/A.R.S. § 32-705)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of public accountants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.		
Funds Expended	1,640,100	1,897,700
Year-End Fund Balance	1,428,900	1,140,600

1/ Includes a total of $31,400 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $24,100 OF for the employee retention payment.

Acupuncture Board of Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	1.0	1.0	1.0
Personal Services	53,100	82,600	82,600
Employee Related Expenditures	6,500	16,800	16,800
Professional and Outside Services	400	1,200	1,200
Travel - In State	1,000	0	0
Other Operating Expenditures	32,300	25,200	25,200
Equipment	900	0	0
AGENCY TOTAL	**94,200** 1/	**125,800** 2/	**125,800**
FUND SOURCES			
Other Appropriated Funds			
Acupuncture Board of Examiners Fund	94,200	125,800	125,800
SUBTOTAL - Other Appropriated Funds	94,200	125,800	125,800
SUBTOTAL - Appropriated Funds	**94,200**	**125,800**	**125,800**
TOTAL - ALL SOURCES	94,200	125,800	125,800

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 Baseline includes $125,800 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Acupuncture Board of Examiners Fund (ANA2412/A.R.S. § 32-3905)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of acupuncturists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate acupuncturists, and for board administration.		
Funds Expended	94,200	125,800
Year-End Fund Balance	106,500	125,400

1/ Includes a total of $3,600 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $3,700 OF for the employee retention payment.

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	689.7	528.1	528.1
Personal Services	25,127,800	29,215,000	29,215,000
Employee Related Expenditures	10,093,600	12,081,800	12,081,800
Professional and Outside Services	4,686,600	5,430,000	5,430,000
Travel - In State	308,600	318,200	318,200
Travel - Out of State	39,600	49,900	49,900
Other Operating Expenditures	33,577,900	28,989,400	28,989,400
Equipment	4,053,900	2,921,300	2,921,300
OPERATING SUBTOTAL	**77,887,900**	**79,005,600**	**79,005,600**
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
ENSCO	1,436,400	0	0
Named Claimants	198,300	0	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			
Automation Projects	0	28,100,000	20,000,000
Public Safety Communications	504,000	531,500	531,500
Statewide Information Security and Privacy Office	835,300	857,800	857,800
Risk Management			
Federal Transfer Repayment	5,921,900	0	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	44,691,200
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
Other			
Ch. 34 One-Time COSF	613,300	0	0
AGENCY TOTAL	**174,476,700** [1/]	**208,955,800** [2/]	**195,536,200**
FUND SOURCES			
General Fund	15,133,400	30,230,300	31,430,300
Other Appropriated Funds			
Air Quality Fund	621,800	714,100	714,100
Automation Operations Fund	16,531,300	22,930,100	18,730,100
Capital Outlay Stabilization Fund	16,139,800	17,878,700	17,878,700
Corrections Fund	416,600	558,300	558,300
Federal Surplus Materials Revolving Fund	90,800	451,600	451,600
Information Technology Fund	2,726,000	4,644,500	3,144,500
Motor Vehicle Pool Revolving Fund	9,463,400	10,041,300	10,041,300
Personnel Division Fund	14,969,300	14,420,800	11,101,200
Risk Management Revolving Fund	90,231,500	91,919,200	91,919,200
Special Employee Health Insurance Trust Fund	4,020,800	5,136,700	5,136,700
State Surplus Materials Revolving Fund	2,277,300	2,375,000	2,375,000
State Web Portal Fund	183,600	5,850,000	250,000
Telecommunications Fund	1,671,100	1,805,200	1,805,200
SUBTOTAL - Other Appropriated Funds	159,343,300	178,725,500	164,105,900
SUBTOTAL - Appropriated Funds	**174,476,700**	**208,955,800**	**195,536,200**

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
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	1,040,177,200	1,156,484,100

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 Baseline includes $79,005,600 and 521.1 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$9,059,900
Air Quality Fund	714,100
Automation Operations Fund	18,730,100
Capital Outlay Stabilization Fund (COSF)	10,228,800
Corrections Fund	558,300
Federal Surplus Materials Revolving Fund	451,600
Information Technology Fund	2,286,700
Motor Vehicle Pool Revolving Fund	10,041,300
Personnel Division Fund	11,101,200
Risk Management Revolving Fund	7,526,700
Special Employee Health Insurance Trust Fund	5,136,700
State Surplus Materials Revolving Fund	1,115,000
State Web Portal Fund	250,000
Telecommunications Fund	1,805,200

These amounts are unchanged from FY 2013.

Facilities Management

Utilities

The Baseline 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 Baseline 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.
- In addition, 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 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. *(Please see the Footnotes section.)*

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

1/ Includes a total of $265,700 GF and $1,068,600 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(76,700) GF for the premium holiday and an increase of $234,000 GF and $913,100 OF for the employee retention payment.

Forest Service for the destruction of endangered species habitat in Arizona caused by the lack of forest thinning and forage fuel removal activities.

White Mountain Apache Settlement

The Baseline includes no funding from the General Fund in FY 2014 for the White Mountain Apache Tribe's water rights settlement. FY 2014 adjustments would be as follows:

Elimination of One-Time Funding **GF (2,000,000)**

The Baseline 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 Baseline includes no funding from the Personnel Division Fund in FY 2014 for the Human Resources Information Solution (HRIS) Certificate of Participation (COP). FY 2014 adjustments would be as follows:

Expiration of COP Lease-Purchase **OF (3,319,600)**

The Baseline 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

Automation Projects

The Baseline includes $20,000,000 from the General Fund in FY 2014 for Automation Projects. FY 2014 adjustments would be as follows:

Prior Appropriation **GF 3,200,000**

The Baseline includes an increase of $3,200,000 from the General Fund in FY 2014 to reflect a prior year appropriation. The FY 2013 General Appropriation Act (Laws 2012, Chapter 294, Section 124) appropriated $20,000,000 in FY 2014 from the General Fund for automation projects, an increase from the $16,800,000 in FY 2013.

Elimination of One-Time Funding **OF (11,300,000)**

The Baseline includes a decrease of $(11,300,000) from other appropriated funds in FY 2014 to eliminate one-time funding for Automation Projects. This amount consists of:

Automation Operations Fund	(4,200,000)
Information Technology Fund	(1,500,000)
State Web Portal Fund	(5,600,000)

These monies are deposited into the Automation Projects Fund, which is administered by the department.

In addition to the FY 2013 and FY 2014 funding, the FY 2013 General Appropriation Act (Laws 2012, Chapter 294, Section 124) appropriated $20,000,000 in FY 2015 and $23,000,000 in FY 2016 from the General Fund for deposit in the Automation Projects Fund.

The Government Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 298) established the Automation Projects Fund, which consists of monies appropriated by the Legislature. Once deposited into the fund, the monies are not subject to further appropriation. 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. The primary project is expected to be the replacement of the state's financial accounting system.

Public Safety Communications

The Baseline includes $531,500 and 4 FTE Positions from the General Fund in FY 2014 for Public Safety Communications. These amounts are unchanged from FY 2013.

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 Baseline includes $857,800 and 3 FTE Positions from the Information Technology Fund in FY 2014 for the Statewide Information Security and Privacy Office. These amounts are unchanged from FY 2013.

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

Risk Management

Federal Transfer Payment

The Baseline includes no funding from the Risk Management Fund in FY 2014 for payment to the federal government. Laws 2012, Chapter 294, Section 107 included a FY 2012 supplemental appropriation of $10,400,000 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 the state pay back a proportional share of the fund transfers to the federal government. The $10,400,000 is available only for the state's obligations for FY 2010 and FY 2011 transfers. *(Please see Other Issues for Legislative Consideration section for more information.)*

Risk Management Administrative Expenses

The Baseline 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 Baseline includes $44,691,200 from the Risk Management Revolving Fund in FY 2014 for Risk Management Losses and Premiums. This amount is unchanged from FY 2013.

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. *(Please see Other Issues for Legislative Consideration section for more information.)*

Workers' Compensation Losses and Premiums

The Baseline 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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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 BY OCTOBER 1 ON THE ACTUAL USE OF FUNDS IN THE PREVIOUS FISCAL YEAR AND THE PROJECTED USE OF FUNDS 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 BY NOVEMBER 1 ON THE USE OF THESE FUNDS.

All State Surplus Materials Revolving Fund revenues received by the Department of Administration in excess of $2,375,000 in FY 2014 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund receipts in excess of $2,375,000 in FY 2014, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee.

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. § 41-786, 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.

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 $18,730,100 in FY 2014, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee.

It is the intent of the Legislature that the department not replace vehicles until an average of 120,000 miles or more.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 2011, HITF had a balance of $229,000,000. The FY 2013 General Appropriation Act (Laws 2012, Chapter 294) included several measures to reduce the HITF balance.

The FY 2013 General Appropriation Act required a health insurance premium holiday that would generate $25,000,000 in General Fund savings in FY 2013. After accounting for non-General Fund and employee savings, ADOA estimates the holiday will reduce total fund revenues by $62,200,000.

The FY 2013 General Appropriation Act also required a $30,000,000 transfer from the HITF balance to the General Fund. 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 $4,900,000 FFP repayment for a prior year transfer.

Despite both of the balance reduction measures, HITF is expected to have a fund balance of $363,400,000 at the end of FY 2014. After adjusting for expenses which are incurred but not received and a sufficient reserve for unexpected costs, it is estimated that $80,000,000 to $100,000,000 could potentially be transferred from HITF. 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	$315.0
Receipts	792.5	792.4
Premium Holiday	(62.2)	0
Net Receipts	*730.3*	*792.4*
Expenses	708.9	744.0
FFP Repayment 1/	4.9	0
Transfer	30.0	0
Net Expenses	*743.8*	*744.0*
HITF Ending Balance	**$315.0**	**$363.4**

1/ Does not reflect the FFP repayment for FY 2013.

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 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 $56,000,000 in FY 2013 and $54,000,000 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 Baseline 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 JLBC Baseline 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 for Legislative Consideration section for more information.)*

Table 2

Risk Management Fund
($ in thousands)

	Actual FY 2012	Estimated FY 2013	Estimated FY 2014
Beginning Balance	59,487.8	53,651.5	43,062.5
Revenues	105,723.5	104,884.4	104,236.9
Total Funds Available	*165,211.3*	*158,535.9*	*147,299.4*
Expenditures			
ADOA	75,230.0	93,910.2	92,704.2
Other Agencies	20,202.7	21,563.2	10,815.8 1/
Legislative Transfers	16,127.1	-	-
Total Expenditures	*111,559.8*	*115,473.4*	*103,520.0*
Ending Balance	**53,651.5**	**43,062.5**	**43,779.4**
Spending Adjustment 2/	-	(13,000.0)	(13,000.0)
Adjusted Expenditures	-	102,473.4	90,520.0
Revised Balance	**53,651.5**	**56,062.5**	**69,779.4**

1/ Incorporates shifting $10,747,400 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.

In addition to funding other agencies, the balance was used to refund a portion of certain fund balances to the federal government in FY 2012.

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 Budget Reconciliation Bill (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.

Based on prior experiences of federal repayment and estimates provided by ADOA, the federal government is likely to charge the state approximately $3,950,000 for fund transfers and disallowed spending of federal monies in FY 2012. As of this writing, however, the state has yet to be billed by the federal government for these disallowed activities in FY 2012. When the state is billed, the Legislature may want to consider the use of the Risk Management Fund for payment. *(Please see the Risk Management Fund discussion in the Other Issues for Legislative Consideration section.)*

The $3,950,000 repayment is comprised of:

- $2,000,000 for certain fund balances being transferred to the General Fund.
- $1,000,000 for the disallowed use of the Risk Management Fund monies.
- $950,000 for the use of the Attorney General (AG) and Information Technology (IT) pro rata charges.

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 plus 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 Request - 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). Currently, the pro rata charge is 1.10%, where 0.03% of total payroll funds the State Personnel Board and the remaining 1.07% funds the HRD. In FY 2014, ADOA is recommending lowering the total rate to 0.98%, where 0.03% of total payroll funds the State Personnel Board and the remaining 0.95% funds the HRD.

Several factors will potentially permit the pro rata charge to be reduced. First, more agencies will be 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

A second component of the potential 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 Baseline reduction to FY 2014 expenditure requirements of $(3,319,600).

In proposing a 0.98% rate, however, ADOA has also incorporated upward budget adjustments. ADOA is requesting $2,282,500 to enhance the oversight capabilities of HRD, promote greater accountability of supervisors, and cover the implementation and ongoing maintenance costs for various automated systems. This increase is over and above the $2,000,000 added to HRD's FY 2013 budget to implement the Chapter 321 provisions.

If the Legislature elects not to fund the additional request of $2,282,500, the pro rata charge could be reduced further. Since the level of the pro rata charge will depend on this legislative decision, the FY 2014 JLBC Baseline has not yet incorporated any change to the rate.

In addition to determining the pro rata charge and the HRD spending level, the Legislature will also need to determine whether to fund the pro rata charge for the 7 agencies paying this charge for the first time. The total estimated annual cost to these 7 agencies from all fund sources is approximately $400,000. Chapter 321 did not provide this funding to those agencies. While originally scheduled to begin collecting the charge from these agencies in October 2012, ADOA has delayed implementation.

As a result, the JLBC Staff suggests that the Legislature consider retroactively delaying the payment by these 7 agencies until the beginning of FY 2014. At that time, the

Legislature can determine whether to fund the pro rata charge for the 7 agencies or require them to absorb the additional cost.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Administration - AFIS II Collections Fund (ADA4203/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Financial transaction processing fees.		
Purpose of Fund: To operate the Arizona Financial Information System (AFIS) II.		
Funds Expended	1,351,600	1,732,000
Year-End Fund Balance	1,437,700	1,437,700
Air Quality Fund (ADA2226/A.R.S. § 49-551)		**Appropriated**
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To administer a travel reduction program, as defined by A.R.S. § 49-588, including bus ride subsidies for state employees.		
Funds Expended	621,800	714,100
Year-End Fund Balance	0	0
Automation Operations Fund (ADA4230/A.R.S. § 41-711)		**Appropriated**
Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated sub-accounts for agreements made with other states and the Arizona Health Care Cost Containment System.		
Purpose of Fund: To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information. The FY 2013 expenditure estimate includes a transfer of $4,200,000 into the Automation Projects Fund.		
Funds Expended	16,531,300	22,930,100
Year-End Fund Balance	9,322,900	9,313,700
Automation Projects Fund (ADA2566/A.R.S. § 41-714)		**Non-Appropriated**
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To implement, upgrade, or maintain automation and information technology projects for any state agency. To prevent double counting, the FY 2013 expenditure estimate does not include $16,800,000 from the General Fund, $1,500,000 from the Information Technology Fund, $4,200,000 from the Automation Operations Fund, and $5,600,000 from the State Web Portal Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)		**Appropriated**
Source of Revenue: Rental and tenant improvement charges to agencies occupying Arizona Department of Administration (ADOA) owned buildings.		
Purpose of Fund: To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
Funds Expended	16,139,800	17,878,700
Year-End Fund Balance	11,716,200	4,963,100
Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)		**Non-Appropriated**
Source of Revenue: Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
Purpose of Fund: To make COP lease-purchase payments on buildings under such agreements.		
Funds Expended	98,926,300	111,679,000
Year-End Fund Balance	2,141,700	1,466,800

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Construction Insurance Fund (ADA4219/A.R.S. § 41-622) **Non-Appropriated**

Source of Revenue: Risk management charges to agencies for state construction projects. The construction and design insurance rate is set by ADOA and reviewed by the Joint Committee on Capital Review.

Purpose of Fund: To self-insure state construction projects against tort losses from design and construction defects.

Funds Expended	1,155,400	2,225,100
Year-End Fund Balance	7,308,100	8,883,000

Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Annual subscription fees paid by local governments for state purchasing records, fees paid by individuals for copies of public records, and fees paid by vendors participating in the State Contract Show.

Purpose of Fund: To provide microfiche of state purchasing information to local governments, as well as to reproduce public records for local governments and the public.

Funds Expended	2,726,000	2,982,100
Year-End Fund Balance	1,095,500	1,113,400

Corrections Fund (ADA2088/A.R.S. § 41-1641) **Appropriated**

Source of Revenue: Luxury taxes on alcohol and tobacco products.

Purpose of Fund: To pay for construction, major maintenance, lease, purchase, renovation, or conversion of Arizona Department of Corrections (ADC) and Arizona Department of Juvenile Corrections (ADJC) facilities. ADOA uses these monies to oversee construction projects benefiting ADC or ADJC.

Funds Expended	416,600	558,300
Year-End Fund Balance	8,111,400	7,539,200

Electronic Commerce Fund (ADA2482/A.R.S. § 41-2673) **Non-Appropriated**

Source of Revenue: Legislative appropriations, agency repayments, and 10% of any savings generated through the implementation of electronic commerce initiatives using fund monies.

Purpose of Fund: To partially finance agency electronic commerce initiatives where other funding mechanisms do not exist.

Funds Expended	0	0
Year-End Fund Balance	0	0

Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704) **Non-Appropriated**

Source of Revenue: The telecommunication services excise tax, currently 20¢ per wire or wireless account, levied on monthly telephone bills and remitted by telephone companies, as authorized by A.R.S. § 42-5252. Laws 2012, Chapter 198 establishes a tax equal to 0.8% of the gross income derived from the retail sale of prepaid wireless telecommunication services, effective December 31, 2013.

Purpose of Fund: To aid the political subdivisions of the state in implementing and operating emergency telecommunication services (911); to purchase necessary equipment and consulting services (up from 3% to 5% of revenue beginning September 30, 2009); to pay monthly recurring costs for capital, maintenance, and operations; and to reimburse wireless carriers for the costs of compliance.

Funds Expended	15,935,900	18,455,600
Year-End Fund Balance	2,591,200	783,800

Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05) **Non-Appropriated**

Source of Revenue: State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.

Purpose of Fund: To administer state employee benefit plans and pay non-health insurance premiums.

Funds Expended	35,794,700	30,117,900
Year-End Fund Balance	3,111,100	3,076,400

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Federal Grants (ADA2000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Federal grants, including pass through grants from the several agencies.

Purpose of Fund: To pay for security related equipment and programs, as well as to administer monies as sub-grantee for federal projects. This fund includes monies transferred from the Government Information Technology Agency (GITA) to ADOA and excludes monies transferred to the Department of Public Safety (DPS) from ADOA for Capitol Police as required by the Consolidation Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 27).

Funds Expended	2,414,500	2,001,600
Year-End Fund Balance	265,600	255,300

Federal Grants - American Recovery and Reinvestment Act (ARRA) (ADA2999/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

Purpose of Fund: One-time Federal Funds to be used for the installation of solar panels in the Phoenix and Tucson complexes, the implementation of the statewide Health Information Exchange (HIE), and broadband development. This fund includes monies transferred from GITA to ADOA as required by the Consolidation BRB (Laws 2011, Chapter 27).

Funds Expended	5,396,400	7,101,300
Year-End Fund Balance*	(106,200)	(106,100)

Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606) **Appropriated**

Source of Revenue: Federal surplus property service and handling fees.

Purpose of Fund: To collect, store, and administer the sale of federal surplus property. Federal regulations concerning the disposition of federal surplus property cap the year-end balance of this fund at $50,000. When the fund exceeds this cap, the department must discount its service and handling charges for federal surplus materials transferred to agencies in the following fiscal year.

Funds Expended	90,800	451,600
Year-End Fund Balance*	79,000	(280,600)

IGA and ISA Fund (ADA2500/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Various intergovernmental and interagency service agreements.

Purpose of Fund: To execute various intergovernmental and interagency service agreements. This fund includes monies transferred to ADOA from the Department of Commerce for the Office of Employment and Population Statistics as required by the General Government BRB (Laws 2011, Chapter 34). This fund excludes monies transferred to DPS from ADOA for Capitol Police as required by the Consolidation BRB (Laws 2011, Chapter 27).

Funds Expended	4,919,800	5,253,700
Year-End Fund Balance	1,858,000	1,033,200

Information Technology Fund (ADA2152/A.R.S. § 41-3505) **Appropriated**

Source of Revenue: A pro rata share of 0.2% of total payroll, charged to all budget units subject to GITA or the Information Technology Authorization Committee (ITAC) oversight.

Purpose of Fund: Provides personnel funding for statewide information technology planning, coordinating, oversight, and consulting. The Statewide Strategic Information Technology Plan is prepared annually by Information Technology (IT) Fund personnel with input from state agency Chief Information Officers. Additionally, monies from the IT Fund also support the operation of the Statewide Information Security and Privacy Office (SISPO). This fund includes monies transferred from GITA to ADOA as required by the Consolidation BRB (Laws 2011, Chapter 27). The FY 2013 expenditure estimate includes a transfer of $1,500,000 into the Automation Projects Fund.

Funds Expended	2,726,000	4,644,500
Year-End Fund Balance	1,867,300	602,800

Legislative, Executive, and Public Buildings Land Fund (ADA3127/A.R.S. § 37-525) **Appropriated**

Source of Revenue: State trust land lease revenues.

Purpose of Fund: To support state Legislative, Executive, and Judicial buildings. In FY 2005, to construct a new Library and Archives Building.

Funds Expended	0	0
Year-End Fund Balance	1,926,400	1,926,400

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Management Services Division Plan Deposits Fund (ADA3196/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Deposits for blueprints, paid by construction vendors and bidders.		
Purpose of Fund: To reimburse blueprint deposits.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Monument and Memorial Repair Fund (ADA2338/A.R.S. § 41-1365)		**Appropriated**
Source of Revenue: Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
Purpose of Fund: For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the Governmental Mall.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Motor Vehicle Pool Revolving Fund (ADA4204/A.R.S. § 41-804)		**Appropriated**
Source of Revenue: Charges to agencies for the use of motor pool vehicles.		
Purpose of Fund: To operate the motor vehicle pool.		
Funds Expended	9,463,400	10,041,300
Year-End Fund Balance*	1,016,600	(88,700)
Payroll Administration Fund (ADA9200/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Collects and pays out all monies associated with the statewide payroll functions. Fund 9200 incorporates several payroll funds (ADA9220, ADA9230, NAU9202, UAA9203, and ASU9221). Fund 9230 collects a one-time $50 charge for setting up a garnishment, which is granted by the court, a $5 employee fee for each non-exempt statement that is generated per payday, and a $1 administrative fee for child and spousal support orders.		
Purpose of Fund: Generally, revenues and expenditures are not used for normal payroll activities. The only balance that accumulates in this fund is for Unemployment Tax. For Fund 9230, monies are used for administrative costs related to garnishments and child support.		
Funds Expended	106,800	142,900
Year-End Fund Balance	5,710,600	5,732,700
Personnel Division Fund (ADA1107/A.R.S. § 41-764)		**Appropriated**
Source of Revenue: A 1.07% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund: To operate the ADOA Human Resources Division.		
Funds Expended	14,969,300	14,420,800
Year-End Fund Balance	1,227,100	2,353,100
Privatized Lease-To-Own Fund (ADA2495/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Charges to agencies occupying privatized lease-to-own (PLTO) buildings.		
Purpose of Fund: To operate, maintain, and make annual rent payments on PLTO buildings.		
Funds Expended	12,312,500	12,580,100
Year-End Fund Balance	807,300	828,800
Racing Investigation Fund (ADA2369/A.R.S. § 41-705)		**Non-Appropriated**
Source of Revenue: Monies collected from persons, partnerships, associations, or corporations that hold a permit for a racing meeting under Title 5.		
Purpose of Fund: To cover the cost of racing investigations by the Arizona Department of Racing. The fund is administered by ADOA and disbursements are made pursuant to instructions from the Director of the Department of Racing.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Retiree Accumulated Sick Leave Fund (ADA3200/A.R.S. § 38-616) **Non-Appropriated**

Source of Revenue: A 0.40% charge on the total benefit-eligible payroll of each agency within the ADOA personnel system. By statute, the rate may not exceed 0.55% and is set by ADOA with Joint Legislative Budget Committee review.

Purpose of Fund: To compensate eligible retiring state employees for accumulated sick leave, to pay insurance premiums, and to administer the program. Payments are calculated as a percentage, tiered according to accrual level of hourly salary. Payments to 1 individual shall not exceed $30,000.

Funds Expended	12,234,800	12,250,100
Year-End Fund Balance	3,157,900	3,607,800

Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622) **Appropriated**

Source of Revenue: Actuarial charges assessed to all state agencies, boards, and commissions insured under the state's risk management system, as well as recoveries by the state through litigation.

Purpose of Fund: To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits. This fund excludes monies appropriated to DPS for Capitol Police salary adjustments in FY 2012. The Capitol Police were transferred to DPS from ADOA as required by the Consolidation BRB (Laws 2011, Chapter 27).

Funds Expended	90,231,500	91,919,200
Year-End Fund Balance	63,886,700	74,680,900

Special Employee Health Insurance Trust Fund (ADA3015/A.R.S. § 38-654) **Partially-Appropriated**

Source of Revenue: Employer and employee medical and dental insurance contributions.

Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. Only administrative expenditures from this fund are subject to legislative appropriation.

Appropriated Funds Expended	4,020,800	5,136,700
Non-Appropriated Funds Expended	676,581,900	622,816,500
Year-End Fund Balance	328,536,200	291,335,900

Special Events Fund (ADA2503/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Set-up fees for special events on state property.

Purpose of Fund: To set up special events on state property.

Funds Expended	1,200	14,500
Year-End Fund Balance	26,700	27,200

Special Services Revolving Fund (ADA4208/A.R.S. § 35-193) **Non-Appropriated**

Source of Revenue: Payments by agencies using various centralized printing, copying, and repair services offered by ADOA.

Purpose of Fund: To provide supplies, printing, copying, repair, and other office services for state agencies.

Funds Expended	748,100	801,500
Year-End Fund Balance	177,400	140,800

State Employee Suggestion Program Award Fund (ADA3190/A.R.S. § 38-613) **Non-Appropriated**

Source of Revenue: Savings transferred from appropriated or non-appropriated monies in a budget unit where cost saving is realized. Monies are not transferred from the General Fund.

Purpose of Fund: To award state employees for a special act in the public interest or for an adopted idea resulting in state savings or improved operations. The award may not exceed 10% of the amount saved as a result of the suggestion. Up to $50 per award may be used to purchase recognition materials and up to 6% of fund monies may be used to administer the program.

Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03) **Non-Appropriated**

Source of Revenue: Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.

Purpose of Fund: To operate and administer a ride-sharing program for the transportation of state employees between home and work.

Funds Expended	481,100	643,100
Year-End Fund Balance	340,700	232,600

State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606) **Appropriated**

Source of Revenue: State surplus property sales revenues.

Purpose of Fund: To collect, store, and administer the sale of state surplus property. The majority of revenues are returned to donor agencies. The department retains a service and handling fee.

Funds Expended	2,277,300	2,375,000
Year-End Fund Balance	584,800	745,400

State Web Portal Fund (ADA2531/A.R.S. § 41-3506) **Partially-Appropriated**

Source of Revenue: Grants, donations, and web portal revenues, including any fees collected from the sale of certain types of motor vehicle records to commercial customers, less the contractor's price of maintaining and operating the web portal.

Purpose of Fund: To maintain and upgrade the state's common web portal, including enhancement of existing products and the development of new applications. Monies received from private grants or donations, as well as federal grants, are non-appropriated. In FY 2012, this fund was transferred from GITA to ADOA as required by the Consolidation BRB (Laws 2011, Chapter 27). The FY 2013 expenditure estimate includes a transfer of $5,600,000 into the Automation Projects Fund.

Appropriated Funds Expended	183,600	5,850,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	318,500	62,800

Statewide ARRA Administration SWCAP Fund (GVA2950/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Indirect federal cost recoveries associated with the statewide cost allocation plan (SWCAP).

Purpose of Fund: To defray administrative expenses of implementing the federal American Recovery and Reinvestment Act. These funds were transferred to ADOA from the Governor's Office in FY 2012.

Funds Expended	218,400	330,000
Year-End Fund Balance	1,324,200	994,200

Statewide Donations Fund (ADA2025/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Employee donations and other miscellaneous deposits. In FY 2005, a $1,000,000 grant for wireless emergency telecommunications was deposited into this fund.

Purpose of Fund: Employee donations are used to recognize outstanding employees. The $1,000,000 grant received in FY 2005 is to be used for Geographic Information Systems and mapping support in the development of Wireless Phase II deployment in counties that have already deployed Wireless Phase I.

Funds Expended	22,700	94,400
Year-End Fund Balance	196,700	112,300

Statewide E-Rate Program Fund (ADA2584/A.R.S. § 41-3508) **Non-Appropriated**

Source of Revenue: The fund has 3 revenue sources: 1) monies received pursuant to the E-Rate Program under the Telecommunications Act of 1996 or other grants to assist this state in improving broadband internet and telecommunications access for public schools and libraries in this state, 2) monies received as a result of an intergovernmental agreements between ADOA and other political subdivisions of this state, and 3) monies received from private grants and donations if designated for the fund by the grantor or donor.

Purpose of Fund: To assist public school districts, charter schools, and libraries in submitting applications for funding from the Universal Service Administrative Company (USAC). ADOA may enter into contracts with private organizations and intergovernmental agreements with other state agencies and political subdivisions of this state to administer the Statewide E-Rate Program. In FY 2012, this fund transferred from the GITA to the ADOA as required by the Consolidation BRB (Laws 2011, Chapter 27).

Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Telecommunications Fund (ADA4231/A.R.S. § 41-713)		**Appropriated**
Source of Revenue: Administrative surcharges on telecommunications services for agencies and other political entities. Additionally in FY 2006, a transfer of $927,500 from the Technology and Telecommunications Fund, as stipulated by Laws 2005, Chapter 330.		
Purpose of Fund: To operate the Telecommunications Program Office, which manages and oversees statewide contracts for telecommunications products and services. The state's contractors operate and equip telecommunications voice, data, video, and graphics systems, allowing the collection, storage, interchange, retrieval, and transmission of information.		
Funds Expended	1,671,100	1,805,200
Year-End Fund Balance	911,500	777,800
Telecommunications Fund - Infrastructure Improvements Account (ADA4231B/A.R.S. § 35-142)		**Appropriated**
Source of Revenue: A portion of the rate charged to the state for telecommunications services.		
Purpose of Fund: To replace end-of-life voice and data equipment in state facilities.		
Funds Expended	0	0
Year-End Fund Balance	0	0

*As reported by the agency. Actual ending balance will not be negative.

Office of Administrative Hearings

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	12.0	12.0	12.0
Personal Services	548,200	526,500	526,500
Employee Related Expenditures	222,900	207,900	207,900
Other Operating Expenditures	83,000	87,000	87,000
AGENCY TOTAL	**854,100** 1/	**821,400** 2/	**821,400**
FUND SOURCES			
General Fund	839,600	808,100	808,100
Other Appropriated Funds			
Healthcare Group Fund	14,500	13,300	13,300
SUBTOTAL - Other Appropriated Funds	14,500	13,300	13,300
SUBTOTAL - Appropriated Funds	**854,100**	**821,400**	**821,400**
Other Non-Appropriated Funds	963,100	1,035,600	1,035,600
TOTAL - ALL SOURCES	1,817,200	1,857,000	1,857,000

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 Baseline includes $821,400 and 12 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$808,100
Healthcare Group Fund	13,300

These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Healthcare Group Fund (HCA3197/A.R.S. § 36-2912.01)		**Appropriated**
Source of Revenue: Interagency Agreement with AHCCCS.		
Purpose of Fund: To reimburse the Office of Administrative Hearings (OAH) for hearings and associated personnel cost for grievances related to Healthcare Group, which is AHCCCS' health insurance plan for small businesses.		
Funds Expended	14,500	13,300
Year-End Fund Balance	0	0

1/ Includes a total of $24,500 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(11,800) GF for the premium holiday and an increase of $31,500 GF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
IGA and ISA Fund (HGA2500/A.R.S. § 41-1092.01)		**Non-Appropriated**
Source of Revenue: Monies received by OAH for contractual, administrative law judge services provided to state agencies.		
Purpose of Fund: To cover actual expenses of providing personnel and services to state agencies on a contractual basis.		
Funds Expended	963,100	1,035,600
Year-End Fund Balance	0	0

Arizona Department of Agriculture

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	166.7	161.0	161.0
Personal Services	4,386,100	4,389,300	4,389,300
Employee Related Expenditures	1,964,000	1,896,200	1,896,200
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	894,700
Equipment	108,800	10,100	10,100
OPERATING SUBTOTAL	**7,801,800**	**7,595,000**	**7,595,000**
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	0
Red Imported Fire Ant	23,200	23,200	23,200
AGENCY TOTAL	**8,133,900** 1/	**7,927,100** 2/	**7,835,000**
FUND SOURCES			
General Fund	8,133,900	7,927,100	7,835,000
SUBTOTAL - Appropriated Funds	**8,133,900**	**7,927,100**	**7,835,000**
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	25,888,500	24,645,700

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 Baseline includes $7,595,000 and 161 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

Agricultural Consulting and Training Pari-Mutuel

The Baseline 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.

Agricultural Employment Relations Board

The Baseline 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.

1/ Includes a total of $194,100 GF and $63,900 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*. Laws 2011, Chapter 281 subsequently converted the other appropriated funds to non-appropriated status.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(97,800) GF for the premium holiday and an increase of $202,700 GF for the employee retention payment.

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 Baseline 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 Baseline includes no funding from the General Fund in FY 2014 for the Nuclear Emergency Management Fund (NEMF). FY 2014 adjustments would be as follows:

		FY 2014
Remove Expired Funding	**GF**	**$(92,100)**

The Baseline includes a decrease of $(92,100) from the General Fund in FY 2014 for the expiration of NEMF funding. Laws 2011, Chapter 132 appropriated $92,113 from the General Fund in both FY 2012 and FY 2013 for off-site nuclear emergency response plans. The Department of Agriculture, Radiation Regulatory Agency, and Department of Emergency and Military Affairs received monies from this bill. The FY 2014 allocation will be made through a bill separate from the General Appropriation Act, the amount of which will be determined at a later date. *(Please see the Radiation Regulatory Agency and Department of Emergency and Military Affairs narrative 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.

Red Imported Fire Ant

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

STATUTORY CHANGES

As session law, the FY 2014 Baseline would permit the Director, upon recommendation from the Agricultural Advisory Council, to continue to allow special fee authority in FY 2014. The Baseline would also include legislative intent that the fees would not generate more than $218,000 to the General Fund, $113,000 to the Pesticide Fund, and $26,000 to the Dangerous Plants, Pests, and Diseases Fund, which was also included in last year's bill.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Administrative Support Fund (AHA2436/A.R.S. § 3-108)		**Non-Appropriated**
Source of Revenue: Monies are collected from each commodity council based on annually negotiated interagency agreements.		
Purpose of Fund: For costs incurred by the department in providing administrative support.		
Funds Expended	42,500	49,900
Year-End Fund Balance	47,100	36,000

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Agricultural Consulting and Training Trust Fund (AHA1239/A.R.S. § 5-113)		**Non-Appropriated**
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund the agricultural consulting and training program established by A.R.S. § 3-109.01. Appropriated expenditures are not displayed in FY 2012 and FY 2013 to avoid double counting of the General Fund.		
Funds Expended	4,200	15,100
Year-End Fund Balance	45,500	30,400
Agricultural Products Marketing (AHA2368/A.R.S. § 3-419)		**Non-Appropriated**
Source of Revenue: Assessments on the Arizona Leafy Green Products Shipper Marketing Agreement commodities.		
Purpose of Fund: To fund the Arizona Leafy Green Products Shipper Marketing Committee and to ensure compliance with the accepted food safety practices through mandatory government audits.		
Funds Expended	267,400	839,900
Year-End Fund Balance	384,100	41,700
Agricultural Protection Fund (AHA2381/A.R.S. § 3-3304)		**Non-Appropriated**
Source of Revenue: Gifts, grants, or donations.		
Purpose of Fund: To award grants to state agencies, political subdivisions, and non-profit conservation groups for the establishment of agricultural easements.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Aquaculture Trust Fund (AHA2297/A.R.S. § 3-2913)		**Non-Appropriated**
Source of Revenue: Fees resulting from the regulation of aquaculture. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: To administer and enforce the provisions of A.R.S. Title 3, Chapter 16, relating to aquaculture. Aquaculture is the controlled growth and harvest of aquatic plants and animals such as fish, shellfish, and algae.		
Funds Expended	8,800	7,000
Year-End Fund Balance	5,900	4,400
Beef Council (Livestock Board Collection and Administration) Fund (AHA2083/A.R.S. § 3-1236)		**Non-Appropriated**
Source of Revenue: $1 per head surcharge collected on behalf of the Arizona Beef Council when animals are inspected by the department for sale. The department retains 5 cents per dollar, while 95 cents per dollar is forwarded to this fund.		
Purpose of Fund: For collection and administration costs.		
Funds Expended	304,400	300,000
Year-End Fund Balance	10,800	0
Citrus, Fruit and Vegetable Trust Fund (AHA2260/A.R.S. § 3-447)		**Non-Appropriated**
Source of Revenue: Assessments, fees, and civil penalties relating to the standardization of citrus, other fruits, and vegetables. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: To enable producers and shippers to develop uniform grades and standards for citrus, fresh fruit, and vegetables and to allow field and shed inspections of commodities produced in the state.		
Funds Expended	308,800	332,200
Year-End Fund Balance	80,600	30,100

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Citrus Trust Fund (AHA2299/A.R.S. § 3-468.04, 3-468.06) **Non-Appropriated**

Source of Revenue: An assessment on citrus produced in the state, as well as fines, other charges, and interest.

Purpose of Fund: To support research, development, and survey programs concerning varietal development, eradication of citrus pests, and other programs deemed appropriate to production, harvesting, handling, and hauling from field to market.

Funds Expended	13,900	63,500
Year-End Fund Balance	26,000	0

Commercial Feed Trust Fund (AHA2012/A.R.S. § 3-2607) **Non-Appropriated**

Source of Revenue: Licensing fees and fees collected for the inspection of animal and bird feeds. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.

Purpose of Fund: To regulate animal and bird feeds.

Funds Expended	265,800	289,200
Year-End Fund Balance	146,300	144,700

Commodity Promotion Fund (AHA2458/A.R.S. § 3-109.02) **Non-Appropriated**

Source of Revenue: Proceeds of a fee collected for a Certificate of Free Sale and any sales of merchandise with the Arizona Grown trademark. A Certificate of Free Sale is a document authenticating that a commodity is generally and freely sold in domestic channels of trade. Many countries require this documentation before allowing a shipment of consumable products to enter their borders and markets.

Purpose of Fund: To provide for programs to promote the production and consumption of Arizona agricultural products domestically and abroad.

Funds Expended	11,400	8,000
Year-End Fund Balance	4,600	3,600

Cotton Research and Protection Council Fund (AHA2013/A.R.S. § 3-1085) **Non-Appropriated**

Source of Revenue: Assessments on each bale of cotton produced in the state, as well as fines and interest earnings.

Purpose of Fund: To support research programs related to cotton production or protection and to provide a program to refund collected fees as an incentive for boll weevil control.

Funds Expended	1,893,800	2,293,500
Year-End Fund Balance	1,944,600	1,929,600

Dangerous Plants, Pests and Diseases Trust Fund (AHA2054/A.R.S. § 3-214.01) **Non-Appropriated**

Source of Revenue: Certification fees on and reimbursements for the destruction of dangerous plants, pests, and diseases. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.

Purpose of Fund: To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests, and diseases.

Funds Expended	125,800	60,000
Year-End Fund Balance	50,600	55,600

Designated Fund (AHA3011/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Fees for laboratory services and phytosanitary certifications (certifying produce that is sent overseas), industry contributions for the Arizona Grown Program, 5% of Beef Council surcharges, a Risk Management grant from the Arizona Department of Administration, and other grants and contributions.

Purpose of Fund: To administer the purpose for which the fee, grant, or contribution is intended.

Funds Expended	378,100	398,000
Year-End Fund Balance	418,400	410,900

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Egg Inspection Trust Fund (AHA2022/A.R.S. § 3-717) **Non-Appropriated**

Source of Revenue: Fees resulting from the regulation of eggs and egg products. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.

Purpose of Fund: To administer the Egg Inspection Program.

Funds Expended	804,300	1,039,300
Year-End Fund Balance	368,300	315,800

Equine Inspection Fund (AHA2489/A.R.S. § 3-1345.01) **Non-Appropriated**

Source of Revenue: Inspection fees for processing ownership and transportation of horses.

Purpose of Fund: To fund the issuance of horse ownership and transportation certificates.

Funds Expended	1,000	1,300
Year-End Fund Balance	600	400

Federal Fund (AHA2000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Federal grants.

Purpose of Fund: As determined by federal law with regard to exotic pest control (e.g., fire ant, gypsy moth, medfly), agricultural chemicals regulation, farm mediation, endangered species, and meat, poultry, and egg inspection. (The meat and poultry inspection amounts are a reimbursement to the General Fund and, therefore, pass through this fund without a net impact on expenditures shown here.)

Funds Expended	6,684,600	6,166,300
Year-End Fund Balance	744,000	532,300

Federal - State Inspection Fund (AHA2113/A.R.S. § 3-499) **Non-Appropriated**

Source of Revenue: Fees for inspection of domestic produce imported from Mexico pursuant to a cooperative agreement with the U.S. Department of Agriculture.

Purpose of Fund: As determined by a cooperative agreement with the U.S. Department of Agriculture. On July 1, 1996, the Arizona Department of Agriculture became the fiduciary of this program, which monitors produce being imported from Mexico at the Nogales Port of Entry.

Funds Expended	3,384,800	2,981,500
Year-End Fund Balance	1,193,000	1,047,800

Fertilizer Materials Trust Fund (AHA2081/A.R.S. § 3-269) **Non-Appropriated**

Source of Revenue: A portion of the fertilizer manufacturer's license fee and fees collected for the inspection of materials. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.

Purpose of Fund: To regulate fertilizers.

Funds Expended	280,800	300,700
Year-End Fund Balance	133,000	183,400

Grain Trust Fund (AHA2201/A.R.S. § 3-590) **Non-Appropriated**

Source of Revenue: An assessment on commercial grain sales.

Purpose of Fund: To support the Grain Research and Promotion Council's promotion and research activities with public or private organizations. Such activities relate to reducing fresh water consumption, developing new varieties, improving production and handling methods, researching and designing new or improved harvesting and handling equipment, and similar programs.

Funds Expended	145,900	139,500
Year-End Fund Balance	25,800	41,900

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Iceberg Lettuce Trust Fund (AHA2259/A.R.S. § 3-526.06) **Non-Appropriated**

Source of Revenue: An assessment on iceberg lettuce prepared for market.

Purpose of Fund: To support research, development, and survey programs concerning varietal development, including programs for pest eradication, production harvesting, handling and hauling from field to market, and other activities deemed appropriate.

Funds Expended	81,600	100,000
Year-End Fund Balance	41,700	41,700

IGA & ISA Fund (AHA2500/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Monies received through an interagency agreement with the Office of Pest Management.

Purpose of Fund: To provide administrative services to the Office of Pest Management, including acting director, accounting, information technology, human resources, and legal services.

Funds Expended	75,800	104,100
Year-End Fund Balance	0	0

Indirect Cost Recovery Fund (AHA9000/A.R.S. § 3-107) **Non-Appropriated**

Source of Revenue: Federal grants.

Purpose of Fund: For indirect costs associated with administration of federal grants.

Funds Expended	161,100	176,300
Year-End Fund Balance	325,500	308,800

Livestock and Crop Conservation Fund (AHA2378/A.R.S. § 41-511.23) **Non-Appropriated**

Source of Revenue: $2 million annually from the Land Conservation Fund through FY 2011, as established by A.R.S. § 41-511.23.

Purpose of Fund: Continuously appropriated for grants to landowners, as well as to grazing and agricultural lessees of state or federal land, who implement conservation measures.

Funds Expended	1,960,200	1,747,100
Year-End Fund Balance	3,415,200	1,698,100

Livestock Custody Trust Fund (AHA2065/A.R.S. § 3-1377) **Non-Appropriated**

Source of Revenue: Fines assessed for and proceeds resulting from the sale of mistreated or stray livestock. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.

Purpose of Fund: To enforce any of the provisions of Title 3, relating to agriculture and dairying.

Funds Expended	118,300	120,000
Year-End Fund Balance	117,200	102,900

Livestock Inspection Service Fee Increase Fund **Non-Appropriated**
(AHA1050/Laws 2010, 7th Special Session, Chapter 7)

Source of Revenue: Revenues from the fee use authority authorized by Laws 2010, 7th Special Session, Chapter 7 were deposited into this fund in FY 2011. The FY 2011 remaining balance of $700 was expended in FY 2012. Monies are shown in the General Fund in FY 2012 and FY 2013.

Purpose of Fund: Operating activities.

Funds Expended	700	0
Year-End Fund Balance	0	0

Nuclear Emergency Management Fund (AHA2138/A.R.S. § 26-306.02) **Non-Appropriated**

Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station. Laws 2011, Chapter 132 appropriated $92,113 to the Arizona Department of Agriculture in both FY 2012 and FY 2013.

Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.

Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Pesticide Trust Fund (AHA2051/A.R.S. § 3-350)		**Non-Appropriated**
Source of Revenue: A portion of pesticide registration fees. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: To regulate pesticides.		
Funds Expended	461,600	295,700
Year-End Fund Balance	77,500	103,200
Protected Native Plant Trust Fund (AHA2298/A.R.S. § 3-913)		**Non-Appropriated**
Source of Revenue: Fees from permits issued for the removal or salvage of protected native plants. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: For the protection of native plants.		
Funds Expended	90,700	80,000
Year-End Fund Balance	33,900	36,000
Seed Law Trust Fund (AHA2064/A.R.S. § 3-234)		**Non-Appropriated**
Source of Revenue: Seed dealers' and labelers' license fees and penalties. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. Subsequently, Laws 2012, Chapter 248 permanently made this fund a non-appropriated trust fund.		
Purpose of Fund: To regulate seeds, including all agricultural, vegetable, and ornamental plant seed, transported or offered for sale in this state.		
Funds Expended	52,400	53,300
Year-End Fund Balance	31,300	66,700

Arizona Health Care Cost Containment System

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	2,975.4	2,217.3	2,217.3
Personal Services	33,315,200	40,317,300	39,657,800
Employee Related Expenditures	15,090,700	17,876,200	17,599,300
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	12,194,900
Equipment	2,080,600	1,964,500	1,964,500
OPERATING SUBTOTAL	**71,100,600**	**78,029,100**	**76,813,300**
SPECIAL LINE ITEMS			
Administration			
DES Eligibility	49,911,400	53,799,300	53,799,300
Proposition 204 - AHCCCS Administration	8,738,400	6,635,800	6,635,800
Proposition 204 - DES Eligibility	26,391,700	37,793,600	37,793,600
Medical Services			
Traditional Medicaid Services	3,088,709,900	3,420,887,100	3,743,692,800
Proposition 204 Services	1,392,928,500	1,166,614,700	964,187,800
Children's Rehabilitative Services	124,233,900	128,599,100	114,051,400
KidsCare Services	31,073,100	21,622,300	12,213,500
KidsCare II	0	0	26,825,700
ALTCS Services	1,380,288,300	1,177,910,000	1,271,574,100
Payments to Hospitals			
Disproportionate Share Payments	4,202,300	13,487,100	13,487,100
DSH Payments - Voluntary Match	0	28,457,100	28,457,100
Rural Hospitals	13,858,100	13,858,100	13,858,100
Graduate Medical Education	0	90,977,300	160,184,900
Safety Net Care Pool	0	0	166,000,000
AGENCY TOTAL	**6,191,436,200** [1/]	**6,238,670,600** [2/]	**6,689,574,500**
FUND SOURCES			
General Fund	1,402,751,200	1,397,607,300	1,368,032,900
Other Appropriated Funds			
Budget Neutrality Compliance Fund	3,161,100	3,221,100	3,303,900
Children's Health Insurance Program Fund	26,539,000	18,126,400	32,193,800
Healthcare Group Fund	1,424,700	2,281,300	1,065,500
Prescription Drug Rebate Fund - State	46,589,600	69,950,000	95,009,600
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	151,097,500	187,282,200
SUBTOTAL - Appropriated Funds	**1,537,719,300**	**1,548,704,800**	**1,555,315,100**
Expenditure Authority Funds			
County Funds	284,502,300	294,122,200	295,193,300
Federal Medicaid Authority	4,228,335,600	4,049,365,700	4,379,477,200
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 Collections Fund	0	194,700	194,700

1/ Includes a total of $693,100 GF, $137,600 OF, and $693,100 FMA appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(705,500) GF for the premium holiday and an increase of $1,210,500 GF and $63,100 OF for the employee retention payment.

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
Tobacco Litigation Settlement Fund	101,067,400	100,000,000	100,000,000
TPTF Proposition 204 Protection Account	39,811,600	40,367,900	38,472,300
SUBTOTAL - Expenditure Authority Funds	4,653,716,900	4,689,965,800	5,134,259,400
SUBTOTAL - Appropriated/Expenditure Authority Funds	**6,191,436,200**	**6,238,670,600**	**6,689,574,500**
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	6,846,412,600	6,810,405,100

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.

AHCCCS' FY 2014 General Fund Baseline spending is projected to decrease by $(29,574,400) or (2.1)%. The $(29,574,400) includes:

- $(87,868,300) for formula adjustments.
- $58,293,900 for mandatory costs associated with federal health care legislation.

Below is an overview of FY 2014 formula adjustments, a discussion of mandatory changes from federal health care legislation, and a discussion of optional eligibility expansion. The Baseline assumes the full funding of mandatory programs and the continuation of current enrollment freezes (KidsCare and childless adults).

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)*, AHCCCS caseloads are expected to decline by (12,405) from June 2013 to June 2014. While the Traditional acute care and Proposition 204 non-childless adult populations are expected to increase by 3%, these increases are offset by declines in the childless adult, KidsCare, and KidsCare II population. The childless adult program has had an enrollment freeze since July 2011 and the KidsCare program has had an enrollment freeze since January 2010. KidsCare II ends on December 31, 2013. Children on KidsCare and KidsCare II on December 31, 2013 with income up to 133% of the Federal Poverty Level (FPL) ($30,700 for a family of 4) will transfer to the Traditional program.

In addition to declines due to enrollment freezes, FY 2013 caseloads are expected to be 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 has also decreased at a greater rate than anticipated.

The lower than projected FY 2013 caseload growth, coupled with the overall decline in FY 2014 caseloads, results in General Fund savings of $(35,573,200) in FY 2014. Of this amount, $(46,936,900) is from the continuation of lower than projected FY 2013 caseload growth. Caseloads, including expansions due to mandatory federal health care legislation, are shown in *Table 1* below.

Table 1

JLBC Forecasted Member Months [1/]

Population	June 2012	June 2013 [2/]	June 2014	'13-'14% Change
Traditional Acute Care [3/]	887,077	902,260	1,002,428	11.1%
Prop 204 Childless Adults	116,403	64,942	39,791	(38.7)
Other Proposition 204	151,328	151,756	169,728	11.8
KidsCare [3/]	10,331	6,523	2,446	(62.5)
KidsCare II [3/ 4/]	1,907	22,000	0	(100.0)
ALTCS - Elderly & Physically Disabled [5/]	27,592	28,017	28,578	2.0
Emergency Services	60,809	66,405	73,046	10.0
Total Member Months [6/]	**1,255,447**	**1,241,903**	**1,316,017** [7/]	**6.0**

1/ The figures represent June 1 estimates.
2/ Represents revised forecast.
3/ 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.
4/ Program ends on December 31, 2013.
5/ The Arizona Long Term Care System (ALTCS) program funded in AHCCCS.
6/ In addition, approximately 25,000 people will receive Medicaid services through the Department of Economic Security's Developmental Disabilities program.
7/ Includes 86,519 added as a result of federal health care legislation.

FY 2014 2% Capitation Rate Increase
In comparison to caseload growth rates which vary by population, capitation rate inflation is assumed to be 2% above FY 2013 across all capitated programs. Recent budgets have not provided a capitation rate increase. The 2% capitation increase is expected to cost an additional $25,285,800 from the General Fund in FY 2014.

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 $(56,629,600) in General Fund spending to offset the federal rate increase.

Prescription Drug Rebate Fund Increase
The Baseline includes an increase of $24,656,200 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 Baseline 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), will have at least 4 impacts on the AHCCCS budget in FY 2014. These impacts are described below. These changes will have an impact in both the AHCCCS and the Department of Health Services (DHS) budget. 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*.

Child Expansion
While the United States Supreme Court struck down the provision which requires mandatory expansion for adults, the expansion for children under age 19 to 133% is required 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.

The Baseline assumes that on January 1, 2014, 2,048 children on KidsCare and 10,850 children on KidsCare II will transfer from their respective programs to the Traditional program. While the federal government has not yet made clear whether these children will be funded at the regular or the KidsCare match rate, the Baseline assumes they will receive the higher KidsCare match rate. In addition to the transfer children, the Baseline phases in newly eligible children over a 12-month period (January 1, 2014 through December 31, 2014); by June 2014, an additional 9,325 children will be added to the program. In total, the child expansion is estimated to cost $5,330,200 from the General Fund in FY 2014.

Table 2
AHCCCS Baseline Spending Changes
($ in millions)

Formula Adjustments	
FY 2013 and FY 2014 Caseload Growth	$ (36)
FY 2014 2% Capitation Rate Increase	25
FY 2014 Federal Match Rate Increase	(57)
Prescription Drug Rebate Fund Increase	(25)
Tobacco Tax Decline	4
Subtotal	*$ (88)*
Mandatory Federal Health Care Changes	
Child Expansion	$ 5
Currently Eligible But Not Enrolled	30
Provider Rate Increase	14
Health Insurer Fee	9
Subtotal	*$ 58*

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 Baseline assumes that 50% of the eligible non-participants will ultimately enroll, and it phases in these individuals over a 15-month period (October 1, 2013 through December 31, 2014); by June 2014, an estimated 66,009 currently eligible individuals will be added to the program at an estimated $30,099,100 General Fund cost.

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 Baseline 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.

Table 3

General Fund and Federal Funds Medicaid Expansion Cost Estimates Above FY 2013
($ in millions)

		FY 2014		FY 2015		FY 2016	
		GF	FF	GF	FF	GF	FF
Baseline Cost Above FY 13							
Mandatory Expansion – 133% FPL	AHCCCS	$ 58	$ 244	$ 159	$ 397	$ 173	$ 385
Children, and increase from	DHS	16	34	55	113	63	135
eligible but not enrolled [1/]	**Total**	**$ 74**	**$ 278**	**$ 214**	**$ 510**	**$ 236**	**$ 520**
Optional Cost Above Baseline							
1. 100% FPL Childless Adult	AHCCCS	$50	$ 102	$ 297	$ 601	$ 375	$ 755
Coverage (Regular Match Rate) [2/]	DHS	13	26	77	156	97	195
	Total	**$63**	**$ 128**	**$ 374**	**$ 757**	**$ 472**	**$ 951**
2. Full Expansion to 133% FPL [2/]	AHCCCS	$ 5	$ 185	$ 82	$1,047	$ 71	$ 1,342
	DHS	1	51	21	285	18	365
	Total	**$ 6**	**$ 236**	**$ 103**	**$1,332**	**$ 89**	**$ 1,707**

1/ Includes the mandatory costs that result from the federal health care legislation.
2/ The federal government pays 100% of the cost of the adult expansion from 2014 to 2016. The federal share gradually declines to 90% by 2020.

Table 4

Total Medicaid Population Increase [1/]

	June 2014	June 2015	June 2016
Baseline			
Mandatory Expansion	87,000	168,000	173,000
Optional			
100% FPL Childless Adult Coverage [2/]	164,000	355,000	370,000
Full Expansion to 133% FPL [2/]	188,000	413,000	430,000

1/ All estimates reflect cumulative increase resulting from federal health care legislation. Population changes which would have occurred absent federal legislation are not included.
2/ Includes the mandatory Baseline population increase along with this specific option.

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 Baseline includes an increase of $9,338,800 from the General Fund in FY 2014 for the health insurer fee.

Optional Eligibility Expansion

The United States Supreme Court's ruling on the Affordable Care Act made the expansion of Medicaid eligibility to 133% FPL for adults optional. If a state chooses to expand to this level, the federal government will pay 100% of the cost of the adult expansion from 100% to 133% FPL in 2014 to 2016. The federal share will gradually decline to 90% by 2020. The federal government will also pay an enhanced match for childless adults up to 100% FPL, starting at 83.6% in 2014 and increasing to 90% by 2016.

A decision will need to be made during the 2013 Legislative Session on whether to expand adult coverage to 133% FPL. If the decision is made not to expand, a decision will need to be made on the coverage level of childless adults. Although the Baseline continues the childless adult freeze, the federal waiver authority to fund childless adults ends on December 31, 2013. (The federal agreement was made prior to the Supreme Court ruling. At that time, the federal government believed that coverage to 133% FPL would be mandatory beginning on January 1, 2014.)

One scenario is to end the freeze on the childless adult population beginning on January 1, 2014. This proposal would result in the coverage of all adults up to 100% FPL ($11,200 for a family of 1). Uninsured adults above 100% FPL would be able to obtain health insurance through the newly created health insurance exchange. Federal health care legislation provides financial assistance for those from 100%-400% FPL who purchase health insurance through a health insurance exchange.

While it was originally unclear what match rate childless adults would receive if the freeze was ended but the state did not expand to 133% FPL, the federal government clarified this in December 2012. The higher childless adult match rate is only available if Arizona expands adult coverage to 133% FPL. As a result, restoring eligibility to 100% FPL for childless adults will result in the federal government matching these expenditures at the regular 66% match rate.

Table 3 shows 3 different scenarios: mandatory expansion, restoration of childless adult coverage to 100% FPL, and full expansion to 133% FPL.

General Fund Costs Above FY 2013

- Mandatory expansion is estimated to cost $74 million in FY 2014, $214 million in FY 2015, and $236 million in FY 2016. These costs are part of the JLBC Baseline.
- Restoring childless adult coverage to 100% is estimated to cost an additional $63 million in FY 2014, $374 million in FY 2015, and $472 million in FY 2016. These costs are in addition to the mandatory expansion costs.
- The cost of full expansion is estimated to cost an additional $6 million in FY 2014, $103 million in FY 2015, and $89 million in FY 2016. These costs are in addition to the mandatory expansion costs. Since the federal government pays 100% of the costs of expanding adults from 100%-133% FPL and they also pay an enhanced 83.6% match rate for childless adults under 100% FPL, the cost to the state is less for full expansion than for restoring childless adult coverage to 100% FPL.

Federal Funds Costs Above FY 2013

- Mandatory expansion is estimated to cost $278 million in FY 2014, $510 million in FY 2015, and $520 million in FY 2016.
- Restoring childless adult coverage to 100% is estimated to cost an additional $128 million in FY 2014, $757 million in FY 2015, and $951 million in FY 2016. These costs are in addition to the mandatory expansion costs.
- The cost of full expansion is estimated to cost an additional $236 million in FY 2014, $1.3 billion in FY 2015, and $1.7 billion in FY 2016. These costs are in addition to the mandatory expansion costs.

Additional enrollment with these 3 scenarios is displayed in *Table 4*.

Operating Budget

The Baseline includes $76,813,300 and 904.2 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$28,047,100
Healthcare Group Fund	1,065,500
Children's Health Insurance Program (CHIP) Fund	1,636,700
Prescription Drug Rebate Fund (PDRF) - State	114,800
Federal Medicaid Authority (FMA)	45,949,200

FY 2014 adjustments would be as follows:

Discontinue Healthcare Group OF (1,215,800)

The Baseline includes an agency-requested decrease of $(1,215,800) from the Healthcare Group Fund in FY 2014 to discontinue Healthcare Group. Healthcare Group is 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.

Administration

DES Eligibility

The Baseline includes $53,799,300 and 885 FTE Positions in FY 2014 for Department of Economic Security (DES) Eligibility services. These amounts consist of:

General Fund	24,993,300
Federal Medicaid Authority	28,806,000

These amounts are unchanged from FY 2013.

Through an Intergovernmental Agreement, DES performs eligibility determinations.

Proposition 204 - AHCCCS Administration

The Baseline includes $6,635,800 and 128 FTE Positions in FY 2014 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	2,215,300
Federal Medicaid Authority	4,420,500

These amounts are unchanged from FY 2013.

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

Proposition 204 - DES Eligibility

The Baseline includes $37,793,600 and 300.1 FTE Positions in FY 2014 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	17,156,600
Budget Neutrality Compliance Fund	3,303,900
Federal Medicaid Authority	17,333,100

FY 2014 adjustments would be as follows:

Statutory Adjustment **GF (82,800)**
BNCF 82,800

The Baseline 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.)*

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 for Legislative Consideration* section.

Traditional Medicaid Services

The Baseline includes $3,743,692,800 in FY 2014 for Traditional Medicaid Services. This amount consists of:

General Fund	958,961,900
County Funds	50,497,200
PDRF - State	88,397,500
TTHCF Medically Needy Account	37,389,300
Third Party Collections	194,700
Federal Medicaid Authority	2,441,933,700
PDRF - Federal	166,318,500

FY 2014 adjustments would be as follows:

Formula Adjustments **GF (2,561,900)**
OF 23,749,700
EA 64,875,400

The Expenditure Authority (EA) amount consists of $50,394,500 in Federal Medicaid Authority, $(404,500) in County Funds, and $14,885,400 from the federal portion of the Prescription Drug Rebate Fund. The formula adjustments include:

- 3.0% 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.

Federal Health Care Legislation **GF 46,718,700**
FMA 190,023,800

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 2,048 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 73,100 individuals who had previously been eligible but not enrolled 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 Baseline includes $964,187,800 in FY 2014 for Proposition 204 Services. This amount consists of:

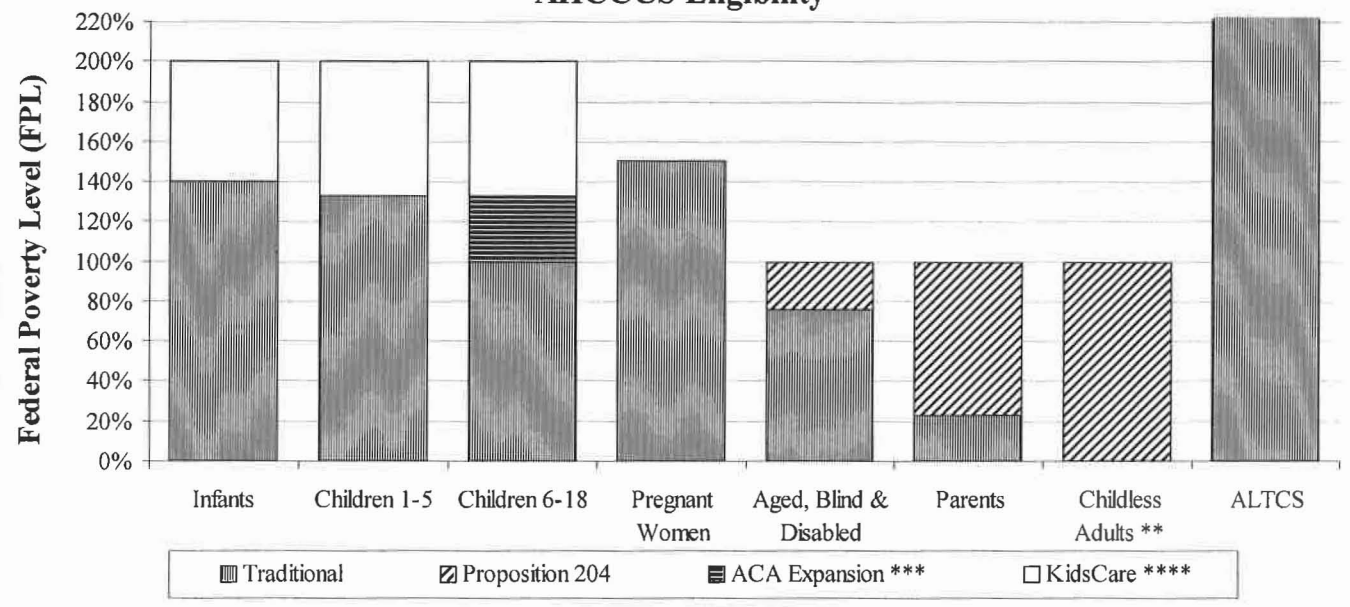
General Fund	126,451,700
Tobacco Settlement Fund	100,000,000
TPTF Proposition 204 Protection Account	38,472,300
Emergency Health Services Account	18,320,100
Federal Medicaid Authority	680,943,700

FY 2014 adjustments would be as follows:

Formula Adjustments **GF (74,283,300)**
OF (902,800)
EA (177,369,900)

The EA amount consists of $(175,474,300) in Federal Medicaid Authority, and $(1,895,600) from the TPTF Proposition 204 Protection Account. The formula adjustments include:

Chart 1



* 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.

*** Federal health care legislation requires coverage of children to 133% 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.

- The continuation of the childless adult freeze. Enrollment would decline by (38.7)% in FY 2014.
- 3.0% enrollment growth for all other 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.
- $(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 Emergency Health Services Account due to declining tobacco taxes and a corresponding General Fund increase.

Federal Health Care Legislation **GF 9,711,800**
FMA 40,417,300

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 2011.

Children's Rehabilitative Services

The Baseline includes $114,051,400 in FY 2014 for Children's Rehabilitative Services (CRS). This amount consists of:

General Fund	37,816,600
Federal Medicaid Authority	76,234,800

FY 2014 adjustments would be as follows:

Formula Adjustments	**GF**	**(5,797,800)**
	EA	**(8,749,900)**

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 26,000 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 Baseline includes $12,213,500 in FY 2014 for KidsCare Services. This amount consists of:

General Fund	2,580,400
CHIP Fund	9,633,100

FY 2014 adjustments would be as follows:

Formula Adjustments **GF (3,086,800)**
CHIP (8,625,500)

The formula adjustments include a (30)% enrollment decline after the continuation of the FY 2013 caseload savings, an increase to the federal match rate, and a 2% capitation rate increase.

Federal Health Care Legislation **GF 534,600**
CHIP 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 2,048 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 Baseline 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

FY 2014 adjustments would be as follows:

Change to Appropriated Funds **PSF 5,901,700**
CHIP 20,924,000

The KidsCare II program expands access to KidsCare services for approximately 22,000 children per month from May 1, 2012 to December 31, 2013. KidsCare II is funded by voluntary payments made by political subdivisions. The voluntary payments are matched by Federal Funds. The majority of the voluntary payments are used for the Safety Net Care Pool *(see Safety Net Care Pool section)*. KidsCare II is only open to children from 100% to 175% FPL. On January 1, 2014, children with incomes up to 133% FPL will be transferred to the Traditional program. Pending additional information and federal approval of the Safety Net Care Pool and Coverage Expansion, the Baseline has not included funding for a potential KidsCare II expansion (*see Safety Net Care Pool and Coverage Expansion in Other Issues for Legislative Consideration for additional details*).

In prior budgets, all monies received by AHCCCS for KidsCare II have been non-appropriated. The FY 2014 Baseline 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 Baseline 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

FY 2014 adjustments would be as follows:

Formula Adjustments **GF (1,697,000)**
OF 403,400
EA 27,911,100

The EA amount consists of $29,954,600 in Federal Medicaid Authority, $(308,800) in County Funds, and $(1,734,700) from the federal portion of the Prescription Drug Rebate Fund. The formula adjustments include:

- 2.0% enrollment growth after continuation of the FY 2013 caseload savings.
- 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.

These adjustments would result in approximately 28,600 members per month being served in June 2014. *(See Table 1.)*

Federal Health Care Legislation **GF 1,328,800**
EA 14,150,300

Mandatory changes due to federal health care legislation include a primary care provider rate increase and health insurer fee. The EA amount consists of $12,365,900 in Federal Medicaid Authority and $1,784,400 in county contributions.

Nursing Facility Assessments **EA 51,567,500**

The Baseline includes an increase of $17,698,000 from the Nursing Facility Provider Assessment Fund and $33,869,500 in Federal Medicaid Authority in FY 2014 for assessments collected by AHCCCS. 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 bed days per year are charged $7.50 per day of care provided while facilities with more than 43,500 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 Baseline converts these funds to the regular budget structure.

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or $24,797 per person. The federal government requires coverage of individuals up to 100% of Supplemental Security Income limit (SSI), which is equivalent to approximately 75% of FPL, or $8,376 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 Baseline 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	10,444,500

FY 2014 adjustments would be as follows:

Formula Adjustment	**GF**	**(143,900)**
	FMA	**143,900**

The formula adjustment represents a change in 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).

For FY 2012 and FY 2013, the FY 2013 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 299) limited the DSH payment attributed to MIHS 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 and KidsCare II programs and results in the loss of some federal funding which would have otherwise been distributed to the General Fund. The Baseline does not include a limit for FY 2014.

Table 5

Disproportionate Share Hospital Program

Eligible Funding	FY 2013	FY 2014
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**
Distribution of Funding		
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 Baseline 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

FY 2014 adjustments would be as follows:

Formula Adjustment	**PSF**	**25,800**
	FMA	**(25,800)**

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

Background – Beginning in FY 2010, the Health 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 Baseline 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

FY 2014 adjustments would be as follows:

Formula Adjustment	**GF**	**(214,800)**
	FMA	**214,800**

The formula adjustment represents a change in 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 Baseline includes $160,184,900 in FY 2014 for Graduate Medical Education (GME) expenditures. This amount consists of:

Political Subdivision Funds	52,492,600
Federal Medicaid Authority	107,692,300

FY 2014 adjustments would be as follows:

Increased Funding	**PSF**	**21,269,200**
	FMA	**47,938,400**

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

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 Baseline 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

FY 2014 adjustments would be as follows:

Change to Appropriated Funds	**PSF**	**56,971,200**
	FMA	**109,028,800**

In prior budgets, all monies received by AHCCCS for SNCP have been non-appropriated. The FY 2014 Baseline 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 to expand KidsCare *(see KidsCare II section)*. At the time of this writing AHCCCS anticipates that the University of Arizona Health Network will receive $70,000,000, Phoenix Children's Hospital will receive $52,500,000, and Maricopa Integrated Health Systems will receive $43,500,000 in total funds for SNCP in FY 2014. This program received $150,000,000 in total funds in FY 2012 and is expected to receive $348,000,000 in total funds in FY 2013.

Pending additional information and federal approval of the Safety Net Care Pool and Coverage Expansion, the Baseline has not included funding for a potential SNCP expansion related to the City of Phoenix hospital bed assessment (*see Safety Net Care Pool and Coverage Expansion in Other Issues for Legislative Consideration for additional details*).

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Operating Budget

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.

The amounts included in the Proposition 204 - AHCCCS Administration, Proposition 204 - DES Eligibility, and Proposition 204 Services Special Line Items includes all available sources of funding consistent with A.R.S. § 36-2901.01B.

Medical Services
Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the Arizona Health Care Cost Containment System Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee.

The Arizona Health Care Cost Containment System Administration shall report to the Joint Legislative Budget Committee by 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 Arizona Health Care Cost Containment System 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.

Any Federal Funds that the Arizona Health Care Cost Containment System 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.

The county portion of the FY 2014 nonfederal portion of the costs of providing long-term care system services is included in the Expenditure Authority fund source.

The Arizona Health Care Cost Containment System 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.

The non-appropriated portion of the Prescription Drug Rebate Fund is included in the federal portion of the Expenditure Authority fund source.

Payments to Hospitals
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.

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 Arizona Health Care Cost Containment System 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.

Any monies for Graduate Medical Education received in FY 2014, including any federal matching monies, by the Arizona Health Care Cost Containment System 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.

Reconciliation Payments
On or before January 7, 2014, the Arizona Health Care Cost Containment System 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.

New Footnotes
Beginning July 1, 2013, the Arizona Health Care Cost Containment System Administration shall report 30 days after the end of each calendar quarter to the Directors of the Joint Legislative Budget Committee and Governor's Office for Strategic Planning and Budgeting on the implementation of its required automation interaction with the health insurance exchange and eligibility modifications.

STATUTORY CHANGES

The Baseline would:

Rates and Services:
- As session law, continue 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.

- 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.
- As session law, require AHCCCS to monitor contractor compliance and performance requirements in the provision of covered dental services to eligible members.
- As permanent law, continue to provide coverage for 6 types of transplants which were restricted by Laws 2010, 7th Special Session, Chapter 10. Laws 2011, Chapter 31 effectively lifted the restriction but that provision is set to expire on December 31, 2013.
- As permanent law, reset the inpatient hospital prospective tiered per diem rates to the amounts payable for those services on October 1, 2011. The rates are currently reset to September 30, 2011. This will help AHCCCS to implement a program within its available funding.

Counties

- As session law, set county Arizona Long Term Care System (ALTCS) contributions at $244,696,100 *(see Table 6).*
- As session law, set the County Acute Care contribution at $47,851,000 *(see Table 6).*
- 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.
- As session law, continue the collection of $2,646,200 in DUC pool contributions from all counties other than Maricopa County *(see Table 6).*
- As session law, continue to exclude Proposition 204 administrative costs from county expenditure limitations, retroactive to June 30, 2004.

Hospitals

- As session law, establish FY 2014 disproportionate share distributions to the Maricopa County Hospital District, the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center.
- 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, subject to legislative appropriation.

Erroneous Payments

- As session law, continue 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.
- 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 to consider best available technologies to reduce fraud.

Available Funding

- As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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

Table 6

County Contributions

	FY 2013				FY 2014			
County	**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**

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 would 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 relief.

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.

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 $315 per member per month (or $3,780 annually). Of that amount, $105 is from state match and $210 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.

Safety Net Care Pool and Coverage Expansion

In December 2012, the Phoenix City Council adopted the Phoenix Access to Care Ordinance which will charge a short-term assessment on most Phoenix acute care hospitals, referred to as Phoenix Access to Care. The assessment is expected to generate approximately $130,000,000 in local match.

If approved by the federal government, the assessment will obtain a 66% federal match and be used to expand the Safety Net Care Pool, KidsCare II and childless adults under 100% FPL. KidsCare II would be expanded to children up to 200% FPL (it is currently limited to 175% FPL). Additional targeted childless adults (those without dependent children) would be parents of children who were eligible for KidsCare or KidsCare II but who turned 19 and parents of children who enter the foster care system. At the time of this writing, it is unknown how many additional people this expansion may cover.

Pending additional information and federal approval of the Safety Net Care Pool and Coverage Expansion, the Baseline has not included funding for a potential expansion (*see Safety Net Care Pool and KidsCare II for additional details*).

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.

Tabacco 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

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

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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)		**Appropriated**
Source of Revenue: County contributions.		
Purpose of Fund: To provide administrative funding for costs associated with the implementation of the Proposition 204 expansion. Proposition 204 shifted some county administrative functions to the state, for which the counties now compensate the state.		
Funds Expended	3,161,100	3,221,100
Year-End Fund Balance	6,000	6,000
Children's Health Insurance Program Fund (HCA2409/A.R.S. § 36-2995)		**Partially-Appropriated**
Source of Revenue: Includes Medicaid matching monies for Arizona's State Children's Health Insurance Program (CHIP), called KidsCare and KidsCare II. General Fund monies are used to leverage federal monies for KidsCare and contributions from political subdivisions are used to leverage federal monies for KidsCare II. General Fund monies and political subdivision contributions are not included in the reported CHIP Fund expenditures.		
Purpose of Fund: To provide health insurance for low-income children 19 years of age and under. Monies for the KidsCare program are displayed as appropriated, and monies for the KidsCare II program are displayed as non-appropriated in FY 2012 and FY 2013. The eligibility limit for the KidsCare and KidsCare II programs have been set at 200% and 175% of the Federal Poverty Level, respectively (approximately $46,100 and $40,300 for a family of 4).		
Appropriated Funds Expended	26,539,000	18,126,400
Non-Appropriated Funds Expended	285,700	38,846,400
Year-End Fund Balance	1,423,500	1,423,500
County Funds (HCA2120 Acute Care/HCA2223 Long Term Care/ A.R.S. § 36-2912 Acute Care/A.R.S. § 36-2953 Long Term Care)		**Expenditure Authority**
Source of Revenue: Statutorily prescribed county contributions.		
Purpose of Fund: For the provision of acute medical and long term care services to Arizona Health Care Cost Containment System (AHCCCS) eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid dollars.		
Funds Expended	284,502,300	294,122,200
Year-End Fund Balance	0	0
Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)		**Non-Appropriated**
Source of Revenue: Private donations.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	9,300	10,500
Year-End Fund Balance	9,900	8,400
Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)		**Non-Appropriated**
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: To reimburse schools participating in the Direct Services Claiming program for services provided to children with disabilities who are Medicaid eligible. All federal Medicaid monies must flow through AHCCCS, therefore, these monies are obtained by AHCCCS and then passed on to the participating schools.		
Funds Expended	24,889,200	25,404,000
Year-End Fund Balance	0	0
Federal Funds (HCA2000 Acute Care/A.R.S. § 36-2913)		**Non-Appropriated**
Source of Revenue: Federal grant monies.		
Purpose of Fund: To provide federal match for non-appropriated state expenditures.		
Funds Expended	163,391,100	272,654,600
Year-End Fund Balance	32,100	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal Grants - American Recovery and Reinvestment Act (ARRA) (HCA2999/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: Federal Funds to assist Medicaid providers in adopting electronic medical records.		
Funds Expended	76,183,400	72,136,100
Year-End Fund Balance	0	0
Federal Medicaid Funds (HCA2120/HCA2223 Long Term Care/ A.R.S. § 36-2913 Acute Care/ A.R.S. § 36-2953 Long Term Care)		**Expenditure Authority**
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: For AHCCCS' administrative costs and for the provision of acute and long term services to eligible populations.		
Funds Expended	4,228,335,600	4,049,365,700
Year-End Fund Balance	48,072,700	48,072,700
Healthcare Group Fund (HCA3197/A.R.S. § 36-2912.01)		**Partially-Appropriated**
Source of Revenue: Premiums paid by employers and employees enrolled in Healthcare Group, including monies to fund the administration of the Healthcare Group program.		
Purpose of Fund: A portion of this fund is appropriated to fund the administrative costs of Healthcare Group. The rest of the fund is non-appropriated and used to pay medical claims for members of Healthcare Group. Healthcare Group is operated by AHCCCS and is a premium based health insurance program available to small businesses and self-employed persons.		
Appropriated -Funds Expended	1,424,700	2,281,300
Non-Appropriated Funds Expended	28,654,000	24,990,500
Year-End Fund Balance	8,879,400	9,445,800
Hospital Loan Residency Fund (HCA2532/A.R.S. § 36-2921)		**Non-Appropriated**
Source of Revenue: Received a $1,000,000 deposit from the General Fund in FY 2007. In future years, will also include any repaid loan money received from the participating hospitals.		
Purpose of Fund: To provide interest free loans to fund start-up and ongoing costs for residency programs in accredited hospitals, with priority given to rural areas.		
Funds Expended	0	0
Year-End Fund Balance	200,000	360,000
IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)		**Non-Appropriated**
Source of Revenue: Monies voluntarily given to AHCCCS from local governments and tribal communities in order to obtain a federal match.		
Purpose of Fund: To expand funding for Graduate Medical Education, KidsCare II, the Safety Net Care Pool program or other payments to hospitals.		
Funds Expended	75,545,500	131,146,400
Year-End Fund Balance	47,896,600	47,896,600
Intergovernmental Service Fund (HCA2438/A.R.S. § 36-2927)		**Non-Appropriated**
Source of Revenue: Monies collected from the State of Hawaii.		
Purpose of Fund: To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medical Management Information System.		
Funds Expended	6,563,100	8,000,000
Year-End Fund Balance	1,158,300	1,262,800

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Nursing Facility Provider Assessment Fund (HCA2567/A.R.S. § 36-2999.53) **EA/Non-Appropriated**

Source of Revenue: Assessment on health care items and services provided by some nursing facilities, nursing facility penalties, grants, gifts, and contributions from public or private sources.

Purpose of Fund: To qualify for federal matching funds for supplemental payments for nursing facility services, to reimburse the Medicaid sharer of the assessment, to provide Medicaid supplemental payments to fund covered nursing facility services for Medicaid beneficiaries, and to pay up to a 1% in administrative expenses incurred by AHCCCS for administering this fund. Beginning in FY 2014, these funds are listed as Expenditure Authority.

Expenditure Authority Funds Expended	0	0
Non-Appropriated Funds Expended	0	13,273,500
Year-End Fund Balance	0	0

Political Subdivision Funds (HCA1111/A.R.S. § 36-2927) **Expenditure Authority**

Source of Revenue: Monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.

Purpose of Fund: To expand funding for hospitals or increase enrollment for KidsCare or Proposition 204.

Funds Expended	0	40,523,000
Year-End Fund Balance	0	0

Prescription Drug Rebate Fund (HCA2546/A.R.S. § 36-2930) **EA/Partially-Appropriated**

Source of Revenue: Prescription drug rebate collections, interest from prescription drug rebate late payments and Federal monies made available to this state for the operation of the AHCCCS Prescription Drug Rebate Program.

Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Federal monies in this fund are non-appropriated through FY 2012. Beginning in FY 2013, federal monies are listed as Expenditure Authority. All other monies are appropriated.

State Funds Expended	46,589,600	69,950,000
Federal Funds Expended	180,833,200	165,392,300
Year-End Fund Balance	65,917,200	65,679,400

Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07) **Non-Appropriated**

Source of Revenue: Gaming monies received from the Arizona Benefits Fund.

Purpose of Fund: For unrecovered trauma center readiness and emergency services costs.

Funds Expended	14,385,200	21,267,000
Year-End Fund Balance	15,025,400	16,010,200

Temporary Transaction Privilege and Use Tax - 1% Fund (HCA1032/Article IX, Section 12.1 of State Constitution) **Non-Appropriated**

Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.

Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund.

Funds Expended	0	0
Year-End Fund Balance	0	0

Third Party Collections Fund (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913) **EA/Non-Appropriated**

Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.

Purpose of Fund: To provide acute medical services to AHCCCS members.

Expenditure Authority Funds Expended	0	194,700
Non-Appropriated Funds Expended	14,200	13,000
Year-End Fund Balance	1,149,400	1,149,300

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Tobacco Litigation Settlement Fund (TRA2561/A.R.S. § 36-2901.02) **Expenditure Authority**

Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement.

Purpose of Fund: Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs.

Funds Expended	101,067,400	100,000,000
Year-End Fund Balance	0	0

Tobacco Tax and Health Care Fund * (RVA1306/A.R.S. § 36-771) **Non-Appropriated**

Source of Revenue: The fund consists of certain tax monies collected on cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms of tobacco, and all interest earned on these monies.

Purpose of Fund: To AHCCCS for the Medically Needy Account (70%), the Arizona Department of Health Services (DHS) for the Health Education Account (23%), the Health Research Account (5%), and the State Department of Corrections (DOC) for the Corrections Fund Adjustment Account (2%). Under A.R.S. § 36-775, the amount transferred to the Corrections Fund Account is to reflect only the actual amount needed to offset decreases in the Corrections Fund resulting from lower tax revenues. Any unexpended Corrections Fund Adjustment Account amounts are to be transferred out proportionally to the other 3 accounts. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.

Tobacco Tax and Health Care Fund - Medically Needy Accounts* **Partially-Appropriated**
(HCA1306/A.R.S. § 36-774)

Source of Revenue: The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.

Purpose of Fund: For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to the DHS for statutorily established services, grants and pilot programs.

Tobacco Products Tax Fund - Emergency Health Services Account* **Appropriated**
(HCA1304/A.R.S. § 36-776)

Source of Revenue: This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.

Purpose of Fund: For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.

Tobacco Products Tax Fund - Proposition 204 Protection Account* **Expenditure Authority**
(HCA1303/A.R.S. § 36-778)

Source of Revenue: This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.

Purpose of Fund: To fund state match costs in AHCCCS for the Proposition 204 program. These monies are non-appropriated and must be spent before any other state monies on the Proposition 204 program.

* *See Table 7.*

State Board of Appraisal

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	5.5	5.5	5.5
Personal Services	286,700	297,900	297,900
Employee Related Expenditures	120,300	130,000	130,000
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	78,800
Equipment	6,800	100	100
AGENCY TOTAL	**700,900** 1/	**756,500** 2/	**756,500**
FUND SOURCES			
Other Appropriated Funds			
Board of Appraisal Fund	700,900	756,500	756,500
SUBTOTAL - Other Appropriated Funds	700,900	756,500	756,500
SUBTOTAL - Appropriated Funds	**700,900**	**756,500**	**756,500**
TOTAL - ALL SOURCES	700,900	756,500	756,500

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

Operating Budget

The Baseline includes $756,500 and 5.5 FTE Positions from the Board of Appraisal Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Board of Appraisal Fund (APA2270/A.R.S. § 32-3608)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of real estate appraisers and tax agents. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate real estate appraisers and property tax agents, and for board administration.		
Funds Expended	700,900	756,500
Year-End Fund Balance	298,700	301,500

1/ Includes a total of $14,100 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $10,200 OF for the employee retention payment.

Arizona Commission on the Arts

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	1,768,100	1,673,800	1,513,800
Federal Funds	868,600	845,400	807,200
TOTAL - ALL SOURCES	2,636,700	2,519,200	2,321,000

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.

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Arts Special Revenues Fund (HUA2116/A.R.S. § 41-983)		**Non-Appropriated**
Source of Revenue: Public and private grants, donations, exhibit rentals, admissions and charges for services.		
Purpose of Fund: To award grants to arts programs in all areas of the state. The applicant organizations must contribute to each grant awarded by the Arts Commission.		
Funds Expended	102,100	116,900
Year-End Fund Balance	51,900	10,000
Arts Trust Fund (HUA3014/A.R.S. § 41-983.01)		**Non-Appropriated**
Source of Revenue: An annual report filing fee from domestic and foreign for profit corporations.		
Purpose of Fund: To award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are to be used to provide grants to: 1) organizations representing handicapped persons, 2) racial or ethnic minorities; and 3) organizations representing rural areas.		
Funds Expended	1,666,000	1,556,900
Year-End Fund Balance	252,100	75,200
Federal Grant Fund (HUA2000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Federal grants from the National Endowment on the Arts.		
Purpose of Fund: To award grants to non-profits, schools and government entities in the state. A state funding match is required.		
Funds Expended	868,600	845,400
Year-End Fund Balance	38,200	0
State Poet Laureate Fund (No Fund Number/A.R.S. § 41-988)		**Non-Appropriated**
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To pay costs of the State poet laureate.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Board of Athletic Training

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	1.5	1.5	1.5
Personal Services	62,900	65,500	65,500
Employee Related Expenditures	23,900	14,200	14,200
Travel - In State	500	1,100	1,100
Other Operating Expenditures	14,800	21,000	21,000
AGENCY TOTAL	**102,100** 1/	**101,800** 2/	**101,800**
FUND SOURCES			
Other Appropriated Funds			
Athletic Training Fund	102,100	101,800	101,800
SUBTOTAL - Other Appropriated Funds	102,100	101,800	101,800
SUBTOTAL - Appropriated Funds	**102,100**	**101,800**	**101,800**
TOTAL - ALL SOURCES	102,100	101,800	101,800

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

Operating Budget

The Baseline includes $101,800 and 1.5 FTE Positions from the Athletic Training Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Athletic Training Fund (BAA2583/A.R.S. § 32-4105)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of athletic trainers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate athletic trainers, and for board administration.		
Funds Expended	102,100	101,800
Year-End Fund Balance	153,600	129,100

1/ Includes a total of $3,000 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $2,700 OF for the employee retention payment.

Attorney General - Department of Law

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	592.9	547.9	547.9
Personal Services	26,655,400	29,007,900	29,007,900
Employee Related Expenditures	9,710,900	10,812,000	10,812,000
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	4,366,600
Equipment	464,600	0	0
OPERATING SUBTOTAL	**42,336,300**	**46,937,400**	**45,737,400**
SPECIAL LINE ITEMS			
Military Airport Planning	84,800	85,800	85,800
Risk Management ISA	7,987,500	9,183,500	9,183,500
State Grand Jury	175,300	177,500	177,500
Victims' Rights	3,222 ,500	3,240,200	3,240,200
AGENCY TOTAL	**53,806,400** 1/	**59,624,400** 2/	**58,424,400**
FUND SOURCES			
General Fund	17,386,900	23,049,900	21,849,900
Other Appropriated Funds			
Antitrust Enforcement Revolving Fund	141,600	242,800	242,800
Attorney General Legal Services Cost Allocation Fund	5,625,900	2,026,900	2,026,900
Collection Enforcement Revolving Fund	4,486,100	5,313,900	5,313,900
Consumer Protection - Consumer Fraud Revolving Fund	2,307,400	3,450,300	3,450,300
Interagency Service Agreements Fund	12,648,500	13,116,900	13,116,900
Risk Management Revolving Fund	7,987,500	9,183,500	9,183,500
Victims' Rights Fund	3,222,500	3,240,200	3,240,200
SUBTOTAL - Other Appropriated Funds	36,419,500	36,574,500	36,574,500
SUBTOTAL - Appropriated Funds	**53,806,400**	**59,624,400**	**58,424,400**
Other Non-Appropriated Funds	36,204,700	62,513,900	63,345,400
Federal Funds	6,859,500	5,877,000	5,104,000
TOTAL - ALL SOURCES	96,870,600	128,015,300	126,873,800

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 Baseline includes $45,737,400 and 446.3 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$21,586,600
Antitrust Enforcement Revolving Fund	242,800
Attorney General Legal Services Cost Allocation Fund	2,026,900
Collection Enforcement Revolving Fund	5,313,900
Consumer Fraud Revolving Fund	3,450,300
Interagency Service Agreements Fund	13,116,900

1/ Includes a total of $412,300 GF and $1,130,700 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(176,600) GF for the premium holiday and an increase of $529,600 GF and $717,800 OF for the employee retention payment.

FY 2014 adjustments would be as follows:

Elimination of One-Time Federal Grant Backfill **GF (1,200,000)**

The Baseline 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.

Military Airport Planning

The Baseline includes $85,800 and 1 FTE Position from the General Fund in FY 2014 for Military Airport Planning. These amounts are unchanged from FY 2013.

A.R.S. § 26-263 appropriated $85,000 annually (prior to statewide adjustments) from the General Fund to the Attorney General's Office. Therefore, 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.

Risk Management ISA

The Baseline includes $9,183,500 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2014 for the Risk Management ISA. These amounts are unchanged from FY 2013.

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 Baseline includes $177,500 and 1.6 FTE Positions from the General Fund in FY 2014 for the State Grand Jury. These amounts are unchanged from FY 2013.

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 Baseline includes $3,240,200 and 6 FTE Positions from the Victims' Rights Fund in FY 2014 for Victims' Rights. These amounts are unchanged from FY 2013.

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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The Attorney General shall notify the President of the Senate, the Speaker of the House of Representatives and the Joint Legislative Budget Committee before entering into a settlement of $100,000 or more that will result in the receipt of monies by the Attorney General or any other person. The Attorney General shall not allocate or expend these monies until the Joint Legislative Budget Committee reviews the allocations or expenditures. Settlements that pursuant to statute must be deposited in the state General Fund need not be reviewed by the Joint Legislative Budget Committee. This paragraph does not apply to actions under Title 13, Arizona Revised Statutes, or other criminal matters.

In addition to the $13,116,900 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.

STATUTORY CHANGES

The Baseline would:

- As permanent law, raise the non-lapsing cap for the Collections Enforcement Fund from $100,000 to $500,000. This provision has previously been in session law for 2 years.
- As a FY 2013 session law in the General Appropriation Act, modify the Attorney General Legal Service charges for 5 agencies. Continue this charge level in FY 2014. (See discussion in *Other Issues for Legislative Consideration*).

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

National Mortgage Settlement Fund Distribution

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 of 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. As of this writing, an appeal has been filed with the Court of Appeals to overturn the ruling, and the Attorney General has not transferred the $50,000,000 to the General Fund.

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, 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 remainder, $85,000,000, is to be used to lower interest rates for some homeowners.

As of November 2012, approximately 13,000 Arizona residents have received settlement funded assistance. Approximately $762,000,000 of the settlement represents short sales approved by lenders. An additional $121,000,000 reflects assistance for refinancing and modifying existing underwater mortgages.

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 2013 General Appropriation Act set the level of charges at $1,906,600 and specified the charge per agency. The FY 2013 legislation also required the Joint Legislative Budget Committee (JLBC) to review the allocation of these charges by fund sources. Based on the JLBC review, the Legal Services charges for 5 agencies were modified in FY 2013. Of these, 4 do not have relevant fund sources and 1 does not have sufficient funding. As a result, the FY 2014 Baseline sets the level of charges at $1,809,500 to reflect the modifications. The FY 2014 General Appropriation Act would include language setting the charges as required by Chapter 302. Charges for agencies will be found in their individual agency narratives.

See *Table 1* for a list of agencies and their corresponding Attorney General Legal Services Charge.

Table 1

FY 2014 Attorney General Legal Services Charges

Agency	Legal Services Charge
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
Governor's Office of Equal Opportunity 2/	0
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
State Mine Inspector 3/	0
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
School Facilities Board 4/	0
Office of Tourism 5/	0
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 to $30,000 from $115,300.

2/ The Governor's Office of Equal Opportunity's Legal Services charge has been modified to $0 from $100.

3/ The State Mine Inspector's Legal Services charge has been modified to $0 from $1,200.

4/ The School Facilities Board's Legal Services charge has been modified to $0 from $2,400.

5/ The Office of Tourism's Legal Services charge has been modified to $0 from $8,100.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Anti-Racketeering Revolving Fund (AGA2131/A.R.S. § 13-2314.01)		**Non-Appropriated**
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	25,162,000	28,973,300
Year-End Fund Balance	40,496,700	40,023,400
Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)		**Appropriated**
Source of Revenue: Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
Purpose of Fund: For antitrust enforcement expenses, excluding attorney compensation.		
Funds Expended	141,600	242,800
Year-End Fund Balance	76,000	0
Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)		**Non-Appropriated**
Source of Revenue: Restricted donations and gifts from individuals and corporations.		
Purpose of Fund: For purposes specified by donors or grantors.		
Funds Expended	7,300	1,080,800
Year-End Fund Balance	2,700	0
Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)		**Appropriated**
Source of Revenue: Flat dollar amount from agencies as annually specified by the General Appropriation Act.		
Purpose of Fund: To fund non-contracted Attorney General Legal Services.		
Funds Expended	5,625,900	2,026,900
Year-End Fund Balance	1,170,600	1,050,300
CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)		**Non-Appropriated**
Source of Revenue: 9.35% of the Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To enhance prosecutorial efforts of county attorneys.		
Funds Expended	3,710,500	4,041,100
Year-End Fund Balance	0	0
Collection Enforcement Revolving Fund (AGA2132/A.R.S. § 41-191.03)		**Appropriated**
Source of Revenue: The fund receives 35% of monies recovered by the Attorney General from debts owed to the state.		
Purpose of Fund: For expenses related to debt collection owed to the state, including reimbursement of other accounts within the department. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration.		
Funds Expended	4,486,100	5,313,900
Year-End Fund Balance	888,300	500,000
Colorado River Land Claims Revolving Fund (AGA2430/A.R.S. § 41-191.05)		**Non-Appropriated**
Source of Revenue: Receives 25% of monies recovered by the state from the settlement of the State of Arizona's sovereign land claims.		
Purpose of Fund: To pay ownership claims near the Colorado River.		
Funds Expended	0	0
Year-End Fund Balance	12,300	12,300

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Consumer Protection - Consumer Fraud Revolving Fund (AGA2014/A.R.S. § 44-1531.01) **Appropriated**

Source of Revenue: Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.

Purpose of Fund: For consumer fraud education and for investigative and enforcement operations of the Consumer Protection Division, excluding attorney compensation. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration.

Funds Expended	2,307,400	3,450,300
Year-End Fund Balance	6,391,000	7,013,500

Court-Ordered Trust Fund (AGA3180/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Court-ordered deposits held in trust for parties to lawsuits. Includes funds from a 2012 nationwide settlement between numerous states and mortgage loan servicers. Arizona residents will receive a total of $1.6 billion from the settlement, of which $97 million is available to the Attorney General.

Purpose of Fund: To assure funds are available to pay judgments. Future payments are dependent on case settlements. In FY 2012, the agency expended $200,000 of the mortgage settlement. Starting in FY 2013, the agency plans to spend $19,000,000 a year to provide assistance to homeowners affected by fraudulent mortgage servicing and foreclosure practices until funds are expired. In addition, the FY 2013 budget directed the transfer of $50,000,000 of these monies to the General Fund. Due to litigation, the transfer has not yet occurred. The FY 2013 ending balance estimate assumes the transfer will occur by the end of the fiscal year. See *Other Issues for Legislative Consideration* for more information.

Funds Expended	1,164,500	20,164,300
Year-End Fund Balance	113,035,900	46,710,000

Criminal Case Processing Fund (AGA2461/A.R.S. § 41-2421) **Non-Appropriated**

Source of Revenue: A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.

Purpose of Fund: For the processing of criminal cases.

Funds Expended	81,700	78,800
Year-End Fund Balance	59,100	40,300

Federal Grants (AGA2000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Grants awarded by various federal agencies and state agencies which pass through federal monies.

Purpose of Fund: To be used in accordance with the terms of the individual grants.

Funds Expended	4,729,500	5,877,000
Year-End Fund Balance	313,100	311,600

Federal Grants - American Recovery and Reinvestment Act (ARRA) (AGA2999/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

Purpose of Fund: One-time Federal Funds to be used by the department for drug, gang, and violent crime efforts and to combat criminal narcotics activity stemming from the Southern border of the United States.

Funds Expended	2,130,000	0
Year-End Fund Balance	0	0

Indirect Cost Recovery Fund (AGA9000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Federal grant monies and other appropriated and non-appropriated funds.

Purpose of Fund: To pay administrative costs not directly attributable to any single agency program.

Funds Expended	1,804,200	2,256,000
Year-End Fund Balance	883,600	872,600

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Interagency Service Agreements Fund (AGA2157/A.R.S. § 41-192)		**Appropriated**
Source of Revenue: Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
Purpose of Fund: To provide contracted legal services to state agencies and political subdivisions.		
Funds Expended	12,648,500	13,116,900
Year-End Fund Balance	1,154,600	410,300
Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Any monies received from state agencies for specialized projects.		
Purpose of Fund: For costs associated with approved projects.		
Funds Expended	2,551,000	4,514,900
Year-End Fund Balance	83,800	0
Microsoft Settlement Fund (AGA1992/A.R.S. § 44-1531.01)		**Non-Appropriated**
Source of Revenue: State agencies' settlement proceeds from *Daisy Mountain Fire District v. Microsoft* lawsuit.		
Purpose of Fund: Settlement monies intended to cover software and allowable costs of purchases in FY 2011. The General Accounting Office will reimburse state agencies for approved purchases according to their allotted settlement limits.		
Funds Expended	79,500	17,300
Year-End Fund Balance	17,300	0
Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)		**Non-Appropriated**
Source of Revenue: This fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28, Chapter 14; and monies received from private grants or donations.		
Purpose of Fund: The Department of Public Safety conducts motor carrier safety investigations, the Motor Vehicle Division of the Department of Transportation administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	23,600	23,600
Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)		**Non-Appropriated**
Source of Revenue: 3.03% of Criminal Justice Enhancement Fund monies. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
Funds Expended	1,600,600	1,340,000
Year-End Fund Balance	132,200	92,200
Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)		**Appropriated**
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal services ISA contract between the Attorney General and ADOA.		
Funds Expended	7,987,500	9,183,500
Year-End Fund Balance	1,105,100	0
Victim Witness Fund (AGA2228/A.R.S. § 41-2407)		**Non-Appropriated**
Source of Revenue: Grants from the Victim Compensation and Assistance Fund and the Victims of Crime Act Fund.		
Purpose of Fund: To assist crime victims and surviving family members who are involved in felony cases and appellate matters.		
Funds Expended	43,400	47,400
Year-End Fund Balance	1,800	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)		**Appropriated**
Source of Revenue: 7.68% of Criminal Justice Enhancement Fund monies and an assessment on parents of juvenile offenders. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For states and local entities that provide victims' rights services and assistance.		
Funds Expended	3,222,500	3,240,200
Year-End Fund Balance	4,358,000	4,617,800

Automobile Theft Authority

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	6.0	6.0	6.0
Personal Services	236,600	318,600	318,600
Employee Related Expenditures	101,900	135,800	135,800
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	125,100
Equipment	68,300	9,000	9,000
OPERATING SUBTOTAL	**531,700**	**616,800**	**616,800**
SPECIAL LINE ITEMS			
Automobile Theft Authority Grants	3,608,300	3,607,700	3,607,700
Reimbursable Programs	0	50,000	50,000
AGENCY TOTAL	**4,140,000** 1/	**4,274,500** 2/	**4,274,500**
FUND SOURCES			
Other Appropriated Funds			
Automobile Theft Authority Fund	4,140,000	4,274,500	4,274,500
SUBTOTAL - Other Appropriated Funds	4,140,000	4,274,500	4,274,500
SUBTOTAL - Appropriated Funds	**4,140,000**	**4,274,500**	**4,274,500**
TOTAL - ALL SOURCES	4,140,000	4,274,500	4,274,500

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 Baseline includes $616,800 and 6 FTE Positions from the ATA Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

Automobile Theft Authority Grants

The Baseline includes $3,607,700 from the ATA Fund in FY 2014 for ATA Grants. This amount is unchanged from FY 2013.

This line item funds grants awarded to law enforcement agencies to reduce auto theft.

Reimbursable Programs

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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.

1/ Includes a total of $15,300 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $12,400 OF for the employee retention payment.

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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)		**Appropriated**
Source of Revenue: A semi-annual fee of $0.50 per vehicle insured under a motor vehicle liability insurance policy for vehicles with a gross weight under 26,000 pounds.		
Purpose of Fund: To allocate monies to public agencies for the purpose of establishing, maintaining and supporting programs that are designed to prevent motor vehicle theft, and to cover the costs of administration not to exceed 10% of the fund.		
Funds Expended	4,140,000	4,274,500
Year-End Fund Balance	468,200	1,497,500

Board of Barbers

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	4.0	4.0	4.0
Personal Services	172,400	187,500	187,500
Employee Related Expenditures	67,900	67,200	67,200
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	33,400
Equipment	700	1,100	1,100
AGENCY TOTAL	**297,100** 1/	**321,900** 2/	**321,900**
FUND SOURCES			
Other Appropriated Funds			
Board of Barbers Fund	297,100	321,900	321,900
SUBTOTAL - Other Appropriated Funds	297,100	321,900	321,900
SUBTOTAL - Appropriated Funds	**297,100**	**321,900**	**321,900**
TOTAL - ALL SOURCES	297,100	321,900	321,900

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 Baseline includes $321,900 and 4 FTE Positions from the Board of Barbers Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Board of Barbers Fund (BBA2007/A.R.S. § 32-305)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of barbers, barber schools, and barbering establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate barbers, barber schools, and barbering establishments, and for board administration.		
Funds Expended	297,100	321,900
Year-End Fund Balance	287,800	343,200

1/ Includes a total of $9,300 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $7,400 OF for the employee retention payment.

Board of Behavioral Health Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	17.0	17.0	17.0
Personal Services	692,200	667,100	667,100
Employee Related Expenditures	324,400	362,800	362,800
Professional and Outside Services	231,800	333,800	333,800
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	170,400
Equipment	40,800	58,700	58,700
AGENCY TOTAL	**1,457,900** 1/	**1,611,100** 2/	**1,611,100**
FUND SOURCES			
Other Appropriated Funds			
Board of Behavioral Health Examiners Fund	1,457,900	1,611,100	1,611,100
SUBTOTAL - Other Appropriated Funds	1,457,900	1,611,100	1,611,100
SUBTOTAL - Appropriated Funds	**1,457,900**	**1,611,100**	**1,611,100**
TOTAL - ALL SOURCES	1,457,900	1,611,100	1,611,100

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 Baseline includes $1,611,100 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Board of Behavioral Health Examiners Fund (BHA2256/A.R.S. § 32-3254)		**Appropriated**
Source of Revenue: Monies collected by the board from the certification and regulation of behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.		
Funds Expended	1,457,900	1,611,100
Year-End Fund Balance	1,213,200	1,019,100

1/ Includes a total of $33,100 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $29,300 OF for the employee retention payment.

State Capital Postconviction Public Defender Office

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	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** 1/	**0**	**0**
FUND SOURCES			
General Fund	697,800	0	0
Other Appropriated Funds			
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. 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.

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Capital Postconviction Public Defender Office Fund (PDA2367/ARS 41-4303)		**Appropriated**
Source of Revenue: Counties are required to pay 50% of fees and expenses associated with the representation of clients.		
Purpose of Fund: To fund operating expenses of the agency. This fund was repealed by the FY 2013 Criminal Justice Budget Reconciliation Bill (Laws 2012, Chapter 302) and required any monies remaining in the fund after June 30, 2012 to be transferred to the General Fund.		
Funds Expended	31,500	0
Year-End Fund Balance	152,500	0

1/ Includes a total of $17,500 GF and $5,700 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

State Board for Charter Schools

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	9.0	9.0	9.0
Personal Services	423,600	456,100	456,100
Employee Related Expenditures	179,200	181,500	181,500
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	78,300
Equipment	300	3,300	3,300
AGENCY TOTAL	**734,200** [1/]	**748,100** [2/]	**748,100**
FUND SOURCES			
General Fund	734,200	748,100	748,100
SUBTOTAL - Appropriated Funds	**734,200**	**748,100**	**748,100**
Other Non-Appropriated Funds	24,000	18,000	18,000
TOTAL - ALL SOURCES	758,200	766,100	766,100

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 518 charter schools.

Operating Budget

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The Baseline includes $748,100 and 9 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

FORMAT - Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Charter Arizona Online Instruction Processing Fund (CHA2319/A.R.S. § 15-183W)		**Non-Appropriated**
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of contract amendments for charter schools participating in Arizona online instruction.		
Funds Expended	24,000	18,000
Year-End Fund Balance	0	0
New Charter Application Processing Fund (CHA2568/A.R.S. § 15-183.01)		**Non-Appropriated**
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of applications submitted for new charters.		
Funds Expended	0	0
Year-End Fund Balance	0	0

1/ Includes a total of $19,100 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(7,300) GF for the premium holiday and an increase of $19,500 GF for the employee retention payment.

State Board of Chiropractic Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	5.0	5.0	5.0
Personal Services	241,200	248,600	248,600
Employee Related Expenditures	86,100	86,800	86,800
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	80,000
Equipment	5,000	3,000	3,000
AGENCY TOTAL	**441,900** 1/	**454,800** 2/	**454,800**
FUND SOURCES			
Other Appropriated Funds			
Board of Chiropractic Examiners Fund	441,900	454,800	454,800
SUBTOTAL - Other Appropriated Funds	441,900	454,800	454,800
SUBTOTAL - Appropriated Funds	**441,900**	**454,800**	**454,800**
TOTAL - ALL SOURCES	441,900	454,800	454,800

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 Baseline includes $454,800 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Board of Chiropractic Examiners Fund (CEA2010/A.R.S. § 32-906)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of chiropractors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate chiropractors, and for board administration.		
Funds Expended	441,900	454,800
Year-End Fund Balance	194,400	151,100

1/ Includes a total of $12,500 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $9,000 OF for the employee retention payment.

Citizens Clean Elections Commission

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Clean Elections Tax Credit

Laws 2012, Chapter 257 eliminated the Clean Elections tax credits and voluntary contributions and the associated revenue for the commission. The 1998 ballot proposition, which created the commission, allowed taxpayers to designate a $5 voluntary contribution to the Citizens Clean Elections Fund by marking an optional check-off box on a state income tax form. The taxpayer who checked the box would then also receive a $5 reduction in the amount of tax they were required to pay. Additionally, the ballot proposition allowed taxpayers to make a voluntary donation by making a payment directly to the Clean Elections Fund for which the taxpayer would receive a dollar-for-dollar tax credit not to exceed 20% of the tax amount on the return or $670 per taxpayer, whichever was higher.

The statutory elimination of these credits and contributions constitutes most of the revenue decline for the commission from FY 2012 to FY 2013.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Citizens Clean Elections Fund (ECA2425/A.R.S. § 16-949)		**Non-Appropriated**
Source of Revenue: Election-related civil penalties; civil and criminal fine and penalty surcharges; and "qualifying contributions" on behalf of candidates who seek public campaign funding. Prior to FY 2013, the Commission also generated revenues from a check-off box on state income tax forms and tax credits. Laws 2012, Chapter 257 repealed these provisions.		
Purpose of Fund: To fund administrative costs of the Citizens Clean Election Commission, campaigns of candidates who qualify for public campaign funding under A.R.S. § 16-950, and activities pertaining to voter education.		
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 Funds Available	**31,955,100**	**27,820,100**
Expenditures:		
Operating Funds Expended	2,762,900	4,617,900
Candidate Funding	532,100	2,500,000
Total Funds Expended	**3,295,000**	**7,117,900**
Transfer Out to General Fund	**10,000,000**	**0***
Year-End Fund Balance	**18,660,100**	**20,702,200**

* The FY 2013 budget assumed a $10 million 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 currently projects that the ballot formula will not require a reversion.

Arizona Commerce Authority

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET	10,000,000	10,000,000	10,000,000
SPECIAL LINE ITEMS			
Arizona Competes Fund Deposit	21,500,000	21,500,000	21,500,000
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
- Motion Picture Production and Infrastructure Tax Incentives
- 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

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 2012, ACA expended $1,000,000. Of the $10,000,000 operations allocation, ACA expended $9,753,000 in FY 2012.

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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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 and $21,500,000 shall be credited to the Arizona Competes Fund.

STATUTORY CHANGES

The Baseline would, as permanent law, prevent the Application Fees Fund from being compensated by the Arizona Competes Fund for the unpaid fees of incentive recipients. *(Please see discussion below.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Arizona Competes Fund Fees

Statute allows ACA to charge a fee of 1% on any incentive awarded from the Arizona Competes Fund. Per statute, the ACA presented a fee schedule to the Joint Legislative Budget Committee (JLBC) for review at the April 2012 meeting. The JLBC favorably reviewed the ACA fee schedule which included a fee for Arizona Competes Fund awards of 1% of the award amount. In FY 2012 the ACA awarded a grant of $1,000,000 to Clear Energy Systems, Inc., but retained, and transferred to the Application Fees Fund, $10,000 of the award to satisfy the award's fee requirement.

The Application Fees Fund is intended to fund ACA administrative expenses (along with $10,000,000 of an annual direct operation allocation from the General Fund). As a result of ACA's reimbursement policy, however, funding is being moved from this "deal closing" function to administrative expenses. Given that ACA already has a separate administrative fund, the Baseline includes a statutory provision to restrict this type of transfer out of the Arizona Competes Fund *(Please see Statutory Changes section above).*

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Application Fees Fund (CAA3005/A.R.S. § 41-1504)		**Non-Appropriated**
Source of Revenue: A processing fee equal to 1% of the relevant tax credit being refunded per application. **Purpose of Fund:** To provide funding for staff to determine if taxpayers who qualify for a tax credit for increased research activities qualify for other income tax refunds.		
Funds Expended	0	9,100
Year-End Fund Balance	54,400	980,300
Arizona Commerce Authority Carryover Fund (CAA1001/A.R.S. § 41-1504)		**Non-Appropriated**
Source of Revenue: The remaining $13,991,325 in left-over funds transferred from various funds belonging to the Arizona Department of Commerce and any residual FY 2011 revenue that is collected in FY 2012. **Purpose of Fund:** To provide deal closing grants to businesses for the purpose of attracting, expanding or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
Funds Expended	2,341,300	5,572,000
Year-End Fund Balance	9,664,100	4,148,100
Arizona Commerce Authority Fund (CAA8813/A.R.S. § 41-1506)		**Non-Appropriated**
Source of Revenue: An annual deposit of $10 million in corporate income tax withholding revenues, gifts, grants, and other donations. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund. Expenditures from this fund totaled $9.8 million in FY 2012. **Purpose of Fund:** To fund the operating costs of the Authority.		
Funds Expended	0	0
Year-End Fund Balance	247,000	247,000
Arizona Commerce Authority Local Communities Fund (EPA2498/A.R.S. § 41-1505.12)		**Non-Appropriated**
Source of Revenue: Tribal contributions from gaming revenue. The Tribal-State Gaming Compact dictates that 12% of revenues received by the state be utilized for government services benefiting the general public. The tribes can grant funds directly to communities or deposit revenues into the CEDC Local Communities Fund. Any monies remaining in this fund at the end of FY 2011 were transferred to the Arizona Commerce Authority Carryover Fund. Beginning in FY 2012, any remaining revenues to this fund were redirected to the Arizona Commerce Authority Carryover Fund. **Purpose of Fund:** To provide grants to cities, towns and counties for government services that benefit the general public including public safety, the mitigation of impacts of gaming or the promotion of commerce and economic development. All grant applications must have a written endorsement of a nearby Indian tribe to receive an award from the commission.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Arizona Competes Fund (CAA8814/A.R.S. § 41-1545.01) **Non-Appropriated**

Source of Revenue: Receives an annual deposit of $21.5 million in income tax withholding revenues, $3.5 million in lottery ticket sales revenues, gifts, grants, and other donations. Expenditures of the income tax withholding revenues are not displayed to avoid double counting the original General Fund appropriation to this fund. Expenditures from this fund totaled $1.0 million in FY 2012.

Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.

Funds Expended	0	0
Year-End Fund Balance	25,823,500	21,872,300

Arizona Innovation Accelerator Fund (CAA2080/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: The U.S. Department of Treasury State Small Business Credit Initiative Act of 2010.

Purpose of Fund: To fund state created programs that increase the amount of capital made available by private lenders to small businesses.

Funds Expended	359,000	5,020,100
Year-End Fund Balance	5,650,900	6,878,200

Arizona Twenty-First Century Competitive Initiative Fund (CAA2524/A.R.S. § 41-1506.01) **Non-Appropriated**

Source of Revenue: Legislative appropriations, earnings from the fund, gifts, and donations.

Purpose of Fund: One-time monies used to build and strengthen medical, scientific, and engineering research programs with an emphasis in bioscience for the purpose of promoting statewide economic development.

Funds Expended	0	0
Year-End Fund Balance	0	0

Commerce Development Bond Fund (CAA2196/A.R.S. § 41-1504) **Partially-Appropriated**

Source of Revenue: Filing fees and charges for services related to the provision of a registry of bond allocations.

Purpose of Fund: To pay for the review and approval of all corporate bond financing related to the construction of multi-family apartments, sanitariums, clinics, medical hotels, retirement homes, skilled nursing facilities and life-care centers.

Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	1,000,000	4,500
Year-End Fund Balance	47,200	83,200

Commerce Workshops (CAA2149/A.R.S. § 41-1503) **Non-Appropriated**

Source of Revenue: Workshop registration fees, publication fees, and environmental certification fees. Any monies remaining in this fund at the end of FY 2011 were transferred to the Arizona Commerce Authority Carryover Fund. Beginning in FY 2012, any remaining revenues to this fund were redirected to the Arizona Commerce Authority Carryover Fund.

Purpose of Fund: To pay expenses incurred for workshops, the production and distribution of publications, and the monitoring of recycling industry development.

Funds Expended	0	0
Year-End Fund Balance	0	0

Corporation for Skilled Workforce Fund (CAA1002/A.R.S. § 41-1502) **Non-Appropriated**

Source of Revenue: Pass thru federal funding to the Department of Economic Security.

Purpose of Fund: To fund the Re-inventing Arizona's Human Services System which helps the Arizona Commerce Authority, Department of Education, the Community Colleges, and the Department of Economic Security to coordinate efforts to align Arizona's human capital development efforts with its economic growth and job creation efforts.

Funds Expended	501,700	107,900
Year-End Fund Balance*	(2,000)	0

Donations Fund (CAA3189/A.R.S. § 41-1504) **Non-Appropriated**

Source of Revenue: Gifts, grants, and donations.

Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.

Funds Expended	100,000	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal Funds (CAA2000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Federal grants for community development, job training, and home programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	1,018,700	951,600
Year-End Fund Balance*	(258,900)	102,100
Job Training Fund (CAA1237/A.R.S. § 41-1544)		**Non-Appropriated**
Source of Revenue: Legislative appropriations, gifts, grants, interest earned on investments and, primarily, proceeds from a 0.1% employers' wage tax. Tax revenues collected in FY 2012 were $15,990,900 and are estimated to be $16,663,000 in FY 2013. Interest earned on the fund in FY 2012 was $283,500.		
Purpose of Fund: To provide training and retraining for specific employment opportunities with new and expanding businesses or businesses undergoing economic conversion. Training shall be through the community college system, a licensed private postsecondary educational institution, or a community college operated by a tribal government, unless the employer requests another qualified training provider. Of the monies appropriated to the fund, 25% is set aside for small and rural businesses.		
Funds Expended	3,634,500	13,535,300
Year-End Fund Balance	40,239,300	43,667,000

* As reported by the agency. Actual ending balance will not be negative.

Arizona Community Colleges

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
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
Subtotal - Operating State Aid	33,324,400	35,491,700	34,464,800
Capital Outlay State Aid	0	0	0
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
Subtotal - Equalization Aid	35,252,900	27,852,100	26,301,700
Rural County Allocation	3,051,700	0	0
Rural County Reimbursement Subsidy	848,800	848,800	848,800
Tribal Community Colleges	1,750,000	1,750,000	1,750,000
AGENCY TOTAL	**74,227,800**	**65,942,600**	**63,365,300**
FUND SOURCES			
General Fund	74,227,800	65,942,600	63,365,300
SUBTOTAL - Appropriated Funds	**74,227,800**	**65,942,600**	**63,365,300**
Other Non-Appropriated Funds	14,943,500	15,713,200	15,713,200
TOTAL - ALL SOURCES	89,171,300	81,655,800	79,078,500

Operating State Aid

The Baseline includes $34,464,800 from the General Fund in FY 2014 for Operating State Aid. FY 2014 adjustments would be as follows:

		FY 2014
Enrollment Growth	**GF**	**(1,026,900)**

The Baseline 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 Baseline includes no funding from the General Fund in FY 2014 for Capital Outlay State Aid. This amount is unchanged from FY 2013.

The Baseline continues to suspend Capital Outlay State Aid for FY 2014. The formula has been inactive since FY 2009. This suspension forgoes $22,991,600 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.

Equalization Aid

The Baseline includes $26,301,700 from the General Fund in FY 2014 for Equalization Aid. FY 2014 adjustments would be as follows:

Enrollment Growth **GF (1,550,400)**
The Baseline 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 Charge	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 out 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 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 it 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 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. The FY 2012 expenditure of $3,051,700 was offset by a corresponding reduction 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*).

The FY 2013 and FY 2014 dollar amounts are not yet known. Given the language of A.R.S. § 15-1469.01, these monies do not appear in the General Appropriation Act.

Rural County Reimbursement Subsidy

The Baseline 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 Baseline allocates $466,000 to Apache and $382,800 to Greenlee.

Tribal Community Colleges

The Baseline includes $1,750,000 from the General Fund in FY 2014 for Tribal Community Colleges. This amount is unchanged from FY 2013.

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 sources located on Indian reservations, whichever is less. These monies provide tribal community colleges with funding for maintenance, renewal, and capital expenses. Actual amounts for FY 2014 will depend on FY 2014 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act.

This funding is limited to tribes that entered into a compact with the Executive prior to September 1, 2012. Diné College on the Navajo Nation is the only college that meets this criteria.

The Baseline assumes that $1,750,000 will be distributed to Diné College in FY 2014. This amount represents 10% of the estimated TPT revenues collected in the Navajo reservation in FY 2014, up to $1,750,000. This estimate is revised each year based on the most recent actual TPT revenues. The most recent actual distribution in FY 2012 was $1,750,000.

* * *

FORMAT — District by District Special Line Items

FOOTNOTES

Standard Footnotes
Of the $848,800 appropriated to the Rural County Reimbursement Subsidy line item, Apache County will receive $466,000 and Greenlee County $382,800.

STATUTORY CHANGES

The Baseline would, as session law, continue to suspend capital outlay funding for FY 2014.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 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)

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.

and will limit annual property value increases to 5% starting in FY 2016. The proposition will not limit the community college districts' current ability to raise their property tax rates to generate 2% more in property tax revenues annually, not including property tax 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. Since the 2% annual limit is based on the level of money generated from the property tax and not the property tax rate itself, Proposition 117 would not affect the districts' property tax revenue levels.

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.)*

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.

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.

Table 6

Community College Resident Tuition and Fees – FY 2013

District	Cost Per Credit Hour	Annual Cost [1/]	% Change from FY 2012
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.

Table 7

Community Colleges - FY 2013 Budgeted Expenditures

General/Restricted Funds	Total	% of Total
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%**

SUMMARY OF FUNDS

	FY 2012 Actual	FY 2013 Estimate
Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)		**Non-Appropriated**

Source of Revenue: A portion of the 0.6% education sales tax. The law directs each qualifying tribal community college to receive distributions in the same manner as the transfers to individual community college district workforce development accounts. A "qualifying Indian tribe" is an Indian tribe that owns, operates, and charters any community college located on its own reservation in this state.

Purpose of Fund: To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.

Funds Expended	729,900	738,700
Year-End Fund Balance	0	0

Workforce Development Accounts (varies by account/A.R.S. § 15-1472) **Non-Appropriated**

Source of Revenue: Three percent of collections from the 0.6% education sales tax, after debt service on state school facilities revenue bonds has been paid. This funding was authorized by voter approval of Proposition 301 in the November 2000 General Election.

Purpose of Fund: To fund workforce development and training activities at the community college districts. From FY 2002 to FY 2014, the first $1,000,000 is to be distributed to bring the state into compliance with the matching capital requirements for new community college campuses prescribed in A.R.S. § 15-1463.

Funds Expended	14,213,600	14,974,500
Year-End Fund Balance	0	0

State Compensation Fund

	CY 2011 ACTUAL	CY 2012 ESTIMATE	CY 2013 BASELINE
BUDGET			
Operating Budget	103,900,000	102,000,000	0
Dividends and Claims	144,500,000	153,000,000	0
TOTAL	**248,400,000**	**255,000,000**	**0**
FUND SOURCES			
Other Non-Appropriated Funds	248,400,000	255,000,000	0
TOTAL – ALL SOURCES	**248,400,000**	**255,000,000**	**0**

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.

The State Compensation Fund (SCF) terminates effective January 1, 2013. The SCF Board of Directors is required to perform all acts necessary to establish a successor mutual insurer corporation by January 1, 2013. The successor mutual insurer corporation is to become 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.

SUMMARY OF FUNDS *Represents Calendar Years	**CY 2011* Actual**	**CY 2012* Estimate**
State Compensation (TRA9002/A.R.S. § 23-981)		**Non-Appropriated**
Source of Revenue: Workers' compensation insurance premiums; investment income, including capital gains; other income. **Purpose of Fund:** To insure employers against liability for workers' compensation, occupational disease compensation and medical, surgical and hospital benefits pursuant to the provisions of Arizona and federal statutes.		
Funds Expended-Operating	103,900,000	102,000,000
Funds Expended-Dividends and Claims	144,500,000	153,000,000
Year-End Fund Balance	762,000,000	890,000,000

Constable Ethics Standards and Training Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
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.

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Constable Ethics Standards and Training (CNA2346/ARS § 22-137)		**Non-Appropriated**
Source of Revenue: Fees collected for every writ served on behalf of a Justice of the Peace.		
Purpose of Fund: 80% to fund constable training, equipment and related grants and 20% to fund operating expenses for the board.		
Funds Expended	179,400	294,600
Year-End Fund Balance	316,300	309,700

Registrar of Contractors

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	144.8	105.6	105.6
Personal Services	4,102,900	5,519,200	5,519,200
Employee Related Expenditures	1,856,800	2,335,400	2,335,400
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	2,165,100
Equipment	55,400	100,300	100,300
OPERATING SUBTOTAL	**7,576,200**	**11,042,200**	**11,042,200**
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	471,900	1,017,600	1,017,600
AGENCY TOTAL	**8,048,100** 1/	**12,059,800** 2/	**12,059,800**
FUND SOURCES			
Other Appropriated Funds			
Registrar of Contractors Fund	8,048,100	12,059,800	12,059,800
SUBTOTAL - Other Appropriated Funds	8,048,100	12,059,800	12,059,800
SUBTOTAL - Appropriated Funds	**8,048,100**	**12,059,800**	**12,059,800**
Other Non-Appropriated Funds	4,454,900	4,629,100	4,629,100
TOTAL - ALL SOURCES	12,503,000	16,688,900	16,688,900

AGENCY DESCRIPTION — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

Operating Budget

The Baseline includes $11,042,200 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

Office of Administrative Hearings Costs

The Baseline 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 the OAH for services provided by the OAH.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

STATUTORY CHANGES

The Baseline would, as session law, continue 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 FY 2014, rather than 10% of the fund balance.

1/ Includes a total of $273,400 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $131,800 OF for the employee retention payment.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Residential Contractors' Recovery Fund

The Residential Contractors' Recovery Fund compensates homeowners who are injured by a residential contractor. The maximum payout is $30,000 per homeowner. The fund had about $4,500,000 of revenue in FY 2012, which is approximately equal to the amount of approved claims. The department, however, currently has a backlog of claims. The backlog totals $3,900,000 in payments to 324 homeowners.

Approved claims have steadily decreased from 90 in July 2011 to 8 in September 2012. As a result, the department's estimated payment time for approved claims has slowly deceased from over 12 months a year ago to 10 months for claims approved in September 2012.

The 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. *(For more information, please see the Summary of Funds.)*

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Registrar of Contractors Fund (RGA2406/A.R.S. § 32-1107)		**Appropriated**
Source of Revenue: Monies collected from the examination and licensing of contractors. The agency retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate contractors, and for board administration.		
Funds Expended	8,048,100	12,059,800
Year-End Fund Balance	9,780,200	7,728,300
Residential Contractors' Recovery Fund (RGA3155/A.R.S. § 32-1132)		**Non-Appropriated**
Source of Revenue: An assessment, not to exceed $600 per biennial license period, paid by residential contractors and other monies.		
Purpose of Fund: To compensate anyone who is injured by an act, a representation, a transaction, or the conduct of a residential contractor. Compensation for damages to any one individual cannot exceed $30,000. Laws 2012, Chapter 297 allows up to 14% of prior fiscal year revenue to be used to administer the fund in FY 2013.		
Funds Expended	4,454,900	4,629,100
Year-End Fund Balance*	142,600	(131,400)

*As reported by the agency. Actual ending balance will not be negative.

Corporation Commission

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	308.3	297.9	297.9
Personal Services	14,355,000	15,304,200	15,304,200
Employee Related Expenditures	5,844,600	6,043,000	6,043,000
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	2,722,400
Equipment	453,500	175,000	175,000
OPERATING SUBTOTAL	**23,823,100**	**25,116,000**	**24,766,000**
SPECIAL LINE ITEMS			
Corporation Filings, Same Day Service	0	400,400	400,400
Utilities Audits, Studies, Investigations, & Hearings	0	380,000	380,000
AGENCY TOTAL	**23,823,100** 1/	**25,896,400** 2/	**25,546,400**
FUND SOURCES			
General Fund	596,200	589,100	589,100
Other Appropriated Funds			
Arizona Arts Trust Fund	51,200	50,200	50,200
Investment Management Regulatory and Enforcement Fund	705,200	684,300	684,300
Public Access Fund	5,510,200	6,414,200	6,414,200
Securities Regulatory and Enforcement Fund	4,319,200	4,625,900	4,625,900
Utility Regulation Revolving Fund	12,641,100	13,532,700	13,182,700
SUBTOTAL - Other Appropriated Funds	23,226,900	25,307,300	24,957,300
SUBTOTAL - Appropriated Funds	**23,823,100**	**25,896,400**	**25,546,400**
Other Non-Appropriated Funds	22,600	0	0
Federal Funds	1,107,900	1,055,600	760,800
TOTAL - ALL SOURCES	24,953,600	26,952,000	26,307,200

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.

Operating Budget

The Baseline includes $24,766,000 and 295.9 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$589,100
Arizona Arts Trust Fund	50,200
Investment Management Regulatory and Enforcement Fund	684,300
Public Access Fund	6,013,800
Securities Regulatory and Enforcement Fund	4,625,900
Utility Regulation Revolving Fund	12,802,700

FY 2014 adjustments would be as follows:

One-Time Construction OF (350,000)

The Baseline includes a decrease of $(350,000) from the Utility Regulation Revolving Fund in FY 2014 for the

1/ Includes a total of $13,600 GF and $707,400 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(4,400) GF for the premium holiday and an increase of $16,200 GF and $546,800 OF for the employee retention payment.

elimination of one-time costs of constructing a hearing room.

Corporation Filings, Same Day Service

The Baseline includes $400,400 and 2 FTE Positions from the Public Access Fund in FY 2014 for Corporation Filings, Same Day Service. These amounts are unchanged from FY 2013.

A footnote in the General Appropriation Act specifies that same day and next day services shall not be offered unless all expedited services listed in A.R.S. § 10-122, 10-3122, and 29-851 are processed within a maximum of 5 business days and all other documents and services are processed within a maximum of 30 business days. In FY 2012, all regular and expedited filings were processed within these maximum allowed timeframes. The fee for same day and next day services, however, is yet to 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.

Utilities Audits, Studies, Investigations, & Hearings

The Baseline 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. The Corporation Commission's estimated expenditure of these monies in prior years differs from the official state accounting records. The latter is prepared by the General Accounting Office of the Arizona Department of Administration. As a result, the JLBC Staff recommends adding a footnote to require a reconciliation of these estimates. *(See New Footnotes section.)*

* * *

FORMAT — Operating Lump Sum with Special Line Items

FOOTNOTES

Standard Footnotes

The $400,400 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 cannot process all expedited services within 5 business days and all regular services within 30 business days in accordance with A.R.S. § 10-122, 10-3122, and 29-851.

The $380,000 appropriation from the Utility Regulation Revolving Fund for the Utilities Audits, Studies, Investigations, & Hearings Special Line Item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

New Footnotes

The Corporation Commission and the General Accounting Office shall report to the Staff Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting by 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 two agencies deem appropriate. The report shall also include an estimate of the remaining amount of non-lapsing funds as well as any recommendations to improve the consistency of the special line item expenditures reporting.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Arizona Arts Trust Fund (CCA3014/A.R.S. § 41-983.01)		**Appropriated**
Source of Revenue: One-third of the filing fees for the annual report of domestic and foreign corporations.		
Purpose of Fund: For grants under the Arizona arts program and for other expenditures as authorized by the chairman of the Arizona Arts Commission. The Corporation Commission funds 1 FTE Position with these monies to assist in collecting the fee, with the remainder transferred to the Arts Commission.		
Funds Expended	51,200	50,200
Year-End Fund Balance	467,900	417,700
Federal Funds (CCA2000/A.R.S. § 40-441)		**Non-Appropriated**
Source of Revenue: U.S. Department of Transportation grants.		
Purpose of Fund: To pay up to 50% of the costs associated with the inspection of interstate pipelines transporting gas and hazardous liquids, and conduction of a pipeline safety program.		
Funds Expended	821,400	760,800
Year-End Fund Balance	1,642,900	2,132,100

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal Grants - American Recovery and Reinvestment Act Fund (CCA2999/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the commission for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	286,500	294,800
Year-End Fund Balance	24,800	0
IGA and ISA Fund (CCA2500/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	600	0
Year-End Fund Balance	5,400	5,400
Investment Management Regulatory and Enforcement Fund (CCA2404/A.R.S. § 44-3298)		**Appropriated**
Source of Revenue: Fees from licensing of investment advisors and investment advisor representatives, and from costs recovered from enforcement actions associated with the licensing.		
Purpose of Fund: For education, regulatory, investigative, and enforcement operations in the Securities Division.		
Funds Expended	705,200	684,300
Year-End Fund Balance	1,261,700	988,500
Pipeline Safety Revolving Fund (CCA2174/A.R.S. § 40-443)		**Appropriated**
Source of Revenue: Revenues from civil penalties and fines assessed for the violation of any law, rule, or order pertaining to the safety of the transportation of gas and hazardous liquids, and pipeline facilities.		
Purpose of Fund: For expenses associated with gas and hazardous liquids pipeline facilities safety, including public education, training, purchasing equipment, and inspections.		
Funds Expended	0	0
Year-End Fund Balance	144,200	144,200
Public Access Fund (CCA2333/A.R.S. § 10-122.01)		**Appropriated**
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: To cover a part of the commission's administrative and legal expenses as well as costs associated with an improved data processing system that allows direct, on-line access by any person at a remote location to all public records concerning corporations and associations.		
Funds Expended	5,510,200	6,414,200
Year-End Fund Balance	1,553,400	764,000
Securities Regulatory and Enforcement Fund (CCA2264/A.R.S. § 44-2039)		**Appropriated**
Source of Revenue: Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.		
Purpose of Fund: For education, regulatory, investigative, and enforcement operations in the Securities Division.		
Funds Expended	4,319,200	4,625,900
Year-End Fund Balance	1,119,400	1,119,400
Utility Regulation Revolving Fund (CCA2172/A.R.S. § 40-408)		**Appropriated**
Source of Revenue: Assessments against public utilities regulated by the commission, as defined by A.R.S. § 40-401.		
Purpose of Fund: For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists, and other staff employed by the division.		
Funds Expended	12,641,100	13,532,700
Year-End Fund Balance	5,239,400	2,795,600

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Utility Siting Fund (CCA2076/A.R.S. § 40-360.09)		**Non-Appropriated**
Source of Revenue: Fees paid for applications to the Power Plant and Transmission Line Siting Commission for proposed and expanded power plants and transmission lines.		
Purpose of Fund: For costs incurred by the Power Plant and Transmission Line Siting Commission in connection with the activities of the commission.		
Funds Expended	22,000	0
Year-End Fund Balance	48,700	53,700

State Department of Corrections

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	10,015.2	10,118.2	9,561.0
Correctional Officer Personal Services	317,201,000	315,042,700	316,694,400
Health Care Personal Services	40,009,500	2,633,400	2,633,400
All Other Personal Services	59,638,800	62,627,100	62,744,700
Personal Services Subtotal	**416,849,300**	**380,303,200**	**382,072,500**
Employee Related Expenditures	**196,753,100**	**185,885,600**	**186,752,100**
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	**32,135,200**	**15,401,100**	**15,489,000**
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	5,462,000
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	46,335,100
Other Operating Expenditures	99,160,900	102,674,100	104,316,000
Equipment	7,681,300	3,466,200	3,466,200
Non-Health Care Operating Subtotal	**154,874,900**	**158,700,900**	**160,474,200**
OPERATING SUBTOTAL	**873,057,700**	**743,400,400**	**747,897,400**
SPECIAL LINE ITEMS			
Private Prison Per Diem	123,479,400	127,636,600	132,380,300
Inmate Health Care Contracted Services[1/]	0	116,915,300	116,915,300
Unallocated Resources	0	13,359,600	13,359,600
Leap Year Costs	800,100	0	0
Narrowband Radio Conversion	3,902,700	0	0
AGENCY TOTAL	**1,001,239,900[2/]**	**1,001,311,900[3/]**	**1,010,552,600**
FUND SOURCES			
General Fund	953,781,400	956,404,200	965,644,900
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
Prison Construction and Operations Fund	13,072,700	11,499,400	11,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	1,647,000	360,000	360,000
State Education Fund for Correctional Education	497,000	512,100	512,100
Transition Program Fund	930,000	3,485,000	3,485,000
Transition Services Fund	2,459,000	0	0
SUBTOTAL - Other Appropriated Funds	47,458,500	44,907,700	44,907,700
SUBTOTAL - Appropriated Funds	**1,001,239,900**	**1,001,311,900**	**1,010,552,600**
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	1,065,937,800	1,074,802,500

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 Baseline includes $747,897,400 and 9,561.0 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$742,985,900
Alcohol Abuse Treatment Fund	554,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000
State Education Fund for Correctional Education	512,100
Transition Program Fund	3,485,000

FY 2014 adjustments would be as follows:

500 Maximum-Security State Beds Start-up Costs — GF — 4,497,000

The Baseline includes an increase of $4,497,000 and 183 FTE Positions from the General Fund in FY 2014 to fund fourth quarter staffing and start-up costs in preparation for the activation of the 500 maximum-security prison beds. Of the $4,497,000, $1,157,000 is for one-time equipment costs.

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 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.

According to the department, construction of the new beds will take approximately 1 year. Currently, the department does not expect to issue a Request for Proposals (RFP) until March 2013, which may make it difficult to start construction by July 2013 and open the beds by the start of FY 2015. Nonetheless, the FY 2014 Baseline is based on an activation schedule in which beds open in July 2014 and staffing and start-up activities would begin in April 2014. If the scheduled opening date is extended beyond July 1, 2014, the start-up cost funding could be reduced. The Baseline includes a new footnote to address this issue. *(Please see the Footnotes section.)*

Privatization of Inmate Health Care Services — GF — 0

The Baseline includes a decrease of (740.2) FTE Positions in FY 2014 to eliminate funding for 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 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. The appropriate level of funding for monitoring the contract will be considered during the legislative session. *(Please see the Inmate Health Care Contracted Services Special Line Item section for further details on funding for the department's health care contract.)*

Private Prison Per Diem

The Baseline 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

FY 2014 adjustments would be as follows:

500 Medium-Security Private Prison Beds — GF — 4,743,700

The Baseline 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 in January 2014.

The FY 2013 Criminal Justice Budget Reconciliation Bill (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 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

1/ The FY 2013 General Appropriation Act did not include the Inmate Health Care Contracted Services line item. The FY 2013 monies have been reallocated to this line item for comparability. *(Please see the Inmate Health Care Contracted Services Special Line Item section for further details.)*

2/ Includes a total of $18,808,700 GF and $18,000 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

3/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(8,956,300) GF for the premium holiday and an increase of $3,887,400 GF for the employee retention payment.

will house these prisoners at their existing Red Rock Correctional Center in Eloy. The rate at which the 500 beds will be activated after January 1, 2014, which could alter the level of this appropriation, has yet to be determined. The 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 6,538 beds currently under contract. 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 Baseline includes $116,915,300 in FY 2014 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	105,415,900
Prison Construction and Operations Fund	11,499,400

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. to privatize the department's inmate health care services. 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. The length of the contract is 3 years with the option for 2 additional 1-year renewals.

The Baseline assumes $116,915,300 in FY 2013 and FY 2014 for this line item. However, this amount is based on the November 30, 2012 state prison inmate population of 33,682. 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.

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.

The original FY 2013 appropriation for health care services is $13,359,600 above the estimated annual cost of the contract and the supervisory and administrative functions. As a result, $13,359,600 has been redirected to the Unallocated Resources Special Line Item as part of the FY 2013 estimate (*see below*).

Unallocated Resources

The Baseline includes $13,359,600 from the General Fund in FY 2014 for Unallocated Resources. This amount consists of the portion of the FY 2013 appropriation which exceeds the estimated annual cost of the inmate health care contract and the supervisory and administrative functions. The FY 2014 monies will be allocated during the legislative session. *(Please see the Operating Budget and Inmate Health Care Contracted Services Special Line Item sections for more information.)*

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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 by 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.

~~The appropriation provides for 38,706 ongoing funded beds.~~ The State Department of Corrections shall provide a report on bed capacity to the Joint Legislative Budget Committee for its review by August 1 annually. The report shall reflect the bed capacity for each security classification at each state-run and private institution, divided by ~~funded,~~ rated and total beds~~,~~. THE REPORT SHALL INCLUDE BED CAPACITY DATA for June 30

of the previous fiscal year, ~~and~~ 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. ~~Before altering its bed capacity by~~ IF THE DEPARTMENT DEVELOPS A PLAN SUBSEQUENT TO ITS AUGUST 1 REPORT TO CLOSE state-operated prison rated beds or cancel~~ing~~ or not renew~~ing~~ 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~~.~~, PRIOR TO IMPLEMENTING THESE CHANGES. *(This provision combines and clarifies 2 FY 2013 General Appropriations Act footnotes related to reporting requirements associated with the department adjusting bed capacity.)*

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.

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.

Before the expenditure of any State Education Fund for Correctional Education receipts in excess of $512,100, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee.

New Footnotes

The FY 2014 appropriation includes $4,497,000 for staffing and start-up costs associated with the implementation of 500 maximum security beds. The department shall report the official opening date of those beds to the Directors of the Arizona Department of Administration, the Governor's Office of Strategic Planning and Budgeting, and the Joint Legislative Budget Committee Staff when that date is known. If by April 1, 2014, the beds are not scheduled to open by July 1, 2014, the appropriation shall be reduced by $1,113,300. If by May 1, 2014, the beds are not scheduled to open by August 1, 2014, the appropriation shall be reduced by an additional $1,113,300. If by June 1, 2014, the beds are not scheduled to open by September 1, 2014, the appropriation shall be reduced by an additional $2,270,400. *(This provision reduces FY 2014 start-up funding for each month, beginning in April 2014, that the activation of new state prison beds is delayed beyond July 2014.)*

STATUTORY CHANGES

The Baseline would:

- As session law, continue to require 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.
- As session law, continue to permit the department to use the Transition Program Fund and the non-appropriated Inmate Store Proceeds Fund for department operating expenses in FY 2014. Alternatively, the Legislature may consider the department's request to shift the $2,185,000 in funding for operating expenses from the Transition Program Fund to the Prison Construction and Operations Fund.
- As session law, permit the department to award contracts for 2,000 medium-security beds only with legislative authorization.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Inmate Growth Rate

There is uncertainty regarding inmate growth. The inmate population has been essentially flat or shown a slight decline over the past 48 months. In comparison, monthly inmate growth rates averaged 144 between FY 2002 and FY 2008 and exceeded 300 inmates per month at times. Given the fluctuation in population, the JLBC Staff assumes that the inmate population will remain flat at the November 30, 2012 level of 40,064 through the end of FY 2014.

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 General Appropriation Act footnote requires the department to provide a report to JLBC for its review regarding bed counts and reasons for changes in the number or classification of beds. *(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 (2,883). 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. Without the transfer from the Corrections Fund in FY 2014, the department forecasts $2,872,100 in total fund revenue, which is $1,758,400 lower than the FY 2013 capital appropriation. In order to support this fund at its current appropriation level in FY 2014, the Legislature may need to consider an additional revenue source, such as continuing an annual transfer from the Corrections Fund, which has been requested by the department. *(Please see the Capital Budget - ADOA narrative for more information.)*

Table 1

Fiscal Year-End Operating Capacity

	FY 2012 Actual			FY 2013 Estimate			FY 2014 Estimate		
	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity
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	33,682		33,682	33,682		33,682
Private Prison Population	6,373		6,373	6,382		6,382	6,382		6,382
Total Population	**39,877**		**39,877**	**40,064**		**40,064**	**40,064**		**40,064 [5/]**
Bed Surplus/(Shortfall)	**(2,768)**		**2,112**	**(3,383)**		**1,679**	**(2,883)**		**2,179**
Bed Surplus / (Shortfall) (% of Beds)	**(7)%**		**5%**	**(8)%**		**4%**	**(7)%**		**5%**

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/ 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255) **Appropriated**

Source of Revenue: The lesser of $0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses. The average charge for inmate labor is $0.75 per hour.
Purpose of Fund: To provide alcohol abuse treatment and rehabilitation services for DUI inmates.

Funds Expended	425,200	554,400
Year-End Fund Balance	779,000	732,000

Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624) **Non-Appropriated**

Source of Revenue: Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.
Purpose of Fund: To compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies; maintain and repair ACI's buildings and equipment; and pay other associated ACI operational costs. Laws 2011, Chapter 33 also authorized an annual $1,000,000 transfer into the newly created Department of Corrections Building Renewal Fund.

Funds Expended	35,653,000	42,101,200
Year-End Fund Balance	5,467,100	1,775,900

Community Corrections Enhancement Fund (DCA2395/ARS § 31-418) **Non-Appropriated**

Source of Revenue: A portion (30%) of a monthly supervision fee of at least $65 paid by the prisoner. The departments may require payment of a lesser amount. Beginning in FY 2013, revenues also include a monthly drug testing fee pursuant to Laws 2012, Chapter 208.
Purpose of Fund: To pay for costs related to community corrections.

Funds Expended	62,900	515,000
Year-End Fund Balance	279,000	354,000

Corrections Donations Fund (DCA3147/A.R.S. § 41-1605) **Non-Appropriated**

Source of Revenue: Private grants and monies received from the disposal of donated properties.
Purpose of Fund: To be used as specified by the particular donation.

Funds Expended	200	0
Year-End Fund Balance	1,200	1,200

Corrections Fund (DCA2088/A.R.S. § 41-1641) **Appropriated**

Source of Revenue: Luxury taxes on alcohol and tobacco products.
Purpose of Fund: For the construction, major maintenance, lease-purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. Laws 2012, Chapter 294, Section 127 authorized a transfer of $2,500,000 into the Department of Corrections Building Renewal Fund in FY 2013.

Funds Expended	26,699,200	27,517,600
Year-End Fund Balance	7,290,500	6,391,600

Criminal Justice Enhancement Fund (DCA2035/A.R.S. § 41-2401) **Non-Appropriated**

Source of Revenue: The fund receives 11.7% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Beginning in FY 2010, these monies are no longer allocated through ADC.
Purpose of Fund: For distribution to counties for the training of detention officers, county jail operational enhancement, and ADC administrative expenses.

Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Department of Corrections Building Renewal Fund (DCA2551/A.R.S. § 41-797)		**Appropriated**
Source of Revenue: Monies transferred annually from the following funds: Inmate Store Proceeds Fund ($500,000), Special Services Fund ($500,000), and Arizona Correctional Industries Revolving Fund ($1,000,000). Laws 2012, Chapter 294, Section 127 authorized a transfer of $2,500,000 from the Corrections Fund in FY 2013. Also includes monies from a visitation background check fee and a 1% fee on inmate deposits.		
Purpose of Fund: For capital projects and preventive maintenance (up to 8% of the annual expenditures). The Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 302) transfers the administration of this fund from the Arizona Department of Administration (ADOA) Director to the ADC Director. Figures exclude expenditures for capital projects.		
Funds Expended	0	0
Year-End Fund Balance	2,076,200	808,600
Federal Funds (DCA2000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Law enforcement related federal grants.		
Purpose of Fund: For inmate education and school breakfast and lunch programs. The amounts do not include General Fund reimbursements for the incarceration of illegal aliens from the State Criminal Alien Assistance Program.		
Funds Expended	12,291,200	10,566,900
Year-End Fund Balance	145,400	148,300
Federal Grants - American Recovery and Reinvestment Act (ARRA) (DCA2999/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for 6 capital improvement projects in FY 2011. Previous one-time distributions were used for Correctional Officer Personal Services.		
Funds Expended	5,962,000	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)		**Non-Appropriated**
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay department-wide administrative and overhead costs.		
Funds Expended	874,800	941,500
Year-End Fund Balance	827,800	646,100
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		**Non-Appropriated**
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: For inmate activities, incentive pay increases for corrections officers, equipment to enhance safety for both department personnel and inmates or other official needs as required, at the discretion of the Director of ADC. Laws 2011, Chapter 33 also authorized an annual $500,000 transfer into the newly created Department of Corrections Building Renewal Fund.		
Funds Expended	3,702,300	4,170,000
Year-End Fund Balance	6,989,300	8,832,100
Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)		**Non-Appropriated**
Source of Revenue: Intergovernmental agreements between ADC and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	119,900	136,300
Year-End Fund Balance	4,200	4,900

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)		**Appropriated**
Source of Revenue: Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance.		
Funds Expended	1,728,400	979,200
Year-End Fund Balance	1,244,200	1,553,500
Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)		**Appropriated**
Source of Revenue: Assessment (ranging from $500 to $1,500) paid by persons convicted of DUI offenses.		
Purpose of Fund: To pay for any costs related to prison overcrowding and department support and maintenance.		
Funds Expended	13,072,700	11,499,400
Year-End Fund Balance	6,131,400	7,690,800
Prisoner Spendable Accounts Fund (DCA2428/A.R.S. § 31-230)		**Non-Appropriated**
Source of Revenue: Monies received by a prisoner and that are not required to be deposited into another account.		
Purpose of Fund: To pay court-ordered restitution pursuant to A.R.S. § 13-603. Each month, a minimum of 20%, or the balance owed on the restitution amount, up to a maximum of 50% of the monies available in the prisoner's spendable account.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Special Services Fund (DCA3187/A.R.S. § 41-1604.03)		**Non-Appropriated**
Source of Revenue: Profits from canteens, hobby shops, and commissions on telephone service.		
Purpose of Fund: For the benefit, education, and welfare of committed offenders, and operating expenses of canteens and hobby shops. A major portion of the Special Services Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis. Laws 2011, Chapter 33 also authorized an annual $500,000 transfer into the newly created Department of Corrections Building Renewal Fund.		
Funds Expended	2,570,700	4,405,000
Year-End Fund Balance	4,063,900	3,477,300
State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)		**Appropriated**
Source of Revenue: Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatories Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penal institutions.		
Funds Expended	1,647,000	360,000
Year-End Fund Balance	1,616,400	2,190,300
State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)		**Non-Appropriated**
Source of Revenue: The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To provide rehabilitation programs and counseling for inmates who have a history of substance abuse and are released on parole.		
Funds Expended	1,632,600	1,790,000
Year-End Fund Balance	1,321,900	2,942,000
State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)		**Appropriated**
Source of Revenue: "Basic State Aid" funding that ADC receives from the Arizona Department of Education based on the number of Average Daily Membership pupils attending ADC education programs pursuant to A.R.S. § 15-1372.		
Purpose of Fund: To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
Funds Expended	497,000	512,100
Year-End Fund Balance	362,700	570,800

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Statewide Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-776)		**Non-Appropriated**
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	0	0
Year-End Fund Balance	200	200
Temporary Transaction Privilege and Use Tax - 1% Fund (DCA1032/Article IX, Section 12.1 of State Constitution)		**Non-Appropriated**
Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Transition Program Fund (DCA2379/A.R.S. § 31-284)		**Appropriated**
Source of Revenue: A 5% allocation of wages earned from inmates who earn at least $2.00 per hour.		
Purpose of Fund: To pay for costs related to the administration of the transition program and for transition program services. Prior to Laws 2010, 2nd Regular Session, Chapter 54, this fund was known as the Transition Office Fund. The Criminal Justice BRB (Laws 2012, Chapter 302) merged the Transition Services Fund into the Transition Program Fund in FY 2013.		
Funds Expended	930,000	3,485,000
Year-End Fund Balance*	1,175,100	(352,000)
Transition Services Fund (DCA2383/A.R.S. § 31-286)		**Appropriated**
Source of Revenue: Cost savings resulting from implementation of a transition drug treatment program.		
Purpose of Fund: To be distributed to entities that provide transition services to nonviolent offenders. Prior to Laws 2010, 2nd Regular Session, Chapter 54, this fund was known as the Transition Program Drug Treatment Fund. The Criminal Justice BRB (Laws 2012, Chapter 302) merged the Transition Services Fund into the Transition Program Fund in FY 2013.		
Funds Expended	2,459,000	0
Year-End Fund Balance	6,100	0

*As reported by the agency. Actual ending balance will not be negative.

Board of Cosmetology

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	24.5	24.5	24.5
Personal Services	698,800	725,000	725,000
Employee Related Expenditures	323,200	325,000	325,000
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	350,000
Equipment	61,800	24,000	24,000
AGENCY TOTAL	**1,682,200** 1/	**1,750,300** 2/	**1,750,300**
FUND SOURCES			
Other Appropriated Funds			
Board of Cosmetology Fund	1,682,200	1,750,300	1,750,300
SUBTOTAL - Other Appropriated Funds	1,682,200	1,750,300	1,750,300
SUBTOTAL - Appropriated Funds	**1,682,200**	**1,750,300**	**1,750,300**
TOTAL - ALL SOURCES	1,682,200	1,750,300	1,750,300

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 Baseline includes $1,750,300 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Board of Cosmetology Fund (CBA2017/A.R.S. § 32-505)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of cosmetologists, salons, and cosmetology schools. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate cosmetologists, salons, and cosmetology schools, and for board administration.		
Funds Expended	1,682,200	1,750,300
Year-End Fund Balance	6,075,900	8,184,300

1/ Includes a total of $37,800 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $26,700 OF for the employee retention payment.

Arizona Criminal Justice Commission

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	9.0	9.0	9.0
Personal Services	436,700	451,900	451,900
Employee Related Expenditures	185,500	154,200	154,200
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	100,000
Equipment	6,700	0	0
OPERATING SUBTOTAL	**848,400**	**864,600**	**864,600**
SPECIAL LINE ITEMS			
State Aid to County Attorneys	973,600	973,600	973,600
State Aid to Indigent Defense	0	0	0
Victim Compensation and Assistance	3,084,700	3,792,500	3,792,500
AGENCY TOTAL	**4,906,700** 1/	**5,630,700** 2/	**5,630,700**
FUND SOURCES			
Other Appropriated Funds			
Criminal Justice Enhancement Fund	628,800	629,100	629,100
Drug and Gang Prevention Resource Center Fund	219,600	235,500	235,500
State Aid to County Attorneys Fund	973,600	973,600	973,600
State Aid to Indigent Defense	0	0	0
Victim Compensation and Assistance Fund	3,084,700	3,792,500	3,792,500
SUBTOTAL - Other Appropriated Funds	4,906,700	5,630,700	5,630,700
SUBTOTAL - Appropriated Funds	**4,906,700**	**5,630,700**	**5,630,700**
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	25,675,600	19,881,200

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 Baseline includes $864,600 and 9 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
CJEF	$629,100
Drug and Gang Prevention Resource Center Fund	235,500

These amounts are unchanged from FY 2013.

State Aid to County Attorneys

The Baseline 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

1/ Includes a total of $22,800 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $18,000 OF for the employee retention payment.

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.

State Aid to Indigent Defense

The Baseline includes no funding from the State Aid to Indigent Defense Fund in FY 2014 for State Aid to Indigent Defense. This amount is unchanged from FY 2013.

This line item provided funding to the various counties in Arizona for processing of criminal cases by the offices of the public defender, legal defender, and/or contract indigent defense counsel in each county. The line item received 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. The FY 2012 Baseline does not restore the monies to ACJC.

Victim Compensation and Assistance

The Baseline includes $3,792,500 from the Victim Compensation and Assistance Fund in FY 2014 for Victim Compensation and Assistance. This amount is unchanged from FY 2013.

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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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 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.

All Victim Compensation and Assistance receipts received by the Arizona Criminal Justice Commission in excess of $3,792,500 in FY 2014 are appropriated to the Crime Victims Program. Before the expenditure of any Victim Compensation and Assistance receipts in excess of $3,792,500 in FY 2014, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)		**Appropriated**
Source of Revenue: A 1.57% allocation of the Criminal Justice Enhancement Fund (CJEF). *(See below for additional information on statewide CJEF maintained in the Treasurer's Office but shown under ACJC as Arizona Revised Statute requires the commission to annually report on CJEF.)* CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To cover the operating costs of ACJC.		
Funds Expended	628,800	629,100
Year-End Fund Balance	210,500	85,400

Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401) **Partially-Appropriated**

Source of Revenue: A 47% penalty on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.

Purpose of Fund: CJEF monies are distributed on a percentage basis to various state entities. *(See individual agency pages for detailed information on each recipient.)*

	FY 2012	FY 2013	% of CJEF	Approp.
Funds Transferred [1/ 2/]				
Attorney General				
AZ Prosecuting Attorneys Advisory Council (4)	1,309,600	1,309,600	3.03	no
County Attorneys (7)	4,041,300	4,041,300	9.35	no
Victim's Rights Implementation (13)	3,319,500	3,319,500	7.68	yes [3/]
AZ Criminal Justice Commission				
Operation Costs (10)	678,600	678,600	1.57	yes
Victim Compensation (14)	1,988,200	1,988,200	4.60	yes [3/]
Department of Public Safety				
Crime Lab Assessment Fund (12)	994,100	994,100	2.30	yes [3/]
DNA Identification System (6)	555,000	555,000	1.28	yes [3/]
Fingerprinting Identification System (1)	2,792,200	2,792,200	6.46	yes
Peace Officers' Training Fund (3)	7,192,200	7,192,200	16.64	no
State/Local Grants (6)	3,144,900	3,144,900	7.28	[4/]
Department of Juvenile Corrections (2)	695,900	695,900	1.61	yes
State Treasurer				
County Sheriffs (9)	5,057,000	5,057,000	11.70	no
Supreme Court				
Case Processing (8)	2,602,000	2,602,000	6.02	yes
Juvenile Crime (5)	4,041,300	4,041,300	9.35	yes
Community Punishment Program (15)	920,600	920,600	2.13	yes
General Fund (11)	3,890,000	3,890,000	9.00	no
Total Funds Transferred	43,222,400	43,222,400		

1/ The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401 subsection D.
2/ The numbers displayed in the chart represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.
3/ These monies represent a continuing appropriation from CJEF, but are appropriated prior to expenditure by the recipient agency.
4/ Monies retained by the Department of Public Safety for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.

Drug and Gang Enforcement Account (JCA2134/A.R.S. § 41-2402) **Non-Appropriated**

Source of Revenue: Drug fees and fines (A.R.S. § 13-811), selected Superior Court fees (A.R.S. § 12-284), and local matching funds.

Purpose of Fund: To make grants in amounts not to exceed the percentages shown to enhance efforts to prosecute (50%), adjudicate (30%), and punish (30%) drug offenders and members of criminal street gangs, as well as to enhance investigations and education programs relating to drug and gang activities (50%), and to improve criminal justice records integration (30%).

Funds Expended	3,873,600	5,970,100
Year-End Fund Balance	1,034,800	2,751,800

Drug and Gang Prevention Resource Center Fund (JCA2280/A.R.S. § 41-2402) **Appropriated**

Source of Revenue: 1.31% of fee collections and filings in the Superior Court, 1.31% of notary bond fees, and public and private gifts or grants, excluding federal monies.

Purpose of Fund: To fund the Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. The survey measures alcohol and drug use, gang affiliation, and weapons within schools.

Funds Expended	219,600	235,500
Year-End Fund Balance	415,600	785,700

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Federal Grants (JCA2000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Revenue from federal grants.

Purpose of Fund: To improve the criminal justice records system in Arizona; to fund state and local correction and detention agencies' substance abuse programs for incarcerated offenders; and to provide support dealing with criminal justice issues.

Funds Expended	11,826,800	13,726,700
Year-End Fund Balance	9,509,100	5,868,800

Federal Grants - American Recovery and Reinvestment Act (ARRA) (JCA2999/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

Purpose of Fund: One-time Federal Funds to be used by the commission for criminal justice related purposes.

Funds Expended	2,920,600	348,100
Year-End Fund Balance	348,100	0

State Aid to County Attorneys Fund (JCA2443/A.R.S. § 11-539) **Appropriated**

Source of Revenue: Legislative appropriations, 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 21.61% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.

Purpose of Fund: To provide state aid to county attorneys to improve the processing of criminal cases in the Superior and Justice Courts. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population.

Funds Expended	973,600	973,600
Year-End Fund Balance	106,800	163,100

State Aid to Indigent Defense Fund (JCA2445/A.R.S. § 11-588) **Appropriated**

Source of Revenue: Legislative appropriations, 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 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.

Purpose of Fund: To provide state aid to county public defenders, legal defenders and contract indigent counsel for the processing of criminal cases. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population. Pursuant to Laws 2011, Chapter 308 all monies allocated to this fund in FY 2012 were transferred to the Department of Public Safety's Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement subaccount.

Funds Expended	0	0
Year-End Fund Balance	0	982,100

Victim Compensation and Assistance Fund (JCA2198/A.R.S. § 41-2407) **Appropriated**

Source of Revenue: The fund consists of 2 sub-accounts. The Victim Compensation sub-account receives a 4.6% distribution from CJEF, monies collected from a 10% assessment of a working prisoner's gross compensation, and unclaimed restitution. The Victim Assistance sub-account receives revenue derived from community supervision fees and interstate compact fees.

Purpose of Fund: To establish, maintain and support programs that compensate and assist victims of crime.

Funds Expended	3,084,700	3,792,500
Year-End Fund Balance	3,120,000	2,678,700

Arizona State Schools for the Deaf and the Blind

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
PROGRAM BUDGET			
Administration/Statewide Programs	4,392,700	3,591,400	3,591,400
Phoenix Day School for the Deaf	9,770,700	9,941,700	10,231,100
Preschool/Outreach Programs	4,366,100	5,421,400	5,421,400
Regional Cooperatives	908,600	798,600	798,600
Tucson Campus	14,838,100	14,129,100	14,129,100
AGENCY TOTAL	**34,276,200** 1/	**33,882,200** 2/	**34,171,600**
OPERATING BUDGET			
Full Time Equivalent Positions	572.2	541.2	541.2
Personal Services	17,994,000	18,591,700	18,591,700
Employee Related Expenditures	8,676,300	9,189,100	9,189,100
Professional and Outside Services	1,617,100	1,714,800	1,714,800
Travel - In State	33,700	21,200	21,200
Travel - Out of State	29,700	12,300	12,300
Food	62,800	50,000	50,000
Other Operating Expenditures	3,845,400	3,223,600	3,223,600
Equipment	865,300	341,500	341,500
OPERATING SUBTOTAL	**33,124,300**	**33,144,200**	**33,144,200**
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**	**33,882,200**	**34,171,600**
FUND SOURCES			
General Fund	20,803,100	20,586,100	20,586,100
Other Appropriated Funds			
Schools for the Deaf and the Blind Fund	13,473,100	13,296,100	13,585,500
SUBTOTAL - Other Appropriated Funds	13,473,100	13,296,100	13,585,500
SUBTOTAL - Appropriated Funds	**34,276,200**	**33,882,200**	**34,171,600**
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	54,494,900	54,784,300

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, as well as a diagnostic center 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 2,242 children: 543 students in the K-12 programs (204 in Tucson and 339 in Phoenix), 57 children in preschools, 352 infant/toddlers in regional areas, and 1,290 children through the 5 existing regional cooperatives.

1/ Includes a total of $369,400 GF and $405,500 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(396,800) GF for the premium holiday and an increase of $872,500 GF for the employee retention payment.

Operating Budget

The Baseline includes $33,144,200 and 541.2 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$20,462,500
Schools for the Deaf and the Blind Fund	12,681,700

These amounts are unchanged from FY 2013.

Assistive Technology Devices GF 0

The Baseline includes no change in funding from the General Fund in FY 2014 for assistive technology devices. The Baseline 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 the Blind OF 0

The Baseline maintains funding in FY 2014 for the preschool program at the Foundation for Blind Children at the previously appropriated level of $1,054,100.

School Bus Replacement

The Baseline 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 Baseline includes $289,400 from the Schools for the Deaf and the Blind Fund in FY 2014 for a Voucher Fund Adjustment. FY 2014 adjustments would be as follows:

Enrollment Growth OF 289,400

The Baseline 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 Legislative Consideration 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.

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FORMAT — Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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

Fiscal Year	Tucson	Phoenix	Total
2008	256	273	529
2009	282	288	570
2010	263	286	549
2011	231	358	589
2012	204	339	543

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

ASDB Classroom Site Fund (SDA2486/A.R.S. § 15-1305) **Non-Appropriated**

Source of Revenue: Monies transferred to the fund pursuant to A.R.S. § 15-1305 from a 0.6% sales tax and growth in the Permanent State School Fund expendable earnings above the FY 2001 level. Funding level is determined by the "Group A" and "Group B" weighted student count, as specified in A.R.S. § 15-943.

Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).

Funds Expended	1,612,100	1,848,400
Year-End Fund Balance	619,900	249,500

Enterprise Fund (SDA4222/A.R.S. § 15-1323) **Non-Appropriated**

Source of Revenue: Monies received from fees, rentals, and other charges from the non-school use of facilities.

Purpose of Fund: To defray the costs of operating those facilities (i.e. auditorium).

Funds Expended	33,500	70,300
Year-End Fund Balance	226,400	196,200

Federal Grants (SDA2000/A.R.S. § 15-1303) **Non-Appropriated**

Source of Revenue: Federal grants - Title I aid to schools; vocational rehabilitation; National School Lunch and Breakfast programs; Arizona deaf-blind project; preschool services; and Arizona Early Intervention program.

Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.

Funds Expended	2,705,300	2,451,100
Year-End Fund Balance	389,000	677,600

IGA and ISA Fund (SDA2500/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Various intergovernmental and interagency service agreements.

Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).

Funds Expended	0	0
Year-End Fund Balance	46,000	46,000

Instructional Improvement Fund (SDA2492/A.R.S. § 15-979) **Non-Appropriated**

Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.

Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.

Funds Expended	500	109,200
Year-End Fund Balance	242,800	133,600

Non-Federal Grants (SDA2011/A.R.S. § 15-1303) **Non-Appropriated**

Source of Revenue: "Direct Services Claiming" (DSC) reimbursements and grants by private corporations and other state agencies.

Purpose of Fund: To reimburse ASDB for DSC-related expenditures and to accomplish specific projects of interest to the donor and ASDB.

Funds Expended	33,900	16,200
Year-End Fund Balance	22,600	25,600

Regional Cooperatives Fund (SDA4221/Laws 1987, Chapter 363) **Non-Appropriated**

Source of Revenue: Monies in the fund come from special education voucher funds as well as tuition and fees that school districts pay to ASDB in order to reimburse it for costs of providing services to their students.

Purpose of Fund: The Regional Cooperative Fund is used to support ASDB's Regional Cooperatives program, which provides educational services to sensory impaired pupils who attend school at their local school districts rather than at an ASDB campus.

Funds Expended	16,305,700	16,008,500
Year-End Fund Balance	2,778,100	2,920,600

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Schools for the Deaf and the Blind Fund (SDA2444/A.R.S. § 15-1304)		**Appropriated**
Source of Revenue: "Special Education Fund" monies that ASDB receives from the Arizona Department of Education under the formula prescribed in A.R.S. § 15-1204. This formula is based on the number of pupils attending ASDB and the various special education "Group B" funding categories that those pupils qualify for under A.R.S. § 15-943(2b). This fund also receives expendable land endowment earnings pursuant to A.R.S. § 15-1304 and over-age and non-resident tuition income pursuant to A.R.S. § 15-1345.		
Purpose of Fund: To cover the cost of educating students receiving special education services at ASDB.		
Funds Expended	13,473,100	13,296,100
Year-End Fund Balance	773,600	455,900
Trust Fund (SDA3148/A.R.S. § 15-1323)		**Non-Appropriated**
Source of Revenue: Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.		
Purpose of Fund: Spent at the discretion of ASDB.		
Funds Expended	152,300	109,000
Year-End Fund Balance	30,000	1,000

Commission for the Deaf and the Hard of Hearing

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	15.0	15.0	15.0
Personal Services	717,200	784,400	784,400
Employee Related Expenditures	298,300	336,800	336,800
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	2,097,300
Equipment	179,700	164,500	164,500
AGENCY TOTAL	**3,246,100** 1/	**3,749,000** 2/	**3,749,000**
FUND SOURCES			
Other Appropriated Funds			
Telecommunication Fund for the Deaf	3,246,100	3,749,000	3,749,000
SUBTOTAL - Other Appropriated Funds	3,246,100	3,749,000	3,749,000
SUBTOTAL - Appropriated Funds	**3,246,100**	**3,749,000**	**3,749,000**
TOTAL - ALL SOURCES	3,246,100	3,749,000	3,749,000

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 Baseline includes $3,749,000 and 15 FTE Positions from the Telecommunication Fund for the Deaf in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)		**Appropriated**
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To operate the Arizona Relay System, support community outreach and education, purchase, repair, and distribute telecommunication devices for the deaf, hard of hearing, blind, and speech impaired, and operating costs of the commission.		
Funds Expended	3,246,100	3,749,000
Year-End Fund Balance	3,334,400	4,116,700

1/ Includes a total of $32,500 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $31,300 OF for the employee retention payment.

State Board of Dental Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	11.0	11.0	11.0
Personal Services	462,300	525,300	525,300
Employee Related Expenditures	212,300	150,200	150,200
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	182,500
Equipment	77,800	23,700	23,700
AGENCY TOTAL	**1,115,000** 1/	**1,189,600** 2/	**1,189,600**
FUND SOURCES			
Other Appropriated Funds			
Dental Board Fund	1,115,000	1,189,600	1,189,600
SUBTOTAL - Other Appropriated Funds	1,115,000	1,189,600	1,189,600
SUBTOTAL - Appropriated Funds	**1,115,000**	**1,189,600**	**1,189,600**
TOTAL - ALL SOURCES	1,115,000	1,189,600	1,189,600

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

Operating Budget

The Baseline includes $1,189,600 and 11 FTE Positions from the Dental Board Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Dental Board Fund (DXA2020/A.R.S. § 32-1212)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of dentists, denturists, dental hygienists, and dental assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.		
Funds Expended	1,115,000	1,189,600
Year-End Fund Balance	2,327,800	2,607,200

1/ Includes a total of $26,000 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $19,500 OF for the employee retention payment.

Arizona Early Childhood Development and Health Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
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 funding in the Program Account, approximately 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 this amount, 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. Another 20.2% is set aside as discretionary regional monies.

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.

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.

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)		**Non-Appropriated**
Source of Revenue: A 4¢ tax per cigarette as well as various increases on other tobacco products.		
Purpose of Fund: To fund the administrative and programmatic costs of the Arizona Early Childhood Development and Health Board. Monies from the fund may supplement, but not supplant, existing early childhood development programs. Up to 10% of the funds each year are deposited into the Administrative Costs Account and at least 90% are deposited into the Program Account for early childhood development programs and grants. The fund was created as a result of a voter initiative in the 2006 election.		
Funds Available		
Balance Forward	442,436,000	434,438,800
Revenue:		
Administrative Costs Account	13,292,800	13,993,200
Program Account	119,635,500	125,938,700
Other (Donations/Grants/Federal Funds)	429,600	1,004,700
Total Funds Available	**575,793,900**	**575,375,400**
Expenditures:		
Administrative Expenditures	12,983,200	14,314,800
Programmatic Expenditures	127,942,000	162,242,800
Other (Donations/Grants/Federal Funds)	429,900	1,004,700
Total Funds Expended	**141,355,100**	**177,562,300**
Year-End Fund Balance	**434,438,800**	**397,813,100**

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	5,472.9	5,453.5	5,453.5
Personal Services	128,355,600	138,134,100	138,134,100
Employee Related Expenditures	59,845,500	64,856,600	64,856,600
Professional and Outside Services	19,494,100	19,718,800	19,718,800
Travel - In State	1,552,800	1,596,300	1,596,300
Travel - Out of State	37,200	43,900	43,900
Other Operating Expenditures	51,892,400	59,896,900	59,896,900
Equipment	9,713,000	9,486,600	9,486,600
OPERATING SUBTOTAL	**270,890,600**	**293,733,200**	**293,733,200**
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	20,878,900	21,433,700	21,433,700
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
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			
Children Support Services	70,334,400	79,167,600	79,167,600
CPS Emergency and Residential Placement	33,948,000	24,001,700	24,001,700
Foster Care Placement	17,160,400	23,112,600	23,112,600
Independent Living Maintenance	1,671,600	2,719,300	2,719,300
Permanent Guardianship Subsidy	11,283,700	11,215,300	11,215,300
Adoption Services	63,744,600	74,772,000	74,772,000
Developmental Disabilities			
Case Management - Medicaid	41,937,100	38,071,900	38,071,900
Home and Community Based Services - Medicaid	588,650,800	710,196,700	760,921,300
Institutional Services - Medicaid	19,736,400	19,334,100	20,715,000
Medical Services	120,335,200	138,936,500	148,859,800
Arizona Training Program at Coolidge - Medicaid	16,675,000	15,601,500	15,601,500
Medicare Clawback Payments	2,496,900	2,848,400	3,072,000
Case Management - State Only	4,012,900	3,846,000	3,846,000
Home and Community Based Services - State Only	17,349,800	32,615,300	32,615,300
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	121,396,600
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
Agencywide			
One-Time Funding	0	0	(9,616,400)
AGENCY TOTAL	**1,589,738,800** [1/]	**1,795,608,100** [2/]	**1,848,244,100**

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
FUND SOURCES			
General Fund	596,086,400	612,296,200	629,584,700
Other Appropriated Funds			
Child Abuse Prevention Fund	0	1,459,100	1,459,100
Child Support Enforcement Administration Fund	11,998,800	16,601,100	16,601,100
Children and Family Services Training Program Fund	72,100	206,600	206,600
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000
Federal CCDF Block Grant	121,508,100	130,567,500	130,567,500
Federal TANF Block Grant	228,235,900	220,775,800	220,775,800
Long Term Care System Fund (Non-Federal Matched)	30,522,200	75,075,300	65,458,900
Public Assistance Collections Fund	65,400	427,100	427,100
Special Administration Fund	112,200	1,129,900	1,129,900
Spinal and Head Injuries Trust Fund	1,705,200	1,867,600	1,867,600
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	44,424,000	56,032,700	56,032,700
SUBTOTAL - Other Appropriated Funds	440,863,900	507,362,700	497,746,300
SUBTOTAL - Appropriated Funds	**1,036,950,300**	**1,119,658,900**	**1,127,331,000**
Expenditure Authority Funds			
Child Support Enforcement Administration Fund (EA)	35,153,300	40,397,800	40,397,800
Long Term Care System Fund (Federal Match)	517,635,200	635,551,400	680,515,300
SUBTOTAL - Expenditure Authority Funds	552,788,500	675,949,200	720,913,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	**1,589,738,800**	**1,795,608,100**	**1,848,244,100**
Other Non-Appropriated Funds	568,234,000	449,953,500	420,135,000
Federal Funds	1,259,949,600	941,270,800	741,906,500
TOTAL - ALL SOURCES	3,417,922,400	3,186,832,400	3,010,285,600

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 Community Services; Children, Youth and Families; and Employment and Rehabilitation Services.

Summary

The Department of Economic Security's (DES) FY 2014 General Fund Baseline spending would increase by $17,288,500, or 2.8%, for changes in the Developmental Disabilities (DD) program. *(See Developmental Disabilities section for more information.)*

Operating Budget

The Baseline includes $293,733,200 and 3,570.3 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$142,185,600
Child Support Enforcement Administration Fund	12,924,800
Child Support Enforcement Administration Fund (EA)	26,547,900
Children and Family Services Training Program Fund	206,600
Federal Temporary Assistance for Needy Families (TANF) Block Grant	73,053,000
Federal Child Care and Development Fund (CCDF) Block Grant	11,871,400
Long Term Care System Fund	22,671,900
Public Assistance Collections Fund	335,400
Special Administration Fund	19,000
Spinal and Head Injuries Trust Fund	539,500
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,378,100

These amounts are unchanged from FY 2013.

1/ Includes a total of $5,009,100 GF and $2,860,100 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(1,452,800) GF for the premium holiday and an increase of $3,011,800 GF and $586,600 OF for the employee retention payment.

Administration

Attorney General Legal Services

The Baseline includes $21,433,700 and 311.2 FTE Positions in FY 2014 for Attorney General Legal Services. These amounts consist of:

General Fund	12,177,600
Child Support Enforcement Administration Fund	2,337,200
Federal TANF Block Grant	221,100
Federal CCDF Block Grant	17,300
Federal Expenditure Authority	6,588,800
Public Assistance Collections Fund	91,700

These amounts are unchanged from FY 2013.

Monies in this line item fund all Attorney General Legal Services for the department.

Aging and Adult Services

Adult Services

The Baseline 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 Baseline 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 Baseline 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 Baseline 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 Baseline includes $44,999,400 from the Federal TANF Block Grant in FY 2014 for TANF Cash Benefits. This amount is unchanged from FY 2013.

As of October 2012, there is currently a regular TANF Cash Benefit caseload of 39,843 individual recipients and 750 Diversion cases. The Baseline assumes a regular TANF Cash Benefits caseload of approximately 40,800 individual recipients in June 2013, or 2% higher than June 2012. The regular TANF Cash Benefits caseload is forecasted to be approximately 41,600 recipients in June 2014, an increase of 800 recipients or 2% above June 2013.

The TANF Diversion program diverts applicants from long-term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis. Due to the department's policy change in December 2011 limiting applicants to 1 grant diversion per year, the number of diversion cases decreased from 2,100 per month in November 2011 to 750 for October 2012. The Baseline assumes the average number of diversion cases will remain at 750.

Total FY 2014 TANF Cash Benefits including Diversion payments are projected to cost $50,819,300, or $5,819,900 above the Baseline. To stay within the Baseline amount, the department may have to reduce monthly benefit payments or transfer resources from other programs, as it did in FY 2012 when it spent $53,999,400, which was $9,000,000 over its appropriation.

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 Baseline 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 Baseline 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

FY 2014 CSEA Fund Sources and Uses

Sources	
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	3,338,600
Total	**$18,918,600**
Uses	
DCSE Administration	$16,601,100
Administration (Non-Appropriated)	2,317,500
Total	**$18,918,600**

County Participation

The Baseline 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

Please see the *Other Issues for Legislative Consideration* section to see a comparison of this division's total resources in FY 2008, FY 2012, and FY 2013. Given the significance of the Division of Children, Youth and Families' (DCYF) non-appropriated resources, the Legislature may wish to consider appropriating the division's resources on a Total Expenditure Authority basis.

The Baseline provides funding for Children Services in 3 separate line items *(see Table 3)*. Of the $126,281,900 in appropriated funds, $56,333,000 is from the General Fund, $56,150,200 is from the TANF Block Grant, $12,339,600 is from the Long Term Care System Fund (Non-Federal Matched), and $1,459,100 is from the Child Abuse

Prevention Fund. Including $145,190,500 of Non-Appropriated funds, FY 2014 Baseline funding for Children Services totals $271,472,400.

Table 3

FY 2014 Children Services Funding

	Appropriated Funds	Non-Appropriated Funds	Total
Children Support Services	$ 79,167,600	$ 54,133,700	$133,301,300
CPS Emergency & Residential Placement	24,001,700	66,722,300	90,724,000
Foster Care Placement	23,112,600	24,334,500	47,447,100
Total	**$126,281,900**	**$145,190,500**	**$271,472,400**

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, Child Protective 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.

Children Support Services

The Baseline includes $79,167,600 and 1 FTE Position in FY 2014 for Children Support Services. These amounts consist of:

General Fund	32,614,800
Federal TANF Block Grant	32,754,100
Child Abuse Prevention Fund	1,459,100
Long Term Care System Fund	12,339,600

These amounts are unchanged from FY 2013.

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 August 2012, the department reported 13,872 out-of-home clients and 5,393 in-home cases.

This line item also funds Arizona Families F.I.R.S.T. (Families in Recovery Succeeding Together). 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
Appropriated				
General Fund	$3,778,300	$ 15,000	$ 15,000	$ 15,000
TANF	4,000,000	9,523,900	10,192,300	12,156,600
Non-Appropriated				
CPS Expedited Substance Abuse Treatment Fund	-	-	247,000	-
Joint Substance Abuse Trtmt Fund	-	-	610,800	-
Total	**$7,778,300**	**$9,538,900**	**$11,065,100**	**$12,171,600**

In FY 2012, 5,011 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 Baseline 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 $32,614,800 would consist of $10,300,000 from Chapter 294 and $22,314,800 from the FY 2014 General Appropriation Act.

CPS Emergency and Residential Placement

The Baseline includes $24,001,700 in FY 2014 for CPS Emergency and Residential Placement. This amount consists of:

General Fund	11,578,700
Federal TANF Block Grant	12,423,000

These amounts are unchanged from FY 2013.

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 August 2012, 330 children were reported in emergency placements at an average monthly cost of $3,623 per child, while 1,670 children were reported in residential placements at an average monthly cost of $3,958 per child. At these rates, the estimated total cost for FY 2014 is $93,665,400, or $2,941,400 higher than the total available funds for this line in *Table 3*. In FY 2012, DES transferred resources from other programs to address this issue.

The Baseline 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 $11,578,700 would consist of $1,800,000 from Chapter 294 and $9,778,700 from the FY 2014 General Appropriation Act.

Foster Care Placement

The Baseline includes $23,112,600 in FY 2014 for Foster Care Placement. This amount consists of:

General Fund	12,139,500
Federal TANF Block Grant	10,973,100

These amounts are unchanged from FY 2013.

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 August 2012, 11,024 children were reported in foster care. Of that number, 5,195 children were placed with relatives in unlicensed foster care, which receives no placement funding. The remaining 5,829 children were in licensed foster care at an average monthly cost of $667 per child.

The Baseline 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 $12,139,500 would consist of $1,900,000 from Chapter 294 and $10,239,500 from the FY 2014 General Appropriation Act.

Independent Living Maintenance

The Baseline includes $2,719,300 from the General Fund in FY 2014 for Independent Living Maintenance. This amount is unchanged from FY 2013.

The Independent Living Maintenance program provided stipends to 296 former foster youth between 18 and 21 in August 2012. These youth are living on their own and are either enrolled in a postsecondary program or employed.

Permanent Guardianship Subsidy

The Baseline 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 subsides, which are provided to assist with the expenses involved in addressing the special needs of the child. In August 2012, 2,395 clients received permanent guardianship subsidies.

Adoption Services

The Baseline includes $74,772,000 in FY 2014 for Adoption Services. This amount consists of:

General Fund	48,071,700
Federal TANF Block Grant	19,802,400
Long Term Care System Fund	6,897,900

These amounts are unchanged from FY 2013.

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 August, 2012, 16,621 clients received adoption subsidies. In addition, this line item is estimated to receive $90,191,600 from Federal Grants in FY 2014.

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 November 2012, the Division of Developmental Disabilities serves 32,587 clients, which includes 24,966 clients in the LTC program and 7,621 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	14,093	43%
At Risk	8,516	26%
Autism	5,381	17%
Cerebral Palsy	3,076	9%
Epilepsy	1,383	4%
Not Indicated	138	<1%

The LTC program is funded from 2 sources: the General Fund and the Long Term Care System Fund.

Overall DES Formula Adjustments

The Baseline includes an increase of $17,288,500 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 $(11,320,700) in FY 2014.

FY 2014 Caseload Growth

The Baseline includes a net increase of $16,574,900 from the General Fund in FY 2014 for DD caseload changes. This amount includes the continuation of approximately $(2,600,000) in General Fund savings in FY 2013 from lower than budgeted FY 2013 growth. From FY 2013 to FY 2014, caseloads are expected to grow by 4.5% to a level of 27,141 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	23,858
Institutional Services	110
Arizona Training Program at Coolidge	103
Subtotal	24,071
Case Management/Medical Services only	3,070
Total	**27,141**

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 Baseline continues that increase and includes an additional $5,374,800 for a full year of provider rate increases.

FY 2014 Capitation Rate Adjustments

The Baseline includes a 2% capitation rate increase beginning July 1, 2013. The increased capitation rate results in an additional General Fund cost of $6,659,500 in FY 2014. Capitation rates are based upon both provider rates as well as utilization of services.

Case Management - Medicaid

The Baseline includes $38,071,900 and 755.5 FTE Positions in FY 2014 for Medicaid Case Management. These amounts consist of:

General Fund	12,623,700
Long Term Care System Fund	25,448,200

FY 2014 adjustments would be as follows:

Formula Adjustments	**GF**	**1,551,800**
	FMA	**(1,551,800)**

This formula adjustment consists of the federal match rate change.

Background – In addition to providing case management services to an estimated 24,071 clients receiving direct services, this line item also funds "case management only" services to another 3,070 clients.

Home and Community Based Services - Medicaid

The Baseline includes $760,921,300 and 94.5 FTE Positions in FY 2014 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	252,302,500
Long Term Care System Fund	508,618,800

FY 2014 adjustments would be as follows:

Formula Adjustments **GF 2,759,500**
FMA 47,965,100

The formula adjustments include 4.5% enrollment growth in FY 2014, the annualization of the April 2013 provider rate increase, a 2% capitation 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 23,858 individuals are expected to receive Medicaid home and community based services in June 2014.

Of the $760,921,300 in this line item, $749,088,400 funds HCBS services to clients enrolled in the LTC program; the other $11,832,900 funds program staff.

The Baseline 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 $252,302,500 would consist of $20,000,000 from Chapter 294 and $232,302,500 from the FY 2014 General Appropriation Act.

Institutional Services - Medicaid

The Baseline includes $20,715,000 and 74 FTE Positions in FY 2014 for Medicaid Institutional Services. These amounts consist of:

General Fund	6,868,600
Long Term Care System Fund	13,846,400

FY 2014 adjustments would be as follows:

Formula Adjustments **GF 1,504,400**
FMA (123,500)

The formula adjustments include 4.5% enrollment growth in FY 2014, the annualization of the April 2013 provider rate increase, a 2% capitation rate increase, and changes to the federal match rate.

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 the Mentally Retarded (ICF/MRs) or other nursing facilities, both privately and state-operated, excluding the ATP-C. Approximately 110 individuals are expected to receive Medicaid institutional services in June 2014.

Of the $20,715,000 in this line item, $15,308,400 funds Institutional Services to clients enrolled in the LTC program; the other $5,406,600 funds program staff.

Medical Services - Medicaid

The Baseline includes $148,859,800 and 35.4 FTE Positions in FY 2014 for Medicaid Medical Services. These amounts consist of:

General Fund	49,358,200
Long Term Care System Fund	99,501,600

FY 2014 adjustments would be as follows:

Formula Adjustments **GF 10,800,300**
FMA (877,000)

The formula adjustments include 4.5% enrollment growth in FY 2014, the annualization of the April 2013 provider rate increase, a 2% capitation rate increase, and changes to the federal match rate.

Background – Of the $148,859,800 in this line item, $144,529,500 funds Acute Care services to clients enrolled in the LTC program; the other $4,330,300 funds the staff of the division's Managed Care unit.

Arizona Training Program at Coolidge - Medicaid

The Baseline includes $15,601,500 and 383.7 FTE Positions in FY 2014 for the Arizona Training Program at Coolidge (ATP-C). These amounts consist of:

General Fund	5,173,100
Long Term Care System Fund	10,428,400

FY 2014 adjustments would be as follows:

Formula Adjustments **GF 448,900**
FMA (448,900)

This formula adjustment consists of the federal match rate change.

Background – Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus, either in ICF/MRs or state-operated group homes (SOGHs). The June 2014 caseload is estimated at 103. At that caseload, the blended cost per DD client at ATP-C will be $151,500.

Medicare Clawback Payments

The Baseline 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

FY 2014 adjustments would be as follows:

Formula Adjustments **GF** **223,600**

The Baseline 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 Baseline includes $3,846,000 and 79.3 FTE Positions from the General Fund in FY 2014 for state-only case management. These amounts are unchanged from FY 2013.

Background – This line item funds case management services to clients in the state-only DD program. As of November 2012, there are approximately 7,621 clients in the state-only program.

Home and Community Based Services - State-Only

The Baseline includes $32,615,300 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	6,154,000
Long Term Care System Fund	26,461,300

These amounts are unchanged from FY 2013.

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 $32,615,300 in this line item, $27,604,800 funds Home and Community Based Services to clients enrolled in the DD program, $1,691,500 funds program staff, and $3,319,000 funds the Arizona Early Intervention Program.

State-Funded Long Term Care Services

The Baseline 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 Baseline 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

Expenditures	Amount
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 Baseline includes $121,396,600 in FY 2014 for Day Care Subsidy. This amount consists of:

Federal CCDF Block Grant	118,678,800
Federal TANF Block Grant	2,717,800

These amounts are unchanged from FY 2013.

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 $353 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 26,000 *(see Table 8)* at a cost of $110,136,000, with quality set aside spending of $11,260,600. DES initiated a waiting list for the Low-Income Working category of child care services on February 18, 2009. According to DES, as of September 2012, approximately 6,856 children had been found eligible for child care services and placed on the waiting list. It is unknown whether those children remain eligible.

In FY 2009, 28,000 children in the Low-Income Working category utilized the subsidy, while an additional 5,500 children were on the waiting list by the end of the fiscal year. Based on this utilization rate, it is estimated that there are 25,000 to 30,000 children in the Low-Income Working category who would actually utilize the subsidy, if available. At the current average Low-Income state subsidy rate of $319 per month, the annual ongoing cost for eliminating the waiting list would be about $96,000,000 to $115,000,000.

Table 8

Children Served

Category	Estimated FY 2014 1/
TANF	3,200
CPS	9,000
Low-Income Working	8,000
Transitional Child Care SLI	5,800
Total Served	**26,000**

1/ Represents projected average caseload.

Rehabilitation Services

The Baseline 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 Baseline 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 Baseline 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 Baseline 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, 85% is allocated to local governments and 15% 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	2,378,100 1/
JOBS	2,000,000 2/
Total	**$56,032,700**

1/ This funding is included in the operating Budget.
2/ This funding is included in the JOBS line item.

Agencywide

One-Time Funding

Remove One-Time Funding OF (9,616,400)
The Baseline includes an agencywide reduction of $(9,616,400) from the non-federally matched portion of the Long Term Care System Fund (LTCSF) in FY 2014 to remove one-time funding. The FY 2013 budget appropriated $44,553,100 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 $30,522,200 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 $44,553,100 amount. This amount is the difference between LTCSF spending of $30,522,200 in FY 2012 and $75,075,300 in FY 2013 that the state used for caseload growth and Federal Funds' backfill in FY 2013 *(see Table 10)*.

The magnitude of the LTCSF backfill was premised on a projection of a decline in federal TANF funds. As a result, the FY 2013 budget included a provision to reduce the LTCSF backfill if DES received more Federal Funds than expected.

Based on the latest estimates, DES will receive unanticipated TANF Contingency Fund revenue of $18,925,000 in FY 2013, which makes the total TANF Block Grant higher than the FY 2013 appropriation of $220,775,800. 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 $220,775,800 in FY 2013, including the beginning balance. This means that only $25,628,100 of the $44,553,100 increase will be appropriated from LTCSF, with the other $18,925,000 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 in Other Issues for Legislative Consideration section.)*

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.

After $30,522,200 is allocated for these 100% state-funded DD programs, DES estimates that only a balance of $34,936,700 will be available for one-time expenditures in FY 2014. Since $44,553,100 was appropriated in FY 2013, the difference of $(9,616,400) will not be available for backfill. As a result, the FY 2014 LTCSF backfill amount in the Baseline has been reduced by $(9,616,400). There is the potential that more than $34,936,700 may be available from the LTCSF in FY 2014, depending on the size of the final FY 2013 ending balance.

Table 10

Long Term Care System Fund (Non-Federal Matched)

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Baseline
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	26,461,300
State Funded Long Term Care Services	26,531,900	26,528,100	26,528,100
One-Time Funding	-	-	(9,616,400)
Total	**$30,522,200**	**$75,075,300**	**$65,458,900**

This reduction has not been allocated by line item. DES would have the flexibility to distribute this reduction.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Administration

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.

Aging and Adult Services

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.

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 by December 15, 2013. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies.

Benefits and Medical Eligibility

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.

Child Support Enforcement

All state share of retained earnings, fees and federal incentives above $16,601,100 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.

Children Youth and Families

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.

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.

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.

Developmental Disabilities

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 by July 15, 2014.

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.

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 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.

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.

Employment and Rehabilitation Services

Of the $121,396,600 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.

All Federal Workforce Investment Act monies that are received by this state in excess of $56,032,700 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 $56,032,700 to the Joint Legislative Budget Committee.

Departmentwide

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.

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 by 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.

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 $220,775,800 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 $220,775,800 appropriated, there shall be a corresponding dollar reduction in the department's Long Term Care System Fund appropriation. FY 2013 REVERTMENTS EXPECTED TO BE SPENT AS ADMINISTRATIVE ADJUSTMENTS IN FY 2014 DO NOT COUNT TOWARD THE EXCESS BALANCE. THE DEPARTMENT SHALL REPORT BY 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. 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. *(The JLBC Staff recommends a comparable adjustment in the existing FY 2013 footnote.)*

Deletion of Prior Year Footnotes

The Baseline would delete the footnote indicating that $500,000 of the amount appropriated for Temporary Assistance for Needy Families Cash Benefits reflects appropriation authority only to ensure sufficient cash flow to administer cash benefits for tribes operating their own welfare programs. The department does not require the float and has been spending the funding on benefits.

The Baseline would delete the FY 2013 developmental disabilities provider rate footnote.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to allow DES use of the Long Term Care System Fund for any DES operational or programmatic expenses in FY 2014.
- As session law, continue a provision requiring recipients of TANF Cash Benefits to pass a drug test in order to be eligible for benefits if DES has reasonable cause to believe that the recipient uses illegal drugs.
- As session law, continue to permit DES to reduce income eligibility levels for all child care programs if the program has insufficient resources. DES would be required to report to JLBC within 15 days of any such change in levels.
- As session law, in the General Appropriation Act, continue to defer $35,000,000 in General Fund payments for FY 2014 until FY 2015. Appropriate $35,000,000 in FY 2015 for these deferred payments.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 $629.6 million would consist of $35.0 million from the deferral appropriation and $594.6 million from the General Appropriation Act.

FY 2013 Developmental Disabilities Savings

The Developmental Disabilities budget is estimated to have an approximate $(2.6) million General Fund savings in FY 2013 from lower than budgeted caseload growth. This savings is incorporated into the FY 2014 Baseline.

Children, Youth and Families Funding

FY 2014 DES Request

The department has requested $49.5 million from the General Fund for DCYF in FY 2014. This state funding would generate another $22.7 million in Federal Funds *(see Table 11)*.

CPS Staffing

As part of this request, DES asked for 205 additional FTE Positions for CPS staff in FY 2014, including 124 FTE Positions for CPS caseworkers and 81 FTE Positions for supervisors, support staff, and case aides. The 124 caseworkers would be established at the CPS IV level (salary ranges from $45,300 to $76,400) that was established in the 2012 Legislative Session. The $10.8 million for the 205 FTE Positions represents only half of the amount needed to fully fund these FTE Positions; DES will request the other half in FY 2015.

Emergency and Residential Placement

The single largest component of the request is $29.7 million for emergency and residential placement (also known as congregate care). Due to the significant growth in the out-of-home population *(see Table 12)* and a declining supply of family foster homes, DES has not been able to find permanent placements in traditional foster care for a growing number of children, so more of these children have been housed in emergency and residential placement. These placements are significantly more expensive than family foster homes. DES states there was caseload growth of 24% in FY 2012 and projects caseload growth of 20% in FY 2013 and 16% in FY 2014 in emergency and residential placements. The monthly amount the department pays per child is also increasing. Given the cost of emergency and residential placement, the department is working on multiple efforts to expand foster care capacity through increasing the number of family foster homes and increasing the placement rates in existing homes.

FY 2013 Solution to DCYF Shortfall

Because of these same issues, DES has a projected shortfall of $(35.0) million for DCYF in FY 2013, including $(27.1) million in FY 2013 for the Emergency and Residential Placement line item and $(7.9) million across all other child welfare services. DES plans to address this issue by using a one-time carry-forward balance of approximately $18.0 million to $20.0 million from the federal Social Services Block Grant. DES does not anticipate similar balances to be available in FY 2014. DES plans to use projected surpluses in other line items to address the remaining shortfall of $(15.0) million to $(17.0) million, with most of it coming from the State-Only DD Home and Community Based Services (HCBS) line item. In FY 2012, DES expended $17.3 million for the State-Only DD HCBS line item, or $(15.3) million less than its $32.6 million appropriation.

In FY 2014, DES is seeking a General Fund appropriation rather than use these FY 2013 solutions. Of the $50.0 million requested, $35.0 million represents backfill of the FY 2013 solution.

Given DES' ability to identify one-time monies in their FY 2013 budget, JLBC Staff suggests further research on

whether any other funds would be available again in FY 2014.

Table 11

DES' $50 Million DCYF Request

Program	General Fund	Amount Federally Matched
CPS Staffing	$10,750,300	$ 2,384,600
CPS Emergency & Residential Placement	29,736,500	11,815,500
Foster Care Placement	4,804,100	4,092,400
Adoption Services	4,238,500	4,411,500
Total	**$49,529,400**	**$22,704,000**

Caseload Adjustments

Caseload increases are a second reason for DES' budget request. The number of children in the DCYF system has grown from 35,593 in FY 2008 to 47,062 in FY 2013, growth of 11,469 children (32%), mostly in the areas of adoption services and out-of-home care *(see Table 12).*

Table 12

Children in the DCYF System by Fiscal Year 1/

Placement Type	August of FY 2008	August of FY 2013
Out-of-Home Care	9,802	13,872
In-Home Care	13,371	14,174
Permanent Guardianship Subsidies	1,948	2,395
Adoption Subsidies	10,472	16,621
Total Children	**35,593**	**47,062**

1/ Excludes Independent Living Maintenance population

Funding History

DES' FY 2014 DCYF General Fund request is designed, in part, to address the loss of General Fund support since FY 2008. DCYF General Fund appropriations fell from $193.4 million in FY 2008 to $177.0 million in FY 2013, a decline of (8.5)%.

During the same period, available funding for DCYF, as indicated in *Table 14*, has risen from $498.0 million in FY 2008 to $600.0 million in FY 2013, an increase of $102.0 million, or 21%.

DCYF's largest portion of funding is from Non-Appropriated Funds, which are almost entirely from Federal Funds such as Title IV-E (child welfare) funding and the Social Services Block Grant. The second largest category of funding is the General Fund. Although General Fund support has declined from FY 2008 to FY 2013, it has been replaced with the TANF Block Grant and Federal Funds.

The level of support for DCYF from the TANF Block Grant may not be sustainable. In prior years, the TANF Block Grant had large ending balances; those ending balances have been spent down in recent years for DCYF and other DES programs. The projected ending balances for FY 2013 and FY 2014 are zero. Unless Congress returns TANF funding to historical funding, the state will have to backfill lost TANF Block Grant with other resources to maintain current funding levels for DCYF. *(See the TANF Block Grant section for more discussion.)*

Total Expenditure Authority

As displayed in *Table 14*, non-appropriated funds accounted for $249.3 million, or 45%, of DCYF's $553.1 milion budget. Given the significance of these non-appropriated sources, the Legislature may wish to consider appropriating DCYF on a Total Expenditure Authority basis. The same approach is already employed in the DD budget. The Total Expenditure approach acknowledges all of the resources available to the agency, but does not appropriate any specific non-appropriated fund.

TANF Block Grant

The Baseline appropriates $220.8 million of the state's federal TANF Block Grant allocation in FY 2014. *Table 13* 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 FY 2013 General Appropriation Act footnote requires DES to revert LTCSF monies dollar for dollar for TANF Block Grant monies received above $220.8 million in FY 2013, including the beginning balance.

Based on the latest information, DES is now forecast to receive additional TANF funding above $220.8 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 $18.2 million in additional TANF spending and an $(18.2) million reduction in the LTCSF appropriation, as indicated in *Table 13* by footnote 5. The budget table at the front of this section, however, has not yet been adjusted for this revision. *(For more information see the One-Time Funding line item.)*

The JLBC Staff suggests that the Legislature revise the footnote so that administrative adjustments from the prior fiscal year are not counted against the $220.8 million appropriation in FY 2014 along with the same adjustment for the existing FY 2013 footnote. JLBC Staff also suggests 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. *(See Footnotes section for proposed footnote.)*

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.

Although TANF has a projected negative ending balance for FY 2014, the actual ending balance cannot be negative. To stay within the amount of available funds, DES will need to determine how to generate savings or roll forward TANF funding from FY 2015.

For FY 2014, the TANF Block Grant permanent revenues are projected to be $(20.6) million less than permanent spending. The Contingency Fund revenues are not included in the permanent revenue calculation.

Table 13

TANF Block Grant Spending

Revenues	Actual FY 2012	Estimate FY 2013	Estimate FY 2014
Beginning Balance	$ 51,413,200	$ 33,060,500	$ (235,700) 1/
Adjustment for Obligated Funds	0	(13,127,400) 2/	0
TANF Base Revenues	200,141,300	200,141,300	200,141,300
TANF Population Supplemental Revenues	0	0	0
TANF Contingency Fund Revenues 3/	17,409,400	18,925,000	18,925,000
Total TANF Available	**$ 268,963,900**	**$ 238,999,400**	**$ 218,830,600**
Expenditures			
Special Line Item			
Operating	$ 64,769,000	$ 73,053,000	$ 73,053,000
Administration			
Attorney General Legal Services	$ 162,600	$ 221,100	$ 221,100
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			
Children Support Services 4/	$ 52,530,000	$ 32,754,100	$ 32,754,100
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 4/	9,802,400	19,802,400	19,802,400
Total - Children, Youth and Families	$ 85,434,000	$ 77,695,600	$ 77,695,600
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**	**$ 220,775,800**	**$ 220,775,800**
Administrative Adjustments	5,328,800	0 2/	0
General Appropriation Act Footnote Additional Authority 5/	0	18,223,600 3/	0
Retention Payment	0	235,700	0
Non-Lapsing Authority from Prior Years	2,338,700	0	0
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	**$ 235,903,400**	**$ 239,235,100**	**$ 220,775,800**
Ending Balance	**$ 33,060,500**	**$ (235,700) 1/**	**$ (1,945,200)**
Permanent Revenues vs. Expenditures 6/	**$ (28,094,600)**	**$ (20,634,500)**	**$ (20,634,500)**

1/ As reported by the agency. Actual ending balances will not be negative.

2/ 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.

3/ Assumes Arizona receives contingency funds at the level the U.S. Department of Health & Human Services projects for FY 2013.

4/ $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.

5/ Per a FY 2013 General Appropriation Act footnote, all available TANF is appropriated to DES in FY 2013. Therefore, the difference between the total TANF available in FY 2013 and the $220,775,800 FY 2013 appropriation is included in FY 2013, and the department's LTCSF appropriation is reduced by the same amount.

6/ Difference between Base Revenues and Expenditure Subtotal. Contingency Fund Revenues are not included in Permanent Revenues.

Table 14

Division of Children, Youth & Families Summary

	FY 2008 Actual	FY 2012 Actual	FY 2013 Estimate
Operating Budget			
General Fund	$ 56,600,600	$ 46,004,600	$ 49,127,200
TANF	31,444,200	48,282,200	52,687,400
LTCSF/Other Appropriated Funds	123,100	72,100	206,600
Non-Appropriated	45,736,700	42,724,100	45,511,500
Operating Budget Total	**$ 133,904,600**	**$ 137,083,000**	**$ 147,532,700**
Special Line Items			
Children Support Services 1/			
General Fund 2/	$ 52,129,500	$ 17,804,400	$ 32,614,800
TANF	36,645,200	52,530,000	32,754,100
LTCSF/Other Appropriated Funds	39,400	-	13,798,700
Non-Appropriated	50,092,600	69,146,000	54,133,700
	$ 138,906,700	$ 139,480,400	$ 133,301,300
CPS Emergency & Residential Placement			
General Fund 3/	$ 8,723,500	$ 19,578,700	$ 11,578,700
TANF	14,056,900	14,369,300	12,423,000
Non-Appropriated	27,425,300	27,800,200	54,906,800
	$ 50,205,700	$ 61,748,200	$ 78,908,500
Foster Care Placement			
General Fund 4/	$ 17,567,500	$ 12,639,500	$ 12,139,500
TANF	7,190,500	4,520,900	10,973,100
Non-Appropriated	17,770,200	18,522,800	20,242,100
	$ 42,528,200	$ 35,683,200	$ 43,354,700
Permanent Guardianship Subsidy			
General Fund	$ 6,308,200	$ 7,072,300	$ 9,472,300
TANF	859,300	4,211,400	1,743,000
	$ 7,167,500	$ 11,283,700	$ 11,215,300
Adoption Services 5/			
General Fund	$ 37,158,700	$ 53,942,200	$ 48,071,700
TANF	12,368,000	9,802,400	19,802,400
LTCSF	-	-	6,897,900
Non-Appropriated	54,036,300	84,504,800	90,191,600
	$ 103,563,000	$ 148,249,400	$ 164,963,600
Attorney General Legal Services			
General Fund 6/	$ 11,882,100	$ 11,252,900	$ 11,252,900
TANF	52,200	54,500	54,500
Non-Appropriated	4,376,800	6,568,900	6,568,900
	$ 16,311,100	$ 17,876,300	$ 17,876,300
Independent Living Maintenance			
General Fund	$ 3,062,800	$ 1,671,600	$ 2,719,300
Non-Appropriated	2,106,800	19,800	-
	$ 5,169,600	$ 1,691,400	$ 2,719,300
Special Line Item Total	**$ 363,851,800**	**$ 416,012,600**	**$ 452,339,000**

(table continued on next page)

Table 14 (Continued)

Division of Children, Youth & Families Total

	FY 2008 Actual	FY 2012 Actual	FY 2013 Estimate
General Fund	$ 193,432,900	$ 169,966,200	$ 176,976,400
TANF	102,616,300	133,770,700	130,437,500
LTCSF/Other Appropriated Funds	162,500	72,100	20,903,200
Non-Appropriated	201,544,700	249,286,600	271,554,600
Division Total	**$ 497,756,400**	**$ 553,095,600**	**$ 599,871,700**

1/ FY 2008 amount includes $28.4 million in expenditures from the following programs: Education & Training Vouchers, Healthy Families, Family Builders, Intensive Family Services, and Child Abuse Prevention.

2/ Includes $10.3 million in deferral spending in FY 2012 & 2013.

3/ Includes $1.8 million in deferral spending in FY 2012 & 2013.

4/ Includes $1.9 million in deferral spending in FY 2012 & 2013.

5/ FY 2008 amount includes $481,900 from the Adoption Services Preservation Projects program.

6/ FY 2012 & 2013 amounts per the CPS Financial & Program Accountability Report; FY 2012 figure used for FY 2012 & FY 2013.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Capital Investment Fund (DEA2093/A.R.S. § 4-116)		**Non-Appropriated**
Source of Revenue: Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
Purpose of Fund: To be used by the department for buildings, equipment, and other capital investments.		
Funds Expended	0	188,000
Year-End Fund Balance	289,700	148,000
Child Abuse Prevention Fund (DEA2162/A.R.S. § 8-550.01)		**Appropriated**
Source of Revenue: A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed $100,000 for the year.		
Purpose of Fund: To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
Funds Expended	0	1,459,100
Year-End Fund Balance	1,931,300	688,300
Child Restraint Fund (DEA2192/A.R.S. § 28-907)		**Non-Appropriated**
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in motor vehicles children under the age of 4 or weighing less than 40 pounds.		
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed $20,000. All monies collected over $20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
Funds Expended	154,900	165,500
Year-End Fund Balance	61,500	0
Child Protective Services Expedited Substance Abuse Treatment Fund (DEA2421/A.R.S. § 8-812)		**Non-Appropriated**
Source of Revenue: An annual appropriation from the state General Fund.		
Purpose of Fund: To provide expedited drug treatment to guardians and parents when a dependency case plan calls for treatment. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	247,000	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406) **Partially-Appropriated**

Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees.
Purpose of Fund: To fund the statewide Child Support Enforcement program.

Appropriated Funds Expended	11,998,800	16,601,100
Expenditure Authority Funds Expended	35,153,300	40,397,800
Year-End Fund Balance*	1,224,700	(7,247,400)

Children and Family Services Training Program Fund (DEA2173/A.R.S. § 8-503.01) **Appropriated**

Source of Revenue: A portion of monies collected from fees charged for copies of Child Protective Services (CPS) files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.
Purpose of Fund: To administer training for child protective service workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of CPS files may be used only for reimbursing the department for its cost.

Funds Expended	72,100	206,600
Year-End Fund Balance	262,100	230,500

Client Trust Fund (DEA3152/A.R.S. § 41-1954) **Non-Appropriated**

Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.

Funds Expended	1,278,000	1,541,400
Year-End Fund Balance	2,359,500	2,333,100

Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954) **Non-Appropriated**

Source of Revenue: Consists of client monies, such as Social Security, earnings, etc.
Purpose of Fund: If consumers need assistance in handling their funds and no other person is available, the division is appointed to be the representative payee and is authorized to administer the personal funds of these consumers.

Funds Expended	53,400	55,900
Year-End Fund Balance	1,460,000	1,419,100

Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572) **Non-Appropriated**

Source of Revenue: Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix (ATP-P) and the interest earned in those funds.
Purpose of Fund: To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.

Funds Expended	29,500	30,900
Year-End Fund Balance	145,400	116,500

Domestic Violence Shelter Fund (DEA2160/A.R.S. § 36-3002) **Appropriated**

Source of Revenue: A portion of monies (8.87%) from statutory filing and copy fees collected by the Superior Court. Another portion of monies is from a $50 fee for aggravated harassment, stalking, and other violent family offences. Monies also come from voluntary contributions using tax returns or federal grants, private grants, or other private gifts or contributions.
Purpose of Fund: To fund grants to qualified shelters for victims of domestic violence.

Funds Expended	2,220,000	2,220,000
Year-End Fund Balance	1,237,600	1,513,600

Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954) **Non-Appropriated**

Source of Revenue: Grants, gifts, or bequests.
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest. Monies received for developmental disabilities purposes are maintained in a separate account.

Funds Expended	3,700	3,300
Year-End Fund Balance	364,500	363,500

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)		**Appropriated**
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs and policies that promote parental choice; providing consumer education to help parents make informed choices on child care; providing child care to welfare recipient parents; and implementing health, safety, licensing, and registration standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care.		
Funds Expended	121,508,100	130,567,500
Year-End Fund Balance*	(148,000)	(16,713,400)
Federal Grants (DEA2000/A.R.S. § 41-101.01)		**Non-Appropriated**
Source of Revenue: Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Food Stamp administration and the Social Services Block Grant.		
Funds Expended	1,259,949,600	941,270,800
Year-End Fund Balance	38,691,800	34,753,300
Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)		**Appropriated**
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families.		
Funds Expended	228,235,900	220,775,800
Year-End Fund Balance*	33,060,500	(235,700)
Arizona Industries for the Blind Fund (DEA4003/A.R.S. § 41-1975)		**Non-Appropriated**
Source of Revenue: Proceeds from sales of products of Arizona Industries for the Blind, as well as interest earned on the fund balance.		
Purpose of Fund: To provide funds for the wages and salaries of production workers, inspectors, and other employees necessary for the operation of the training centers, workshops, or home industries; supplies, equipment or other incidental costs.		
Funds Expended	21,896,900	20,292,000
Year-End Fund Balance	64,300	0
Arizona Job Training Fund (DEA1237/A.R.S. § 41-1544)		**Non-Appropriated**
Source of Revenue: DES collects one-tenth of one percent of taxable wages per A.R.S. § 23-622 from employers for the job training tax and transfers all funds to the Arizona Commerce Authority. The revenue received by DES in this fund is the reimbursement for expenditures incurred for the purpose of collecting the job training tax.		
Purpose of Fund: To collect the job training tax.		
Funds Expended	1,521,300	1,068,100
Year-End Fund Balance*	(95,700)	0
Joint Substance Abuse Treatment Fund (DEA2429/A.R.S. § 8-881)		**Non-Appropriated**
Source of Revenue: Legislative appropriations from the General Fund and the Federal Temporary Assistance to Needy Families Block Grant.		
Purpose of Fund: To be jointly administered by DES and the Department of Health Services for services to families and Federal Temporary Assistance for Needy Families recipients involved with Child Protective Services and whose substance abuse is a significant barrier to maintaining, preserving, or reunifying the family. An amount of not more than 5% can be used for program development costs. Up to 10% can be used for evaluating community programs delivering the services. Expenditures from this fund are not displayed to avoid double counting appropriated monies.		
Funds Expended	0	0
Year-End Fund Balance	610,800	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)		**Non-Appropriated**
Source of Revenue: Federal Medicaid Authority monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system.		
Funds Expended	517,635,200	635,551,400
Year-End Fund Balance	0	0
Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)		**Appropriated**
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system. These monies are used to offset costs of services provided to Long Term Care clients which are not reimbursed by the federal government, such as room and board.		
Funds Expended	30,522,200	75,075,300
Year-End Fund Balance	65,589,200	34,336,700
Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)		**Non-Appropriated**
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.		
Funds Expended	63,200	40,000
Year-End Fund Balance	57,800	48,400
Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)		**Appropriated**
Source of Revenue: A portion of monies collected in recovery payments from ineligible or overpaid public assistance recipients and reimbursements received from persons legally responsible for support of public assistance recipients. The fund receives 25% of the monies collected. The remaining 75% of revenues are credited to the General Fund.		
Purpose of Fund: To improve public assistance collection activities.		
Funds Expended	65,400	427,100
Year-End Fund Balance*	67,300	(159,800)
Special Administration Fund (DEA2066/A.R.S. § 23-705)		**Appropriated**
Source of Revenue: Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
Purpose of Fund: To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
Funds Expended	112,200	1,129,900
Year-End Fund Balance	452,900	1,000,400
Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)		**Non-Appropriated**
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.		
Funds Expended	38,600	75,000
Year-End Fund Balance	25,000	12,500

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203) **Appropriated**

Source of Revenue: The fund receives 22% of monies deposited in the Medical Services Enhancement Fund (MSEF). MSEF revenues consist of a 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor statute violations, and game and fish violations.

Purpose of Fund: For 1) prevention and education of spinal and head injuries; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES' costs for administering the provisions.

Funds Expended	1,705,200	1,867,600
Year-End Fund Balance	440,300	1,256,700

Statewide Cost Allocation Plan Fund (DEA9000/A.R.S. § 41-1954) **Appropriated**

Source of Revenue: Federal reimbursement.

Purpose of Fund: General operations.

Funds Expended	0	1,000,000
Year-End Fund Balance	0	0

Temporary Transaction Privilege and Use Tax - 1% Fund **Non-Appropriated**
(DEA1032/Article IX, Section 12.1 of State Constitution)

Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.

Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund.

Funds Expended	0	0
Year-End Fund Balance	0	0

Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701) **Non-Appropriated**

Source of Revenue: Employer contributions and interest earnings. The monies are maintained and tracked in 2 separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury, which tracks each state's account separately.

Purpose of Fund: To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to § 903 of the federal Social Security Act. This fund provides regular unemployment benefits up to 26 weeks. Benefits extended beyond that time are federally funded and included in the Federal Grants fund.

Funds Expended	445,325,400	269,647,900
Year-End Fund Balance*	(248,909,000)	11,943,100

Unemployment Special Assessment Fund (DEA2558/A.R.S. § 23-730.01) **Non-Appropriated**

Source of Revenue: A Special Assessment (SA) on taxable wages paid in calendar years 2011 and 2012. In 2011 and 2012, the assessment is 0.4% and 0.5% respectively.

Purpose of Fund: The Director of DES has the discretion to set a SA in order to pay interest owed to the U.S. Department of the Treasury due to borrowing to continue to pay Unemployment Insurance (UI) benefits as well as to return the UI Trust Fund to solvency and avoid the loss of employer federal UI tax credits. The additional revenue collected above what is needed to pay for the interest owed to the U.S. Department of the Treasury will be used to pay for UI benefits.

Funds Expended	97,869,100	156,845,500
Year-End Fund Balance	0	0

Workforce Investment Act Grant (DEA2001/U.S. P.L. 105-220) **Appropriated**

Source of Revenue: Federal formula grant.

Purpose of Fund: To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.

Funds Expended	44,424,000	56,032,700
Year-End Fund Balance	27,615,900	18,519,700

* As reported by the agency. Actual ending balance will not be negative.

Department of Education

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	192.5	171.4	171.4
Personal Services	4,480,300	4,407,800	4,407,800
Employee Related Expenditures	1,697,000	1,662,200	1,662,200
Professional and Outside Services	508,800	345,000	345,000
Travel - In State	29,100	24,300	24,300
Travel - Out of State	25,400	22,200	22,200
Other Operating Expenditures	1,683,700	1,386,000	1,386,000
Equipment	143,500	57,800	57,800
OPERATING SUBTOTAL	**8,567,800**	**7,905,300**	**7,905,300**
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	3,045,827,600	3,121,705,000	3,148,791,200
K-3 Reading	0	40,000,000	40,000,000
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	10,218,400	10,218,400
Arizona Structured English Immersion Fund	4,791,400	8,791,400	8,791,400
Education Learning and Accountability System	1,200,000	6,200,000	0
English Learner Administration	8,898,900	3,967,700	3,967,700
Innovative Education Program Grants	0	3,000,000	0
State Block Grant - Vocational Education	11,492,800	11,494,500	11,494,500
Teacher Certification	1,662,100	1,787,700	1,787,700
State Board of Education			
State Board of Education	861,100	1,583,800	1,583,800
AGENCY TOTAL	**3,431,505,400** [1/]	**3,554,068,000** [2/]	**3,608,035,300**
FUND SOURCES			
General Fund	3,374,706,200	3,496,900,300	3,552,067,600
Other Appropriated Funds			
Department of Education Empowerment Scholarship Account Fund	0	200,000	200,000
Education Learning and Accountability Fund	1,200,000	1,200,000	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	2,292,200	2,292,200
SUBTOTAL - Other Appropriated Funds	56,799,200	57,167,700	55,967,700
SUBTOTAL - Appropriated Funds	**3,431,505,400**	**3,554,068,000**	**3,608,035,300**
Other Non-Appropriated Funds	444,356,400	473,528,800	473,528,800
Federal Funds	1,165,736,300	1,074,084,800	1,074,084,800
TOTAL - ALL SOURCES	5,041,598,100	5,101,681,600	5,155,648,900

1/ Includes a total of $329,700 GF and $64,900 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(118,600) GF for the premium holiday and an increase of $325,800 GF and $68,200 OF for the employee retention payment.

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 Baseline spending would increase by $55,167,300, or 1.6%. The Baseline 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 $(46,043,000) for property taxes from new construction.
- An increase of $8,372,600 for 1.8% inflator.
- A decrease of $(7,089,900) for continued Career Ladder phase out.
- A base increase of $19,481,100 for higher than budgeted Homeowner's Rebate costs for FY 2013.
- An increase of $19,900,000 for higher Homeowner's Rebate costs related to recent statutory changes.
- An increase of $2,011,000 for other formula issues.
- A decrease of $(8,000,000) to eliminate one-time funding.

Operating Budget

The Baseline includes $7,905,300 and 86.4 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$7,571,000
Department of Education Empowerment Scholarship Account Fund	200,000
Teacher Certification Fund	134,300

These amounts are unchanged from FY 2013.

Formula Programs

Basic State Aid

The Baseline includes $3,148,791,200 in FY 2014 for Basic State Aid. This amount consists of:

General Fund	3,102,315,700
Permanent State School Fund	46,475,500

The $3,148,791,200 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 Baseline 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 $3,148,791,200 appropriated total includes a net General Fund increase of $27,086,200 and no change from the Permanent State School Fund for FY 2014. FY 2014 adjustments are as follows:

Table 1

FY 2014 Basic State Aid Formula Summary

General Fund	
FY 2013 Appropriation	$3,075,229,500
Enrollment Growth @ 1.2%	66,535,500
Property Taxes - New Construction	(46,043,000)
1.8% Inflator	8,372,600
Career Ladder Phase Out	(7,089,900)
Homeowner's Rebate Statutory Changes	4,300,000
JTED QTR Offset	1,011,000
FY 2014 Baseline	3,102,315,700
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) 1/	86,280,500
Local Property Taxes 1/	
FY 2013 Base	2,319,944,000
Property Taxes - New Construction	46,043,000
Property Taxes – Homeowner's Rebate	(4,300,000)
FY 2014 Estimated 2/	2,361,687,000
Grand Total (all sources) 3/	**$5,636,758,700**

1/ Non-appropriated, so excluded from appropriated totals.
2/ An estimated $329,925,200 of this total will be funded by the state through the Homeowner's Rebate.
3/ Statutory formula cost would be approximately $260,000,000 higher without the Soft Capital, CORL, charter school Additional Assistance and JTED reductions that are continued in the Baseline on a session law basis.

Enrollment Growth **GF 66,535,500**

The Baseline 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 *(see 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 K-12 student 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	908,503	131,748	1,040,251	6,000	0.6%
2013 est	899,911	144,800	1,044,741	4,460	0.4%
2014 est	895,981	156,255	1,052,237	7,526	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	16,825	1,042	17,867	646	3.7%
2013 est	17,666	1,094	18,760	893	5.0%
2014 est	18,549	1,149	19,698	938	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 annual cost of enrollment growth can be affected by the conversion of existing district schools to charter status. *(Please see "Other Issues for Legislative Consideration" for additional information.)*

Property Taxes from New Construction **GF (46,043,000)**

The Baseline includes a decrease of $(46,043,000) from the General Fund in FY 2014 due to a projected 2.2% 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 $46,043,000 in FY 2014. It also will decrease state costs by $(46,043,000), since QTR and SETR revenues offset state formula costs on a dollar for dollar basis.

Statewide NAV for property already on the tax rolls ("existing property") is expected to decrease by (6.4)% in FY 2014, resulting in a net (4.2)% NAV decline for new construction and existing property combined for FY 2014.

The projected (6.4)% NAV decline for existing property will not affect net QTR or SETR collections in FY 2014, however, 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. As a result, the QTR will increase to an estimated $4.19 (from $3.92 currently) and the SETR will increase to $0.50 (from $0.47 currently) in FY 2014 in order to offset the estimated (6.4)% NAV decrease for existing property *(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	$2.0930
• Unified districts and elementary districts not located within a high school district	$3.9170	$4.1860
• State Equalization Tax Rate (SETR)	$0.4717	$0.5041

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 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. 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 **GF 8,372,600**

The Baseline includes an increase of $8,372,600 from the General Fund in FY 2014 for a 1.8% inflation increase in 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. It does not include a 1.8% increase in the "base level" prescribed in A.R.S. § 15-901B2, which would remain in FY 2014 at the FY 2013 level of $3,267.72. Funding a 1.8% increase in the base level for FY 2014 would cost an additional estimated $81,680,800 for a total estimated inflation adjustment cost of $90,053,400.

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. The FY 2014 Baseline continues the policy of the prior 3 years.

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." That ruling currently remains under appeal.

Career Ladder Phase Out GF (7,089,900)
The Baseline 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 GF 4,300,000
The Baseline 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 QTR Offset GF 1,011,000
The Baseline includes an increase of $1,011,000 from the General Fund in FY 2014 to offset a reduction in QTR revenues that Joint Technical Education Districts (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 the anticipated (4.2)% 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 Baseline continues the funding policy from the prior 2 years.

Endowment Earnings OF 0
The Baseline 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 prior to the enactment of Proposition 118 *(see below)*, endowment earnings are projected to exceed this level.

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.

On a related note, 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 State

Treasurer and Land Department land trust earnings combined to Basic State Aid 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 have already been determined, these extra earnings will be available to districts and charters in FY 2014.

Rollover GF 0

The Baseline includes no change from the General Fund in FY 2014 for the K-12 rollover. This continues to defer through the General Appropriation Act $952,627,700 of current year (now FY 2014) state aid payments until the following fiscal year (now FY 2015). As a result, the 12 monthly payments that school districts will receive in FY 2014 under the Baseline 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 advance appropriated $952,627,700 from the General Fund in FY 2014 in order to fund the $952,627,700 deferred obligation from FY 2013. Those monies therefore will not appear in the FY 2014 General Appropriation Act. The Act, however, would be expected to advance appropriate $952,627,700 from the General Fund in FY 2015 in order to fund the deferred FY 2014 obligation.

As a result of existing rollovers, the Baseline continues to include a total deferred obligation of $952,627,700 for FY 2014. That amount includes $272,627,700 for the original FY 2008 rollover, $330,000,000 for the additional FY 2009 rollover and $350,000,000 for the additional FY 2010 rollover.

Continuation of Prior Year Session Law

The FY 2014 Baseline would continue the following session law changes from FY 2013 (one ongoing suspension would be replaced with a permanent repeal) *(see "Statutory Changes" section for more information)*:

- Soft Capital - Continue a Soft Capital funding reduction of $(158,120,700) for state aid districts and continue to reduce local Soft Capital funding for non-state aid districts accordingly.
- CORL - Continue a CORL funding reduction of $(80,864,800) for state aid districts and continue to reduce local CORL funding to non-state aid districts accordingly.
- Charter School Additional Assistance - Continue a charter school Additional Assistance funding reduction of $(15,656,000).
- Joint Technological Education Districts - Continue to fund state aid for JTEDs at 91% of the amount that otherwise would be provided by law.
- Early Graduation Scholarship Program - Repeal the program, which has been suspended since FY 2009.

K-3 Reading

The Baseline includes $40,000,000 and 2 FTE Positions from the General Fund in FY 2014 for the K-3 Reading program. These amounts are unchanged from FY 2013.

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 3rd Grade pupils reading "far below" the 3rd 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 Baseline includes $339,269,300 from the General Fund in FY 2014 for Additional State Aid (ASA). FY 2014 adjustments would be as follows:

Base Adjustment GF 19,481,100

The Baseline 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 recently reported that the program will cost $322,669,300 for FY 2013, which is $19,481,100 more than the program's FY 2013 appropriation. The shortfall is primarily due to a lower than budgeted savings from new restrictions on Homeowner's Rebate funding that took effect in FY 2013. Those restrictions we established by Laws 2011, 2nd

Special Session, Chapter 1, as amended by Laws 2012, Chapter 350.

Chapter 1 limited the Homeowners' 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 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.

Increased Rebate Percentage GF 15,600,000
The Baseline 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 the Arizona Department of Revenue (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. Currently (for FY 2013) the Homeowner's Rebate percentage authorized in A.R.S. § 15-972 is 40%. Chapter 1 requires DOR to increase that percentage for FY 2014 by August 1, 2013. (DOR has not yet computed what the actual rebate percentage will be for FY 2014.) The currently estimated cost of the required increase is $15,600,000.

1% Cap GF 1,000,000
The Baseline 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 Baseline 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 Baseline 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 Baseline includes $10,218,400 and 2 FTE Positions in FY 2014 for Accountability and Achievement Testing. These amounts consist of:

General Fund	3,218,400
Proposition 301 Fund	7,000,000

These amounts are unchanged from FY 2013.

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 5 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 5
Current Achievement Testing Contract Cost by Year

Fiscal Year	Contract Cost
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 for Legislative Consideration" for additional information.)*

Arizona Structured English Immersion Fund

The Baseline 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 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. .

A footnote in the General Appropriation Act for FY 2013 permits ADE to use a portion of the FY 2013 appropriation to the program to fund a new English Language proficiency assessment. ADE received a $4,000,000 transfer from the program in FY 2012 in order to begin replacement of the current "AzELLA" test. ADE indicated during FY 2012 that it would need an additional transfer of $5,500,000 in FY 2013 in order to complete the new test and requested a General Appropriation Act footnote authorizing the transfer. The requested footnote was included in the General Appropriation Act for FY 2013. It is being discontinued for FY 2014 due to its one-time nature.

Education Learning and Accountability System

The Baseline includes no funding in FY 2014 for the Education Learning and Accountability System (ELAS). FY 2014 adjustments would be as follows:

Eliminate One-Time Funding **GF** **(5,000,000)**
OF **(1,200,000)**

The Baseline includes a decrease of $(5,000,000) from the General Fund and $(1,200,000) from the Education Learning and Accountability Fund in FY 2014 to eliminate one-time funding for the program. The FY 2012 and FY 2013 budgets both appropriated $5,000,000 from the General Fund and $1,200,000 from the Education Learning and Accountability Fund on a one-time basis for development of ELAS.

The $1,200,000 appropriations from the Education Learning and Accountability Fund for FY 2012 and FY 2013 have come from a $6 per Full Time Student Equivalent (FTSE) fee that the K-12 Education BRBs for those years required community colleges and universities to transfer into the fund.

ELAS is intended to report student level data for students attending public preschool, K-12 and postsecondary educational programs in the state pursuant to A.R.S. § 15-249. *(See "Other Issues for Legislative Consideration" for additional information.)*

English Learner Administration

The Baseline includes $3,967,700 and 19 FTE Positions from the General Fund in FY 2014 for English Learner Programs. These amounts are unchanged from FY 2013.

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 has been ongoing. The timeline for final resolution in the case in district court is unknown at the time of publication. *(See FY 2011 Appropriations Report for additional history of 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 Baseline includes no funding in FY 2014 for Innovative Education Program Grants. FY 2014 adjustments would be as follows:

Eliminate One-Time Funding **GF** **(3,000,000)**

The Baseline 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 were required to report program results by October 1, 2013.

Program grants had not yet been awarded as of early December 2012. The application process being concluded by the State Board of Education at that time, however, indicated that preference would be given for proposals that would advance math achievement, address rural needs, target under-represented populations, leverage new technologies, and be replicable across a variety of settings.

State Block Grant for Vocational Education

The Baseline includes $11,494,500 and 28 FTE Positions from the General Fund in FY 2014 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2013.

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 $25,000,000 in federal funding annually pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006. Those monies are subject to a federal "maintenance of effort" (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 Baseline includes $1,787,700 and 23 FTE Positions from the Teacher Certification Fund in FY 2014 for Teacher Certification. These amounts are unchanged from FY 2013.

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 Baseline includes $1,583,800 and 10 FTE Positions in FY 2014 for the State Board of Education. These amounts consist of:

General Fund	1,213,600
Teacher Certification Fund	370,200

These amounts are unchanged from FY 2013.

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 "Other Issues for Legislative Consideration" for additional information on these 2 programs.)*

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Operating Budget

The operating lump sum appropriation includes $291,100 and 4 FTE Positions for average daily membership auditing and $200,000 and 2 FTE Positions for information technology security services.

Basic State Aid

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.

The portion of the above appropriation for basic state aid for charter school additional assistance pursuant to A.R.S. § 15-185B4 includes a $15,656,000 reduction.

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.

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.

K-3 Reading Weight
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.

Achievement Testing
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.

Education Learning and Accountability System
For FY 2014, the State Board of Education, in collaboration with the department, shall report quarterly by 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.

English Learner Administration
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.

State Board of Education
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.

Other
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.

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.

Deletion of Prior Year Footnotes
The Baseline would delete the footnote regarding Innovative Education Program Grants, as funding for the program was one-time in nature.

The Baseline would delete the footnote permitting the department to use a portion of monies from the Structured English Immersion Fund to fund a new English language proficiency assessment, as that provision also was one-time in nature.

STATUTORY CHANGES

The Baseline would:

- As permanent law, increase by 1.8% the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school "Additional Assistance" amounts prescribed in A.R.S. § 15-185B4.
- As permanent law, maintain at $3,267.72 for FY 2014 the per pupil "base level" amount prescribed in A.R.S. § 15-901B2 (unchanged from FY 2013).
- As session law, continue to reduce school districts' Soft Capital funding by $158,120,700. As session law, continue to reduce Soft Capital funding to school districts that do not receive state aid for FY 2014 by the amount that would be reduced if they did qualify for state aid for FY 2014.
- As session law, continue to reduce charter school Additional Assistance funding by $15,656,000 below the level that otherwise would be funded pursuant to A.R.S. § 15-185B4.
- As session law, continue to reduce school district's Capital Outlay Revenue Limit (CORL) funding by $(80,864,800). As session law, continue to reduce CORL funding to school districts that do not receive state aid for FY 2014 by the amount that would be reduced if they did qualify for state aid for FY 2014.
- As session law, continue to cap total combined statewide Soft Capital and CORL reductions for school districts with a student count of fewer than 1,100 pupils at $5,000,000.
- As session law, continue to fund state aid for Joint Technological Education Districts (JTEDs) in FY 2014 at 91% of the formula requirement.

- As session law in the General Appropriation Act, continue to defer $952,627,700 in Basic State Aid payments for FY 2014 until FY 2015. Appropriate $952,627,700 in FY 2015 for these deferred Basic State Aid payments. Allow the State Board of Education to make the rollover payment no later than August 29, 2014.
- As session law in the General Appropriation Act, continue 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 or August 2014.
- As permanent law, amend statutory language for computing state aid for accommodation schools to conform with current practice.
- As permanent law, repeal the Early Graduation Scholarship program established in A.R.S. § 15-105.
- As permanent law, require ADE to report by November 30 each year the amount budgeted for school district budget overrides by district and type of override for the current fiscal year. *(See "Other Issues for Legislative Consideration" for additional information.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Adult Education

State funding for the department's Adult Education program was discontinued after FY 2010 as part of reductions to the department's non-formula programs. Prior to FY 2010 the program 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. The program's 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.

Since FY 2010, ADE has met MOE requirements for the program using a combination of federal "stimulus" monies, previously uncounted local "in kind" contributions, and cash provided by each of the 26 local Adult Education sites. As a result, ADE's federal funding for Adult Education has remained at the $11,800,000 level since FY 2010.

ADE indicates that a state MOE for the program will not be required again until FY 2015, so the program is expected to continue to receive $11,800,000 in federal Adult Education funding through FY 2014, even with no state Adult Education appropriation. The department, however, has requested restoration of the prior $4,800,000 state General Fund appropriation for the program in FY 2014 in order to return total Adult Education program funding to its pre-FY 2010 level. *(See "State Board of Education" narrative for more information.)*

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" (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.) Capital 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. Capital overrides instead must be used for building renovations or for short-term capital items, such as technology, textbooks, furniture, equipment, and pupil transportation vehicles.

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 have M&O overrides pursuant to A.R.S. § 15-481, 38 have M&O overrides pursuant to A.R.S. § 15-482, and 23 have capital overrides. The total amounts budgeted for overrides for FY 2013 include 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.)*

Currently statewide data on school district budget overrides is not easily accessible. The JLBC therefore suggests that the Legislature consider a statutory change 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 *(see "Statutory Changes" section).*

Education and Learning Accountability System

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, estimates 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 projects 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 estimates 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).

To monitor this specific project, the Legislature has approved 2 different oversight mechanisms. First, A.R.S. § 15-249J requires Joint Legislative Budget Committee review of any ELAS contract prior to the issuance of a related request for proposals (RFP). JLBC review of an ELAS contract has not yet occurred. ADE indicates that ELAS spending to date has occurred under existing contracts. A summary of reported ELAS spending to date (FY 2012 actual and FY 2013 estimated) appears in *Table 6*.

Table 6

ELAS Expenditures

Item	FY 2012 Actual	FY 2013 Estimate
SAIS Replacement	$ 4,485,000	$ 3,316,800
Longitudinal Data System	3,329,700	4,903,600
Instructional Improvement System	1,350,200	2,366,800
ADE Systems	4,486,700	7,373,400
Total	**$13,651,600**	**$17,960,600**

A summary of reported ELAS revenues to date (FY 2012 actual and FY 2013 estimated) appears in *Table 7*.

Table 7

ELAS Revenues

Revenue Source	FY 2012 Actual	FY 2013 Estimate
State Funds (operating budget & Prop 301)	$ 3,273,300	$ 3,577,000
ELAS Appropriation 1/	6,600,000	6,200,000
Federal Funds	3,506,500	5,557,900
Other Funds (IGAs)	1,417,000	1,480,500
Carry Forward	0	1,145,200
Total	**$14,796,800**	**$17,960,600**

1/ Includes $5 million per year from the General Fund.

Second, a General Appropriation Act footnote requires ADE to report ELAS progress on a quarterly basis and stipulates that the report "shall include an assessment of progress from an independent third party that is not affiliated with state government." ADE's first quarterly report (September 2013) referenced this requirement by stating that "To that end, included are the comments of three private sector IT professionals, who also serve on the Arizona Ready Council's IT task force, and who will be working with the state board and the department throughout FY 2013 to provide feedback on AELAS implementation." The included comments were brief and basically opined that ELAS was "heading in the right direction" and that ADE had developed "a good blue print on how to build an effective system."

ADE's third party review did not meet expectations regarding the scope and magnitude of the expected oversight. On a related note, the Arizona Department of Administration (ADOA) also currently is working to manage a large information technology project (replacement of the state's financial accounting system). For "third party oversight" of this project, ADOA contracted with an independent consulting firm in order to provide more structured assistance on topics such as best practices.

A third potential oversight mechanism for ELAS is the Information Technology Authorization Committee (ITAC) established by A.R.S. § 41-3521. ITAC is housed in ADOA and provides oversight on information technology issues for state agencies. ITAC approval is required for all state agency information technology projects exceeding $1,000,000. It appears that at least some of the FY 2012 ELAS spending shown in *Table 6* did not receive ITAC approval.

If additional state funding is provided, the JLBC Staff suggests that the Legislature consider the following ELAS changes for FY 2014:

- Make funding contingent upon ITAC and then JLBC review of the project.

- Modify the existing General Appropriation Act footnote on ELAS reporting and oversight to require contracting through a Request for Proposals (RFP) process with an independent outside consultant with expertise on K-12 information technology projects.

As noted above, A.R.S. § 15-249J currently requires JLBC review of any ELAS contract before placement of any advertisement that solicits a response to a RFP. That requirement would remain in effect along with the proposed changes. *(See narrative for the "Education Learning and Accountability System" Special Line Item above for more information.)*

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 Common Core website indicates that the new standards are intended "to ensure that students are receiving a high quality education consistently, from school to school and state to state." 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.

ADE recently developed a working document that suggests that it will 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.)*

School Safety Program

A School Safety Program that places trained school resource officers or juvenile probation officers in public schools has existed in Arizona since FY 1995. The program 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 $2.5 million. From FY 2002 through FY 2010 (its years of peak funding) the program received approximately $14.5 million annually, including $6.7 million from the General Fund and $7.8 million from Proposition 301 sales tax monies. General Fund support for the program was eliminated in FY 2011. As a result, the program has been operating solely with $7.8 million in Proposition 301 funding annually since FY 2010.

The $7.8 million 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 are receiving funding allocations under the program. *(See "State Board of Education" narrative for more information.)*

Charter School Conversions

A.R.S. § 15-183C permits school districts to sponsor charter schools. Currently (in FY 2013), only about 2,300 of the 900,000 school district ADM pupils statewide attend district-sponsored charter schools. There appears to be growing interest, however, in converting existing district schools to charter status, since the Basic State Aid formula currently provides approximately $1,000 more per student under the charter school versus school district funding formulas. (Charter schools, however, are ineligible for additional local funding, such as for bonds and overrides.) If a school district re-converts a charter school back to non-charter status, it is required to repay the state in one lump sum payment all charter school additional assistance funding received while the charter school was in operation (A.R.S. § 15-185A7).

A Joint Legislative Study Committee is currently reviewing this topic. If charter school conversions became more widespread, there potentially could be a large increase in Basic State Aid costs. As a result, the JLBC Staff suggests that the Legislature clarify whether it will fund a more wholesale use of charter conversions. *(See "Enrollment Growth" narrative under Basic State Aid for more information.)*

FY 2013 Surplus

ADE has projected a FY 2013 surplus of $46,543,700, which includes a one-time Additional State Aid surplus of $36,379,800 due to a one-time prior year overpayment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Academic Contest Fund (EDA1006/A.R.S. § 15-1241) **Non-Appropriated**

Source of Revenue: Legislative appropriations from the state General Fund. The Legislature no longer provides funding for this program.
Purpose of Fund: To pay for sending state level winners of academic contests and their chaperons to national contests. Expenditures are not displayed to avoid double counting of the General Fund.

Funds Expended	0	0
Year-End Fund Balance	21,000	21,000

Agricultural Youth Organization Special Plate Fund (EDA2560/A.R.S. § 15-791) **Non-Appropriated**

Source of Revenue: A deposit of $17 of each $25 original and annual renewal Arizona agricultural youth organization special plate fee, and interest earnings. The remaining $8 is deposited to the State Highway Fund for special plate administration.
Purpose of Fund: To issue Arizona agricultural youth organization special plates. ADOT is to annually deposit these monies, excluding administrative fees, into the Arizona Agricultural Youth Organization Special Plate Fund for disbursement by the State Board of Education acting as the State Board for Vocational and Technological Education.

Funds Expended	20,700	20,700
Year-End Fund Balance	500	3,800

American Competitiveness Project Fund (EDA2361/A.R.S. § 15-245) **Non-Appropriated**

Source of Revenue: Donations, grants, gifts, contributions and devises from individuals, corporations and nonprofit organizations.
Purpose of Fund: To fund technical assistance and distribute grants to schools and other local educational agencies that offer academic programs that emphasize foreign language acquisition, international business and world history.

Funds Expended	0	0
Year-End Fund Balance	800	800

Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01) **Non-Appropriated**

Source of Revenue: State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617.
Purpose of Fund: To provide additional funding support for public schools.

Funds Expended	0	0
Year-End Fund Balance	517,300	597,400

Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719) **Non-Appropriated**

Source of Revenue: $17 of the $25 fee for Character Education license plates.
Purpose of Fund: To fund character education programs in schools. Not more than 10% of monies deposited in the fund annually shall be used for the cost of administering the fund.

Funds Expended	44,500	40,000
Year-End Fund Balance	6,500	8,300

Charter Schools Stimulus Fund (EDA1007/A.R.S. § 15-188) **Non-Appropriated**

Source of Revenue: Legislative appropriations from the state General Fund. The Legislature no longer provides funding for this program.
Purpose of Fund: To encourage the establishment of charter schools by assisting with charter school start-up costs.

Funds Expended	0	0
Year-End Fund Balance	3,600	3,600

Classroom Site Fund (EDA2471/A.R.S. § 15-977) **Non-Appropriated**

Source of Revenue: A portion of the Proposition 301 sales tax, pursuant to A.R.S. § 42-5029E10, and Permanent State School Fund expendable earnings that exceed the FY 2001 level, pursuant to A.R.S. § 37-521B4.
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%).

Funds Expended	283,544,200	320,310,400
Year-End Fund Balance	35,590,800	17,796,100

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		**Appropriated**
Source of Revenue: Monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts program authorized by A.R.S. § 15-2402. ADE also transfers Basic State Aid monies to the State Treasurer each quarter to fund Empowerment Scholarship Accounts for individual students (the total FY 2012 scholarship account transfer was approximately $1.6 million). The student account monies are not displayed to avoid double counting of the General Fund *(see also the "State Treasurer Empowerment Scholarship Account Fund" in the Summary of Funds for the State Treasurer).*		
Funds Expended	0	200,000
Year-End Fund Balance	0	0
Displaced Pupils Choice Grant Fund (EDA2533/A.R.S. § 15-817.06)		**Non-Appropriated**
Source of Revenue: Legislative appropriations from the state General Fund. Due to a court decision, the Legislature no longer provides funding for this program.		
Purpose of Fund: To provide qualifying displaced pupils with grants to be applied toward tuition and fees charged by nongovernmental schools. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Early Graduation Scholarship Fund (EDA2364/A.R.S. § 15-105L)		**Non-Appropriated**
Source of Revenue: Monies deposited into the fund by the Arizona Department of Education pursuant to A.R.S. § 15-105F & J.		
Purpose of Fund: To provide postsecondary education scholarships to individuals who graduated at least 1 year early from a public high school. *(See Fund PEA 2364 in the Summary of Funds for the Commission for Postsecondary Education for more information.)*		
Funds Expended	0	0
Year-End Fund Balance	0	0
Education Commodity Fund (EDA4210/A.R.S. § 15-1152)		**Non-Appropriated**
Source of Revenue: Fees from school districts participating in the federal Food Commodities Program.		
Purpose of Fund: To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	73,400	99,300
Year-End Fund Balance	102,200	47,900
Education Donations Fund (EDA2025/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Grants received by the department from foundations or other private sector donors.		
Purpose of Fund: To help pay for conferences, programs or other activities that are sponsored by donor organizations.		
Funds Expended	121,800	114,500
Year-End Fund Balance	584,000	638,500
Education Learning and Accountability Fund (EDA2552/A.R.S. § 15-249.02)		**Partially-Appropriated**
Source of Revenue: In FY 2013, the appropriated portion of the fund is receiving a transfer of $6 per Full-Time Student Equivalent (FTSE) from Arizona public universities and community colleges pursuant to Laws 2012, Chapter 300, Section 19. (A $6 per pupil transfer also occurred in FY 2012.) The non-appropriated portion is receiving $5,000,000 in state General Fund monies in FY 2013 (unchanged from FY 2012). Expenditures of non-appropriated monies are not displayed to avoid double counting of the General Fund.		
Purpose of Fund: To develop and implement the Education Learning and Accountability System (ELAS) pursuant to A.R.S. § 15-249.		
Appropriated Funds Expended	1,200,000	1,200,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	2,528,400	2,528,400

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Failing Schools Tutoring Fund (EDA2470/A.R.S. § 15-241) **Non-Appropriated**

Source of Revenue: A portion of the 0.6% Proposition 301 sales tax, pursuant to A.R.S. § 42-5029E8.

Purpose of Fund: To fund tutoring for students who have not yet passed portions of the high school AIMS test or who attend "failing" schools, pursuant to A.R.S. § 15-241R, and to purchase materials designed to help students meet the Arizona Academic Standards and pass the AIMS test, pursuant to A.R.S. § 15-241CC.

Funds Expended	1,956,600	1,816,500
Year-End Fund Balance	897,100	580,600

Federal Funds (EDA2000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.

Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants.

Funds Expended	1,027,915,100	1,053,001,800
Year-End Fund Balance	3,214,900	2,128,100

Federal Grants - American Recovery and Reinvestment Act (ARRA) (EDA2999/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

Purpose of Fund: One-time Federal Funds to be used by the department to offset state reductions and enhance funding for programs such as Special Education and Title I.

Funds Expended	137,821,200	21,083,000
Year-End Fund Balance	222,900	26,843,200

Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243) **Non-Appropriated**

Source of Revenue: $17 of the $25 fee for Golden Rule license plates.

Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.

Funds Expended	180,800	180,500
Year-End Fund Balance	16,500	16,000

IGA and ISA Fund (EDA2500/A.R.S. § 35-142E) **Non-Appropriated**

Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).

Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).

Funds Expended	11,494,300	3,718,300
Year-End Fund Balance	11,200	212,900

Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.

Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.

Funds Expended	3,966,500	5,042,000
Year-End Fund Balance	1,400,700	816,700

Instructional Improvement Fund (EDA2492/A.R.S. § 15-979) **Non-Appropriated**

Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.

Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.

Funds Expended	42,221,400	42,090,000
Year-End Fund Balance	23,800	20,500

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Internal Services Fund (EDA4209/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.

Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.

Funds Expended	3,889,000	3,598,800
Year-End Fund Balance	1,518,900	1,685,200

Permanent State School Fund (EDA3138/A.R.S. § 37-521) **Partially-Appropriated**

Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund, up to the amount generated in FY 2001 ($72,263,000), are automatically appropriated first to pay for debt service on State School Facilities Revenue Bonds, Qualified Zone Academy Bonds (QZAB) or State School Trust Revenue Bonds. Any remaining monies from the $72,263,000 baseline total are then subject to appropriation to ADE to help fund Basic State Aid pursuant to A.R.S. § 15-971H. Expendable earnings beyond the $72,263,000 baseline total from FY 2001 are automatically deposited into the Classroom Site Fund, as required by A.R.S. § 37-521B4.

In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated into the Classroom Site Fund pursuant to A.R.S. § 37-521B4. *(See "State Land Trust Bond Debt Service Fund" and "School Improvement Revenue Bond Debt Service Fund" in the Summary of Funds for the School Facilities Board budget for information on other uses of expendable monies from this fund.)*

Purpose of Fund: To support common schools.

Funds Expended	46,475,500	46,475,500
Year-End Fund Balance*	(67,100)	(67,100)

Production Revolving Fund (EDA4211/A.R.S. § 15-237) **Non-Appropriated**

Source of Revenue: Print shop collections from in-house and interagency publishing.

Purpose of Fund: To fund agency print shop expenditures.

Funds Expended	1,700,200	2,013,800
Year-End Fund Balance	868,000	495,300

Proposition 301 Fund (EDA1014/A.R.S. § 42-5029E7) **Partially-Appropriated**
(EDA 1015, 1016 & 1017/A.R.S. § 42-5029E5 & E6)

Source of Revenue: A portion of the Proposition 301 sale tax pursuant to A.R.S. § 42-5029E5-7. The appropriated portion of the fund receives "up to $7 million" monies appropriated by the Legislature pursuant to A.R.S. § 42-5029E7. The non-appropriated portion receives monies automatically appropriated by Proposition 301 for additional school days, School Safety and Character Education, plus any unspent "up to $7 million" monies from the prior year.

Purpose of Fund: To pay for K-12 Achievement Testing (appropriated) and additional school days, School Safety and Character Education (non-appropriated).

Appropriated Funds Expended	7,000,000	7,000,000
Non-Appropriated Funds Expended	95,143,000	94,484,000
Year-End Fund Balance	9,994,000	9,790,500

Scholarships for Pupils With Disabilities Program Fund **Non-Appropriated**
(EDA2534/A.R.S. § 15-891.04)

Source of Revenue: Legislative appropriations from the state General Fund. Due to a court decision, the Legislature no longer provides funding for this program.

Purpose of Fund: To provide disabled pupils with scholarships to attend the public or non-public school of their choice. Expenditures are not displayed to avoid double counting of the General Fund.

Funds Expended	0	0
Year-End Fund Balance	729,900	729,900

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Special Education Fund (EDA1009/A.R.S. § 15-1182)		**Non-Appropriated**
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide voucher funding for students attending the ASDB pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,722,900	1,697,100
Structured English Immersion Fund (EDA2535/A.R.S. § 15-756.04)		**Non-Appropriated**
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	10,603,500	10,603,500
Teacher Certification Fund (EDA2399/A.R.S. § 15-531)		**Appropriated**
Source of Revenue: Fees collected by the State Board of Education from teachers and other school personnel who apply for professional certification.		
Purpose of Fund: To provide monies for operation of the department's Teacher Certification program.		
Funds Expended	2,123,700	2,292,200
Year-End Fund Balance*	40,200	(168,100)
Temporary Transaction Privilege and Use Tax - 1% Fund (EDA1032/Article IX, Section 12.1 of State Constitution)		**Non-Appropriated**
Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)		**Non-Appropriated**
Source of Revenue: The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
Purpose of Fund: To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere.		
Funds Expended	0	0
Year-End Fund Balance	352,500	356,100

* As reported by the agency. Actual ending balances will not be negative.

Department of Emergency and Military Affairs

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
PROGRAM BUDGET			
Administration	1,678,100	1,796,000	1,796,000
Emergency Management	4,020,500	4,756,500	3,742,600
Military Affairs	1,730,800	2,414,500	2,414,500
AGENCY TOTAL	**7,429,400**	**8,967,000**	**7,953,100**
OPERATING BUDGET			
Full Time Equivalent Positions	83.6	66.6	62.1
Personal Services	1,605,600	1,590,000	1,590,000
Employee Related Expenditures	571,400	572,400	572,400
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	2,595,000
Equipment	26,000	128,800	128,800
OPERATING SUBTOTAL	**4,082,200**	**4,963,100**	**4,963,100**
SPECIAL LINE ITEMS			
Governor's Emergency Fund	2,276,200	2,900,000	2,900,000
Nuclear Emergency Management Fund	1,004,300	1,013,900	0
Military Airport Planning	66,700	90,000	90,000
AGENCY TOTAL	**7,429,400** 1/	**8,967,000** 2/	**7,953,100**
FUND SOURCES			
General Fund	7,429,400	8,834,300	7,820,400
Other Appropriated Funds			
Emergency Response Fund	0	132,700	132,700
SUBTOTAL - Other Appropriated Funds	0	132,700	132,700
SUBTOTAL - Appropriated Funds	**7,429,400**	**8,967,000**	**7,953,100**
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	81,150,800	68,421,100

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.

Operating Budget

The Baseline includes $4,963,100 and 61.1 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$4,830,400
Emergency Response Fund	132,700

These amounts are unchanged from FY 2013.

Governor's Emergency Fund

The Baseline includes $2,900,000 from the General Fund in FY 2014 for the Governor's Emergency Fund. This amount is unchanged from FY 2013.

1/ Includes a total of $96,600 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(20,900) GF for the premium holiday and an increase of $67,000 GF for the employee retention payment.

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.

The FY 2013 Government Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 298) reduced the authorization to $2,900,000. The Baseline assumes this reduction is continued for FY 2014.

Nuclear Emergency Management Fund

The Baseline includes no funding from the General Fund in FY 2014 for the Nuclear Emergency Management Fund (NEMF) in FY 2014. FY 2014 adjustments would be as follows:

NEMF Decrease **GF (1,013,900)**

The Baseline includes a decrease of $(1,013,900) and (4.5) FTE Positions from the General Fund for the elimination of NEMF monies in FY 2014. The FY 2014 allocations will be made through a bill separate from the General Appropriation Act, the amount of which will be determined at a later date. *(Please see the Department of Agriculture and Radiation Regulatory Agency narratives for more information.)*

Military Airport Planning

The Baseline 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. Statute 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.

* * *

FORMAT — Lump Sum by Program

FOOTNOTES

Standard Footnotes

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.

STATUTORY CHANGES

The Baseline would, as session law, continue the $(1,100,000) reduction to the Governor's Emergency Fund deposit in FY 2014.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2013 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 Baseline reduces this charge to $30,000.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Camp Navajo Fund (MAA2106/A.R.S. § 26-152)		**Non-Appropriated**
Source of Revenue: Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.		
Purpose of Fund: To operate and maintain the Camp Navajo National Guard training and storage facility.		
Funds Expended	10,763,000	10,869,000
Year-End Fund Balance	3,000,200	2,483,600

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Emergency Management Registration Fees (MAA2087/A.R.S. § 26-305)		**Non-Appropriated**
Source of Revenue: Emergency management course fees paid by private sector participants.		
Purpose of Fund: To pay for the costs of administering the emergency management course.		
Funds Expended	0	0
Year-End Fund Balance	2,100	2,100
Emergency Response Fund (MAA3031/A.R.S. § 26-352)		**Appropriated**
Source of Revenue: The fund receives 10% of the Department of Environmental Quality's Hazardous Waste Management Fund.		
Purpose of Fund: To develop and administer a hazardous materials emergency management program, equip local emergency planning committees for the development of hazardous materials emergency response teams, and assist local agencies in providing adequate response to emergency situations.		
Funds Expended	0	132,700
Year-End Fund Balance	200	200
Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Federal program grants. Homeland Security funds received by Arizona after FY 2006 are reported in the Arizona Department of Homeland Security's budget.		
Purpose of Fund: To pay for the federal share of emergency planning, response and management programs.		
Funds Expended	12,084,700	13,904,200
Year-End Fund Balance	470,900	0
Federal Funds - Military (MAA2000 B/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Federal Service Contracts for security, maintenance and operations of the National Guard.		
Purpose of Fund: To provide the federal share of costs for Army National Guard and Air National Guard positions, capital and operating expenses.		
Funds Expended	51,120,800	45,326,200
Year-End Fund Balance	4,652,900	3,627,300
Freedom Academy Fund (MAA2104/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Governor's Office for Drug Policy and the Joint Counter Narcotics Task Force (federal Department of Justice, through the Department of Defense).		
Purpose of Fund: To provide middle and high school students with anti-drug and gang information. Student representatives throughout the state are invited to participate in the weekend programs at Camp Navajo.		
Funds Expended	0	3,600
Year-End Fund Balance	3,600	0
Indirect Cost Recovery Fund (MAA9000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Federal FEMA Grants and Non-Appropriated Funds.		
Purpose of Fund: To pay administrative expenditures not directly attributable to any one program, but associated with Federal Grant and Non-Appropriated funds.		
Funds Expended	811,600	977,300
Year-End Fund Balance	605,400	448,100
Interagency Service Agreement Fund (MAA2500/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Funds from federal grants.		
Purpose of Fund: Support of the agency's centralized personnel plan which allocates support staff costs to National Guard grants and the agency's mail distribution program in addition to agreements within and outside the agency.		
Funds Expended	927,900	815,800
Year-End Fund Balance	274,400	114,800

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Military Installation Fund (MAA1010/A.R.S. § 26-262) **Non-Appropriated**

Source of Revenue: Laws 2011, Chapter 34 eliminated the statutory, annual General Fund deposit of $4,825,000 into the Military Installation Fund. Currently, the fund's sole revenue source is the collection of interest from the balance in the fund. Expenditures from this fund are not displayed below to avoid double counting.

Purpose of Fund: Grants for military installation preservation and enhancement projects as well as costs associated with administering the fund. DEMA must utilize 80% of the monies to acquire private property, real estate, property rights and related infrastructure to preserve, support, or enhance a military installation. Up to 20% of this amount may be awarded to cities, towns, and counties for land acquisition purposes. The remaining 20% is awarded to cities, towns, and counties for military installation preservation and enhancement projects. In addition, $90,000 is appropriated to the department for the costs associated with 1 FTE Position to administer the fund.

Funds Expended	0	0
Year-End Fund Balance	5,168,000	5,168,000

Morale, Welfare and Recreational Fund (MAA2124/A.R.S. § 26-153) **Non-Appropriated**

Source of Revenue: A portion of National Guard Member Special License Plate fees, funds generated from federally-defined recycling activities, monies from the disposal of unserviceable military property belonging to the state, or other non-state-appropriated monies.

Purpose of Fund: To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.

Funds Expended	4,400	6,000
Year-End Fund Balance	41,700	70,500

National Guard Fund (MAA2140/A.R.S. § 26-152) **Non-Appropriated**

Source of Revenue: A subaccount that receives the proceeds from the rental or use of armories.

Purpose of Fund: For general operating expenses of the National Guard.

Funds Expended	228,800	219,400
Year-End Fund Balance	113,700	0

National Guard Relief Fund (MAA2349/A.R.S. § 26-183) **Non-Appropriated**

Source of Revenue: Monies received from individual contributors who voluntarily donate through the state individual income tax return. Since tax year 2006, donors have been able to contribute to the fund.

Purpose of Fund: To provide assistance to families of National Guard members who are mobilized in support of a contingency operation or state emergency.

Funds Expended	0	60,000
Year-End Fund Balance	47,300	43,600

Nuclear Emergency Management Fund (MAA2138/A.R.S. § 26-306.02) **Non-Appropriated**

Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.

Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.

Funds Expended	0	0
Year-End Fund Balance	2,700	0

State Armory Property Fund (MAA2146/A.R.S. § 26-231) **Non-Appropriated**

Source of Revenue: Sale of surplus armory property.

Purpose of Fund: For the construction and capital improvement of National Guard armories.

Funds Expended	0	0
Year-End Fund Balance	0	0

Statewide Donations Fund (MAA 2025/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Gifts and donations from public and private entities.

Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.

Funds Expended	315,100	2,300
Year-End Fund Balance	2,300	0

Department of Environmental Quality

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	467.4	322.0	322.0
Personal Services	10,930,700	15,653,900	15,653,900
Employee Related Expenditures	4,831,400	6,974,400	6,974,400
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	15,210,300
Equipment	90,200	432,400	432,400
OPERATING SUBTOTAL	**32,002,500**	**47,361,700**	**45,561,700**
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
AGENCY TOTAL	**60,522,000** 1/	**75,481,200** 2/	**73,681,200**
FUND SOURCES			
General Fund	7,000,000	7,000,000	7,000,000
Other Appropriated Funds			
Air Permits Administration Fund	3,976,600	7,038,800	7,038,800
Air Quality Fund	2,817,600	5,379,100	5,379,100
Emissions Inspection Fund	28,074,500	28,354,300	26,554,300
Hazardous Waste Management Fund	990,700	1,718,900	1,718,900
Indirect Cost Recovery Fund	11,425,300	13,008,700	13,008,700
Recycling Fund	0	1,200,000	1,338,900
Solid Waste Fee Fund	690,700	1,226,600	1,226,600
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	10,393,900	10,393,900
SUBTOTAL - Other Appropriated Funds	53,522,000	68,481,200	66,681,200
SUBTOTAL - Appropriated Funds	**60,522,000**	**75,481,200**	**73,681,200**
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	263,175,300	262,423,800

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.

1/ Includes a total of $759,900 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $444,500 OF for the employee retention payment.

Operating Budget

The Baseline includes $45,561,700 and 322 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
Air Permits Administration Fund	$7,038,800
Air Quality Fund	5,379,100
Emissions Inspection Fund	5,434,800
Hazardous Waste Management Fund	1,718,900
Indirect Cost Recovery Fund	13,008,700
Recycling Fund	1,338,900
Solid Waste Fee Fund	1,226,600
Underground Storage Tank Revolving Fund	22,000
Water Quality Fee Fund	10,393,900

FY 2014 adjustments would be as follows:

Shift Administration of Used Oil Program **OF** **0**

The Baseline 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 **OF** **(1,800,000)**

The Baseline 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.

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 Fee Commission also recommended allowing Emissions Inspection fees to be used for general purposes. In that context, for example, the Legislature will need to determine whether to continue to allow the use of Emissions Inspection Fund monies for the Safe Drinking Water Program in FY 2014.

Emissions Control Contractor Payment

The Baseline 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.

WQARF Priority Site Remediation

The Baseline 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 2013 Environment BRB continues to notwithstand 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 Baseline 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
Funds Transferred		
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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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, by 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.

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.

All Air Permits Administration revenues received by the Department of Environmental Quality in excess of $7,038,800 in FY 2014 are appropriated to the department. Before the expenditure of Air Permits Administration receipts in excess of $7,038,800 in FY 2014, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee.

All Indirect Cost Fund Recovery Fund revenues received by the Department of Environmental Quality in excess of $13,008,700 in FY 2014 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of $13,008,700 in FY 2014, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to allow the department to utilize up to $6,531,000 from a combination of the Underground Storage Tank Fund and the Regulated Substance Fund for department administrative expenses.
- 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Repeal of Underground Storage Tank Tax

Laws 1990, Chapter 328 established the Underground Storage 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 finances partial coverage for corrective action costs incurred by the department, owners, operators, or political subdivisions.

Laws 2004, Chapter 273 repealed the Underground Storage Tank (UST) Program and the associated 1¢ excise tax no later than December 31, 2013. The program is being 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 will then be the funding source for underground storage tanks where the owner cannot be located. As a result, owners will no longer be eligible for corrective action assistance.

The UST Program and the 1¢ excise tax will be repealed once the RSF receives $60,000,000 from the Assurance Account, or until December 31, 2013, whichever comes first. The FY 2013 beginning balance in UST was $28,586,600, of which $26,490,100 was transferred to RSF. The repeal of the UST Program and the 1¢ excise tax will occur December 31, 2013, since the RSF will not receive $60,000,000 from the Assurance Account prior to that date.

The RSF will receive revenue from the 1¢ excise tax until the UST is repealed on December 31, 2013. Since the other RSF sources of revenue are minor, the RSF will not have a primary funding source once the 1¢ excise tax is repealed.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Air Permits Administration Fund (EVA2328/A.R.S. § 49-455)		**Appropriated**
Source of Revenue: Permit fees and interest.		
Purpose of Fund: To develop and administer permit programs and to conduct inspections.		
Funds Expended	3,976,600	7,038,800
Year-End Fund Balance	4,607,000	4,018,200
Air Quality Fund (EVA2226/A.R.S. § 49-551)		**Appropriated**
Source of Revenue: Monies received from a $1.50 fee assessed on motor vehicle registrations; gifts, grants, and donations; and legislative appropriations.		
Purpose of Fund: To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also to provide an annual $400,000 transfer to the Department of Administration for state employee travel reduction programs and annual appropriations for the Department of Weights and Measures Oxygenated Fuels and Vapor Recovery programs. *(See individual agencies for further description.)*		
Funds Expended	2,817,600	5,379,100
Funds Appropriated		
Department of Weights and Measures	1,171,300	1,419,100
Arizona Department of Transportation	51,200	72,800
Arizona Department of Administration (Bus Subsidy)	621,800	714,100
Funds Transferred		
Arizona Department of Administration (Travel Reduction)	400,000	0
Year-End Fund Balance	4,103,000	4,125,900
Brownfields Cleanup Revolving Loan Fund (EVA2456/A.R.S. § 49-218)		**Non-Appropriated**
Source of Revenue: Legislative appropriations, federal grants, loan repayments, interest, penalties, gifts and donations.		
Purpose of Fund: To provide loans to eligible parties to perform non time-crucial removal of hazardous waste contamination on sites accepted into the State Voluntary Remediation Program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Clean Water Revolving Fund (EVA2254/A.R.S. § 49-1221)		**Partially-Appropriated**
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans for capital improvements at wastewater treatment facilities of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	98,878,800	97,577,800
Year-End Fund Balance	185,445,800	178,520,400
Donations Fund (EVA2449/A.R.S. § 49-104)		**Non-Appropriated**
Source of Revenue: Various donations, settlements, and consent decrees.		
Purpose of Fund: To administer the intent of the donation, settlement or decree.		
Funds Expended	5,300	1,400
Year-End Fund Balance	1,500	5,900
Drinking Water Revolving Fund (EVA2307/A.R.S. § 49-1241)		**Non-Appropriated**
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans to drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.		
Funds Expended	36,751,300	30,987,200
Year-End Fund Balance	86,266,200	126,814,000

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Emissions Inspection Fund (EVA2082/A.R.S. § 49-544) **Appropriated**

Source of Revenue: Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.

Purpose of Fund: To pay for enforcement of fleet inspections, exemptions, and certificates of waiver programs; to pay Emissions Inspection program contract and administrative charges, including station auditing, contractor training and certification, and motorist assistance; to pay for the state portion of catalytic converter program costs; and to pay for research studies of the feasibility and effectiveness of new emission control technologies. As session law, the Environment Budget Reconciliation Bill (Laws 2012, Chapter 303) allows $1,800,000 of these monies to be spent on the Safe Drinking Water Program in FY 2013.

Funds Expended	28,074,500	28,354,300
Year-End Fund Balance	9,163,000	11,108,700

Federal Funds (EVA2000/A.R.S. § 49-104) **Non-Appropriated**

Source of Revenue: Federal grants related to water quality management, underground storage tank enforcement provisions, air pollution control, research projects, and other programs.

Purpose of Fund: To be used as specified by federal law.

Funds Expended	18,195,700	16,539,500
Year-End Fund Balance	0	0

Federal Grants - American Recovery and Reinvestment Act (ARRA) (EVA2999/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

Purpose of Fund: One-time Federal Funds to be used by the department for air and water quality programs, the Underground Storage Tank Program, and the Water Infrastructure Finance Authority.

Funds Expended	493,900	0
Year-End Fund Balance	0	0

Greater Arizona Development Authority Revolving Fund (EVA2311/A.R.S. § 41-2554) **Non-Appropriated**

Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.

Purpose of Fund: To help rural communities meet their infrastructure needs. GADA may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The state funding only serves as collateral for the loans and is not directly loaned out. The fund was capitalized with $20,000,000 from the General Fund between FY 1998 and FY 2000. Other revenue to the fund may be used for GADA's operating costs, as well as technical and financial assistance to communities. Laws 2011, 2nd Special Session, Chapter 1 requires the Water Infrastructure Finance Authority of Arizona (WIFA) to provide administrative support for this fund.

Funds Expended	43,900	46,000
Year-End Fund Balance	12,735,400	12,989,400

Greenfields Program Fund (EVA2309/A.R.S. § 49-157) **Non-Appropriated**

Source of Revenue: Legislative appropriations and program fees. Initial General Fund appropriations of $100,000 in FY 1998 and $70,000 in FY 1999 made at the beginning of the pilot program were intended as start-up monies and will be paid back as fees are collected.

Purpose of Fund: To remediate parcels of land that have soil contamination and return them to productive use. ADEQ will review and approve remediation plans submitted by certified remediation specialists.

Funds Expended	0	0
Year-End Fund Balance	0	0

Hardship Grant Fund (EVA2437/A.R.S. § 49-1267) **Non-Appropriated**

Source of Revenue: Legislative appropriations and monies received from the United States government, including monies that are awarded to this state pursuant to Title II of the Clean Water Act and that are no longer obligated to the Construction Grants program.

Purpose of Fund: Providing hardship grants to political subdivisions or Indian tribes to plan, design, acquire, construct or improve wastewater collection and treatment facilities. Providing training and technical assistance related to the operation and maintenance of wastewater systems.

Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927) **Appropriated**

Source of Revenue: Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.

Purpose of Fund: To pay educational, permitting, planning, and enforcement costs of the Hazardous Waste Program, and to provide administration and state matching funds for federal source reduction grants. A portion of the fund is transmitted to the Emergency Response Fund for staffing and equipping local emergency management agencies. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

Funds Expended	990,700	1,718,900
Year-End Fund Balance	1,350,500	1,330,400

IGA & ISA Fund (EVA2500/A.R.S. § 49-104) **Non-Appropriated**

Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.

Purpose of Fund: To be used as specified in the grant or agreement.

Funds Expended	5,218,400	6,718,800
Year-End Fund Balance	0	0

Indirect Cost Recovery Fund (EVA7000/A.R.S. § 49-104) **Appropriated**

Source of Revenue: Monies transferred from the department's appropriated and non-appropriated funds, including federal grants.

Purpose of Fund: To pay departmentwide administrative and overhead costs.

Funds Expended	11,425,300	13,008,700
Year-End Fund Balance	2,008,300	1,901,200

Institutional & Engineering Control Fund (EVA2563/A.R.S. § 49-159) **Non-Appropriated**

Source of Revenue: Application fees for department's assessment and verification of restricted, non-residential use of contaminated land, recovered costs for repair of engineering and institutional controls, grants, donations, and legislative appropriations.

Purpose of Fund: To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.

Funds Expended	18,500	41,100
Year-End Fund Balance	20,400	18,500

Intergovernmental Agreement Fund (EVA2180/A.R.S. § 49-104) **Non-Appropriated**

Source of Revenue: Grants and intergovernmental agreements from various entities, including the Game and Fish Department and the Water Protection Commission.

Purpose of Fund: To be used as specified in the grant or agreement.

Funds Expended	0	0
Year-End Fund Balance	12,900	12,900

Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360) **Non-Appropriated**

Source of Revenue: Fees from public water systems that participate in the Monitoring Assistance program.

Purpose of Fund: To assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.

Funds Expended	731,400	789,100
Year-End Fund Balance	776,400	997,300

Recycling Fund (EVA2289/A.R.S. § 49-837) **Appropriated**

Source of Revenue: Landfill disposal (tipping) fees and legislative appropriations.

Purpose of Fund: For grants to local governments and others developing recycling markets and programs; for public information and assistance on source reduction and recycling; solid waste control programs, and for revenue collection and fund administration. Laws 2011, Chapter 220 allows DEQ to raise recycling registration fees with rulemaking authority. After September 30, 2013, statutory permission must be received to raise fees.

Funds Expended	0	1,200,000
Year-End Fund Balance	648,800	1,204,800

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Regulated Substance Fund (EVA2545/A.R.S. § 49-1015.01) **Non-Appropriated**

Source of Revenue: Legislative appropriations, underground storage tank revenues, reimbursements, donations, monies encumbered by the director for implementing work plans and corrective action plans.

Purpose of Fund: To pay the costs of administering and taking corrective actions of regulated substances, if the department cannot locate an owner or operator of an underground storage tank within 90 days, or within a shorter period as determined to be necessary to protect human health or the environment. *(Please see the Underground Storage Tank Revolving Fund for additional information.)*

Funds Expended	0	19,111,500
Year-End Fund Balance	0	35,814,900

Small Water Systems Fund (EVA2225/A.R.S. § 49-355) **Non-Appropriated**

Source of Revenue: Legislative appropriations and interest.

Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency grants to small water systems for infrastructure repair.

Funds Expended	0	0
Year-End Fund Balance	0	0

Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881) **Appropriated**

Source of Revenue: Fees, donations, and legislative appropriations.

Purpose of Fund: To pay solid waste program costs, including waste tire removal expenses, special waste facility staff education, special waste management compliance monitoring, and used oil handling education and enforcement. Laws 2011, Chapter 220 allows DEQ to raise solid waste fees with rulemaking authority. After September 30, 2013, statutory permission must be received to raise fees.

Funds Expended	690,700	1,226,600
Year-End Fund Balance	342,700	445,400

Specific Site Judgment Fund (EVA3006/A.R.S. § 49-104) **Non-Appropriated**

Source of Revenue: Fines, forfeitures, and penalties paid by parties responsible for site contamination.

Purpose of Fund: For administration of court settlements, judgments, or consent decrees.

Funds Expended	111,000	265,800
Year-End Fund Balance	797,600	532,400

Technical Appeals Program Fund (EVA3411/A.R.S. § 49-116) **Non-Appropriated**

Source of Revenue: Legislative appropriations and dispute resolution fees.

Purpose of Fund: To pay the costs of implementing and administering a technical appeals process for specified WQARF site registry and work plan review decisions.

Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

NOTE: The Underground Storage Tank (UST) Fund is displayed first as a fund summary, then by individual account.

Underground Storage Tank Revolving (UST Summary) (EVA2271/A.R.S. § 49-1015A) **Partially-Appropriated**

Source of Revenue: See each account for specific revenue sources. Laws 2004, Chapter 273 established the Regulated Substance Fund (RSF), which partially consists of revenues from UST Assurance Accounts. Permanent law repeals the UST Program and the 1¢ excise tax that serves as its primary source of revenue once the RSF receives $60,000,000 from the Assurance Account, or until December 31, 2013. The amounts below reflect a transfer of the majority of UST monies. The RSF will not receive $60,000,000 prior to December 31, 2013. Once all claims against the Assurance Account have been paid, any remaining funds will be transferred to the Regulated Substance Fund, which will be the funding source for underground storage tanks where the owner cannot be located. The remaining balance forward will be used to fund the Regulatory, Policy Commission and Technical Appeal Accounts.

Purpose of Fund: See each account for specific account purpose.

Balance Forward	6,021,200	28,586,600
Revenue	37,858,300	0
Transfer to Regulated Substance Fund	0	(26,490,100)
Funds Available	43,879,500	2,096,500
Appropriated Funds Expended	0	22,000
Non-Appropriated Funds Expended	9,003,300	422,300
Intra-Fund Cash Transfer Out to Non-Maricopa Account	105,700	0
Intra-Fund Cash Transfer In from Area A Account	0	0
Legislative Fund Transfers	6,183,900	0
Year-End Fund Balance	28,586,600	1,652,200

UST - Area A Assurance Account (EVA2271/A.R.S. § 49-1015) **Non-Appropriated**

Source of Revenue: Area A (Maricopa County) excise tax revenues, cost recovery, and interest. The excise tax is a 1¢ per gallon tax on regulated substances, such as gasoline. As permanent law, the excise tax will be repealed no later December 31, 2013.

Purpose of Fund: To provide partial coverage of corrective actions to underground storage tanks and to reimburse ADEQ if the state is required to take corrective action in Area A.

Balance Forward	3,483,000	14,871,700
Revenue	18,232,900	0
Transfer to Regulated Substance Fund	0	(14,871,700)
Funds Available	21,715,900	0
Funds Expended	2,746,800	0
Intra-Fund Cash Transfer Out to Non-Maricopa	97,400	0
Legislative Fund Transfers	4,000,000	0
Year-End Fund Balance	14,871,700	0

UST - Municipal Tank Closure and Corrective Action Program Account (EVA2271/A.R.S. § 49-1073) **Non-Appropriated**

Source of Revenue: Legislative appropriations, gifts, grants and donations. Laws 2001, Chapter 341 transferred all unobligated funds in the UST Grant Account as of December 31, 2001 to this account. The estimated amount transferred was $2,300,000.

Purpose of Fund: To perform permanent closures and corrective actions on underground storage tanks in cities and towns requesting assistance. Cities and towns must have less than 15,000 people to be eligible for the program.

Balance Forward	95,600	200
Revenue	800	0
Transfer to Regulated Substance Fund	0	(200)
Funds Available	96,400	0
Funds Expended	96,200	0
Year-End Fund Balance	200	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
UST - Non-Maricopa County Assurance Account (EVA2271/A.R.S. § 49-1051)		**Non-Appropriated**
Source of Revenue: Non-Maricopa County excise tax revenues, cost recovery, and interest. The excise tax is a 1¢ per gallon tax on regulated substances, such as gasoline. As permanent law, the excise tax will be repealed no later December 31, 2013.		
Purpose of Fund: To provide partial coverage of corrective actions to underground storage tanks and to reimburse DEQ if the state is required to take corrective action in areas other than Area A.		
Balance Forward	1,296,100	12,292,300
Revenue	18,937,000	0
Transfer to Regulated Substance Fund	0	(12,292,300)
Funds Available	20,233,100	0
Funds Expended	5,748,600	0
Intra-Fund Cash Transfer In from Area A Account	0	0
Cash Transfer Out	8,300	0
Legislative Fund Transfers	2,183,900	0
Year-End Fund Balance	12,292,300	0
UST - Policy Commission Account (EVA2271/A.R.S. § 49-1092)		**Partially-Appropriated**
Source of Revenue: This account receives $11,000 from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To assist the UST Policy Commission review and provide recommendations to improve the UST program.		
Balance Forward	3,200	3,200
Revenue	0	7,800
Funds Available	3,200	11,000
Appropriated Funds Expended	0	11,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	3,200	0
UST - Regulatory Account (EVA2271/A.R.S. § 49-1051)		**Non-Appropriated**
Source of Revenue: Annual tank fees ($100/tank) and interest.		
Purpose of Fund: To carry out the state regulatory program, state-initiated corrective actions, and cost recovery activities.		
Balance Forward	1,143,300	1,419,200
Revenue	687,600	655,300
Funds Available	1,830,900	2,074,500
Funds Expended	411,700	422,300
Year-End Fund Balance	1,419,200	1,652,200
UST - Technical Appeals Account (EVA2271/A.R.S. § 49-1093)		**Partially-Appropriated**
Source of Revenue: Fund receives an annual $11,000 appropriation from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To assist the UST Technical Appeals panel.		
Balance Forward	0	0
Revenue	0	11,000
Funds Available	0	11,000
Appropriated Funds Expended	0	11,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
Used Oil Fund (EVA3500/A.R.S. § 49-818)		**Appropriated**
Source of Revenue: Legislative appropriations and penalties for misuse of used oil.		
Purpose of Fund: For costs associated with the collection and analysis of used oil fuel samples.		
Funds Expended	132,900	138,900
Year-End Fund Balance	41,400	177,600

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Voluntary Lawn and Garden Equipment Emissions Reduction Fund (EVA2306/A.R.S. § 49-474)		**Non-Appropriated**
Source of Revenue: An annual $10,000 appropriation from the State Assurance Fund to cover operating costs. This fund no longer receives an appropriation from the State Assurance Fund.		
Purpose of Fund: To provide vouchers for the retirement of residential and commercial lawn mowers. Residential owners receive a $100 voucher to be used toward the purchase of an electric mower. Commercial owners receive a $200 voucher to be used toward the purchase of a mower that generates lower emissions.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)		**Non-Appropriated**
Source of Revenue: Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.		
Purpose of Fund: To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.		
Funds Expended	145,000	183,000
Year-End Fund Balance	344,400	362,800
Voluntary Vehicle Repair & Retrofit Program Fund (EVA2365/A.R.S. § 49-474.03)		**Non-Appropriated**
Source of Revenue: Legislative appropriations, a $10 fee on diesel vehicle registrations, gifts, grants and donations.		
Purpose of Fund: To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests.		
Funds Expended	0	0
Year-End Fund Balance	415,700	1,315,700
Water Quality Assurance Revolving Fund (WQARF) (EVA2221/A.R.S. § 49-282)		**Non-Appropriated**
Source of Revenue: Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. As required by A.R.S § 49-282, $15,000,000 is to be transferred to WQARF from the Corporate Income Tax. The $15,000,000 is adjusted at the close of the fiscal year so that when combined with other revenues the fund receives $18,000,000 annually. This statutory transfer was suspended for both FY 2012 and FY 2013 in favor of a transfer amount of $7,000,000.		
Purpose of Fund: For the operation of the WQARF Priority Site Remediation Program. Expenditures include administration, legal support, identification of responsible polluters, community involvement, and contract costs for the clean-up of sites for which no responsible party can be found. There is a transfer of up to $800,000 to the Department of Water Resources for well inspection and data management. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the annual budget for WQARF.		
Funds Expended	10,434,300	15,010,600
Year-End Fund Balance	8,273,400	3,575,700
Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)		**Appropriated**
Source of Revenue: Legislative appropriations and fees received from several water quality protection programs.		
Purpose of Fund: To pay the costs of aquifer protection permit registration, dry well registration, technical review, inspections, and issuance of aquifer protection permits.		
Funds Expended	5,413,700	10,393,900
Year-End Fund Balance*	2,130,500	(63,400)

*As reported by the agency. Actual ending balance will not be negative.

Governor's Office of Equal Opportunity

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	4.0	4.0	4.0
Personal Services	104,200	116,300	116,300
Employee Related Expenditures	49,100	41,900	41,900
Professional and Outside Services	800	1,000	1,000
Travel - In State	0	1,200	1,200
Other Operating Expenditures	22,000	26,700	26,700
Equipment	15,100	0	0
AGENCY TOTAL	**191,200** 1/	**187,100** 2/	**187,100**
FUND SOURCES			
General Fund	191,200	187,100	187,100
SUBTOTAL - Appropriated Funds	**191,200**	**187,100**	**187,100**
Federal Funds	70,700	90,900	90,900
TOTAL - ALL SOURCES	261,900	278,000	278,000

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 Baseline includes $187,100 and 4 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Equal Employment and Economic Development Fund (AFA2000/Executive Order: 93-20)		**Non-Appropriated**
Source of Revenue: Federal Funds received by the State of Arizona under the provisions of the Wagner-Peyser Act, the Workforce Investment Act, and Public Law 105-220.		
Purpose of Fund: To establish effective communication links between government agencies and local communities to address areas of employment under-utilization. To conduct research to improve, expand, or integrate state agencies' equal opportunity programs.		
Funds Expended	70,700	90,900
Year-End Fund Balance	2,200	0

1/ Includes a total of $4,600 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(9,200) GF for the premium holiday and an increase of $2,000 GF for the employee retention payment.

State Board of Equalization

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	7.0	7.0	7.0
Personal Services	277,400	325,800	325,800
Employee Related Expenditures	70,400	115,200	115,200
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	144,000
Equipment	3,500	0	0
AGENCY TOTAL	**535,700** 1/	**629,500** 2/	**629,500**
FUND SOURCES			
General Fund	535,700	629,500	629,500
SUBTOTAL - Appropriated Funds	**535,700**	**629,500**	**629,500**
TOTAL - ALL SOURCES	535,700	629,500	629,500

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 Baseline includes $629,500 and 7 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

1/ Includes a total of $16,400 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(1,800) GF for the premium holiday and an increase of $6,300 GF for the employee retention payment.

Board of Executive Clemency

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	14.0	14.0	14.0
Personal Services	496,000	481,000	481,000
Employee Related Expenditures	174,800	122,400	122,400
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	197,800
Equipment	2,500	1,300	1,300
AGENCY TOTAL	**810,600** 1/	**821,500** 2/	**821,500**
FUND SOURCES			
General Fund	810,600	821,500	821,500
SUBTOTAL - Appropriated Funds	**810,600**	**821,500**	**821,500**
TOTAL - ALL SOURCES	810,600	821,500	821,500

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 Baseline includes $821,500 and 14 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

FOOTNOTES

New Footnotes
The Board of Executive Clemency shall report to the Joint Legislative Budget Committee by November 1, 2013 on the total number and types of cases it reviewed in FY 2013. *(Please see the Other Issues for Legislative Consideration section for more information.)*

STATUTORY CHANGES

The Baseline would, as permanent law, to specify that the members of the board, excluding the chairman, shall be compensated on an hourly basis and shall not be eligible for paid leave or other state employee benefits. This provision had previously been in session law.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Caseload Data
In FY 2011, the board heard 3,205 cases, as described below. The board has not responded to requests for its FY 2012 workload. As a result, JLBC Staff recommends adding a footnote to require workload reporting.

- 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

1/ Includes a total of $21,600 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(4,100) GF for the premium holiday and an increase of $5,800 GF for the employee retention payment.

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.

Arizona Exposition and State Fair Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	184.0	184.0	184.0
Personal Services	3,113,800	3,200,000	3,200,000
Employee Related Expenditures	857,700	920,000	920,000
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	3,260,300
Equipment	59,800	85,000	85,000
AGENCY TOTAL	**10,379,400** 1/	**11,131,200** 2/	**11,131,200**
FUND SOURCES			
Other Appropriated Funds			
Arizona Exposition and State Fair Fund	10,379,400	11,131,200	11,131,200
SUBTOTAL - Other Appropriated Funds	10,379,400	11,131,200	11,131,200
SUBTOTAL - Appropriated Funds	**10,379,400**	**11,131,200**	**11,131,200**
TOTAL - ALL SOURCES	10,379,400	11,131,200	11,131,200

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 Baseline includes $11,131,200 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Arizona Exposition and State Fair Fund (CLA4001/A.R.S. § 3-1005)		**Appropriated**
Source of Revenue: Receipts and lease revenues from fairground facilities, most of which are associated with the State Fair.		
Purpose of Fund: For operating costs of the State Fair.		
Funds Expended	10,379,400	11,131,200
Year-End Fund Balance	2,290,000	2,729,900

1/ Includes a total of $149,300 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $138,900 OF for the employee retention payment.

Department of Financial Institutions

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	55.1	58.1	58.1
Personal Services	1,926,900	2,241,900	2,241,900
Employee Related Expenditures	807,000	983,700	983,700
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	350,300
Equipment	17,800	17,000	1,000
AGENCY TOTAL	**3,282,700** 1/	**3,843,700** 2/	**3,827,700**
FUND SOURCES			
General Fund	2,745,100	2,920,800	2,912,800
Other Appropriated Funds			
Financial Services Fund	537,600	922,900	914,900
SUBTOTAL - Other Appropriated Funds	537,600	922,900	914,900
SUBTOTAL - Appropriated Funds	**3,282,700**	**3,843,700**	**3,827,700**
Other Non-Appropriated Funds	2,259,700	1,628,800	838,800
TOTAL - ALL SOURCES	5,542,400	5,472,500	4,666,500

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 Baseline includes $3,827,700 and 58.1 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$2,912,800
Financial Services Fund	914,900

FY 2014 adjustments would be as follows:

Bank, Credit Union and Trust Examiners **GF** **(8,000)**

The Baseline 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 **OF** **(8,000)**

The Baseline 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.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

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.

1/ Includes a total of $75,300 GF and $14,400 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(31,300) GF for the premium holiday and an increase of $69,300 GF and $15,100 OF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Financial Services Fund (BDA1998/A.R.S. § 6-991.21)		**Appropriated**
Source of Revenue: Loan originator licensing fees.		
Purpose of Fund: To supervise and regulate loan originators.		
Funds Expended	537,600	922,900
Year-End Fund Balance	2,604,300	3,298,900
IGA and ISA Fund (BDA2500/A.R.S. § 6-1241)		**Non-Appropriated**
Source of Revenue: Monies received through Intergovernmental Agreements with the Attorney General's Office.		
Purpose of Fund: To reimburse the department for expenses related to the examination of money transmitting organizations. The banking examiners work in cooperation with the Attorney General's Office to provide information leading to the criminal conviction of fraudulent money transmitting organizations.		
Funds Expended	67,300	72,000
Year-End Fund Balance	0	0
Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)		**Non-Appropriated**
Source of Revenue: Licensing and renewal fees paid by licensed loan originators.		
Purpose of Fund: To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
Funds Expended	0	0
Year-End Fund Balance	893,700	1,266,000
Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)		**Non-Appropriated**
Source of Revenue: Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
Purpose of Fund: Provide funding for the administration of receiverships.		
Funds Expended	1,320,800	503,500
Year-End Fund Balance	372,000	1,407,800
Revolving Fund (BDA2126/A.R.S. § 6-135)		**Non-Appropriated**
Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of $200,000 are transferred to the department's Receivership Revolving Fund. Any excess balances are transferred at the beginning of the next fiscal year.		
Funds Expended	871,600	1,053,300
Year-End Fund Balance	289,300	996,700

Department of Fire, Building, and Life Safety

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	47.0	47.0	47.0
Personal Services	936,400	858,800	858,800
Employee Related Expenditures	415,000	412,300	412,300
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	268,100
Equipment	2,000	15,400	15,400
AGENCY TOTAL	**1,746,000** 1/	**1,699,100** 2/	**1,699,100**
FUND SOURCES			
General Fund	1,746,000	1,699,100	1,699,100
SUBTOTAL - Appropriated Funds	**1,746,000**	**1,699,100**	**1,699,100**
Other Non-Appropriated Funds	557,800	501,100	501,100
Federal Funds	309,400	164,100	164,100
TOTAL - ALL SOURCES	2,613,200	2,364,300	2,364,300

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 Baseline includes $1,699,100 and 47 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Arson Detection Reward Fund (MMA2169/A.R.S. § 41-2167)		**Non-Appropriated**
Source of Revenue: Donations, court imposed fines, and monies from forfeiture of bail posted for arson convictions.		
Purpose of Fund: To provide rewards for information leading to convictions of arson cases.		
Funds Expended	900	0
Year-End Fund Balance	60,400	63,600

1/ Includes a total of $45,300 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(24,100) GF for the premium holiday and an increase of $48,900 GF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Building & Fire Safety Fund (MMA2211/A.R.S. § 41-2173) **Non-Appropriated**

Source of Revenue: Intergovernmental agreement with the Department of Environmental Quality and the Department of Health Services. Registration fees charged to fire training school participants.

Purpose of Fund: The fund is used: a) to implement a fire and life safety inspection program for the removal or installation of storage tanks and to ensure that owners and operators are complying with and reporting environmental releases to the proper agencies; b) to implement a fire and life safety inspection program for all buildings licenses under Federal Medicaid and Medicare Programs and provide staff to perform inspections; and c) to provide training classes, at the local level to address the needs of volunteer firefighters.

Funds Expended	0	0
Year-End Fund Balance*	(1,600)	(1,600)

Condominium and Planned Community Hearing Office Fund (MMA2537/A.R.S. § 41-2198.05) **Non-Appropriated**

Source of Revenue: Filing fees and civil penalties arising from disputes between owners and condominium or planned community associations over violations of condominium or planned community documents or violations of regulatory statutes.

Purpose of Fund: To reimburse the costs of the Office of Administrative Hearings in conducting hearings concerning disputes between owners and condominium or planned community associations. Remaining monies in the fund may be used by the department to offset the costs of administering cases between owners and condominium or planned community associations.

Funds Expended	14,000	0
Year-End Fund Balance	1,600	16,500

Consumer Recovery Fund (MMA3090/A.R.S. § 41-2188) **Non-Appropriated**

Source of Revenue: Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.

Purpose of Fund: To provide consumer and license education in connection with the manufactured housing and factory-built building industry and to make payments on damage claims filed by consumers of these types of residential buildings.

Funds Expended	22,100	0
Year-End Fund Balance	144,000	201,000

Federal Grant Fund (MMA2000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Housing and Urban Development (HUD) reimbursements for regulatory functions performed by the Office of Manufactured Housing (OMH) on its behalf. Tuition fees for HUD training conducted by OMH staff.

Purpose of Fund: Pro-rated salaries and related expenses for employees performing related functions.

Funds Expended	309,400	164,100
Year-End Fund Balance	12,900	93,000

Interagency Service Agreement Fund (MMA2500/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Monies transferred from the State Forester to cover their portion of rent expenses for office space shared with the Department of Fire, Building, and Life Safety.

Purpose of Fund: To pay rent for office space shared by the Department of Fire, Building, and life Safety and the State Forester.

Funds Expended	76,100	39,700
Year-End Fund Balance	15,100	36,400

Manufactured Housing Cash Bond Fund (MMA3722/A.R.S. § 41-2179) **Non-Appropriated**

Source of Revenue: Cash deposits made by housing manufacturers and installers prior to the granting of an original license. Applicants must make a cash deposit for each branch location of their operation.

Purpose of Fund: To compensate consumers in cases where a licensee fails to perform sales or installation agreements or repairs under warranty; and to make payment to the department if the licensee fails to pay any fees or costs owed.

Funds Expended	0	0
Year-End Fund Balance	627,100	627,700

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Mobile Home Relocation Fund (MMA2237/A.R.S. § 33-1476.02) **Non-Appropriated**

Source of Revenue: Assessments collected from mobile home owners who do not own the land upon which the mobile home is located and interest earnings. Once the fund balance reaches $8,000,000, assessments will no longer be collected and the only revenue will be from interest. Assessment would resume when the fund balance at the end of a fiscal year is less than $6,000,000.

Purpose of Fund: To pay for relocations due to rental increases and to pay premiums and other costs of purchasing insurance coverage for tenant relocation costs due to a change in property use pursuant to A.R.S. § 33-1476.01. If such insurance is not available, or if the insurance costs exceed the amount available from the fund, the fund is used to make direct payments for tenant relocation costs.

Funds Expended	444,700	461,400
Year-End Fund Balance	7,257,400	7,424,000

* As reported by the agency. Actual ending balance will not be negative.

State Forester

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	52.0	52.0	52.0
Personal Services	1,550,300	1,575,000	1,575,000
Employee Related Expenditures	580,100	580,100	580,100
Other Operating Expenditures	65,700	1,136,600	136,600
OPERATING SUBTOTAL	**2,196,100**	**3,291,700**	**2,291,700**
SPECIAL LINE ITEMS			
Environmental County Grants	75,000	75,000	75,000
Fire Suppression	2,719,900	3,000,000	4,000,000
Inmate Fire Crews	700,000	695,700	695,700
AGENCY TOTAL	**5,691,000** 1/	**7,062,400** 2/	**7,062,400**
FUND SOURCES			
General Fund	5,691,000	7,062,400	7,062,400
SUBTOTAL - Appropriated Funds	**5,691,000**	**7,062,400**	**7,062,400**
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	24,671,700	24,671,700

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 Baseline includes $2,291,700 and 39 FTE Positions from the General Fund in FY 2014 for the operating budget. FY 2014 adjustments would be as follows:

		FY 2014
Operating Budget Shift	**GF**	**(1,000,000)**

The Baseline includes a decrease of $(1,000,000) from the General Fund in FY 2014 for a shift of resources to the Fire Suppression SLI.

Environmental County Grants

The Baseline includes $75,000 from the General Fund in FY 2014 for Environmental County Grants. This amount is unchanged from FY 2013.

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.

Fire Suppression

The Baseline includes $4,000,000 from the General Fund in FY 2014 for Fire Suppression. FY 2014 adjustments would be as follows:

Operating Budget Shift	**GF**	**1,000,000**

The Baseline 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 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

1/ Includes a total of $84,400 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(36,100) GF for the premium holiday and an increase of $56,200 GF for the employee retention payment.

The Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Community Protection Initiative Fund (FOA2343/A.R.S. § 37-641)		**Non-Appropriated**
Source of Revenue: Legislative appropriations, private and federal monies, grants, gifts, and contributions. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To provide grants to communities at risk of wildfire to complete community wildfire protection plans.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Cooperative Forestry Fund (FOA2232/A.R.S. § 37-624)		**Non-Appropriated**
Source of Revenue: Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
Purpose of Fund: To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.		
Funds Expended	6,651,100	5,362,500
Year-End Fund Balance	2,906,400	1,981,700
Federal Grants - American Recovery and Reinvestment Act (ARRA) (FOA2999/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for expanding the hazardous fuel reduction program and other forest health programs.		
Funds Expended	1,284,600	329,800
Year-End Fund Balance*	(119,800)	0
Fire Suppression Revolving Fund (FOA2360/A.R.S. § 37-623.02)		**Non-Appropriated**
Source of Revenue: General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wild Land Fire Emergency Council, civil penalties related to the use of fireworks on state lands and other monies. If the unobligated balance of the fund exceeds $2,000,000 at the end of any calendar year, the excess shall be transferred to the General Fund. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To cover the costs of fighting fires on public and private lands.		
Funds Expended	25,508,000	11,917,000
Year-End Fund Balance	3,428,100	2,556,800

*As reported by the agency. Actual ending balance will not be negative.

State Board of Funeral Directors and Embalmers

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	4.0	4.0	4.0
Personal Services	177,300	188,000	188,000
Employee Related Expenditures	39,000	47,000	47,000
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	48,000
Equipment	900	5,000	5,000
AGENCY TOTAL	**294,100** 1/	**340,600** 2/	**340,600**
FUND SOURCES			
Other Appropriated Funds			
Board of Funeral Directors' and Embalmers' Fund	294,100	340,600	340,600
SUBTOTAL - Other Appropriated Funds	294,100	340,600	340,600
SUBTOTAL - Appropriated Funds	**294,100**	**340,600**	**340,600**
TOTAL - ALL SOURCES	294,100	340,600	340,600

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 Baseline includes $340,600 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Board of Funeral Directors' and Embalmers' Fund (FDA2026/A.R.S. § 32-1308)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of funeral directors and embalmers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate funeral directors and embalmers, and for board administration.		
Funds Expended	294,100	340,600
Year-End Fund Balance	310,500	299,800

1/ Includes a total of $9,300 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $7,700 OF for the employee retention payment.

Arizona Game and Fish Department

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	273.5	273.5	273.5
Personal Services	13,318,800	14,898,300	14,898,300
Employee Related Expenditures	7,605,300	8,063,000	8,063,000
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	9,477,300
Equipment	600,300	284,000	284,000
OPERATING SUBTOTAL	**27,326,500**	**33,425,200**	**33,425,200**
SPECIAL LINE ITEMS			
Lower Colorado Multispecies Conservation	350,000	350,000	350,000
Performance Incentive Pay Program	346,100	346,100	346,100
Pittman-Robertson/Dingell-Johnson Act	2,000,000	3,808,000	3,808,000
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** 1/	**39,179,300** 2/	**39,179,300**
FUND SOURCES			
Other Appropriated Funds			
Capital Improvement Fund	1,000,000	1,000,000	1,000,000
Game and Fish Fund	26,177,600	33,277,100	33,277,100
Game, Non-Game, Fish and Endangered Species Fund	205,500	338,600	338,600
Watercraft Licensing Fund	4,050,100	4,504,200	4,504,200
Waterfowl Conservation Fund	14,400	43,400	43,400
Wildlife Endowment Fund	0	16,000	16,000
SUBTOTAL - Other Appropriated Funds	31,447,600	39,179,300	39,179,300
SUBTOTAL - Appropriated Funds	**31,447,600**	**39,179,300**	**39,179,300**
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	94,551,500	94,551,500

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

The Baseline includes $33,425,200 and 273.5 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
Capital Improvement Fund	$1,000,000
Game and Fish Fund	29,169,100
Game, Non-Game, Fish and Endangered Species Fund	338,600
Watercraft Licensing Fund	2,858,100
Waterfowl Conservation Fund	43,400
Wildlife Endowment Fund	16,000

These amounts are unchanged from FY 2013.

1/ Includes a total of $56,600 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $334,000 OF for the employee retention payment.

Lower Colorado Multispecies Conservation

The Baseline 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 Baseline 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 Baseline 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 Baseline 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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Big Game Permit Fund (GFA3712/A.R.S. § 17-333)		**Non-Appropriated**
Source of Revenue: License fees for hunting permits.		
Purpose of Fund: Holding account for license fees from hunters who are unable to obtain big game hunting permits through the lottery system.		
Funds Expended	0	0
Year-End Fund Balance	362,000	362,000
Capital Improvement Fund (GFA2203/A.R.S. § 17-292)		**Appropriated**
Source of Revenue: Transfers from the Conservation Development Fund.		
Purpose of Fund: To acquire, construct, improve and renovate department facilities.		
Funds Expended	1,000,000	1,000,000
Year-End Fund Balance	305,000	808,800
Conservation Development Fund (GFA2062/A.R.S. § 17-282)		**Non-Appropriated**
Source of Revenue: A surcharge on hunting, fishing and combination licenses, and trout stamp sales.		
Purpose of Fund: To make debt service payments if the department issues bonds for the purpose of constructing, maintaining, and renovating department facilities.		
Funds Expended	0	0
Year-End Fund Balance	4,102,200	4,147,800
Federal Funds (GFA2000/A.R.S. § 17-231)		**Non-Appropriated**
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To be used as specified by the federal grants. The fund also generates interest owed to the federal government that is paid on a quarterly basis.		
Funds Expended	16,100	0
Year-End Fund Balance	152,800	152,800
Federal Grants - American Recovery and Reinvestment Act (ARRA) (GFA2999/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department to fulfill Federal contracts.		
Funds Expended	239,500	51,500
Year-End Fund Balance	51,400	0
Federal Revolving Fund (GFA2028/A.R.S. § 17-406)		**Non-Appropriated**
Source of Revenue: Funds received from the federal government for deposit and appropriated state matching money.		
Purpose of Fund: For projects approved in compliance with the provisions of the restoration acts known as the Pittman-Robertson Act and the Dingell-Johnson/Wallop-Breaux Act and other wildlife projects in which the cost may be partially or wholly reimbursed from Federal Funds.		
Funds Expended	33,950,200	29,162,100
Year-End Fund Balance	2,068,500	2,037,100
Firearms Safety and Ranges Fund (GFA2442/A.R.S. § 17-273)		**Non-Appropriated**
Source of Revenue: Source of Revenue: Annual appropriation of $50,000 from retail sales taxes deposited to the General Fund and transferred to the fund pursuant to A.R.S. § 42-5029D(4), revenues derived from the sale or lease of real property owned by the commission, and interest earnings as provided by A.R.S. § 17-273.		
Purpose of Fund: To award grants to assist existing government-owned shooting ranges in adapting to changes in the use of adjacent properties, including noise abatement, safety enhancement, range realignment, acquisition of land for buffer zones, or acquisition of State Trust Lands for locating or relocating government-owned shooting ranges.		
Funds Expended	0	0
Year-End Fund Balance	3,600	3,600

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Game and Fish Fund (GFA2027/A.R.S. § 17-261)		**Appropriated**
Source of Revenue: Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.		
Purpose of Fund: To provide funding for general operation of the Game and Fish Department and to match federal grants for fish and wildlife restoration.		
Funds Expended	26,177,600	33,277,100
Year-End Fund Balance	6,749,700	5,711,600
Game and Fish Trust Fund (GFA3111/A.R.S. § 17-231)		**Non-Appropriated**
Source of Revenue: Collections from local governments for the Urban Fishing program, transfers from the state Risk Management Fund, proceeds from the charitable auction of bighorn sheep tags, and private donations from private contributors.		
Purpose of Fund: This fund fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.		
Funds Expended	1,907,900	2,700,000
Year-End Fund Balance	5,092,300	5,901,000
Game, Non-Game, Fish and Endangered Species Fund (GFA2127/A.R.S. § 17-268)		**Appropriated**
Source of Revenue: Contributions from taxpayers who select the "check-off" option for non-game wildlife on their Arizona state income tax forms and interest earned.		
Purpose of Fund: To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department's management plan.		
Funds Expended	205,500	338,600
Year-End Fund Balance	167,300	167,800
Heritage Fund (GFA2295/A.R.S. § 17-297)		**Non-Appropriated**
Source of Revenue: Annual transfer from the Lottery Fund of up to $10,000,000 and interest earnings.		
Purpose of Fund: To protect areas containing sensitive or endangered biological features and wildlife. At least 24% of the fund, but no more than 60%, may be used for capital projects and acquisitions. Interest earnings are to be used for administration.		
Funds Expended	4,431,200	12,495,400
Year-End Fund Balance	8,753,900	6,324,700
IGA and ISA Fund (GFA2500/A.R.S.§ 35-142)		**Non-Appropriated**
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	28,000	0
Year-End Fund Balance	218,500	218,500
Indirect Cost Recovery Fund (GFA9000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: This fund consists of revenue generate by billing federal aid for indirect costs.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	3,394,300	2,888,900
Year-End Fund Balance	336,400	260,800
Kaibab Co-op Fund (GFA3714/A.R.S. § 17-231)		**Non-Appropriated**
Source of Revenue: Clearing account. In accordance with the Federal Sikes Act, 16 U.S.C. 670 et seq., monies are generated from the sale of a Kaibab habitat management stamp, which is required to hunt deer on the Kaibab Plateau.		
Purpose of Fund: To provide funding for habitat management.		
Funds Expended	69,700	36,900
Year-End Fund Balance	76,100	77,200

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Land and Water Conservation and Recreation Development Fund (GFA2036/A.R.S. § 17-267) **Appropriated**

Source of Revenue: Fishing license fees.

Purpose of Fund: To pay for recreation benefits in conjunction with fish and wildlife restoration projects; purchase engineering services, land, rights of way, water rights, and construction; and match funds for Pittman-Robertson and Dingell-Johnson federal aid and other available funds from federal, state, county or municipal sources.

Funds Expended	0	0
Year-End Fund Balance	30,800	33,800

Off-Highway Vehicle Recreation Fund (GFA2253/A.R.S. § 28-1176) **Non-Appropriated**

Source of Revenue: The Arizona Game and Fish Department receives 35% of off-highway vehicle user fees and annual collections from the Motor Vehicle Fuel Tax transfer to the State Parks Board, which is equivalent to 0.55% of the total license taxes on motor vehicle fuel.

Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development and 5% are to be used by the State Land Department for costs associated with off-highway vehicle use for land within its jurisdiction. The remainder is transferred to the Arizona Game and Fish Department for informational and educational programs on off-highway vehicle recreation and law enforcement activities.

Funds Expended	1,496,200	1,570,400
Year-End Fund Balance	3,256,200	3,315,200

Publications Revolving Fund (GFA4007/A.R.S. § 17-269) **Non-Appropriated**

Source of Revenue: Sales of agency publications, including Wildlife Views magazine and various field guides.

Purpose of Fund: To finance the production of agency publications. Amounts in excess of $80,000 revert to the Game and Fish Fund at fiscal year end. However, in some circumstances, the balance forward may appear to exceed $80,000 without revertment due to unexpended obligations at fiscal year end that the agency counts against the ending balance.

Funds Expended	138,400	150,000
Year-End Fund Balance	46,900	47,000

Watercraft Licensing Fund (GFA2079/A.R.S. § 5-323) **Appropriated**

Source of Revenue: Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.

Purpose of Fund: To administer and enforce registration of watercraft and boating safety laws, and to provide any information and education programs relating to boating and boating safety.

Funds Expended	4,050,100	4,504,200
Year-End Fund Balance	1,271,500	1,198,600

Waterfowl Conservation Fund (GFA2209/A.R.S. § 17-270) **Appropriated**

Source of Revenue: Monies received from sales of waterfowl stamps and artwork, gifts, grants, other contributions, and interest earned.

Purpose of Fund: To provide funding for developing migratory waterfowl habitat, and associated research and management to increase the number of migratory waterfowl in Arizona

Funds Expended	14,400	43,400
Year-End Fund Balance	129,000	167,800

Wildlife Conservation Fund (GFA2497/A.R.S. § 17-299) **Non-Appropriated**

Source of Revenue: Monies received from tribal gaming in accordance with A.R.S. § 5-601.02.

Purpose of Fund: To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.

Funds Expended	5,945,700	6,265,100
Year-End Fund Balance	4,739,600	4,684,400

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Wildlife Endowment Fund (GFA2279/A.R.S. § 17-271)		**Appropriated**
Source of Revenue: Sales of lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.		
Purpose of Fund: To provide funding for wildlife conservation and management.		
Funds Expended	0	16,000
Year-End Fund Balance	1,674,400	1,791,600
Wildlife Habitat Restoration and Enhancement Fund (GFA2536/A.R.S. § 17-471)		**Appropriated**
Source of Revenue: Legislative appropriations. The Legislature provided a non-lapsing, one-time allocation of $3,500,000 from the General Fund in FY 2007.		
Purpose of Fund: To provide funding for wildlife habitat restoration and improvement projects.		
Funds Expended	0	0
Year-End Fund Balance	400	400
Wildlife Theft Prevention Fund (GFA2080/A.R.S. § 17-315)		**Non-Appropriated**
Source of Revenue: Fines charged for the unlawful taking, wounding or killing, or unlawful possession of wildlife; and monies received from donations.		
Purpose of Fund: To finance reward payments to persons providing information about illegal wildlife activities; to finance the department's "Operation Game Thief" program; and to promote awareness of the Wildlife Theft Prevention program.		
Funds Expended	155,500	51,900
Year-End Fund Balance	75,300	75,500

Department of Gaming

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	123.0	115.3	115.3
Personal Services	4,343,000	4,444,300	4,687,400
Employee Related Expenditures	1,813,500	1,820,000	1,919,600
Professional and Outside Services	526,700	465,900	491,400
Travel - In State	246,400	250,600	264,300
Travel - Out of State	48,100	40,200	42,400
Other Operating Expenditures	591,200	853,800	900,500
Equipment	345,100	156,700	165,300
OPERATING SUBTOTAL	**7,914,000**	**8,031,500**	**8,031,500**
SPECIAL LINE ITEMS			
Additional Operating Expenses	0	0	439,400
Casino Operations Certification	2,033,300	2,003,800	2,003,800
Problem Gambling	1,894,900	2,052,500	2,182,400
AGENCY TOTAL	**11,842,200** 1/	**12,087,800** 2/	**12,657,100**
FUND SOURCES			
Other Appropriated Funds			
Arizona Benefits Fund	9,508,900	9,784,000	10,353,300
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	2,033,300	2,003,800	2,003,800
SUBTOTAL - Other Appropriated Funds	11,842,200	12,087,800	12,657,100
SUBTOTAL - Appropriated Funds	**11,842,200**	**12,087,800**	**12,657,100**
TOTAL - ALL SOURCES	11,842,200	12,087,800	12,657,100

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 Baseline includes $8,470,900 in FY 2014, as 9% of projected revenue is more than $8,000,000. An amount of $8,031,500 is allocated for continuing operating budget expenditures while $439,400 is allocated to new operating budget expenditures. 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, equal to $1,882,400 for FY 2014, for the Problem Gambling Special Line Item (SLI).

From FY 2011 to FY 2012, state gaming revenues grew 7.8% to $84,600,000. Gaming revenues are expected to 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 7% to $94,100,000. *(See Table 1 for more information on projected state revenues.)*

Operating Budget

The Baseline includes $8,031,500 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

1/ Includes a total of $299,900 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $244,800 OF for the employee retention payment.

Additional Operating Expenses

The Baseline includes $439,400 from the Arizona Benefits Fund in FY 2014 for additional operating expenses. The department would be required to report on any new administrative spending. FY 2014 adjustments would be as follows:

		FY 2014
Additional Revenues	**OF**	**$439,400**

The Baseline includes an increase of $439,400 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 would be allocated to the appropriate operating budget line items. *(See footnote on additional operating expense reporting.)*

Casino Operations Certification

The Baseline includes $2,003,800 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2014 for Casino Operations Certification. These amounts are unchanged from FY 2013.

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 Baseline includes $2,182,400 and 5 FTE Positions in FY 2014 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	$1,882,400
Lottery Fund	300,000

FY 2014 adjustments would be as follows:

Revenue Realignment	**OF**	**129,900**

The Baseline includes an increase of $129,900 from the Arizona Benefits Fund in FY 2014 to realign spending with projected revenues.

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 Baseline includes $1,882,400 for FY 2014 from the Arizona Benefits Fund. *(See Table 1 for more information on projected state revenues.)*

Table 1

Tribal Gaming Distributions Pursuant to Proposition 202 [1/]

Recipient	Proposition 202 Formula	FY 2011 Actual [1/]	FY 2012 Actual [1/]	FY 2013 Projected	FY 2014 Projected
State Government Distribution	88% of total	$78,840,200	$84,580,600	$87,963,800 [2/]	$ 94,121,300 [2/]
Local Government Distribution [3/]	12% of total	10,621,800	11,533,700	11,995,100	12,834,700
Total	**100% of total**	**$89,462,000**	**$96,114,300**	**$99,958,900**	**$106,956,000**
Allocation of State Government's Share					
Department of Gaming Regulation	$8 million, or 9%, whichever is greater	$ 8,000,000	$ 8,000,000	$ 8,000,000 [4/]	$ 8,470,900
Department of Gaming Problem Gambling	2%	1,576,800	1,691,600	1,759,300	1,882,400
Subtotal-Department of Gaming		$ 9,576,800	$ 9,691,600	$ 9,759,300	$ 10,353,300
Instructional Improvement Fund (Department of Education)	56% of remainder	38,787,400	41,937,900	43,794,400	46,910,200
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	19,393,800	20,968,900	21,897,300	23,455,000
Arizona Wildlife Conservation Fund	8% of remainder	5,541,100	5,991,100	6,256,400	6,701,400
Tourism Fund	8% of remainder	5,541,100	5,991,100	6,256,400	6,701,400
Total		**$78,840,200**	**$84,580,600**	**$87,963,800**	**$94,121,300**

1/ The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.
2/ The Baseline projects 4% growth in FY 2013 tribal contributions to the Arizona Benefits Fund and 7% 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 $8,031,500, 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.

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FORMAT — Operating Lump Sum with Special Lines by Agency

FOOTNOTES

New Footnotes

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 by 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. *(See Additional Operating Expenses Special Line Item for additional detail.)*

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)		**Partially-Appropriated**
Source of Revenue: Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
Purpose of Fund: Provide funding for the regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to various state funds. *(See individual agency pages for detailed information on each recipient.)*		
Appropriated Funds Expended by Department of Gaming	9,508,900	9,784,000
Funds Transferred		
Instructional Improvement Fund	41,937,900	43,794,400
Trauma and Emergency Services Fund	20,968,900	21,897,300
Arizona Wildlife Conservation Fund	5,991,100	6,256,400
Tourism Fund	5,991,100	6,256,400
Total Funds Transferred	74,889,000	78,204,500
Year-End Fund Balance	834,700	834,700
State Lottery Fund (GMA2122/A.R.S. § 5-571)		**Appropriated**
Source of Revenue: Funds transferred from the State Lottery Fund.		
Purpose of Fund: Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individuals suffering from problem gambling.		
Funds Expended	300,000	300,000
Year-End Fund Balance	0	0
Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)		**Appropriated**
Source of Revenue: The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
Purpose of Fund: Pay for the actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
Funds Expended	2,033,300	2,003,800
Year-End Fund Balance	1,868,600	1,868,400

Arizona Geological Survey

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	10.3	10.3	10.3
Personal Services	449,100	467,000	467,000
Employee Related Expenditures	179,200	181,700	181,700
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	192,500
Equipment	0	1,000	1,000
AGENCY TOTAL	**876,200** 1/	**853,600** 2/	**853,600**
FUND SOURCES			
General Fund	876,200	853,600	853,600
SUBTOTAL - Appropriated Funds	**876,200**	**853,600**	**853,600**
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	9,671,600	9,671,600

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 Baseline includes $853,600 and 10.3 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Federal Grants (GSA2000/A.R.S. § 27-107)		**Non-Appropriated**
Source of Revenue: Various federal sources including the U.S. Geological Survey, the National Park Service, the Federal Emergency Management Administration, and the National Science Foundation.		
Purpose of Fund: To perform various studies of Arizona's geologic framework and setting.		
Funds Expended	693,700	852,000
Year-End Fund Balance	20,400	20,400

1/ Includes a total of $18,700 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflect in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(7,700) GF for the premium holiday and an increase of $26,600 GF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal Grants - American Recovery and Reinvestment Act (ARRA) (GSA2999/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: The fund is used for the National Geothermal Database System and 80% of the funds are passed through to other state agencies and/or universities.		
Funds Expended	5,308,600	6,924,100
Year-End Fund Balance	52,000	52,000
Geological Survey Fund (GSA3030/A.R.S. § 27-107)		**Non-Appropriated**
Source of Revenue: Made up of monies that are not federal or appropriated. They include state and local grants, fees, contracts, agreements, and MOUs.		
Purpose of Fund: To investigate and describe Arizona's geologic setting, to plug abandoned oil and gas wells, and to finance map publication production expenses.		
Funds Expended	1,023,000	507,000
Year-End Fund Balance	181,200	159,200
Indirect Cost Recovery Fund (GSA9000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: These funds apply to a grant, contract, or agreement and represent costs incurred by the state/local agency which are legal obligations and are allowable.		
Purpose of Fund: Federal circulars detail the allowable uses of indirect costs. Such items as wages, fringe benefits, necessary office, technical or information technology equipment, and some general government expenses as outlined in the federal circulars.		
Funds Expended	834,600	534,900
Year-End Fund Balance	8,000	8,000

Office of the Governor

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	6,219,200	6,586,600	6,586,600
AGENCY TOTAL	**6,219,200** [1/]	**6,586,600** [2/]	**6,586,600**
FUND SOURCES			
General Fund	6,219,200	6,586,600	6,586,600
SUBTOTAL - Appropriated Funds	**6,219,200**	**6,586,600**	**6,586,600**
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	79,847,200	31,649,000

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 Baseline includes $6,586,600 from the General Fund in FY 2014 for the operating budget. This amount is unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes
This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Included in the Lump Sum appropriation of $6,586,600 for FY 2014 is $10,000 for the purchase of mementos and items for visiting officials.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Arizona Biofuels Conversion Program Fund (GVA6666/A.R.S. § 41-112)		**Non-Appropriated**
Source of Revenue: Funds received from gifts, grants, donations, private sources, and federal or state monies.		
Purpose of Fund: To encourage the usage of biofuels through the conversion and installation of biofuel storage and dispensing equipment. This fund includes monies transferred to the Office of the Governor from the Department of Commerce for the Energy Office as required by Laws 2011, 2nd Special Session, Chapter 1.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Border Security, Immigration Legal Defense Fund (GVA3212/A.R.S. § 41-1105)		**Non-Appropriated**
Source of Revenue: Gifts, grants and donations.		
Purpose of Fund: To defray legal expenses associated with immigration litigation.		
Funds Expended	0	0
Year-End Fund Balance	0	0

1/ Includes a total of $183,600 GF and $5,600 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(46,300) GF for the premium holiday and an increase of $163,300 GF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

County Fairs Livestock and Agricultural Promotion Fund (GVA2037/A.R.S. § 5-113) **Non-Appropriated**

Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.

Purpose of Fund: To promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center. The direct expenses, less receipts, of the annual Livestock Fair are paid from this fund. Net expenditures for the Livestock Fair are limited to 30% of all receipts deposited to this fund during the preceding fiscal year. All expenditures from this fund must be recommended by the Livestock and Agricultural Committee and approved by the Governor.

Funds Expended	0	0
Year-End Fund Balance	215,800	215,300

Endowment Partnership Fund (GVA3206/A.R.S. § 41-1105) **Non-Appropriated**

Source of Revenue: Public or private gifts, grants and donations. All donations, except those from established non-profit economic development organizations, are limited to $5,000, per person, each fiscal year.

Purpose of Fund: This fund was established by Executive Order 92-7, to promote the interests of the state and encourage public service to Arizona by its citizens. Expenditures may include promoting economic development in Arizona, recruiting new industries, appropriate memorabilia or gifts for dignitaries or citizen volunteers, and promoting good working relationships between the various branches of national, state, and local governments.

Funds Expended	1,324,900	1,300,900
Year-End Fund Balance	1,652,100	633,900

Energy Conservation Fund (GVA3209/A.R.S. § 41-1105) **Non-Appropriated**

Source of Revenue: Public or private gifts, grants and donations.

Purpose of Fund: To promote energy conservation and encourage public service to Arizona by its citizens.

Funds Expended	0	0
Year-End Fund Balance	0	0

Energy Office Donations Fund (EPA3189/A.R.S. § 41-1504) **Non-Appropriated**

Source of Revenue: Gifts, grants, and donations.

Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation. This fund includes monies transferred to the Office of the Governor from the Department of Commerce for the Energy Office as required by Laws 2011, 2nd Special Session, Chapter 1.

Funds Expended	0	0
Year-End Fund Balance	0	0

Federal Grants (GVA2000/A.R.S. § 4-101.01) **Non-Appropriated**

Source of Revenue: Federal grants for various purposes, including services for women, children's services, and the Office for Drug Policy.

Purpose of Fund: To provide separate accounting for the administration, supervision and distribution of federal grants made to the Office of the Governor, on behalf of the State of Arizona.

Funds Expended	19,977,600	48,615,400
Year-End Fund Balance	2,046,200	1,562,900

Federal Grants - American Recovery and Reinvestment Act (ARRA) (GVA2999/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

Purpose of Fund: One-time Federal Funds to be used for a variety of programs.

Funds Expended	167,700,400	20,603,000
Year-End Fund Balance	67,300	200

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Governor's Arizona Promotional and Public Service Fund (GVA3207/A.R.S. § 41-1105)		**Non-Appropriated**
Source of Revenue: Private gifts, grants, donations or monies, and interest earnings.		
Purpose of Fund: To promote the interests of the state or to encourage citizen public service to the state.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA and ISA Fund (GVA2500/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	631,800	628,600
Year-End Fund Balance	564,300	409,300
Inauguration Fund (GVA3214/A.R.S. § 41-1105)		**Non-Appropriated**
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To defray inauguration expenses.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (GVA9000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	903,800	1,349,500
Year-End Fund Balance	2,803,200	2,528,700
Oil Overcharge Fund (GVA3171/A.R.S. § 41-110)		**Non-Appropriated**
Source of Revenue: Federal court settlements by oil companies who overcharged consumers during the petroleum price controls of the 1970's, and interest earnings.		
Purpose of Fund: To provide restitution to the citizens of Arizona. Restitution is to be made through energy programs administered by the state. This fund includes monies transferred to the Office of the Governor from the Department of Commerce for the Energy Office as required by Laws 2011, 2nd Special Session, Chapter 1.		
Funds Expended	163,800	254,000
Year-End Fund Balance	1,969,100	1,725,100
Other Non-Appropriated Funds Fund (GVA2038/A.R.S. § 41-1105)		**Non-Appropriated**
Source of Revenue: Intergovernmental agreements.		
Purpose of Fund: To defray operating expenses of the Governor's Office.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Prevention of Child Abuse Fund (GVA2439/A.R.S. § 41-109)		**Non-Appropriated**
Source of Revenue: The fund receives $17 of the annual $25 fee for original and renewal child abuse prevention special license plates.		
Purpose of Fund: To be allocated by the Director of the Division for Children in the Governor's Office for programs to prevent child abuse in the state of Arizona. Not more than 3% of annual fund revenues shall be used to administer the fund.		
Funds Expended	392,400	388,000
Year-End Fund Balance	168,500	153,000

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Statewide ARRA Administration SWCAP Fund (GVA2950/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Indirect federal cost recoveries associated with the statewide cost allocation plan (SWCAP). These funds were transferred to ADOA from the Governor's Office in FY 2012.

Purpose of Fund: To defray administrative expenses of implementing the federal American Recovery and Reinvestment Act.

Funds Expended	2,450,300	121,200
Year-End Fund Balance	121,200	0

Governor's Office of Strategic Planning and Budgeting

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	22.0	22.0	22.0
Personal Services	1,118,700	1,275,900	1,275,900
Employee Related Expenditures	415,700	337,500	337,500
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	163,900
Equipment	10,200	1,800	1,800
AGENCY TOTAL	**1,789,700** 1/	**1,871,700** 2/	**1,871,700**
FUND SOURCES			
General Fund	1,789,700	1,871,700	1,871,700
SUBTOTAL - Appropriated Funds	**1,789,700**	**1,871,700**	**1,871,700**
TOTAL - ALL SOURCES	1,789,700	1,871,700	1,871,700

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 Baseline includes $1,871,700 and 22 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

1/ Includes a total of $56,300 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(15,400) GF for the premium holiday and an increase of $49,000 GF for the employee retention payment.

Department of Health Services

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	1,632.1	1,176.7	1,176.7
Personal Services	53,164,900	54,475,400	54,475,400
Employee Related Expenditures	22,566,800	22,874,700	22,874,700
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	38,501,100
Equipment	1,873,600	1,308,700	1,308,700
OPERATING SUBTOTAL	**130,893,300**	**132,152,200**	**131,752,200**
SPECIAL LINE ITEMS			
Behavioral Health			
Medicaid Behavioral Health - Traditional	809,510,500	1,085,237,300	1,103,107,000
Medicaid Behavioral Health - Proposition 204	424,635,000	137,985,600	113,929,100
Proposition 204 Administration	5,283,000	6,446,700	6,446,700
Medicare Clawback Payments	12,541,500	13,838,800	14,925,100
Medicaid Special Exemption Payments	18,712,700	24,383,000	24,341,100
Non-Medicaid Seriously Mentally Ill Services	0	95,238,000	95,238,000
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	0
Community Placement Treatment	0	1,130,700	1,130,700
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
Breast and Cervical Cancer and Bone Density Screening	960,100	1,346,700	1,346,700
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	6,260,700	6,260,700
Poison Control Centers Funding	666,300	990,000	990,000
Renal and Nonrenal Disease Management	198,000	198,000	198,000
AGENCY TOTAL	**1,472,809,900** [1/]	**1,516,596,800** [2/]	**1,511,054,400**
FUND SOURCES			
General Fund	506,370,400	587,120,700	576,723,500
Other Appropriated Funds			
Arizona State Hospital Fund	9,476,200	12,507,400	12,507,400
ASH Land Earnings Fund	1,081,800	650,000	650,000
Capital Outlay Stabilization Fund	1,244,800	1,146,500	1,146,500
Child Fatality Review Fund	94,800	93,400	93,400
Emergency Medical Services Operating Fund	4,188,700	5,044,100	5,044,100
Environmental Laboratory Licensure Revolving Fund	749,500	910,800	910,800
Federal Child Care and Development Fund Block Grant	834,800	829,400	829,400
Health Services Licensing Fund	7,983,200	7,904,300	7,904,300
Hearing and Speech Professionals Fund	316,600	309,900	309,900
Indirect Cost Fund	7,292,500	8,886,700	8,886,700
Long Term Care System Fund	0	1,379,600	1,379,600
Newborn Screening Program Fund	4,948,500	6,692,600	6,692,600
Nursing Care Institution Resident Protection Fund	144,400	438,100	38,100

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
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	35,167,000
Vital Records Electronic Systems Fund	2,019,500	3,607,500	3,607,500
SUBTOTAL - Other Appropriated Funds	112,654,500	88,817,300	88,417,300
SUBTOTAL - Appropriated Funds	**619,024,900**	**675,938,000**	**665,140,800**
Expenditure Authority Funds			
Federal Medicaid Services	853,785,000	840,658,800	845,913,600
SUBTOTAL - Expenditure Authority Funds	853,785,000	840,658,800	845,913,600
SUBTOTAL – Appropriated/Expenditure Authority Funds	**1,472,809,900**	**1,516,596,800**	**1,511,054,400**
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	1,944,607,600	1,939,065,200

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 $(10,397,200), or (1.8)%. The Baseline includes:

- $(26,262,800) for formula adjustments.
- $15,865,600 for mandatory costs associated with federal health care legislation.

Operating Budget

The Baseline includes $131,752,200 and 1,151.6 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$77,731,700
Arizona State Hospital Fund	11,376,700
ASH Land Earnings Fund	650,000
Capital Outlay Stabilization Fund	1,146,500
Child Fatality Review Fund	93,400
Emergency Medical Services (EMS) Operating Fund	4,594,100
Environmental Laboratory Licensure Revolving Fund	910,800
Federal Child Care and Development Fund (CCDF) Block Grant	829,400
Health Services Licensing Fund	7,904,300
Hearing and Speech Professionals Fund	309,900
Indirect Cost Fund	8,886,700
Long-Term Care System Fund	1,379,600
Newborn Screening Program Fund	431,900
Nursing Care Institution Resident Protection Revolving Fund	38,100
Vital Records Electronic Systems Fund	3,607,500
Federal Medicaid Authority (FMA)	11,861,600

FY 2014 adjustments would be as follows:

Quality Improvement Study OF (400,000)
The Baseline 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.

Behavioral Health

These line items fund 3 types of services; 1) Serious Mental Illness (SMI), 2) Children's Behavioral Health (CBH) and 3) General Mental Health and Substance Abuse (GMH/SA). *(See Table 1 for more information.)*

Formula Adjustments
The Baseline includes formula adjustments that are comprised of changes to capitation rates, caseloads, mandatory changes from federal health care legislation and

1/ Includes a total of $1,448,400 GF, $775,000 OF, and $103,100 FMA appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premiums holiday and employee retention payments. The adjustments include a reduction of $(649,700) GF for the premium holiday and an increase of $988,700 GF and $378,000 for the employee retention payment.

Table 1

General Fund Medicaid Behavioral Health Appropriations

	FY 2013 Appropriated	FY 2013 Revised	FY 2014	FY 2014 Above FY 2013 Revised
Medicare Clawback Payments	$ 13,838,800	$ 13,858,000	$ 14,925,100	$ 1,067,100
Medicaid Special Exemption Payments	8,269,500	7,897,900	8,071,500	173,600
State Match for Medicaid [1/]				
CBH	144,232,600	144,791,400	154,022,100	9,230,700
SMI	175,913,000	160,544,700	160,185,900	(358,800)
GMH/SA	47,911,300	48,650,200	51,582,100	2,931,900
State Match for Proposition 204				
CBH	1,652,800	1,652,200	1,765,700	113,500
GMH/SA	45,144,800	39,255,500	36,013,200	(3,242,300)
Total	**$436,962,800**	**$416,649,900**	**$426,565,600**	**$ 9,915,700**

1/ Base amounts include $34,767,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.

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 $7,937,300 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 (3,255) 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 3%. 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, FY 2013 caseloads are expected to be 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 $(20,618,000) 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 $(14,668,400) 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, will result in additional costs to various Medicaid programs of which DHS is a participant, resulting in an additional General Fund cost of $15,865,600. *(Please see Mandatory Changes Resulting from Federal Health Care legislation in the AHCCCS section of this report.)*

Optional Eligibility Expansion

The United States Supreme Court's ruling on the Affordable Care Act (ACA) made the expansion of Medicaid eligibility for adults optional. If a state chooses to expand, the federal government will pay 100% of the cost of expansion of Medicaid eligibility from 100% to 133% of the Federal Poverty Level (FPL). The FY 2014 expansion of Medicaid eligibility would cost the General Fund $13 million, if the state chooses to expand Medicaid coverage for childless adults up to 100% of FPL at the regular Medicaid match rate. If the state chooses to expand Medicaid to cover all adults up to 133% of FPL, the state will receive an enhanced match rate, resulting in a General Fund increase of $1 million. However, FY 2015 expansion costs would increase under either option as the ACA would be fully implemented. *(Please see Optional Eligibility Expansion in the AHCCCS section for additional information.)*

Medicaid Behavioral Health - Traditional

The Baseline includes $1,103,107,000 in FY 2014 for Medicaid Behavioral Health - Traditional. This amount consists of:

General Fund	331,023,100
Tobacco Tax and Health Care Fund Medically Needy Account	34,767,000
Federal Medicaid Authority	737,316,900

FY 2014 adjustments would be as follows:

Formula Growth	**GF**	**(2,266,800)**
	FMA	**20,136,500**

The formula adjustments include 3% enrollment growth 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 approximately 1,138,259 eligible individuals. 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 121,338, of the eligible population will utilize services.

Medicaid Behavioral Health - Proposition 204

The Baseline includes $113,929,100 in FY 2014 for Medicaid Behavioral Health - Proposition 204. This amount consists of:

General Fund	37,778,900
Federal Medicaid Authority	76,150,200

FY 2014 adjustments would be as follows:

Formula Growth	**GF**	**(9,018,700)**
	FMA	**(15,037,800)**

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. 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.

Proposition 204 Administration

The Baseline 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 Baseline includes $14,925,100 from the General Fund in FY 2014 for Medicare Clawback Payments. FY 2014 adjustments would be as follows:

Formula Growth	**GF**	**1,086,300**

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 Special Exemption Payments

The Baseline includes $24,341,100 in FY 2014 for Medicaid Special Exemption Payments. This amount consists of:

General Fund	8,071,500
Federal Medicaid Authority	16,269,600

FY 2014 adjustments would be as follows:

Formula Growth	**GF**	**(198,000)**
	FMA	**156,100**

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 Baseline includes $95,238,000 in FY 2014 for Non-Medicaid Seriously Mentally Ill (SMI) Services Special Line Item (SLI). This amount consists of:

General Fund	92,988,000
Tobacco Tax and Health Care Fund Medically Needy Account	2,250,000

These amounts are unchanged from FY 2013.

Background – This line item provides funding for a benefit package 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. *(Please see Other Issues for Legislative Consideration.)*

Supported Housing

The Baseline 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.

Community Placement Treatment

The Baseline 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 Baseline includes approximately $66,000,000 for inpatient hospitalization services at the State Hospital for the seriously mentally ill. As of September 2012, the ASH census was 229 patients.

Public and Family Health

Adult Cystic Fibrosis

The Baseline 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 Baseline 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 Baseline 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.

Breast and Cervical Cancer and Bone Density Screening

The Baseline includes $1,346,700 and 1 FTE Position from the General Fund in FY 2014 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2013.

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 Federal Poverty Level. 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 Baseline 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 Baseline 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. 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 amount is unchanged from FY 2013.

Folic Acid

The Baseline 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 Baseline 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 Baseline includes $6,260,700 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2014 for the Newborn Screening Program. These amounts are unchanged from FY 2013.

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.

Poison Control Centers Funding

The Baseline 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.

Renal and Nonrenal Disease Management

The Baseline includes $198,000 from the General Fund in FY 2014 for Renal and Nonrenal Disease Management. This amount is unchanged from FY 2013.

This line item provides funding for medication and other transplant-related services for renal and nonrenal transplant patients who are ineligible for other public assistance programs.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Departmentwide

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.

On or before January 6, 2014, the Arizona Health Care Cost Containment System administration and 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 administration and department shall report the same information for all of FY 2014.

Behavioral Health

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.

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.

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.

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.

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.

Public and Family Health

The Department of Health Services may use up to 4% of the amounts appropriated for Renal and Nonrenal Disease Management for the administrative costs to implement the program.

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.

Deleted Footnotes

The Baseline would delete the footnote allowing the department to use IGA and ISA monies as the state Medicaid match for behavioral health services.

STATUTORY CHANGES

The Baseline would:

- As session law, continue requiring all cities and counties to pay 100% of their Restoration to Competency costs.
- As session law, continue requiring all counties to pay 50% of their Sexually Violent Persons costs.
- As session law, continue to notwithstand A.R.S. § 36-773 to permit DHS to use Tobacco Tax and Health Care Fund - Health Research Account monies for Alzheimer's disease research.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2013 Caseload and Capitation Adjustments

The FY 2013 budget includes $423,124,000 from the General Fund for Medicaid capitation payments. DHS' actual capitation rates were (0.9)% lower than budgeted. Additionally, the ongoing Childless Adult freeze is estimated to result in a decline of (17.6)% in the Medicaid Behavioral Health - Proposition 204 population. These 2 factors are estimated to produce a General Fund savings of $(20,332,100) in FY 2013, as reflected in *Table 1*. The savings are reflected as part of the statewide FY 2013 revertment estimate. Revertments represent unspent appropriations.

Non-Medicaid Behavioral Health Services Funding

The FY 2014 Baseline includes $100,562,800 for Non-Medicaid behavioral health services, which are funded in the Non-Medicaid Seriously Mentally Ill Services Special Line Item (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 Baseline 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 2013. 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.

Table 2

Non-Medicaid Behavioral Health Appropriations

Program	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2013 Change from FY 2009
CBH	$ 8,851,800	$ 7,320,700	$ -	$ -	$ -	$ (8,851,800)
SMI	61,116,700	53,849,700	0	0	0	(61,116,700)
Court Monitor	197,500	197,500	0	0	0	(197,500)
Arnold v. Sarn	37,153,100	34,170,200	0	0	0	(37,153,100)
Mental Health	2,447,300	1,747,300	0	0	0	(2,447,300)
Substance Abuse	13,635,400	6,339,400	0	0	0	(13,635,400)
Prescription Medication	0	0	40,154,900	40,154,900	0	0
Supported Housing	0	0	5,324,800	5,324,800	5,324,800	5,324,800
Crisis Services	0	0	16,391,100	16,391,100	0	0
Non-Medicaid SMI Services	0	0	0	0	95,238,000	95,238,000
Total	**$ 123,401,800**	**$ 103,624,800**	**$ 61,870,800**	**$ 61,870,800**	**$ 100,562,800**	**$ (22,839,000)**

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Addiction Reduction and Recovery Fund (HSA2523/A.R.S. § 36-2007) **Non-Appropriated**

Source of Revenue: FY 2007 appropriation of $2,500,000 from the General Fund and any federal monies and private grants, gifts, and contributions to assist in carrying out the purposes of this fund.

Purpose of Fund: For substance abuse and addiction prevention programs including methamphetamine abuse and addiction prevention programs.

Funds Expended	100	0
Year-End Fund Balance	0	0

Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08) **Appropriated**

Source of Revenue: State monies and matching federal monies for disproportionate share payments at the Arizona State Hospital, Medicaid reimbursement for services provided at the Arizona State Hospital, and monies collected for services to clients at the state hospital. The FY 2013 Health Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 299) continues an FY 2012 session law that requires that all counties pay 100% of the cost of care for Restoration to Competency patients.

Purpose of Fund: To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.

Funds Expended	9,476,200	12,507,400
Year-End Fund Balance	3,192,300	0

Arizona State Hospital Land Earnings Fund (HSA3128/A.R.S. § 36-211) **Appropriated**

Source of Revenue: Monies received from interest on the Arizona State Hospital's Permanent Land Fund, as established through Arizona's Enabling Act, Section 25, and the monies derived from the lease of these lands and miscellaneous revenue.

Purpose of Fund: For the benefit and support of the Arizona State Hospital.

Funds Expended	1,081,800	650,000
Year-End Fund Balance	877,900	717,900

Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119) **Non-Appropriated**

Source of Revenue: Revenues from special plate fees and renewals. Of the $25 fee, $8 is for administrative costs deposited to the State Highway Fund and $17 is deposited into the Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund.

Purpose of Fund: For breast and cervical cancer screening and diagnostic and outreach services.

Funds Expended	335,600	180,000
Year-End Fund Balance	270,600	290,600

Capital Outlay Stabilization Fund (HSA1600/A.R.S. § 41-792.01) **Appropriated**

Source of Revenue: Appropriations from the Arizona Department of Administration Capital Outlay Stabilization Fund and transfers from the Arizona Department of Administration *(See Arizona Department of Administration for more detail on Capital Outlay Stabilization Fund).*

Purpose of Fund: Lease-purchase payments for the new state health laboratory (transfers from Arizona Department of Administration are spent for building renewal).

Funds Expended	1,244,800	1,146,500
Year-End Fund Balance	0	0

Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504) **Appropriated**

Source of Revenue: A $1 surcharge on fees collected on all certified copies of death certificates, up to $100,000. Any revenue collected in excess of $100,000 is transferred from the fund to the Child Abuse Prevention Fund in the Department of Economic Security.

Purpose of Fund: To organize county child fatality review teams and to study data collected by these teams to determine ways to reduce the state's child mortality rate.

Funds Expended	94,800	93,400
Year-End Fund Balance	592,800	421,100

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Childhood Cancer and Rare Childhood Disease Research Fund (No Fund Number/A.R.S. § 28-2442, A.R.S. § 36-121) — **Non-Appropriated**

Source of Revenue: A deposit of $17 of each $25 original and annual renewal of Childhood Cancer Research special plate fee and interest earnings. The remaining $8 is deposited to the State Highway Fund for special plate administration.

Purpose of Fund: To issue Multiple Sclerosis special plates, if a person or entity pays $32,000 by December 31, 2012. The first $32,000 received shall be reimbursed to the person or entity that paid the implementation fee to ADOT. The person or entity that provides the $32,000 shall design the Childhood Cancer Research special plates, subject to approval by ADOT. ADOT is to annually deposit these monies, excluding administrative fees, into the DHS-administered Childhood Cancer and Rare Childhood Disease Research Fund. DHS shall allocate monies from the fund to nonprofit health care providers and research institutions throughout the state for Phase I clinical trials relating to pediatric cancer or other rare pediatric diseases.

Funds Expended	0	0
Year-End Fund Balance	0	0

Disease Control Research Fund (HSA2090/A.R.S. § 36-274) — **Non-Appropriated**

Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.

Purpose of Fund: To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development. This fund was previously part of the Arizona Biomedical Research Commission (ABRC) budget. The FY 2012 Consolidation BRB (Laws 2011, Chapter 27) transferred the fund from within ABRC to DHS.

Funds Expended	2,200,500	2,427,000
Year-End Fund Balance	10,992,800	11,119,800

Donations - DHS (HSA3010/2025/A.R.S. § 36-132) — **Non-Appropriated**

Source of Revenue: Individual donations for various health related purposes.

Purpose of Fund: For specific purposes as designated by the donors. Monies donated pursuant to A.R.S. § 36-213 and A.R.S. § 36-204 for the Arizona State Hospital are accounted for separately.

Funds Expended	222,300	224,100
Year-End Fund Balance	740,500	732,400

Donations - Statewide (HSA2025/A.R.S. § 36-132) — **Non-Appropriated**

Source of Revenue: Individual donations from employee recognition events.

Purpose of Fund: Employee recognition purposes.

Funds Expended	5,800	2,800
Year-End Fund Balance	4,600	7,300

Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218) — **Appropriated**

Source of Revenue: The fund receives 48.9% of the Medical Services Enhancement Fund revenues, which are collected from a 13% surcharge on fines charged for criminal offenses and civil motor vehicle statute violations.

Purpose of Fund: To fund local and state emergency medical services systems.

Funds Expended	4,188,700	5,044,100
Year-End Fund Balance	2,516,100	1,542,300

Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15) — **Appropriated**

Source of Revenue: Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.

Purpose of Fund: For costs associated with licensing environmental laboratories by the Department of Health Services.

Funds Expended	749,500	910,800
Year-End Fund Balance	535,700	396,200

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)		**Appropriated**
Source of Revenue: Federal formula grant.		
Purpose of Fund: A portion of the Federal Child Care and Development Block Grant provides the Assurance and Licensure Division with monies for the licensure of child care facilities.		
Funds Expended	834,800	829,400
Year-End Fund Balance	64,600	64,600
Federal Grants (HSA2000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Grants and reimbursements from the federal government. Federal reimbursement for the Medicaid program is not included in this fund and can be found listed in the Medicaid Services and County Contributions Fund.		
Purpose of Fund: To provide health services in accordance with the terms of each specific grant.		
Funds Expended	302,519,800	313,641,100
Year-End Fund Balance*	(2,552,400)	(5,847,900)
Federal Grants - American Recovery and Reinvestment Act (ARRA) (HSA2999/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for Public Health and Family Health programs.		
Funds Expended	3,843,000	1,339,300
Year-End Fund Balance*	(600)	(600)
Federal Medicaid Services (HSA2500/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: The fund receives federal match dollars for treating behavioral health problems in Medicaid-eligible persons.		
Purpose of Fund: For accounting purposes, these monies are considered part of the Agreements/IGA Fund. However, for informational purposes, the revenues and expenditures related to behavioral health have been separated from the Agreements Fund.		
Funds Expended	853,785,000	840,658,800
Year-End Fund Balance	0	0
Health Services Licensing Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)		**Appropriated**
Source of Revenue: Nonrefundable fees for health care institution licensing services.		
Purpose of Fund: For health care institutions' licensing applications, initial license, renewal license and architectural drawing reviews. DHS establishes nonrefundable fees for assurance and licensure. 90% of assurance and licensure fees have been deposited into this fund with the remaining 10% deposited into the General Fund.		
Funds Expended	7,983,200	7,904,300
Year-End Fund Balance	1,759,600	2,316,500
Hearing and Speech Professionals Fund (HSA3041/A.R.S. § 36-1903)		**Appropriated**
Source of Revenue: Monies collected by DHS from the examination and licensing of hearing and speech professionals.		
Purpose of Fund: For the licensing and regulation of hearing and speech professionals.		
Funds Expended	316,600	309,900
Year-End Fund Balance	494,400	688,200

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

IGA/County Contributions (HSA2144/2500/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: This fund receives revenues from intergovernmental agreements between DHS and other state and local entities, contributions from Maricopa and Pima Counties for treating persons with behavioral health problems, subaccounts for Liquor Services Fees authorized under A.R.S. § 4-203-02, and deposits from the State Lottery Fund pursuant to A.R.S. § 5-522. In FY 2013, DHS will receive $51,452,000 from Maricopa and Pima County for behavioral health services, $3,357,000 from the Arizona Health Care Cost Containment System (AHCCCS) for KidsCare, and $14,287,900 from the Department of Economic Security for nutrition services. The department will also receive $6,800,000 from the State Lottery Fund for teenage pregnancy prevention, Health Start, and the Women, Infants, and Children (WIC) program.

Purpose of Fund: To fund services which DHS has agreed to perform at the request of, or in conjunction with, public agencies.

Funds Expended	77,319,400	77,257,200
Year-End Fund Balance	74,614,700	76,042,400

Indirect Cost Fund (HSA9001/A.R.S. § 36-108) **Appropriated**

Source of Revenue: Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.

Purpose of Fund: To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.

Funds Expended	7,292,500	8,886,700
Year-End Fund Balance	2,224,800	2,537,500

Internal Services Fund (HSA4202/A.R.S. § 36-108) **Non-Appropriated**

Source of Revenue: Charges from other DHS funds.

Purpose of Fund: Revolving Fund used by DHS warehouse for the purchase of goods.

Funds Expended	0	0
Year-End Fund Balance	101,600	101,600

Long Term Care System Fund (HSA2223/A.R.S. § 36-2953) **Appropriated**

Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.

Purpose of Fund: To fund, in most circumstances, Department of Economic Security administrative and program costs associated with the Long Term Care system. These monies have been allocated to DHS for the cost of a provider rate increase.

Funds Expended	0	1,379,600
Year-End Fund Balance	0	0

Medical Marijuana Fund (HSA9999/A.R.S. § 36-2817) **Non-Appropriated**

Source of Revenue: The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.

Purpose of Fund: To regulate dispensation, prescription, and use of medical marijuana, including an electronic registry of dispensary agents, patients and designated caregivers.

Funds Expended	1,682,500	4,250,700
Year-End Fund Balance	5,513,100	4,996,400

Multiple Sclerosis Awareness Fund **Non-Appropriated**
(No Fund Number/A.R.S. § 28-2440, A.R.S. § 36-1200)

Source of Revenue: A deposit of $17 of each $25 original and annual renewal of Multiple Sclerosis Awareness special plate fee and interest earnings. The remaining $8 is deposited to the State Highway Fund for special plate administration.

Purpose of Fund: To issue Multiple Sclerosis special plates, if ADOT receives $32,000 by December 31, 2011. ADOT is to annually deposit these monies, excluding administrative fees, into the DHS-administered Multiple Sclerosis Awareness Fund for statewide multiple sclerosis awareness and outreach services. The fund was never established, since ADOT did not receive any initial revenue prior to December 31, 2011.

Funds Expended	0	0
Year-End Fund Balance	0	0

Medical Student Loan Fund (MSA3306/A.R.S. § 15-1725) **Non-Appropriated**

Source of Revenue: Monies from legislative appropriations, and loan repayments of principal, interest, and penalties received by the board. These monies are exempt from lapsing. The FY 2013 Higher Education Budget Reconciliation Bill (Laws 2012, Chapter 301) transferred the administration of the fund to the Department of Health Services. All monies in the fund are to be used for the Primary Care Provider Loan Repayment Program. There are no new legislative appropriations into this fund.

Purpose of Fund: To provide loans to defray the medical education expenses of medical program graduates, in return for a service commitment to the state.

Funds Expended	0	15,000
Year-End Fund Balance	35,800	34,100

Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01) **Appropriated**

Source of Revenue: Monies received as part of the hospital charges for each child born in Arizona. Fee limits for newborn screening are $30 for the first blood and hearing screening and $40 for the second blood and hearing screening.

Purpose of Fund: To provide monies for the centralized testing of all newborns in the state for a standard set of 29 metabolic and congenital (environmental/inherited) disorders. Every 4 years the department solicits bids for the contracting of these tests. The State Health Lab holds the current contract. In addition, the fund provides monies for follow-up counseling for the parents of affected infants.

Funds Expended	4,948,500	6,692,600
Year-End Fund Balance	2,166,100	654,000

Nursing Care Institution Resident Protection Fund (HSA2329/A.R.S. § 36-446.08) **Appropriated**

Source of Revenue: Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.

Purpose of Fund: For the protection of the health and property of residents of nursing care facilities that are found deficient.

Funds Expended	144,400	438,100
Year-End Fund Balance	1,161,200	823,100

Oral Health Fund (HSA3038/A.R.S. § 36-138) **Non-Appropriated**

Source of Revenue: Monies received from AHCCCS contracts for dental services.

Purpose of Fund: To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.

Funds Expended	258,100	286,100
Year-End Fund Balance	626,500	586,400

Prescription Drug Rebate Fund (HSA2546/A.R.S. § 36-2930) **Partially-Appropriated**

Source of Revenue: Prescription drug rebate collections, interest from prescription drug rebate late payments and Federal monies made available to this state for the operation of the Medicaid Prescription Drug Rebate Program.

Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs and to offset General Fund costs for Medicaid programs. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Federal monies in this fund are non-appropriated through FY 2012. Beginning in FY 2013, federal monies are listed as Expenditure Authority. All Other monies are appropriated.

Funds Expended - Appropriated	33,900,000	0
Funds Expended - Non-Appropriated	0	0
Year-End Fund Balance	0	0

Risk Assessment Fund (HSA2427/A.R.S. § 36-1693) **Non-Appropriated**

Source of Revenue: Monies from the Department of Environmental Quality for risk services performed by DHS. The fund may also receive legislative appropriations, gifts, grants, or donations.

Purpose of Fund: To conduct health effects studies and risk assessments of public health risks from environmental exposure, to evaluate and calculate cleanup standards, to communicate health risks to the public, and for administrative costs of those activities.

Funds Expended	14,400	20,000
Year-End Fund Balance	19,500	19,500

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Serious Mental Illness Services Fund (HSA2464/A.R.S. § 36-503.02) **Non-Appropriated**

Source of Revenue: Monies appropriated from the Tobacco Litigation Settlement Account, other legislative appropriations and interest earned on these monies. The fund received a one-time appropriation of $50,000,000 from tobacco settlement funds in FY 2001. The final $1,100,000 was spent in FY 2005.

Purpose of Fund: To fund Community Housing, Vocational Rehabilitation, and other recovery support services to persons with serious mental illnesses.

Funds Expended	0	0
Year-End Fund Balance	2,800	2,800

Seriously Mentally Ill Housing Trust Fund (HSA2555/A.R.S. § 41-3955.01) **Non-Appropriated**

Source of Revenue: Receives $2,000,000 from the proceeds of the sales of unclaimed property and interest income. The FY 2012 Revenues BRB (Laws 2011, Chapter 28) requires that the first $2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second $2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.

Purpose of Fund: For housing projects for the seriously mentally ill. The appropriated portion pays for administration expenses, and may not exceed 10% of the Seriously Mentally Ill Housing Trust monies. The non-appropriated portion of the fund is used for the operation, construction or renovation of a facility that houses seriously mentally ill individuals.

Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	0	2,000,000
Year-End Fund Balance	2,012,300	2,024,600

Service Fees Increase Fund (HSA1050/Laws 2010, 7th Special Session, Chapter 12) **Non-Appropriated**

Source of Revenue: General Fund fee increase from fees raised pursuant to Laws 2010, 7th Special Session, Chapter 12.

Purpose of Fund: Operating activities.

Funds Expended	1,100	0
Year-End Fund Balance	0	0

Smoke Free Arizona Fund (HSA2541/A.R.S. § 36-601.01) **Non-Appropriated**

Source of Revenue: A 2¢ per pack tax on cigarettes. Any revenues not used by the department to enforce the smoking ban are deposited to the Tobacco Tax Products Fund to be used for education programs to reduce or eliminate tobacco use.

Purpose of Fund: To enforce the provisions of Proposition 201 (Smoke Free Arizona Act) enacted in the 2006 General Election. The Smoke Free Arizona Act banned smoking in public places except retail tobacco stores, veteran and fraternal clubs, hotel rooms designated as smoking rooms, and outdoor patios.

Funds Expended	3,242,900	2,940,500
Year-End Fund Balance	524,100	595,600

Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005) **Appropriated**

Source of Revenue: The fund receives 23.6% of monies collected from Medical Services Enhancement Fund, which is a 13% penalty levied on criminal offenses, motor vehicle civil violations, and game and fish violations. Monies are deposited into 2 subaccounts.

Purpose of Fund: To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services, to contract for preventive or rehabilitative and substance abuse services, and to provide priority for treatment services to pregnant substance abusers.

Funds Expended	2,250,000	2,250,000
Year-End Fund Balance	1,749,800	2,263,700

Temporary Transaction Privilege and Use Tax - 1% Fund **Non-Appropriated**
(HSA1032/Article IX, Section 12.1 of State Constitution)

Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.

Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund.

Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772) **Non-Appropriated**

Source of Revenue: The account receives 23¢ of each dollar deposited in the Tobacco Tax and Health Care Fund and 2¢ of each dollar in the Tobacco Products Tax Fund.

Purpose of Fund: Monies are used for community-based education and evaluation, and other programs to discourage tobacco use among the general public, specifically targeting minors and culturally diverse populations. The monies from the Tobacco Products Tax Fund are used for the prevention and detection of the 4 leading causes of death.

Funds Expended	18,076,300	18,400,000
Year-End Fund Balance	7,741,100	6,391,100

Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773) **Partially-Appropriated**

Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.

Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.

Appropriated Funds Expended	1,000,000	1,000,000
Non-Appropriated Funds Expended	5,946,400	5,027,000
Year-End Fund Balance	9,807,100	11,801,100

Tobacco Tax and Health Care Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774) **Partially-Appropriated**

Source of Revenue: The account receives funding from the Medically Needy Account of the Tobacco Tax and Health Care Fund, which is managed by AHCCCS. All monies remaining unexpended at the end of the fiscal year revert to the AHCCCS Medically Needy Account. *(See Tobacco Tax Table in the AHCCCS section.)*

Purpose of Fund: Monies are used for a variety of health programs that are intended to increase primary care and mental health services for uninsured and low-income populations.

Appropriated Funds Expended	35,129,200	35,167,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0

Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01) **Appropriated**

Source of Revenue: Fees collected for searches, copies of records, applications to file delayed records, requests for supplementary birth certificates, following adoption, legitimation, paternity determination, surgical alterations, and chromosomal counts, or amendments to existing records. As permanent law, the FY 2012 Health BRB removed statutory fee caps and allows DHS to set vital records fees for individuals and counties that access the vital records electronic system. Total revenues are limited to $4,530,000. Of the first $4,000,000, 85% will be required into the Vital Records Electronic Systems Fund and 15% will be deposited into the General Fund. For any revenue above $4,000,000, 40% will be deposited into the Vital Records Electronic Systems Fund and 60% will be deposited into the General Fund.

Purpose of Fund: To develop and operate a new vital records automated system.

Funds Expended	2,019,500	3,607,500
Year-End Fund Balance	670,000	332,500

*As reported by the agency. Actual ending balance will not be negative.

Arizona Historical Society

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	51.9	51.9	51.9
Personal Services	1,191,500	1,201,200	1,201,200
Employee Related Expenditures	546,500	544,000	544,000
Professional and Outside Services	1,200	1,100	1,100
Other Operating Expenditures	351,100	287,500	287,500
Equipment	3,000	0	0
OPERATING SUBTOTAL	**2,093,300**	**2,033,800**	**2,033,800**
SPECIAL LINE ITEMS			
Arizona Experience Museum	445,100	410,500	410,500
Field Services and Grants	65,000	65,100	65,100
Papago Park Museum	1,625,400	532,700	532,700
AGENCY TOTAL	**4,228,800** 1/	**3,042,100** 2/	**3,042,100**
FUND SOURCES			
General Fund	4,228,800	3,042,100	3,042,100
SUBTOTAL - Appropriated Funds	**4,228,800**	**3,042,100**	**3,042,100**
Other Non-Appropriated Funds	953,000	948,200	937,500
TOTAL - ALL SOURCES	5,181,800	3,990,300	3,979,600

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 Baseline includes $2,033,800 and 40.4 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

Arizona Experience Museum

The Baseline includes $410,500 and 1 FTE Position from the General Fund in FY 2014 for the Arizona Experience Museum. These amounts are unchanged from FY 2013.

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.

Field Services and Grants

The budget includes $65,100 and 0.4 FTE Position from the General Fund in FY 2014 for Field Services and Grants. These amounts are unchanged from FY 2013.

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 $532,700 and 10.1 FTE Positions from the General Fund in FY 2014 for the Papago Park Museum. These amounts are unchanged from FY 2013.

This line item funds the operation and maintenance of the Papago Park Museum.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

1/ Includes a total of $66,800 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(29,900) GF for the premium holiday and an increase of $49,700 GF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal Grants (HIA2000/A.R.S. § 41-821)		**Non-Appropriated**
Source of Revenue: Federal grants.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Permanent Arizona Historical Society Revolving Fund (HIA2900/A.R.S. § 14-826)		**Non-Appropriated**
Source of Revenue: Monies from the operation of gift shops, book shops, food service facilities, and charges for the use of or admission into any of the society's facilities.		
Purpose of Fund: For enhancing the programs of the society, or operating or improving its facilities.		
Funds Expended	364,900	399,900
Year-End Fund Balance	184,500	192,500
Preservation and Restoration Fund (HIA2125/A.R.S. § 41-825)		**Non-Appropriated**
Source of Revenue: Reproduction charges.		
Purpose of Fund: To preserve and restore historic photographs.		
Funds Expended	20,000	48,600
Year-End Fund Balance	64,700	51,100
Private Fund (HIA9447/A.R.S. § 41-821)		**Non-Appropriated**
Source of Revenue: Revenues are generated through memberships, unrestricted donations, and program revenue. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: For operating expenses.		
Funds Expended	449,700	322,000
Year-End Fund Balance	841,200	843,700
Private Grants Fund (HIA9449/A.R.S. § 41-821)		**Non-Appropriated**
Source of Revenue: Derived from the AHS Foundation, National Endowment for the Humanities, and DeGrazia Foundation. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	38,100	11,300
Year-End Fund Balance	11,200	8,200
Restricted Fund (HIA9448/A.R.S. § 41-821)		**Non-Appropriated**
Source of Revenue: Private restricted donations. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: To be used for specific projects as designated by donor.		
Funds Expended	80,300	162,200
Year-End Fund Balance	361,800	298,800
Trust Fund (HIA9450/A.R.S. § 41-821)		**Non-Appropriated**
Source of Revenue: Monies held in trust for specific purposes. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool. Only interest earnings are expended.		
Purpose of Fund: For operating expenses.		
Funds Expended	0	4,200
Year-End Fund Balance	248,800	245,100

Prescott Historical Society of Arizona

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	13.0	13.0	13.0
Personal Services	385,800	431,400	431,400
Employee Related Expenditures	193,800	186,400	186,400
Other Operating Expenditures	73,500	36,400	36,400
Equipment	2,900	0	0
AGENCY TOTAL	**656,000** 1/	**654,200** 2/	**654,200**
FUND SOURCES			
General Fund	656,000	654,200	654,200
SUBTOTAL - Appropriated Funds	**656,000**	**654,200**	**654,200**
Other Non-Appropriated Funds	917,500	566,700	566,700
TOTAL - ALL SOURCES	1,573,500	1,220,900	1,220,900

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

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The Baseline includes $654,200 and 13 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Sharlot Hall Historical Society (PHA9505/A.R.S. § 41-831)		**Non-Appropriated**
Source of Revenue: Monies received from admissions, donations, memberships, interest, gift shop and rent. Funds are outside the control of the State Treasurer and by statute are held in trust for the society's use by the Society Treasurer.		
Purpose of Fund: To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.		
Funds Expended	917,500	566,700
Year-End Fund Balance*	41,000	(8,000)

*As reported by the agency. Actual ending balance will not be negative.

1/ Includes a total of $16,600 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(8,700) GF for the premium holiday and an increase of $14,100 GF for the employee retention payment.

Arizona Department of Homeland Security

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
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.

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Federal Funds (HLA2000/A.R.S. § 41-4254)		**Non-Appropriated**
Source of Revenue: Grants received from the U.S. Department of Homeland Security. Homeland Security funds received by Arizona prior to FY 2007 are reported in the Arizona Department of Emergency and Military Affairs budget.		
Purpose of Fund: To provide state agencies and local governments with funding to deter and mitigate acts of terrorism. Federal grant guidelines allow up to 5% of the grant total to be used for administrative costs.		
Funds Expended	45,737,500	41,750,900
Year-End Fund Balance	1,978,300	0

Board of Homeopathic and Integrated Medicine Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	1.0	1.0	1.0
Personal Services	54,900	52,800	52,800
Employee Related Expenditures	29,300	29,100	29,100
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	21,500
AGENCY TOTAL	**106,900** 1/	**107,600** 2/	**107,600**
FUND SOURCES			
Other Appropriated Funds			
Board of Homeopathic and Integrated Medicine Examiners' Fund	106,900	107,600	107,600
SUBTOTAL - Other Appropriated Funds	106,900	107,600	107,600
SUBTOTAL - Appropriated Funds	**106,900**	**107,600**	**107,600**
TOTAL - ALL SOURCES	106,900	107,600	107,600

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 Baseline includes $107,600 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Board of Homeopathic and Integrated Medicine Examiners' Fund (HEA2041/A.R.S. § 32-2906)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of homeopathists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate homeopathists, and for board administration.		
Funds Expended	106,900	107,600
Year-End Fund Balance*	9,500	(9,800)

*As reported by the agency. Actual ending balance will not be negative

1/ Includes a total of $3,200 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $2,400 OF for the employee retention payment.

Arizona Department of Housing

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	11.0	3.0	3.0
Personal Services	593,500	178,300	178,300
Employee Related Expenditures	228,600	67,800	67,800
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	47,100
Equipment	6,500	1,800	1,800
AGENCY TOTAL	**905,800** 1/	**304,600** 2/	**304,600**
FUND SOURCES			
Other Appropriated Funds			
Housing Trust Fund	905,800	304,600	304,600
SUBTOTAL - Other Appropriated Funds	905,800	304,600	304,600
SUBTOTAL - Appropriated Funds	**905,800**	**304,600**	**304,600**
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	105,084,400	95,506,200

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 Baseline includes $304,600 and 3 FTE Positions from the Housing Trust Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Federal Funds (HDA2000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Federal Funds for affordable housing programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	87,641,100	88,844,200
Year-End Fund Balance	883,800	341,900

1/ Includes a total of $28,400 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $6,600 OF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Federal Grant - American Recovery and Reinvestment Act (ARRA) (HDA2999/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

Purpose of Fund: One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.

Funds Expended	7,360,700	778,800
Year-End Fund Balance	34,700	35,400

Housing Development Fund (HDA2313/A.R.S. § 41-3956) **Non-Appropriated**

Source of Revenue: Monies transferred through legislation from the Housing Trust Fund. The Legislature transferred $500,000 from the Housing Trust Fund in FY 1999 and FY 2001. No new appropriations are being sought for this fund.

Purpose of Fund: To provide incentives for the development of affordable housing around state prisons for state prison employees.

Funds Expended	0	0
Year-End Fund Balance	0	0

Housing Program Fund (HDA9600/A.R.S. § 41-3957) **Non-Appropriated**

Source of Revenue: Fees received from the following programs: private activity bond (underwriting and hearings), low-income tax credit (application, monitoring and reservation fees), fees charged from conferences and workshops, and fees from the Section 8 project-based contract administration program.

Purpose of Fund: To pay the costs of administering the programs from which the deposits are received and for other department programs. Additionally, at the Director's election, to transfer to any fund established by the Arizona Housing Finance Authority in connection with any bonds or certificates issued by the Arizona Housing Finance Authority.

Funds Expended	3,129,100	4,332,400
Year-End Fund Balance	4,238,400	5,960,400

Housing Trust Fund (HDA2235/A.R.S. § 41-3955) **Partially-Appropriated**

Source of Revenue: Receives $2,500,000 from the proceeds of the sales of unclaimed property and interest income. Laws 2011, Chapter 28 reduced the annual deposit of unclaimed property revenues to the Housing Trust Fund from $10,500,000 to $2,500,000 beginning in FY 2012. The Housing Trust Fund receives their $2,500,000 annual unclaimed property deposit after the first $2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund.

Purpose of Fund: For expenses related to the provision of affordable housing opportunities to low and moderate income families. The appropriated portion pays for administration expenses, and may not exceed 10% of the Housing Trust monies. The non-appropriated portion of the fund is used for the operation, construction, or renovation of housing facilities for low-income households. The Legislature may transfer monies from the fund to the Housing Development Fund for use on housing projects around state prisons. *(See Housing Development Fund detail for additional information.)*

Appropriated Funds Expended	905,800	304,600
Non-Appropriated Funds Expended	5,373,500	10,322,300
Year-End Fund Balance	18,902,800	11,418,000

IGA & ISA Fund (HDA2500/A.R.S. § 41-3952) **Non-Appropriated**

Source of Revenue: Interagency Service Agreements including transfers from the Housing Trust Fund through an interagency agreement to support the programs of the Arizona Housing Finance Authority (AZHFA). The fund will also receive monies through fees earned by the finance authority.

Purpose of Fund: The fund supports the activities of the AZHFA which issues bonds to finance single and multi-family housing programs. Majority of funds relate to a Housing Trust Fund ISA with AZHFA for homeownership and multi-family programs.

Funds Expended	369,900	502,100
Year-End Fund Balance	4,190,800	4,183,200

Independent Redistricting Commission

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	4,093,900	1,445,300	--
AGENCY TOTAL	**4,093,900**	**1,445,300** [1/2/]	-- [3/]
FUND SOURCES			
General Fund	4,093,900	1,445,300	--
SUBTOTAL - Appropriated Funds	**4,093,900**	**1,445,300**	--
TOTAL - ALL SOURCES	4,093,900	1,445,300	--

AGENCY DESCRIPTION — Proposition 106, approved by voters in November 2000, established the Independent Redistricting Commission. 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.

The FY 2014 Baseline funding level for the Independent Redistricting Commission (IRC) is to be determined. Due to litigation against recently drawn legislative district boundaries, the commission requested a FY 2013 General Fund supplemental on December 19, 2012. At that time, IRC was seeking between $1,593,600 and $2,023,200. The commission has subsequently revised those numbers upward to $2,269,700. Earlier this fall, IRC had submitted a FY 2014 budget request of $2,595,200. The FY 2014 request is in addition to the FY 2013 Supplemental.

Current IRC 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 FY 2013 General Fund appropriation of $1,453,500 (including one-time adjustments) brings total funding for the current redistricting cycle to $5,653,500. *(See Table 1)*

Table 1
CY 2010 Redistricting Cycle Appropriations

Fiscal Year	Appropriation
FY 2011	$ 500,000
FY 2012	3,000,000
FY 2012 Supplemental	700,000
FY 2013	1,453,500
Total	**$ 5,653,500**

Through December 2012, IRC has expended $827,100 of the $1,453,500 and has $626,400 remaining from their FY 2013 appropriation.

FY 2013 Supplemental Request: The commission has requested a FY 2013 supplemental General Fund appropriation of $2,269,700. The commission has based this funding request on several estimated costs:

1) Litigation expenses in the case of *Harris v. Independent Redistricting Commission*, which is a lawsuit relating to the population counts of the state's legislative districts. This case has a scheduled trial date of March 25, 2013. The commission estimates this cost at $1,361,700 based on average litigation costs per lawsuit (adjusted for inflation) from the previous 2000 commission. Of this amount, $403,300 would be funded from their remaining FY 2013 appropriation and the supplemental would fund $958,400. In comparison to the $1,361,700 estimate, the commission's internal legal staff projected the expense at $932,000 as outlined in IRC's December 19, 2012 submission to the Legislature.

2) Potential costs of redrawing the legislative maps if the plaintiffs prevail in the *Harris* case. IRC estimates that the remapping would cost $811,300. This estimate is based on the cost of a remapping a decade ago and adding a 25% inflation factor.

3) Unanticipated expenses of $500,000. IRC had built a $500,000 legal services contingency amount into their original FY 2013 budget, but they plan to expend those monies prior to the supplemental.

1/ The FY 2013 General Appropriation Act specified that the FY 2013 appropriation may be used for payment of obligations incurred in FY 2012.
2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(3,800) GF for the premium holiday and an increase of $12,000 GF for the employee retention payment.
3/ Funding to be determined.

Table 2 details FY 2013 expenditures and the supplemental request.

FY 2014 Budget Request: The IRC has requested $2,595,200 for the FY 2014 budget. This includes $440,300 for operating expenses and $2,154,900 for legal and mapping consultant fees. IRC has indicated that the FY 2014 budget request is based on several other outstanding cases, which are separate from the litigation relating to the FY 2013 supplemental. Those two cases are as follows:

1) *Arizona Legislature v. Independent Redistricting Commission* – The Legislature has sued in federal court stating that the United States Constitution gives the Legislature sole responsibility to draw districts.

2) *Leach v. Independent Redistricting Commission* – Various individuals are suing IRC in state court alleging IRC did not follow the process laid out in the Arizona Constitution for drawing the Congressional districts. Some motions have been filed in Superior Court, but no trial date has been set. A decision for the plaintiff would require a map redraw.

Table 2

IRC FY 2013 Funding

	December Year To Date	Remaining FY 2013 Appropriation 1/	FY 2013 Supplemental	Total
Operating	$243,100	$223,100	$ 0	$ 466,200
Legal	553,600	403,300	958,400	1,915,300
Mapping	30,400	0	811,300	841,700
Reserve	0	0	500,000	500,000
Total	$827,100	$626,400	$2,269,700	$3,723,200

1/ Represents remaining unexpended appropriation of $1,453,500.

Arizona Commission of Indian Affairs

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	3.0	3.0	3.0
Personal Services	28,000	28,000	28,000
Employee Related Expenditures	9,600	9,600	9,600
Travel - In State	500	500	500
Other Operating Expenditures	17,200	15,600	15,600
AGENCY TOTAL	**55,300** [1/]	**53,700** [2/]	**53,700**
FUND SOURCES			
General Fund	55,300	53,700	53,700
SUBTOTAL - Appropriated Funds	**55,300**	**53,700**	**53,700**
Other Non-Appropriated Funds	12,300	14,500	14,500
TOTAL - ALL SOURCES	67,600	68,200	68,200

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 Baseline includes $53,700 and 3 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Arizona Indian Town Hall Fund (IAA4014/A.R.S. § 41-545)		**Non-Appropriated**
Source of Revenue: Monies collected or received at Indian town halls as fees for administration.		
Purpose of Fund: To defray administrative costs related to Indian town halls.		
Funds Expended	0	500
Year-End Fund Balance	100	100
IGA and ISA Fund (IAA2500/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	0	0
Year-End Fund Balance	0	0

1/ Includes a total of $1,200 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(600) GF for the premium holiday and an increase of $1,000 GF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Publications Fund (IAA4013/A.R.S. § 41-543) **Non-Appropriated**

Source of Revenue: Sale of commission publications.

Purpose of Fund: To produce and distribute commission publications. At fiscal year end, amounts in excess of $15,000 revert to the General Fund.

Funds Expended	0	1,500
Year-End Fund Balance	1,800	1,800

Statewide Donations Fund (IAA2025/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Monies from booth space at Indian Nations and Tribes Legislative Day. Additional funds are obtained from outside sources such as the 21 tribes and nations of Arizona, as well as private corporations.

Purpose of Fund: To pay for expenses incurred for Indian Nations and Tribes Legislative Day. Arizona Commission of Indian Affairs is required by statute to facilitate this day on the second Tuesday of each regular legislative session.

Funds Expended	12,300	12,500
Year-End Fund Balance	1,500	1,500

Industrial Commission of Arizona

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	279.0	235.6	235.6
Personal Services	8,166,800	8,816,500	8,816,500
Employee Related Expenditures	3,621,900	3,980,200	3,980,200
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	5,178,600
Equipment	30,300	18,200	18,200
AGENCY TOTAL	**17,268,300** 1/	**19,656,400** 2/	**19,656,400**
FUND SOURCES			
Other Appropriated Funds			
Industrial Commission Administrative Fund	17,268,300	19,656,400	19,656,400
SUBTOTAL - Other Appropriated Funds	17,268,300	19,656,400	19,656,400
SUBTOTAL - Appropriated Funds	**17,268,300**	**19,656,400**	**19,656,400**
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	56,927,600	55,410,300

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 Baseline includes $19,656,400 and 235.6 FTE Positions from the Industrial Commission Administrative Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Federal Grants (ICA2000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Federal grants.		
Purpose of Fund: To enforce occupational safety and health standards in all industries in Arizona except businesses relating to mining and smelting, businesses located on Indian reservations and federal agencies.		
Funds Expended	4,956,100	5,897,200
Year-End Fund Balance	2,188,600	2,188,600

1/ Includes a total of $477,000 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $251,200 OF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Industrial Commission Administrative Fund (ICA2177/A.R.S. § 23-1081)		**Appropriated**
Source of Revenue: Annual tax on workers' compensation premiums that can not exceed 3%.		
Purpose of Fund: For all expenses of the Industrial Commission in carrying out its powers and duties.		
Funds Expended	17,268,300	19,656,400
Year-End Fund Balance	3,959,400	4,249,800
Revolving Fund (ICA2002/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
Purpose of Fund: To fund an annual seminar on workers' compensation for insurance carriers and self-insured employers; to print a medical fee schedule for workers' compensation; and to provide a holding account for money owed to employees by their employers for back wages.		
Funds Expended	240,800	132,800
Year-End Fund Balance	91,700	122,400
Special Fund (ICA9003/A.R.S. § 23-1065)		**Non-Appropriated**
Source of Revenue: Assessments on workers' compensation premiums, earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
Purpose of Fund: To provide medical benefits in excess of original policy limits on claims occurring prior to a 1973 law change requiring unlimited statutory medical benefits; to provide compensation benefits resulting from second injuries; to provide vocational rehabilitation benefits; and to provide benefits on claims against uninsured employers and insolvent insurance carriers.		
Funds Expended	35,908,600	31,241,200
Year-End Fund Balance	4,606,300	3,028,100

Department of Insurance

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	90.5	90.5	90.5
Personal Services	2,954,400	3,070,800	3,070,800
Employee Related Expenditures	1,296,000	1,274,500	1,274,500
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	604,600
Equipment	121,700	6,400	6,400
AGENCY TOTAL	**5,188,000** 1/	**5,169,600** 2/	**5,169,600**
FUND SOURCES			
General Fund	5,188,000	5,169,600	5,169,600
SUBTOTAL - Appropriated Funds	**5,188,000**	**5,169,600**	**5,169,600**
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	14,475,600	13,924,100

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

This Baseline includes $5,169,600 and 90.5 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, as session law, continue to suspend the statutory provision that fees collected by the department fall between 95% and 110% of the department's appropriation for FY 2014.

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Assessment Fund for Voluntary Plans Fund (IDA2316/A.R.S. § 20-2201)		**Non-Appropriated**

Source of Revenue: Assessments paid by insurance companies or reinsuring carriers authorized to sell liability insurance.

Purpose of Fund: To provide for the administrative costs associated with finding liability insurance for classes of risk that are unable to obtain liability coverage. Monies are also used to administer the Small Employers Reinsurance Plan Board. The board ensures the accessibility of small group health insurance by requiring a reinsurance program to spread the risk of insuring small groups.

Funds Expended	141,700	138,500
Year-End Fund Balance	42,500	87,800

1/ Includes a total of $135,500 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(60,700) GF for the premium holiday and an increase of $105,600 GF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Captive Insurance Regulatory and Supervision Fund (IDA2377/A.R.S. § 20-1098.18) **Non-Appropriated**

Source of Revenue: License and renewal fees collected from individual captive insurers and corporations applying to do business as a captive insurer. A captive insurer is an enterprise with the authority to function as an independent insurance company, but is organized by a parent company with the express intent to provide the parent company's insurance.

Purpose of Fund: To provide funding for the promotion of the state's captive insurance industry. Up to $100,000 may be used annually to cover the department's related administration costs.

Non-Appropriated Funds Expended	146,700	140,600
Year-End Fund Balance	445,100	100,000

Federal Funds (IDA2000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Federal monies from Affordable Care Act grants.

Purpose of Fund: Monies are used to implement the provisions of the Affordable Care Act, including planning and implementation of a health insurance exchange and to aid in the review of health insurance premium rates.

Funds Expended	751,900	546,100
Year-End Fund Balance	2,300	0

Financial Surveillance Fund (IDA2473/A.R.S. § 20-156) **Non-Appropriated**

Source of Revenue: Assessments paid by domestic insurers, other than life and disability re-insurers, service companies, and mechanical reimbursement re-insurers.

Purpose of Fund: To provide funds for the costs of financial analysts who conduct financial surveillance of domestic insurers in order to identify possible risks to financial stability.

Funds Expended	295,200	329,900
Year-End Fund Balance	62,100	86,600

Health Care Appeals Fund (IDA2467/A.R.S. § 20-2540) **Non-Appropriated**

Source of Revenue: One-time fee of $200 and an annual fee of up to $200 per health care insurance company.

Purpose of Fund: To pay for start-up and ongoing costs related to selecting an independent review organization. The selected organization will conduct external independent reviews that involve issues of medical necessity.

Funds Expended	258,600	231,200
Year-End Fund Balance	4,100	54,100

Insurance Examiners' Revolving Fund (IDA2034/A.R.S. § 20-159) **Non-Appropriated**

Source of Revenue: Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.

Purpose of Fund: To provide funds for contract examiners' per diem compensation and funds to reimburse contract examiners for travel and living expenses, as approved by the Director of the Department of Insurance. Monies are also used to cover the department's related administrative costs.

Funds Expended	5,485,100	5,706,400
Year-End Fund Balance	1,678,000	1,727,600

Life and Disability Insurance Guaranty Fund (IDA2154/A.R.S. § 20-683) **Non-Appropriated**

Source of Revenue: Assessments on life and disability insurance companies and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.

Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for life and disability insurance policies and annuity contracts. The fund also pays the administrative costs of the 9-member Life and Disability Insurance Guaranty Fund Board authorized by A.R.S. § 20-684. Monies are held in a depository designated by the Director of the Department of Insurance.

Funds Expended	1,364,500	1,412,600
Year-End Fund Balance	33,630,900	33,643,500

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Arizona Property and Casualty Insurance Guaranty Fund (IDA2114/A.R.S. § 20-662) **Non-Appropriated**

Source of Revenue: Assessments on property and casualty insurance and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.

Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for property and casualty insurance policies. The fund also pays the administrative costs of the 11-member Property and Casualty Insurance Guaranty Fund Board authorized by A.R.S. § 20-663. Monies are held in a depository designated by the Director of the Department of Insurance.

Funds Expended	842,200	751,800
Year-End Fund Balance	32,825,800	32,088,500

Receivership Liquidation Fund (IDA3104/A.R.S. § 20-648) **Non-Appropriated**

Source of Revenue: Consists of 10% of an insolvent insurer's statutory deposit with the State Treasurer authorized by A.R.S. § 20-213. Upon termination of a receivership, the court may award proceeds to the fund, up to the amount of the department's administrative costs.

Purpose of Fund: To support the department's Receivership Division, which administers the liquidation of insurance companies to ensure maximum recovery of assets. The balance forward represents cash on hand. It does not include the state's unfunded liability for deposits being held as assurance against future insolvencies.

Funds Expended	45,300	48,900
Year-End Fund Balance	198,900	150,800

Judiciary - Supreme Court

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	169.1	169.0	169.0
Personal Services	5,591,900	5,890,900	5,890,900
Employee Related Expenditures	1,942,500	2,117,500	2,117,500
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	5,565,400
Equipment	207,700	0	0
OPERATING SUBTOTAL	**13,800,100**	**14,031,400**	**14,031,400**
SPECIAL LINE ITEMS			
State Aid	4,731,400	5,905,900	5,905,900
County Reimbursements	187,900	187,900	187,900
Automation	10,369,800	11,082,600	11,082,600
Case and Cash Management System	2,874,900	3,326,500	3,326,500
Foster Care Review Board	3,269,200	3,332,000	3,332,000
Court Appointed Special Advocate	2,415,600	3,027,800	3,027,800
Model Court	425,300	447,600	447,600
Domestic Relations	582,600	640,300	640,300
Judicial Nominations and Performance Review	400,400	417,200	417,200
Commission on Judicial Conduct	507,100	506,800	506,800
AGENCY TOTAL	**39,564,300** 1/	**42,906,000** 2/	**42,906,000**
FUND SOURCES			
General Fund	16,229,600	15,677,700	15,677,700
Other Appropriated Funds			
Confidential Intermediary and Fiduciary Fund	402,300	480,500	480,500
Court Appointed Special Advocate Fund	2,318,700	2,925,800	2,925,800
Criminal Justice Enhancement Fund	2,002,700	2,961,300	2,961,300
Defensive Driving School Fund	3,551,200	4,123,800	4,123,800
Judicial Collection Enhancement Fund	12,331,100	13,792,300	13,792,300
State Aid to the Courts Fund	2,728,700	2,944,600	2,944,600
SUBTOTAL - Other Appropriated Funds	23,334,700	27,228,300	27,228,300
SUBTOTAL - Appropriated Funds	**39,564,300**	**42,906,000**	**42,906,000**
Other Non-Appropriated Funds	16,733,100	25,844,500	25,844,500
TOTAL - ALL SOURCES	56,297,400	68,750,500	68,750,500

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.

1/ Includes a total of $311,600 GF and $88,300 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(153,400) GF for the premium holiday and an increase of $298,000 GF and $319,700 OF for the employee retention payment.

Operating Budget

The Baseline includes $14,031,400 and 100.7 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$10,043,900
Confidential Intermediary and Fiduciary Fund	480,500
Defensive Driving School Fund	651,800
Judicial Collection Enhancement Fund (JCEF)	2,855,200

These amounts are unchanged from FY 2013.

State Aid

The Baseline includes $5,905,900 and 3.3 FTE Positions in FY 2014 for State Aid. These amounts consist of:

Criminal Justice Enhancement Fund (CJEF)	2,961,300
State Aid to the Courts Fund	2,944,600

These amounts are unchanged from FY 2013.

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 Baseline 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 2013 Criminal Justice Budget Reconciliation Bill (Laws 2012, Chapter 302) continues to suspend the requirement of this 50% reimbursement, however, and requires that reimbursement not exceed the level in the General Appropriation Act. The Baseline assumes the suspension is continued in FY 2014.

Automation

The Baseline includes $11,082,600 and 13 FTE Positions in FY 2014 for Automation. These amounts consist of:

Defensive Driving School Fund	3,332,600
JCEF	7,750,000

These amounts are unchanged from FY 2013.

The Automation line item provides funding for court automation projects throughout the state.

Case and Cash Management System

The Baseline 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 Baseline includes $3,332,000 and 34 FTE Positions from the General Fund in FY 2014 for the Foster Care Review Board. These amounts are unchanged from FY 2013.

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 Baseline includes $3,027,800 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	2,925,800

These amounts are unchanged from FY 2013.

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 Baseline 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 Baseline includes $640,300 and 4.9 FTE Positions from the General Fund in FY 2014 for Domestic Relations. These amounts are unchanged from FY 2013.

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 Baseline includes $417,200 and 3.6 FTE Positions from the General Fund in FY 2014 for Judicial Nominations and Performance Review. These amounts are unchanged from FY 2013.

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 Baseline includes $506,800 and 4 FTE Positions from the General Fund in FY 2014 for Commission on Judicial Conduct. These amounts are unchanged from FY 2013.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes
Included in the appropriation for the Supreme Court program is $1,000 for the purchase of mementos and items for visiting officials.

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.

By 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, the 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 any future year expenditures.

STATUTORY CHANGES

The Baseline would, as session law, continue the FY 2013 suspension of 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 require that reimbursement not exceed the level in the General Appropriation Act.

The Baseline does not continue the annual session law provision to suspend the reporting requirements for the annual Juvenile Intensive Probation Report, the Community Punishment Program Report, the Emancipation of Minors Report, the Annual Drug Treatment and Education Fund Report, the Annual Child Support Committee Report, and the Annual Domestic Relations Committee Report. The JLBC Staff recommends AOC seek separate permanent legislation if it would like to eliminate the reports.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Fund Transfers
The Baseline 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Alternative Dispute Resolution Fund (SPA3245/A.R.S. § 12-135) **Non-Appropriated**

Source of Revenue: The fund consists of 0.35% of notary bond fees, 0.35% of fee collections on civil filings in the Superior Court, and 2.42% of civil filings in Justice of the Peace Courts.

Purpose of Fund: To supplement local courts' funding for alternative dispute resolution programs.

Funds Expended	162,800	183,800
Year-End Fund Balance	572,800	531,100

Arizona Lengthy Trial Fund (SPA2382/A.R.S. § 21-222) **Non-Appropriated**

Source of Revenue: The fund consists of fees established by the Supreme Court on court filings paid to the clerk of the Superior Court.

Purpose of Fund: To pay juror expenses in cases that last longer than 5 days. Monies in the fund are used to reimburse counties for these juror costs. Statute specifies that not more than 3% of the fund is to be used on administration of the fund.

Funds Expended	507,300	946,200
Year-End Fund Balance	1,161,000	1,037,300

Certified Reporters Fund (SPA2440/A.R.S. § 32-4007) **Non-Appropriated**

Source of Revenue: Fees, costs and penalties relating to reporter certification.

Purpose of Fund: For reporter certification.

Funds Expended	97,200	130,000
Year-End Fund Balance	161,600	46,300

Confidential Intermediary and Fiduciary Fund (SPA2276/A.R.S. § 8-135) **Appropriated**

Source of Revenue: A portion of Superior Court fees; fees received by state and local registrars for certified copies of birth certificates; and fees collected through fiduciary registration with the Supreme Court.

Purpose of Fund: To train and certify confidential intermediaries, who facilitate contact between adoptees/adoptive parents and birth parents while protecting court and agency records. Monies are also used to train and certify private fiduciaries, who serve as court appointed guardians or representatives, and to establish the Sibling Information Exchange Program, which facilitates contact between a former dependant child of biological parents, adoptive parents, guardians, and the child's sibling or siblings.

Funds Expended	402,300	480,500
Year-End Fund Balance	383,200	282,500

Court Appointed Special Advocate Fund (SPA2275/A.R.S. § 8-524) **Appropriated**

Source of Revenue: Revenues consist of 30% of the state lottery unclaimed prize monies.

Purpose of Fund: For operating the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.

Funds Expended	2,318,700	2,925,800
Year-End Fund Balance	1,872,100	1,874,400

Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401) **Appropriated**

Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.

Purpose of Fund: 9.35% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.02% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.13% is used used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.

Funds Expended	2,002,700	2,961,300
Year-End Fund Balance	2,312,600	2,486,300

Defensive Driving School Fund (SPA2247/A.R.S. § 28-3398) **Appropriated**

Source of Revenue: A fee, not to exceed $15, imposed on each person who attends a defensive driving school, and $500 initial certification and $50-$250 recertification fees paid by defensive driving schools. The fees are set by the Supreme Court.

Purpose of Fund: To monitor defensive driving schools for compliance with claims and court policy, to supervise their use by the courts in Arizona, and to expedite the processing of highway traffic offenses. The Administrative Office of the Courts (AOC) has also used these monies to fund court automation projects throughout the state. In FY 2012, the AOC spent approximately $3,055,200 for court automation projects.

Funds Expended	3,551,200	4,123,800
Year-End Fund Balance	1,299,600	611,200

Grants and Special Revenue (SPA2084/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.

Purpose of Fund: To expend grants as required by the contribution.

Funds Expended	15,281,200	23,880,900
Year-End Fund Balance	15,097,700	7,865,400

Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113) **Appropriated**

Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 17.07% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 14.02% to 15.58% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a $20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. *(See Supreme Court for information regarding non-Maricopa Counties.)*

Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services. Funds represented here reflect the shift from the Supreme Court budget to the Superior Court budget of monies for probation officer salaries and programs.

Funds Expended	12,331,100	13,792,300
Year-End Fund Balance	3,107,500	1,593,400

Photo Enforcement Fund (SPA2390/A.R.S. § 41-1722) **Appropriated**

Source of Revenue: Citation and notice of violation (NOV) revenue generated by the State Photo Enforcement System through use of fixed and mobile speed and red light enforcement cameras. The cost per citation or NOV is a fixed cost of $165, which is all deposited into the Photo Enforcement Fund, plus a 10% Clean Elections surcharge. Any money remaining in the fund in excess of $250,000 at the end of each quarter is deposited into the state General Fund. Laws 2010, 2nd Regular Session, eliminated the State Photo Enforcement System and redirected 40% of the remaining monies in the fund, not to exceed $7,000,000, to the Public Safety Equipment Fund. As of July 1, 2012 $6,214,000 in Photo Enforcement Fund monies have been transferred to the Public Safety Equipment Fund. Laws 2011, Chapter 308 repealed the Photo Enforcement Fund.

Purpose of Fund: To provide funding for non-capital automation and payment collection costs associated with citations from the state photo enforcement system. *(See the Department of Public Safety Summary of Funds section for other purposes of this fund.)*

Funds Expended	0	0
Year-End Fund Balance	0	0

Public Defender Training Fund (SPA3013/A.R.S. § 12-117) **Non-Appropriated**

Source of Revenue: Two dollars of the $20 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.

Purpose of Fund: For training of public defenders. Allocation of monies is made to each county Public Defender Office in proportion to the number of felony cases assigned to that office in the last fiscal year.

Funds Expended	684,600	703,600
Year-End Fund Balance	29,000	14,500

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
State Aid to the Courts Fund (SPA2446/A.R.S. § 12-102.02)		**Appropriated**

Source of Revenue: Legislative appropriations, a portion of court filing fees, and a portion of fees, fines, penalties and forfeitures collected on criminal offenses and civil motor vehicle violations.

Purpose of Fund: To provide state aid to the Superior Court, including the clerk of the Superior Court, and Justice Courts for the processing of criminal cases. Monies are distributed to each county based on a formula using Superior Court felony filings and county population.

Funds Expended	2,728,700	2,944,600
Year-End Fund Balance	221,500	261,100

Judiciary - Court of Appeals

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
PROGRAM BUDGET			
Division I	9,937,100	9,640,000	9,640,000
Division II	4,330,700	4,177,600	4,177,600
AGENCY TOTAL	**14,267,800**	**13,817,600**	**13,817,600**
OPERATING BUDGET			
Full Time Equivalent Positions	134.8	134.8	134.8
Personal Services	9,629,000	9,616,600	9,616,600
Employee Related Expenditures	2,957,600	3,130,000	3,130,000
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	842,000
Equipment	149,200	0	0
AGENCY TOTAL	**14,267,800** 1/	**13,817,600** 2/	**13,817,600**
FUND SOURCES			
General Fund	14,267,800	13,817,600	13,817,600
SUBTOTAL - Appropriated Funds	**14,267,800**	**13,817,600**	**13,817,600**
TOTAL - ALL SOURCES	14,267,800	13,817,600	13,817,600

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 Baseline includes $13,817,600 and 134.8 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts include $9,640,000 and 98.3 FTE Positions for Division I and $4,177,600 and 36.5 FTE Positions for Division II. These amounts are unchanged from FY 2013.

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FORMAT — Operating Lump Sum by Subprogram

FOOTNOTES

Standard Footnotes

Of the 134.8 FTE Positions for FY 2014, 98.3 FTE Positions are for Division I and 36.5 FTE Positions are for Division II.

1/ Includes a total of $424,700 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(110,800) GF for the premium holiday and an increase of $262,100 GF for the employee retention payment.

Judiciary - Superior Court

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
SPECIAL LINE ITEMS			
Full Time Equivalent Positions	136.5	136.5	136.5
Judges Compensation	7,954,900	7,390,200	7,390,200
Adult Standard Probation	13,508,400	13,526,700	13,526,700
Adult Intensive Probation	10,732,000	10,741,200	10,741,200
Community Punishment	1,452,000	2,310,100	2,310,100
Interstate Compact	623,100	641,800	641,800
Drug Court	1,013,600	1,013,600	1,013,600
Probation Surcharge	4,788,800	5,029,200	5,029,200
Juvenile Standard Probation	4,592,900	4,600,500	4,600,500
Juvenile Intensive Probation	8,905,500	9,166,500	9,166,500
Juvenile Treatment Services	22,357,900	22,314,900	22,314,900
Juvenile Family Counseling	659,900	660,400	660,400
Juvenile Diversion Consequences	9,024,900	9,024,900	9,024,900
Juvenile Crime Reduction	3,281,100	5,123,400	5,123,400
Special Water Master	20,000	20,000	20,000
AGENCY TOTAL	**88,915,000** 1/	**91,563,400** 2/	**91,563,400**
FUND SOURCES			
General Fund	79,393,100	79,100,700	79,100,700
Other Appropriated Funds			
Criminal Justice Enhancement Fund	4,245,800	6,933,500	6,933,500
Drug Treatment and Education Fund	487,300	500,000	500,000
Judicial Collection Enhancement Fund	4,788,800	5,029,200	5,029,200
SUBTOTAL - Other Appropriated Funds	9,521,900	12,462,700	12,462,700
SUBTOTAL - Appropriated Funds	**88,915,000**	**91,563,400**	**91,563,400**
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	98,660,700	98,660,700

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 Baseline includes $7,390,200 and 81 FTE Positions from the General Fund in FY 2014 for Judges Compensation. These amounts are unchanged from FY 2013.

This line item provides funding for the state's 50% share of the salary and Employee Related Expenditures 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 judges. Maricopa County is responsible for 100% of the salary and Employee Related Expenditures of Maricopa County Superior Court Judges.

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

1/ Includes a total of $358,300 GF and $17,100 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(101,700) GF for the premium holiday and an increase of $197,600 GF and $50,000 OF for the employee retention payment.

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 Baseline includes $13,526,700 and 9.6 FTE Positions from the General Fund in FY 2014 for Adult Standard Probation. These amounts are unchanged from FY 2013.

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 Baseline includes $10,741,200 and 7.8 FTE Positions from the General Fund in FY 2014 for Adult Intensive Probation. These amounts are unchanged from FY 2013.

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 Baseline 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.

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 Baseline includes $641,800 and 4.8 FTE Positions from the General Fund in FY 2014 for Interstate Compact. These amounts are unchanged from FY 2013.

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 Baseline includes $1,013,600 from the General Fund in FY 2014 for Drug Court programs. This amount is unchanged from FY 2013.

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 Baseline includes $5,029,200 and 0.8 FTE Positions from the Judicial Collection Enhancement Fund (JCEF) in FY 2014 for the Probation Surcharge. These amounts are unchanged from FY 2013.

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 Baseline includes $4,600,500 and 3.6 FTE Positions from the General Fund in FY 2014 for Juvenile Standard Probation. These amounts are unchanged from FY 2013.

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 Baseline includes $9,166,500 and 5.4 FTE Positions from the General Fund in FY 2014 for Juvenile Intensive Probation. These amounts are unchanged from FY 2013.

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 Baseline includes $22,314,900 and 15.6 FTE Positions from the General Fund in FY 2014 for Juvenile Treatment Services. These amounts are unchanged from FY 2013.

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 Baseline includes $660,400 from the General Fund in FY 2014 for Juvenile Family Counseling. This amount is unchanged from FY 2013.

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 Baseline includes $9,024,900 from the General Fund in FY 2014 for Juvenile Diversion Consequences. This amount is unchanged from FY 2013.

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 Baseline includes $5,123,400 and 7 FTE Positions from CJEF in FY 2014 for Juvenile Crime Reduction. These amounts are unchanged from FY 2013.

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.

Special Water Master

The Baseline includes $20,000 from the General Fund in FY 2014 for the Special Water Master line item. This amount is unchanged from FY 2013.

This line item provides funding for the Special Water Master assigned by the court in 1990 to the Little Colorado River water rights adjudication. The adjudication of water rights for the Little Colorado River was petitioned in 1978. 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.

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FORMAT — Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Of the 136.5 FTE Positions, 81 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.

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 pursuant to 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.

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.

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 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 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.

STATUTORY CHANGES

The Baseline would, as session law, continue the FY 2013 suspension of 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 FOR LEGISLATIVE CONSIDERATION

Fund Transfers

The Baseline 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Community Punishment Program Fines Fund (SPA2119/A.R.S. § 13-821)		**Non-Appropriated**
Source of Revenue: Discretionary fines imposed by the courts on drug offenders.		
Purpose of Fund: To provide drug treatment services to adult probationers through the Community Punishment Program.		
Funds Expended	62,900	30,800
Year-End Fund Balance	160,400	160,400
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		**Appropriated**
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 9.35% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.02% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.13% is used used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	4,245,800	6,933,500
Year-End Fund Balance	3,208,100	3,010,200
Drug and Gang Enforcement Account (SPA2074/A.R.S. § 41-2402)		**Non-Appropriated**
Source of Revenue: Federal grant monies passed through the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.		
Purpose of Fund: To fund programs that enhance the ability of the courts to process drug offenses and related cases.		
Funds Expended	2,099,300	1,608,200
Year-End Fund Balance	0	0

Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02) **Partially-Appropriated**

Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.

Purpose of Fund: To place persons in drug education and treatment programs. Such monies are allocated to Superior Court probation departments according to a formula based on probation caseloads.

Appropriated Funds Expended	487,300	500,000
Non-Appropriated Funds Expended	3,675,800	3,839,800
Year-End Fund Balance	2,311,100	2,253,800

Grants and Special Revenue (SPA2084/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.

Purpose of Fund: To expend grants as required by the contribution.

Funds Expended	1,495,200	1,618,500
Year-End Fund Balance	0	0

Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113) **Appropriated**

Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 17.07% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 14.02% to 15.58% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a $20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. *(See Supreme Court for information regarding non-Maricopa Counties.)*

Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services. Funds represented here reflect the shift from the Supreme Court budget to the Superior Court budget of monies for probation officer salaries and programs.

Funds Expended	4,788,800	5,029,200
Year-End Fund Balance	4,110,800	4,142,600

Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322) **Non-Appropriated**

Source of Revenue: Monies appropriated to Juvenile Probation Services - Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.

Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies.

Funds Expended	0	0
Year-End Fund Balance	11,889,100	6,643,200

State Aid to Detention Fund (SPA2141/A.R.S. § 41-2417) **Non-Appropriated**

Source of Revenue: General Fund monies appropriated by the Legislature.

Purpose of Fund: To provide state assistance to counties in maintaining, expanding, and operating juvenile detention centers. On behalf of the juvenile court, the Administrative Office of the Courts may use monies in the fund to enter into agreements with public agencies or private entities to acquire land for, build, purchase, lease-purchase, lease, maintain, expand, or operate juvenile detention centers. Expenditures from this fund are not displayed below to avoid double counting.

Funds Expended	0	0
Year-End Fund Balance	18,300	12,500

Department of Juvenile Corrections

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	1,001.7	738.5	738.5
Personal Services	27,273,600	26,210,000	26,210,000
Employee Related Expenditures	12,534,800	12,352,500	12,352,500
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	5,580,700
Equipment	642,900	752,000	752,000
AGENCY TOTAL	**49,080,000** 1/	**47,319,300** 2/	**47,319,300**
FUND SOURCES			
General Fund	45,986,400	43,428,400	43,428,400
Other Appropriated Funds			
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	2,261,700	2,261,700
SUBTOTAL - Other Appropriated Funds	3,093,600	3,890,900	3,890,900
SUBTOTAL - Appropriated Funds	**49,080,000**	**47,319,300**	**47,319,300**
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	48,770,000	48,770,000

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 Baseline includes $47,319,300 and 738.5 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$43,428,400
Criminal Justice Enhancement Fund (CJEF)	530,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600
State Education Fund for Committed Youth	2,261,700

These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

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.

1/ Includes a total of $1,267,200 GF and $106,100 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(515,200) GF for the premium holiday and an increase of $625,500 GF and $26,000 OF for the employee retention payment.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Population Counts

Table 1 lists the DJC population by facility:

Table 1

DJC Census

	FY 2012 Average Population	Population as of September 30, 2012
Housed Population		
Adobe Mountain	288	285
Black Canyon	88	69
Total Housed Population	**376**	**354**
Parole Population		
Parole	317	268
Interstate Compact (inside Arizona) 1/	143	143
Total Parole Population	**460**	**411**

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 107 Arizona parolees outside of Arizona in FY 2012 and 109 parolees on September 30, 2012.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Criminal Justice Enhancement Fund (DJA2281/A.R.S. § 41-2401)		**Appropriated**
Source of Revenue: Receives 1.61% of state Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% assessment added on to every fine, penalty and forfeiture collected by the courts for criminal offenses, and civil penalties imposed for traffic violations and motor vehicle violations.		
Purpose of Fund: For treatment and rehabilitation of youth who have committed drug-related offenses.		
Funds Expended	516,800	530,600
Year-End Fund Balance	251,500	409,800
DJC Career and Technical Education Fund (DJA2326/A.R.S. § 41-2828)		**Non-Appropriated**
Source of Revenue: Proceeds generated by any department educational, vocational, treatment, training, or work program, including the sale of unneeded equipment or supplies.		
Purpose of Fund: To pay expenses that are required for any educational, vocational, treatment, training or work program established by the department.		
Funds Expended	0	0
Year-End Fund Balance	0	0
DJC Restitution Fund (DJA2476/A.R.S. § 41-2826)		**Non-Appropriated**
Source of Revenue: Federal, state, and local appropriations distributed by the Director from the DJC Career Technical Education Fund, in addition to grants, gifts, and other donations from any public or private source.		
Purpose of Fund: For the payment of restitution and monetary assessments by youths who are ordered to make such payments but who are financially unable to pay. In a committed youth work program or a community work program, youth participate and receive payment through the Restitution Fund, a portion of which is distributed in the form of restitution payments to victims or the court.		
Funds Expended	0	0
Year-End Fund Balance	62,000	86,300

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Employee Recognition Fund (DJA2449/A.R.S. § 41-776)		**Non-Appropriated**
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	200	0
Year-End Fund Balance	400	400
Federal Funds (DJA2000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Federal Grants.		
Purpose of Fund: For the National School Breakfast and Lunch Program, Special Education, Job Training Partnership Act, substance abuse, and other federal programs.		
Funds Expended	1,384,500	1,239,100
Year-End Fund Balance	859,600	1,513,800
IGA and ISA Fund (DJA2500/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To provide training to DJC staff in behavioral therapy, motivational interviewing, and child and family teams, and some supplemental funding for attainment of juvenile treatment goals.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (DJA9000/A.R.S. § 41-1604)		**Non-Appropriated**
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	0	0
Year-End Fund Balance	164,300	202,900
Instructional Improvement Fund (DJA2492/A.R.S. § 15-979)		**Non-Appropriated**
Source of Revenue: Shared revenue from Indian gaming received through the Arizona Department of Education (ADE). The ADE Instructional Improvement Fund receives 56% of total shared revenue, as authorized by Proposition 202 from the 2002 General Election. *(See ADE section for more information.)*		
Purpose of Fund: To fund teacher compensation increases, class size reduction, dropout prevention, and instructional improvement.		
Funds Expended	0	0
Year-End Fund Balance	7,400	7,400
Juvenile Corrections Fund (DJA3024/A.R.S. § 41-2810)		**Non-Appropriated**
Source of Revenue: Donations by individuals and businesses, proceeds from vending machines, and fund-raising efforts.		
Purpose of Fund: For additional supplies and department conferences, for purposes agreed upon by donors and the agency Director, or for special student activities.		
Funds Expended	44,400	44,800
Year-End Fund Balance	114,900	114,900
State Charitable, Penal and Reformatory Institutions Land Fund (DJA3029/A.R.S. § 37-525)		**Appropriated**
Source of Revenue: Earnings on state lands and interest on the investment of the Permanent Land Fund.		
Purpose of Fund: To help defray costs of operating juvenile correctional facilities.		
Funds Expended	1,113,500	1,098,600
Year-End Fund Balance	585,900	360,900

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)		**Appropriated**
Source of Revenue: The state's statutory K-12 Basic State Aid formula provides funding based on the DJC population.		
Purpose of Fund: To help provide for the education of committed youth.		
Funds Expended	1,463,300	2,261,700
Year-End Fund Balance	848,300	267,700
State Education System for Committed Youth Classroom Site Fund (DJA2487/A.R.S. § 15-1373)		**Non-Appropriated**
Source of Revenue: Classroom Site Fund monies received from the Arizona Department of Education, pursuant to A.R.S. § 15-977. The Classroom Site Fund received monies from a 0.6% sales tax approved by the voters in the November 2000 General Election (Proposition 301).		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases and employment related expenses (20%); and class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	174,800	166,800
Year-End Fund Balance	189,200	138,400
Statewide Donations Fund (DJA2025/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: Employee recognition programs or for the specified purpose for which they were donated.		
Funds Expended	6,700	0
Year-End Fund Balance	11,900	11,900
Training Institute Fund (DJA2001/A.R.S. § 41-2824)		**Non-Appropriated**
Source of Revenue: Monies received from grants, gifts, donations, services or other financial assistance.		
Purpose of Fund: To train tribal personnel who have limited access to training within their jurisdictions.		
Funds Expended	0	0
Year-End Fund Balance	0	0

State Land Department

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	152.9	125.7	125.7
Personal Services	6,199,600	6,645,300	6,645,300
Employee Related Expenditures	2,485,800	2,685,000	2,685,000
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	3,106,200
Equipment	100,500	90,500	90,500
OPERATING SUBTOTAL	**11,679,900**	**14,604,000**	**14,604,000**
SPECIAL LINE ITEMS			
CAP User Fees	481,100	481,200	513,300
Due Diligence Fund	0	500,000	500,000
Natural Resource Conservation Districts	563,000	650,000	650,000
AGENCY TOTAL	**12,724,000** 1/	**16,235,200** 2/	**16,267,300**
FUND SOURCES			
General Fund	1,235,500	1,258,600	12,038,100
Other Appropriated Funds			
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	10,747,400	0
Trust Land Management Fund	1,429,000	3,469,200	3,469,200
SUBTOTAL - Other Appropriated Funds	11,488,500	14,976,600	4,229,200
SUBTOTAL - Appropriated Funds	**12,724,000**	**16,235,200**	**16,267,300**
Other Non-Appropriated Funds	809,300	859,400	859,400
Federal Funds	796,400	44,100	44,100
TOTAL - ALL SOURCES	14,329,700	17,138,700	17,170,800

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 Baseline includes $14,604,000 and 125.7 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$11,134,800
Trust Land Management Fund	3,469,200

FY 2014 adjustments would be as follows:

Fund Shift **OF** **10,747,400**

The Baseline 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 Supreme Court ruling. *(See Other Issues for Legislative Consideration for more information.)*

1/ Includes a total of $11,100 GF and $322,500 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(2,500) GF for the premium holiday and an increase of $7,600 GF and $239,200 OF for the employee retention payment.

CAP User Fees

The Baseline includes $513,300 from the General Fund in FY 2014 for Central Arizona Project (CAP) User Fees. FY 2014 adjustments would be as follows:

CAP Rate Increase **GF** **32,100**
The Baseline 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 used on 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 Baseline 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 Baseline includes $650,000 in FY 2014 for Natural Resource Conservation Districts (NRCDs). 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, scholarships, and staff at the state's 32 NRCDs. 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 NRCD 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 NRCDs be used to provide grants to NRCD environmental education centers. There are currently 23 education centers sponsored or co-sponsored by 30 NRCDs. The $30,000 is divided among the 23 education centers, meaning each center receives $1,304. 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes
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.

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.

Deletion of Prior Year Footnotes
The Baseline would delete the footnote regarding the conditional use of Trust Land Management Fund proceeds for agency operations, since that use has been ruled unconstitutional by the State Supreme Court.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 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. Only $7,630,400 remains in the fund, so an additional $16,394,000 would be needed to repay all the proceeds that were diverted to the fund.

The Arizona Court of Appeals granted the 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 Fund for operating expenses in FY 2012 as a short-term substitute while the Superior Court ruling was appealed. (The remaining $3,469,200 Trust Land Management Fund appropriation 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 Baseline shifts funding for agency operations from the Risk Management Fund back to the General Fund. The Baseline does not yet address the $16,394,000 repayment of the earlier Trust Land Management deposits, as ordered by the Superior Court. The Risk Management Revolving Fund is a possible source for funding this repayment, as a one time issue.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)		**Non-Appropriated**
Source of Revenue: Reimbursements to the state for back water payments when cities assume their allocation of Central Arizona Project (CAP) water, legislative appropriations.		
Purpose of Fund: To make CAP water fee payments for urban state trust land. Monies remaining in the fund revert to the General Fund after the CAP subcontract obligations are met.		
Funds Expended	0	0
Year-End Fund Balance	4,800	4,800
Due Diligence Fund (LDA2526/A.R.S. § 37-110)		**Appropriated**
Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies.		
Purpose of Fund: To prepare land for sales, leases, rights-of-ways, or other use-permits.		
Funds Expended	0	500,000
Year-End Fund Balance	30,300	30,300
Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015)		**Appropriated**
Source of Revenue: $17 of the $25 fee for environmental license plates.		
Purpose of Fund: To provide grants for environmental education projects. Funds Natural Resource Conservation Districts (NRCDs) and the education centers they sponsor. An amount of $5,000 is distributed to each NRCD that sponsors an education center. Additionally, funds are distributed to NRCDs and education centers based on appropriation.		
Funds Expended	173,000	260,000
Year-End Fund Balance	98,000	100
Federal Grants - American Recovery and Reinvestment Act (ARRA) (LDA 2999/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for renewable energy and mapping projects.		
Funds Expended	796,400	44,100
Year-End Fund Balance	0	0
Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)		**Non-Appropriated**
Source of Revenue: Reimbursements from lessees and interest.		
Purpose of Fund: To make payments for federal reclamation project assessments when state land lessees are delinquent.		
Funds Expended	15,300	15,000
Year-End Fund Balance	44,600	29,600

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)		**Non-Appropriated**
Source of Revenue: Collections from other state agencies for services and products provided by the State Land Department.		
Purpose of Fund: To pay for joint projects based upon interagency agreements with other state agencies.		
Funds Expended	34,500	62,000
Year-End Fund Balance	174,800	124,800
Military Airport Land Exchange Fund (No Fund Number/A.R.S. § 37-1224)		**Non-Appropriated**
Source of Revenue: Legislative appropriations and land exchange proposal-processing fees.		
Purpose of Fund: To fund the expenses of the military airport land exchange section for the purpose of facilitating exchanges of federal land for private land near military airports.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)		**Non-Appropriated**
Source of Revenue: The Land Department receives 5% of the total Off-Highway Vehicle Fund revenue, which consists of fees for off-highway vehicle decals issued by the Department of Transportation and 0.55% of the motor fuel tax revenue.		
Purpose of Fund: To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.		
Funds Expended	280,400	280,000
Year-End Fund Balance	292,900	212,900
Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)		**Non-Appropriated**
Source of Revenue: Receipts from the provision of Geographic Information Systems (GIS) products and services.		
Purpose of Fund: To offset the costs of GIS supplies and support.		
Funds Expended	56,900	77,400
Year-End Fund Balance	247,800	205,400
Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)		**Non-Appropriated**
Source of Revenue: Receipts from the sale or use of state streambed lands and resources, damages collected due to a federal violation of public trust by the conveyance of state streambeds, and designated donations.		
Purpose of Fund: To fund the acquisition of wetland areas in the state.		
Funds Expended	0	0
Year-End Fund Balance	6,600	6,600
Risk Management Revolving Fund (ADA4216/Laws 2011, Chapter 36)		**Appropriated**
Source of Revenue: The fund receives monies from charges assessed on agencies insured under the state's risk management system. The Land Department's portion of the fund was appropriated by the Legislature due to the termination of a Court of Appeals stay on June 30, 2011. When this stay against an earlier judgment lapsed, the department lost $9,888,400 of its funding from the Trust Land Management Fund.		
Purpose of Fund: To fund operating activities.		
Funds Expended	9,886,500	10,747,400
Year-End Fund Balance	1,900	1,900
State Land Department Fund (LDA2451/A.R.S. § 37-107)		**Non-Appropriated**
Source of Revenue: Reimbursements from successful bidders on state trust lands for expenses incurred to advertise land sales and for zoning application fees.		
Purpose of Fund: To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
Funds Expended	422,200	425,000
Year-End Fund Balance	196,700	156,700

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Trust Land Management Fund (LDA3146/A.R.S. § 37-527) **Appropriated**

Source of Revenue: Up to 10% of the proceeds from sale of State Trust land and natural resources. The total balance of the fund is capped at two times the trust land management budget for the following fiscal year. Since FY 2011, part of the revenues has been derived from fees charged by the department. In October 2010, the Superior Court of Arizona ruled in *Rumery v. Martin* that any diversion of proceeds from the Permanent Funds of State Trust beneficiaries is unconstitutional. In January 2013, the Arizona Supreme Court upheld the Superior Court decision. The fee revenue portion of the fund is not affected by the court decision. *(See Other Issues for Legislative Consideration for more information.)*

Purpose of Fund: To fund the management of the 9.3 million acres of State Trust land throughout the state.

Funds Expended	1,429,000	3,469,200
Year-End Fund Balance	11,482,000	12,362,800

Universities Timber Land Account Fund (LDA3134/A.R.S. § 37-482) **Non-Appropriated**

Source of Revenue: Proceeds from sales of timber or timber products on state trust land where the University Land Fund is the beneficiary.

Purpose of Fund: To fund expenses incurred by the State Land Department for the conservation, sale, and administration of timber and timber products located on state lands where the University Land Fund is the beneficiary.

Funds Expended	0	0
Year-End Fund Balance	98,700	98,700

Law Enforcement Merit System Council

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	1.0	1.0	1.0
Personal Services	35,700	43,400	43,400
Employee Related Expenditures	20,500	21,500	21,500
Professional and Outside Services	100	0	0
Travel - In State	500	1,900	1,900
Other Operating Expenditures	8,200	3,300	3,300
Equipment	1,700	400	400
AGENCY TOTAL	**66,700** 1/	**70,500** 2/	**70,500**
FUND SOURCES			
General Fund	66,700	70,500	70,500
SUBTOTAL - Appropriated Funds	**66,700**	**70,500**	**70,500**
TOTAL - ALL SOURCES	66,700	70,500	70,500

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 Baseline includes $70,500 and 1 FTE Position from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

1/ Includes a total of $2,200 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(1,100) GF for the premium holiday.

Legislature - Auditor General

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	199.4	184.8	184.8
Personal Services	10,462,400	10,689,400	10,689,400
Employee Related Expenditures	3,788,900	4,156,800	4,156,800
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	1,032,200
Equipment	567,300	567,300	567,300
AGENCY TOTAL	**16,672,000** 1/	**17,240,100** 2/	**17,240,100**
FUND SOURCES			
General Fund	16,672,000	17,240,100	17,240,100
SUBTOTAL - Appropriated Funds	**16,672,000**	**17,240,100**	**17,240,100**
Other Non-Appropriated Funds	2,380,100	1,867,800	1,867,800
TOTAL - ALL SOURCES	19,052,100	19,107,900	19,107,900

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 Baseline includes $17,240,100 and 184.8 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Audit Services Revolving Fund (AUA2242/A.R.S. § 41-1279.06)		**Non-Appropriated**
Source of Revenue: Charges to state budget units, counties, community college districts or school districts for audits or accounting services performed by, or under the supervision of, the Auditor General. A majority of the amounts collected are for federal compliance audits required by the Single Audit Act, as such audited entities are reimbursed by the federal government.		
Purpose of Fund: To conduct audits required under federal law, special audits, or provide accounting services requested by state budget units, counties, community college districts or school districts. Monies in this fund may also be used to pay certified public accountants to conduct audits or provide accounting services.		
Funds Expended	2,380,100	1,867,800
Year-End Fund Balance	2,013,100	2,045,300

1/ Includes a total of $443,300 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(161,000) GF for the premium holiday and an increase of $482,500 GF for the employee retention payment.

Legislature - House of Representatives

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	12,283,600	13,067,100	13,067,100
AGENCY TOTAL	**12,283,600** 1/	**13,067,100** 2/	**13,067,100**
FUND SOURCES			
General Fund	12,283,600	13,067,100	13,067,100
SUBTOTAL - Appropriated Funds	**12,283,600**	**13,067,100**	**13,067,100**
TOTAL - ALL SOURCES	12,283,600	13,067,100	13,067,100

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 Baseline includes $13,067,100 from the General Fund in FY 2014 for the operating budget. This amount is unchanged from FY 2013.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes
This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Included in the Lump Sum appropriation of $13,067,100 for FY 2014 is $1,000 for the purchase of mementos and items for visiting officials.

1/ Includes a total of $343,100 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(170,500) GF for the premium holiday and an increase of $228,600 GF for the employee retention payment.

Legislature - Joint Legislative Budget Committee

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	29.0	29.0	29.0
Personal Services	1,373,700	1,600,200	1,600,200
Employee Related Expenditures	485,700	593,400	593,400
Professional and Outside Services	80,300	125,000	125,000
Travel - In State	300	500	500
Other Operating Expenditures	28,800	97,700	97,700
Equipment	0	2,000	2,000
AGENCY TOTAL	**1,968,800** 1/	**2,418,800** 2/	**2,418,800**
FUND SOURCES			
General Fund	1,968,800	2,418,800	2,418,800
SUBTOTAL - Appropriated Funds	**1,968,800**	**2,418,800**	**2,418,800**
TOTAL - ALL SOURCES	1,968,800	2,418,800	2,418,800

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 Baseline includes $2,418,800 and 29 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

1/ Includes a total of $75,600 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(16,700) GF for the premium holiday and an increase of $53,800 GF for the employee retention payment.

Legislature - Legislative Council

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	42.8	42.8	47.0
Personal Services	2,382,300	2,470,000	2,470,000
Employee Related Expenditures	851,800	902,000	902,000
Professional and Outside Services	19,800	61,000	61,000
Travel - In State	200	700	700
Other Operating Expenditures	533,400	520,000	520,000
Equipment	374,600	3,400,000	3,400,000
OPERATING SUBTOTAL	**4,162,100**	**7,353,700**	**7,353,700**
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	614,600	531,000	531,000
AGENCY TOTAL	**4,776,700** 1/	**7,884,700** 2/	**7,884,700**
FUND SOURCES			
General Fund	4,776,700	7,884,700	7,884,700
SUBTOTAL - Appropriated Funds	**4,776,700**	**7,884,700**	**7,884,700**
TOTAL - ALL SOURCES	4,776,700	7,884,700	7,884,700

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 Baseline includes $7,353,700 and 40 FTE Positions from the General Fund in FY 2014 for the operating budget. FY 2014 adjustments would be as follows:

Workload Adjustments

The Baseline includes an increase of 4.2 FTE Positions from the General Fund in FY 2014 to match the expected staffing level, which would be funded with current resources.

Ombudsman-Citizens Aide Office

The Baseline includes $531,000 and 7 FTE Positions from the General Fund in FY 2014 for the Ombudsman-Citizens Aide Office. These amounts are unchanged from FY 2013.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Dues for the Council of State Governments shall be expended only on an affirmative vote of the Legislative Council.

1/ Includes a total of $122,400 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(35,800) GF for the premium holiday and an increase of $117,100 GF for the employee retention payment.

Legislature - Senate

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	8,457,800	8,036,300	8,036,300
AGENCY TOTAL	**8,457,800** 1/	**8,036,300** 2/	**8,036,300**
FUND SOURCES			
General Fund	8,457,800	8,036,300	8,036,300
SUBTOTAL - Appropriated Funds	**8,457,800**	**8,036,300**	**8,036,300**
TOTAL - ALL SOURCES	8,457,800	8,036,300	8,036,300

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 Baseline includes $8,036,300 from the General Fund in FY 2014 for the operating budget. This amount is unchanged from FY 2013.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes
This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Included in the Lump Sum appropriation of $8,036,300 for FY 2014 is $1,000 for the purchase of mementos and items for visiting officials.

1/ Includes a total of $226,900 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(104,500) GF for the premium holiday and an increase of $168,500 GF for the employee retention payment.

Department of Liquor Licenses and Control

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	45.2	45.2	45.2
Personal Services	1,515,700	1,454,600	1,454,600
Employee Related Expenditures	691,700	714,400	714,400
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	527,300
Equipment	72,500	0	0
AGENCY TOTAL	**2,879,600** 1/	**2,850,400** 2/	**2,850,400**
FUND SOURCES			
Other Appropriated Funds			
Liquor Licenses Fund	2,879,600	2,850,400	2,850,400
SUBTOTAL - Other Appropriated Funds	2,879,600	2,850,400	2,850,400
SUBTOTAL - Appropriated Funds	**2,879,600**	**2,850,400**	**2,850,400**
Other Non-Appropriated Funds	915,100	919,600	919,600
Federal Funds	113,500	0	0
TOTAL - ALL SOURCES	3,908,200	3,770,000	3,770,000

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

Operating Budget

The Baseline includes $2,850,400 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)		**Non-Appropriated**
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	29,300	0
Year-End Fund Balance	0	0
Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)		**Non-Appropriated**
Source of Revenue: A $30 surcharge on liquor licenses for bars, retail stores, and restaurants.		
Purpose of Fund: To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
Funds Expended	183,100	181,500
Year-End Fund Balance	44,100	27,800

1/ Includes a total of $75,000 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $60,900 OF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209) **Non-Appropriated**

Source of Revenue: A $20 surcharge on hotel and restaurant liquor licenses and $35 on all other licenses.

Purpose of Fund: For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.

Funds Expended	303,800	335,200
Year-End Fund Balance	155,200	145,000

Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209) **Non-Appropriated**

Source of Revenue: A $35 surcharge on liquor license renewals.

Purpose of Fund: To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.

Funds Expended	398,900	402,900
Year-End Fund Balance	157,500	149,600

Federal Grants (LLA2000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Federal revenues received through the Governor's Office of Highway Safety.

Purpose of Fund: To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles.

Funds Expended	113,500	0
Year-End Fund Balance	0	0

Liquor Licenses Fund (LLA1996/A.R.S. § 4-120) **Appropriated**

Source of Revenue: A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature.

Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control. Any balance over $700,000 shall revert to the General Fund at the end of each year.

Funds Expended	2,879,600	2,850,400
Year-End Fund Balance	16,500	0

Arizona State Lottery Commission

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	104.0	97.8	97.8
Personal Services	4,242,700	4,617,300	4,617,300
Employee Related Expenditures	1,896,200	1,732,500	1,732,500
Professional and Outside Services	314,500	384,300	384,300
Travel - In State	219,700	269,800	269,800
Travel - Out of State	1,800	16,700	16,700
Other Operating Expenditures	810,800	1,156,600	1,156,600
Equipment	218,900	0	0
OPERATING SUBTOTAL	**7,704,600**	**8,177,200**	**8,177,200**
SPECIAL LINE ITEMS			
Advertising	14,354,400	15,500,000	15,500,000
Charitable Commissions	654,000	686,700	721,100
Instant Tickets	9,248,100	16,055,700	16,858,500
On-Line Vendor Fees	8,644,300	9,055,700	9,508,400
Retailer Commissions	43,708,100	46,049,500	48,352,000
AGENCY TOTAL	**84,313,500** 1/	**95,524,800** 2/	**99,117,200**
FUND SOURCES			
Other Appropriated Funds			
State Lottery Fund	84,313,500	95,524,800	99,117,200
SUBTOTAL - Other Appropriated Funds	84,313,500	95,524,800	99,117,200
SUBTOTAL - Appropriated Funds	**84,313,500**	**95,524,800**	**99,117,200**
Other Non-Appropriated Funds	400,641,900	423,334,100	450,653,200
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. Arizona-specific games include instant tickets, the Pick, Pick 3, and Pick 5 on-line games. Arizona also participates in multi-state Powerball and Mega-Millions on-line games.

Operating Budget

The Baseline includes $8,177,200 and 97.8 FTE Positions from the State Lottery Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

Advertising

The Baseline 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 Baseline includes $721,100 from the State Lottery Fund in FY 2014 for Charitable Commissions. FY 2014 adjustments would be as follows:

		FY 2014
Tab Ticket Increase	**OF**	**$34,400**

The Baseline 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

1/ Includes a total of $228,800 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $146,500 OF for the employee retention payment.

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 for their operating budget and the department will distribute the remainder as prizes.

Instant Tickets

The Baseline includes $16,858,500 from the State Lottery Fund in FY 2014 for Instant Tickets. FY 2014 adjustments would be as follows:

Instant Ticket Sales Increase OF 802,800
The Baseline 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 Baseline includes $9,508,400 from the State Lottery Fund in FY 2014 for On-Line Vendor Fees. FY 2014 adjustments would be as follows:

On-Line Vendor Fees Increase OF 452,700
The Baseline 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 Baseline includes $48,352,000 from the State Lottery Fund in FY 2014 for Retailer Commissions. FY 2014 adjustments would be as follows:

Retailer Commissions Increase OF 2,302,500
The Baseline 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. The actual appropriation is equal to 6.5% of total non-Tab Ticket 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes
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.

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.

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.

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 of 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Lottery Forecast
The JLBC Staff forecasts 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 JLBC Staff forecasts 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 projected 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 expected to equal $11,531,500 in FY 2013 and $15,689,700 in FY 2014.

Additional Staff

The Legislature may want to consider the Lottery Commission's FY 2014 request for additional staff to enhance sales. The Legislature could either appropriate this additional funding ($284,800 and 4 FTE Positions from the State Lottery Fund) or require the State Lottery Commission to reallocate resources within its existing funding base. Of the total request, $71,400 would be one-time costs for equipping new staff.

Sales Representatives

Of the Lottery request, $233,300 and 3 FTE Positions would fund an additional 3 Sales Representatives. Of this amount, $69,900 would be one-time costs for vehicles and field equipment used in the positions. These representatives would assist Lottery in maintaining service levels for training and resupplying vendors as Lottery sales increase. From FY 2006 to FY 2012, the amount of vendor accounts served per representative grew 15% (from 144 to 166 accounts per representative) and currently exceeds the average of all other lotteries in the nation by 46% (166 compared to the national average of 114 accounts).

Product Development Assistant

Another $51,500 and 1 FTE Position would fund a new Product Development Assistant. Of this amount, $1,500 would be one-time costs for office equipment. This FTE Position would assist the Lottery in maintaining service levels in developing new instant ticket games. From FY 2006 to FY 2012, the amount of instant ticket games the Lottery introduced per year grew 42% (from 45 to 65 games per year) and currently exceeds the average of all other lotteries in the nation by 23% (64 compared to the national average of 52 games). The position would also relieve staff from other agency departments from needing to assist in product development on an ad-hoc basis.

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
Less:			
Operating Budget [1/]	$ 84.3	$ 95.5	$ 99.1
Fund Transfers [2/]	1.9	0.0	0.0
Gaming Distribution	0.3	0.3	0.3
Prizes [3/]	400.6	423.3	450.7
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 Baseline 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 estimated 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 the before General Fund – Part 1 to after General Fund – Part 2, beginning in FY 2013.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

State Lottery Fund (LOA2122/A.R.S. § 5-571) **Partially-Appropriated**

Source of Revenue: Sales of lottery tickets, retailer license fees, and interest earnings.

Purpose of Fund: A portion of the fund is appropriated to pay for all costs of the Arizona State Lottery Commission. After all expenses are paid including the prize monies displayed below in the Non-Appropriated Funds Expended line, Lottery profits are distributed to a number of different functions.

Appropriated Funds Expended	84,313,500	95,524,800
Non-Appropriated Funds Expended	400,641,900	423,334,100
Year-End Fund Balance	3,612,300	3,043,000

Arizona Medical Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	58.5	58.5	58.5
Personal Services	2,346,500	2,752,600	2,752,600
Employee Related Expenditures	842,000	1,031,100	1,031,100
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	925,100
Equipment	167,600	64,200	64,200
AGENCY TOTAL	**5,261,700** 1/	**5,809,400** 2/	**5,809,400**
FUND SOURCES			
Other Appropriated Funds			
Arizona Medical Board Fund	5,261,700	5,809,400	5,809,400
SUBTOTAL - Other Appropriated Funds	5,261,700	5,809,400	5,809,400
SUBTOTAL - Appropriated Funds	**5,261,700**	**5,809,400**	**5,809,400**
TOTAL - ALL SOURCES	5,261,700	5,809,400	5,809,400

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

Operating Budget

The Baseline includes $5,809,400 and 58.5 FTE Positions from the Arizona Medical Board Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Arizona Medical Board Fund (MEA2038/A.R.S. § 32-1406)		**Appropriated**
Source of Revenue: Monies collected by the Arizona Medical Board from the examination and licensing of physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate physicians, and for board administration costs.		
Funds Expended	5,261,700	5,809,400
Year-End Fund Balance	4,509,700	5,150,800

1/ Includes a total of $136,400 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $98,100 OF for the employee retention payment.

Board of Medical Student Loans

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
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 Baseline includes no funding in FY 2014 for Medical Student Financial Assistance. This amount consists of:

	FY 2014
General Fund	$0
Medical Student Loan Fund	0

These amounts are 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Medical Student Loan Fund (MSA3306/A.R.S. § 15-1725)		**Appropriated**

Source of Revenue: Monies from legislative appropriations, and loan repayments of principal, interest, and penalties received by the board. These monies are exempt from lapsing. The FY 2013 Higher Education Budget Reconciliation Bill (Laws 2012, Chapter 301) transferred the administration of the fund to the Department of Health Services. All monies in the fund are to be used for the Primary Care Provider Loan Repayment Program. There are no new legislative appropriations into this fund.

Purpose of Fund: To provide loans to defray the medical education expenses of Arizona resident students attending medical school, in return for a service commitment to the state. Also provides support for existing Medical Student Scholarship recipients.

Funds Expended	20,200	0
Year-End Fund Balance	35,800	0

State Mine Inspector

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	14.0	14.0	14.0
Personal Services	468,100	492,000	492,000
Employee Related Expenditures	211,100	215,700	215,700
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	185,000
Equipment	17,800	12,000	12,000
OPERATING SUBTOTAL	**1,006,900**	**994,600**	**994,600**
SPECIAL LINE ITEMS			
Abandoned Mines	182,200	189,000	189,000
Aggregate Mined Land Reclamation	13,300	112,500	112,500
AGENCY TOTAL	**1,202,400** 1/	**1,296,100** 2/	**1,296,100**
FUND SOURCES			
General Fund	1,189,100	1,183,600	1,183,600
Other Appropriated Funds			
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**	**1,296,100**	**1,296,100**
Other Non-Appropriated Funds	8,500	81,500	81,500
Federal Funds	392,400	335,900	335,900
TOTAL - ALL SOURCES	1,603,300	1,713,500	1,713,500

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 Baseline includes $994,600 and 14 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

Abandoned Mines

The Baseline includes $189,000 from the General Fund in FY 2014 for Abandoned Mines. This amount is unchanged from FY 2013.

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 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 Baseline 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,

1/ Includes a total of $24,500 GF and $100 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(10,500) GF for the premium holiday and an increase of $24,100 GF for the employee retention payment.

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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes
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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Abandoned Mines Safety Fund (MIA2408/A.R.S. § 27-131)		**Non-Appropriated**
Source of Revenue: Gifts, grants and contributions. The Legislature may appropriate matching monies.		
Purpose of Fund: To locate, inventory, classify and eliminate public safety hazards at abandoned mines.		
Funds Expended	8,500	81,500
Year-End Fund Balance	165,500	84,000
Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)		**Appropriated**
Source of Revenue: Fees collected from exploration and aggregate mining operations.		
Purpose of Fund: To review aggregate mined land reclamation plans and to enforce compliance with the plans.		
Funds Expended	13,300	112,500
Year-End Fund Balance	144,800	70,300
Federal Education and Training Fund (MIA2400/A.R.S. § 27-123)		**Non-Appropriated**
Source of Revenue: Fees for education and training of mine employees required under federal regulation.		
Purpose of Fund: To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training.		
Funds Expended	31,900	54,100
Year-End Fund Balance	105,400	147,600
Federal Grants (MIA2000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Federal grants from the U.S. Department of Labor, Mine Safety and Health Administration and the Department of Interior, Bureau of Land Management (BLM).		
Purpose of Fund: To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training. The state provides a 20% in-kind match. The BLM grant is for an inventory of abandoned mines on BLM lands.		
Funds Expended	360,500	281,800
Year-End Fund Balance	0	5,400
IGA and ISA Fund (MIA2500/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Monies received through agreements with other state agencies.		
Purpose of Fund: To aid state agencies in securing abandoned mines on their properties.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Naturopathic Physicians Medical Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	7.0	7.0	7.0
Personal Services	361,600	355,300	355,300
Employee Related Expenditures	118,800	106,000	106,000
Professional and Outside Services	62,200	57,300	57,300
Travel - In State	1,300	1,500	1,500
Other Operating Expenditures	65,500	63,400	63,400
Equipment	2,400	4,000	4,000
AGENCY TOTAL	**611,800** 1/	**587,500** 2/	**587,500**
FUND SOURCES			
Other Appropriated Funds			
Naturopathic Physicians Medical Board Fund	611,800	587,500	587,500
SUBTOTAL - Other Appropriated Funds	611,800	587,500	587,500
SUBTOTAL - Appropriated Funds	**611,800**	**587,500**	**587,500**
TOTAL - ALL SOURCES	611,800	587,500	587,500

AGENCY DESCRIPTION — The board licenses and regulates naturopathic physicians, naturopathic medical assistants, and massage therapists. 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 Baseline includes $587,500 and 7 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Naturopathic Physicians Medical Board Fund (NBA2042/A.R.S. § 32-1505)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of naturopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate naturopathic physicians, massage therapists, and for board administration.		
Funds Expended	611,800	587,500
Year-End Fund Balance	710,000	922,000

1/ Includes a total of $15,900 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $11,800 OF for the employee retention payment.

Arizona Navigable Stream Adjudication Commission

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	2.0	2.0	2.0
Personal Services	55,300	55,300	55,300
Employee Related Expenditures	26,200	26,200	26,200
Professional and Outside Services	10,600	5,400	5,400
Other Operating Expenditures	108,800	39,300	39,300
AGENCY TOTAL	**200,900** 1/	**126,200** 2/	**126,200**
FUND SOURCES			
General Fund	120,900	126,200	126,200
Other Appropriated Funds			
Risk Management Revolving Fund	80,000	0	0
SUBTOTAL - Other Appropriated Funds	80,000	0	0
SUBTOTAL - Appropriated Funds	**200,900**	**126,200**	**126,200**
TOTAL - ALL SOURCES	200,900	126,200	126,200

AGENCY DESCRIPTION — The Arizona Navigable Stream Adjudication Commission 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 Baseline includes $126,200 and 2 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Litigation

As noted in the Agency Description, 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, the Arizona Navigable Stream Adjudication Commission 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.

1/ Includes a total of $2,200 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(1,100) GF for the premium holiday and an increase of $2,700 GF for the employee retention payment.

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. The commission will make a determination based on prior evidence as well as new evidence put forth by the interested parties.

Since FY 2011, the budget has allowed the commission to utilize up to $80,000 from the Risk Management Fund for unpaid legal expenses. This provision was included for FY 2013 in the Environment Budget Reconciliation Bill (Laws 2012, Chapter 303). In FY 2011 and FY 2012, the commission expended the entire appropriation. The commission is planning on expending the Risk Management funding in FY 2013.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622)		**Appropriated**
Source of Revenue: Actuarial charges assessed to all state agencies, boards, and commissions insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal expenses associated with appeals filed against the commission.		
Funds Expended	80,000	0
Year-End Fund Balance	0	0

State Board of Nursing

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	40.2	40.2	40.2
Personal Services	2,189,500	1,995,000	1,995,000
Employee Related Expenditures	896,800	835,200	835,200
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	608,300
Equipment	42,400	55,000	55,000
AGENCY TOTAL	**4,137,000** 1/	**4,056,000** 2/	**4,056,000**
FUND SOURCES			
Other Appropriated Funds			
Board of Nursing Fund	4,137,000	4,056,000	4,056,000
SUBTOTAL - Other Appropriated Funds	4,137,000	4,056,000	4,056,000
SUBTOTAL - Appropriated Funds	**4,137,000**	**4,056,000**	**4,056,000**
Other Non-Appropriated Funds	84,500	93,200	93,200
Federal Funds	606,200	414,600	414,600
TOTAL - ALL SOURCES	4,827,700	4,563,800	4,563,800

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

Operating Budget

The Baseline includes $4,056,000 and 40.2 FTE Positions from the Board of Nursing Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Board of Nursing Fund (BNA2044/A.R.S. § 32-1611)		**Appropriated**

Source of Revenue: Monies collected by the board from the examination and licensing of nurses. The board retains 90% of these monies and deposits 10% in the General Fund.

Purpose of Fund: To examine, license, investigate, and regulate nurses, and for board administration. Monies from the fund are also used to pay for the administrative and testing costs of the Nursing Aide Registration program. The program is mandated by the federal government and is funded through the Nursing Aide Training and Registration Fund, a non-appropriated subaccount of the Board of Nursing Fund.

Funds Expended	4,137,000	4,056,000
Year-End Fund Balance	1,509,600	1,756,000

1/ Includes a total of $98,900 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $72,900 OF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.		
Purpose of Fund: To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.		
Funds Expended	606,200	414,600
Year-End Fund Balance	0	0
Statewide Donations Fund (BNA2025/A.R.S. § 32-1606.A.11)		**Non-Appropriated**
Source of Revenue: Donations, gifts and private grants. Monies do not revert to the General Fund at the end of the fiscal year.		
Purpose of Fund: To assist in carrying out the purposes of the agency.		
Funds Expended	84,500	93,200
Year-End Fund Balance	94,000	101,300

Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	5.0	6.0	6.0
Personal Services	185,400	225,400	225,400
Employee Related Expenditures	74,300	90,000	90,000
Professional and Outside Services	31,700	39,100	39,100
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	52,600
Equipment	4,600	8,600	8,600
AGENCY TOTAL	**337,100** 1/	**426,700** 2/	**426,700**
FUND SOURCES			
Other Appropriated Funds			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	337,100	426,700	426,700
SUBTOTAL - Other Appropriated Funds	337,100	426,700	426,700
SUBTOTAL - Appropriated Funds	**337,100**	**426,700**	**426,700**
TOTAL - ALL SOURCES	337,100	426,700	426,700

AGENCY DESCRIPTION — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes.

Operating Budget

The Baseline includes $426,700 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 are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund (NCA2043/A.R.S. § 36-446.08)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of nursing home administrators and assisted living facility managers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.		
Funds Expended	337,100	426,700
Year-End Fund Balance	114,800	125,400

1/ Includes a total of $10,600 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $8,000 OF for the employee retention payment.

Occupational Safety and Health Review Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	0.0	0.0	0.0
Lump Sum Appropriation	0	0	0
AGENCY TOTAL	**0**	**0**	**0**
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 Baseline 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.

The board uses the monies for outside legal counsel before the appeals court. The board estimates that 3 current cases may appeal, and may or may not be settled before reaching appeals court, which could leave an ending balance of $0 in FY 2013. Any unspent monies would be available for expenditure in FY 2014.

Board of Occupational Therapy Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	1.5	1.5	1.5
Personal Services	95,700	95,200	95,200
Employee Related Expenditures	46,800	45,700	45,700
Travel - In State	1,500	1,700	1,700
Other Operating Expenditures	17,800	20,100	20,100
AGENCY TOTAL	**161,800** 1/	**162,700** 2/	**162,700**
FUND SOURCES			
Other Appropriated Funds			
Occupational Therapy Fund	161,800	162,700	162,700
SUBTOTAL - Other Appropriated Funds	161,800	162,700	162,700
SUBTOTAL - Appropriated Funds	**161,800**	**162,700**	**162,700**
TOTAL - ALL SOURCES	161,800	162,700	162,700

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 Baseline includes $162,700 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Occupational Therapy Fund (OTA2263/A.R.S. § 32-3405)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of occupational therapists and occupational therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate occupational therapists and occupational therapy assistants, and for board administration.		
Funds Expended	161,800	162,700
Year-End Fund Balance	306,800	358,400

1/ Includes a total of $4,700 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $3,500 OF for the employee retention payment.

State Board of Dispensing Opticians

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	1.0	1.0	1.0
Personal Services	63,500	64,600	64,600
Employee Related Expenditures	28,000	28,100	28,100
Professional and Outside Services	200	500	500
Travel - In State	7,200	4,600	4,600
Other Operating Expenditures	30,600	30,400	30,400
Equipment	3,200	3,100	3,100
AGENCY TOTAL	**132,700** 1/	**131,300** 2/	**131,300**
FUND SOURCES			
Other Appropriated Funds			
Board of Dispensing Opticians Fund	132,700	131,300	131,300
SUBTOTAL - Other Appropriated Funds	132,700	131,300	131,300
SUBTOTAL - Appropriated Funds	**132,700**	**131,300**	**131,300**
TOTAL - ALL SOURCES	132,700	131,300	131,300

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 Baseline includes $131,300 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Board of Dispensing Opticians Fund (DOA2046/A.R.S. § 32-1686)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of opticians and optical establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.		
Funds Expended	132,700	131,300
Year-End Fund Balance	163,200	194,600

1/ Includes a total of $3,000 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $2,600 OF for the employee retention payment.

State Board of Optometry

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	2.0	2.0	2.0
Personal Services	97,700	109,300	109,300
Employee Related Expenditures	43,200	45,000	45,000
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	17,000
AGENCY TOTAL	**177,800** 1/	**197,800** 2/	**197,800**
FUND SOURCES			
Other Appropriated Funds			
Board of Optometry Fund	177,800	197,800	197,800
SUBTOTAL - Other Appropriated Funds	177,800	197,800	197,800
SUBTOTAL - Appropriated Funds	**177,800**	**197,800**	**197,800**
TOTAL - ALL SOURCES	177,800	197,800	197,800

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 Baseline includes $197,800 and 2 FTE Positions from the Board of Optometry Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Board of Optometry Fund (OBA2023/A.R.S. § 32-1705)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of optometrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate optometrists, and for board administration.		
Funds Expended	177,800	197,800
Year-End Fund Balance	153,400	176,300

1/ Includes a total of $5,400 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $4,800 OF for the employee retention payment.

Arizona Board of Osteopathic Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	6.7	6.7	6.7
Personal Services	267,700	335,700	335,700
Employee Related Expenditures	107,400	112,200	112,200
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	124,700
Equipment	16,700	9,000	9,000
AGENCY TOTAL	**629,300** 1/	**699,200** 2/	**699,200**
FUND SOURCES			
Other Appropriated Funds			
Board of Osteopathic Examiners Fund	629,300	699,200	699,200
SUBTOTAL - Other Appropriated Funds	629,300	699,200	699,200
SUBTOTAL - Appropriated Funds	**629,300**	**699,200**	**699,200**
TOTAL - ALL SOURCES	629,300	699,200	699,200

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 Baseline includes $699,200 and 6.7 FTE Positions from the Board of Osteopathic Examiners Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Board of Osteopathic Examiners Fund (OSA2048/A.R.S. § 32-1805)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of osteopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate osteopathic physicians, and for board administration.		
Funds Expended	629,300	699,200
Year-End Fund Balance	930,400	1,050,200

1/ Includes a total of $17,000 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $12,100 OF for the employee retention payment.

Arizona Parents Commission on Drug Education and Prevention

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
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.

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Drug Treatment and Education Fund (PCA2277/A.R.S. § 13-901.02)		**Non-Appropriated**
Source of Revenue: Fifty percent of the Judiciary Drug Treatment and Education Fund. The Judiciary Drug Treatment and Education Fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
Funds Expended	4,379,900	5,167,900
Year-End Fund Balance	3,769,000	2,751,100

Arizona State Parks Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	232.3	163.0	163.0
Personal Services	3,589,000	4,569,500	4,569,500
Employee Related Expenditures	1,782,200	2,232,200	2,232,200
Professional and Outside Services	186,900	0	0
Travel - In State	10,000	0	0
Other Operating Expenditures	3,585,100	3,300,100	3,300,100
Equipment	414,900	350,000	350,000
OPERATING SUBTOTAL	**9,568,100**	**10,451,800**	**10,451,800**
SPECIAL LINE ITEMS			
Kartchner Caverns State Park	1,998,100	2,197,700	2,197,700
AGENCY TOTAL	**11,566,200** 1/	**12,649,500** 2/	**12,649,500**
FUND SOURCES			
Other Appropriated Funds			
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	12,649,500	12,649,500
SUBTOTAL - Other Appropriated Funds	11,566,200	12,649,500	12,649,500
SUBTOTAL - Appropriated Funds	**11,566,200**	**12,649,500**	**12,649,500**
Other Non-Appropriated Funds	46,793,000	37,155,300	26,426,500
Federal Funds	2,685,100	3,815,000	3,815,000
TOTAL - ALL SOURCES	61,044,300	53,619,800	42,891,000

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 Baseline includes $10,451,800 and 127.2 FTE Positions from the State Parks Revenue Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

Kartchner Caverns State Park

The Baseline includes $2,197,700 and 35.8 FTE Positions from the State Parks Revenue Fund in FY 2014 for Kartchner Caverns State Park. These amounts are unchanged from FY 2013.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

1/ Includes a total of $216,400 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $132,800 OF for the employee retention payment.

During FY 2014, no more than $5,000 from appropriated or non-appropriated monies may be used for the purposes of out-of-state travel expenses by State Parks Board staff. No appropriated or non-appropriated monies may be used for out-of-country travel expenses. The State Parks Board shall submit by June 30, 2014, a report to the Joint Legislative Budget Committee on out-of-state travel activities and expenditures for that fiscal year.

Deletion of Prior Year Footnotes
The Baseline would delete the footnote requiring that the Parks Board report the intended use of any expenditure in excess of the appropriation to the Reservation Surcharge Revolving Fund, since that fund has been merged into the State Parks Revenue Fund.

STATUTORY CHANGES

The Baseline would, as session law, continue to allow the use of $692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Status of Parks
As of December 2012, 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Arizona Trail Fund (PRA2525/A.R.S. § 41-511.15)		**Non-Appropriated**
Source of Revenue: Legislative appropriations and donations.		
Purpose of Fund: To maintain and preserve the Arizona trail.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Development Rights Retirement Fund (No Fund Number/A.R.S. § 41-511.15)		**Non-Appropriated**
Source of Revenue: Legislative appropriations, gifts, grants and transfers.		
Purpose of Fund: To make grants to public and private entities for the purchase, lease or transfer of development rights on private land in the state. This fund was created by Laws 2000, 4th Special Session, Chapter 1. There are currently no revenues or expenditure estimates.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Funds (PRA2000/A.R.S. § 41-511.04)		**Non-Appropriated**
Source of Revenue: Federal grants from the Department of the Interior, National Park Service, and other federal entities.		
Purpose of Fund: To expand and maintain the National Register of Historic Places, and to identify, evaluate and protect other historic properties. Also, to implement the State Comprehensive Outdoor Recreation Plan.		
Funds Expended	2,685,100	3,815,000
Year-End Fund Balance	1,151,500	1,021,500

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Land Conservation Fund - Administration Account (PRA2432/A.R.S. § 41-511.23) **Non-Appropriated**

Source of Revenue: Interest earnings from the Public Conservation Account, which receives $20,000,000 annually from the General Fund in FY 2001 through FY 2011, as approved by Arizona voters in November 1998. Unobligated amounts at the end of each fiscal year revert to the Public Conservation Account.

Purpose of Fund: For operating expenses.

Funds Expended	0	227,200
Year-End Fund Balance	0	0

Land Conservation Fund - Donation Account (PRA2432/A.R.S. § 41-511.23) **Non-Appropriated**

Source of Revenue: Donations from public and private entities.

Purpose of Fund: To match grants made to purchase state trust lands for conservation purposes. There are currently no estimates of donations that will be deposited to the account.

Funds Expended	0	0
Year-End Fund Balance	0	0

Land Conservation Fund - Public Conservation Account (PRA2432/A.R.S. § 41-511.23) **Non-Appropriated**

Source of Revenue: As approved by Arizona voters in November 1998, the fund received $20,000,000 annually from the General Fund in FY 2001 through 2011. Beginning in FY 2004, $2,000,000 of this amount was deposited into the Livestock and Crop Conservation Fund, administered by the Department of Agriculture.

Purpose of Fund: For grants to the state or any of its political subdivisions, non-profit organizations, individual landowners, and agricultural lessees of state or federal land. Grants are made to purchase or lease state trust lands that are classified as suitable for conservation purposes. The Conservation Acquisition Board will recommend appropriate grants to the Arizona State Parks Board.

Funds Expended	40,460,000	25,590,200
Year-End Fund Balance	42,847,000	17,479,600

Law Enforcement and Boating Safety Fund (PRA2111/A.R.S. § 5-383) **Appropriated**

Source of Revenue: A portion of watercraft licensing taxes.

Purpose of Fund: To provide grants to county law enforcement agencies for water and boating safety programs. The Arizona Outdoor Recreation Coordinating Commission (AORCC) distributes the grants. As session law, Laws 2011, Chapter 36 allowed the use of all monies from this fund, less $750,000 for grants to La Paz County, Mohave County and Yuma County, for operating expenses in FY 2012. As permanent law, Laws 2011, Chapter 333 transferred administration of the fund from the AORCC to the State Treasurer beginning in FY 2013. *(Please see the State Treasurer for additional information.)*

Funds Expended	2,431,700	0
Year-End Fund Balance	0	0

Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176) **Non-Appropriated**

Source of Revenue: Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.

Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development; the remainder is transferred to the Arizona Game and Fish Department for enforcement.

Funds Expended	1,585,800	4,136,600
Year-End Fund Balance	3,297,400	1,860,800

Partnership Fund (PRA2448/A.R.S. § 41-511.04) **Non-Appropriated**

Source of Revenue: Revenues received from federal, state, and local government agencies through intergovernmental agreements; reimbursements from local and county recipients of federal Land and Water Conservation grants.

Purpose of Fund: To provide trails stewardship with funds received from the USDA, Forest Service and the Bureau of Land Management; for operating costs of the multi-use water safety center at Lake Havasu State Park with funds received from the U.S. Coast Guard, Lake Havasu City, Mohave County, and the Arizona Game and Fish Department; and to administer federal Land and Water Conservation grants. Grant recipients must provide 10% of the grant amount to the Parks Board for administration.

Funds Expended	444,400	752,200
Year-End Fund Balance	373,000	9,400

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Publications and Souvenir Revolving Fund (PRA4010/A.R.S. § 41-511.21) **Non-Appropriated**

Source of Revenue: Sales of books, postcards, posters, and souvenir items at state parks and proceeds from the operation of the lodge and restaurant at Tonto Natural Bridge State Park.

Purpose of Fund: Production and distribution of agency publications, as well as the purchase of souvenir items for sale at state parks, and the operation of concessions. This fund has been consolidated into the State Parks Revenue Fund. *(See State Parks Revenue Fund for additional information.)*

Funds Expended	372,300	149,100
Year-End Fund Balance	127,900	0

Reservation Surcharge Revolving Fund (PRA1304/A.R.S. § 41-511.24) **Appropriated**

Source of Revenue: Surcharges on reservations made using an automated reservation system. There are currently 14 parks that utilize the system for camping, cabin and recreational vehicle site reservations. In addition to overnight accommodations, Kartchner Caverns also utilizes the system for tour reservations. The surcharge is $5.00 per reserved ticket. Any amount in excess of $75,000 at the end of each fiscal year is transferred to the General Fund. This fund has been consolidated into the State Parks Revenue Fund. *(See State Parks Revenue Fund for additional information.)*

Purpose of Fund: To staff and manage the reservation system.

Funds Expended	481,600	0
Year-End Fund Balance	54,400	0

State Lake Improvement Fund (PRA2105/A.R.S. § 5-382) **Non-Appropriated**

Source of Revenue: Primarily a transfer from the Highway User Revenue Fund, based on a formula that estimates state gasoline taxes paid for boating purposes. Also included is a portion of the watercraft license tax collected by the Arizona Game and Fish Department.

Purpose of Fund: To fund projects at boating sites, including launching ramps, parking areas, lake improvement and construction, campgrounds, and acquisition of property to provide access to boating sites. Project grant requests are reviewed by the Arizona Outdoor Recreation Coordinating Commission and approved by the Arizona State Parks Board. Approved projects must be reviewed by the Joint Committee on Capital Review.

Funds Expended - Capital	0	1,500,000
Funds Expended - Operating (amount includes local grants)	3,818,100	4,500,000
Year-End Fund Balance	4,411,000	3,411,000

State Parks Enhancement Fund (PRA2202/A.R.S. § 41-511.11) **Partially-Appropriated**

Source of Revenue: State parks user fees and concession sales.

Purpose of Fund: Under permanent law, one-half of this fund is appropriated for parks operations and the other half is used for park acquisition and development (including the lease-purchase payments for the Tonto Natural Bridge State Park). Since completion of the Tonto lease-purchase payment was made in early FY 2011, the acquisition and development portion of the fund is subject to legislative appropriation. In FY 2012, the permanent law provisions were suspended to permit less than 50% to be spent on capital. This fund has been consolidated into the State Parks Revenue Fund. *(See State Parks Revenue Fund for additional information.)*

Funds Expended - Operating (Appropriated)	8,652,900	0
Funds Expended - Operating (Non-Appropriated)	0	0
Funds Expended - Operating (Capital)	0	0
Year-End Fund Balance	6,169,200	0

State Parks Revenue Fund (PRA2202/A.R.S. § 41-511.21) **Appropriated**

Source of Revenue: State parks user fees and concession sales; sales of park posters, postcards, books and souvenirs; donations; and legislative appropriations.

Purpose of Fund: To fund parks operations, acquisition and development. Capital projects that are funded using these monies are subject to JCCR review. As permanent law, the FY 2012 Environment Budget Reconciliation Bill (BRB), eliminated the State Parks Enhancement Fund, the Reservation Surcharge Revolving Fund, and the Publications and Souvenir Revolving Fund, and consolidated their revenue sources into a new appropriated State Parks Revenue Fund in FY 2013.

Funds Expended - Operating (Appropriated)	0	12,649,500
Funds Expended - Operating (Capital)	0	0
Year-End Fund Balance	0	5,640,400

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
State Parks Fund (PRA3117/A.R.S. § 41-511.11)		**Non-Appropriated**

Source of Revenue: Private gifts, grants, and donations. The City of Yuma allocates $150,000 annually for the operation of the Yuma Crossing State Historic Park.

Purpose of Fund: To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state's natural features.

Funds Expended	112,400	300,000
Year-End Fund Balance	391,400	170,400

State Personnel Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	3.0	3.0	3.0
Personal Services	103,800	107,400	107,400
Employee Related Expenditures	46,000	46,000	46,000
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	30,800
Equipment	3,200	0	0
AGENCY TOTAL	**353,900** 1/	**364,500** 2/	**364,500**
FUND SOURCES			
Other Appropriated Funds			
Personnel Division Fund - Personnel Board Account	353,900	364,500	364,500
SUBTOTAL - Other Appropriated Funds	353,900	364,500	364,500
SUBTOTAL - Appropriated Funds	**353,900**	**364,500**	**364,500**
TOTAL - ALL SOURCES	353,900	364,500	364,500

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 Baseline includes $364,500 and 3 FTE Positions from the Personnel Board Account of the Personnel Division Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Personnel Division Fund - Personnel Board Account (PBA1107/A.R.S. § 41-764)		**Appropriated**
Source of Revenue: A 0.03% charge on the total payroll of each agency within the Arizona Department of Administration Personnel System.		
Purpose of Fund: To fund Personnel Board operations.		
Funds Expended	353,900	364,500
Year-End Fund Balance	333,300	405,900

1/ Includes a total of $5,000 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $4,500 OF for the employee retention payment.

Office of Pest Management

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	40.0	30.0	30.0
Personal Services	795,600	799,500	799,500
Employee Related Expenditures	386,600	370,000	370,000
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	751,700
Equipment	16,100	14,400	14,400
AGENCY TOTAL	**1,416,900** 1/	**1,999,700** 2/	**1,999,700**
FUND SOURCES			
Other Appropriated Funds			
Pest Management Fund	1,416,900	1,999,700	1,999,700
SUBTOTAL - Other Appropriated Funds	1,416,900	1,999,700	1,999,700
SUBTOTAL - Appropriated Funds	**1,416,900**	**1,999,700**	**1,999,700**
Other Non-Appropriated Funds	4,100	0	0
Federal Funds	116,600	113,500	113,500
TOTAL - ALL SOURCES	1,537,600	2,113,200	2,113,200

AGENCY DESCRIPTION — The agency licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides.

Operating Budget

The Baseline includes $1,999,700 and 30 FTE Positions from the Pest Management Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, as session law, permit the Director of the Office of Pest Management to continue fee increases authorized in previous budget years. As in the FY 2013 budget, the Baseline also includes legislative intent that the fees would not generate more than $525,000.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Office of Pest Management Relocation

Laws 2011, Chapter 20 relocated the Office of Pest Management into the Arizona Department of Agriculture (ADA) building on the bill's effective date, July 20, 2011. The bill also temporarily transferred the Office of Pest Management's administration supervision from the Department of Administration Director to the ADA Director from the bill's effective date through December 31, 2013. Chapter 20 requires 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.

1/ Includes a total of $68,600 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $30,200 OF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal Fund (SBA2000/A.R.S. § 32-2304)		**Non-Appropriated**
Source of Revenue: Federal Environmental Protection Agency grants.		
Purpose of Fund: To support Pest Management's licensing and regulation activities. Includes education and training for employees as well as industry, I.T. hardware and software, and travel.		
Funds Expended	116,600	113,500
Year-End Fund Balance	50,200	50,200
Pest Management Fund (SBA2050/A.R.S. § 32-2305)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of professional pest control companies and applicators of structural pesticides. In FY 2012 and FY 2013, includes up to $525,000 from increased fee authority pursuant to Laws 2011, Chapter 28 and Laws 2012, Chapter 297. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, inspect, and regulate professional pest control companies and applicators of structural pesticides.		
Funds Expended	1,416,900	1,999,700
Year-End Fund Balance	863,300	961,100
Service Fees Increase Fund (SBA1050/Laws 2010, 7th Special Session, Chapter 12)		**Non-Appropriated**
Source of Revenue: In FY 2011, General Fund increase from fees raised pursuant to Laws 2010, 7th Special Session, Chapter 12. The FY 2011 remaining balance of $4,100 was expended in FY 2012. Monies are shown in the Pest Management Fund for FY 2012 and FY 2013.		
Purpose of Fund: Operating activities.		
Funds Expended	4,100	0
Year-End Fund Balance	0	0

Arizona State Board of Pharmacy

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	18.0	18.0	18.0
Personal Services	1,084,500	1,132,800	1,132,800
Employee Related Expenditures	386,900	374,200	374,200
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	288,300
Equipment	14,800	15,000	15,000
AGENCY TOTAL	**1,959,600** 1/	**1,921,900** 2/	**1,921,900**
FUND SOURCES			
Other Appropriated Funds			
Arizona State Board of Pharmacy Fund	1,959,600	1,921,900	1,921,900
SUBTOTAL - Other Appropriated Funds	1,959,600	1,921,900	1,921,900
SUBTOTAL - Appropriated Funds	**1,959,600**	**1,921,900**	**1,921,900**
Other Non-Appropriated Funds	236,100	323,100	323,100
Federal Funds	2,700	2,200	2,200
TOTAL - ALL SOURCES	2,198,400	2,247,200	2,247,200

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 Baseline includes $1,921,900 and 18 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of pharmacies and pharmacists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate pharmacies and pharmacists, and for board administration. Pursuant to A.R.S. § 32-1907 up to $1,000,000 annually may be transferred to the Arizona Poison and Drug Information Center.		
Funds Expended	1,959,600	1,921,900
Year-End Fund Balance	3,292,900	3,145,900

1/ Includes a total of $55,300 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $47,100 OF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605) **Non-Appropriated**

Source of Revenue: Legislative appropriations, transfers from the Arizona State Board of Pharmacy Fund, and any grants, gifts, or donations. Up to $395,795 can be transferred from the Arizona State Board of Pharmacy Fund each year, according to A.R.S. § 32-1907.

Purpose of Fund: For program expenses, which include automated tracking of controlled substances, assisting law enforcement in identifying illegal use of controlled substances, and providing information to patients, medical practitioners, and pharmacists.

Funds Expended	236,100	323,100
Year-End Fund Balance	140,100	117,000

Federal Grants (PMA2000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: Federal reimbursements and grants.

Purpose of Fund: Reimbursements for services provided to the federal government and one-time grant to help implement a prescription monitoring program.

Funds Expended	2,700	2,200
Year-End Fund Balance	100	100

Board of Physical Therapy

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	3.8	3.8	3.8
Personal Services	170,900	171,800	171,800
Employee Related Expenditures	83,400	80,400	80,400
Professional and Outside Services	38,900	45,200	45,200
Travel - In State	3,900	5,500	5,500
Other Operating Expenditures	56,400	60,600	60,600
Equipment	400	2,400	2,400
AGENCY TOTAL	**353,900** 1/	**365,900** 2/	**365,900**
FUND SOURCES			
Other Appropriated Funds			
Board of Physical Therapy Fund	353,900	365,900	365,900
SUBTOTAL - Other Appropriated Funds	353,900	365,900	365,900
SUBTOTAL - Appropriated Funds	**353,900**	**365,900**	**365,900**
TOTAL - ALL SOURCES	353,900	365,900	365,900

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 Baseline includes $365,900 and 3.8 FTE Positions from the Board of Physical Therapy Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Board of Physical Therapy Fund (PTA2053/A.R.S. § 32-2004)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of physical therapists, and physical therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.		
Funds Expended	353,900	365,900
Year-End Fund Balance	404,200	621,600

1/ Includes a total of $7,900 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $6,200 OF for the employee retention payment.

Arizona Pioneers' Home

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	115.8	106.3	106.3
Personal Services	3,289,500	3,316,800	3,316,800
Employee Related Expenditures	1,680,700	1,865,100	1,865,100
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	634,200
Equipment	51,500	53,000	53,000
OPERATING SUBTOTAL	**5,834,100**	**6,005,500**	**6,005,500**
SPECIAL LINE ITEMS			
Prescription Drugs	134,000	200,000	200,000
AGENCY TOTAL	**5,968,100** 1/	**6,205,500** 2/	**6,205,500**
FUND SOURCES			
General Fund	1,635,300	1,604,800	1,604,800
Other Appropriated Funds			
Miners' Hospital Fund	1,511,800	1,501,500	1,501,500
State Charitable Fund	2,821,000	3,099,200	3,099,200
SUBTOTAL - Other Appropriated Funds	4,332,800	4,600,700	4,600,700
SUBTOTAL - Appropriated Funds	**5,968,100**	**6,205,500**	**6,205,500**
Other Non-Appropriated Funds	18,000	15,300	15,300
TOTAL - ALL SOURCES	5,986,100	6,220,800	6,220,800

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 Baseline includes $6,005,500 and 106.3 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$1,604,800
Miners' Hospital Fund	1,501,500
State Charitable Fund	2,899,200

These amounts remain unchanged from FY 2013.

Prescription Drugs

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

1/ Includes a total of $36,000 GF and $139,200 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(77,200) GF for the premium holiday and an increase of $42,000 OF for the employee retention payments.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
IGA and ISA Fund (PIA2500/A.R.S. § 41-921)		**Non-Appropriated**
Source of Revenue: Intergovernmental agreements between the Arizona Pioneers' Home and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Miners' Hospital Fund (PIA3130/A.R.S. § 37-525)		**Appropriated**
Source of Revenue: Interest on the Miners' Hospital Fund as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of funds to benefit the Arizona Pioneers' Home.		
Funds Expended	1,511,800	1,501,500
Year-End Fund Balance	661,300	661,300
Pioneers' Home Fund (Cemetery Proceeds) (PIA3144/A.R.S. § 41-926)		**Non-Appropriated**
Source of Revenue: Cemetery proceeds from the sale of interment rights or the lease of cemetery land.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home and the Arizona Pioneers' Home Cemetery.		
Funds Expended	15,300	12,000
Year-End Fund Balance	105,400	140,400
Pioneers' Home Fund (Donations) (PIA3143/A.R.S. § 41-926)		**Non-Appropriated**
Source of Revenue: Donations or contributions from private sources.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.		
Funds Expended	0	0
Year-End Fund Balance	10,800	22,100
State Charitable Fund (PIA3129/A.R.S. § 37-525)		**Appropriated**
Source of Revenue: Earnings from the Pioneer's Home's share of the State Charitable, Penal, and Reformatory Grant lands.		
Purpose of Fund: For the operation, Personal Services, and Employee Related Expenditures of the Pioneers' Home.		
Funds Expended	2,821,000	3,099,200
Year-End Fund Balance	469,300	229,300
Statewide Employee Recognition Gifts Fund (PIA2449/A.R.S. § 41-709)		**Non-Appropriated**
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	2,700	3,300
Year-End Fund Balance	13,500	18,500

State Board of Podiatry Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	1.0	1.0	1.0
Personal Services	73,800	73,800	73,800
Employee Related Expenditures	21,500	21,500	21,500
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	10,800
AGENCY TOTAL	**134,200** 1/	**143,000** 2/	**143,000**
FUND SOURCES			
Other Appropriated Funds			
Podiatry Fund	134,200	143,000	143,000
SUBTOTAL - Other Appropriated Funds	134,200	143,000	143,000
SUBTOTAL - Appropriated Funds	**134,200**	**143,000**	**143,000**
TOTAL - ALL SOURCES	134,200	143,000	143,000

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

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The Baseline includes $143,000 and 1 FTE Position from the Podiatry Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Podiatry Fund (POA2055/A.R.S. § 32-806)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of podiatrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate podiatrists, and for board administration.		
Funds Expended	134,200	143,000
Year-End Fund Balance	118,100	113,100

1/ Includes a total of $3,300 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $2,700 OF for the employee retention payment.

Commission for Postsecondary Education

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	5.0	5.0	5.0
Personal Services	80,600	115,700	115,700
Employee Related Expenditures	24,700	55,700	55,700
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	64,800
Equipment	300	0	0
OPERATING SUBTOTAL	**154,600**	**243,100**	**243,100**
SPECIAL LINE ITEMS			
Arizona College and Career Guide	20,600	21,300	21,300
Arizona Minority Educational Policy Analysis Center	25,800	100,000	100,000
Family College Savings Program	0	149,100	0
Leveraging Educational Assistance Partnership	2,319,500	2,319,500	2,319,500
Math and Science Teacher Initiative	176,000	176,000	176,000
Twelve Plus Partnership	130,300	130,500	130,500
AGENCY TOTAL	**2,826,800** 1/	**3,139,500** 2/	**2,990,400**
FUND SOURCES			
General Fund	1,396,800	1,396,800	1,396,800
Other Appropriated Funds			
Postsecondary Education Fund	1,430,000	1,742,700	1,593,600
SUBTOTAL - Other Appropriated Funds	1,430,000	1,742,700	1,593,600
SUBTOTAL - Appropriated Funds	**2,826,800**	**3,139,500**	**2,990,400**
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	5,426,200	4,673,200

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 Baseline includes $243,100 and 4.5 FTE Positions from the Postsecondary Education Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

Arizona College and Career Guide

The Baseline 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 Baseline 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.

1/ Includes a total of $16,000 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $5,300 OF for the employee retention payment.

AMEPAC promotes statewide studies, debates, and discussions to improve minority students' awareness of, access to, and achievement in Arizona's postsecondary educational institutions.

Family College Savings Program

The Baseline includes no funding in FY 2014 for the Family College Savings Program. FY 2014 adjustments would be as follows:

		FY 2014
Eliminate FCSP Funding	**OF**	**$(149,100)**

The Baseline 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 money 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 Baseline includes $2,319,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2014. These amounts consist 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 Legislative Consideration for more information.)*

Math and Science Teacher Initiative

The Baseline 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 Legislative Consideration for more information.)*

Twelve Plus Partnership

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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. 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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.

There are several possible options to use future LEAP funding from the state and institutions. For example, the program could continue operating in the status quo or the funding could be used to target recipients of a certain type of institution.

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 will begin to administer repayment programs for unforgiven loans from the Postsecondary Education Grant (PEG) program and the Math and Science Teacher Initiative Loan Repayment Program (MSSE) starting in FY 2012. 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Early Graduation Scholarship Fund (PEA2364/A.R.S. § 15-105)		**Non-Appropriated**
Source of Revenue: Monies received from the Department of Education on behalf of students who graduate early, pursuant to A.R.S. § 15-105.		
Purpose of Fund: For education scholarships awarded to eligible Arizona high school students who graduate at least 1 year early, enabling them to attend a postsecondary institution. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	545,800	546,800
Family College Savings Program Trust Fund (PEA3121/A.R.S. § 15-1873B)		**Non-Appropriated**
Source of Revenue: Fees paid by financial institutions which are contracted to serve as program managers of assets.		
Purpose of Fund: For operating expenses and administrative costs of the Arizona Family College Savings Program.		
Funds Expended	342,600	452,900
Year-End Fund Balance	159,000	115,400
Federal Grant Fund (PEA2000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Federal grant revenue.		
Purpose of Fund: Federal grant revenues to be used by the commission as specified by the grant(s).		
Funds Expended	1,293,500	1,200,000
Year-End Fund Balance	19,300	19,300
IGA/ISA Fund (PEA2500/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Any monies received from state agencies for specialized projects.		
Purpose of Fund: For costs associated with approved projects.		
Funds Expended	0	603,900
Year-End Fund Balance	0	0
Mathematics, Science, and Special Education Teacher Student Loan Fund (PEA2358/A.R.S. § 15-1784)		**Non-Appropriated**
Source of Revenue: Legislative appropriations and repayments of principal and interest of issued loans.		
Purpose of Fund: To provide up to 5-year loans to eligible in-state students pursuing a teaching degree in mathematics, science, and special education at a state university and who agree to a service commitment to teach in a public school. General Fund expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	401,100	402,600
Postsecondary Education Fund (PEA2405/A.R.S. § 15-1853)		**Partially-Appropriated**
Source of Revenue: Monies appropriated by the Legislature, monies received from state agencies and political subdivisions of the state, monies received from the federal government, and/or private gifts, grants and donations. The commission must separately account for monies received from each source.		
Purpose of Fund: Provide for purposes designated by Special Line Items for which the monies are received. Donations are used in accordance with the requests of the donor. Other private monies are used to carry out the duties and responsibilities of the commission.		
Appropriated Funds Expended	1,430,000	1,742,700
Non-Appropriated Funds Expended	37,100	29,900
Year-End Fund Balance	475,200	229,100
Postsecondary Education Grant Program (PEA2530/A.R.S. § 15-1855)		**Non-Appropriated**
Source of Revenue: Monies appropriated by the Legislature. Program was not funded in FY 2011, FY 2012 or FY 2013.		
Purpose of Fund: For tuition grants awarded to full and part-time students enrolled at a private baccalaureate degree granting institution. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	1,800	1,800

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Private Postsecondary Education Student Financial Assistance Fund (PEA2128/A.R.S. § 15-1854)		**Non-Appropriated**
Source of Revenue: Monies appropriated by the Legislature. Program was not funded in FY 2011, FY 2012 or FY 2013.		
Purpose of Fund: For tuition vouchers awarded to eligible graduates of Arizona community colleges enabling them to obtain a bachelor's degree at a private college or university in the state. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	6,800	6,800
Teachers Incentive Program Fund (PEA2249/A.R.S. § 15-1851)		**Non-Appropriated**
Source of Revenue: Monies collected as repayment from students who do not meet the conditions of the loan program.		
Purpose of Fund: To collect repayment monies from students who received a loan in prior years for teacher education and did not fulfill their teaching obligation. The students' teacher loan indebtedness to the State of Arizona is forgiven if the recipient of the monies completes a specified period of time teaching in designated school districts, which are identified as having high proportions of economically disadvantaged and at-risk pupils. Monies collected are reverted to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona Power Authority

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
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 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Hoover Uprating Fund (PAA1113/A.R.S. § 30-202)		**Non-Appropriated**
Source of Revenue: The sale of hydro-electricity from Hoover Dam to APA customers.		
Purpose of Fund: To purchase hydro-electricity from Hoover Dam for APA customers.		
Funds Expended	35,224,500	35,178,700
Year-End Fund Balance	0	0
Interest Income Fund (PAA1112/ A.R.S. § 30-203)		**Non-Appropriated**
Source of Revenue: Interest income is received from investments with the Arizona State Treasurer.		
Purpose of Fund: To pay the operating expenses of the Power Authority.		
Funds Expended	8,700	5,500
Year-End Fund Balance	0	0
Power Authority Fund (PAA9506/A.R.S. § 30-202)		**Non-Appropriated**
Source of Revenue: Energy sales to any of the authority's 39 customers.		
Purpose of Fund: To purchase supplemental energy on the open market (usually from Salt River Project) for APA customers and to fund special APA projects.		
Funds Expended	5,342,900	4,100,000
Year-End Fund Balance	3,249,900	3,196,600

State Board for Private Postsecondary Education

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	4.0	4.0	4.0
Personal Services	190,400	184,500	184,500
Employee Related Expenditures	87,100	70,500	70,500
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	37,300
Equipment	2,800	5,800	5,800
AGENCY TOTAL	**336,400** 1/	**327,500** 2/	**327,500**
FUND SOURCES			
Other Appropriated Funds			
Board for Private Postsecondary Education Fund	336,400	327,500	327,500
SUBTOTAL - Other Appropriated Funds	336,400	327,500	327,500
SUBTOTAL - Appropriated Funds	**336,400**	**327,500**	**327,500**
Other Non-Appropriated Funds	71,800	115,300	103,100
TOTAL - ALL SOURCES	408,200	442,800	430,600

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 Baseline includes $327,500 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Board for Private Postsecondary Education Fund (PVA2056/A.R.S. § 32-3004)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of private postsecondary institutions. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate private postsecondary institutions. Monies are also used for board administration costs.		
Funds Expended	336,400	327,500
Year-End Fund Balance	624,000	702,000

1/ Includes a total of $9,200 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $8,100 OF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Student Tuition Recovery Fund (PVA3027/A.R.S. § 32-3072) **Non-Appropriated**

Source of Revenue: Assessments on prepaid tuition paid by newly enrolled students at private postsecondary institutions. Pursuant to A.R.S. § 32-3072, if the fiscal year-end fund balance exceeds $500,000, only newly or provisionally licensed institutions pay the assessment.

Purpose of Fund: To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.

Funds Expended	71,800	115,300
Year-End Fund Balance	550,200	442,700

State Board of Psychologist Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	4.0	4.0	4.0
Personal Services	179,000	173,500	173,500
Employee Related Expenditures	78,600	75,200	75,200
Professional and Outside Services	25,600	41,300	41,300
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	39,200
Equipment	6,400	4,200	4,200
AGENCY TOTAL	**331,300** 1/	**344,900** 2/	**344,900**
FUND SOURCES			
Other Appropriated Funds			
Board of Psychologist Examiners Fund	331,300	344,900	344,900
SUBTOTAL - Other Appropriated Funds	331,300	344,900	344,900
SUBTOTAL - Appropriated Funds	**331,300**	**344,900**	**344,900**
TOTAL - ALL SOURCES	331,300	344,900	344,900

AGENCY DESCRIPTION — The board licenses and regulates psychologists and behavior analysts.

Operating Budget

The Baseline includes $344,900 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Board of Psychologist Examiners Fund (SYA2058/A.R.S. § 32-2065)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of psychologists. A separate account has been established within the Board of Psychologist Examiners Fund consisting of licensing and other fees for behavior analysts. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate psychologists and behavior analysts, and for board administration.		
Funds Expended	331,300	344,900
Year-End Fund Balance	316,300	825,600

1/ Includes a total of $9,600 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $7,300 OF for the employee retention payment.

Department of Public Safety

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	2,139.8	1,903.7	1,903.7
Personal Services	94,570,700	102,189,400	102,189,400
Employee Related Expenditures	53,982,800	60,652,500	60,652,500
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	25,332,800
Equipment	7,218,200	7,445,500	7,445,500
OPERATING SUBTOTAL	**187,187,900**	**198,220,300**	**198,220,300**
SPECIAL LINE ITEMS			
County Assistance [1/]	1,000,000	0	0
DNA Testing	896,900	0	0
GIITEM [1/]	22,050,700	21,303,600	21,303,600
GIITEM Subaccount [1/]	500,000	2,390,000	2,390,000
Motor Vehicle Fuel	3,912,200	3,935,500	3,935,500
Public Safety Equipment	1,244,400	2,390,000	2,390,000
AGENCY TOTAL	**216,792,100** [2/]	**228,239,400** [3/]	**228,239,400**
FUND SOURCES			
General Fund	47,122,000	45,524,000	45,524,000
Other Appropriated Funds			
Automated Fingerprint Identification System Fund	2,915,800	3,009,700	3,009,700
Automation Operations Fund	0	0	296,200
Crime Laboratory Assessment Fund	882,600	870,300	870,300
Crime Laboratory Operations Fund	10,479,600	14,702,100	14,702,100
Criminal Justice Enhancement Fund	2,786,500	2,872,200	2,872,200
Deoxyribonucleic Acid (DNA) Identification System Fund	3,939,300	5,470,800	5,470,800
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	500,000	2,390,000	2,390,000
Highway Patrol Fund	18,585,900	19,282,500	19,282,500
Highway User Revenue Fund	123,210,600	119,961,000	119,961,000
Motorcycle Safety Fund	205,000	205,000	205,000
Parity Compensation Fund	1,873,200	1,819,300	1,819,300
Public Safety Equipment Fund	1,244,400	2,390,000	2,390,000
Risk Management Fund	1,493,900	1,452,300	1,156,100
Safety Enforcement and Transportation Infrastructure Fund	1,553,300	1,510,200	1,510,200
State Highway Fund	0	6,780,000	6,780,000
SUBTOTAL - Other Appropriated Funds	169,670,100	182,715,400	182,715,400
SUBTOTAL - Appropriated Funds	**216,792,100**	**228,239,400**	**228,239,400**
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	303,131,600	292,357,700

1/ Please see *Table 2* for more information on awards and expenditures.

2/ Includes a total of $877,100 GF and $4,355,200 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

3/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(307,600) GF for the premium holiday and an increase of $1,600 GF and $11,600 OF for the employee retention payment.

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 Baseline includes $198,220,300 and 1,766.9 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$20,516,200
Automated Fingerprint Identification System (AFIS) Fund	3,009,700
Automation Operations Fund	296,200
Crime Laboratory Assessment Fund (CLAF)	870,300
Crime Laboratory Operations Fund (CLOF)	14,702,100
Criminal Justice Enhancement Fund (CJEF)	2,872,200
Deoxyribonucleic Acid (DNA) Identification System Fund	5,470,800
Highway Patrol Fund	19,051,200
Highway User Revenue Fund (HURF)	119,961,000
Motorcycle Safety Fund	205,000
Parity Compensation Fund	1,819,300
Risk Management Fund	1,156,100
Safety Enforcement and Transportation Infrastructure Fund (SETIF)	1,510,200
State Highway Fund	6,780,000

FY 2014 adjustments would be as follows:

Operating Budget Shift OF 0

The Baseline 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.

Radio and Infrastructure Equipment Replacement

The Baseline continues $677,300 for radio and infrastructure equipment replacement in FY 2014. 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 Baseline includes $21,303,600 and 136.8 FTE Positions from the General Fund in FY 2014 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts are unchanged from FY 2013.

The GIITEM Special Line Item is comprised of monies for the following GIITEM functions, including: 1) $8,773,200 for gang enforcement, investigation, and interdiction, 2) $9,327,000 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

Function/Purpose	FY 2014
Gang Enforcement & Investigation	$ 8,773,200
DPS Immigration Personnel	9,327,000
Local Immigration Enforcement Grants	2,603,400 1/
GangNet Upgrade & Crime Analysts	600,000
TOTAL	**$21,303,600**

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.

GIITEM Subaccount

The Baseline 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 is unchanged from FY 2013.

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 2013 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 302) clarifies that all appropriated monies in the GIITEM Border Security and Law Enforcement Subaccount are to be distributed to local entities by the end of the fiscal year.

County Assistance

The Baseline includes no funding in FY 2014 for County Assistance. This amount is unchanged from FY 2013.

Laws 2011, Chapter 308 appropriated $1,000,000 from the General Fund to DPS in FY 2012 for County Assistance. The monies were provided to Pinal County to purchase equipment and supplies for deputies for border security. The bill also directed the first $1,000,000 that would have otherwise been put into the GIITEM Border Security and Law Enforcement Subaccount in FY 2012 to the General Fund. This diversion served to offset the General Fund appropriation.

Public Safety Equipment

The Baseline 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 FY 2013 Criminal Justice BRB permanently allows appropriated monies from the Public Safety Equipment Fund monies to be used for vehicles. Previously, only non-appropriated monies in the fund could be used to purchase vehicles.

Motor Vehicle Fuel

The Baseline 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) provides and tracks 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 in FY 2012.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Of the $21,303,600 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.

Of the $21,303,600 appropriated to GIITEM, $9,327,000 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.

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.

STATUTORY CHANGES

The Baseline would, as session law, continue to notwithstand the statutory spending cap of $10,000,000 for HURF (A.R.S. § 28-6537).

Table 2

State Immigration Enforcement
Assistance to Local Governments

DPS GIITEM Local Immigration Enforcement Grant Expenditures[1/]

Agency	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
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 [2/]	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 [3/]	-	-	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**
Year of Appropriation of Funding						
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[4/]	-	-	-	-	1,879,700[4/]	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/ 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.

3/ 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.

4/ Includes $1,003,200 in other GIITEM SLI monies in FY 2011.

Table 2 (Continued)

Border Detention Liasion Officer Grants[5/]	FY 2011 Actual	FY 2012 Actual
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[5/]		
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**

5/ 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[6/7/]

Agency	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Pima County Sheriff	-	-	-	-	-	$500,000
General Fund Repayment	-	-	-	-	-	1,000,000
TOTAL	-	-	-	-	-	**1,500,000**

6/ 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.

7/ 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)

County Assistance[8/]

Agency	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual
Pinal County Sheriff	-	-	-	-	-	$1,000,000
TOTAL	-	-	-	-	-	**1,000,000**

8/ 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[9/]

Agency	FY 2007 Actual	FY 2008 Actual[10/]	FY 2009 Actual[11/]	FY 2010 Actual[12/]	FY 2011 Actual[13/]	FY 2012 Actual[14/]
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**	**1,213,200**

9/ Funded by a General Fund appropriation.

10/ The FY 2008 budget required the Department of Administration to distribute $1,430,000 to the County Attorney in each county with a population greather 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.

11/ The FY 2009 budget required the Department of Administration to distribute $1,430,000 to the County Attorney in each county with a population greather 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/ Due to a budget reduction only Maricopa County received funding.

13/ 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.

14/ 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Anti-Racketeering Fund (PSA3123/A.R.S. § 13-2314.01) **Non-Appropriated**

Source of Revenue: Any monies obtained as a result of a Department of Public Safety (DPS) seizure and forfeiture by the Attorney General are deposited into this fund. The forfeitures are made under the Racketeering Influenced and Corrupt Organization (RICO) laws.

Purpose of Fund: For the investigation and prosecution of any offense relating to racketeering. These funds may also be used for gang prevention programs, substance abuse prevention programs and substance abuse education programs.

Funds Expended	4,604,500	5,931,100
Year-End Fund Balance	8,866,000	8,466,900

Automated Fingerprint Identification System Fund (PSA2286/A.R.S. § 41-2414) **Appropriated**

Source of Revenue: A 6.46% allocation from the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.

Purpose of Fund: For operation and maintenance of the Arizona Automated Fingerprint Identification System.

Funds Expended	2,915,800	3,009,700
Year-End Fund Balance	486,500	268,900

Automation Operations Fund (ADA4230/A.R.S. § 41-711) **Appropriated**

Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated sub-accounts for agreements made with other states and the Arizona Health Care Cost Containment System.

Purpose of Fund: To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information.

Funds Expended	0	0
Year-End Fund Balance	0	0

Capitol Police Administrative Towing Fund (PSA1999/A.R.S. § 41-1725) **Non-Appropriated**

Source of Revenue: Penalties and fees collected for parking violations on state property.

Purpose of Fund: For Capitol Police Department law enforcement purposes. Prior to FY 2012, this fund was administered by the Department of Administration.

Funds Expended	14,800	12,000
Year-End Fund Balance	27,100	23,100

Conferences, Workshops and Other Education Fund (PSA2700/A.R.S. § 41-1713) **Non-Appropriated**

Source of Revenue: Conference registration fees.

Purpose of Fund: To cover expenditures of conferences held by the Governor's Office of Highway Safety.

Funds Expended	0	0
Year-End Fund Balance	0	0

Crime Laboratory Assessment Fund (PSA2282/A.R.S. § 41-2415) **Appropriated**

Source of Revenue: A 2.3% allocation of CJEF. DPS retains 55% of this fund and distributes the remaining funds to political subdivisions that operate crime laboratories.

Purpose of Fund: To provide enhanced crime lab services, purchase and maintain scientific equipment, and train crime lab forensic scientists.

Funds Expended	882,600	870,300
Year-End Fund Balance	200,100	323,900

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Crime Laboratory Operations Fund (PSA2394/A.R.S.§ 41-1772) **Appropriated**

Source of Revenue: The fund includes the first $10,400,000 generated each year resulting from a $45 surcharge for all persons who elect to take a defensive driving course in lieu of paying the civil traffic violation fine. In addition, DPS is authorized to receive 9% of CJEF revenues that were previously deposited into the General Fund. These additional funds are exempt from distribution to political subdivisions. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Any revenues in excess of that amount are deposited into the General Fund.

Purpose of Fund: To fund crime laboratory or other Department operations.

Funds Expended	10,479,600	14,702,100
Year-End Fund Balance	2,087,500	1,511,900

Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401) **Partially-Appropriated**

Source of Revenue: An 85% allocation of an 8.56% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.

Purpose of Fund: For operational expenses of the Criminal Justice Information System and the Arizona Automated Fingerprint Identification System (appropriated) and for grants to local law enforcement agencies to help prevent residential and commercial burglaries, control street crime and street gangs, and locate missing children (non-appropriated).

Appropriated Funds Expended	2,786,500	2,872,200
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	635,600	909,900

Deoxyribonucleic Acid (DNA) Identification System Fund (PSA2337/A.R.S. § 41-2419) **Appropriated**

Source of Revenue: A 15% allocation of an 8.56% distribution from CJEF, monies collected from individuals subjected to DNA testing who have the financial ability to pay for tests, and contributions from any other sources. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Laws 2007, Chapter 261 increased the existing 3% penalty assessment (authorized by Laws 2002, Chapter 226) to 7% until December 31, 2011, after which the penalty assessment decreased to 6%. The additional penalty assessment is similar to the CJEF assessments.

Purpose of Fund: To implement, operate and maintain DNA testing and administrative costs.

Funds Expended	3,939,300	5,470,800
Year-End Fund Balance	454,000	1,379,200

DPS Administration Fund (PSA2322/A.R.S. § 41-1713) **Non-Appropriated**

Source of Revenue: State and local grants and donations.

Purpose of Fund: For administering state and local grants such as Emergency Medical Services Communications, Arizona Criminal Justice Commission, Forensics, Fines Management and the DPS Criminal Justice Enhancement Fund project, as well as for operational costs of the Criminal Justice Information System.

Funds Expended	2,441,100	2,408,000
Year-End Fund Balance	607,600	458,400

DPS Licensing Fund (PSA2490/A.R.S. § 32-2408) **Non-Appropriated**

Source of Revenue: Fees collected from Private Investigator and Security Guard license applicants.

Purpose of Fund: For the operational and equipment costs of regulating the private investigator and security guard industry.

Funds Expended	1,044,100	1,131,000
Year-End Fund Balance	81,200	68,200

Driving Under the Influence Abatement Fund (PSA2422/A.R.S. § 28-1304) **Non-Appropriated**

Source of Revenue: A fee of $250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater.

Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments that apply for monies for enforcement and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. The Arizona Department of Transportation and DPS receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes of the Oversight Council on Driving or Operating Under the Influence Abatement or payment of the costs of notification.

Funds Expended	0	0
Year-End Fund Balance	0	0

Families of Fallen Police Officers Special Plate Fund (PSA2386/A.R.S. § 41-1721) **Non-Appropriated**

Source of Revenue: Receives $17 of the $25 fee paid for an original or renewal of a Family of Fallen Police Officer Special License Plate.

Purpose of Fund: For a nonprofit corporation in the state that demonstrates a commitment to helping in the healing of family survivors of police officers who died in the line of duty in this state, to provide survivor victimization training to law enforcement personnel, and to educate the public on the need to support law enforcement personnel and the families of fallen officers.

Funds Expended	165,000	150,300
Year-End Fund Balance	300	0

Federal Grants - American Recovery and Reinvestment Act (ARRA) (PSA2999/A.R.S. § 41-1833) **Non-Appropriated**

Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

Purpose of Fund: One-time Federal Funds to be used by the Department of Public Safety for criminal justice programs.

Funds Expended	2,101,400	30,200
Year-End Fund Balance*	(12,000)	100

Federal Grants and Reimbursements (PSA2000/A.R.S. § 41-1833) **Non-Appropriated**

Source of Revenue: Federal grants.

Purpose of Fund: To administer Federal Highway Administration grants, various Homeland Security grants, the High Intensity Drug Trafficking Area program, organized crime financial investigations, the Rocky Mountain Information Network, the Motor Carrier Safety Assistance program, and the Department of Justice Victims of Crime Act monies.

Funds Expended	32,889,400	32,293,900
Year-End Fund Balance	1,953,500	788,300

Fingerprint Clearance Card Fund (PSA2433/A.R.S. § 41-1758.06) **Non-Appropriated**

Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.

Purpose of Fund: To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards.

Funds Expended	4,639,400	6,071,800
Year-End Fund Balance	2,563,100	2,525,800

Board of Fingerprinting Fund (PSA2435/A.R.S. § 41-619.56) **Non-Appropriated**

Source of Revenue: Fees paid by fingerprint clearance card applicants.

Purpose of Fund: To fund the Board of Fingerprinting, which conducts good cause exception hearings for personnel who require a fingerprint clearance card.

Funds Expended	490,400	576,200
Year-End Fund Balance	900,300	1,261,500

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount (PSA2396/A.R.S. § 41-1724)		**Appropriated**
Source of Revenue: A $4 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To provide funding to county sheriffs for law enforcement purposes relating to border security including border personnel.		
Funds Expended	500,000	2,390,000
Year-End Fund Balance	0	0
Gang and Immigration Intelligence Team Enforcement Mission Fund (PSA2396/A.R.S. § 41-1724)		**Appropriated**
Source of Revenue: A penalty assessed against law enforcement agencies in the state that are not enforcing current illegal immigration statutes and $2,600,000 in General Fund monies deposited into the fund per a General Appropriation Act footnote. The fine can be no less than $500 and no more than $5,000 a day for as long as the law enforcement agency is in non-compliance. Expenditures from this fund are not displayed below to avoid double counting.		
Purpose of Fund: These monies can be used for enforcement of gang and immigration statutes, border security, human and drug smuggling laws, the employer sanctions law and for county jail reimbursement, resulting from costs attributed to illegal immigration. Laws 2011, Chapter 33 mandated that the first $1,600,000 in revenues be distributed to the Maricopa County Sheriff and the next $500,000 to the Pinal County Sheriff for immigration enforcement. Any entity receiving monies from the fund shall provide 25% of the cost of services with DPS providing the remaining 75%.		
Funds Expended	0	0
Year-End Fund Balance	1,130,300	1,130,300
Highway Patrol Fund (PSA2032/A.R.S. § 41-1752)		**Appropriated**
Source of Revenue: A 0.43% premium tax paid by vehicle insurers, miscellaneous service fees, rewards, awards, insurance recoveries, and receipts from the sale or disposal of property held by the Highway Patrol. This fund also includes deposits from Concealed Carry Weapon (CCW) permits and fees collected from towing impound hearings.		
Purpose of Fund: To administer the provisions of law relating to the Highway Patrol and Highway Patrol Reserve, to operate the CCW licensing program, and for the costs associated with impounding vehicles.		
Funds Expended	18,585,900	19,282,500
Year-End Fund Balance	2,948,900	2,396,400
Highway User Revenue Fund (PSA3113/A.R.S. § 28-6533)		**Appropriated**
Source of Revenue: Revenues collected from various highway-related taxes and fees, including the motor vehicle license tax.		
Purpose of Fund: To fund a portion of Highway Patrol costs.		
Funds Expended	123,210,600	119,961,000
Year-End Fund Balance	0	0
IGA and ISA Fund (PSA2500/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	6,981,200	9,198,000
Year-End Fund Balance	2,730,500	1,356,300
Indirect Cost Recovery Fund (PSA9000/A.R.S. § 41-1713)		**Non-Appropriated**
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay department-wide administrative and overhead costs.		
Funds Expended	615,300	2,120,900
Year-End Fund Balance	2,405,600	906,000

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Motor Carrier Safety Revolving Fund (PSA2380/A.R.S. § 28-5203) **Non-Appropriated**

Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28; and monies received from private grants or donations.

Purpose of Fund: DPS conducts motor carrier safety investigations, the Motor Vehicle Division of ADOT administers hearings, and the Attorney General enforces civil penalties.

Funds Expended	4,900	10,800
Year-End Fund Balance	20,800	15,600

Motorcycle Safety Fund (PSA2479/A.R.S. § 28-2010) **Appropriated**

Source of Revenue: Receives $1 of each motorcycle registration fee.

Purpose of Fund: To implement and support voluntary motorcycle safety, education and awareness programs.

Funds Expended	205,000	205,000
Year-End Fund Balance	0	0

Parity Compensation Fund (PSA2510/A.R.S. § 41-1720) **Appropriated**

Source of Revenue: Receives 1.51% of the portion of vehicle license tax revenues that otherwise would be deposited in the State Highway Fund.

Purpose of Fund: To fund salary and benefit adjustments for law enforcement personnel.

Funds Expended	1,873,200	1,819,300
Year-End Fund Balance	181,600	862,300

Peace Officers' Training Fund (PSA2049/A.R.S. § 41-1825) **Non-Appropriated**

Source of Revenue: Receives 16.64% of CJEF. CJEF is composed of a 47% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations.

Purpose of Fund: For training costs, including the operation of the Arizona Law Enforcement Officers' Academy, grants to state agencies, cities and towns, and counties for training law enforcement officers and the operation of the Peace Officer Standards and Training Board (POST).

Funds Expended	6,884,900	8,361,100
Year-End Fund Balance	1,771,800	602,700

Photo Enforcement Fund (PSA2390/A.R.S. § 41-1722) **Appropriated**

Source of Revenue: Citation and notice of violation (NOV) revenue generated by the State Photo Enforcement System through use of fixed and mobile speed and red light enforcement cameras. The cost per citation or NOV was a fixed cost of $165, which was all deposited into the Photo Enforcement Fund, plus a 10% clean elections surcharge. Any money remaining in the fund in excess of $250,000 at the end of each quarter was deposited into the State General Fund. Laws 2010, 2nd Regular Session, Chapter 266, eliminated the State Photo Enforcement System and redirects 40% of the remaining monies in the fund, not to exceed $7,000,000, to the Public Safety Equipment Fund. As of July 1, 2012, $6,214,000 in Photo Enforcement Fund monies have been transferred to the Public Safety Equipment Fund. Laws 2011, Chapter 308 repealed the Photo Enforcement Fund.

Purpose of Fund: To fund administrative and personnel costs incurred by DPS to oversee the State Photo Enforcement System, as well as for payment to privately contracted vendors for operation of photo enforcement cameras and the processing of citations. *(See the Supreme Court Summary of Funds section for other purposes of this fund.)*

Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723) **Partially-Appropriated**

Source of Revenue: Revenues from a $4 criminal fee on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations per A.R.S. § 12-116.04 (appropriated) and revenues of the first $1,200,000 generated by additional assessments of up to $1,500 to be paid by every offender convicted of driving or operating under the influence (DUI or OUI) offenses (non-appropriated). Laws 2010, 2nd Regular Session, Chapter 266, deposits 40% of the remaining Photo Enforcement Fund balance, not to exceed $7,000,000, into the Public Safety Equipment Fund *(see Photo Enforcement Fund)*.

Purpose of Fund: To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment.

Appropriated Funds Expended	1,244,400	2,390,000
Non-Appropriated Funds Expended	998,300	1,200,000
Year-End Fund Balance	2,482,300	2,482,300

Records Processing Fund (PSA2278/A.R.S. § 41-1750) **Non-Appropriated**

Source of Revenue: Fees charged to other agencies and local political subdivisions for costs of processing department reports and photographs of traffic accident scenes and processing criminal and non-criminal justice fingerprint cards through the federal government.

Purpose of Fund: For fingerprint processing and department administrative costs.

Funds Expended	4,879,300	5,396,900
Year-End Fund Balance	594,400	584,300

Risk Management Fund (PSA4216/A.R.S. § 41-1713) **Appropriated**

Source of Revenue: Transfer from the Arizona Department of Administration Risk Management Fund.

Purpose of Fund: For the planning costs of a tri-agency disaster recovery program for the DPS mainframe data center.

Funds Expended	1,493,900	1,452,300
Year-End Fund Balance	145,300	145,300

Safety Enforcement and Transportation Infrastructure Fund (PSA2108/A.R.S. § 28-6547) **Appropriated**

Source of Revenue: Monies are transferred from the ADOT administered fund and include fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.

Purpose of Fund: To fund commercial vehicle enforcement officers along the border, particularly in Yuma, Douglas and Nogales. *(See the Arizona Department of Transportation Summary of Funds section for other purposes of this fund.)*

Funds Expended	1,553,300	1,510,200
Year-End Fund Balance	0	0

State Highway Fund (PSA2030/A.R.S. § 28-6991) **Appropriated**

Source of Revenue: Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation.

Purpose of Fund: To fund a portion of Highway Patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.

Funds Expended	0	6,780,000
Year-End Fund Balance	0	0

State Highway Work Zone Safety Fund (PSA2480/A.R.S. § 28-710) **Non-Appropriated**

Source of Revenue: A 50% allocation of the additional assessment levied for civil traffic violations committed in a highway work zone.

Purpose of Fund: To establish and maintain a public education campaign for highway work zone safety.

Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Statewide Donations (PSA2025/A.R.S. § 41-1713)		**Non-Appropriated**
Source of Revenue: Donations from outside entities.		
Purpose of Fund: To fund the operating costs of the Red Badge Program and the cost of publishing a children's safety calendar, as well as for other purposes determined by the Governor's Office of Highway Safety.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Traffic and Parking Control Fund (ADA2453/A.R.S. § 41-796)		**Non-Appropriated**
Source of Revenue: Penalties and fees collected for traffic and parking violations on state property.		
Purpose of Fund: To post signs, markings, and notices for the regulation of vehicles on state property, as well as to maintain state parking lots and structures.		
Funds Expended	0	0
Year-End Fund Balance	0	0

*As reported by the agency. Actual ending balance will not be negative.

Public Safety Personnel Retirement System

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	37,551,300	36,436,400	36,436,400
TOTAL - ALL SOURCES	**37,551,300**	**36,436,400**	**36,436,400**

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.

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

	PSPRS		CORP		EORP	
Membership						
	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

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Fire Fighter and Peace Officer Cancer Insurance Policy Program Administrative Expenses (No Fund Number/A.R.S. § 38-643)		**Non-Appropriated**
Source of Revenue: Consists of employer contributions of $180 per fire fighter participating in the Public Safety Personnel Retirement System (PSPRS) as of June 30 of each year.		
Purpose of Fund: The account allows the Fund Manager to obtain a group cancer insurance policy to provide coverage to fire fighters for expenses incurred in the treatment of cancer that was first diagnosed after membership in PSPRS. The Fund Manager may use up to 10% of the monies deposited in the account for administrative expenses.		
Funds Expended	0	28,900
Year-End Fund Balance	0	0
Investment and Administrative Expenses (No Fund Number/A.R.S. § 38-843; 38-802; 38-882)		**Non-Appropriated**
Source of Revenue: Public Safety Personnel Retirement Fund; Elected Officials' Retirement Fund; Correctional Officer Retirement Fund.		
Purpose of Fund: A 5-member governing board called the Fund Manager administers PSPRS, the Elected Officials' Retirement Plan (EORP), and the Correctional Officer Retirement Plan (CORP). Authority is granted in statute for the Fund Manager to spend monies from each fund to pay for necessary administration and investment expenses.		
Funds Expended	37,551,300	36,407,500
Year-End Fund Balance	0	0

Arizona Department of Racing

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	40.5	40.5	40.5
Personal Services	1,022,700	1,609,900	1,609,900
Employee Related Expenditures	394,600	620,500	620,500
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	223,400
Equipment	6,200	0	0
OPERATING SUBTOTAL	**1,924,700**	**2,831,200**	**2,831,200**
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
AGENCY TOTAL	**3,704,200** 1/	**4,860,700** 2/	**4,860,700**
FUND SOURCES			
General Fund	2,814,800	2,029,500	2,029,500
Other Appropriated Funds			
Racing Regulation Fund	889,400	2,831,200	2,831,200
SUBTOTAL - Other Appropriated Funds	889,400	2,831,200	2,831,200
SUBTOTAL - Appropriated Funds	**3,704,200**	**4,860,700**	**4,860,700**
Other Non-Appropriated Funds	30,100	97,900	97,900
TOTAL - ALL SOURCES	3,734,300	4,958,600	4,958,600

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 Baseline includes $2,831,200 and 40.5 FTE Positions from the Racing Regulation Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

Arizona Breeders' Award

The Baseline 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 are deposited in the non-appropriated Arizona Breeders' Award Fund. The fund awards the breeder of every winning horse or greyhound foaled or whelped in this state.

County Fairs Livestock and Agricultural Promotion

The Baseline 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.

Monies in this line item are deposited in the County Fairs Livestock and Agricultural 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

1/ Includes a total of $28,600 GF and $31,500 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $48,100 OF for the employee retention payment.

FOOTNOTES

Standard Footnotes
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.

STATUTORY CHANGES

The Baseline would, as session law, 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. The exemption expedites the process of adjusting racing industry fees that entirely fund the agency's operating budget. Laws 2012, Chapter 297 previously exempted the department from rulemaking requirements through July 1, 2013. JLBC Staff recommends that the agency seek permanent legislation if it intends to use this rulemaking exemption beyond FY 2014.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Arizona Breeders' Award Fund (RCA2206/A.R.S. § 5-113)		**Non-Appropriated**
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To award the breeder of every winning horse or greyhound foaled or whelped, statewide.		
Funds Expended	0	0
Year-End Fund Balance	0	0
County Fair Racing Fund (RCA2170/A.R.S. § 5-113)		**Non-Appropriated**
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: Provides funding for the administration of county fair racing.		
Funds Expended	0	0
Year-End Fund Balance	0	0
County Fairs Racing Betterment Fund (RCA2207/A.R.S. § 5-113)		**Non-Appropriated**
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To provide a grant for capital improvements to each eligible county fair association conducting a county fair racing meeting, in order to protect the health and safety of race participants.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Greyhound and Retired Racehorse Adoption Fund (RCA2015/A.R.S. § 5-113)		**Non-Appropriated**
Source of Revenue: License fees collected from dog breeders, racing kennels, and other operations where greyhounds are raised for dog racing. Additional monies are collected by the horse adoption surcharge that receives 5% of all horse racing related fines.		
Purpose of Fund: To provide funding for grants to non-profit organizations for the promotion and adoption of retired racing greyhounds and horses.		
Funds Expended	1,800	3,400
Year-End Fund Balance	1,400	1,400
Racing Investigation Fund (RCA2369/A.R.S. § 41-705)		**Non-Appropriated**
Source of Revenue: Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.		
Purpose of Fund: To cover the cost of racing investigations by the Arizona Department of Racing. The fund is administered by the Department of Administration and disbursements are made pursuant to instructions from the Director of the Department of Racing.		
Funds Expended	22,800	20,000
Year-End Fund Balance	8,500	8,500

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Racing Regulation Fund (RCA2556/A.R.S. § 5-113.01)		**Appropriated**
Source of Revenue: License fees and regulatory assessments established by the Arizona Department of Racing and the Boxing Commission, pari-mutuel taxes from wagering at horse and dog racing facilities and donations or grants received by the department.		
Purpose of Fund: To support the mission of the department.		
Funds Expended	889,400	2,831,200
Year-End Fund Balance	581,400	955,100
Stallion Award Fund (RCA2315/A.R.S. § 5-113)		**Non-Appropriated**
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To award owners or lessees of stallions that bred winning horses within the state.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Unarmed Combat Fund (RCA2393/A.R.S. § 5-225)		**Non-Appropriated**
Source of Revenue: Fees established by the Boxing Commission for unarmed combat events.		
Purpose of Fund: To pay for the administration and regulation of unarmed combat.		
Funds Expended	5,500	74,500
Year-End Fund Balance	108,700	79,200

Radiation Regulatory Agency

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	32.5	33.5	29.0
Personal Services	844,800	881,100	881,100
Employee Related Expenditures	352,100	367,600	367,600
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	265,200
Equipment	59,600	35,000	35,000
OPERATING SUBTOTAL	**1,516,900**	**1,574,600**	**1,574,600**
SPECIAL LINE ITEMS			
Nuclear Emergency Management Fund	701,200	676,000	0
AGENCY TOTAL	**2,218,100** 1/	**2,250,600** 2/	**1,574,600**
FUND SOURCES			
General Fund	1,450,600	1,420,800	744,800
Other Appropriated Funds			
Radiation Regulatory Fee Fund	501,200	563,800	563,800
State Radiologic Technologist Certification Fund	266,300	266,000	266,000
SUBTOTAL - Other Appropriated Funds	767,500	829,800	829,800
SUBTOTAL - Appropriated Funds	**2,218,100**	**2,250,600**	**1,574,600**
Other Non-Appropriated Funds	16,200	45,000	45,000
Federal Funds	285,100	211,900	211,900
TOTAL - ALL SOURCES	2,519,400	2,507,500	1,831,500

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 Baseline includes $1,574,600 and 29 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$744,800
Radiation Regulatory Fee Fund	563,800
State Radiologic Technologist Certification Fund	266,000

These amounts are unchanged from FY 2013.

Nuclear Emergency Management Fund

The Baseline includes no funding for the Nuclear Emergency Management Fund (NEMF) in FY 2014. FY 2014 adjustments would be as follows:

NEMF Decrease **GF (676,000)**

The Baseline includes a decrease of $(676,000) and (4.5) FTE Positions from the General Fund for the elimination of Nuclear Emergency Management Fund monies in FY 2014. The FY 2014 allocation will be made through a bill separate from the General Appropriation Act, the amount of which will be determined at a later date.

1/ Includes a total of $20,300 GF and $18,900 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(6,700) GF for the premium holiday and an increase of $19,800 GF and $17,600 OF for the employee retention payment.

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.

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FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, as session law, permit the Director of the Radiation Regulatory Agency to continue fee increases authorized in previous budget years. As in the FY 2013 budget, the Baseline also includes legislative intent that the fees would not generate more than $561,000.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal Grants (AEA2000/A.R.S. § 30-654)		**Non-Appropriated**
Source of Revenue: Federal grants and miscellaneous revenue.		
Purpose of Fund: To track radiation levels, assess and reduce radon levels, and monitor x-ray facilities in the state.		
Funds Expended	285,100	211,900
Year-End Fund Balance	7,100	72,000
Laser Safety Fund (AEA2138/A.R.S. § 32-3234)		**Non-Appropriated**
Source of Revenue: Fees collected from the authorization of certificates to individuals that operate lasers of Intense Pulsed Light (IPL) devices for health and cosmetic related purposes.		
Purpose of Fund: To fund the costs of issuing licenses to individuals that operate lasers or IPL devices for health related purposes.		
Funds Expended	16,200	45,000
Year-End Fund Balance	30,800	9,800
Nuclear Emergency Management Fund (AEA2138/A.R.S. § 26-306.02)		**Non-Appropriated**
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	54,700	54,700
Radiation Regulatory Fee Fund (AEA2554/A.R.S. § 30-658)		**Appropriated**
Source of Revenue: Includes fees collected for licensing, inspection, and registration fees for individuals and other entities utilizing radiological materials. Laws 2011, Chapter 28 created the Radiation Regulatory Fee Fund and shifted into the fund the previously non-appropriated fees that were deposited into the Service Fees Increase Fund. Laws 2012, Chapter 297 also continued to allow the Radiation Regulatory Agency $561,000 in fee authority to deposit into the fund.		
Purpose of Fund: To provide funding for the operating expenses of the agency.		
Funds Expended	501,200	563,800
Year-End Fund Balance	47,100	90,800
State Radiologic Technologist Certification Fund (AEA2061/A.R.S. § 32-2823)		**Appropriated**
Source of Revenue: License fees paid by x-ray technologists.		
Purpose of Fund: To provide for the licensing of x-ray technologists and the investigation of complaints.		
Funds Expended	266,300	266,000
Year-End Fund Balance	15,800	15,300

State Real Estate Department

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	55.0	59.0	37.0
Personal Services	1,254,800	1,593,100	1,593,100
Employee Related Expenditures	578,500	694,900	694,900
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	346,300
Equipment	136,500	16,000	16,000
AGENCY TOTAL	**2,621,700** 1/	**2,902,200** 2/	**2,902,200**
FUND SOURCES			
General Fund	2,621,700	2,902,200	2,902,200
SUBTOTAL - Appropriated Funds	**2,621,700**	**2,902,200**	**2,902,200**
Other Non-Appropriated Funds	143,000	143,800	143,800
TOTAL - ALL SOURCES	2,764,700	3,046,000	3,046,000

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 Baseline includes $2,902,200 and 37 FTE Positions from the General Fund in FY 2014 for the operating budget. FY 2014 adjustments would be as follows:

FY 2014

Decrease Appropriated FTE Count **GF** **$0**

The Baseline 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 has been requested by the State Real Estate Department.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Condominium Recovery Fund (REA3121/A.R.S. § 32-2193.32 [repealed])		**Non-Appropriated**
Source of Revenue: The Condominium Recovery Fund is funded by a fee of $10 per condominium unit requested by a developer in a Public Report application. The Condominium Recovery Fund was repealed by Laws 2012, Chapter 139.		
Purpose of Fund: To benefit consumers who have suffered a direct out-of-pocket loss due to an unfinished condominium project.		
Funds Expended	26,100	0
Year-End Fund Balance	0	0

1/ Includes a total of $67,400 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(26,600) GF for the premium holiday and an increase of $50,600 GF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Education Revolving Fund (REA4011/A.R.S. § 32-2107) **Non-Appropriated**

Source of Revenue: Sale of the department's educational publications, primarily the *Real Estate Lawbook.*

Purpose of Fund: To cover the department's costs of printing real estate regulation books and other public information publications, and to cover the department's costs for other educational efforts, including sponsoring and holding the educational seminars or workshops for educators and other licensees. All monies in excess of $25,000 at the end of the fiscal year shall revert to the General Fund.

Funds Expended	2,800	11,800
Year-End Fund Balance	25,000	25,000

Recovery Fund (REA3119/A.R.S. § 32-2186) **Non-Appropriated**

Source of Revenue: A fee of $20 for brokers and $10 for salespersons, paid upon application for an original real estate or cemetery license. A surcharge on license renewals is assessed if the fund balance on June 30 of any year falls below $600,000. The fund also consists of restitution paid by persons convicted of real estate fraud and ordered to repay a judgment awarded out of the Recovery Fund.

Purpose of Fund: To compensate persons who have been defrauded in a real estate transaction and subsequently suffered monetary losses. Those persons may seek a court order for an award from the Recovery Fund if the person who committed the fraud has no assets. Monies also provide for the department's cost of administering the fund.

Funds Expended	114,100	132,000
Year-End Fund Balance	221,400	434,000

Residential Utility Consumer Office

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	11.0	11.0	11.0
Personal Services	622,800	730,100	730,100
Employee Related Expenditures	241,600	245,000	245,000
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	161,800
Equipment	1,900	0	0
OPERATING SUBTOTAL	**1,035,500**	**1,154,900**	**1,154,900**
SPECIAL LINE ITEMS			
Professional Witnesses	19,100	145,000	145,000
AGENCY TOTAL	**1,054,600** 1/	**1,299,900** 2/	**1,299,900**
FUND SOURCES			
Other Appropriated Funds			
Residential Utility Consumer Office Revolving Fund	1,054,600	1,299,900	1,299,900
SUBTOTAL - Other Appropriated Funds	1,054,600	1,299,900	1,299,900
SUBTOTAL - Appropriated Funds	**1,054,600**	**1,299,900**	**1,299,900**
TOTAL - ALL SOURCES	1,054,600	1,299,900	1,299,900

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 Baseline includes $1,154,900 and 11 FTE Positions from the RUCO Revolving Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

Professional Witnesses

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Monies in the Professional Witnesses Special Line Item are a continuing appropriation and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

1/ Includes a total of $36,200 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $24,600 OF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Residential Utility Consumer Office Revolving Fund (UOA2175/A.R.S. § 40-409)		**Appropriated**
Source of Revenue: An assessment against public service corporations, as defined by A.R.S. § 40-401.01.		
Purpose of Fund: To operate the Residential Utility Consumer Office.		
Funds Expended	1,054,600	1,299,900
Year-End Fund Balance	499,400	351,200

Board of Respiratory Care Examiners

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	4.0	4.0	4.0
Personal Services	151,400	151,400	151,400
Employee Related Expenditures	57,300	57,300	57,300
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	30,900
Equipment	3,900	0	0
AGENCY TOTAL	**329,800** 1/	**257,600** 2/	**257,600**
FUND SOURCES			
Other Appropriated Funds			
Board of Respiratory Care Examiners Fund	329,800	257,600	257,600
SUBTOTAL - Other Appropriated Funds	329,800	257,600	257,600
SUBTOTAL - Appropriated Funds	**329,800**	**257,600**	**257,600**
TOTAL - ALL SOURCES	329,800	257,600	257,600

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 Baseline includes $257,600 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Board of Respiratory Care Examiners Fund (RBA2269/A.R.S. § 32-3505)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of respiratory care practitioners. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.		
Funds Expended	329,800	257,600
Year-End Fund Balance	224,600	253,600

1/ Includes a total of $8,200 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $8,300 OF for the employee retention payment.

Arizona State Retirement System

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	236.0	233.9	233.9
Personal Services	11,887,300	12,117,500	12,117,500
Employee Related Expenditures	4,663,500	4,766,600	4,766,600
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	2,535,500
Equipment	444,700	389,500	389,500
OPERATING SUBTOTAL	**23,588,800**	**23,769,500**	**23,769,500**
SPECIAL LINE ITEMS			
ASRS Plan Design Changes	447,000	0	0
Laws 2011, Ch. 26 Rate Change Administration Procedures	345,100	0	0
Laws 2011, Ch. 357 Plan Changes	38,100	0	0
Laws 2012, Ch. 362 PSPRS; Employer Contributions	0	47,000	0
Laws 2012, Ch. 88 ASRS; Spousal Consent	0	200,000	0
AGENCY TOTAL	**24,419,000** 1/	**24,016,00** 2/	**23,769,500**
FUND SOURCES			
Other Appropriated Funds			
Long-Term Disability Administration Account	2,721,600	2,800,000	2,800,000
State Retirement System Administration Account	21,697,400	21,216,500	20,969,500
SUBTOTAL - Other Appropriated Funds	24,419,000	24,016,500	23,769,500
SUBTOTAL - Appropriated Funds	**24,419,000**	**24,016,500**	**23,769,500**
Other Non-Appropriated Funds	64,994,000	71,715,000	74,712,000
TOTAL - ALL SOURCES	89,413,000	95,731,500	98,481,500

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.

Operating Budget

The Baseline includes $23,769,500 and 233.9 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
State Retirement System Administration Account	$20,969,500
Long-Term Disability (LTD) Administration Account	2,800,000

These amounts are unchanged from FY 2013.

Laws 2012, Ch. 362 PSPRS; Employer Contributions

The Baseline includes no funding from the State Retirement System Administration Account in FY 2014 for the PSPRS; Employer Contributions Special Line Item. FY 2014 adjustments would be as follows:

Elimination of One-time Costs OF (47,000)
The Baseline includes a decrease of $(47,000) from the State Retirement System Administration Account in

1/ Includes a total of $598,000 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $517,600 OF for the employee retention payment.

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 Baseline includes no funding from the State Retirement System Administration Account in FY 2014 for the ASRS; Spousal Consent Special Line Item. FY 2014 adjustments would be as follows:

Elimination of One-time Costs OF (200,000)
The Baseline 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.

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FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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

	June 30, 2010	June 30, 2011	June 30, 2012
Active (working and contributing)	213,530	208,939	203,994
Inactive	209,605	208,969	210,060
Retired Members and Survivor Beneficiaries	101,307	107,996	114,431
Total	**524,442**	**525,904**	**528,485**

Funding Status ($ in Millions)

	June 30, 2010	June 30, 2011	June 30, 2012
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

	FY 2012 2/	FY 2013 3/	FY 2014 4/
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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Administrative Account - Investment Expenses (RSA1407/A.R.S. § 38-721)		**Non-Appropriated**
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: Investment management fees and related consulting fees, actuarial consulting fees, rent, and retiree payroll. Funding is subject to Retirement Board approval.		
Funds Expended	64,977,100	71,715,000
Year-End Fund Balance	7,575,200	0
Long-Term Disability Administration Account (RSA1408/A.R.S. § 38-797.02)		**Partially-Appropriated**
Source of Revenue: Long-Term Disability (LTD) Trust Fund.		
Purpose of Fund: To pay for the cost of administering the LTD program.		
Appropriated Funds Expended	2,721,600	2,800,000
Non-Appropriated Funds Expended	16,900	0
Year-End Fund Balance	0	0
State Retirement System Administration Account (RSA1401/A.R.S. § 38-721)		**Appropriated**
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: To pay the Arizona State Retirement System's administrative expenses.		
Funds Expended	21,697,400	21,216,500
Year-End Fund Balance	0	0

Department of Revenue

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	935.0	860.3	860.3
Personal Services	29,550,300	31,783,000	31,783,000
Employee Related Expenditures	13,383,800	14,058,700	14,058,700
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	8,664,300
Equipment	2,133,000	269,600	269,600
OPERATING SUBTOTAL	**58,856,900**	**59,942,000**	**59,942,000**
SPECIAL LINE ITEMS			
BRITS Operational Support	5,577,000	7,452,200	7,452,200
Ch. 176 Government Land; Private Land; Study	0	132,200	0
Temporary Collectors	2,880,600	2,887,700	2,887,700
Unclaimed Property Administration and Audit	392,500	1,770,000	1,770,000
AGENCY TOTAL	**67,707,000** 1/	**72,184,100** 2/	**72,051,900**
FUND SOURCES			
General Fund	45,076,000	45,442,100	45,309,900
Other Appropriated Funds			
Department of Revenue Administrative Fund	21,609,100	24,990,700	24,990,700
Liability Setoff Fund	342,500	1,080,100	1,080,100
Tobacco Tax and Health Care Fund	679,400	671,200	671,200
SUBTOTAL - Other Appropriated Funds	22,631,000	26,742,000	26,742,000
SUBTOTAL - Appropriated Funds	**67,707,000**	**72,184,100**	**72,051,900**
Other Non-Appropriated Funds	40,483,000	41,150,000	42,150,000
TOTAL - ALL SOURCES	108,190,000	113,334,100	114,201,900

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 Baseline includes $59,942,000 and 805.3 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$36,771,200
DOR Administrative Fund	21,419,500
Liability Setoff Fund	1,080,100
Tobacco Tax and Health Care Fund	671,200

These amounts are unchanged from FY 2013.

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The Baseline includes $7,452,200 and 55.0 FTE Positions in FY 2014 for operational support of BRITS. These amounts consist of:

General Fund	5,651,000
DOR Administrative Fund	1,801,200

These amounts are unchanged from FY 2013.

1/ Includes a total of $1,106,700 GF and $531,700 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(633,400) GF for the premium holiday and an increase of $1,169,300 GF and $35,600 OF for the employee retention payment.

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. *(See Other Issues for Legislative Consideration for discussion of BRITS Automation update.)*

Ch. 176 Government Land; Private Land; Study

The Baseline includes no funding for distribution to county assessors for a Property Status Study Report in FY 2014. This amount funds the following adjustments:

Elimination of One-Time Monies GF (132,200)
The Baseline 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 requires 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, the bill 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 Baseline includes $2,887,200 from the General Fund in FY 2014 for Temporary Collectors. This amount is unchanged from FY 2013.

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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency.

FOOTNOTES

Standard Footnotes
The $2,887,700 appropriated from the State General Fund for Temporary Collectors is to collect established debt. The department shall report its results to the Joint Legislative Budget Committee on or before January 31, 2014.

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.

The department shall report the department's General Fund revenue enforcement goals for FY 2014 to the Joint Legislative Budget Committee by July 31, 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 by July 31, 2014. The reports shall include a comparison of projected and actual General Fund revenue enforcement collections for FY 2014.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

BRITS Automation
At the June 26, 2012 JLBC meeting, DOR received a favorable review of the proposed Arizona Department of Administration (ADOA) expenditure plan for the Automation Projects Fund. In total, $28,100,000 in FY 2013, $20,000,000 in FY 2014, $20,000,000 in FY 2015, and $23,000,000 in FY 2016 was appropriated to the Automation Projects Fund. Under the ADOA plan, DOR will expend $3,431,200 in FY 2013 and $1,702,800 in FY 2014 to upgrade BRITS. Specifically, the monies will be used to upgrade the Taxpayer Application System (the main accounting system in BRITS), AZ Taxes (the web-based system for electronic filing), and application integration software; and to purchase hardware for the move to the ADOA Data Center.

These amounts are in addition to the $1,801,200 and 17 FTE Positions from the DOR Administrative Fund for BRITS operational support first appropriated in FY 2013.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Client County Equipment Capitalization Fund (RVA2457/A.R.S. § 42-11057) **Non-Appropriated**

Source of Revenue: Monies received over $0.60 per parcel pursuant to an intergovernmental agreement between the department and the county assessor for data processing services. The first $0.60 per parcel is deposited to the General Fund.

Purpose of Fund: To upgrade data processing property tax equipment in the counties, which contract with the department to provide data processing services to their county assessors. Any unencumbered fiscal year-end balance over $300,000 shall be transferred to the General Fund.

Funds Expended	0	0
Year-End Fund Balance	0	0

Department of Revenue Administrative Fund (RVA1993/A.R.S. § 42-1116.01) **Appropriated**

Source of Revenue: The sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Each year, $24,500,000 in unclaimed property proceeds are deposited into this fund. Laws 2011, Chapter 28 removed the fund's exemption from A.R.S. § 35-190 relating to the lapsing of appropriations.

Purpose of Fund: To cover the Department of Revenue's operating costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property.

Funds Expended	21,609,100	24,990,700
Year-End Fund Balance	2,504,100	2,504,100

Escheated Estates Fund (RVA3745/A.R.S. § 12-885) **Non-Appropriated**

Source of Revenue: The fund consists of monies from the sale of escheated estates. Property escheats, or reverts to the state, after 5 years when there is no will to transmit the property and there are no legal heirs to inherit it.

Purpose of Fund: To deposit proceeds from the sale of escheated property and hold them in the fund for 12 months, from which payment of claims may be made, before being transferred to the Permanent State School Fund. Transfers to the Permanent School Fund totaled $299,400 in FY 2012.

Funds Expended	299,400	0
Year-End Fund Balance	299,400	0

Estate and Unclaimed Property Fund (RVA1520/A.R.S. § 44-301) **Non-Appropriated**

Source of Revenue: The fund consists of monies from the sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Notwithstanding the title of this fund, it no longer includes the proceeds of escheated estates. Those funds are deposited to the department's Escheated Estates Fund.

Purpose of Fund: To pay allowed claims. The department retains not less than $100,000 of the fund while the state attempts to locate abandoned property owners. Once monies are determined to be "unreturnable" they are disbursed as follows: Monies associated with unclaimed utility deposits are transferred to the Utility Assistance Fund. Monies from unclaimed shares and dividends of Arizona corporations and unclaimed property in a self-storage unit are transferred to the Permanent State School Fund. Unclaimed victim restitution monies are transferred to the Arizona Criminal Justice Commission's Victim Compensation and Assistance Fund. Beginning in FY 2012, A.R.S. § 44-313 requires that the first $2,000,000 in unclaimed property proceeds be deposited into the Seriously Mentally Ill Housing Trust Fund, the next $2,500,000 into the Housing Trust Fund, the next $24,500,000 into the DOR Administrative Fund and all remaining monies be redirected to the General Fund.

Funds Expended	40,049,500	41,000,000
Year-End Fund Balance	2,250,100	2,250,100

I Didn't Pay Enough Fund (RVA6001/A.R.S. § 43-211) **Non-Appropriated**

Source of Revenue: Voluntary contributions from taxpayers.

Purpose of Fund: Up to 10% of annual deposits may be used by DOR to administer the fund. Any unexpended monies revert to the General Fund at the close of the fiscal year.

Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
IGA and ISA Fund (RVA2500/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Transfer of funds from Arizona Early Childhood Development and Health Board.		
Purpose of Fund: To assist the Revenue Tobacco unit in enforcement compliance.		
Funds Expended	123,000	150,000
Year-End Fund Balance	123,000	150,000
Liability Setoff Fund (RVA2179/A.R.S. § 42-1122)		**Appropriated**
Source of Revenue: Fees collected from agencies, political subdivisions or taxpayers utilizing the setoff procedure. The Department of Revenue withholds taxpayer refunds to satisfy debts owed by the taxpayers to certain state and local agencies, such as delinquent child support payments owed to the Department of Economic Security.		
Purpose of Fund: To cover the Department of Revenue's costs of administering the Liability Setoff program.		
Funds Expended	342,500	1,080,100
Year-End Fund Balance	1,137,700	1,244,000
Revenue Publications Revolving Fund (RVA2166/A.R.S. § 42-1004)		**Non-Appropriated**
Source of Revenue: Receipts from the sale of department tax-related publications.		
Purpose of Fund: To offset costs of publishing and distributing tax-related publications.		
Funds Expended	10,800	0
Year-End Fund Balance	11,100	11,100
Special Collections Fund (RVA2168/A.R.S. § 42-1004)		**Non-Appropriated**
Source of Revenue: This fund consists of all monies received pursuant to contingent fee contracts to collect delinquent state taxes, penalties and interest due under A.R.S. Title 43 (taxation of income) and Title 42, Chapter 8, Article 1 (transaction privilege taxes).		
Purpose of Fund: To pay all fees and court costs provided for in contingent fee collection contracts authorized by A.R.S. § 42-1004B3. The remainder of the collected amounts is distributed to the state or political subdivisions according to the distribution proportions for the tax collected. No revenue was collected from contracted collections in FY 2012.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Statewide Employee Recognition Gifts/Donations Fund (RVA2449/§ 35-149)		**Non-Appropriated**
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	300	0
Year-End Fund Balance	300	0
Tobacco Tax and Health Care Fund (RVA1306/A.R.S. § 36-771)		**Appropriated**
Source of Revenue: The fund consists of tobacco taxes retained by the department to administer the tobacco tax program.		
Purpose of Fund: To monitor and enforce tobacco tax laws.		
Funds Expended	679,400	671,200
Year-End Fund Balance	700	700
Waste Tire Fund (RVA2356/A.R.S. § 44-1305)		**Non-Appropriated**
Source of Revenue: Collections from a fee on new tire purchases and penalties for violations.		
Purpose of Fund: Up to 3.5% of the monies in the fund are transferred quarterly to the Department of Environmental Quality (DEQ) to monitor and enforce the requirements of A.R.S. Title 44, Chapter 9, Article 8, Waste Tire Disposal. The remainder is distributed quarterly to counties to establish and implement waste tire programs. Monies in the fund are exempt from lapsing under A.R.S. § 35-190. Transfers totaled $8,518,900 in FY 2012, including $298,200 to DEQ and $8,220,700 to counties.		
Funds Expended	0	0
Year-End Fund Balance	0	0

School Facilities Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	17.0	17.0	17.0
Personal Services	716,100	980,300	980,300
Employee Related Expenditures	262,500	286,300	286,300
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	160,400
Equipment	23,200	0	0
OPERATING SUBTOTAL	**1,283,500**	**1,610,700**	**1,610,700**
SPECIAL LINE ITEMS			
Building Renewal Grants	14,167,900	2,667,900	2,667,900
New School Facilities	0	0	0
New School Facilities Debt Service	160,105,700	169,429,700	174,165,000
AGENCY TOTAL	**175,557,100** 1/	**173,708,300** 2/	**178,443,600**
FUND SOURCES			
General Fund	175,557,100	173,708,300	178,443,600
SUBTOTAL - Appropriated Funds	**175,557,100**	**173,708,300**	**178,443,600**
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	295,247,000	295,050,500

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 Fund, the Building Renewal Grants Fund, and the Emergency Deficiencies Correction Fund to provide capital funding for K-12 school districts.

Operating Budget

The Baseline includes $1,610,700 and 17 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

Building Renewal Grants

The Baseline includes $2,667,900 from the General Fund in FY 2014 for Building Renewal Grants. This amount is unchanged from FY 2013.

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 required to meet the minimum school facility adequacy guidelines.

Since FY 2009, the Building Renewal formula has been wholly suspended, having been replaced with the Building Renewal Grants program. The FY 2014 Building Renewal Fund amount, under the suspended statutory formula, would be $260,009,700.

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

1/ Includes a total of $34,000 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(11,100) GF for the premium holiday and an increase of $41,400 GF for the employee retention payment.

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 Baseline includes no funding from the General Fund in FY 2014 for New School Facilities. This amount is unchanged from FY 2013.

The FY 2013 K-12 Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 300) continued the FY 2009 - FY 2012 limitation on new school construction projects into FY 2013. In addition, it included legislative intent to evaluate long-term funding for the New School Facilities program on review of additional demographic data submitted by school districts in their FY 2013 capital plans. The Baseline would continue this limitation into FY 2014.

For FY 2014, SFB requested $109,816,900 to finance 10 new school construction projects. Of these projects, 6 projects (totaling $22,339,200) would be over capacity before or in FY 2014 and 4 projects (totaling $87,477,700) would be over capacity in FY 2015 and FY 2016. *(See Other Issues for Legislative Consideration for more information.)*

While the 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. The limitation was enacted due to declines in the state's housing market and the state's population growth rate.

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 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). As of this writing, JLBC has not adopted an adjustment for FY 2014. *(See Table 1 for FY 2013 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 2013 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.

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 notwithstood this statute for the $100,000,000 authorization.

New School Facilities Debt Service

The Baseline includes $174,165,000 from the General Fund in FY 2014 for New School Facilities Debt Service. FY 2014 adjustments would be as follows:

Prior Lease-Purchase Payment Increase **GF** **4,735,300**

The Baseline 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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to prohibit SFB from authorizing or awarding funding for the design or construction of any new school facility or for school site acquisition in FY 2014. Continue to require school districts to submit capital plans annually in FY 2014 and permit SFB to review and award new school facilities, subject to future appropriations.
- As session law, continue to suspend the Building Renewal Fund formula for FY 2014.
- As permanent law, require SFB to report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting by December 1 of each year the following information for each school district for the current fiscal year: the amount of outstanding principal on school district capital bonds, statutory bonding capacity, annual bond debt service, and a summary of the projects which were funded with the listed bond proceeds. Would require school districts to provide associated reports to SFB by September 15 to assist the agency in compiling the report. *(See Other Issues for Legislative Consideration.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

New School Construction Funding

For FY 2014, the School Facilities Board is requesting $109,816,900 to finance 10 new school construction projects. The projects could be funded through either: 1) a lump sum up front cash appropriation or 2) lease-purchase financing. If the projects were to be funded with lease-purchase financing using a 4.0% interest rate over 20 years, the principal and interest payments would total $8,080,500 per year. A third option would be for the state to pay for the 10 projects as construction proceeds, which would cost $36,605,600 per year in FY 2014 – FY 2016.

Another issue to consider is the time horizon for awarding funding for projects. Pursuant to A.R.S. § 15-2041, SFB must use a 3-year enrollment forecast when awarding projects. Because of this, the amount requested is for districts currently or projected to be over capacity in FY 2014, as well as those projected to be over capacity in FY 2015 and FY 2016. If limited to a 1-year horizon for districts expected to be over capacity prior to or in FY 2014, the new construction cost is estimated to be $18,339,200, along with $4,000,000 for site conditions, for a total of $22,339,200.

Of this request, $5,571,500 would be used for the construction of accommodation schools. 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. *(See Table 2 for a detailed summary of requested new school construction projects.)*

The School Facilities Board's predictions for enrollment growth are based on new housing starts and birth rates of school districts. In addition, schools districts that lease space may be limited in the number of students they can serve. For example, the Santa Cruz County Accommodation District has been awarded a $2,060,700 school with a capacity of 111 students; however, the district's recent enrollment was approximately 30 students. The award takes into account the students recently being

served, as well as those on the waiting list unable to be served in the leased space. Due to costs, the Santa Cruz County Accommodation District closed the rented facility. Students who were served at this location instead transferred to the charter school system. As a result, the Arizona Department of Education has classified the school as being open with no students. However, the project remains in the SFB request due to local enrollment projections.

In addition, the School Facilities Board is requesting $3,510,800 for 2 new school buildings located in Gila County. Currently, buildings are being leased to serve students within the district. The buildings are being leased in Globe and Payson at a cost of $48,000/year and $60,000/year, respectively. The lease payments are in addition to utilities and a majority of needed maintenance and repair.

K-12 Capital Bonding

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's bonded indebtedness to no more than 15% or 30% of the district's assessed valuation, respectively.

However, A.R.S. § 15-1021D sets lower statutory limits on "Class B" bonds (bonds issued after December 31, 1999) at 5% and 10% of property values for non-unified and unified districts, respectively.

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.

Currently, 125 school districts have outstanding voter approved bonds. Of those districts, 29 (23%) currently cannot issue additional "Class B" bonds because they have no unused bonding capacity under the statutory caps described above. Bonding capacities for school districts have decreased in recent years due to declining property values. The total amount of voter-approved K-12 bonds outstanding at the end of FY 2012 was approximately $4.5 billion.

These local bonding efforts have a significant impact on the state's overall school construction program. There is, however, a lack of systematic reporting that would highlight the role of this local effort and the uses of these monies. As a result, JLBC Staff suggests that the Legislature consider adding a new School Facilities Board reporting requirement to compile this information, based upon input from school districts. *(See Statutory Changes.)*

Table 2

New School Construction Projects

District	Project Description	Grade	Project Capacity	Square Feet	Project Cost	Land Cost	Total Cost	Fiscal Year Awarded
Projected Over Capacity FY 2012								
Gila County Regional School District*	New School	7-12	90	10,000	$1,594,600	$300,000	$1,894,600	FY 2008
Gila County Regional School District*	New School	7-12	63	7,000	1,116,220	400,000	1,516,220	FY 2009
Santa Cruz County Accommodation District*	New School	5-12	111	11,450	1,760,667	400,000	2,160,667	FY 2005
Thatcher Unified District*	Additional Space	K-6	116	9,270	1,330,152	-	1,330,152	FY 2011
TOTAL - Awards for Projected Over Capacity FY 2012					**$5,801,639**	**$1,100,000**	**$6,901,639**	
Projected Over Capacity FY 2013								
Liberty Elementary District*	New School	K-8	924	73,920	$9,847,179	$1,000,000	$10,847,179	FY 2013
TOTAL - Awards for Projected Over Capacity FY 2013					**$9,847,179**	**$1,000,000**	**$10,847,179**	
Projected Over Capacity FY 2014								
Benson Unified District*	New School	K-4	54	4,320	$590,371	-	$590,371	FY 2012
TOTAL - Awards for Projected Over Capacity FY 2014					**$590,371**	-	**$590,371**	
Total Estimated Site Conditions - All Projects							$4,000,000	
TOTAL FY 2014 NEW CONSTRUCTION REQUEST 1-YR:*							**$22,339,188**	
Projected Over Capacity After FY 2014								
Laveen Elementary District (FY 2015)	New School	K-8	1,155	92,400	$12,793,704	$1,100,000	$13,893,704	FY 2013
Litchfield Elementary District (FY 2015)	New School	K-5	900	72,000	9,367,452	600,000	9,967,452	FY 2014
Florence Unified District (FY 2016)	New School	9-12	2,387	224,375	41,762,500	2,250,000	44,012,500	FY 2014
Queen Creek Unified District (FY 2016)	New School	9-12	1,153	108,375	18,104,044	1,500,000	19,604,044	FY 2014
TOTAL - Awards for Projected Over Capacity After FY 2014					**$82,027,700**	**$5,450,000**	**$87,477,700**	
TOTAL FY 2014 NEW CONSTRUCTION REQUEST 3-YR:							**$109,816,888**	

*Projects projected to exceed capacity between FY 2012-FY 2014, plus Site Conditions and land costs. Total cost of these projects is $22.3 million.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Building Renewal Fund (SFA2465/A.R.S. § 15-2031) **Non-Appropriated**

Source of Revenue: Legislative appropriations.

Purpose of Fund: To provide school districts with monies for maintaining the adequacy of existing school facilities. School districts must submit their 3-year Building Renewal plans before they can be awarded any Building Renewal monies. The fund balance represents monies that have not yet been distributed to districts due to the timeliness of district submitted 3-year Building Renewal plans.

Funds Expended	0	0
Year-End Fund Balance	5,000	5,000

Building Renewal Grant Fund (SFA7777/A.R.S. § 15-2032) **Non-Appropriated**

Source of Revenue: Legislative appropriations.

Purpose of Fund: To provide grants to school districts for maintaining the adequacy of existing school facilities. To prevent double counting, FY 2012 and FY 2013 expenditures exclude $14,167,900 and $2,667,900, respectively, from the General Fund.

Funds Expended	0	0
Year-End Fund Balance	13,124,300	0

Deficiencies Correction Fund (SFA2455/A.R.S. § 15-2021 [repealed]) **Non-Appropriated**

Source of Revenue: Legislative appropriations.

Purpose of Fund: To provide school districts with monies for correcting existing deficiencies. The fund expired at the end of FY 2006, but there is a year end balance in FY 2012.

Funds Expended	0	0
Year-End Fund Balance	80,000	0

Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 15-2022) **Non-Appropriated**

Source of Revenue: Monies transferred from the Deficiencies Correction Fund or New School Facilities Fund.

Purpose of Fund: To provide school districts monies for facility emergencies.

Funds Expended	2,334,100	2,669,900
Year-End Fund Balance	2,195,700	0

Federal Grants - American Recovery and Reinvestment Act (ARRA) (SFA2999/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

Purpose of Fund: To make energy efficiency upgrades in existing academic space. Funds are leveraged by requiring local school districts to provide 70% of every project dollar.

Funds Expended	16,540,500	101,300
Year-End Fund Balance*	(8,900)	0

Land Trust Bond Debt Service Fund (SFA5030/Laws 2003, Chapter 264) **Non-Appropriated**

Source of Revenue: Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.B1).

Purpose of Fund: To pay the debt service on $246,600,000 in State Land Trust Revenue bonds.

Funds Expended	24,248,700	24,250,200
Year-End Fund Balance	10,784,700	10,817,600

Lease to Own Debt Service Fund (SFA2373/A.R.S. § 15-2004) **Non-Appropriated**

Source of Revenue: Appropriated monies and interest earnings from the investment of lease-to-own Certificates of Participation proceeds.

Purpose of Fund: To pay the debt service on any lease-to-own agreements entered into by SFB to finance the costs of new school construction. To prevent double counting, FY 2012 and FY 2013 expenditures exclude $160,105,700 and $169,429,700, respectively, from the General Fund.

Funds Expended	0	0
Year-End Fund Balance	347,400	326,200

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

New School Facilities Fund (SFA2460/A.R.S. § 15-2041) **Non-Appropriated**

Source of Revenue: Appropriated monies, monies received by the State Land Department from the lease of state public school land, and proceeds from lease-to-own agreements.
Purpose of Fund: To provide school districts with monies for constructing new school facilities, and to pay for the following: construction project management services, school building structural assessments, and land acquisition services.

Funds Expended	41,855,300	30,371,400
Year-End Fund Balance	3,745,900	68,800

School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 15-2084) **Non-Appropriated**

Source of Revenue: Revenues from a 0.6% increase in the state Transaction Privilege Tax (as approved under Proposition 301 in the 2000 General Election) and monies credited to the fund from the Permanent State School Fund.
Purpose of Fund: To pay the debt service on $793,650,000 in Proposition 301 revenue bonds and $26,350,000 in QZAB revenue bonds.

Funds Expended	64,224,900	64,145,900
Year-End Fund Balance	16,650,300	19,375,900

*As reported by the agency. Actual ending balance will not be negative.

Department of State - Secretary of State

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	139.1	139.1	139.1
Personal Services	4,643,300	4,643,400	4,643,400
Employee Related Expenditures	2,071,400	2,071,400	2,071,400
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	3,021,200
Equipment	393,800	397,600	397,600
OPERATING SUBTOTAL	**8,695,100**	**10,304,400**	**10,304,400**
SPECIAL LINE ITEMS			
Election Services	4,261,500	4,443,300	1,000,000
Help America Vote Act (HAVA)	832,600	2,934,500	2,934,500
Library Grants-in-Aid	648,000	651,400	651,400
Litigation Costs	1,000	0	0
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	**14,535,200** 1/	**18,430,600** 2/	**14,987,300**
FUND SOURCES			
General Fund	13,121,100	14,923,200	11,479,900
Other Appropriated Funds			
Election Systems Improvement Fund	832,600	2,934,500	2,934,500
Records Services Fund	581,500	572,900	572,900
SUBTOTAL - Other Appropriated Funds	1,414,100	3,507,400	3,507,400
SUBTOTAL - Appropriated Funds	**14,535,200**	**18,430,600**	**14,987,300**
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	24,083,000	19,704,100

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.

Operating Budget

The Baseline includes $10,304,400 and 129.1 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$9,731,500
Record Services Fund	572,900

These amounts are unchanged from FY 2013.

1/ Includes a total of $223,900 GF and $14,300 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(95,300) GF for the premium holiday and an increase of $198,000 GF and $17,800 OF for the employee retention payment.

Election Services

The Baseline includes $1,000,000 and 10 FTE Positions from the General Fund in FY 2014 for Election Services. FY 2014 adjustments would be as follows:

Non-Election Year Funding GF (3,443,300)
The Baseline 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.

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 Baseline includes $2,934,500 from the Election Systems Improvement Fund in FY 2014 for the Help America Vote Act (HAVA) (P.L. 107-252). This amount is unchanged from FY 2013.

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 Baseline 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 match 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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes
Included in the operating lump sum appropriation of $10,304,400 for FY 2014 is $5,000 for the purchase of mementos and items for visiting officials.

Any transfer to or from the amount appropriated for the Election Services line item shall require review by the Joint Legislative Budget Committee.

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.

The Secretary of State shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting by 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169) **Non-Appropriated**

Source of Revenue: An assessment of $50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.

Purpose of Fund: To administer the Address Confidentiality Program. This program allows the Secretary of State to establish an alternate public address to protect victims of domestic violence, stalking, and sexual offenses.

Funds Expended	0	0
Year-End Fund Balance	12,300	72,300

Arizona Blue Book Revolving Fund (STA2006/A.R.S. § 41-131) **Non-Appropriated**

Source of Revenue: Proceeds from the sales of Arizona Blue Books and legislative appropriations.

Purpose of Fund: To publish the Arizona Blue Book, which contains information about the state's Executive, Legislative, and Judicial Branches.

Funds Expended	0	0
Year-End Fund Balance	11,200	11,200

Data Processing Acquisition Fund (STA2265/A.R.S. § 41-127) **Non-Appropriated**

Source of Revenue: A special recording fee on Uniform Commercial Code filings.

Purpose of Fund: To defray the cost of improving data processing within the Office of the Secretary of State. Any uncommitted monies in excess of $250,000 at the close of the calendar year revert to the General Fund.

Funds Expended	46,000	46,000
Year-End Fund Balance	191,800	320,800

Election Systems Improvement Fund (STA2357/A.R.S. § 41-129) **Appropriated**

Source of Revenue: Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations. Any monies deposited into the fund in FY 2003 and FY 2004 are appropriated to the Secretary of State. Monies deposited in the fund each subsequent year, including Federal Funds, are subject to legislative appropriation.

Purpose of Fund: To implement the provisions of the Help America Vote Act (HAVA) (P.L. 107-252). HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections, including replacement of all punch-card and lever voting machines, implementation of a statewide voter registration database, and implementation of a voting system that meets federal standards.

Funds Expended	832,600	2,934,500
Year-End Fund Balance	11,720,000	6,798,200

Election Training Fund (STA2521/A.R.S. § 16-407) **Non-Appropriated**

Source of Revenue: Receives money from cities and towns whose employees take election training courses.

Purpose of Fund: To provide election training to officials from cities and towns.

Funds Expended	0	0
Year-End Fund Balance	2,200	2,200

Federal Grants - American Recovery and Reinvestment Act (ARRA) (STA2999/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

Purpose of Fund: One-time Federal Funds to be used by the department to purchase public access computers and equipment for job training centers at local libraries throughout Arizona. Also, to provide protection for women and their children leaving abusive relationships.

Funds Expended	668,900	935,600
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal Grants Fund (LAA2000/A.R.S. § 41-151.06)		**Non-Appropriated**
Source of Revenue: Federal grants awarded to the state for library purposes.		
Purpose of Fund: Prescribed by the federal grantor for statewide library purposes.		
Funds Expended	3,832,000	3,577,100
Year-End Fund Balance	26,900	26,400
Gift Shop Revolving Fund (LAA4008/Laws 1984, Chapter 396)		**Non-Appropriated**
Source of Revenue: Sale of merchandise at the Capitol Museum Gift Shop.		
Purpose of Fund: To provide for state-related inventory to be sold at the Capitol Museum Gift Shop.		
Funds Expended	76,900	76,900
Year-End Fund Balance	105,500	88,600
Health Care Directives Registry (STA2508/A.R.S. § 36-3297)		**Non-Appropriated**
Source of Revenue: Donations from private investors.		
Purpose of Fund: To support, promote and maintain the Health Care Directives Registry.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Notary Bond Fund (STA3000/A.R.S. § 41-314)		**Non-Appropriated**
Source of Revenue: The fund receives a portion of the fee collected from the processing of notary bonds.		
Purpose of Fund: To defray the cost associated with the processing and administration of notary bonds.		
Funds Expended	106,600	106,600
Year-End Fund Balance	13,100	11,500
Notary Education Fund (STA2585/A.R.S. § 41-332)		**Appropriated**
Source of Revenue: A fee collected from persons attending a mandatory notary training course.		
Purpose of Fund: To defray the cost associated with conducting notary education courses.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)		**Appropriated**
Source of Revenue: Professional Employer Organization (PEO) registration and renewal fees.		
Purpose of Fund: To pay the costs of administering PEO registration and investigating any allegations of malfeasance. Laws 2011, Chapter 343 delayed the implementation of the PEO program until FY 2014.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Records Services Fund (LAA2431/A.R.S. § 41-151.12)		**Appropriated**
Source of Revenue: Fees collected from state agencies for records storage services.		
Purpose of Fund: To help defray costs of preserving and managing the state of Arizona's public records.		
Funds Expended	581,500	572,900
Year-End Fund Balance	149,100	292,200
Standing Political Committee Administrative Fund (STA2426/A.R.S. § 41-128)		**Non-Appropriated**
Source of Revenue: Filing fees paid by standing political committees.		
Purpose of Fund: To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
Funds Expended	7,900	7,900
Year-End Fund Balance	23,200	31,300

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
State Library Fund (LAA2115/A.R.S. § 41-151.006)		**Non-Appropriated**
Source of Revenue: Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
Purpose of Fund: To improve statewide library service.		
Funds Expended	921,900	902,300
Year-End Fund Balance	1,723,700	1,707,000

State Boards' Office

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	3.0	3.0	3.0
Personal Services	131,900	125,200	125,200
Employee Related Expenditures	62,800	60,000	60,000
Professional and Outside Services	400	400	400
Other Operating Expenditures	22,700	26,900	26,900
AGENCY TOTAL	**217,800** [1/]	**212,500** [2/]	**212,500**
FUND SOURCES			
Other Appropriated Funds			
Special Services Revolving Fund	217,800	212,500	212,500
SUBTOTAL - Other Appropriated Funds	217,800	212,500	212,500
SUBTOTAL - Appropriated Funds	**217,800**	**212,500**	**212,500**
TOTAL - ALL SOURCES	217,800	212,500	212,500

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 Baseline includes $212,500 and 3 FTE Positions from the Special Services Revolving Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

The breakdown of the FY 2014 State Boards' Office charges by agency is reflected in *Table 1*.

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FORMAT — Lump Sum by Agency

Table 1

Total State Boards' Office Budget by Agency Contribution

Board	FY 2012	FY 2013	FY 2014
Acupuncture Board of Examiners	$ 18,100	$ 17,700	$ 17,700
Board of Barbers	1,500	1,500	1,500
Funeral Directors & Embalmers, State Board of	35,000	34,200	34,200
Homeopathic and Integrated Medicine Examiners, Board of	14,000	13,600	13,600
Naturopathic Physicians Medical Board	58,000	56,500	56,500
Nursing Care Inst. Admin. & Assisted Living Facility Mgrs.	24,700	24,100	24,100
Opticians, State Board of Dispensing	23,200	22,600	22,600
Optometry, State Board of	22,200	21,700	21,700
Physical Therapy, Board of	100	100	100
Podiatry Examiners, State Board of	21,000	20,500	20,500
Total	**$217,800**	**$212,500**	**$212,500**

1/ Includes a total of $6,900 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $4,400 OF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193.02)		**Appropriated**
Source of Revenue: Monies are collected from 11 small regulatory boards residing in the State Boards' Office. This is the appropriated portion of a larger fund within the Department of Administration (ADOA). *(See the ADOA section for additional fund information.)*		
Purpose of Fund: To provide centralized office services, printing, and other administrative or management services.		
Funds Expended	217,800	212,500
Year-End Fund Balance	0	0

State Board of Tax Appeals

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	4.0	4.0	4.0
Personal Services	167,800	170,900	170,900
Employee Related Expenditures	49,000	43,200	43,200
Travel - In State	100	400	400
Other Operating Expenditures	39,300	40,300	40,300
AGENCY TOTAL	**256,200** 1/	**254,800** 2/	**254,800**
FUND SOURCES			
General Fund	256,200	254,800	254,800
SUBTOTAL - Appropriated Funds	**256,200**	**254,800**	**254,800**
TOTAL - ALL SOURCES	256,200	254,800	254,800

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 Baseline includes $254,800 and 4 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

1/ Includes a total of $7,500 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(1,200) GF for the premium holiday and an increase of $7,100 GF for the employee retention payment.

State Board of Technical Registration

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	23.0	23.0	25.0
Personal Services	775,700	889,300	969,300
Employee Related Expenditures	327,300	371,000	403,900
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	587,000
Equipment	2,100	77,000	12,000
AGENCY TOTAL	**1,715,600** 1/	**2,028,300** 2/	**2,076,200**
FUND SOURCES			
Other Appropriated Funds			
Technical Registration Fund	1,715,600	2,028,300	2,076,200
SUBTOTAL - Other Appropriated Funds	1,715,600	2,028,300	2,076,200
SUBTOTAL - Appropriated Funds	**1,715,600**	**2,028,300**	**2,076,200**
TOTAL - ALL SOURCES	1,715,600	2,028,300	2,076,200

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 Baseline includes $2,076,200 and 25 FTE Positions from the Technical Registration Fund in FY 2014 for the operating budget. FY 2014 adjustments would be as follows:

FY 2014

Alarm System Program Support OF $47,900

The Baseline 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 (TBR) to license and regulate alarm businesses and alarm agents, and appropriates $180,000 from the Technical Registration Fund in FY 2013 for program start-up and operating costs. TBR plans to reallocate 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.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Technical Registration Fund (TEA2070/A.R.S. § 32-109)		**Appropriated**
Source of Revenue: Monies collected by the board from examinations and licensing of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, landscape architects, and home inspectors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.		
Funds Expended	1,715,600	2,028,300
Year-End Fund Balance	1,449,800	1,622,000

1/ Includes a total of $41,000 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $30,500 OF for the employee retention payment.

Office of Tourism

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	0.0	25.0	28.0
Personal Services	0	1,596,000	1,596,000
Employee Related Expenditures	0	504,000	504,000
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	2,654,200
Equipment	0	25,400	25,400
AGENCY TOTAL	**0** 1/	**7,000,000** 1/2/	**7,000,000**
FUND SOURCES			
General Fund	0	7,000,000	7,000,000
SUBTOTAL - Appropriated Funds	**0**	**7,000,000**	**7,000,000**
Other Non-Appropriated Funds	11,697,400	12,869,900	12,869,900
TOTAL - ALL SOURCES	11,697,400	19,869,900	19,869,900

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 Baseline includes $7,000,000 and 28 FTE Positions from the General Fund in FY 2014 for the operating budget. FY 2014 adjustments would be as follows:

		FY 2014
FTE Position Increase	**GF**	**$0**

The Baseline 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 increase.

* * *

FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(18,300) GF for the premium holiday and an increase of $65,200 GF for the employee retention payment.

Table 1

Office of Tourism Revenues

Sources of Funding	Fund	FY 2012 Amount	FY 2013 Amount	FY 2014 Amount
General Fund Appropriation				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism.	General Fund	0	7,000,000	7,000,000
Sports and Tourism Authority				
• 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
Tribal Gaming				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	5,991,100	6,256,400 2/	6,701,400 2/
Total		**$12,533,400**	**$20,126,300**	**$20,914,800**

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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Tourism Fund (TOA2236/A.R.S. § 41-2306) **Non-Appropriated**

Source of Revenue: The Tourism Fund receives a transfer from the Arizona Sports and Tourism Authority (AZSTA) to be used for tourism promotion in Maricopa County. AZSTA receives revenue derived from a 1% increase in the bed tax and a 3.25% increase in the car rental tax. Of this amount, AZSTA is to transfer $4,000,000 in FY 2002 and increase the transfer amount each year by 5% to the Tourism Fund. The fund also receives a portion of tribal gaming contributions, pursuant to Proposition 202. Finally, Laws 2012, Chapter 297 allows the Tourism Fund to receive General Fund appropriations. This law also eliminated the tourism funding formula, which previously gave the agency a portion of revenues collected in bed, amusement, and restaurant taxes.

Purpose of Fund: To pay for all costs associated with Office of Tourism activities.

Funds Expended	11,697,400	12,869,900
Year-End Fund Balance	7,990,200	7,990,200

Department of Transportation

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	4,548.0	4,548.0	4,548.0
Personal Services	89,422,300	92,845,200	92,845,200
Employee Related Expenditures	42,544,400	43,488,200	43,488,200
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	55,875,700
Equipment	11,353,100	4,377,500	4,377,500
OPERATING SUBTOTAL	**204,932,400**	**203,274,000**	**203,274,000**
SPECIAL LINE ITEMS			
Attorney General Legal Services	2,895,600	2,895,600	2,895,600
Fraud Investigation	753,800	755,400	755,400
Highway Maintenance	125,143,800	125,151,200	125,151,200
New Third Party Funding	934,100	943,700	943,700
Vehicles and Heavy Equipment	16,318,900	26,702,200	26,702,200
AGENCY TOTAL	**350,978,600** 1/	**359,722,100** 2/	**359,722,100**
FUND SOURCES			
General Fund	50,900	50,500	50,500
Other Appropriated Funds			
Air Quality Fund	51,200	72,800	72,800
Driving Under the Influence Abatement Fund	146,400	148,000	148,000
Highway User Revenue Fund	88,576,200	625,600	625,600
Motor Vehicle Liability Insurance Enforcement Fund	1,088,900	1,060,600	1,060,600
Safety Enforcement and Transportation Infrastructure Fund	1,895,900	1,868,900	1,868,900
State Aviation Fund	1,603,300	1,585,600	1,585,600
State Highway Fund	239,773,500	326,163,600	326,163,600
Transportation Department Equipment Fund	16,318,900	26,702,200	26,702,200
Vehicle Inspection and Title Enforcement Fund	1,473,400	1,444,300	1,444,300
SUBTOTAL - Other Appropriated Funds	350,927,700	359,671,600	359,671,600
SUBTOTAL - Appropriated Funds	**350,978,600**	**359,722,100**	**359,722,100**
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	392,188,000	392,188,000

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

Operating Budget

The Baseline includes $203,274,000 and 3,360 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$50,500
Air Quality Fund	72,800
Driving Under the Influence Abatement Fund	148,000
Highway User Revenue Fund	387,100
Motor Vehicle Liability Insurance Enforcement Fund	860,400
Safety Enforcement and Transportation Infrastructure Fund	1,306,400
State Aviation Fund	1,585,600

1/ Includes a total of $900 GF and $7,487,000 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $4,283,900 OF for the employee retention payment.

State Highway Fund	197,498,200
Vehicle Inspection & Title Enforcement Fund	1,365,000

These amounts are unchanged from FY 2013.

Attorney General Legal Services

The Baseline 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 allow the Attorney General to provide legal services to the department, such as litigating cases, reviewing legal documents and proposed administrative rules, and issuing legal opinions.

Fraud Investigation

The Baseline includes $755,400 and 10 FTE Positions from the State Highway Fund in FY 2014 for Fraud Investigation. These amounts are unchanged from FY 2013.

Monies in this line item provide for investigation of fraudulent driver's license and motor vehicle documents.

Highway Maintenance

The Baseline includes $125,151,200 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	124,588,700

These amounts are unchanged from FY 2013.

In addition to the $125,151,200 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 Baseline includes $943,700 and 21 FTE Positions in FY 2014 for New Third Party Funding. These amounts consist of:

Highway User Revenue Fund	238,500
Motor Vehicle Liability Insurance Enforcement Fund	200,200
State Highway Fund	425,700
Vehicle Inspection & Title Enforcement Fund	79,300

These amounts are unchanged from FY 2013.

Monies in this line item provide funding to address workload backlogs and waiting lists for certain third parties.

Vehicles and Heavy Equipment

The Baseline includes $26,702,200 and 225 FTE Positions from the Transportation Department Equipment Fund in FY 2014 for Vehicles and Heavy Equipment. These amounts are unchanged from FY 2013.

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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Of the total amount appropriated, $125,151,200 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.

It is the intent of the Legislature that the department not include any administrative overhead expenditures in duplicate drivers' license fees charged to the public.

Of the $359,722,100 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.

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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Air Quality Fund (DTA2226/A.R.S. § 49-551) **Appropriated**

Source of Revenue: An annual $1.50 air quality fee collected for each vehicle at the time of registration. ADOT is appropriated monies from the Air Quality Fund in the Department of Environmental Quality.

Purpose of Fund: For tracking the availability and sales of oxygenated fuels to ensure that a sufficient supply is available for non-attainment areas of the state.

Funds Expended	51,200	72,800
Year-End Fund Balance	22,100	22,100

Arizona Highways Magazine Fund (DTA2031/A.R.S. § 28-7315) **Non-Appropriated**

Source of Revenue: Sales of subscriptions, maps, pamphlets, and other materials, Arizona Highways special plate donations, and interest earnings. The fund can also consist of monies appropriated by the Legislature from the State Highway Fund, not to exceed $500,000 annually. There are no current appropriations.

Purpose of Fund: For production and sales of subscriptions, maps, pamphlets, etc. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General or State Highway Fund and expenditures are exempt from statutory allotment provisions.

Funds Expended	4,685,900	4,780,800
Year-End Fund Balance	2,262,700	2,732,200

Cash Deposits Fund (DTA2266/A.R.S. § 28-363) **Non-Appropriated**

Source of Revenue: Deposits from individuals either bidding at auction on department property or renting department property.

Purpose of Fund: To hold deposits from individuals bidding on excess land and property for sale at auction, which are either applied against their purchase price or are returned to the individual if their bid is unsuccessful. Also, to hold deposits from individuals who rent department property. Their money is either refunded at the end of their tenancy or is used to offset repairs, if needed.

Funds Expended	10,100	15,000
Year-End Fund Balance	228,000	218,000

Contract Counsel Fund (DTA4212/A.R.S. § 28-6925) **Non-Appropriated**

Source of Revenue: An amount of $30,000 was originally appropriated from the State Highway Fund to the Contract Counsel Fund. The Arizona Department of Administration replenishes expended monies from State Highway Fund monies appropriated for construction of state highways, as ADOT submits itemized statements detailing their expenditures from the Contract Counsel Fund.

Purpose of Fund: To reimburse the Attorney General for attorneys' services for rights-of-way condemnation cases on federal aid projects.

Funds Expended	0	0
Year-End Fund Balance	0	0

ADOT Donations Fund (DTA3080/A.R.S. § 28-818) **Partially-Appropriated**

Source of Revenue: Federal Funds, donations, monies from this state or any agency of this state for the Bicycle Safety Fund.

Purpose of Fund: This fund includes 2 smaller funds, the Heavy Vehicle Equipment Licensing Information Fund and the Bicycle Safety Fund. A.R.S. § 28-818 establishes a Bicycle Safety Fund to plan, engineer, construct, and maintain bicycle paths. Subject to legislative appropriation, monies in the Bicycle Safety Fund may be used to match federal or local monies spent for these purposes or for safety programs.

Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Driving Under the Influence Abatement Fund (DTA2422/A.R.S. § 28-1304) **Appropriated**

Source of Revenue: A fee of $250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater. Another portion of monies is from civil penalties against an ignition interlock manufacturer or installer who fails to properly report ignition interlock data to the ADOT Director.

Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments for enforcement purposes and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. ADOT and the Department of Public Safety (DPS) receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes.

Funds Expended	146,400	148,000
Year-End Fund Balance	0	0

Economic Strength Project Fund (DTA2244/A.R.S. § 28-7282) **Non-Appropriated**

Source of Revenue: The fund receives $1,000,000 each June 15 from the Highway User Revenue Fund and interest from investment of inactive balances.

Purpose of Fund: For "economic strength" highway projects recommended by the Arizona Commerce Authority and approved by the State Transportation Board. These are projects that will retain or increase a significant number of jobs, lead to significant capital investment, or make a significant contribution to the economy of this state or within a local authority. Monies remaining in the Economic Strength Project Fund at the end of a fiscal year do not revert to the General Fund. *(See the ADOT Capital Outlay Budget section for expenditures.)*

Funds Expended	0	0
Year-End Fund Balance	1,683,300	2,419,800

Federal Grants (DTA2097/A.R.S. § 28-363) **Non-Appropriated**

Source of Revenue: Federal grants, other than aviation federal grants.

Purpose of Fund: For federal highway construction and maintenance; assistance to elderly and handicapped; rural public transit; technical studies; rail planning and rehabilitation; other planning; highway statistical reporting; fatal accident reporting; safety; commercial driver's license; library updates; and fuel tax evasion. Figures exclude expenditures for capital highway construction projects.

Funds Expended	1,756,400	1,620,000
Year-End Fund Balance	1,355,000	1,355,000

Highway Expansion and Extension Loan Program Fund (DTA2417/A.R.S. § 28-7674) **Non-Appropriated**

Source of Revenue: The fund consists of monies appropriated by the Legislature; monies received from the federal government, state agencies, political subdivisions and Indian tribes; interest; and public or private gifts, grants or donations.

Purpose of Fund: To create a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects. The fund makes loans to ADOT, cities, and other entities to accelerate highway construction projects. The loans are repaid from future programmed funds for those projects. The fund may be used to pay costs to administer the fund and shall pay costs of an annual financial audit of the fund.

Funds Expended	35,600	40,600
Year-End Fund Balance	76,349,600	76,599,200

Highway User Revenue Fund (DTA3113/A.R.S. § 28-6533) **Appropriated**

Source of Revenue: Transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, interest earnings, and others.

Purpose of Fund: For various highway related purposes in the state, including distributions to the State Highway Fund which is the primary source for the department's operating budget, to political subdivisions for highway purposes, and in FY 2012 to the Motor Vehicle Division for its operating budget. Figures exclude expenditures for capital highway construction projects.

Funds Expended	88,576,200	625,600
Year-End Fund Balance	83,211,000	84,096,100

Arizona International Development Authority Fund (DTA1994/A.R.S. § 41-4505) **Non-Appropriated**

Source of Revenue: The fund consists of monies received from the federal government, tolls, fees, gifts, grants, donations from any public or private source, interest earnings, and any other monies received by the Arizona International Development Authority (AIDA).
Purpose of Fund: To pay costs associated with the administration of the fund and to carry out the requirements of AIDA. Monies in the fund can also be used to provide grants or loans for international transportation and infrastructure projects. ADOT is required to provide staff support to AIDA including general administrative, office, equipment and staff support, using earnings from the fund.

Funds Expended	0	0
Year-End Fund Balance	0	0

Local Agency Deposits Fund (DTA3701/A.R.S. § 28-363) **Non-Appropriated**

Source of Revenue: Monies received from local jurisdictions.
Purpose of Fund: To pay for locally sponsored secondary road construction projects. Any money left after the project is closed out is returned to the local entity. Figures exclude expenditures for capital highway construction projects.

Funds Expended	552,100	580,000
Year-End Fund Balance	11,923,500	11,843,500

Maricopa Regional Area Road Fund (DTA2029/A.R.S. § 28-6302) **Non-Appropriated**

Source of Revenue: The fund consists of all transportation excise taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 that are designated for deposit in the Regional Area Road Fund in Maricopa County, plus proceeds from the sale of bonds, rents, and interest earnings.
Purpose of Fund: For bond related expenses and for the design, purchase of right-of-way or construction of controlled access highways which are included in the county's regional transportation plan and accepted into the state highway system. Figures exclude expenditures for capital highway construction projects.

Funds Expended	23,743,600	24,405,000
Year-End Fund Balance	405,171,000	243,531,900

Motor Carrier Safety Revolving Fund (DTA2380/A.R.S. § 28-5203) **Non-Appropriated**

Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material; and monies received from private grants or donations.
Purpose of Fund: To carry out the provisions of the chapter. DPS conducts investigations, the Motor Vehicle Division administers hearings, and the Attorney General enforces civil penalties.

Funds Expended	0	0
Year-End Fund Balance	31,800	41,800

Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151) **Appropriated**

Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.
Purpose of Fund: For the department to enforce mandatory motor vehicle liability insurance laws.

Funds Expended	1,088,900	1,060,600
Year-End Fund Balance	1,135,900	1,895,300

Railroad Review Fund (DTA2493/A.R.S. § 28-9401) **Non-Appropriated**

Source of Revenue: Fees assessed and collected by the department from the proponent of a proposed major railroad project.
Purpose of Fund: For the department to pay the cost of evaluating a proposed major railroad project, including the cost of consultants, the review process and hearings. Any unused portion of the fees collected is refunded to the railroad.

Funds Expended	12,200	135,000
Year-End Fund Balance	148,200	13,200

Rental Tax and Bond Deposit Fund (DTA3737/A.R.S. § 28-371) **Non-Appropriated**

Source of Revenue: Cash deposits from motor carrier and use fuel taxpayers, and portions of rent that the department collects.

Purpose of Fund: To hold cash deposits from motor carrier and use fuel taxpayers who choose to make cash deposits instead of providing surety bonds to guarantee their fee payments. Any money remaining in a taxpayer's account would be returned to the taxpayer. To hold the county property tax portion of rent on department properties, which is forwarded to the appropriate county tax office. Also, to hold the privilege tax portion of rent on the department's commercial properties, which is forwarded to the Department of Revenue.

Funds Expended	0	0
Year-End Fund Balance	697,500	772,500

Safety Enforcement and Transportation Infrastructure Fund (DTA2108/A.R.S. § 28-6547) **Appropriated**

Source of Revenue: Fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.

Purpose of Fund: To enforce vehicle safety requirements by DPS and ADOT, and maintain and construct transportation facilities within 25 miles of the Arizona-Mexico border. To improve vehicle congestion at Mexican border ports of entry, and obtain Federal Funds for Safety Enforcement and Transportation Infrastructure Fund (SETIF) purposes. Also to maintain and construct transportation facilities in the Canada to Mexico (CANAMEX) trucking and trade corridor, which came about as a result of the North American Free Trade Agreement (NAFTA) between Canada, the United States and Mexico. In addition, ADOT may provide SETIF monies to the Arizona-Mexico Commission, Arizona Department of Homeland Security, and AIDA for certain SETIF-related purposes.

Funds Expended	1,895,900	1,868,900
Year-End Fund Balance	1,376,400	1,102,000

Shared Location and Advertising Agreements Expense Fund (DTA2414/A.R.S. § 28-409) **Non-Appropriated**

Source of Revenue: The fund consists of monies received from agreements with public and private entities for services located in department offices or to advertise those entities' goods and services.

Purpose of Fund: To partially offset the department's cost of providing a location or advertising. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

Funds Expended	0	0
Year-End Fund Balance	97,600	97,600

State Aviation Fund (DTA2005/A.R.S. § 28-8202) **Appropriated**

Source of Revenue: Flight property tax, aircraft registration fees, license taxes, fuel taxes, the sale of abandoned aircraft, receipts from airports operated by the department, and interest earnings.

Purpose of Fund: For the administration of aviation laws, the operation and maintenance of state-owned airports, and capital projects at publicly-owned and operated airports of political subdivisions.

Funds Expended	1,603,300	1,585,600
Year-End Fund Balance	25,389,400	31,261,600

State Highway Fund (DTA2030/A.R.S. § 28-6991) **Appropriated**

Source of Revenue: Monies distributed from the Highway User Revenue Fund, certain vehicle fees which are deposited directly to the State Highway Fund, interest earnings, appropriations by the Legislature, and donations.

Purpose of Fund: For the department's operating budget, the acquisition of right-of-way, construction and maintenance of state highways and roads, and other highway related projects. The expended funds only reflect operating expenses. *(Please see the Highway User Revenue Fund Distribution chart in the ADOT Capital section for non-operating expenditures.)*

Funds Expended	239,773,500	326,163,600
Year-End Fund Balance	224,496,100	264,999,400

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Statewide Employee Recognition Gifts/Donations Fund (DTA2449/A.R.S. § 35-149) **Non-Appropriated**

Source of Revenue: Gifts and donations from public and private entities.
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.

Funds Expended	21,100	20,000
Year-End Fund Balance	17,900	22,900

Statewide Special Plates Fund (DTA2650/A.R.S. § 35-131) **Non-Appropriated**

Source of Revenue: A deposit of $17 of each $25 original and annual renewal of the special plate fees, and interest earnings. The remaining $8 is deposited to the State Highway Fund for special plate administration.
Purpose of Fund: To issue special plates. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a statutorily designated entity.

Funds Expended	858,700	869,500
Year-End Fund Balance	483,100	677,100

Transportation Department Equipment Fund (DTA2071/A.R.S. § 28-7006) **Appropriated**

Source of Revenue: Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance).
Purpose of Fund: For ownership, maintenance, service or repair of equipment and consumable material including administrative expenses.

Funds Expended	16,318,900	26,702,200
Year-End Fund Balance	635,900	618,700

Underground Storage Tank Revolving Fund (DTA3728/A.R.S. § 28-6008) **Non-Appropriated**

Source of Revenue: The fund consists of Underground Storage Tank taxes paid by persons liable for motor/aviation fuel taxes; or persons who refine, manufacture or produce compounds, blend or import diesel (liquid petroleum).
Purpose of Fund: For department administrative expenses. Per subsections A and B of A.R.S. § 28-1599.45, "the director acts only as a collecting agent for the Director of the Department of Environmental Quality and assumes no responsibility for the underlying tax liability." The department retains only administrative costs as determined by an intergovernmental agreement between ADOT and the Department of Environmental Quality.

Funds Expended	0	0
Year-End Fund Balance	1,200,000	3,212,000

Vehicle Inspection and Title Enforcement Fund (DTA2272/A.R.S. § 28-2012) **Appropriated**

Source of Revenue: Fees of $20 and $50 for performing more detailed level 2 and level 3 inspections of vehicle identification numbers, before issuing restored salvage titles on repaired salvage and similar vehicles.
Purpose of Fund: To defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement and other enforcement related issues. A portion of the revenues are transferred to DPS for investigations concerning automobile theft.

Funds Expended	1,473,400	1,444,300
Year-End Fund Balance	808,500	865,100

State Treasurer

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	29.4	30.4	30.4
Personal Services	1,570,500	1,621,100	1,621,100
Employee Related Expenditures	588,000	594,000	594,000
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	287,800
Equipment	29,500	0	0
OPERATING SUBTOTAL	**2,640,300**	**2,691,000**	**2,731,000**
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	1,115,100	1,115,100	1,115,100
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** 1/	**5,989,900** 2/	**6,029,900**
FUND SOURCES			
General Fund	1,115,100	1,115,100	1,115,100
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	198,000
State Treasurer's Operating Fund	2,553,000	2,493,000	2,493,000
SUBTOTAL - Other Appropriated Funds	2,640,300	4,874,800	4,914,800
SUBTOTAL - Appropriated Funds	**3,755,400**	**5,989,900**	**6,029,900**
Other Non-Appropriated Funds	5,059,700	5,059,700	5,059,700
TOTAL - ALL SOURCES	8,815,100	11,049,600	11,089,600

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 Baseline includes $2,731,000 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 Operating Fund	2,493,000
State Treasurer's Management Fund	198,000

FY 2014 adjustments would be as follows:

Empowerment Scholarship Account Administration **OF** **40,000**

The Baseline 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 establishes the Department of Education Empowerment Scholarship Account Fund in FY 2014 to fund administration of the program authorized in A.R.S. § 15-2402. Chapter 360 authorizes the Department

1/ Includes a total of $75,500 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $61,700 OF for the employee retention payment.

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 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.)*

Justice of the Peace Salaries

The Baseline includes $1,115,100 from the General Fund in FY 2014 for the Justice of the Peace (JP) Salaries Special Line Item. This amount is unchanged from FY 2013.

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 (Laws 2011, Chapter 33) permanently reduced the state share of the Non-Maricopa County Justice of the Peace Salaries to 19.25% *(please see the Other Issues for Legislative Consideration section for more information on a FY 2013 supplemental for FY 2011 and FY 2012 claims).*

Law Enforcement/Boating Safety Fund Grants

The Baseline 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 AORCC and required that the State Treasurer administer LEBSF monies beginning in FY 2013. The Treasurer disburses monies to county law enforcement agencies in Apache, Coconino, Gila, La Paz, Maricopa, Mohave, Navajo, and Yuma Counties in accordance with a distribution formula developed by the Game and Fish Commission.

Prior to Laws 2011, Chapter 333, the State Parks Board utilized the first $750,000 in revenues for grants to county law enforcement agencies in La Paz, Mohave, and Yuma Counties. The remaining monies were used for the operating costs of the agency.

Retirement System Study Committee

The Baseline 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 ASRS and PSPRS to determine the feasibility of making certain changes to the existing system. The Committee is 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

STATUTORY CHANGES

The Baseline would, as permanent law, require the counties that receive a portion of their JP compensation from the state to report to the Treasurer on the total and types of cases by category and the Judicial Productivity Credits (JPC).

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2013 Supplemental

The Baseline includes $116,860 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.

The FY 2013 Justice of the Peace Salaries appropriation is $1,115,100, compared to the FY 2012 actual claims of $1,194,471. As a result, there may eventually be a requirement to supplement the FY 2013 appropriation, depending on the actual level of the FY 2013 claims.

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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Arizona Commission of African-American Affairs Fund (AMA2397/A.R.S. § 41-533)		**Non-Appropriated**
Source of Revenue: Gifts, grants, and fees from the Arizona African-American town hall.		
Purpose of Fund: To pay for the operating costs of the Arizona Commission of African-American Affairs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Border Security Trust Fund (TRA2549/A.R.S. § 41-108)		**Appropriated**
Source of Revenue: Public and private donations, beginning in FY 2012.		
Purpose of Fund: To provide funding for the construction of a fence along the Arizona-Mexico border. FY 2013 donations are estimated to total approximately $4,000.		
Funds Expended	0	0
Year-End Fund Balance	262,100	266,100
Criminal Justice Enhancement Fund (TRA3702/A.R.S. § 41-2401)		**Non-Appropriated**
Source of Revenue: The fund receives 11.7% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For distribution to counties for the training of detention officers and county jail operational enhancement.		
Funds Expended	5,059,700	5,059,700
Year-End Fund Balance	0	0
Law Enforcement and Boating Safety Fund (TRA2111/A.R.S. § 5-383)		**Appropriated**
Source of Revenue: A portion of watercraft licensing taxes.		
Purpose of Fund: To provide grants to county law enforcement agencies for water and boating safety programs. Laws 2011, Chapter 333 moves the Law Enforcement and Boating Safety Fund from the State Parks Board to the State Treasurer effective July 1, 2012. The Treasurer distributes grants based on a formula determined by the Game and Fish Commission.		
Funds Expended	0	2,183,800
Year-End Fund Balance	0	0
Public Safety Personnel Retirement System Investment and Administrative Expenses Account (TRA9901/Laws 2011, Chapter 357)		**Appropriated**
Source of Revenue: A one-time transfer from the Public Safety Personnel Retirement System Investment and Administrative Expenses Account.		
Purpose of Fund: To allow the Treasurer to implement and staff the Defined Contribution and Retirement System Study Committee (Laws 2011, Chapter 357 appropriated $50,000 for this purpose). The Committee is tasked with evaluating the 4 defined-benefit retirement plans to determine the feasibility of making certain changes to the existing system. The Committee is required to report on its findings by December 31, 2012. Any monies remaining unexpended or unencumbered on September 30, 2013 revert to the Public Safety Personnel Retirement System.		
Funds Expended	0	0
Year-End Fund Balance	262,100	266,100
State Retirement System Administration Account (TRA1407/Laws 2011, Chapter 357)		**Appropriated**
Source of Revenue: A one-time transfer from the State Retirement System Administration Account.		
Purpose of Fund: To allow the Treasurer to implement and staff the Defined Contribution and Retirement System Study Committee (Laws 2011, Chapter 357 appropriated $50,000 for this purpose). The Committee is tasked with evaluating the 4 defined-benefit state retirement plans to determine the feasibility of making certain changes to the existing system. The Committee is required to report on its findings by December 31, 2012. Any money remaining unexpended or unencumbered on September 30, 2013 reverts to the Arizona State Retirement System Administrative Account.		
Funds Expended	0	0
Year-End Fund Balance	50,000	50,000

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

State Treasurer Empowerment Scholarship Account Fund (TRA2571/ A.R.S. § 15-2402) **Appropriated**

Source of Revenue: A one-time transfer from the Public Safety Personnel Retirement System Investment and Administrative Expenses Account.

Purpose of Fund: To fund the State Treasurer's cost of administering the Empowerment Scholarship Accounts program authorized by A.R.S. § 15-2402. ADE also transfers monies to the State Treasurer each quarter for funding Empowerment Scholarship Accounts for individual students. Those monies are not displayed to avoid double counting of the General Fund *(see also the "Department of Education Empowerment Scholarship Account Fund" in the Summary of Funds for ADE).*

Funds Expended	0	0
Year-End Fund Balance	0	0

State Treasurer's Management Fund (TRA3799/A.R.S. § 35-326.01) **Appropriated**

Source of Revenue: A portion of management fees paid by the General Fund, state agencies, cities, towns, tribal governments, counties and political subdivisions of the state, not to exceed the amount appropriated by the Legislature.

Purpose of Fund: To provide funding for the administrative expenses associated with managing LGIP.

Funds Expended	87,300	198,000
Year-End Fund Balance	227,200	227,200

State Treasurer's Operating Fund (TRA3795/A.R.S. § 35-316) **Appropriated**

Source of Revenue: A portion of management fee collections not to exceed 0.06% from the earnings on investment pools other than permanent endowment funds.

Purpose of Fund: To provide funding for the operating expenses of the agency.

Funds Expended	2,553,000	2,493,000
Year-End Fund Balance	12,000	12,000

Arizona Board of Regents

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	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	330,600
OPERATING SUBTOTAL	**2,420,700**	**2,350,600**	**2,350,600**
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
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** 1/	**21,926,500**	**21,926,500**
FUND SOURCES			
General Fund	16,996,600	21,926,500	21,926,500
SUBTOTAL - Appropriated Funds	**16,996,600**	**21,926,500**	**21,926,500**
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	31,967,800

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 Baseline includes $2,350,600 and 25.9 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

Arizona Teachers Incentive Program

The Baseline 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 Baseline 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.

1/ Includes a total of $70,100 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

Performance Funding

The Baseline 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 following amounts were reallocated from the university budgets to ABOR to fund the $5,000,000 performance-based funding SLI: $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.

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. The universities are to submit their annual budget requests based on this funding model. *(See the Other Issues for Legslative Consideration section for additional information.)*

Student Financial Assistance

The Baseline 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 $46 - $91 in FY 2012, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The FY 2013 Higher Education BRB suspended the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2013.

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 in financial aid.

Western Interstate Commission Office

The Baseline 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 Baseline 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 2012, the board is providing subsidies to 187 Arizona students, which is the same as FY 2011. 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

ABOR Specific Standard Footnotes
Within 10 days of 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.

Universitywide Standard Footnotes
The appropriated monies shall not be used for scholarships or any student newspaper.

The state General Fund appropriations shall not be used for alumni association funding.

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.

The Course Redesign Technology and Capital appropriation shall become available for use by Arizona State University and Northern Arizona University after the Arizona Board of Regents approves an expenditure plan. The Arizona Board of Regents shall review the expenditure plan before October 1, 2013. The monies must be used 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. Of this amount, $11,971,100 shall be distributed to the Arizona State University campuses and $3,302,600 shall be distributed to Northern Arizona University. The Arizona Board of Regents shall notify the Joint Legislative Budget Committee Staff of the amounts allocated to each Arizona State University campus. It is the intent of the Legislature that these monies be budgeted to the individual campuses beginning in FY 2014. It is the intent of the Legislature to appropriate funding to Arizona State University and Northern Arizona University in FY 2014 through FY 2017 with the goal of achieving per student funding parity between the universities under the jurisdiction of the Arizona Board of Regents at the beginning of FY 2017.

The following amounts have been allocated from the university campuses to the Arizona Board of Regents for Performance Funding: $2,030,000 from Arizona State University - Tempe and Downtown Phoenix Campuses, $156,300 from Arizona State University - East, $271,700 from Arizona State University - West, $834,600 from Northern Arizona University, and $1,707,400 from the University of Arizona - Main campus. The performance funding formula shall be as prescribed by law. The Arizona Board of Regents shall report the final allocation of performance funding to the Joint Legislative Budget Committee on or before July 1, 2013.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into AFAT. Based on student fees contributed to AFAT in FY 2011, the state's match would grow to $21,363,000 or an increase of $11,321,800, over the current appropriation in FY 2014.
- As session law in the General Appropriation Act, continue the FY 2012 $200,000,000 universitywide payment deferral to the universities from FY 2014 to FY 2015.
- As permanent law, require ABOR's existing student enrollment report to delineate between out-of-state and in-state full-time equivalent students (FTE) (A.R.S. § 15-1626).
- As session law, require ABOR to report on whether their performance funding model can be used to determine the total systemwide performance budget request.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Continued Student Deposit

The FY 2012 K-12 Education BRB (Laws 2011, Chapter 29) 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, 2011. The FY 2013 K-12 Education BRB (Laws 2012, Chapter 300) requires each university and community college to deposit $6 per each full-time student into the fund again by December 31, 2012. This assessment is expected to generate $765,600 from the universities and $872,800 from the community colleges. The FY 2014 Baseline does not continue this charge. *(Please see Arizona Department of Education budget narrative for more information.)*

Payment Deferral

The Baseline 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)**

Performance Funding

According to the FY 2013 Higher Education Budget BRB, ABOR and the universities were 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.

The universities have requested $40.9 million in General Fund monies in FY 2014. This total request level was not derived from the performance model. Instead, ABOR based the total request on the percentage of revenue growth that the state experienced in FY 2012. ABOR applied state's percentage revenue growth, approximately 6.5%, to the total university budget to generate the $40.9 million request.

ABOR, however, did use the performance model to allocate a portion of the $40.9 million request to each university. ABOR allocated 54.6% to ASU ($22.3 million), 20.7% to NAU ($8.5 million), and 24.7% to UA ($10.1 million).

These percentages were calculated by ABOR based on 3 weighted metrics: increase in degrees awarded, the increase in completed student credit hours, and the increase in externally generated research and public service funding. The value attached to each metric is partially based on a formula and partially based on discretionary weights to certain areas of focus.

As noted above, ABOR did not use their model to determine their overall performance funding request. By using the model to allocate the shares of the performance request, however, ABOR has made progress in implementing the FY 2013 BRB language. The JLBC Staff suggests that the Legislature consider adding a one-time reporting requirement on whether the ABOR model can be used to derive the overall performance request.

Prior to the FY 2014 performance funding request, the appropriated funding increases for the universities were based on a part-statutory, part-conventional student enrollment funding formula that was based in part on projected student growth. Increases to the General Fund component of that calculation have been suspended since FY 2010.

Parity Funding/Course Redesign Technology and Capital
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. 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 by the beginning of FY 2017. These amounts are currently reflected in the individual agency budgets. *(See ASU - Tempe/DPC, ASU - East and NAU for additional information.)*

These monies are to be used by ASU and NAU 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.

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, and fall 2012. ASU-Tempe enrollment decreased by (1,367) FTE for a total of 50,020 in fall 2012, ASU DPC grew by 1,619 for a total of 11,355, ASU East increased by 137 for a total of 5,057, ASU West increased by 286 for a total of 6,155, NAU increased by 1,253 for a total of 23,990, UA Main increased by 1,137 for a total of 36,607, and UA Health Sciences increased by 160 for a total of 2,772. Prior to the FY 2014 Baseline, 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 2012 to FY 2013.

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 $1,626,324,700 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		
	General Fund	Collections Fund [1/]	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	Total
ABOR	$ 21,926,500	$ 0	$ 0	$ 1,005,900	$ 9,035,400	$ 31,967,800
ASU-Tempe/DPC	257,332,200	452,685,000	0	299,009,000	714,014,400	1,723,040,600
ASU-East	20,771,200	35,590,900	2,000,000	5,311,000	37,979,200	101,652,300
ASU-West	33,071,700	40,390,200	1,600,000	8,668,000	43,319,400	126,995,300
NAU	104,907,400	107,409,100	0	76,964,400	197,733,700	487,014,600
UA-Main	207,793,500	269,918,000	0	290,148,200	854,734,100	1,622,593,800
UA-Health Sciences	61,585,300	43,920,300	0	112,351,500	172,030,900	389,888,000
Total	**$707,333,800**	**$949,913,500**	**$3,600,000**	**$793,458,000**	**$2,028,847,100**	**$4,483,152,400**

1/ Excludes FY 2014 tuition increase.

Table 2

Arizona University System 45th Day Enrollment [1/]

	Fall 2011	Spring 2012	Fall 2012	Fall 2011 to Fall 2012 % Change
ASU-Tempe/ DPC	61,123	56,987	61,375	0.4%
ASU-East	4,920	4,935	5,057	2.8%
ASU-West	5,869	5,837	6,155	4.9%
NAU	22,737	21,718	23,990	5.5%
UA-Main	35,470	33,381	36,607	3.2%
UA-Health Sciences	2,612	2,712	2,772	6.1%
Total	**132,732**	**125,570**	**135,955**	**2.4%**

1/ Enrollment includes 240 full-time equivalent students with excess credit hours in fall 2011, 395 in spring 2012 and 271 in fall 2012.

Table 3

Arizona University System
FY 2012 to FY 2013 Undergraduate Tuition and Fees Changes [1/]

	Resident [2/]				Non-Resident [2/]			
	FY 2012	FY 2013	$ Change	% Change	FY 2012	FY 2013	$ Change	% Change
ASU	$8,736 to $9,716	$8,740 to $9,720	$4	0.0004%	$22,315	$22,973	$658	2.9%
ASU-Distance Ed.	N/A	$6,490	N/A	N/A	N/A	$9,490	N/A	N/A
NAU	$5,960 to $8,824	$6,909 to $9,271	$447 to $949	5.1% to 15.9%	$17,058 to $21,179	$18,136 to $21,626	$447 to $1,078	2.1% to 6.3%
NAU-Distance Ed.	$4,803 to $6,317	$4,948 to $6,508	$145 to $191	3.0%	$14,283 to $17,650	$14,715 to $18,190	$432 to $540	3.0%
UofA-Main/HSC	$10,035	$10,035	$0	0%	$25,494	$26,231	$737	2.9%
UofA-South	$7,941	$7,941	$0	0%	$25,071	$25,808	$737	2.9%

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]

	Federal	State [2]	Institutional [3]	Private/Other [4]	Total
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	7,154.9	0.0	171,745.2	0.0	178,900.1
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

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate [1]
Appropriated			
Operating Budget	$ 865,722,400	$ 949,913,600	$ 972,188,800
Non-Appropriated			
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	82,595,700	85,972,700	92,066,300
Subtotal	*$ 579,947,100*	*$ 633,176,200*	*$ 654,135,900*
Total	**$1,445,669,500**	**$1,583,089,800**	**$1,626,324,700**

1/ The source for these non-appropriated amounts are the universities' FY 2014 budget requests. The appropriated amount includes all FY 2014 estimated tuition collections and fees.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-522)		**Non-Appropriated**
Source of Revenue: Lottery proceeds.		
Purpose of Fund: To provide funding for the 5 Arizona Area Health Education Centers, which work to improve healthcare access for rural and underserved communities. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting. Pass-through funds totaled $4,528,800 in FY 2012 and are expected to be the same in both FY 2013 and FY 2014.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Fund (BRA2000/A.R.S. § 15-1666)		**Non-Appropriated**
Source of Revenue: Grants from the United States Department of Education.		
Purpose of Fund: To support pre-service, retraining, and in-service educational programs improving the instructional and management skills of K-12 and vocational school teachers and administrators, with an emphasis on core subjects.		
Funds Expended	365,500	1,075,900
Year-End Fund Balance	70,000	0
Regents Local Fund (BRA1/A.R.S. § 15-1626)		**Non-Appropriated**
Source of Revenue: Contributions of retained tuition from the 3 universities.		
Purpose of Fund: To supplement the ABOR operating budget.		
Funds Expended	2,746,100	4,698,200
Year-End Fund Balance	2,435,200	216,100

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648) **Non-Appropriated**

Source of Revenue: A portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute. Total receipts were $56,882,700 in FY 2012 and are estimated to be $56,999,100 in FY 2013.

Purpose of Fund: To provide grants for university technology and research initiatives, with preference given to federal or private partnerships, as well as to programs for non-traditional students; also, for up to 20% of fund monies, to support capital projects, including debt service, relating to technology and research. The displayed expenditures represent only that portion of tax receipts utilized by ABOR. The board transfers all other receipts to university Restricted Funds, which reflect those monies.

Funds Expended	778,400	2,565,500
Year-End Fund Balance	2,065,500	0

Trust Land Fund (BRA3131/3132/3134/3136/ A.R.S. § 15-1662) **Non-Appropriated**

Source of Revenue: Monies derived from the lease, sale, or other disposition of lands granted to the state by the United States for the use and benefit of the universities. Land funds are allocated for Agricultural and Mechanical Colleges, Military Institutes, Universities, and Normal Schools, respectively. Total land earnings were $3,837,300 in FY 2012 and are estimated to be $3,837,300 in FY 2013.

Purpose of Fund: To operate agricultural and mechanical colleges, to support university Reserve Officers' Training Corps programs, to match private funds attracting distinguished faculty, and to operate teacher training programs, respectively. The displayed expenditures represent only that portion of trust land earnings transferred to university endowments to support outstanding faculty. ABOR transfers all other trust land earnings to University Collections Funds, which reflect those monies.

Funds Expended	3,817,400	3,880,900
Year-End Fund Balance	43,600	0

Arizona State University - Tempe/DPC

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	6,098.2	6,142.9	6,142.9
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	45,157,900
Equipment	17,153,700	18,127,700	18,127,700
OPERATING SUBTOTAL	**560,625,800**	**582,057,200**	**582,057,200**
SPECIAL LINE ITEMS			
Biomedical Informatics	1,951,200	1,955,200	1,955,200
Course Redesign Technology and Capital	0	10,222,200 1/	10,222,200
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
AGENCY TOTAL	**673,303,800** 2/	**710,017,200** 3/	**710,017,200**
FUND SOURCES			
General Fund	247,742,900	257,332,200	257,332,200
Other Appropriated Funds			
University Collections Fund	425,560,900	452,685,000	452,685,000
SUBTOTAL - Other Appropriated Funds	425,560,900	452,685,000	452,685,000
SUBTOTAL - Appropriated Funds	**673,303,800**	**710,017,200**	**710,017,200**
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	1,723,040,600

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 Baseline includes $582,057,200 and 5,293.7 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$209,378,800
University Collections Fund	372,678,400

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.)*

Prior to FY 2014, annual increases would have been calculated by the part-statutory, part-conventional student enrollment funding formula that was based in part on projected student growth. This formula is discontinued due to the FY 2013 Higher Education Budget

1/ Originally appropriated to the Arizona Board of Regents (ABOR). *(Please see Course Redesign Technology and Capital Special Line Item narrative for more information.)*

2/ Includes a total of $17,804,100 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

3/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday. The adjustments include a reduction of $(4,348,300) GF for the premium holiday.

Reconciliation Bill (BRB) (Laws 2012, Chapter 301) requirement that ABOR and the universities adopt a performance funding model by July 1, 2012. *(Please see Other Issues for Legislative Consideration for more information.)*

Biomedical Informatics

The Baseline 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.

Course Redesign Technology and Capital

The Baseline includes $10,222,200 and 45 FTE Positions from the General Fund in FY 2014 for the Course Redesign Technology and Capital Special Line Item (SLI). These amounts are unchanged from FY 2013.

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. 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 by 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.

Downtown Phoenix Campus

The Baseline 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 9,300 in fall 2011.

Research Infrastructure Lease-Purchase Payment

The Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)
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.

It is the intent of the Legislature that the General Fund base funding for Arizona State University - Tempe and Downtown Phoenix Campuses is $257,332,200, which includes a deferral of $74,760,400 from FY 2014 to FY 2015 and the $13,555,000 in Laws 2003, Chapter 267 lease-purchase appropriation.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral
The Baseline 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 Baseline is $257,332,200. Of this amount:

- $169,016,800 would be 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	116,942,600	115,975,600
Year-End Fund Balance	9,140,300	4,638,700
Designated Fund (UNI8905/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	390,363,200	474,455,400
Year-End Fund Balance	305,659,400	322,600,500
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	83,943,600	83,943,600
Federal Grants (UNI8903/A.R.S. § 15-1666)		**Non-Appropriated**
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	272,818,900	278,619,300
Year-End Fund Balance*	200	(100)
Federal Grants - American Recovery and Reinvestment Act (ARRA) (UNI2999/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the university as part of the State Fiscal Stabilization Fund for education programs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	329,500	1,901,300
Year-End Fund Balance	17,353,400	9,320,900

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Loan Fund (UNI8901/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	235,700	0
Year-End Fund Balance	13,684,600	13,684,600
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	107,079,100	115,532,300
Year-End Fund Balance	41,924,100	65,763,200
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		**Non-Appropriated**
Source of Revenue: University system revenues.		
Purpose of Fund: To pay annual debt service payments for the $800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. The fund is comprised of the state university system revenues portion of the debt service payments. *(Please see the Capital Outlay ABOR Building System narrative for more information.)*		
Funds Expended	433,700	515,700
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		**Appropriated**
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	425,560,900	452,685,000
Year-End Fund Balance	0	0

* As reported by the agency. Actual ending balances will not be negative.

Arizona State University - East Campus

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	424.0	425.6	425.6
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	4,313,800
Equipment	845,800	827,800	827,800
OPERATING SUBTOTAL	**56,767,200**	**53,696,200**	**53,696,200**
SPECIAL LINE ITEMS			
Course Redesign Technology and Capital	0	1,748,900 1/	1,748,900
Research Infrastructure Lease-Purchase Payment	917,000	917,000	917,000
TRIF Lease-Purchase Payment	2,000,000	2,000,000	2,000,000
AGENCY TOTAL	**59,684,200** 2/	**58,362,100** 3/	**58,362,100**
FUND SOURCES			
General Fund	19,076,800	20,771,200	20,771,200
Other Appropriated Funds			
Technology and Research Initiative Fund	2,000,000	2,000,000	2,000,000
University Collections Fund	38,607,400	35,590,900	35,590,900
SUBTOTAL - Other Appropriated Funds	40,607,400	37,590,900	37,590,900
SUBTOTAL - Appropriated Funds	**59,684,200**	**58,362,100**	**58,362,100**
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	101,652,300

AGENCY DESCRIPTION — Established as a separate budget unit in 1994, Arizona State University - East Campus (ASUEast), 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.

Operating Budget

The Baseline includes $53,696,200 and 416.6 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$18,105,300
University Collections Fund	35,590,900

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.)*

Prior to FY 2014, annual increases would have been calculated by the part-statutory, part-conventional student enrollment funding formula that was based in part on projected student growth. This formula is discontinued due to the FY 2013 Higher Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 301) requirement that ABOR and the universities adopt a

1/ Originally appropriated to the Arizona Board of Regents (ABOR). *(Please see Course Redesign Technology and Capital Special Line Item narrative for more information.)*

2/ Includes a total of $1,238,700 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

3/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday. The adjustments include a reduction of $(313,000) GF for the premium holiday.

performance funding model by July 1, 2012. *(Please see Other Issues for Legislative Consideration for more information.)*

Course Redesign Technology and Capital

The Baseline includes $1,748,900 and 9 FTE Positions from the General Fund in FY 2014 for the Course Redesign Technology and Capital Special Line Item (SLI). These amounts are unchanged from FY 2013.

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. 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 by 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 Baseline 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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)

It is the intent of the Legislature that the General Fund base funding for Arizona State University - East Campus is $20,771,200, which includes a deferral of $5,750,200 from FY 2014 to FY 2015 and the $917,000 in Laws 2003, Chapter 267 lease-purchase appropriation.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 Baseline is $20,771,200. Of this amount:

- $14,104,000 would be 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	625,600	43,500
Year-End Fund Balance	737,200	750,000

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Designated Fund (UNI8905/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants. **Purpose of Fund:** To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	20,048,900	33,222,700
Year-End Fund Balance	17,001,800	15,934,700
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings. **Purpose of Fund:** To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	1,229,500	1,229,500
Federal Grants (UNI8903/A.R.S. § 15-1666)		**Non-Appropriated**
Source of Revenue: Federal grants and contracts. **Purpose of Fund:** To support specific operating and research purposes as identified by the federal government.		
Funds Expended	4,779,700	4,927,900
Year-End Fund Balance	100	0
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (*please see the ABOR Summary of Funds*), as well as a portion of financial aid trust fees assessed to students. **Purpose of Fund:** To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	3,307,400	4,442,100
Year-End Fund Balance	3,500,000	3,208,000
Technology and Research Initiative Fund (UNI2472/A.R.S. § 15-1648)		**Appropriated**
Source of Revenue: Automatic appropriations of a portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute. **Purpose of Fund:** To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
Funds Expended	2,000,000	2,000,000
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		**Appropriated**
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings. **Purpose of Fund:** To operate the university.		
Funds Expended	38,607,400	35,590,900
Year-End Fund Balance	0	0

Arizona State University - West Campus

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	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	5,539,700
Equipment	758,400	829,700	829,700
OPERATING SUBTOTAL	**67,079,800**	**73,407,900**	**73,407,900**
SPECIAL LINE ITEMS			
TRIF Lease-Purchase Payment	1,600,000	1,600,000	1,600,000
AGENCY TOTAL	**68,679,800** 1/	**75,007,900** 2/	**75,007,900**
FUND SOURCES			
General Fund	33,159,600	33,017,700	33,017,700
Other Appropriated Funds			
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
SUBTOTAL - Other Appropriated Funds	35,520,200	41,990,200	41,990,200
SUBTOTAL - Appropriated Funds	**68,679,800**	**75,007,900**	**75,007,900**
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	126,995,300

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 Baseline includes $73,407,900 and 562.9 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$33,017,700
University Collections Fund	40,390,200

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.)*

Prior to FY 2014, annual increases would have been calculated by the part-statutory, part-conventional student enrollment funding formula that was based in part on projected student growth. This formula is discontinued due to the FY 2013 Higher Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 301) requirement that ABOR and the universities adopt a performance funding model by July 1, 2012. *(Please see Other Issues for Legislative Consideration for more information.)*

1/ Includes a total of $1,585,700 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday. The adjustments include a reduction of $(423,500) GF for the premium holiday.

TRIF Lease-Purchase Payment

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)
It is the intent of the Legislature that the General Fund base funding for Arizona State University - West Campus is $33,017,700, includes a deferral of $10,064,800 from FY 2014 to FY 2015.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral
The Baseline 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 Baseline is $33,017,700. Of this amount:

- $22,952,900 would be 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	628,200	82,600
Year-End Fund Balance	547,600	490,900
Designated Fund (UNI8905/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	32,963,900	35,520,200
Year-End Fund Balance	19,516,700	18,760,100
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	1,500	0
Year-End Fund Balance	2,899,400	2,899,400

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal Grants (UNI8903/A.R.S. § 15-1666)		**Non-Appropriated**
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	7,793,700	8,099,100
Year-End Fund Balance*	(200)	(100)
Loan Fund (UNI8901/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants *(please see the ABOR Summary of Funds)*, as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	9,288,200	7,131,600
Year-End Fund Balance	4,635,100	1,170,100
Technology and Research Initiative Fund (UNI2472/A.R.S. § 15-1648)		**Appropriated**
Source of Revenue: Automatic appropriations of a portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute.		
Purpose of Fund: To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
Funds Expended	1,600,000	1,600,000
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		**Appropriated**
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	33,920,200	40,390,200
Year-End Fund Balance	0	0

* As reported by the agency. Actual ending balances will not be negative.

Northern Arizona University

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	2,057.2	2,057.2	2,057.2
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	19,816,800
Equipment	387,800	353,700	353,700
OPERATING SUBTOTAL	**194,904,800**	**197,756,600**	**197,756,600**
SPECIAL LINE ITEMS			
Course Redesign Technology and Capital	0	3,302,600 1/	3,302,600
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
Teacher Training	2,179,500	2,290,600	2,290,600
AGENCY TOTAL	**205,990,800** 2/	**212,316,500** 3/	**212,316,500**
FUND SOURCES			
General Fund	108,251,900	104,907,400	104,907,400
Other Appropriated Funds			
University Collections Fund	97,738,900	107,409,100	107,409,100
SUBTOTAL - Other Appropriated Funds	97,738,900	107,409,100	107,409,100
SUBTOTAL - Appropriated Funds	**205,990,800**	**212,316,500**	**212,316,500**
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	487,014,600

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 Baseline includes $197,756,600 and 2,027.8 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$90,347,500
University Collections Fund	107,409,100

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.)*

Prior to FY 2014, annual increases would have been calculated by the part-statutory, part-conventional student enrollment funding formula that was based in part on projected student growth. This formula is discontinued

1/ Originally appropriated to the Arizona Board of Regents (ABOR). *(Please see Course Redesign Technology and Capital Special Line Item narrative for more information.)*

2/ Includes a total of $5,812,500 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

3/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday. The adjustments include a reduction of $(19,600) GF for the premium holiday.

due to the FY 2013 Higher Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 301) requirement that ABOR and the universities adopt a performance funding model by July 1, 2012. *(Please see Other Issues for Legislative Consideration for more information.)*

Course Redesign Technology and Capital

The Baseline includes $3,302,600 from the General Fund in FY 2014 for the Course Redesign Technology and Capital Special Line Item (SLI). This amount is unchanged from FY 2013.

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. 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 by the beginning of FY 2017.

These monies shall be used by NAU 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.

NAU - Yuma

The Baseline 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 Baseline 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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)
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.

It is the intent of the Legislature that the General Fund base funding for Northern Arizona University is $104,907,400, which includes a deferral of $30,494,800 from FY 2014 to FY 2015 and the $5,900,000 in Laws 2003, Chapter 267 lease-purchase appropriation.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral
The Baseline 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 Baseline is $104,907,400. Of this amount:

- $68,512,600 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	55,533,000	59,118,800
Year-End Fund Balance	18,998,400	17,450,900
Designated Fund (UNI8905/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	88,014,900	97,549,100
Year-End Fund Balance	87,825,100	60,538,100
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants (UNI8903/A.R.S. § 15-1666)		**Non-Appropriated**
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	72,781,600	73,680,400
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	2,666,200	2,522,000
Year-End Fund Balance	6,199,900	7,403,000
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	3,335,500	3,368,800
Year-End Fund Balance	2,644,500	3,157,700
Loan Fund (UNI8901/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	624,500	240,000
Year-End Fund Balance	25,747,400	26,557,400

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601) **Non-Appropriated**

Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.

Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.

Funds Expended	32,227,600	32,549,700
Year-End Fund Balance	12,075,400	13,983,800

University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03) **Non-Appropriated**

Source of Revenue: University system revenues.

Purpose of Fund: To pay annual debt service payments for the $800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. The fund is comprised of the state university system revenues portion of the debt service payments. *(Please see the Capital Outlay ABOR Building System narrative for more information.)*

Funds Expended	501,600	967,600
Year-End Fund Balance	0	0

University Collections Fund (NAA1421/A.R.S. § 15-1626) **Appropriated**

Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.

Purpose of Fund: To operate the university.

Funds Expended	97,738,900	107,409,100
Year-End Fund Balance	0	0

University of Arizona - Main Campus

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	5,805.5	5,365.0	5,365.0
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	45,303,000	50,804,000	50,804,000
Equipment	3,471,000	828,000	828,000
OPERATING SUBTOTAL	**405,492,900**	**406,880,100**	**406,880,100**
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
Research Infrastructure Lease-Purchase Payment	14,253,000	14,253,000	14,253,000
Sierra Vista Campus	6,294,200	7,031,500	7,031,500
AGENCY TOTAL	**476,581,900** [1/]	**477,711,500** [2/]	**477,711,500**
FUND SOURCES			
General Fund	226,387,700 [3/]	207,793,500	207,793,500
Other Appropriated Funds			
University Collections Fund	250,194,200	269,918,000	269,918,000
SUBTOTAL - Other Appropriated Funds	250,194,200	269,918,000	269,918,000
SUBTOTAL - Appropriated Funds	**476,581,900**	**477,711,500**	**477,711,500**
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	1,622,593,800

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 more than 300 degree-programs to approximately 40,000 full- and part-time students in 39 colleges and schools at its Main Campus in Tucson, a campus in Phoenix, and UA-South, which is a branch campus in Sierra Vista. Upon its establishment, UA received the federal land grant for Arizona, allowing the creation of agricultural and mining programs that continue today.

Operating Budget

The Baseline includes $406,880,100 and 4,622.1 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$150,844,700
University Collections Fund	256,035,400

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.)*

Prior to FY 2014, annual increases would have been calculated by the part-statutory, part-conventional student enrollment funding formula that was based in part on projected student growth. This formula is discontinued due to the FY 2013 Higher Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 301)

1/ Includes a total of $14,451,100 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report.*

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday. The adjustments include a reduction of $(3,674,800) GF for the premium holiday.

3/ UA actual spending exceeded their appropriation by $2,435,700, which they state is due to their use of previous unspent encumbered balances in FY 2012.

requirement that ABOR and the universities adopt a performance funding model by July 1, 2012. *(Please see Other Issues for Legislative Consideration for more information.)*

Agriculture

The Baseline 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 Baseline 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.

Research Infrastructure Lease-Purchase Payment

The Baseline 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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)
It is the intent of the Legislature that the General Fund base funding for University of Arizona - Main Campus is $193,540,500, which includes a deferral of $62,153,100 from FY 2014 to FY 2015 and the $14,253,000 Laws 2003, Chapter 267, lease-purchase appropriation.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral
The Baseline 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 universitywide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2014 General Fund Baseline is $207,793,500. Of this amount:

- $131,387,400 would be included in UA-Main's individual 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	190,926,800	200,254,700
Year-End Fund Balance	20,510,800	27,559,300
Designated Fund (UNI8905/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	440,497,900	454,513,600
Year-End Fund Balance	221,323,500	193,959,100
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	136,901,100	143,578,700
Federal Grants (UNI8903/A.R.S. § 15-1666)		**Non-Appropriated**
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	223,335,600	230,035,500
Year-End Fund Balance	32,218,100	53,280,300
Federal Grants - American Recovery and Reinvestment Act (ARRA) (UNI2999/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the university as part of the State Fiscal Stabilization Fund for education programs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	50,389,600	51,901,200
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	8,528,000	8,783,800
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Loan Fund (UNI8901/A.R.S. § 15-1601) **Non-Appropriated**

Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.

Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.

Funds Expended	410,400	464,200
Year-End Fund Balance	20,336,600	21,181,600

Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601) **Non-Appropriated**

Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants *(please see the ABOR Summary of Funds)*, as well as a portion of financial aid trust fees assessed to students.

Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.

Funds Expended	154,717,600	166,409,100
Year-End Fund Balance*	(3,700,300)	1,024,000

University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03) **Non-Appropriated**

Source of Revenue: University system revenues.

Purpose of Fund: To pay annual debt service payments for the $800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. The fund is comprised of the state university system revenues portion of the debt service payments. *(Please see the Capital Outlay ABOR Building System narrative for more information.)*

Funds Expended	1,639,300	1,849,500
Year-End Fund Balance	0	0

University Collections Fund (UAA1402/A.R.S. § 15-1626) **Appropriated**

Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.

Purpose of Fund: To operate the university.

Funds Expended	250,194,200	269,918,000
Year-End Fund Balance	0	0

University of Arizona - Health Sciences Center

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	979.1	1,009.1	1,009.1
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	20,575,200
Telemedicine Network	1,924,900	1,853,900	1,853,900
AGENCY TOTAL	**97,603,200** 1/	**105,505,600** 2/	**105,505,600**
FUND SOURCES			
General Fund	56,397,500	61,585,300	61,585,300
Other Appropriated Funds			
University Collections Fund	41,205,700	43,920,300	43,920,300
SUBTOTAL - Other Appropriated Funds	41,205,700	43,920,300	43,920,300
SUBTOTAL - Appropriated Funds	**97,603,200**	**105,505,600**	**105,505,600**
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	389,888,000

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 3,300 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 over 300 medical and Master of Public Health students.

Operating Budget

The Baseline 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.)*

Prior to FY 2014, annual increases would have been calculated by the part-statutory, part-conventional student enrollment funding formula that was based in part on projected student growth. This formula is discontinued due to the FY 2013 Higher Education Budget

1/ Includes a total of $3,248,300 GF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(542,700) GF for the premium holiday.

Reconciliation Bill (BRB) (Laws 2012, Chapter 301) requirement that ABOR and the universities adopt a performance funding model by July 1, 2012. *(Please see Other Issues for Legislative Consideration for more information.)*

Clinical Rural Rotation

The Baseline 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 Baseline 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 Baseline 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 Baseline includes $20,575,200 and 140.4 FTE Positions in FY 2014 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	15,907,600
University Collections Fund	4,667,600

These amounts are unchanged from FY 2013.

The Phoenix Biomedical Campus has 195 medical students. Each entering class now includes 80 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 will be issued in February 2013 and the debt service will be paid with university system revenues, rather than lottery revenues.

Telemedicine Network

The Baseline 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

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)
It is the intent of the Legislature that the General Fund base funding for University of Arizona - Health Sciences Center is $61,585,300. This appropriation includes a deferral of $16,776,700 from FY 2014 to FY 2015.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral
The Baseline 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 $61,585,300. Of this amount:

- $44,808,600 would be 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	7,955,200	8,193,900
Year-End Fund Balance	1,482,000	2,375,600
Designated Fund (UNI8905/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	51,239,100	52,776,500
Year-End Fund Balance	43,636,100	53,413,200
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	59,522,900	61,994,200
Federal Grants (UNI8903/A.R.S. § 15-1666)		**Non-Appropriated**
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	80,238,500	82,645,700
Year-End Fund Balance	17,202,800	11,242,300
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	25,754,100	26,526,500
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	2,709,000	2,790,300
Year-End Fund Balance	0	0
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		**Non-Appropriated**
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants *(please see the ABOR Summary of Funds)*, as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	100,359,600	103,370,400
Year-End Fund Balance	4,050,800	3,611,700
University Collections Fund (UAA1403/A.R.S. § 15-1626)		**Appropriated**
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	41,205,700	43,920,300
Year-End Fund Balance	0	0

Department of Veterans' Services

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	500.3	500.3	500.3
Personal Services	1,568,500	1,647,800	1,647,800
Employee Related Expenditures	670,300	657,100	657,100
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	469,200
Equipment	50,000	118,200	118,200
OPERATING SUBTOTAL	**2,845,900**	**2,973,200**	**2,973,200**
SPECIAL LINE ITEMS			
Arizona State Veterans' Homes	18,364,000	27,614,700	27,614,700
Southern Arizona Cemetery	271,400	275,600	275,600
Veterans' Benefit Counseling	2,888,300	2,848,100	2,848,100
AGENCY TOTAL	**24,369,600** 1/	**33,711,600** 2/	**33,711,600**
FUND SOURCES			
General Fund	7,158,400	5,212,800	5,212,800
Other Appropriated Funds			
Home for Veterans' Trust Fund	16,513,900	27,614,700	27,614,700
Veterans' Conservatorship Fund	697,300	884,100	884,100
SUBTOTAL - Other Appropriated Funds	17,211,200	28,498,800	28,498,800
SUBTOTAL - Appropriated Funds	**24,369,600**	**33,711,600**	**33,711,600**
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	37,176,700	42,292,100

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 Baseline includes $2,973,200 and 56.3 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$2,089,100
Veterans' Conservatorship Fund	884,100

These amounts are unchanged from FY 2013.

Arizona State Veterans' Homes

The Baseline includes $27,614,700 and 380 FTE Positions from the Home for Veterans' Trust Fund in FY 2014 for the Arizona State Veterans' Homes. These amounts are unchanged from FY 2013.

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes in Phoenix and Tucson.

1/ Includes a total of $149,400 GF and $530,100 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(54,700) GF for the premium holiday and an increase of $153,600 GF and $160,900 OF for the employee retention payment.

Southern Arizona Cemetery

The Baseline includes $275,600 and 7 FTE Positions from the General Fund in FY 2014 for the Southern Arizona Cemetery. These amounts are unchanged from FY 2013.

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 Baseline includes $2,848,100 and 57 FTE Positions from the General Fund in FY 2014 for Veterans' Benefit Counselors. These amounts are unchanged from FY 2013.

The monies in this line item are used to assist Arizona veterans with questions about benefit eligibility, completion of benefit forms, and obtaining deserved benefits.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

STATUTORY CHANGES

The Baseline would, 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 cost, but the state is responsible for the ongoing operational cost.

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 received a $275,600 General Fund appropriation in FY 2013 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.

In addition to the Sierra Vista and Flagstaff cemeteries, the department has requested Federal Funds for 4 additional cemeteries, located in Yuma, Chinle, Tucson, and Kingman. At this time, the federal government has not approved funding for these cemeteries.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Federal Funds (VSA2000/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: U.S. Department of Veterans' Affairs and Department of Defense Grants.		
Purpose of Fund: To supervise and qualify educational and training programs which receive Federal Government Issued (GI) Bill monies and to provide assistance for military personnel transitioning to a career as a public school teacher. Although not displayed here, $16,819,100 in federal monies have been spent for construction of a Veterans' Home in Tucson from FY 2010 through FY 2012; another $267,000 is expected to be spent in FY 2013.		
Funds Expended	647,500	392,600
Year-End Fund Balance	123,500	97,000
Home for Veterans' Trust Fund (VSA2355/A.R.S. § 41-608.01)		**Appropriated**
Source of Revenue: Charges for services, fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.		
Purpose of Fund: To operate and maintain state-operated nursing homes for Arizona veterans.		
Funds Expended	16,513,900	27,614,700
Year-End Fund Balance	2,802,600	3,002,300

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate

Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04) **Non-Appropriated**

Source of Revenue: Donations, bequests, or other contributions from public or private sources. This fund received a one-time General Fund appropriation of $100,000 in FY 2008. This fund was only established through December 31, 2018; any funds remaining unencumbered as of that date are transferred to the Veterans' Donation Fund.

Purpose of Fund: To provide financial assistance to family members of deceased or wounded veterans who became deceased, wounded, injured, or became seriously ill after September 11, 2001. Service members must have been deployed from an Arizona military base, claimed this state as the service member's home of record, or were a member of the Arizona National Guard at the time of deployment.

Funds Expended	562,100	443,600
Year-End Fund Balance	3,151,200	3,727,600

Southern Arizona Veterans' Cemetery Trust Fund (VSA2499/A.R.S. § 41-608.03) **Non-Appropriated**

Source of Revenue: Monies, grants, gifts, and contributions from any public or private source.

Purpose of Fund: To manage and maintain the southern Arizona veterans' cemetery.

Funds Expended	176,000	183,600
Year-End Fund Balance	35,400	91,800

Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-709) **Non-Appropriated**

Source of Revenue: Donations, gifts, or contributions from public or private sources.

Purpose of Fund: For the conduct of employee recognition programs.

Funds Expended	200	0
Year-End Fund Balance	1,900	1,900

Veterans' Cemetery Fund (VSA2481/A.R.S. § 41-608.02) **Non-Appropriated**

Source of Revenue: Includes a one-time $500,000 appropriation from the General Fund and federal monies used as reimbursement for the construction of veterans' cemeteries. The Department is expected to receive $1,718,600 in federal monies in FY 2013 to expand the Southern Arizona Cemetery. Another $5,942,100 in federal monies is expected in FY 2014 to establish a cemetery in Flagstaff.

Purpose of Fund: To acquire property for and to establish state veterans' cemeteries.

Funds Expended	18,300	1,718,600
Year-End Fund Balance	104,700	104,700

Veterans' Conservatorship Fund (VSA2077/A.R.S. § 14-5414.01) **Appropriated**

Source of Revenue: Fees collected from veterans, or a veteran's surviving spouse, or minor child, or the incapacitated spouse of a protected veteran, for whom the agency serves as a conservator.

Purpose of Fund: To operate the Fiduciary Division of the Department of Veterans' Services.

Funds Expended	697,300	884,100
Year-End Fund Balance	2,900	2,900

Veterans' Donations Fund (VSA2441/A.R.S. § 41-608) **Non-Appropriated**

Source of Revenue: Donations from private individuals, corporations and organizations. Donations are made by designating a portion of one's tax refund, purchasing a license plate, or other means. Sales from the Veterans, Freedom, Gold Star, and Women Veteran license plates go into this fund. Of the $25 license plate fee, $8 is for administrative costs deposited to the State Highway Fund and $17 is deposited into the Veterans' Donation Fund.

Purpose of Fund: To benefit veterans within the state of Arizona. Separate subaccounts of this fund are used for 1) the construction and maintenance of the Enduring Freedom Memorial and 2) grants to benefit women veterans in Arizona including providing shelter to homeless women veterans.

Funds Expended	1,910,000	726,700
Year-End Fund Balance	1,886,500	2,898,200

Arizona State Veterinary Medical Examining Board

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	5.5	5.5	5.5
Personal Services	249,800	253,900	253,900
Employee Related Expenditures	85,000	88,700	88,700
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	65,000
Equipment	800	0	0
AGENCY TOTAL	**434,500** 1/	**456,600** 2/	**456,600**
FUND SOURCES			
Other Appropriated Funds			
Veterinary Medical Examining Board Fund	434,500	456,600	456,600
SUBTOTAL - Other Appropriated Funds	434,500	456,600	456,600
SUBTOTAL - Appropriated Funds	**434,500**	**456,600**	**456,600**
TOTAL - ALL SOURCES	434,500	456,600	456,600

AGENCY DESCRIPTION — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises.

Operating Budget

The Baseline includes $456,600 and 5.5 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2014 for the operating budget. These amounts are unchanged from FY 2013.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	**FY 2012 Actual**	**FY 2013 Estimate**
Veterinary Medical Examining Board Fund (VTA2078/A.R.S. § 32-2205)		**Appropriated**
Source of Revenue: Monies collected by the board from the examination and licensing of veterinarians, veterinary technicians, and veterinary premises. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.		
Funds Expended	434,500	456,600
Year-End Fund Balance	799,800	1,266,600

1/ Includes a total of $12,600 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include an increase of $8,300 OF for the employee retention payment.

Department of Water Resources

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	207.2	90.0	90.0
Personal Services	2,361,500	2,867,300	2,867,300
Employee Related Expenditures	945,300	1,230,500	1,230,500
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	2,459,300
Equipment	319,800	419,500	419,500
OPERATING SUBTOTAL	**6,319,900**	**7,361,700**	**7,361,700**
SPECIAL LINE ITEMS			
Adjudication Support	1,192,200	1,212,900	1,212,900
Assured and Adequate Water Supply Administration	1,772,900	1,929,500	1,929,500
Automated Groundwater Monitoring	364,900	401,100	401,100
Conservation and Drought Program	397,800	395,700	395,700
Rural Water Studies	1,147,800	1,139,600	1,139,600
AGENCY TOTAL	**11,195,500** 1/	**12,440,500** 2/	**12,440,500**
FUND SOURCES			
General Fund	5,821,900	12,033,300	12,033,300
Other Appropriated Funds			
Assured and Adequate Water Supply Administration Fund	268,200	266,800	266,800
Water Resources Fund	5,105,400	140,400	140,400
SUBTOTAL - Other Appropriated Funds	5,373,600	407,200	407,200
SUBTOTAL - Appropriated Funds	**11,195,500**	**12,440,500**	**12,440,500**
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	22,360,100	22,360,100

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.

Operating Budget

The Baseline includes $7,361,700 and 38 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$7,221,300
Water Resources Fund	140,400

These amounts are unchanged from FY 2013.

Adjudication Support

The Baseline includes $1,212,900 and 14.5 FTE Positions from the General Fund in FY 2014 for Adjudication Support. These amounts are unchanged from FY 2013.

A.R.S. § 45-251 requires DWR to provide technical and administrative support to judicial proceedings involving water rights claims on the Gila and Little Colorado Rivers.

In 1953, Congress passed the McCarran Amendment, granting state courts jurisdiction over the adjudication of

1/ Includes a total of $170,400 GF and $5,900 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(93,300) GF for the premium holiday and an increase of $233,900 GF for the employee retention payment.

the tribal water rights. As part of this amendment, if the states are unsuccessful in completing the adjudications, the adjudications will be moved to federal courts.

Assured and Adequate Water Supply Administration

The Baseline includes $1,929,500 and 19.8 FTE Positions in FY 2014 for the Assured and Adequate Water Supply (AAWS) Program. These amounts consist of:

General Fund	1,662,700
AAWS Administration Fund	266,800

These amounts are unchanged from FY 2013.

All new subdivisions must receive a Certificate of Assured or Adequate Water Supply. A Certificate of Assured Water Supply is awarded to developers within the 5 Active Management Areas (AMAs) and demonstrates the availability of water for the next 100 years. New developers outside the 5 AMAs must obtain a determination of the quantity and quality of water available in the new subdivision before any lots may be sold. A Certificate of Adequate Water Supply is awarded if DWR determines the subdivision has a 100-year supply of water. If the water is determined to be inadequate, lots may still be sold, but buyers must be notified of the determination.

Automated Groundwater Monitoring

The Baseline includes $401,100 and 2 FTE Positions from the General Fund in FY 2014 for Automated Groundwater Monitoring. These amounts are unchanged from FY 2013.

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 in determining assured and adequate water supply, recharge levels, rural water budgets, and water rights studies.

Conservation and Drought Program

The Baseline includes $395,700 and 4.7 FTE Positions from the General Fund in FY 2014 for the Conservation and Drought Program. These amounts are unchanged from FY 2013.

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.

Rural Water Studies

The Baseline includes $1,139,600 and 11 FTE Positions from the General Fund in FY 2014 for Rural Water Studies. These amounts are unchanged from FY 2013.

Monies in this SLI are used 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 through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts. 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Monies in the Adjudication Support line item shall be used only for the exclusive purposes prescribed in A.R.S. § 45-256 and 45-257B4. The Department of Water Resources shall not transfer any funds into or out of the Adjudication Support line item.

Monies in the Assured and Adequate Water Supply Administration line item shall only be used for the exclusive purposes prescribed in A.R.S. § 45-108 and 45-576 through 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.

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.

STATUTORY CHANGES

The Baseline would:

- 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.
- 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.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Administrative Fund (WCA3025/A.R.S. § 45-113)		**Non-Appropriated**
Source of Revenue: A portion of application, certificate, license, permit and inspection fees.		
Purpose of Fund: To refund, without interest, fees paid to department in error.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)		**Appropriated**
Source of Revenue: Fees for applications relating to adequate and assured water supplies.		
Purpose of Fund: To support the costs and expenses incurred when determining and declaring assured and adequate water supplies.		
Funds Expended	268,200	266,800
Year-End Fund Balance	17,800	12,500
Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)		**Non-Appropriated**
Source of Revenue: A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
Purpose of Fund: Generally, to support water supply augmentation projects, such as groundwater recharge, as well as AMA conservation programs. By law, each AMA has its own sub-account within the fund. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.		
Funds Expended	125,700	875,000
Year-End Fund Balance	1,169,400	1,098,400
Colorado River Water Use Fee Clearing Fund (WCA2538/A.R.S. § 45-333)		**Non-Appropriated**
Source of Revenue: Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
Purpose of Fund: Monies are transferred to the Lower River Multispecies Conservation Program.		
Funds Expended	10,000	8,000
Year-End Fund Balance	100	100
Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)		**Non-Appropriated**
Source of Revenue: Legislative appropriations, dam safety inspection fees, and filing fees.		
Purpose of Fund: Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
Funds Expended	195,700	250,000
Year-End Fund Balance	711,800	661,800
Federal Grants Fund (WCA2000/A.R.S. § 45-105)		**Non-Appropriated**
Source of Revenue: Grants from the federal government.		
Purpose of Fund: To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
Funds Expended	420,600	325,900
Year-End Fund Balance	35,900	35,900
Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)		**Non-Appropriated**
Source of Revenue: Legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation, and maintenance of flood warning systems.		
Funds Expended	0	50,000
Year-End Fund Balance	166,400	166,800

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
General Adjudications Fund (WCA2191/A.R.S. § 45-260)		**Non-Appropriated**
Source of Revenue: Court fees paid by water claimants and from legislative appropriations.		
Purpose of Fund: To cover postage and other costs of serving legal notices to water rights claimants and of publicizing court proceedings. Also to remit filing fees to the courts.		
Funds Expended	27,400	21,800
Year-End Fund Balance	32,500	25,700
Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)		**Non-Appropriated**
Source of Revenue: Cost allocation transfers of federal and other non-appropriated funds.		
Purpose of Fund: To provide various indirect administrative services, including security and cashiering.		
Funds Expended	30,600	500,100
Year-End Fund Balance	674,700	815,800
Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)		**Non-Appropriated**
Source of Revenue: Collections from other state and local agencies.		
Purpose of Fund: To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	368,300	474,600
Year-End Fund Balance	702,200	502,600
Production and Copying Fund (WCA2411/A.R.S. § 45-115)		**Non-Appropriated**
Source of Revenue: From monies received for department publications and for copies of department records. Any amount in excess of $20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To produce and distribute department publications, as well as to copy department records.		
Funds Expended	200	5,000
Year-End Fund Balance	15,000	15,000
Publications and Mailings Fund (WCA2410/A.R.S. § 45-116)		**Non-Appropriated**
Source of Revenue: From monies received for the publication and mailing of legal notices as required by law. Any amount in excess of $20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To publish and mail legal notices.		
Funds Expended	5,100	6,000
Year-End Fund Balance	1,400	1,400
Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)		**Non-Appropriated**
Source of Revenue: A portion of fees for groundwater withdrawal in AMAs.		
Purpose of Fund: To purchase and retire grandfathered groundwater rights, those entitlements legally owned or used before the creation of an AMA in a given area. By law, each AMA has its own sub-account within the fund.		
Funds Expended	0	0
Year-End Fund Balance	61,500	62,000
Statewide Donations Fund (WCA2025/A.R.S. § 45-105)		**Non-Appropriated**
Source of Revenue: Grants, gifts or donations of money or other property from any source.		
Purpose of Fund: Funds may be used for any purpose consistent with this duties and powers of the Director of the Department of Water Resources as described in statute.		
Funds Expended	800	20,000
Year-End Fund Balance	129,000	129,000

Water Banking Fund (WCA2110/A.R.S. § 45-2425) **Partially-Appropriated**

Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. Revenue also comes from a portion of the 4% property tax collected by CAWCD to pay for water storage. By law, each AMA has its own sub-account within the fund. This fund operates on the calendar year. Because fees and taxes are collected at the end of the fiscal year, the Year-End Fund Balances are not reflective of the calendar year-end balances. Pursuant to an interstate water banking agreement with Nevada, the fund received a combined total of $100,000,000 in FY 2005 and FY 2006. In 2004, the Southern Nevada Water Authority (SNWA) agreed to pay the Arizona Water Banking Authority (AWBA) an additional $230,000,000 for delivery and storage of water. Equal payments of $23,000,000 per year from Nevada to the AWBA were to begin in 2009 and continue through 2018. The agreement was amended allowing SNWA to delay payment until FY 2015. In FY 2010, the AWBA received $12,685,000 for storage and delivery of Nevada's own water in lieu of water purchased from Arizona. Appropriations from this fund may include monies received through the water banking agreement with Nevada that are used for purposes outside of contractual agreement with Nevada (Laws 2009, Chapter 332).

Purpose of Fund: To purchase and store the unused portion of Arizona's Colorado River water allotment. The department provides administrative support for this fund, but control of expenditures is vested with AWBA. In addition, pursuant to an interstate water banking agreement with Nevada, to obtain, store, and retrieve water for Nevada.

Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	3,355,200	4,990,600
Year-End Fund Balance	3,594,400	2,463,800

Water Protection Fund (WCA1302/A.R.S. § 45-2111) **Non-Appropriated**

Source of Revenue: From purchases or leases of CAP water. Prior to FY 2012, there was a statutory $5,000,000 General Fund deposit. Since FY 2000, session law changes suspended the statutory General Fund appropriation. Laws 2011, Chapter 36 permanently repealed this General Fund deposit.

Purpose of Fund: To provide grants for projects that protect water quality and quantity, as well as to maintain, enhance, and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determines annual recipients. The department provides administrative support for this fund, but control of expenditures is vested with the commission. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.

Funds Expended	2,765,100	1,766,100
Year-End Fund Balance	5,461,500	3,832,500

Water Quality Fund (WCA2304/A.R.S. § 45-618) **Non-Appropriated**

Source of Revenue: From annual Water Quality Assurance Revolving Fund (WQARF) transfers negotiated with the Arizona Department of Environmental Quality (ADEQ), as well as from legislative appropriations, grants, and contributions from other public agencies.

Purpose of Fund: To inspect wells for groundwater contamination and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with the ADEQ WQARF program.

Funds Expended	160,800	300,800
Year-End Fund Balance	100,000	99,700

Water Resources Fund (WCA2398/A.R.S. § 45-117) **Appropriated**

Source of Revenue: Consists of monies from legislative appropriations, donations, and fees collected by ADWR to carry out its statutory functions, as well as existing fees that had been deposited into the General Fund. Fund revenue includes a fee levied on municipalities for only FY 2012. The local fee was repealed as part of the FY 2013 budget.

Purpose of Fund: Fees deposited in the Water Resources Fund are to be held in trust and only used to carry out its statutory responsibilities, including managing the state's water supplies, enforcing groundwater laws, and represents the state's water rights.

Funds Expended	5,105,400	140,400
Year-End Fund Balance	2,219,300	2,591,900

Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606) **Non-Appropriated**

Source of Revenue: Well-drilling filing and permit fees.

Purpose of Fund: To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.

Funds Expended	219,100	325,700
Year-End Fund Balance	80,300	81,100

Department of Weights and Measures

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
PROGRAM BUDGET			
General Services	1,483,900	1,791,700	1,516,700
Oxygenated Fuel	654,800	800,500	800,500
Vapor Recovery	643,000	618,600	618,600
AGENCY TOTAL	**2,781,700**	**3,210,800**	**2,935,800**
OPERATING BUDGET			
Full Time Equivalent Positions	36.4	36.4	36.4
Personal Services	1,353,700	1,555,100	1,555,100
Employee Related Expenditures	610,300	611,700	611,700
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	424,900
Equipment	92,000	319,600	44,600
AGENCY TOTAL	**2,781,700** [1/]	**3,210,800** [2/]	**2,935,800**
FUND SOURCES			
General Fund	1,159,600	1,472,500	1,197,500
Other Appropriated Funds			
Air Quality Fund	1,297,800	1,419,100	1,419,100
Motor Vehicle Liability Insurance Enforcement Fund	324,300	319,200	319,200
SUBTOTAL - Other Appropriated Funds	1,622,100	1,738,300	1,738,300
SUBTOTAL - Appropriated Funds	**2,781,700**	**3,210,800**	**2,935,800**
TOTAL - ALL SOURCES	2,781,700	3,210,800	2,935,800

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 Baseline includes $2,935,800 and 36.4 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	$1,197,500
Air Quality Fund	1,419,100
Motor Vehicle Liability Insurance Enforcement Fund	319,200

FY 2014 adjustments would be as follows:

Remove One-Time Funding GF (275,000)
The Baseline 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.

* * *

FORMAT — Lump Sum by Program

1/ Includes a total of $26,100 GF and $30,900 OF appropriated in FY 2012 for costs associated with an additional pay period. These expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*.

2/ In addition to these amounts, the FY 2013 General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. The adjustments include a reduction of $(13,000) GF for the premium holiday and an increase of $32,000 GF and $27,000 OF for the employee retention payment.

SUMMARY OF FUNDS	FY 2012 Actual	FY 2013 Estimate
Air Quality Fund (EVA2226/A.R.S. § 49-551)		**Appropriated**
Source of Revenue: Owners of motor vehicles pay an annual air quality fee of $1.50 at the time of vehicle registration.		
Purpose of Fund: To pay for the department's Oxygenated Fuel and Vapor Recovery Program.		
Funds Expended	1,297,800	1,419,100
Year-End Fund Balance	1,883,000	463,900
Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)		**Appropriated**
Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: While the purpose of the fund for the Department of Transportation is to enforce mandatory motor vehicle liability insurance laws on all vehicles, the Department of Weights and Measures appropriation is to focus on enforcement on taxis, limousines, and livery vehicles. The Department of Weights and Measures verifies that these passenger carrying vehicles have the proper insurance and vehicle license plates, without which the department can revoke or refuse to issue a taxi license.		
Funds Expended	324,300	319,200
Year-End Fund Balance*	116,800	(202,400)

* As reported by the agency. Actual ending balance will not be negative.

CAPITAL OUTLAY ESTIMATES

Capital Outlay
Summary

	FY 2014 BASELINE
BUILDING RENEWAL	
ADOA Building System	15,641,000
ADOT Building System	1,050,000
ABOR Building System	0
SUBTOTAL	**16,691,000**
INDIVIDUAL PROJECTS	
ADOA Building System	30,000,000
ADOT Building System	248,834,900
ABOR Building System	0
SUBTOTAL	**278,834,900**
LEASE-PURCHASE PAYMENTS	
Leaseback Obligations	104,568,800
TOTALS	
ADOA Building System	150,209,800
ADOT Building System	249,884,900
ABOR Building System	0
TOTAL - ALL PROJECTS	**400,094,700**
FUND SOURCES	
General Fund	134,568,800
Other Appropriated Funds	
Capital Outlay Stabilization Fund	10,372,600
Department of Corrections Building Renewal Fund	4,630,500
Game and Fish Fund	547,600
State Aviation Fund	21,311,900
State Highway Fund	228,573,000
State Lottery Fund	90,300
SUBTOTAL - Other Appropriated Funds	265,525,900
SUBTOTAL - Appropriated Funds	**400,094,700**
Other Non-Appropriated Funds	501,268,000
Federal Funds	644,486,000
TOTAL - ALL SOURCES	**1,545,848,700**

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 buildings. 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:

	FY 2014	
Capital Outlay	**GF**	**$134,568,800**
	OF	**265,525,900**

The Baseline includes a total of $400,094,700 from Appropriated Funds in FY 2014. Of the total, $134,568,800 is from the General Fund and $265,525,900 is from Other Appropriated Funds. The Baseline consists of 3 main categories: 1) Building Renewal, 2) Individual Projects, and 3) Lease-Purchase Payments.

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 Baseline includes total funding of $16,691,000 in FY 2014 for Building Renewal, which is from Other Appropriated Funds. These amounts include:

Arizona Department of Administration	$10,372,600
Capital Outlay Stabilization Fund @ 37% (non -ADC buildings)	
Department of Corrections Building Renewal Fund @ 31% (ADC-only buildings)	4,630,500
Game and Fish Fund @ 100%	547,600
State Lottery Fund @ 100%	90,300
Subtotal - ADOA	$15,641,000
Arizona Department of Transportation	
State Highway Fund @ 9.5%	$ 1,000,000
State Aviation Fund @ 26.6%	50,000
Subtotal - ADOT	$ 1,050,000

(See the individual building systems' write-ups for more information.)

Individual Projects
The Baseline includes a total of $278,834,900 from Appropriated Funds in FY 2014 for individual capital projects. Of this amount, $30,000,000 is from the General Fund for a previously enacted prison project and $248,834,900 is from Other Appropriated Funds. *(See the individual building systems' write-ups for more information.)*

Lease-Purchase Payments
The Baseline includes $104,568,800 from the General Fund in FY 2014 for lease-purchase agreement payments. *(See the Debt and Lease-Purchase Financing write-up for more information.)*

* * *

FOOTNOTES

Capital Standard Footnotes
Building Renewal
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.

Individual Projects
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.

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.

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Joint Border Security Advisory Committee
Laws 2012, Chapter 247 appropriated the monies received in FY 2012 and FY 2013 by the Border Security Trust Fund, established in A.R.S. § 41-108, to the Joint Border Security Advisory Committee for the purpose of administering and managing the construction and maintenance of a fence along the Mexican border. The State Treasurer is statutorily mandated to be the administrator and trustee of the appropriated Border Security Trust Fund which receives revenues from private and public donations and has a balance of $263,500 as of December 2012. The Committee is tasked with analyzing border crossing and crime statistics, making recommendations to the Governor designed to increase border security, and administering and managing the construction and maintenance of a border fence. The Committee consists of 6 non-voting members and 10 voting members, including 6 gubernatorial appointments and 4 county sheriffs.

Capital Outlay

Arizona Department of Administration Building System

	FY 2014 BASELINE
BUILDING RENEWAL	
Department of Administration	10,372,600
Game and Fish Department	547,600
Arizona Lottery Commission	90,300
Department of Corrections	4,630,500
SUBTOTAL	**15,641,000**
INDIVIDUAL PROJECTS	
Department of Administration	
Maximum Security Prison Beds	30,000,000
SUBTOTAL	**30,000,000**
TOTAL - ALL PROJECTS	**45,641,000**
FUND SOURCES	
General Fund	30,000,000
Other Appropriated Funds	
Capital Outlay Stabilization Fund	10,372,600
Department of Corrections Building Renewal Fund	4,630,500
Game and Fish Capital Improvement Fund	547,600
State Lottery Fund	90,300
SUBTOTAL - Other Appropriated Funds	15,641,000
SUBTOTAL - Appropriated Funds	**45,641,000**
TOTAL - ALL SOURCES	**45,641,000**

AGENCY DESCRIPTION — The Arizona Department of Administration (ADOA) Building System is comprised of buildings controlled by 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. The following amounts for FY 2014 are for specific projects within the building system. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

The following amounts are one-time appropriations:

Building Renewal — **FY 2014 OF $15,641,000**

The Baseline includes $15,641,000 from Other Appropriated Funds in FY 2014 for Building Renewal within the ADOA Building System. This amount consists of:

- $10,372,600 from the Capital Outlay Stabilization Fund (COSF) to ADOA. This funds 37% of the non-Department of Corrections (ADC) building renewal formula. The same amount was funded in FY 2013, 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 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 represented 100% of the agency's building renewal formula.
- $4,630,500 from the ADC Building Renewal Fund to ADC for ADC building renewal and preventative maintenance projects. This funds 31% of the ADC-only building renewal formula. The same amount was funded in FY 2013, which represented 33% of the ADC-only formula. As currently structured, the fund is unlikely to have sufficient revenue to support a $4,630,500 appropriation. *(See the Other Issues for Legislative Considerations section of the Arizona Department of Corrections operating budget for additional information.)*

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The Baseline would continue 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.

Department of Administration GF 30,000,000
Maximum Security Prison Beds

The Baseline 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.)*

* * *

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes (Please see Capital Outlay Summary for Capital standard footnotes.)

Building Renewal: 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.

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.

Individual Projects: The department shall allocate the amount appropriated to the State Department of Corrections for necessary building renewal and, as permitted by statute, on preventative maintenance projects.

The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request.

The Department of Administration may allocate FTE Positions authorized for specific projects to other projects in this act provided that 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.

STATUTORY CHANGES

The Baseline would, as session law, change the FY 2014 COSF rental rate from $13.82/square foot to $13.08/square foot for office space and from $5.01/square foot to $4.74/square foot for storage space. *(Please see the Other Issues for Legislative Consideration section for more information.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

COSF Rental Rate Change & Payment Adjustments

In FY 2013, state agencies paid a total of $27,975,400 to ADOA for COSF rent. The FY 2013 rental rate for state-owned space was $13.82/square foot for office space and $5.01/square foot for storage space.

State Rent

The FY 2013 Budget Procedures Budget Reconciliation Bill (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 Baseline decreases the office space rate to $13.08/square foot and the storage space rate to $4.74/square foot. These revised levels would generate FY 2014 COSF collections of $28,672,800. This amount is an increase of $697,800 over the FY 2013 amount, but reflects no net General Fund impact.

The additional $697,800 in revenue would come from $503,700 in Other Appropriated Funds and $194,100 in non-appropriated funds. The Baseline includes funding for the appropriated fund adjustments (*see page 396*) which will be included as a statewide "back of the bill" adjustment in the FY 2014 General Appropriation Act. *(Please see the FY 2014 Change in Lease-Purchase and Rent Payments – Detail by Agency table for additional information.)*

The FY 2013 budget included a legislative intent statement that the Auditor General will not be charged rent for state-owned space at 2910 N. 44th Street since other legislative offices are exempt from rent payments. However, the office space used by the Auditor General is located outside of the Capitol Mall in state-owned space with other agencies. The Baseline would continue funding for FY 2014 COSF Auditor General rent.

Lease-Purchase/Privatized-Lease-to-Own

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 payments will increase by $299,300, of which $66,700 is from the General Fund, $203,500 from Other Appropriated Funds, and $29,100 from non-appropriated funds.

Total Payments

FY 2014 occupancy adjustments total $1,003,900, of which $67,800 is from the General Fund and $712,900 from Other Appropriated Funds. The Baseline includes this increase of $780,700 for the increase in General Fund and Other Appropriated Fund rent, lease-purchase, and privatized lease-to-own payments.

FY 2014 Change in Lease-Purchase and Rent Payments - Detail by Agency

	Lease-Purchase 1/				PLTO 1/				Rent				Total Adjustments			
Agency	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	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	(105,000)	57,900	(3,500)	(50,600)	(86,100)	106,900	1,600	22,400
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	5,900	0	5,900	0	5,900	0	5,900
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)	77,600	(400)	76,500	(700)	77,600	(400)	76,500
Corrections, Arizona Department of	1,700	0	0	1,700					257,000	0	0	257,000	258,700	0	0	258,700
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	(19,500)	0	(19,500)	0	(13,200)	0	(13,200)
Economic Security, Dept. of									(134,000)	(48,100)	42,800	(139,300)	(134,000)	(48,100)	42,800	(139,300)
Education, Dept. of									13,600	4,700	28,500	46,800	13,600	4,700	28,500	46,800
Environmental Quality, Department of					0	91,600	0	91,600	0	(10,400)	0	(10,400)	0	81,200	0	81,200
Environmental Quality, Department of - WIFA					0	0	2,500	2,500					0	0	2,500	2,500
Equal Opportunity, Governor's Office of									(1,000)	0	0	(1,000)	(1,000)	0	0	(1,000)
Equalization, State Board of					2,100	0	0	2,100	200	0	0	200	2,300	0	0	2,300
Executive Clemency, State Board of									14,600	0	0	14,600	14,600	0	0	14,600
Financial Institutions, Dept. of									15,500	3,100	0	18,600	15,500	3,100	0	18,600
Fire, Building and Life Safety, Dept. of					3,400	0	1,200	4,600	(10,300)	0	(6,300)	(16,600)	(6,900)	0	(5,100)	(12,000)
Funeral Directors & Embalmers, State Board of									0	3,100	0	3,100	0	3,100	0	3,100
Forester, State					2,600	0	0	2,600					2,600	0	0	2,600
Gaming, Dept. of					0	14,000	0	14,000	0	(1,600)	0	(1,600)	0	12,400	0	12,400
Geological Survey, AZ									58,100	0	0	58,100	58,100	0	0	58,100
Governor, Office of the									90,900	0	22,000	112,900	90,900	0	22,000	112,900
Gov's Ofc. Of Strategic Planning & Budgeting									43,900	0	0	43,900	43,900	0	0	43,900
Health Services, Dept. of	(500)	5,700	0	5,200	38,800	25,900	0	64,700	109,100	430,200	0	539,300	147,400	461,800	0	609,200
Historical Society, AZ									15,800	0	0	15,800	15,800	0	0	15,800
Homeland Security, AZ Dept. of									0	0	32,800	32,800	0	0	32,800	32,800
Homeopathic & Integ. Med. Exam., State Board of									0	1,100	0	1,100	0	1,100	0	1,100
Housing, Dept. of					0	700	10,700	11,400					0	700	10,700	11,400
Independent Redistricting Commission									(500)	0	0	(500)	(500)	0	0	(500)
Indian Affairs, AZ Commission of									2,100	0	0	2,100	2,100	0	0	2,100
Insurance, Dept. of					0	0	1,300	1,300	36,000	0	11,900	47,900	36,000	0	13,200	49,200
Judiciary - Court of Appeals									(40,700)	0	0	(40,700)	(40,700)	0	0	(40,700)
Judiciary - Supreme Court									(170,400)	0	0	(170,400)	(170,400)	0	0	(170,400)
Juvenile Corrections, Dept. of									(292,500)	0	0	(292,500)	(292,500)	0	0	(292,500)
Land Dept., State									0	(82,800)	0	(82,800)	0	(82,800)	0	(82,800)
Legislature - Auditor General									92,700	0	0	92,700	92,700	0	0	92,700
Liquor Licenses & Control, Dept. of									0	(2,300)	0	(2,300)	0	(2,300)	0	(2,300)
Medical Board, AZ									0	(11,200)	0	(11,200)	0	(11,200)	0	(11,200)
Mine Inspector, State									20,800	0	0	20,800	20,800	0	0	20,800
Naturopathic Physicians Medical Board									0	5,600	0	5,600	0	5,600	0	5,600
Navigable Stream Adj. Commission, AZ									(600)	0	0	(600)	(600)	0	0	(600)
Nursing Care Inst. Admin. & Asst. Living Fac. Mgrs.									0	6,600	0	6,600	0	6,600	0	6,600
Opticians, State Board of Dispensing									0	1,200	0	1,200	0	1,200	0	1,200
Optometry, State Board of									0	1,900	0	1,900	0	1,900	0	1,900
Osteopathic Examiners, AZ Board of									0	500	0	500	0	500	0	500
Parks Board, AZ State									0	8,000	23,000	31,000	0	8,000	23,000	31,000
Personnel Board									0	4,500	0	4,500	0	4,500	0	4,500
Pest Management, Office of									0	1,400	0	1,400	0	1,400	0	1,400
Pharmacy, AZ State Board of									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	(300)	(300)	0	0	(300)	(300)
School Facilities Board									11,800	0	4,900	16,700	11,800	0	4,900	16,700
Secretary of State - Dept. of State.									(72,300)	0	0	(72,300)	(72,300)	0	0	(72,300)
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	4,000	0	4,000	0	4,000	0	4,000
TOTAL	$1,100	$5,700	$0	$6,800	$66,700	$203,500	$29,100	$299,300	$0	$503,700	$194,100	$697,800	$67,800	$712,900	$223,200	$1,003,900

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.

SUMMARY OF RENT CHARGES

BUDGET UNITS	Fiscal Year 2013 - Actual Payments 1/				Fiscal Year 2014 - New Rate 2/			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Acupuncture Board of Examiners								
1400 W Washington	0	3,600	0	3,600	0	4,500	0	4,500
Administration, AZ Department of								
1300 W Washington	0	6,100	0	6,100	0	0	0	0
1400 W Washington	48,900	45,600	0	94,500	10,500	9,900	0	20,400
1510 W Adams	0	302,900	0	302,900	0	353,800	0	353,800
1520 W Adams	0	116,500	0	116,500	0	148,000	0	148,000
1522 W Jackson	0	44,400	0	44,400	0	60,300	0	60,300
1537 W Jackson	0	58,500	0	58,500	0	89,200	0	89,200
1616 W Adams	0	35,700	0	35,700	0	77,400	0	77,400
1802 W Jackson	0	26,300	65,500	91,800	0	24,900	62,000	86,900
1840 W Jackson	0	51,100	0	51,100	0	48,400	0	48,400
1850 W Jackson	0	14,700	0	14,700	0	44,500	0	44,500
1700 W Washington	59,200	143,400	0	202,600	25,400	61,300	0	86,700
1789 W Jefferson (DES West)	0	18,100	0	18,100	0	16,500	0	16,500
1937 W Jefferson/CDC	0	121,100	0	121,100	0	114,700	0	114,700
1801 W Madison	0	19,200	0	19,200	0	21,600	0	21,600
1805 W Madison	0	26,100	0	26,100	0	24,700	0	24,700
2910 N 44th Street	0	2,100	0	2,100	0	0	0	0
14 N 18th Avenue	32,800	0	0	32,800	0	0	0	0
400 W Congress, Tucson	0	69,700	0	69,700	0	53,700	0	53,700
402 W Congress, Tucson	0	46,100	0	46,100	0	56,200	0	56,200
416 W Congress, Tucson	0	2,300	0	2,300	0	2,700	0	2,700
Subtotal - AZ Dept of Administration	$140,900	$1,149,900	$65,500	$1,356,300	$35,900	$1,207,800	$62,000	$1,305,700
Administrative Hearings, Office of								
1400 W Washington	58,800	700	109,000	168,500	71,000	900	131,600	203,500
400 W Congress, Tucson	0	12,600	0	12,600	0	11,400	0	11,400
Subtotal - Office of Administrative Hearings	$58,800	$13,300	$109,000	$181,100	$71,000	$12,300	$131,600	$214,900
Agriculture, AZ Department of 3/								
1520 W Adams	112,500	0	0	112,500	106,500	0	0	106,500
1624 W Adams	2,700	0	5,500	8,200	0	0	0	0
1688 W Adams	184,300	0	207,900	392,200	197,700	0	222,900	420,600
400 W Congress, Tucson	20,700	0	9,900	30,600	32,000	0	4,700	36,700
Subtotal - AZ Dept of Agriculture	$320,200	$0	$223,300	$543,500	$336,200	$0	$227,600	$563,800
Appraisal, State Board of								
1400 W Washington	0	23,900	0	23,900	0	29,800	0	29,800
AZ Health Care Cost Containment System								
Kingman Building	7,100	0	7,000	14,100	6,700	0	6,600	13,300
Arts, AZ Commission on the								

	Fiscal Year 2013 - Actual Payments 1/				Fiscal Year 2014 - New Rate 2/			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
417 W Roosevelt	0	0	58,000	58,000	0	0	49,700	49,700
Attorney General - Department of Law 4/								
1275 W Washington	537,600	308,100	312,800	1,158,500	550,600	315,600	320,300	1,186,400
400 W Congress, Tucson	47,300	37,100	27,700	112,100	32,600	25,600	19,100	77,300
402 W Congress, Tucson	106,700	83,800	62,000	252,500	135,700	106,400	78,800	320,800
Capital Center	1,022,600	359,300	0	1,381,900	968,100	340,100	0	1,308,200
Subtotal - Attorney General - Dept of Law	$1,714,200	$788,300	$402,500	$2,905,000	$1,687,000	$787,700	$418,200	$2,892,700
Automobile Theft Authority								
1400 W Washington	0	27,500	0	27,500	0	34,700	0	34,700
Barbers, Board of								
1400 W Washington	0	10,000	0	10,000	0	12,600	0	12,600
Charter Schools, State Board for								
1616 W Adams	0	0	0	0	70,400	0	0	70,400
1700 W Washington	47,800	0	0	47,800	24,700	0	0	24,700
Subtotal - State Board for Charter Schools	$47,800	$0	$0	$47,800	$95,100	$0	$0	$95,100
Citizens Clean Election Commission								
1616 W Adams	0	0	55,900	55,900	0	0	54,300	54,300
Contractors, Registrar of								
400 W Congress, Tucson	0	42,000	0	42,000	0	38,000	0	38,000
1700 W Washington	0	466,300	0	466,300	0	448,900	0	448,900
Subtotal - Registrar of Contractors	$0	$508,300	$0	$508,300	$0	$486,900	$0	$486,900
Corporation Commission								
1200 W Washington	0	534,800	0	534,800	0	528,000	0	528,000
1300 W Washington	0	317,100	0	317,100	0	382,500	0	382,500
1400 W Washington	0	100,500	0	100,500	0	124,400	0	124,400
400 W Congress, Tucson	6,200	52,700	3,500	62,400	5,500	47,800	3,100	56,500
Subtotal - Corporation Commission	$6,200	$1,005,100	$3,500	$1,014,800	$5,500	$1,082,700	$3,100	$1,091,400
Corrections, State Department of								
1601 W Jefferson	650,000	0	0	650,000	750,100	0	0	750,100
1645 W Jefferson	528,700	0	0	528,700	666,500	0	0	666,500
1831 W Jefferson	247,200	0	0	247,200	266,300	0	0	266,300
Subtotal - State Dept of Corrections	$1,425,900	$0	$0	$1,425,900	$1,682,900	$0	$0	$1,682,900
Deaf and the Hard of Hearing, Commission for the								
1400 W Washington	0	27,900	0	27,900	0	8,400	0	8,400
Economic Security, Department of								
1400 W Washington	0	0	10,100	10,100	0	0	100,400	100,400
1624 W Adams	0	0	0	0	64,200	29,200	23,400	116,700
1700 W Washington	0	0	0	0	15,600	7,100	5,700	28,300
1789 W Jefferson (DES West)	1,600,400	398,800	529,100	2,528,300	1,431,200	356,700	473,100	2,260,900
Kingman Building	54,000	110,700	74,500	239,200	50,800	104,100	70,000	224,800
400 W Congress, Tucson	223,900	210,800	101,400	536,100	202,000	190,300	91,600	483,900
DES Group Homes	158,300	227,700	0	386,000	149,900	215,600	0	365,500

	Fiscal Year 2013 - Actual Payments 1/				Fiscal Year 2014 - New Rate 2/			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Capital Center	206,900	57,500	118,700	383,100	195,800	54,400	112,400	362,600
Subtotal - Department of Economic Security	$2,243,500	$1,005,500	$833,800	$4,082,800	$2,109,500	$957,400	$876,600	$3,943,100
Education, Department of								
1535 W Jefferson	288,100	98,600	536,500	923,200	301,700	103,200	561,700	966,700
400 W Congress, Tucson	0	12,100	43,000	55,100	0	12,000	42,600	54,600
416 W Congress, Tucson	0	700	17,500	18,200	0	900	21,200	22,100
Subtotal - Department of Education	$288,100	$111,400	$597,000	$996,500	$301,700	$116,100	$625,500	$1,043,400
Environmental Quality, Department of								
400 W Congress, Tucson	0	107,200	0	107,200	0	96,800	0	96,800
Equal Opportunity, Governor's Office of								
1700 W Washington	14,100	0	0	14,100	13,100	0	0	13,100
Equalization, State Board of								
416 W Congress, Tucson	1,200	0	0	1,200	1,400	0	0	1,400
Executive Clemency, Board of								
1645 W Jefferson	73,400	0	0	73,400	88,000	0	0	88,000
Financial Institutions, Department of								
2910 N 44th Street	150,500	29,300	0	179,800	166,000	32,400	0	198,400
Fire, Building, and Life Safety, Department of								
400 W Congress, Tucson	22,700	0	13,800	36,500	12,400	0	7,500	19,900
Funeral Directors & Embalmers, State Board of								
1400 W Washington	0	11,900	0	11,900	0	15,000	0	15,000
Gaming, Department of								
400 W Congress, Tucson	0	15,600	0	15,600	0	14,000	0	14,000
Geological Survey, AZ								
402 W Congress, Tucson	5,000	0	0	5,000	6,300	0	0	6,300
416 W Congress, Tucson	127,100	0	0	127,100	147,900	0	0	147,900
1400 W Washington	12,200	0	0	12,200	0	0	0	0
1520 W Adams	0	0	0	0	48,200	0	0	48,200
Subtotal - AZ Geological Survey	$144,300	$0	$0	$144,300	$202,400	$0	$0	$202,400
Governor, Office of the								
1645 W Jefferson	500	0	0	500	800	0	0	800
1700 W Washington	463,800	0	109,100	572,900	557,700	0	131,100	688,800
400 W Congress, Tucson	33,300	0	0	33,300	30,000	0	0	30,000
Subtotal - Office of the Governor	$497,600	$0	$109,100	$606,700	$588,500	$0	$131,100	$719,600
Gov's Ofc of Strategic Planning & Budgeting								
1700 W Washington	87,200	0	0	87,200	131,100	0	0	131,100
Health Services, Department of 5/								
1740 W Adams	0	639,100	0	639,100	0	1,013,700	0	1,013,700
1818 W Adams	131,500	0	0	131,500	209,700	0	0	209,700
400 W Congress, Tucson	53,200	31,800	0	85,000	84,100	50,300	0	134,400
402 W Congress, Tucson	0	300	0	300	0	1,200	0	1,200
416 W Congress, Tucson	0	30,000	0	30,000	0	56,400	0	56,400

	Fiscal Year 2013 - Actual Payments 1/				Fiscal Year 2014 - New Rate 2/			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Capital Center (Disease Control)	0	23,000	0	23,000	0	32,800	0	32,800
Subtotal - Department of Health Services	$184,700	$724,200	$0	$908,900	$293,800	$1,154,400	$0	$1,448,200
Historical Society, Arizona								
1502 W Washington	345,000	0	0	345,000	360,800	0	0	360,800
Homeland Security, AZ Dept of								
1700 W Washington	0	0	98,600	98,600	0	0	131,400	131,400
Homeopathic & Integrated Medicine Examiners, State Board of								
1400 W Washington	0	3,900	0	3,900	0	5,000	0	5,000
Independent Redistricting Commission								
1100 W Washington	24,700	0	0	24,700	24,200	0	0	24,200
Indian Affairs, AZ Commission of								
1700 W Washington	8,000	0	0	8,000	10,100	0	0	10,100
Insurance, Department of								
2910 N 44th Street	287,500	0	95,900	383,400	323,500	0	107,800	431,300
Judiciary - Court of Appeals								
400 W Congress, Tucson	421,600	0	0	421,600	380,900	0	0	380,900
Judiciary - Supreme Court								
1501 W Washington	3,022,100	0	0	3,022,100	2,860,700	0	0	2,860,700
400 W Congress, Tucson	92,900	0	0	92,900	83,900	0	0	83,900
Subtotal - Supreme Court	$3,115,000	$0	$0	$3,115,000	$2,944,600	$0	$0	$2,944,600
Subtotal - Judiciary	$3,536,600	$0	$0	$3,536,600	$3,325,500	$0	$0	$3,325,500
Juvenile Corrections, Department of								
1616 W Adams	198,500	0	0	198,500	0	0	0	0
1624 W Adams	458,900	0	0	458,900	364,900	0	0	364,900
Subtotal - Dept. of Juvenile Corrections	$657,400	$0	$0	$657,400	$364,900	$0	$0	$364,900
Land Department, State								
1616 W Adams	0	862,800	0	862,800	0	780,000	0	780,000
Legislature - Auditor General								
2910 N 44th Street 6/	294,800	0	0	294,800	387,500	0	0	387,500
Liquor Licenses and Control, Department of								
400 W Congress, Tucson	0	24,000	0	24,000	0	21,700	0	21,700
Medical Board, AZ								
9500 Doubletree Rd.	0	221,900	0	221,900	0	210,700	0	210,700
Mine Inspector, State								
1616 W Adams	2,900	0	0	2,900	0	0	0	0
1700 W Washington	60,600	0	0	60,600	84,300	0	0	84,300
Subtotal - State Mine Inspector	$63,500	$0	$0	$63,500	$84,300	$0	$0	$84,300
Naturopathic Physicians Medical Board								
1400 W Washington	0	22,900	0	22,900	0	28,500	0	28,500
Navigable Stream Adjudication Commission, AZ								
1700 W Washington	10,700	0	0	10,700	10,100	0	0	10,100

	Fiscal Year 2013 - Actual Payments 1/				Fiscal Year 2014 - New Rate 2/			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.								
1400 W Washington	0	16,400	0	16,400	0	23,000	0	23,000
Opticians, State Board of Dispensing								
1400 W Washington	0	4,000	0	4,000	0	5,200	0	5,200
Optometry, State Board of								
1400 W Washington	0	7,200	0	7,200	0	9,100	0	9,100
Osteopathic Examiners, AZ Board of								
9500 Doubletree Rd.	0	32,400	0	32,400	0	32,900	0	32,900
Parks Board, AZ State 7/								
1300 W Washington	0	53,300	216,300	269,600	0	61,300	249,100	310,400
1616 W Adams	0	0	61,300	61,300	0	0	51,500	51,500
Subtotal - AZ State Parks Board	$0	$53,300	$277,600	$330,900	$0	$61,300	$300,600	$361,900
Personnel Board								
1400 W Washington	0	20,300	0	20,300	0	24,800	0	24,800
Pest Management, Office of								
1688 W Adams	0	48,900	0	48,900	0	46,300	0	46,300
400 W Congress, Tucson	0	0	0	0	0	4,000	0	4,000
Subtotal - Office of Pest Management	$0	$48,900	$0	$48,900	$0	$50,300	$0	$50,300
Pharmacy, AZ State Board of								
1616 W Adams	0	0	0	0	0	117,900	0	117,900
1700 W Washington	0	85,700	0	85,700	0	0	0	0
Subtotal - AZ State Board of Pharmacy	$0	$85,700	$0	$85,700	$0	$117,900	$0	$117,900
Podiatry Examiners, State Board of								
1400 W Washington	0	3,500	0	3,500	0	4,400	0	4,400
Private Postsecondary Education, State Board for								
1400 W Washington	0	11,100	2,700	13,800	0	13,600	3,300	16,900
Psychologist Examiners, State Board of								
1400 W Washington	0	13,500	0	13,500	0	16,900	0	16,900
Public Safety, Department of								
14 N 18th Avenue	0	0	0	0	20,300	5,300	5,600	31,100
1700 W Washington	47,500	12,400	13,100	73,000	51,000	13,300	14,000	78,300
1937 W Jefferson/Wayland	16,100	4,200	4,500	24,800	14,700	3,900	4,200	22,800
400 W Congress, Tucson	12,000	3,100	3,300	18,400	10,800	2,800	2,900	16,600
Subtotal - Department of Public Safety	$75,600	$19,700	$20,900	$116,200	$96,800	$25,300	$26,700	$148,800
Real Estate Department, State								
2910 N 44th Street	212,400	0	0	212,400	235,900	0	0	235,900
400 W Congress, Tucson	26,400	0	0	26,400	23,900	0	0	23,900
Subtotal - State Department of Real Estate	$238,800	$0	$0	$238,800	$259,800	$0	$0	$259,800
Respiratory Care Examiners, Board of								
1400 W Washington	0	15,500	0	15,500	0	19,900	0	19,900
Revenue, Department of								
402 W Congress, Tucson	93,200	47,400	0	140,600	116,900	59,500	0	176,400

	Fiscal Year 2013 - Actual Payments 1/				Fiscal Year 2014 - New Rate 2/			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
416 W Congress, Tucson	65,300	33,300	0	98,600	74,900	38,200	0	113,100
1600 W Monroe	1,455,200	749,600	0	2,204,800	1,377,700	709,700	0	2,087,400
Subtotal - Department of Revenue	$1,613,700	$830,300	$0	$2,444,000	$1,569,500	$807,400	$0	$2,376,900
Rio Nuevo Board								
400 W Congress, Tucson	0	0	12,500	12,500	0	0	12,200	12,200
School Facilities Board								
1700 W Washington	68,100	0	27,900	96,000	79,900	0	32,800	112,700
Secretary of State - Dept of State								
1100 W Washington	24,800	0	0	24,800	23,600	0	0	23,600
1700 W Washington	160,900	0	0	160,900	193,300	0	0	193,300
400 W Congress, Tucson	2,400	0	0	2,400	5,900	0	0	5,900
Records Management Addition	320,700	0	0	320,700	303,400	0	0	303,400
Polly Rosenbaum Building	1,683,200	0	0	1,683,200	1,593,500	0	0	1,593,500
Subtotal - Secretary of State - Dept of State	$2,192,000	$0	$0	$2,192,000	$2,119,700	$0	$0	$2,119,700
State Boards' Office								
1400 W Washington	0	6,500	0	6,500	0	19,300	0	19,300
Transportation, Department of								
1275 W Washington 8/	0	113,600	0	113,600	0	127,600	0	127,600
Treasurer, State								
1700 W Washington	0	119,200	0	119,200	0	140,900	0	140,900
Veterinary Medical Examining Board, AZ State								
1400 W Washington	0	16,600	0	16,600	0	20,600	0	20,600
GRAND TOTAL	$16,844,800	$8,116,100	$3,014,500	$27,975,400	$16,844,800	$8,619,800	$3,208,600	$28,672,800

1/ Pursuant to Laws 2012, Chapter 296, Section 8, the rental amount charged for state agencies occupying state-owned buildings shall be the amount included in each state agency's FY 2013 annual operating budget as reported by the JLBC Staff. The FY 2013 office square footage rental rate is $13.82 and the storage square footage rental rate is $5.01.

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. The FY 2014 office square footage rental rate would be $13.08 and the storage square footage rental rate would be $4.74.

3/ The department's funding allocation reflects the statewide back of the bill adjustments pursuant to Laws 2012, Chapter 294, Section 132. Since Laws 2012, Chapter 248 permanently converted all of the department's Other Appropriated Funds into Non-Appropriated Funds, the FY 2013 Other Appropriated Fund expenditures would be paid with General Fund or Non-Appropriated Fund monies.

4/ The agency's funding allocation reflects the statewide back of the bill adjustments pursuant to Laws 2012, Chapter 294, Section 132. Since the Attorney General pro rata charge was eliminated in FY 2013, the agency may shift a portion of its FY 2013 Other Appropriated Fund charges to General Fund or Non-Appropriated Fund monies.

5/ Pursuant to Laws 2012, Chapter 294, Section 132, the Department of Health Services will not pay any more than $908,900 for rent in FY 2013.

6/ Pursuant to Laws 2012, Chapter 294, Section 132, it is the intent of the Legislature that the Auditor General will not be charged rent for its state-owned space at the Sun State Building beginning in FY 2014 as long as this space still continues to be maintained by ADOA and still qualifies for ADOA Building Renewal monies. Upon further analysis, the FY 2014 Baseline has not implemented this provision as the Auditor General, unlike other legislative agencies, is located in regular state office space outside the Capitol Mall.

7/ The agency's funding allocation reflects the statewide back of the bill adjustments pursuant to Laws 2012, Chapter 294, Section 132. Since 3 of the agency's funds were permanently consolidated into a new Other Appropriated Fund, the agency may shift a portion of its FY 2013 Non-Appropriated Fund charges to Other Appropriated Fund monies.

8/ Represents funding for space occupied by the Attorney General - Department of Law for provision of legal services to the Department of Transportation.

	FY 2014 BASELINE
BUILDING RENEWAL	
ADOT Building Renewal	1,050,000
SUBTOTAL	**1,050,000**
INDIVIDUAL PROJECTS	
Airport Planning and Development	21,261,900
Controlled Access Highways	84,259,000
Debt Service	116,426,000
Statewide Highway Construction	26,888,000
SUBTOTAL	**248,834,900**
TOTAL - ALL PROJECTS	**249,884,900**
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. Most appropriations for ADOT projects are from the State Highway Fund and the State Aviation Fund.

The following reflects one-time appropriations:

FY 2014

Building Renewal **OF** **$1,050,000**

The Baseline includes $1,050,000 in FY 2014 for Building Renewal within ADOT's Building System. This amount consists of $1,000,000 from the State Highway Fund (SHF) and $50,000 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 9.5% funding of the revised highways building renewal formula and 26.6% funding of the aviation building renewal formula.

Airport Planning and Development **OF** **21,261,900**

The Baseline includes $21,261,900 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.

Controlled Access Highways **OF** **84,259,000**

The Baseline includes $84,259,000 from SHF in FY 2014 for the Highway User Revenue Fund (HURF) formula dedicated to the construction of urban freeways. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

Debt Service **OF** **116,426,000**

The Baseline 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.)*

Statewide Highway Construction **OF** **26,888,000**

The Baseline includes $26,888,000 from SHF in FY 2014 for highway construction. Please see *Table 6* for the HURF Distribution analysis, which shows that $26,888,000 of net SHF monies will be available for statewide highway construction in FY 2014 from the FY 2014 HURF revenue cash flow. Only a small portion of the state's total $1,592,658,000 highway construction

funding is appropriated. Other monies available for highway construction include beginning balances and bond revenues from SHF, Federal Funds, the Maricopa Regional Area Road Fund, and HURF for controlled access roads. *(See the Total Highway Construction Funding discussion and Table 4 in Other Issues for Legislative Consideration for additional information.)*

Expenditure of highway construction funding is determined by the Transportation Board, which develops a 5-year plan.

Table 1 shows the allocation of the Baseline related to highway construction.

Table 1

FY 2014 Highway Construction & Debt Service

	Capital Outlay Bill
Controlled Access	$ 84,259,000
Debt Service	116,426,000
Highway Construction	26,888,000
Total	**$227,573,000**

* * *

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes (Please see Capital Outlay Summary for Capital standard footnotes.)

Individual Projects

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.

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.

The Department of Transportation AND THE GENERAL ACCOUNTING OFFICE shall ~~annually~~ 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. ~~The report shall delineate expenditures by each individual fund source.~~ PRIOR TO 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.

New Footnotes

The Department of Transportation shall report the updated capital outlay information in Tables 2,3,4, and 6, as found in the FY 2013 Appropriations Report, on or before November 1, 2013 to the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

ADOT Reporting

The JLBC Staff reports to the Legislature on ADOT construction funding by using a series of tables that appear in this section of the ADOT Capital narrative. Those tables rely on information provided by ADOT. There is no legal requirement, however, that ADOT furnish this material. While ADOT does provide the information, it is not in a timely fashion. The JLBC Staff recommends setting forth the report requirement in a footnote along with a reporting date.

To enhance legislative understanding of ADOT's capital construction program, the FY 2013 Capital Outlay legislation included a footnote that requires the reporting of actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources. The report was due on September 1, 2012, but has not yet been submitted. The lack of a report heightens concerns about ADOT's ability to account for prior year highway construction spending.

To address this issue, the JLBC Staff recommends revising the footnote language to require the General Accounting Office (GAO) of the Arizona Department of Administration to jointly report the requested information along with ADOT. This joint reporting will help ensure that the results are consistent with the overall state financial records as published by GAO. *(See Footnote section for proposed language for both footnotes.)*

Summary of Non-Appropriated Capital Funds Expended

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. 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 Funds
($ in Thousands)

	FY 2012 Actual	FY 2013 Estimate	FY 2014 Baseline
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 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. *(Please see Table 3 for additional details.)*

Table 3

Highway Construction Projects Beginning in FY 2014 and Debt Service Payments
($ in Thousands)

	FY 2014 [1]
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.

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 4

Estimated Highway Construction - Cash Basis
($ in Thousands)

	FY 2014
Balance Forward [1]	**$ 472,426**
Revenues	
Appropriated Statewide Highway Construction	$ 26,888
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	$1,348,761
Total Funds Available for Construction	**$1,821,187**
Debt Service Expenditures	
Appropriated Debt Service	$ 116,426
Other Debt Service (All Other) [4]	199,947
Subtotal - Debt Service	$ 316,373
Planned Construction Expenditures	
Statewide Highway Construction (including PAG)	$ 746,880
Controlled Access Highways (MAG)	529,405
Subtotal - Construction Expenditures	$1,276,285
Total Planned Expenditures	**$1,592,658**
Balance Forward	**$ 228,529**

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.

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 $26,888,000 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.

Total FY 2012 HURF collections of $1,210,586,000 were 0.5% above FY 2011. As of November 2012, HURF year-to-date collections are the same as the prior year. As a result, the JLBC Staff has revised down its forecast for total HURF revenue growth in FY 2013 from a spring estimate of 1.2% to 0.6%; this means a $(13.0) million decrease in estimated total HURF collections for FY 2013 from the spring estimate of $1,230,900,000. It is also estimated that total HURF collections will grow by 1.0% in FY 2014.

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/	42.8%
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.

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	$1,230,028
Less:	Economic Strength Fund [1/]	1,000	1,000	1,000
	ADOT - MVD Registration Compliance Program [2/]	662	645	626
	MVD Operating Budget [3/]	88,691	0	0
	Dept. of Public Safety Transfer from HURF [4/]	123,211	119,965	119,961
Net HURF Collections		**997,022**	**1,096,240**	**1,108,441**
Less:	Cities [5/]	304,092	334,353	338,075
	Counties [5/]	189,434	208,286	210,604
	VLT Transfer to General Fund [6/]	105,822	0	0
	VLT Transfer to Parity Compensation Fund [7/]	2,396	2,467	2,528
	VLT Transfer to General Fund (5-Year VLT) [8/]	1,234	1,200	1,200
	VLT Transfer to General Fund (Abandoned Vehicle) [9/]	2,126	1,700	1,700
	Distribution to 10 Least Populated Counties [10/]	4,090	0	0
	Controlled Access [11/]	58,950	83,332	84,259
Net SHF (Discretionary)		**328,878**	**464,902**	**470,076**
Plus:	Other Income [12/]	29,949	26,302	26,345
Less:	Operating Budget [13/]	242,048	330,114	326,164
	Dept of Public Safety Transfer from Highway Fund	0	6,780	6,780
	Operating Carryovers, Adjustments and Transfers [14/]	5	5	5
	Capital Outlay and Building Renewal	1,000	1,000	1,000
	Motor Vehicle Third Party Payments [15/]	18,667	18,695	19,158
	Debt Service [16/]	110,675	109,306	116,426
Net SHF Available for Statewide Highway Construction (5-Year Plan) [17/]		**(13,568)**	**25,304**	**26,888**
SHF Adjustments				
Plus:	Controlled Access SHF Beginning Balance	185,400	196,340	216,000
	STAN Account Beginning Balance	38,341	37,995	37,800
Total SHF Available for Statewide Highway Construction		**$ 210,173**	**$ 259,639**	**$ 280,688**

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 Baseline continues the FY 2013 statewide adjustments in FY 2014 but discontinues 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 Baseline continues the FY 2013 adjustments in FY 2014 but discontinues 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 Baseline 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 Baseline 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 Baseline amount of $26,344,600 includes $25,719,000 in miscellaneous revenue and $625,600 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 Baseline continues the FY 2013 adjustments in FY 2014 but discontinues the retention payment.

14/ Includes $5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

15/ Statutory payments to third parties from VLT collected by third parties.

16/ Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

17/ 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.

	FY 2014 BASELINE
BUILDING RENEWAL	
Arizona Board of Regents	0
TOTAL	**0**
FUND SOURCES	
General Fund	0
TOTAL - ALL SOURCES	**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 Baseline.

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, which will be issued in early 2013, and $66,500,000 for the University of Arizona (UA) new construction projects, which will be issued in February 2013.

As a result of these actions, $304,588,000 of the $408,000,000 has been favorably reviewed by JCCR. The entire $304,588,000, however, has not 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. Since the ASU and NAU portions are not being spent for their original purposes, any 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 will be issued in April 2013.

Summary

Between the Phoenix Biomedical Campus, the ASU School of Construction and other projects, $442,833,000 of the Chapter 287 authority has been reviewed *(See Table 1).* At this time, a total of $357,167,000 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 $442,833,000 of reviewed issuances will result in a total debt service payment of $18,971,000 in FY 2014.

In addition, the universities intend to issue another $81,700,000 in bonds which have not yet been reviewed by JCCR, prior to the end of FY 2014 with an associated debt service of $4,193,000. As a result, total FY 2014 debt service is expected to be $23,164,000.

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.

To ensure timely reporting of all bonding and lease-purchase information, the JLBC Staff recommends that the Legislature consider adding a new reporting date for ABOR. *(See Statutory Changes.)*

* * *

STATUTORY CHANGES

The Baseline would, as permanent law, require ABOR to report projected outstanding lease-purchase and bond balances for the upcoming budget year to the Directors of the Joint Legislative Budget Committee Staff and the Governor's Office of Strategic Planning and Budgeting by November 1 of the current year.

Table 1

University Issuances

Purpose	University	Statutory Distribution	Reviewed Issuance	Remaining Authority	Planned Issuance [2/]	Total Issuance
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	104,338,000
	NAU	136,000,000	64,800,000	71,215,000	71,900,000	136,700,000
	UA	136,000,000	135,400,000	600,000	0	135,400,000
Subtotal		*408,000,000*	*304,588,000*	*103,412,000*	*71,900,000*	*376,438,000*
TOTAL		**$800,000,000**	**$442,833,000**	**$357,167,000**	**$81,700,000**	**$524,483,000**

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/]

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
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%	1,568,100	2,326,100	3,362,200	3,298,900	5,755,100
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%	1,006,600	1,006,600	1,046,600	1,106,600	1,657,600
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%			224,000	192,000	238,700
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 a 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.

	FY 2014 BASELINE
LEASE-PURCHASE PAYMENTS*	
Arizona Department of Administration - 2010 Leaseback Financing	84,119,800
Phoenix Convention Center	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.

FY 2014

2010 Leaseback Financing **$84,119,800**

The Baseline 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.

In FY 2013, the JLBC Baseline has a projected cash balance of $651 million, along with a projected Budget Stabilization Fund (BSF) balance of $454 million, for a total potential working capital reserve of $1.10 billion. This is estimated to be $669 million above the projected threshold of $436 million.

In FY 2014, the projected working capital amount of $768 million consists of an estimated cash balance of $310 million, along with a BSF balance of $458 million. This is estimated to be $335 million above the estimated 5% threshold based on FY 2014 Baseline spending.

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 **20,449,000**

The Baseline 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.

* * *

FORMAT — Lump Sum by Project by Fund

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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, particularly in the housing sector; 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

Fund Type	FY 2014 Payment	Lease Completion
General Fund	$ 3,083,800	FY 2028
Other Approp.	8,581,900	FY 2028
Non-Approp.	1,235,200	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.)*

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.)*

Table 2

Lease-Purchase and Bonding Summary

Lease-Purchase Summary	Overall Balance [1]	GF Balance [1]	Overall FY 14 Pymt. [2]	FY 14 GF Pymt. [2]	Retirement FY
ADOA Building System					
2002A Issuance					
Health Laboratory	$ 16,795,000	$ 0	$ 2,315,800	$ 0	FY23
2004B Issuance					
ADC Prison Expansions	$ 13,995,000	$ 13,995,000	$ 3,182,300	$ 3,182,300	FY19
2008A Issuance					
ADC 4000 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	$ 0	$ 64,134,500	$ 0	FY21
State Land Trust - FY 2004	82,880,000	0	24,246,100	0	FY18
Subtotal - SFB	$ 418,798,800	$ 0	$ 88,380,600	$ 0	
Department of Transportation	1,733,245,000 [6]	$ 0	$212,785,000 [7]	$ 0	FY17 – 34

(Continued)

Table 2 (Continued)

Bonding Summary	Overall Balance [1/]	GF Balance [1/]	Overall FY 14 Pymt. [2/]	FY 14 GF Pymt. [2/]	Retirement FY
ABOR Building System					
Arizona State University	$ 878,437,500	$ 0	$ 85,051,800	$ 0	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	$ 0	$184,903,300	$ 0	
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 $524,483,000 of University Lottery Bond Issuances. JCCR reviewed and planned issuance amounts for SPEED bonds are: 1) $304,538,000 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 $71,900,000 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.)*

REVENUE FORECAST

GENERAL FUND REVENUE

FY 2013

FY 2013 General Fund Baseline revenues are projected to be $9.36 billion. As indicated in *Table 1*, the revised FY 2013 revenue estimate is $341.5 million higher than the estimate from the FY 2013 budget enacted May 2012.

Table 1
FY 2013 Revenue Forecast
($ in Millions)

Adopted FY 2013 Revenue Estimate	$9,022.3
Revised Revenue Forecast	$ 341.5
Revised FY 2013 Revenue Estimate	$9,363.8

The Baseline Revenue projection is $341.5 million higher than the original forecast due to:

- A gain of $66 million in ongoing revenues under the updated January consensus forecast, as discussed below.
- Increased balance forward from FY 2012. The original budget assumed an ending balance of $122 million for FY 2012. The actual balance carried forward into FY 2013 was $397 million, an increase of $275 million. This increase was due to a combination of both higher than expected revenue collections and lower than expected expenditures in FY 2012.

The FY 2013 base revenue growth is based on the consensus forecasting process (*see FY 2014 section below*). "Base Revenues" reflect the underlying growth in the economy and do not include one-time adjustments, urban revenue sharing or new tax law changes. *Table 2* shows the FY 2013 base revenue growth rates for the "Big 3" General Fund revenue sources (sales tax, individual, and corporate income tax) provided by each of the components comprising the 4-sector consensus forecast.

Table 2
FY 2013 4-Sector Forecast Percentages

	FAC	UA Low	UA Base	JLBC	Avg.
Sales	4.2%	2.8%	4.7%	4.6%	4.1%
Individual Income	5.2%	5.2%	7.6%	5.5%	5.9%
Corporate Income	5.3%	4.7%	5.1%	3.3%	4.6%
Weighted Average [1/]	4.7%	4.0%	5.9%	4.9%	4.9%

1/ Once adjusted for minor revenue categories, the base FY 2013 revenue increase is 4.0%.

Based on the weighted average of the components of the 4-sector consensus forecast, "Big 3" General Fund revenue would grow by 4.9% in FY 2013. After adjusting for small revenue categories, the base revenue growth rate would be 4.0%. After including tax law changes, the projected adjusted revenue growth would be 3.6%.

The original FY 2013 budget assumed base revenue growth of 5.1%. The Arizona economy, however, has not grown as quickly as anticipated. For example, year-to-date sales tax growth is 4.3%.

Based on preliminary tax collections through December, all year-to-date ongoing revenues (including the 1-cent temporary sales tax) are 3.6% above the same period in FY 2012. While this growth rate includes tax law changes, this estimate is likely comparable to base revenues. Most tax law changes will affect the second half of FY 2013.

Despite having revenue growth below the original budgeted rates, overall revenues are projected to be higher than budgeted by $66 million. The higher than expected FY 2012 base more than offsets the lower FY 2013 revenue growth rate.

FY 2013 state revenue collections are also likely to be affected by the increase in capital gain and dividend taxes at the federal level on January 1, 2013. This change incentivized taxpayers to take capital gains and businesses to issue dividends in the 4th quarter of calendar 2012. Due to the difficulty in estimating this one-time gain, the Baseline does not reflect these added revenues. *(See Other Issues at the end of this section for more information.)*

The individual revenue detail for FY 2013 is found in *Table 8* at the end of this section.

FY 2014

While base revenues are forecast to grow in FY 2014, one-time factors are forecast to reduce overall FY 2014 collections to $8.98 billion, or $(384.6) million below FY 2013. This net revenue loss includes:

- $416.4 million representing a 4.9% gain in base revenues under the 4-sector consensus forecast for FY 2014, as outlined below.
- $254.0 million increase in the balance forward from the previous fiscal year.
- $52.0 million increase due to a one-time budget cost in FY 2013.
- $(924.2) million loss due to the expiration of the temporary 1-cent sales tax in June 2013.
- $(90.0) million loss as a result of discontinuing fund transfers.
- $(45.9) million loss due to an increase in urban revenue sharing.

- $(46.9) million loss due to previously enacted legislation.

The FY 2014 Baseline estimated growth rates for the "Big 3" ongoing revenue categories were developed through a consensus process. The Baseline revenue estimate is based on averaging the results of the following 4 forecasts:

- Finance Advisory Committee panel forecast of January 2013. Consisting of 15 public and private sector economists, this independent panel meets 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 Baseline model. The model is a simultaneous-equation model consisting of more than 100 equations that are updated on a regular basis to reflect changes in the economy. The model uses more than 200 variables related to Arizona's economy and is updated quarterly.
- EBR's conservative forecast model, and
- JLBC Staff projections.

The growth rates from each sector of the forecast are detailed in *Table 3*.

Table 3

FY 2014 4-Sector Forecast Percentages

	FAC	UA Low	UA Base	JLBC	Avg
Sales	5.8%	1.8%	6.1%	5.5%	4.8% 1/
Individual Income	5.7%	1.0%	6.2%	5.9%	4.7%
Corporate Income	7.3%	4.0%	22.5%	2.8%	11.7%
Weighted Average 2/	5.9%	2.5%	7.5%	5.4%	5.5% 1/

1/ After adjusting for Amazon sales tax collections, the adjusted sales tax would increase from 4.8% to 5.1%. The "Big 3" weighted average has been adjusted accordingly.
2/ Once adjusted for Amazon and minor revenue categories, the base FY 2014 revenue increase is 4.9%.

Individual and corporate income tax collections are forecast to grow by 4.7% and 11.7%, respectively.

In FY 2014, sales tax revenue (excluding the temporary 1 cent tax) is projected to increase by 4.8%, prior to an adjustment for Amazon sales taxation. Amazon announced in October 2012 that it will begin collecting and remitting sales tax for any goods sold to Arizonans beginning February 1, 2013. This is expected to increase revenues by $3 million in FY 2013 and $15 million in FY 2014 when this change is fully phased in.

After adjusting for small revenue categories and excluding the 1 cent tax expiration, FY 2014 base revenues would grow by 4.9%, or in dollar terms, $416.4 million.

Risks to the Revenue Forecast

Although economic conditions have improved since the recession officially ended in June 2009, there are considerable risks that could have an impact on future state revenue growth. The current environment of economic uncertainty is reflected in recent policies adopted by the Federal Reserve. In addition to its decision to retain the near 0% short-term interest rate until the unemployment rate falls below 6.5%, the Fed has also launched a new and open-ended program of asset purchases in an effort to drive down long term interest rates.

There are numerous other risks to the forecast, such as:

Unforeseen natural disasters and political events – Superstorm Sandy is a recent example of an event with direct economic consequences.

International economics – the sovereign-debt crisis in Europe and the slowing of economic growth in countries such China and India have impacts on the U.S. economy.

Federal fiscal policy uncertainty – while the New Year fiscal cliff legislation averted most of the tax increases that otherwise would have taken effect in January 2013, it did not address the current federal debt ceiling. Although the federal government's authorized borrowing limit of $16.4 trillion was technically reached in late December, the U.S. Treasury is expected to have the means to continue financing government spending until late February or early March.

Unless the debt ceiling is raised at this time, however, there would be immediate, steep reductions in government spending since the federal government will be able to spend only what it receives in revenues. Such a sharp reduction in government spending would likely cause the economy to contract.

Apart from the possibility of another debt ceiling crisis, there is also uncertainty associated with the current spending sequester (scheduled reductions in government spending). Instead of addressing the sequester, Congress decided to postpone its implementation from January 1 to March 1. The sequester could reduce some domestic and defense spending by approximately 9%. If that reduction occurred in defense contractor spending, for example, Arizona would be negatively affected.

Additionally, the continuing resolution under which the federal government is now operating expires at the end of March. Without a new resolution, the federal government will shut down in April.

The discussion above underscores that any forecast is uncertain and therefore unlikely to be correct. In an attempt to spell out the risk associated with the January Consensus Forecast, JLBC Staff asked FAC panel members to submit the probability percentage at which

they believed that their revenue forecast would be met or exceeded. Based on the average of survey responses, there is a 65% probability of meeting or exceeding the FY 2014 Baseline Consensus Forecast.

To address the uncertainty of the forecast, the JLBC Staff has also developed an Alternate scenario. *See Other Issues at the end of this section for more information.*

Revenue Adjustments

Table 4 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 6*) and one-time financing sources.

Table 4
General Fund Revenue Baseline
For FY 2013 and FY 2014
($ in Millions)

	FY 2013	%	FY 2014	%
Base Revenue	$8,512.2 1/	3.6%	$8,928.6	4.9%
Prior Budget Legislation	N/A		(46.9)	
Temporary 1¢ TPT Increase	924.2		N/A	
Urban Revenue Sharing	(513.6)		(559.5)	
One-Time Financing				
Budget Legislation	(52.0)		0.0	
Fund Transfers	96.0		6.0	
Balance Forward	397.0		651.0	
Adjusted Revenue	**$9,363.8**	**3.3%**	**$8,979.2**	**(4.1)%**

1/ The FY 2013 Base Revenue of $8.51 billion includes $(33.3) million in ongoing tax law and revenue changes. Adjusting for these changes, the FY 2013 base increase is 4.0%.

Prior Budget Legislation

Each year, statutory tax law and other revenue changes affect 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

In FY 2013, ongoing budget legislation is expected 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 2013 base revenue growth of 4.0% excludes these changes. Further details on these changes can be found on pages 294 and 295 of the *FY 2013 Appropriations Report*. In addition, there is $(52.0) million in one-time tax law changes as described in the *One-Time Financing* section.

Table 5
FY 2013 Budget Legislation Changes
With Ongoing Revenue Impact
($ in Millions)

Prior Year Changes (Year Enacted)	
Renewable Energy Production Credit (2010)	$ (10.0)
Arizona Commerce Authority (2010)	(10.7)
QSCB Revenue (2010)	(1.8)
Lottery Decrease (Debt Service) (2010)	(16.8)
Subtotal	(39.3)
2012 Tax Law and Revenue Changes	
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	(1.8)
Subtotal	$ 6.0
Total – FY 2013 Revenue Impact	**$ (33.3)**

The combined impact of all tax law changes in FY 2013 is $(85.3) million.

FY 2014 – FY 2019

Several tax law changes enacted in 2011 and 2012 will either take effect or be further phased in during FY 2014. As shown in *Table 6*, ongoing budget legislation is expected to result in a total new net revenue loss of $(46.9) million in FY 2014 compared to FY 2013. By FY 2019, the revenue loss is projected to grow to $(512.0) million relative to the FY 2013 budget.

Below is a description of the ongoing revenue changes relative to the FY 2013 budget.

Laws 2011, 2nd Special Session, Chapter 1

- Elimination of Capital Gains on Income Derived from Small Business – Capital gains generated by small business are no longer subject to income tax, beginning in Tax Year (TY) 2014. This legislation defines small businesses as having assets up to $10 million. The individual income tax loss is estimated to be $(11.6) million in FY 2015 and grow to $(13.6) million in FY 2019.

- Phase-Down of Corporate Income Tax Rate – The corporate income tax rate is reduced from 6.968% to 4.9% over 4 years, beginning in TY 2014. The rate reduction is estimated to reduce corporate income tax collections by $(53.8) million in FY 2015 and grow to $(269.6) million in FY 2019.

- Phase-In of Single Corporate Sales Factor – This provision increases the optional sales factor available to multi-state corporations from 80% to 100% over 4 years, beginning in TY 2014. This provision is estimated to reduce corporate income tax collections by $(24.6) million in FY 2015 and grow to $(84.0) million in FY 2019.

Table 6

Prior Year Budget Legislation With Ongoing Revenue Impact in FY 2014 through FY 2019
($ Millions) [1/]

Bill/Description of Provision	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
Laws 2011, 2nd SS, Ch. 1						
Eliminates capital gains on income derived from small businesses.	$0.0	$(11.6)	$(12.3)	$(12.9)	$(13.6)	$(13.6)
Phases down corporate tax rate from 6.968% to 4.9% over 4 years.	0.0	(53.8)	(116.0)	(183.5)	(269.6)	(269.6)
Phases in corporate sales factor from 80% to 100% over 4 years.	0.0	(24.6)	(47.3)	(67.8)	(84.0)	(84.0)
Creates a $3,000 new job tax credit claimed annually for 3 years. [2/]	(18.2)	(37.9)	(44.7)	(45.7)	(42.9)	(42.9)
Increases small business eligibility for 30% "angel" investment tax credit from $2 million to $10 million in assets through FY 2016.	0.0	(0.5)	4.0	4.0	4.0	4.0
Laws 2012, Ch. 2						
Provides a change in the calculation of the corporate sales factor for service companies.	(3.0)	(3.5)	(3.9)	(4.4)	(4.4)	(4.4)
Laws 2012, Ch. 343						
Phases in (over 3 years) a 25% reduction of long term capital gains on assets purchased after 2011.	(17.5)	(40.5)	(56.5)	(61.4)	(65.6)	(69.3)
Extends the net operating loss (NOL) carry-forward from 5 years to 20 years.	0.0	0.0	0.0	0.0	0.0	(12.2)
Provides income tax deduction equal to 10% of federal bonus depreciation for assets placed in service in 2012.	(4.2)	0.0	0.0	0.0	0.0	0.0
Creates an income tax credit for capital investments in new/expanded manufacturing/ research facilities and commercial headquarters	(4.0)	(8.0)	(12.0)	(16.0)	(20.0)	(20.0)
Total Revenue Impact Relative To FY 2013 Baseline	**$(46.9)**	**$(180.4)**	**$(288.7)**	**$(387.7)**	**$(496.1)**	**$(512.0)**
Revenue Impact Over Prior Year	**$(46.9)**	**$(133.5)**	**$(108.3)**	**$(99.0)**	**$(108.4)**	**$(15.9)**

1/ All impacts are stated relative to the original FY 2013 budget projection. Excludes property tax changes, which affect Department of Education spending rather than General Fund Revenues.
2/ Includes impact of Laws 2012, Chapter 343 provision which eliminated individual company cap of 400 eligible employees.

- 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 removes the 400 maximum job tax credit claims per employer established by Chapter 1. The job tax credit is estimated to reduce FY 2014 revenues by $(18.2) million over and above the estimated revenue loss in FY 2013. The revenue loss is expected to increase to $(42.9) million in FY 2019.

- "Angel" Investment Tax Credit – This provision increased the eligibility for tax credits available to "angel" investors in certain small businesses. This program, which is capped at $20 million, allows

qualified investors to receive a 30% tax credit over 3 years on investment in qualified small businesses (35% if the business is located in a rural area or is a bioscience enterprise). Chapter 1 extended the credit authorization by 5 years through FY 2016. Additionally, the act also expanded the definition of qualified small business to include firms with assets up to $10 million, compared to an asset cap of $2 million under prior law. This provision of Chapter 1 is estimated to reduce individual income tax collections by $(0.5) million in FY 2015 over and above the $(4.0) million revenue loss expected to occur in each year between FY 2012 and FY 2014. The $20 million credit cap is assumed to be reached by the end of FY 2015. Therefore, when the credit is exhausted beginning in FY 2016, this provision is estimated to produce a one-time revenue gain of $4.0 million relative to the original FY 2013 budget projection.

Laws 2012, Chapter 2

- Corporate Sales Factor for Service Providers – This legislation 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 and grow to $(4.4) million in FY 2019.

Laws 2012, Chapter 343

- Reduction of Long Term Capital Gains – This provision 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 and grow to $(69.3) million in FY 2019.

- Extension of Net Operating Loss Carry Forward – The legislation increases the net operating loss (NOL) carry forward from 5 years to 20 years, beginning in TY 2012. This provision is estimated to reduce corporate income tax collections by $(12.2) million, beginning in FY 2019.

- Income Tax Deduction for Federal Bonus Depreciation – This provision 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 in 2012. This provision is estimated to result in a one-time income tax loss of $(4.2) million in FY 2014.

- Qualified Facility Tax Credit – A new income tax credit is created for businesses that expand or locate qualified facilities in the state, beginning in TY 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 and grow to $(20.0) million in FY 2019.

Temporary 1 Cent TPT Increase

At the May 2010 Special Election, voters approved a 1 cent increase of the TPT (sales tax) for 3 years. The temporary TPT increased General Fund revenues by $864.5 million in FY 2011 and $915.8 million in FY 2012. As shown in *Table 4*, the 1 cent sales tax is expected to generate $924.2 million in its third and final year in 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 town 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 $559.5 million in FY 2014. This URS increase results in a FY 2014 General Fund revenue loss of $(45.9) million relative to FY 2013.

One-Time Financing

As shown in *Table 4*, one-time financing sources are included in the budget for FY 2013 as well as FY 2014. The following is a discussion of these one-time financing sources.

FY 2013

The $44.0 million in one-time financing sources for FY 2013 includes:

TPT Estimated Payment – Laws 2010, 7th Special Session, Chapter 12 lowered the threshold for estimated TPT payments from $1.0 million in annual TPT liability to $100,000 for FY 2010 through FY 2012. Chapter 12 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 provides for a total of $106.0 million in fund transfers. Under the Baseline, this amount has been 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 currently projects, however, that the ballot formula will not require a reversion.

Balance Forward – The FY 2012 General Fund ending balance carried forward into FY 2013 was $397.0 million.

FY 2014

The $6.0 million in one-time financing sources for FY 2014 reflects previously enacted transfers from Judiciary Funds. *(See Judiciary agency narratives for more detail.)*

Balance Forward – The FY 2013 General Fund ending balance carried forward into FY 2014 is estimated to be $651.0 million. Compared to the $397.0 million FY 2013 beginning balance, the projected FY 2014 balance reflects a gain of $254.0 million.

Other Issues

Federal Fiscal Cliff Impacts

The possibility of Bush-era tax cuts expiring on December 31, 2012 may have shifted some of Arizona individual income tax collections forward into tax year (TY) 2012 that would have otherwise occurred in future years. Though the United States Congress eventually passed legislation to avert many tax increases of the "fiscal cliff," investors appear to have proactively taken steps to avoid even the potential of higher tax rates in TY 2013. As a result, investors' TY 2012 personal income may have increased substantially, which may result in higher FY 2013 income tax collections in April. This short term gain, however, could be offset by lower than expected income tax liability in FY 2014.

Even without the fiscal cliff, the federal Affordable Care Act (ACA) of 2010 created incentives for investment income to be accelerated into calendar year 2012. To help finance federal health care changes, the ACA legislation established a 3.8% surtax on the lesser of net investment income (capital gains, interest, dividends, rents, etc.) or annual earnings over a certain threshold amount ($250,000 for married couples) as of January 2013. These ACA provisions were not subsequently changed in the January 1 federal budget legislation.

The federal fiscal cliff further added to the incentive to post gains in 2012. Prior to the American Taxpayer Relief Act of 2012 passed by the Congress on January 1, 2013, a maximum federal tax rate of 15% applied to both long term capital gains and qualified dividends. Absent federal legislation, long term capital gains would have been taxed at the pre-2003 rate of 20%, beginning in 2013. Qualified dividends would have been taxed as ordinary income with a maximum tax rate of 39.6%.

The American Taxpayer Relief Act of 2012 increased the top rate on long term capital gains and qualified dividends from 15% to 20% for joint filers with income above $450,000 ($400,000 for single filers). For taxpayers earning less than the thresholds, income tax rates were left unchanged (excluding the health care surcharge).

While the magnitude of this potential tax year shift is difficult to estimate, it could be substantial. Numerous corporations paid significantly higher dividends in the last quarter of calendar year 2012. According to a market research company, the amount of special dividends ($30 billion) distributed in the last quarter of 2012 was 4 times that paid in the same quarter in the prior year.

As a result of these tax year shifting activities, Arizona will likely receive increased final income tax payments in April 2013. However, such increases would come at the expense of reduced income tax collections in future years.

The JLBC Staff is analyzing the potential impact of this provision. There is little available data, however, to quantify the magnitude of the tax shift with any certainty. In addition, the state received an unusually large one-time individual income tax payment of $60 million in January 2012. Since this payment is not expected to be repeated, the federal cliff windfall may help offset the loss of these funds.

The FY 2014 Baseline Summary on page S-2 provides possible options for addressing the windfall.

Alternate Scenario

Under the January 4-sector forecast, base revenue growth accelerates in the out-years, increasing from 4.9% in FY 2014 to 6.2% in FY 2016. The 3-year average is 5.7%. Long term forecasts, however, typically become more cautious with each succeeding year due to various risks and uncertainties (some of which were discussed in the *FY 2014* section).

To address such contingencies, JLBC Staff developed an Alternate forecast that caps base revenue growth at 4.7% annually from the period from FY 2014 through FY 2016. This is 1% below the average annual growth rate of 5.7% for the same period under the 4-sector forecast. The JLBC

Staff used a similar approach at the last FAC meeting in October 2012. The probability that the Alternate forecast will be met or exceeded is 75%.

This 4.7% forecast would reduce total General Fund revenues from $9.36 billion in FY 2013 to $8.96 billion in FY 2014, $8.78 billion in FY 2015, and $8.85 billion in FY 2016. *(See Long Term Estimates section for more information.)*

The level of projected General Fund revenues under the 2 scenarios is summarized in *Table 7* below.

Table 7

Comparison of Revenue Forecasts ($ Billions)

Forecast Scenario	FY 2014	FY 2015	FY 2016
4-Sector Baseline			
Beginning Balance	$0.66	$0.31	$0.02
On-Going Revenue	8.32	8.69	9.12
Total Revenue	**$8.98**	**$9.00**	**$9.14**
Alternate			
Beginning Balance	$0.66	$0.22	$0.00
On-Going Revenue	8.31	8.56	8.85
Total Revenue	**$8.96**	**$8.78**	**$8.85**

Table 8

GENERAL FUND REVENUE - FY 2013-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	3,997,096.6	5.1%	195,147.4
Income - Individual	3,086,137.4	7.8%	3,265,549.1	5.8%	179,411.7	3,418,638.0	4.7%	153,089.0
- Corporate	643,771.8	14.9%	652,626.8	1.4%	8,855.0	728,925.4	11.7%	76,298.6
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	24,158.6	-3.4%	(845.0)
- 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)	388,000.0	0.3%	1,000.0
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	8,607,759.3	5.2%	424,902.2
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%	80,892.5	-8.1%	(7,102.9)	73,000.0	-9.8%	(7,892.5)
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%	329,325.6	-9.2%	(33,563.1)	320,798.3	-2.6%	(8,527.3)
Subtotal On-Going Revenue	**8,213,183.0**	**6.6%** [1/]	**8,512,182.7**	**3.6%** [2/]	**298,999.7**	**8,928,557.6**	**4.9%**	**416,374.9**
Previously Enacted Tax Law Changes	0.0	N/A	0.0	N/A	0.0	(46,900.0)	N/A	(46,900.0)
Budget Legislation	0.0	N/A	0.0	N/A	0.0	0.0	N/A	0.0
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%**	**9,436,420.0**	**3.4%**	**307,401.4**	**8,881,657.6**	**-5.9%**	**(554,762.4)**
Urban Revenue Sharing (URS)	(424,423.4)	-10.5%	(513,584.1)	21.0%	(89,160.7)	(559,486.4)	8.9%	(45,902.3)
Subtotal w/Tax Law Changes/URS	**8,704,595.1**	**7.6%**	**8,922,835.9**	**2.5%**	**218,240.7**	**8,322,171.2**	**-6.7%**	**(600,664.7)**
One-Time Financing Sources:								
Budget 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)	6,000.0	-93.8%	(90,000.0)
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	23.0%	44,000.0	-87.7%	(314,870.9)	6,000.0	-86.4%	(38,000.0)
Subtotal - Revenues	**9,063,466.0**	**8.1%**	**8,966,835.9**	**-1.1%**	**(96,630.2)**	**8,328,171.2**	**-7.1%**	**(638,664.7)**
Balance Forward	3,243.0	-156.7%	396,960.0	N/A	393,717.0	650,987.1	64.0%	254,027.1
Total - Resources	**9,066,709.0**	**8.2%**	**9,363,795.9**	**3.3%**	**297,086.8**	**8,979,158.3**	**-4.1%**	**(384,637.6)**

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 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 is 4.0%.

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 inflation-adjusted total state personal income, the 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 infrequently 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 inflation-adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to the trend growth rate of inflation adjusted AZPI for the most recent 7 years.
- Adjusted personal income in the BSF formula is defined as total Arizona personal income less transfer payments, adjusted by the gross domestic product price deflator index.
- 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 Arizona 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.

Deposits/Withdrawals

FY 2011
Arizona real adjusted personal income declined by (0.42)% in CY 2010. Since this was both less than 2.0% and the trend growth rate of 1.92%, the formula recommended a BSF withdrawal of $(163.9) million in FY 2011. This recommendation could not be implemented, however, since the fund was depleted in the spring of 2010 when Laws 2010, 7th Special Session, Chapter 1 authorized the transfer of the remaining BSF balance of $2.8 million to the General Fund.

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
The University of Arizona's Economic and Business Research Center (EBR) estimates that Arizona real adjusted personal income will increase by 3.55% in CY 2012. Since this is 2.69% above the estimated trend growth rate of 0.86%, the formula is expected to recommend a BSF deposit of $234.2 million in FY 2013. This amount, which is based on EBR's current estimate, would be greater than the $200.0 million BSF deposit authorized by Laws 2012, Chapter 294.

FY 2014
According to EBR, Arizona real adjusted personal income is projected to grow by 3.36% in CY 2013. Since this is 2.98% above the trend growth rate of 0.38%, the formula is expected to recommend a BSF deposit of $265.9 million in FY 2014.

Statutory Provision
Laws 2012, Chapter 297 notwithstands the BSF formula through FY 2015.

Table 1

Budget Stabilization Fund [1/]
($ in Thousands)

General Fund Revenues	Actual FY 2011	Actual FY 2012	Estimate FY 2013	Estimate FY 2014
Adjusted Revenues	$8,053,922.7	$8,704,595.1	$8,922,835.9	$8,322,171.2
Statutory Limit of Revenues	7.0%	7.0%	7.0%	7.0%
Maximum Balance	563,774.6	609,321.7	624,598.5	582,552.0
Arizona Personal Income in Prior CY				
Real Adjusted Annual Income Growth	(0.42)%	3.42%	3.55%	3.36%
7-Year Average Income Growth	1.92%	1.35%	0.86%	0.38%
Annual Difference	(2.34)%	2.07%	2.69%	2.98%
BSF Transactions				
Beginning BSF Balance	0.0	0.0	250,062.8	454,112.8
BSF Formula Recommendation	(163,903.8)	167,370.4	234,153.6	265,900.5
Actual Transfer In				
Actual Appropriation -- L'12, Ch. 294 [2/]	0.0	250,000.0	200,000.0	0.0
Actual Transfer Out	0.0	0.0	0.0	0.0
Balance	0.0	250,000.0	450,062.8	454,112.8
Interest Earnings & Equity Gains/Losses [3/]	0.0	62.8	4,050.0	4,160.0
Ending BSF Balance	**$ 0.0**	**$ 250,062.8**	**$ 454,112.8**	**$ 458,272.8**
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/ Estimated interest earnings for FY 2013 and FY 2014 were provided by the State Treasurer's Office.

LONG TERM GENERAL FUND ESTIMATES

LONG TERM GENERAL FUND ESTIMATES

Summary

Laws 2012, Chapter 244 requires the annual General Appropriations Act to include a 3-year revenue and expenditure projection. To assist in this effort, the JLBC Staff has developed General Fund Baseline estimates through FY 2016. Based on the assumptions described below, the Baseline ending balance is estimated to be $25 million in FY 2015 compared to a $(70) million shortfall in FY 2016.

Given the multiple year forecast, 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 over $500 million in the third year.

Given that uncertainty, the JLBC Staff has developed an Alternate forecast scenario to accompany the Baseline estimates. In an Alternate scenario of lower revenue growth and higher spending, there would be shortfalls of $(411) million in FY 2015 and $(572) million in FY 2016, or a combined 2-year shortfall of $(983) million.

Baseline Revenues

The Baseline revenue estimates are based on a consensus forecasting process. As with FY 2014 revenues, the long run estimates average 4 different forecasts. This process is described in more detail in the *General Fund Revenue* section.

The "4-sector" consensus projected an average General Fund base revenue growth of 5.7% in FY 2014-2016, with 4.9% in FY 2014, 5.9% in FY 2015 and 6.2% in FY 2016. *Table 1* includes the individual forecast components in FY 2015 and FY 2016. These growth rates reflect revenue growth prior to tax law changes and Urban Revenue Sharing.

The Legislature enacted significant multi-year tax reductions in 2011 and 2012. In FY 2015, these adjustments are projected to reduce revenue by $(133) million relative to FY 2014. There would be a further reduction of $(108) million in FY 2016 relative to FY 2015. The details of the tax reductions are in *Table 6* of the *General Fund Revenue* section.

Due to the loss of the 1 cent sales tax, General Fund revenues are projected to decline between FY 2013 and FY 2016. The projected level of General Fund revenue would fall from $9.36 billion in FY 2013 to $8.78 billion in FY 2014, $9.0 billion in FY 2015 and $9.14 billion in FY 2016. *(See Table 2.)* These estimates include a beginning balance of $310 million in FY 2015 and $25 million in FY 2016.

The *General Fund Revenue* section also details the potential risks to the forecast, including the uncertainty of the current 0% interest rate environment, the unknown outcome of the "federal fiscal cliff 2" deliberations in Washington D.C. and the inability to predict natural disasters or future political events.

Given all these factors, the Alternate scenario reduces the 3-year revenue growth average by 1% -- from 5.7% to 4.7%. The latter factor is used in each year, rather than assume that growth will accelerate over the 3-year time horizon.

No single revenue forecast, especially over 3 years, is likely to be accurate. To assess the potential risk of each scenario, the JLBC Staff has assigned a probability to each forecast. Based on input from the 4-sectors of the consensus forecast, the estimated probability of meeting or exceeding the Baseline forecast is 65%. With a slower growth rate, the Alternate probability is 75%.

Table 1

4-Sector Consensus Forecast Percentages

	FAC	UA Low	UA Base	JLBC	Avg
FY 2015					
Sales Tax	5.7%	5.8%	7.9%	5.6%	6.3%
Individual Income Tax	5.8%	2.2%	6.3%	6.5%	5.3%
Corporate Income Tax	7.5%	6.5%	10.2%	4.1%	7.2%
Wgt Avg					5.9%
FY 2016					
Sales Tax	5.2%	7.5%	7.9%	5.7%	6.6%
Individual Income Tax	5.9%	4.8%	7.3%	6.5%	6.2%
Corporate Income Tax	7.6%	0.8%	2.4%	6.1%	7.6%
Wgt Avg					6.2%

Table 2

FY 2013 - FY 2016 Revenue Changes

	$ in M
FY 2013 Total	9,364
Base Revenue	1,517
Loss of 1 Cent	(925)
Tax Reductions	(283)
Urban Revenue Sharing	(109)
Beg. Balance Decline	(372)
Other	(43)
FY 2016 Total	**9,149**

Baseline Spending

The long term General Fund expenditures reflect the requirements of existing statutory funding formulas and other obligations. This spending is projected to increase by $302 million in FY 2015 (3.5%) above FY 2014 and $242 million in FY 2016 (2.7%) above FY 2015.

These spending adjustments include normal caseload growth and mandatory federal changes to the state Medicaid system that will occur in January 2014 due to the Affordable Care Act. These changes are explained in more detail in the AHCCCS section of the Baseline narrative. Of the overall spending adjustments, $140 million in FY 2015 and $22 million in FY 2016 are due to these new federal requirements.

Overall spending, including one-time adjustments, would be $8.97 billion in FY 2015 and $9.21 billion in FY 2016. *(See Table 4 for the projected spending levels of major agencies under this scenario.)*

In addition, the long term estimates assume the continued annual suspension of $678 million of funding formula requirements that are permanently authorized in law. *(See Table 7.)* If these programs or any other new permanent initiatives are funded in the FY 2014 budget, the projected FY 2015 balance would decline and the FY 2016 shortfall estimate would increase.

In the Alternate scenario, JLBC Staff has developed possible spending estimates above the Baseline. Given the projected FY 2014 ending balance of $310 million, the Legislature may decide to enact new permanent initiatives. *(See Table 6 for the projected spending levels of major agencies.)*

In the Alternate scenario, FY 2015 spending is $220 million higher than the Baseline and FY 2016 spending is $206 million higher. These adjustments include:

1) Optional Medicaid expansion to 133% of the federal poverty level;
2) New K-12 school construction funding;
3) Continuation of one-time state employee pay adjustments; and
4) Continuation of a one-time backfill of a shortfall in the Department of Economic Summary.

These changes are explained in more detail in the Alternate Scenario section of the *FY 2014 Baseline Summary.* These 4 adjustments are only illustrative of potential changes and other alternatives could be developed. For example, the optional Medicaid expansion could be replaced with higher K-12 spending.

Ending Balance and Ongoing Revenue and Spending

In FY 2015, the Baseline's projected ending balance is $25 million. The FY 2015 budget, however, would only be balanced due to a $310 million balance at the beginning of the year. In structural terms – the difference between ongoing revenues and spending – FY 2015 has a shortfall of $(285) million.

If the FY 2014 budget includes $13 million in new permanent initiatives above the Baseline, the projected FY 2015 balance would be negative. ($13 million in new FY 2014 spending that reoccurs in FY 2015 would cost $26 million between the 2 years and eliminate the projected $25 million ending balance.)

In FY 2016, the Baseline's projected ending balance is a $(70) million shortfall. *Table 3* summarizes the ending balances in the Baseline scenario.

The ending balances decline more quickly in the Alternate scenario with lower revenue growth and higher spending. The projected FY 2015 Alternate ending balance is $(411) million. Assuming that shortfall is resolved before the beginning of the next year, the FY 2016 shortfall is forecast to be $(572) million. If the shortfall is not resolved, the combined 2-year shortfall is $(983) million.

Table 5 summarizes the Alternate scenario ending balances; *Table 6* provides Alternate scenario spending levels of major agencies.

Table 3

JLBC BASELINE 1/
STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 2/
WITH ONE-TIME FINANCING SOURCES

	FY 2013 Adjusted	FY 2014 Baseline	FY 2015 Baseline	FY 2016 Baseline
REVENUES				
Ongoing Revenues	$8,512,182,700	$8,928,557,600	$9,407,385,900	$9,848,864,300
Previously Enacted Changes 3/		(46,900,000)	(133,500,000)	(108,300,000)
1¢ Sales Tax	924,237,300			
Urban Revenue Sharing	(513,584,100)	(559,486,400)	(587,726,400)	(622,202,100)
Net On-going Revenues	$8,922,835,900	$8,322,171,200	$8,686,159,500	$9,118,362,200
One-time Financing Sources				
Balance Forward	396,960,000	$650,987,100	$309,668,800	$24,626,200
Previously Enacted Changes 3/	(52,000,000)			
Fund Transfers	96,000,000	6,000,000		
Subtotal One-time Revenues	$440,960,000	$656,987,100	$309,668,800	$24,626,200
Total Revenues	$9,363,795,900	$8,979,158,300	$8,995,828,300	$9,142,988,400
EXPENDITURES				
Operating Budget Appropriations	$8,512,886,700	$8,575,369,700	$8,907,098,500	$9,149,423,100
FY 2013 Supplementals 4/	116,900			
Administrative Adjustments	37,600,000	60,000,000	60,000,000	60,000,000
Revertments	(133,800,000)	(80,000,000)	(80,000,000)	(80,000,000)
Asset Sale/Lease-Back Debt Service	84,119,800	84,119,800	84,103,600	84,094,500
Subtotal Ongoing Expenditures	$8,500,923,400	$8,639,489,500	$8,971,202,100	$9,213,517,600
One-time Expenditures				
Capital Outlay	$20,252,000	$30,000,000		
Budget Stabilization Fund Deposit	200,000,000			
Employee Retention Payments	16,633,400			
Health Insurance Premium Holiday	(25,000,000)			
Subtotal One-time Expenditures	$211,885,400	$30,000,000	$0	$0
Total Expenditures	$8,712,808,800	$8,669,489,500	$8,971,202,100	$9,213,517,600
Ending Balance 5/	$650,987,100	$309,668,800	$24,626,200	($70,529,200)
Structural Balance 6/		*($317,318,300)*	*($285,042,600)*	*($95,155,400)*

1/ Represents an estimate of available balances with a consensus revenue forecast and a statutory funding formula expenditure projection.

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

3/ See General Fund Revenue Section for details.

4/ See page S-27 for details.

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

6/ This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments.

Table 4

BASELINE SPENDING ESTIMATES BY MAJOR BUDGET UNITS

	FY 2013 Adjusted	FY 2014 $ Above FY 13	FY 2014 Baseline	FY 2015 $ Above FY 14	FY 2015 Baseline	FY 2016 $ Above FY 15	FY 2016 Baseline
EXPENDITURES							
Operating Budget							
-- Department of Administration	30,230,300	1,200,000	31,430,300		31,430,300	3,000,000	34,430,300
-- AHCCCS	1,397,607,300	(29,574,400)	1,368,032,900	174,204,500	1,542,237,400	92,746,500	1,634,983,900
-- Attorney General	23,049,900	(1,200,000)	21,849,900		21,849,900		21,849,900
-- Commerce Authority	31,500,000		31,500,000		31,500,000		31,500,000
-- Community Colleges	65,942,600	(2,577,300)	63,365,300	(489,300)	62,876,000	243,000	63,119,000
-- Department of Corrections	956,404,200	9,240,700	965,644,900	19,322,800	984,967,700	7,262,700	992,230,400
-- Department of Economic Security	612,296,200	17,288,500	629,584,700	25,650,900	655,235,600	28,161,800	683,397,400
-- Department of Education	3,496,900,300	55,167,300	3,552,067,600	54,235,500	3,606,303,100	81,646,700	3,687,949,800
-- Department of Environmental Quality	7,000,000		7,000,000		7,000,000		7,000,000
-- Department of Health Services	587,120,700	(10,397,200)	576,723,500	55,570,100	632,293,600	29,484,400	661,778,000
-- Judiciary	108,596,000		108,596,000		108,596,000		108,596,000
-- Department of Juvenile Corrections	43,428,400		43,428,400		43,428,400		43,428,400
-- State Land Department	1,258,600	10,779,500	12,038,100		12,038,100		12,038,100
-- Department of Public Safety	45,524,000		45,524,000		45,524,000		45,524,000
-- Department of Revenue	45,442,100	(132,200)	45,309,900		45,309,900		45,309,900
-- School Facilities Board	173,708,300	4,735,300	178,443,600	(209,000)	178,234,600	(220,500)	178,014,100
-- Office of Tourism	7,000,000		7,000,000		7,000,000		7,000,000
-- Universities	707,333,800		707,333,800		707,333,800		707,333,800
-- Department of Water Resources	12,033,300		12,033,300		12,033,300		12,033,300
-- All Other Budgets	154,900,300	(6,953,600)	147,946,700	3,443,300	151,390,000		151,390,000
-- Civic Center Payment	5,595,000	14,854,000	20,449,000		20,449,000		20,449,000
-- Unallocated Adjustments	15,400	(15,400)					
-- Health Insurance Premium Holiday	(25,000,000)	25,000,000					
-- Employee Retention Payments	16,633,400	(16,633,400)					
-- Lease-Purchase/Rent		67,800	67,800		67,800		67,800
Total - Operating Budget	8,504,520,100	70,849,600	8,575,369,700	331,728,800	8,907,098,500	242,324,600	9,149,423,100
-- FY 13 Supplementals	116,900	(116,900)					
-- Capital Outlay	20,252,000	9,748,000	30,000,000	(30,000,000)			
-- Budget Stabilization Fund	200,000,000	(200,000,000)					
-- Administrative Adjustments	37,600,000	22,400,000	60,000,000		60,000,000		60,000,000
-- Revertments	(133,800,000)	53,800,000	(80,000,000)		(80,000,000)		(80,000,000)
-- Debt Service	84,119,800		84,119,800	(16,200)	84,103,600	(9,100)	84,094,500
Total Spending	8,712,808,800	(43,319,300)	8,669,489,500	301,712,600	8,971,202,100	242,315,500	9,213,517,600

Table 5

ALTERNATE SCENARIO 1/
STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 2/
WITH ONE-TIME FINANCING SOURCES

	FY 2013 Adjusted	FY 2014 Baseline	FY 2015 Baseline	FY 2016 Baseline
REVENUES				
Ongoing Revenues	$8,512,182,700	$8,912,255,300	$9,282,027,000	$9,578,507,800
Previously Enacted Changes 3/		(46,900,000)	(133,500,000)	(108,300,000)
1¢ Sales Tax	924,237,300			
Urban Revenue Sharing	(513,584,100)	(559,486,400)	(587,726,400)	(622,202,100)
Net On-going Revenues	$8,922,835,900	$8,305,868,900	$8,560,800,600	$8,848,005,700
One-time Financing Sources				
Balance Forward	396,960,000	$650,987,100	$219,208,300	
Previously Enacted Changes 3/	(52,000,000)			
Fund Transfers	96,000,000	6,000,000		
Subtotal One-time Revenues	$440,960,000	$656,987,100	$219,208,300	$0
Total Revenues	$9,363,795,900	$8,962,856,000	$8,780,008,900	$8,848,005,700
EXPENDITURES				
Operating Budget Appropriations	$8,529,520,100	$8,649,527,900	$9,127,066,300	$9,355,912,600
FY 2013 Supplementals 4/	116,900			
Administrative Adjustments	37,600,000	60,000,000	60,000,000	60,000,000
Revertments	(133,800,000)	(80,000,000)	(80,000,000)	(80,000,000)
Asset Sale/Lease-Back Debt Service	84,119,800	84,119,800	84,103,600	84,094,500
Subtotal Ongoing Expenditures	$8,517,556,800	$8,713,647,700	$9,191,169,900	$9,420,007,100
One-time Expenditures				
Capital Outlay	$20,252,000	$30,000,000		
Budget Stabilization Fund Deposit	200,000,000			
Health Insurance Premium Holiday	(25,000,000)			
Subtotal One-time Expenditures	$195,252,000	$30,000,000	$0	$0
Total Expenditures	$8,712,808,800	$8,743,647,700	$9,191,169,900	$9,420,007,100
Ending Balance 5/	$650,987,100	$219,208,300	($411,161,000)	($572,001,400)
Structural Balance 6/		*($407,778,800)*	*($630,369,300)*	*($572,001,400)*

1/ Alternate scenario represents assumptions with lower revenue growth and higher spending than the JLBC Baseline.
2/ Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.
3/ See General Fund Revenue Section for details.
4/ See page S-27 for details.
5/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization
6/ This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments.

Table 6

ALTERNATE SCENARIO SPENDING ESTIMATES BY MAJOR BUDGET UNITS

	FY 2013 Adjusted	FY 2014 $ Above FY 13	FY 2014 Baseline	FY 2015 $ Above FY 14	FY 2015 Baseline	FY 2016 $ Above FY 15	FY 2016 Baseline
EXPENDITURES							
Operating Budget							
-- Department of Administration	30,230,300	1,200,000	31,430,300		31,430,300	3,000,000	34,430,300
-- AHCCCS	1,397,607,300	(25,009,300)	1,372,598,000	251,266,800	1,623,864,800	82,062,900	1,705,927,700
-- Attorney General	23,049,900	(1,200,000)	21,849,900		21,849,900		21,849,900
-- Commerce Authority	31,500,000		31,500,000		31,500,000		31,500,000
-- Community Colleges	65,942,600	(2,577,300)	63,365,300	(489,300)	62,876,000	243,000	63,119,000
-- Department of Corrections	956,404,200	9,240,700	965,644,900	19,322,800	984,967,700	7,262,700	992,230,400
-- Department of Economic Security	612,296,200	26,904,900	639,201,100	60,251,800	699,452,900	28,161,800	727,614,700
-- Department of Education	3,496,900,300	55,167,300	3,552,067,600	54,235,500	3,606,303,100	81,646,700	3,687,949,800
-- Department of Environmental Quality	7,000,000		7,000,000		7,000,000		7,000,000
-- Department of Health Services	587,120,700	(9,204,000)	577,916,700	75,716,500	653,633,200	26,689,700	680,322,900
-- Judiciary	108,596,000		108,596,000		108,596,000		108,596,000
-- Department of Juvenile Corrections	43,428,400		43,428,400		43,428,400		43,428,400
-- State Land Department	1,258,600	10,779,500	12,038,100		12,038,100		12,038,100
-- Department of Public Safety	45,524,000		45,524,000		45,524,000		45,524,000
-- Department of Revenue	45,442,100	(132,200)	45,309,900		45,309,900		45,309,900
-- School Facilities Board	173,708,300	41,340,900	215,049,200	13,791,000	228,840,200	(220,500)	228,619,700
-- Office of Tourism	7,000,000		7,000,000		7,000,000		7,000,000
-- Universities	707,333,800		707,333,800		707,333,800		707,333,800
-- Department of Water Resources	12,033,300		12,033,300		12,033,300		12,033,300
-- All Other Budgets	154,900,300	(6,953,600)	147,946,700	3,443,300	151,390,000		151,390,000
-- Civic Center Payment	5,595,000	14,854,000	20,449,000		20,449,000		20,449,000
-- Unallocated Adjustments	15,400	(15,400)					
-- Health Insurance Premium Holiday	(25,000,000)	25,000,000					
-- Employee Retention Payments	16,633,400	5,544,500	22,177,900		22,177,900		22,177,900
-- Lease-Purchase/Rent		67,800	67,800		67,800		67,800
Total - Operating Budget	8,504,520,100	145,007,800	8,649,527,900	477,538,400	9,127,066,300	228,846,300	9,355,912,600
-- FY 13 Supplementals	116,900	(116,900)					
-- Capital Outlay	20,252,000	9,748,000	30,000,000	(30,000,000)			
-- Budget Stabilization Fund	200,000,000	(200,000,000)					
-- Administrative Adjustments	37,600,000	22,400,000	60,000,000		60,000,000		60,000,000
-- Revertments	(133,800,000)	53,800,000	(80,000,000)		(80,000,000)		(80,000,000)
-- Debt Service	84,119,800		84,119,800	(16,200)	84,103,600	(9,100)	84,094,500
Total Spending	8,712,808,800	30,838,900	8,743,647,700	447,522,200	9,191,169,900	228,837,200	9,420,007,100

Table 7

FY 2014 FUNDING FORMULA SUSPENSIONS 1/ 2/

	FY 2014 Formula Requirement
Statutory	
Community Colleges - Capital State Aid Suspension	$22,991,600
Department of Education - Soft Capital Formula	158,120,700
Department of Education - Charter School Additional Assistance	15,656,000
Department of Education - Capital Outlay Revenue Limit (CORL)	80,864,800
Department of Education - Fund JTEDs at 91%	5,854,700
Department of Emergency & Military Affairs - Governor's Emergency Fund	1,100,000
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	2,670,300
School Facilities Board - Building Renewal	260,009,700
Universities - Financial Aid Trust	11,321,800
Subtotal - Current Statutory Suspensions	$568,330,200
Future Year Cost - School Facilities Board - New School Construction	109,816,900
Total - FY 2014 Statutory Funding Formula Suspensions	$678,147,100
Non-Statutory	
Department of Administration - Building Renewal	$28,033,200
Universities - Building Renewal	100,401,400
Total - FY 2014 Non-Statutory Funding Formula Suspensions	$128,434,600

1/ Represents the cost of funding formulas that are currently suspended on an annual basis.
2/ Excludes AHCCCS suspension of Proposition 204 Childless Adults.

TECHNICAL BUDGET ASSUMPTIONS

TECHNICAL BUDGET ASSUMPTIONS

Baseline

This book reflects General Fund baseline revenue and spending estimates. The revenue projections are based on a consensus economic forecast while the spending estimates represent funding formula requirements and other obligations. The Baseline does not represent a budget proposal. By providing an estimate of available resources after statutory requirements, however, the Baseline will help members of the Legislature evaluate the availability of resources for these discretionary adjustments. As such, the Baseline is only a starting point for discussion on the FY 2014 budget.

FY 2014 Budget

A.R.S. § 35-101 specifies 17 state agencies as "annual budget units" receiving one annual appropriation; all other agencies are "biennial budget units" receiving biennial appropriations with the dollar amounts itemized for each fiscal year. The biennial period starts with the even-numbered year. Given the uncertainty regarding potential budget shortfalls in FY 2015 and future years, the Baseline only includes FY 2014 funding for all budget units. The Baseline also includes supplemental FY 2013 funding for the Treasurer. All FY 2014 changes are referenced to the original FY 2013 appropriated amount.

Changes from Prior Year

The Baseline includes adjustments for one-time appropriations, annualization of any items funded for a partial year, and funding formula requirements.

The individual agency descriptions in this volume provide further narrative detail on these changes. In addition, the book provides the line item detail for individual agency budgets. The major technical issues with regard to each of these line items are described below.

The individual agency descriptions also include the following years of budget data:

- *FY 2012 Actual* - This dollar amount represents the FY 2012 expenditures as reported by the agency. This amount includes monies appropriated for costs associated with an additional pay period and which expenditures were not reflected in the individual agency tables in the *FY 2012 Appropriations Report*. A footnote in each agency table notes the amount of the pay period adjustment.
- *FY 2013 Estimate* - This dollar amount represents the FY 2013 appropriations as of the end of the 50th Legislature, 2nd Regular Session. In the individual agency budget tables, this amount excludes one-time FY 2013 adjustments for a state employee health insurance premium holiday and employee retention payments. A footnote in each agency table notes the amount of these adjustments, if applicable.
- *FY 2014 Baseline* - This dollar amount represents the FY 2014 Baseline spending estimate.

Each budget summary includes the level of non-appropriated and Federal Funds available to the agency. The detail for these funds can be found in the "Summary of Funds" section at the end of each individual agency's narrative pages.

Statewide and Standard Changes

Personal Services - This category includes salaries paid to state employees. The Baseline does not include a state employee pay adjustment for FY 2014, nor does it continue the one-time critical retention payments authorized for FY 2013. The Baseline includes a decrease of $(16,633,400) General Fund and $(11,695,200) Other Appropriated Funds in FY 2014 to eliminate these one-time payments. For ease of comparison between the 2 years, the funds appropriated to each agency for this amount in FY 2013 is footnoted in agency narratives rather than incorporated in each agency's FY 2013 column in their narrative.

ERE Rates - This category typically represents changes in the state's cost of employee benefits. The rates have been held constant from FY 2013 to FY 2014 in the Baseline.

Medical and Dental Insurance - The Baseline includes no funding for a medical and dental insurance adjustment. Funding for the employer share of health insurance in an individual agency's FY 2014 Baseline is the same as in FY 2013. Total FY 2014 medical and dental insurance costs are estimated to be approximately $744.0 million in total funds, a combination of estimated ongoing FY 2013 costs of $708.9 million plus $35.1 million of new FY 2014 costs, reflecting 5.0% growth. The Baseline assumes that this 5% increase will be funded by drawdowns of the Health Insurance Trust Fund balance. After the 5% adjustment, the FY 2014 ending balance is estimated at $363.4 million. *(Please see the Health Insurance Trust Fund (HITF) discussion in the Arizona Department of Administration (ADOA) narrative for further details on HITF balances.)*

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 - 1.10% of Personal Services for each agency in ADOA personnel system, unchanged from the FY 2013 rate. The charge is applied to the payroll of agencies in the State Personnel System. Of this amount, 1.07% is used to fund the ADOA Human Resources Division budget while the other 0.03% is used to fund the State Personnel Board.

Laws 2012, Chapter 321 made a series of changes to the state's personnel laws, including adding 7 agencies which administered their own personnel systems to the State Personnel System and requiring them to pay the pro rata charge. No funding was added to the FY 2013 budget for these agencies; the Baseline includes a supplemental statutory change exempting these 7 agencies from paying the charge in FY 2013.

The Baseline does not address adding funding to these 7 agencies for FY 2014 pending legislative discussion of an ADOA proposal to lower the overall Personnel Division Pro Rata charge from 1.10% to 0.98%. *(Please see the Arizona Department of Administration narrative for more details.)*

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 government 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. Employees' payments depend on the number of hours of sick leave and their salary, with the payment capped at 50% of 1,500 hours of sick leave, or $30,000 maximum.

Attorney General Legal Services - The Attorney General Pro Rata charge of 0.675% of the Personal Services base for certain agencies was eliminated by the FY 2013 Criminal Justice BRB. This charge funded ongoing Attorney General operations. The FY 2013 budget replaced the lost revenue with a direct General Fund appropriation to the Attorney General's office and established new flat dollar charges for agencies to pay for Attorney General services. These charges, however, are not applied to an agency's Federal Funds.

The FY 2014 Baseline continues the same non-General Fund charges as in the FY 2013 budget but eliminates or reduces 5 charges as outlined in the Attorney General agency narrative.

Workers' Compensation - The rates calculated by ADOA vary by individual agency and have changed from the FY 2013 workers' compensation rates. ADOA estimates the average statewide rate would decrease from 1.03% in FY 2013 to 1.00% in FY 2014. The Baseline does not adjust agency budgets for this change.

Federal Insurance Contributions Act (FICA) - Social Security employer taxes are paid at a rate of 6.20% up to $113,700 of an employee's salary beginning January 1, 2013, an increase from the current maximum of $110,100; the rate is unchanged from FY 2013. The Baseline does not adjust agency budgets for this change.

In addition, Medicare employer 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 Baseline does not adjust agency budgets for this change.

Retirement - FY 2014 rates as determined by the state's retirement systems have changed from the FY 2013 rates. The total contribution from ASRS employees and employers combined will increase from 21.8% in FY 2013 to 22.6% in FY 2014. Employee contribution rates for the Elected Officials Retirement Plan and the Public Safety Personnel Retirement Plan also changed pursuant to changes set in statute.

The Baseline does not include funding for the employer share of the retirement rate adjustment. If funded, the General Fund cost would be $13.8 million, including $3.1 million for ASRS and $10.7 million for non-ASRS employees as noted in *Table 1*. The rates for the different retirement systems, as a percent of Personal Services, are shown in *Table 2*. In FY 2014, the total General Fund cost of the employer share, including this latest adjustment, is $139.9 million. Of this amount, the ASRS cost is $59.3 million while the non-ASRS cost is $80.6 million.

Table 1

Retirement System Appropriated Costs 1/

	GF	OF	Total
Increase			
ASRS	$ 3,072,700	$ 1,684,700	$ 4,757,400
Non-ASRS	10,687,200	2,761,800	13,449,000
Total	**$ 13,759,900**	**$ 4,446,500**	**$ 18,206,400**
System			
ASRS	$ 59,300,000	$75,100,000	$134,400,000
Non-ASRS	80,600,000	57,800,000	138,400,000
Total	**$139,900,000**	**$132,900,000**	**$272,800,000**

1/ Excludes non-appropriated funds

Table 2

Retirement Rates

Retirement System	Employer FY 2013	Employer FY 2014	Employee FY 2014 [1/]
Arizona State Retirement System	10.90	11.30	11.30
Correctional Officers Ret. Plan			
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 Officials Retirement Plan [3/]	20.87	25.94	13.00
University Optional	7.00	7.00	7.00
Public Safety Personnel Retirement			
Liquor License Investigators	46.99	44.34	10.35
Department of Public Safety [4/]	48.71	51.99	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 University Optional Plan and DPS Dispatcher employee contributions are unchanged from FY 2013. Arizona State Retirement System employee rates increased from 10.90%, Correctional Officers Retirement Plan rates increased from 8.38%, 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.

Risk Management - Individual agency budgets' Other Operating Expenditures include funding for Risk Management charges billed by ADOA. The billings vary by individual agency and have changed from the budgeted FY 2013 rates. The rate changes would reduce total revenue into the Risk Management Fund statewide from all fund sources by $(647,500) The Baseline does not adjust agency budgets for this rate change. The JLBC Staff will further explore whether individual agency appropriations should be adjusted for the changes in Risk Management charges.

Rent - Individual agency budgets' Other Operating Expenditures include monies to pay rent for state-owned, lease-purchase or privatized lease-to-own (PLTO) space, as well as for privately-owned space.

ADOA charges $13.82 per square foot for all state agencies occupying state-owned space and $5.01 per square foot for state-owned storage space in FY 2013. These rates are based upon usable square feet.

The FY 2013 Budget Procedures BRB (Laws 2012, Chapter 296) included a legislative intent statement that rental rates be converted from usable square feet to rentable square feet in FY 2014 if there is no General Fund impact. The Baseline adjusts rental rates to reflect this change, reducing the office space rate to $13.08/square foot and the storage space rate to $4.74/square foot. These revised levels would generate FY 2014 COSF collections of $28,672,800. This amount is an increase of $697,800 over the FY 2013 amount, but reflects no net General Fund impact. The Baseline includes $503,700 in Other Appropriated Funds for this increase; the other $194,100 would come from non-appropriated funds. *(Please see the State Rent discussion in the Capital Outlay - ADOA Building System narrative for more details.)*

In addition to these changes, the Baseline also includes $1,100 from the General Fund and $5,700 in Other Appropriated Funds for lease-purchase payment increases, and $66,700 in General Fund monies and $203,500 in Other Appropriated Funds for changes in privatized-lease-to-own payments.

The Baseline does not address increases in rent for privately-owned space.

Full-Time Equivalent (FTE) Positions

Each agency section in this book includes the proposed FY 2014 ceiling of Full-Time Equivalent (FTE) Positions for the agency, along with the FTE Position ceiling for FY 2012 and FY 2013. Any changes from the prior year total are noted in agency narrative. The number of FTE Positions reflects personnel funded from both Personal Services and Special Line Items.

Format

Each agency section in this book includes the proposed agency budget format. Any changes from the prior year format are noted. The format governs how an agency's appropriation will appear in the General Appropriation Act. The most common budget formats are as follows:

- *Lump Sum by Agency*
- *Lump Sum by Program*
- *Modified Lump Sum by Agency*
- *Detailed Line Item by Agency*

A less detailed format will provide an agency with more discretion in implementing the budget at the expense of legislative oversight for that agency. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds to a purpose different from that originally intended by the Legislature.

Details on each of these common formats are below:

Lump Sum by Agency - The appropriation consists of a single dollar amount, thereby allowing the agency to shift funds among line items and programs without further legislative review. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Lump sum appropriation	$100,000

Within this format, the Legislature will need to determine whether Special Line Items (funds generally granted to entities or individuals outside of state government, or which merit special attention) will be included in the Lump Sum or listed separately.

Lump Sum by Program - The appropriation consists of a single dollar amount for each agency program. Agencies must receive ADOA approval prior to shifting monies from one program to another. Any Special Line Items would be listed under the program with which they are associated. In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Program A	$30,000
Program B	30,000
Program C	40,000
Total Appropriations - Agency X	$100,000

Modified Lump Sum - The appropriation consists of at least 3 lines: Personal Services, Employee Related Expenditures, and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, an agency must seek approval of the Joint Legislative Budget Committee before moving any funds into or out of the Personal Services or ERE line items (A.R.S. § 35-173(e)). In the General Appropriation Act, the agency's budget would appear as follows:

Agency X	
FTE Positions	2.0
Personal Services	$60,000
Employee Related Expenditures	15,000
All Other Operating Expenditures	25,000
Total Appropriations - Agency X	$100,000

Detailed Line Item - The appropriation consists of each line item listed in this book, including Personal Services, Employee Related Expenditures, Professional and Outside Services, Travel, Other Operating Expenditures, and Equipment. Any Special Line Items would be listed separately. While the same rules govern Personal Services/ERE transfers as noted in the Modified Lump Sum description, the detailed line item appropriation requires the agency to seek ADOA approval before transferring monies between any other line items.

Agency X	
FTE Positions	2.0
Personal Services	$60,000
Employee Related Expenditures	15,000
Professional & Outside Services	3,000
Travel - In State	7,500
Travel - Out of State	2,500
Other Operating Expenditures	5,000
Equipment	2,000
Local Grants	5,000
Total Appropriations - Agency X	$100,000

Footnotes

The individual agency sections of this book include proposed footnotes, which are narrative statements in the General Appropriation Act that establish conditions for expenditures, reporting requirements, and legislative intent. A footnote, however, cannot be used to modify an existing program's authorizing law. Footnotes are classified into one of the following categories:

- *Standard Footnotes*
- *New Footnotes*
- *Deletion of Prior Year Footnotes*

Please see the Major Footnote Changes section for a listing of major footnote changes from FY 2013.

Statewide Footnotes

In addition to individual agency footnotes, the Baseline would include several footnotes applying to statewide issues to the General Appropriation Act. All the following footnotes are unchanged from FY 2013 unless noted.

Expenditure Reporting - 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.

FTE Position Reporting - The FTE Positions in the General Appropriation Act are subject to appropriation. The ADOA Director shall compile an FTE Position utilization report for FY 2014 for submission to the JLBC Director by October 1, 2014. This report shall include both appropriated and non-appropriated positions. The Department of Economic Security, Universities, and Department of Environmental Quality are exempt from the ADOA report but are to report in a comparable manner. In addition, each agency shall submit a report to the JLBC Director by October 1, 2013 on the number of filled, appropriated and non-appropriated FTE Positions by fund source as of September 1, 2013.

Both the ADOA and agency reports are being expanded to include non-appropriated positions to provide a more comprehensive review of state employment.

Transfer Authority - ADOA shall provide a monthly report to JLBC Staff on agency transfers of spending authority from one expenditure class to another or between programs.

Long-Term Budget Estimates - 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 budget year and the following 2 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. For details on the FY 2014 - FY 2016 revenue and expenditure estimates, please see the *Long-Term General Fund Estimates* section.

Interim Reporting Requirements - ADOA shall provide to the JLBC a preliminary estimate of the FY 2013 General Fund ending balance by September 15, 2013. 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.

Non-Lapsing Appropriations - The General Appropriation Act will designate certain appropriations with "*," meaning that the appropriation is exempt from lapsing.

Expenditure Authority - For the 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 - For the 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.

Statutory Changes

The individual agency sections of this book include proposed statutory changes related to the budget. These changes will be introduced in Budget Reconciliation Bills (BRBs). *(Please see the FY 2014 Budget Reconciliation Bill Provisions section for a complete listing of proposed statutory changes.)*

In addition to agency-specific statutory changes, the Baseline would, as session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.

Other Issues for Legislative Consideration

This section may also include other information of general interest, including FY 2013 supplementals.

Statewide Expenditure Adjustments

In addition to changes in individual agency budgets, the Baseline includes 3 "balance sheet" expenditure items not discussed elsewhere: Administrative Adjustments, Revertments, and Statutory Revertments.

Administrative Adjustments - The Baseline assumes that state agencies will have expenditures totaling $37,600,000 in FY 2013 for FY 2012 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2012 but for which the state was unbilled until FY 2013. An agency's administrative adjustments cannot exceed its prior year revertment, or unused appropriation authority. The $37,600,000 is a decrease of $(26,784,900) from the originally-budgeted FY 2013 total. The FY 2013 amount is based on an analysis of individual agency spending reports and extrapolating final administrative adjustments based on those agencies' historical trends. The estimate is 20% of FY 2012 revertments, at the bottom end of the range from previous years of below 30% to above 70%. Most of the unspent revertments are in caseload-driven agencies such as the Arizona Department of Education (ADE) and AHCCCS.

In addition to the FY 2013 figure, the Baseline assumes a FY 2014 administrative adjustment total of $60,000,000, an increase of $22,400,000 from the FY 2013 total. The FY 2014 amount reflects 45% of prior-year revertments (*see Revertments discussion below*).

Revertments - The Baseline assumes that state agencies will revert $(133,800,000) of FY 2013 appropriations back to the General Fund because the agencies will not spend their entire appropriation. Agencies will be permitted to make administrative adjustments totaling no more than this amount in FY 2014. This amount is an increase of revertments of $(33,801,700) from the originally-budgeted FY 2013 total of $(99,998,300). The revised FY 2013 amount reflects 1.6% of total spending. This figure primarily reflects anticipated surpluses in caseload-driven agencies as noted below:

- AHCCCS: $46,936,900
- ADE: $46,543,700
- DHS: $20,332,100

All other FY 2013 revertments are forecast to be $19,987,300.

In addition to the FY 2013 estimate, the Baseline also assumes a FY 2014 revertment total of $(80,000,000), a decrease of $(53,800,000) from the FY 2013 total. This amount is about 0.9% of total spending.

JLBC STAFF
AND
AGENCY DIRECTORY LISTINGS

DIRECTORY OF JLBC ANALYSTS
AND AGENCY/DEPARTMENT HEADS

AGENCY/DEPT./BUDGET AREA	JLBC ANALYST	AGENCY/DEPARTMENT HEADS	TELEPHONE NUMBER
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	Margaret Burns [Interim Executive Director]	602-542-1593
Arizona State University	Marge Zylla	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	Todd Lang [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]	602-542-3933
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 Ann A. Scott Timmer [Chief Judge]	602-542-4828
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

AGENCY/DEPT./BUDGET AREA	JLBC ANALYST	AGENCY/DEPARTMENT HEADS	TELEPHONE NUMBER
House of Representatives	Bob Hull	Honorable Andy Tobin [Speaker of the House]	602-926-5495
Housing, Arizona Department of	Andrew Hartsig	Michael Trailor [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
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	Vacant [Executive Director]	602-542-8242
Navigable Stream Adjudication Commission, AZ	Andrew Hartsig	George Mehnert [Executive Director]	602-542-9214
Northern Arizona University	Marge Zylla	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. Hutzel [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	Marge Zylla	Tom Anderes, Ph.D. [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
Tax Appeals, State Board of	Bob Hull	Janice C. Washington [Chairperson]	602-364-1102

AGENCY/DEPT./BUDGET AREA	JLBC ANALYST	AGENCY/DEPARTMENT HEADS	TELEPHONE NUMBER
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
University of Arizona	Marge Zylla	Ann Weaver Hart, Ph.D. [President]	520-621-5511
Veterans' Services, Department of	Amy Upston	Colonel Joey Strickland [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
OTHER ASSIGNMENTS			
Capital Review	Art Smith		
Capital Review - Debt Financing	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

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
  ..... Marge Zylla
- Fiscal Analysts ..... Andrew Hartsig
  ..... Ben Henderson
  ..... Krista MacGahan
  ..... Tom Ritland
  ..... Jon Stall
- Administrative Assistant/JLBC Clerk ..... Alanna Carabott
- Administrative Assistant/JCCR Clerk ..... Tera Scherer